Financial Statements

Consolidated financial statements

Consolidated statement of income

For the year ended 31 December (EUR million)

	Notes	2019		2018	
Revenue	3.1		**4,422**		**4,269**
Grid expenses	3.2.1	-1,955		-2,283	
Personnel expenses	3.2.2	-229		-214	
Depreciation and amortisation of assets	4.1, 4.2, 5.1	-973		-700	
Other operating expenses	3.2.3	-217		-235	
Other (gains)/losses		-6		-26	
Total operating expenses			**-3,380**		**-3,458**
Share in profit of joint ventures and associates	5.3		35		69
Operating profit			**1,077**		**880**
Finance income		3		1	
Finance expenses	3.3	-207		-182	
Finance result			**-204**		**-181**
Profit before income tax			**873**		**699**
Income tax expense *	3.4		-243		-181
Profit for the year			**630**		**518**
Profit attributable to:					
Equity holders of ordinary shares *	6.2.1	541		397	
Hybrid securities	6.2.1	33		31	
Owners of the company			**574**		**428**
Non-controlling interests	6.2.2		56		90
Profit for the year			**630**		**518**

* Income tax 2018 changed from -189 to -181 compared to the 2018 IAR due to a change in IAS 12 explained in note 1.3. As a result profit for the year also changed.

Earnings per share attributable to the equity holders of ordinary shares

For the year ended 31 December (EUR per share)

	Notes	2019	2018
Basic and diluted earnings per share	3.5	2,705	1,985

Consolidated statement of comprehensive income

For the year ended 31 December (EUR million)

		Attributable to equity holders of the company							
		Hedging reserve	Retained earnings	Unappropriated result *	**Equity attributable to ordinary shares**	Hybrid securities	**Equity attributable to owners of the company**	**Non-controlling interest**	**Total equity**
	Notes	6.2.1	6.2.1	6.2.1		6.2.1		6.2.2	
2018									
Other comprehensive income to be reclassified to profit or loss in subsequent years:									
Amortisation of hedges	6.2.1	-1	-	-	-1	-	-1	-	-1
Taxation	3.4	-	-	-	-	-	-	-	-
		-1	**-**	**-**	**-1**	**-**	**-1**	**-**	**-1**
Items not to be reclassified to profit or loss in subsequent years:									
Re-measurement of defined benefit pensions	7.1.1	-	5	-	5	-	5	-	5
Taxation	3.4	-	-2	-	-2	-	-2	-	-2
		-	**3**	**-**	**3**	**-**	**3**	**-**	**3**
Total other comprehensive income 2018		**-1**	**3**	**-**	**2**		**2**	**-**	**2**
Profit for the year *		-	-	397	397	31	428	90	518
Total comprehensive income 2018		**-1**	**3**	**397**	**399**	**31**	**430**	**90**	**520**
2019									
Other comprehensive income to be reclassified to profit or loss in subsequent years:									
Amortisation of hedges	6.2.1	-2	-	-	-2	-	-2	-	-2
Taxation	3.4	-	-	-	-	-	-	-	-
		-2	**-**	**-**	**-2**	**-**	**-2**	**-**	**-2**
Items not to be reclassified to profit or loss in subsequent years:									
Re-measurement of defined benefit pensions	7.1.1	-	-137	-	-137	-	-137	-	-137
Taxation	3.4	-	40	-	40	-	40	-	40
		-	**-97**	**-**	**-97**	**-**	**-97**	**-**	**-97**
Total other comprehensive income 2019		**-2**	**-97**	**-**	**-99**	**-**	**-99**	**-**	**-99**
Profit for the year		-	-	541	541	33	574	56	630
Total comprehensive income 2019		**-2**	**-97**	**541**	**442**	**33**	**475**	**56**	**531**

* Unappropriated 2018 result changed from 389 to 397 due to a change in IAS 12 explained in note 1.3.

Consolidated statement of financial position

For the year ended 31 December (EUR million)

Assets	Notes	2019	2018
Non-current assets			
Tangible fixed assets	4.1	18,541	16,049
Right-of-use assets	4.2	392	-
Intangible assets	5.1	160	111
Investments in joint ventures	5.3.1	605	529
Investments in associates	5.3.2	33	37
Deferred tax assets	3.4	83	15
Other financial assets	5.4	61	42
Total non-current assets		**19,875**	**16,783**
Current assets			
Inventories	5.8	66	68
Account- and other receivables	5.5	2,085	2,509
Income tax receivable	3.4	46	60
Cash and cash equivalents	6.4	901	1,253
Total current assets		**3,098**	**3,890**
Assets of disposal group classified as held for sale	5.2	-	3
Total assets		**22,973**	**20,676**

Consolidated statement of financial position

For the year ended 31 December (EUR million)

Equity and liabilities	Notes	2019	2018
Equity			
Equity attributable to ordinary shares	6.2.1	4,696	3,964
Hybrid securities	6.2.1	1,120	1,120
Equity attributable to owners of the company		**5,816**	**5,084**
Non-controlling interests	6.2.2	744	796
Total equity		**6,560**	**5,880**
Non-current liabilities			
Borrowings	6.3	9,137	7,964
Contract liabilities	4.3	340	308
Deferred tax liability	3.4	63	124
Provisions	5.7	1,163	774
Lease liabilities	4.2	286	-
Net employee defined benefit liabilities	7.1.1	361	208
Other liabilities		3	3
Total non-current liabilities		**11,353**	**9,381**
Current liabilities			
Borrowings	6.3	565	756
Contract liabilities	4.3	3	3
Income tax payable	3.4	242	84
Provisions	5.7	248	86
Other financial liabilities		79	71
Lease liabilities	4.2	108	-
Account- and other payables	5.6	3,815	4,414
Total current liabilities		**5,060**	**5,414**
Liabilities of disposal group classified as held for sale	5.2	-	1
Total equity and liabilities		**22,973**	**20,676**

References relate to the notes starting with note 1 'Basis for reporting'. These form an integrated part of the consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December (EUR million)

		Attributable to equity holders of the company									
		Paid-up and called-up capital	Share premium reserve	Hedging reserve	Retained earnings	Unappro-priated result	**Equity attribut-able to ordinary shares**	Hybrid securities	**Equity attribut-able to owners of the company**	**Non-control-ling interest**	**Total equity**
(EUR million)	Notes	6.2.1	6.2.1	6.2.1	6.2.1	6.2.1		6.2.1		6.2.2	
At 1 January 2018		**100**	**1,380**	**4**	**1,787**	**442**	**3,713**	**1,018**	**4,731**	**857**	**5,588**
Profit for the year		-	-	-	-	397	397	31	428	90	518
Total other comprehensive income		-	-	-1	3	-	2	-	2	-	2
Total comprehensive income		**-**	**-**	**-1**	**3**	**397**	**399**	**31**	**430**	**90**	**520**
Dividends paid	6.2.1	-	-	-	-	-147	-147	-	-147	-79	-226
Capital repayment	6.2.1	-	-	-	-	-	-	-	-	-72	-72
Transition effect IFRS 9	1.2	-	-	-	-1	-	-1	-	-1	-	-1
Issue of hybrid securities	6.2.1	-	-	-	-	-	-	101	101	-	101
Distribution on hybrid securities	6.2.1	-	-	-	-	-	-	-30	-30	-	-30
Appropriation remaining prior year result *		-	-	-	295	-295	-	-	-	-	-
At 31 December 2018		**100**	**1,380**	**3**	**2,084**	**397**	**3,964**	**1,120**	**5,084**	**796**	**5,880**
Profit for the year		-	-	-	-	541	541	33	574	56	630
Total other comprehensive income		-	-	-2	-97	-	-99	-	-99	-	-99
Total comprehensive income		**-**	**-**	**-2**	**-97**	**541**	**442**	**33**	**475**	**56**	**531**
Dividends paid	6.2.1	-	-	-	-	-120	-120	-	-120	-36	-156
Capital contribution	6.2.1	-	410	-	-	-	410	-	410	-	410
Capital repayment	6.2.1	-	-	-	-	-	-	-	-	-72	-72
Distribution on hybrid securities	6.2.1	-	-	-	-	-	-	-33	-33	-	-33
Appropriation remaining prior year result		-	-	-	277	-277	-	-	-	-	-
At 31 December 2019		**100**	**1,790**	**1**	**2,264**	**541**	**4,696**	**1,120**	**5,816**	**744**	**6,560**

* 2018 Appropriation remaining prior year result changed from 303 and -303 into 295 and -295 due to a change in IAS 12 explained in note 1.3.

Consolidated statement of cash flows

For the year ended 31 December (EUR million)

	Notes	2019		2018	
Operational activities					
Operating profit			**1,077**		**880**
Non-cash adjustments to reconcile profit to net cash flows:					
Depreciation, amortisation and impairment of assets	4.1, 5.1	973		700	
Result on disposal of assets	4.1	6		22	
Share in profit of joint ventures and associates	5.3	-35		-69	
Dividends received from joint ventures and associates	5.3	38		47	
Movements in provisions and other (financial) liabilities and assets		70		-14	
			1,052		**686**
Working capital adjustments excluding EEG working capital:					
(Increase)/decrease in account- and other receivables	5.5	-18		32	
(Increase)/decrease in inventories		2		10	
Increase/(decrease) in account- and other payables	5.6	-71		82	
Increase/(decrease) in contract liabilities	4.3	32		25	
Increase/(decrease) in current financial liabilities		8		-23	
			-47		**126**
Income tax paid (net)			-200		-239
Net cash flows from operating activities excluding EEG working capital			**1,882**		**1,453**
EEG working capital adjustments:					
(Increase)/decrease in EEG receivables	5.5	-88		73	
(Increase)/decrease EEG deposits > 3 months	5.5	250		-250	
Increase/(decrease) in EEG payables	5.6	-718		137	
			-556		**-40**
Net cash flows from operating activities			**1,326**		**1,413**
Investing activities					
Purchase of tangible and intangible fixed assets	4.1, 5.1	-2,720		-2,324	
Proceeds from sale of tangible and intangible fixed assets	4.1, 5.1	4		-	
Capital contribution to joint ventures and associates	5.3	-73		-92	
Interest received		3		1	
Net cash flows used in investing activities			**-2,786**		**-2,415**
Financing activities					
Net financing					
Proceeds from borrowings	6.3	1,731		1,930	
Repayment of borrowings	6.3	-756		-917	
			975		**1,013**

Continuation >

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Consolidated statement of cash flows

For the year ended 31 December (EUR million)

	Notes	2019		2018	
Other financing activities					
Payment of lease liabilities	4.2	-129		-	
Interest paid		-167		-170	
Dividends paid to ordinary shareholders of the company	6.2.1	-120		-147	
Proceeds from capital contributions	6.2.1	690		350	
Proceeds from issue of hybrid securities	6.2.1	-		100	
Distribution on hybrid securities	6.2.1	-33		-30	
Dividends paid and capital repayments to non-controlling interests	6.2.2	-108		-151	
			133		**-48**
Net cash flows from financing activities			**1,108**		**965**
Net change in cash and cash equivalents			**-352**		**-37**
Cash and cash equivalents at 31 December	6.4	901		1,253	
Cash and cash equivalents at 1 January	6.4	1,253		1,290	
			-352		**-37**

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 key (financial) topics for 2019. Like last year, the notes to the consolidated financial statements have been grouped into seven sections relating to key topics and figures from a business perspective. 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 recognising and measuring transactions and balance sheet items in our 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. More detailed description of accounting policies and significant estimates related to specific reported amounts is presented in the respective notes. Accounting policies which are deemed non-material are not 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.

1.1 General

TenneT Holding B.V. and its subsidiaries are a leading electricity transmission system operator with activities in the Netherlands and a large part of Germany. In the Netherlands, our activities are conducted by TenneT TSO B.V. and its subsidiaries. In Germany, the activities are performed by TenneT GmbH & Co. KG and its subsidiaries.

The Dutch State owns the entire issued share capital of TenneT Holding B.V. Furthermore, TenneT Holding B.V. has issued hybrid securities which are deeply subordinated and are accounted for as part of equity attributable to equity holders of the company. The head office and legal seat of TenneT Holding B.V. is located in Arnhem, the Netherlands.

These consolidated financial statements of TenneT Holding B.V. and its subsidiaries (hereafter referred to as 'TenneT', 'the company' or 'the Group') for the year ended 31 December 2019 were prepared and authorised by our Executive Board for issue in accordance with a resolution of the Supervisory Board on 9 March 2020. The financial statements will be submitted for adoption at the General Meeting of Shareholders. These consolidated financial statements have been audited by Ernst & Young Accountants LLP.

1.2 Basis for preparation

These consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU, and Part 9, Book 2 of the Dutch Civil Code. The company financial statements for TenneT Holding B.V. have been prepared in accordance with the provisions of Part 9, Book 2, of the Dutch Civil Code.

These consolidated financial statements have been prepared on a going concern basis. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Executive Board intends it to do so, for at least one year from the date of the end of the reporting period.

These consolidated financial statements are prepared on a historical cost basis, except for derivative financial instruments, if any, which have been measured at fair value. They are presented in euros and all values are rounded to the nearest million (EUR 000,000), except when otherwise indicated.

1.3 Changes in EU-endorsed published IFRS standards and interpretations effective in 2019

Significant new and amended standards adopted by the Group

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

TenneT is applying IFRS 16 Leases for the first time in 2019. The nature and impact is described below.

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Lease-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees are also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17.

TenneT has adopted IFRS 16 using the modified retrospective approach. Under this approach, the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application (e.g. 1 January 2019). Comparative figures for the year ended 31 December 2018 are not restated to reflect the adoption of IFRS 16 but instead continue to reflect the lessee's accounting policies under IAS 17 Leases. TenneT applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application,
- Applied the low value leases exemptions to leases for which the underlying asset is of low value.

TenneT has elected to measure the right-of-use asset for an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. TenneT has elected not to apply IFRS 16 for contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

In summary, the impact of adopting IFRS 16, on 1 January 2019 (note 4.2) on total assets was EUR 384 million as we recognised 'right-of-use assets' as part of the non-current assets. Correspondingly, we recognised an aggregated EUR 384 million for the items 'lease liability (long)' and 'lease liability (short)'. The impact on equity was EUR nil.

Annual Improvements Cycle - 2015-2017

'IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity':
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividend.

