

**Climate progress.
It's happening.**



VATTENFALL

Table of contents

Report of the Management Board:	3
• About Vattenfall NV	3
• Topical issue	3
• Our beliefs about the future	5
• Changing regulatory framework	6
• Strategy	7
• Operational performance	9
• Financial performance	15
• Business risks and risk management	17
• Planned Activities	19
• Composition of the Management and Supervisory Board	20
Financial Statements:	21
• Consolidated accounts	22
• Notes to the consolidated accounts	26
• Company accounts	52
• Notes to the company accounts	53
Other Information:	57
• Independent auditor's report	57
• Assurance report of the independent auditor	59
• Declaration of Compliance with the Code of Conduct for Suppliers and Metering companies operating under their responsibility	61
• Annual Statement 2020 in the framework of the Heat Act	62
• District heating label 2020	65
• Profit appropriation	65

Report of the Management Board

About Vattenfall N.V.

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

Vattenfall's operations in the Netherlands are carried out by Vattenfall NV and its subsidiaries. Vattenfall NV also operates one gas storage facility located in Germany. Vattenfall NV produces and supplies electricity, gas, heat and cooling, offering its customers a wide range of energy-saving products and services. Vattenfall NV has approximately 3,500 employees (FTEs) and more than 2 million customers in the Netherlands. With net sales reaching almost EUR 2.6 billion in 2020, Vattenfall NV holds a top-three position in the Dutch energy market. The activities relating to market access, trading and power plant optimisation are centralised in one central Continental hub in Hamburg. The activities that serve and support Vattenfall NV's power plants and gas portfolio optimisation are also handled in Hamburg, but are executed on behalf of Vattenfall NV.

Vattenfall AB has committed itself to the Swedish Corporate Governance Code (SCGC). Within the Vattenfall Group focus on the SCGC is therefore emphasised. More information about Vattenfall can be found in the 2020 Annual and sustainability report of Vattenfall AB and can be found at www.vattenfall.com. As part of Vattenfall, Vattenfall NV's financial and sustainability results are included in this Vattenfall report. More detailed information about Vattenfall's work with sustainability is also available at <https://group.vattenfall.com/who-we-are/sustainability>.

Topical issue: The challenges of a world-wide pandemic

2020 will be remembered as the year when a virus changed life all over the world. This is how Vattenfall and its employees managed to fulfil their important role in society during a pandemic-ridden 2020.

On 9 January 2020, the World Health Organisation made a statement about a mysterious corona virus-related pneumonia found in Wuhan in China. The virus set off a world-wide COVID-19 pandemic that forced countries into lock-down to prevent the virus from spreading and in turn putting heavy pressure on health sectors and causing the number of fatalities to soar. In many countries, tough restrictions were put on ordinary life and companies had to cut down or discontinue their activities. With its critical infrastructure responsibility and an important role in society, Vattenfall faced the challenge of delivering system-critical electricity and heat despite the many restrictions. The company succeeded in keeping its many production facilities running throughout 2020, while ensuring its employees stayed safe and healthy.

Vattenfall's organisation always has plans prepared for a range of contingencies – including pandemics. But this one developed differently from anything experienced since the Spanish flu, and all plans had to be reviewed and adapted to the new situation. "Our Group, country, and Business area organisations are trained in crisis management, and although COVID-19 is not within the definitions of a crisis, the same platform and principles could be used in this situation. The fact that we took some tough decisions early with a well-trained organisation meant the pandemic did not have the same initial impact on us as it did on some other organisations," says Fredrik Torp, Head of Corporate Security & Resilience and Chairman of Vattenfall's Pandemic organisation.

The IT organisation put to the test

As employees were sent home in response to the authorities' recommendations or instructions, a challenging IT operation was launched to enable work from home. Thousands of employees needed to connect to the company's IT systems via home internet connections to take video meetings and work on shared servers. Already early in February 2020, to secure everyone's access to their systems and data, the bandwidth was increased and the number of VPN tunnels went from 300-500 employees connected via VPN each day to over 2750 unique users per day, with around 2000 concurrent users daily.

Lockdowns and closed borders

In March 2020 The Netherlands went into a first lockdown. The installed pandemic organisations were following governmental recommendations and instructions, such as asking people to work from home unless they had critical functions, and the business organisations activated their business continuity plans.

“To keep an overview of the complex situation, various weekly meetings were set up. The pandemic coordination group met to exchange information about the situation and the regulations in force. Corporate Security & Resilience (CS&R) and local Health & Safety (H&S), business areas, relevant staff functions and the Executive Group Management were all represented in these meetings. Marika Alpini, Incident Manager and Group Pandemic Coordinator, explains. Also in March 2020, it was decided to stop all non-critical travelling to protect the employees from exposure to the virus and getting stranded far from home.

Keeping activities running

The challenges experienced in Vattenfall's business were many and varying as can be seen from the below examples from the Heat and Wind operations.

At the gas fired power plants management quickly introduced the necessary measures such as social distancing, additional cleaning, non-medical masks, hand gels and reduced access to areas like control rooms with highly critical functions and reduced amount of employees on site. And, in general, very few people at the power stations have become sick with corona or other illnesses during the pandemic. One theory is that the deeply rooted safety culture at our plants, and the fact that staff there is used to working with an “invisible” potential danger and wearing protective equipment, contributed to a safe approach to a common protection from the corona virus. Production was not affected at the power plants. Even the large revisions at Eemshaven and Diemen, which were carried out with external contractors from all over the world, were performed without problems. Special measures were however necessary in some situations, for example to enable travelling of required international expertise. Vattenfall's Wind business is a highly international organisation and logistics is a cornerstone in its activities. The pandemic has been a challenge for Vattenfall's operators as well as for contractors.

In the Wind business in the Netherlands overall we have not seen delays in our time plans. Of course the way we have carried out the work, especially on our construction and operational sites has changed triggered by the pandemic. For example for the construction work on our Princess Ariane Windpark (Wieringermeer) site, we have only allowed those people on site that really needed to be there and could not do their work from home. We have also made some changes in the shifts of the teams, ensuring that we did not mix up groups of site workers to avoid cross contamination. Protective measures like disinfectant hand gels and mouth masks of course have been made available. As an additional service for some of our foreign workers in the beginning of the pandemic, we have made medical services available, for our workers to be able to ask questions and raise any health concern they might have.

In Customers and Solutions digital solutions were introduced early on to keep contact with existing and potential customers. All this and similar efforts in other business areas meant that Vattenfall could ensure that supply of electricity and heat would be maintained, making that one less thing for our stakeholders and society to worry about. Despite the challenges with social distancing our mechanics in both our district heating business and Feenstra continued to work under special corona protocols to make sure reliable delivery of heating and cooling to our customers was secured.

Employee wellbeing

A critical factor in securing supply of electricity and heat to society is the wellbeing of Vattenfall's employees. With a large number of people working permanently from home, both mental and physical health could be challenged, and numerous steps were taken by the company as well as at the initiative of the employees. On the mental side, coaching from a distance and online support were made available to managers and employees, just as social interaction among employees through team sessions was encouraged to replace physical meetings. Supported by digital tools, creative solutions were developed to keep social contact and encourage physical activities among colleagues. On Vattenfall's intranet, inspirational interviews were published with employees from all Vattenfall countries on the way they coped, for instance, with home schooling their children and keeping work-life balance when the entire family was home together all day.

To avoid the physical ill-effects from employees working on laptops at their dinner tables, employees were allowed to borrow equipment such as monitors, chairs, mouse and keyboards.

In spite of the challenges Vattenfall's employees have had to cope with, the annual employee survey showed a remarkable increase in the engagement score from 73 to 79 in 2020.

The stepwise reopening

In May 2020 Vattenfall reopened stepwise its first offices based on the recommendations from the authorities. Office rules followed governmental recommendations and the entire pandemic organisation remained active, which proved to be a prudent move when the second wave started to sweep over Europe and many restrictions were re-introduced, continued, and even strengthened.

The second wave

“When the second wave hit in autumn, some people had worked for almost eight months from home, perhaps in a small flat with their partner and children home also for certain periods of time. The uncertainty of the situation is challenging for many employees,” says Merlyn Esajas, policy advisor at H&S. We focused on working over distance

and on the required support. That included in November 2020 the release of a comprehensive toolkit which, among other things, covered work/life balance, leisure time, how to organise work and checking the home office ergonomics. With the government stimulating working from home, ergonomics also became a key topic.”

Maturing through challenges

Vattenfall's organisational structures and employees have continuously matured in their approach to the ever changing conditions of the pandemic. They have proved to be able to meet the challenges they faced and continue to deliver heat and electricity and gas to customers while never sacrificing employee health and safety in doing so.

Our beliefs about the future

Following an extraordinary year of a worldwide pandemic, our beliefs about the future still remain intact. As part of Vattenfall, we are determined to enable fossil-free living within one generation. We are looking beyond our own industry to see where we can really make a difference. Together with our partners, we are taking on the responsibility to find new and sustainable ways to electrify transportation, industries and heating. Vattenfall NV is passionate to contribute to this transformation of the energy sector and drive the development to reduce our dependence on fossil fuels. Our frontrunners position as one of the most sustainability oriented companies in the energy sector, is being recognized by EcoVadis, a leading source of corporate sustainability evaluation, as in February 2021, Vattenfall was rewarded with a Platinum rating. Below we summarise the most important aspects of the market trends around us. They underpin our strategy and represent our view of what is necessary to ensure Vattenfall's success, given the overall context in which we operate.

Sustainability is key and leaders must have a positive track record, extending beyond climate action

Current development shows how customers as well as employees, partners and investors look for companies that take environmental, social, and governance responsibility. Businesses viewed as forward-thinking and sustainable can leverage these qualities and have a competitive advantage on the market. Over the coming decade, expectations will have expanded to include leadership in areas beyond climate and a good sustainability performance will no longer be given a premium. Demonstrable maturity in topics like biodiversity, human rights and circular economy will be the expectation, not a cause for reward. And covering not only our own operations, but the full value chain.

Customers want simple solutions and decarbonising the industry, transport, and heating sectors will be a sizeable business opportunity

As customers demand more sophisticated solutions that support them in efforts to decarbonise, they require help in order to navigate the complex energy landscape. With more decentralised and smart solutions, companies will be required to help their customers with optimising the usage and managing the interplay between them. While many solutions, like solar photovoltaic (PV), e-mobility, and energy storage are available today, market growth is expected to accelerate. Fueled by government stimulus, the decarbonisation of the industry, transport, and heating sectors will represent a sizeable business opportunity over the coming decade. Companies that can provide integrated solutions that truly focus on customer needs, by leveraging expertise across the full energy value chain, will have a strong competitive advantage.

Thoughtful management of stakeholder relations is needed to enable the build-out of renewables and electricity grids

As sectors continue to electrify, the demand for fossil-free electricity will grow. This will require a massive build-out of renewables as well as strengthening and modernising the current electricity grid infrastructure – at an unprecedented pace. To do this successfully, it is necessary to gain public acceptance of these technologies and local support for land use, to avoid stalling of permitting processes. Companies with good stakeholder management and community engagement skills will be better positioned to get permits and secure the license to operate. A coordinated and strategic approach will be necessary, and successful stakeholder management and dialogue will become fundamental enablers.

Digitisation of the entire energy value chain is necessary and is a key enabler for energy system flexibility

With renewables increasing and sectors electrifying, it is necessary to better leverage existing infrastructure and assets, along with the potential for flexibility, in order to continue to deliver an optimised and efficient energy system. This requires further digitisation of the energy value chain as extracting insights from data will become the baseline for staying competitive. Artificial intelligence, automation, and data-driven programs and strategies will be a minimum requirement for staying in the game. Relevant for managing assets and enabling flexibility, it will also provide customers with information and services they demand, as part of a high-tech society.

New competencies are critical in the energy transition and companies will compete for top talent

As the energy industry transitions into new ways of interacting with customers, technology, and society, new skill sets and competencies will continuously be required. As the energy landscape shifts and business models adapt, maintaining constant focus on identifying, attracting, enhancing, and retaining key skills will be necessary. In addition, having the right expertise inhouse will be an important competitive advantage, enabling the delivery of new products, more efficient processes and empowered people. A targeted approach will be required to ensure access to required skills now and in the future.

Cost efficiency and competitiveness is paramount for being a winner in the energy transition

Efficient operations require a high utilisation of people and assets, lean and digital processes, and high cost awareness. It will be crucial to deliver to customers the products and services that they value, and to do so while controlling costs. Furthermore, it will be paramount to understand the dynamics of each market and focus on the markets, business models, and customer segments where a competitive advantage can be achieved. Continuous prioritisation and optimisation to deliver more value, at a higher quality will be needed. As the market is currently undergoing a huge transition, companies are defining their directions going forward, and over the next decade it will be clear who will succeed.

Changing regulatory framework

As we enter the "decade of action" policy is more important than ever to make the energy transition happen. Climate ambitions are increasing on all our markets both in terms of the phase-out of fossil fuels and expansion within renewables as well as within new technology.

Increased climate ambition

The commitment to decarbonisation remains strong across all our markets. A long-term objective to make the EU economy climate neutral by 2050 was adopted by the European Council at the end of 2019 and will be enshrined in a new EU climate law in 2021. This will also increase the EU's interim 2030 target from a 40% to a 55% greenhouse gas emissions reduction. The COVID-19 crisis caused delays in progressing with several initiatives under the European Green Deal, but EU institutions remain committed to it, and to the long-term goal to achieve climate neutrality by 2050.

Execution of Climate Agreement and general elections

In 2020 further work was done on the execution of the Climate Agreement on several sector tables. Vattenfall is

most directly affected by the decisions at the Electricity table and Build environment table. Among other things, in the different regional energy strategies (RES) the spatial possibilities for wind - and solar energy (>35 TWh) were explored, and also the mapping of heat sources versus demand. Also the decarbonisation of industry is increasingly in focus and could offer opportunities to the energy sector via the development of a hydrogen road map and climate plans for each of the 5 industrial areas. Furthermore, general elections were held in March 2021 and thus a new cabinet upcoming.

Several Acts in preparation

The Ministry of Economic Affairs & Climate worked on the preparation of a new act on district heating, which focuses on several aspects such as market model, a minimum decarbonization path, tariff regulation, and security of supply. A new Energy Act has been prepared as well, which merges and revises the current Gas- and Electricity Act.

Fiscal support for the energy transition

The EU's Taxonomy regulation, which will be finalised during 2021, provides a framework for what kind of financial product or economic activity can be labelled as "sustainable". The intention is to give guidelines to the financial sector to support more sustainable investments in low-carbon activities and the regulation is part of a broader sustainable finance strategy. The EU Commission meanwhile has proposed a new funding mechanism - the Next Generation EU - to the 2021-2027 Multiannual Framework. This instrument aims to kickstart green and digital growth, among other things by providing investment for low-carbon technologies. Additional support is expected to come through higher carbon prices, driven by an expected revision of the EU Emissions Trading Scheme (EU ETS) directive in 2021. In The Netherlands, however, we responded to a consultation on a bill on a national CO₂ tax for industrial emissions on top of the EU ETS.

Ban on use of low-caloric gas for largest consumers

Parliament approved the law that, from 1 October 2022 onwards, prohibits the use of low-caloric natural gas for off-takers with a high demand, including Vattenfall NV's Diemen plant. This in order to phase-out the natural gas extraction from the Groningen gas field. Large consumers of natural gas like power plants and industries will be transferred to high-caloric gas which can be imported from abroad.

Revision of Offshore Wind Act

After a long parliamentary trajectory of more than 2.5 years and several bills for amending, by the beginning of 2021 the revised Offshore Wind Act was finally approved in the House of Representatives. Now, the Offshore Wind Act allows an extension for the Hollandse Kust Zuid permit (originally

30 years in length) after a maximum of seven 'permit years' (instead of after 20 years, which was initially proposed). For newly permitted wind farms a permit period to forty years is foreseen. An adopted amendment asked the Minister to conduct a research into market conditions prior to the selection of a tender procedure (with or without subsidy). Most important for Vattenfall is a resolution that asks the government to investigate – together with the sector – which options can be added to the policy instruments for a cost-efficient roll-out of offshore wind energy.

Biomass for built environment

The energy transition is unfolding at a rapid pace, and consequently Vattenfall's projects and partnerships are increasing in scale and impact. However, this growth can only be sustainable with public support, and in some cases public support is not always immediate. There has been political and public debate about the sustainability of biomass for energy generation such as electricity and heat. Although local stakeholders share our aim to decarbonise, some have expressed opposition to biomass, despite the lack of good alternatives and despite the support of the European Commission and national government for use on sustainable biomass. We are still in the process of working closely with local stakeholders and municipalities to find a solution that is supported by all parties to replace gas in the cities for instance in Diemen. On the other hand, this demonstrates that despite shared ambitions, stakeholders' views on solutions may vary over time, and thus stakeholder engagement will remain fundamental to reach our ambitions of fossil-free living. The government regards biomass for heating as a transition solution and is requested by parliament to come up with an end-date for new subsidy commitments for biomass in the built environment. A recent advice by PBL (a government's advisory body) stated that an end-date before 2030 would put the climate goals at risk.

Strategy

Vattenfall has formulated a strategy with the purpose to Power Climate Smarter Living and enable fossil-free living within one generation. This commitment to our customers, stakeholders and employees provides clear direction, engagement and focus as well as significant business opportunities. This strategy is fully implemented into Vattenfall NV's operations. The Vattenfall strategy is summarised below to the extent to which it is relevant for Vattenfall NV's activities. For further context and details, we refer to Vattenfall's annual and sustainability report.

Fossil-free living within one generation remains our compass

Fossil-free living within one generation continues to be a powerful and relevant message that provides a clear direction for Vattenfall. This bold statement also sets us apart as leaders in the energy transition, and it is increasingly clear that customers as well as potential employees and investors are responding to this. With the successful rebranding of Nuon to Vattenfall and the introduction of our purpose Power Climate Smarter Living and our goal of enabling fossil-free living within one generation to the general public, we see among the general public a gradual increase in the value of our brand.

