

TenneT TSO B.V.

# Annual Report 2023



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\* These sections reflect the director's report as mentioned by Part 9 of Book 2 of the Dutch Civil Code.

\*\* These sections reflect the Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.

# About TenneT TSO B.V.

TenneT TSO B.V. (hereafter ‘TenneT’) is the electricity transmission system operator (TSO) in the Netherlands. As such, we are committed to secure the supply of electricity to the consumers in our service area, 24/7 and 365 days a year. Moreover, we create the infrastructure to be able to secure supply tomorrow as well.

We are a key and inter-linked player in the energy landscape, working closely with other important stakeholders to drive the energy transition and ensure a greener and brighter energy future in the best and most

efficient manner. In our work, we are guided by a clear purpose, promise and principles, as well as by the ‘balancing act’ of balancing the effects of our decisions on the affordability, reliability and sustainability of the grid.

## Our purpose, promise and principles



## Our strategy

To ensure we are able to fulfil our purpose, we have developed our current TenneT strategy, based on four strategic pillars, with goals for 2025:

- Energise our people and organisation: with an inclusive and safe environment where people enjoy coming to work. We will build a leadership model that empowers, inspires and creates growth opportunities, so everyone can perform at their best and work as one team;
- Secure supply today and tomorrow: by maintaining the grid to meet reliability targets and operating it effectively. We will design solutions to balance electricity supply and demand in the future, while meeting societal objectives and realising our infrastructure projects as promised;
- Drive the energy transition: as a green grid operator and thought leader, developing innovative instruments and playing a key role in the energy data world;
- Safeguard our financial health: by ensuring a regulatory framework to support our strategy and by delivering a return in line with what our capital providers expect, as well as by raising the necessary external financing.

## Our task

The vast majority of our activities are regulated by the Autoriteit Consument & Markt (ACM). Our core tasks are to:

- Ensure a secure and continuous supply of electricity as the key objective of our operations;
- Provide transmission services by transporting electricity along the high-voltage grid from where it is produced to where it is consumed;
- Provide system services to balance supply and demand of electricity in the Netherlands;
- Facilitate a smoothly-running, liquid and stable electricity market and support the large-scale, energy transition to renewables.

## Our path towards 2050: Target Grid

The Target Grid 2045 maps out a future, integrated offshore and onshore grid that is capable of meeting society's growing electricity demand, ensuring that the high-voltage grid grows in step with the realisation of a more sustainable electricity system. Target Grid is our strategy to ensure our grid is ready in time to serve a climate-neutral energy system based on electricity from renewable sources for all.

The essence of Target Grid is to look further ahead and to prepare for political climate- and energy targets. By using a backcasting approach, we focus on the actions and steps needed to achieve our vision of the future grid. This long-range view offers a number of advantages:

- It increases the chance of being able to realise future projects on time, as we can initiate the most time-consuming preparation steps (for instance spatial planning procedures) before the necessity of a project is formally established.
- It enables TenneT to build in a more future-proof manner, by aligning with expected national plans for development beyond the vision period of our usual investment planning
- It helps us clearly identify the expected impact on the network of certain long-term political choices, allowing us to engage with society about these choices early.

The first version of Target Grid 2045, presented in April 2023, looked at the 220/380 kV alternating current (AC) grid and the direct current (DC) connections needed to unlock wind farms in the North Sea. Based on the insights from this first version, a vision map was developed of what the future energy grid looks like: the 'Target Grid Map'. The Target Grid Map includes the existing grid, plus the projects we include in our Investment Plan (IP).

Currently, TenneT is further developing the Target Grid 2045 strategy to ensure the potential benefits of this forward-looking mode of operation can be realised in practice. Target Grid is a dynamic strategy, which is described in a living document. A more detailed elaboration of the future picture - incorporating more technical, operational and market-design aspects and also adding the 110/150 kV grid sections - will be included in updated versions of Target Grid.



## Stakeholders



Employees



NGOs



Governments  
and policy-  
makers



Customers



Suppliers



Regulators



Shareholders  
and capital  
providers



Energy market  
participants

## Our inputs



Extensive knowledge  
of and experience  
with operating the  
system and integrating  
energy markets



Cables, lines,  
stations, offices and  
interconnectors



Our skilled and  
motivated employees



Energy, natural  
environment  
and materials to  
build, maintain and  
operate our grid



Regulatory revenue,  
(Green) Financing



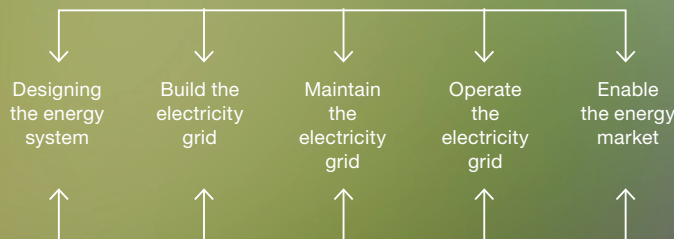
Strategic partnerships  
and our engagement  
with (project)  
stakeholders

## How we create value

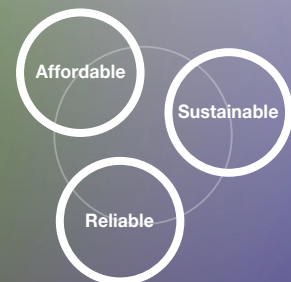
### Our strategy



### How we operate Enable the core activities



### Our balancing act



### Our purpose

To connect everyone with a brighter energy future

## Our outputs



Deliver a high security  
of supply,  
see page 30



Ensure critical  
infrastructure for  
society,  
see page 38



Create a safe and  
inspiring workplace,  
see page 49



Create value to  
transition to a climate  
neutral economy,  
see page 56



Safeguard sustainable  
financial performance,  
see page 67



Solve societal  
challenges with  
stakeholders and  
through partnerships

## Outcome & Impact



- Our societal financial impact on an average household in our service area.
- Equivalent number of households that in theory would have been able to receive 100% green electricity



- Societal impact due to availability of our grid



- Avoided CO<sub>2</sub> emissions



# Management Board Report

TenneT plays a vital role in society. By ensuring the supply of electricity, we make a fundamental difference to the people working and living in the areas we serve. Our work involves a wide range of stakeholders. These include our shareholder, local communities, our employees, regulators, investors, NGOs, politicians, the media, customers, suppliers and other European TSOs.

Political developments and rapid acceleration of the energy transition in the last few years require an extraordinary amount of capital investments, e.g. to fund grid expansion projects or new offshore grid connection system. The investments are partly covered by (green) debt financing through the Shareholder TenneT Holding and partly by Shareholder equity. At the same time, both the German and Dutch governments have indicated their preference to control, own and fund, (only) their own national electricity infrastructure. Acknowledging this, Shareholder TenneT Holding has started to explore the potential sale of German activities to the German state in February 2023. The sale would not only secure the national funding of each countries' extensive investment program, but also create two strong national players that could continue to cooperate in driving the energy transition.

To the date of this report, no agreement has been reached yet on the potential sale of German activities. TenneT and KfW continue their discussions in the coming period.

To prepare for a potential disentanglement of our organisation, in May 2023 TenneT has started to identify what changes are required on an organisational level. Always taking into account both the Dutch and German perspective, we worked together in work streams to identify potential risks in case of a split and prepare for a future in which we would operate as two national entities. These preparations are necessary to ensure a smooth transition later on, but in no way interfere with the execution of our investment agenda on full speed.

## Our performance

How we want to create long term value for society is defined alongside the six outputs / outcomes of our value creation model.

### Deliver a high security of supply

Our role as transmission system operator (TSO) is to deliver a high grid availability, while securing electricity transmission to the people in our service area, including more than 17 million end-users in the Netherlands. A secure and stable supply of electricity is an essential component of modern, developed economies. It powers economic growth, fuels industrial activity and technological innovation, supports essential infrastructure and public services, and underpins national security and international competitiveness.

### Securing supply today

During 2023, our people worked hard to ensure a secure supply of electricity in our service areas. In 2023 no significant power outages occurred. We achieved a high availability of 99.99993% for our onshore grid and 99.01% for our offshore grid.

During 2023, TenneT implemented additional measures to prevent power outages, in a commitment agreed with the Dutch Authority for Consumers and Markets (ACM).

Structural measures, such as improved security procedures, are designed to prevent future outages as much as possible.

### Tackling congestion

The increasing production of electricity from renewable energy sources, as well as the increasing electrification from industry, is so high that grid operators, including TenneT, cannot always provide sufficient capacity at the desired pace. On very windy or sunny days, too much renewable infeed can create congestion as there is insufficient transmission capacity to carry the amount of electricity being generated. Similarly, on the demand side, congestion problems can occur when electricity cannot be transported to the demand location. In this case, we have to take operational measure to safeguard the grid. New customers will have to be placed in a queue until the grid is reinforced.

In 2022-2023, the exponential growth in new grid connection requests from customers, as well as the growth in capacity of existing connections, was a particular cause of congestion. Customer requests are either for new grid connections – such as wind farms, solar parks, electric vehicle charging stations and battery storage facilities – or from customers that wish to enlarge their connection capacity, such as factories that are electrifying their production processes. Sometimes, customers (for various reasons) submit multiple grid connection applications, while only needing one connection, or request more capacity than they actually need.

Although TenneT anticipated higher electricity demand and has been rapidly expanding and strengthening its grids for over 13 years, grid congestion has still been partly unavoidable. We see this issue also becoming more severe for the DSOs, like Stedin, Alliander and Enexis. In 2023, TenneT had to announce additional grid congestion areas in 2023, in the areas of Zeeland and Noordoostpolder, around Rotterdam, in the region of Flevopolder, Gelderland, Utrecht, Drenthe, part of Overijssel and Groningen.

To increase the transmission capacity in these areas and relieve (and avoid) congestion our main task is to expand and reinforce the grid. Over the next ten years, we are investing several billions in our grid every year. But as these works often take several years to complete, we look for more short-term measures too. Congestion management studies, together with regional DSOs, help to identify available transmission capacity and measures to be taken to relieve congestion.

TenneT is increasingly working with local stakeholders, including government and municipalities, and DSOs to make targeted choices that relieve congestion where it is most necessary and use the existing grid capacity as efficiently as possible.

In cooperation with existing customers, we are also working on a measure called “rush hour avoidance”, whereby customers are compensated for reducing their electricity production or consumption at peak times. A study into how many companies may be interested in this scheme was published in late 2023. The Dutch government may incentivise more customers to provide flexibility in this way, with new legislation being introduced that would require companies with demand exceeding 1MW to explain how they can participate in congestion management.

Another temporary solution to decrease the impact of congestion was adopted by ACM in 2023. This is designed to allow system operators to prioritise projects that solve or limit congestion in the grid, thereby deviating from the first-come-first-served principle. In addition, ACM aims to allow grid operators to give grid connection priority to projects with a social function, such as housing, security services, healthcare or schools.

### Securing supply tomorrow

To support Europe's net zero climate targets, we have launched our Target Grid 2045 strategy, with the objective of having a future-proof electricity grid in place by 2045. This will be capable of supporting a sustainable economy, with a reliable and secure supply of green electricity for all users, from consumers to industry.

The increasing installation of mega-battery systems is a particularly promising source of flexibility, with estimates projecting that 9 GW of battery capacity will be needed (in strategic locations) in the Netherlands by 2030. This is equivalent to nine gas-power plants.

In Target Grid we even anticipate 60 GW battery capacity in our grid to be connected by 2050. TenneT is working to advise on where they should be best located, for example near wind- or solar parks as well as where existing high voltage stations are already located. Location is an important factor, as it can increase or relieve pressure on the transmission system, making it critical for both security of supply and affordability. [A map](#) on our website shows exactly in which province in the Netherlands we expect what battery capacity is needed for system stability by 2030.

There are three focus areas that will be essential for securing supply in the future by facilitating flexibility in demand and supply: grid reinforcement, developing system operations and market integration. Grid reinforcement relates to expansion, strengthening and construction of our grid, to enable the transmission of higher volumes of renewable power, over longer distances. Market integration is about creating a single and interconnected European electricity market that facilitates the exchange of power across borders. Developing system operations is about finding new concepts for operating the grid, to operate a more dynamic system and making more efficient and optimised use of our system through new, including digital, solutions.

These three focus areas are all needed to allow for a more flexible and future-proof energy system.

### System resilience

Our transmission grid is a critical infrastructure and the backbone of economic and social activity. As such, it requires maximum protection from risks and threats. Our ability to react and adapt to these risks and threats is our organisational resilience. TenneT considers information security, business continuity and crisis management as cornerstones that together create resilience.

- Information security: European grid operators increasingly face security threats, particularly in the realm of physical threats and cybersecurity. This year, TenneT was involved in a data hack with one of our suppliers. This again stressed the need for constant vigilance and protection of our critical infrastructure (including our IT and OT networks).
- Business continuity: in addition to security threats we also take other factors into account to ensure system resilience, including risks related to climate-related events and other environmental conditions. TenneT cooperates with relevant stakeholders, including governmental institutions and DSOs, to assess the risks and potential impact of climate-related events on our assets.
- Crisis management: we also prepare ourselves for situations where existing emergency measures are no longer sufficient. We staff, onboard and extensively train our crisis management organisation throughout the year, and ensure the facilities needed to enable our crisis management personnel. We also exchange our knowledge and contribute to crisis exercises in our sector and on national and international level.

### Ensure critical infrastructure for society

Unlike the traditional energy system, where conveniently located conventional power plants generate electricity on demand, the energy system of the future will require us to balance numerous sources of renewable energy that have a more volatile and intermittent nature, carried over longer distances. To meet these challenges and ensure we have a secure supply of electricity in the future, we need to strengthen, maintain and extend our energy infrastructure, while also designing a grid that can support society's future electricity needs.

Our Target Grid 2045 strategy, which we presented in 2023, sets out our vision for the electricity grid we will need to have in place in 2045, and the approach for how we will get there. The objective is to have in 2045 an electricity grid that can support a sustainable economy, with a secure supply of green electricity to power consumers and industry. The first

version of Target Grid, including the associated grid map for 2045, was presented to the Dutch Minister for Economic Affairs & Climate Policy, Rob Jetten in April.

As we are delivering more and more projects to drive the energy transition and shift into the next gear with concepts like the 2GW Program to contribute to Target Grid 2045, we are also impacted by challenges we need to overcome today. An example of this is the nitrogen impasse in the Netherlands which effects our projects for instance.

Despite the challenges we face in realising our assets, we were determined in 2023 to continue full speed ahead with our investment portfolio. In this context, we made strong progress on our projects, as our investments significantly increased from EUR 1.5 billion in 2022 to nearly EUR 2.9 billion in 2023. We reached major project milestones during the year, both onshore and offshore (see sections to follow). We are encouraged by growing political support for our work, as the urgency of delivering the energy transition in time for Europe's climate goals has the attention of regulators and policy-makers. An example of this relates to stronger cooperation in the Netherlands with local energy boards and municipalities.

However, with grid congestion and outstanding customer connection requests remaining an issue of great concern in the Netherlands, as well as restrictions imposed on our work due to limits on nitrogen emissions, we are aware that there are many challenges still to overcome. Approximately 60% of the projects planned to be executed are near a nature conservation, so-called Natura 2000, area. Much more needs to be done to strengthen and expand the grid for the growing electricity demands of society and the increasing share of renewables in the energy mix.

### Maintenance

To be able to secure supply today and tomorrow, it is essential we not only expand our grid onshore and offshore, but that we also maintain our existing assets. Ongoing and extensive maintenance with the aim to extend the lifetime of our assets, ensures these deliver a full lifetime of service. Ultimately, the essence of maintenance is to keep equipment in a state where it can continue to perform its intended function.

An important area of focus has been to accelerate the replacement of end-of-lifetime assets, which is contributing to improved grid availability and fewer unplanned outages. The maintenance team has also increased its output through efficiency-increasing measures, such as combining outage windows, integrating work to maximise use of



resources, and using digital tools to improve planning. Another priority has been to focus on further improving efficiency in our maintenance work, maximise the output given limited resources. These efforts are particularly important as the demand and electricity load on our network continues to grow, reducing the possibility for outage windows and so constraining opportunities for maintenance. Addressing constraints on outage windows will be an important focus for the maintenance team as it continues to find ways to increase its output. To this end, we have introduced a new Outage Window Optimisation Project, designed to increase outage capabilities in the network, without sacrificing the pace of our work.

Standardisation of equipment and assets is also helping to accelerate the speed and efficiency of maintenance, making it easier and more efficient to fit and maintain assets that share common design and components. The modules can also be tested and configured in a controlled environment before installation. We are following this 'plug and play' approach with our Bay Replacement programme, for example, which is currently concluding the proof-of-concept phase before going to full scale roll-out, replacing a significant number of end-of-life substations. The modular approach makes it faster and easier to replace substations in busy urban areas, such as in Alphen aan de Rijn, where the old 150 kV station was replaced by a new gas-insulated switchgear station.

### Onshore

With the rapid electrification of society, the share of electricity in the energy mix is expected to grow from 20% today to 40-60% in 2050. To meet this increased demand, while also accommodating the growing in-feed of offshore wind power, we need to expand, strengthen and modernise our onshore grid. In fact, expanding and increasing the capacity of the onshore grid is just as important for the decarbonisation of our energy system as offshore grid development, because high-capacity connections are needed to transmit the green electricity onshore to end-users.

Investment in our onshore grid is also particularly urgent in the current context of growing grid congestion, as seen in several regions of the Netherlands (see chapter 'Deliver a high security of supply'). To mitigate this, extensive work is underway to strengthen the capacity of our existing network, with new connections, extensions, and upgrades to our network.

An example of this is our Better Use of Existing 380 kV programme ('Beter Benutten'), in which we are increasing the capacity of parts of the national 380 kV electricity transmission network. Better use means there is no new line, but that the capacity of an existing connection is expanded. This is done by replacing the existing conductors with new conductors. Greater capacity was most needed on the Lelystad-Ens and Diemen-Lelystad connections, making these the first to be adjusted. Other projects related to this programme that are planned to be commissioned over the next few years, consist of the sections between Ens and Zwolle and between Eindhoven and Maasbracht. With this work, we are aiming to build towards our vision of how the future setup of the electricity grid in the Netherlands should look like. We aim to upgrade the 380 kV ring in the Netherlands and create new transmission corridors where needed.

Progress on important onshore projects was made in 2023. The recent delivery of the Noord-West 380 kV project, replacing a previous 220 kV connection between Eemshaven and Vierverlaten, is helping to provide much-needed additional transport capacity in the Netherlands. As well as performing line upgrades, we are also working to meet the need for more capacity with more substations, focusing on boosting regional hubs where customers are demanding the most connections. This includes the replacement of our Oosterhout substation in the southern part of the Netherlands.

### Offshore

The North Sea has a potential for up to 300 GW of installed wind capacity – enough to cover the green energy needs of its bordering countries and to make a significant contribution to Europe's 2050 climate targets. The urgency of energy security has also accelerated Europe's ambitions for the North Sea as a future green energy powerhouse for Europe, bringing countries together to develop shared plans, as seen with the Ostend Declaration of April 2023. Following the Esbjerg Convention in 2022, TenneT alone is committed to connecting 40 GW of offshore wind in the Netherlands and Germany by 2030.

Our Target Grid 2045 vision is aligned with this investment plan for the North Sea. An interconnected DC overlay grid, linking multiple offshore wind farms from different countries, and connecting with onshore DC grids, is envisioned as the backbone of the North Sea powerhouse. The meshing of the DC grid at sea and on land, the interconnection of multiple offshore wind farms from different countries, and the integration of hydrogen electrolysis, will mean lower

costs for customers, better utilisation of the electricity supply, and a more robust system.

To realise our Target Grid vision, and in the face of increasing competition for scarce resources, we are working hard to ensure we can deliver on our promise. That is why our 2GW Program has led the way in creating a standardised approach to developing offshore grid connection systems. This will also be crucial to achieving the goal of a North Sea Powerhouse. A milestone in this journey was reached in April 2023, when TenneT and four partners officially signed framework agreements to build fourteen 2 GW HVDC offshore interconnections between 2028 and 2031 in Germany and the Netherlands, with a contract value of more than EUR 30 billion plus EUR 10 billion for the corresponding cables. Eight of the offshore interconnections are in the Netherlands.

Other new offshore initiatives in 2023, were the announcement of LionLink (see 'Deliver a High Security of Supply') and the Delta Rhine Corridor (DRC).

As part of our earlier commitments to realise offshore grid connection systems, we were pleased that we were able to commission two projects this year. We completed the Hollandse Kust (noord) project, our fifth and final 700 MW connection from the 2023 Dutch Offshore Wind Energy Roadmap. Furthermore, we were able to commission Hollandse Kust (west Alpha) in December 2023. These projects were completed on time and within budget, with Hollandse Kust (west Alpha) even three months ahead of planning.

### Create a safe and inspiring workplace

At TenneT, we build, maintain and operate critical infrastructure that powers society today, and support our journey towards a renewable energy future. However, these are not TenneT's most important assets – our people are. They are our key strength, and it is their combined effort, teamwork and commitment that helps us achieve these crucial goals for society.

Currently at TenneT, our workforce in the Netherlands comprises 2,805 employees. In addition, we have 1,029 valued colleagues who are externally contracted to us, such as our contractors on site or employees working on a project basis. To deliver on the ambitious targets needed to achieve Europe's climate goals, we continued to grow, adding more than 300 additional FTEs to our workforce in 2023, compared to 288 in 2022. Our ability to attract new people shows TenneT is maintaining our position as an attractive employer.

However, maintaining a net inflow of FTEs became harder in 2023 as more external contract workers left TenneT due to legislative restrictions on interim contracts. Current law says that interim contractors are limited in the time they can work on a temporary contract. As many of these contracts are coming to an end, we are seeing a larger attrition level than normal. Recruitment is also more challenging as an increasing number of employees make internal moves to new positions, requiring vacant positions to be filled.

As regards safety, we have taken substantial efforts throughout the last two years and seen a stable TRIR in 2023. We saw a Total Recordable Injury Rate (TRIR) of 2.1, compared to a 2.0 rate in 2022. With regards to absenteeism, the absentee rate was 3.9 (3.7 in 2022), which is partly explained by a rise in long-term absenteeism and mental health issues rising.

### Recruiting the best talents

To reach our net growth target, we need to bring a lot more people into the organisation every year to account for internal movements and outflow of employees. Recruitment remains a key challenge for TenneT, especially as we are seeking talent alongside other employers in our sector. As such, we have to be smart in our recruiting, and ensure the strategy covers being an employer of choice, creating an environment where people thrive, grow and stay for a long time.

We also engage with talent earlier in their career and striving to remain in contact with them through "talent pools" in which we identify future potential recruits. To this end, education, and partnerships with academic institutions (such as the TU Delft and TU Eindhoven), play an important role in our recruitment efforts. Another example of this approach is the Power Minor, a course on high-voltage power which we have been working on with the universities of applied sciences of The Hague, Amsterdam, Arnhem and Nijmegen. These academic partnerships help us to connect with students who are interested in working in the technical (energy) sector.

### Organise for people to perform at their best and work as one company

To meet the challenges ahead, and fulfil our strategic objectives, it is essential that everyone at TenneT feels able to perform at their best. The TenneT work culture and practices need to facilitate this. We invest in programmes and ongoing initiatives to protect our employees' physical and mental health, which in turn also helps to prevent unforeseen absenteeism and illness.

Our long-standing Always Energy programme is an important way in which we support our people, helping them perform at their best by focusing on their health and wellbeing. This is an internal vitality programme, featuring workshops, training and events to ensure our people are energised and engaged, with a focus on: physical energy; mental and emotional energy; social energy and purpose/meaning. In 2023, we further raised awareness of Always Energy, and used the findings from employee studies about employees' physical and mental wellbeing to create a programme that is better tailored to our employees' needs.

For our employees to perform at their best and contribute to the TenneT strategy, they also need to feel well-informed and engaged. To better understand this, we introduced the first Pulse Check, a quarterly employee survey, in October 2023. First results show that the vast majority of our employees feel highly motivated to support TenneT achieve its strategic goals. However, they also indicate that clear communication and faster internal processes would benefit company success. The results were discussed more in detail between the Executive Board and Senior Leadership Team. We will continue to conduct these surveys on a quarterly basis, to be able to compare results over time.

Furthermore, as a large employer with a diverse and international workforce, it is essential that we recognise the workplace, and attitudes to working norms, are changing. We are aware of new ways of working and the shifting expectations of jobseekers, to support their wellbeing, psychological safety and motivation. In this respect, 2023 was characterised by a structural shift towards hybrid working.

### **A safe and inclusive working environment**

#### **Health & Safety**

The nature of our work carries risks, often involving working at height with high-voltage assets and with heavy lifting equipment and materials, onshore and offshore. And as the scale and speed of our work increases, we are exposed to more safety risk. However, our Zero Harm commitment means we need to double down on safety so that our risk doesn't grow in proportion with our output. We need all of our employees to return home safely after a day's work.

In 2023 we introduced an entirely new organisational approach to safety, following a detailed analysis of our occupational health and safety procedures by the consultancy agency DNV. As a result, it was decided to centralise all of TenneT's safety management into a new Health Safety and Environment (HSE) organisation, headed by a dedicated HSE director. Established in July, the HSE

unit's first task has been to create a new Safety Management System. A crucial part of the new system is continuous improvement, meaning that any safety incident is analysed and learned from, with suitable system improvements identified and implemented.

The HSE team is also working to embed the TenneT safety approach with our sub-contractors, not only through regular meetings with leaders from our partners, but also embedding our safety requirement into our contracts, with follow-up meetings to ensure compliance.

At TenneT we also recognise that safety is not always physical – we must also care for the psychological safety of our employees. This is particularly important as in 2023 we saw an increase in long-term absenteeism, with mental health issues rising. To get a better understanding of the workload and work-related stress of our employees, we also started to research the psychosocial workload (PSA) in 2023. Results show that many of our colleagues experience a high workload and work-related stress, as well as that mental health problems contributing to nearly 50% of absenteeism. Acknowledging this, we will take measures to address the root causes, including leadership trainings and focussing more on mental health in our vitality programme.

#### **Inclusion, diversity & equity (ID&E)**

At TenneT we believe that a wide diversity of people, with different backgrounds, cultures and perspectives are essential for everything we do and thereby for overcoming the challenges of the energy transition. Inclusion, Diversity and Equity (ID&E) requires long-term efforts as unconscious and conscious biases need attention to take good decisions in recruiting, promoting and developing our employees. This is a constant learning process, where our employees are the most important input givers.

In preparation for upcoming legislation, such as the Corporate Sustainability Reporting Directive (CSRD), we investigated (via benchmarking with external parties and internal expert interviews) what steps to take for a renewed commitment to Inclusion, Diversity & Equity. An Inclusion, Diversity & Equity policy has been approved by the Executive Board and Supervisory Board of Shareholder TenneT Holding in November. This policy aims to outline what ID&E responsibility means for TenneT and what commitments it aims to make across different ID&E areas.

