ANNUAL REPORT PZEM

2020

Colofon

This annual report for 2020 is a publication of PZEM.

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The annual report 2020 can be consulted via PZEM.nl/jaarcijfers

PZEM
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Annual report 2020

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About this report

In this Annual Report, PZEM N.V. ("PZEM") gives an account of its activities in 2020. Sustainability and financial reporting have been integrated into this Annual Report to the greatest possible extent. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, and the relevant provisions of the Dutch Civil Code (DCC).

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

2020 Management board report

1.1 PZEM in 2020

2020 was also an extraordinary year for PZEM

Our main focus during the year was to mitigate the impact of the COVID-19 measures. The greatest impact was felt by the wholesale markets, driving our net result for 2020 into negative territory.

Despite the slump in energy demand caused by the various lockdowns, electricity prices rebounded after a substantial fall in the first quarter of 2020, driven predominantly by active measures to further decarbonise the energy supply system, with the most important steering mechanisms being the EU's Emissions Trading Scheme (EU-ETS) and the gradual phasing out of coal-fired power plants across Europe. As a result of this policy, the price of carbon allowances rose to a level in excess of 30 euros. Moreover, as coal-fired plants and nuclear plants - which generally produce base-load capacity - are being shut down at a rapid pace, particularly in Germany, spare capacity is likely to be reduced further in those countries. In 2021 gas prices also embarked on an upward trend, driven in part by continued economic growth in China in particular, despite the coronavirus crisis.

In the Netherlands, gas-fired power plants are currently the most important driver of Dutch wholesale electricity prices. Because higher carbon and gas prices drive up production costs, this has a trickle-down impact on electricity prices. This will benefit the nuclear power plant.

As an increasingly larger share of our national electricity production comes from fluctuating sources such as the sun and wind, there will be a further need for adjustable capacity. Although energy storage becomes more important, we expect that efficient gas-fired power plants will continue to have a key part to play in balancing electricity demand with hard-to-predict fluctuations in renewable energy sources for many years to come. Additionally, PZEM also had other assets adjusted for flexible use. For example, some of the supply generated by the nuclear plant has been made adjustable and the same is being done at wind and solar farms. With a flexible and low-carbon portfolio, PZEM is well-positioned to benefit from these trends. The nuclear power plant, in particular, is set to benefit from rising carbon prices.

PZEM has for a long time been involved in a number of protracted court cases. Of the cases that remained pending, the most important one concerned a dispute over the purchase of Sunergy shares from S'Energy. Spanning a period of more than 10 years, the case involved material financial claims and various asset attachments. We are pleased to note that we were finally able to put the case behind us in 2020. With this key uncertainty removed, we can now start to flesh out our business strategy and continue the further rollout of the shareholders' strategy. Progress was also made in the investigation launched by the Dutch Consumer and Markets Authority (ACM) in 2017, regarding the correct publication of availability data and potential insider trading as a result of that.

The ACM concluded its investigation and submitted its report to PZEM in 2020. We provided the ACM with our feedback on the report in early 2021 and expect the case to enter what will, for the time being, be a concluding phase later this year. We look forward to closing this case. At PZEM, we take compliance very seriously and view the investigation as a lesson learned and an opportunity for improvement.

The positive momentum in support for nuclear energy seen in recent years continued in 2020. Extending the nuclear plant's useful life, and even new nuclear build, are slowly but steadily becoming topics of conversation again. The Boards of PZEM and EPZ are advocates of both approaches.
In 2020, as part of our "Wind in the Sails" plan, we explored whether the Dutch government might want to help our shareholders buy our share interest in water company Evides on market-driven conditions. This is a key objective of the shareholders' strategy and could perhaps be achieved in the course of 2021.

Position

PZEM produces and trades in energy 24 hours a day, 7 days a week. For its electricity production, the company uses a varied mix of natural gas, wind, solar, biomass, and nuclear energy. Around 40% of the electricity that we generate comes from renewable sources, and with 100 to 115 grams of CO_2 per kWh, PZEM has the lowest emissions of the Netherlands' traditional energy producers.

Our flexible capacity is key to ensuring security of supply in the Netherlands when the sun or wind resource dips. PZEM operates a clean and flexible, state-of the art gas-fired power plant in Sloe. Under various gas storage and transmission contracts, the company ensures effective availability and supply of gas to power stations and customers. We also buy renewable electricity from a number of large and smaller wind farms under long-term purchasing agreements (PPAs). The PPAs with the large offshore wind farm Gemini and the modern, clean and highly flexible Sloe power station are key pillars of our portfolio, in addition to our share interests in EPZ (nuclear power plant).

Water company Evides (in which PZEM owns a 50% share interest) can look back on a good year, in which it successfully ensured security of supply despite the COVID-19 outbreak.

Financial performance

In 2020 PZEM incurred a total net loss of EUR 21.8 million, despite our EUR 23.0 million share of the profit reported by Evides (2019: EUR 24.3 million). This is a substantial deterioration from the net profit of EUR 19.8 million recorded in 2019.

In 2019 we benefited from excellent returns on the funds allocated for the decommissioning of the nuclear power plant. A savings fund has been formed for this long-term liability. These savings are invested conservatively in a mix of equities and bonds. Equity investments, in particular, yielded very strong returns in 2019. Although these are unrealised gains, they have been factored into PZEM's financial results in accordance with accounting rules. In 2020 the fund continued to perform on budget, despite the COVID-19 outbreak.

Also in 2019, we profited from a number of non-recurring items, while the opposite was the case in 2020. Other negative deviations from the budget were attributable to the coronavirus outbreak. Prices fell strongly in the first quarter of the year, and we also saw a decline in the use of energy by our customers. We had to sell the unsold volumes on the market at lower prices. Finally, the value of green energy certificates declined substantially in 2020 due to an increase in supply and a fall in demand.

Safety performance

At PZEM, safety always comes first. In 2020, as in previous years, our TRIR target was 3.0 (Total Recordable Injury Rate; the total number of incidents resulting in absenteeism as a percentage of the total number of hours worked). Unfortunately, we failed to meet this target and ended the year with a TRIR of 4.0. All incidents incurred at PZEM subsidiaries. This is all the more reason for safety to continue to be a top priority for management at EPZ, BMC, Sloe and PZEM through incident analyses and improvement measures.

Outlook

The detailing, rollout and operationalisation of our "Excel in Balancing" strategy was to a great extent completed in 2020. Our services are based on mathematical models. These models were revised in accordance with the latest insights in 2020, also based on the latest expectations regarding the expansion of various new methods of electricity generation and their impact on the energy system as a whole. These models allow us to respond to current market trends and predict balanced growth in activities over the coming years. Coupled with the know-how of our staff, they provide us with the expertise to ensure proper balancing, and to match different and hard-to-predict supply and demand profiles as effectively as possible. PZEM's choice to conduct data-driven operations forms the basis for this.

In addition to our own energy, we also sell energy generated by a number of wind farms on behalf of the owners of those farms. The Gemini wind farm is a perfect example, one that we are proud of. Thanks to our financial position, the quality of our portfolio, and the skills and expertise of our staff, PZEM is well-positioned to fulfil an important and sustained role in the ongoing energy transition.

The upward trend in electricity prices from the trough seen in February 2016 was interrupted by the virus outbreak in 2020. With hindsight, this effect seems to have been only temporary in nature as prices have since returned to pre-virus levels. If that continues to be the case, our financial results will also be able to hit an upward trend again.

The strategy of our shareholders focuses on selling PZEM's commercial interests. To achieve this goal, we will initially perform a restructuring so as to put in place a separation between the company's core and non-core commercial activities. Preparations for the restructuring are currently ongoing.

COVID-19

In last year's report we already made mention of an outbreak of a corona virus. While we were unable at the time to estimate its impact, we are still in unchartered territory. What we can do is look back on a very eventful year and take stock of the harm caused in the first 12 months of the coronavirus crisis. We are very pleased to note that, as regards our non-production operations , our staff have done an excellent job working from home. Where necessary, we will continue to work from home in 2021. The safety and wellbeing of our staff and business continuity remain our key focus.

> **PZEM is well-positioned to fulfil an important and sustained role in the ongoing energy transition.**

Left: Frank Verhagen, right: Niels Unger

Although the damage to the economy so far seems to have bypassed the energy markets, we are keeping a close eye on our financial resources. In the past few years, PZEM has built up a sizeable financial buffer comprising securities, deposits, and cash at bank spread across a large number of different parties and largely with short maturities. PZEM has a robust cash position with a quantity of on-demand instruments that are more than sufficient to meet its obligations even if revenues were to decline.

A word of thanks

PZEM still is an exceptionally fine company with complex operations. It is of great importance that we can continue to rely on the support of all our stakeholders, as we have done for more than a hundred years. We implemented our business strategy with the help and support of our employees. A special word of thanks and appreciation definitely goes to all of them. Their dedication and professionalism helped us maintain an excellent service delivery, even in the year of the COVID-19 outbreak.

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

Frank Verhagen
CEO

Niels Unger
COO

1.2 Profile and key figures

In what is an increasingly dynamic energy market we provide proven added value to our customers. We have always done so!

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

PZEM operates a clean and flexible, state-of the art, gas-fired power plant at Sloe. Under various gas storage and transmission contracts, the company ensures effective availability and supply of gas to power stations and customers. Through our nuclear power plant, we supply end-users with zero-carbon energy, i.e. clean energy. We also buy renewable electricity from a range of large and smaller wind farms under long-term purchasing agreements (PPAs). The PPAs with Gemini (the Netherlands' largest offshore wind farm), the nuclear plant, the biomass plant and our state-of-the-art, clean and highly flexible Sloe power plant are key pillars of our low-carbon portfolio.

1.2.1 BRAND IDENTITY AND COMMITMENT

Our brand. Our DNA

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

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

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

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

Strategy

At PZEM, we focus on growth and a balanced portfolio, as reflected in our mission, vision and strategy.

Mission; our strength

PZEM operates future-proof production facilities that are flexible and have low-carbon emissions. Through our 24/7 trading desk we have access to all relevant energy markets, placing PZEM in an excellent position to control risks and minimise the associated costs.
Ultimately, this allows us to effectively manage energy products for all our customers and to offer the best possible mix of energy products/services at sharp prices.

Vision; this how we see the world around us

Looking ahead, we are working hard to address the challenges posed by the energy transition. Our customers expect no less from an energy expert. PZEM's vision is that renewable energy sources will become increasingly important on the road to a low-carbon energy supply system. Because the wind does not always blow and the sun does not always shine, this will lead to growing discrepancies between energy demand and supply. As greater flexibility will be required to match supply to demand, price fluctuations are likely to become more extreme. That will pose higher risks to both demand and supply that will need to be controlled. At PZEM, we intend to focus more explicitly on those trends.

PZEM seeks to achieve targeted growth and a balanced portfolio. Through its portfolio and 24/7 trading desk, the company is in an excellent position to control risks and minimise costs. We also intend making our expertise and experience available to our customers to guide them through the energy transition.

1.2.2 Core message

Core values: reliability, expertise, and customer focus

Based in the province of Zeeland, PZEM is a reliable Dutch power company that ensures security and safety of supply during the transition to renewable energy sources, by innovating and making available our know-how and expertise. Drawing on our experience, we guide our customers through the energy transition and help them address the associated challenges.

Connected

We focus on the basics: the production, trade and supply of energy products and services to business customers. PZEM's production, trade and sales experts work closely together so as to create the highest possible added value and know-how for our customers and trading partners.

Data-driven

A data-driven way of working forms the basis for 'tomorrow's PZEM': the better we can use all available data and models, the better we can tailor our products and services to the requirements of our current and future customers. This constitutes the basis for our strategy of balanced growth and also reflects our core values:

- Reliability; data is the key to trust
- Customer focus; we put our customers first
- Knowledge partner; we use our know-how for the benefit of our customers

1.2.3 Why PZEM

Balanced supply and demand

There is an increasing mismatch between electricity supply and demand. As greater flexibility will be required to keep energy markets balanced, price fluctuations are likely to become more extreme. That will pose higher risks to both demand and supply that will need to be controlled. At PZEM, we are taking responsibility by delivering smart and flexible solutions and smart data use. We match demand to supply, for a particular year, month or day. This is part of our operations and makes PZEM unique.

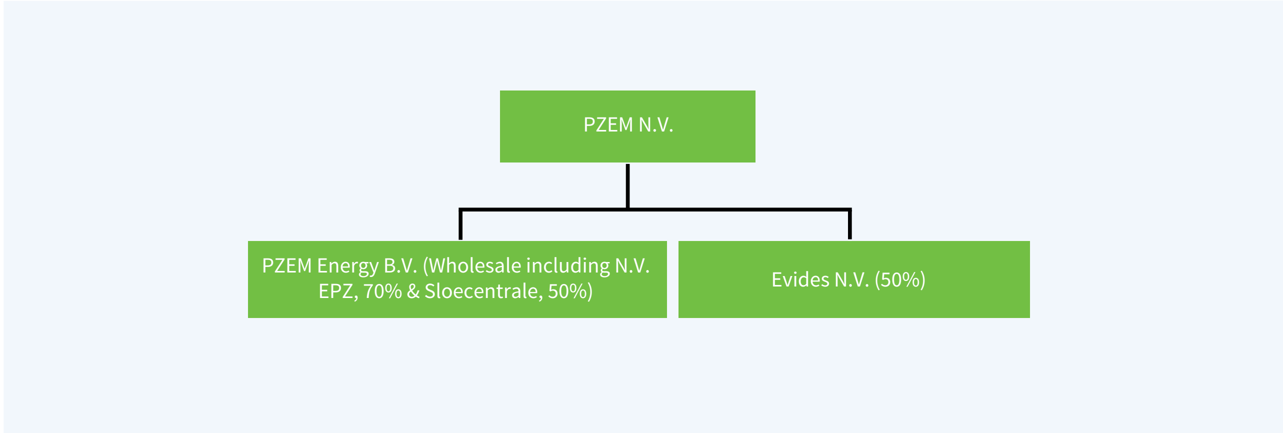
PZEM invests in clean, zero-carbon energy

As regards the supply of 'grey' electricity to end-users, PZEM has opted for climate-neutral generation, i.e. nuclear. This is why we supply nuclear energy as a standard option, at grey electricity prices.

Reliable and skilled

PZEM has been a reliable and stable factor on the Dutch energy markets for more than 100 years. This is reflected in our lighthouse logo, which symbolises trust in changeable market conditions. It also, in particular, emphasises our solid Zeeland roots.

1.2.4 Organisation at 31 December 2020



Business overview

Generation

Assets

- Sloe, CCGT plant, 870 MW, 50% stake
- BS30/EPZ, nuclear power plant, 485 MW, 70% stake
- BMC Moerdijk, biomass plant, 32 MW, 50% stake
- Long term PPA's, 690 MW, related to wind

Gas Pipeline

- Owner of ZBL (Zuidbevelandleiding)
- Capacity on ZEBRA gas network
- Transport capacity with Fluxys

Gas storage

- PZEM uses fast-cycle storage facility from EnergyStock for the purpose of balancing its gas portfolio

Trading

- Long term PPA's related to wind and solar power production
- Asset and customer portfolio optimization by trading electricity, gas, guarantees of origin and emission rights in the Norhtwestern European markets
- 24/7 shift-trading
- Ancillary forward hedging services through Saxo Bank's online trading portal (e.g. CFDs on German power market
- Market Maker for EEX (Dutch Power) and Pegas (TTF)
- All business operations are supported by analytics, marketing, risk management, IT, human resources, finance and treasury

Supply

- PZEM has a well-diversified customer portfolio of medium size business customers and large industrial off-takers
- The supply of drinking and industrial water in ensured by Evides

PZEM PORTFOLIO

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

1. Sloe power plant

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

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

2. EPZ (BS30)

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

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

3. BMC Moerdijk

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

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

4. Wind farms

Various PPAs across the Netherlands.

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

A. Gas storage

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

B. Gas pipeline infrastructure

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

C. Customer portfolio

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

D. Energy storage - TheBattery

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

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

1.2.5 STRONG TIES WITH LOCAL COMMUNITIES

Having public-sector shareholders and a local employee base, PZEM has strong ties with its home market. The company is firmly rooted in society and readily accepts its social responsibilities.

PZEM's commitment to society is reflected in the company's strong reputation in Zeeland.

Although we have become smaller in size, PZEM still provides many high-skilled jobs. These types of jobs are scarce in Zeeland, which is why we continue to play an important role in the local economy.

1.2.6 CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility covers our energy operations and our aim to produce energy with minimal CO_2 emissions.

This Annual Report does not include water company Evides, in which PZEM owns a 50% interest. Evides reports on its CSR policy and related activities separately on its website at www.evides.nl.

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

1.2.7 FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, and the relevant provisions of the Dutch Civil Code (Book 2, Title 9). PZEM conducts some of its major activities with others in the form of joint operations.

Our share of assets, liabilities, income and expenses associated with operations conducted by separate legal entities in which PZEM, in its capacity as a shareholder and customer, has the same rights and obligations as its partners, have been included in our financial information since 2013. This provides a better understanding of the structure of our capital base and profits.