TenneT has applied the amendments for annual reporting periods beginning on or after 1 January 2019. When an entity first applies the amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. An adjustment of EUR 8 million is made from the consolidated statement of equity to the consolidated statement of income. Comparative figures are changed accordingly.

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

The IASB made amendments to the definition of materiality in IAS 1 and IAS 8. The new definition reads: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. In line with the amendments we consider an item material if, in our view, it could reasonably be expected that the item has impact on the economic decisions of users of our general financial statements. The amendments to IAS 1 and IAS 8 are effective for annual periods beginning on or after 1 January 2020 and must be applied prospectively. Earlier application is permitted. No significant impact on the financial statements is expected.

1.4 Basis for consolidation

The consolidated financial statements incorporate the financial statements of TenneT Holding B.V. and its subsidiaries as at 31 December 2019. A list of the legal entities included in the consolidation is included in note 7.4. 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.

1.5 Significant 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. Significant items containing estimates and assumptions are as follows:

Item	Note	Estimate/assumptions
Tangible fixed assets	4.1	Estimate of remaining useful life
Right-of-use assets and lease liabilities	4.2	Estimate of discount rate and expected extention or accelerated termination date
Intangible assets	5.1	Estimate of recoverable amount and remaining useful life
Impairment review of goodwill	5.1	Estimate of cash flow projections and pre-tax discount rate
Grid expense payable	5.6.3	Estimate of electricity usage and energy prices
Provision for environmental management and decommissioning	5.7.5	Estimate of removal costs, removal dates, discount rate and price increases in the period leading up to removal
Tariffs related provision	5.7.5	Estimate of electricity usage and number of parties
Other provisions	5.7.5	Mainly relate to estimate of probability, realisation date and curtailed feed-in volumes and prices
Net employee benefit obligation	7.1	Financial, actuarial and demographic assumptions

1.6 Foreign currency

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

1.7 Changes in presentation

As of 2019, the intangible assets under construction are no longer presented as part of the tangible fixed assets under construction but separately as part of the intangible assets. This change affected the classification in the consolidated statement of financial position, impacting the line items tangible fixed assets and intangible assets as of 1 January 2019 for EUR 26 million. There was neither an impact on the consolidated statement of income nor on total equity.

2. Segment information

This section sets out the financial performance for the year in accordance with the way we manage our business (operating segments). We measure and assess our performance based on underlying financial information, which is explained further below. We generate the majority of our revenue from our regulated operating segments in the Netherlands and Germany. Therefore close collaboration with our respective regulators to obtain agreements that provide reasonable compensation for the risks we face is key to us. Our involvement in certain limited non-regulated activities are closely related and ancillary to our core tasks.

2.1 Segment analysis

Our Executive 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 respective operating segments for the purpose of performance management and decision making about resource allocation. The segment performance is based on underlying financial information, where EBIT and investments are the key metrics. The definition of EBIT equals operating profit. Performance of non-regulated activities is evaluated based on EBIT of these activities.

Underlying financial information is based on 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 required to be returned through future tariffs are recorded as an asset or liability, respectively (see note 2.2 for further reference). We believe that the presentation of underlying financial information leads to a sound, consistent and transparent financial insight into past and future business performance.

Our operating segments consist of (i) TSO Netherlands, (ii) TSO Germany and (iii) non-regulated companies.

For management information purposes, the performance of our regulated activities in the Netherlands and in Germany are considered separately into two segments (corresponding to the geographical distribution). This segmentation, based on separately applicable regulatory frameworks, is the key determinant for financial management of the business and for decision-making on budgets, allocation of resources and financing.

Financing activities (including finance income and expenses) are managed on a Group basis and amounts related thereto are not allocated to the segments. Transfer prices between the Netherlands and Germany are set at arm's length in a manner similar to transactions with third parties. These intercompany transactions are eliminated in the consolidation.

There are three customers in the German segment that have revenues that are more than 10% of our total revenue. The revenue from these customers amount respectively EUR 921 million (2018: EUR 789 million), EUR 662 million (2018: EUR 632 million) and EUR 724 million (2018: EUR 365 million)

	2019					2018				
(EUR million)	Revenue	EBIT	Investments	Assets	Liabilities	Revenue	EBIT	Investments	Assets	Liabilities
TSO Netherlands	1,038	211	1,131	7,075	4,014	945	121	876	6,165	3,646
TSO Germany	3,050	526	1,925	16,977	11,836	3,277	691	1,370	16,067	11,038
Non-regulated activities	36	37	8	561	257	36	43	7	684	159
Total segments	**4,124**	**774**	**3,064**	**24,613**	**16,107**	**4,258**	**855**	**2,253**	**22,916**	**14,843**
Eliminations and adjustments	-40	-6	-	-937	1,307	-35	-2	-	-1,133	1,143
Consolidated underlying information	**4,084**	**768**	**3,064**	**23,676**	**17,414**	**4,223**	**853**	**2,253**	**21,783**	**15,986**

For an analysis of the underlying results see the 'Secure a solid financial performance and investor rating' section of the integrated annual report.

2.2 ⓘ Accounting policies applied for underlying financial information

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

IFRS + Regulatory Deferral Accounts = Underlying

Matching is achieved by recognising regulatory deferral accounts. The key requirement for the recognition of regulatory deferral accounts 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 capacity on cross-border interconnections. The different accounting treatment of the regulatory deferral accounts also results in a different carrying amount of these assets.

For further explainations for the differences between IFRS and underlying see note 2.3.

Due to regulatory changes in Germany TenneT reassessed in 2019 its underlying revenue allocation for offshore assets and came to the conclusion that the methodology applied so far needs to be adjusted retrospectively to give better insights for users of our financial statements. While IFRS figures are not affected underlying figures in the TSO Germany segment have changed. The impact on underlying EBIT and revenue 2018 is EUR +47 million, the underlying liabilities 2018 of EUR -97 million and underlying equity 2018 of EUR +97 million.

2.3 Regulatory deferral accounts: reconciliation to IFRS figures

The difference between underlying financial information - as presented in the segment information and board report - and IFRS reported figures is related to the recognition of regulated assets and liabilities, auction 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 the Group expects to be entitled in exchange for those goods or services. In the underlying financial information revenues are recognised according the permissible tariff decision adopted by the regulator. By doing so, volume and post calculation differences are directly matched to the related costs and therefore provide better insight to management for steering TenneT.

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

Underlying financial information can be reconciled to reported IFRS figures as follows:

2019 (EUR million)	Revenue	EBIT	Assets	Liabilities	Recovery/ reversal period (years)
Consolidated underlying information	**4,084**	**768**	**23,676**	**17,414**	
To be settled in tariffs	181	131	-405	-2	0 - 5
Auction receipts	136	136	-	-790	0 - 20
Investment contributions	-5	-5	-	-243	0 - 29
Maintenance of the energy balance	26	26	-	-34	0 - 1
Difference in tangible fixed assets	-	21	-280	-	0 - 29
Effect on deferred tax balances	-	-	-18	68	0 - 29
Consolidated IFRS financial statements	**4,422**	**1,077**	**22,973**	**16,413**	

2018 (EUR million)	Revenue	EBIT	Assets	Liabilities	Recovery/ reversal period (years)
Consolidated underlying information	**4,223**	**853**	**21,783**	**15,986**	
To be settled in tariffs	-129	-173	-785	-43	0 - 5
Auction receipts	156	156	-	-852	0 - 30
Investment contributions	-10	-6	-	-249	0 - 30
Maintenance of the energy balance	29	29	-	-41	0 - 1
Difference in tangible fixed assets	-	21	-300	-	0 - 30
Effect on deferred tax balances	-	-	-22	-5	0 - 30
Consolidated IFRS financial statements	**4,269**	**880**	**20,676**	**14,796**	

To be settled in tariffs

Revenue surpluses and deficits resulting from differences between expected (ex ante) and realised (ex post) electricity transmission volumes are incorporated in the tariffs of subsequent years in both, Germany and the Netherlands. In the underlying financial information, these surpluses and deficits are recorded as assets and liabilities, respectively, under 'to be settled in tariffs'. The expenses have to be settled in future tariffs in the coming years.

Auction receipts & investment contributions

Auction receipts result from auctioning the available transmission capacity on cross-border interconnections. These receipts are not at our free disposal. In accordance with European law, auction receipts are to be used to invest in additional cross-border interconnections or to be refunded through tariff reductions. In the Netherlands, we have agreed with our regulator (Autoriteit Consument en Markt) to fully utilise auction receipts to reduce future tariffs. The current outstanding balance of auction receipts will be refunded via tariffs over the coming years. On 19 November 2019, an addendum to the original power agreement was signed. The agreements relate to the restitution of existing auction fees in order to limit the increase in net tariffs in 2020. In Germany, the use of auction receipts for investments is effectively achieved by reducing tariffs over a rolling 20-year period as of 2019.

Investments 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.

Maintenance of the energy balance

As system manager of the high-voltage grid in the Netherlands, we receive funds for 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 to be offset in transmission tariffs in the subsequent year. Consequently, these amounts are recorded as a liability and released in the subsequent year in the underlying financial information.

Differences in tangible fixed assets

Differences in tangible fixed 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 mainly due to an impairment under IFRS of the NorNed cable in 2015 of EUR 232 million which is not recognised under Underlying.

3. Results for the year

This section comprises notes related to revenue, operating expenses, results for the year as determined under IFRS.

3.1 Revenue

The disaggregated revenue is presented below.

	2019			
(EUR million)	TSO NL	TSO Germany	Non-regulated	**Total segments**
Connection and transmission services	634	2,377	-	3,011
Maintenance of the energy balance	68	60	-	128
Operation of energy exchanges	68	77	-	145
Offshore balancing	-	1,012	-	1,012
Other	16	74	36	126
Inter-segment	25	15	-	40
Total revenue IFRS	**811**	**3,615**	**36**	**4,462**
Inter-segment adjustments and eliminations	-25	-15	-	-40
Total revenue from contracts with customers IFRS	**786**	**3,600**	**36**	**4,422**

	2018			
(EUR million)	TSO NL	TSO Germany	Non-regulated	**Total**
Connection and transmission services	594	2,467	-	3,061
Maintenance of the energy balance	72	61	-	133
Operation of energy exchanges	102	62	-	164
Offshore balancing	-	798	-	798
Other	17	60	36	113
Inter-segment	19	16	-	35
Total revenue IFRS	**804**	**3,464**	**36**	**4,304**
Inter-segment adjustments and eliminations	-19	-16	-	-35
Total revenue from contracts with customers IFRS	**785**	**3,448**	**36**	**4,269**

3.1.1 Connection and transmission services

Revenue from connection and transmission is regulated by the ACM in the Netherlands and by the BNetzA in Germany. Revenue from connection and transmission services includes revenue from services provided to regional grid operators and industrial clients (such as resolution of transmission restrictions, congestion management and reactive power management).

Revenue increased partly due to ongoing investments and a growing asset base. This increase on line item “Connection and transmission services” is offset by a different classification as a result of a changed methodology for the reimbursement of offshore costs as off the beginning of 2019. Until 2018 the offshore costs that were capped (EUR 417 million), thus based on lump-sum reimbursement method, were included under the “Connection and transmission services”. As of 2019 all offshore costs are included in the offshore grid levy and are fully reported in the line item “Offshore balancing”.

3.1.2 Maintenance of the energy balance

We are responsible to ensure that electricity supply and demand is in balance at all times (i.e. the alternating current frequency in the power grid must be at 50 Hz continuously). If this balance is significantly 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 proceeds from maintaining this energy balance (e.g. imbalance settlements) fluctuate considerably and are refunded through regulated tariffs in both the Netherlands and Germany in subsequent years. The tariffs are set by both the German and Dutch regulator.

3.1.3 Operation of energy exchanges

This amount includes revenues resulting from the auctioning of cross-border (electricity transmission 'interconnection') capacity.

3.1.4 Offshore balancing

Until 2018 offshore costs were partly (EUR 333 million) included in the revenue cap, which is included in the line items 'connection and transmission services' and 'grid expenses'. As of 2019 all offshore costs are included in the offshore grid levy and are fully reported in the line item offshore balancing. Total offshore balancing decreased mainly (EUR 90 million) due to the new regulatory period with lower imputed return on equity.

Revenue from offshore balancing is regulated by the regulator.

3.1.5 Revenue reconciliation

Set out below, the reconciliation of revenue from contracts with customers based on IFRS with the amounts disclosed in the segment information (Note 2) based on underlying financial information:

	2019			
(EUR million)	TSO NL	TSO Germany	Non-regulated	**Total segments**
Total revenue	**811**	**3,615**	**36**	**4,462**
To be settled in tariffs	303	-484	-	-181
Auction receipts	-62	-74	-	-136
Investment contributions	12	-7	-	5
Maintenance of the energy balance	-26	-	-	-26
Total revenue underlying	**1,038**	**3,050**	**36**	**4,124**
Inter-segment adjustments and eliminations	-25	-15	-	-40
Total revenue from contracts with customers underlying	**1,013**	**3,035**	**36**	**4,084**

	2018			
(EUR million)	TSO NL	TSO Germany	Non-regulated	**Total**
Total revenue	**804**	**3,464**	**36**	**4,304**
To be settled in tariffs	255	-126	-	129
Auction receipts	-96	-60	-	-156
Investment contributions	10	-	-	10
Maintenance of the energy balance	-28	-1	-	-29
Total revenue underlying	**945**	**3,277**	**36**	**4,258**
Inter-segment adjustments and eliminations	-19	-16	-	-35
Total revenue from contracts with customers underlying	**926**	**3,261**	**36**	**4,223**

3.1.6 ⓘ Accounting policy with respect to revenue

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 goods or 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 goods or services.

Revenues are 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 significant 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 the regulator, ACM or BNetzA, an 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 when a regulator permits increases to be made to future tariffs in respect of under-recovery.

3.2 Operating expenses

3.2.1 Grid expenses

(EUR million)	2019	2018
System services	1,179	1,437
Connection and transmission services	317	285
Maintenance of the energy balance	98	97
Maintaining and operating transmission grids	370	470
Other	-9	-6
Total	**1,955**	**2,283**

From 1 January 2019 lease cost for power plants are no longer recorded as grid expenses due to the adoption of IFRS 16 but are reflected as depreciation of EUR 108 million instead. System services decreased additionally due to a release of the grid costs accrual of EUR 89 million and due to a decrease of the grid reserve cost (the cost for keeping emergency capacity in German power plants) of EUR 106 million mainly because some contracts with power plants that were not extended.