As part of this policy, we have set several mid- and long-term targets to ensure inclusion, diversity, and equity within TenneT. For example, we want to maintain an equal balance in our Executive and Supervisory Board by 2030, and have

set a target of 12% non-Dutch / non-German inflow of new hires by 2026. To deliver on these targets, we will audit some of our internal human resource processes (such as recruitment) to ensure its alignment with this policy. Furthermore, we will crystallise which steps and actions need to be taken in 2024, to meet our ID&E targets. We will also monitor our progress towards these targets closely from next year.

### Create value to transition to a climate-neutral economy

As a key player in the energy transition, we are working to connect society to green electricity by developing a reliable, affordable and future-proof grid. The main impact we have as a company is driving the energy transition to support Europe's goal to become the first climate-neutral continent by 2050. We aim to do this by leading as a green and responsible grid operator. We strive to reduce the environmental impact of our operations and minimise our carbon emissions, our impact on the natural environment and the materials we need to build, operate and maintain our grid.

#### Climate

We follow a threefold approach with regard to our impact on climate:

- We aim to reduce our direct and indirect emissions;
- We green the emissions from our own operations as a TSO where reduction measures do not apply;
- As a last resort, we seek compensation for the emissions which we absolutely cannot reduce or green.

In line with the Science Based Targets, which we committed to in 2021, we are determined to contribute to the goals of the Paris Agreement. The targets we set in 2021 include ambitious emission-reduction goals for 2030 (measured against a 2019 baseline) which aim to cut our direct emissions in scope 1 and indirect emissions in scope 2 by 95% and our indirect emissions (scope 3) from purchased goods and services and capital goods in our supply chain by 30%. These targets have been determined in addition to our 2025 climate-reduction targets.

A significant part of our scope 1 emissions relate to SF<sub>6</sub> leakages. Sulphur hexafluoride (SF<sub>6</sub>) is widely used by TSOs as a highly effective insulating gas in switching installations. However, it is also a greenhouse gas, with one unit equivalent to over 23,500 units of CO<sub>2</sub>. We conduct permanent monitoring of our assets to detect leaks and swiftly report them to the appropriate internal reporting mechanisms. While SF<sub>6</sub> leakages currently only account for around 1% of our carbon footprint, we still aim to mitigate

its impact as much as possible. Since alternatives to SF<sub>6</sub> are a key bottleneck as mentioned above in line with our long-term strategy, we invest in joint partnerships and market stimulation through innovative partnerships with suppliers. Our 380 kV station Maasbracht in the Netherlands is one of TenneT's largest. When the time came for the station to undergo renovation, two suppliers were selected to provide an SF<sub>6</sub>-free solution in the gas-insulated lines (GILs).

The majority of our scope 2 emissions are from grid losses – the electricity lost during transmission across our network. Grid losses depend, among other things, on the current, voltage and the distance that electricity is transmitted. Though we can reduce them to a certain extent, we cannot prevent grid losses from occurring; they are an inevitable part of electricity transmission over high distances. The impact of our grid losses on the environment has always been determined by the local electricity grid mix: the average emissions per MWh are considered to be the environmental impact of that grid loss. When all purchased electricity related to these grid losses would have been purchased from climate-neutral electricity sources, that would mitigate our carbon impact from grid losses. Therefore, to reduce the environmental impact from grid losses, we purchase Guarantees of Origin to 'green' the climate impact of our grid losses in the Netherlands.

During 2023 we also made significant progress in our efforts to measure and address our scope 3 emissions, which are the indirect emissions that arise in our supply chain, as a result of what we purchase and contract. We are working on a 'Decarbonising the Supply Chain' project to gain more insight into the carbon footprint of our purchased and capital goods and services, and how to reduce them. Our first findings specifically indicate that the biggest contribution to our scope 3 emissions lies in the upstream production of materials, such as steel, copper, aluminium, concrete and plastics. The transport of assets to our project sites and the installation of these assets also play a significant role. Based on these insights, we have started this year in twelve asset categories, which were identified to be among the strongest contributors to our scope 3 emissions, to develop and implement sustainable sourcing strategies together with our partners in. Switching material supply to climate-neutral alternatives, incentivising suppliers to increase the use of green energy in production, transport and installation and identifying possibilities to increase circularity in our supply chains are examples of potential measures identified in these sustainable sourcing strategies.

## Nature

While our work contributes to a long-term positive environmental impact (by driving the energy transition), TenneT's activities also have a more direct negative impact, as we build, maintain and operate our assets in the natural environment. By leading as a green grid operator, we aim to reduce our negative impacts - such as on biodiversity and the possible environmental impact related to building, maintaining and operating our assets (e.g. oil leakages) - while maximising our positive impacts. TenneT's goal is to reduce our net impact on nature to zero.

To reduce our impacts on nature, we carefully track the number of environmental incidents, such as leakages of SF<sub>6</sub> gas, oil leakages from our assets, and other occurrences. In 2023, we recorded 29 environmental incidents (compared to 44 in 2022). Next to this, we recorded 2,723 (2022: 2,866) litres of oil leaked from cables in 2023.

In 2023, we began oil pressure sensing to gain more and quicker insights into potential oil leakages to reduce our negative impact. We launched a pilot for two 150 kV lines in Area West, which provides real time data on the status of our assets.

Next to these negative impacts, we aim to create a positive impact around our assets. We launched an inspiration guide for nature-inclusive building. Its purpose is to provide a toolbox to make nature-inclusive building the standard approach. We also embed these focus areas in policies on how we should carry out our maintenance and construction work, to ensure that we comply with nature conservation laws. Furthermore, also work together with other infrastructure parties in the Netherlands to increase biodiversity in collective areas through the 'main ecological infrastructure'.

TenneT promotes sustainability at substations by applying green measures. Gravel areas near substations will be transformed into green spaces, provided our operations can continue. The revised Programme of Requirements (PoR) allows for alternative gravel solutions with grass and flower mixtures based on soil types. Some results so far include the transformation from gravel to greenery at the Vijfhuizen and Doetinchem substations, the use of grass tiles at the Meeden and Louwsmeer substations, and the field renewal project at Geertruidenberg and Etten.

Considering our direct impact on nature and wildlife, we try to reduce danger to bird life (and damage to our assets) by working with the right partners to identify high-risk bird spots and to implement preventive and animal-friendly bird

barrier measures. We also work to protect nature in the immediate vicinity of our assets. Examples include making our lines better visible for birds by hanging up plastic curls (so-called 'varkenskrullen'). Also, on the Maasvlakte in the Netherlands, TenneT has started a pilot project to keep breeding gulls away from critical parts of the high-voltage substation. Lasers will be tested over the next few years to see if the birds will permanently avoid the high-voltage installations for breeding purposes. If the pilot is successful, it is expected that the lasers will be used on a larger scale at our high-voltage facilities.

Examples of how we address biodiversity around our offshore assets are related to the concept of 'Nature-Inclusive Design' (NID). Several projects have already integrated eco-friendly designs and ecological measures, such as fish enclosures and ecological landscaping measures. For example, in the Hollandse Kust (west Alpha) project, together with one of our contractors, we placed artificial reefs near this asset.

## Circularity

TenneT depends on large amounts of different materials to operate, reinforce and expand our grid to facilitate the energy transition. The extraction, refining, use and disposal of these materials is one of the key drivers of the negative environmental and societal impacts we have as a TSO. Additionally, increasing global use of these materials, as well as recent crises and geopolitical tensions, have led to increased scarcity of and competition for these materials. This has resulted in considerable risks for our business through supply chain disruptions, increasing material prices and price volatility as well as longer delivery lead times. Shifting from a linear to a circular use of materials is therefore of vital importance for us to connect everyone with a brighter energy future and to lead as a green grid operator. We believe that the shift to a circular economy is possible and that TenneT can make a significant contribution by increasing circularity within our activities and by promoting circularity with our partners.

To address this ambition in a targeted way, we developed our first Circular Economy Strategy in 2023. With this strategy, we want to take the next steps in our journey towards a circular way of working and update our previous approach. Through a broad involvement of different business units, we have developed a common understanding of circularity for TenneT, a mission statement, a circular economy framework as well as targeted KPIs to measure our performance. Our mission is to optimise the use of materials and reduce our dependency on virgin materials. We want to do so by embedding circular design,



circular procurement and circular recovery in our activities and by focusing on a number of key materials and assets. We start implementing this strategy by measuring and increasing the circularity of our copper inflow, as well as the circularity of our material outflow.

To measure and improve the circularity of our material inflow, we are increasingly implementing circularity requirements in our tenders and our procurement strategies. One important step we have implemented over the years is to request our suppliers to fill out 'raw material passports' and conduct lifecycle assessments (LCAs) for their products. These give information about the quantities and sources of materials, to what extent they can be recovered at end-of-life, and their resulting environmental impact.

As well as improving insights, sustainability criteria can also stimulate innovation. For example, our use of the Environmental Cost Indicator in tenders provides an incentive for our suppliers to find ways to increase the circularity of their products. A response from one of our tenders has opened the way for us to have power transformers using 100% recycled copper in the future. To completely close and even shrink the materials loop, we're investigating how copper from obsolete TenneT transformers could be used to create new ones.

Next to increasing circular design and improve circularity of material inflow, we also aim to "close the loop" and improve waste management processes. As part of CSRD, we are currently investigating possibilities to further digitalise waste management and reporting processes. This will ultimately enable us to measure and increase the circularity of our material outflow in a much more effective and targeted way.

### Safeguard sustainable financial performance

The urgency of the energy transition is increasing as European governments strive to achieve 2030 and 2050 climate targets. However, the cost of decarbonising the energy system is also rising, intensifying the debate about affordability. As one of the largest investors in the energy transition in Europe, TenneT is creating long-term value for society, while also safeguarding our financial health and delivering a return on capital that meets the expectations of our capital providers.

In order to provide long-term services, safeguarding our financial health is of paramount importance. Designing, building, maintaining, and operating a future-proof grid comes at a cost which businesses and ultimately endconsumers carry via the payment of grid fees and levies in their respective energy bills.

TenneT takes its responsibility to society very serious. The choices we make have a financial impact and are therefore considered carefully when we balance affordability with reliability and sustainability. Securing supply today and tomorrow, especially at the high level of availability our end-users expect, requires substantial investments.

Over the past two years, in the wake of the energy crisis when gas prices soared following Russia's invasion of Ukraine, the cost of the energy transition has increased. In addition to higher infrastructural costs, society also faces the higher transitional cost of congestion management as the energy system becomes increasingly electrified. This is partly caused by the move towards net zero and partly by a desire to strengthen energy security in the European member states. As a result, the affordability of the energy transition is becoming a widely debated political topic.

| (EUR million)                    | 2023  | 2022  |
|----------------------------------|-------|-------|
| Revenue underlying               | 2,786 | 3,117 |
| EBIT/operating result underlying | 548   | 312   |
| Revenue IFRS                     | 2,302 | 1,896 |
| EBIT/operating result IFRS       | 71    | -901  |
| Investments                      | 2,948 | 1,527 |

With carefully managed energy system planning, the investments set out in our Target Grid 2045 give economies more time to adjust to green investment and the energy transition and will create a future-proof backbone for a fully decarbonised energy system. As such, TenneT's investments in reinforcing, expanding and modernising the grid are not just about affordability today. They are about

long-term affordability and security of supply for society in the future.

Financial solidity of our company is a prerequisite to be able to invest in the energy transition. Therefore, our mission to safeguard our financial health remains unchanged.

Shareholder TenneT Holding does this by delivering a return in line with what our capital providers expect, as well as by raising the required external financing. The latter is supported by the financial policy and commitment to maintain a senior unsecured credit rating of at least A3/A-. TenneT does not seek short-term profits; in principle, we invest for periods of several decades. However, we do aim for adequate and sustainable returns on our investments, as this ensures to sustainably maintain and operate our grid and enables us to make the necessary investments in the energy transition going forward.

## Results

### Underlying revenues and EBIT

Underlying revenue decreased by EUR 331 million to EUR 2,786 million.

The lower costs for ancillary services in 2023 compared to 2022 resulted in lower underlying revenues, since those costs will be settled through future tariffs, or are directly offset by auction receipts. This decrease in revenues is partly offset by the increased regulatory reimbursements due to rising interest rates. Furthermore, revenue increased due to ongoing investments, resulting in a growing regulatory asset base and higher onshore and offshore revenues.

The underlying operating result (EBIT) increased by EUR 236 million to EUR 548 million. The increase of EBIT is partly caused by higher compensation in tariffs as a result of increased regulatory reimbursement due to higher interest rates. Higher interest rates are vice versa resulting in increased finance expenses which are not part of EBIT. Other factors driving higher EBIT in 2023 were the strongly grown investment volumes which led to an increase in the reimbursement of capital costs.

Another significant factor was The Trade and Industry Appeals Tribunal ('College van Beroep voor het bedrijfsleven') court ruling on Transmission System Operator Method Decision, issued in July 2023. This granted a higher revenue entitlement for TenneT for the current regulatory period, resulting in an aperiodic one-off effect in the 2023 results (see 'Contribute to achieve a reliable and predictable regulatory framework which supports our financial strategy').

### Ancillary services costs

Ancillary services are the costs TenneT must incur, in particular, to compensate for grid losses, to maintain the energy balance in the grid, and to pay for alternative routes for the electricity when grid sections are congested or

unavailable due to grid expansions. As ancillary services require TenneT to procure electricity, these costs are directly affected by electricity market prices. From 2021 to 2022, Europe suffered a double supply shock, both in gas and electricity generation. In 2021, gas prices rose due to a combination of factors, including an increase in global demand for energy as the world economy recovered from the COVID-19 pandemic and unfavourable weather hampering renewable and hydro generation. In 2022, the Russian invasion of Ukraine further led to a significant increase in energy prices, leading to higher costs for consumers and businesses alike, including TenneT. Following mild weather, societal savings of fossil fuels, a diversification of gas supplies including LNG to Europe, and increased solar and wind output energy prices dropped significantly and the energy markets became less volatile in 2023. As such, our ancillary services costs decreased from EUR 2,033 million in 2022 to EUR 1,304 million in 2023.

## IFRS

Underlying financial information is based on International Financial Reporting Standards (IFRS) as adopted by the European Union, plus the principle of recognising regulatory assets and liabilities for all of our regulated activities. This implies that amounts resulting from past events, and which are allowed to be received or are required to be returned through future tariffs, are recorded as an asset or liability, respectively.

TenneT's Executive Board believes that the presentation of underlying financial information provides additional relevant insight in the actual financial position, financial performance, and as such economic reality. By comparison, the consolidated financial statements are prepared based on IFRS. Based on prevailing opinion on IFRS, it is not allowed to recognise amounts to be received or are required to be returned through future tariffs.

Our IFRS revenue increased by EUR 406 million to EUR 2,302 million. IFRS revenues mainly increased due to the increase in the asset base and its related costs. IFRS EBIT increased mainly due to decreased costs for ancillary services and increased revenues.

### Investment and funding

In order to maintain the A-/A3 credit ratings at TenneT Holding B.V. level and to realise our investment portfolio, TenneT's financial policy is to realise a ratio of long-term average funds from operations (FFO)/Net debt (based on adjusted 'underlying' financial information) of at least 8.5% (with individual years of at least 8.0%). This is in line with the (most strict) requirement to maintain an A-/A3 credit

rating as formulated by the international rating agencies S&P and Moody's.

The investments significantly increased to EUR 2.9 billion, which is mainly related to our 2GW Program, where framework agreements and contracts were awarded to create eight 2GW connections. During 2023 we also met other key milestones in our investment programme, such as the completion of the Hollandse Kust (noord) and Hollandse Kust (west Alpha) grid connections. The financing of those investments is fully arranged through TenneT Holding B.V.

To realise investments such as these and build a grid that is future-proof, it is essential that TenneT maintains a broad and sustainable access to financing readily available and at the right cost keeping a good balance between equity and debt to maintain our solid credit ratings. To that end, we are very pleased that the Dutch government has provided EUR 1.6 billion in 2023 to cover the capital requirements of TenneT TSO B.V.

In 2024, the Shareholder TenneT Holding B.V. and the Dutch state have made arrangements regarding a temporary shareholder loan facility of EUR 25 billion, safeguarding our planned investments in the Netherlands and Germany for 2024 and 2025. The loan facility, which will be granted at market conditions, is subject to a customary parliamentary approval process, which is currently in progress.

### **Contribute to achieve a reliable and predictable regulatory framework which supports our financial strategy**

Stable, reliable, transparent and predictable regulation plays a critical role in our investments and operations, helping to enable security of supply, while also fostering and incentivising innovation and progress. Regulation also provides the framework we need to attract equity and debt capital for future investments in grid expansion, replacement and maintenance. On top of that, regulation also serves to maintain affordability of grid fees and energy prices towards industrial customers and end-consumers.

As the nature of our business and the scale of the energy challenge require us to think decades ahead to determine how and where to invest, we need to rely on a regulatory framework with a long-term focus. While regulatory periods are established for much shorter timeframes of typically five years or less, the underlying methodologies should provide a stable long-term regulatory framework. Grid operators need this solid regulatory foundation to earn a risk-adjusted rate of return on their investments, plus operational and ancillary costs.

### **Developments**

As part of the Action Plan Net congestion (LAN), the TenneT tariff revision (time of use) to support flexibility was endorsed by market parties, the Dutch Ministry of Economic Affairs & Climate Policy and the ACM. This means TenneT will implement a revised tariff structure with more incentives for users to apply grid-friendly behaviour.

TenneT's tariffs increase on average by 125% for Extra-High Voltage (EHV) and 80% for High Voltage (HV) in 2024. This increase was foreseen by TenneT and communicated well in advance to market parties, the Ministry of Economic Affairs & Climate Policy and the ACM in May 2023. TenneT's early and clear communication was well received by market parties.

The ACM concluded that TenneT has successfully complied with its commitments to make improvements designed to prevent power outages as much as possible. The ACM required TenneT to do this following an investigation into a power outage in the city of Eindhoven in 2018. As such the case is legally closed. The ACM however indicated that they wish to continue the dialogue on this topic on a semi-annually basis and asked TenneT to bring forward actions to further improve on security settings in our stations.

During 2023, TenneT appealed against the 7th Method Decision for the regulatory period 2022-2026, which had a significant financial impact. Appeals resulted in the ACM's benchmark scores for measuring efficiency being lifted to 100% and revisions made to the determination of weighted average cost of capital (WACC).

### **Solve societal challenges with stakeholders and in partnerships**

As a key player in the energy transition, TenneT is working in partnerships with a wide range of stakeholders and organisations with the aim to find the best solutions that will achieve a green and futureproof energy system. These partnerships are not only needed to harness the technologies and sustainable solutions required for the Target Grid 2045, but also to secure the people and financing we need to get there. As such, they help us in achieving our strategic goals:

#### **Partnerships to secure supply, today and tomorrow**

To make sure we can facilitate the growing demand for electricity, and connect the growing in-feed of renewables, we need to expand, strengthen and modernise our onshore and offshore grid. We already see some of the effects of when we are unable to succeed in time, with congestion in many regions of the Netherlands in 2023. In this context, we

are active in partnerships with many different stakeholders to tackle congestion in areas of our grid. Our work with the Energy Boards in the Netherlands, is an example of the partnerships we have with governments and other parties such as DSOs to address congestion in specific areas. We also tackle grid congestion with partnerships that boost grid utilisation, helping us to maximise the use of our existing assets. Examples of important partnerships in 2023 that help us address this challenge include our **Open Innovation Programme**, which is focused on solutions to optimise grid usage.

As well as overcoming the challenge of congestion, we also use partnerships to tackle challenges of the future-energy system such as the challenge of being more dependent on renewable sources, which are often more volatile in nature. In this regard, an important partnership is our **FUTURESYSYSTEM** project. Here, together with the Technical University of Delft, TenneT is investigating the risk of an unstable electricity system. The project findings will form the basis for new operational principles for both offshore and onshore multi-energy hubs. Another important challenge is the effective use of data, to enable more flexibility in the system. This is why we work together with other TSOs and tech companies, for examples in the Nationaal Energie Dashboard in the Netherlands, and in **energy data-X**, which is focused on secure data exchange amongst energy partners.

#### Partnerships to drive the energy transition

While we progress in driving the energy transition, we also try to lead as a green grid operator and minimize our negative impacts on the environment. Examples of collaborations that support this aim include our work with Van Gelder, as we pilot our first emission-free drilling for underground cable installation, at a site near Breda. The drilling rig was powered by green electricity, with no nitrogen or CO<sub>2</sub> emissions. In October, our CEO Manon van Beek signed the covenant 'Schoon en Emissieloos Bouwen' (Clean and Emission-Free Construction) on behalf of TenneT to partner up with other (construction) partners in this initiative. Innovative solutions like this could provide solutions to help us overcome the nitrogen impasse in the Netherlands, which is a challenge as we strive to realise our projects on time.

Another example is our participation in the Groene Netten (Green Nets) collaboration, between eight major infrastructure players in the Netherlands, is also helping to ensure a sustainable transition to a climate-neutral economy. The partners, including Gasunie, KPN, ProRail, Dutch DSOs and Rijkswaterstaat are working together on

projects that advance important sustainability issues, such as circularity and biodiversity.

In the end, our main impact is by driving the energy transition and building the future energy system. To get a better understanding of the optimal energy infrastructure in the Netherlands between 2030-2050, we work together with Dutch DSOs and Gasunie (as part of Netbeheer Nederland). The revised Integrale Infrastructuurverkenning 2030-2050 (II3050) was published in 2023, providing insight into what is needed for the transition to a sustainable energy supply, through a fundamental redesign of the energy system and extensive stakeholder co-operation.

#### Partnerships to energise our people & create a sustainable workplace

TenneT does not only need to ensure it can recruit and retain the people it needs, but that our suppliers in the wider supply chain also have the personnel to deliver the work we need to achieve the Target Grid 2045. To remain a competitive employer and attract new and diverse talent, our aim is to be an energising and sustainable workplace, where people from all backgrounds can thrive.

In the first place, it requires creating a safe and inspiring workplace where our people feel energised. We try to facilitate this in several ways, for instance with the Always Energy programme and our support of the Johan Cruyff foundation. Next to this, it requires attracting sufficient talent to deliver on the energy transition and being able to realise the target grid. Academic partnerships (such as with TU Delft and TU Eindhoven) are a good way to educate, inspire and engage with new talent, not only supporting institutions to attract more young people into technical and engineering courses, but also forging pathways for that talent to grow their skills and careers at TenneT.

And finally, partnerships play an important part in ensuring we have the right and sufficient resources and capacity available within the wider energy supply chain, as this is essential for us to drive the energy transition and realise the Target Grid. Our cooperation with key suppliers in the 2GW Program shows this in action, as the multi-year, large-scale contracts awarded for this work will help to attract more people into our sector with greater job security.

#### Partnerships to safeguard our financial health

In our journey to realise our Target Grid 2045 and enable carbon-neutral energy for society, we need to stay financially secure and healthy. Maintaining a stable regulatory framework and ensuring favourable conditions for raising external financing are essential for us to maintain our

investments that drive the energy transition. This means working together with stakeholders that can provide us the option to finance future projects, and doing so with better conditions that help us deliver on our strategic ambitions and maintain affordability for society.

To secure a solid financing and ensure that we can drive the energy transition in an affordable way, we maintain strong relationships with our shareholder, the Dutch state, and with the banks that participate in TenneT's Revolving Credit Facility (RCF) – ABN AMRO, BNG, BNP Paribas, Commerzbank, Deutsche Bank, HSBC, ING, NatWest, Rabobank, Santander, UniCredit and SMBC.

The RCF, secured during 2023, was crucial for our financing needs, as we did not raise funds through a Green Bond issue this year. The fact that the majority of these relationship banks also participated in TenneT's previous RCFs, show the strength of our long-term relationships. Through these partnerships, we are able to secure our financing.



## Corporate Governance

As a transmission system operator, TenneT plays an important role in society. We believe in having a solid governance structure, effective oversight and a transparent accountability to all stakeholders.

### Corporate governance structure

The corporate governance structure of TenneT Holding comprises the Executive Board, the Supervisory Board and the General Meeting of Shareholders. Three members of the Executive Board of TenneT Holding B.V. are managing directors of TenneT TSO B.V. The Supervisory Board supervises all consolidated entities including TenneT TSO B.V.

### Compliance and integrity

A culture of Compliance and Integrity is essential for TenneT's sustainable success. Therefore, we strive to prevent and - at an early stage - identify and respond to compliance and integrity risks that could jeopardise the implementation of the company's strategy and objectives and lead to economic and/or legal consequences, as well as reputational damage.

The Audit, Risk & Internal Control and Compliance & Integrity (ARC) unit brings together the teams of Internal Audit, Risk & Internal Control and Compliance & Integrity. The integrated team provides benefits in terms of a single point of contact and opportunity for more alignment and synergy. The resulting limitations to the independence of the Internal Audit team are managed through the outsourcing of periodic audits on the Risk & Internal Control and Compliance & Integrity teams to a third party. The ARC unit provides an integrated report on a quarterly basis towards the Executive Board and the Audit, Risk & Compliance Committee, who advises the Supervisory Board.

Our Code of Conduct with our Guiding Principles 'Ownership', 'Connection', and 'Courage', and a number of compliance directives guide our employees to conduct business ethically and to comply with the applicable laws and regulations. All employees are requested to follow e-learning on Code of Conduct topics and all new employees participate in compliance trainings as part of their onboarding programme.

### Data privacy

In the course of its business activities, TenneT regularly processes personal data. We use standardised processes to assess risks and protect the rights of data subjects. Compliance with external laws and regulations, as well as internal rules is ensured by the responsible specialist departments, which receive advice from the data protection team. Moreover, in each unit a Privacy Champion is the main point of contact for privacy matters. This liaison between the Privacy Champions and the Privacy team furthers two-way communication and to-the-point privacy advice by the Privacy team.

TenneT regularly reviews its processes for processing personal data and trains its employees to meet data protection requirements. External service providers are requested to sign data protection agreements.

The independent function of the data protection officers is guaranteed within the ARC Unit.

### Advice & reporting

ARC-COI advises the business on various compliance, integrity and data protection aspects and regularly reports to the TenneT Executive Board and the Audit, Risk and Compliance Committee of the Supervisory Board regarding such topics.

Various channels exist through which (potential) Code of Conduct violations, including compliance and data protection issues, can be reported. Moreover, a Speak up portal, which is operated by an external party, allows for (potential) Code of Conduct violations to be reported (anonymously).

Identified compliance risks are dealt with by the Compliance and Integrity Committee in its quarterly meetings. In 2023, no compliance incidents with a material impact were identified for TenneT. Material impact is defined in our risk matrix as a breach that has a significant adverse effect on TenneT's reputation and/or financial position.

## Risk Management and Internal Control

Professional corporate risk management with integrated internal control processes are key throughout the organisation and result into effective risk-based decisions.

### Risk management and internal control framework

Risk Management continuously identifies risks, assesses severity of risks, prioritises risks, implements risk responses and maintains a portfolio view. It reports the identified uncertainties, opportunities or control issues proactively on a quarterly basis towards the Executive Board, Supervisory Board and Senior Leaders. The principles of corporate risk management and internal control should be taken into account in all activities performed at and for TenneT.

Corporate risk management facilitates top-down and bottom-up dialogues, workshops, detailed analyses and general trainings on risk awareness at all levels within TenneT. The resulting outcome provides management insights to take risk-based decisions that support the achievement of objectives set at all organisational levels.