Financial highlights (in EURm)	2020	2019	2018	2017
Revenue	549	574	602	601
Gross operational margin	**104**	**114**	**87**	**72**
EBITDA [1]	41	64	17	18
Net profit/(loss)	**(22)**	**20**	**(54)**	**314**
Normalised pre-tax profit/(loss) [2]	(33)	(13)	(72)	(73)
Investments in (in)tangible fixed assets	20	21	23	38

Share of revenue (in EURm)	2020	2019	2018	2017
Sale of electricity and electricity trading	485	494	496	482
Sale of gas and gas trading	64	80	106	119
Total revenue	**549**	**574**	**602**	**601**

The company reported a normalised loss for 2020, due mainly to the negative impact of the coronavirus crisis on the performance of our trading and B2B activities and negative returns on the SET Fund in 2020, which in 2019 had returned a positive yield.

For full details of the financial statements 2020, please refer to pages 47 et seq.

[1] Operating profit plus depreciation, amortisation and impairments
[2] Adjusted for the share of profit or loss in discontinued operations, impairments, the effect of provisions for unprofitable contracts, and the returns achieved on the fund set up for the decommissioning of the nuclear power plant.

1.3 Notes to the financial results

PZEM in the year of COVID-19

Although all our operating and other activities continued 'as usual' in 2020, the global COVID-19 pandemic has certainly not left the company unaffected. In 2020 we recorded a net loss of EUR 21.8 million, compared with a profit of EUR 19.8 million in 2019, a EUR 41.6 million decrease. Trading and B2B sales activities, in particular, were hit by the COVID-19 fallout. Not only did volumes show a significant decline, but electricity prices and the prices of green electricity certificates (GVOs) also fell.
While the funds earmarked for the future dismantling of the nuclear power plant had yielded very high returns in 2019, the opposite occurred at the beginning of 2020. The value of these investments recovered fully later in the year and eventually ended 2020 with a gain.

Impact of market trends

The fall in electricity prices, which began in late 2019, was initially exacerbated by the threat of COVID-19, hitting a low in mid-March 2020. From that point, the trend reversed. Overall, prospects for the coming years did not deteriorate in 2020 compared to the previous year. The nuclear power plant, in particular, is set to benefit from higher electricity prices. The gas-fired power plant at Sloe is dependent on electricity, gas, and carbon prices.

Revenue and gross margin

Revenue in 2020 stood at EUR 549.1 million, compared to EUR 574.2 million in 2019. The decline was caused mainly by our commercial (B2B) operations. Three years ago, PZEM refocused on a number of customer segments. As a result, revenue continued to fall in 2020 as sales volumes declined. B2B sales are expected to pick up again in 2021.
Overall, revenue from production at the power plants and from customised contracts (such as the sale of electricity generated by the Gemini wind farm) improved on the previous year.

Gross margin declined by EUR 21.8 million to EUR 109.1 million (2019: EUR 130.9 million), due to a large extent to the above-mentioned lower results on trading activities and B2B sales. However, a decrease in other operating revenue and lower net gain on fair value changes in the trading portfolio also combined to contribute to the deterioration.

Operating expenses

Another effect of COVID-19 was that, during maintenance on our power plants, some of the non-essential work was carried over to the next maintenance stoppage in 2021. This was one of the reasons for the 4.8% reduction in third-party costs. The number of employees, including proportionately consolidated group companies, remained virtually the same at 399 FTEs in 2020. However, staff costs rose by 3.6%, driven by the pay rises agreed in the collective agreement.
At EUR 48.7 million, depreciation charges were virtually unchanged from 2019 (EUR 48.3 million).
In 2019 an adjustment to the actuarial rate of interest led to an extra addition to the provisions. In 2020, on the other hand, a release from the provision for the dismantling of EPZ's coal-fired power plant led to a reduction in other operating expenses by EUR 4.2 million to EUR 1.8 million (2019: EUR 6.0 million).

Net finance income or expense

Financing income fell to EUR 11.3 million, down EUR 19.9 million on 2019. Financing income mainly comprised returns on the funds held by the Foundation that manages the funds to dismantle the Borssele nuclear power plant. In addition to the mandatory investment by EPZ through the Foundation, PZEM has invested some of its own assets in the same fund since December 2018. As stated above, returns in 2019 were extremely high and continued to exceed expectations in 2020. Interest charges on the loan extended to the Sloe power plant during the year were in line with 2019. Interest additions to the provisions in 2020 were down EUR 6.3 million on 2019 (EUR 8.8 million).

Cash flow and investments

Despite the net operating loss, our cash flow remained positive in 2019, driven mainly by the release of a guarantee (cash covered) in connection with a court case. Adjusted for cash investments, net cash inflow in 2020 stood at EUR 80.5 million, EUR 1.0 million of which reflecting an increase in the cash position and EUR 79.5 million an increase in cash invested. That is an improvement of EUR 28.2 million on 2019, when we recorded a cash inflow of EUR 52.3 million. The improvement was driven in particular by a higher positive movement in working capital (up EUR 81.5 million) in 2020. Cash outflow due to the net operating loss, coupled with the increased use of provisions (together forming an extra outflow of EUR 34.5 million in 2020 compared to 2019) and higher investment expenditure (up EUR 19.1 million in 2020) had an opposite impact.

Cash flow from operating activities during the year was EUR 123.3 million (2019: EUR 77.6 million). Working capital continued to improve, driven by the return of a guarantee previously provided and lower margin obligations on trading activities. In 2018 the working capital required for those obligations increased due to a strong rise in market prices. Of that cash expenditure, a large portion flowed back in 2019, with more funds returning through the settlement of the relevant trading positions in 2020.
The lower operating profit on wholesale activities in 2020 and higher use of provisions combined to have an opposite effect. With a EUR 15 million dividend payment, our share interest in water company Evides again contributed positively to our cash flow in 2020.

Cash outflow from investing activities was EUR 29.0 million (2019: cash outflow of EUR 9.9 million), driven mainly by maintenance and replacement costs for EPZ and the Sloe power plant, and payments made by EPZ into the fund set up to decommission the nuclear power plant. Also in 2020, PZEM's head office was refurbished, involving an investment in an on-site energy storage system ("The Battery") being recognised as work in progress at year-end.
In 2019 we had received proceeds from the sale of our interest in the SET Fund and the sale of our head office in Middelburg.

Capital position, solvency, and liquidity

In 2020 total realised and unrealised gains amounted to EUR 30.4 million (2019: EUR 66.0). Apart from this net gain, there were also movements in the value of the derivatives portfolio, which were recognised as unrealised gains or losses.

These had a positive impact of EUR 52.2 million in 2020 (2019: negative impact of EUR 46.1 million).

Shareholders' equity including year- to-date net profit or loss was EUR 1,377.0 million. Our solvency ratio improved to 61.8% at 31 December 2020 (2019: 58.9%), driven by an increase in shareholders' equity and lower balance-sheet total in 2020. Our liquidity (current ratio) also improved, from 3.6 at 31 December 2019 to 4.8 at 31 December 2020.

1.4 PZEM and its people

From 2016 we put much of our focus on reorganising and restructuring the company. In 2020 we redirected that focus to creating an organisation designed to achieve our strategic objectives as effectively as possible. This involved identifying and filling vacancies in various departments across the company.
Also, we cannot ignore the impact that COVID-19 has had on our way of working and on the health and wellbeing of our employees.
Both developments are explained briefly below on the basis of a number of facts and figures.

Inflow & outflow

On 1 January 2020, PZEM (excluding EPZ, the Sloe power plant, and Evides) employed 134 staff, 20 of whom were in the mobility phase or on a zero-hours contract under the Social Plan.
During the year, PZEM's workforce declined to 127 employees (114.6 FTEs). This is how the situation stood at 31 December 2020. The decline can be explained by the departure of employees who previously became redundant and made use of a 60+ scheme provided for in the Social Plan. They retired in 2020 or left voluntarily in connection with a new job or for another reason. A total of six employees left the company under the Social Plan. Another four employees left at their own request and three left for other reasons. Around two thirds of the outflow had been foreseen or planned.

In 2020 we successfully recruited a total of twelve talented employees. Half of them began work in 2020 and the other half will start work in the first quarter of 2021. They either replace the employees who left or fill the vacancies that we created with a view to achieving our strategic goals. We also hired a trainee in addition to the FTEs budgeted for.

We will continue to draft in temporary workers if necessary to carry out specialist jobs or projects or to cover peak periods. However, we do want to encourage our employees to move up within the company so as to utilise, grow, and retain their potential. In all cases, we will carefully weigh up the pros and cons of employing our own people or hiring in temporary external staff.

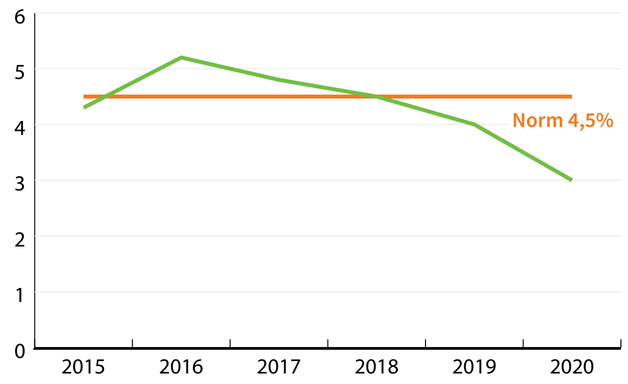
Number of employees

At 31 December 2020, PZEM employed a total of 127 employees (114.6 FTEs), not including EPZ, the Sloe power plant, and Evides.
At PZEM, 73% of our employees were men and 27% were women. In 2020 the average age was 46, slightly higher than in 2019 (43.5). With the exception of the board members, all PZEM employees fall within the scope of the collective agreement for energy producers and suppliers. Of our employees, 91% were on a permanent contract and 9% on a fixed-term contract. The share of permanent contracts rose slightly compared to 2019 (89%). The contracts of some of the employees newly hired in 2018 and 2019 were converted to permanent contracts in 2020.

Illness absenteeism

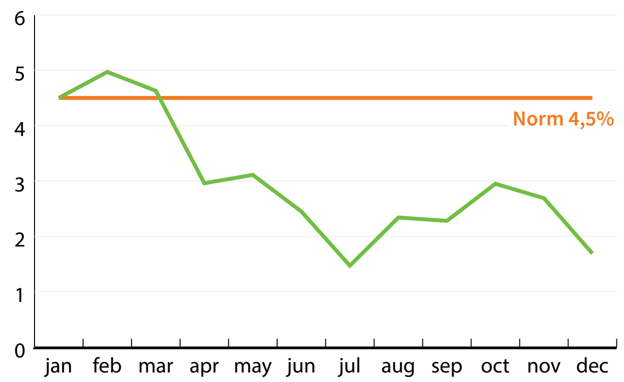
Illness absenteeism at PZEM (not including EPZ, the Sloe power plant, and Evides) averaged 3.0% in 2020. This was again lower than in 2020 (4.0%) and within our 4.5% target. Long-term absenteeism occurred mainly in the mobility office/work-to-work programme and B2B. At 31 December 2020, absenteeism due to illness stood at 1.7%.

Development of absenteeism 2020



Despite COVID-19, illness absenteeism at PZEM was low in 2020 and even historically low over the summer months. The key driver was the fact that as of March 2020 most of our employees worked from home and so had more flexibility to organise their own working time. They called in sick less often and made up for unworked hours by working at different times when they felt better.

Development of absenteeism 2020



COVID-19 and working conditions

The coronavirus outbreak has given a whole new meaning to the concept of working conditions. As of March 2020, nearly all of our employees worked fully from home. A COVID-19 recovery team was set up, comprising representatives of the board, emergency responders, HR, and Facilities Management. A set of measures were defined to be able to continue operations safely and various facilities were offered to enable our employees to work from home responsibly and efficiently and to stay in touch with each other. Health and safety are everyone's number one priority. The COVID-19 recovery team also periodically provides information about developments regarding the measures taken and their impact on the organisation. Managers play an even more important role with regard to their team members, in that they must keep abreast of developments and monitor the general wellbeing of our employees through frequent meetings and conversations.

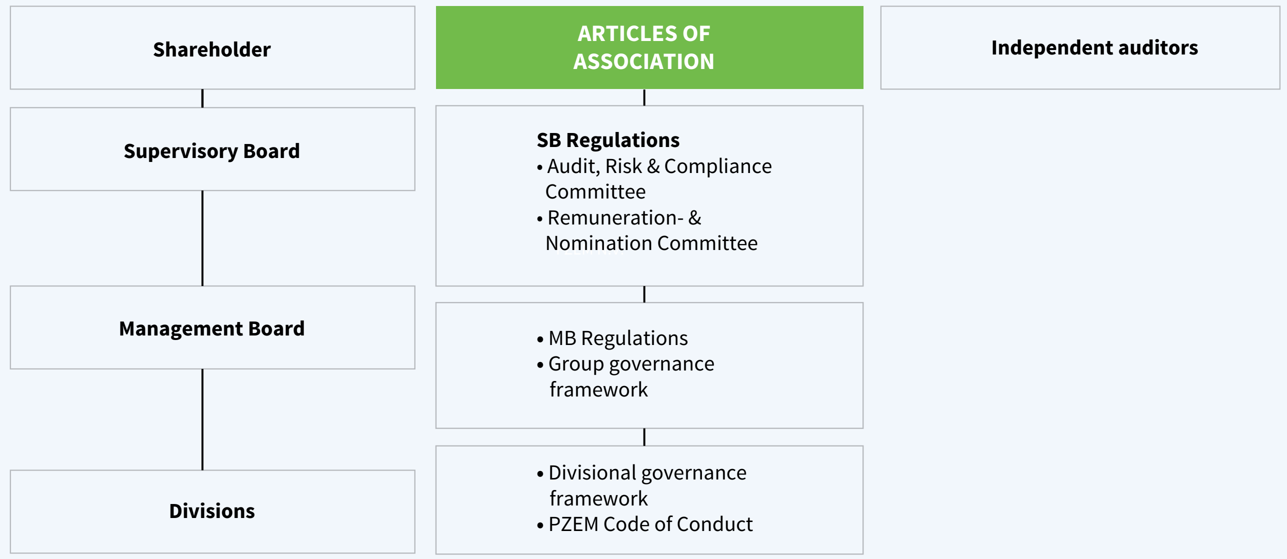
Review of performance appraisal and remuneration policies

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

As part of the annual employee appraisal process, the Works Council, after a detailed procedure, consented to removing the link between the appraisal findings and annual pay rise. In 2020 we began conducting appraisal 'previews' instead of appraisal reviews. Our main objective is to improve the quality of the conversations between employees and their managers and to give centre stage to personal development and aspirations, aligning individual goals with those of the organisation, and making effective use of their skills and expertise. An initial evaluation conducted in mid-2020 showed that appraisal previews were widely appreciated by managers and employees and the frequency and quality of their discussions and topics discussed had improved as a result.
Additionally, proposals were fleshed out to update our remuneration policy. Recruiting and retaining employees, especially in the higher segment, was even important in 2020 to be able to achieve our strategic goals. For various vacancies, it is critical that we can offer employment terms that are competitive, not only regionally but also at a national and even international level. The proposals presented as part of the 'Performance Appraisal and Remuneration Policy Review' are aimed at extending existing pay scales, accelerating pay rises at the start of the scale in line with market developments, and reducing a range of exceptions so as to simplify the remuneration policy. The new policy proposals were based on the above-mentioned benchmark survey findings and the input received from across the organisation, including Works Council representatives. We will continue the project in 2021, when we will look in particular at variable pay components and employee benefits.

1.5 PZEM and corporate governance

Governance structure PZEM



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

Structure

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

Management Board

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

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

Supervisory Board

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

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

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

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

Two formal general meetings were held during the year.

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

Compliance
PZEM maintains good relations with the Dutch Consumer and Markets Authority (ACM) and the Dutch Financial Markets Authority (AFM). Internal and external audits performed during the year revealed no facts that required reporting.
Progress was also made in the investigation launched by the Dutch Consumer and Markets Authority (ACM) in 2017, regarding the correct publication of availability data and potential insider trading as a result of that. The ACM concluded its investigation in 2020 and has since submitted its report to PZEM. We provided the ACM with our feedback on the report in early 2021 and expect the case to enter what will, for the time being, be a concluding phase later this year.

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

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

1.6 Report of the Supervisory Board

The Supervisory Board is pleased to report on its activities undertaken in 2020 and the way in which it has fulfilled its supervisory and advisory roles.

Membership composition

In 2020, PZEM N.V.'s Supervisory Board comprised:
Mr G.A.F. (Gerard) van Harten (Chair)
Ms W.J.N. (Wendela) van Uchelen (Vice Chair)
Mr . B.A. (Björn) Fermin (Secretary)

Committees

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

Meetings and other activities

In 2020 the Supervisory Board met twelve times with the Management Board attending, once at the company's Middelburg offices, once by telephone, and ten times online through Teams.

The matters discussed included:

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

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

Members of the Supervisory Board attended the meetings between the Management Board and the shareholders' committee. These meetings were held eight times in 2020 in order to discuss PZEM's business strategy and implementation of the shareholders' strategy.

Members of the Supervisory Board also met with the Works Council to discuss the company's current situation and strategy.