3.2.2 Personnel expenses

(EUR million)	2019	2018
Salaries	288	259
Social security contributions	40	36
Pension charges defined benefit plans	14	23
Pension charges other plans	19	16
Other personnel expenses	28	23
Capitalised costs for (in)tangible fixed assets	-160	-143
Total	**229**	**214**
Average workforce in FTEs (internal employees only)	3,526	3,253
Average workforce in FTEs employed in the Netherlands	1,538	1,443
Average workforce in FTEs employed in the Germany	1,988	1,810

Key management remuneration

Members of the Executive Board and Supervisory Board are regarded as key management. Aggregate remuneration of members of the Supervisory Board and Executive Board is as follows:

Supervisory Board (EUR thousand)	Fixed	Committee fee	Total
2019	**136**	**50**	**186**
2018	97	48	145

Executive Board (EUR thousand)	Fixed	Variable	Pension cost	Termination benefits	Total
2019	**1,230**	**194**	**257**	**-**	**1,681**
2018	1,586	248	687[1]	600	3,121

[1] This includes a tax amount of EUR 241,000 paid to the Dutch tax authorities for the contractual pre-pension plan of the former CEO as a result of a change in the tax regime.

The aggregate Executive Board remuneration comprises remuneration of statutory directors of EUR 1,253 thousand (2018: EUR 1,803 thousand) and remuneration of non-statutory directors of EUR 427 thousand (2018: EUR 1,318 thousand). Pension remuneration equals (i) the contributions payable to the defined contribution plan for service rendered in the period or (ii), for defined benefit plans, the current service cost and, when applicable, past service cost.

3.2.3 Other operating expenses

(EUR million)	2019	2018
Accommodation and office expenses	66	89
Consultancy expenses	27	21
Hiring of temporary personnel	31	54
Travel and living expenses	16	15
Other expenses	77	56
Total	**217**	**235**

The total fees for EY network firms (including Ernst & Young Accountants LLP) were as follows:

(EUR thousand)	2019	2018
Audit of the financial statements		
Ernst & Young Accountants LLP	770	667
Other Ernst & Young firms	592	589
Total audit of the financial statements	**1,362**	**1,256**
Other assurance services		
Ernst & Young Accountants LLP	309	224
Other Ernst & Young firms	172	182
Total other assurance services	**481**	**406**
Total assurance services	**1,843**	**1,662**
Other services (other Ernst & Young firms)	33	40
Total other services	**33**	**40**
Total EY network fees	**1,876**	**1,702**

3.3 Finance expenses

(EUR million)	2019	2018
Interest on borrowings and credit facilities	178	152
Capitalised interest on assets under construction	-9	-8
Interest on provisions	19	18
Interest on defined benefit pension plans	4	4
Interest on lease liability	2	-
Other finance expenses	13	16
Total	**207**	**182**

3.4 Income tax

We strive 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), our Senior Manager Corporate Financial Control and our Corporate Tax Manager 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 control framework to be 'in control' of tax risks and to allow the company to demonstrate to all its stakeholders, including the tax authorities, that the company fully complies with all applicable laws and regulations.

Income tax is payable in the Netherlands and Germany. In the Netherlands, we entered into a so called 'horizontal monitoring agreement' with the Dutch tax authorities. Based on transparency and mutual trust, this agreement ensures 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 filled up to and including 2017. Corporate income tax paid in the Netherlands in 2019 amounted to EUR 58 million.

In Germany, corporate income and trade tax returns for all German entities have been filed up to and including fiscal year 2018. The tax audit for the fiscal years 2013 until 2016 relating to all German entities has been finished in 2019. The full impact of the tax audit is included in the annual financial statements. For the German Offshore entities the German tax authorities have started the tax audit for the fiscal years 2017 to 2018. In 2019, we paid EUR 142 million of corporate income tax in Germany.

The key components of income tax expense are:

Consolidated income statement (EUR million)	2019	2018
Current income tax charge *	332	291
Deferred tax:	-89	-110
Income tax expense reported in the statement of income	**243**	**181**

* Current income tax charge 2018 changed from 299 into 291 due to a change in IAS 12 explained in note 1.3.

Consolidated statement of comprehensive income (EUR million)	2019	2018
Effect of re-measurement of defined benefit pensions	40	-2
Income tax charged directly to other comprehensive income	**40**	**-2**

Income tax on profits has been provided at the rates prevailing in the respective countries. In the Netherlands, a statutory corporate income tax rate of 25% applied, while in Germany, on average, a marginal statutory corporate income tax rate of 29.39% applied (including trade tax levied by municipalities or 'Gewerbesteuer'). Reconciliation between tax expense and the accounting profit multiplied by a statutory income tax rate of 25% is as follows.

(EUR million)	2019	2018
Profit before income tax	**873**	**699**
Statutory income tax rate of 25% (The Netherlands, 2018: 25%)	218	175
Effect of higher tax rate in Germany	39	30
Effect of future tax rate change in the Netherlands	9	-11
Adjustments in respect to current and deferred tax of previous years	-11	9
Non-deductible costs	1	1
Non-taxable income	-11	-13
Tax paid by third parties	-2	-10
At the effective income tax rate of 28% (2018: 26%*)	**243**	**181**

* The effective income tax rate 2018 changed from 27% into 26% due to a change in IAS 12 explained in note 1.3.

The main reason for the higher effective tax rate is the effect of the higher tax rate in Germany. The impact of the remeasurement of the deferred tax position due to the enacted rate change in the Netherlands is almost neutralised by the impact of the German tax audit which is mainly the amount presented in adjustments in respect to current and deferred tax previous years. The main items in the non-taxable income are the hybrid interest due to change in IAS 12 explained in note 1.3 and participation exemption. The decrease of the tax paid by third parties relates to reduced third party income compared to 2018.

Deferred tax relates to the following:

	Statement of financial position		Statement of income	
(EUR million)	2019	2018	2019	2018
Auction receipts	-185	-182	3	-32
Investment contributions	-62	-62	1	-12
Tariffs to be settled	50	18	-33	-10
Depreciation for tax purposes	-101	-157	-55	-8
Provisions	323	242	-42	-19
Profit allocation to hybrid securities	-5	-5	-	-
Other	-	37	37	-29
Net deferred tax assets/(liabilities)	**20**	**-109**		
Deferred tax expense/(income)			**-89**	**-110**

The effect on leases is part of 'Other' and due to low interest not material.

Deferred taxes are presented in the statement of financial position as follows:

(EUR million)	2019	2018
Deferred tax assets	83	15
Deferred tax liabilities	-63	-124
Deferred tax, net	**20**	**-109**

The deferred tax assets is mainly relate to TSO Germany. The current German tax law contains no time limits for deferred tax assets.

Movements in deferred tax positions are set out below.

(EUR million)	2019	2018
At 1 January	**-109**	**-217**
Tax expense during the period recognised in statement of income	89	110
Tax income during the period recognised in other comprehensive income	40	-2
At 31 December	**20**	**-109**

The Group did not have any tax loss carry forwards as of 31 December 2019.

ⓘ Accounting policy

The tax charge for the period is recognised in the statement of income, equity or the statement of comprehensive income, in accordance with the relevant accounting treatment of the related transaction. Only for equity instruments tax is recognised in the statement of income instead of equity. 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 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 (also in association with investments in subsidiaries, associates and interests in joint arrangements) 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 is assessed 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.

Deferred tax assets and liabilities are recognised gross 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.

3.5 Earnings per share

Earnings per share have been calculated by dividing profit for the year attributable to ordinary shareholder of the Group, after adjustment for the distribution on hybrid securities, by the weighted average number of ordinary shares outstanding during the year. The following table reflects the income and share data used for the basic and diluted earnings per share calculations:

(EUR million)	**2019**	2018
Profit for the year attributable to the ordinary shareholder of the company	574	428
Allocation to hybrid securities	-33	-31
Profit for the year attributable to equity holders of the company adjusted for the allocation to hybrid securities	**541**	**397**
Weighted average number of ordinary shares in issue (in thousands)	200	200

4. Grid investments, other tangible fixed assets and related commitments

We own a significant physical asset base to operate our transmission grid. To solve transmission bottlenecks and ensure grid stability we continue to invest in our network. To accommodate expanding renewable energy sources substantial further onshore and offshore grid investments in Germany and the Netherlands are necessary in the upcoming years. This section focuses on our tangible fixed assets and related commitments which form the backbone of our activities.

4.1 Tangible fixed assets

(EUR million)	High-voltage substations	High-voltage connections	Other assets	Assets under construction	Total
Cost					
At 1 January 2018	**6,930**	**5,841**	**714**	**4,510**	**17,995**
Additions	206	121	87	1,798	2,212
Transfers	1,198	733	83	-2,014	-
Changes in estimations (note 5.7.1)	1	4	-	-	5
Disposals	-4	-	-2	-22	-28
At 31 December 2018	**8,331**	**6,699**	**882**	**4,272**	**20,184**
Additions	372	247	39	2,354	3,012
Transfers	1,524	1,401	44	-2,969	-
Transfer to intangible assets	-	-	-	-26	-26
Changes in estimations (note 5.7.1)	143	189	-	-	332
Disposals	-11	-6	-4	-4	-25
At 31 December 2019	**10,359**	**8,530**	**961**	**3,627**	**23,477**
Depreciation and impairment					
At 1 January 2018	**1,663**	**1,581**	**221**	**-**	**3,465**
Depreciation for the year	358	262	52	-	672
Disposals	-1	-	-1	-	-2
At 31 December 2018	**2,020**	**1,843**	**272**	**-**	**4,135**
Depreciation for the year	446	305	59	-	810
Impairment	2	-	-	-	2
Disposals	-6	-4	-1	-	-11
At 31 December 2019	**2,462**	**2,144**	**330**	**-**	**4,936**
Net book value:					
At 1 January 2018	5,267	4,260	493	4,510	14,530
At 31 December 2018	6,311	4,856	610	4,272	16,049
At 31 December 2019	7,897	6,386	631	3,627	18,541

High-voltage substations include onshore and offshore transformer 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 the Group. Other tangible fixed assets consist of office buildings, office ICT equipment and other company assets.

In 2019 the discount rate for the decommissioning provision was set between 0.4% and 0.7% (2018: 2.9%) for OWF connections (see note 5.7.5). The discount rate has been adjusted in 2019 to better reflect current market assessments of the time value of money and the risks specific to the liability. 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 value.

The amount of borrowing costs capitalised during 2019 is disclosed in note 3.3. The effective interest rate used to determine the amount of borrowing costs capitalised was 2.1% (2018: 2.2%).

Assets under construction and investments

	2019		2018	
(EUR million)	**Investments**	**Assets under construction**	Investments	Assets under construction
TSO Netherlands	1,091	1,384	841	1,785
TSO Germany	1,916	2,243	1,364	2,487
Non-regulated activities	5	-	7	-
Total	**3,012**	**3,627**	**2,212**	**4,272**

ⓘ Accounting policy tangible fixed assets

Tangible fixed assets are valued at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost include 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 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 on 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 where the borrowing costs are directly compensated in the year of construction.

Key estimates and assumptions tangible fixed assets

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

Estimated useful lives tangible fixed assets	Years
Substations	
Switches and offshore converter stations	20-35
Offshore platforms	20
Security and control equipment	10-20
Power transformers	20-35
Capacitor banks	20-35
Telecommunications equipment	10-20
Connections	
Pylons/lines	35-40
Cables (subsea and underground)	20-40
Other	
Office buildings	40-50
Office IT equipment	3-5
Process automation facilities	5
Other company assets	5-10

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

4.2 Right-of-use assets and lease liabilities

Right-of-use assets

(EUR million)	Land & buildings	Power plants	Other right-of-use assets	Total
Cost				
At 1 January 2019	-	-	-	-
Initial recognition IFRS 16	95	218	71	384
Additions	17	95	30	142
Depreciation	-11	-108	-15	-134
At 31 December 2019	**101**	**205**	**86**	**392**

Leased Land & Buildings

Land is mainly leased to set up pylons for transmission cables. These contracts run for a period of 25 - 170 years. Buildings are leased mainly as office space and storage space. These contracts run for a period of 1 - 40 years.

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

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

Leased power plants

TenneT is committed to the use of security and grid reserve power plants representing lease commitments according to IFRS 16. The commitments have a maturity of 4-6 years and can be prolonged depending on the decision of regulatory authorities.

Lease payments are in substance fixed and TenneT had no power plant leases which contained variable lease payments. Lease contracts do not include any clauses with reference to an index or contractual rate.

Leased others

Telecom lease contracts (including fibreglass cables) run for a period between 2 and 36 years. For qualifying employees TenneT leases cars with a lease term between 1 and 10 years.
TenneT does not purchase or guarantee the value of leased telecom assets or cars.

TenneT has 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 had no material 'sub lease' contracts in 2019 and therefore no material income from subleasing right-of-use assets. TenneT 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 have pre-determined lease payment changes.

Short-term leases and leases of low value

In some cases TenneT leases other assets with terms of 1-3 years. TenneT considers these assets to be of low-value or short term in nature and therefore no right of use assets and lease liabilities are recognised for these leases. The aggregate total of short-term lease expenses for more than one month and low value assets lease expenses amounted to EUR 2 million.

Lease liability

(EUR million)	Lease liability Land & buildings	Lease liability power plants	Lease liability other leases	Total
At 1 January 2019	**-**	**-**	**-**	**-**
Initital recognition IFRS 16	95	218	71	384
Addition	17	95	30	142
Interest	1	-	1	2
Repayments	-11	-102	-16	-129
Other movements	-2	-4	1	-5
At 31 December 2019	**100**	**207**	**87**	**394**
Long-term liability	94	114	78	286
Short-term liability	6	93	9	108
Total	**100**	**207**	**87**	**394**

The total cash outflow (including low value items and short term leases) in 2019 was EUR 130 million. Future cash outflows of leases not yet commenced but to which TenneT is committed are EUR 46 million yearly from 2022 till 2032 (power plants) and EUR 48 million in 2020 respectively EUR 77 million yearly from 2021 until 2023 (NordLink).

All lease liabilities refer to operating lease commitments.

The maturity analysis of lease liabilities is disclosed in note 6.7.