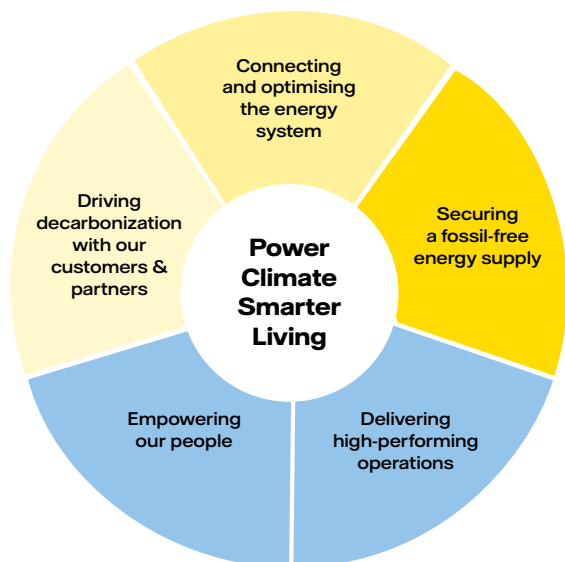
While the goal is clear, the path to get there is still being uncovered, and we know it will not be an easy road. It starts with the phase-out of coal for The Netherlands, which we contributed to with the closure of our coal fired Hemweg plant, but regulatory uncertainty remains on how this will occur leading up to the prescribed end dates, as well as which technologies are viable replacements. Similarly, we know natural gas will be phased out next, though there is even greater uncertainty around the timing and replacement technologies. Meanwhile, growth of large scale renewables and new and decentralised energy solutions are accompanied by investment challenges and risk exposures which require new business models and competences to properly manage. As we adapt our plan to the evolving landscape, transparency with our stakeholders will ensure that we remain a trusted partner and a leader in the transition.

Vattenfall's strategy drives our contribution to the UN Sustainable Development Goals



Our strategy and our purpose reflect the UN's Agenda 2030, in particular the Sustainable Development Goals for Affordable and clean energy (#7), Industry, innovation and infrastructure (#9), Sustainable cities and communities (#11), Responsible consumption and production (#12), Climate action (#13), and Partnerships for the goals (#17).

Vattenfall's Board of Directors has decided on five strategic focus areas to guide the strategic direction. They illustrate how Vattenfall creates traction given the context it operates in, and how to capture business opportunities in the energy transition. The strategy wheel is based on the integrated utility logic and describes the focus throughout the value chain (top three parts) and the internal organisation to make it happen (two lower parts).



- **Driving decarbonisation with our customers & partners** with focus on increasing customer centricity and promoting electrification and climate smart energy solutions in areas where we have a competitive advantage.
- **Connecting and optimising the energy system** with focus on maximising the value of flexibility and promoting a stable and cost-efficient grid infrastructure.
- **Securing a fossil-free energy supply** with focus on growing in renewables, maximising the value of our existing fossil free assets, and implementing our CO₂ roadmap.
- **Delivering high-performing operations** with focus on being both competitive and cost-effective, leveraging opportunities in digitalisation and taking social and environmental responsibility throughout the value chain.
- **Empowering our people** with focus on securing necessary competence while improving the employee journey and providing a safe working environment.

Achieving our strategic objectives will require that we accelerate our work in a number of important areas. Maintaining a competitive edge and financial strength are key prerequisites in this work. We will need to meet customers' needs faster, increase our efficiency ambitions, and raise the bar with respect to sustainability.

One cornerstone of Vattenfall's growth strategy for large-scale wind and solar projects is to look for potential co-investors to balance the significant investment costs of our future assets. Strong investors will support us to drive the transformation of the energy landscape since it will open up financial space for new investments in renewables and decarbonization. We call this 'asset ownership flexibility'. This approach is a common process in our industry. Vattenfall has a strong track record in developing, constructing and operating assets in the energy business.

Proof Points

In 2020 on June 4th the final investment decision was taken on Hollandse Kust Zuid 1-4, it will be the world's largest offshore wind farm when commissioned in 2023. The wind farm will have an installed capacity of 1,500 MW. Inauguration of Princess Ariane onshore wind farm, formerly known as Windpark Wieringermeer was on 30 September 2020 and is the largest of its kind in the Netherlands with a total capacity of 301 MW. Haringvliet, a hybrid energy park with six wind turbines (22MW), 115,000 solar panels (38MW) and 12 sea containers of battery storage (12MW) was commissioned. The 7 MW solar park Coevorden generated its first electricity in January 2020. The project was divested post-construction to the Belgian insurance company Patronale. In 2020 we installed 4,109 charging points which contributes to the further electrification of mobility. These examples are important milestones in fulfilling our purpose to become fossil free within one generation.

Operational Performance

A sustainable Investment plan

Vattenfall continues to invest heavily in growth with a clear focus on additional renewable production accompanied by measures to decarbonise the heat supply and strengthen supply networks for electricity and heat. Total planned investments in 2021 and 2022 are SEK 78 billion (EUR 7.2 billion), with growth investments accounting for nearly 73% (EUR 5.3 billion). The investment strategy reflects Vattenfall's goal to enable fossil-free living within one generation.

Around SEK 9.3 billion (EUR 0.9 billion) of the growth investments are planned for investments in the Netherlands. The plan includes expenditures for major offshore projects that are planned to be completed further ahead in time, like Hollandse Kust Zuid 1-4 (1,500 MW). Main onshore projects are Jaap Rodenburg (38 MW), A16 Klaverspoor (34 MW), Windplan Blauw (58 MW) and Moerdijk (27 MW). Vattenfall NV is also investing in solar and battery projects and in large scale wind projects as part of our 'asset owner flexibility' strategy.

In addition, investments will be made in new energy solutions, heat supply, decentralised heat solutions, solar & battery projects and e-mobility. This also includes investments of the Dutch service company Feenstra. For the heat operations this includes major projects like the Amsterdam South Connection, enabling considerable growth in district heating, and Green Heat Diemen, a potential new wood pellet-fired heat only boiler with a capacity of 120 MWth located southeast of Amsterdam. The final investment decision for Diemen is, however, to be taken earliest in spring 2022 due to stakeholders speaking out against biomass at the moment and Vattenfall NV's requirement to the Dutch politics to come with a comprehensive proposal for biomass that is compliant with climate targets and the concluded climate agreement or support of alternative solutions. Besides these growth activities, Vattenfall NV is planning significant investments in maintenance, modernisations and replacement of the existing assets.

Customers and Solutions

Vattenfall's Customers & Solutions business supplies electricity, gas and energy solutions to retail and business customers, with 10.1 million customer contracts in Europe. We are one of the market leaders in the retail and business segments in the Netherlands with 3.8 million electricity and gas contracts. We offer a broad range of decentralised solutions in most of our markets and are one of the largest energy solution providers in the Netherlands through our subsidiary Feenstra, with 879,000 customer contracts.

Being close to customers is a prerequisite to take advantage of increasing electrification and new business models arising through the energy transition. Vattenfall's ambition is to be a leading, customer centric company, providing a wide range of sustainable energy solutions and services to retail and business customers. We drive decarbonisation by helping our customers to live a climate-smart life and contribute to their safety and comfort. We offer sustainable and efficient products and services based on customers' individual energy needs with a focus on smart, data-based solutions, decentralised generation (in particular solar (PV) and heat pumps) and new customer interaction models with the aim to achieve significant market size. We are aiming for a leading position as a charging point operator in northwest Europe. Vattenfall's diversified commodity portfolio leverages its fossil-free generation that covers an increasing share of fossil-free electricity and its connected Guarantees of Origin (GoO's). We also gradually phase in renewable gas in our offering as it becomes available in the respective markets. In order to stay competitive in the commodity business, we focus on retaining and growing our customer base while reducing the cost to serve. Vattenfall strives to optimize the customer experience by accelerating digitalization and offering bundled and integrated solutions, just as we meet our customers where they want and make it easy for them to handle their energy needs and solve their queries in one click. We want our customers to actively promote us and thereby grow our business.

Our retail customer base decreased by 0.2 million contracts during the year in the Netherlands, including powerpeers and the customers from the Dutch regional supplier DELTA Energie (acquired in March 2019), as a result of a focus on value steering instead of yearly switchers as well as a consequence of COVID-19 measures impacting our acquisition channel Door-to-Door. DELTA Energie supplies renewable electricity and gas to private customers and small and medium-sized companies, primarily in the Zeeland province of the Netherlands. DELTA Energie has approximately 120 employees and 0.35 million customer contracts.

We improved our absolute Net Promoter Score (NPS) rolling 3 months average for the Vattenfall NV consumer market in the Netherlands to +7 (excluding powerpeers and DELTA Energie). An improvement of 7 points compared to 2019. Our churn moves clearly below the market churn due to our strong attention, reward and appreciation for our loyal customer base. This is a good result compared to the increasing market churn development (22.1% last year 21.8%). Our Q4 Loyalty campaigns results (Blijven Loont, Exclusief, Tink & App) on sales are good.

At Vattenfall NV, we also take our responsibility when it comes to the affordability of energy. We do this in our own billing process and by working together with municipalities on early signaling and other creditors within the creditors' coalition. We offer customers various options, such as choosing your own payment date and payment arrangements, to prevent increasing debts. The initiative 'Vattenfall Verlicht' helps customers under judicial administration and we offer these customers a free energy scan to reduce their energy consumption and thus lowering their energy bill.

We significantly increased our sales of E-Mobility solutions in the Netherlands. We extended our partnerships with North Brabant, Limburg and Metropolitan Region Amsterdam by winning new tendered lots. We also extended corporation with various sales channels in the automotive sector. Selected public charging stations in the Netherlands were fitted with a software that regulates the charging speed and, in this way, creates room in the electricity grid to add more intermittent renewable energy sources. The year 2020 was a challenging year for E-Mobility with continued volume growth, but the COVID-19 lockdown resulted in various business challenges. Reselling of charging solutions suffered from less EV car sales and delivery, especially the B2B segment, was challenging due to customer sites being closed due to lockdown. Also, usage volumes are increasing but are not at pre-COVID-19 levels due to the first and second lockdown. We now operate more than 13,000 charging points, making the transition to sustainable, electrified transport easier. In the Netherlands, Vattenfall NV owns and operates more than 20% of the public charging stations and offers its customers access to around 95% of all charging stations in the country through roaming agreements. In addition, together with our partners we are building InCharge to be one of the biggest charging networks in Northern Europe.

Total volumes of sold electricity and gas in the consumer market (Vattenfall NV consumers, DELTA Energie, powerpeers) and business market decreased by -2.7% and -5.8 %, respectively, compared to 2019. Net sales decreased mainly due to lower electricity prices in the Netherlands and to lower volumes in these markets due to slightly lower demand due to a relatively warm weather in 2019. In 2020, the electricity supply mix to our retail customers in the Netherlands reached a share of 40,1% renewable sources of Dutch origin and 18,7% renewable sources from other EU states. This makes us one of the retail suppliers in the Netherlands with the highest volume of Dutch renewable sources. We have also started to offer renewable gas to our Dutch retail customers. The Declaration of Compliance with the Code of Conduct for Suppliers and Metering companies operating under their responsibility is included in the section with Other Information.

Wind

Accelerated renewables growth is key to achieving a sustainable energy system, unlocking the climate benefits of widespread electrification of society and ultimately reducing CO₂ emissions. Vattenfall continues to be a leading player in the offshore wind power industry as well as one of the leading companies in onshore wind power in Europe, especially in the UK and the Netherlands. We operate a portfolio of around 250 (2019: 200) wind turbines with a total installed capacity of approximately 0.7 GW (2019: 0.4 GW) in the Netherlands. Next to wind power, we continued our focus on solar power (PV) technology and battery storage. We now operate 75 MW (2019: 20 MW) of solar power comprising a combination of decentralised and large-scale projects and have installed 15 MW (2019: 3 MW) of battery capacity in the Netherlands.

We want to further strengthen the project pipeline by acquiring project development rights or entering into joint development agreements. Furthermore, we want to be a leader in Levelised Energy Cost (LEC) and deliver the first new off- and onshore projects without subsidies. We do this by innovating within operations and maintenance and keep focus on the digitalisation of our entire value chain to reduce costs and improve availability. In addition we use the potential of combining solar, wind, and battery technology for renewable hybrid power plants and to a greater extent decouple the delivery of electricity from the time of production. Sustainability is the basis for our strategy and a prerequisite for long-term profitability. In addition to adding renewable electricity capacity we want to deliver fully sustainable solutions in a life-cycle perspective both from an environmental and social point of view and aim to be a frontrunner in the industry.

In June 2020, the final investment decision was taken for Hollandse Kust Zuid 1-4 (HKZ 1-4). When commissioned in 2023, the 1.5 GW wind farm, which corresponds to the annual electricity consumption of more than 2 million Dutch households, will be the largest and first non-subsidised offshore wind farm in the world. This is proof that our continuous efforts to reduce costs along our entire value chain are working successfully. The wind farm will contribute significantly to Vattenfall's goal of enabling fossil-free living within one generation.

In the Netherlands several onshore wind projects are currently under construction. The Princess Ariane wind farm (previously Wieringermeer), a 301 MW repowering and expansion project located north of Amsterdam, was inaugurated in September 2020. In the south-western part of the country, Haringvliet, a hybrid energy park with six wind turbines (22 MW), 115,000 solar panels and 12 sea containers of batteries (12 MWh) manufactured by BMW was commissioned. The energy park will generate electricity equivalent to the annual consumption of 39,000 households.

With Vattenfall's ambition to enable fossil-free living within one generation, hybrid renewable energy parks, such as Haringvliet, can play a huge part in that ambition as wind, solar and batteries have many synergies if we develop them together, sharing infrastructure and having a stable and reliable production throughout the year. Several solar power and battery projects have been developed during 2020. In the Netherlands the 7 MW solar park Coevorden generated its first electricity. The project was divested post-construction to the Belgian insurance company Patronale. On top of own renewables supply, Vattenfall is also optimizing wind- and solar parks for 3rd party developers, resulting from 600 GWh RES supply under management in 2020 to a forecasted 2.5 TWh in 2025.

Heat

The Heat operating segment is one of Europe's largest producers and distributors of district heating with more than 1.8 million customers in growing metropolitan areas in north-western Europe, including Berlin, Amsterdam, and Uppsala. The district heating business is mainly based on the operation of large combined heat and power plants (CHPs). The segment also includes Vattenfall's condensing power plants, consisting mainly of gas-fired power plants in the Netherlands. Moreover, Vattenfall's decentralised energy solutions serve more than 75,000 customers based on mini-CHPs, heat pumps, and solar panel installations.

The decarbonisation of Vattenfall's heat portfolio is a cornerstone in securing a fossil-free energy supply. Our journey to phase out fossil fuels and reach carbon neutrality by 2050 is underway. Additionally, we will position ourselves as a system manager who integrates a mix of Vattenfall-owned and third-party owned heat sources in order to maximise system efficiency and minimise the costs of decarbonising the heat and buildings sectors. We aim to decarbonise district heating by growing in renewables and residual heat sources, maximising the value of our existing fossil-free and fossil-free-ready assets, and implementing our country specific CO₂ road maps. We are well underway to realise the second decarbonisation phase - after ending the use of lignite in 2017 - which is the hard coal phase-out until 2030. In the Netherlands Vattenfall NV does not own any operational coal fired plants. We will increase the share of third-party integration and establish a sustainable and reliable energy infrastructure to maintain the security of supply. Our target is to increase our customer centricity and develop, innovative, smarter and more sustainable products/services with a focus on energy efficiency. At the same time, we aim to minimise the energy consumption of individual customers based on the full roll-out of digital smart meters and state-of-art digital tools.

The total produced electricity amounts to 15.0 TWh in 2020 (2019: 19.0) by our gas-fired plants in the Netherlands. The decrease in production was mainly related to lower (off-peak) spreads on our gas-fired plants despite higher availability.

The number of heating customers stabilized at 123 thousand in 2020 (2019: 123 thousand). Total sold heat amounted to 6.0 PJ in 2020 (2019: 6.2) and total realised CO₂ reduction over 2020 was around 233,000 ton CO₂ (2019: 254,000).

In Amsterdam, additional infrastructure to couple the city's south-eastern and north-western district heating grids is under construction. The Amsterdam South Connection will enable to maximise the use of renewable sources, including waste incineration plants and biomass, and increase grid stability from 2021 and onwards. In addition, we are expanding our effort to identify potential opportunities and partnerships which could accelerate our transformation to fossil-free energy supply.

In the Netherlands, Vattenfall NV is working to increase sustainable heat in different district heating networks. For our heat grid in Amsterdam, Diemen and Almere we are in close dialogue with local and national government and stakeholders regarding a potential biomass-fired plant in Diemen. The societal acceptability will be taken into account in the final investment decision. Final investment decision is not expected before Q1 2022. Additionally, we plan to expand the generation capacity with a power-to-heat boiler. Besides stabilising the grid, the boiler will ensure that surplus solar and wind power can be put to good use instead of being switched off. Furthermore, Vattenfall NV is closely involved in the feasibility studies for geothermal heat, residual heat from datacenters, and heat from various water sources in the city of Almere and Amsterdam. The Annual Statement 2020 in the framework of the Heat Act is presented in the section with Other Information. An overview of energy sources of the heating networks and the environmental impact is presented in district heating label (Other information) and is also published on www.vattenfall.nl.

Our people

To have the right people with the right competencies and skills, both now and in the future, will be key for Vattenfall's success in the transition to fossil-free living within one generation. Therefore, we continuously strive to be best in class in empowering our people. And we need to ensure diversity in all aspects to bring in various ideas and experience, so that our people can have an open dialogue and learn from each other.

Our employees are key to Vattenfall's success. To enable our employees to be successful, we actively work to ensure that they feel empowered, engaged, and constantly develop to achieve best performance, all while we ensure a safe, inspiring and caring work environment, on the short term but also with attention for sustainable employment. These efforts support our people strategy which encompasses all stages in an employee's experience and focuses on three areas that will help us secure the needed, diverse competence now and in the future: attract, retain and enhance.

Securing the diverse set of needed competencies, both today and in the future, will be key for delivering on the strategy of Vattenfall. With a number of different initiatives and programmes, we are actively working to attract, retain, and enhance the right competencies to remain a competitive and attractive employer. Vattenfall cooperates with schools and universities to attract the right employees with the specific skill sets that Vattenfall will need today and in the future. This especially applies in the technical areas. We have many initiatives to retain people with critical skills and to support our people to continuously develop their strengths and release their superpowers for curiosity, energy and creativity.

Leaders in Vattenfall are role models in our daily work and form our working culture. We therefore support them with tools to empower and engage their own employees. In 2020, the roll-out of a Leadership Focus Programme continued, with the aim of equipping managers at all levels to lead according to the focus areas of Accelerate Learning, Connect People and Drive Innovation. Additionally, Vattenfall runs an annual Top Talent programme, targeted at a group of talents seen as potential successors to executives. Further, we encourage continuous learning and all employees have access to an online platform with the latest training and e-learning offers.