As corporate risk management the focus and key objectives are to:

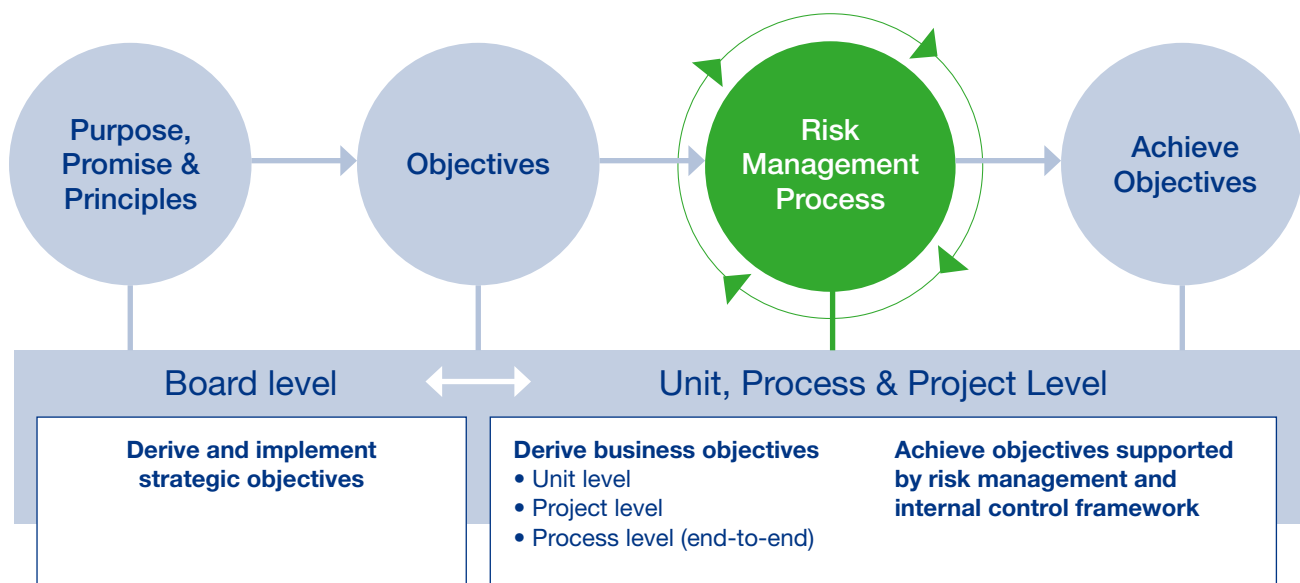
- Identify events, assess the risk, formulate risk responses, inform and communicate, implement control activities and continuous monitoring;
- Establish and maintain a uniform risk management framework;
- Provide the required tools, framework and guidelines for risk based decision making;
- Transparent and uniform reporting based on the ISO and COSO framework.

As TenneT the corporate risk framework is structured into:

- Strategic Risk Management (SRM);
- Operational Risk Management (ORM);
- Project Risk Management (PRM);
- Risk and Portfolio management;
- Internal Control and Process Risk Management.

TenneT's corporate risk management and internal control frameworks are based on ISO 31000 and COSO standards and are compliant with the requirements of applicable laws and regulations such as the Dutch Corporate Governance Code, the German Control and Transparency in Business Act and the German Accounting Law Reform Act.

### Unit, Process & Project Level



## Risk appetite

The amount of risk TenneT is willing to seek or accept in pursuit of its long-term objectives.

The Risk Appetite Statement 2023 sets the guidance and willingness for the activities conducted by TenneT in pursuit of its strategic objectives. The Executive Board together with the Senior Leadership Team reviews the Risk Appetite Statement annually to ensure that TenneT maintains a balance between risk and reward, relative to potential opportunities. In terms of the amount of risk that TenneT is willing to seek or accept, a differentiation is made between low risk appetite to high risk appetite.

### High Risk Appetite:

Areas in which TenneT has a preference for disciplined risk-taking because we have determined that the potential upside benefits outweigh the potential disadvantages.

### Medium Risk Appetite:


Areas in which TenneT must constantly strike a balance between potential upside benefits and potential downside aspects of a given decision.

### Low Risk Appetite:

Areas in which TenneT avoids risks, or acts to minimise or eliminate the likelihood that the risk will occur, because we have determined the potential downside aspects are intolerable. These are areas in which we typically seek to maintain a very strong control environment.

In the sections below we depict the results which places each risk area on a risk-appetite scale that ranges from “low” to “medium” to “high”:

## Risk appetite

| Risk area  | Description  | Rationale   |
|--|--|---|
| <b>High Risk Appetite</b>  |  |   |
| <b>Secure Supply Tomorrow</b><br> | Planning and building a future-proof energy system today that provides security of supply tomorrow (e.g. Target Grid, 2GW Program, hydrogen solution) while supporting a reduction in CO <sub>2</sub> and SF <sub>6</sub> emissions. | We want to stimulate the market by entering into innovative partnerships and will apply cutting-edge technology to develop adequate responses to some of the most vexing challenges of the energy transition, as well as the Climate Agreement. We accept that some approaches could fail to fulfil on their promise. |

| Risk area   | Description   | Rationale  |
|---|---|--|
| <b>Medium Risk Appetite</b>   |   |  |
| <b>Asset Security</b><br>                          | To ensure that demand and supply of electricity - from renewable and traditional sources - are balanced.  | We continue to ensure the security of supply of electricity transport, and connection of new customers, always considering the limited availability of interconnected electricity in Europe, congestion management or the planning complexity of dispatching.  |
| <b>Supply Chain Management</b><br>                 | To have all required materials, supplies and services available on time and in asked quality. Or new suppliers of other countries.  | We will make reasonable efforts to invest in supplier relationships and to secure critical supplies and services on time and in agreed quality for large projects while balancing supply chain constraints due to overall tight market conditions.   |
| <b>Recruitment and Retainment</b><br>              | To be able to accommodate sufficient internal and external employees to achieve our future projects.  | We will continually assess best practices in the industry for attracting, retaining and developing talent, including seeking flexibilities for hiring and compensating staff, while recognising that growing too rapidly could inhibit the organisations agility and responsiveness.   |
| <b>Safeguard our financial health</b><br>          | To maintain our credit rating and have a sustainable balance between equity and debt.   | We use a variety of processes and controls to continuously monitor and manage project capital expenditures, reporting, and the delivery of ancillary services, recognising that raising more debt is a quick way to finance our large projects. But it can negatively impact our credit ratings. We address OPEX growth before it leads to inefficiencies.   |
| <b>IT Infrastructure</b><br>                     | Events or circumstances that could potentially improve or compromise the processing, stability, capacity, performance or resilience.  | We will act to minimise any weaknesses that could disrupt business operations, affect productivity, heighten the risk of fraud or threaten the security of information. We will work to avoid unplanned downtime that could result in lost productivity or costs to recover data. It excludes critical operational systems.  |
| <b>Low Risk Appetite</b>  |   |  |
| <b>Ethics, Compliance &amp; Human Rights</b><br> | Working with business partners who do not share the same ethics and compliance principles or are situated in countries with lower human right standards.                    | We adopt a cautious stance for compliance by promoting and enforcing compliance with all laws, procedures and internal standards. At times we assume a degree of calculated risk of working with contractors and subcontractors in countries with lower human right standards that are essential to support our large projects.  |
| <b>Social responsibility</b><br>                 | Protecting above the legally and regulatory required the values of our own workforce, workers in the value chain, and communities.  | We take our responsibility to fulfil our civic duty and impact on society seriously, including the health and well-being of all who are affected by our task and to benefit communities or society as a whole by balancing societal requirements and our economical growth.  |
| <b>Operational Safety</b><br>                    | To develop, promote and apply asset integrity and safety standards while increasing our asset capacity and efficiency.  | We recognise that for operational safety our assets must not only be safely designed, tested, and built, but also safely maintained, operated and replaced by trained operators and service technicians. We endeavour to identify asset safety issues, define action plans to reduce risks, monitor its progress and to provide implementation support. We act on the basis of the highest safety standards in our sector. |
| <b>Asset Security</b><br>                        | Ensuring the protection of our assets against physical threats, such as attacks on sub-sea cables, onshore connections, substations, pylons or theft of valuable materials. | We continually assess best practices to control the risk of protecting our assets from theft and intruders while recognising that a 100% protection is not possible.   |
| <b>Cyber Security</b><br>                        | Resilience against cyber threats or malware infestations affecting loss of control or power outages.  | We have adopted a cautious approach to cyber risk. We reduce risk as much as possible by proactively and continuously mitigating malware and other intrusions, preventing unauthorised disclosure of sensitive data, and mitigating vulnerabilities in our security protocols.   |

## Key risks and opportunities

To provide a single structured risk overview of all the risks and opportunities identified by TenneT, three risk tables have been introduced. A strategic risk table based on the four strategic pillars another on regulatory risks and lastly the climate related risks. Please note that the risks mentioned in these tables are also presented earlier in the performance section.

### Strategic related risks and opportunities



#### Energise our people and organisation

##### Risks

- A tight candidate-driven market where TenneT competes with other TSOs, engineering firms, subcontractors, equipment manufacturers, consultants and a host of other specialists.
- Maintaining a net inflow of FTEs becomes more challenging since external contract workers left TenneT due to legislative restrictions on interim contracts.
- A notable rise in absenteeism due to mental health issues.
- As the scale and speed of our work increases, we are exposed to more safety risks.

##### Mitigating measures

- Introduction of a new and revised structure of our Health Safety and Environment (HSE) organisation.
- Using a competency-based approach, meaning hiring people for their individual talent, interests and skills rather than solely for their experience.
- Embedding our safety requirement into our contracts, with follow-up meetings to ensure compliance.
- Company-wide-standardisation, ensuring everyone working for TenneT, including our subcontractors speak, follow and work using the same safety protocols.
- Closer collaboration with hiring managers to speed up the recruitment process and attract the right candidates

##### Opportunities

- Structural shift towards hybrid working leads to new possibilities and addressing the shifting expectations of jobseekers. It better supports our employees wellbeing, psychological safety and motivation.
- Boosting our execution power by finding better ways of working together in a performance-oriented culture.





## Secure supply today and tomorrow

### Risks

- The demand for clean, renewable sourced electricity is so high that TenneT cannot always provide sufficient capacity.
- The scale and speed of electrification cannot immediately be accommodated by the existing network. This causes a shortfall in available transmission capacity and grid congestion in specific areas.
- The nitrogen impasse can lead to some major delays in projects to expand the electricity grid.
- Market risk has further increased due to a sellers dominated market.
- Demand and electricity load on our network continues to grow, reducing the possibility for outage windows and opportunities for maintenance.
- Our older assets require more maintenance work and present a growing logistical challenge and cost.
- Cyber-attack / malicious attack on IT systems
- A major delay of large projects' delivery due to amongst others delayed permitting procedures, scope changes, sourcing issues can lead to additional project costs, penalty payments, redispatch costs or reputational damage.
- The potential usage of new technologies in our assets could cause unforeseen malfunctions and could require more focus on maintenance.
- Suppliers are unable to deliver critical supplies (e.g. DC cables) or services to schedule (or at all) or in agreed quality as they experience capacity constraints.
- Protection of our assets against physical threats, such as attacks on sub-sea cables, onshore connections, substations, pylons or theft of valuable materials (e.g. copper)

### Mitigating measures

- To increase the capacity of the grid in congestion areas, we are investing several billions over the next 10 years, in our onshore grid.
- We took widespread measures to relieve grid congestion, including a congestion management study together with regional electricity system operators.
- ACM allowed system operators to prioritise projects that solve or limit congestion in the grid, thereby deviating from the first-come-first-served principle.
- We introduced a new Outage Window Optimisation Project, designed to increase outage capabilities in the network, without sacrificing the pace of our work.
- Standardisation of equipment and assets is helping to accelerate the speed and efficiency of maintenance.
- Continuation of effective monitoring and action-taking against physical or cyber security attacks, together with our strategic partners.
- Diversification of suppliers and measures on pricing, supplier relationships and warehousing.
- Development and adaptation of sourcing strategies and investment into long-term agreements with volume commitments.

### Opportunities

- Our Target Grid 2045 strategy, with the objective of having a future-proof electricity grid in place by 2045. This will be capable of supporting a sustainable economy, with a reliable and secure supply of green electricity for all users, from consumers to industry.
- Growing political support to reduce permitting time.
- Circularity of resources becomes more viable to reduce our footprint on for instance the usage of virgin copper.



## Drive the energy transition

### Risks

- Accidental release of Sulphur hexafluoride (SF<sub>6</sub>), used as a highly effective insulator and extinguisher in switching installations, is extremely damaging for the environment.
- Market availability is tight, with limited options available that can substitute the properties of SF<sub>6</sub> at the extra-high-voltage level.
- Grid losses could increase in coming years as we transport more electricity and over longer distances.
- An ageing grid could lead to a higher risk of more oil leakages and environmental incidents.

### Mitigating measures

- Firm emission reduction goals for 2030.
- Progress continues in devising a new circularity strategy and increasingly implementing circularity requirements in our tenders and our procurement strategies.
- Life Cycle Assessments (LCAs) to provide answers to questions over the provenance of materials, where the biggest CO<sub>2</sub> bottlenecks are along a supply chain, and how we can work with suppliers to reduce them.
- Environmental Cost Indicator (ECI) to incentivise our suppliers to reduce the environmental impact of the products and services we buy from them.
- To improve the environmental impact of our usage of materials, we are increasingly implementing circularity requirements in our tenders and our procurement strategies.

### Opportunities

- New technologies and European collaboration to foster for instance cross-border solutions, multi-hubs and sector coupling.
- We are investigating how copper from TenneT transformers could be used to create new ones.
- Sustainability criteria can also stimulate innovation.



## Safeguard our financial health

### Risks

- The total financing requirement (debt and equity) is increasing because of growth of our CAPEX programme.
- Misalignment between the strategic view of TenneT and the regulatory framework resulting in the situation that not all our long-term investment costs and our operational costs might be covered by regulatory reimbursements.
- The rising OPEX costs incurred might not be in sync with the allowed OPEX revenues.
- The costs for ancillary services remain at a high level, because of high congestion management costs following the Russia-Ukraine war.
- Exposure to credit risks or write-offs if one or more of our partners get into financial difficulties.
- Incorrect application of (new) laws and regulations could lead to potential errors in our financial or non-financial reporting.




### Mitigating measures

- Implementing a regulatory framework to support our strategy and by delivering a return in line with what our capital providers expect.
- Active cost control to strive for an efficient operation to lower OPEX expenditure as far as reasonably possible.
- Capital management is performed by TenneT Holding B.V. for the entire TenneT Holding Group, including capital management for TenneT TSO. The shareholder TenneT Holding B.V. has sufficient access to external financing which enables the entire Group to meet the total financing requirement.
- TenneT as a company is not seeking short-term profits. We invest for periods of 20 to 40 years or more.
- Stress testing of hypothetical worst-case scenarios and to address any potential high risk following from the analysis.
- Implementation and control effectiveness check of our internal controls for the financial / non-financial reporting processes.
- Support by external consultants/specialists on CSRD topics and implementation.

### Opportunities

- Investments in green businesses and economies are increasingly favoured by large investors and banks (e.g. institutional).






## Regulatory risks

|   | Regulatory risk  | Risk-mitigating actions  |
|---|--|--|
| <b>General</b><br>           | <ul style="list-style-type: none"> <li>The grid fees have increased significantly in the current years (mainly due to high energy prices) and will further increase because of the investments needed to facilitate the energy transition.</li> <li>Inability to meet increasing efficiency targets over time as imposed by incentive regulation, especially considering a strongly growing company and the need for significant investments in grid expansion, maintenance, operation as well as innovation.</li> <li>Undercoverage of the regulatory CAPEX remuneration driven by a non-reasonable return on invested capital and an increasing investment portfolio which could lead to more difficulties in financing and raising sufficient funding.</li> <li>Non-compliance with the current regulatory framework. New regulatory and legal obligations have to be implemented. The flow of information on new regulatory and legal requirements must be ensured.</li> </ul> | <ul style="list-style-type: none"> <li>TenneT aims to address the affordability issue by 1) being transparent on the financial implications of the current plans to the relevant stakeholders, 2) ensuring efficient roll-out strategies of assets (i.e. 2 GW offshore program, hybrid assets) and 3) working on efficient ancillary services markets.</li> <li>TenneT performs regular reviews of its processes and organisational structure, introduced lean management and carries out continuous improvement activities. TenneT also prepares make-or-buy decisions in its investment process to optimise value for money to society and conducts strategic dialogues with regulators (ACM, ACER), policymakers and industry partners/suppliers to co-shape its future regulatory framework.</li> <li>TenneT's strategy is to seek mutually acceptable results with the regulator and further stakeholders. However, if needed to protect pivotal strategic positions on solid legal grounds, legal action may be taken.</li> <li>Onboarding of new employees on relevant topics.</li> </ul> |
| <b>Europe</b><br>           | <ul style="list-style-type: none"> <li>The 'Clean Energy Package' (CEP) entered into force. It requires amongst others that TSOs provide 70% of the total cross-border transmission capacity to the market, an amount difficult to achieve without extensive and costly redispatch activities. The Dutch Ministry of Economic Affairs &amp; Climate Policy has issued an action plan to gradually achieve the 70% target by 1 January 2026, which contains derogations for TenneT.</li> </ul>  | <ul style="list-style-type: none"> <li>TenneT monitors compliance against the action plan, with regard to the conditions of the derogation. TenneT reports on issues to the ACM and the Ministry of Economic Affairs &amp; Climate Policy, if any.</li> </ul>  |
| <b>The Netherlands</b><br> | <ul style="list-style-type: none"> <li>ACM has performed a consultation for the new Regulatory Period starting in 2027. ACM intends to revise the regulatory method to better account for the implications of the energy transition. The efficiency assessment and future estimations of the OPEX development remain challenging topics.</li> <li>Increasing congestion in the TenneT grid puts pressure on TenneT to open up any remaining grid capacity and propose regulatory changes if needed.</li> </ul>   | <ul style="list-style-type: none"> <li>TenneT appreciates the open vision ACM has taken towards the new regulatory period and will support the process by preparing consultation responses that include implementable regulatory improvements to the current challenges. In the consultation process TenneT will address its main concerns with the current method being: 1) Regulation of Operational &amp; IT Expenditure 2) The use of the international TSO benchmark which does not provide sufficiently robust efficiency incentives 3) Regulation of innovations.</li> <li>TenneT asserted a pro-active role within the national action plan on grid congestion and develops new options in cooperation with stakeholders. Early results are a proposed implementation of time-of-use tariffs and time dependent transmission rights.</li> </ul>  |

## Climate related risks

| Risks  | How might this affect TenneT?   | Risk mitigating actions   |
|--|---|---|
| <ul style="list-style-type: none"> <li>• <b>Transition risks</b></li> </ul>   | <ul style="list-style-type: none"> <li>• <b>Policy and legal risks</b></li> </ul>  <p>• Policy and legal risks are related to our regulatory framework. Choices we make that can help society and us as a company to transition to a climate-neutral economy are subject to discussion with our regulator. Our regulatory framework is updated once every 5 years and this might pose a risk that if ambitions from governments in the areas we serve move faster than the spirit of the regulatory framework, this might be a constraining factor to drive the energy transition.</p> | <ul style="list-style-type: none"> <li>• We mitigate this by lobbying on national and European level, run pilot projects and present business cases, and focus on those topics that promise the highest benefit for society, which are integration of power and hydrogen as well as flexibility and grid utilisation together with partners.</li> </ul>   |
| <ul style="list-style-type: none"> <li>• <b>Technology risk</b></li> </ul>    | <ul style="list-style-type: none"> <li>• <b>Technology risk</b></li> </ul> <p>• A risk of stranded assets might occur in case a new technology is developed if for instance the new technology is unable to communicate with the old technology. Or if the technology used by TenneT is not able to connect or communicate with the technology used by other TSOs.</p>  | <ul style="list-style-type: none"> <li>• Mitigating actions include challenging the necessity of each investment and embracing other solutions, if those promise more societal value and actively work and invest in new technology as part of our strategy. Next to this, our approach to innovation aims to focus on the most important areas and implementing new technology as fast as possible, which reduces this risk.</li> </ul>  |
| <ul style="list-style-type: none"> <li>• <b>Market risk</b></li> </ul>        | <ul style="list-style-type: none"> <li>• <b>Market risk</b></li> </ul> <p>• Our market risks relate to dealing with the higher infeed of renewable energy sources and impacting the way we balance our grid and market prices. Renewable energy sources are more volatile and cannot easily be increased in case of a higher demand. Differences in market prices can lead to too high requests for energy at one location, where not all energy can be transmitted to the users. In such situations additional measures are required to balance the grid, such as redispatch.</p>  | <ul style="list-style-type: none"> <li>• We investigate the grid integration of green hydrogen and power grids as well as improving the quality of data to predict power production and consumption.</li> </ul>   |
| <ul style="list-style-type: none"> <li>• <b>Reputation risk</b></li> </ul>  | <ul style="list-style-type: none"> <li>• <b>Reputation risk</b></li> </ul> <p>• A reputation risk could occur when we are unable to deliver on our strategic goal to drive the energy transition. Connected to this are the increasing ambitions of the governments in the areas we serve to meet these requirements. When realising our assets, we also have a reputational risk if there is a growing resistance from local communities and governments, if we do not engage with our stakeholders properly ('not in my backyard'). Furthermore the overall cost of the energy transition is also a risk from a reputational perspective (affordability).</p>         | <ul style="list-style-type: none"> <li>• To mitigate this risk we aim to communicate in an open and transparent fashion. Next to this, we invite stakeholders in the planning and approval process of projects to voice their opinion which we consider in, for example, the final route of a certain project. We also aim to balance affordability, sustainability and security of supply in all our investment decisions. Further mitigation takes place through the usage of professional planning, project management and costs forecasting.</li> </ul> |
| <ul style="list-style-type: none"> <li>• <b>Physical risks</b></li> </ul>   | <ul style="list-style-type: none"> <li>• <b>Acute risk</b></li> </ul>  <p>• Acute risks are related to, for example, extreme weather conditions that could impact our assets and supply chain.</p>   | <ul style="list-style-type: none"> <li>• Acute weather conditions are mitigated during the design, construction and maintenance of our assets, such as the choice of location and the materials. Regarding our supply chain, monitoring of suppliers and diversification are mitigating factors.</li> </ul>   |
| <ul style="list-style-type: none"> <li>• <b>Chronic</b></li> </ul>          | <ul style="list-style-type: none"> <li>• <b>Chronic</b></li> </ul> <p>• Chronic physical risks can relate to rising sea and ground water levels for instance, where our assets might be at a risk due to this.</p>  | <ul style="list-style-type: none"> <li>• We monitor developments to gain more experience and insights related to the scenarios and effects. Examples include projects related to assets such as our Krimpen aan de IJssel substation and one of our pylons, which we both have elevated. TenneT insures all substations and buildings during construction and operation against risks from natural catastrophes. Pylons and overhead-lines are not insured.</li> </ul>  |

## Climate related opportunities

| Opportunities   | How might this affect TenneT?   |
|---|---|
| <b>• Resource efficiency</b><br>   | <ul style="list-style-type: none"> <li>Increased decentralised power production and storage including self-balancing micro grids as well as electrolyzers if they are correctly located can relieve high-voltage grids. Furthermore, DC-interconnectors enhance the transmission of power of very long distances and connect renewable power production and demands in different countries.</li> <li>Solutions related to flexibility help us to make smarter use of our grid. This might have a positive effect as this could lead to less grid expansion and therefore help us reduce the amounts of resources required to secure supply today and tomorrow.</li> </ul> |
| <b>• Energy source</b><br>         | <ul style="list-style-type: none"> <li>TenneT is a leading investor in the energy transition and so we have been able to gain a vast amount of experience connecting renewable energy sources, such as offshore wind, to our grid. This experience helps us to further drive the energy transition together with partners and fulfil the future investment portfolio.</li> </ul>  |
| <b>• Products and Services</b><br> | <ul style="list-style-type: none"> <li>Our project portfolio has significantly changed in order to meet national and European climate goals. Key projects are connecting offshore wind energy to our grid or to ensure that our onshore grid is prepared for a new energy future. The gathering and analysis of energy data may lead to new products and services provided by TSOs, such as Equigy.</li> </ul>  |
| <b>• Markets</b><br>              | <ul style="list-style-type: none"> <li>Strategies and objectives of financial institutes and banks provide opportunities for TenneT to attract sustainable financing at favourable terms and conditions by issuing green finance products to finance and refinance our investments in green infrastructure projects.</li> </ul>   |
| <b>• Resilience</b><br>          | <ul style="list-style-type: none"> <li>Trends in the society, like the electrification of mobility, result in higher demand on a stable grid and power supply. To ensure resilience, integration of power and gas grids is a vital alternative. Digitalisation using technologies like automatisisation, robotics and block-chain will help to optimise grid utilisation while safeguarding a reliable supply of electricity.</li> </ul>  |



# Financial statements

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# Consolidated financial statements

## Consolidated statement of financial position

For the year ended 31 December (EUR million)

| Assets                                       | Notes | 2023          | 2022          |
|--|-------|---------------|---------------|
| <b>Non-current assets</b>                    |       |               |               |
| Tangible fixed assets                        | 8     | 11,732        | 9,054         |
| Right-of-use assets                          | 9     | 103           | 105           |
| Intangible assets                            | 10    | 250           | 201           |
| Investments in joint ventures and associates | 12    | 4             | 3             |
| Deferred tax assets                          | 7     | 590           | 433           |
| Other financial assets                       | 13    | 32            | 38            |
| <b>Total non-current assets</b>              |       | <b>12,711</b> | <b>9,834</b>  |
| <b>Current assets</b>                        |       |               |               |
| Inventories                                  | 14    | 15            | 9             |
| Account- and other receivables               | 15    | 462           | 434           |
| Cash and cash equivalents                    | 16    | 375           | 551           |
| <b>Total current assets</b>                  |       | <b>852</b>    | <b>994</b>    |
| <b>Total assets</b>                          |       | <b>13,563</b> | <b>10,828</b> |

For the year ended 31 December (EUR million)

| Equity and liabilities               | Notes | 2023          | 2022          |
|--------------------------------------|-------|---------------|---------------|
| <b>Total equity</b>                  | 17    | <b>5,084</b>  | <b>3,568</b>  |
| <b>Non-current liabilities</b>       |       |               |               |
| Borrowings                           | 18    | 6,350         | 5,221         |
| Contract liabilities                 | 19    | 530           | 452           |
| Provisions                           | 20    | 490           | 298           |
| Lease liabilities                    | 9     | 89            | 94            |
| <b>Total non-current liabilities</b> |       | <b>7,459</b>  | <b>6,065</b>  |
| <b>Current liabilities</b>           |       |               |               |
| Contract liabilities                 | 19    | 12            | 15            |
| Provisions                           | 20    | 54            | 58            |
| Other financial liabilities          | 22    | 373           | 550           |
| Lease liabilities                    | 9     | 16            | 13            |
| Account- and other payables          | 21    | 565           | 559           |
| <b>Total current liabilities</b>     |       | <b>1,020</b>  | <b>1,195</b>  |
| <b>Total equity and liabilities</b>  |       | <b>13,563</b> | <b>10,828</b> |