(EUR million)	Total
Depreciation expense of right-of-use assets	-134
Short-term lease expenses	-2
Interest expense on lease liabilities	-2
Total amount recognised in profit and loss	**-138**

ⓘ Accounting policy
At inception of a contract, TenneT 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 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 end of the useful life of the right-of-use asset, 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, TenneT uses its incremental borrowing rate as the discount rate. Otherwise the used discount rates are shown below.

	2019
Under 5 year	0.00%
5-10 years	0.50%
10-15 years	1.10%
15-25 years	1.60%
Above 25 years	2.00%

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 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 in the profit or loss.

Short-Term Leases and Leases of Low Value
TenneT 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 recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

4.3 Contract liabilities
The majority of the contract liabilities relates to investment contributions received from third parties for the construction of new substations, grid connections or increased connection capacity and amounted to EUR 339 million (2018: EUR 305 million). This was due to received contributions of EUR 46 million minus EUR 12 million amortisation. The current part of the investment contributions amounted to EUR 3 million (2018: EUR 3 million) and has been presented separately in the statement of financial position.

ⓘ Accounting policy
Contract liabilities are recognised when payments are made or the payments are 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 fair value, presented as contract liabilities ('investment contributions') and are subsequently recognised as revenue over the related asset's useful life.

4.4 Commitments and contingencies related to investments

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

(EUR million)	2019	2018
Off-balance sheet rights		
Bank guarantees received	1,765	1,556
Comfort letters received	878	693
Total	**2,643**	**2,249**
Off-balance commitments		
Capital commitments	4,059	3,611
Comfort letters issued	774	775
Operating lease commitments	-	384
Total	**4,833**	**4,770**

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

4.4.1 Bank guarantees received

Bank guarantees received include guarantees for investment projects.

4.4.2 Comfort letters received

The majority of comfort letters received is from construction companies involved in the construction of German offshore projects.

4.4.3 Capital commitments

Capital commitments are commitments entered into with regard to the purchase of tangible fixed assets. Approximately EUR 2.2 billion of capital commitments are payable within the next 12 months (2018: EUR 2.0 million).

4.4.4 Operating lease commitments

Due to the implementation of IFRS 16 operating lease commitments (except for short-term leases and leases of low value) are no longer off balance, see note 4.2.

5. Other invested capital including working capital and provisions

Other invested capital includes intangible assets to support our operations, goodwill related to acquired business and working capital. Working capital comprises current assets and current liabilities which result from our daily operations (such as trade receivables and payables). Our working capital requirements are significantly impacted by the execution of the 'Renewable Energy Sources Act' (EEG) legislation in Germany, our grid related accruals and investments.

We carry a provision that reflects the expected cost to remediate and decommission our assets. Also in the ordinary course of our businesses, we are exposed to several claims from and disputes with third parties. We record a provision for these claims and disputes if we expect a future cash outflow.

5.1 Intangible assets

(EUR million)	Goodwill	Software	Customer contracts	Other intangible assets	Intangible assets under construction	**Total**
Cost						
At 1 January 2018	**31**	**202**	**64**	**30**	**4**	**331**
Additions	-	6	-	-	35	41
Transfers	-	36	-	-	-36	-
At 31 December 2018	**31**	**244**	**64**	**30**	**3**	**372**
Additions	-	3	-	1	48	52
Transfer from tangible assets	-	2	-	-	24	26
Transfers	-	20	-	10	-30	-
At 31 December 2019	**31**	**269**	**64**	**41**	**45**	**450**
Amortisation and impairment						
At 1 January 2018	**-**	**180**	**43**	**10**	**-**	**233**
Amortisation for the year	-	20	5	3	-	28
At 31 December 2018	**-**	**200**	**48**	**13**	**-**	**261**
Amortisation for the year	-	23	5	1	-	29
At 31 December 2019	**-**	**223**	**53**	**14**	**-**	**290**
Net book value:						
At 1 January 2018	31	22	21	20	4	98
At 31 December 2018	31	44	16	17	3	111
At 31 December 2019	31	46	11	27	45	160

As at 31 December 2019 and 2018, goodwill was allocated to the following cash generating units (CGUs): TSO Netherlands (EUR 3 million), TSO Germany (EUR 24 million) and non-regulated activities (EUR 4 million).

As of 2019 all intangible assets under construction are presented as part of the intangible assets and no longer as part of tangible fixed assets under construction.

During 2019 EUR 16 million (2018: EUR 13 million) of software was internally developed.

ⓘ Accounting policy

Intangible assets are measured at acquisition cost on initial recognition. The cost of intangible assets acquired in a business combination is their 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 of the consideration transferred over TenneT'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 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 of an asset's or CGU's fair value less costs of disposal and its value in use. When 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	3-5
Customer contracts	10-14
Purchased rights to use land	25-45
Other	5-15

Intangible assets, with the exception of goodwill, are assumed to have a fixed useful life as shown above and are amortised over this 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 the CGU level.

Impairment testing of goodwill
For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs (our operating segments, see note 2) or groups of CGUs expected to benefit from the synergies of the combination. Each CGU or group of CGUs 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 current market assessments 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 separately for each of the CGUs to which the individual assets are allocated. The projections reflect 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 CGUs cash flow generating potential.

The recoverable amount of the Germany CGU was determined based on a value in use calculation using cash flow projections from our three year business plan. The pre-tax discount rate applied to cash flow projections was 3.8% (2018: 3.9%). The cash flows beyond the three-year period until 2037 were estimated on the basis of regulatory allowed returns and invested capital. The terminal value is determined estimating the regulatory asset base as of December 2037. We concluded that the recoverable amount was significantly in excess of the carrying value and as such no impairment loss needed to be recognised and as such no impairment is required.

5.2 Business combinations

Effective 18 April 2019 Novec B.V. sold 60% of the shares in WL Winet B.V. to WL Winet Holding B.V. for a cash consideration of EUR 1.5 million and consequently lost full control. An impairment of EUR 2 million, on the held for sale transaction was already accounted for in 2018 in line item other losses.

ⓘ Accounting policy

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the 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 elect 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 and included in administrative expenses.

Non-current assets held for sale are defined as non-current assets (other than financial instruments or property investments) immediately available for sale and highly likely to be sold within a year. Non-current assets held for sale have been stated at the lower end of the asset's carrying value and fair value less costs of disposal.

5.3 Investments in joint ventures and associates

5.3.1 Joint ventures

We have, directly or indirectly, 50% equity stakes in BritNed Development Ltd. ('BritNed'), DC Nordseekabel GmbH & Co. KG ('NOKA'), DC Nordseekabel Beteiligungs GmbH, DC Nordseekabel Management GmbH, Reddyn B.V., Tensz B.V. and TeslaN B.V. These investments are classified as joint ventures, for which only the investments in BritNed (legal seat: Arnhem, the Netherlands) and NOKA (legal seat: Bayreuth, Germany) are each considered as an investment of material value. Other joint ventures are considered immaterial and are therefore not further disclosed. The Group's share in profit (which is equal to other and total comprehensive income) of these immaterial joint ventures amounted to EUR 2 million in 2019 (2018: EUR 4 million).

BritNed

BritNed is a joint venture with National Grid International Ltd (National Grid), the British TSO. It owns and operates a 1,000 MW 'Direct Current'(DC) interconnector between the United Kingdom and the Netherlands. Operating costs and trading revenue are shared equally between TenneT and National Grid.

NOKA

In February 2015, partner companies Statnett SF, TenneT and KfW IPEX-Bank GmbH (KfW) made a final investment decision to establish an interconnector between Norway and Germany under the project name 'NordLink'. Ownership of the interconnector is equally split, with TenneT and KfW owning the Southern part through NOKA, a jointly owned company and Statnett owning the Northern part. At the moment the main activities of NOKA are the construction of the Southern part of the interconnector. Operating costs and trading revenue are shared equally between NOKA and Statnett.

The table below contains summarised financial information of material joint ventures and the reconciliation with their carrying amounts.

	2019		2018	
Statement of financial position (EUR million)	**BritNed**	**NOKA**	BritNed	NOKA
Non-current assets	454	780	432	686
Cash and cash equivalents	46	13	60	35
All other current assets	22	95	18	22
Non-current liabilities	-9	-72	-11	-56
Current liabilities	-65	-56	-44	-85
Equity	**448**	**760**	**455**	**602**
Ownership TenneT	*50%*	*50%*	*50%*	*50%*
Carrying amount of the investment	**224**	**380**	**228**	**301**

	2019		2018	
Statement of income (EUR million)	**BritNed**	**NOKA**	BritNed	NOKA
Revenue	91	32	108	55
Depreciation and amortisation	-16	-	-15	-
Other costs	-12	-2	-16	-1
Operating profit	**63**	**30**	**77**	**54**
Finance income and expenses	-1	-3	-	-2
Income tax expense	-11	-15	-15	-
Profit for the year *	**51**	**12**	**62**	**52**
Ownership TenneT	*50%*	*50%*	*50%*	*50%*
Group's share in profit	**26**	**6**	**31**	**26**

* Profit for the year is equal to other and total comprehensive income.

BritNed had contingent liabilities of EUR 2 million (2018: EUR 9 million) mainly related to comfort letters issued. NOKA had contingent liabilities of EUR 190 million (2018: EUR 0.5 billion) mainly related to investments in tangible fixed assets. The NOKA project is reaching its end in the next months. Therefore, the open amount for contingent liabilities is decreasing constantly.

None of our joint ventures are permitted to distribute profits without the consent from all shareholders or partners. In 2019 EUR 28 million dividend was received from BritNed (2018: EUR 34 million) and EUR 1 million from other interests in joint ventures (2018: EUR 3 million). During 2019 we contributed EUR 73 million to NOKA's capital (2018: EUR 92 million).

Other interests in joint ventures amounted EUR 1 million at 31 December 2019 (2018: EUR 1 million).

5.3.2 Associates

At 31 December 2019 our substantial investments in associates consisted of a 34% interest in HGRT and a 25% interest in Open Tower Company B.V. (hereafter referred to as 'OTC'). In addition, the Group holds five immaterial investments in Energie Data Services Nederland B.V. (EDSN), European Market Coupling Company GmbH (EMCC), WL Winet B.V. and TSCNET Services GmbH (TSC). The Group's share in profit (which is equal to other and total comprehensive income) of these immaterial associates amounted to EUR 2 million in 2019 (2018: EUR 4 million).

The summarised financial information of the material associates and reconciliation with their respective carrying amounts, of the investment in the consolidated financial statements is as follows:

	2019		2018	
Statement of financial position (EUR million)	HGRT	OTC	HGRT	OTC
Non-current assets	91	92	90	99
Current assets	1	33	7	32
Other non-current liabilities	-	-168	-	-167
Current liabilities	-	-3	-	-2
Equity	**92**	**-46**	**97**	**-38**
Ownership TenneT	*34%*	*25%*	*34%*	*25%*
Carrying amount of the investment	**31**	**-**	**33**	**-**

	2019		2018	
Statement of income (EUR million)	HGRT	OTC	HGRT	OTC
Revenue	-	28	-	26
Depreciation and amortisation	-	-6	-	-6
Other costs, gains and losses	-	-8	-	-5
Operating profit	**-**	**14**	**-**	**15**
Finance income and expenses	10	-5	10	-9
Income tax expense	-	-2	-	-1
Profit for the year *	**10**	**7**	**10**	**5**
Ownership TenneT	*34%*	*25%*	*34%*	*25%*
Group's share in profit	**3**	**2**	**3**	**1**

* Profit for the year is equal to total and other comprehensive income.

HGRT

The legal seat of HGRT is in Paris, France. HGRT holds a 49% stake in EPEX. EPEX is the exchange for the power spot markets for the 'North West Europe' (NWE) region and the United Kingdom. At 31 December 2019, HGRT had no contingent liabilities outstanding (2018: nil). In 2019, EUR 5 million in dividends was received (2018: EUR 4 million). In 2019 the carrying amount was adjusted to properly reflect the equity value of the investment.

OTC

OTC (legal seat: Vianen, the Netherlands) is a holding company and holds majority interests in three asset companies: Colonne B.V., Mobile Radio Networks Vehicle B.V. (MRNV) and OTC II B.V. These companies mainly own infrastructure assets specifically designed for terrestrial communications. OTC had no contingent liabilities as at 31 December 2019 (2018: nil). EUR 4 million dividend from OTC was received in 2019 (2018: EUR 6 million).

Other

Our interest in other associates amounted EUR 2 million at 31 December 2019 (2018: EUR 4 million).

5.3.3 ⓘ Accounting policy joint ventures and associates

A joint venture is an arrangement whereby the parties in the arrangement have joint control over the net assets of the joint 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 the Group'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 in the results of operations of the investment. Any change in other comprehensive income of those investors 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 the investment are eliminated to the extent of the interest in the investment. When an associate or joint venture distributes dividend to us in excess of our carrying amount, a liability is recognised if TenneT:

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

In the absence of such obligations, the excess in net profit for the period is recognised. When the associate or joint venture subsequently makes profits, this is only recognised when they exceed the excess cash distributions recognised in net profit 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.

On 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 on loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the statement of income.

5.4 Other non-current financial assets

(EUR million)	**2019**	2018
Receivables from related parties	41	34
Fees for credit facilities available	6	2
Other	14	6
Total	**61**	**42**

The receivables from related parties mainly consisted of loans granted to NOKA and Mobile Radio Networks Vehicle B.V. (a 100% subsidiary of OTC) in an amount of EUR 36 million (2018: EUR 28 million) respectively EUR 5 million (2018: EUR 5 million).

5.5 Account- and other receivables

(EUR million)	2019	2018
Amounts to be invoiced to EEG trade debtors	1,133	1,046
EEG trade receivables	9	8
EEG deposits > 3 month	-	250
Trade receivables	240	226
Amounts to be invoiced	520	514
Receivable from shareholder	-	280
VAT receivables	60	42
Interest receivable	4	4
Other	119	139
Total	**2,085**	**2,509**

5.5.1 EEG trade receivables and amounts to be invoiced to EEG trade debtors

In accordance with the Renewable Energy Sources Act (EEG) in German TSOs like TenneT TSO GmbH are required to purchase electricity from producers of renewable energy at fixed feed-in tariffs. Subsequently such renewable energy is sold on power exchanges at spot prices.