Employee health and safety (H&S) is our number one priority, and we have a goal of zero accidents and zero work-related illness. This goal can only be achieved by improving our Health & Safety (H&S) culture. Due to the COVID-19 pandemic, H&S leadership became even more important. Within the different countries, taskforces were formed in order to support managers and employees with tools to face the challenges arising from the pandemic. The strategy of targeting H&S culture in addition to leadership and maturity developments continued and was only slightly derailed by the COVID-19 pandemic. Business units were still able to continue implementing activities and the focus of managers on employee well-being has increased in all countries. Organisational as well as social health aspects are addressed in online workshops and podcasts about working from home, stress, lifestyle, ergonomics and work-life balance are other initiatives like online coaching or Mystery Coffee, in which employees are randomly paired up with others in the organisation to foster connectivity and expand internal networks. And while we seek to foster connections, in particular in times of significant remote working, we do so with the core principle that within all interactions and connections, harassment is unacceptable. Routines for dealing with undesirable behaviour have been in place for years. Sick leave is still relatively low, 3.5% in 2020 opposed to 3.7% in 2019, but the decreasing trend from previous years might be discontinued due to the still unknown effects of the pandemic. The sick leave rate for

the Netherlands has slightly decreased to 4.0% opposed to 4.4% in 2019 (excluding Feenstra).

The focus on Health & Safety reporting is also still present. The most common hazards are slips, trips and falls; falls from heights; being caught in, under or between equipment; and improper working positions. The most common root causes of accidents are behaviour and awareness. To counter this, we continue to work relentlessly to improve the H&S culture, H&S maturity level, and secure focus from the entire organisation, including top management with the hierarchy of controls as a basis. This resulted in a reduction in LTIF to 1.7 in 2020 as opposed to 2.1 in 2019. The LTIF (including Feenstra) in the Netherlands decreased from 2.0 in 2019 to 1.2 in 2020.

Diversity and inclusion (D&I) are fundamental enablers for an inspiring workplace, as a multitude of perspectives, and a culture which enables exchanging those perspectives, allows employees to share, learn, and be inspired by one another. With this in mind, in 2020 Vattenfall revamped its D&I strategy. Our ambition is to establish D&I in everything we do as we believe it is good for business, for people and for society as a whole.

The number of employees slightly increased to 19,859 full-time equivalents (FTEs) from 19,814 FTEs in 2019 for Vattenfall. In the Netherlands, the number of employees was stable with 3,558 FTEs in 2019 and 3,544 FTEs in 2020, of which 911 are female and 2,633 male. As the speed of progress on the climate issues needs to increase during the years to come, so does our speed in learning and the ability to adapt to new ways of working. This is why we have given even more attention to securing the availability of competences in the long term.

One measure of the success of our efforts is captured by our annual employee survey: MyOpinion. MyOpinion tracks whether our employees feel connected to the purpose of Vattenfall, how each individual can contribute to it, and what can be done to make everyone feel sufficiently empowered and engaged. Our survey shows that Vattenfall's employees are truly engaged and increasingly proud to work for Vattenfall.

Integrity

Operating our business with integrity is essential for ensuring that we live up to our stakeholders' expectations. They depend on us to conduct our business in a fair and responsible manner. We have a zero tolerance policy for bribery and corruption, and we are a member of the Partnering Against Corruption Initiative (PACI), a cross-industry collaboration launched by the World Economic Forum, as well as of Transparency International Sweden. We require that all employees take personal responsibility to act in accordance with the company's ethical guidelines, which

are laid out in the Vattenfall Code of Conduct and Integrity. Tailor-made face to face training programmes, e-learning tools, instructions and Q&A documents support these ambitions. We expect our suppliers and business partners to act ethically and in full compliance with the applicable rules in every country they do business, as outlined in the Vattenfall Code of Conduct for Suppliers. Read more about Vattenfall's integrity organisation in the Corporate Governance Report in the annual report of Vattenfall AB. The Vattenfall Code of Conduct and Integrity applies worldwide to all employees as well as temporary staff (such as consultants and contractors) acting on behalf of Vattenfall. It describes the behaviour we expect of all representatives of Vattenfall. Every employee is required to do an e-learning on the Code.

Additionally, all members of the Executive Group Management and all managers three levels below, as well as all employees who have extensive contacts with competitors, are required to participate in the Vattenfall Integrity Programme (VIP). The purpose of the VIP is to raise the level of awareness, ensure that all employees understand our integrity standards, and ensure a common compliance culture throughout the Group. It is the responsibility of every manager to lead by example and to ensure their team members understand our way of working. Suspected misconduct in Vattenfall NV is to be reported to the employee's immediate manager, to the integrity organisation, or to the Internal Audit department. In 2020, a new web-based Whistleblowing Channel was launched. This has further facilitated the reporting of suspected misbehaviour in Vattenfall. Additionally, we have since many years locally appointed external ombudspersons (attorneys) to whom suspected improprieties can also be anonymously reported. If, despite all efforts to prevent non-compliance, non-compliance is determined, mitigating actions are defined and followed-up on. All incident investigations are led by Vattenfall's Internal Audit unit.

Our integrity work is not just an internal issue - we also have strict requirements on our suppliers and counterparties. We require our suppliers to comply with the Vattenfall Code of Conduct for Suppliers, or an equivalent standard agreed together with us. In the integrity area, the Code of Conduct for Suppliers puts special emphasis on business integrity, anti-corruption, conflict of interest and competition law, as well as information on how to use the whistleblowing function. It is based on, among other things, the UN Global Compact, the UN Guiding Principles for Business and Human Rights, ILO declarations and the OECD Guidelines for Multinational Enterprises. Additionally, Vattenfall has a process to manage counterparty onboarding where we seek to actively identify, manage and control the risk of transacting with counterparties that are involved in money

laundering, tax-fraud, terrorist financing, are affected by EU sanctions or have poor performance on environment, social and governance issues.

The House for Whistleblowers concluded that two employees were treated adversely as a result of reporting suspected incidents. Vattenfall respects these conclusions. Vattenfall is striving to solve this matter and is taking actions to address this matter adequately.

Fuel Mix supply

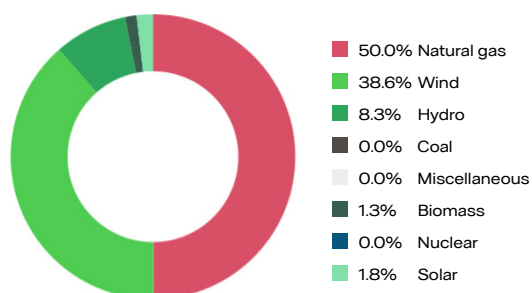
Electricity suppliers in the Netherlands are required by law to publish the fuel supply mix of the electricity they supply to customers. Our supply mix is shown in the figures below, which illustrate that the share of renewable electricity in 2020 was 50.0%. The share of renewable electricity represents the number of Guarantees of Origin used for green electricity supplied to end-customers.

Per 2020 the Dutch electricity law changed, with the introduction of the obligation of "full disclosure". In earlier years the percentages of the different sources were derived from Vattenfall's production mix and the Dutch "handelsmix" (trade mix). From January 2020 onwards electricity suppliers must disclose their complete supply mix, which means that they must not only cancel Guarantees of Origin for renewable sources, but also Certificates of Origin for other sources, for the complete quantity of electricity supplied to their end-customers. Their fuel supply mix is based on the percentage of the different types Guarantees of Origin and Certificates of Origin used in that activity.

In the 2019 annual report Vattenfall NV reported a 43.4% share of renewable electricity in 2019; we did not include the deliveries Vattenfall Energy Trading Netherlands. Based on a re-evaluation on how to interpret the electricity law on the fuel mix, we conclude that deliveries for three customers should have been included in the 2019 numbers. We now have recalculated the Vattenfall NV-group's 2019 overview to also include deliveries from Vattenfall Energy Trading Netherlands to end-customers, coming to an updated Vattenfall NV 2019 share of renewable electricity of 40.0%. The 2019 figures for the Consumer business of Vattenfall were correct and not changed.

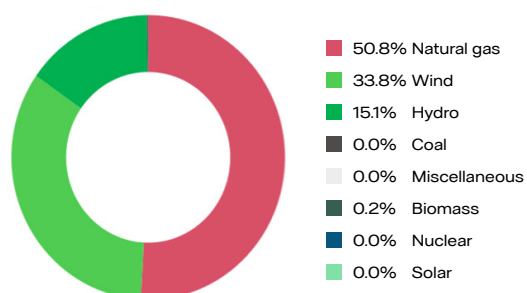
Our supply mix is shown in the figures on the next page, which illustrates that share of renewable electricity increased by 10.0% from 40.0% in 2019 to 50.0% in 2020. The share of renewable electricity represents the number of Guarantees of Origin (GoO) used for green electricity supplied to end-customers. The supply mix also shows that a large part of the energy supply in the Netherlands is sourced from natural gas. More information and definitions are published on www.vattenfall.nl/stroometiket.

Fuel mix energy supply Vattenfall NV
RA-verified %



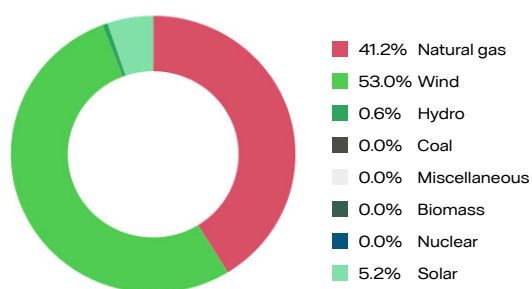
Fossil-based energy	50.0%
Renewable energy	50.0%
CO ₂ emissions rate	198.8 g/kWh
Radioactive waste rate	0.00000 g/kWh

Fuel mix energy supply business market
RA-verified %



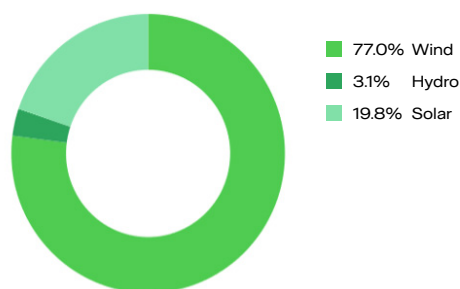
Fossil-based energy	50.8%
Renewable energy	49.2%
CO ₂ emissions rate	202.4 g/kWh
Radioactive waste rate	0.00000 g/kWh

Fuel mix energy supply consumer market
RA-verified %



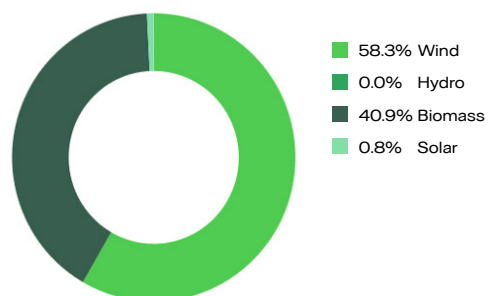
Fossil-based energy	41.2%
Renewable energy	58.8%
CO ₂ emissions rate	164.1 g/kWh
Radioactive waste rate	0.00000 g/kWh

Fuel mix energy supply PowerPeers
RA-verified %



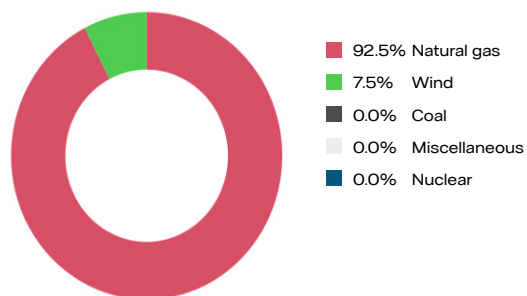
Fossil-based energy	0.0%
Renewable energy	100%
CO ₂ emissions rate	0.0 g/kWh
Radioactive waste rate	0.00000 g/kWh

Fuel mix energy supply Delta Energie
RA-verified %



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

Full mix energy supply Vattenfall Energy Trading Netherlands
RA-verified %



Fossil-based energy	92.5%
Renewable energy	7.5%
CO ₂ emissions rate	368.0 g/kWh
Radioactive waste rate	0.00000 g/kWh

Financial Performance

Income statement

The table below shows the results for 2020 compared to 2019.

Amounts in EUR million, 1 January-31 December	2020	2019
Net sales	2,571	2,832
Cost of purchases	-1,215	-2,342
Gross margin	1,356	490
Other external expenses	-292	-305
Personnel expenses	-300	-296
Other operating incomes and expenses, net	5	81
Participations in the results of associated companies	-2	2
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	767	-28
Depreciation, amortisation and impairments	-209	-272
Operating profit (EBIT)	558	-300

Net sales

Net sales decreased by 9.2% to EUR 2,571 million in 2020. The average electricity and gas prices were lower in 2020 compared to 2019, affecting both the Net sales and the related Cost of purchases. Electricity and gas volumes were lower as well in 2020 due to slightly lower demand by our customers.

Gross margin

In 2020, the gross margin increased by 277% to EUR 1,356 million, which is mainly due to a EUR 329 million (2019: loss EUR 458 million) unrealised fair value gain on own-use power and gas forward contracts. The fair value gain is the result of increasing forward prices. Vattenfall NV applies hedge accounting only to a limited extend for powerplants (own use exemption). The fair value gains are reflected in profit and loss. Fair value movements due to overall long position in Dutch power and gas arising from sourcing for customers while spot prices have increased. Boiler purchase costs have been reclassified from operating expenses to gross margin in 2020 within Feenstra (2020: EUR 72 million and 2019: EUR 71 million).

Other external expenses

Operating expenses decreased by 4.3% to EUR 292 million in 2020. The purchase costs of boilers have been reclassified from operating expenses to gross margin in 2020 (EUR 72 million; 2019: EUR 71 million). Operating expenses decreased, due to closure of the Hemweg 8 coal-fired power plant and cost saving measures in relation to COVID-19 (e.g. lower marketing spend). These decreases are partly offset by higher operational cost in Wind, due to increase of the asset base.

Personnel expenses

The total number of FTE stabilized in 2020 with 3,544 FTE at the end of 2020; number of FTE at the end of 2019 was 3,558. Growth for Feenstra due to hiring of mechanics and in Wind due to development of projects was offset by the closure of the Hemweg 8 coal-fired power plant and outsourcing of the HR activities to an external partner.

Other operating income and expenses, net

The other income of EUR 5 million in 2020, mainly consists of dunning fees. The other income of EUR 81 million in 2019, consisted of the compensation for the early closure of Hemweg 8 power plant, compensation from insurances and dunning fees.

EBITDA/EBIT

EBITDA (earnings before interest, taxes, depreciation and amortisation) increased from EUR 28 million negative in 2019 to EUR 767 million positive in 2020, primarily due to the unrealised positive price development on our power and gas purchase contracts.

Depreciation, amortisation and impairments decreased from EUR 272 million to EUR 209 million in 2020, due to substantial lower impairments. In 2019 the impairments amounted to EUR 68 million, mainly relating to early closure of the Hemweg 8 coal-fired power plant, while the impairments in 2020 amounted to only EUR 1 million. The regular depreciation increased in 2020, mainly due to an increase in the Wind asset base.

EBIT increased from EUR 300 million negative in 2019 to EUR 558 million positive in 2020, primarily due to the unrealised positive price development on our power and gas purchase contracts and lower impairments.

Balance sheet

Condensed balance sheet

Amounts in EUR million	31 December 2020	31 December 2019
Non-current assets	2,759	2,632
Current assets	1,834	1,738
Cash and cash equivalents	20	83
Total assets	4,613	4,453
Equity	2,475	2,032
Non-current liabilities	518	393
Current liabilities	1,620	2,028
Total equity and liabilities	4,613	4,453

Non-current assets

Non-current assets increased by 5% to EUR 2,759 million at the end of 2020. This increase is mainly due to the investments in the Amsterdam South Connection and Princess Ariane and Hollandse Kust Zuid Windfarms. In addition the non-current assets increased as a result of recognition of new lease contracts. Intangible fixed assets decreased due to reclass of development project Windpark Wieringermeer Extension (Part of princess Ariane Windpark) to inventories due to develop to sell strategy (EUR 107 million).

Current assets

Current assets increased by 6% to EUR 1,834 million at the end of 2020. Inventories have increased due to the development of assets with the intention to sell these after the construction phase. Aforementioned reclass of princess Ariane Windpark (Wieringermeer Extension) of EUR 107 million is an example of the develop to sell strategy. Trade receivables from related parties are lower as a result of reduced trading activities for power and gas.

Cash and cash equivalents

Cash and cash equivalents decreased by EUR 63 to EUR 20 million at the end of 2020. A positive cashflow from operations (EUR 409 million), mainly due to positive EBIT when excluding the unrealised fair value gains, was used for investment in Property, plant and equipment (EUR 547 million).

Non-current liabilities

Non-current liabilities increased by 32% to EUR 518 million at the end of 2020. The increase was caused mainly by the recognition of lease liabilities due to addition of new contracts.

Current liabilities

Current liabilities decreased by 20% to EUR 1,620 million. The decrease relates to lower trade payables to related parties due to reduced trading activities for power and gas in markets. Also the amount of derivatives has decreased. This is related to the unrealised fair value gain on own-use power and gas forward contracts.

Net cash position

Reconciliation net cash position

Amounts in EUR million	31 December 2020	31 December 2019
Cash and cash equivalents	20	83
In-house Vattenfall group cash pool	350	333
Total free cash	370	416
Non-current interest-bearing liabilities	202	80
Current interest-bearing liabilities	29	31
Gross debt position	231	111
Net cash/(debt) position	139	305

The net cash position at the end of 2020 amounted to 139 million, compared to a net cash position of EUR 305 million at the end of 2019. The decrease in the net cash position is mainly due to decreased cashflow from operating activities.

Investments in the Amsterdam South Connection and the Princess Ariane and Hollandse Kust Zuid Windfarms are ongoing.

Business risks and Risk management

Risk management

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

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

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



The following paragraphs describe the performed risk management efforts.

