

# Financial statements

## Financial statements 89

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# Consolidated financial statements

## Consolidated statement of financial position

For the year ended 31 December (EUR million)

| Assets                          | Notes | 2020          | 2019          |
|---------------------------------|-------|---------------|---------------|
| <b>Non-current assets</b>       |       |               |               |
| Tangible fixed assets           | 8     | 20,859        | 18,541        |
| Right-of-use assets             | 9     | 505           | 392           |
| Intangible assets               | 10    | 212           | 160           |
| Investments in joint ventures   | 12    | 673           | 605           |
| Investments in associates       | 12    | 34            | 33            |
| Deferred tax assets             | 6     | 37            | 83            |
| Other financial assets          | 13    | 28            | 61            |
| <b>Total non-current assets</b> |       | <b>22,348</b> | <b>19,875</b> |
| <b>Current assets</b>           |       |               |               |
| Inventories                     | 14    | 65            | 66            |
| Account- and other receivables  | 15    | 3,795         | 2,085         |
| Income tax receivable           | 6     | 31            | 46            |
| Cash and cash equivalents       | 16    | 567           | 901           |
| <b>Total current assets</b>     |       | <b>4,458</b>  | <b>3,098</b>  |
| <b>Total assets</b>             |       | <b>26,806</b> | <b>22,973</b> |

## Consolidated statement of financial position

For the year ended 31 December (EUR million)

| Equity and liabilities                              | Notes | 2020          | 2019          |
|---|-------|---------------|---------------|
| <b>Equity</b>                                       |       |               |               |
| Equity attributable to ordinary shares              | 18    | 5,324         | 4,696         |
| Hybrid securities                                   | 18    | 2,125         | 1,120         |
| <b>Equity attributable to owners of the company</b> |       | <b>7,449</b>  | <b>5,816</b>  |
| Non-controlling interests                           | 19    | 689           | 744           |
| <b>Total equity</b>                                 |       | <b>8,138</b>  | <b>6,560</b>  |
| <b>Non-current liabilities</b>                      |       |               |               |
| Borrowings  | 20    | 10,217        | 9,137         |
| Contract liabilities                                | 21    | 376           | 340           |
| Deferred tax liability                              | 6     | 146           | 63            |
| Provisions  | 22    | 1,282         | 1,163         |
| Lease liabilities                                   | 9     | 327           | 286           |
| Net employee defined benefit liabilities            | 23    | 405           | 361           |
| Other liabilities                                   |       | 5             | 3             |
| <b>Total non-current liabilities</b>                |       | <b>12,758</b> | <b>11,353</b> |
| <b>Current liabilities</b>                          |       |               |               |
| Borrowings  | 20    | 2,243         | 565           |
| Contract liabilities                                | 21    | 2             | 3             |
| Income tax payable                                  | 6     | 2             | 242           |
| Provisions  | 22    | 66            | 248           |
| Other financial liabilities                         |       | 85            | 79            |
| Bank overdrafts                                     | 16    | 90            | -             |
| Lease liabilities                                   | 9     | 135           | 108           |
| Account- and other payables                         | 24    | 3,287         | 3,815         |
| <b>Total current liabilities</b>                    |       | <b>5,910</b>  | <b>5,060</b>  |
| <b>Total equity and liabilities</b>                 |       | <b>26,806</b> | <b>22,973</b> |

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 income

For the year ended 31 December (EUR million)

|  | Notes  | 2020          | 2019          |
|--|--------|---------------|---------------|
| <b>Revenue</b>                                   | 3      | <b>5,025</b>  | <b>4,422</b>  |
| Grid expenses                                    | 4      | -2,252        | -1,955        |
| Personnel expenses                               | 4      | -239          | -229          |
| Depreciation and amortisation of assets          | 8,9,10 | -1,074        | -973          |
| Other operating expenses                         | 4      | -171          | -217          |
| Other (gains)/losses                             |        | 7             | -6            |
| <b>Total operating expenses</b>                  |        | <b>-3,729</b> | <b>-3,380</b> |
| Share in profit of joint ventures and associates | 12     | 60            | 35            |
| <b>Operating profit</b>                          |        | <b>1,356</b>  | <b>1,077</b>  |
| Finance income                                   |        | 2             | 3             |
| Finance expenses                                 | 5      | -197          | -207          |
| <b>Finance result</b>                            |        | <b>-195</b>   | <b>-204</b>   |
| <b>Profit before income tax</b>                  |        | <b>1,161</b>  | <b>873</b>    |
| Income tax expense *                             | 6      | -324          | -250          |
| <b>Profit for the year</b>                       |        | <b>837</b>    | <b>623</b>    |
| <b>Profit attributable to:</b>                   |        |               |               |
| Equity holders of ordinary shares *              | 18     | 748           | 534           |
| Hybrid securities                                | 18     | 44            | 33            |
| <b>Owners of the company</b>                     |        | <b>792</b>    | <b>567</b>    |
| Non-controlling interests                        | 19     | 45            | 56            |
| <b>Profit for the year</b>                       |        | <b>837</b>    | <b>623</b>    |

Income tax 2019 changed from EUR 243 million to 250 million compared to last year's report. Further reference can be found in note 1 Basis for reporting.

## Earnings per share attributable to the equity holders of ordinary shares

For the year ended 31 December (EUR per share)

|                                      | Notes | 2020  | 2019  |
|--------------------------------------|-------|-------|-------|
| Basic and diluted earnings per share | 7     | 3,740 | 2,670 |

## Consolidated statement of comprehensive income

For the year ended 31 December (EUR million)