During the year, the Supervisory Board was updated periodically by PZEM N.V.'s Management Board and EPZ's Board on the situation at EPZ, including the safety and decommissioning of the remaining core at the Borssele nuclear power plant and the possible extension of its useful live beyond 2033.

Due to COVID-19, the Supervisory Board was unable to visit the company's subsidiaries. These visits will resume when the measures imposed by the government so allow.

The Supervisory Board also convened several times without the Management Board attending. Key items on the agenda were:

- the business strategy;
- a review of the performance of the Management Board and its members;
- the adoption of the remuneration for Management Board members.

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

Audit, Risk & Compliance Committee

In 2020 the Audit, Risk & Compliance Committee comprised Mr Fermin (Chair) and Mr Van Harten.

The Committee met four times during the year.
The issues discussed included:

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

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

Remuneration & Nomination Committee

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

During the first half of 2020, Committee members conducted appraisal reviews with both the CEO and COO.

Management Board membership

In 2020, the Management Board comprised Mr (Frank) Verhagen (CEO) en Mr N.C. (Niels) Unger (COO).

Financial statements

The Supervisory Board reviewed and approved the annual report, financial statements, and notes for the 2019 financial year, as submitted by the Executive Board. The Management Board prepared the financial statements for 2019 on that basis, and the Supervisory Board recommended their unqualified adoption by the General Meeting of Shareholders. The financial statements 2019 were adopted by the General Meeting of Shareholders in May 2019.

On the Supervisory Board's recommendation, again no dividend was paid to the shareholders for that financial year. The General Meeting of Shareholders subsequently granted discharge to the Management Board for the management conducted during the year and to the Supervisory Board for its supervision exercised during the year.

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

Details of Supervisory Board members

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

Other relevant board memberships in the period from 1 January 2020 until 14 April 2021:
- Advisory Board member, Stichting Biobased Delta;
- Board member, Roosevelt Institute of American Studies;
- Supervisory Board chairman, Green Chemistry Campus B.V.;
- Advisory Board chairman, University College Roosevelt;
- Advisory Board member, Stichting Wonen en Psychiatrie.

Ms W.J.N. (Wendela) van Uchelen
Nationality: Dutch
First appointed: 6 June 2018
Current term: until 5 June 2022
Profession/main position: General Counsel, Corporate Secretary, and Sustainability Director at APG

Other relevant board memberships in the period from 1 January 2020 until 14 April 2021:
- Advisory Board member, Amsterdam Sinfonietta;
- Lecturer at the Senior Legal Counsel Academy (Dutch Bar Association).

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

Other relevant board memberships in the period from 1 January 2020 until 14 April 2021:
- Board member of Stichting Extra Zorg Samen;
- Member of the Advisory and Audit Committee of the Special Tribunal for Lebanon.

1.7 Report of the Works Council

2020 was an extraordinary year for PZEM's Works Council, if only because of the way in which it conducted its meetings. Because everyone had to work from home as of March, meetings were held online via Microsoft Teams.
During the year, the Work Council convened eighteen times (regular meetings and brainstorming sessions). It also held meetings with the Management Board and the HR Manager (standing consultations). The consultative meeting on 20 May 2020 was attended by Mr G. van Harten in his capacity as a Supervisory Board member in compliance with Section 24 of the Works Councils Act. Mr Van Harten also attended a second "Section 24 meeting" on 20 October 2020, which was also attended by Mr B. Fermin in his capacity as a Supervisory Board member.
During the year, the Works Council held three extra meetings to discuss special issues and requests for consent.

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

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

As of 1 November 2020 the Works Council consisted of six instead of seven members because one member left the company. A new member will be recruited to fill the vacancy in 2021.

As stated above, in addition to its standing consultations with the Management Board in 2020, the Works Council also met twice with representatives of the Supervisory Board during "Section 24 meetings". The main theme of these meetings was the wellbeing of the company's employees. As most employees have been working from home since March 2020, this has been and will continue to be an important point of focus for the Supervisory Board, Management Board, and Works Council. Standing issues on the agenda included PZEM's financial position and strategy.

Two Works Council members and the formal secretary together make up the Health, Safety & Environmental Committee. In addition to a regular meeting, an online meeting was held with the occupational health physician, occupational social worker, and confidential counsellor. The intention is to hold this meeting in this particular setting twice a year.

The Works Council discussed a variety of issues. Apart from the requests for its consent, key topics included:
- COVID-19 and working from home;
- financing;
- housing, including in particular the progress made on the refurbishment of the office building;
- strategy and structure;
- safety;
- employee wellbeing.

The Works Council gave its consent on seven occasions:
- Changes to the company's regulation B12 'Employee Performance Appraisal System' and related parts of the salary scheme;
- Changes to the rules regarding occupational social work and confidential counselling;
- PZEM's Social Plan 2018-2021;
- PZEM's passenger car fleet scheme;
- PZEM's Code of Conduct;
- Legal hold on PZEM mail boxes;
- Changes to fixed pay policy and pay development.

No requests for advice were received during the year.

The Works Council looks forward to continuing its constructive and long-term relationship with the Management Board in 2021.

On behalf of the Works Council,
Carel van Veen,
Secretary

The main theme was the wellbeing of the company's employees. As most employees have been working from home since March 2020, this has been and will continue to be an important point of focus.

1.8 Risks and opportunities

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

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

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

1.8.1 Duties and responsibilities set out in the PICF

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

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

On the Management Board's instructions, Risk Management also monitors compliance with the PICF so as to ensure that:
- PZEM is notified in a timely fashion as to when strategic, operational, and financial targets have been achieved;
- financial reporting is reliable;
- PZEM operates in accordance with applicable laws and regulations;
- sites and equipment are safe and secure;
- PZEM can identify its obligations.

Independent audits
If the Management Board, Supervisory Board, Risk Management or a departmental head has any indication that there are problems with certain processes, or wishes or needs to have certain processes reviewed independently, then they may instruct a third party to conduct an independent audit. This will give divisional management additional assurance with regard to internal controls.

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

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

1.8.2 Risk management and internal control system

Risks and controls in 2020
Energy production is essential to society. PZEM's commitment to society is reflected in the company's strong reputation in Zeeland. Risks that may threaten the delivery of our services are identified as clearly as possible and mitigated where appropriate and economically feasible.

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

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

How risks evolved in 2020
Electricity and gas prices remained too subdued for us to make a profit on our production assets.
Following the sale of our retail and grid operations, we have more than sufficient cash available.
As court rulings were handed down and agreements reached with counterparties, legal risks decreased during the year.
We continued to monitor cyber risk closely during the year. However, as global trends in cybercrime are evolving rapidly, we need to stay alert and focused.

COVID-19

The world has changed radically as a result of COVID-19, with lockdowns being imposed in the Netherlands and pressure building on the industry. At PZEM, we have taken measures to mitigate the risks of the virus to our employees. Everyone who can work from home should do so and we support them in various ways. We follow all government guidelines and have put in place protocols and measures to mitigate the risks to those of our employee who are unable to work from home because they work in vital processes.

The virus has negatively impacted energy demand among business customers and energy prices.

Risks and controls in 2021

The Strategic Risk Assessments revealed two new risks:

- Insufficient growth after implementation of the new strategy;
- Organisational restructuring.

Risk appetite

PZEM assesses its risk exposures, actions taken to mitigate risks, and any residual risks against its overall risk appetite by carrying out a variety of risk assessments. During those assessments, we determine the probability and impact of each individual risk. If either or both are elevated, we will develop and implement additional mitigating action. If residual risks continue to remain elevated, we may take follow-on action. This may include:

- accepting the elevated residual risk, but stepping up our monitoring efforts and taking additional action to limit any loss or harm if an incident occurs;
- sharing the elevated residual risk with a third party, for example through a joint venture or by taking out insurance;
- assessing whether the activity in question can be discontinued if it poses a threat to the company's continuity.

Management in Control Statements 2020

The Management Board twice signed a Management in Control Statement (MiCS) in 2020. EPZ, which is a PZEM subsidiary, combined these into an annual statement. In the MiCSs, the Management Board stated that an appropriate risk management and internal control system had been in place and effective during the year. No exceptions were noted.

The two MiCSs issued for 2020 formed the basis for the Management Board's In Control Statement, as included in this Annual Report.

1.8.3 Summary of main risks

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

Major risks facing PZEM are:

1. Poor market conditions (prices)

Poor market conditions (low electricity prices, pressure on spark spreads, and lower flexi value) may affect the company's financial performance. potentially causing it to have insufficient financial means and threatening its continuity in the long term.

Controls:

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

2. Unexpected outages at power plants

Unplanned outages at power plants, notably the nuclear power plant (EPZ), may cause PZEM to incur additional costs and adversely affect the company's profitability.

Controls:

- Strict management of investment and maintenance projects so as to increase availability through:
  - Effective communication between EPZ and PZEM management;
  - Collaboration with co-shareholder RWE;
  - Ensuring the availability of the power plants to as high a degree as possible by making this a KPI and raising awareness at the facilities in question.

3. Unpredictable behaviour by government

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

Controls:

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

4. Outcome of court cases

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

Controls:

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

5. Management of cash assets and investments

In light of the large amount of cash and cash equivalents available to the company, there is a risk of funds being misappropriated through fraud, imprudent investment policies, possible bankruptcies in the financial services sector, or unintentional conduct.

Controls:

- Treasury now reports directly to the CEO;
- The Treasury Charter sets out the basic conditions for cash investments (e.g. type, duration, and diversification);
- Specific procedures for checking cash in bank accounts.

6. Filling critical roles

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

Controls:

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

7. Legal and regulatory changes

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

Controls:

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

8. IT and Information security

Due to the growing use of cloud applications and the possibility of cyber attacks, there is a risk that systems may not be available, which in turn will threaten business continuity.

Controls:

- Raise awareness among management and end-users, for example by means of phishing tests to check staff alertness. A feature has been added to report phishing messages so as to improve security;
- Keep up to date on cyber security trends;
- Mobile phones and other mobile devices were fitted with improved protection to ensure a high level of protection;
- Staff awareness campaign in the shape of a multi-year e-learning programme.

9. Safety performance

Careless behaviour and/or inattentiveness may cause accidents.

Controls:

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

10. Insufficient growth after implementation of new strategy

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

Controls:

- The strategy and growth opportunities will be worked out in detail in the shape of multiple key focal points as part of a strategic programme;
- Expected additional returns have already been defined as goals in the Operational Plan;
- The key focal points will serve as a basis for submitting proposals to the steering group, RMC and/or the Management Board in which additional returns and risks are substantiated and approved;
- The Management Board will decide on the proposals on the basis of the required resources and risk/return ratios.

11. Organisational restructuring

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

Controls:

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

Summarising table:

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

1.8.4 RISK FEATURES OF THE MARKETS IN WHICH PZEM OPERATES

Commodity price risk

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

Potential adverse trends in commodity prices, notably falling electricity prices, in the coming years pose a risk to PZEM's future continuity. A price fall may have an immediate dampening impact on the profits of our production units. Sales contracts where there is no correlation between electricity market prices and fuel prices would be hit hardest, such as nuclear power. Revenues would fall whereas costs would remain virtually stable. Each euro off the selling price would immediately be reflected in profit or loss, unless the output is hedged. Different market studies, incidentally, suggest a further rise in commodity prices.

Value-at-Risk

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

Cash flow hedges

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

Currency risk

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

Interest rate risk

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

Liquidity risk

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

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

1.9 Statement by the Management Board

The Management Board is responsible for the design and operating effectiveness of the company's risk management and internal control system: the PZEM Internal Control Framework (PICF). We reviewed its design and operation during 2020, based in part on the Management in Control Statements drawn up within the organisation and reviewed by Risk Management.

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

As part of their audit of the financial statements 2020, the independent auditors tested the design, existence and, where appropriate , the operating effectiveness of the company's internal financial reporting controls. They reported their findings to the Management Board, the Audit, Risk & Compliance Committee, and the Supervisory Board.

In Control Statement

On the basis of the foregoing, the Management Board believes that the risk management and internal control system operated effectively during 2020 and provides reasonable assurance that the financial statements for the year under review contain no material misstatements.

The Management Board will ensure compliance with the PICF in 2021.

Management statement

To our knowledge:
- the financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of PZEM N.V.;
- the additional information, as contained in this Annual Report, gives a true and fair view of the state of affairs at 31 December 2020 and of PZEM N.V.'s operations during the 2020 financial year;
- the Risks and Opportunities section, as contained in this Annual Report, provides a description of potential material risks facing PZEM N.V.

Middelburg, The Netherlands, 14 April 2021

The Management Board of PZEM N.V.

Frank Verhagen
Niels Unger

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CONSOLIDATED BALANCE SHEET

(EUR 1,000)	Ref. no.	31-12-2020	31-12-2019
NON-CURRENT ASSETS			
Intangible assets	**1**	**1,445**	**1,049**
Property, plant and equipment	**2**	**510,794**	**503,912**
Joint ventures, associates and other investments	3	402,514	397,984
Loans to joint ventures, associates, etc.	4	2,572	2,855
Deferred tax assets	4	4,152	7,274
Other financial assets	4	610,399	555,934
Derivatives	5	11,368	5,821
Financial assets		**1,031,005**	**969,868**
Total non-current assets		**1,543,244**	**1,474,829**
Current assets			
Inventories	**6**	**74,515**	**83,490**
Trade receivables	7	14,270	20,683
Current tax assets	7	12,814	12,531
Other receivables	7	478,713	565,580
Derivatives	5	18,483	44,688
Total receivables		**524,281**	**643,482**
Total current assets		**598,796**	**726,972**
Cash	**8**	**85,829**	**84,859**
TOTAL ASSETS		2,227,870	2,286,660
Shareholders' equity		1,398,831	1,326,809
Profit for the year		(21,841)	19,812
Group equity		**1,376,990**	**1,346,621**
Provisions	9	531,109	515,062
Long-term debt	10	106,762	121,084
Deferred tax liabilities	11	11,400	15,820
Lease liabilities	11	6,643	6,677
Other non-current liabilities	11	30,824	29,445
Derivatives	5	22,383	25,745
Non-current liabilities		**709,122**	**713,833**
Trade payables	12	12,035	48,116
Current tax liabilities	12	16,698	12,084
Current portion of provisions	12	31,635	50,778
Other liabilities	12	61,557	25,016
Derivatives	5	19,833	90,213
Current liabilities		**141,758**	**226,206**
Total liabilities		**850,880**	**940,039**
TOTAL EQUITY AND LIABILITIES		2,227,870	2,286,660

CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	Ref. no.	2020	2019
Revenue	13	549,091	574,244
Cost of sales	14	(445,477)	(460,241)
Gross operating margin		**103,615**	**114,003**
Other gains and losses (third parties)	15	5,042	13,096
Fair value gains and losses on the trading portfolio	16	490	3,767
Gross margin		**109,147**	**130,866**
Third-party services	17	(46,511)	(48,831)
Staff costs	18	(41,200)	(39,759)
Depreciation, amortisation and impairment	19	(48,658)	(48,253)
Other operating expenses	20	(1,762)	(5,997)
Total net operating expenses		**(138,131)**	**(142,839)**
Earnings from operations		**(28,984)**	**(11,973)**
Share in results of joint ventures and associates	21	21,711	27,320
Operating result		**(7,273)**	**15,347**
Net finance income (expense)	22	(4,991)	12,657
Profit before tax		**(12,264)**	**28,004**
Corporate income tax	23	(9,576)	(8,191)
Profit after tax from continuing operations		**(21,841)**	**19,812**
Profit after tax from discontinued operations		-	-
PROFIT FOR THE YEAR		(21,841)	19,812
Attributable to:			
SHAREHOLDERS OF PZEM N.V.		(21,841)	19,812

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	2020	2019
REALISED PROFIT:		
Profit/(loss) after taks for the year	**(21,841)**	**19,812**
UNREALISED GAINS AND LOSSES		
Unrealised gains and losses that will not be reclassified to profit or loss	-	-
Unrealised gains and losses that may be reclassified to profit or loss		
1. Effective portion of gains and losses on cash flow hedges		
Energy derivatives (gross)	5,849	2,610
Reclassification adjustments	42,603	40,625
Unrealised gains and losses on energy derivatives cash flow hedges	**48,452**	**43,236**
Interest rate derivatives (gross)	(1,189)	(2,483)
Reclassification adjustments	5,479	5,973
Unrealised gains and losses on interest derivatives cash flow hedges	**4,290**	**3,490**
(Deferred) corporate income taks	(532)	(646)
Total effective portion of gains and losses on cash flow hedges	52,210	46,080
2. Share of other comprehensive income in joint ventures and associates		
Share of other comprehensive income in joint ventures and associates	-	70
Reclassification adjustments		-
Unrealised gains and losses on joint ventures and associates	**-**	**70**
(Deferred) corporate income taks	-	-
Total share of other comprehensive income in joint ventures and associates	**-**	**70**
3. Other movements		
Reclassification adjustments	-	-
(Deferred) corporate income taks	-	-
Total other movements	-	-
Total other comprehensive income	52,210	46,150
TOTAL COMPREHENSIVE INCOME	**30,369**	**65,962**
Total comprehensive income attributable to:		
SHAREHOLDERS OF PZEM N.V.	**30,369**	**65,962**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Total	Paid-up capital	Statutory reserve	Hedge reserve	Other non-dis-tributable reserves	Other reserves	Unappro-priated profit
ADJUSTED CARRYING AMOUNT AS AT 1 JANUARY 2019	**1,280,735**	**6,937**	**138,848**	**(109,955)**	**232**	**1,298,313**	**(53,640)**
Profit appropriation for 2018	-	-	-	-	-	(53,640)	53,640
Payment of dividend	-	-	-	-	-	-	-
Other changes	(76)	-	21,777	-	(90)	(21,763)	-
Total comprehensive income	65,962	-	70	46,080	-	-	19,812
CARRYING AMOUNT AS AT 31 DECEMBER 2019	**1,346,621**	**6,937**	**160,694**	**(63,875)**	**143**	**1,222,910**	**19,812**
Profit appropriation for 2019	-	-	-	-	-	19,812	(19,812)
Payment of dividend	-	-	-	-	-	-	-
Other changes	-	-	20,606	-	(148)	(20,458)	-
Total comprehensive income	30,369	-	-	52,210	-	-	(21,841)
CARRYING AMOUNT AS AT 31 DECEMBER 2020	**1,376,990**	**6,937**	**181,300**	**(11,665)**	**(6)**	**1,222,264**	**(21,841)**

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

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

Other reserves comprise retained earnings.