## Consolidated statement of income and comprehensive income

For the year ended 31 December (EUR million)

|  | Notes  | 2023          | 2022          |
|--|--------|---------------|---------------|
| <b>Revenue</b>                                   | 3      | <b>2,302</b>  | <b>1,896</b>  |
| Grid expenses                                    | 4      | -1,487        | -2,190        |
| Personnel expenses                               | 4      | -172          | -127          |
| Depreciation and amortisation of assets          | 8,9,10 | -368          | -322          |
| Other operating expenses                         | 4      | -195          | -153          |
| Other (gains)/losses                             |        | -11           | -6            |
| <b>Total operating expenses</b>                  |        | <b>-2,233</b> | <b>-2,798</b> |
| Share in result of joint ventures and associates | 12     | 2             | 1             |
| <b>Operating result</b>                          |        | <b>71</b>     | <b>-901</b>   |
| Finance income                                   | 5      | 10            | 39            |
| Finance expenses                                 | 6      | -111          | -87           |
| <b>Finance result</b>                            |        | <b>-101</b>   | <b>-48</b>    |
| <b>Result before income tax</b>                  |        | <b>-30</b>    | <b>-949</b>   |
| Income tax expense                               | 7      | 8             | 245           |
| <b>Result for the year</b>                       |        | <b>-22</b>    | <b>-704</b>   |
| <b>Other comprehensive income (net of tax)</b>   |        | <b>-</b>      | <b>-</b>      |
| <b>Total comprehensive income</b>                |        | <b>-22</b>    | <b>-704</b>   |

## Consolidated statement of changes in equity

For the year ended 31 December (EUR million)

|   |       | Paid-up and<br>called-up<br>capital | Share<br>premium<br>reserve | Retained<br>earnings | Unappropri-<br>ated result | Total equity |
|---|-------|-------------------------------------|-----------------------------|----------------------|----------------------------|--------------|
|   | Notes |                                     |                             |                      |                            |              |
| <b>At 1 January 2022</b>                  |       | <b>100</b>                          | <b>1,790</b>                | <b>1,435</b>         | <b>-233</b>                | <b>3,092</b> |
| Total comprehensive income                |       | -                                   | -                           | -                    | -704                       | -704         |
| Total dividend paid to shareholder        | 17    | -                                   | -                           | -50                  | -                          | -50          |
| Capital contribution                      | 17    | -                                   | 1,230                       | -                    | -                          | 1,230        |
| Appropriation remaining prior year result |       | -                                   | -                           | -233                 | 233                        | -            |
| <b>At 31 December 2022</b>                |       | <b>100</b>                          | <b>3,020</b>                | <b>1,152</b>         | <b>-704</b>                | <b>3,568</b> |
| Total comprehensive income                |       | -                                   | -                           | -                    | -22                        | -22          |
| Total dividend paid to shareholder        | 17    | -                                   | -                           | -64                  | -                          | -64          |
| Capital contribution                      | 17    | -                                   | 1,602                       | -                    | -                          | 1,602        |
| Appropriation remaining prior year result |       | -                                   | -                           | -704                 | 704                        | -            |
| <b>At 31 December 2023</b>                |       | <b>100</b>                          | <b>4,622</b>                | <b>384</b>           | <b>-22</b>                 | <b>5,084</b> |

## Consolidated statement of cash flows

For the year ended 31 December (EUR million)

|  | Notes    | 2023   |               | 2022   |               |
|--|----------|--------|---------------|--------|---------------|
| <a href="#">Operational activities</a>                               |          |        |               |        |               |
| <b>Operating result</b>  |          |        | <b>71</b>     |        | <b>-901</b>   |
| Depreciation, amortisation and impairment of assets                  | 8, 9, 10 | 368    |               | 322    |               |
| Result on disposal of assets   | 8        | 14     |               | 6      |               |
| Share in profit of joint ventures and associates                     | 12       | -      |               | 1      |               |
| Increase/(decrease) in deferred income                               | 19       | 75     |               | 91     |               |
| Movements in provisions and other (financial) liabilities and assets |          | -1     |               | 8      |               |
|  |          |        | <b>456</b>    |        | <b>428</b>    |
| <b>Working capital adjustments:</b>                                  |          |        |               |        |               |
| (Increase)/decrease in account- and other receivables                | 15       | -22    |               | -66    |               |
| (Increase)/decrease in inventories                                   | 14       | -6     |               | -5     |               |
| Increase/(decrease) in account- and other payables                   | 21       | -169   |               | -47    |               |
| Increase/(decrease) in current financial liabilities                 | 22       | -177   |               | 270    |               |
|  |          |        | <b>-374</b>   |        | <b>152</b>    |
| <b>Net cash flows from operating activities</b>                      |          |        | <b>153</b>    |        | <b>-321</b>   |
| <a href="#">Investing activities</a>                                 |          |        |               |        |               |
| Purchase of tangible and intangible fixed assets                     | 8, 10    | -2,860 |               | -1,404 |               |
| Capital contribution to joint ventures                               | 12       | -1     |               | -      |               |
| Interest received  | 5        | 4      |               | 40     |               |
| Proceeds from repayment of financial assets                          | 13       | 5      |               | 16     |               |
| <b>Net cash flows used in investing activities</b>                   |          |        | <b>-2,852</b> |        | <b>-1,348</b> |
| <a href="#">Financing activities</a>                                 |          |        |               |        |               |
| Dividends paid to shareholder  | 17       | -64    |               | -50    |               |
| Proceeds from borrowings   | 18       | 2,375  |               | 2,250  |               |
| Repayments of borrowings   | 18       | -1,246 |               | -1,385 |               |
| Capital contribution by shareholder                                  | 18       | 1,602  |               | 1,230  |               |
| Interest paid  | 6        | -127   |               | -92    |               |
| Payment of lease liabilities   | 9        | -17    |               | -14    |               |
| <b>Net cash flows from financing activities</b>                      |          |        | <b>2,523</b>  |        | <b>1,939</b>  |
| <b>Net change in cash and cash equivalents</b>                       |          |        | <b>-176</b>   |        | <b>270</b>    |
| Cash and cash equivalents at 31 December                             | 16       | 375    |               | 551    |               |
| Cash and cash equivalents at 1 January                               | 16       | 551    |               | 281    |               |
|  |          |        | <b>-176</b>   |        | <b>270</b>    |

## Notes to the consolidated financial statements

We are continuously improving our financial reporting to make it more relevant and understandable to our stakeholders. These financial statements focus on the material (financial) topics for 2023. Like last year, the notes to the consolidated financial statements are disclosed following largely the sequence of items in the consolidated statement of financial position and consolidated statement of income. Accounting policies are indicated with ⓘ, while key assumptions and estimates are identified by using 🌿 in front of the header.



## 1 Basis for reporting

The accounting policies describe our approach to recognise and measure transactions and balance sheet items in the financial statements. Accounting policies, including new European Union (EU) endorsed accounting standards, amendments and interpretations, relating to the consolidated financial statements as a whole are described below. This section also provides general guidance regarding assumptions, estimates and judgements used in the preparation of the financial statements. A more detailed description of accounting policies and material estimates related to specific reported amounts is presented in the respective notes. Only accounting policies which are deemed material are presented in these financial statements. We consider an item material if, in our view, it is likely to have an impact on the economic decisions of primary users of these financial statements.

### General

TenneT TSO B.V. ("The company" or "TenneT TSO" or "the Group") and its subsidiaries as an electricity transmission system operator (TSO) have the principal tasks to provide (1) power transmission services, by constructing and maintaining a robust high-voltage grid and (2) system services, by maintaining the balance between supply and demand of electricity 24 hours 7 days a week and (3) facilitating the market in order to have a liquid, stable electricity market with prices in line with the surrounding countries. These activities are governed by the provisions of relevant legislation in the Netherlands. Regulatory authorities oversee TenneT's compliance with these provisions. TenneT Holding B.V. holds the entire issued share capital of TenneT TSO B.V. The registered office of TenneT TSO B.V. is located at Utrechtseweg 310, Arnhem, the Netherlands, with its statutory seat in Arnhem and a registration with the Dutch Commercial Register under number 09155985.

These consolidated financial statements for the year ended 31 December 2023 were prepared and authorised by our Management Board for issue on 4 March 2024. The financial statements will be submitted for adoption at the General Meeting of Shareholders. For regulatory, risk management and treasury activities the company relies on support from corporate departments of TenneT Holding B.V. These activities are executed under responsibility of the Management Board of TenneT TSO B.V. The consolidated financial statements have been audited by Deloitte Accountants B.V.

### Basis for preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and Part 9 of Book 2 of the Dutch Civil Code. The company financial statements of TenneT TSO B.V. are prepared in accordance with the provisions of Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements are prepared on a going concern basis. The going concern basis presumes that TenneT TSO has adequate resources to remain in operation, and that the Management Board intend it to do so, for at least one year from the date of the end of the reporting period. Investments in assets or projects are funded by contributions or borrowings from the shareholder.

These consolidated financial statements are prepared on a historical cost basis, unless described otherwise in the accounting policy of a balance sheet position. They are presented in euros and all values are rounded to the nearest million (EUR 000,000), except when indicated otherwise.

### Changes in accounting estimates

Annually, the Group reassesses its estimate for the useful lives of tangible fixed assets. Based on this year's review, the Group concluded that the useful lives of offshore platforms and cables (subsea) and the related decommissioning provision should be extended. For more details reference is made to note 8. The useful lives are adjusted prospectively per 1 July 2023, resulting in a decrease of the depreciation of EUR 12 million in the last six months of 2023.

The Group has concluded that the useful lives of several onshore assets should be extended prospectively per 1 January 2024. The expected decreased depreciation is about EUR 20-25 million on an annual basis.

## Changes in EU-endorsed published IFRS standards and interpretations effective in 2023

### Material new and amended standards adopted by the Group

- Amendments to IAS 8 Accounting policies, changes in accounting estimates and errors
- Amendments to IAS 12 Income taxes

TenneT has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

### IFRS standards issued but not yet effective and adopted by the Group

- Amendments to IAS 1 Presentation of Financial Statements
- Amendments to IFRS 16 Leases
- Amendments to IAS 21 The effect of changes in foreign exchange rates
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosure

It is anticipated that any issued changes to IFRS standards that are not yet effective and adopted by TenneT will not have a material impact.

### Basis for consolidation

The consolidated financial statements incorporate the financial statements of TenneT TSO B.V. and its subsidiaries as at 31 December 2023. A list of the legal entities included in the consolidation is included in note 29. Subsidiaries are consolidated from the date of acquisition, constituting the date on which control is obtained and continue to be consolidated until the date when such control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances, transactions, unrealised gains and losses resulting from intercompany transactions and dividends are eliminated in full in consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If we cease to have control over a subsidiary, we derecognise the subsidiary's assets (including goodwill), liabilities and any non-controlling interest in the former subsidiary at the date control is lost (including the cumulative translation differences). Furthermore, the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in statement of income are recognised. Acquisitions are accounted for using the acquisition method, where the purchase price is allocated to the identifiable assets acquired and liabilities assumed on a fair value basis and the remainder is recognised as goodwill.

### Material accounting judgements, estimates and assumptions

The preparation of financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Such estimates are assessed continuously on the basis of previous results and experience, consultations with experts, trends, prognoses and other methods which we deem appropriate in each individual case. Actual results could differ from these estimates. Material items containing estimates and assumptions are as follows:

| Item   | Note | Estimate/assumptions  |
|--|------|---|
| Tangible fixed assets                                      | 8    | Estimate of remaining useful life, identification of cash-generating units for fixed asset impairment testing   |
| Right-of-use assets and lease liabilities                  | 9    | Estimate of discount rate and expected extension or accelerated termination date                                |
| Intangible fixed assets                                    | 10   | Estimate of recoverable amount and remaining useful life  |
| Impairment of current assets                               | 15   | Estimate of expected credit losses  |
| Provision for environmental management and decommissioning | 20   | Estimate of removal costs, removal dates, discount rate and price increases in the period leading up to removal |
| Other provisions   | 20   | Mainly relate to estimate of probability and realisation date   |
| Grid expenses payable                                      | 21   | Amongst others estimate of electricity usage and energy prices  |

### Functional currency

These consolidated financial statements are presented in euros, which is also the parent company's and all subsidiaries functional currency.

## 2 Underlying financial reporting analysis

This section sets out the financial performance for the year in accordance with the way we manage our business. We measure and assess our performance based on underlying financial information, which is explained further below.

We generate all of our revenue from our regulated operating activities in the Netherlands. Therefore, close collaboration with our regulator, the Authority for Consumers and Markets (ACM), to obtain regulations and agreements that provide reasonable compensation for the risks we face is key to us.

Our Management Board is the chief operating decision-making body of the company (as defined by IFRS 8 'Operating segments'). Periodically, it monitors the performance of the entity for the purpose of performance management. The performance is based on underlying financial information, where EBIT, investments and return on capital are the key metrics. The definition of EBIT equals operating result.

Underlying financial information is based on the principle of recognising regulatory assets and liabilities for our regulated activities. This implies that amounts resulting from past events and which are allowed to be received or are required to be returned through future tariffs are recorded as an asset or liability, respectively. TenneT's Management Board believes that the presentation of underlying financial information provides additional relevant insight in the actual business, financial performance, and as such economic reality.

### Accounting policies applied for underlying financial information

Underlying financial information matches the regulatory revenues and expenses in a corresponding reporting period, and defers certain income items until used for investments or tariff reductions.



Matching is achieved through recognition of regulatory deferral accounts in our underlying figures. The key requirement for such recognition is that an existing regulatory framework must be in place that permits the future reimbursement or requires the future settlement of regulated assets or liabilities, respectively. Consequently, a regulated asset is recognised in underlying financial information in respect of permitted reimbursements of current year expenses in future year's tariffs. Vice versa, a regulated liability is recognised in underlying financial information in respect of required settlements (i.e. repayments) of current year revenues through future tariffs. Furthermore, until 2015 certain investments were financed via auction receipts resulting from auctioning available electricity transmission capacity on cross-border interconnections.

We have three (2022: two) individual clients which are invoiced more than 10% of our total group revenue. The revenue from these customers amounted respectively EUR 444 million (2022: EUR 288 million), EUR 435 million (2022: EUR 273 million) and EUR 288 million (2022: not applicable).

Below the reconciliation between underlying total net assets and liabilities and IFRS total net assets and liabilities is disclosed:

| (EUR million)                                     | 2023          | 2022          |
|---|---------------|---------------|
| <b>Consolidated underlying information</b>        |               |               |
| Assets  | 15,585        | 12,328        |
| Liabilities                                       | -9,021        | -7,697        |
| <b>Total net assets and liabilities</b>           | <b>6,564</b>  | <b>4,631</b>  |
| Regulatory receivables and payables               | -1,829        | -1,260        |
| Valuation difference tangible fixed assets        | -167          | -173          |
| Tax impact on regulatory receivables and payables | 516           | 370           |
| <b>Total underlying impact</b>                    | <b>-1,480</b> | <b>-1,063</b> |
| <b>Consolidated IFRS information</b>              | <b>5,084</b>  | <b>3,568</b>  |
| <b>Consolidated IFRS information</b>              |               |               |
| Assets  | 13,563        | 10,828        |
| Liabilities                                       | -8,479        | -7,260        |
| <b>Total net assets and liabilities</b>           | <b>5,084</b>  | <b>3,568</b>  |

Investments amounting to EUR 2,948 million (2022: EUR 1,527 million) recognised under IFRS are equal to underlying investments.

For an analysis of underlying results please refer to the 'Safeguard sustainable financial performance and investor ratings' section of our Management Board report.

#### Regulatory deferral accounts: reconciliation to IFRS figures

The difference between the underlying financial information - as presented in the underlying financial reporting analysis- and IFRS reported figures is related to the recognition of regulated assets and liabilities, auctions receipts and the measurement of tangible fixed assets. In the IFRS financial statements, revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which TenneT TSO expects to be entitled in exchange for those goods or services. In the underlying financial information revenues are recognised according to the allowed revenue as set by the regulator. By doing so, volume and post calculation differences are directly matched to the related costs and therefore provide additional relevant insight to management for manage TenneT TSO's business.

These differences also result in different deferred tax balances. No other differences between underlying financial information and IFRS exist.

Underlying financial information is reconciled to reported IFRS figures as follows:

| (EUR million)                                    | Reconciliation IFRS to underlying figures |                  |                    |               |                  |                    |
|--|---|------------------|--------------------|---------------|------------------|--------------------|
|  | 2023                                      |                  |                    | 2022          |                  |                    |
|  | IFRS figures                              | Underlying items | Underlying figures | IFRS figures  | Underlying items | Underlying figures |
| Connection and transmission services             | 1,344                                     | 750              | 2,094              | 896           | 1,563            | 2,459              |
| Maintenance of the energy balance                | 261                                       | -122             | 139                | 456           | -155             | 301                |
| Operation of energy exchanges                    | 275                                       | -274             | 1                  | 242           | -240             | 2                  |
| Offshore   | 345                                       | 120              | 465                | 242           | 44               | 286                |
| Revenue from related parties                     | 56  | -                | 56                 | 33            | -                | 33                 |
| Other  | 21  | 10               | 31                 | 27            | 9                | 36                 |
| <b>Total revenue</b>                             | <b>2,302</b>                              | <b>484</b>       | <b>2,786</b>       | <b>1,896</b>  | <b>1,221</b>     | <b>3,117</b>       |
| Grid expenses                                    | -1,487                                    | -                | -1,487             | -2,190        | -                | -2,190             |
| Personnel expenses                               | -172                                      | -                | -172               | -127          | -                | -127               |
| Depreciation and amortisation of assets          | -368                                      | -7               | -375               | -322          | -8               | -330               |
| Other operating expenses                         | -195                                      | -                | -195               | -153          | -1               | -154               |
| Other (gains)/losses                             | -11                                       | -                | -11                | -6            | -                | -6                 |
| <b>Total operating expenses</b>                  | <b>-2,233</b>                             | <b>-7</b>        | <b>-2,240</b>      | <b>-2,798</b> | <b>-9</b>        | <b>-2,807</b>      |
| Share in profit of joint ventures and associates | 2   | -                | 2                  | 1             | 1                | 2                  |
| <b>Operating result</b>                          | <b>71</b>                                 | <b>477</b>       | <b>548</b>         | <b>-901</b>   | <b>1,213</b>     | <b>312</b>         |
| Finance income                                   | 10  | 96               | 106                | 39            | -16              | 23                 |
| Finance expenses                                 | -111                                      | -9               | -120               | -87           | -                | -87                |
| <b>Finance result</b>                            | <b>-101</b>                               | <b>87</b>        | <b>-14</b>         | <b>-48</b>    | <b>-16</b>       | <b>-64</b>         |
| <b>Result before income tax</b>                  | <b>-30</b>                                | <b>564</b>       | <b>534</b>         | <b>-949</b>   | <b>1,197</b>     | <b>248</b>         |
| Income tax expense                               | 8   | -145             | -137               | 245           | -309             | -64                |
| <b>Result for the year</b>                       | <b>-22</b>                                | <b>419</b>       | <b>397</b>         | <b>-704</b>   | <b>888</b>       | <b>184</b>         |
| <b>Result attributable to:</b>                   |   |                  |                    |               |                  |                    |
| <b>Equity holders of ordinary shares</b>         | <b>-22</b>                                | <b>419</b>       | <b>397</b>         | <b>-704</b>   | <b>888</b>       | <b>184</b>         |
| <b>Underlying items</b>                          |   |                  |                    |               |                  |                    |
| To be settled in tariffs                         |   | 870              |                    |               | 1,607            |                    |
| Auction receipts                                 |   | -273             |                    |               | -240             |                    |
| Investment contributions                         |   | 9                |                    |               | 9                |                    |
| Maintenance of the energy balance                |   | -122             |                    |               | -155             |                    |
| <b>Revenue</b>                                   |   | <b>484</b>       |                    |               | <b>1,221</b>     |                    |

### To be settled in tariffs

Revenue surpluses and deficits resulting from variances related to actual costs or transmission volumes (ex post) and estimates used to set tariffs (ex ante) are incorporated in the tariffs of subsequent years. In underlying financial information, these surpluses and deficits are recorded as assets and liabilities, respectively, in the statement of financial position under 'to be settled in tariffs'. The expenses related to these items have to be settled in future tariffs in coming years.

The underlying item "to be settled in tariffs" is part of the revenue stream "connection and transmission services" and "offshore" and equals EUR 870 million (2022: EUR 1,607 million).

### Auction receipts & investment contributions

Auction receipts result from auctioning the available electricity transmission capacity on cross-border interconnections. These receipts are not at TenneT's free disposal. In accordance with Regulation (EU) 2019/943, auction receipts shall be used to fulfill the following priority objectives:

- guaranteeing the actual availability of the allocated capacity including firmness compensation; or
- maintaining or increasing cross-zonal capacities through optimisation of the usage of existing interconnectors by means of coordinated remedial actions, where applicable, or covering costs resulting from network investments that are relevant to reduce interconnector congestion.

When these priority objectives have been adequately fulfilled, auction receipts may be used as income to be taken into account by the regulatory authorities when approving the methodology for calculating network tariffs or fixing network tariffs, or both. In the Netherlands, TenneT agreed with its regulator (ACM) that investments in interconnectors are no longer financed through the auction receipts as of 2016. The current outstanding balance of auction receipts will be used in accordance with the aforementioned objectives. On 22 November 2022, the competence agreement of 2015 between TenneT and the ACM was dissolved. Investments in previous years financed by using auction receipts are classified as investment contributions and are reported under 'liabilities'. A periodic amount equal to the depreciation charges, plus a portion of the operating expenses, is released to the statement of income, following the release scheme as described above.

The underlying item auction receipts is part of revenue stream "operations of energy exchanges" for an amount of EUR -273 million (2022: EUR -240 million). The underlying item investment contribution is part of, revenue stream "other" for an amount of EUR 9 million (2022: EUR 9 million).

### Maintenance of the energy balance

As system manager of the high-voltage grid in the Netherlands, TenneT receives funds from performing certain statutory duties, such as the maintenance of the energy balance. The proceeds from these activities (i.e. imbalance settlements) may only be used after approval by the ACM. Imbalance settlements collected during the year are offset in transmission tariffs in the subsequent year. Consequently, these amounts are recorded as a liability and settled in the subsequent year in the underlying financial information.

The underlying item maintenance of the energy balance is part of "revenue stream maintenance of the energy balance" for an amount of EUR -122 million (2022: EUR -155 million).

### Depreciation and amortisation of assets

Differences in depreciation and amortisation of assets occur due to the difference in accounting treatment of the regulatory deferral accounts and the related cash flows in order to determine the economic useful life and recoverable amount of the assets resulting from acquisitions and used for impairment analysis.

Between Underlying and IFRS there is no difference in depreciation method, but the amount of depreciation differs due to an impairment under IFRS of the NorNed cable in 2015 of EUR 232 million which is not recognised under Underlying.

## 3 Revenue

| (EUR million)                        | 2023         | 2022         |
|--------------------------------------|--------------|--------------|
| Connection and transmission services | 1,344        | 896          |
| Offshore revenues                    | 345          | 242          |
| Maintenance of the energy balance    | 261          | 456          |
| Operation of energy exchanges        | 275          | 242          |
| Revenue from related parties         | 56           | 33           |
| Other                                | 21           | 27           |
| <b>Total</b>                         | <b>2,302</b> | <b>1,896</b> |



### Connection and transmission services

Revenue from connection and transmission services is regulated by ACM in the Netherlands. It includes revenue from services provided to DSOs and industrial clients (such as resolution of transmission restrictions, congestion management and reactive power management). Increase in the revenues is mainly explained by the increase in the asset base and its related costs. The generated revenue of Net op Zee phase 2 is financed through the tariffs and included in this section of the revenue.

### Offshore revenue

Offshore revenues are regulated by ACM in the Netherlands. The offshore revenues are a government grant obtained from the ministry of Economic Affairs & Climate Policy and is based on the revenue decision of the ACM. Offshore revenue increased mainly due to an increase of the asset base for Net op Zee phase 1 and assets that since 2023 generate revenues for the entire year, compared to 2022. Revenues furthermore increased due to a higher WACC.

### Maintenance of the energy balance

TenneT is responsible to ensure that electricity supply and demand is in balance at all times (i.e. alternating current frequency in the power grid must be at 50 Hz continuously). If this balance is disrupted, it may result in a power outage or even a black-out, depending on the length and severity of the imbalance. To ensure this balance, we contract and deploy (among others) reserve and emergency capacity to compensate unexpected fluctuations in supply and demand. The cash in- and outflows associated from maintaining this energy balance (e.g. imbalance settlements) fluctuate considerably and are refunded through regulated tariffs in subsequent years.

Revenue decreased mainly due to lower energy prices which resulted in a lower price for imbalance settlement.

### Operation of energy exchanges

This amount includes revenues resulting from the auctioning of cross-border (electricity transmission “interconnection”) capacity and with that the availability which determines the amount of this revenue stream. The majority of the increase in 2023 compared to 2022 was recognised in the long term auctions, which amounted to an increase of EUR 132 million. This was due to uncertainties on the market when the annual auction was run in November 2022 and the appetite for these kind of auctions increased. This increase was for a large extend offset against the short term auctions, which amounted to a negative effect of EUR 100 million.

### ① Accounting policy

Revenue primarily represents the sales value derived from the connection and transmission of electricity together with the sales value derived from the provision of other services to customers during the year. Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

Revenues arise from contracts with a single performance obligation. The assessment of unbilled connection and transmission services supplied to customers between the date of the last meter reading and year-end is subject to judgement. This assessment is primarily based on expected consumption and weather patterns.

If revenue received or receivable exceeds the maximum annual amount as determined by ACM, a downward adjustment will be made to future tariffs to reflect this over-recovery. Under IFRS, no liability is recognised since this adjustment relates to the provision of future services. Similarly, no asset is recognised under IFRS when a regulator permits increases to be made to future tariffs in respect of under-recovery.

Offshore revenue in the Netherlands is accounted for in accordance with the recognition and measurement principles of IAS 20. These revenues are only recognised when there is reasonable assurance that the Group will comply with the conditions attached to receiving this income and the income will be received.