|   | Notes | Attributable to equity holders of the company |                   |                        |  |                   |  | Non-controlling interest | Total equity |
|---|-------|---|-------------------|------------------------|--|-------------------|--|--------------------------|--------------|
|   |       | Hedging reserve                               | Retained earnings | Unappropriated result* | Equity attributable to ordinary shares | Hybrid securities | Equity attributable to owners of the company |                          |              |
|   |       | 18  | 18                | 18                     |  | 18                |  | 19                       |              |
| <b>2019</b>   |       |   |                   |                        |  |                   |  |                          |              |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent years:</i> |       |   |                   |                        |  |                   |  |                          |              |
| Amortisation of hedges  | 18    | -2  | -                 | -                      | -2                                     | -                 | -2   | -                        | -2           |
| Taxation  | 6     | -   | -                 | -                      | -                                      | -                 | -  | -                        | -            |
|   |       | <b>-2</b>                                     | <b>-</b>          | <b>-</b>               | <b>-2</b>                              | <b>-</b>          | <b>-2</b>                                    | <b>-</b>                 | <b>-2</b>    |
| <i>Items not to be reclassified to profit or loss in subsequent years:</i>                  |       |   |                   |                        |  |                   |  |                          |              |
| Re-measurement of defined benefit pensions  | 23    | -   | -137              | -                      | -137                                   | -                 | -137   | -                        | -137         |
| Taxation  | 6     | -   | 40                | -                      | 40                                     | -                 | 40   | -                        | 40           |
|   |       | <b>-</b>                                      | <b>-97</b>        | <b>-</b>               | <b>-97</b>                             | <b>-</b>          | <b>-97</b>                                   | <b>-</b>                 | <b>-97</b>   |
| <b>Total other comprehensive income 2019</b>  |       | <b>-2</b>                                     | <b>-97</b>        | <b>-</b>               | <b>-99</b>                             | <b>-</b>          | <b>-99</b>                                   | <b>-</b>                 | <b>-99</b>   |
| Profit for the year *   |       | -   | -                 | 534                    | 534                                    | 33                | 567  | 56                       | 623          |
| <b>Total comprehensive income 2019</b>  |       | <b>-2</b>                                     | <b>-97</b>        | <b>534</b>             | <b>435</b>                             | <b>33</b>         | <b>468</b>                                   | <b>56</b>                | <b>524</b>   |
| <b>2020</b>   |       |   |                   |                        |  |                   |  |                          |              |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent years:</i> |       |   |                   |                        |  |                   |  |                          |              |
| Amortisation of hedges  | 18    | -1  | -                 | -                      | -1                                     | -                 | -1   | -                        | -1           |
| Taxation  | 6     | -   | -                 | -                      | -                                      | -                 | -  | -                        | -            |
|   |       | <b>-1</b>                                     | <b>-</b>          | <b>-</b>               | <b>-1</b>                              | <b>-</b>          | <b>-1</b>                                    | <b>-</b>                 | <b>-1</b>    |
| <i>Items not to be reclassified to profit or loss in subsequent years:</i>                  |       |   |                   |                        |  |                   |  |                          |              |
| Re-measurement of defined benefit pensions  | 23    | -   | -24               | -                      | -24                                    | -                 | -24  | -                        | -24          |
| Taxation  | 6     | -   | 8                 | -                      | 8                                      | -                 | 8  | -                        | 8            |
|   |       | <b>-</b>                                      | <b>-16</b>        | <b>-</b>               | <b>-16</b>                             | <b>-</b>          | <b>-16</b>                                   | <b>-</b>                 | <b>-16</b>   |
| <b>Total other comprehensive income 2020</b>  |       | <b>-1</b>                                     | <b>-16</b>        | <b>-</b>               | <b>-17</b>                             | <b>-</b>          | <b>-17</b>                                   | <b>-</b>                 | <b>-17</b>   |
| Profit for the year   |       | -   | -                 | 748                    | 748                                    | 44                | 792  | 45                       | 837          |
| <b>Total comprehensive income 2020</b>  |       | <b>-1</b>                                     | <b>-16</b>        | <b>748</b>             | <b>731</b>                             | <b>44</b>         | <b>775</b>                                   | <b>45</b>                | <b>820</b>   |

Unappropriated result 2019 changed from EUR 630 million to 623 million compared to last year's report. Further reference can be found in note 1 Basis for reporting.

## Consolidated statement of changes in equity

For the year ended 31 December (EUR million)

| (EUR million)                             | Notes | Attributable to equity holders of the company |                       |                 |                   |                       |  |                   |  |                          | Total equity |
|---|-------|---|-----------------------|-----------------|-------------------|-----------------------|--|-------------------|--|--------------------------|--------------|
|   |       | Paid-up and called-up capital                 | Share premium reserve | Hedging reserve | Retained earnings | Unappropriated result | Equity attributable to ordinary shares | Hybrid securities | Equity attributable to owners of the company | Non-controlling interest |              |
|   |       | 18  | 18                    | 18              | 18                | 18                    |  | 18                |  | 19                       |              |
| <b>At 1 January 2019</b>                  |       | <b>100</b>                                    | <b>1,380</b>          | <b>3</b>        | <b>2,084</b>      | <b>397</b>            | <b>3,964</b>                           | <b>1,120</b>      | <b>5,084</b>                                 | <b>796</b>               | <b>5,880</b> |
| Profit for the year                       |       | -   | -                     | -               | -                 | 534                   | 534                                    | 33                | 567  | 56                       | 623          |
| Total other comprehensive income          |       | -   | -                     | -2              | -97               | -                     | -99                                    | -                 | -99  | -                        | -99          |
| <b>Total comprehensive income</b>         |       | <b>-</b>                                      | <b>-</b>              | <b>-2</b>       | <b>-97</b>        | <b>534</b>            | <b>435</b>                             | <b>33</b>         | <b>468</b>                                   | <b>56</b>                | <b>524</b>   |
| Dividends paid                            | 18    | -   | -                     | -               | -                 | -120                  | -120                                   | -                 | -120   | -36                      | -156         |
| Capital contribution                      | 18    | -   | 410                   | -               | -                 | -                     | 410                                    | -                 | 410  | -                        | 410          |
| Capital repayment                         | 18    | -   | -                     | -               | -                 | -                     | -                                      | -                 | -  | -72                      | -72          |
| Distribution on hybrid securities         | 18    | -   | -                     | -               | -                 | -                     | -                                      | -33               | -33  | -                        | -33          |
| Tax on distribution on hybrid securities  | 18    | -   | -                     | -               | 7                 | -                     | 7                                      | -                 | 7  | -                        | 7            |
| Appropriation remaining prior year result |       | -   | -                     | -               | 277               | -277                  | -                                      | -                 | -  | -                        | -            |
| <b>At 31 December 2019</b>                |       | <b>100</b>                                    | <b>1,790</b>          | <b>1</b>        | <b>2,271</b>      | <b>534</b>            | <b>4,696</b>                           | <b>1,120</b>      | <b>5,816</b>                                 | <b>744</b>               | <b>6,560</b> |
| Profit for the year                       |       | -   | -                     | -               | -                 | 748                   | 748                                    | 44                | 792  | 45                       | 837          |
| Total other comprehensive income          |       | -   | -                     | -1              | -16               | -                     | -17                                    | -                 | -17  | -                        | -17          |
| <b>Total comprehensive income</b>         |       | <b>-</b>                                      | <b>-</b>              | <b>-1</b>       | <b>-16</b>        | <b>748</b>            | <b>731</b>                             | <b>44</b>         | <b>775</b>                                   | <b>45</b>                | <b>820</b>   |
| Dividends paid                            | 18    | -   | -                     | -               | -                 | -112                  | -112                                   | -                 | -112   | -50                      | -162         |
| Capital contribution                      | 18    | -   | -                     | -               | -                 | -                     | -                                      | -                 | -  | 5                        | 5            |
| Capital repayment                         | 18    | -   | -                     | -               | -                 | -                     | -                                      | -                 | -  | -55                      | -55          |
| Issue of hybrid securities                | 18    | -   | -                     | -               | -                 | -                     | -                                      | 1,000             | 1,000  | -                        | 1,000        |
| Distribution on hybrid securities         | 18    | -   | -                     | -               | -                 | -                     | -                                      | -39               | -39  | -                        | -39          |
| Tax on distribution on hybrid securities  | 18    | -   | -                     | -               | 9                 | -                     | 9                                      | -                 | 9  | -                        | 9            |
| Appropriation remaining prior year result |       | -   | -                     | -               | 422               | -422                  | -                                      | -                 | -  | -                        | -            |
| <b>At 31 December 2020</b>                |       | <b>100</b>                                    | <b>1,790</b>          | <b>-</b>        | <b>2,686</b>      | <b>748</b>            | <b>5,324</b>                           | <b>2,125</b>      | <b>7,449</b>                                 | <b>689</b>               | <b>8,138</b> |

Unappropriated result 2019 changed from EUR 630 million to 623 million compared to last year's report. Further reference can be found in note 1 Basis for reporting.