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

(EUR 1,000)	2020	2019
From operating activities		
Earnings from operations	(28,984)	(11,973)
Fair value gains and losses on the trading portfolio	(490)	(3,767)
Adjustment for deferred income	391	88
Depreciation, amortisation and impairment	48,193	48,301
Changes in:		
Provisions	(23,096)	(5,324)
Inventories	(12,479)	323
Trade receivables	6,413	3,471
Trade payables	(36,081)	(4,704)
Other receivables/payables	166,665	43,904
From operating activities	**120,531**	**70,319**
Cash flows arising from dividends received from joint ventures and associates	17,492	18,068
Cash flows from finance income and expense	(9,127)	(9,562)
Cash flows from taxes on profits	(5,638)	(1,243)
Cash flow from operating activities	**123,260**	**77,583**
Cash flow from investing activities		
Acquisition and disposal of intangible assets and property, plant and equipment (after deduction of cash acquired)	(18,444)	(11,083)
Acquisition of investments in subsidiaries and associates and interests in joint ventures (after deduction of cash disposed)	(312)	(527)
Disposal of investments in subsidiaries and associates and interests in joint ventures	-	5,284
Other financial assets	(10,247)	(3,610)
Cash flow from investing activities	**(29,003)**	**(9,936)**
FREE CASH FLOW BEFORE DIVIDEND	**94,257**	**67,647**
From financing activities		
Paying off borrowings	(13,367)	(12,866)
Change in deposits	(79,571)	(22,571)
Lease obligations	(349)	(2,242)
Cash flow from financing activities	**(93,287)**	**(37,679)**
EVOLVEMENT CASH FLOW DURING THE YEAR	**970**	**29,968**
Cash as at 1 January	**84,859**	**54,891**
Evolvement cash position during the year	970	29,968
Cash as at 31 December	**85,829**	**84,859**

Accounting policies

ACCOUNTING POLICIES

These consolidated financial statements cover the year 2020, which ended on the balance-sheet date, i.e. 31 December 2020.

PZEM N.V. ("PZEM") is a public limited liability company organised and existing under Dutch law. Throughout 2020, PZEM N.V. was the parent company of a number of subsidiaries involved in:

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

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

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

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

In 2020, the following changes occurred within the group:

- DELTA Saefthinge N.V. was liquidated on 30 September;
- Sunergy Investco B.V. was liquidated on 15 October.

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

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

The 2020 financial statements were signed and released for publication by the Supervisory Board on 14 April 2021 The Supervisory Board will present the financial statements for adoption and approval by the General Meeting of Shareholders on 26 May 2021.

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

PZEM's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the IFRS Interpretations Committee (IFRS IC) of the IASB, as endorsed by the European Commission (EC) up to and including 31 December 2020.

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

1.1. PZEM ADOPTED THE FOLLOWING STANDARDS AND IMPROVEMENTS IN ITS 2020 FINANCIAL STATEMENTS

1. IFRS 3 Definition of Business
The IASB made changes to the definition of a business in order to help entities determine whether or not a set of acquired activities and asses constitutes a business. This had no impact on PZEM because the company did not acquire any activities or assets.

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

3. IAS 1 /IAS 8 Definition of Material
The new definition is as follows: 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The changes clarify that materiality will depend on the nature or scope of the information, or both. The new definition was applied by PZEM and had no significant impact on its financial statements.

4. The Conceptual Framework for Financial Reporting
The aim of the Conceptual Framework is to assist in the development of Standards, to help preparers develop consistent accounting policies when no Standard applies, and to help all parties understand and interpret Standards. This had no impact on PZEM.

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

1.2. PZEM DID NOT ADOPT THE FOLLOWING RELEVANT STANDARDS AND IMPROVEMENTS IN ITS 2020 FINANCIAL STATEMENTS. ADOPTION IS MANDATORY FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2021.

1. IFRS 17: Insurance Contracts
2. IFRS 9/ IAS 39 / IFRS 7/ IFRS 4 / IFRS 16: Interest Rate Benchmark Reform (Phase 2)
3. IFRS 3: References to the Conceptual Framework
4. IAS 16: Property, Plant and Equipment - Proceeds before Intended Use
5. IAS 37: Onerous Contracts – Cost of Fulfilling a Contract
6. IAS 1: Classification of Liabilities as Current or Non-Current
7. Annual Improvement Programme 2020-2022:
   IFRS Financial Instruments: fees in the '10 per cent test' for derecognition of financial liabilities

2. GENERAL ACCOUNTING POLICIES

2.1 ESTIMATES AND ASSUMPTIONS

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

2.2 IMPAIRMENT OF ASSETS

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

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

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

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

2.3 MEASUREMENT OF FINANCIAL INSTRUMENTS

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

2.4 GOVERNMENT SUBSIDIES

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

2.5 FOREIGN CURRENCY

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

2.6 TAXATION

2.6.1 INCOME TAXES

Income taxes comprise current taxes and movements in deferred taxes. These amounts are taken to the income statement or recognised in equity as part of other comprehensive income.

Current taxes comprise amounts that are probably due and capable of being offset against the taxable profit for the year. They are calculated on the basis of the prevailing tax laws and rates.

2.6.2 DEFERRED TAXES

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

A deferred tax asset is recognised for unused tax losses and unused tax credits if and to the extent that it is probable that taxable profits will be available against which such unused losses or credits can be utilised.

3. BASIS OF CONSOLIDATION

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

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

Joint arrangements are recognised in proportion to PZEM's (group company's) interest in the arrangement if the arrangement involves a joint operation. They are included in the consolidation from the date when the arrangement is entered into. Consolidation discontinues from the date when the arrangement ceases.

Joint arrangements that take the form of 'joint operations' are consolidated according to the partial method.

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

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

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

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

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

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

4. BASIS OF RECOGNITION AND MEASUREMENT OF ASSETS AND LIABILITIES

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

4.1 INTANGIBLE FIXED ASSETS

Intangible fixed assets comprise software and customer contracts.

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

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

4.2 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

4.3 NON-CURRENT FINANCIAL ASSETS

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

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

The cost of a business combination is the aggregate of the acquisition-date fair values of the assets acquired, liabilities incurred or assumed and equity instruments issued by the acquirer. With the revision of IFRS 3 (effective since 2009), the costs directly attributable to the acquisition are no longer shown within the cost of the business combination, and instead are recognised directly in profit or loss. Goodwill is measured as the value by which the cost of the business combination exceeds the acquirer's interest in the net fair value of identifiable assets, liabilities, and contingent liabilities. Negative goodwill is recognised directly in profit or loss. Non-controlling interests are recognised in equity.

Joint ventures, associates, and other investments

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

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

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

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

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

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

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

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

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

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

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

4.4 INVENTORIES

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

4.5 RECEIVABLES

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

Carbon allowances held are intended for the company's own use and shown as a netted amount (allowances held less allowances necessary for emissions in 2020). They are stated at historical cost on a FIFO basis.

4.6 DERIVATIVES

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

4.7 CASH AND CASH EQUIVALENTS

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

4.8 CAPITAL AND SHARES

Changes in shareholders' equity are presented in the statement of changes in equity. The company's authorised capital amounts to EUR 9,080,000, divided into 20,000 shares with a par value of EUR 454 each. At 31 December 2020, EUR 6,937,120 worth of shares had been issued and paid up. Dividends are recognised as a liability in the period for which they are declared. No changes occurred during the year. None of the shares come with pre-emptive rights or restrictions.

4.9 PROVISIONS

Provisions are recognised for legally enforceable, present obligations relating to operations. Provisions are measured at the present value of expected expenditures less any expected own income.

The present value is calculated using a pre-tax discount rate that reflects current market assessments of the time value of money. Expenditures expected to be incurred within one year of the balance-sheet date are shown within current liabilities.

4.10 NON-CURRENT LIABILITIES

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

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

5. BASIS OF RECOGNITION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

5.1 FINANCIAL INSTRUMENTS

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

Definition

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

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

5.2 DERIVATIVES

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

Classification and netting

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

Recognition of fair value gains and losses

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

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

1. Own use. PZEM applies accrual accounting for commodity contracts intended for its own use or production and for sales and purchasing contracts entered into for the purpose of delivering physical commodities to end users. This means that any changes in value are not shown in the income statement. These transactions are recognised as sales or purchase transactions at the prevailing prices at the time of settlement;

2a. Derivatives used to hedge an own-use contract. Hedge accounting may be applied for these derivatives on certain conditions;

2b. Interest rate derivatives. Hedge accounting may be applied for these derivatives on certain conditions.

Hedge accounting

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

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

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

Criteria for applying hedge accounting

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

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

4. the hedge is expected to be highly effective;
5. the hedge is assessed on an ongoing basis and determined to have been highly effective.

Hedge effectiveness testing and recognition of changes

PZEM formally tests whether derivatives used as hedging instruments have been highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged item, both at the inception of the hedge and during its life. PZEM tests and determines whether changes in fair value or cash flows attributable to the hedged item are offset by changes in fair value or cash flows attributable to the hedging instrument.

The effective portion of fair value changes is recognised in equity and shown within the hedge reserve (through the statement of comprehensive income).

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

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

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

6. ACCOUNTING POLICIES FOR THE INCOME STATEMENT

6.1 REVENUE

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

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

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

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

6.2 NET OPERATING EXPENSES

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

6.3 NET FINANCE INCOME OR EXPENSE

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

7. ACCOUNTING POLICIES FOR THE CASH FLOW STATEMENT

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

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

Notes to the consolidated balance sheet

1. INTAGIBLE ASSETS

(EUR 1,000)	Total	Software	Customer contracts
2019			
Carrying amount as at 1 January	**1,248**	**362**	**887**
Investments	-	-	-
Depreciation	(199)	(152)	(48)
Disposals	-	-	-
Carrying amount as at 31 December	**1,049**	**210**	**839**
Accumulated depreciation and impairment	2,956	2,447	509
ACQUISITION COST AS AT 31 DECEMBER 2019	**4,005**	**2,657**	**1,348**
2020			
Carrying amount as at 1 January	**1,049**	**210**	**839**
Investments	630	630	-
Depreciation	(234)	(187)	(47)
Disposals	-	-	-
Carrying amount as at 31 December	**1,445**	**653**	**792**
Accumulated depreciation and impairment	3,179	2,623	556
ACQUISITION COST AS AT 31 DECEMBER 2020	**4,625**	**3,277**	**1,348**
Depreciation periods in years		5	28

Impairment testing
In 2020 there were no indications necessitating an impairment test for the intangible fixed assets shown above.

Software
In 2020 we invested in software for our online customer portal.

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

2. PROPERTY, PLANT AND EQUIPMENT

(EUR 1,000)	Total	Land and buildings	Plant and equip-ment	Other assets	Assets under con-struction	Lease assets	Third-party contri-butions
2019							
Carrying amount as at 1 January 2019	**476,283**	**104,889**	**325,913**	**37,109**	**6,070**	**4,010**	**(1,708)**
Investments	21,059	448	6,348	5,410	3,566	5,287	-
Depreciation	(48,054)	(11,808)	(29,700)	(6,203)	-	(391)	48
Impairment	-	-	-	-	-		-
Disposals	(4,736)	(4,522)	-	(214)	-	-	-
Other movements / activated items	59,362	60,528	(872)	-	-	(297)	-
Carrying amount as at 31 December 2019	**503,912**	**149,534**	**301,689**	**36,103**	**9,636**	**8,610**	**(1,660)**
Carrying amount before deduction of contributions	**505,572**	**149,534**	**301,689**	**36,103**	**9,636**	**8,610**	
Accumulated depreciation and impairment	744,360	80,131	590,607	72,718	-	904	
ACQUISITION COST AS AT 31 DECEMBER 2019	**1,249,932**	**229,665**	**892,296**	**108,821**	**9,636**	**9,514**	
2020							
Carrying amount as at 1 January 2020	**503,912**	**149,534**	**301,688**	**36,103**	**9,636**	**8,610**	**(1,660)**
Investments	18,461	230	13,813	2,309	1,602	508	-
Depreciation	(47,911)	(13,614)	(27,226)	(6,227)	-	(892)	48
Impairment	-	-	-	-	-		-
Disposals	(233)	(839)	(330)	(1)	-	(45)	982
Other movements / activated items	36,565	35,274	1,291	-	-	-	-
Carrying amount as at 31 December 2020	**510,794**	**170,585**	**289,236**	**32,184**	**11,238**	**8,181**	**(630)**
Carrying amount before deduction of contributions	**511,425**	**170,585**	**289,236**	**32,184**	**11,238**	**8,181**	
Accumulated depreciation and impairment	755,443	91,257	584,847	78,211	-	1,127	
ACQUISITION COST AS AT 31 DECEMBER 2020	**1,266,867**	**261,842**	**874,083**	**110,396**	**11,238**	**9,309**	
Depreciation periods in years		0 - 40	7 - 40	5 - 15	na		

Other movements in land and buildings comprise the increase in and capitalisation of the decommissioning provision for the nuclear power plant due to a lower discount rate. As in 2019, the discount rate was reduced in 2020.

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

In 2017 an impairment loss of EUR 292.5 million was recognised for the write-down of the capitalised fair value of the increase in our EPZ share interest from 50% to 70% in 2011. No full or partial reversal of the impairment loss recorded in 2017 occurred in 2020. At 31 December 2020, the impairment loss stood at EUR 162.9 million (2019: EUR 175.4 million).

Leased assets mainly comprised leases on land and offices and leases for the car fleet.

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

(EUR 1,000)	Total	Joint Ventures	Other Investments
Carrying amount as at 1 January 2019	**393,420**	**375,337**	**18,082**
Investments/Disposals	(4,757)	-	(4,757)
Dividends received	(18,068)	(18,048)	(20)
Share of profits	27,320	25,906	1,414
IAS39 movement	70	70	-
CARRYING AMOUNT AS AT 31 DECEMBER 2019	**397,984**	**383,265**	**14,719**
Carrying amount as at 1 January 2020	**397,984**	**383,265**	**14,719**
Investments/Disposals	312	-	312
Dividends received	(17,493)	(17,493)	-
Share of profits	21,711	24,315	(2,604)
Other movements	0	-	0
CARRYING AMOUNT AS AT 31 DECEMBER 2020	**402,514**	**390,087**	**12,427**

Dividends received were attributable mainly to water company EPZ.

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

3.1 JOINT VENTURES

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

JOINT VENTURES

EVIDES N.V. (EUR 1,000)	**31-12-2020**	**31-12-2019**
Current assets	74,086	68,830
of which is cash	*1,971*	*10,389*
Non-current assets	1,217,115	1,179,649
Current liabilities	(176,330)	(176,667)
of which are financial liabilities	*97,001*	*105,279*
Non-current liabilities	(566,828)	(539,756)
of which are financial liabilities	*527,556*	*502,289*
	2020	**2019**
Revenue	311,061	305,105
Profit form continuing operations	45,986	48,671
Profit from discontinued operations	-	-
Profit for the year	45,986	48,671
Other comprehensive income	-	139
Total comprehensive income	45,986	48,810
Dividend received by PZEM	15,000	17,700
Depreciation, amortisation and impairment	79,231	75,181
External finance income/expenses	2,283	2,193
Corporate income tax	538	5,991
	31-12-2020	**31-12-2019**
Equity	548,043	532,057
PZEM's interest	50%	50%
Goodwill	95,502	95,502
TOTAL CARRYING AMOUNT	**369,524**	**361,531**

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

OTHER JOINT VENTURES (EUR 1,000)	31-12-2020	31-12-2019
Profit from continuing operations attributable to PZEM N.V.	1,322	1,591
Profit from discontinued operations attributable to PZEM N.V.	-	-
Other comprehensive income attributable to PZEM N.V.	-	-
Total comprehensive income attributable to PZEM N.V.	1,322	1,591
TOTAL CARRYING AMOUNT	**20,563**	**21,733**

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

3.2 OTHER INVESTMENTS

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

In 2007, as part of the Borssele Agreement, the Sustainable Energy Technology Fund (SET-Fund C.V.) was set up by the former energy companies DELTA (with DELTA Investeringsmaatschappij B.V. acting as limited partner; currently PZEM and PZEM Investeringsmaatschappij B.V, respectively) and Essent (now an RWE company). Both partners owned a 50% interest in the partnership.
In light of the Fund's articles of association and the change in ownership interests in N.V. EPZ, a new fund (SET-Fund II C.V.) was launched on 23 December 2011. PZEM owned a 69.65% interest and Essent (RWE) a 29.85% interest in SET Fund II C.V.'s initial share capital of EUR 10 million. In view of the limited degree of control, the investments in both entities are classified as financial instruments and stated at fair value. At 31 December 2020, PZEM held a 37.67% interest in SET Fund I C.V. (through PZEM Investeringsmaatschappij B.V. acting as limited partner) with a book value of EUR 7.1 million (31 December 2019: 45.24% with a book value of EUR 9.3 million), and an 18.20% interest in SET Fund II C.V. with a book value of EUR 4.0 million (31 December 2019: 18.83% with a book value of EUR 4.1 million).