## 4 Operating expenses

### Grid expenses

| (EUR million)                                | 2023         | 2022         |
|--|--------------|--------------|
| System services                              | 432          | 928          |
| Connection and transmission services         | 710          | 814          |
| Maintenance of the energy balance            | 138          | 294          |
| Other ancillary services                     | 23           | -3           |
| <b>Subtotal ancillary services</b>           | <b>1,304</b> | <b>2,033</b> |
| Maintaining and operating transmission grids | 183          | 157          |
| <b>Total</b>                                 | <b>1,487</b> | <b>2,190</b> |

Ancillary services are the costs TenneT must incur, in particular, to compensate for grid losses, to maintain the energy balance in the grid, and to pay for alternative routes for the electricity when grid sections are congested or unavailable due to grid expansions. As ancillary services require TenneT to procure electricity, these costs are directly affected by electricity market prices. From 2021 to 2022, Europe suffered a double supply shock, both in gas and electricity generation. In 2021, gas prices rose due to a combination of factors, including an increase in global demand for energy as the world economy recovered from the COVID-19 pandemic and unfavourable weather hampering renewable and hydro generation. In 2022, the Russian invasion of Ukraine further led to a significant increase in energy prices, leading to higher costs for consumers and businesses alike, including TenneT. Following mild weather, societal savings of fossil fuels, a diversification of gas supplies including LNG to Europe, and increased solar and wind output energy prices dropped significantly and the energy markets became less volatile in 2023. As such, our ancillary services costs decreased from EUR 2,033 million in 2022, to EUR 1,304 million in 2023. The grid expenses will be reimbursed through future tariffs, which will result in grid tariffs in future years. Please refer to note 2 for further details about differences between IFRS and Underlying financial information.

In 2023 an amount of EUR 30 million (2022: EUR 35 million) concerns transactions with related parties.

### Personnel expenses

| (EUR million)                                    | 2023       | 2022       |
|--|------------|------------|
| Salaries   | 235        | 179        |
| Social security contributions                    | 25         | 20         |
| Pension charges other plans                      | 35         | 33         |
| Other personnel expenses                         | 31         | 20         |
| Capitalised costs for (in) tangible fixed assets | -154       | -125       |
| <b>Total</b>                                     | <b>172</b> | <b>127</b> |

In 2023, the average workforce amounted to 2,523 FTEs (2022: 2,196 FTE's). Almost all employees (except for 16 FTE's (2022: 14 FTE's)) work in the Netherlands. The salaries have increased in 2023 due to the increased inflation rate.

For our personnel we have a multi-employer scheme at ABP Pension Fund (ABP) in the Netherlands. The pension contribution rate for 2023 was 20.1% (2022: 21.53%) of the pensionable salary. In 2024 we expect to contribute EUR 42 million to the multi-employer scheme administered. Compared to the total participants in the ABP pension fund, our share in ABP is limited. We are not liable for deficits in the multi-employer plan. ABP has indicated that it is unable to provide the kind of company-specific information required by IFRS for defined-benefit pension schemes. As such, this scheme is treated as if it is a defined contribution scheme. ABP's policy funding ratio, which is a 12-month moving average of the nominal funding ratio, is at 31 December 2023 113.9% (2022: 118.6%). This is above the critical regulatory coverage rate level under which pensions would have to be reduced.

### Key management remuneration

Members of the Executive Board of the parent company are regarded as key management. Aggregate remuneration paid to TenneT's Management Board is as follows:

| Executive Board (EUR thousand) | Fixed remuneration | Pension cost | Total        |
|--------------------------------|--------------------|--------------|--------------|
| <b>2023</b>                    | <b>938</b>         | <b>140</b>   | <b>1,078</b> |
| 2022                           | 584                | 214          | 798          |

The entire Management Board consists of statutory directors of TenneT TSO B.V. Remuneration paid to members of the Management Board in respect of supervisory directorships in affiliated entities, is allocated to the company. In addition to the remuneration presented in the table above, in 2022 an incidental fixed remuneration of EUR 15 thousand was incurred for a former board member. The column 'Fixed remuneration' includes certain perquisites provided to statutory directors in 2023, such as life-cycle allowance, an employer contribution to the Dutch statutory health insurance and an one-off payment as part of the collective labour agreement. The costs shown in this column are excluding the annual employer contributions to the Dutch social security. For 2023 these amount to EUR 21 thousand (2022: EUR 13 thousand).

### Composition of the Management Board

TenneT TSO's Management Board consists of employees with diverse experiences, skills and knowledge. TenneT TSO values this diversity and believes it contributes positively to the way situations are assessed and decisions are made.

### Other operating expenses

| (EUR million)                     | 2023       | 2022       |
|-----------------------------------|------------|------------|
| Accommodation and office expenses | 57         | 49         |
| Consultancy expenses              | 27         | 24         |
| Hiring of temporary personnel     | 40         | 42         |
| Travel and living expenses        | 19         | 8          |
| Other expenses                    | 52         | 30         |
| <b>Total</b>                      | <b>195</b> | <b>153</b> |

The other expenses include mainly net operating costs related to projects, contribution and subscription costs and training expenses.

The company makes use of article 2:382a 3 of the Dutch Civil Code, which states that the company is exempt from disclosing audit fees when this has been disclosed in the group financial statements.

In 2023 an amount of EUR 20 million (2022: EUR 2 million) concerns transactions with related parties.

### ① Accounting policy

TenneT has energy purchase contracts for the forward purchase of energy or gas that are used to satisfy physical delivery requirements to customers or for the energy that the group uses itself. Substantially all our costs of purchasing electricity for supply to customers are recoverable at an amount equal to cost. The timing of recovery of these costs can vary between financial periods leading to an under- or over-recovery within any particular year that can lead to large fluctuations in the IFRS income statement. We follow approved policies to manage price and supply risks for our commodity activities.

TenneT's energy procurement risk management policy and delegations of authority govern its commodity trading activities for energy transactions. The purpose of this policy is to ensure we transact within pre-defined risk parameters and only in the physical and financial markets where we or our customers have a physical market requirement.

Energy purchase contracts for the forward purchase of electricity that are used to satisfy physical delivery requirements to customers, or for energy that TenneT TSO uses itself, meet the expected purchase or usage requirements of IFRS 9. They are, therefore, not recognised in the financial statements until they are realised. In note 27 of the consolidated financial statements commitments under such have been disclosed as “Grid-related commitments”.

Operating expenses are expenses incurred during regular day-to-day business, such as system services, connection and transmission services, maintenance of energy balance and costs of maintaining and operating transmission grids. Operating expenses are recorded in the statement of income in the period they are incurred.

## 5 Finance income

| (EUR million)           | 2023       | 2022       |
|-------------------------|------------|------------|
| Other interest received | -10        | -39        |
| <b>Total</b>            | <b>-10</b> | <b>-39</b> |

In 2023 the received income is generally higher, due to the increased position of subsidies we will receive and the increased interest rate on this position for Net op Zee phase 1. In 2022 an amount of EUR 38 million was recognised regarding a settled court case.

## 6 Finance expenses

| (EUR million)  | 2023       | 2022      |
|--|------------|-----------|
| Interest expenses on borrowings with shareholder (TenneT Holding B.V.) | 127        | 92        |
| Capitalised interest on assets under construction                      | -25        | -12       |
| Interest on provisions   | 8          | 6         |
| Interest on lease liability  | 1          | 1         |
| <b>Total</b>   | <b>111</b> | <b>87</b> |

For the effective rate of interest on assets under construction and interest on long-term loans, reference is made to note 8 respectively note 18.

Finance expenses increased, mainly due to grown position of the borrowings from the shareholder from EUR 5.2 billion to EUR 6.4 billion and furthermore an increased interest rate. Herewith, we apply an active financing strategy to create and maintain an optimal capital structure.

### Accounting policy

Finance expenses comprise mainly interest expenses, such as interest on borrowings, capitalised interest on assets under construction and interest on lease liabilities. Finance expenses are recorded in the statement of income using the effective interest rate method.

## 7 Corporate income tax

TenneT strives to comply with all applicable tax legislation in a socially responsible manner, maintaining among the highest levels of transparency, quality and integrity. Management responsibility and oversight of our tax strategy lies with our ‘Chief Financial Officer’ (CFO), the Director Financial Governance and Services and the Head of Tax who monitor our tax activities and report to the Executive Board and the Audit, Risk and Compliance Committee.

Our tax strategy is fully consistent with our corporate strategy. Building a transparent relationship with tax authorities based on mutual trust is an integral part of this strategy. We have built and are continuously improving our tax internal control framework system to be ‘in control’ and of mitigate tax risks and to allow the company to demonstrate to all its stakeholders, including the tax authorities, that the company complies with all applicable laws and regulations.

Corporate income tax is payable in the Netherlands. In the Netherlands, we recently extended the so called 'horizontal monitoring agreement' with the Dutch tax authorities. Based on transparency and mutual trust, this agreement is meant to ensure that tax positions are fully disclosed and agreed on in advance, as a result of which generally no tax audits are performed by the Dutch tax authorities. All corporate income tax returns in the Netherlands have been filed up to and including 2021. Corporate income tax paid in the Netherlands in 2023 amounted to EUR 68 million.

TenneT TSO B.V. forms a fiscal unity with TenneT Holding B.V. regarding income tax. TenneT TSO has recognised corporate income tax as if the company is solely liable for corporate income tax.

The key components of corporate income tax expense are:

| Consolidated income statement (EUR million)                             | 2023      | 2022        |
|---|-----------|-------------|
| Current income tax charge   | 148       | 69          |
| Deferred tax  | -156      | -314        |
| <b>Corporate income tax expense reported in the statement of income</b> | <b>-8</b> | <b>-245</b> |

The deferred tax related to temporary differences is related to tariffs to be settled and regular depreciation and amortisation.

In the Netherlands, a statutory corporate income tax rate of 25.8% was applied. Reconciliation between corporate tax expense and the accounting profit multiplied by the statutory corporate income tax rate of 27% is as follows:

| (EUR million)  | 2023       | 2022        |
|--|------------|-------------|
| <b>Result before corporate income tax</b>                              | <b>-30</b> | <b>-949</b> |
| Statutory corporate income tax rate of 25.8% (2022: 25.8%)             | -7         | -245        |
| Non taxable income   | -1         | -           |
| <b>At the effective corporate income tax rate of 27% (2022: 25.8%)</b> | <b>-8</b>  | <b>-245</b> |

Deferred tax is presented in the statement of financial position as follows:

| (EUR million)                                | Statement of financial position |            | Statement of income |             |
|--|---------------------------------|------------|---------------------|-------------|
|  | 2023                            | 2022       | 2023                | 2022        |
| Auction receipts                             | -41                             | -7         | 34                  | -6          |
| Investment contributions                     | -62                             | -64        | -1                  | -2          |
| Tariffs to be settled                        | 566                             | 387        | -179                | -303        |
| Depreciation for tax purposes                | 117                             | 109        | -8                  | -           |
| Provisions                                   | 10                              | 8          | -2                  | -3          |
| <b>Net deferred tax assets/(liabilities)</b> | <b>590</b>                      | <b>433</b> |                     |             |
| <b>Deferred tax expense/(income)</b>         |                                 |            | <b>-156</b>         | <b>-314</b> |

Movement of the deferred tax position is set out below.

| (EUR million)   | 2023       | 2022       |
|---|------------|------------|
| <b>At 1 January</b>   | <b>433</b> | <b>120</b> |
| Tax expense during the period recognised in statement of income | 157        | 313        |
| <b>At 31 December</b>   | <b>590</b> | <b>433</b> |

## Pillar Two legislation

The TenneT Group has applied the temporary exception as issued by the IASB from the accounting requirements for deferred taxes in IAS 12. Accordingly, the TenneT Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

In the Netherlands, the Pillar Two legislation is enacted, and will be effective as of 2024 and will be applicable to TenneT. Since TenneT is operating in the Netherlands with a statutory rate of 25.8%. Based on a safe harbour analyses on the current year and the previous year financial information, the effective tax rate for TenneT was not below 15%. Therefore, it is expected and estimated that the Pillar Two legislation will not lead to exposure for TenneT. The Pillar Two exposure will be further assessed in 2024.

## ① Accounting policy

The tax charge for the period is recognised in the statement of income or the statement of comprehensive income, in accordance with the relevant accounting treatment of the related transaction. The tax charge comprises both current and deferred tax.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to calculate these amounts are those enacted or substantively enacted at the reporting date in those countries where we operate and where we generate taxable income.

Deferred tax is recognised using the liability method with respect to temporary differences between the tax bases of assets and liabilities and their respective carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date in the relevant jurisdictions.

Deferred tax is generally recognised in respect of all temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised. This assessment is performed annually. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. There are no unrecognised carry forward losses per 31 December 2023 (2022: nil).

Deferred tax assets and liabilities are recognised on a gross basis in the statement of financial position unless:

- the entity has a legally enforceable right to set off current tax assets, against current tax liabilities and;
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity or
  - different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.



## 8 Tangible fixed assets

| (EUR million)                      | High-voltage substations | High-voltage connections | Other assets | Assets under construction | Total         |
|------------------------------------|--------------------------|--------------------------|--------------|---------------------------|---------------|
| <b>Cost</b>                        |                          |                          |              |                           |               |
| <b>At 1 January 2022</b>           | <b>3,418</b>             | <b>4,306</b>             | <b>340</b>   | <b>2,716</b>              | <b>10,780</b> |
| Additions                          | 102                      | 44                       | -            | 1,323                     | 1,469         |
| Transfers                          | 636                      | 134                      | 26           | -796                      | -             |
| Changes in estimates               | -52                      | -38                      | -            | -22                       | -112          |
| Impairment                         | -                        | -                        | -            | -6                        | -6            |
| Disposals                          | -1                       | -                        | -            | -                         | -1            |
| <b>At 31 December 2022</b>         | <b>4,103</b>             | <b>4,446</b>             | <b>366</b>   | <b>3,215</b>              | <b>12,130</b> |
| Additions                          | -                        | -                        | -            | 2,862                     | 2,862         |
| Transfers                          | 994                      | 944                      | 111          | -2,049                    | -             |
| Changes in estimates               | 41                       | 87                       | -            | 13                        | 141           |
| Impairment                         | -                        | -                        | -            | -2                        | -2            |
| Disposals                          | -7                       | -4                       | -            | -                         | -11           |
| <b>At 31 December 2023</b>         | <b>5,131</b>             | <b>5,473</b>             | <b>477</b>   | <b>4,039</b>              | <b>15,120</b> |
| <b>Depreciation and impairment</b> |                          |                          |              |                           |               |
| <b>At 1 January 2022</b>           | <b>1,229</b>             | <b>1,370</b>             | <b>197</b>   | <b>-</b>                  | <b>2,796</b>  |
| Depreciation for the year          | 118                      | 142                      | 20           | -                         | 280           |
| <b>At 31 December 2022</b>         | <b>1,347</b>             | <b>1,512</b>             | <b>217</b>   | <b>-</b>                  | <b>3,076</b>  |
| Depreciation for the year          | 145                      | 148                      | 25           | -                         | 318           |
| Disposals                          | -4                       | -2                       | -            | -                         | -6            |
| <b>At 31 December 2023</b>         | <b>1,488</b>             | <b>1,658</b>             | <b>242</b>   | <b>-</b>                  | <b>3,388</b>  |
| <b>Net book value:</b>             |                          |                          |              |                           |               |
| At 1 January 2022                  | 2,189                    | 2,936                    | 143          | 2,716                     | 7,984         |
| At 31 December 2022                | 2,756                    | 2,934                    | 149          | 3,215                     | 9,054         |
| At 31 December 2023                | 3,643                    | 3,815                    | 235          | 4,039                     | 11,732        |

High-voltage substations include onshore and offshore transformers and converter stations. High-voltage connections consist of overhead and underground connections. Unlike lands for substations, lands surrounding high-voltage pylons and cables are generally not owned by TenneT TSO. Other tangible fixed assets consist of office buildings, office ICT equipment and other company assets.

Assets under construction include investments, new build onshore and offshore transformer, converter stations and onshore lines, offshore platforms and (subsea) cables. We refer to our website for more details.

In 2023 the discount rate used for the decommissioning provision was between 2.95% and 3.0% (2022: 2.59% and 2.94%) for offshore wind farms (OWF) connections. The discount rate has been adjusted in 2023 to reflect current market assessments of the time value of money and the risks specific to the liability. Part of the value on line item 'Change in estimates' relates to the adjusted discount rate. Since the main part of the decommissioning provision was recognised as part of the carrying value of the related asset, changes in discount and inflation rate, if any, directly impact this carrying amount. For the impact of the changed discount rate and other assumptions, reference is made to note 20.

The amount of borrowing costs capitalised during 2023 is disclosed in note 6. The effective interest rate used to determine the amount of borrowing costs capitalised was 1.86% (2022: 1.34%).

Annual impairment trigger analyses on tangible assets, and where applicable testing for impairment, is done at the individual asset level, or smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating units (CGUs)). There is one large CGU consisting of regulated on- and offshore assets, and the NorNed cable, considered for impairment (triggers), on individual level.

Contractual off-balance sheet commitments are disclosed in note 27.

### ① Accounting policy

Tangible fixed assets are valued at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the asset and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of the asset are required to be replaced at intervals, such parts are recognised as individual assets with specific useful lives and depreciated accordingly. Likewise, when a major maintenance is performed, its cost is recognised in the carrying amount of the asset as a replacement, if the recognition criteria are met. All other repair and maintenance costs are recognised in the statement of income as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset, if the recognition criteria for a provision are met. Depreciation is calculated on a straight-line basis.

An asset is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognised.

General and specific borrowing costs directly attributable to the acquisition, construction or production of the tangible fixed assets, are added to the cost, until such time that the assets are substantially ready for their intended use or sale. No borrowing costs are capitalised if and to extend such borrowing costs are directly compensated in the year of construction.

### 🔑 Key estimates and assumptions

To calculate depreciation amounts, the following useful lives of various asset categories were assumed:

| Estimated useful lives tangible fixed assets                           | 2023  | 2022  |
|--|-------|-------|
| <b>Substations</b>   |       |       |
| Switches and offshore converter stations                               | 20-35 | 20-35 |
| Offshore platforms   | 25-35 | 20    |
| Security and control equipment   | 10    | 10    |
| Power transformers   | 35    | 35    |
| Capacitor banks  | 35    | 35    |
| Telecommunications equipment   | 10    | 10    |
| <b>Connections</b>   |       |       |
| Pylons/lines   | 40    | 40    |
| Cables (subsea and underground)  | 20-40 | 20-40 |
| <b>Other</b>   |       |       |
| Office buildings   | 40    | 40    |
| Office IT equipment  | 3-5   | 3-5   |
| Process automation facilities  | 5     | 5     |
| Offshore assets  | 20    | 20    |
| Other company assets   | 5-10  | 5-10  |
| Land (and its preparation for building) is not subject to depreciation |       |       |

Useful lives of offshore platforms and cables (subsea) have been extended for certain asset categories of the tangible fixed assets with 5 years. Furthermore new offshore platforms have a useful life of 35 years. Reference is made to note 1.

Residual values, useful lives and methods of depreciation of assets are reviewed at each financial year-end and adjusted prospectively, if appropriate.

## 9 Right-of-use assets and lease liabilities

### Right-of-use assets

| (EUR million)                      | Land & buildings | Other right-of-use assets | Total      |
|------------------------------------|------------------|---------------------------|------------|
| <b>Cost</b>                        |                  |                           |            |
| <b>At 1 January 2022</b>           | <b>75</b>        | <b>43</b>                 | <b>118</b> |
| Additions                          | 2                | 3                         | 5          |
| Remeasurement                      | 3                | -                         | 3          |
| Depreciation                       | -9               | -4                        | -13        |
| Disposals                          | -                | -11                       | -11        |
| Disposals accumulated depreciation | -                | 3                         | 3          |
| <b>At 31 December 2022</b>         | <b>71</b>        | <b>34</b>                 | <b>105</b> |
| Additions                          | 2                | 7                         | 9          |
| Remeasurement                      | 5                | -                         | 5          |
| Depreciation                       | -10              | -5                        | -15        |
| Disposals                          | -1               | -3                        | -4         |
| Disposals accumulated depreciation | -                | 3                         | 3          |
| <b>At 31 December 2023</b>         | <b>67</b>        | <b>36</b>                 | <b>103</b> |

### Leased Land & Buildings

Land is mainly leased to set up pylons for electricity transmission cables and for constructed substations. These contracts run for a period of 18-142 years. Buildings are leased mainly as office space and for storage space. These contracts run for a period of 1-15 years.

Lease contracts for buildings are negotiated individually and include a range of different terms and conditions, including extension options.

Lease payments were in substance fixed, only a minority of the lease contracts contain clauses with reference to the CPI index.

### Other lease assets

Telecom lease contracts (including fibreglass cables) run for a period between 5 and 30 years.

For qualifying employees TenneT TSO leased cars with a lease term between 1,5 and 8 years.

TenneT TSO does not purchase or guarantee the value of leased cars or telecom assets.

TenneT TSO had several contracts with termination / extension options. In determining the lease term all relevant facts and circumstances that create a significant economic incentive to exercise those options are taken into consideration.

TenneT TSO had no 'sub lease' contracts in 2023 and 2022 and therefore no income from subleasing right-of-use assets. TenneT TSO has not entered into any sale and leaseback contracts. No lease contracts with residual value guarantees are entered into. No lease contracts have been concluded that contain restrictions or covenants.

Lease payments are in substance fixed, only some of the lease contracts had pre-determined lease payment changes.

### Short-term and low value leases

TenneT TSO leased certain other assets with terms of 1-3 years. TenneT TSO considers these assets to be of low-value or short-term in nature and therefore no right of use assets and lease liabilities were recognised for these leases. Total of short-term lease expenses for more than one month and low value assets lease expenses amounted to nil (2022: nil).

### Lease liability

| (EUR million)                    | 2023      |             |            | 2022      |             |            |
|----------------------------------|-----------|-------------|------------|-----------|-------------|------------|
|                                  | Current   | Non-current | Total      | Current   | Non-current | Total      |
| Lease liability Land & buildings | 11        | 58          | 69         | 9         | 63          | 72         |
| Lease liability other leases     | 5         | 31          | 36         | 4         | 31          | 35         |
| <b>Total</b>                     | <b>16</b> | <b>89</b>   | <b>105</b> | <b>13</b> | <b>94</b>   | <b>107</b> |

| (EUR million)              | Lease liability<br>Land &<br>buildings | Lease liability<br>other leases | Total      |
|----------------------------|--|---------------------------------|------------|
| <b>At 1 January 2022</b>   | <b>75</b>                              | <b>45</b>                       | <b>120</b> |
| Addition                   | 2                                      | 3                               | 5          |
| Interest                   | 1                                      | 1                               | 2          |
| Repayments                 | -9                                     | -6                              | -15        |
| Reversal of unused amounts | -                                      | -8                              | -8         |
| Remeasurements             | 3                                      | -                               | 3          |
| <b>At 31 December 2022</b> | <b>72</b>                              | <b>35</b>                       | <b>107</b> |
| Addition                   | 2                                      | 6                               | 8          |
| Interest                   | 1                                      | 1                               | 2          |
| Repayments                 | -11                                    | -6                              | -17        |
| Remeasurements             | 5                                      | -                               | 5          |
| <b>At 31 December 2023</b> | <b>69</b>                              | <b>36</b>                       | <b>105</b> |

The total cash outflow (including low value items and short-term leases) in 2023 was EUR 17 million (2022: EUR 15 million). TenneT TSO did not commit to any future cash outflow of lease contracts.

| (EUR million)                                     | 2023       | 2022       |
|---|------------|------------|
| Depreciation expense of right-of-use assets       | -15        | -13        |
| Interest expense on lease liabilities             | -2         | -2         |
| <b>Total amount recognised in profit and loss</b> | <b>-17</b> | <b>-15</b> |

The undiscounted maturity analysis of lease liabilities is disclosed in note 24. Below the discounted maturity of the lease liability:

| (EUR million)                    | 2023       | 2022       |
|----------------------------------|------------|------------|
| <1 month                         | 2          | 2          |
| 1 to 3 months                    | 2          | 1          |
| 3 to 12 months                   | 12         | 10         |
| 1 to 5 years                     | 42         | 41         |
| More than 5 years                | 47         | 53         |
| <b>Total discounted maturity</b> | <b>105</b> | <b>107</b> |

### ① Accounting policy

At inception of a contract, TenneT TSO assesses whether a contract conveys the right to control the use of an identified asset for a period in exchange for consideration, in which case it is classified as a lease.

TenneT TSO recognises a right-of-use asset and a lease liability at the lease commencement date. The asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received.

The lease asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, considered to be indicated by the lease term. The lease asset is periodically adjusted for certain remeasurements of the lease liability and impairment losses (if any).

The lease liability is initially measured at the present value of outstanding lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, TenneT's incremental borrowing rate. If available, the interest rate implicit in the lease is used for discounting (e.g. car leases). Otherwise the used discount rates are shown below:

|                | 2023 | 2022 |
|----------------|------|------|
| Under 5 year   | 2.6% | 0.5% |
| 5-10 years     | 3.2% | 1.6% |
| 10-15 years    | 3.5% | 2.2% |
| 15-25 years    | 3.7% | 2.5% |
| Above 25 years | 3.9% | 2.8% |

After initial recognition, the lease liability is measured at the present value of the remaining lease payments using the effective interest method and is remeasured when there is a change in future lease payments arising from a change in an index or rate or if TenneT TSO changes its assessment of whether it will exercise a purchase, extension or termination option. A corresponding adjustment is made to the carrying amount of the right-of-use asset with any excess over the carrying amount of the asset being recognised as profit or loss.

### Short-term leases and leases of low value

TenneT TSO has elected not to recognise right-of-use assets and lease liabilities for short-term leases (leases with a term of 12 months or less) and leases of low-value assets. TenneT TSO recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee's benefit. Furthermore, we have chosen not to recognise the lease of intangible assets.

## 10 Intangible assets

| (EUR million)                      | Goodwill | Software   | Customer contracts | Other intangible assets | Intangible assets under construction | Total      |
|------------------------------------|----------|------------|--------------------|-------------------------|--------------------------------------|------------|
| <b>Cost</b>                        |          |            |                    |                         |                                      |            |
| <b>At 1 January 2022</b>           | <b>3</b> | <b>291</b> | <b>64</b>          | <b>26</b>               | <b>56</b>                            | <b>440</b> |
| Additions                          | -        | -          | -                  | -                       | 58                                   | 58         |
| Transfers                          | -        | 46         | -                  | -                       | -46                                  | -          |
| <b>At 31 December 2022</b>         | <b>3</b> | <b>337</b> | <b>64</b>          | <b>26</b>               | <b>68</b>                            | <b>498</b> |
| Additions                          | -        | -          | -                  | -                       | 86                                   | 86         |
| Transfers                          | -        | 83         | -                  | -                       | -83                                  | -          |
| Impairment                         | -        | -          | -                  | -                       | -2                                   | -2         |
| <b>At 31 December 2023</b>         | <b>3</b> | <b>420</b> | <b>64</b>          | <b>26</b>               | <b>69</b>                            | <b>582</b> |
| <b>Amortisation and impairment</b> |          |            |                    |                         |                                      |            |
| <b>At 1 January 2022</b>           | <b>-</b> | <b>199</b> | <b>63</b>          | <b>6</b>                | <b>-</b>                             | <b>268</b> |
| Amortisation for the year          | -        | 28         | 1                  | -                       | -                                    | 29         |
| <b>At 31 December 2022</b>         | <b>-</b> | <b>227</b> | <b>64</b>          | <b>6</b>                | <b>-</b>                             | <b>297</b> |
| Amortisation for the year          | -        | 35         | -                  | -                       | -                                    | 35         |
| <b>At 31 December 2023</b>         | <b>-</b> | <b>262</b> | <b>64</b>          | <b>6</b>                | <b>-</b>                             | <b>332</b> |
| <b>Net book value:</b>             |          |            |                    |                         |                                      |            |
| At 1 January 2022                  | 3        | 92         | 1                  | 20                      | 56                                   | 172        |
| At 31 December 2022                | 3        | 110        | -                  | 20                      | 68                                   | 201        |
| At 31 December 2023                | 3        | 158        | -                  | 20                      | 69                                   | 250        |

Additions to intangible assets under constructions mainly relate to customising activities of a new ERP (Enterprise Resource Planning) system and other software systems. Intangible assets under construction mainly consist of software. During 2023 EUR 39 million (2022: EUR 46 million) of software was internally developed. Reference is made to note 37 for more details on the legal reserve.