## Consolidated statement of cash flows

For the year ended 31 December (EUR million)

|   | Notes  | 2020          | 2019          |
|---|--------|---------------|---------------|
| <b>Operational activities</b>   |        |               |               |
| <b>Operating profit</b>   |        | <b>1,356</b>  | <b>1,077</b>  |
| <b>Non-cash adjustments to reconcile profit to net cash flows:</b>            |        |               |               |
| Depreciation, amortisation and impairment of assets                           | 8,9,10 | 1,074         | 973           |
| Result on disposal of assets  | 8      | -             | 6             |
| Share in profit of joint ventures and associates                              | 12     | -60           | -35           |
| Dividends received from joint ventures and associates                         | 12     | 31            | 38            |
| Movements in provisions and other (financial) liabilities and assets          |        | 101           | 70            |
|   |        | <b>1,146</b>  | <b>1,052</b>  |
| <b>Working capital adjustments excluding EEG working capital:</b>             |        |               |               |
| (Increase)/decrease in account- and other receivables                         | 15     | -85           | -18           |
| (Increase)/decrease in inventories  |        | 1             | 2             |
| Increase/(decrease) in account- and other payables                            | 24     | -13           | -71           |
| Increase/(decrease) in contract liabilities                                   | 21     | 36            | 32            |
| Increase/(decrease) in current financial liabilities                          |        | 6             | 8             |
| <b>Cash generated from operation</b>  |        | <b>-55</b>    | <b>-47</b>    |
| Income tax paid (net)   |        | -402          | -200          |
| <b>Net cash flows from operating activities excluding EEG working capital</b> |        | <b>2,045</b>  | <b>1,882</b>  |
| <b>EEG working capital adjustments:</b>                                       |        |               |               |
| (Increase)/decrease in EEG receivables  | 15     | -1,625        | -88           |
| (Increase)/decrease EEG deposits > 3 months                                   | 15     | -             | 250           |
| Increase/(decrease) in EEG payables   | 24     | -516          | -718          |
|   |        | <b>-2,141</b> | <b>-556</b>   |
| <b>Net cash flows from operating activities</b>                               |        | <b>-96</b>    | <b>1,326</b>  |
| <b>Investing activities</b>   |        |               |               |
| Purchase of tangible and intangible fixed assets                              | 8,10   | -3,413        | -2,720        |
| Proceeds from sale of tangible and intangible fixed assets                    | 8,10   | -             | 4             |
| Capital contribution to joint ventures and associates                         | 12     | -44           | -73           |
| Acquisition of subsidiary   |        | -12           | -             |
| Interest received   |        | -             | 3             |
| <b>Net cash flows used in investing activities</b>                            |        | <b>-3,469</b> | <b>-2,786</b> |
| <b>Financing activities</b>   |        |               |               |
| <b>Net financing</b>  |        |               |               |
| Proceeds from borrowings  | 20     | 3,316         | 1,731         |
| Repayment of borrowings   | 20     | -566          | -756          |
|   |        | <b>2,750</b>  | <b>975</b>    |

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## Consolidated statement of cash flows

For the year ended 31 December (EUR million)

|  | Notes | 2020  |              | 2019  |              |
|--|-------|-------|--------------|-------|--------------|
| <b>Other financing activities</b>                                  |       |       |              |       |              |
| Payment of lease liabilities                                       | 9     | -169  |              | -129  |              |
| Interest paid  |       | -189  |              | -167  |              |
| Dividends paid to ordinary shareholders of the company             | 18    | -112  |              | -120  |              |
| Proceeds from capital contributions                                | 18    | -     |              | 690   |              |
| Proceeds from issue of hybrid securities                           | 18    | 1,000 |              | -     |              |
| Distribution on hybrid securities                                  | 18    | -39   |              | -33   |              |
| Dividends paid and capital repayments to non-controlling interests | 19    | -100  |              | -108  |              |
|  |       |       | <b>391</b>   |       | <b>133</b>   |
| <b>Net cash flows from financing activities</b>                    |       |       | <b>3,141</b> |       | <b>1,108</b> |
| <b>Net change in cash and cash equivalents</b>                     |       |       | <b>-424</b>  |       | <b>-352</b>  |
| Cash and cash equivalents at 31 December                           | 16    | 477   |              | 901   |              |
| Cash and cash equivalents at 1 January                             | 16    | 901   |              | 1,253 |              |
|  |       |       | <b>-424</b>  |       | <b>-352</b>  |



## Notes to the consolidated financial statements

We are continuously improving our financial reporting to make it more relevant and understandable to our stakeholders. These financial statements focus on the key (financial) topics for 2020. Unlike last year, the notes to the consolidated financial statements are disclosed following more or less the sequence of the balance sheet and profit & loss. Accounting policies are indicated with ⓘ, while key assumptions and estimates are identified by using 🚧 in front of the header.

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| 15 Account- and other receivables                                    | 124 | 35 Personnel expenses                              | 151        |
| 16 Cash, cash equivalents and bank overdrafts                        | 125 | 36 Investments in subsidiaries                     | 151        |
| 17 Capital management  | 126 | 37 Investments in joint ventures and associates    | 152        |
| 18 Equity  | 128 | 38 Other financial assets                          | 152        |
| 19 Non-controlling interests   | 129 | 39 Account- and other receivables                  | 152        |
| 20 Borrowings  | 131 | 40 Equity  | 153        |
| 21 Contract liabilities  | 133 | 41 Borrowings                                      | 153        |
| 22 Provisions  | 133 | 42 Account- and other payables                     | 153        |
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## 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. A 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.

### 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 registered office of TenneT Holding B.V. is located at Utrechtseweg 310, Arnhem, the Netherlands, with its statutory seat in Arnhem and a registration with the Dutch Commercial Register under number 09083317.

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 2020 were prepared by our Executive Board and authorised for issuance in accordance with a resolution of the Supervisory Board on 8 March 2021. The financial statements will be submitted for adoption at the General Meeting of Shareholders. These consolidated financial statements have been audited by Deloitte Accountants B.V.

### 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, unless described otherwise in the accounting policy of a balance sheet position. They are presented in euros and all values are rounded to the nearest million (EUR 000,000), except when otherwise indicated.

### Changes in prior year interpretations

#### Annual improvements cycle – 2015-2017

Since 1 January 2019 TenneT has applied the amendment on 'IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity' that is part of the Annual Improvements Cycle 2015-2017. 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.