3.3 RELATED-PARTY TRANSACTIONS

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

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

RELATED-PARTY TRANSACTIONS

(EUR 1,000)		Sales		Purchases		Trade receivables	
	% Interest	**2020**	**2019**	**2020**	**2019**	**31-12-2020**	**31-12-2019**
BMC Moerdijk B.V.	50.00%	198	191	8,562	10,398	43	52
TOTAL		**198**	**191**	**8,562**	**10,398**	**43**	**52**

(EUR 1,000)		Trade payables		Loans granted		Interest	
	% Interest	**31-12-2020**	**31-12-2019**	**31-12-2020**	**31-12-2019**	**2020**	**2019**
BMC Moerdijk B.V.	50.00%	442	322	2,595	2,681	173	260
TOTAL		**442**	**322**	**2,595**	**2,681**	**173**	**260**

4. OTHER FINANCIAL ASSETS

(EUR 1,000)	Total	Loans to joint ventures and associates etc.	Deferred tax asset	Other financial assets
CARRYING AMOUNT AS AT 1 JANUARY 2019 (LONG TERM)	**472,571**	**4,879**	**6,189**	**461,503**
Reversal of current portion	451,366	-	-	451,366
New loans	471,556	-	-	471,556
Results	32,585	-	1,767	30,818
Repayments	(444,801)	(2,024)	-	(442,777)
Transferred to equity as hedge reserve	(683)	-	(683)	-
Other movements	(716)	-	-	(716)
CARRYING AMOUNT AS AT 31 DECEMBER 2019	**981,880**	**2,855**	**7,274**	**971,751**
Current portion of financial assets	(415,817)	-	-	(415,817)
CARRYING AMOUNT AS AT 31 DECEMBER 2019	**566,063**	**2,855**	**7,274**	**555,934**
ADJUSTED CARRYING AMOUNT AS AT 1 JANUARY 2020	**566,063**	**2,855**	**7,274**	**555,934**
Reversal of current portion	415,817	-	-	415,817
New loans	674,130	-	-	674,130
Results	7,572	-	(2,550)	10,122
Repayments	(674,730)	(283)	-	(674,446)
Transferred to equity as hedge reserve	(572)	-	(572)	-
Other movements	8	-	0	8
CARRYING AMOUNT AS AT 31 DECEMBER 2020	**988,287**	**2,572**	**4,152**	**981,563**
Current portion of financial assets	(371,164)	-	-	(371,164)
CARRYING AMOUNT AS AT 31 DECEMBER 2020 (LONG TERM)	**617,123**	**2,572**	**4,152**	**610,399**

4.1 LOANS TO JOINT VENTURES, ASSOCIATES, AND OTHER INVESTMENTS

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

In 2020 the weighted average interest rate was 6.9% (2019: 6.9%).

4.2 DEFERRED TAX ASSETS

(EUR 1,000)	31-12-2020	31-12-2019
Financial assets	-	(39)
Unutilised tax losses	-	2,589
Hedge reserve pursuant to IAS39/derivatives	4,152	4,724
TOTAL DEFERRED TAX ASSET	**4,152**	**7,274**

Deferred tax assets only comprise the Sloe power plant. To be on the safe side, no deferred tax assets of PZEM N.V.'s fiscal unity were recognised due to uncertainty over whether and when they might be utilised.

PZEM N.V.'s deferred tax asset not shown in the balance sheet concerns provisions in the commercial financial statements which are either not recognised or recognised in a different manner for tax purposes. In all cases, these are temporary differences which will be reflected in the effective tax rate in the coming years. Due to differences between tax bases and carrying amounts, EUR 17.6 million in deferred taxes could be recognised.

When preparing the financial statements, an annual assessment is made of the extent to which unused tax losses may result in future tax-savings. If it is likely that the tax losses can be utilised within the statutory period, a deferred tax asset is recognised.

At 31 December 2020, no deferred tax asset was recognised for EUR 303.9 million in tax loss carryforwards due to uncertainty over whether and when the unused tax losses or unused tax credits might be utilised. The amount in unused tax losses is uncertain because PZEM is still in discussion with the Dutch tax authorities regarding a number of valuations for tax purposes. EUR 66.4 million in unused tax losses will expire within 5 years.

4.3 OTHER NON-CURRENT FINANCIAL ASSETS

At 31 December 2020, other non-current financial assets mainly comprised cash invested and collateral provided.

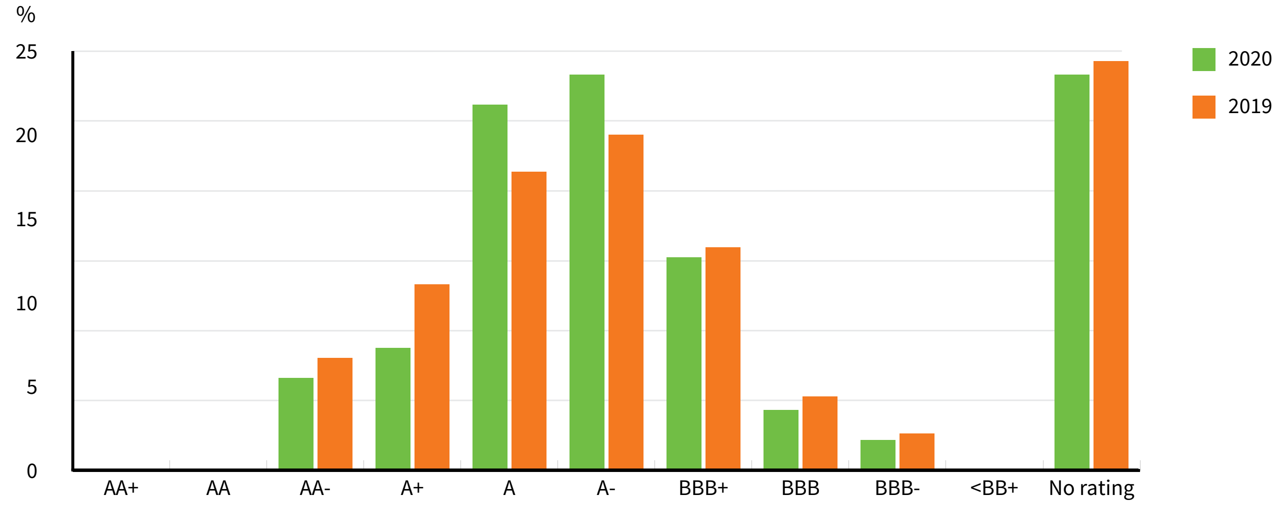
With the introduction of IFRS 9 on 1 January 2018, expected credit losses must already be accounted for on initial recognition of receivables. To estimate these expected losses, PZEM looked at the external ratings of counterparties and elected to use the following percentages for those ratings:

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

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

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

SUMMARY OF COUNTERPARTIES CREDIT RATINGS EXPOSURES IN % NUMBER OF COUNTERPARTIES



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

Term deposits and securities
Because of the sale of its grid and retail operations in 2017, PZEM received a significant amount in cash. These funds are used first and foremost for our operating activities. What remains is invested in accordance with the Treasury Charter. At December 2020, these investments mainly comprised term deposits held with banks, bonds, and securities representing a value of EUR 713.8 million (excluding expected loss provision). Of this total sum, EUR 358,2 million has a term to maturity of more than 1 year. An amount of EUR 128.8 million consists of investments made by PZEM in the fund in which EPZ also invests via Stichting Beheer Ontmantelingsgelden Kerncentrale Borssele. At 31 December 2020, a total of EUR 332.0 million (including EPZ's share) was invested in this fund.

Collateral provided
Collateral provided comprises security deposits and bank guarantees. Some of the collateral was provided to counterparties for operating activities including trading activities, driven mainly by the corporate credit rating downgrade in 2017. The downgrade led to the obligation to provide extra collateral to trading parties. At 31 December 2020, EUR 47.3 million in collateral was provided (excluding expected loss provision) (2019: 138.2 million), EUR 31.8 million of which with a term to maturity of more than 1 year (2019: 32.1 million). The decrease in 2020 resulted from the release of a guarantee previously provided in connection with a court case.

Other financial assets also comprise the investments made through Stichting Beheer Ontmantelingsgelden Kerncentrale Borssele to provide security as required by the Nuclear Energy Act, which stipulates that sufficient funds must be available to dismantle the nuclear power plant after its expected closure date. Keeping the money in a separate foundation covers the risk of the available funds becoming part of the permit holder's assets in the event of the company going into liquidation.

5. DERIVATIVES AND RISK MANAGEMENT

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

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

This section covers the following topics:

5.1 DERIVATIVES

5.1.1 CORRELATION BETWEEN DERIVATIVES IN THE FINANCIAL STATEMENTS 2020

(EUR 1,000)	BALANCE OF DERIVATIVES				MOVEMENTS IN DERIVATIVES	
	Assets 2020	Assets 2019	Liabilities 2020	Liabilities 2019	Movements in assets 2020	Movements in liabilities 2020
DERIVATIVES ON THE BALANCE SHEET (SEE 5.1.2)						
Non-current assets	11,368	5,821			5,547	
Current assets	18,483	44,688			(26,204)	
	29,851	**50,508**			**(20,657)**	
Non-current liabilities			22,383	25,745		(3,362)
Current liabilities			19,833	90,213		(70,380)
			42,216	**115,957**		**(73,741)**
OTHER BALANCE-SHEET ITEMS RELATING TO DERIVATIVES						
Hedge reserve (see 5.1.3)			(11,665)	(63,875)		52,210
Deferred tax (see 5.1.3)	4,229	4,762	-	-	(533)	-
Subtotal	**4,229**	**4,762**	**(11,665)**	**(63,875)**	**(533)**	**52,210**
Cumulative ineffectiveness (Sloe derivatives)			73	221		(148)
Cumulative ineffectiveness (Market-to-Market)			3,456	2,966		490
	4,229	**4,762**	**(8,136)**	**(60,688)**	**(533)**	**52,552**
TOTAL	**34,080**	**55,270**	**34,080**	**55,270**	**(21,190)**	**(21,190)**

Of the movements in value, a gain of EUR 52.2 million (2019: EUR 46.1 million) was recognised in the hedge reserve. The market value of the derivatives portfolio moved closer to its contractual value.

5.1.2A **OFFSETTING FINANCIAL ASSETS**

(EUR 1,000)						ASSETS
	Non-current liabilities			Current liabilities		
	Gross amount	Offsetting	Net amount	Gross amount	Offsetting	Net amount
2020						
COMMODITY CONTRACTS						
Gas	11,933	8,271	3,662	51,590	34,028	17,562
Electricity	39,898	36,231	3,667	93,515	93,376	139
Other	5,468	1,429	4,039	9,930	9,151	778
OTHER DERIVATIVES						
Foreign exchange contracts				4	-	4
TOTAL	**57,299**	**45,931**	**11,368**	**155,039**	**136,556**	**18,483**

5.1.2B **OFFSETTING FINANCIAL LIABILITIES**

(EUR 1,000)						LIABILITIES
	Non-current liabilities			Current liabilities		
	Gross amount	Offsetting	Net amount	Gross amount	Offsetting	Net amount
2020						
COMMODITY CONTRACTS						
Gas	(11,355)	(8,271)	(3,084)	(39,166)	(34,028)	(5,138)
Electricity	(44,073)	(36,231)	(7,842)	(102,609)	(93,376)	(9,232)
Other	(1,429)	(1,429)	-	(9,151)	(9,151)	
OTHER DERIVATIVES						
Foreign exchange contracts				(313)		(313)
Interest rate swaps	(11,457)	-	(11,457)	(5,150)	-	(5,150)
TOTAL	**(68,314)**	**(45,931)**	**(22,383)**	**(156,389)**	**(136,556)**	**(19,833)**

5.1.3 **MOVEMENTS IN THE HEDGE RESERVE**

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

MOVEMENTS IN THE HEDGE RESERVE

(EUR 1,000)	COMMODITY CONTRACTS				SWAPS	
	Gas	Electricity	CO_2	Total	Interest rate swaps	Total
2019						
Hedge reserve at 1-1-2019 (gross)	**31,517**	**(136,846)**	**14,426**	**(90,903)**	**(24,458)**	**(115,361)**
Movements in 2019						
Recognised directly in equity	(51,259)	55,562	(1,692)	2,610	(2,483)	127
Released to income	(18,762)	67,914	(8,528)	40,625	5,973	46,598
TOTAL MOVEMENTS IN 2019	**(70,021)**	**123,476**	**(10,220)**	**43,235**	**3,490**	**46,725**
Hedge reserve at 31-12-2019 (gross)	**(38,504)**	**(13,370)**	**4,206**	**(47,668)**	**(20,968)**	**(68,637)**
Deferred tax	-	-	-	-	4,762	4,762
HEDGE RESERVE AT 31-12-2019	**(38,504)**	**(13,370)**	**4,206**	**(47,668)**	**(16,207)**	**(63,875)**
2020						
Hedge reserve at 1-1-2020 (gross)	**(38,504)**	**(13,370)**	**4,206**	**(47,668)**	**(20,968)**	**(68,637)**
Movements in 2020						
Recognised directly in equity	14,516	(14,121)	5,455	5,849	(1,189)	4,660
Released to income	34,607	11,865	(3,868)	42,603	5,479	48,082
TOTAL MOVEMENTS IN 2020	**49,122**	**(2,256)**	**1,586**	**48,454**	**4,290**	**52,744**
Hedge reserve at 31-12-2020 (gross)	**10,619**	**(15,626)**	**5,792**	**786**	**(16,678)**	**(15,893)**
Deferred tax	-	-	-	-	4,229	4,229
HEDGE RESERVE AT 31-12-2020	**10,619**	**(15,626)**	**5,792**	**786**	**(12,450)**	**(11,665)**

The composition of the hedge reserve in relation to commodities, on a gross basis, at year-end 2020 is attributable to the years ahead as follows:

COMMODITIES HEDGE RESERVE (GROSS)

(EUR 1,000)				COMMODITIES
	Gas	Electricity	CO_2	Total
2021	9,778	(11,089)	1,106	(205)
2022	1,182	(967)	3,202	3,417
2023	(314)	(3,570)	1,483	(2,401)
2024	(27)			(27)
TOTAL	**10,619**	**(15,625)**	**5,792**	**785**

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

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

At 31 December 2020, commodity derivatives represented a receivable. Higher gas and carbon prices will generally lead to a higher receivable. Higher electricity prices will generally lead to a lower receivable.

At 31 December 2020, the hedge reserve relating to commodity derivatives constituted a debt item in equity. Higher gas and carbon prices will produce a lower debt item and higher electricity prices a higher debit item.

5.1.4 HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

Level 2 inputs include:
a) Quoted prices for similar assets or liabilities in active markets;
b) Quoted prices for identical or similar assets or liabilities in markets that are not active;
c) Inputs other than quoted prices that are observable for the asset or liability in question, for example:
   i) interest rates and yield curves that are published on a regular basis;
   ii) implied volatilities; and
   iii) credit spreads (differences in interest rates);
d) Market-corroborated inputs.

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

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

(EUR 1,000) FAIR VALUE HIERARCHY

	Total as at 31 December		Level 1		Level 2		Level 3	
	2020	2019	2020	2019	2020	2019	2020	2019
Assets								
Derivatives	29,851	50,508	-	-	29,851	50,508	-	-
Part of other investments and other financial assets	360,543	341,784	349,424	328,373	-	-	11,119	13,411
TOTAL ASSETS	**390,395**	**392,292**	**349,424**	**328,373**	**29,851**	**50,508**	**11,119**	**13,411**
Liabilities								
Derivatives	42,216	115,957	-	-	42,216	115,957	-	-
TOTAL LIABILITIES	**42,216**	**115,957**	**-**	**-**	**42,216**	**115,957**	**-**	**-**

Movements in 'Part of other investments and other non-current financial assets' in 2020 were EUR 18.8 million, EUR 11.0 million of which related to investments/new receivables and EUR 7.8 million comprised a gain.