EEG revenues and expenses are legally required to be administrated separately and are legally designated to be equal, except for certain potential bonus amounts payable to TenneT for marketing the energy on the power exchange. The EEG levy also includes an additional liquidity buffer to avoid a net financing need for the TSOs. We act as an agent with respect to these EEG services.

EEG trade debtors and receivables consisted of the accrual of unbilled EEG levy mainly for the month December, the outstanding invoices for the EEG levy, the accrual for horizontal balancing amounts (i.e. unsettled charges to the other German TSOs) and energy trading revenues. EEG trade receivables were not at our free disposal. Refer to 5.6 for the EEG accounts payable.

See note 6.7 for EEG deposits.

5.5.2 Trade receivables

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

			Past due		
(EUR million)	Total	Not past due	0-30 days	31-60 days	More than 60 days
2019	**240**	**207**	**18**	**3**	**12**
2018	226	205	8	5	8

Changes in the provision for expected credit losses were as follows:

(EUR million)	2019	2018
At 1 January	**12**	**9**
Transition effect IFRS 9	-	1
Charge for the year	4	8
Utilised	-2	-3
Unused amounts reversed	-1	-3
At 31 December	**13**	**12**

As at 31 December 2019, receivables with an initial value of EUR 4 million (2018: EUR 4 million) were fully provided for.

5.5.3 Amounts to be invoiced

The majority of the amounts to be invoiced related to unbilled grid fees and rechargeable offshore costs in Germany.

5.5.4 Receivable from shareholder

In line with the capital commitment by the Dutch government in 2016, we received the third unconditional tranche of EUR 280 million at the end of 2019. The Ministry of Finance also granted the fourth -conditional- tranche of EUR 410 million, which we also received in 2019. See note 6.2.1.

5.6 Account- and other payables

(EUR million)	2019	2018
EEG accounts payable	1,761	2,479
Accounts payable	269	301
Payables in connection with tangible fixed asset purchases	424	211
Grid expenses payable	1,045	1,071
Interest payable	105	92
Social securities and other taxes payable	19	35
Payables to related parties	7	20
Other payables	185	205
Total	**3,815**	**4,414**

5.6.1 EEG accounts payable

See note 5.5.1.

5.6.2 Payables in connection with tangible fixed assets purchases

Payables in connection with tangible fixed assets purchases related to unbilled services and deliveries for onshore and offshore investment projects.

5.6.3 Grid expenses payable

The grid expenses payable consisted mainly of accrued expenses for (i) feed-in management and (ii) redispatch measures.

Key estimates and assumptions

In terms of accrued expenses for measures taken to restore the imbalance of the electricity grid, we procure balancing services and ask various generators to come on or off the grid to help balance supply and demand or to manage ‘constraints’ (i.e. bottlenecks) in the electricity grid. At year-end, we record an accrual for all balancing costs. The accrual is based on actual volumes (if available) or 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 the underlying contracts and/or historical data. The complexity of the electricity market and uncertainties in assessing, variable renewable energy production makes estimating the grid expenses payable a complex task.

5.6.4 Other payables

Other payables mainly comprise compensation payments to Offshore wind farm operators (OWFs), personnel related liabilities and accruals for which invoices were not yet received.

Key estimates and assumptions

Compensation payments to OWFs are based on amounts of electricity which could not be fed into the grid.
The pass-through accrual is based on a comparison of the costs incurred and the revenue generated by the offshore liability surcharge.

5.7 Provisions

	2019			2018		
(EUR million)	Current	Non-current	Total	Current	Non-current	Total
Environmental and decommissioning	15	1,127	1,142	11	665	676
Tariff related	123	5	128	28	5	33
Other	110	31	141	47	104	151
Total	**248**	**1,163**	**1,411**	**86**	**774**	**860**

(EUR million)	Environmental management and decommissioning	Tariff related	Other	Total
At 1 January 2018	**594**	**57**	**138**	**789**
Addition	71	3	11	85
Utilisation	-4	-9	-3	-16
Changes in estimations	8	-	5	13
Unused amounts reversed	-10	-18	-1	-29
Imputed interest	17	-	1	18
At 31 December 2018	**676**	**33**	**151**	**860**
Addition	122	98	8	228
Utilisation	-6	-3	-3	-12
Changes in estimations	334	-	2	336
Unused amounts reversed	-3	-	-17	-20
Imputed interest	19	-	-	19
At 31 December 2019	**1,142**	**128**	**141**	**1,411**

5.7.1 Provisions for environmental management and decommissioning

Provisions for environmental management and decommissioning serves to cover future obligations in relation to high-voltage connections and underground cables, and to cover the decommissioning costs. In 2019 EUR 122 million was added (2018: EUR 70 million) for future decommissioning costs for projects constructed during 2019. Changes in estimates related to the provision for decommissioning for EUR 334 million (2018: EUR 5 million) mainly due to a decrease of the discount rate used. Both were not recognised through the statement of income. There was no material decommissioning of substations in 2019. The first decommissioning of an offshore grid connection is expected to start in 2029.

5.7.2 Tariff related provisions

Tariff-related provisions relate to uncertain regulatory compensations of EUR 91 million and to provisions for system service fees in the Netherlands. We charge electricity consumers a fee for system services performed. Following a change in law, the court in the Netherlands concluded that only parties with a direct connection to a grid maintained by a TSO are required to pay system service fees for the period prior to 31 December 2014. Consequently, we are required to refund amounts paid by certain parties to us without a direct grid connection. These refunds can be recouped by us through future tariffs. In 2019, none (2018: EUR 18 million) of the provided amount matured and was released through the statement of income.

5.7.3 Other provisions

The majority of the other provisions relate to risks associated with delays and interruptions of offshore connections in Germany. The connection of OWFs presents additional technical and organisational challenges. A number of factors, including a lack of supplier resources required for the construction of offshore grid connection systems, as well as weather conditions and the application of new technologies, hindered the timely realisation and/or interrupted the operational phase of offshore grid connection systems. TenneT based its assumptions and estimates on parameters available at the time the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond control. Such changes are reflected in assumptions when they occur.

5.7.4 ⓘ Accounting policy provisions

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. The provisions are measured at the present value of estimated cash flows to settle the obligation, based on expected price levels. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the liability. The interest unwinding is recognised in the statement of income as a 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 in the tangible fixed assets. For all other provisions changes in estimated future costs and discount rates are recognised in the statement of income.

5.7.5 Key estimates and assumptions for provisions

The estimated decommissioning provision involves assessing the expected remaining useful life of relevant asset. The useful life of the offshore grid connections is estimated at 20 years. Decommissioning costs are provided for at the present value of expected costs to settle the obligation. This provision assumed a discount rate between 0.4% and 0.7% (2018: 2.9%) and an inflation rate between 2.0% and 3.0% (2018: 2.9%). The discount rate has been adjusted to better reflect current market assessments of the time value of money and the risks specific to the liability. A change in the discount rate of 1% could have a maximum impact of EUR 108 million on the asset value.

A discount rate of 2.2% is applied for environmental management provisions (2018: 2.2%). A change in discount rate of 1% could have a maximum impact of EUR 9 million on the related book value.

A discount rate of 1.49% was applied for other provisions (2018: 2.2%). A change in discount rate of 1% could have a maximum impact of EUR 2 million on the related book value.

The estimated amount of risks associated with delays and interruptions concerning the Group's offshore activities in Germany is based on the number of offshore grid connections, and the compensation paid to the operators of offshore grid connections.

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.

5.8 Inventory

Inventory was primarily composed of oil which is used for measures taken at power plants that are standing by for TenneT.

ⓘ Accounting policy provisions

Inventory is stated 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 the sale.

The fair value of inventory was not materially different from the carrying value.

6. Capital structure and financing

To keep pace with the rising electricity consumption and generation variability, the need for more transport capacity and the shift in production locations, we must invest substantially in upgrading and expanding our high-voltage grid. Therefore, a solid financial standing is needed to maintain good access to the financial markets to fund the necessary investments in our infrastructure. This section focuses on capital management, financing and the related risks.

6.1 Capital management

The primary objective of our capital structure is to ensure that we have a solid financial position to absorb changes in the regulatory environment and to enable us to execute our extensive investment programme which is essential for the success of the energy transition in the Netherlands and Germany. The majority of the funding for our investment programme is sourced from the debt capital markets i.e. from institutional investors, commercial banks and international financial institutions (e.g. the European Investment Bank).

To maintain excellent access to financial markets at favourable conditions, we have defined capital management objectives, policies and processes which include:

1. maintaining a senior unsecured long-term credit rating of at least A3/A-;
2. maintaining a long-term average Funds From Operations (FFO) to Net debt based on 'underlying' financial information of at least 8.5%;
3. diversifying the maturities of long-term funding instruments to limit refinancing risk;
4. maintaining liquidity through cash and undrawn committed credit lines covering at least our net cash requirement on a rolling 12-month forward-looking basis.

1. Maintain a senior unsecured credit rating of at least A3/A-

As of 31 December 2019 TenneT Holding B.V. had the following senior unsecured credit ratings from Standard & Poor's and Moody's Investor Service, which comply with our financial policy.

Credit rating at 31 December 2019 and 2018	Long-term rating	Short-term rating
Standard & Poor's	A– (stable outlook)	A-2
Moody's Investor Service	A3 (stable outlook)	P-2

2. Maintain a FFO/Net debt ratio based on underlying financial information of at least 8.5%

To maintain a solid financial position, we intend to maintain a long-term average FFO/Net debt ratio of at least 8.5% based on underlying financial information (see note 2), which meet the minimum requirements for an A-/A3 long-term unsecured credit rating as formulated by the credit rating agencies Standard & Poor's and Moody's Investor Service.

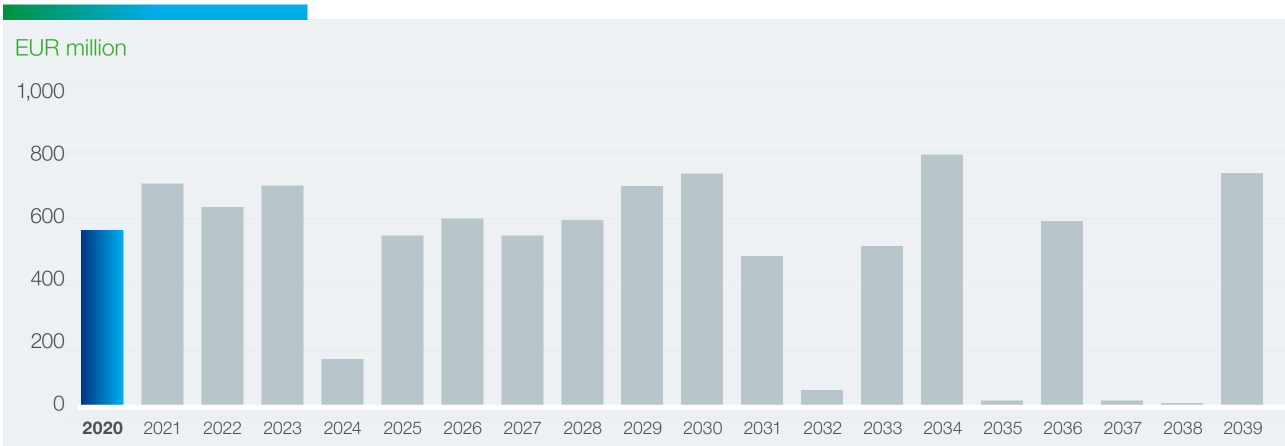
A reconciliation of the FFO and net debt is provided in the following table.

Based on underlying information (EUR million)	2019	2018
Net profit for the year	408	484
+ amortisation, depreciation and impairments	993	721
+ result on disposal of assets (non-cash)	8	26
Total FFO	**1,409**	**1,231**
Net debt		
+ Long term borrowings	9,137	7,964
+ Short term borrowings	565	756
- Cash and cash equivalents at free disposal	-202	-8
Total net debt	**9,500**	**8,712**
FFO/net debt	**14.8%**	**14.1%**

3. Diversify maturities of long-term funding instruments to limit refinancing risk

To minimise refinancing risk, we aim to diversify the maturity profile of our senior debt. As of 31 December 2019, our interest bearing debt (excluding bank overdrafts) had the following annual redemption profile:

Annual redemption of debt



4. Maintain liquidity through cash and undrawn committed credit lines covering at least the Group's net cash requirement on a rolling 12-month forward-looking basis

We monitor the liquidity of the Group on a rolling 12-month forward-looking basis. This means that the sum of (i) cash and cash equivalents, (ii) undrawn committed credit facilities and (iii) 12-month net cash flow from operating activities should be sufficient to meet the expected aggregate of scheduled debt repayments, investments in fixed assets and dividend payments over the subsequent 12 months. To support the 12-month liquidity requirement, we had a EUR 3 billion revolving credit facility (RCF) and a EUR 350 million committed undrawn EIB facility available as of 31 December 2019. The EUR 350 million EIB loan will be drawn in April 2020 with a fixed interest rate of 0.436% and a linear repayment schedule starting in 2025 and with a last repayment in 2039. The 12-month liquidity requirement was met on 31 December 2019 and 31 December 2018.

6.2 Equity

6.2.1 Equity attributable to owners of the company

Paid-up and called-up capital

The Company's authorised share capital amounted to EUR 500 million (2018: EUR 500 million), divided into one million shares of EUR 500 each. Of these shares, two hundred thousand shares have been issued and paid-up.

Share premium reserve

The share premium reserve consists of the capital contribution granted by the shareholder of ordinary shares, the Dutch State represented by the Ministry of Finance. In December 2016 the Dutch State formally agreed to contribute up to EUR 1.19 billion of additional equity over the period 2017-2020. The first tranche of EUR 150 million and second tranche of EUR 350 million were received 2017 and 2018, respectively. In line with the capital commitment by the Dutch government in 2016, we received the third unconditional tranche of EUR 280 million at the end of 2019. The Ministry of Finance also granted the fourth - conditional - tranche of EUR 410 million, which we also received in 2019.

Hedging reserve

The hedging reserve related to the cumulative result of sold forward-starting interest rate swaps (hereafter referred to as 'FSIRS'), classified as cash flow hedges. The interest rate swaps were sold at the moment Euro Medium Term Notes ('EMTN') were issued in 2010 and 2011. The end term of the original FSIRS is 2020 and 2021. As at 31 December 2019, the 2020 FSIRS amounts to nil and for the 2021 FSIRS amounts to EUR 1 million.