When applying this amendment on 1 January 2019 TenneT concluded that the past transaction that generated the dividend payment came solely from the income statement. Accordingly, the tax consequences were recognised in the income statement 2019. In 2020 TenneT reconsidered this conclusion, noting that a dividend payment to hybrid security holders does not necessarily directly link to the (result from the) income statement because even if the result is negative, the coupon repayment on our hybrid securities continues to accrue and should be paid in full before the Company can issue ordinary dividend to its shareholders. Additionally, our standing dividend policy corrects for hybrid security coupons in determining the dividend payment proposal. An adjustment of EUR 7 million is made from the consolidated statement of income 2019 to the consolidated statement of equity 2019. Comparative figures are changed accordingly.

## Changes in EU-endorsed published IFRS standards and interpretations effective in 2020

### 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.

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. 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 primary 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. The amendment did not have a significant impact on the financial statements of 31 December 2020.

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

The IASB made an amendment to IFRS 16 Leases, to make it easier for lessees to account for COVID-19-related rent concessions such as rent holidays and temporary rent reductions.

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

IFRS 16 specifies how lessees should account for changes in lease payments, including concessions. However, applying those requirements to a potentially large volume of COVID-19-related rent concessions could be practically difficult, especially in the light of the many challenges stakeholders face during the pandemic. This optional exemption gives timely relief to lessees and enables them to continue providing information about their leases that is useful to investors. The amendment does not affect lessors.

The Amendment is effective for annual periods beginning on or after 1 June 2020.

TenneT made no amendment to its current lease contracts due to COVID-19 and is also not planning to do that. Therefore this amendment has no impact on TenneT.

### Basis for consolidation

The consolidated financial statements incorporate the financial statements of TenneT Holding B.V. and its subsidiaries as at 31 December 2020. A list of the legal entities included in the consolidation is included in note 30. 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.

### 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                                      | 8    | Estimate of remaining useful life   |
| Right-of-use assets and liabilities                        | 9    | Estimates of discount rate and expected extension or accelerated termination date                               |
| Intangible fixed assets                                    | 10   | Estimate of recoverable amount and remaining useful life  |
| Impairment review of goodwill                              | 10   | Estimate of cash flow projections and pre-tax discount rate   |
| Grid expense payable                                       | 24   | Amongst others estimate of electricity usage and energy prices  |
| Provision for environmental management and decommissioning | 22   | Estimate of removal costs, removal dates, discount rate and price increases in the period leading up to removal |
| Tariffs related provision                                  | 22   | Estimate of electricity usage and number of parties   |
| Other provisions   | 22   | Mainly relate to estimate of probability, realisation date and curtailed feed-in volumes and prices             |
| Net employee benefit obligation                            | 23   | Financial, actuarial and demographic assumptions  |

### Foreign currency

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

### Covid-19 impact

In March 2020 Europe was confronted with the outbreak of COVID-19. Several teams within TenneT are handling the situation: a crisis team, a business continuity team and a plan ahead team. We managed to keep our system operations, field operations and projects running in good order, despite challenging conditions. During 2020, COVID-19 had no material impact on the financial figures of TenneT. We refer to 'Our performance in 2020' for further elaboration on the impact of COVID-19 on TenneT.

### Changes in presentation

As of 2020, the Dutch offshore revenue are no longer presented as part of the connection and transmission services but as part of the offshore (balancing) revenue. This change affected the classification in the consolidated statement of financial position, impacting the line items revenue for the year 2020 for EUR 149 million (2019: EUR 60 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 is closely related and ancillary to our core tasks.

### Segment analysis

Our operating segments consist of:

- TSO Netherlands
- TSO Germany
- Non-regulated activities

For management information purposes, the performance of our regulated activities in the Netherlands and in Germany is 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.

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. TenneT's Executive Board believes that the presentation of underlying financial information provides additional relevant insight in the actual business, financial performance, and as such economic reality. Furthermore this reflects the regulatory regime.

#### ① 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.



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 in the Netherlands were financed via auction receipts resulting from auctioning available capacity on cross-border interconnections.

There are three customers in the German segment that generate revenues that are more than 10% of our total revenue. The revenue from these customers amount respectively EUR 816 million (2019: EUR 921 million), EUR 770 million (2019: EUR 724 million) and EUR 572 million (2019: EUR 662 million).

| (EUR million)                              | 2020         |               |               | 2019         |               |               |
|--|--------------|---------------|---------------|--------------|---------------|---------------|
|  | Investments  | Assets        | Liabilities   | Investments  | Assets        | Liabilities   |
| TSO Netherlands                            | 1,281        | 7,790         | 4,564         | 1,131        | 7,075         | 4,014         |
| TSO Germany                                | 2,121        | 19,637        | 14,271        | 1,925        | 16,977        | 11,836        |
| Non-regulated activities                   | 10           | 841           | 204           | 8            | 561           | 257           |
| <b>Total segments</b>                      | <b>3,412</b> | <b>28,268</b> | <b>19,039</b> | <b>3,064</b> | <b>24,613</b> | <b>16,107</b> |
| Eliminations and adjustments               | -            | -968          | 730           | -            | -937          | 1,307         |
| <b>Consolidated underlying information</b> | <b>3,412</b> | <b>27,300</b> | <b>19,769</b> | <b>3,064</b> | <b>23,676</b> | <b>17,414</b> |

| (EUR million)                        | 2020          |               | 2019          |               |
|--------------------------------------|---------------|---------------|---------------|---------------|
|                                      | Assets        | Liabilities   | Assets        | Liabilities   |
| TSO Netherlands                      | 7,405         | 3,976         | 6,604         | 3,310         |
| TSO Germany                          | 19,517        | 13,747        | 16,736        | 11,526        |
| Non-regulated activities             | 857           | 215           | 630           | 270           |
| <b>Total segments</b>                | <b>27,779</b> | <b>17,938</b> | <b>23,970</b> | <b>15,106</b> |
| Eliminations and adjustments         | -973          | 730           | -997          | 1,307         |
| <b>Consolidated IFRS information</b> | <b>26,806</b> | <b>18,668</b> | <b>22,973</b> | <b>16,413</b> |

IFRS investments are equal as underlying investments.

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

#### 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 to 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 additional relevant 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:

| (EUR million)   | 2020         |              |               | Total        |
|---|--------------|--------------|---------------|--------------|
|   | TSO NL       | TSO Germany  | Non-regulated |              |
| Connection and transmission services                          | 907          | 2,011        | -             | 2,918        |
| Maintenance of the energy balance                             | 52           | 92           | -             | 144          |
| Operation of energy exchanges                                 | 4            | -            | -             | 4            |
| Offshore (balancing)  | 153          | 1,082        | -             | 1,235        |
| Other   | 52           | 99           | -2            | 149          |
| Inter-segment   | 22           | 23           | -             | 45           |
| <b>Total underlying revenue</b>                               | <b>1,190</b> | <b>3,307</b> | <b>-2</b>     | <b>4,495</b> |
| Inter-segment adjustments and eliminations                    | -22          | -23          | -             | -45          |
| <b>Total underlying revenue from contracts with customers</b> | <b>1,168</b> | <b>3,284</b> | <b>-2</b>     | <b>4,450</b> |
| Grid expenses   | -446         | -1,666       | 9             | -2,103       |
| Other operating expenses                                      | -483         | -1,000       | -14           | -1,497       |
| Share in profit of joint ventures and associates              | 1            | 30           | 29            | 60           |
| <b>Underlying operating profit</b>                            | <b>240</b>   | <b>648</b>   | <b>22</b>     | <b>910</b>   |
| Revenue adjustment to IFRS                                    | -44          | 619          | -             | 575          |
| Cost adjustment to IFRS                                       | 7            | -136         | -             | -129         |
| <b>IFRS operating profit</b>                                  | <b>203</b>   | <b>1,131</b> | <b>22</b>     | <b>1,356</b> |
| Finance result  |              |              |               | -195         |
| <b>Profit before income tax</b>                               |              |              |               | <b>1,161</b> |
| Income tax expense  |              |              |               | -324         |
| <b>Profit for the year</b>                                    |              |              |               | <b>837</b>   |