### ① Accounting policy

Intangible assets are measured at acquisition cost on initial recognition. The cost of intangible assets acquired in a business combination is recognised at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Except for capitalised development costs, internally generated intangible assets are not capitalised and expenses are reflected in the statement of income in the period in which they incur.

Goodwill is initially measured at cost and represents the excess (i) of the consideration transferred over (ii) TenneT TSO B.V.'s interest in the value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the amount of the non-controlling interest in the acquiree. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

At each reporting date, we assess whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. The recoverable amount is the higher end of an asset's or CGU's fair value less costs of disposal and its value in use. If the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.



## Key estimates and assumptions

| Estimated useful lives intangible assets | Years      |
|--|------------|
| Goodwill                                 | Indefinite |
| Software                                 | 3-12       |
| Customer contracts                       | 10-14      |
| Purchased rights to use land             | 25-45      |
| Other                                    | 5-15       |

Intangible assets, with the exception of goodwill, have a fixed useful life within the ranges outlined above and are amortised over such useful life. The useful life is re-assessed each reporting period. Intangible assets are amortised on a straight line basis, as this best reflects the use of the asset.

Goodwill is assumed to have an indefinite useful life and is therefore not amortised, but is tested for impairment annually or more frequently, if events or changes in circumstances indicate a triggering event, either individually or at CGU level.

### Impairment testing of goodwill

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU (our operating segment) expected to benefit from the synergies of the combination. The CGU to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects our assessment of current market conditions in respect of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used, if no recent market transactions can be identified.

The impairment calculation is based on detailed projections, which are prepared for the CGU to which the individual assets are allocated. The projections take into account current regulatory parameters, taking into account expected future regulatory developments. Management believes that the resulting cash flows can be determined reliably and that they give an appropriate reflection of the CGU's cash flow generating potential.

## 11 Business combinations and changes in consolidated entities

### Mergers and acquisitions

As of 31 December 2022 CertiQ B.V. merged with Vertogas B.V. into VertiCer B.V. Vertogas B.V. is the issued body for green gas certificates and was fully owned by Gasunie N.V. After this merger, both Gasunie and TenneT hold each 50% of the shares in VertiCer B.V.

### Accounting policy

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of assets and liabilities measured at their acquisition-date fair value (with a limited number of specified exceptions) including the amount of any non-controlling interest in the acquiree. For each business combination, we decide whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred in connection with an acquisition and included in other expenses (see note 4).

Upon loss of significant influence over the business combinations, any retained investment is valued at fair value. Any difference between the carrying amount of the investment upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the statement of income.

## 12 Investments in joint ventures and associates

### Joint ventures and associates

TenneT TSO has, directly or indirectly, 50% equity stakes in Reddyn B.V., Tenzs B.V. and VertiCer B.V. (see note 11), and a 20% equity stake in Equigy B.V. These investments are classified as joint ventures. For the investment in Equigy B.V. joint control is exercised, despite unequal equity stakes. Therefore this investment is classified as joint venture. As of 25 October 2023 TenneT has a 50% participation in National Energy Information Services B.V. (NEIS).

These investments are classified as joint ventures. None of these joint ventures are considered as material. TenneT's share in result (which is equal to other and total comprehensive income) of these immaterial joint ventures amounted to EUR 4 million in 2023 (2022: EUR 3 million).

At 31 December 2023 TenneT TSO B.V. holds three immaterial investments in associates Energie Data Services Nederland B.V. (EDSN) (12.5%), Beheer Afsprakenstelsel B.V. (BAS) (25%) and TSCNET Services GmbH (TSC) (6.25%). TenneT's share in result (which is equal to other and total comprehensive income) of these immaterial associates amounted in EUR nil in 2023 (2022: nil).

In 2023 we received no dividend from our associates and joint ventures (2022: nil).

### ① Accounting policy

A joint venture is an arrangement whereby the parties in the arrangement have joint control over the net assets of the joint arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. An associate is an entity in which we have significant influence, but no control. Significant influence is the power to participate in the financial and operating policy decisions of the investor.

Investments in joint ventures and associates are accounted for using the equity method. Under the equity method, the investment in the joint venture or associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in TenneT TSO's share of net assets of the investment since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of income reflects our share of the results of operations of investments. Any change in other comprehensive income of these investments is presented as part of the other comprehensive income. In addition, when there is a change recognised directly in the equity of the investment, our share of any change is recognised in the statement of changes in equity. Unrealised gains and losses resulting from transactions between us and any investment are eliminated to the extent of the interest in such investment. When an associate or joint venture distributes dividend to us in excess of our carrying amount, a liability is recognised if TenneT TSO:

- a. is obliged to refund the dividend;
- b. has incurred a legal or constructive obligation; or
- c. made payments on behalf of the associate.

In the absence of such obligations, the excess in net result for the period is recognised. When the associate or joint venture subsequently generates results, this is only recognised if and to the extent they exceed the excess cash distributions recognised in net result plus any previously unrecognised losses.

After application of the equity method, we determine whether it is necessary to recognise an impairment loss on our investment in the joint venture or associate. At each reporting date, we determine whether there is objective evidence that the investment is impaired. If such evidence exists, the amount of impairment is calculated as the excess of the carrying value of the investment over its recoverable amount and recognised in the statement of income.

Upon loss of significant influence over the joint venture/associate, any retained investment is valued at fair value. Any difference between the carrying amount of the investment upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the statement of income.

### 13 Other financial assets

| (EUR million)                    | 2023      | 2022      |
|----------------------------------|-----------|-----------|
| Receivables from related parties | 26        | 31        |
| Other prepayments                | 6         | 7         |
| <b>Total</b>                     | <b>32</b> | <b>38</b> |

Stichting Doelgelden Landelijk Hoogspanningsnet (hereafter: 'The Foundation') holds preference shares in TenneT TSO Duitsland B.V. recognised at amortised cost. TenneT TSO Duitsland B.V. indirectly holds all shares in TenneT GmbH & Co KG. that holds all German regulated activities of TenneT Holding B.V. In order to protect the allocated funds and to ensure their immediate availability upon request from the Dutch regulator a put- and a call option have been emitted. The call option with an exercise price of EUR 26.4 million entitles TenneT Holding B.V. to acquire the investment from 'The Foundation'. The put option has an exercise price of EUR 26.4 million and requires TenneT Orange B.V. to buy the investment for 'The Foundation' upon offer. The obligation of TenneT Orange B.V. is largely covered by means of a guarantee issued by TenneT Holding B.V. The fair values of the options are nil for the call option and nil for the put option.

#### ① Accounting policy

Please refer to note 26, accounting policies for financial instruments.

### 14 Inventory

Inventory primarily composes of strategic stock. The allowance for inventory is EUR 4 million (2022: EUR 4 million). The fair value of inventory is not materially different from the carrying value.

#### ① Accounting policy

Inventory is recognised at the lower of cost and net realisable value. Cost comprises direct purchase costs and associated costs incurred in bringing inventories to their present condition and location. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make a sale.

### 15 Account- and other receivables

| (EUR million)                          | 2023       | 2022       |
|--|------------|------------|
| Trade receivables                      | 198        | 129        |
| VAT receivable                         | -          | 31         |
| Amounts to be invoiced                 | 85         | 93         |
| Amounts due from other related parties | 24         | 41         |
| Subsidies to be received               | 131        | 80         |
| Prepaid energy costs                   | 2          | 35         |
| Other                                  | 22         | 25         |
| <b>Total</b>                           | <b>462</b> | <b>434</b> |

### Trade receivables

Trade receivables increased due to increased tariffs and volumes charged to DSO's.

As at 31 December, the ageing of trade receivables was as follows:

| (EUR million) | Total      | Not past due | 0-30 days | Past due   |                   |
|---------------|------------|--------------|-----------|------------|-------------------|
|               |            |              |           | 31-60 days | More than 60 days |
| <b>2023</b>   | <b>198</b> | <b>178</b>   | <b>8</b>  | <b>8</b>   | <b>4</b>          |
| 2022          | 129        | 104          | 12        | 10         | 3                 |

Changes in the allowance for expected credit losses are as follows:

| (EUR million)           | 2023      | 2022      |
|-------------------------|-----------|-----------|
| <b>At 1 January</b>     | <b>23</b> | <b>18</b> |
| Charge for the year     | 1         | 6         |
| Utilised                | -14       | -1        |
| Unused amounts reversed | -1        | -         |
| <b>At 31 December</b>   | <b>9</b>  | <b>23</b> |

As at 31 December 2023, receivables with an initial value of EUR 1 million (2022: EUR 1 million) were fully provided for.

### Subsidies to be received

The drivers for the increase of subsidies to be received is the increase for the expected subsidies for 2023 and recalculations on the WACC due to the increased interest.

### Other

A value of EUR 4 million (2022: EUR 3 million) is recognised as a receivable for more than one year.

### ① Accounting policy

Please refer to note 26, accounting policies for financial instruments.

## 16 Cash and cash equivalents

Cash and cash equivalents consisted of collateral securities, short-term bank deposits and cash at bank (excluding bank overdrafts) and can be broken down as follows:

| (EUR million)  | 2023                 |            | 2022                 |            |
|--|----------------------|------------|----------------------|------------|
|  | Not at free disposal | Total      | Not at free disposal | Total      |
| Collateral securities  | 373                  | 373        | 550                  | 550        |
| Cash at bank   | 2                    | 2          | 1                    | 1          |
| <b>Total cash and cash equivalents used in cash flow statement</b> | <b>375</b>           | <b>375</b> | <b>551</b>           | <b>551</b> |

Cash at banks carry interest at floating rates based on daily bank deposit rates.

### ① Accounting policy

In the consolidated statement of cash flows, cash and cash equivalents include cash at bank, deposits held at call with banks, other short-term highly liquid investments with remaining maturities of three months or less and are presented net of outstanding bank overdrafts. Securities are deposits on collaterals that serve as financial security for transactions relating to auction, energy exchange and balancing responsibilities. A matching debt is recognised to the party that deposited the funds as collateral. Securities are stated at fair value upon receipt and subsequently at amortised cost.

The Group presents its cash flows in the consolidated statement of cash flows using the indirect method. The Group has elected to classify interest received as cash flows from investing activities and interest paid (including interest on lease liabilities) as cash flows from financing activities.

## 17 Equity

### Equity attributable to owners of the company

#### Paid-up and called-up capital

The Company's authorised share capital amounted to EUR 500 million (2022: EUR 500million), divided into one million shares of EUR 500 each. Of these shares, two hundred thousand shares have been issued and paid-up.

#### Retained earnings

Part of the retained earnings has been presented as legal reserve. For more details see note 40.

#### Share premium reserve

The share premium reserve consists of the capital contributions, made by the shareholder of ordinary shares, TenneT Holding B.V. Indirectly the Dutch state represented by the Ministry of Finance is the shareholder. The share premium reserve consists of the capital contributions, made by the shareholder of ordinary shares, the Dutch state represented by the Ministry of Finance. In 2022 EUR 1,230 million was received. In June 2023 TenneT TSO received a contribution from the shareholder of EUR 1,602 million.

#### Dividend distribution

In 2023 a common full-year dividend of EUR 64 million (EUR 50 per share) to our ordinary shareholder was distributed (2022: EUR 50 million). In agreement with TenneT Holding we have established a dividend policy with a pay-out of 35% of the underlying profit for the year. The appropriation of the 2023 result is at the free disposal of the General Meeting of Shareholders.

## Capital management

Capital management is performed by TenneT Holding B.V. for the entire TenneT Holding Group, including capital management for TenneT TSO.

The primary objective of TenneT's capital management is to ensure a sustainable financial position to absorb adverse changes in the regulatory environment and to enable TenneT to execute its extensive investment program which is essential for the success of the energy transition in the Netherlands and Germany. The majority of the funding for TenneT's overall investment program is sourced from TenneT Holding's shareholder the Dutch state, the debt capital markets, commercial banks and international financial institutions (e.g. the European Investment Bank).

Capital management for TenneT TSO specifically takes into account existing regulatory requirements and adjustments to the regulatory framework. Please refer to the integrated annual report of TenneT Holding B.V. for details regarding the overall capital management of the TenneT Holding Group.

## 18 Borrowings

| (EUR million)                               | Effective interest rate | Maturity | Redemption schedule | 2023         | 2022         |
|---|-------------------------|----------|---------------------|--------------|--------------|
| Loan from shareholder (TenneT Holding B.V.) | 2.20%                   | Dec-32   | At maturity         | 6,350        | 5,221        |
| <b>Non-current interest-bearing loans</b>   |                         |          |                     | <b>6,350</b> | <b>5,221</b> |

TenneT TSO B.V. is financed through TenneT Holding B.V. As per 31 December 2023 the principal amount of the finance facility between TenneT Holding B.V. and TenneT TSO B.V. amounted to EUR 6,350 million (2022: EUR 5,221 million); a maximum facility has not been agreed upon. The facility matures after 10 years and is automatically extended in September of every year for another year, unless agreed upon otherwise. The facility has no financial covenants. The effective interest rate is equal to the cost of fund of TenneT Holding B.V. with a surcharge of +0.125%. TenneT TSO B.V. had no other credit facilities as at 31 December 2023 (2022: nil).

The fair value of the loan from the shareholder is EUR 5,752 million (2022: EUR 4,374 million). For more information about the fair value and applicable accounting policy, please refer to note 25 and 26, respectively.

Changes in our borrowings arising from our financing activities are as follows:

| (EUR million)                   | (Non) -current interest-bearing loans | Total        |
|---------------------------------|---------------------------------------|--------------|
| <b>At 1 January 2022</b>        | <b>4,356</b>                          | <b>4,356</b> |
| Cash inflow from new borrowings | 2,250                                 | 2,250        |
| Cash outflow from redemptions   | -1,385                                | -1,385       |
| <b>At 31 December 2022</b>      | <b>5,221</b>                          | <b>5,221</b> |
| Cash inflow from new borrowings | 2,375                                 | 2,375        |
| Cash outflow from redemptions   | -1,246                                | -1,246       |
| <b>At 31 December 2023</b>      | <b>6,350</b>                          | <b>6,350</b> |

## ① Accounting policy

Please refer to note 26, accounting policies for financial instruments.

## 19 Contract liabilities

|                            |            |
|----------------------------|------------|
| (EUR million)              |            |
| <b>At 1 January 2022</b>   | <b>374</b> |
| Addition                   | 104        |
| Amortisation               | -11        |
| <b>At 31 December 2022</b> | <b>467</b> |
| Addition                   | 87         |
| Amortisation               | -12        |
| <b>At 31 December 2023</b> | <b>542</b> |

|               |             |            |
|---------------|-------------|------------|
| (EUR million) | <b>2023</b> | 2022       |
| < 1 year      | 12          | 15         |
| 1-5 years     | 49          | 53         |
| > 5 years     | 481         | 399        |
| <b>Total</b>  | <b>542</b>  | <b>467</b> |

Additions in contract liabilities mainly relate to new grid connections from clients that will be connected to our grid.

### ① Accounting policy

Contract liabilities are recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised in accordance with the related contract. At initial recognition contributions received from third parties are measured at transaction price, presented as contract liabilities ('investment contributions') and are subsequently recognised as revenue over the related asset's useful life.

## 20 Provisions

| (EUR million)                     | 2023      |             |            | 2022      |             |            |
|-----------------------------------|-----------|-------------|------------|-----------|-------------|------------|
|                                   | Current   | Non-current | Total      | Current   | Non-current | Total      |
| Environmental and decommissioning | 2         | 465         | 467        | 1         | 280         | 281        |
| Other                             | 52        | 25          | 77         | 57        | 18          | 75         |
| <b>Total</b>                      | <b>54</b> | <b>490</b>  | <b>544</b> | <b>58</b> | <b>298</b>  | <b>356</b> |

| (EUR million)              | Environmental management and decommissioning | Other     | Total      |
|----------------------------|--|-----------|------------|
| <b>At 1 January 2022</b>   | <b>311</b>                                   | <b>42</b> | <b>353</b> |
| Addition                   | 81   | 53        | 134        |
| Utilisation                | -  | -1        | -1         |
| Changes in estimates       | -116   | -10       | -126       |
| Interest                   | 5  | 1         | 6          |
| Unused amounts reversed    | -  | -10       | -10        |
| <b>At 31 December 2022</b> | <b>281</b>                                   | <b>75</b> | <b>356</b> |
| Addition                   | 40   | 46        | 86         |
| Utilisation                | -3   | -38       | -41        |
| Changes in estimates       | 142  | 3         | 145        |
| Interest                   | 7  | 1         | 8          |
| Unused amounts reversed    | -  | -10       | -10        |
| <b>At 31 December 2023</b> | <b>467</b>                                   | <b>77</b> | <b>544</b> |



### Provisions for environmental management and decommissioning

Provisions for environmental management and decommissioning serve to cover future obligations in relation to high-voltage connections, underground cables and offshore platforms, including decommissioning costs. Asset retirement obligations are included for the legal and constructive obligations in relation to all our offshore interconnectors and offshore assets, consisting of offshore platforms and (subsea) cables. In 2023 EUR 40 million was added (2022: EUR 81 million) for future decommissioning costs for projects constructed during 2023. Changes in estimates related to the provision for decommissioning amounted to an addition of EUR 142 million (2022: release of EUR 116 million), mainly due to changes in the used discount rate (decrease of EUR 6 million) and used inflation rate (increase of EUR 27 million), further due to changes in underlying assumptions and applicable price levels and extended useful lifetimes (increase of EUR 121 million). The changes in estimates were not recognised through the statement of income. There was no decommissioning of substations in 2023 or 2022. In line with current regulation and permits, the first decommissioning of offshore platforms and linked grid connections is expected to be finalised in 2046.

### Other provisions

The majority of other provisions relates to claims, tariffs related provisions and personnel related provisions. TenneT TSO has future liabilities under the Collective Labour Agreement involving the payment of salary-related bonuses to long-serving and retiring employees on their retirement date. The associated provision has been calculated on the basis of actuarial principles. The main assumptions made in this context concern the annual salary increase, the leave chance and an age-dependent retention rate.

The majority of the claims are related to construction contracts and planning damage where the estimated additional payments are capitalised.

On 2 September 2022 a short circuit occurred on the newly built substation Dronten and led to a chain of events that caused damage to various parties. For the estimated costs we have recognised a current provision which is recognised through the statement of income of 2022. In 2023 a partial release is recognised through the statement of income.

### ① Accounting policy

Provisions are recognised when there is (i) a legal or constructive obligation as a result of past events, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (iii) when the amount can be reliably estimated. Provisions are measured at the present value of estimated cash flows to settle obligations, based on expected price levels. Cash flows are discounted at a pre-tax rate that reflects the risks specific to the liability. The unwinding of interest components is recognised in the statement of income as finance cost.

Estimated future costs are reviewed annually and adjusted as appropriate. Changes in estimated future costs and discount rates for decommissioning costs are recognised as changes in estimations and recorded in tangible fixed assets. All other provisions changes in estimated future costs and discount rates are recognised in the statement of income.

### Key estimates and assumptions

The estimated decommissioning provision involves 1) assessing decommissioning costs and 2) assessing the expected remaining useful life of the relevant asset. The main uncertainties related to the decommissioning costs are the removal method (currently assuming reverse installation), the uncertainties around equipment and vessel availability and market rates at expected time of decommissioning. As at 31 December limited benchmark information was available. Decommissioning costs are provided for at the present value of expected costs to settle the obligation. The useful life of the offshore platforms and linked grid connections is estimated at 25 till 35 years and have been extended compared to previous year due to reassessment of the useful lives (2022: 20 till 30 years). For interconnectors the useful life is estimated at 40 years. This provision assumed a discount rate between 2.476% and 2.545% (2022: between 2.409% and 2.739%) and an inflation rate between 2.328% and 2.443% (2022: between 2.594% and 2.624%). A change in the discount rate of 1 percent point would have a maximum impact of EUR 105 million on the asset value and liability value.

A discount rate of 3.0% (2022 short term: 2.7%; 2022 long term: 2.9%) was applied for environmental management provisions. A change in discount rate of 1 percent point would have a maximum impact of EUR 0.4 million on the related book value.

A discount rate of 3.0% was applied for other provisions (2022: 4.25%). A change in discount rate of 1 percent point could have a maximum impact of EUR 4 million on the related book value.

We are of the opinion that the recorded provisions reflect the best estimate of the probable outflow of resources. However, uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of these provisions in future periods.

Due to the business TenneT TSO operates in and the Group's legal structure, TenneT TSO faces several contingent liabilities. In general the following items are recognised as contingent liabilities at TenneT TSO:

- Possible impact of the Dutch regulatory framework on TenneT TSO's business financial conditions and net income;
- Operational risks and risks related to material projects;
- Impact of environmental issues;
- Risks relating to the legal structure of TenneT TSO;
- Risks relating to the financing of TenneT TSO;
- Factors which are material for the purpose of assessing market risks.

Uncertainties relating to contingent liabilities make a reliable estimation of the financial impact impossible. For further contingent liabilities please refer to note 27.

## 21 Account- and other payables

| (EUR million)                             | 2023       | 2022       |
|---|------------|------------|
| Accounts payable                          | 204        | 44         |
| Grid expenses payable                     | 101        | 245        |
| Social securities and other taxes payable | 29         | 18         |
| Payables to related parties               | 75         | 133        |
| Accruals for tangible fixed assets        | -          | 8          |
| Other payables                            | 156        | 111        |
| <b>Total</b>                              | <b>565</b> | <b>559</b> |

### Accounts payable

The increase of accounts payable is mainly due to the shift from grid expenses payable.

### Grid expenses payable

The grid expenses payable consisted mainly of accrued expenses for (i) feed-in management and (ii) redispatch measures. The result of the decreasing amount of grid expenses payable is a combination of two factors. Due to the decreasing amount of grid expenses, the payables decreased as well and a shift took place from grid expenses payable to accounts payable.

### Key estimates and assumptions

Accrued expenses for measures taken to restore the imbalance of the electricity grid, relate to balancing services provided by various electricity generating parties. At year-end, we record an accrual for all balancing costs. The accrual is based on actual volumes or, if not available, forecast volumes derived from models. Several assumptions are made in these models such as weather conditions, requested volumes and capacity per plant. Prices are based on underlying contracts and/or historical data.

### Payables to related parties

Payables to related parties decreased due to increased volatility with respect to revenue and expenses at TenneT TSO, this payable will be transferred to TenneT Group.

#### ① Accounting policy

Please refer to note 26, accounting policies for financial instruments.

### 22 Other financial liabilities

Other financial liabilities relate to collateral securities given by third parties to underwrite trading on energy exchanges and the auctioning of cross-border interconnection capacity. Reference is made to note 16 Cash and cash equivalents.

#### ① Accounting policy

Please refer to note 26, accounting policies for financial instruments.

### 23 Decree on Financial Management of Grid Operators

As the national network operator, TenneT must comply with the requirements in Article 43, paragraph 9, point c of the Dutch Electricity Act 1998. Following article 3b of the Decree on Financial Management of Grid Operators (Besluit Financieel Beheer Netbeheerder, "BFBN", TenneT confirms that a credit rating agency has assigned an investment grade credit rating to TenneT TSO B.V.

### 24 Financial risk management

Our business activities are exposed to a number of financial risks such as interest rate risk, credit risk, liquidity risk and refinancing risk, which are described in detail in this note. Our financial risk management strategy primarily focuses on protecting the liquidity, equity capital and net profit in order to safeguard our ability to continue active operations while providing an adequate return to our shareholders. Our approach to managing financial risks, including a number of specific disclosures (such as a maturity analysis of contractual undiscounted financial obligations) required by accounting standards, are set out in this note. For details about our regulatory risk we refer to the 'Risk Management' section of the Management Board report.

Risk management related to financing activities is done by our Treasury department under policies included in the Treasury Statute approved by the Executive Board of TenneT Holding B.V. The Treasury department's objective is to facilitate the realisation of our financial and strategic objectives from a funding and financial risk perspective. The Treasury Statute includes principles covering specific areas such as interest rate risk, liquidity risk, the use of derivatives and the investment of excess liquidity. The use of all ordinary course financial instruments is permitted, provided these are used solely to cover open positions. Any speculative use of financial instruments is explicitly not authorised.

#### Interest rate risk

TenneT is exposed to interest rate risk on its debt. TenneT's debt mainly consists of long term intercompany loans provided by TenneT Holding B.V. The long term intercompany loans carry a floating interest rate which is based on the cost of TenneT Holding B.V.'s external loan portfolio. To limit the interest rate risk, TenneT Holding B.V.'s policy is to base the majority of its external loan portfolio on fixed interest rates. As of 31 December 2023, the external loan portfolio was for more than 83% (2022: 98%) based on fixed interest rates. An increase or decrease in interest rates of 2 percentage points would result in an increase or decrease of EUR 21.6 million in TenneT's interest cost (2022: EUR 1.6 million).

The risk that the interest payable on borrowings exceeds the interest compensation received by TenneT Group is largely mitigated with the ex-post settlement of the interest rates which is part of the new regulatory period as of 2022.

#### Credit risk

TenneT is exposed to the risk of loss resulting from counterparties' defaulting on their commitments including failure to pay or make a delivery on a contract. Our exposure to credit risk from its operating activities and treasury activities is inherent to our business activities.

### Operational credit risk

In respect of our operating activities, we have a credit policy in place, which takes into account the risk profiles of the counterparties. We also have policies in place to monitor the financial viability of counterparties.

The management of energy exchanges and the maintenance of the energy balance between supply and demand requires handling of large cash flows. TenneT TSO's policies are aimed at minimising the risks associated with the clearing transactions of these cash flows. We are responsible for maintaining the balance between supply and demand of energy. The associated costs are covered by income from parties with balance responsibility, which are charged for any imbalances attributable to them. Any surplus is deducted from the tariffs for system services. For certain situations, securities in the form of bank guarantees and collaterals are held as protection against the default risk of the parties with balance responsibility. With respect to the investment projects, we require counterparties to deliver bank guarantees or collaterals as a protection against defaults.

Credit risk on trade and other receivables is limited, because most of our trade and other debtors have a low risk of default. Consequently, TenneT TSO requires no material collateral as security and no insurance for credit risk. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 13 and 15. The movement of the allowance for expected credit losses of trade receivables is included in note 13.

The provision rates for expected credit losses are based on groupings of various customer segments with similar loss patterns (such as customer type and arrears in payments). Any expected credit losses for financial guarantee contracts and commitment letters (if any) are also provided for. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables and other financial assets are written-off if there is no reasonable expectation of recovering the contractual cash flows. TenneT TSO considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, TenneT TSO may also consider a financial asset to be in default when internal or external information indicates that TenneT is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by TenneT TSO.