The Vattenfall Risk Management Framework

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

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

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

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

Important components of the Vattenfall Risk Management Framework are:

- The Vattenfall Management System (VMS) which Vattenfall NV, as part of Vattenfall, implemented and which contains regulations, guidelines and procedures that are relevant for all Vattenfall employees and for the relationship between Vattenfall AB and its subsidiaries, Business Units, Staff Functions and other Vattenfall companies. VMS includes the Vattenfall Code of Conduct and the Whistle-blower Policy, which are publicly accessible at www.vattenfall.com. VMS also comprises of the IFRS accounting manual and the reporting manual;
- The Vattenfall Code of Conduct, which sets the behavioural rules for all employees. The Code of Conduct fosters an honourable business culture in which the rules applicable to employees are clear. Breaches of the Code of Conduct are not tolerated. If they come to the attention of Vattenfall, they will be investigated and may lead to sanctioning;

- The Risk Management organisation, headed by the Chief Risk Officer of Vattenfall, supports Vattenfall NV in applying Vattenfall's risk framework. The Risk Management organisation monitors market risk on a daily basis, manages credit risk, oversees compliance with policies and risk limits, and guides the group-wide reporting of significant business risks. Together with other specialist risk stakeholders (for example health and safety, information security), the Risk Management organisation supports the Business Units in the identification, quantification, mitigation, monitoring and reporting of risk;
- The Integrity function, which advises and reports on issues with regard to competition, anti-bribery/corruption, conflict of interest, the whistleblowing function and inside information. In addition, the function advises management on measures to enhance compliance and monitoring compliance risks, and it stimulates awareness of the Code of Conduct. The Vattenfall NV Integrity, Fraud and Incidents report is submitted semi-annually to the Vattenfall NV Management Board. This report focuses on integrity developments, fraud and other incidents reported in the Netherlands and is a combined report of Internal Audit and the Integrity department;
- The Legal department, which submits the Claims & Litigation report to the Management Board of Vattenfall NV. The report contains a summary of current legal proceedings and disputes;
- The Vattenfall Internal Financial Control Framework (IFC), which reports on the effectiveness of the controls which aims to assure reliable financial reporting and which is partly based on the results of the key controls for the primary processes within the different business areas;
- The planning & control cycle, in which annual budgets are assigned for each organisational unit and the outcome of which is subsequently discussed between the Management Board and the Business Units;
- The periodic reporting on Business Units' financial and operational performance, partly based on the system of Key Performance Indicators (KPIs);
- The risk reports, highlighting the risks identified as having a potentially significant impact on the business. These reports are challenged by Risk Management and further reviewed in semi-annually sessions with members of the Management Board. These Business Unit risk reports are used as the basis for Risk Managements' formulation of the semi-annually Enterprise Risk Report, which summarises the most significant risks facing the organisation. This report is discussed with the Supervisory Board;
- The responsible management's confirmation at corporate and unit level of the reliability of the financial reporting through signed Letters of Representation;

- The execution of audits by the Internal Audit department in conformity with the annual plan, which is approved by the Supervisory Board. The outcome of their audits are discussed with management and summarised for the Supervisory Board;
- The follow-up of findings from internal and external audits by the Business Units, which are periodically reported on to the Management Board.

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

Main risks and mitigation

This section describes the most important risks within Vattenfall NV.

- **Market Price Risk Assets.** The revenues (Gross Margin) from Vattenfall NV's generation assets are highly dependent on the pricing developments on the energy markets.
Mitigation(s): Risk is actively managed and monitored via the Hedge Strategy Process on Vattenfall level.
- **Decrease of sales volume.** Developments in energy efficiency and decentralised generation could lead to lower consumption and demand for electricity and gas resulting in lower margins on commodities. Quantified risk is medium.
Mitigation(s): Decrease operational costs and development of volume independent solutions (e.g. solar lease, energy roof, storage).
- **CO₂ low energy generation.** Introduction of a CO₂ floor price and replacement of gas used for heating by district heating systems based on renewable sources might affect presently invested capital and required replacement investments.
Mitigation(s): Continuous monitoring of and acting on technical and regulatory developments.
- **Increased competition.** Missing profit due to increased competition both on current customer base and innovation. Quantified risk is medium.
Mitigation(s): Continuously monitor the market for competitive products & new developments; prioritise development areas (short term versus long term); develop non-traditional business models and actively work together with start-ups and other market entrants; attract right capability and create multi-disciplinary teams and foster customer co-creation.

- Temperature dependence of gross margin. Temperature is an important driver for gas and heat volumes. In warm winters the volume offtake will be lower with a negative impact on gross margin. Quantified risk is low. Mitigation(s): Temperature as well as impact on volume offtake is monitored. Explore product innovation to make sales less temperature dependent.
- Operational and Compliance risks. This includes all risks of operating the business and includes breakdown of technical processes, data and information security risks and non compliance with law and regulation. Overall quantified residual risk is low. Mitigation(s): Business Continuity plans, Compliance officers for dedicated risk areas.

Note 28 to the financial statements provides further qualitative and quantitative information on financial risk management.

Responsibility

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

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

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

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

Planned Activities

Our portfolio of energy solutions will be scaled by establishing sales channels that support our growth targets coupled with automated low-cost operations. This will be especially relevant for the Dutch market, where a national climate agreement was passed in the Parliament in 2019, which among other things aims at gradually phasing out natural gas. We are expanding our district heating network,

connecting new customers and increase the sourcing of green heat from industrial facilities owned by third parties as well as heat from other sources.

Vattenfall's ambition is to enable a climate smart life of our customers and to offer our products to more customers. For this, we will continue to work towards exceeding our customers' sustainability expectations with our products and services. We plan to grow our customer base organically while also working on retention initiatives, just as we will act upon acquisition opportunities when they arise as well as to further develop a portfolio of products and services that help our customers to reduce their CO₂ emissions. We have tested a high temperature heat pump combined with an automated accumulator tank as one of several fossil-free decentralised heating solutions to support the transition of the heating system. In 2021, we will make further steps in integrating Delta Energie BV in our processes and systems, in taking sustainability into our procurement processes and engage with internal and external partners to share best practices and learn from each other.

The electrification of transport is another main area where we will support our customers to become fossil free. We continue to extend our e-mobility services and our charging network in The Netherlands, capturing significant benefits of scale with the Group and enhancing value for our customers and key partners, such as leasing companies and car makers. In Noord-Brabant and Limburg we will install up to 8,000 charging points until 2024. We will also continue our pilots in smart charging to better match charging of EVs with renewable production.

Renewable energy is key in supporting Vattenfall's purpose to Power Climate Smarter Living and realise the transition to fossil-free living. We will continue to invest in wind, heat grids, solar, and battery projects in the coming years as well as optimise our operations to maximise renewable electricity generation in a sustainable manner. Sustainability is the basis for Vattenfall's strategy and is a prerequisite for long-term profitability. In the heat grids wind, solar and battery business, sustainability has been identified as one of the key levers to facilitate our ambition. Vattenfall is also working on technology development within several fields. For instance, we are looking into using larger turbines, as it reduces installation, operation, and maintenance costs as well as significantly reduces the environmental impact of the wind farm. One example is the Hollandse Kust Zuid 1-4 project which is planned to be fitted with approximately 140 units of Siemens Gamesa's turbines. Through a joint effort the rotor diameter has been increased from 193 to 200 metres which improves the turbine efficiency. Data-driven operations and maintenance, such as predictive maintenance, is key to increasing efficiency and reducing

costs. Processes and tools have been improved and the focus in the coming years will be on strengthening the foundation as well as on performance optimisation and automation. The investments will be financed through positive cash flows from operations and if necessary by internal loans from our parent company Vattenfall AB. We have a credit facility in place with our parent Vattenfall AB of EUR 500 million, which is currently not utilised.

The Climate Agreement has led to the development of new legislation in a number of areas. These include district heating, where new frameworks are proposed on a market model, a minimum decarbonisation path, tariff regulation, and security of supply. A new Energy Act will revise and merge the current Gas and Electricity Acts. Vattenfall NV is working to eliminate natural gas from the district heating network in Amsterdam, Diemen, and Almere. Political and public support for biomass for heating in the built environment has dropped, and a phase-out of subsidies for new biomass boilers has been proposed. We are in close dialogue with local and national government and stakeholders regarding the potential biomassfired plant in Diemen. Additionally, we plan to expand the generation capacity with a power-to-heat boiler. Besides stabilising the grid, this boiler will ensure that surplus solar and wind power can be put to good use instead of being switched off. The electric boiler is planned for commissioning in 2023. Furthermore, Vattenfall NV is closely involved in the feasibility studies for geothermal heat, residual heat from data centres, and heat from various other sources in the city of Almere and Amsterdam.

COVID-19

The world has drastically changed due to the COVID-19 pandemic, affecting the whole world, with a lock-down in Europe and more pressure on the industry. We are proud of all our employees who are working hard every day to ensure the continuation of stable delivery of electricity, gas and heat to our customers. They show a fighting spirit to keep making this possible despite the challenging time. We have taken measures to reduce the risks of the virus for our employees. Who can work from home has to stay home and we support them in various ways. We are following all instructions from the Dutch Government and

we implemented protocols and measures to mitigate the risk for our employees that can not work from home as they work in vital processes or at the sites of our clients. The virus has impact on the whole economy, affecting both the energy demand from our business consumers and the energy prices. This will continue to have impact on our performance also in 2021. We are therefore closely monitoring our liquidity situation and taking measures to secure our operations. Vattenfall is already looking ahead and is developing policies, that include input from employees, for the post COVID-19 period.

Composition of the Management and Supervisory Board

Currently, there are no female members on the Management Board, which is due to the small size of the board. With 2/3 of the board seats filled with women, the distribution of board seats between men and women in the Supervisory Board exceeds the guidelines of the Act on Management and Supervision.

A final word

We have achieved a positive result in these challenging circumstances. Despite the pandemic, there is a positive trend in customer loyalty scores (NPS) coupled with a stable customer base in a highly competitive environment. A lot of development which are in line with our purpose in becoming fossil free within one generation. This all would not be possible without the commitment and hard work of our staff, we could not have achieved all that we have nor would we be in a position to overcome the challenges we face. We are extremely proud of all our employees in these difficult circumstances and express our gratitude to all our employees for their great work during an eventful and turbulent year. A special word of thank to all employees within the vital infrastructure for keeping the operations running during the pandemic as well as those who delivered services at home.

Amsterdam, May 2021

The Management Board
Martijn Hagens & Alexander van Ofwegen

Financial statements

Consolidated accounts **22**

- Consolidated income statement 22
- Consolidated balance sheet 23
- Consolidated statement of cash flows 24
- Consolidated statement of changes in equity 25

Notes to the consolidated accounts **26**

Company accounts **52**

- Company balance sheet 52
- Company income statement 52

Notes to the company accounts **53**

Consolidated accounts

Consolidated income statement

Amounts in EUR million, 1 January - 31 December	Note	2020	2019
Net sales	4	2,571	2,832
Cost of purchases	5	-1,215	-2,342
Other external expenses	7	-292	-305
Personnel expenses	32	-300	-296
Other operating incomes and expenses, net		5	81
Participations in the results of associated companies	15	-2	2
Operating result before depreciation, amortisation and impairment losses (EBITDA)		767	-28
Depreciation, amortisation and impairments	12, 13	-209	-272
Operating result (EBIT)		558	-300
Financial income	8	2	2
Financial expenses	9	-4	-5
Result before income taxes		556	-303
Income tax	10	-113	89
Result for the year attributable to owner of the Company		443	-214
Other comprehensive income		-	-
Total comprehensive income for the year		443	-214

Consolidated balance sheet

Amounts in EUR million	Note	31 December 2020	31 December 2019
Assets			
Non-current assets			
Intangible assets	6, 12	140	267
Property, plant and equipment	6, 13	2,398	2,076
Participations in associated companies and joint ventures	15	25	28
Other shares and participations		2	2
Derivative assets	27	25	12
Deferred tax assets	10	122	194
Contract assets	4	5	6
Other non-current receivables		42	47
Total non-current assets		2,759	2,632
Current assets			
Inventories	16	411	85
Trade receivables and other receivables	17	1,000	1,245
Advance payments paid	18	3	1
Derivative assets	27	212	190
Prepaid expenses and accrued income	19	205	192
Current tax assets	10	1	19
Cash and cash equivalents	20	20	83
Assets held for sale		2	6
Total current assets		1,854	1,821
Total assets		4,613	4,453
Equity and liabilities			
Equity attributable to owner of the Company			
Share capital and premium		2,895	2,895
Retained earnings incl. profit for the year		-420	-863
Total equity attributable to owner of the Company	30	2,475	2,032
Non-current liabilities			
Interest-bearing liabilities	21	202	80
Provisions	23	80	84
Derivative liabilities	27	32	34
Deferred tax liabilities	10	–	1
Contract liabilities	4	204	194
Total non-current liabilities		518	393
Current liabilities			
Trade payables and other liabilities	24	1,007	1,236
Contract liabilities	4	23	26
Advance payments received	25	–	6
Derivative liabilities	27	5	210
Accrued expenses and deferred income	26	525	500
Current tax liabilities	10	14	2
Interest-bearing liabilities	21	29	31
Provisions	23	17	16
Liabilities associated with assets held for sale		–	1
Total current liabilities		1,620	2,028
Total equity and liabilities		4,613	4,453

Consolidated statement of cash flows

Amounts in EUR million, 1 January-31 December	2020	2019
Operating activities		
Operating result before depreciation, amortisation and impairment losses	767	-28
Tax paid	-17	-13
Capital gains/losses, net	7	13
Interest received	2	2
Interest paid	-4	-3
Changes in the fair value of derivatives	-242	448
Other, incl. non-cash items	-2	-2
Funds from operations (FFO)	511	417
Changes in inventories	-146	45
Changes in operating receivables	250	255
Changes in operating liabilities	-198	-239
Other changes	-8	9
Cash flow from changes in operating assets and operating liabilities	-102	70
Cash flow from operating activities	409	487
Investing activities		
Acquisitions in group companies	-	-66
Other investments in non-current assets	-423	-346
Total investments	-423	-412
Loans granted	-13	-17
Loans repaid	3	11
Cash flow from investing activities	-433	-418
Cash flow before financing activities	-24	69
Financing activities		
Interest-bearing debt raised	-	1
Interest-bearing debt repaid	-39	-32
Cash flow from financing activities	-39	-31
Cash flow for the year	-63	38
Cash and cash equivalents		
Cash and cash equivalents at start of year	83	45
Cash flow for the year	-63	38
Cash and cash equivalents at end of year	20	83

Consolidated statement of changes in equity

Amounts in EUR million	Attributable to owner of the Company		
	Share capital and premium	Retained earnings	Total
Balance brought forward 2020	2,895	-863	2,032
Result for the year	–	443	443
Dividends paid to owners	–	–	–
Share premium repayment	–	–	–
Total transactions with equity holders	–	–	–
Balance carried forward 2020	2,895	-420	2,475

Amounts in EUR million	Attributable to owner of the Company		
	Share capital and premium	Retained earnings	Total
Balance brought forward 2019	3,481	-485	2,996
Result for the year	–	-214	-214
Dividends paid to owners	–	-164	-164 ¹
Share premium repayment	-586	–	-586 ¹
Total transactions with equity holders	-586	-164	-750
Balance carried forward 2019	2,895	-863	2,032

1) During the year 2019, dividends amounting to EUR 164 million were distributed to the shareholder. The dividend per share amounted to EUR 1.20. In addition to the dividend payment, the shareholder of the Company decided to a share premium repayment of EUR 586 million (EUR 2.08 per share).

See also Note 30 to the consolidated accounts, Specifications of equity.

Notes to the consolidated accounts

1	Company information	27
2	Accounting policies	27
3	Acquired and divested operations	28
4	Net sales	29
5	Cost of purchases	30
6	Impairment losses and reversed impairment losses	30
7	Other external expenses	31
8	Financial income	31
9	Financial expenses	31
10	Income taxes	31
11	Leasing	33
12	Intangible assets	34
13	Property, plant and equipment	36
14	Shares and participations owned by Vattenfall NV and other group companies	38
15	Participations in associated companies and joint ventures	39
16	Inventories	39
17	Trade receivables and other receivables	40
18	Advance payments paid	40
19	Prepaid expenses and accrued income	40
20	Cash and cash equivalents	40
21	Interest-bearing liabilities	41
22	Pension	41
23	Provisions	41
24	Trade payables and other liabilities	42
25	Advance payments received	42
26	Accrued expenses and deferred income	43
27	Financial instruments	43
28	Financial risks	47
29	Specifications of the cash flow statement	49
30	Specifications of equity	49
31	Contingent liabilities	49
32	Number of employees and personnel costs	50
33	Related party disclosures	50
34	Events after the balance sheet date	51

Note 1 Company information

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

'We', 'Vattenfall NV', 'the Company' or similar expressions are used in these consolidated accounts as a synonym for Vattenfall N.V. and its subsidiaries. 'Vattenfall AB', 'the Parent' or 'the parent company' are used in these consolidated accounts as a synonym for Vattenfall AB and its subsidiaries. As a consequence of a rebranding project, the statutory name of the Company changed from N.V. Nuon Energy into Vattenfall NV. The name became effective on 5 March 2019. Vattenfall NV is registered at the Dutch Chamber of Commerce with registration number 33292246.

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

These consolidated accounts for the financial year 2020 are authorised for publication by the Management Board and Supervisory Board on 14 May 2021. Subsequently, these consolidated accounts are scheduled to be adopted by the general meeting of shareholders on 14 May 2021.

As the company income statement for 2020 of Vattenfall NV is included in the consolidated accounts, a condensed income statement has been disclosed in the company accounts in accordance with Section 402, Book 2, of the Dutch Civil Code.

Note 2 Accounting policies

Conformity with standards and regulations

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as the interpretations issued by the IFRS Interpretations Committee (IFRS IC) as endorsed by the European Commission for application within the EU.

New IFRSs and interpretations effective as from 2020

None of the amendments to the existing accounting standards effective from 2020 have had a material impact on the Vattenfall NV's financial statements.

New IFRSs and interpretations effective as from 2021 and later

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

Amendments to IAS 16 Property, Plant and Equipment

The amendment changes the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Vattenfall intends to apply the amendment prospectively as soon as possible after it has been endorsed. The effect is expected to be marginal at Vattenfall NV level, however, the effect on the cost of future individual assets may be significant.

Basis of measurement

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

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

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

Functional and presentation currencies

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

Significant accounting policies

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

Principles of consolidation

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

Subsidiaries

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

Joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint ventures are reported in accordance with the equity method.

Associated companies

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

Transactions that are eliminated upon consolidation

Intragroup receivables and liabilities, income and expenses, as well as gains or losses arising from intra-group transactions between Vattenfall NV companies, are eliminated in their entirety when preparing the consolidated accounts. Gains arising from transactions with associated companies and joint ventures are eliminated to an extent

that corresponds to Vattenfall NV's holding in the company. Losses are eliminated in the same manner as gains, but are treated as an indicator of impairment.