| (EUR million)   | 2019         |              |               | Total        |
|---|--------------|--------------|---------------|--------------|
|   | TSO NL       | TSO Germany  | Non-regulated |              |
| Connection and transmission services                          | 872          | 1,868        | -             | 2,740        |
| Maintenance of the energy balance                             | 43           | 59           | -             | 102          |
| Operation of energy exchanges                                 | 2            | 2            | -             | 4            |
| Offshore (balancing)  | 66           | 1,012        | -             | 1,078        |
| Other   | 55           | 109          | 36            | 200          |
| Inter-segment   | 25           | 15           | -             | 40           |
| <b>Total underlying revenue</b>                               | <b>1,063</b> | <b>3,065</b> | <b>36</b>     | <b>4,164</b> |
| Inter-segment adjustments and eliminations                    | -25          | -15          | -             | -40          |
| <b>Total underlying revenue from contracts with customers</b> | <b>1,038</b> | <b>3,050</b> | <b>36</b>     | <b>4,124</b> |
| Grid expenses   | -393         | -1,525       | -             | -1,918       |
| Other operating expenses                                      | -434         | -1,005       | -34           | -1,473       |
| Share in profit of joint ventures and associates              | -            | 6            | 29            | 35           |
| <b>Underlying operating profit</b>                            | <b>211</b>   | <b>526</b>   | <b>31</b>     | <b>768</b>   |
| Revenue adjustment to IFRS                                    | -226         | 564          | -             | 338          |
| Cost adjustment to IFRS                                       | 7            | -36          | -             | -29          |
| <b>IFRS operating profit</b>                                  | <b>-8</b>    | <b>1,054</b> | <b>31</b>     | <b>1,077</b> |
| Finance result  |              |              |               | -204         |
| <b>Profit before income tax</b>                               |              |              |               | <b>873</b>   |
| Income tax expense  |              |              |               | -250         |
| <b>Profit for the year</b>                                    |              |              |               | <b>623</b>   |

| (EUR million)                                    | Reconciliation IFRS to underlying figures |                  |                    |               |                  |                    |
|--|---|------------------|--------------------|---------------|------------------|--------------------|
|  | 2020                                      |                  |                    | 2019          |                  |                    |
|  | IFRS figures                              | Underlying items | Underlying figures | IFRS figures  | Underlying items | Underlying figures |
| <b>Revenue</b>                                   | <b>5,025</b>                              | <b>-575</b>      | <b>4,450</b>       | <b>4,422</b>  | <b>-338</b>      | <b>4,084</b>       |
| Grid expenses                                    | -2,252                                    | 149              | -2,103             | -1,955        | 50               | -1,905             |
| Personnel expenses                               | -239                                      | -                | -239               | -229          | -                | -229               |
| Depreciation and amortisation of assets          | -1,074                                    | -20              | -1,094             | -973          | -21              | -994               |
| Other operating expenses                         | -171                                      | -                | -171               | -217          | -                | -217               |
| Other (gains)/losses                             | 7   | -                | 7                  | -6            | -                | -6                 |
| <b>Total operating expenses</b>                  | <b>-3,729</b>                             | <b>129</b>       | <b>-3,600</b>      | <b>-3,380</b> | <b>29</b>        | <b>-3,351</b>      |
| Share in profit of joint ventures and associates | 60  | -                | 60                 | 35            | -                | 35                 |
| <b>Operating profit</b>                          | <b>1,356</b>                              | <b>-446</b>      | <b>910</b>         | <b>1,077</b>  | <b>-309</b>      | <b>768</b>         |
| Finance income                                   | 2   | 4                | 6                  | 3             | 12               | 15                 |
| Finance expenses                                 | -197                                      | -14              | -211               | -207          | -39              | -246               |
| <b>Finance result</b>                            | <b>-195</b>                               | <b>-10</b>       | <b>-205</b>        | <b>-204</b>   | <b>-27</b>       | <b>-231</b>        |
| <b>Profit before income tax</b>                  | <b>1,161</b>                              | <b>-456</b>      | <b>705</b>         | <b>873</b>    | <b>-336</b>      | <b>537</b>         |
| Income tax expense *                             | -324                                      | 135              | -189               | -250          | 114              | -136               |
| <b>Profit for the year</b>                       | <b>837</b>                                | <b>-321</b>      | <b>516</b>         | <b>623</b>    | <b>-222</b>      | <b>401</b>         |
| <b>Profit attributable to:</b>                   |   |                  |                    |               |                  |                    |
| Equity holders of ordinary shares *              | 748                                       | -321             | 427                | 534           | -222             | 312                |
| Hybrid securities                                | 43  | -                | 43                 | 33            | -                | 33                 |
| <b>Owners of the company</b>                     | <b>791</b>                                | <b>-321</b>      | <b>470</b>         | <b>567</b>    | <b>-222</b>      | <b>345</b>         |
| Non-controlling interests                        | 46  | -                | 46                 | 56            | -                | 56                 |
| <b>Profit for the year</b>                       | <b>837</b>                                | <b>-321</b>      | <b>516</b>         | <b>623</b>    | <b>-222</b>      | <b>401</b>         |
| Basic and diluted earnings per share             | 3,740                                     |                  | 2,135              | 2,670         |                  | 1,560              |
| <b>Underlying items</b>                          |   |                  |                    |               |                  |                    |
| To be settled in tariffs                         |   | -353             |                    |               | -181             |                    |
| Auction receipts                                 |   | -179             |                    |               | -136             |                    |
| Investment contributions                         |   | 5                |                    |               | 5                |                    |
| Maintenance of the energy balance                |   | -48              |                    |               | -26              |                    |
| <b>Revenue</b>                                   |   | <b>-575</b>      |                    |               | <b>-338</b>      |                    |
| To be settled in tariffs                         |   | 149              |                    |               | 50               |                    |
| <b>Grid expenses</b>                             |   | <b>149</b>       |                    |               | <b>50</b>        |                    |
| Depreciation and amortisation of assets          |   | -20              |                    |               | -21              |                    |
| <b>Total operating expenses</b>                  |   | <b>-20</b>       |                    |               | <b>-21</b>       |                    |
| Share in profit of joint ventures and associates |   | -                |                    |               | -                |                    |
| <b>Operating profit</b>                          |   | <b>-446</b>      |                    |               | <b>-309</b>      |                    |

### 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.



The underlying item to be settled in tariffs is part of revenue stream connection and transmission services EUR 353 million (2019: EUR 181 million).