Other investments included the share interests in SET Fund C.V. and SET Fund II C.V. (see also note 3.3).
Other non-current financial assets comprised the investments made through Stichting Beheer Ontmantelingsgelden Kerncentrale Borssele - the foundation that manages the funds earmarked for the decommissioning of the nuclear power plant - (see also note 4.3), and investments by PZEM in the same fund in which EPZ invests via the foundation.

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

5.2 RISK MANAGEMENT

5.2.1 RISK CONTROL

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

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

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

5.2.2 MARKET RISK

5.2.2.1 COMMODITY PRICE RISK

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

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

5.2.2.2 VALUE-AT-RISK

Determining Value-at-Risk (VaR) involves using various assumptions regarding possible changes in market conditions. VaR identifies the maximum portfolio losses likely to be incurred as a result of price changes over a three-day period with a confidence level of 95%. VaR is calculated using Monte Carlo simulations based on historical volatilities and correlations. Because portfolios include opposing positions and there is an underlying correlation, the VaR of the total portfolio is smaller than the sum total of individual portfolio VaRs.
VaR is an important tool for PZEM to manage its Trade portfolio and it is therefore calculated and reported on a daily basis. Although the VaRs for the assets and total portfolio are reported on a daily basis, they are not used as a primary management parameter. The assets are hedged on the basis of a predetermined lock-in schedule to achieve the average market value. Variations from the schedule fall within the Trade Books, for which VaR is the key measure of risk. At 31 December 2020, the Trade portfolio's VaR was EUR 0.32 million (2019: EUR 0.3 million), well within the approved limit.

5.2.2.3 CASH FLOW HEDGES

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

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

CASH FLOW HEDGES FOR ELECTRICITY AND FUELS

(EUR 1,000)	CASHF LOW HEDGES						
	2021	2022	2023	2024 and beyond	Total	Average price	Contract value
2020							
Gas forwards	14,528	452	(1,664)	2	13,318	0,152	(175,017)
Electricity forwards	(13,012)	(1,907)	(2,125)	-	(17,044)	44,092	150,544
Power swaps	(1,449)	766	(788)	-	(1,471)	42,158	8,031
CO_2-forwards	88	3,306	1,627	-	5,021	25,988	(18,192)
TOTAL	**154**	**2,617**	**(2,950)**	**2**	**(177)**		

	2020	2021	2022	2023 and beyond	Total	Average price	Contract value
2019							
Gas forwards	(38,036)	(4,359)	(190)	-	(42,584)	0,176	(183,455)
Electricity forwards	(7,970)	(3,813)	874	-	(10,909)	44,418	222,928
CO_2-forwards	-	505		-	504	23,024	(6,309)
TOTAL	**(46,006)**	**(7,666)**	**684**	**-**	**(52,988)**		

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

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

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

5.2.2.4 CURRENCY RISK

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

The following exchange rates against the euro were used to convert currency positions as shown in the balance sheet:

RATES

Middle rates	31-12-2020	31-12-2019
US dollar	1.1228	1.1214
Pound sterling	0.8972	0.8519

5.2.2.5 INTEREST RATE RISKS

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

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

A number of these interest-rate derivatives can be classified as option contracts, which qualify for the exemption referred to in IFRS 9, paragraph 6.2.4. Changes in fair value are accounted for in the hedge reserve, with changes in the time value being recognised through profit or loss. The table shows the effects of a 10% increase and 10% decrease compared with the carrying amounts as at 31 December 2020. No Value-at-Risk (VaR) is calculated for interest-rate derivatives.

INTEREST RATE RISK SENSITIVITY ANALYSIS

			10% INCREASE				10% DECREASE			
(EUR 1,000)	AT 31 DECEMBER		VALUE BASED ON YIELD CURVE		RELATIVE TO CARRYING AMOUNT		VALUE BASED ON YIELD CURVE		RELATIVE TO CARRYING AMOUNT	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Derivatives										
Derivatives	(16,678)	(20,968)	(16,590)	(20,817)	88	151	(16,279)	(24,305)	399	(3,337)
Deferred tax	4,229	4,762	4,147	5,298	(82)	536	4,070	5,359	(159)	597
TOTAL	**(12,449)**	**(16,206)**	**(12,443)**	**(15,519)**	**6**	**687**	**(12,209)**	**(18,946)**	**240**	**(2,740)**
Interest rate swaps										
Hedge reserve	12,449	16,206	12,765	15,679	316	(527)	12,209	18,946	(240)	2,740
TOTAL	**12,449**	**16,206**	**12,765**	**15,679**	**316**	**(527)**	**12,209**	**18,946**	**(240)**	**2,740**
Gains/(losses) on swaps	-	-	-	-	-	-	-	-	-	-

At 31 December 2020, interest-rate derivatives represented a loss. An upward movement in the yield curve will reduce this loss.

The hedge reserve relating to interest-rate swaps as at 31 December 2020 constituted a debt item in equity. An upward movement in the yield curve will reduce the amount of this debt item.

Unhedged loans
The vast majority of loans at 31 December 2020 were hedged. Because the hedges were entered into quite a while ago, actual interest rates are well above current market interest rates.

5.2.3 LIQUIDITY RISK

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

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

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

1. Sloe Centrale B.V. has been financed through project funding. At 31 December 2020, an amount of EUR 122.2 million was outstanding (based on a 50% share interest);
2. N.V. EPZ has no credit lines because it has sufficient cash. If it requires any external funding, this will be arranged on a non-recourse basis.

In 2017 Standard & Poor's downgraded PZEM's credit rating to BB following the sale of its retail and grid operations.

The corporate credit rating downgrade led to the obligation to provide additional collateral to commodity and other trading partners, putting additional pressure on our cash position. At the balance-sheet date, EUR 47 million in collateral had been provided. PZEM withdrew its credit rating on 9 February 2021.

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

CONTRACTUAL MATURITIES OF FINANCIAL OBLIGATIONS AS AT 31 DECEMBER 2020

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

CONTRACTUAL MATURITIES OF FINANCIAL OBLIGATIONS AS AT 31 DECEMBER 2019

(EUR 1,000)	< 1 year	1-5 years	> 5 years	Total
Trade payables	48,116	-	-	48,116
Interest-bearing loans	13,603	63,955	58,228	135,785
Derivatives	90,213	25,745	-	115,957
Provisions	50,778	128,184	386,878	565,840
Other	23,497	1,738	34,384	59,619
TOTAL	**226,207**	**219,621**	**479,490**	**925,318**

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

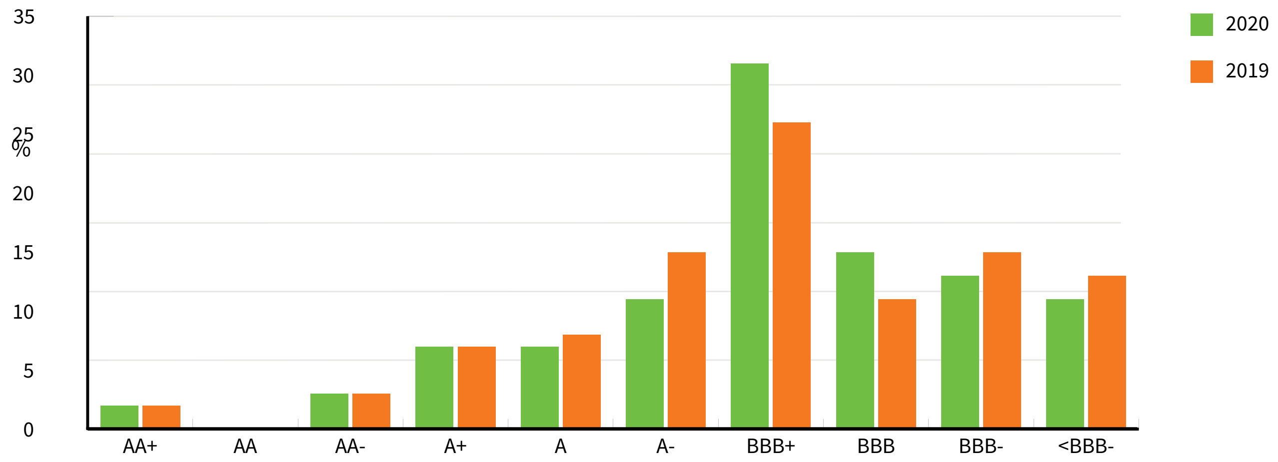
Provisions are shown within contractual obligations because they are largely based on underlying contracts. Because of the nature and extent of the obligations, provisions are presented in the table above.

5.2.4 CREDIT RISK

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

The chart below shows the percentage distribution of PZEM's external counterparties by credit rating class at 31 December 2020:

CREDIT RATINGS COUNTERPARTIES



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

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

6. INVENTORIES

(EUR 1,000)	31-12-2020	31-12-2019
Raw materials	66,175	74,922
Consumables	4,259	3,937
Finished products	3,641	3,531
Goods for resale	1,856	2,463
Total	**75,931**	**84,852**
Less: Provision for obsolescence	(1,416)	(1,362)
TOTAL INVENTORIES	**74,515**	**83,490**

At 31 December 2020, raw materials included EUR 21.6 million worth of prepaid nuclear fuel elements. EUR 17.8 million in collateral was received in exchange.

7. RECEIVABLES

(EUR 1,000)	31-12-2020	31-12-2019
Trade receivables	14,270	20,683
Invoices to be send	40,540	38,646
Current tax assets	12,814	12,531
Deposits held with banks and bonds	355,231	309,309
Security interest provided	15,457	105,993
Cash not available on demand	37,475	54,271
CO_2 rights & GoO's	18,571	24,097
Other receivables	11,439	33,264
TOTAL RECEIVABLES (EXCLUDING DERIVATES)	**505,798**	**598,794**

Because of the sale of its grid and retail operations in 2017, PZEM received a significant amount in cash. These funds are used first and foremost for our operating activities. What remains is invested in accordance with the Treasury Charter. At 31 December 2020, these cash and other investments mainly comprised term deposits held with banks and bonds representing a value of EUR 713.8 million (excluding expected loss provision). Of this total sum, EUR 355.7 million (excluding expected loss provision) had a term to maturity of less than 1 year.

Collateral provided comprises security deposits and bank guarantees. Some of the collateral was provided to counterparties for operating activities including trading activities, driven mainly by the corporate credit rating downgrade in 2017. The downgrade led to the obligation to provide extra collateral to trading parties. Furthermore, guarantees were issued as a result of legal proceedings. At 31 December 2020, EUR 47.3 million in collateral was provided (excluding expected loss provision), EUR 15.5 million of which (excluding expected loss provision) with a term to maturity of less than 1 year.

Cash not available on demand comprises deposits relating to market trading activities. At 31 December 2018, these showed a strong increase driven by rising market prices. With the bulk of the underlying trading transactions settled, most of these funds were freed up In 2019 and 2020.

A provision for potential bad debts totalling EUR 0.4 million (2019: EUR 0.4 million) was recognised for receivables.

The carbon allowances that we expect to need to cover electricity production at the Sloe power plant in 2021 were already purchased at 31 December 2020. This had been done in the same way for 2020 at 31 December 2019.

Other receivables, prepayments and accrued income decreased as stock exchange fees paid in advance at 31 December 2019 were converted into stock exchange fees received in advance at 31 December 2020.

MOVEMENTS IN DEPOSITS, SECURITIES AND CASH NOT AVAILABLE ON DEMAND

(EUR 1,000)	2020	2019
Adjusted balance as at 1 January	**469,573**	**584,656**
Movement deposits and securities	(61,466)	(115,295)
Movement expected credit loss IFRS 9	56	213
Balance as at 31 December	**408,163**	**469,573**
Devided in:		
Deposits held with banks and bonds	355,231	309,309
Security interest provided	15,457	105,993
Cash not available on demand	37,475	54,271
TOTAL	**408,163**	**469,573**

MOVEMENTS IN BAD DEBT PROVISION

(EUR 1,000)	2020	2019
Provisions as at 1 January	**391**	**606**
Bad debts written off		
Added/released	56	(215)
Balance as at 31 December	**447**	**391**

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

AGED ANALYSIS OF TRADE RECEIVABLES

(EUR 1.000) Age (in days)	Expected credit loss percentage	31-12-2020	31-12-2019
Not yet due	0.1%	41	39
< 30	0.1%	14	17
31-60	1%	6	52
61-90	15%	6	14
91-120	50%	8	8
> 120	75%	340	81
determined individually	75%	34	181
TOTAL		**447**	**391**

AGED ANALYSIS OF TRADE RECEIVABLES

(EUR 1.000) Age (in days)	31-12-2020	31-12-2019
Not yet due	40,540	38,646
< 30	13,624	15,461
31-60	585	5,187
61-90	40	94
91-120	16	15
> 120	453	315
TOTAL	**55,257**	**59,720**
Bad debt provision	(447)	(391)
TOTAL TRADE RECEIVABLES	**54,810**	**59,329**

8. CASH AND CASH EQUIVALENTS

(EUR 1,000)	31-12-2020	31-12-2019
Cash / Bank	85,829	84,859
TOTAL CASH	85,829	84,859

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

9. PROVISIONS

(EUR 1,000)	Total	Onerous contracts	Employee benefits	Dismantling costs	Other provisions
CARRYING AMOUNT AS AT 1 JANUARY 2019	459,957	79,837	3,521	291,419	85,180
Reversal of current portion of provision	44,167	11,476	5,249	10,443	16,999
Added	85,507	-	1,497	60,199	23,811
Interest added	8,819	1,714	11	8,136	(1,041)
Released	(13,486)	(11,869)	(1,618)	-	-
Utilised	(18,253)	-	(2,165)	(2,229)	(13,859)
Other movements	(872)	-	-	(872)	-
Carrying amount as at 31 December 2019	565,839	81,158	6,496	367,096	111,089
Current portion of provisions	(50,777)	(11,896)	(3,169)	(7,629)	(28,083)
CARRYING AMOUNT AS AT 31 DECEMBER 2019	515,062	69,262	3,327	359,467	83,006
Reversal of current portion of provision	50,777	11,896	3,169	7,629	28,083
Added	53,720	168	307	33,961	19,284
Interest added	6,270	752	9	6,555	(1,047)
Released	(12,842)	(11,567)	(1,275)	-	-
Utilised	(50,594)	-	(1,056)	(3,267)	(46,271)
Other movements	351	-	350	0	0
Carrying amount as at 31 December 2020	562,744	70,512	4,831	404,345	83,055
Current portion of provisions	(31,634)	(15,720)	(2,460)	(3,956)	(9,498)
CARRYING AMOUNT AS AT 31 DECEMBER 2020	531,109	54,792	2,371	400,389	73,558

The release of provisions scheduled within one year involved an amount of EUR 31.6 million (2019: EUR 50.8 million) and is shown within current liabilities. Withdrawals from other provisions in 2020 concerned the provision for nuclear fuel reprocessing and storage costs.

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

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

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

Provisions with a term in excess of 10 years are discounted at a rate of 1.7% and provisions with a short term to maturity (less than 10 years) at a rate of 1.0%. In 2019, the discount rate was 2.5% for provisions with a term in excess of 10 years and 1.0% for provisions with a short maturity (less than 10 years).

Provisions in excess of EUR 5 million are clarified below.

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

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

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

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

Anticipated movements in electricity, gas and carbon prices constitute the main uncertainty affecting the provision for unprofitable contracts. The future price curves used were obtained from an independent firm and involved Q4 2020 forecasts. The source used by PZEM to obtain independent price curves is a leading firm that publishes solid quarterly reports on various price curve trends that are frequently used by companies within the industry. Current models anticipate a market recovery (in the sense that profits can be made) in the medium-term, meaning that margins are expected to remain under pressure and cash outflows to continue in the coming years, driven by obligations arising from gas contracts and existing tolling obligations.

The independent firm always issues three scenarios, i.e. a Central, High, and Low scenario. PZEM believes that the Central price curve is the best estimate of prices for the years in which there was no liquid market.

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

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

We applied a discount rate of 1.7% to long-term provisions and 1.0% to provisions with a short maturity (less than 10 years). In 2019, the discount rate was 2.5% for provisions with a term in excess of 10 years and 1.0% for provisions with a short maturity (less than 10 years).

Decommissioning of energy generation units
This provision covers the costs of future decommissioning of units once they stop operating. The expected ultimate decommissioning costs are based on the findings of periodic studies, allowing for price developments, recent insights, and estimated potential environmental impacts.
The provision for the decommissioning of the nuclear power plant is structured in such a way that demolition work on the power plant can start as soon as it stops operating in 2034, in accordance with the arrangements made with central government under the Borssele Nuclear Power Station Agreement. The provisions were discounted at a rate of 1.7% (2019: 2.5%), except for the coal-fired power plant, which will go out of operation within 10 years and is subject to a discount rate of 1.0% (2019: 1.0%).
Other provisions

OTHER PROVISIONS COMPRISE:

Provision for costs of reprocessing and storing nuclear fuels
This provision covers existing obligations. It is calculated as the present value of the estimated future processing and storage costs, less the estimated present value of the residual products released in future and the net value of the amounts payable and receivable. The discount rate is 1.0% (2019: 1.0%).

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

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

At 31 December 2020, the ABP's funding ratio was 93.2%. Its average funding ratio in 2020 was 87.6%.