Foreign currencies

Transactions in foreign currencies

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

Important estimations and assessments in the preparation of the financial statements

Preparation of the financial statements in accordance with IFRS requires the Company's executive management and board of directors to make estimations and assessments as well as to make assumptions that affect application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimations and assessments are based on historic experience and other factors that seem reasonable under current conditions. The results of these estimations and assessments are then used to establish the reported values of assets and liabilities that are not otherwise clearly documented from other sources. The final outcome may deviate from the results of these estimations and assessments. The estimations and assessments are revised on a regular basis. The effects of changes in estimations are reported in the period in which the changes were made if the changes affected this period only or in the period the changes were made and future periods if the changes affect both the current period and future periods.

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

- Note 6 Impairment losses and reversed impairment losses
- Note 10 Income taxes
- Note 12 Intangible assets
- Note 13 Property, plant and equipment
- Note 23 Provisions
- Note 27 Financial Instruments – valuation of level 3 derivatives

Note 3 Acquired and divested operations

Acquired operations

Acquisitions in 2020

No acquisitions took place in 2020.

Acquisitions in 2019

At the end of February 2019, Vattenfall NV finalised the acquisition of 100% of the Dutch electricity and gas sales company DELTA Energie B.V. through acquiring all (voting) shares. DELTA Energie B.V. supplies green electricity and gas to households and small and medium-sized companies, mainly in the Dutch province of Zeeland. The company has about 120 employees and 170,000 customers.

The fair value of the identifiable assets and liabilities, at the date of acquisition, amounts to EUR 78 million. The material identifiable assets and liabilities are the recognition of an intangible asset, representing the customer list, of EUR 105 million and the related deferred tax liability of EUR 24 million. The purchase consideration was paid in cash and there is no contingent consideration. The acquisition did not give rise to goodwill on acquisition date.

At the end of March 2019, Vattenfall finalised the acquisition of the Dutch company Senfal B.V. Senfal B.V. is a company that offers innovative software services to large industrial customers, wind and solar farms and owners of large batteries.

Divested operations

Divestments in 2020

on the 1st of February 2020, Vattenfall sold the shares in Zonnepark Gasselternijveen B.V. The consideration received amounts to EUR 2.3 million. On the 1st of July 2020, Vattenfall NV sold the shares in Vliegasonie B.V., a supplier of mineral raw materials originating from electricity production. The consideration received amounts to EUR 0.9 million.

Divestments in 2019

No divestments took place in 2019.

Note 4 Net sales

Accounting policy

Net sales include sales proceeds from sales of electricity, heat and gas, energy trading and other revenues. Materially all revenues are generated in the Netherlands.

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

Various sales channels are used to sell Vattenfall NV's products which gives rise to different types of costs associated with sales activities. These costs to obtain a contract related to revenues from contracts with customers are shown under Note 12. Capitalisation of costs to obtain is either based on a portfolio approach (BtC) or a contract by contract approach (BtB). BtC applied practical expedients by which all contracts with a duration of more than 1 year are deemed one portfolio and costs to obtain a contract associated to 1 year contracts

are expensed when incurred. The amortisation schedule depends on the contract duration by taking into consideration the probability that customers terminate their contract prior to the end of the contractually agreed period.

Sales and distribution of electricity, heat and gas

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

Connection fees

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

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

	2020	2019
Sales of electricity	1,043 ²	1,137
Sales of gas	1,001	1,197
Sale of heat and steam	173	176
Service and consulting	114	94 ¹
Other revenues	240	228 ¹
Total revenues	2,571	2,832

1) An amount of EUR 192 million was reclassified from service and consulting to other revenues for comparability purposes.

2) Sales of electricity includes an amount of EUR 40 million (22) resulting from government grants earned during 2020.

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

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

Contract balances	2020	2019
Contract assets	5	6
- of which, released as cost from opening balance during the year	7	2
Contract liabilities	227	220
- of which, released as revenue from opening balance during the year	9	8

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

Note 5 Cost of purchases

	2020	2019
Cost of purchases	1,544	1,904 ¹
Change in fair value of derivatives	-329	438
Total	1,215	2,342

1) An amount of EUR 71 million was reclassified from other external expenses (i.e. purchased services) to cost of purchases for comparability purposes. See also Note 7 Other external expenses.

Note 6 Impairment losses and reversed impairment losses

Accounting policy

General principles

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

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

Calculation of the recoverable amount

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

Reversal of impairment losses

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

Financial information

Process for impairment testing

The main assumptions that executive management has used in calculating projections of future cash flows in cash-generating units with finite useful lives are based on forecasts of the useful life of the respective assets. The projected cash flows are based on market prices and on Vattenfall's long-term market outlook. The calculated revenues in these forecasts are based on Vattenfall's long-term pricing projections, which are the result of a large number of simulations of the prices of oil, gas, electricity and CO₂ emission allowances in the relevant commodity markets. The long-term market outlook is based on internal and external input parameters and is benchmarked against external price projections. Based on the price assumptions, the dispatch of the power plants is calculated, taking technical, economic and legal constraints into consideration. Technical flexibility of the assets, that is the ability to adapt generation to changes in spot market prices, has been taken into account. Cash flow projections of other cash-generating units are based on the business plan for the coming five years, after which their terminal value is taken into account, based on a growth factor of 0%-0.5% (0%-0.5%). If the final year of the business plan projection does not represent a reasonable basis for assessing the long-term value, an extended forecast may be required to arrive at a steady-state earnings situation on which to calculate the terminal value.

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

Discount rate Thermal Power

2020		2019	
Before tax	After tax	Before tax	After tax
8.0%	6.8%	8.2%	6.9%

The discount rate varies for the various asset classes, depending on their risk. When setting the discount rate, consideration has been given to the extent to which the various asset classes are exposed to changes in the wholesale prices of electricity, fuel, CO₂ emission rights and regulatory risks. An increase in the discount rate by 0.5 percentage points would decrease the estimated value in use for the cash-generating unit Thermal Power by approximately EUR 111 million (116). On the other hand, a decrease in the discount rate by 0.5 percentage points would increase the estimated value in use for the cash-generating unit Thermal Power by approximately EUR 135 million (141).

Electricity prices and margins for generation assets represent another major value driver. The most important production margin is the "clean spark spread" for gas-fired power plants. This spread includes electricity prices as well as the respective cost for fuel and CO₂ emission allowances to produce the electricity, considering the fuel type and efficiency factors. Based on the assumptions used in the impairment testing, a decrease in future electricity prices

by 5%, with unchanged costs for fuel and CO₂ emission allowances, would lead to a decrease in the value of gas fired assets of 26% or approximately EUR 220 million. And a reduction of 5% in future margin would decrease the estimated value in use for the cash-generating unit Thermal Power segment by 10% or approximately EUR 138 million. This would not lead to any impairment.

Developments in the markets in which Vattenfall operates indicated that Covid-19 could have an adverse effect on the Company's assets. As a result, Vattenfall has performed an impairment test by calculating the value in use of the cash-generating units. The structure of the cash-generating units, which represent the smallest group of identifiable assets that generate continuous cash inflows that are largely independent of other assets or groups of assets, is based on the Company's Business Area structure. Main cash-generating units are within the business areas Thermal Power and Wind. The Business area Thermal Power contains 4 gas-fired plants, necessary equipment and infrastructure. Some of it produces district heating in addition to electricity. During 2020 a change has been implemented relating to cash generating units within business area Wind whereby cash generating units now consists of onshore respective offshore wind power plants where Vattenfall NV operates within the business area.

Vattenfall NV closely monitors market and Covid-19 developments on a continuous basis and their impact on operations.

In addition to the regular impairment test for the Cash Generating Units, Vattenfall recognises impairment losses for individual assets if these are planned to be divested and the expected consideration is below the carrying amount.

No previously recognised impairment losses were reversed in the income statement in 2020.

Impairment losses 2020

Impairment losses charged against operating result in 2020 are nil.

Impairment losses 2019

Impairment losses charged against operating result in 2019 amounted to EUR 68 million.

Note 7 Other external expenses

	2020	2019
Purchased services	60	65 ¹
IT expenses	18	22
Consulting expenses	71	81
Non-capitalised lease expenses	12	12
Marketing and selling expenses	33	43
Other	98	82
Total	292	305

1) An amount of EUR 71 million was reclassified from other external expenses to cost of purchases for comparability purposes. See also Note 5 Cost of purchases.

Note 8 Financial income

Accounting policy

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

Financial information

	2020	2019
Interest income	2	2
Total	2	2

Note 9 Financial expenses

Accounting policy

For the calculation of interest effects attributable to provisions, discount rates have been used, see Note 23 to the consolidated accounts, Provisions, for the discount rates used. Issue costs and similar direct transaction costs for raising loans are distributed over the term of the loan in accordance with the effective interest method. Borrowing costs directly attributable to investment projects in non-current assets which take a substantial period of time to complete are not reported as a financial expense but are included in the cost of the non-current asset during the construction period. Leasing fees pertaining to finance leases are distributed between interest expense and amortisation of the outstanding debt. Interest expenses are distributed over the leasing period so that each accounting period is charged in the amount corresponding to a fixed interest rate for the reported debt in each period. Variable fees are carried as an expense in the period in which they arise.

Financial information

	2020	2019
Interest expenses attributable to loans	4	4
Interest effects attributable to provisions	–	1
Total	4	5

Interest expenses, attributable to lease liabilities, amount to EUR 2 million (1) and are included in interest expenses attributable to loans.

Note 10 Income taxes

Accounting policy

Income taxes comprise current tax and deferred tax. Income tax is reported in the income statement except when the underlying transaction is reported in Other comprehensive income or in Equity, whereby also the associated tax effect is reported in Other comprehensive income and Equity, respectively.

Current tax is tax to be paid or received for the current year, with the application of the tax rates that are established or, established in practice as of the balance sheet date. Adjustments of tax paid attributable to previous periods are also included in this.

Deferred tax is calculated in accordance with the balance sheet method on the basis of temporary differences between the reported and taxable values of assets and liabilities. The valuation of deferred tax is based on how the reported value of assets or liabilities is expected to be realised or settled. Deferred tax is calculated in accordance with the tax rates and tax rules that have been established or have been established in practice by the balance sheet date.

Important estimations and assessments

Deferred tax positions concerning non-deductible temporary differences and tax-loss carry forwards are recognised to the extent that the realisation of the related tax benefit through future taxable profits is assessed as probable. The recognition of deferred tax assets is assessed annually. This assessment is mainly based on the business plan for the coming five years and on the assumption that future earnings after five years will be consistent with the business plan, that applicable tax laws and tax rates will remain unchanged in the countries in which Vattenfall NV is active, and that applicable rules for exercising tax loss carry forwards will not be changed. The value of deferred tax positions is reduced when it is no longer considered likely that they can be utilised.

Financial information

Break down of the reported income tax

	2020	2019
Current tax expense (-)/ tax income (+)	-43	-8
Adjustment of current tax expense (-) / tax income (+) for prior periods	1	-4
Deferred tax expense (-)/ tax income (+)	-71	101
Total income tax	-113	89

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

	2020		2019	
	%		%	
Result before tax		556		-303
Dutch income tax rate at 31 December	25.0	-139	25.0	76
Difference in tax rate in foreign operations	0.2	-1	-0.3	-1
Tax adjustments for previous periods	-0.2	1	0.1	0
Non-taxable income	-0.7	4	0.5	2
Non-deductible expenses	0.0	-	-0.1	-0
Energy investment allowance	-0.5	3	1.9	6
Changes in tax rates	-3.2	18	1.4	4
Other	-0.2	1	0.8	2
Effective tax rate	20.4	-113	29.3	89

Balance sheet reconciliation of current tax

	2020	2019
Balance brought forward net asset (+)/ net liability (-)	17	19
Reclassification	-	-
Acquired companies	-	-1
Divested companies including liabilities associated	-	-
Change via income statement	-43	-12
Taxes paid, net	13	13
Reclassification to/from other receivables/liabilities	-	-2
Balance carried forward net asset (+)/ net liability (-)	-13	17

Breakdown of the deferred tax

	2020	2019
Property, plant and equipment	128	145
Intangible assets	-13	-12
Non-settled derivatives	-48	31
Provisions	13	7
Liabilities	43	20
Other	-1	2
Total	122	193

The deferred tax positions for property, plant and equipment and intangible assets mainly represent the differences between the carrying amount and the tax base of the power-generating facilities and IFRS 16 right-of-use assets and are recorded at statutory tax rates. The deferred tax positions in respect of derivatives reflect the temporary differences – measured at the prevailing tax rate – between the valuation of derivatives for tax purposes and the valuation in the consolidated accounts. The deferred tax position for liabilities represents the difference between the carrying amount and tax base of IFRS 16 related interest-bearing liabilities. The deferred tax position for provisions mainly represents the difference between the carrying amount and tax base of the provision for dismantling.

Unrecognised deferred tax assets

Unrecognised deferred tax assets relate to the temporary differences in the valuation of tax losses carried forward and amount to EUR 0.4 million (2). These tax losses carried forward relate to losses in the Netherlands where insufficient taxable profit is considered to be available in the foreseeable future to recognise the losses carried forward. The tax losses up to and including 2018 in the Netherlands expire in the coming 1-7 years. The tax losses from 2019 onwards in the Netherlands expire after 6 years.

Note 11 Leasing

Accounting policy

Leased assets

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

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

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

The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted using Vattenfall NV's incremental borrowing rate, which is updated by the Treasury department twice a year. After the commencement date, the amount of lease liabilities increases to reflect the accretion of interest and is reduced for the lease payments made. The commitment to pay future leasing charges is reported as a non-current or current liability.

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

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

Assets leased out

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

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

Leased property, plant and equipment

As a lessee

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

Right-of-use-assets	2020				
	Land	Buildings	Vehicles	Other	Total
Balance brought forward	19	20	9	30	78
Depreciation for the year	-4	-8	-5	7	-10
Additions to the right-of-use-assets during the year	135	1	7	–	143
Other changes to the right-of-use-assets during the year	–	6	2	-20	-12
Balance carried forward	150	19	13	17	199

Right-of-use-assets	2019				
	Land	Buildings	Vehicles	Other	Total
Balance as of 1 January	21	29	11	38	99
Depreciation for the year	-2	-9	-4	-17	-32
Additions to the right-of-use-assets during the year	–	1	3	9	13
Other changes to the right-of-use-assets during the year	–	-1	-1	–	-2
Balance carried forward	19	20	9	30	78

Lease liability development	2020	2019
Balance as of 1 January	83	99
Additions to the liability	143	14
Repayment of the liability	-35	-30
Other changes	13	–
Total	204	83

Total leasing related cash-outflows amounted to EUR 37 million in 2020 (31) of which EUR 2 million (1) is related to interest expenses.

Maturity analysis - contractual undiscounted cash flows	
< 1 year	29
1 - 5 years	61
> 5 years	136
Total as of 31 December 2020	226

Lease payments amounting to EUR 12 million (12) have not been capitalised as a result of the practical expedients relating to short-term contracts and low value items or because they related to variable components of contracts.

Leasing revenues

Leasing revenues and future receivables relate mainly to leases of production facilities and heating equipment to consumers. On 31 December 2020, cost of assets reported under operating leases amounted to EUR 527 million (524). Accumulated depreciation amounted to EUR 367 million (334) and accumulated impairment losses amounted to EUR 19 million (22).

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

<i>As of 31 December 2020</i>	Operating leasing
2021	101
2022	98
2023	95
2024	92
2025	69
2026 and beyond	17
Total	472

<i>As of 31 December 2019</i>	Operating leasing
2020	102
2021	100
2022	97
2023	94
2024	92
2025 and beyond	104
Total	589

The district heating grids belonging to Alliander N.V. which had been placed within a cross-border lease, were subleased to Vattenfall Warmte N.V., which is part of Vattenfall NV, as of mid-2008 until 2025. This was done in connection with the implementation of the Independent Network Operation Act (WON) and preparations for the unbundling of our former shareholder N.V. Nuon. The strip risk (the part of the termination value, i.e. the possible compensation payable by Vattenfall NV to Alliander N.V. in the event of premature termination of the transaction, that cannot be settled from the deposits and investments held for this purpose) related to these subleased assets is borne by Vattenfall NV and amounted to USD 12 million as of December 31, 2020 (22). As these subleases are still operational, no liability for this strip risk is included on the balance sheet.

Note 12 Intangible assets

Accounting policy

Intangible assets

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

Principles for amortisation

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

Important estimations and assessments

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

Financial information

	2020		
	Concessions, customer lists and similar rights with finite useful lives	Cost to obtain a contract	Total
Cost			
Cost brought forward	334	77	411
Investments	4	15	19
Divestments/disposals	-1	-11	-12
Reclassifications	-107 ¹	–	-107
Accumulated cost carried forward	230	81	311
Amortisation			
Amortisation brought forward	-51	-38	-89
Amortisation for the year	-16	-22	-38
Divestments/disposals	1	11	12
Accumulated amortisation carried forward	-66	-49	-115
Impairment losses			
Impairment losses brought forward	-52	-3	-55
Impairment losses for the year	–	-1	-1
Accumulated impairment losses carried forward	-52	-4	-56
Carrying amount carried forward	112	28	140

1) Reclassifications relate to assets being classified as develop-to-sell assets. Refer to Note 16, Inventories

	2019		
	Concessions, customer lists and similar rights with finite useful lives	Cost to obtain a contract	Total
Cost			
Cost brought forward	219	61	280
Acquired companies	124	2	126
Investments	2	21	23
Divestments/disposals	-11	-7	-18
Accumulated cost carried forward	334	77	411
Amortisation			
Amortisation brought forward	-22	-25	-47
Acquired companies	-16	–	-16
Amortisation for the year	-13	-20	-33
Divestments/disposals	–	7	7
Accumulated amortisation carried forward	-51	-38	-89
Impairment losses			
Impairment losses brought forward	-60	-3	-63
Divestments/disposals	8	–	8
Accumulated impairment losses carried forward	-52	-3	-55
Carrying amount carried forward	231	36	267

Estimated useful life

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

Estimated useful lives are unchanged compared with the preceding year.

Note 13 Property, plant and equipment

Accounting policy

Property, plant and equipment are reported as assets on the balance sheet if it is likely that there will be future financial benefit for the company and the cost of the asset can be calculated in a reliable manner. Cost includes the purchase price and costs directly attributable to putting the asset in place and in a suitable condition for use in accordance with the management's intention of the acquisition. Examples of directly attributable expenses included in cost are delivery and handling, installation, land registration and consulting services. Borrowing costs directly attributable to investment projects in property, plant and equipment, which take a substantial period of time to complete, are included in the cost of the asset during the construction period.