Retained earnings

Part of the retained earnings has been presented as legal reserve. For more details see note 8.9.

Hybrid securities

Hybrid securities are deeply subordinated securities and are, with the exception of common equity, the most junior instruments in the capital structure of the company. The hybrid securities are undated and do not default on non-payment of coupons (unless such payment was mandatory following a resolution or payment of a dividend to common shareholders, i.e. as so called 'dividend pusher').

The holders of the hybrid securities have limited ability to influence the outcome of a bankruptcy proceeding or a restructuring outside bankruptcy. Consequently, the hybrid security holders cannot oblige us to pay distributions or redeem the securities in part or in full. Payment of distributions on and redemption of the securities is at our sole discretion. As a result, the hybrid securities are classified as part of the equity attributable to the company's equity holders.

The hybrid securities bear an optional, cumulative coupon of 2.995%, payable at TenneT's discretion annually on 1 June of each year. As at 31 December 2019, the unpaid cumulative dividend amounts to EUR 18 million (2018: EUR 18 million), relating to the period 1 June until 31 December and payable on 1 June 2020.

Dividend distribution

In 2019 a common full-year dividend of EUR 120 million (EUR 600 per share) to our ordinary shareholder was distributed. In agreement with the State of the Netherlands we have established a dividend policy with a pay-out of 35% of the underlying profit for the year, after payments of distributions to hybrid securities holders and minority investors. We made a distribution to the holders of hybrid securities of EUR 33 million during 2019 (2018: EUR 30 million). The appropriation of the 2019 profit is at the free disposal of the General Meeting of Shareholders.

6.2.2 Non-controlling interests

The proportion of economic interests held by non-controlling interests in the Group's subsidiaries is as follows:

% Non Controlling Interests	Country	2019	2018
TenneT Offshore 2. Beteiligungsgesellschaft mbH ("TO2")	Germany	69%	69%
TenneT Offshore 8. Beteiligungsgesellschaft mbH ("TO8")	Germany	63%	63%
TenneT Offshore DolWin3 Beteiligungs GmbH & Co. KG ("TOD3")	Germany	70%	59%
TenneT Offshore DolWin3 Verwaltungs GmbH ("TODV")	Germany	67%	67%
ETPA Holding B.V. ("ETPA")	Netherlands	50%	50%

The Group has the power to control TO2, TO8, TOD3 and TODV, and holds 51% of the voting rights in these entities. TenneT also holds 50.002% of the voting rights and has the power to control ETPA. Movements in the non-controlling interest, to the extent material, is summarised below.

(EUR million)	TO2	TO8	TOD3
At 1 January 2018	**267**	**293**	**297**
Profit attributable to non-controlling interests	8	18	64
Dividends paid	-29	-50	-
Capital repayment	-	-	-72
At 31 December 2018	**246**	**261**	**289**
Profit attributable to non-controlling interests	14	19	23
Dividends paid	-5	-31	-
Capital repayment	4	-	-76
At 31 December 2019	**259**	**249**	**236**

The non-controlling interest in TODV and TOD3 are held by Copenhagen Infrastructure Partners (CIP), which owns a 70% economic interest in the adjusted (for certain regulatory effects) profits of these companies and 49% of the voting rights. The non-controlling interest in TO2 and TO8 are held by Mitsubishi Corporation, which owns aggregate 49% of the voting interest and respectively 69% and 63% of the economic rights.

Financial information of these subsidiaries, to the extent material, is summarised below on a consolidated basis before intercompany eliminations and in conformity with our accounting principles.

	2019		
Statement of financial position (EUR million)	**TO2**	**TO8**	**TOD3**
Non-current assets	1,068	1,525	1,667
Current assets	152	134	95
Non-current liabilities	-712	-1,129	-1,310
Current liabilities	-135	-132	-116
Equity	**373**	**398**	**336**
Attributable to owners of the parent	114	149	100
Attributable to non-controlling interests	259	249	236

Statement of financial position (EUR million)	2018 TO2	2018 TO8	2018 TOD3
Non-current assets	1,031	1,557	1,662
Current assets	132	106	24
Non-current liabilities	-691	-1,129	-1,129
Current liabilities	-115	-121	-64
Equity	**357**	**413**	**493**
Attributable to owners of the parent	111	152	204
Attributable to non-controlling interests	246	261	289

Statement of income (EUR million)	2019 TO2	2019 TO8	2019 TOD3
Revenue	168	240	125
Depreciation and amortisation	-83	-100	-89
Other expenses	-37	-54	-14
Operating profit	**48**	**86**	**22**
Finance income and expenses	-22	-38	-28
Income tax expense	-8	-15	2
Profit for the year	**18**	**33**	**-4**
Other comprehensive income	-	-	-
Total comprehensive income	**18**	**33**	**-4**
Attributable to non-controlling interests	14	19	23

Statement of income (EUR million)	2018 TO2	2018 TO8	2018 TOD3
Revenue	174	240	225
Depreciation and amortisation	-83	-99	-38
Other costs	-49	-60	-9
Operating profit	**42**	**81**	**178**
Finance income and expenses	-24	-39	-22
Income tax expense	-6	-13	-20
Profit for the year	**12**	**29**	**136**
Other comprehensive income	-	-	-
Total comprehensive income	**12**	**29**	**136**
Attributable to non-controlling interests	8	18	64

(EUR million)	2019 TO2	2019 TO8	2019 TOD3
Net cash flows from operating activities	136	182	131
Net cash flows used in investing activities	-69	-5	-44
Net cash flows from financing activities	-67	-177	-87
Change in cash and cash equivalents	**-**	**-**	**-**

(EUR million)	2018 TO2	2018 TO8	2018 TOD3
Net cash flows from operating activities	107	169	219
Net cash flows used in investing activities	-34	-12	-209
Net cash flows from financing activities	-73	-157	-10
Change in cash and cash equivalents	**-**	**-**	**-**

A reclassification is made between the 2018 net cash flows from operating activities and net cash flows from financing activities to properly reflect dividends.

6.3 Borrowings

(EUR million)	Effective interest rate	Maturity	Redemption schedule	2019	2018
2.125% bond 2013 EUR 500 million	2.22%	Nov-20	At maturity	-	499
0.875% green bond 2015 EUR 500 million	0.96%	Jun-21	At maturity	499	499
4.50% bond 2010 EUR 500 million	4.60%	Feb-22	At maturity	499	498
4.625% bond 2011 EUR 500 million	4.70%	Feb-23	At maturity	499	499
0.75% green bond 2017 EUR 500 million	0.87%	Jun-25	At maturity	496	496
1.000% green bond 2016 EUR 500 million	1.04%	Jun-26	At maturity	499	498
1.75% green bond 2015 EUR 500 million	1.83%	Jun-27	At maturity	497	497
1.375% green bond 2018 EUR 500 million	1.49%	Jun-28	At maturity	495	494
1.375% green bond 2017 EUR 500 million	1.41%	Jun-29	At maturity	498	498
0.875% green bond 2019 EUR 500 million	0.98%	May-30	At maturity	495	-
4.75% bond 2010 EUR 200 million	4.92%	Jun-30	At maturity	196	196
1.250% green bond 2016 EUR 500 million	1.35%	Oct-33	At maturity	493	493
2.0% green bond 2018 EUR 750 million	2.04%	Jun-34	At maturity	745	745
1.875% green bond 2016 EUR 500 million	1.97%	Jun-36	At maturity	492	492
1.500% green bond 2019 EUR 750 million	1.58%	May-39	At maturity	739	-
Non-current interest-bearing bonds				**7,142**	**6,404**
4.12% loan 2010 EUR 150 million	4.12%	Jan-21	At maturity	150	150
4.40% loan 2010 EUR 40 million	4.40%	2016-2021	Linear	3	6
4.71% loan 2010 EUR 40 million	4.71%	2016-2022	Linear	6	9
2.74% loan 2012 EUR 150 million	2.74%	Sep-23	At maturity	150	150
4.44% loan 2010 EUR 140 million	4.44%	2016-2023	Linear	32	43
0.72% loan 2015 EUR 500 million	0.72%	2018-2032	Linear	414	448
0.77% loan 2015 EUR 150 million	0.77%	2018-2037	Linear	128	136
0.813% loan 2016 EUR 125 million	0.81%	2019-2038	Linear	113	119
Non-current interest-bearing loans				**996**	**1,061**
0.646% green Schuldschein 2016 EUR 77 million	0.67%	May-22	At maturity	77	77
0.989% green Schuldschein 2016 EUR 100 million	1.01%	May-24	At maturity	100	100
1.310% green Schuldschein 2016 EUR 55 million	1.32%	May-26	At maturity	55	55
1.500% green Schuldschein 2016 EUR 50 million	1.51%	May-28	At maturity	50	50
1.750% green Schuldschein 2016 EUR 43 million	1.76%	May-31	At maturity	43	42
1.750% green Schuldschein 2016 EUR 95 million	1.76%	May-31	At maturity	95	95
2.000% green Schuldschein 2016 EUR 80 million	2.01%	May-36	At maturity	80	80
Non-current interest-bearing Schuldschein				**500**	**499**
1.61% USPP 2019 EUR 160 million	1.63%	Jan-29	At maturity	160	-
1.83% USPP 2019 EUR 295 million	1.85%	Jan-31	At maturity	294	-
2.01% USPP 2019 EUR 45 million	2.02%	Jan-34	At maturity	45	-
Total non-current interest-bearing USPP				**499**	**-**
Total non-current interest-bearing borrowings				**9,137**	**7,964**

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(EUR million)	Effective interest rate	Maturity	Redemption schedule	2019	2018
2.125% bond 2013 EUR 500 million	2.22%	Nov-20	At maturity	500	-
Current interest-bearing bonds				**500**	**-**
Cash loans	-0.01%	Jan-19	At maturity	-	100
EUR commercial papers	-0.33%	Jan-19	At maturity	-	591
4.71% loan 2010 EUR 40 million	4.71%	Nov-20	Linear	3	3
4.40% loan 2010 EUR 40 million	4.40%	Nov-20	Linear	3	3
4.44% loan 2010 EUR 140 million	4.44%	Nov-20	Linear	11	11
0.72% loan 2015 EUR 500 million	0.72%	Sep-20	Linear	34	34
0.77% loan 2015 EUR 150 million	0.77%	Jan-20	Linear	8	8
0.813% loan 2016 EUR 125 million	0.81%	Oct-20	Linear	6	6
Current interest-bearing loans				**65**	**756**
Total current interest-bearing borrowings				**565**	**756**
Total borrowings				**9,702**	**8,720**

Changes in borrowings arising from financing activities are as follows:

(EUR million)	(Non)-current interest-bearing bonds	(Non)-current interest-bearing loans	Non-current interest-bearing Schuldschein	Non-current interest-bearing USPP	Total
At 1 January 2018	**5,661**	**1,543**	**499**	**-**	**7,703**
Cash inflow from new borrowings	1,239	691	-	-	1,930
Cash outflow from redemptions	-500	-417	-	-	-917
Amortisation (non-cash)	4	-	-	-	4
At 31 December 2018	**6,404**	**1,817**	**499**	**-**	**8,720**
Cash inflow from new borrowings	1,232	-	-	499	1,731
Cash outflow from redemptions	-	-756	-	-	-756
Amortisation (non-cash)	6	-	1	-	7
At 31 December 2019	**7,642**	**1,061**	**500**	**499**	**9,702**

TenneT has renewed and extended its Revolving Credit Facility (RCF) of EUR 3.0 billion as of November 2019. The RCF matures November 2024 and has two one-year extension options. Besides that, the Group has a loan facility of EUR 350 million from the European Investment bank (EIB) related to the NordLink project. The agreement was signed on 3 April 2017, which at year end 2019 was undrawn and will be settled in April 2020. The borrowings and undrawn facilities have no financial covenants.

The amount of borrowing costs (including fair value adjustment) capitalised was EUR 59 million (2018: EUR 47 million).

For more information about the fair value and applicable accounting policy, see note 6.5 and 6.6, respectively.

6.4 Cash, cash equivalents and bank overdrafts

Cash and cash equivalents consist of:

(EUR million)	2019 At free disposal	2019 Not at free disposal	2019 Total	2018 At free disposal	2018 Not at free disposal	2018 Total
Collateral securities	-	79	79	-	71	71
EEG funds	-	589	589	-	1,024	1,024
EEG deposits < 3 months	-	30	30	-	150	150
Cash at bank	202	1	203	8	-	8
Cash and cash equivalents	**202**	**699**	**901**	**8**	**1,245**	**1,253**
Bank overdrafts	-	-	-	-	-	-
Total cash and cash equivalents used in cash flow statement	**202**	**699**	**901**	**8**	**1,245**	**1,253**

Since 2016, funds related to EEG activities have been legally separated as required by BNetzA. EEG Funds are not at the Group's free disposal. For further reference regarding EEG we refer to note 5.5.1.
Cash at banks carry interest at floating rates based on daily bank deposit rates.

ⓘ 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 auction and energy exchange transactions. A matching obligation is recognised towards the party that deposited the funds on the collateral. Securities are initially stated at fair value and subsequently at amortised cost.

6.5 Fair values

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

(EUR million)	Notes	Carrying amount 2019	Carrying amount 2018	Fair value 2019	Fair value 2018	Hierarchy
Financial liabilities						
Borrowings:						
- Borrowings – bonds	6.3	7,642	6,404	8,354	6,734	Level 1
- Borrowings – other	6.3	2,060	2,316	2,203	2,323	Level 2
Total		**9,702**	**8,720**	**10,557**	**9,057**	

As at 31 December 2019, no instruments carried at fair value were held (2018: nil). Furthermore, 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 2019, 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 is based on discounted cash flows. A change in the assumptions used to calculate the fair value will not result in a significantly different outcome. There were no transfers between the fair value hierarchy levels during 2019 or 2018.

6.6 ⓘ Accounting policies for financial instruments

Financial assets

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

After initial recognision financial assets are measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. All TenneT'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.
- 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.

The Group 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 the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group 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. The Group'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 statement of income 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. The EIR amortisation is included as finance expense in the statement of comprehensive income.

6.7 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 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 regulatory risks we refer to the 'Risk Management' section of our Executive Board report.