### 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.

The underlying item auction receipts is part of revenue stream operations of energy exchanges EUR 179 million (2019: EUR 136 million). The underlying item investment contribution is part of revenue stream other -/- EUR 5 million (2019: -/- EUR 5 million).

### 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.

As the balancing group coordinator, the TSO in Germany is responsible for balancing the balancing groups in terms of energy. We balance surplus or shortfall balancing groups by means of control energy and bill the balancing group managers for the resulting costs. For this billing of balance imbalances, the so-called "Uniform balancing energy price across control zones" (reBAP) is used. As a result, TenneT TSO GmbH (TTG) receives higher payments from the balancing group managers than TTG pays to the power plant operators. The resulting additional revenues from the balancing energy billing system are to be deducted from the grid charges. Analogously, reduced revenues will increase future grid fees.

The underlying item maintenance of the energy balance is part of revenue stream maintenance of the energy balance EUR 48 million (2019: EUR 26 million).

### Depreciation and amortisation of assets

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

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

With regard to Germany, depreciation as well as assets in Underlying are higher due to higher acquisition costs resulting from an adjustment in connection with the Purchase Price Allocation in 2010.

## 3 Revenue

### 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 DSOs 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.

### 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.

### Operation of energy exchanges

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

### Offshore (balancing)

Total offshore (balancing) increased mainly due to the higher imputed return on equity and increasing offshore asset base.

Revenue from offshore (balancing) is regulated. Due to a regulatory decision in 2020, affecting the periods 2017-2020, an additional income pertaining to the years 2017-2019 ad EUR 29 million and additional income related to 2020 amounting to EUR 15 million has been recorded.

### ① Accounting policy

Revenue primarily represents the sales value derived from the connection and transmission of electricity together with the sales value derived from the provision of other services to customers during the year. Revenue from contracts with customers is recognised when control of the 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.

Offshore (balancing) revenues in The Netherlands are accounted in accordance with the recognition and measurement principles of IAS 20. These revenues are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to prerequisites for receiving this income.

## 4 Operating expenses

### Grid expenses

| (EUR million)                                | 2020         | 2019         |
|--|--------------|--------------|
| System services                              | 1,238        | 1,179        |
| Connection and transmission services         | 360          | 317          |
| Maintenance of the energy balance            | 145          | 98           |
| Maintaining and operating transmission grids | 516          | 370          |
| Other  | -7           | -9           |
| <b>Total</b>                                 | <b>2,252</b> | <b>1,955</b> |

System services increased additionally due to higher costs related to feed-in management, transmission restrictions and grid losses. Increase of cost of maintaining and operating transmissions grids mainly related to higher insurance costs,

### Personnel expenses

| (EUR million)                                    | 2020       | 2019       |
|--|------------|------------|
| Salaries   | 318        | 288        |
| Social security contributions                    | 47         | 40         |
| Pension charges defined benefit plans            | 20         | 14         |
| Pension charges other plans                      | 23         | 19         |
| Other personnel expenses                         | 35         | 28         |
| Capitalised costs for (in) tangible fixed assets | -204       | -160       |
| <b>Total</b>                                     | <b>239</b> | <b>229</b> |

|   |       |       |
|---|-------|-------|
| Average workforce in FTEs (internal employees only)   | 3,927 | 3,526 |
| Average workforce in FTEs employed in the Netherlands | 1,712 | 1,538 |
| Average workforce in FTEs employed in the Germany     | 2,215 | 1,988 |

### 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      |
|----------------------------------|------------|---------------|------------|
| <b>2020</b>                      | <b>156</b> | <b>59</b>     | <b>215</b> |
| 2019                             | 136        | 50            | 186        |

| Executive Board (EUR thousand) | Fixed        | Variable | Pension cost | Total        |
|--------------------------------|--------------|----------|--------------|--------------|
| <b>2020</b>                    | <b>1,543</b> | <b>-</b> | <b>370</b>   | <b>1,913</b> |
| 2019                           | 1,230        | 194      | 257          | 1,681        |

The aggregate Executive Board remuneration comprises remuneration of statutory directors of EUR 1,827 thousand (2019: EUR 1,253 thousand) and remuneration of non-statutory directors of EUR 86 thousand (2019: EUR 427 thousand). Since 2020 all members of the Executive Board are statutory directors. 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.

### Other operating expenses

| (EUR million)                     | 2020       | 2019       |
|-----------------------------------|------------|------------|
| Accommodation and office expenses | 71         | 66         |
| Consultancy expenses              | 39         | 27         |
| Hiring of temporary personnel     | 38         | 31         |
| Travel and living expenses        | 10         | 16         |
| Other expenses                    | 13         | 77         |
| <b>Total</b>                      | <b>171</b> | <b>217</b> |

The decrease of the other operating expenses is mainly related to the release of the offshore liability.

The fees listed in the table below relate to the procedures applied to the Company and its consolidated Group entity by Deloitte Accountants B.V. The Netherlands (2019: EY network firms (including Ernst & Young Accountants LLP), the external auditor as referred to in section 1(1) of the Dutch Accounting Firm Oversight Act (Dutch acronym: Wta), as well as by other Dutch and foreign-based Deloitte individual partnerships and legal entities, including their tax services and advisory groups.

| (EUR thousand)                                 | 2020         | 2019         |
|--|--------------|--------------|
| <b>Audit of the financial statements</b>       |              |              |
| Deloitte Accountants B.V.                      | 813          | -            |
| Deloitte GmbH Wirtschaftsprüfungsgesellschaft  | 833          | -            |
| Ernst & Young Accountants LLP                  | -            | 770          |
| Ernst & Young Germany                          | -            | 592          |
| <b>Total audit of the financial statements</b> | <b>1,646</b> | <b>1,362</b> |
| <b>Other assurance services</b>                |              |              |
| Deloitte Accountants B.V.                      | 451          | -            |
| Deloitte GmbH Wirtschaftsprüfungsgesellschaft  | 52           | -            |
| Ernst & Young Accountants LLP                  | -            | 309          |
| Ernst & Young Germany                          | -            | 172          |
| <b>Total other assurance services</b>          | <b>503</b>   | <b>481</b>   |
| <b>Total assurance services</b>                | <b>2,149</b> | <b>1,843</b> |
| Other services (other Ernst & Young firms)     | -            | 33           |
| <b>Total other services</b>                    | <b>-</b>     | <b>33</b>    |
| <b>Total audit fees</b>                        | <b>2,149</b> | <b>1,876</b> |

The financial audit fees include the aggregate fees in 2020 and 2019 for professional services rendered for the audit of TenneT's Integrated Annual Report and annual statutory financial statements of subsidiaries or services that are normally provided by the auditor in connection with the audits.