Subsequent costs

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

Depreciation principles

Depreciation is reported on a straight-line basis in the income statement over the estimated useful life of the asset. The Company applies component depreciation, which means that the components' estimated useful life provides the basis for the straight-line depreciation. Estimated useful life is described below in this note. Assessments of the residual value and useful life of an asset are conducted annually. Land and water rights are not subject to depreciation.

Important estimations and assessments

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

Estimated useful life

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

Estimated useful lives are unchanged compared with the preceding year.

Property, plant & equipment

2020

	Land and buildings ¹	Plant and machinery and other technical installations	Equipment, tools, fixtures and fittings	Construction in progress	Total
Cost					
Cost brought forward ²	113	5,161	533	391	6,198
Investments ³	136	53	13	345	547
Capitalised/reversed future expenses for decommissioning, restoration	2	10	–	–	12
Transfer from construction in progress	1	241	1	-243	–
Divestments/disposals	-2	-74	-166	–	-242
Other reclassifications	6	–	3	-77 ⁴	-68
Assets held for sale	–	41	–	–	41
Accumulated cost carried forward	256	5,432	384	416	6,488
Depreciation					
Depreciation brought forward	-30	-1,519	-326	–	-1,875
Depreciation for the year	-14	-115	-42	–	-171
Divestments/disposals	2	70	163	–	235
Other reclassifications	–	–	6	–	6
Assets held for sale	–	-27	–	–	-27
Accumulated depreciation carried forward	-42	-1,591	-199	–	-1,832
Impairment losses					
Impairment losses brought forward	-14	-2,195	-38	–	-2,247
Assets held for sale	–	-11	–	–	-11
Accumulated impairment losses carried forward	-14	-2,206	-38	–	-2,258
Carrying amount carried forward	200	1,635	147	416	2,398

2019

	Land and buildings ¹	Plant and machinery and other technical installations	Equipment, tools, fixtures and fittings	Construction in progress	Total
Cost					
Cost brought forward ²	61	5,084	521	196	5,862
Adoption of new accounting standard (IFRS 16)	50	–	49	–	99
Acquired companies	1	–	9	1	11
Investments ³	1	10	10	303	324
Capitalised/reversed future expenses for decommissioning, restoration	2	9	–	–	11
Transfer from construction in progress	2	103	4	-109	–
Divestments/disposals	-4	-4	-60	–	-68
Assets held for sale	–	-41	–	–	-41
Accumulated cost carried forward	113	5,161	533	391	6,198
Depreciation					
Depreciation brought forward	-19	-1,427	-338	–	-1,784
Acquired companies	–	–	-5	–	-5
Depreciation for the year	-11	-120	-40	–	-171
Divestments/disposals	–	1	57	–	58
Assets held for sale	–	27	–	–	27
Accumulated depreciation carried forward	-30	-1,519	-326	–	-1,875
Impairment losses					
Impairment losses brought forward	-14	-2,146	-30	–	-2,190
Impairment losses for the year	–	-60	-8	–	-68
Assets held for sale	–	11	–	–	11
Accumulated impairment losses carried forward	-14	-2,195	-38	–	-2,247
Carrying amount carried forward	69	1,447	169	391	2,076

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

2) Government grants received, balance brought forward, amount to EUR 66 million (66).

3) Government grants received during the year amounted to EUR 1 million (-1).

4) EUR 68 million in reclassifications relate to assets being classified as develop-to-sell assets. Refer to Note 16, Inventories.

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

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

Shares and participations owned by Vattenfall NV

	Registered office	Participation in % 2020	Participation in % 2019
Netherlands			
Vattenfall Energy Sourcing Netherlands N.V. ¹	Amsterdam	100	100
Vattenfall Power Generation Netherlands B.V. ¹	Amsterdam	100	100
Vattenfall Storage N.V.	Amsterdam	100	100
Vattenfall Duurzame Energie N.V. ¹	Amsterdam	100	100
Vattenfall Wind Development Netherlands B.V. ¹	Amsterdam	100	100
Vattenfall Windpark Wieringermeer B.V.	Amsterdam	100	100
Vattenfall Windpark Wieringermeer EXT B.V.	Amsterdam	100	100
Vattenfall Customers & Solutions Netherlands N.V. ¹	Amsterdam	100	100
Vattenfall Eemshaven B.V. ¹	Amsterdam	100	100
Vattenfall Energy Trading Netherlands N.V. ¹	Amsterdam	100	100
Vattenfall Warmte N.V. ¹	Amsterdam	100	100
Vattenfall Sales Nederland N.V. ¹	Amsterdam	100	100
Ingenieursbureau Ebatech B.V. ¹	Amsterdam	100	100
Vattenfall Klantenservice N.V. ¹	Arnhem	100	100
Nuon Epe Gas Service B.V. ¹	Amsterdam	100	100
Feenstra N.V. ¹	Amsterdam	100	100
Feenstra Veiligheid B.V. ¹	Amsterdam	100	100
Feenstra Verwarming B.V. ¹	Lelystad	100	100
Zuidlob Wind B.V. ¹	Amsterdam	100	100
powerpeers B.V. ¹	Amsterdam	100	100
Vattenfall Samen in Zon B.V.	Amsterdam	100	100
Vattenfall Hollandse Kust Zuid 1&2 C.V.	Amsterdam	100	100
Vattenfall Hollandse Kust Zuid 3&4 C.V.	Amsterdam	100	100
Vattenfall Hollandse Kust Noord C.V.	Amsterdam	100	100
DELTA Energie B.V. ¹	Middelburg	100	100
Windpark Slufterdam West B.V. ¹	Amsterdam	100	100
VO.F. Omgevingsvergunning Windpark Slufterdam	Rotterdam	50	50
Germany			
Nuon Epe Gasspeicher GmbH	Heinsberg	100	100

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

Note 15 Participations in associated companies and joint ventures

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

	Registered office	Participation in % 2020	Carrying amount	
			2020	2019
Associated companies and joint ventures owned by Vattenfall NV				
Netherlands				
B.V. Nederlands Elektriciteit Administratiekantoor	Amsterdam	23	7	7
NoordzeeWind C.V.	IJmuiden	50	–	4
Westpoort Warmte B.V.	Amsterdam	50	18	14
Other associated companies and joint ventures			–	3
Total			25	28

The activities of the joint ventures and associated companies mainly relate to the construction and operation of wind farms and heat grids. The joint ventures and associated companies have no other significant contingent liabilities or commitments as at 31 December 2020 and 2019, except for those disclosed in Note 31.

Vattenfall has issued a series of loans to Westpoort Warmte B.V., totaling EUR 53 million (46) against an average interest rate of 1.9% (1.8%).

Participations in the results of associated companies

	2020	2019
Netherlands		
B.V. Nederlands Elektriciteit Administratiekantoor	–	1
NoordzeeWind C.V.	-7	-4
Westpoort Warmte B.V.	4	4
Other associated companies and joint ventures	1	1
Total	-2	2

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

Note 16 Inventories

Accounting policy

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

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

Develop-to-sell assets pertain to the operations within business area Wind, started during 2020, where Vattenfall constructs and builds wind- and solar parks with the purpose of selling to an external party. These are valued at the lower of their cost and net realisable value.

Financial information

	2020	2019
Inventories held for own use		
Materials and spare parts	33	27
Other	1	3
Total	34	30
Develop-to-sell assets		
Develop-to-sell assets	290 ¹	–
Total	290	–
Inventories held for trading		
Fossil fuel	71	42
CO ₂ emission allowances/certificates	6	4
Biomass	10	9
Total	87	55
Total inventories	411	85

1) The amount of EUR 290 million includes a reclassification of EUR 68 million from construction in progress and EUR 107 million from intangible fixed assets. Reference is made to note 11 Property, plant and equipment and Note 12 Intangible fixed assets, respectively.

Note 17 Trade receivables and other receivables

Accounting policy

Trade receivables and other receivables are initially measured at fair value and subsequently at amortised cost. For trade receivables calculation of the loss reserve is based on expected credit losses for the remaining term. A collective method is used where the receivables are grouped together per business line based on e.g., the number of days past due including any past-due receivables, and a credit loss percentage is calculated for the respective intervals, where in the model Vattenfall NV has based its calculations on experience from historic loss levels for receivables with similar credit risk characteristics while taking into account forward-looking macroeconomic conditions that may affect expected cash flows. For individual significant receivables, an individual assessment may be made. Vattenfall NV has reviewed the impact of Covid-19 and increased its provision for expected credit losses, as the assessment was that slightly more customers and businesses than previously were expected will encounter payment difficulties. The allowance for expected credit losses of trade receivables is reported in operating expenses. Vattenfall NV evaluates the concentration of risk with respect to trade receivables as low, as its customers

are located in all Dutch regions and, in case of businesses, operate in several industries in largely independent markets.

Financial information

	2020	2019
Accounts receivable - trade	361	357
Receivables from related companies	598	873
Other receivables	41	15
Total	1,000	1,245

Note that that due to the homogeneous nature of B2C balances, debit as well as credit balances are summed into one Accounts receivable position.

Receivables from related companies

Receivables from related companies include the transfer of financial resources and ongoing clearing of transactions settled with or on behalf of group companies with Vattenfall AB and transactions related to trading activities with Vattenfall Energy Trading GmbH. Interest bearing amounts receivable from Vattenfall AB group companies are charged with an interest rate based on the Euro OverNight Index Average (EONIA) + 0.1% (with a floor of 0%).

Age analysis

The collection period is normally between 10 and 30 days.

	2020			2019		
	Receivables, gross	Impaired receivables	Receivables, net	Receivables, gross	Impaired receivables	Receivables, net
Accounts receivable - trade						
Not due	312	1	311	277	1	276
Past due 1-30 days	26	1	25	41	1	40
Past due 31-90 days	8	1	7	15	1	14
Past due >90 days	38	20	18	44	17	27
Total	384	23	361	377	20	357

Note 18 Advance payments paid

	2020	2019
Margin calls paid, energy trading	1	1
Other advance payments	2	–
Total	3	1

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

Note 19 Prepaid expenses and accrued income

	2020	2019
Prepaid expenses and accrued income, electricity	195	181
Prepaid expenses, other	9	6
Accrued income, other	1	5
Total	205	192

Note 20 Cash and cash equivalents

	2020	2019
Cash and bank balances	20	83
Total	20	83

Note 21 Interest-bearing liabilities

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

	Non-current portion maturity 1-5 years		Non-current portion maturity >5 years		Total non-current portion		Current portion		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Other liabilities	75	58	127	22	202	80	29	31	231	111
Total interest-bearing liabilities	75	58	127	22	202	80	29	31	231	111

Leasing liabilities are part of the other liabilities. The non-current portion amounts to EUR 177 million (54) and the current portion amounts to EUR 27 million (29). Further reference is made to note 11 Leasing to the consolidated accounts.

Note 22 Pension

Accounting policy

Vattenfall NV's pension obligations are defined contribution plans.

Defined contribution pension plans

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

Dutch pension plans

Vattenfall NV has various pension and similar plans for its current and former employees. The majority of the pension obligations has been transferred to the ABP pension fund and the 'Metaal en Techniek' pension fund. In addition to these two main pension plans, Vattenfall NV has a small number of defined benefit plans that are in aggregate not material. The ABP and 'Metaal en Techniek' plans are classified and reported as defined contribution plans. The coverage ratio of the ABP pension fund amounts to 93.2% (97.8%) and the pension premium for 2020 amounts to 25.9% (24.9%). The coverage ratio of the 'Metaal en Techniek' pension fund amounts to 95.4% (98.8%) and the pension premium for 2020 amounts to 28.0% (28.0%).

Note 23 Provisions

Accounting policy

A provision is reported on the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of financial resources will be required to regulate the obligation and a reliable estimate of the amount can be made. Where

the effect of the time when payment is made is material, provisions are estimated by discounting the anticipated future cash flow at an interest rate before tax that reflects market estimates of time value of money. The discount rate does not reflect such risks that are taken into consideration in the estimated future cash flow.

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

Important estimations and assessments

For provisions for future expenses for gas and wind operations and other environmental measures/undertakings, and for personnel-related provisions for non-pension purposes, or other provisions, the following discount rate is used, when discount effect is material: 0.25% (0.25%).

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

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

Personnel-related provisions for non-pension purposes

Provisions are made for future costs pertaining to:

- Long-term sickness. This covers the obligation to

continue paying all or part of an employee's salary during the first two years of sick leave.

- Jubilee payments. This covers the jubilee benefits paid to employees for every 10 years of service and after retiring upon reaching the retirement age
- Severance payments related to restructuring measures. This covers payments and/or supplements to benefits granted to employees whose employment contract has been terminated. These benefits and supplements

are based on the Social Plan operated by Vattenfall NV and individual arrangements (including Voluntary Leave Package).

- Other costs for giving notice to personnel.

Other provisions

Other provisions include, among others, guarantee commitments.

Financial information

	Non-current portion		Current portion		Total	
	2020	2019	2020	2019	2020	2019
Provisions for future expenses of gas and wind operations and other environmental measures/undertakings	50	41	4	1	54	42
Personnel-related provisions for non-pension purposes	20	24	9	12	29	36
Other provisions	10	19	4	3	14	22
Total	80	84	17	16	97	100

Movement schedule provisions

	Provisions for gas, wind and other environmental measures	Personnel-related provisions for non-pension purposes	Other provisions
Balance brought forward	42	36	22
Additions	11	11	2
Provisions used	-1	-12	-2
Provisions reversed	2	-6	-8
Balance carried forward	54	29	14

Future expenses of non-current provisions

With the current assumptions, provisions are expected to be used as shown below:

	Provision for gas and wind operations	Personnel-related provision	Other provisions	Total
2-5 years	3	14	6	23
6-10 years	2	6	4	12
11-20 years	8	–	–	8
Beyond 20 years	37	–	–	37
Total	50	20	10	80

Note 24 Trade payables and other liabilities

	2020	2019
Accounts payable - trade	256	212
Liabilities to related companies	367	580
Other liabilities	384	444
Total	1,007	1,236

Note 25 Advance payments received

	2020	2019
Other advance payments	–	6
Total	–	6

Note 26 Accrued expenses and deferred income

	2020	2019
Accrued personnel-related costs	49	55
Accrued expenses, CO ₂ emission allowances	108	174
Other accrued expenses	11	11
Deferred income and accrued expenses, electricity	280	179
Other deferred income	77	81
Total	525	500

Note 27 Financial instruments by measurement category, offsetting of financial assets and liabilities, and financial instruments' effects on income

Accounting policy

Classification and measurement

Financial assets

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

Amortised cost

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

Fair value through profit or loss

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

Derivative assets are measured at fair value through profit or loss. The assets in this category are remeasured on a

regular basis to fair value with changes in value reported in profit or loss.

Financial liabilities

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

Impairment

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

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

Financial information

Risks arising from financial instruments are described in Note 28 Financial Risks of the consolidated accounts.

Financial instruments by measurement category

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

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortised cost				
Other non-current receivables	42	45	47	51
Financial liabilities at amortised cost				
Other non-current interest-bearing liabilities	202	209	80	88

Offsetting financial assets and financial liabilities

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

Assets 31 December 2020

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Related amounts not set off on the balance sheet		Net amount
				Financial liabilities, not intended to be settled net ¹	Cash collateral received	
Derivatives, commodity contracts	1,036	879	157	–	–	157
Total	1,036	879	157	–	–	157
Derivatives, not subject to offsetting	80	–	80	–	–	80
Total derivative assets			237			237

Assets 31 December 2019

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Related amounts not set off on the balance sheet		Net amount
				Financial liabilities, not intended to be settled net ¹	Cash collateral received	
Derivatives, commodity contracts	578	564	14	–	–	14
Total	578	564	14	–	–	14
Derivatives, not subject to offsetting	188	–	188	–	–	188
Total derivative assets			202			202

Net amounts of financial assets presented on the balance sheet with related parties amount to EUR 154 million (5) as of 31 December 2020.

Liabilities 31 December 2020

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off on the balance sheet	Net amounts of financial liabilities presented on the balance sheet	Related amounts not set off on the balance sheet		Net amount
				Financial assets, not intended to be settled net ¹	Cash collateral pledged	
Derivatives, commodity contracts	913	879	34	–	–	34
Total	913	879	34	–	–	34
Derivatives, not subject to offsetting	3	–	3	–	–	3
Total derivative liabilities			37			37

Liabilities 31 December 2019

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off on the balance sheet	Net amounts of financial liabilities presented on the balance sheet	Related amounts not set off on the balance sheet		Net amount
				Financial assets, not intended to be settled net ¹	Cash collateral pledged	
Derivatives, commodity contracts	747	564	183	–	–	183
Total	747	564	183	–	–	183
Derivatives, not subject to offsetting	61	–	61	–	–	61
Total derivative liabilities			244			244

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

Net amounts of financial liabilities presented on the balance sheet with related parties amount to EUR 31 million (179) as of 31 December 2020.

Financial assets and liabilities that are measured at fair value on the balance sheet at 31 December 2020

	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets	–	187	50	237
Total assets	–	187	50	237
Liabilities				
Derivative liabilities	–	37	–	37
Total liabilities	–	37	–	37

Financial assets and liabilities that are measured at fair value on the balance sheet at 31 December 2019

	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets	–	156	46	202
Total assets	–	156	46	202
Liabilities				
Derivative liabilities	–	244	–	244
Total liabilities	–	244	–	244

Sensitivity analysis for Level 3 contracts

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

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

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

Vattenfall NV's Level 3 contracts consist of CDM and virtual gas storage contracts. The net value as per 31 December 2020 has been calculated at EUR 49.9 million (46.1) and is most sensitive to the optionality volatility. A change in the value of the daily volatility of +/-5% would affect the total value by approximately +/- EUR 2.2 million (+/-2.5).