Risk management related to financing activities is conducted by our Treasury department under policies included in the Treasury Statute approved by our Executive Board and Audit, Risk and Compliance Committee. 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
We are exposed to interest rate risk on our debt portfolio. To limit this risk, our policy is to base the majority of our loan portfolio on fixed interest rates. As of 31 December 2019, the long-term loan portfolio was entirely 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 4 million in our net interest cost (2018: EUR 3 million).

Furthermore, there is a risk that interest payable on borrowings exceeds the interest compensation received by TenneT under the prevailing regulatory systems. The ACM has set the relevant interest rate which will linearly decrease from 3.58% in 2016 to 2.29% in 2021. In Germany, actual interest costs are compensated up to a predefined maximum on a rolling average basis.

Credit risk
In general we are 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 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 our counterparties. We also have policies in place to monitor the financial viability of counterparties.

In both the Netherlands and Germany, 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 subsequent 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 parties with balance responsibility. With respect to investment projects, we require counterparties to deliver bank guarantees or collaterals as a protection against defaults.

The management of energy exchanges, the execution of the Renewable Energy Act in Germany and the maintenance of the energy balance between supply and demand requires transfer of large cash amounts. Our policies are aimed at minimising the risks associated with the clearing transactions in connection with these cash flows.

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 has 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 5.4 and 5.5. The movement of the allowance for expected credit losses of trade receivables is included in note 5.5.2.

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. The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, TenneT may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Financial credit risk
In 2019, financial credit risk arose mainly from our transactions and positions with several institutions. As at 31 December 2019, the maximum credit risk amounted to EUR 36 million (2018: EUR 37 million). Funds related to EEG are not at our free disposal and are legally separated from our cash at bank. In accordance with EEG legislation, shortfalls are reimbursed through the subsequent year's EEG levy. As a result, there is no credit risk on the side of TenneT TSO GmbH regarding the EEG funds and these are therefore not included in the aforementioned credit risk amount.

In accordance with our treasury policies, counterparty credit exposure is monitored frequently against the counterparty credit limits. We have concentration limits in place when funds are placed on deposit or when financial derivatives are entered into. At 31 December 2019 we had EUR 30 million deposits with third parties for EEG cash amounts (2018: EUR 400 million) and no financial derivatives outstanding. As of 31 December 2019 none of these deposits had a maturity of more than 3 months (2018: EUR 250 million), see note 5.5.1.

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

Liquidity risk
Liquidity risk is defined as the risk that the Group cannot meet its short-term financial obligations. Our objective when managing liquidity is to be able to meet our short-term obligations at all times. Liquidity is monitored every quarter on a rolling 12-month forward-looking basis. The liquidity requirement was met each quarter including 31 December 2019 and 31 December 2018.

The following maturity schedule 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
At 31 December 2019							
Lease liabilities	4.2	10	19	87	202	139	457
Borrowings	6.3	7	48	692	2,777	7,771	11,295
Account- and other payables	5.6	2,091	417	1,200	1	-	3,709
Other financial liabilities		79	-	-	-	-	79
Total		**2,187**	**484**	**1,979**	**2,980**	**7,910**	**15,540**
At 31 December 2018							
Borrowings	6.3	543	148	223	3,171	6,001	10,086
Account- and other payables	5.6	1,052	885	2,344	1	-	4,282
Other financial liabilities		71	-	-	-	-	71
Total		**1,666**	**1,033**	**2,567**	**3,172**	**6,001**	**14,439**

Our borrowings, have a diversified maturity profile, which reduces refinancing risks (see also note 6.1).

In order to minimise our exposure to liquidity risk, we have a EUR 3.0 billion committed revolving credit facility (RCF) at our disposal for general corporate purposes. At 31 December 2019, this facility was undrawn. Furthermore, we had EUR 350 million of undrawn long-term loan commitments from the EIB available at 31 December 2019. This facility will be settled in April 2020. Finally, we had EUR 450 million of short-term uncommitted credit facilities available at year end. At 31 December 2019 these facilities were not drawn (2018: EUR nil).

The size of our credit facilities is such that we expect 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. The terms and conditions of our credit facilities include negative pledge and pari passu clauses. No security interest over any of the Group's assets has been provided. All credit facilities have floating-rate interest conditions.

We also have access to diversified funding sources through our medium-term note (EMTN) programme and our commercial paper (CP) programme. Both programmes significantly reduce our dependency on the banking sector.

We expect to meet our financial obligations for 2020 with (i) cash and cash equivalents, (ii) funds from operations, (iii) unused credit facilities and (iv) capital market transactions. 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.

Refinancing 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 shareholders to contribute additional equity and (iii) lobbying activities to ensure that regulatory frameworks remain adequate to safeguard regulators income and returns to investors.

7. Other disclosures

Other mandatory disclosures, such as details of pension liabilities and related party transactions, which are not directly related to our business are described in this note.

7.1 Net employee defined benefit liabilities

7.1.1 Pension plans Germany

We have defined benefit plans for the majority of our German personnel. Said personnel are mainly employed based on the collective labour agreement of 'Tarifgruppe Energie' and thus enjoy benefits in the form of old-age, disability and surviving dependents' pensions. The large majority of the benefit obligations are based on pension schemes that define annual pension claims based on respective employee's pensionable income of the particular year. Furthermore, each employee is allowed to defer a certain amount of compensation to raise the annual pension claim within defined bounds.

The Group contributes to two post-employment defined benefit plans in Germany: a works council agreement called 'Betriebliche Alterssicherung' (hereafter referred to as 'pension scheme 2001') and a works council agreement called 'Beitragsplan' (hereafter referred to as 'pension scheme 2008'), as well as to a small number of individual pension commitments. The pension obligations related to these plans are partly covered by assets held in two Contractual Trust Arrangements (CTA) administrated by 'Helaba Pension Trust e.V.' (Helaba). According to German law, TenneT remains ultimately liable for fulfilling these pension obligations.

Pension scheme 2001

This scheme covers employees who started their employment with TenneT Germany on or before 31 December 2007 (or later, if the individual employment contract was agreed on or before 1 April 2008). The scheme became effective on 1 January 2001 and absorbed older plans. As part of the transition in 2001 to the new plan, employees were guaranteed a vested pension claim based on the old plan for their years of service prior to the transition. The plan offers benefits in the form of old-age, disability and surviving dependents' pensions, and is composed of the employer-funded basic level based on the respective employee's yearly pensionable income, the employer-funded top-up level based on the respective company's performance, and the employee-funded supplementary level which allows employees to increase their pension entitlement through deferred compensation. Yearly fixed pension claims are calculated with a fixed internal interest rate that sum up to the total earned pension benefits of the respective employee.

Pension scheme 2008

This scheme covers employees who started their employment with TenneT Germany after 31 December 2007 (unless the individual employment contract was agreed before 1 April 2008, for which the pension scheme 2001 applies). This scheme offers benefits in the form of old-age, disability and surviving dependents' pensions.

Pension cost is composed of the employer-funded basic level based on the respective employee's yearly pensionable income, the employer funded top-up level based on the respective company's performance and the employee-funded supplementary level which allows employees to increase their pension entitlement through deferred compensation. If the employee contribution to the supplementary level reaches a certain level, the company pays an additional contribution of one-third of the respective basic level contribution.

Annually, for each year a contribution to the pension claims is calculated with an interest rate that is recalculated based on the weighted average current yield of German Federal Government Bonds (Bundesanleihen) with different maturities (10, 20 and 30 years) reflecting the average duration of the plan. The annual pension claim contributions for all years of service sum up to the total earned pension benefits of the respective employee.

Differences between the plans are limited and refer mainly to the way internal interest rates and the pensionable income are determined. Therefore disclosure in the notes below shows the combined plans

Components of the net benefit expense recognised in the statement of income were as follows:

(EUR million)	2019	2018
Current service costs (note 3.2.2)	14	23
Net interest costs (note 3.3)	4	4
Net benefit expense	**18**	**27**

The funded status of the plans and the amounts recognised in the statement of financial position were as follows:

(EUR million)	2019	2018
Defined benefit obligation	465	302
Fair value of plan assets	-104	-94
Benefit liability	**361**	**208**

Changes in the present value of the defined benefit obligation ('DBO') over the year were as follows:

(EUR million)	2019	2018
Defined benefit obligation at 1 January	**302**	**284**
Current service costs	14	23
Interest costs	6	6
Contributions by plan participants	2	2
Benefits paid	-4	-3
Re-measurements on obligation	145	-10
Defined benefit obligation at 31 December	**465**	**302**

Re-measurements on obligation are EUR 145 million, mainly due to the change of the discount rate from 2.00% to 1.05%.

Changes in the fair value of plan assets of the year were as follows:

(EUR million)	2019	2018
Fair value of plan assets at 1 January	**94**	**95**
Actual return on plan assets	8	-2
Contributions by employer	5	3
Benefits paid	-3	-2
Fair value of plan assets at 31 December	**104**	**94**

Major categories of plan assets as a percentage of the fair value of the total plan assets were as follows:

	2019	2018
Quoted in active markets:		
Equity instruments	36%	33%
Debt securities	43%	48%
Other	5%	5%
Unquoted investments:		
Debt securities	5%	5%
Real estate	9%	8%
Cash	2%	1%

Re-measurements, including actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, recognised in the statement of comprehensive income were as follows:

(EUR million)	2019	2018
Accumulated balance at 1 January	**121**	**126**
Re-measurements during the year	137	-5
Accumulated balance at 31 December	**258**	**121**

Re-measurements of the year originate from

(EUR million)	2019	2018
Re-measurements from actuarial gains(-)/losses in DBO	145	-10
Exceeding return on plan assets (over net interest incl. in net liability)	-8	5
Accumulated balance at 31 December	**137**	**-5**
Thereof:		
actuarial gains(-)/losses from experience	-4	-10
actuarial gains(-)/losses from changes in demographic assumptions	-	3
actuarial gains(-)/losses from changes in actuarial assumptions	149	-3

The actuarial losses of EUR 3 million from the changes in demographic assumptions mentioned in the 2018, result from the introduction of the new mortality table ‘Heubeck 2018 G’.

ⓘ Accounting policy

For defined benefit plans, pension costs are determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest), are recognised in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to statement of income in subsequent periods.

Service costs comprising current service costs and, if applicable, past-service costs, gains and losses on curtailments and non-routine settlements are recognised as personnel expenses in the consolidated statement of income. Interest is calculated by applying the discount rate to the net defined benefit liability or asset and is recognised as part of the finance result in the statement of income.

Prepaid pension costs relating to defined benefit plans are capitalised only if they lead to refunds to the employer or to reductions in future contributions to the plan by the employer.

Key estimates and assumptions

Pension obligations and pension entitlements that are known on the reporting date are valued using economic trend assumptions including, among others, salary growth rates and pension increase rates, that are intended to reflect realistic expectations, as well as variables specific to reporting dates such as discount rates. The principal assumptions used in determining the pension obligation were as follows:

	2019	2018
Discount rate	1.05%	2.00%
Inflation rate	2.00%	2.00%
Future salary increases	2.50%	2.50%
Future pension increases	1.75%	1.75%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and actuarial experience. An increase in each of the main assumptions would have had the followings effects:

(EUR million)	2019	2018
0.25% change of discount rate	-27	-16
0.5% change of salary increase rate	2	-
0.5% change of pension increase rate	2	1
Change of 1 year in life expectancy	18	10

The sensitivities indicated are computed based on the same methods and assumptions used to determine the present value of the defined benefit obligations and are based on variations in a single variable only. Note that the sensitivity analyses may not be representative of an actual change in the defined benefit obligation, as it is unlikely that changes in assumptions would occur in isolation.

Due to the strong development of plan assets and the change in (statutory) discount rates, we do not expect to have an obligation to contribute to plan assets in 2020. We expect the following, undiscounted, benefit payments from the plan:

(EUR million)	2019	2018
Within the next 12 months	5	5
Within 2-5 years	23	22
Within 5-10 years	38	38
More than 10 years	365	392
Total	**431**	**457**

7.1.2 Pension plan the Netherlands

For the majority of our Dutch personnel we have a multi-employer scheme at ABP Pension Fund (ABP) in the Netherlands. The pension contribution rate for 2019 was 24.9% of the pensionable salary. In 2020 we expect to contribute EUR 17 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 were a defined contribution scheme.

Since the financial situation of the ABP pension plan at 31 December 2015 was inadequate from a regulatory perspective, ABP filed a recovery plan, which was approved by De Nederlandsche Bank (DNB) during the course of 2016. In accordance with this recovery plan, ABP evaluates how recovery is progressing at the start of each year. Progress is measured by means of the policy funding ratio at the end of the preceding year. The policy funding ratio is the 12-month moving average of the nominal funding ratio. ABP's policy funding ratio as at 31 December 2019 was 95.8% (2018: 103.8%) which is above the critical regulatory coverage rate level under which pensions would have to be reduced.

ⓘ Accounting policy

Payments to defined contribution plans are charged as an expense in the period to which they relate.

7.2 Other commitments and contingencies

(EUR million)	2019	2018
Grid-related commitments	1,109	1,241
Other off-balance sheet commitments	69	451
Total off-balance sheet obligations	**1,178**	**1,692**
Off-balance sheet rights		
Government guarantees received	300	300
Other off-balance sheet rights	76	65
Total off-balance sheet rights	**376**	**365**

The expected cash flows for grid-related commitments and other off-balance sheet commitments are equal to the amounts in the above table. For guarantees issued no cash flows are expected.

7.2.1 Grid related commitments

Grid-related commitments included received but unused auction receipts in the Netherlands amounting to EUR 470 million (2018: EUR 555 million).

7.2.2 Government guarantees received

TenneT benefits from a financial guarantee issued by the Dutch State for an amount of EUR 300 million which expired in February 2020, relating to its (indirect) investment in TenneT TSO GmbH.