The other assurance fees include the aggregate fees invoiced for assurance and services for other audit services, which generally only the company's independent auditor can reasonably provide, such as comfort letter, regulatory statements and audit of grant statements.

### ① Accounting policy

We purchase electricity to supply our customers in The Netherlands and Germany and to meet our own energy needs. Substantially all our costs of purchasing electricity for supply to customers are recoverable at an amount equal to cost. The timing of recovery of these costs can vary between financial periods leading to an under- or over-recovery within any particular year that can lead to large fluctuations in the income statement. We follow approved policies to manage price and supply risks for our commodity activities.

Our energy procurement risk management policy and delegations of authority govern our commodity trading activities for energy transactions. The purpose of this policy is to ensure we transact within pre-defined risk parameters and only in the physical and financial markets where we or our customers have a physical market requirement. In addition, state regulators require TenneT Grid to manage commodity risk and cost volatility prudently through diversified pricing strategies. In both The Netherlands and Germany, we are required to file a plan outlining our strategy to be approved by regulators. In certain cases, we might receive guidance with regard to specific hedging limits.

Energy purchase contracts for the forward purchase of electricity that are used to satisfy physical delivery requirements to customers, or for energy that TenneT uses itself, meet the expected purchase or usage requirements of IFRS 9. They are, therefore, not recognised in the financial statements until they are realised. Disclosure of commitments under such contracts is made in note 28 as “Grid-related commitments”.

Operating expenses are expenses incurred during regular day-to-day business, such as system services, connection and transmission services, personnel expenses, depreciation and accommodation and travel costs. Operating expenses are recorded in the statement of income in the period they incurred.

## 5 Finance expenses

| (EUR million)                                     | 2020       | 2019       |
|---|------------|------------|
| Interest on borrowings and credit facilities      | 188        | 178        |
| Capitalised interest on assets under construction | -11        | -9         |
| Interest on provisions                            | 2          | 19         |
| Interest on defined benefit pension plans         | 4          | 4          |
| Interest on lease liability                       | 2          | 2          |
| Other finance expenses                            | 12         | 13         |
| <b>Total</b>                                      | <b>197</b> | <b>207</b> |

### ① Accounting policy

Finance expenses comprise mainly interest expenses, such as interest on borrowings and credit facilities, interest on provisions, interest on defined benefit plans and interest on lease liabilities. Finance expenses are recorded in the statement of income using the effective interest rate method.

## 6 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 Associate Director Financial Governance & Services and our Head of Tax who monitor our tax activities and report to the Executive Board and the Audit, Risk and Compliance Committee.

Our tax strategy is fully consistent with our corporate strategy. Building a transparent relationship with tax authorities based on mutual trust is an integral part of this strategy. We have built and are continuously improving our tax 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 is meant to ensure that tax positions are fully disclosed and agreed on in advance, as a result of which generally no tax audits are performed by the Dutch tax authorities. All corporate income tax returns in the Netherlands have been filed up to and including 2018. Corporate income tax paid in the Netherlands in 2020 amounted to EUR 36 million.

In Germany, corporate income and trade tax returns for all German entities have been filed up to and including fiscal year 2019. The German tax authorities have started the tax audit for the fiscal years 2017 to 2019. In 2020, we paid EUR 366 million of corporate income tax in Germany.

The key components of income tax expense are:

| Consolidated income statement (EUR million)                   | 2020       | 2019       |
|---|------------|------------|
| Current income tax charge                                     | 190        | 339        |
| Deferred tax:   | 134        | -89        |
| <b>Income tax expense reported in the statement of income</b> | <b>324</b> | <b>250</b> |

\* Current income tax charge 2019 changed from 243 into 250 due to reconsideration of the amendment on IAS 12 explained in note 1.

| Consolidated statement of comprehensive income (EUR million)     | 2020     | 2019      |
|--|----------|-----------|
| Effect of re-measurement of defined benefit pensions             | 8        | 40        |
| <b>Income tax charged directly to other comprehensive income</b> | <b>8</b> | <b>40</b> |

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% is applied, while in Germany, on average, a marginal statutory corporate income tax rate of 29,53% is 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)  | 2020         | 2019       |
|--|--------------|------------|
| <b>Profit before income tax</b>                                      | <b>1,162</b> | <b>873</b> |
| Statutory income tax rate of 25% (The Netherlands, 2019: 25%)        | 290          | 218        |
| Effect of higher tax rate in Germany                                 | 46           | 39         |
| Effect of future tax rate change in the Netherlands                  | 1            | 9          |
| Adjustments in respect to current and deferred tax of previous years | -3           | -11        |
| Non-deductible costs   | 1            | 1          |
| Non-taxable income   | -6           | -3         |
| Tax paid by third parties  | -5           | -3         |
| <b>At the effective income tax rate of 28% (2019: 29%)</b>           | <b>324</b>   | <b>250</b> |

The main reason for the higher effective tax rate of 28% compared to the statutory tax rate of 25% is the effect of the higher tax rate in Germany. The remeasurement of the deferred tax position due to the enacted rate change in the Netherlands has also increased the effective rate. The increase of the tax paid by third parties relates to the increase of third party income compared to 2019.

Deferred tax relates to the following:

| (EUR million)                                | Statement of financial position |           | Statement of income |            |
|--|---------------------------------|-----------|---------------------|------------|
|  | 2020                            | 2019      | 2020                | 2019       |
| Auction receipts                             | -139                            | -185      | -46                 | 3          |
| Investment contributions                     | -69                             | -62       | 6                   | 1          |
| Tariffs to be settled                        | -115                            | 50        | 165                 | -33        |
| Depreciation for tax purposes                | -156                            | -101      | 56                  | -55        |
| Provisions                                   | 378                             | 323       | -46                 | -42        |
| Profit allocation to hybrid securities       | -6                              | -5        | -                   | -          |
| Other  | -2                              | -         | -1                  | 37         |
| <b>Net deferred tax assets/(liabilities)</b> | <b>-109</b>                     | <b>20</b> |                     |            |
| <b>Deferred tax expense/(income)</b>         |                                 |           | <b>134</b>          | <b>-89</b> |

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)            | 2020        | 2019      |
|--------------------------|-------------|-----------|
| Deferred tax assets      | 37          | 83        |
| Deferred tax liabilities | -146        | -63       |
| <b>Deferred tax, net</b> | <b>-109</b> | <b>20</b> |

The deferred tax assets 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)   | 2020        | 2019        |
|---|-------------|-------------|
| <b>At 1 January</b>   | <b>20</b>   | <b>-109</b> |
| Tax expense during the period recognised in statement of income       | -134        | 89          |
| Initial recognition of acquired companies (note 11)                   | -3          | -           |
| Tax income during the period recognised in other comprehensive income | 8           | 40          |
| <b>At 31 December</b>   | <b>-109</b> | <b>20</b>   |

### ① 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. There are no unrecognised carry forward losses per 31 December 2020 (2019: nil). 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. There are no unrecognised carry forward losses per 31 December 2020 (2019: nil).