Derivative assets

	Non-current portion maturity 1-5 years		Non-current portion maturity >5 years		Total non-current portion		Current portion		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Commodity and commodity-related contracts	25	12	–	–	25	12	212	190	237	202
Total	25	12	–	–	25	12	212	190	237	202

Derivative liabilities

	Non-current portion maturity 1-5 years		Non-current portion maturity >5 years		Total non-current portion		Current portion		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Commodity and commodity-related contracts	32	34	–	–	32	34	5	210	37	244
Total	32	34	–	–	32	34	5	210	37	244

Changes in liabilities arising from financing activities

	2020				
	1 January	Cash flows	New leases	Other	31 December
Non-current interest bearing liabilities	80	–	135	-13	202
Current interest-bearing liabilities	31	-39	8	29	29
Total liabilities from financing activities	111	-39	143	16	231

Changes in liabilities arising from financing activities

	2019				
	1 January	Cash flows	New leases	Other	31 December
Non-current interest bearing liabilities	27	–	81	-28	80
Current interest-bearing liabilities	2	-32	31	30	31
Total liabilities from financing activities	29	-32	112	2	111

Note 28 Financial risks

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

Market risk - commodities including electricity

Market risk for electricity and commodities refers to the risk of Vattenfall failing to achieve its financial targets as a result of an adverse change in commodity prices. Vattenfall AB's price hedging strategy is focused on the Nordic generation assets although in 2020 the strategy extended to hedging the thermal asset production for delivery years 2021 and 2022. Vattenfall NV does not apply hedge accounting for new transactions in its consolidated account, since 2017.

Risk management activities

Through our asset ownership and sales activities we are exposed to electricity, fuel, and CO₂ emission allowance prices, which are affected by several fundamental factors, such as the global macroeconomic situation, local supply, demand, and political decisions. We are active in the wholesale trading market to hedge our electricity position and fuel requirements through physical and financial forward contracts and long-term customer contracts. These contracts pertain to time horizons in which there is no possibility to hedge prices in the liquid part of the futures market, and stretch as far as 2026. Most volumes are hedged at the beginning of this time horizon, with falling volumes towards the end. The Vattenfall Risk Committee (VRC) decides how much generation is to be hedged within the mandates issued by the Board of Directors. To measure electricity price risk, we use methods such as Value at Risk (VaR) and Gross Margin at Risk along with various stress tests. With the current portfolio structure, the dominant risk exposure is now coupled to Nordic nuclear and hydro power baseload generation. In addition, Vattenfall's continuing operations generate a higher share of regulated revenue from distribution, heat and tendered wind power, which reduces the total risk exposure on the Continent (Germany, the Netherlands as well as the UK). Vattenfall continues to have some price exposure between electricity and used fuel/emissions on the Continent. Such an exposure has a lower risk profile than the outright power exposure in the Nordic countries. The market price risk of Vattenfall's production assets and hedges for electricity, fuel prices and emissions as well as the ancillary trading market price risks are monitored daily.

VaR levels

VaR calculation quantifies potential changes in the value of commodity positions as a result of market price movements. The inputs to the VaR calculation are positions (open volumes), current market prices and the variability of prices

(volatilities and correlations), all of which are updated daily. The risk limits are designed to prevent maximum loss to exceed SEK 2.5 billion (approximately EUR 250 million), which can be compared to a VaR of EUR 26 million (25), with a 99% confidence level and a 1-day holding period. Thus, the VaR measures the marked-to-market movement arising from a 1-day change in market prices, under normal market conditions, which should only be exceeded 1% of the time. The VaR levels for Vattenfall NV amount to EUR 0.6 million (1.4).

Ancillary trading

In addition to commodity market risk resulting from our assets and sales activities, Vattenfall AB's Board of Directors has given the CEO a risk mandate to allow discretionary risk-taking and trading in the wholesale market. Most of our risk exposure in the ancillary trading portfolio is based on market prices (mark-to-market). In cases where market prices cannot be observed, modelled prices are used (mark-to-model). Mark-to-model positions arise mainly in asset- and sales-related portfolios, see Note 27 to the consolidated accounts, Financial instruments. Management of such valuation models is strictly regulated, and approval is required from the risk organisation before they may be used.

Volume risk

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

Risk management activities

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

Liquidity risk

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

Risk management activities

Access to capital and flexible financing solutions are ensured through several types of debt issuance programs and credit facilities on the level of Vattenfall AB. Vattenfall AB has a defined target for its short-term accessibility to capital. The goal is that funds corresponding to no less than 10% of the consolidated net sales, or the equivalent of 90 days' stressed liquidity needs of the business (whichever is higher) shall be available. As per 31 December 2020, available liquid assets and/or committed credit facilities amounted to 47% (30%) of consolidated net sales. Vattenfall AB is committed to maintaining financial stability, which is reflected in the company's long-term targets for capital structure (see page

	Non-current portion maturity 1-5 years		Non-current portion maturity >5 years		Total non-current portion		Current portion		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Interest-bearing liabilities	76	57	145	27	221	84	32	32	253	116
Derivatives	565	597	–	–	565	597	788	870	1,353	1,467
Trade payables and other financial liabilities	–	–	–	–	–	–	1,007	1,236	1,007	1,236
Total	641	654	145	27	786	681	1,827	2,138	2,613	2,819

X). On 12 May 2020 Standard & Poor's affirmed Vattenfall AB's long-term BBB+ and short-term A-2 rating as well as the BB+ rating for hybrid bonds. The rating outlook was stable. On 4 June 2019 Moody's affirmed Vattenfall AB's long-term A3 and short term P-2 rating, and Baa2 rating for hybrid bonds. At the same time the outlook for Vattenfall AB's rating was revised from stable to negative. Vattenfall AB has a strong liquidity reserve but given our large future investments we aim to opportunistically use good market conditions for refinancing. Vattenfall AB has decided to use green financing in its funding activities. Investors should expect all future long-term financing to be made under Vattenfall AB's Green Bond framework.

Contractual cash flows

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

Interest rate risk

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

Risk management activities

We quantify interest rate risk in our debt portfolio in terms of duration, which describes the average term of fixed interest. The norm duration is based on Vattenfall AB's current financing need and desired interest rate sensitivity in net interest income/expense. Duration is to have a norm of five years with a permissible variation of +2/-1 year. The duration of Vattenfall AB's debt portfolio at year-end was 3.83 years (4.67) including Hybrid Capital.

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

Vattenfall NV is exposed to interest rate risk on its interest-bearing liabilities, see Note 21. A change of 100 basis points in the interest rates as at 31 December 2020 would, assuming all other circumstances remain unchanged, have a pre-tax effect on Vattenfall NV's equity and financial income and expenses of EUR 0 million (0) on an annual basis.

Currency risk

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

Risk management activities

Vattenfall AB is exposed to currency risk through exchange rate movements attributable to future cash flows (transaction exposure). Currency exposure in borrowing is limited by using currency exchange rate swaps. We strive for an even maturity structure for derivatives. Derivative assets and derivative liabilities are reported in Note 27 to the consolidated accounts, Derivative assets and derivative liabilities. We have limited transaction exposure, since most generation, distribution and sales of electricity take place in the respective local markets. Sensitivity to currency movements is therefore relatively low. All transaction exposure that exceeds a nominal value equivalent to SEK 10 million is to be hedged immediately when it arises. The target for hedging translation exposure is to, over time, match the currency composition in the debt portfolio with the currency composition of Vattenfall AB's funds from operations (FFO).

Sensitivity analysis in relation to currency risk

Vattenfall NV's exposure to significant currency risks based on nominal values amount to EUR 7 million (20). This exposure is reduced by derivatives concluded to hedge the currency risk for amount of EUR 3 million (17). The pre-tax effect that a possible increase or decrease in the value of foreign currencies relative to the euro would have, assuming all other circumstances remain unchanged, on Vattenfall NV's financial income and expenses and equity, taking into account the derivatives, amount to EUR 0.4 million (0.3).

Credit risk

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

Risk management activities

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

Note 29 Specifications of the cash flow statement

Other investments in non-current assets

	2020	2019
Investments in intangible assets: non-current, including advance payments	-19	-22
Investments in property, plant and equipment, including advance payments	-404	-324
Total	-423	-346

Note 30 Specifications of equity

Authorised, issued and paid-up share capital

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

Share premium

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

Retained earnings including result for the year

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

Dividend policy

Vattenfall NV's dividend policy stipulates the following:

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

Note 31 Contingent liabilities

As per 31 December 2020 contingent liabilities amounted to EUR 2,726 million (422). The contingent liabilities mainly consist of capital expenditure commitments regarding property, plant and equipment and intangible assets. The outstanding capital expenditure commitments relate mainly to construction in progress, and other purchasing commitments.

Sales and purchase commitments

Vattenfall NV has concluded a number of long-term purchase contracts with terms varying from 2020 to 2034. In addition, Vattenfall NV has concluded long-term sales contracts on varying terms and conditions. Vattenfall NV enters into energy commodity contracts for the sale and purchase of electricity, oil, gas, coal, biomass and emission allowances. The energy commodity contracts that are held for trading purposes and the energy commodity contracts that are designated as hedging instruments are recognised on the balance sheet at fair value. These contracts are not generally settled by means of physical delivery but by concluding opposite transactions in which only the net cash flows are settled.

Please refer to Note 28 Financial risks for the liquidity overview, which shows the contractual terms of all financial obligations recognised.

Contingent liabilities

At the reporting date, Vattenfall NV (including its subsidiaries, associated companies and joint ventures) was involved in a number of legal proceedings and investigations by tax and other authorities. Provisions have been made as far as deemed necessary in accordance with management's estimate and the accounting principles. Vattenfall NV believes that the ultimate resolution of these claims and proceedings will not, in the aggregate, have a material adverse effect on the Company's financial position, consolidated income or cash flows.

At 31 December 2020, the Company has issued bank guarantees and letters of credits amounting to EUR 1 million (1). Vattenfall NV has provided several parent guarantees for its subsidiaries, joint ventures or associated companies, part of which are uncapped. At 31 December 2020, these parent guarantees amounted to EUR 1 million (6).

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

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

Licences

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

Note 32 Number of employees and personnel costs

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

	2020			2019		
	Men	Women	Total	Men	Women	Total
Netherlands	2,633	911	3,544	2,655	903	3,558
Germany	18	2	20	17	1	18
Total	2,651	913	3,564	2,672	904	3,576

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

	2020			2019		
	Men	Women	Total	Men	Women	Total
Netherlands	2,647	902	3,549	2,669	905	3,574
Germany	18	1	19	18	1	19
Total	2,665	903	3,568	2,687	906	3,593

Personnel costs:

	2020	2019
Salaries and other remuneration	232	228
Social security costs	36	37
Pension costs	32	31
Total	300	296

Benefits for Management and Supervisory Board members of Vattenfall NV

Amounts in EUR thousands	2020			2019		
	Directors' fees and base salary including vacation pay	Other remuneration and benefits	Pension and severance costs	Directors' fees and base salary including vacation pay	Other remuneration and benefits	Pension and severance costs
Management Board	878	125	119	1,295	146	702
Supervisory Board	17	–	–	17	–	–
Total	895	125	119	1,312	146	702

Note 33 Related party disclosures

As of 1 July 2015, 100% of Vattenfall NV's shares are owned by Vattenfall AB. Vattenfall AB has a casting vote in the Supervisory Board and qualifies as a related party. Vattenfall NV also conducts transactions with subsidiaries of Vattenfall AB. Furthermore, Vattenfall NV and its subsidiaries have interests in various associated companies and joint ventures over which it exercises significant influence, but no control or only joint control of the operations and financial policy. Transactions with the parties classified as related parties

are conducted at market conditions and prices that are not more favourable than the conditions and prices offered to independent third parties.

Disclosures of transactions with key persons in executive positions in the company are shown in Note 32 to the Consolidated accounts, Number of employees and personnel costs.

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

Related parties transactions

	2020	2019
Sales of goods and services to Vattenfall AB and its subsidiaries	1,204	2,177
Sales of goods and services to associated companies and joint ventures	48	32
Costs charged by Vattenfall AB and its subsidiaries	-2,356	-3,231
Costs charged by associated companies and joint ventures	-3	-3

Various goods and services are bought or provided on normal commercial terms and conditions within Vattenfall AB. A cost-sharing program is in place, which entails that certain costs within the group are recharged to the users within Vattenfall AB based on actual usage. Vattenfall NV, in the ordinary course of business, trades commodities with and via Vattenfall Energy Trading Germany (VET Germany). Since VET Germany is not an end-user, transactions with this party are treated as if VET Germany is an external party. Trade transactions with VET Germany are netted and presented as part of Cost of purchases in the Consolidated income statement.

In the ordinary course of business, Vattenfall NV has outstanding payables and receivables with Vattenfall AB and its subsidiaries (refer to Note 17 and Note 24) as well as with its associated companies and joint ventures (Note 15). Vattenfall NV has also granted a limited number of loans to related parties. Where relevant, this has been disclosed in these consolidated accounts.

The members of the management board and supervisory board of Vattenfall NV have been identified as individuals who qualify as related parties. The employee benefits related to these individuals have been disclosed in Note 32.

Note 34 Events after the balance sheet date

The world has drastically changed due to the COVID-19 pandemic, affecting the whole world, with a lock-down in Europe and more pressure on the industry. We are proud of all our employees who are working hard every day to ensure the continuation of stable delivery of electricity, gas and heat to our customers. They show a fighting spirit to keep making this possible despite the challenging time. We have taken measures to reduce the risks of the virus for our employees. Who can work from home has to stay home and we support them in various ways. We are following all instructions from the Dutch Government and we implemented protocols and measures to mitigate the risk for our employees that can not work from home as they work in vital processes or at the sites of our clients.

The virus has impact on the whole economy, affecting both the energy demand from our business consumers and the energy prices. This will continue to have impact on our performance also in 2021. We are therefore closely monitoring our liquidity situation and taking measures to secure our operations. Vattenfall is already looking ahead and is developing policies, that include input from employees, for the post COVID-19 period.

In March 2021 Vattenfall disposed its interest in NoordzeeWind B.V. and NoordzeeWind C.V to Shell N.V., the other 50% shareholder.

Vattenfall investigates possibilities to sell the gas-fired Magnum plant in Eemshaven. In pursuit of its strategy of a fossil-free living within one generation, Vattenfall concluded that the Magnum plant no longer contributes to this strategy. Vattenfall expects that the sale will not be effectuated before the end of 2022.

Company accounts

Company balance sheet

Amounts in EUR million, before appropriation of result	Note	31 December 2020	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment	2	42	46
Investments in subsidiaries	3	3,605	3,060
Deferred tax assets	5	3	5
Receivables from group companies	4	26	62
Other non-current receivables	5	38	45
Total non-current assets		3,714	3,218
Current assets			
Trade receivable and other receivables		20	4
Receivables from group companies	6	1,463	2,688
Cash and cash equivalents	7	2	51
Total current assets		1,485	2,743
Total assets		5,199	5,961
Equity and Liabilities			
Equity			
Share capital		684	684
Share premium		2,211	2,211
Legal reserves		203	230
Other reserves		-1,066	-879
Unappropriated result for the year		433	-214
Total equity attributable to Vattenfall NV shareholders	8	2,475	2,032
Provisions	9	29	37
Non-current liabilities			
Interest-bearing liabilities	10	15	18
Total non-current liabilities		15	18
Current liabilities			
Trade payables and other liabilities		144	150
Interest bearing liabilities	10	11	8
Payables to group companies	6	2,525	3,716
Total current liabilities		2,680	3,874
Total equity and liabilities		5,199	5,961

Company income statement

Amounts in EUR million, 1 January - 31 December	Note	2020	2019
Result after taxation from subsidiaries		447	-215
Other income less expenses after taxation	11	-4	1
Result after taxation		443	-214

Notes to the company accounts

1	Accounting policies	54
2	Property, plant and equipment	54
3	Investments in subsidiaries	55
4	Non-current receivables from group companies	55
5	Deferred tax assets and other non-current receivables	55
6	Receivables from and payables to group companies	55
7	Cash and cash equivalents	55
8	Equity	55
9	Provisions	56
10	Interest-bearing liabilities	56
11	Contingent liabilities	56
12	Other income less expenses after taxation	56
13	Number of employees	56
14	Events after the balance sheet date	56
15	Proposed result appropriation	56

Note 1 Accounting policies

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

Vattenfall NV applies the exemption provided for by section 382, Part 9, book 2 of the Dutch Civil Code, that the audit fee does not need to be disclosed. The financial figures of Vattenfall NV are consolidated in the annual report of Vattenfall. In the Vattenfall annual report the total audit fee of Vattenfall, including Vattenfall NV, is disclosed.

Investments in subsidiaries

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

Receivables from group companies

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

Note 2 Property, plant and equipment

	2020			
	Land and buildings	Equipment, tools and fixtures and fittings	Construction in progress	Total
Cost				
Cost brought forward	45	231	2	278
Investments	5	8	2	15
Transfer from construction in progress	1	1	- 2	-
Accumulated cost carried forward	51	240	2	293
Depreciation				
Depreciation brought forward	- 18	- 214	-	- 232
Depreciation for the year	- 9	- 10	-	- 19
Accumulated depreciation carried forward	- 27	- 224	-	- 251
Carrying amount carried forward	24	16	2	42

	2019			
	Land and buildings	Equipment, tools and fixtures and fittings	Construction in progress	Total
Cost				
Cost brought forward	16	222	3	241
Adoption of new accounting standard (IFRS 16)	27	5	-	32
Investments	-	1	4	5
Transfer from construction in progress	2	3	- 5	-
Accumulated cost carried forward	45	231	2	278
Depreciation				
Depreciation brought forward	- 8	- 204	-	- 212
Depreciation for the year	- 10	- 10	-	- 20
Accumulated depreciation carried forward	- 18	- 214	-	- 232
Carrying amount carried forward	27	17	2	46

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

Note 3 Investments in subsidiaries

	2020	2019
Balance brought forward	3,060	3,151
New share issues and shareholders' contributions	98	116
Share in result	447	- 207
Balance carried forward	3,605	3,060

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

Note 4 Non-current receivables from group companies

	2020	2019
Balance brought forward	62	139
Loans repaid	-36	- 77
Balance carried forward	26	62

The effective interest rate on the non-current receivables from group companies was 0.9% (2019: 0.2%).

Note 5 Deferred tax assets and other non-current receivables

	2020		
	Deferred tax assets	Other non-current receivables	Total
Balance brought forward	5	45	50
Loans granted	–	12	12
Loans and interest repaid	–	- 19	- 19
Temporary differences charged to profit or loss	- 2	–	- 2
Balance carried forward	3	38	41

	2019		
	Deferred tax assets	Other non-current receivables	Total
Balance brought forward	2	38	40
Loans granted	–	17	17
Loans repaid	–	- 10	- 10
Temporary differences charged to profit or loss	3	–	3
Balance carried forward	5	45	50

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

Note 6 Receivables from and payables to group companies

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

Interest bearing amounts receivable from the Company's subsidiaries or other Vattenfall AB group companies are charged with an interest rate based on the Euro OverNight Index Average (EONIA) + 0.1% (with a floor of 0%).