7.2.3 Other

Other off-balance sheet commitments mainly consisted of:

- TenneT's commitment to provide the NOKA joint venture with sufficient funds for the construction of the Southern Part of the NordLink cable;
- Several parties claim compensation for the delay or non-availability of the offshore grid connection. The related legal proceedings are still pending. If and to the extent the claims are (partly) justified and the payments resulting therefrom could not be passed through to the end customers, the binding rulings may have a negative impact on the financial position;
- TenneT TSO B.V. is currently involved in a claim procedure because of alleged wrongful termination of construction contracts and in a counter claim procedure against this counter party regarding financial settlement & damages due to the alleged non-fulfilment of the construction contracts;
- The ACM has started a formal investigation regarding the interruption in TenneT TSO B.V. network in 2018. The ACM concluded in the formal investigation that TenneT TSO B.V. violated the grid redundancy criteria n-1 and the legal obligation to take all necessary measures to avoid an interruption. Both violations are classified by the ACM in the highest category of violations ('very severe') and the ACM decided to initiate the formal process to fine TenneT for non-compliancy of the Electricity Act. Such a fine, if and to the extent rendered and confirmed by a court in final instance, could have a negative effect on the TenneT's reputation, and could have a material adverse effect on the TenneT's business, financial condition and net income.

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

Various other off-balance sheet commitments and contingencies as well as other off-balance sheet rights existed but were immaterial from a disclosure perspective. The majority of these claims relate to (i) construction contracts 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 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 company's financials.

Finally, we expect to spent an amount of EUR 55 million to finalise already commissioned projects.

7.3 Related parties

Note 7.4 provides an overview of legal entities included in the consolidated financial statements.

TenneT has entered into transactions with the following related parties:

- State of the Netherlands: TenneT Holding B.V. is controlled by the Dutch State, which owns 100% of the Company's ordinary shares (refer to 6.2.1);
- Joint ventures NOKA and BritNed (refer to note 5.3.1);
- Associates HGRT and OTC (refer to note 5.3.2);
- Members of the Executive and Supervisory Board of TenneT Holding B.V. (refer to note 3.2.2);
- Mobile Radio Networks Vehicle B.V. (refer to note 5.4).

7.4 Consolidated subsidiaries

The following legal entities were included in the consolidation of TenneT Holding B.V:

			Voting interest		Economic interest		
Subsidiary	Legal seat	Country	2019	2018	2019	2018	
B.V. Transportnet Zuid-Holland	Voorburg	Netherlands	100%	100%	100%	100%	*
CertiQ B.V.	Arnhem	Netherlands	100%	100%	100%	100%	
Duvekot Rentmeesters B.V.	Bathmen	Netherlands	100%	100%	100%	100%	
ETPA Holding B.V.	Amsterdam	Netherlands	50%	50%	50%	50%	
ETPA B.V.	Amsterdam	Netherlands	50%	50%	50%	50%	
Nadine Netwerk B.V.	Arnhem	Netherlands	100%	100%	100%	100%	*
NLink International B.V.	Arnhem	Netherlands	100%	100%	100%	100%	*
NOVEC B.V.	The Hague	Netherlands	100%	100%	100%	100%	
Omroepmasten B.V.	Vianen	Netherlands	100%	100%	100%	100%	
Saranne B.V.	Arnhem	Netherlands	100%	100%	100%	100%	*
Stichting Beheer Doelgelden Landelijk Hoogspanningsnet	Arnhem	Netherlands	N/A	N/A	N/A	N/A	
TenneT Duitsland Coöperatief U.A.	Arnhem	Netherlands	100%	100%	100%	100%	*
TenneT Green B.V.	Arnhem	Netherlands	100%	100%	100%	100%	*
TenneT Orange B.V.	Arnhem	Netherlands	100%	100%	100%	100%	
TenneT TSO B.V.	Arnhem	Netherlands	100%	100%	100%	100%	
TenneT TSO Duitsland B.V.	Arnhem	Netherlands	100%	100%	100%	100%	*
TransTenneT B.V.	Arnhem	Netherlands	100%	100%	100%	100%	*
Relined B.V.	Utrecht	Netherlands	100%	100%	100%	100%	
Relined GmbH	Emsbüren	Germany	100%	100%	100%	100%	
DC Netz DolWin4 GmbH	Bayreuth	Germany	100%	100%	100%	100%	
DC Netz HelWin1 GmbH	Bayreuth	Germany	100%	100%	100%	100%	
DC Netz SylWin2 GmbH	Bayreuth	Germany	100%	100%	100%	100%	
NOVEC GmbH	Emsbüren	Germany	100%	100%	100%	100%	
TenneT GmbH & Co. KG	Bayreuth	Germany	100%	100%	100%	100%	**
TenneT Offshore 1. Beteiligungsgesellschaft mbH	Bayreuth	Germany	51%	51%	31%	31%	
TenneT Offshore 2. Beteiligungsgesellschaft mbH	Bayreuth	Germany	51%	51%	31%	31%	
TenneT Offshore 4. Beteiligungsgesellschaft mbH	Bayreuth	Germany	0%	100%	0%	100%	
TenneT Offshore 7. Beteiligungsgesellschaft mbH	Bayreuth	Germany	0%	100%	0%	100%	
TenneT Offshore 8. Beteiligungsgesellschaft mbH	Bayreuth	Germany	51%	51%	37%	37%	
TenneT Offshore 9. Beteiligungsgesellschaft mbH	Bayreuth	Germany	51%	51%	37%	37%	
TenneT Offshore Dolwin3 Beteiligungs GmbH & Co. KG	Bayreuth	Germany	51%	51%	30%	41%	**
TenneT Offshore Dolwin3 GmbH & Co. KG	Bayreuth	Germany	51%	51%	30%	41%	
TenneT Offshore Dolwin3 Verwaltungs GmbH	Bayreuth	Germany	51%	51%	33%	33%	

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			Voting interest		Economic interest		
Subsidiary	Legal seat	Country	2019	2018	2019	2018	
TenneT Offshore GmbH	Bayreuth	Germany	100%	100%	100%	100%	
TenneT TSO GmbH	Bayreuth	Germany	100%	100%	100%	100%	
TenneT Verwaltungs GmbH	Bayreuth	Germany	100%	100%	100%	100%	
WL Winet GmbH in liquidation	Emsbüren	Germany	100%	100%	100%	100%	***

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

** This company, which has been consolidated in these financial statements, has opted for the exemption of Section 264b of the German Commercial Code.

*** These entities where merged in 2018 with TenneT Offshore GmbH.

**** WL Winet GmbH exists since 2016 but never showed a positive result. Although sales were increasing, management didn't expect an improvement of the result due to the lack of finding qualified personnel. Therefore it was decided to liquidate WL Winet GmbH. The liquidation commenced on 1 March 2019 and, in accordance with German law, will last at least one year.

As TenneT is able to exercise direct control over its management and financial and operational policies, the consolidation includes Stichting Beheer Doelgelden 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.

7.5 Events after the reporting period

No significant events occurred after the reporting period.

Company financial statements

Company statement of income

For the year ended 31 December (EUR million)

(EUR million)	Notes	2019	2018
Revenue		**-**	**1**
Other operating expenses	8.2	-3	-3
Other gains/(losses)		-	-
Total operating expenses		**-3**	**-3**
Share in profit of joint ventures and associates		-	4
Operating profit		**-3**	**2**
Finance income	8.3	177	165
Finance expenses	8.4	-192	-170
Finance result		**-15**	**-5**
Profit before income tax		**-18**	**-3**
Income tax expense *		-1	-5
Profit from subsidiaries	8.5	593	436
Profit for the year		**574**	**428**

* Due to a change in IAS 12 (see note 1.3) income tax expense 2018 changed from -13 to -5 compared to the 2018 IAR. As a result total profit for the year also changed.

Company statement of financial position

For the year ended 31 December (EUR million)

Assets	Notes	2019	2018
Non-current assets			
Investments in subsidiaries	8.5	7,552	6,690
Investments in joint ventures and associates	8.6	29	35
Other financial assets	8.7	6,655	6,232
Total non-current assets		**14,236**	**12,957**
Current assets			
Other financial assets	8.7	1,777	1,393
Account- and other receivables	8.8	30	309
Cash and cash equivalents		194	3
Total current assets		**2,001**	**1,705**
Total assets		**16,237**	**14,662**

Equity and liabilities	Notes	2019	2018
Equity	8.9		
Paid up and called-up capital		100	100
Share premium		1,790	1,380
Revaluation reserve		32	43
Reserve for participating interests		62	61
Reserve for internally generated assets		62	22
Hedging reserve		1	3
Retained earnings		2,108	1,958
Unappropriated result		541	397
Equity attributable to ordinary shares		**4,696**	**3,964**
Hybrid securities		1,120	1,120
Equity attributable to owners of the company		**5,816**	**5,084**
Non-current liabilities			
Borrowings	8.10	9,137	7,964
Deferred tax liability		5	5
Total non-current liabilities		**9,142**	**7,969**
Current liabilities			
Borrowings	8.10	565	756
Account- and other payables	8.11	714	853
Total current liabilities		**1,279**	**1,609**
Total equity and liabilities		**16,237**	**14,662**

Notes to the company financial statements

These notes contain information about the company financial statements of TenneT Holding B.V. Underlying details related to TenneT Holding 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.

8.1 Company accounting policies

The company financial statements for TenneT Holding B.V. have been prepared in accordance with the provisions of Part 9, Book 2 of the Netherlands 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 2:362, clause 8 of the Netherlands Civil Code.

Expected credit loss (ECL) provisions for receivables from subsidiaries will be eliminated as intercompany positions. Changes in these ECL provisions will impact the carrying amounts of the financial assets in the company statement of the financial position due to a possible provision. This will result in a difference between the company equity and the consolidated equity. No ECL provision was deemed necessary.

8.2 Other operating expenses

Part of the other operating expenses is the total fee to EY network firms which are disclosed in note 3.2.3 of the consolidated financial statements.

8.3 Finance income

Result on finance income is mainly related to the interest received on intercompany loans and other in- house financing activities (see note 8.6). The intercompany agreements have terms equivalent to those that prevail in arm's length transactions.

8.4 Finance expenses

Finance expenses mainly relate to interest on borrowings and credit facilities (2019: EUR 178 million; 2018: EUR 152 million).

8.5 Investments in subsidiaries

Changes in investments in subsidiaries can be broken down as follows:

(EUR million)	2019	2018
At 1 January	**6,690**	**6,296**
Share in result	593	436
Capital contribution	410	1
Dividends received	-44	-46
Re-measurement of defined benefit pension	-97	3
Net effect on (partial) sale/acquisition of subsidiaries	-	-
At 31 December	**7,552**	**6,690**

Investments in subsidiaries related to the legal entities included in the consolidation as disclosed in note 7.4 of the consolidated financial statements.

ⓘ Accounting policies
The investments in subsidiaries are measured at net asset value. The net asset value of a participating interest is determined by valuing the assets, provisions and liabilities and calculating the result using the accounting principles applied to the consolidated financial statements.

When our 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 such case, we will recognise a provision.

8.6 Investments in joint ventures and associates

Investments in joint ventures and associates mainly related to HGRT. In 2019, TenneT's share in HGRT's result amounted to EUR 3 million (2018: EUR 3 million) and EUR 5 million (2018: EUR 4 million) dividends were received. In 2019 the carrying amount was adjusted to properly reflect the equity value of the investment. Further reference is made to note 5.3.2 of the consolidated financial statements.

8.7 Other financial assets

(EUR million)	2019	2018
Receivables from subsidiaries	6,646	6,226
Other financial assets	9	6
Total	**6,655**	**6,232**

Receivables from subsidiaries mainly related to intercompany loans and cash management activities of TenneT Holding B.V. The agreed interest rate for the intercompany loans is our cost of fund rating +0.125%. These receivables are unsecured. The movement schedule is as follows:

(EUR million)	2019	2018
At 1 January	**6,232**	**6,050**
Additions	1,941	611
Repayments	-1,408	-33
Transfer to current	-109	-394
Other movements	-1	-2
At 31 December	**6,655**	**6,232**

Besides non-current other financial assets, the company had EUR 1.8 billion (2018: EUR 1.4 billion) of current other financial assets which were related to receivables from subsidiaries. Certain subsidiaries have guaranteed the payment to creditors of TenneT Holding up to an aggregate amount of EUR 2,524 million (2018: EUR 2,642 million).

8.8 Account- and other receivables

(EUR million)	2019	2018
Receivable from shareholder	-	280
Current income tax receivable	30	29
Total	**30**	**309**

8.9 Equity

(EUR million)	Reserve Participating interests	Reserve for internally generated assets	Hedging reserve	Revaluation reserve	**Total legal reserve**
At 1 January 2018	**8**	**9**	**4**	**54**	**75**
Result NOKA and HGRT	29	-	-	-	29
Result NOKA prior years	28	-	-	-	28
Dividend NOKA and HGRT	-4	-	-	-	-4
Internally generated intangible assets	-	13	-	-	13
Depreciation revaluation tangible fixed assets	-	-	-	-11	-11
Amortisation of hedges	-	-	-1	-	-1
At 1 January 2019	**61**	**22**	**3**	**43**	**129**
Result NOKA and HGRT	5	-	-	-	5
Dividend NOKA and HGRT	-4	-	-	-	-4
Internally generated intangible assets	-	52	-	-	52
Depreciation on internally generated intangible assts	-	-12	-	-	-12
Depreciation revaluation tangible fixed assets	-	-	-	-11	-11
Amortisation of hedges	-	-	-2	-	-2
At 31 December 2019	**62**	**62**	**1**	**32**	**157**

The statement of changes in equity and disclosures to that statement are included in the consolidated financial statements. For details on the hybrid securities see note 6.2.1.

The revaluation reserve covers the IFRS 1 revaluation of tangible fixed assets in 2004. The reserve for participating interests related to HGRT and NOKA, for which we do not control payment of dividends. In the consolidated financial statements, the revaluation reserve, the reserve for internally generated assets, and the reserve for participating interests were included in retained earnings.

The legal reserves are not freely distributable.

The appropriation of the 2019 profit is at the free disposal of the General Meeting of Shareholders and has not been recorded in the financial statements.

8.10 Borrowings

Details on borrowings are included in the consolidated financial statements, see note 6.3.

8.11 Account- and other payables

(EUR million)	**2019**	2018
Payables to subsidiaries	606	757
Interest payable	105	92
Other payables	3	4
Total	**714**	**853**

8.12 Events after the reporting period

See note 7.5 of the consolidated financial statements.

Arnhem, 9 March 2020

Executive Board TenneT Holding B.V.
M.J.J. van Beek*
O. Jager*
T. Meyerjürgens
B.G.M. Voorhorst*

* Statutory Director

Supervisory Board TenneT Holding B.V.
A.C.C. van Els
L.J. Griffith
E. Kairisto
E.M. Schöne
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