10. LONG-TERM DEBT

(EUR 1,000)	31-12-2020	31-12-2019
Carrying amount as at 1 January	**121,084**	**134,427**
Reversal of current portion of loans	13,602	13,125
Value as of 1 January	**134,686**	**147,552**
Repayments	(13,603)	(13,125)
Release of capitalized costs	236	259
Value as of 31 December	**121,319**	**134,686**
Current portion	(14,557)	(13,602)
Carrying amount as at 31 December	**106,762**	**121,084**

Long-term debt comprises amounts owed to credit institutions, EUR 39.6 million of which falling due after more than five years. In 2020, the average rate of interest paid was 0.3% (2019: 0.3%). All assets of Sloecentrale B.V. were used as security for the non-recourse funding obtained for the Sloe power plant, including a pledge over the shares and rights arising from the insurance policies for those assets.

(EUR 1,000)	Interest-bearing loans	Other financial liabilities	Total
1 JANUARY 2020	**134,686**	**-**	**134,686**
Financing cash flows	(13,603)	-	(13,603)
Other changes	236	-	236
31 DECEMBER 2020	**121,319**	**-**	**121,319**

11. LANGLOPENDE VERPLICHTINGEN

11.1 OTHER NON-CURRENT LIABILITIES

(EUR 1,000)	31-12-2020	31-12-2019
Deferred tax liabilities	11,400	15,820
Other non-current liabilities	30,824	29,445
Lease liabilities	6,643	6,677
TOTAL OTHER NON-CURRENT LIABILITIES	**48,867**	**51,942**

Deferred tax liabilities
Deferred tax liabilities comprise valuation differences between the commercial balance sheet and tax balance sheet.

In 2020, as in 2019, deferred tax liabilities concerned EPZ and the Sloe power plant.

The reduction in deferred tax liabilities was driven by the tax treatment in the hands of EPZ of the return on investments within the framework of decommissioning the Borssele nuclear power plant.

The deferred tax liabilities arise from:

(EUR 1,000)	31-12-2020	31-12-2019
Property, plant and equipment	11,137	15,612
Other	263	208
TOTAL	**11,400**	**15,820**

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

The liability shown is based on the known nuclear fuel costs for the final fuel load at year-end 2020, and determined as the present value (at a discount rate of 1.7%) of the estimated future value of the remaining core, including reprocessing and storage costs.

11.2 MOVEMENTS IN OTHER NON-CURRENT LIABILITIES

(EUR 1,000)	2020	2019
Balance as at 1 January	**51,942**	**36,989**
Adjusting balance as at 1 January	-	4,014
Adjusted balance as at 1 January	**51,942**	**41,003**
Release of deferred tax liabililty	(4,420)	6,842
Other movements	1,345	4,097
BALANCE AS AT 31 DECEMBER	**48,867**	**51,942**

12. CURRENT LIABILITIES

(EUR 1,000)	31-12-2020	31-12-2019
Trade payables	12,035	48,116
Other current tax liabilities	16,698	12,084
Current portion of provision	31,635	50,778
Current portion of long-term debt	14,557	13,602
Accruals and deferred income	47,000	11,414
TOTAL CURRENT LIABILITIES (EXCLUDING DERIVATIVES)	**121,925**	**135,993**

Other current tax liabilities comprise VAT payable, corporation tax, wage tax and social insurance contributions payable, and energy taxes payable. Current liabilities also include the repayments on long-term loans and withdrawals from provisions scheduled for 2020. Accruals and deferred income increased as stock exchange fees paid in advance at 31 December 2019 were converted into stock exchange fees received in advance at 31 December 2020. Also in 2020, a reclassification between accruals and deferred income and trade creditors was carried out involving EUR 22 million. As this was a shift within current liabilities, the comparative information was not restated.

OFF-BALANCE SHEET ASSETS AND LIABILITIES

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

A. OPERATIONAL

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

Sales contracts included in the portfolio comprise energy supplies to end-users and trading partners and related financial instruments. At the balance-sheet date, sales contracts were worth EUR 516 million (2019: EUR 323 million).

Procurement contracts included in the portfolio comprise production and purchase contracts with trading partners and related contracts for financial instruments. At the balance-sheet date, procurement contracts were worth EUR 2,612 million (2019: EUR 2,919 million).

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

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

SPECIFICATION OF SALES AND PROCUREMENT CONTRACTS AT 31 DECEMBER 2020

(EURm)	Sales contracts	Procurement contracts
Tolling agreement (EPZ's nuclear power plant, BMC, Sloecentrale)	-	2,612
Electricity (customers)	413	-
Gas (customers and sourcing, respectively)	103	-
TOTAL	**516**	**2,612**

Tolling liabilities for the nuclear power plant comprise EPZ's own fuel obligations. EPZ has entered into long-term purchasing contracts to meet its fuel requirements. The bulk of those requirements, in terms of both value and volume, are covered by contracts that run until the end of the unit's useful life.
The itemisation presented above does not include (net) liabilities arising from the gas storage and transmission contracts. These are recognised in the balance sheet within the provision for unprofitable contracts. Underlying gross (nominal) liabilities were EUR 101.1 million (2019: EUR 120.4 million) for the gas contracts (tolling charges, transmission, and storage costs).

Investment commitments
At 31 December 2020, financial commitments relating to investments still to be carried out were approximately EUR 9.5 million (2019: EUR 9.2 million). In 2019, EPZ entered into an agreement with a third party for the exchange of a plot of land. The transfer to EPZ took place in 2019, with no value set-off. Part of the re-transfer took place in 2020, with the remainder scheduled to take place after the balance-sheet date.

Borssele Agreement

In 2006, an agreement was reached with central government to extend the service life of the nuclear power station until 2033. As part of the agreement, arrangements were also made in terms of the efforts which PZEM (and Essent) were to make to embrace and provide technical and financial support for new renewable energy developments. In 2011, in addition to the interest held in Sustainable Energy Technology (SET) Fund C.V., an interest was also acquired in Sustainable Energy Technology (SET) Fund II C.V.
At the balance-sheet date, the remaining commitment to SET Fund and SET Fund II was EUR 2.2 million (2019: EUR 2.5 million).

Stranded costs

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

B. COLLATERAL AND GUARANTEES

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

Collateral granted				Term in years
(EUR 1,000)	< 1 year	1 – 5 years	> 5 years	Total
Collateral granted for associates and joint ventures	-	-	-	-
Other collateral granted	-	24,600	7,776	32,376
TOTAL COLLATERAL GRANTED	**-**	**24,600**	**7,776**	**32,376**

Collateral received				Term in years
(EUR 1,000)	< 1 year	1 – 5 years	> 5 years	Total
Collateral received for associates and joint ventures	-	-	-	-
Other collateral granted	46,083	13,052	149,060	208,195
TOTAL COLLATERAL RECEIVED	**46,083**	**13,052**	**149,060**	**208,195**

Main collateral granted

PZEM has issued EUR 24.6 million worth of guarantees to the Zuid-Holland provincial authorities for the costs of capping the “Derde Merwedehaven” landfill site in Dordrecht (2019: 24.6 million). Similar security was provided to the Zeeland provincial authorities for the (former) landfill sites “Noord-en Midden Zeeland” and “Koegorspolder” in the amount of EUR 7.8 million (2019: EUR 7.8 million). These guarantees are expected to be taken over by KatoenNatie, the buyer of the shares in Indaver. PZEM has received a counter guarantee from the buyer.

Main collateral received

Collateral received comprises EUR 184.7 million (2019: EUR 182.4 million) in bank and other guarantees received, mainly in connection with PZEM’s trading activities.
EPZ received 23.5 million (70% share) in collateral, mainly in connection with advance fuel payments (2019: EUR 16.9 million/70% share).

C. LAWSUITS AND CLAIMS

In 2018, PZEM Energy B.V. became involved in legal proceedings over the exclusive electricity purchase contract which it had entered into with the owners of the Gemini wind farm. In 2020 the Court of Appeal found in favour of PZEM. The opposing party subsequently lodged an appeal with the Supreme Court. PZEM is currently awaiting the Supreme Court’s decision, for which no date had been set at the time of preparation of these financial statements.

The trustee in the bankruptcies of the bio diesel entities that were PZEM group companies until 2010 was again unable to complete the administration of those bankruptcies during the year.

D. OTHER

Some of PZEM’s activities are subject to the EU’s REMIT (Regulation on Wholesale Energy Market Integrity and Transparency) rules. Under REMIT, PZEM is required, amongst other things, to publish the planned and unplanned unavailability of its facilities and any changes in availability. This is done through the EEX Transparency Platform.

In 2017 the ACM launched an investigation into possible violations of Articles 3 and 4 of the Regulation. In 2019, the ACM conducted a follow-up investigation. The ACM concluded its investigation in 2020 and has since submitted its report to PZEM. We provided the ACM with our feedback on the report in early 2021 and expect the case to enter what will, for the time being be, a concluding phase later this year.

At the time of preparing these financial statements, we were unable to reliably estimate the amount of any potential sanction.

Notes to the consolidated income statement

13. **REVENUE**

(EUR 1,000)	2020	2019
Electricity supply	484,919	494,161
Gas supply	64,172	80,083
TOTAL REVENUE	**549,091**	**574,244**

Revenue from electricity supply services and trading remained reasonably stable. However, we saw a decline in revenue from gas supply services and trading. All revenue was generated in the Netherlands.

14. **COST OF SALES**

PZEM buys part of its electricity requirement from BMC Moerdijk, which is a related party (recognised as a joint arrangement for reporting purposes) in which PZEM owns a share interest.

Cost of sales is adjusted for movements in gains or losses on the provisions for unprofitable contracts.

15. **OTHER OPERATING INCOME**

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

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

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

The hedges are allocated to a specific risk relating to a balance-sheet item or highly probable forecast transaction. The effective portion of fair value changes is recognised in equity and shown within the hedge reserve. The cumulative amounts recognised in equity are taken to the income statement in the same period as the hedged transaction.

Movements in the value of the contract portfolio that are not hedged (non-effective hedges) is recognised as a fair value change in profit or loss.

In 2020, movements in energy prices led to an increase in the fair value of the contract portfolio of EUR 49.0 million, EUR 0.5 million of which was recognised in income and EUR 48.5 million in equity.

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

(EUR 1,000)	2020	2019
Third-party work and services	35,158	38,113
Consumption of materials	5,054	4,305
Other external charges	6,299	6,413
TOTAL	46,511	48,831

Third-party work and services mainly comprise costs associated with electricity and gas infrastructure. They also comprise ICT costs. A large portion of external expenses relate to the operating activities of EPZ and the Sloe power plant. In 2020, costs of materials used by EPZ and Sloe amounted to EUR 5.0 million (2019: EUR 4.3 million), costs for third-party services came to EUR 21.2 million (2019: EUR 22.6 million), and other external expenses totalled EUR 6.0 million (2019: EUR 6.1 million).

18. STAFF COSTS

(EUR 1,000)	2020	2019
Salaries	31,439	29,940
Social securities contributions	4,073	4,020
Pension charges	4,765	4,573
Change in staff provisions	(1,023)	(568)
Other staff costs	1,947	1,794
Staff costs	**41,200**	**39,759**
Capitalised staff costs	-	-
TOTAL	41,200	39,759
Number of employees (FTEs) as at 31 December	399	400
Average number of FTEs (related to the above total staff costs)	399	400
FTE AVERAGE: SEGMENT		
Energy	118	117
Corporate	15	19
EPZ	266	264
TOTAL	399	400
FTE AVERAGE: GEOGRAPHICAL		
The Netherlands	398	399
Foreign	1	1
TOTAL	399	400

The Group employed a total of 537 FTEs on permanent contracts (2019: 532), including the full (rather than proportionate) number of FTEs under joint arrangements (N.V. EPZ and Sloe Centrale B.V.).

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

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

Remuneration of PZEM N.V.'s Management Board members in accordance with registration with Chamber of Commerce

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

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

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

REMUNERATION EXECUTIVE BOARD PZEM N.V.

2019	F. Verhagen CEO	N. Unger COO
(EUR)		
Remuneration	344,058	187,453
Expense allowance	8,704	8,704
Pension cost allowance	62,057	17,217
ABP pension contributions	27,285	21,423
TOTAL	**442,103**	**234,797**

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

Mr Verhagen's company car expenses were EUR 12,949 (2019: EUR 14,135) and Mr Unger's company car expenses were EUR 18,509 (2019: EUR 18,632).

19. DEPRECIATION, AMORTISATION AND IMPAIRMENT

(EUR 1,000)	2020	2019
Intangible assets		
Amortisation	234	199
Property, plant and equipment		
Depreciation	47,959	48,102
Impairment	513	-
Third-party contributions released	(48)	(48)
TOTAL	**48,658**	**48,253**

20. OTHER OPERATING EXPENSES

(EUR 1,000)	2020	2019
Added to provision for bad debts	12	(365)
Other operating expenses	4,977	1,703
Added to other provisions	(3,227)	4,659
TOTAL OTHER OPERATING EXPENSES	**1,762**	**5,997**

The release of other provisions mainly comprised the release of EPZ's provision for the decommissioning of the coal-fired power plant.

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

Remuneration of the Supervisory Board in 2020

Effective 6 June 2019, the Supervisory Board consists of a chairperson and two members. On the same date, changes were made to the remuneration for new appointments. The arrangements made with existing members will remain unchanged until expiry of their term of office.

The remuneration is based on the pay policy adopted. The total remuneration paid to Supervisory Board members was EUR 79,602 in 2020 (2019: EUR 88,300), The reduction can be explained by the fact that the Supervisory Board comprised only two members during the first quarter of 2020.

21. SHARE OF PROFIT OR LOSS IN JOINT VENTURES AND ASSOCIATES

This comprises PZEM's share of profit or loss in joint ventures and associates. This included the company's share of the profit in Evides of EUR 23.0 million (2019: EUR 24.3 million) and its share of the losses in Set Funds I & II of EUR 2.6 million (2019: share of profit of EUR 1.4 million). The value of PZEM's share of profit or loss in the Set Funds has fluctuated substantially over the years because the underlying units are measured annually at fair value.

22. NET FINANCE INCOME (EXPENSE)

(EUR 1,000)	2020	2019
External finance income	11,258	31,172
External finance expense	(9,010)	(8,816)
Interest added to provisions	(6,270)	(8,819)
Other finance income (expense)	(969)	(881)
TOTAL FINANCE INCOME (EXPENSE)	**(4,991)**	**12,657**

Finance income consisted almost entirely of the return on investments made with a view to the decommissioning of the Borssele nuclear power plant and the return achieved by PZEM on the same fund. In 2020, the return was better than expected. In 2019, the return had been exceptionally high.

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

23. CORPORATE INCOME TAX

(EUR 1,000)	2020	2019
Corporate income tax recognized in profit or loss		
Current income tax charge	(9,424)	(3,129)
Deferred tax	(153)	(5,062)
Income tax expense	**(9,576)**	**(8,191)**
Relating to discontinued operations	-	-
INCOME TAX EXPENSE REPORTED IN THE STATEMENT OF PROFIT OR LOSS	**(9,576)**	**(8,191)**
Current income tax charge		
"Reconciliation of the tax base and the accounting profit resulting in the current income tax:"		
Accounting profit before tax (including discontinued operations)	(12,264)	28,004
Participation exemption	(21,711)	(27,320)
Temporary differences relating to the valuation of assets	(614)	(13,980)
Temporary differences relating to the valuation of provisions	(4,911)	(21,354)
Other non-deductible expenses and differences	(519)	490
Tax loss carry forward	-	3,533
Unvalued tax loss carry forward	77,748	43,169
DOMESTIC TAX BASE	**37,729**	**12,542**
Current corporate tax rate for profitable amount under € 200,000	16,50%	19,00%
Current corporate tax rate for profitable amount over € 200,000	25,00%	25,00%
Tax expense current year	(9,424)	(3,129)
CURRENT INCOME TAX CHARGE	**(9,424)**	**(3,129)**
Movement in deferred tax assets and liabilities		
The deferred tax results from differences between the accounting value and the bookvalue for tax purposes as well as from the valuation and usage of tax loss carry forward.		
MOVEMENT IN DEFERRED TAX ASSETS AND LIABILITIES	**(153)**	**(5,062)**

RECONCILIATION OF STATUTORY TAX TO EFFECTIVE TAX

(EUR 1,000)	2020	2019
Tax expense using statutory rate	3,066	(7,001)
Net profit before taxes	(12,264)	28,004
Statutory tax rate (NL)	25%	25%
Effect of the participation exemption	5,428	6,830
Effect of lower rate for profitable amount up to € 200,000	9	6
"Effect of non taxable revenues and non tax deductible expenses (amongs other goodwill)"	130	(122)
Effect on non-rated deferred tax assets	(18,056)	(2,842)
Effect on deferred tax assets	(153)	(5,062)
Tax expense using effective rate	**(9,576)**	**(8,191)**

Notes to the consolidated cash flow statement

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

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

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

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

PZEM's cash flows in 2020 were virtually nil as the funds freed up from operating activities less the funds necessary for investment were invested in deposits as recognised in the cash flow from financing activities.