### Financial credit risk

In 2023 financial credit risk arose mainly from our transactions and positions with TenneT Holding. As at 31 December 2023, the maximum credit risk amounted to nil (2022: nil).

Counterparty risk may be defined as the risk that a party that has entered into a contract with TenneT TSO B.V. is unable to fulfil its financial obligations towards TenneT TSO B.V. In accordance with our treasury policies, counterparty credit exposure is monitored frequently against the counterparty credit limits. Exposure per counterparty is calculated for the group as a whole. We have concentration limits in place for the group for current account balances, when funds are placed on deposit and when financial derivatives, Money Market Loans and other products are entered into.

Management does not expect any significant losses from non-performance by treasury counterparties.

### Liquidity risk

Liquidity risk is defined as the risk that TenneT Group cannot meet its short-term financial obligations. Liquidity is monitored every quarter on a rolling 12-month forward-looking basis. The 12-month liquidity objective of TenneT Group was met on 31 December 2023 and 31 December 2022.

The following maturity schedules presents our financial obligations on a contractual non-discounted basis:

| (EUR million)               | Notes | <1 month   | 1 to 3 months | 3 to 12 months | 1 to 5 years | More than 5 years | Total        |
|-----------------------------|-------|------------|---------------|----------------|--------------|-------------------|--------------|
| <b>At 31 December 2022</b>  |       |            |               |                |              |                   |              |
| Lease liabilities           | 9     | 2          | 1             | 10             | 45           | 71                | 129          |
| Borrowings                  | 18    | -          | -             | -              | -            | 5,221             | 5,221        |
| Account- and other payables | 21    | 133        | 262           | 164            | -            | -                 | 559          |
| Other financial liabilities | 22    | 550        | -             | -              | -            | -                 | 550          |
| <b>Total</b>                |       | <b>685</b> | <b>263</b>    | <b>174</b>     | <b>45</b>    | <b>5,292</b>      | <b>6,459</b> |
| <b>At 31 December 2023</b>  |       |            |               |                |              |                   |              |
| Lease liabilities           | 9     | 3          | 2             | 13             | 46           | 64                | 128          |
| Borrowings                  | 18    | -          | -             | -              | -            | 6,350             | 6,350        |
| Account- and other payables | 21    | 265        | 146           | 154            | -            | -                 | 565          |
| Other financial liabilities | 22    | 373        | -             | -              | -            | -                 | 373          |
| <b>Total</b>                |       | <b>641</b> | <b>148</b>    | <b>167</b>     | <b>46</b>    | <b>6,414</b>      | <b>7,416</b> |

The financing arrangement with TenneT Holding B.V. is such that management expects that all substantial adverse financial developments and events can reasonably be expected to be accommodated and that continuation of day-to-day operations is ensured for at least 12 months. No security interest over any of TenneT TSO's assets has been provided.

We expect to meet our financial obligations for 2024 with (i) cash and cash equivalents, (ii) funds from operations (iii) unused credit facilities (iv) financing provided by TenneT Holding's shareholder the Dutch state and (v) capital market transactions provided by TenneT Holding B.V. We expect to meet our financial obligations for the subsequent years through various capital market transactions and equity contributions and intend to manage future refinancing risks by spreading the tenors of new financing arrangements.

At 12 January 2024, the Shareholder TenneT Holding B.V. and the Dutch state have made arrangements regarding a temporary shareholder loan facility of EUR 25 billion, safeguarding our planned investments in the Netherlands and Germany for 2024 and 2025. The loan facility, which will be granted at market conditions, is subject to a customary parliamentary approval process, which is currently in progress.

### Equity risk

There is a risk of a lack of access to equity on a sustainable basis. This risk reflects the inability to raise additional equity in a timely fashion in case of unexpectedly large increases in our investment portfolio or negative regulatory developments. Actions taken in order to mitigate this risk are: (i) an active financing strategy to create and maintain an optimal capital structure as well as to diversify funding sources and manage financial risks, (ii) a proactive approach of potential investors and active discussion with our shareholder to contribute additional equity (an amount of EUR 1.6 billion was received in 2023 (2022: 1.2 billion), see note 18) and (iii) lobbying activities to ensure that regulatory frameworks remain adequate to safeguard regulators income or explore potential other solutions and returns to investors.

### Commodity price risk

Energy purchase contracts for the forward purchase of electricity that are used to satisfy physical delivery requirements to customers, or for energy that the Group uses itself, meet the expected purchase or usage requirements of IFRS 9. They are, therefore, not recognised in the financial statements until they are realised. Disclosure of commitments under such contracts is made in note 27.

Energy purchase contracts are considered to comprise two components, being a forward purchase of power at spot prices, and a forward purchase of environmental certificates at a variable price (being the contract price less the spot power price).

With respect to our current contracts, neither of these components meets the requirement to be accounted for as a derivative. As currently no liquid market for environmental certificates exists, this component meets the expected purchase or usage exemption of IFRS 9. We expect to enter into an increasing number of these contracts, in order to meet our compliance requirements in the short to medium term. It is possible that in future, if and when liquid markets develop, and to the extent that we are in receipt of environmental certificates in excess of our required levels, this exemption may cease to apply, and we may be required to account for forward purchase commitments for environmental certificates as derivatives at fair value through profit and loss.

## 25 Fair values

The table below provides an overview of the carrying value and fair value of the borrowings, including IFRS treatment and the level in the valuation hierarchy. Instruments are measured at fair value.

| (EUR million)                | Notes | Carrying amount |              | Fair value   |              | Hierarchy |
|------------------------------|-------|-----------------|--------------|--------------|--------------|-----------|
|                              |       | 2023            | 2022         | 2023         | 2022         |           |
| <b>Financial liabilities</b> |       |                 |              |              |              |           |
| <i>Borrowings:</i>           |       |                 |              |              |              |           |
| - Borrowings                 | 18    | 6,350           | 5,221        | 5,752        | 4,374        | Level 2   |
| <b>Total</b>                 |       | <b>6,350</b>    | <b>5,221</b> | <b>5,752</b> | <b>4,374</b> |           |

We concluded that the fair value of the loans and receivables, cash and cash equivalents, account- and other payables, and other financial liabilities approximate their carrying amounts at year end 2023, due to the short-term maturities of these instruments.

The following hierarchy by valuation technique was used to calculate the fair value of assets and liabilities:

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

The fair value of the level 2 borrowings was based on discounted cash flows. A change in the assumptions used to calculate the fair value should not result in a significantly different outcome. There were no transfers between the fair value hierarchy levels during 2023 or 2022.

## 26 ⓘ Accounting policies for financial instruments

### Financial assets

All financial assets are recognised initially at fair value, net of directly attributable transaction cost.

After initial recognition financial assets are measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. TenneT TSO's financial assets are classified as amortised cost, because the following two conditions are met:

- The financial assets are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment.

TenneT TSO recognises an allowance for expected credit losses (ECLs) for financial assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that TenneT TSO expects to receive, discounted at an approximation of the original effective interest rate. For trade receivables and contract assets, TenneT TSO applies a simplified approach in calculating ECLs. Therefore, TenneT TSO does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

### Financial liabilities

All financial liabilities are recognised initially at fair value and, in case of loans and borrowings and payables, net of directly attributable transaction costs. TenneT TSO's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

After initial recognition at fair value, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. EIR amortisation is included as finance expense in the statement of income.

## 27 Commitments and contingencies

Off-balance sheet rights and obligations consist of the following categories:

| (EUR million)                               | 2023          | 2022         |
|---|---------------|--------------|
| <b>Investment related off-balance items</b> |               |              |
| <i>Off-balance sheet rights</i>             |               |              |
| Bank guarantees received and other items    | 1,918         | 344          |
| <b>Total</b>                                | <b>1,918</b>  | <b>344</b>   |
| <i>Off-balance commitments</i>              |               |              |
| Capital commitments                         | 11,333        | 1,854        |
| <b>Total</b>                                | <b>11,333</b> | <b>1,854</b> |
| <b>Other off-balance items</b>              |               |              |
| <i>Other off-balance rights</i>             |               |              |
| Other off-balance sheet rights              | 15            | -            |
| <b>Total</b>                                | <b>15</b>     | <b>-</b>     |
| <i>Other off-balance obligations</i>        |               |              |
| Grid-related commitments                    | 47            | 87           |
| Guarantees issued                           | -             | -            |
| Other off-balance sheet commitments         | 55            | 72           |
| <b>Total</b>                                | <b>102</b>    | <b>159</b>   |

The expected cash flows in respect of capital commitments equals the amounts in the above table. For comfort letters issued, no cash flows are expected.

### Bank guarantees received and other items

The majority is related to bank guarantees received included guarantees for investment projects. Furthermore, on 2 September 2022 a short circuit occurred on the newly built substation Dronten and led to a chain of events that caused damage to various parties. For the estimated costs we have recognised a current provision. The damages have been reported to the insurance companies and are estimated to be covered.



### Capital commitments

The increase in capital commitments increased in 2023 due to obligations related to the offshore 2GW Program.

### Grid related commitments

Grid-related commitments mainly consist of the outstanding value of purchase orders related to grid expenses to which we are committed to.

### Other

Other off-balance sheet commitments mainly consist of the outstanding value of purchase orders to which we are committed.

For these items it is not practically possible to determine the financial effect and possible timing of cash inflows and outflows.

Various other off-balance sheet commitments and contingencies as well as other off-balance sheet rights existed as of 31 December 2023 but were immaterial from a disclosure perspective. The majority of these claims related to (i) construction contracts and planning damage where additional payments would be capitalised, or (ii) claims relating to compensation for delays and interruptions where any compensation would be pass-through for TenneT TSO or (iii) claims relating to refunds of transmission services, which would be compensated in future tariffs. In the unlikely event that these claims would prevail in court, this could have a material impact on the TenneT TSO's financial situation.

### Environmental obligations

TenneT TSO is exposed to risks regarding environmental obligations arising from past activities. For example, a number of sites have to be decontaminated and restored to their original condition before being handed back at the end of the contractual period. Under current legislation, environmental plans and any other measures to be adopted have to be agreed with local, regional and national authorities as appropriate. As soon as such plans are approved or other legal obligations arise, a provision is formed based on the most reliable estimate possible of future expenses. TenneT is of the opinion that the currently recognised provisions are adequate, based on information currently available.

## 28 Related parties

The following related parties are identified at TenneT Holding Group. For an overview of legal entities and joint ventures that are included in the consolidated financial statements, reference is made to note 12 and note 29. Other material related parties are the state of the Netherlands: TenneT Holding B.V. is controlled by the Dutch state, which owns 100% of the Parent Company's ordinary shares.

| Related party   | Legal seat | Country        |
|---|------------|----------------|
| BritNed Development Ltd.  | London     | United Kingdom |
| DC Netz DolWin4 GmbH  | Bayreuth   | Germany        |
| DC Netz HelWin1 GmbH  | Bayreuth   | Germany        |
| DC Netz SylWin2 GmbH  | Bayreuth   | Germany        |
| DC Nordseekabel Beteiligungs GmbH                                     | Bayreuth   | Germany        |
| DC Nordseekabel GmbH & Co. KG   | Bayreuth   | Germany        |
| DC Nordseekabel Management GmbH                                       | Bayreuth   | Germany        |
| Duvekot Rentmeesters B.V.   | Bathmen    | Netherlands    |
| Energie Data Services Nederland (EDSN) B.V.                           | Amersfoort | Netherlands    |
| GlobalWays GmbH*  | Stuttgart  | Germany        |
| Holding des Gestionnaires de Réseaux de Transport d'Électricité S.A.S | Paris      | France         |
| Nlink International B.V.  | Arnhem     | Netherlands    |
| NDIX  | Utrecht    | Netherlands    |
| National Energy Information Services (NEIS) B.V.                      | Groningen  | Netherlands    |
| NOVEC B.V.  | Vianen     | Netherlands    |
| NOVEC GmbH**  | Emsbüren   | Germany        |
| Omroepmasten B.V.   | Vianen     | Netherlands    |
| Relined B.V.  | Utrecht    | Netherlands    |
| Relined GmbH  | Emsbüren   | Germany        |
| TenneT Duitsland Coöperatief U.A.                                     | Arnhem     | Netherlands    |
| TenneT GmbH & Co. KG  | Bayreuth   | Germany        |
| TenneT Green B.V.   | Arnhem     | Netherlands    |
| TenneT GreenNet Stiftung  | Bayreuth   | Germany        |
| TenneT Holding B.V.   | Arnhem     | Netherlands    |
| TenneT Offshore 1. Beteiligungsgesellschaft mbH                       | Bayreuth   | Germany        |
| TenneT Offshore 2. Beteiligungsgesellschaft mbH                       | Bayreuth   | Germany        |
| TenneT Offshore 8. Beteiligungsgesellschaft mbH                       | Bayreuth   | Germany        |
| TenneT Offshore 9. Beteiligungsgesellschaft mbH                       | Bayreuth   | Germany        |
| TenneT Offshore Dolwin 3 Beteiligungs GmbH & Co. KG                   | Bayreuth   | Germany        |
| TenneT Offshore Dolwin 3 GmbH & Co. KG                                | Bayreuth   | Germany        |
| TenneT Offshore Dolwin 3 Verwaltungs GmbH                             | Bayreuth   | Germany        |
| TenneT Offshore GmbH  | Bayreuth   | Germany        |
| TenneT Orange B.V.  | Arnhem     | Netherlands    |
| TenneT Reinsurance N.V.   | Arnhem     | Netherlands    |
| TenneT TSO Duitsland B.V.   | Arnhem     | Netherlands    |
| TenneT TSO GmbH   | Bayreuth   | Germany        |
| TenneT Verwaltungs GmbH   | Bayreuth   | Germany        |
| TransTenneT B.V.  | Arnhem     | Netherlands    |
| WL Winet B.V.   | Vianen     | Netherlands    |

\* At 27 November 2023 Relined GmbH sold Globalways GmbH to Zayo Infrastructure Deutschland GmbH, located in Frankfurt, Germany.

\*\* At 30 November 2023 NOVEC B.V. sold NOVEC GmbH to Phoenix Tower International, located in Boca Raton, FL, USA.

Interest expenses have been charged by TenneT Holding B.V. and other group companies in total of EUR 124 million (2022: EUR 92 million). Interest expenses which have been charged to other group companies amounted to nil (2022: nil). Revenue is charged for a total of EUR 44 million (2022: EUR 22 million) to TenneT Germany and for EUR 22 million (2022: EUR 11 million) to other group entities. Other expenses charged by TenneT Germany for a total of EUR 27 million (2022: EUR 21 million).

The relationship between TenneT TSO B.V. and its related parties within the TenneT Holding Group is compliant with the requirements of article 17b paragraph 1 of the Electricity Act 1998. The related parties perform the activities the transmission system operator is not allowed to in accordance with article 17c paragraph 2 of the Electricity Act 1998.

## 29 Consolidated subsidiaries

The following legal entities are included in the consolidation of TenneT TSO B.V.:

| Subsidiary  | Legal seat | Country     | Voting interest |      | Economic interest |      |   |
|---|------------|-------------|-----------------|------|-------------------|------|---|
|   |            |             | 2023            | 2022 | 2023              | 2022 |   |
| B.V. Transportnet Zuid-Holland                        | Voorburg   | Netherlands | 100%            | 100% | 100%              | 100% | * |
| Nadine Netwerk B.V.                                   | Arnhem     | Netherlands | 100%            | 100% | 100%              | 100% | * |
| Saranne B.V.  | Arnhem     | Netherlands | 100%            | 100% | 100%              | 100% | * |
| Stichting Beheer Doelgelde Landelijk Hoogspanningsnet | Arnhem     | Netherlands | 100%            | 100% | N/A               | N/A  |   |

\* For these companies TenneT has issued a declaration of liability as referred to Article 403, Part 9 of Book 2 of the Dutch Civil Code.

As TenneT is able to exercise direct control over its management and financial and operational policies, Stichting Beheer Doelgelde Landelijk Hoogspanningsnet, a foundation which temporarily manages funds arising from the maintenance of the energy balance and auctioning of cross-border capacity by TenneT TSO B.V., is included in the consolidation.

## 30 Events after the reporting period

At 12 January 2024, the Shareholder TenneT Holding B.V. and the Dutch state have made arrangements regarding a temporary shareholder loan facility of EUR 25 billion, safeguarding our planned investments in the Netherlands and Germany for 2024 and 2025. The loan facility, which will be granted at market conditions, is subject to a customary parliamentary approval process, which is currently in progress.

# Company financial statements

## Company statement of financial position

For the year ended 31 December (EUR million)

| Assets                                       | Notes  | 2023          | 2022          |
|--|--------|---------------|---------------|
| <b>Non-current assets</b>                    |        |               |               |
| Tangible fixed assets                        | 32     | 11,415        | 8,708         |
| Right-of-use assets                          | 9      | 103           | 105           |
| Intangible assets                            | 33     | 249           | 200           |
| Investments in subsidiaries                  | 34     | 604           | 604           |
| Investments in joint ventures and associates | 12     | 4             | 3             |
| Deferred tax assets                          | 39     | 574           | 417           |
| Other financial assets                       | 13, 35 | 6             | 7             |
| <b>Total non-current assets</b>              |        | <b>12,955</b> | <b>10,044</b> |
| <b>Current assets</b>                        |        |               |               |
| Inventories                                  | 14     | 15            | 9             |
| Account- and other receivables               | 36     | 490           | 465           |
| Cash and cash equivalents                    | 16     | 373           | 550           |
| <b>Total current assets</b>                  |        | <b>878</b>    | <b>1,024</b>  |
| <b>Total assets</b>                          |        | <b>13,833</b> | <b>11,068</b> |

| Equity and liabilities               | Notes | 2023          | 2022          |
|--------------------------------------|-------|---------------|---------------|
| Paid-up and called capital           |       | 100           | 100           |
| Share premium reserve                |       | 4,622         | 3,020         |
| Retained earnings                    |       | 251           | 1,039         |
| Legal reserves                       |       | 133           | 113           |
| Unappropriated result                |       | -22           | -704          |
| <b>Total equity</b>                  | 37    | <b>5,084</b>  | <b>3,568</b>  |
| <b>Non-current liabilities</b>       |       |               |               |
| Borrowings                           | 18    | 6,350         | 5,221         |
| Contract liabilities                 | 38    | 523           | 445           |
| Provisions                           | 20    | 490           | 298           |
| Lease liabilities                    | 9     | 89            | 94            |
| <b>Total non-current liabilities</b> |       | <b>7,452</b>  | <b>6,058</b>  |
| <b>Current liabilities</b>           |       |               |               |
| Provisions                           | 20    | 54            | 58            |
| Contract liabilities                 | 38    | 12            | 15            |
| Other financial liabilities          | 22    | 374           | 550           |
| Lease liabilities                    | 9     | 16            | 13            |
| Account- and other payables          | 40    | 841           | 806           |
| <b>Total current liabilities</b>     |       | <b>1,297</b>  | <b>1,442</b>  |
| <b>Total equity and liabilities</b>  |       | <b>13,833</b> | <b>11,068</b> |

## Company statement of income

For the year ended 31 December (EUR million)

|  | Notes  | 2023          | 2022          |
|--|--------|---------------|---------------|
| <b>Revenue</b>                                   | 3      | <b>2,302</b>  | <b>1,895</b>  |
| Grid expenses                                    | 4      | -1,487        | -2,190        |
| Personnel expenses                               | 4      | -172          | -127          |
| Depreciation and amortisation of assets          | 8,9,10 | -371          | -322          |
| Other operating expenses                         | 4      | -195          | -152          |
| Other (gains)/losses                             |        | -8            | -6            |
| <b>Total operating expenses</b>                  |        | <b>-2,233</b> | <b>-2,797</b> |
| Share in profit of joint ventures and associates | 12     | 2             | 1             |
| <b>Operating result</b>                          |        | <b>71</b>     | <b>-901</b>   |
| Finance income                                   | 5      | 19            | 39            |
| Finance expenses                                 | 6      | -120          | -87           |
| <b>Finance result</b>                            |        | <b>-101</b>   | <b>-48</b>    |
| <b>Result before income tax</b>                  |        | <b>-30</b>    | <b>-949</b>   |
| Income tax expense                               | 7      | 8             | 245           |
| Result from participating interests              |        | -             | -             |
| <b>Result for the year</b>                       |        | <b>-22</b>    | <b>-704</b>   |
| <b>Other comprehensive income (net of tax)</b>   |        | <b>-</b>      | <b>-</b>      |
| <b>Total comprehensive income</b>                |        | <b>-22</b>    | <b>-704</b>   |

## Notes to the company financial statements

These notes contain information about the company financial statements of TenneT TSO B.V. Details related to TenneT TSO B.V.'s financial results and position are provided, as well as a description of the specific accounting policies applied when compiling these company financial statements.

### 31 Company accounting policies

The company financial statements for TenneT TSO B.V. have been prepared in accordance with the provisions of Part 9 of Book 2 of the Dutch Civil Code. The same principles governing valuation and the determination of results (including the principles governing the classification of financial instruments as equity or liability) have been applied when compiling the company financial statements and the consolidated financial statements, as permitted by Article 362 clause 8 of Part 9 of Book 2 of the Dutch Civil Code.

Expected Credit Losses (ECL) provisions for receivables from subsidiaries have been eliminated as intercompany positions. Changes in these ECL provisions may impact the carrying amounts of the financial assets in the company statement of the financial position due to a possible provision. This may result in a difference between the company's equity and the consolidated equity. No ECL provision was deemed necessary.

## 32 Tangible fixed assets

| (EUR million)                      | High-voltage<br>substations | High-voltage<br>connections | Other assets | Assets under<br>construction | Total         |
|------------------------------------|-----------------------------|-----------------------------|--------------|------------------------------|---------------|
| <b>Cost</b>                        |                             |                             |              |                              |               |
| <b>At 1 January 2022</b>           | <b>3,047</b>                | <b>3,608</b>                | <b>320</b>   | <b>2,716</b>                 | <b>9,691</b>  |
| Additions                          | 102                         | 44                          | -            | 1,322                        | 1,468         |
| Transfers                          | 636                         | 134                         | 26           | -796                         | -             |
| Changes in estimates               | -52                         | -38                         | -            | -22                          | -112          |
| Impairment                         | -                           | -                           | -            | -6                           | -6            |
| <b>At 31 December 2022</b>         | <b>3,733</b>                | <b>3,748</b>                | <b>346</b>   | <b>3,214</b>                 | <b>11,041</b> |
| Additions                          | -                           | -                           | -            | 2,862                        | 2,862         |
| Transfers                          | 994                         | 944                         | 111          | -2,049                       | -             |
| Changes in estimates               | 41                          | 87                          | -            | 13                           | 141           |
| Impairment                         | -                           | -                           | -            | -1                           | -1            |
| Disposals                          | -2                          | -                           | -            | -                            | -2            |
| <b>At 31 December 2023</b>         | <b>4,766</b>                | <b>4,779</b>                | <b>457</b>   | <b>4,039</b>                 | <b>14,041</b> |
| <b>Depreciation and impairment</b> |                             |                             |              |                              |               |
| <b>At 1 January 2022</b>           | <b>965</b>                  | <b>932</b>                  | <b>181</b>   | <b>-</b>                     | <b>2,078</b>  |
| Depreciation for the year          | 113                         | 122                         | 20           | -                            | 255           |
| <b>At 31 December 2022</b>         | <b>1,078</b>                | <b>1,054</b>                | <b>201</b>   | <b>-</b>                     | <b>2,333</b>  |
| Depreciation for the year          | 140                         | 130                         | 25           | -                            | 295           |
| Disposals                          | -2                          | -                           | -            | -                            | -2            |
| <b>At 31 December 2023</b>         | <b>1,216</b>                | <b>1,184</b>                | <b>226</b>   | <b>-</b>                     | <b>2,626</b>  |
| <b>Net book value:</b>             |                             |                             |              |                              |               |
| At 1 January 2022                  | 2,082                       | 2,676                       | 139          | 2,716                        | 7,613         |
| At 31 December 2022                | 2,655                       | 2,694                       | 145          | 3,214                        | 8,708         |
| At 31 December 2023                | 3,550                       | 3,595                       | 231          | 4,039                        | 11,415        |

For disclosure regarding material movements, please refer to note 8.

### 33 Intangible assets

| (EUR million)                      | Goodwill | Software   | Customer contracts | Other intangible assets | Intangible assets under construction | Total      |
|------------------------------------|----------|------------|--------------------|-------------------------|--------------------------------------|------------|
| <b>Cost</b>                        |          |            |                    |                         |                                      |            |
| <b>At 1 January 2022</b>           | <b>1</b> | <b>291</b> | <b>42</b>          | <b>26</b>               | <b>56</b>                            | <b>416</b> |
| Additions                          | -        | -          | -                  | -                       | 60                                   | 60         |
| Transfers                          | -        | 46         | -                  | -                       | -46                                  | -          |
| <b>At 31 December 2022</b>         | <b>1</b> | <b>337</b> | <b>42</b>          | <b>26</b>               | <b>70</b>                            | <b>476</b> |
| Additions                          | -        | -          | -                  | -                       | 85                                   | 85         |
| Transfers                          | -        | 83         | -                  | -                       | -83                                  | -          |
| Impairment                         | -        | -          | -                  | -                       | -2                                   | -2         |
| <b>At 31 December 2023</b>         | <b>1</b> | <b>420</b> | <b>42</b>          | <b>26</b>               | <b>70</b>                            | <b>559</b> |
| <b>Amortisation and impairment</b> |          |            |                    |                         |                                      |            |
| <b>At 1 January 2022</b>           | <b>-</b> | <b>201</b> | <b>41</b>          | <b>6</b>                | <b>-</b>                             | <b>248</b> |
| Amortisation for the year          | -        | 27         | 1                  | -                       | -                                    | 28         |
| <b>At 31 December 2022</b>         | <b>-</b> | <b>228</b> | <b>42</b>          | <b>6</b>                | <b>-</b>                             | <b>276</b> |
| Amortisation for the year          | -        | 34         | -                  | -                       | -                                    | 34         |
| <b>At 31 December 2023</b>         | <b>-</b> | <b>262</b> | <b>42</b>          | <b>6</b>                | <b>-</b>                             | <b>310</b> |
| <b>Net book value:</b>             |          |            |                    |                         |                                      |            |
| At 1 January 2022                  | 1        | 90         | 1                  | 20                      | 56                                   | 168        |
| At 31 December 2022                | 1        | 109        | -                  | 20                      | 70                                   | 200        |
| At 31 December 2023                | 1        | 158        | -                  | 20                      | 70                                   | 249        |

### 34 Investments in subsidiaries

Investments in subsidiaries relate to the legal entities included in the consolidation as disclosed in note 29 of the consolidated financial statements.

Investments in subsidiaries were measured at net asset value. Net asset value of a participating interest was determined by valuing the assets, provisions and liabilities and calculating the result using the accounting principles applied to the consolidated financial statements.

Movement in subsidiaries is materially only related to the result for the year.