Interest bearing amounts due to the Company's subsidiaries or other Vattenfall AB group companies are charged with an interest rate based on EONIA + 0.45% (with a floor of 0.45%).

Note 7 Cash and cash equivalents

There were no restricted cash and cash equivalents at the end of 2020 and 2019.

Note 8 Equity

The Consolidated statement of changes in equity and disclosures to that statement are included in the Consolidated accounts. In addition to the Consolidated statement of changes in equity, a non-distributable legal reserve, in the form of a revaluation reserve, is recognized for unrealized fair value gains on financial instruments that are recognized in income, and for which no frequent market quotations are available (Level 2 and Level 3 financial instruments). With regard to Vattenfall NV, this relates to energy commodity contracts for oil, gas, coal, electricity, biomass and emission allowances that are not traded through recognised exchanges (e.g. Amsterdam Power Exchange, Endex), known as over-the-counter or OTC contracts. A legal reserve of EUR 178 million in total is held for the unrealised fair value movements of these contracts (2019: EUR 202 million).

In addition, a legal reserve participations of EUR 25 million (2019: EUR 28 million) is recognised. The legal reserve participations includes the increases in net asset value of joint ventures and associates since their first inclusion, less any amount that can be distributed without legal restrictions.

The legal reserve is not freely distributable.

Note 9 Provisions

	2020	2019
Balance brought forward	37	40
Reversed provisions	- 8	- 5
Provisions for the period	10	9
Provisions used	- 10	- 7
Balance carried forward	29	37
Current portion	9	13
Non-current portion	20	24

Note 10 Interest-bearing liabilities

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

	Short-term part		Long-term part	
	2020	2019	2020	2019
Leasing liabilities	11	8	15	18
Total	11	8	15	18

Note 11 Contingent liabilities

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

Note 12 Other income less expenses after taxation

Other income less expenses after taxation was EUR 4 million negative (2019: EUR 7 million positive) and consists mainly of income and expenses of company-wide activities at holding company level.

Note 13 Number of employees

The average number of employees in 2020 was 430 FTE based on a 38-hour working week (2019: 459 FTE), of which working in foreign countries 3 FTE (2019: 6 FTE).

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

Note 14 Events after the balance sheet date

For subsequent events, see Note 34 to the consolidated accounts, Events after the balance sheet date.

Note 15 Proposed result appropriation

In accordance with the Articles of Association and the dividend policy, the Management Board, after consulting the Supervisory Board, proposes to distribute EUR 196 million to the shareholder and to add EUR 247 million to other reserves.

	2020
Dividend	
Dividend Vattenfall AB	196
Total dividend to be distributed	196
Result after taxation	443
Dividend proposal: Dividend to be distributed	-196
Amount to be added to other reserves	247

Amsterdam, 28 May 2021

Supervisory Board
Anna Borg
Anne Gynnerstedt
Jan Haars

Management Board
Martijn Hagens
Alexander van Ofwegen

Other Information

Independent auditor's report

To: the shareholder and supervisory board of Vattenfall N.V.

Report on the audit of the financial statements 2020 included in the annual report

Our opinion

We have audited the financial statements 2020 of Vattenfall N.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

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

The consolidated financial statements comprise:

- The consolidated balance sheet as at 31 December 2020.
- The following statements for 2020: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows.
- The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- The company balance sheet as at 31 December 2020.
- The company income statement for 2020.
- 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 Vattenfall N.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Report on 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
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code.
- Other statements.

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.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Ernst & Young Accountants LLP is a limited liability partnership incorporated under the laws of England and Wales and registered with Companies House under number OC335594. The term partner in relation to Ernst & Young Accountants LLP is used to refer to (the representative of) a member of Ernst & Young Accountants LLP. Ernst & Young Accountants LLP has its registered office at 6 More London Place, London, SE1 2DA, United Kingdom, its principal place of business at Boompjes 258, 3011 XZ Rotterdam, the Netherlands and is registered with the Chamber of Commerce Rotterdam number 24432944. Our services are subject to general terms and conditions, which contain a limitation of liability clause.

Description of responsibilities for the financial statements

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

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 engagement 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 judgment and have maintained professional skepticism 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 identify 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, 28 May 2021
Ernst & Young Accountants LLP

Signed by
A.A. Heij

Assurance report of the independent auditor

To: the shareholder and the supervisory board of Vattenfall N.V.

Our opinion

We have performed a reasonable assurance engagement on the graphs relating to the Fuel Mix of electricity supplied and/or produced marked with “RA-verified” (hereinafter: the Fuel Mix) in the annual report 2020 of Vattenfall N.V. (hereinafter: Vattenfall NV).

In our opinion, the Fuel mix is prepared, in all material respects, in accordance with the reporting criteria as included in the ‘Reporting criteria’ section of our report.

Basis for our opinion

We have performed our assurance engagement on the Fuel Mix in accordance with Dutch law, including Dutch Standard 3000A, “Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten)” (Assurance engagements other than audits or reviews of historical financial information [attestation engagements]). Our responsibilities under this standard are further described in the ‘Our responsibilities for the assurance engagement on the Fuel Mix’ section of our report.

We are independent of Vattenfall NV in accordance with 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. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Reporting criteria

The Fuel Mix needs to be read and understood together with the reporting criteria. Vattenfall NV is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the Fuel Mix are the Fuel mix definitions as developed by Vattenfall NV and are disclosed at: www.vattenfall.nl/stroometiket.

The absence of an established practice on which to draw, to evaluate and measure the selected indicators allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Limitations to our assurance engagement

Our assurance engagement is restricted to the Fuel Mix. We have not performed assurance procedures on any other information as included in the annual report 2020 in light of this assurance engagement. The Fuel Mix is presented in the chapter Operational Performance in the annual report 2020. The data relating to the Fuel Mix on which we provide assurance are labelled as “RA-verified” in the annual report 2020.

References to external sources or websites are not part of our assurance engagement on the selected indicators. We therefore do not provide assurance on this information.

The quantification of CO₂ emission factors as used in the Fuel Mix is subject to inherent uncertainty due to the designed capability of measurement instrumentation and testing methodologies and incomplete scientific knowledge used in the determination of emissions factors and global warming potentials.

Responsibilities of the management board and the supervisory board for the Fuel mix

The management board is responsible for the preparation of a reliable and adequate Fuel mix in accordance with the reporting criteria as included in the ‘Reporting criteria’ section of our report. In this context, the management board is responsible for the identification of the intended users and the criteria being applicable for their purposes. The choices made by the management board regarding the scope of the Fuel mix and the reporting policy are summarized in the annual report.

The managing board is also responsible for such internal control as the managing board determines is necessary to enable the preparation of the Fuel Mix that is free from material misstatement, whether due to fraud or errors.

The supervisory board is responsible for overseeing the reporting process of Vattenfall NV.

Our responsibilities for the assurance engagement on the Fuel mix

Our responsibility is to plan and perform the reasonable assurance engagement in a manner that allows us to obtain sufficient and appropriate evidence for our opinion.

Our reasonable assurance engagement has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

We apply the Nadere voorschriften kwaliteitssystemen (NVKS, Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The procedures of our reasonable assurance engagement included amongst others:

- Evaluating the appropriateness of the reporting criteria used and their consistent application. This includes the evaluation of the reasonableness of estimates made by the management board. Obtaining an understanding of internal control relevant to our assurance engagement in order to design assurance 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. Identifying and assessing the risks that the Fuel mix is misleading or unbalanced, or contain material misstatements, whether due to fraud or errors. Designing and performing further assurance procedures responsive to those risks, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our opinion. The risk that the Fuel mix is misleading or unbalanced, or the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors. Fraud may involve collusion, forgery, intentional

omissions, misrepresentations, or the override of internal control. These further assurance procedures consisted amongst others of:

- Interviewing relevant staff responsible for providing the information in the Fuel Mix, carrying out internal control procedures on the data and consolidating the data in the Fuel Mix.
- Obtaining assurance information that the Fuel Mix reconciles with underlying records of the company.
- Evaluating relevant internal and external documentation, on a test basis, to determine the reliability of the information in the Fuel Mix such as:
 - Conventional electricity supplied to end customers.
 - Green electricity supplied to end customers.
 - Cancelled Certificates of Origin from CertiQ concerning conventional electricity.
 - Cancelled Guarantees of Origin from CertiQ concerning renewable electricity.
 - Purchased Guarantees of Origin.
 - Transferred Certificates of Origin from CertiQ.
 - The production of renewable electricity.
- Performing an analytical review of the data and trends submitted for consolidation at corporate level
- Reconciling the relevant financial information with the financial administration.
- Evaluating the consistency of the Fuel mix with the information in the annual report which is not included in the scope of our assurance engagement.

Rotterdam, 28 May 2021

Ernst & Young Accountants LLP

R.T.H. Wortelboer

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

(hereafter: Code of Conduct for energy suppliers and metering companies; appendix of the Management Board Report)

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

Name legal entity: Vattenfall Sales Nederland N.V.
Statutory place of business: Amsterdam
Period: 1 January 2020 – 31 December 2020

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

We hereby confirm that Vattenfall Sales Nederland N.V. in Amsterdam has fully complied with the rules and obligations as set out in the Code of Conduct for energy suppliers and metering companies during 2020.

Name legal entity: Powerpeers B.V.
Statutory place of business: Amsterdam
Period: 1 January 2020 – 31 December 2020

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

We hereby confirm that Powerpeers B.V. in Amsterdam has fully complied with the rules and obligations as set out in the Code of Conduct for energy suppliers and metering companies during 2020.

Name legal entity: DELTA Energie B.V.
Statutory place of business: Middelburg
Period: 1 January 2020 – 31 December 2020

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

We hereby confirm that DELTA Energie B.V. in Middelburg has fully complied with the rules and obligations as set out in the Code of Conduct for energy suppliers and metering companies during 2020.

Amsterdam,

Signed by
Martijn Hagens

Annual Statement 2020 in the framework of the Heat Act

Introduction

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

Shareholders as at 31 December 2020

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

Supply areas

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

License

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

Tasks

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

Annual statement

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

The accounting policies and principles used in the annual statement are in accordance with the 2020 financial statements of Vattenfall NV and only includes the financial information of the operation of VF Warmte to which the regulation of the Heat Act applies, as VF Warmte also supplies non-regulated heat (supply of heat to consumers with a connected load capacity above 100kW). VF Warmte uses several allocation keys to allocate the total costs of VF Warmte to the regulated and non-regulated supply of heat. Variable purchase costs are allocated to the regulated and non-regulated activities based on the relative number of GJ sold to both customer groups. Fixed purchase costs and other costs are allocated based on the relative number of connections or the relative capacity of the connections.

The financial position and performance of VF Warmte have been included in the consolidated financial statements of Vattenfall NV. EY has issued an audit opinion on the consolidated financial statements of Vattenfall NV (see page 57). Based on Article 2:403 BW VF Warmte is exempted from publishing independent financial statements. In relation to this, a liability statement as referred to in Article 2:403 BW, is filed at the Dutch Chamber of Commerce.

Financial information for 2020

The tables below represent the financial information for 2020, as far as it concerns the regulated supply of heat (heat to consumers with a connected load of up to 100kW).

Income statement heat-supply

Amounts in EUR million, 1 January - 31 December	2020	2019
Heating revenue	131.2*	119.3
Amortisation construction contributions	7.7	6.9
Other net sales	53.9	38.6
Net sales	192.8	164.8
Heating cost of purchases	-50.7	-45.7
Other cost of purchases	-44.5	-29.3
Other external expenses	-37.3	-37.5
Personnel expenses	-27.3	-22.4
Other operating incomes and expenses, net	-1.5	-0.5
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	31.5	29.4
Depreciation	-26.6	-23.8*
Operating profit (EBIT)	4.9*	5.6

Balance sheet information heat-supply

Amounts in EUR million	31-dec-20	31-dec-19
Property, plant and equipment	452.9	406.5*
Construction contributions	-185.3	-169.3

* As of 2020, the classification of certain contracts changed from non-regulated to regulated, due to the updated Heat Act. The 2019 figures in the table above are based on old Heat Act and the 2020 figures are based on the updated Heat Act. The change in classification resulted in an increase of Net Sales by EUR 13 million and EBIT by EUR 5 million in 2020.

Explanation to the income statement

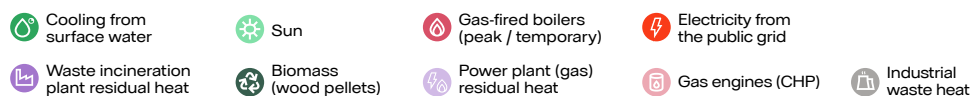
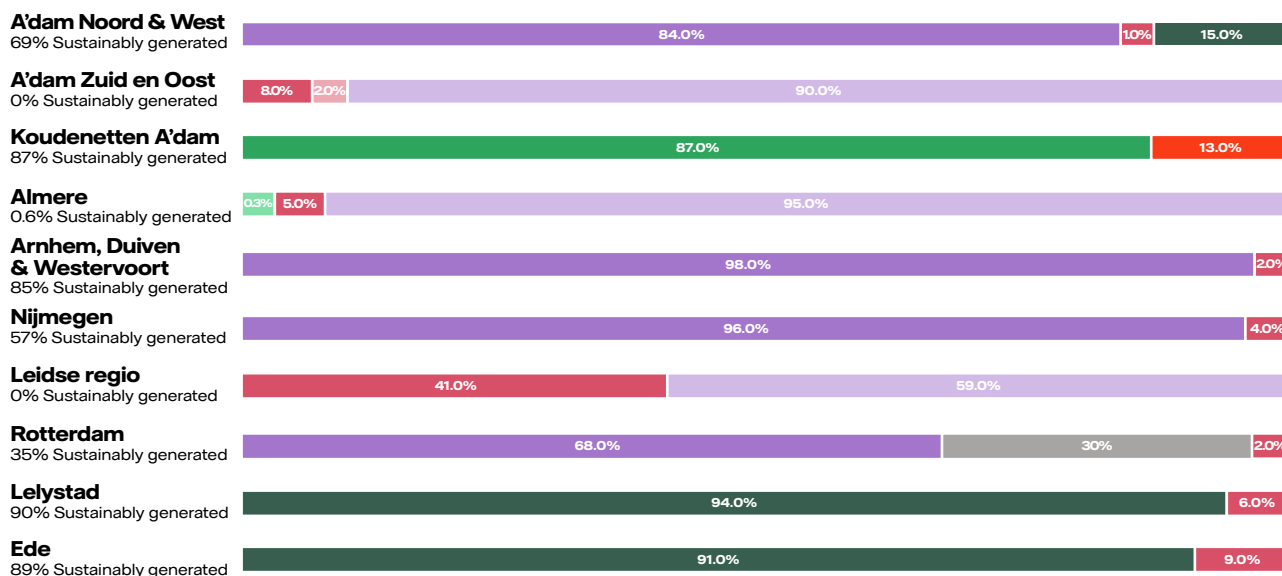
Amounts in EUR million, 1 January - 31 December	2020	2019
Breakdown of heating revenue	131.2	119.3
a1. Heat consumption	76.8	67.5
a2. Hot water consumption	6.2	6.4
b1. Fixed fee heat supply and metering services	38.4	29.8
b2. Delivery kit	9.8	15.6
Breakdown of cost of purchases	-50.7	-45.7
Variable heat purchase costs	-21.1	-22.2
Fixed heat purchase costs	-28.2	-22.0
Cold water purchase costs	-0.6	-0.8
Electricity purchase costs	-0.8	-0.7
Supplies		
Amount of heating supplied in GJs	3,666,543	3,175,221
Number of connections (<100 kW)	125,559	122,082
Amount of hot water supplied in m3	1,068,702	1,102,719
Purchase		
Purchased heat in GJ	5,532,320	4,783,376
Purchased cold water in m3	1,068,702	1,102,719
Purchase contracts according to Heat Act article 8	15	14
Vattenfall Power Generation B.V.	Production and transport of heat	Production and transport of heat
Stichting VU	Production of heat	Production of heat
Vattenfall Warmte N.V. department Generation Operations	Production of heat	Production of heat
Vattenfall Duurzame Energie N.V.	Production of heat	Production of heat
AVR Afvalverwerking B.V.	Production of heat	Production of heat
Eneco Warmte en Koude Leveringsbedrijf B.V.	Production and transport of heat	Production and transport of heat
Veolia Industriediensten B.V.	Production of heat	Production of heat
ARN B.V.	Production of heat	Production of heat
Indigo B.V.	Transport of heat	Transport of heat
Bio-Energie de Vallei B.V.	Production of heat	Production heat
Bio-Warmte de Vallei B.V.	Transport of heat	Transport of heat
Primco BMC Lelystad B.V.	Production of heat	Production heat
Warmtebedrijf Infra N.V.	Production and transport of heat	Production and transport of heat
Uniper Benelux N.V.	Production of heat	Production of heat
Warmtebedrijf Exploitatie N.V.	Transport of heat	

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

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

District heating label 2020

Energy sources by area



Environmental impact per area

	A'dam Noord & West	A'dam Zuid & Oost	Koudenetten A'dam	Almere	Arnhem, Duiven & Westervoort	Nijmegen	Leidse regio	Rotterdam	Lelystad	Ede
Renewable share*	69.0%	-	87.0%	0.6%	85.0%	57.0%	-	35.0%	90.0%	89.0%
Share of residual heat*	-	19.0%	-	38.0%	-	19.0%	24.0%	46.0%	-	-
CO ₂ reduction compared to HR gas boiler / compression cooling	63.0%	53.0%	62.0%	55.0%	80.0%	66.0%	29.0%	72.0%	86.0%	84.0%
CO ₂ emissions kg / GJ delivery	22.2	28,5	12,9	26,6	11,9	20,2	42,9	17,0	8,5	9,3
Residual heat	26.0%	28.0%	-	36.0%	28.0%	35.0%	22.0%	33.0%	40.0%	37.0%
Primary energy factor (HHV) per GJ delivery	0.37	0.56	0.23	0.52	0.16	0.29	0.84	0.25	0.16	0.18

*Calculation method in accordance with "Report format Sustainability report for suppliers in the context of the Heat Act"

Profit appropriation

Profit appropriation is governed by the Articles of Association of Vattenfall NV, which state that the authority to decide over the allocation of profits determined by the adoption of the annual accounts and to make distributions is vested in the General Meeting of Shareholders, with due observance of the limitations prescribed by law.