Cash flow from operating activities during the year was EUR 123.3 million (2019: EUR 77.6 million). Negative EBITDA was more than compensated for by an improvement in working capital, driven by a further reduction in margin obligations, on the one hand, and the release of a guarantee (cash covered) previously provided in connection with a court case, on the other.

At EUR 29.0 million, net cash outflow from investing activities increased on the previous year (net cash outflow of EUR 9.9 million), driven mainly by maintenance and replacement costs for EPZ and the Sloe power plant, and a payment made by EPZ into the fund set up for the decommissioning of the nuclear power plant.

The energy production and trading operations saw a net cash inflow, as did the Sloe power plant. Our subsidiary Evides also contributed positively to the cash flow through the payment of dividends.

POST-BALANCE-SHEET EVENTS

No post-balance-sheet events were identified.

CONSOLIDATED COMPANIES

	Main activity	Head-quarters	Share interest 31-12-2020	Share interest 31-12-2019	Voting rights
PZEM Com B.V.	Energy	Middelburg	100%	100%	100%
PZEM Energy B.V.	Energy	Middelburg	100%	100%	100%
PZEM Ficus Holding B.V.	Energy	Middelburg	100%	100%	100%
PZEM Pipe B.V.	Energy	Middelburg	100%	100%	100%
Deltius B.V.	Energy	Ritthem	100%	100%	100%
PZEM Tolling Sloe B.V.	Energy	Middelburg	100%	100%	100%
DELTA Saefthinge N.V.	Energy	Doel, Belgium	0.0%	99.9%	0.0%
Limo Energie Nederland B.V.	Energy	Middelburg	100%	100%	100%
PZEM Investerings Maatschappij B.V.	Other	Middelburg	100%	100%	100%
PZEM Development & Water B.V.	Other	Middelburg	100%	100%	100%
DELTA Biovalue B.V. (in a state of bankruptcy)		Eemshaven	100%	100%	100%
DELTA Biovalue Nederland B.V. (in a state of bankruptcy)		Eemshaven	100%	100%	100%
Sunergy Investco B.V.	Other	Middelburg	0%	100%	0%
PZEM Middelburg B.V.	Other	Middelburg	100%	100%	100%
JOINT ARRANGEMENTS					
Joint Operations (partly consolidated)					
PZEM Energy B.V.					
N.V. EPZ	Energy	Borssele	70%	70%	70%
Sloe Centrale Holding B.V.	Energy	Vlissingen	50%	50%	50%
Sloe Centrale B.V.	Energy	Vlissingen	100%	100%	100%

The parent company's share interest is shown.

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

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

NON-CONSOLIDATED COMPANIES

	Main activity	Head-quarters	Share interest 31-12-2020	Share interest 31-12-2019	Voting rights
JOINT ARRANGEMENTS					
PZEM Energy B.V.					
BMC Moerdijk B.V.	Energy	Moerdijk	50.00%	50.00%	50.00%
NPG Willebroek N.V.	Energy	Antwerpen, Belgium	50.00%	50.00%	50.00%
PZEM N.V.					
Evides N.V.	Water	Rotterdam	50.00%	50.00%	50.00%
OTHER COMPANIES					
PZEM N.V.:					
PZEM Investerings Maatschappij B.V.					
Sustainable Energy Technology Fund C.V.	Other	Amsterdam	37.09%	45.24%	37.09%
Sustainable Energy Technology Fund II C.V.	Other	Amsterdam	18.20%	18.83%	18.20%
PZEM Middelburg B.V.	Other	Middelburg			
Synergia Capital B.V. (in liquidation)	Other	Veenendaal	5.10%	5.10%	5.10%
N.V. EPZ:					
B.V. NEA	Energy	Arnhem	28.50%	28.50%	28.50%
KSG Kraftwerks-Simulator-Gesellschaft mbH	Energy	Germany	2.05%	2.05%	2.05%
GfS Gesellschaft für Simulatorschulung mbH	Energy	Germany	2.05%	2.05%	2.05%

The parent company's share interest is shown.

Company financial statements 2020

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2020 (BEFORE PROFIT APPROPRIATION)

(EUR 1,000)	Ref. no.	31-12-2020	31-12-2019
ASSETS			
Property, plant and equipment	**1**	**9,720**	**6,717**
Investments in subsidiaries	2	233,486	71,816
Other investments	2	369,524	361,531
Loans to joint ventures, associates, etc.	2	-	-
Receivables from subsidiaries	2	2,796	144,596
Other Loans	2	379,292	342,243
Derivatives		-	-
Financial assets		**985,098**	**920,186**
Total non-current assets		**994,818**	**926,904**
Receivables from subsidiaries		34	36
Other receivables	4	365,474	410,759
Current assets		**365,508**	**410,794**
Cash		**30,364**	**29,879**
TOTAL ASSETS		**1,390,690**	**1,367,577**
Shareholders' equity	5	1,398,831	1,326,809
Profit for the year	5	(21,841)	19,812
Shareholders' equity		**1,376,990**	**1,346,621**
Provisions	6	301	292
Payables to subsidiaries		6,135	11,830
Lease liabilities		2,661	2,555
Non-current liabilities		**9,097**	**14,677**
Other payables	7	4,603	6,280
Current liabilities		4,603	6,280
Total liabilities		**13,700**	**20,956**
TOTAL EQUITY AND LIABILITIES		**1,390,690**	**1,367,577**

COMPANY INCOME STATEMENT

(EUR 1,000)	2020	2019
Profit/(loss) on parent company's activities	(3,765)	5,811
Share of profit/(loss) in subsidiaries, joint ventures, and associates	(18,076)	14,001
PROFIT/(LOSS)	**(21,841)**	**19,812**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

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

Accounting policies

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

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

NOTES TO THE COMPANY BALANCE SHEET

1. PROPERTY, PLANT AND EQUIPMENT

(EUR 1,000)	Total	Land and buildings	Other assets	Assets under construction
2019				
Carrying amount as at 1 January 2019	**6,829**	**6,088**	**742**	**-**
Investments	4,962	4,442	-	520
Depreciation	(495)	(444)	(51)	-
Impairment	-	-	-	-
Disposals	(4,723)	(4,522)	(201)	-
Other moevements / activated items	145	145	-	-
Carrying amount as at 31 December 2019	**6,717**	**5,707**	**490**	**520**
Accumulated depreciation and impairment	206	200	6	-
ACQUISITION COST AS AT 31 DECEMBER 2019	**6,924**	**5,907**	**496**	**520**
2020				
Carrying amount as at 1 January 2020	**6,717**	**5,707**	**490**	**520**
Investments	3,687	134	-	3,553
Depreciation	(492)	(492)	-	-
Impairment	-	-	-	-
Disposals	(192)	(192)	-	-
Other moevements / activated items	-	-	-	-
Carrying amount as at 31 December 2020	**9,720**	**5,156**	**490**	**4,074**
Accumulated depreciation and impairment	570	564	6	-
ACQUISITION COST AS AT 31 DECEMBER 2020	**10,290**	**5,720**	**496**	**4,074**
Depreciation periods in years		0 - 40	5 - 15	na

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

(EUR 1,000)	Total	Investments in subsidiaries	Other investments	Receivables from other investments	Other receivables
CARRYING AMOUNT AS AT 31 DECEMBER 2018	**695,344**	**35,594**	**355,148**	**29,192**	**275,410**
Reversal of current portion	443,407				443,407
Acquidition/grant of loans	22,029				22,029
Share of profit/(loss)	25,214	(10,335)	24,336		11,213
Disposals/repayment/dividends	(17,300)	543	(17,843)		
Movements in hedge reserve	46,150	46,081	70		
Movement expected credit loss IFRS9	(58)				(58)
Other movements	115,158	(67)	(179)	115,404	(0)
Current portion of financial assets	(409,757)	-	-	-	(409,757)
CARRYING AMOUNT AS AT 31 DECEMBER 2019	**920,186**	**71,816**	**361,531**	**144,596**	**342,243**
Reversal of current portion	409,757			-	409,757
Acquidition/grant of loans	(10,779)			-	(10,779)
Share of profit/(loss)	(14,652)	(41,069)	22,993	-	3,424
Disposals/repayment/dividends	135,529	150,529	(15,000)		
Movements in hedge reserve	52,210	52,210	-		
Movement expected credit loss IFRS9	8				8
Other movements	(141,800)	0	-	(141,800)	-
Current portion of financial assets	(365,361)	-	-	-	(365,361)
CARRYING AMOUNT AS AT 31 DECEMBER 2020	**985,098**	**233,486**	**369,524**	**2,796**	**379,292**

At 31 December 2020, other receivables mainly comprised cash invested and collateral provided. The investments are relatively short-term in nature (approx. 1.5 years).

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

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

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

Term deposits and securities

Because of the sale of its grid and retail operations in 2017, PZEM received a significant amount in cash. These funds are used first and foremost for our operating activities. What remains is invested in accordance with the Treasury Charter. At 31 December 2020, these cash and other investments mainly comprised term deposits held with banks and bonds representing a value of EUR 713.8 million (2019: EUR 630.6 million) (excluding expected loss provision). Of this total sum, EUR 358.2 million (2019: EUR 320.9 million) (excluding expected loss provision) had a term to maturity of more than 1 year.

An amount of EUR 128.8 million (2019: EUR 125.1 million) concerned funds invested by PZEM in the same fund in which EPZ has invested through Stichting Beheer Ontmantelingsgelden Kerncentrale Borssele (the foundation that manages funds for the decommissioning of the nuclear power plant).

Collateral provided
Collateral provided comprises security deposits and bank guarantees. Some of the collateral was provided to counterparties for operating activities including trading activities, driven mainly by the corporate credit rating downgrade. The downgrade led to the obligation to provide extra collateral to trading parties. At 31 December 2020, EUR 31.0 million (2019: EUR 121.7 million) in collateral was provided (excluding expected loss provision), EUR 21.3 million (2019: EUR 21.6 million) of which (excluding expected loss provision) with a term to maturity of more than 1 year.

2.1 RELATED-PARTY TRANSACTIONS

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

3. DEFERRED TAX ASSETS

To be on the safe side, no deferred tax assets were recognised in the balance sheet at 31 December 2020 due to uncertainty over whether and when they might be utilised.

4. SHORT-TERM RECEIVABLES

(EUR 1,000)	31-12-2020	31-12-2019
Trade receivables	47	234
Current tax assets	171	566
Deposits held with banks and bonds	355,231	309,309
Security interest provided	9,679	100,065
Other receivables	379	620
TOTAL SHORT-TERM RECEIVABLES	**365,508**	**410,794**

Non-current financial assets comprise receivables relating to term deposits and securities, on the one hand, and collateral provided, on the other. The current portions of these assets amounted to EUR 355.7 million and EUR 9.7 million, respectively (excluding expected loss provision).

5. STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Total	Paid-up capital	Statutory reserve	Hedge reserve	Other non-distributable reserves	Other reserves	Unappropriated profit
ADJUSTED CARRYING AMOUNT AS AT 1 JANUARY 2019	**1,280,736**	**6,937**	**138,848**	**(109,955)**	**232**	**1,298,312**	**(53,640)**
Profit appropriation for 2018	-	-	-	-	-	(53,638)	53,638
Payment of dividend	-	-	-	-	-	-	-
Other changes	(76)	-	21,777	-	(90)	(21,763)	-
Total comprehensive income	65,962	-	70	46,080	-	-	19,812
CARRYING AMOUNT AS AT 31 DECEMBER 2019	**1,346,621**	**6,937**	**160,694**	**(63,875)**	**144**	**1,222,909**	**19,812**
Profit appropriation for 2019	-	-	-	-	-	19,812	(19,812)
Payment of dividend	-	-	-	-	-	-	-
Other changes	-	-	20,606	-	(148)	(20,458)	-
Total comprehensive income	30,369	-	-	52,210	-	-	(21,841)
CARRYING AMOUNT AS AT 31 DECEMBER 2020	**1,376,990**	**6,937**	**181,300**	**(11,665)**	**(5)**	**1,222,263**	**(21,841)**

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

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

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

PROPOSED LOSS APPROPRIATION

(EUR 1,000)	2020	2019
Profit/(loss) on parent company's activities	(21,841)	19,812
PROPOSED DIVIDEND TO SHAREHOLDERS	-	-
Addition/ withdrawal to other reserves	(21,841)	19,812

The proposal is for the loss to be charged fully to the reserves and not to pay a dividend.

6. PROVISIONS

(EUR 1,000)	Total	Employee benefits
CARRYING AMOUNT AS AT 31 DECEMBER 2018	236	236
Reversal of current portion of provision	3,632	3,632
Added	450	450
Interest added	11	11
Released	(1,618)	(1,618)
Utilised	(311)	(311)
Other movements	-	-
Carrying amount as at 31 December 2019	**2,400**	**2,400**
Current portion of provisions	(2,108)	(2,108)
CARRYING AMOUNT AS AT 31 DECEMBER 2019	292	292
Reversal of current portion of provision	2,108	2,108
Added	257	257
Interest added	9	9
Released	(1,275)	(1,275)
Utilised	(73)	(73)
Other movements	-	-
Carrying amount as at 31 December 2020	**1,318**	**1,318**
Current portion of provisions	(1,017)	(1,017)
CARRYING AMOUNT AS AT 31 DECEMBER 2020	301	301

At 31 December 2020 and 2019, long-term provisions only comprised employee benefits.

In 2016, a reorganisation provision was recognised for the GAMMA2 programme to cover our liabilities to those of our employees who were expected to leave the PZEM Group as a result. These liabilities are measured taking into account the arrangements set out in the Social Plan and the employee's years of service within the industry, his or her age, various pay components, and estimates in terms of his or her ability to find other employment. In 2020, as in 2019, several of our employees covered by the provision at 31 December 2016 left the company, which led to the provision being utilised. A discount rate of 1.0% (2019: 1.0%) was applied to the reorganisation provision.

7. OTHER PAYABLES

(EUR 1,000)	31-12-2020	31-12-2019
Trade payables	1,881	1,575
Other current tax liabilities	-	688
Current portion of provision	1,017	2,108
Accruals and deferred income	1,705	1,909
TOTAL CURRENT LIABILITIES	**4,603**	**6,280**

Other payables include, amongst other things, the current portion of the provisions and outstanding supplier accounts. Current tax liabilities include wage tax and social insurance contributions payable.

OFF-BALANCE SHEET LIABILITIES

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

Main collateral granted

PZEM has issued EUR 24.6 million worth of guarantees to the Zuid-Holland provincial authorities for the costs of capping the “Derde Merwedehaven” landfill site in Dordrecht (2019: EUR 24.6 million). Similar security was provided to the Zeeland provincial authorities for the (former) landfill sites “Noord- en Midden Zeeland” and “Koegorspolder” in the amount of EUR 7.8 million (2019: EUR 7.8 million). These guarantees are expected to be taken over by KatoenNatie. PZEM has received a counter guarantee from the buyer.

Lawsuits and claims

The trustee in the bankruptcies of the bio diesel entities that were PZEM group companies until 2010 was again unable to complete the administration of those bankruptcies during the year.

403 Declarations

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

- PZEM Energy B.V.
- PZEM Ficus Holding B.V.
- PZEM Pipe B.V.
- PZEM Tolling Sloe B.V.
- DELTIUS B.V.
- LIMO Energie Nederland B.V.
- PZEM Com B.V.

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

Fiscal unity

PZEM N.V. heads a fiscal unity for VAT purposes and a fiscal unity for corporate income tax purposes. PZEM N.V. and its subsidiaries that are members of the fiscal unities are jointly and severally liable for the fiscal unities’ tax debt.

NOTES TO THE COMPANY INCOME STATEMENT

At 31 December 2020, PZEM N.V. employed 110 FTEs (2019: 112 FTEs).

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

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

Auditors' fees

In 2020, PZEM N.V. paid the following fees for its consolidated companies:

(EUR 1,000)	Accountants		Other members of accountants network		Total	
	2020	2019	2020	2019	2020	2019
Total fee for auditing PZEM Group's financial statements	260	269	-	-	260	269
Fee for related audit services	30	15	-	-	30	15
Tax advisory services	-	-	53	-	53	-
Other non-audit related services	-	-	138	4	138	4
TOTAL	**290**	**285**	**191**	**4**	**481**	**289**

The amounts for 2020 shown in the summary above are the amounts paid to KPMG Accountants N.V. (and the KPMG network) for PZEM N.V., and 70% and 50%, respectively, of the fees paid to Deloitte Accountants B.V. (and the Deloitte network) for N.V. EPZ and Sloecentrale Holding B.V.

No performance-related fees were paid.

Signed for approval:

Management Board:

F. Verhagen

N.C. Unger

Supervisory Board:

G.A.F. van Harten

W.J.N. van Uchelen

B.A. Fermin

Signed,

Middelburg, The Netherlands, 14 April 2021

2020 Other information

OTHER INFORMATION

Profit appropriation according to the Articles of Association

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

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

For the independent auditor's report see the Dutch version of the annual report 2020.

STATEMENT

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

Name of legal entity:
PZEM Energy B.V.

Place of registered office:
Middelburg, The Netherlands

Period:
1 January 2020 until 31 December 2020

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

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

Middelburg, The Netherlands, 14 April 2021

Signed

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

PZEM

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