Following the formation of TenneT as the national high voltage grid operator, TenneT TSO has acquired subsidiaries that formally own components of the onshore grid in the Netherlands. For legal reasons, these entities still exist and continue to own the grid assets. Within the TenneT TSO group, all revenues and expenses of these entities are charged to TenneT TSO under the provisions of intercompany arrangements. All entities are part of the same fiscal unity for income tax purposes.

When the company's share of losses in an investment equals or exceeds our interest in this investment, (including separately presented goodwill or any other unsecured non-current receivables, as part of the net investment), we do not recognise any further losses, unless we have incurred legal or constructive obligations or made payments on behalf of this investment. In this case TenneT TSO will recognise a provision.

### 35 Other financial assets

Financial assets mainly comprised of a receivable from the shareholder (TenneT Holding B.V.).



### 36 Account- and other receivables

| (EUR million)                          | 2023       | 2022       |
|--|------------|------------|
| Loans to group companies               | -          | -          |
| Trade receivables                      | 198        | 128        |
| Amounts to be invoiced                 | 85         | 93         |
| Amounts due from other related parties | 52         | 73         |
| VAT receivables                        | -          | 31         |
| Subsidies to be received               | 131        | 80         |
| Prepaid energy costs                   | 2          | 35         |
| Other                                  | 22         | 25         |
| <b>Total</b>                           | <b>490</b> | <b>465</b> |

#### Other

An amount of EUR 4 million (2022: EUR 3 million) is recognised as a receivable for more than one year.

### 37 Equity

#### Legal reserves

The statement of changes in equity and disclosures to that statement are included in the consolidated financial statements.

| (EUR million)  | Reserve for internally generated intangible assets | Revaluation reserve | Reserve for participating interests | Total legal reserve |
|--|--|---------------------|-------------------------------------|---------------------|
| <b>At 1 January 2022</b>                               | <b>88</b>  | <b>12</b>           | <b>-</b>                            | <b>100</b>          |
| Internally generated intangible assets                 | 46   | -                   | -                                   | 46                  |
| Amortisation on internally generated intangible assets | -24  | -                   | -                                   | -24                 |
| Depreciation revaluation tangible fixed assets         | -  | -11                 | -                                   | -11                 |
| Movement in equity of non controlled entities          | -  | -                   | -                                   | -                   |
| <b>At 31 December 2022</b>                             | <b>110</b>   | <b>1</b>            | <b>-</b>                            | <b>111</b>          |
| Internally generated intangible assets                 | 39   | -                   | -                                   | 39                  |
| Amortisation on internally generated intangible assets | -18  | -                   | -                                   | -18                 |
| Depreciation revaluation tangible fixed assets         | -  | -1                  | 2                                   | 1                   |
| <b>At 31 December 2023</b>                             | <b>131</b>   | <b>-</b>            | <b>2</b>                            | <b>133</b>          |

The reserve for internally generated intangible assets relates to internally developed software. See also note 10.

The revaluation reserve serves to cover the revaluation of tangible fixed assets within TenneT TSO's national high-voltage grid. Following the implementation of IFRS on 1 January 2004, the fair value exception provided for in IFRS 1 has been applied. This one-off exception allows tangible fixed assets to be stated at their fair value on the transition date. This figure has subsequently been used as the 'deemed cost price'. The size of the revaluation reserve corresponds to that part of the restated value of the tangible fixed assets resulting from application of the fair value exception, less the deferred tax liability.

The legal reserves are not freely distributable.

#### Appropriation of result for the year ended 31 December 2023

The annual report 2022 was approved in the General Meeting held on 8 March 2023. The General Meeting has determined the appropriation of result in accordance with the proposal being made to that end.

The appropriation of the 2023 result is at the free disposal of the General Meeting of Shareholders and has not been recorded in the financial statements.

### 38 Contract liabilities

|                            |            |
|----------------------------|------------|
| (EUR million)              |            |
| <b>At 1 January 2022</b>   | <b>367</b> |
| Addition                   | 103        |
| Amortisation               | -10        |
| <b>At 31 December 2022</b> | <b>460</b> |
| Addition                   | 87         |
| Amortisation               | -12        |
| <b>At 31 December 2023</b> | <b>535</b> |

|               |             |             |
|---------------|-------------|-------------|
| (EUR million) | <b>2023</b> | <b>2022</b> |
| < 1 year      | 12          | 15          |
| 1-5 years     | 48          | 52          |
| > 5 years     | 475         | 393         |
| <b>Total</b>  | <b>535</b>  | <b>460</b>  |

### 39 Deferred tax assets

| (EUR million)                                | Statement of financial position |            | Statement of income |             |
|--|---------------------------------|------------|---------------------|-------------|
|  | 2023                            | 2022       | 2023                | 2022        |
| Auction receipts                             | -41                             | -7         | 34                  | -6          |
| Investment contributions                     | -62                             | -64        | -1                  | -2          |
| Tariffs to be settled                        | 566                             | 387        | -179                | -302        |
| Depreciation for tax purposes                | 100                             | 92         | -9                  | -1          |
| Provisions                                   | 10                              | 8          | -2                  | -3          |
| Other  | 1                               | 1          | -                   | -           |
| <b>Net deferred tax assets/(liabilities)</b> | <b>574</b>                      | <b>417</b> |                     |             |
| <b>Deferred tax expense/(income)</b>         |                                 |            | <b>-157</b>         | <b>-314</b> |

For further disclosure regarding income tax, please refer to the consolidated financial statements (note 7).

### 40 Account- and other payables

|                                    |             |             |
|------------------------------------|-------------|-------------|
| (EUR million)                      | <b>2023</b> | <b>2022</b> |
| Payables to related parties        | 352         | 369         |
| Accounts payable                   | 203         | 44          |
| Taxes and social securities        | 29          | 18          |
| Accruals for Tangible fixed assets | -           | 8           |
| Other payables                     | 257         | 367         |
| <b>Total</b>                       | <b>841</b>  | <b>806</b>  |

A list of all related parties can be found in note 28 of the consolidated financial statements. Other payables mainly comprised of personnel payables, invoices to be received and investment related payables.

#### 41 Off-Balance sheet commitments

Details on the off-balance sheet commitments are included in the consolidated financial statements, please refer to note 27.

#### 42 Events after the reporting period

Refer to [note 30](#) of the consolidated financial statements.

Arnhem, 4 March 2024

Management Board of TenneT TSO B.V.

A.C.H. Freitag

M.C. Abbenhuis

T.C. Meyerjürgens

TenneT TSO B.V.

Utrechtseweg 310

6812 AR Arnhem

Chamber of Commerce register 09155985

# Other information

## Profit appropriation

Profit appropriation is governed by Section 32.3 of the Articles of Association, which states the following “To the extent that the profit is not used to make up prior losses in accordance with the provision of paragraph 2, it shall be at the free disposal of the general meeting. In the calculation of the profit amount to be distributed on every share, only the amount of the compulsory payments on the nominal amount of the shares shall be taken into consideration. In the event of a tied vote on a proposal to distribute or reserve profits, the profits to which the proposal relates shall be reserved”.

# Independent auditor's report

To: the Shareholder of TenneT TSO B.V. ("TenneT" or the "Company")

## Report on the audit of the financial statements 2023 included in the annual report

### Our opinion

We have audited the financial statements 2023 of TenneT TSO B.V., based in Arnhem, the Netherlands (the "Financial Statements"). The Financial Statements comprise the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of TenneT TSO B.V. as at 31 December 2023, and of its result and its cash flows for 2023 in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of TenneT TSO B.V. as at 31 December 2023, and of its result for 2023 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at 31 December 2023;
2. The following statements for 2023: the consolidated statement of income and comprehensive income, changes in equity and cash flows; and
3. The notes comprising material accounting policy information and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at 31 December 2023;
2. The company statement of income for 2023; and
3. The notes comprising a summary of the accounting policies and other explanatory information.

### Basis for our opinion

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

We are independent of TenneT TSO B.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (Dutch Code of Ethics).

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

### Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

### Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 50 million (2022: EUR 41 million). The materiality is based on 1.28% of the average Equity as of 31 December through the years 2023, 2022 and 2021. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Component audits are performed using the materiality levels determined by the judgement of the group engagement team, considering materiality for the consolidated financial statements as a whole and the reporting structure of the group. For the largest reporting entities, the audits are performed using the following component materiality levels:

- Nadine Netwerk B.V. EUR 25 million (2022: EUR 20.5 million)
- B.V. Transportnet Zuid Holland: EUR 25 million (2022: EUR 20.5 million)

For the other reporting entities, the component materiality levels did not exceed EUR 25 million (2022: EUR 20 million).

We agreed with the Supervisory Board of TenneT Holding B.V. (the "Supervisory Board") that misstatements in excess of EUR 2.5 million (2022: EUR 2 million), which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

### Scope of the group audit

TenneT TSO B.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of TenneT TSO B.V.

Our group audit mainly focused on significant group entity TenneT TSO B.V., because this company makes up more than 90% of the group's revenue, operating profit and assets. We included additional reporting entities in the scope of our group audit to have additional audit coverage on the group's consolidated financial statements, and performed other procedures with respect to residual risk in components and account balances that have not been included in audit scope.

The group engagement team performed the audit procedures at all group entities. Team members with specialised knowledge were involved in the areas of tax, accounting, valuation and information technology.

We have obtained the following audit coverage of the group with our audit procedures:

| Audit coverage        |     |
|-----------------------|-----|
| Revenue               | 97% |
| IFRS operating profit | 99% |
| Assets                | 99% |

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the consolidated financial statements.

### Audit approach fraud risks

#### Description

An auditor conducting an audit in accordance with Dutch Standards on Auditing is responsible for obtaining reasonable assurance that the Financial Statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the Financial Statements may not be detected. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We have exercised professional judgement and have maintained professional scepticism throughout our audit in identifying and assessing the risks of material misstatement of the Financial Statements due to fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

## Our response

We performed the following procedures:

- In identifying potential risks of material misstatement due to fraud, we obtained an understanding of TenneT and its environment, including its internal controls. We evaluated TenneT's fraud risk assessment and made inquiries with management, those charged with governance and others within TenneT, including but not limited to the units/departments (i) Internal Audit, (ii) Compliance & Integrity and (iii) Financial Governance Services. We reviewed their process for identifying and responding to the risk of fraud, the internal communication regarding their views on business practices and ethical behaviour and whether they have knowledge of any actual, suspected or alleged fraud affecting the Company. We considered whether identified fraud risk factors indicated a risk of material misstatement due to fraud.
- Following these procedures, and the presumed risks under the prevailing auditing standards, we identified the significant risks due to fraud related to (i) management override of controls, amongst others in classification of operational expenditure as capitalised expenditure given the differences in related regulatory accounting and thus future revenues, and (ii) (procurement on) large Target Grid 2045 projects given their size and strategic importance.
- We held discussions amongst team members and component auditors to identify fraud risk factors and considered whether other information obtained from our risk assessment procedures indicated risks of material misstatement due to fraud. Fraud risk factors identified include among others:
  - fraud, bribery and corruption;
  - compliance with respect to trade regulations/sanctions;
  - compliance with respect to environmental requirements; and
  - compliance with procurement policies.
- We evaluated whether unusual or unexpected relationships have been identified in performing analytical procedures, that may indicate risks of material misstatement due to fraud.
- We involved forensic specialists, focused on our fraud and non-compliance risk assessment, inquiries with management, the evaluation of the internal control environment and in determining the audit response.
- We determined overall responses to address the assessed risks of material misstatement due to fraud at the financial statement level or at the assertion level which included:
  - assigning and supervising personnel with the adequate knowledge, skills and ability;
  - evaluating whether the selection and application of accounting policies by the group, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting;
  - we tested the operating effectiveness of the relevant controls in the business processes surrounding project procurement and project cost accounting; incorporating elements of unpredictability in the selection of the nature, timing and extent of our audit procedures, e.g. related to (i) our selections for further testing of tangible fixed asset projects, including Target Grid 2045 projects and (capital) expenses and (ii) our approach to (physical) asset inspections;
  - testing the appropriateness of journal entries recorded in the general ledger and adjustments made in the preparation of the Financial Statements;
  - evaluating whether the judgments and decisions made by management in making the accounting estimates included in the Financial Statements indicate a possible bias that may represent a risk of material misstatement due to fraud. Significant accounting judgements, estimates and assumptions that might have a major impact on the Financial Statements are disclosed in note 1 of the consolidated Financial Statements. Useful life of assets, grid expense payables and the provision for decommissioning were focus areas in our audit as the related account balances are subject to significant management judgment. Reference is made to the section "Our key audit matters"; and
  - performing a retrospective review of management judgments and assumptions related to significant accounting estimates such as cost assumptions on the decommissioning provisions and in-feed management accruals reflected in prior year Financial Statements. We considered available information and made enquiries of relevant executives and the Supervisory Board.

Based on our procedures performed, we have no matters to report.

## Audit approach compliance with laws and regulations

### Description

We are responsible for obtaining reasonable assurance that the Financial Statements, taken as a whole, are free from material misstatement, whether due to fraud or error taking into account the applicable legal and regulatory framework. However, we are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the Financial Statements may not be detected, even though the audit is properly planned and performed in accordance with the auditing standards. In the context of laws and regulations, the potential effects of inherent limitations on the auditor's ability to detect material misstatements are greater for such reasons as the following:

- there are many laws and regulations, relating principally to the operating aspects of an entity, that typically do not affect the financial statements and are not captured by the entity's information systems relevant to financial reporting;
- non-compliance may involve conduct designed to conceal it, such as collusion, forgery, deliberate failure to record transactions, management override of controls or intentional misrepresentations being made to the auditor; and
- whether an act constitutes non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body.

Ordinarily, the less directly non-compliance is linked to the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to identify the non-compliance.

### Our response

We performed the following procedures:

- As part of obtaining an understanding of TenneT and its environment we obtained a general understanding of the legal and regulatory framework applicable to TenneT and the industry in which it operates and how TenneT is complying with that framework.
- We assessed the laws and regulations relevant to the Company through discussion with management, those charged with governance and others within TenneT, including the units (i) Internal Audit, Risk & Internal Control and Compliance & Integrity, (ii) Legal Affairs, (iii) Regulatory Affairs (iv) Business Guidance and (v) Financial Governance Services. We have read related minutes and reports. We involved our forensic specialists in our evaluation.
- We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the Financial Statements such as (corporate) tax and pension laws and financial reporting regulations, the requirements under IFRS and Part 9 of Book 2 of the Dutch Civil Code.
- Apart from these, TenneT is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the Financial Statements, for instance, through imposing fines or litigation. Given the nature of TenneT's business and the complexity of European public procurement regulations, the Energiewet (Dutch Electricity Act) and other relevant energy laws and regulations, as well as environmental laws, there is a risk of non-compliance with the requirements of such laws and regulations.
- Our procedures are more limited with respect to other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the Financial Statements. These laws and regulations compliance may be fundamental to the operating aspects of the business, to TenneT's ability to continue its business, or to avoid material penalties (e.g., compliance with the energy laws in the Netherlands or compliance with environmental regulations) and therefore non-compliance with such laws and regulations may have a material effect on the Financial Statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the Financial Statements.
- Our procedures are limited to (i) inquiry of the Executive Board, the Supervisory Board and others within TenneT as to whether the Company is in compliance with such laws and regulations and (ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the Financial Statements.



- We remained alert to indications of (suspected) non-compliance throughout the audit.
- We obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Based on our procedures performed, we have no matters to report.

### Audit approach going concern

#### Description

We are responsible for obtaining reasonable assurance that the Company is able to continue as a going concern. Management is responsible to assess the Company's ability to continue as a going concern and disclosing in the Financial Statements any events or circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

As described in note 1, the Executive Board believes that no events or conditions give rise to doubt about the ability of the Company to continue in operation, for at least one year from the date of the end of the reporting period.

#### Our response

We performed the following procedures:

- we evaluated management's assessment of the going concern assumption and related disclosure note 1 of the Financial Statements;
- we challenged management's cash flow forecasts and primary assumptions, also in the light of our understanding obtained with regards to management's outlook as reported in the Management Board Report;
- we considered the Company's repayment obligations as disclosed in note 24.

Based on our procedures performed, we have no matters to report.

### Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board of TenneT Holding B.V. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the Financial Statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Tangible fixed assets

#### Description

Securing supply and facilitating the energy transition by expanding and enhancing the high-voltage grid through integration of sustainable energy sources require substantial investments and flexible access to (equity) funding. TenneT expects to increase its annual investment volume to at least EUR 4 billion in 2024 for on- and offshore grid connections.

We have included this as a key audit matter because of:

- the financial significance of the tangible fixed assets and related capital expenditures;
- the risks associated with large investment projects, complexity in procurement, construction and timely completion;
- the professional judgment required in determining the impact of the energy transition on (i) (funding) the capital investment planning, and (ii) the existing asset portfolio, including the assessment of remaining useful lives of assets; and
- the professional judgement required in (i) assessing whether there is any indication that an asset may be impaired and (ii) if there is any such indication, estimating the recoverable amount of that asset (i.e., measuring any impairment).

#### Our response

We performed the following procedures:

- we tested the internal control environment related to tangible fixed assets through testing of operating effectiveness of relevant controls, including controls related to (i) investment approval, (ii) the financial closing of assets under construction, and (iii) the periodic determination of the useful lives of tangible fixed assets.
- we tested the design and implementation of relevant controls related to TenneT's liquidity forecast underpinning its ability to finance investments.
- we obtained and discussed internal management reports about progress of the key assets under construction and performed tests of details on the additions to and other movements in tangible fixed assets.
- we evaluated management's estimation of the useful lives of tangible fixed assets based on economic, regulatory and technical data.
- we evaluated management's assessment that no indications were identified that any assets may be impaired as at 31 December 2023.

### Our observations

Our procedures did not identify material observations and we considered management's key assumptions, to be within the reasonable range of our own expectations.

## Provision for decommissioning of (offshore) assets

### Description

Moving towards a renewable future involves significant investments in (offshore) assets that are to be decommissioned over the next 20 to 40 years, thus requiring recognition of decommission provisions. The corresponding provisions are based on estimates of costs, timing of decommissioning, discount rates and inflation.

We have included this as a key audit matter because of:

- the significance of the provision and additions for the year triggered by the start of construction of new (offshore) assets; and
- the uncertainty involved in measuring the provision and sensitivity to changes in key assumptions, including the cost base, the inflation rate and the discount rate.

### Our response

We have obtained management's position papers on the cost assumptions. Our audit procedures included testing of design and implementation of relevant controls around the periodical assessment of these assumptions and the evaluation of the financial model used to calculate the provision.

Our substantive audit procedures further included an assessment of the reasonability of the key assumptions through comparison with observable market data and procedures to address the completeness of the provision.

Furthermore, we evaluated the appropriateness of the disclosure of the accounting policy and estimation uncertainty of these provisions.

### Our observations

Our procedures did not identify material observations and we considered management's key assumptions, to be within the reasonable range of our own expectations.

## Report on the other information included in the annual report

The annual report contains other information, in addition to the financial statements and our auditor's report thereon.

The other information consists of

1. Director's Report, consisting of:
  - about TenneT TSO B.V.;

- the Management Board Report;
2. Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.
  3. Other information included in the annual report.

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

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

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

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

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

## Report on other legal and regulatory requirements

### Engagement

We were engaged by the annual meeting of shareholders as auditor of TenneT TSO B.V. on 18 December 2019, as of the audit for the year 2020 and have operated as statutory auditor ever since that financial year.

### No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

## Description of responsibilities regarding the Financial Statements

### Responsibilities of management and the Supervisory Board for the Financial Statements

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

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

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

The Supervisory Board of TenneT Holding B.V. is responsible for overseeing the company's financial reporting process.

### Our responsibilities for the audit of the financial statements

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

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

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

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board of TenneT Holding B.V. regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the Audit, Risk and Compliance Committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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

From the matters communicated with the Supervisory Board of TenneT Holding B.V., we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, 4 March 2024

Deloitte Accountants B.V.

Signed on the original N.H.M. van Groenendaal

## Glossary

### **ABP – Algemeen Burgerlijk Pensioenfonds**

ABP, is the civil service pension fund for government, education and energy employees in the Netherlands.

### **AC – Alternating current**

In alternating current (AC), the flow of electricity periodically reverses direction. By contrast direct current (DC), electricity only flows in one direction. AC is used to transport electricity over relatively shorter distances and DC for relatively longer distances.

### **ACM – Autoriteit Consument & Markt**

Dutch national regulatory authority.

### **BFBN – Besluit Financieel Beheer Netbeheerder**

Rules made by the Dutch state relating to the financial management of the system operator.

### **Capex – Capital expenditure**

Capital expenditure (Capex) is the amount spent on acquiring or improving long-term assets. Its benefits are enjoyed over a long time period, not only in the current year. Capex is of a non-recurring nature and results in the acquisition of permanent assets.

### **Carbon footprint**

The total amount of greenhouse gases produced to directly and indirectly support human activities, usually expressed in equivalent tons of carbon dioxide (CO<sub>2</sub>).

### **CGU – Cash generating unit**

A cash-generating unit is the smallest group of assets that independently generates cash flow and whose cash flow is largely independent of the cash flows generated by other assets.

### **COBRAcable**

A 275 km-long high-voltage direct current cable that is under construction to connect the Dutch and Danish electricity grids. It will have a capacity of 700 MW.

### **COSO – Committee of Sponsoring Organisations of the Treadway Commission**

COSO has established the common internal control model against which companies and organisations assess their control systems.

### **CO<sub>2</sub> – Carbon dioxide**

Carbon dioxide is a greenhouse gas formed by the burning of carbon-based fuels. Its concentration in the atmosphere is rapidly increasing, leading to global warming.

### **CPI index**

A consumer price index measures changes in the price level of a weighted average market basket of consumer goods and services purchased by households.

### **DC – Direct current**

In direct current (DC), the flow of electricity is only in one direction. In alternating current (AC), the electricity flows periodically reverses direction. DC is used to transport electricity over relatively longer distances and AC for relatively shorter distances.

### **DNB – De Nederlandsche Bank**

Central Bank of the Netherlands.

### **DSO – Distribution systemoperator**

A regional electricity distribution company, that is connected with end users and is responsible for providing (1) power distribution services, by constructing and maintaining a robust high-voltage grid, and (2) facilitating a smooth functioning, liquid and stable electricity market.

### **EBIT – Earnings before interest and tax**

Earnings for the period before income tax expense and interest payments are deducted.

### **EC – European Commission**

The European Commission is the executive of the European Union and promotes its general interest.

### **ECL – Expected credit losses**

Expected credit loss is the probability-weighted estimate of credit losses (i.e., the present value of all cash shortfalls) over the expected life of a Financial Instrument.

### **EIR method – Effective interest rate**

The effective interest rate is the interest rate on a loan or financial product restated from the nominal interest rate and expressed as the equivalent interest rate if compound interest was payable annually in arrears.

### **ENTSO-E – European Network of Transmission System Operators for Electricity**

ENTSO-E is the organisation of transmission system operators at a European level, representing 41 TSOs from

34 countries. Its mission is to promote important aspects of energy policy, especially integrating renewable energy and the completion of an internal energy market.

### **EU – European Union**

The European Union (EU) is a political-economic union of 27 member states countries that are located in Europe.

### **FTE – Full-time equivalent**

Full-time equivalent is a unit that measures work by converting work load hours into the number of people required to complete that task.

### **Gasunie – N.V. Nederlandse Gasunie**

Gasunie is a European gas infrastructure company that transports natural gas and green gas in the Netherlands and the northern part of Germany. Gasunie is participating in the development of the North Sea Wind Power Hub.

### **GW – Gigawatt**

A unit of power equal to one billion watts.

### **IAS - International Accounting Standards**

International Accounting Standards (IAS) are older accounting standards issued by the International Accounting Standards Board (IASB), an independent international standard-setting body based in London. The IAS were replaced in 2001 by International Financial Reporting Standards (IFRS).

### **IFRIC - International Financial Reporting Interpretations Committee**

IFRIC Interpretations are developed by the IFRS Interpretations Committee (previously the International Financial Reporting Interpretations Committee, IFRIC) and are issued after approval by the International Accounting Standards Board (IASB).

### **IFRS – International Financial Reporting Standards**

Internationally prescribed and recognised reporting guidelines developed from 2001.

### **kV – kilovolt**

A unit of electric voltage equal to 1,000 volts.

### **LEAN**

The core idea of LEAN is to maximise customer value while minimising waste. Simply, LEAN means creating more value for customers with fewer resources. The principles of LEAN were developed by the Japanese car manufactory Toyota.

### **LoR – Letter of Representation**

A Letter of Representation is signed by the management of TenneT and/or performance unit to attest to the accuracy of the financial statements.

### **MW – Megawatt**

A unit of power equal to one million watts.

### **NGO - Non-Governmental Organisation**

A non-governmental organisation is a voluntary citizens' group that is neither a government initiative nor a conventional for-profit business.

### **NorNed**

NorNed is a 580-kilometre long high-voltage direct current submarine power cable between Fedra in Norway and the seaport of Eemshaven in the Netherlands, which interconnects both countries' electrical grids.

### **NWE – North West Europe**

A region in Europe that includes Netherlands, Germany, Belgium, Denmark, United Kingdom, France, Norway, Sweden, Finland and Luxembourg.

### **OCI - Other Comprehensive Income**

Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other IFRSs.

### **Opex – Operational expenditure**

Operating expenditure (opex) is the expense that a company incurs as a result of its normal business operations.

### **OWF – Offshore wind farm operators**

Offshore wind farms are constructed in bodies of water to generate electricity from wind.

### **Prosumers**

Energy consumers simultaneously acting as producers.

### **RES – Renewable Energy Sources**

All sources of renewable energy including sunlight, wind, tides, waves, biomass and geothermal heat.

### **SIC- Standing Interpretations Committee**

SIC Interpretations were previously issued by the Standard Interpretations Committee (SIC), and were subsequently endorsed by the International Accounting Standards Board

(IASB). The IFRS Interpretations Committee has reissued Interpretations in this series if it considers it necessary.

### **TSO – Transmission system operator**

A transmission system operator transports electricity on a national or regional level from producers to distributors. A TSO is responsible for providing (1) power transmission services, by constructing and maintaining a robust high-voltage grid, (2) system services, by maintaining the balance between supply and demand of electricity 24 hours a day, and seven days a week and (3) facilitating a smoothly functioning, liquid and stable electricity market.

## Company address

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### **Disclaimer**

‘We’, ‘TenneT’, ‘TenneT TSO’, ‘the company’ or similar expressions are used in this report as a synonym for TenneT TSO B.V. and its subsidiaries.

Parts of this report contain forward-looking information. These parts may include unqualified statements on future operating results, government measures, the impact of other regulatory measures on the activities of TenneT as a whole, TenneT’s shares and those of its subsidiaries and joint-ventures in existing and new markets, industrial and macro-economic trends and TenneT’s performance in these. Such statements are preceded or followed by or contain words such as ‘believes’, ‘expects’, ‘anticipates’ or similar expressions. These forward-looking statements are based on current assumptions concerning future activities and are subject to known and unknown factors, and other uncertainties, many of which are beyond TenneT’s control, so that future actual results may differ significantly from these statements.

All financial information in this annual report is reported in millions of euro, unless stated otherwise. As a result, small rounding differences may occur.