## 7 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)   | 2020       | 2019       |
|---|------------|------------|
| Profit for the year attributable to the ordinary shareholder of the company   | 792        | 567        |
| Allocation to hybrid securities   | -44        | -33        |
| <b>Profit for the year attributable to equity holders of the company adjusted for the allocation to hybrid securities</b> | <b>748</b> | <b>534</b> |
| Weighted average number of ordinary shares in issue (in thousands)  | 200        | 200        |

### ① Accounting policy

Calculation of earnings per share is based on the profit for the year attributable to TenneT's shareholder and the weighted average number of shares outstanding during the year.



## 8 Tangible fixed assets

| (EUR million)                                       | High-voltage substations | High-voltage connections | Other assets | Assets under construction | Total         |
|---|--------------------------|--------------------------|--------------|---------------------------|---------------|
| <b>Cost</b>   |                          |                          |              |                           |               |
| <b>At 1 January 2019</b>                            | <b>8,331</b>             | <b>6,699</b>             | <b>882</b>   | <b>4,272</b>              | <b>20,184</b> |
| 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 22)                    | 143                      | 189                      | -            | -                         | 332           |
| Disposals   | -11                      | -6                       | -4           | -4                        | -25           |
| <b>At 31 December 2019</b>                          | <b>10,359</b>            | <b>8,530</b>             | <b>961</b>   | <b>3,627</b>              | <b>23,477</b> |
| Additions   | 260                      | 324                      | 60           | 2,698                     | 3,342         |
| Transfers   | 536                      | 824                      | 32           | -1,392                    | -             |
| Initial recognition of acquired companies (note 11) | -                        | -                        | 11           | -                         | 11            |
| Changes in estimations                              | -17                      | -90                      | -            | -                         | -107          |
| Disposals   | -6                       | -                        | -2           | -                         | -8            |
| <b>At 31 December 2020</b>                          | <b>11,132</b>            | <b>9,588</b>             | <b>1,062</b> | <b>4,933</b>              | <b>26,715</b> |
| <b>Depreciation and impairment</b>                  |                          |                          |              |                           |               |
| <b>At 1 January 2019</b>                            | <b>2,020</b>             | <b>1,843</b>             | <b>272</b>   | <b>-</b>                  | <b>4,135</b>  |
| Depreciation for the year                           | 446                      | 305                      | 59           | -                         | 810           |
| Impairment  | 2                        | -                        | -            | -                         | 2             |
| Disposals   | -6                       | -4                       | -1           | -                         | -11           |
| <b>At 31 December 2019</b>                          | <b>2,462</b>             | <b>2,144</b>             | <b>330</b>   | <b>-</b>                  | <b>4,936</b>  |
| Depreciation for the year                           | 503                      | 358                      | 60           | -                         | 921           |
| Disposals   | -1                       | -                        | -            | -                         | -1            |
| <b>At 31 December 2020</b>                          | <b>2,964</b>             | <b>2,502</b>             | <b>390</b>   | <b>-</b>                  | <b>5,856</b>  |
| <b>Net book value:</b>                              |                          |                          |              |                           |               |
| At 1 January 2019                                   | 6,311                    | 4,856                    | 610          | 4,272                     | 16,049        |
| At 31 December 2019                                 | 7,897                    | 6,386                    | 631          | 3,627                     | 18,541        |
| At 31 December 2020                                 | 8,168                    | 7,086                    | 672          | 4,933                     | 20,859        |

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 2020 the discount rate for the decommissioning provision was set between 0.0% and 0.1% (2019: 0.4% and 0.7%) for OWF connections (see note 22). The discount rate has been adjusted in 2020 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 2020 is disclosed in note 5. The effective interest rate used to determine the amount of borrowing costs capitalised was 2.1% (2019: 2.1%).

### ① Accounting policy

Tangible fixed assets are valued at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs 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

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

| Estimated useful lives tangible fixed assets | Years |
|--|-------|
| <b>Substations</b>                           |       |
| 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 |
| <b>Connections</b>                           |       |
| Pylons/lines                                 | 35-40 |
| Cables (subsea and underground)              | 20-40 |
| <b>Other</b>                                 |       |
| 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. Per our annual review, the estimated useful lives of certain regulatory assets have been extended per 1 July 2020, resulting in a decrease of EUR 15.3 million in the current financial year. The annual effect for 2021 and beyond is expected to be approx. EUR 30 million in lower depreciation charges. The change in estimates is related to the changed assumptions of the asset retirement obligation (note 22).

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

### Right-of-use assets

| (EUR million)                      | Land & buildings | Power plants | NordLink cable | Other right-of-use assets | Total      |
|------------------------------------|------------------|--------------|----------------|---------------------------|------------|
| <b>Cost</b>                        |                  |              |                |                           |            |
| <b>Initial recognition IFRS 16</b> | <b>95</b>        | <b>218</b>   | <b>-</b>       | <b>71</b>                 | <b>384</b> |
| Additions                          | 17               | 95           | -              | 30                        | 142        |
| Depreciation                       | -11              | -108         | -              | -15                       | -134       |
| <b>At 31 December 2019</b>         | <b>101</b>       | <b>205</b>   | <b>-</b>       | <b>86</b>                 | <b>392</b> |
| Additions                          | 7                | 14           | 249            | 3                         | 273        |
| Remeasurement                      | 5                | -39          | -              | 2                         | -32        |
| Depreciation                       | -11              | -90          | -7             | -14                       | -122       |
| Other movement                     | -9               | -            | -              | 3                         | -6         |
| <b>At 31 December 2020</b>         | <b>93</b>        | <b>90</b>    | <b>242</b>     | <b>80</b>                 | <b>505</b> |

### Leased Land & Buildings

Land is mainly leased to set up pylons for transmission cables. These contracts run for a period of 2 - 170 years. Buildings are leased mainly as office space and storage space. These contracts run for a period of 1 - 36 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 grid reserve power plants representing lease commitments according to IFRS 16. The commitments have a maturity of 2-7 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 NordLink cable

With the commissioning of the NordLink interconnector cable in December 2020, the lease agreement between TenneT and NOKA was recognised, for which a right of use and a corresponding lease liability of EUR 249 million was recognised. The right-of-use asset will be amortised over the remaining lease term (until end of 2023), resulting in an amortisation of EUR 7 million in 2020. No extension option according to IFRS 16 is included in the lease contract. The lease liability was reduced by a high lease payment of EUR 51 million in December 2020 to EUR 199 million at year-end. The high lease payment results mainly from regulatory peculiarities in connection with the capitalisation of the interconnector cable in NOKA (lessor), e.g. an imputed depreciation for the entire year and not only pro rata is included in the calculation basis of the lease payment. The lease payments are in substance fixed.

### Leased others

Telecom lease contracts (including fibreglass cables) run for a period between 3 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 2020 and 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 year. 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 (2019: EUR 2 million).

### Lease liability

| (EUR million)                    | 2020       |             |            | 2019       |             |            |
|----------------------------------|------------|-------------|------------|------------|-------------|------------|
|                                  | Current    | Non-current | Total      | Current    | Non-current | Total      |
| Lease liability Land & buildings | 12         | 80          | 92         | 6          | 94          | 100        |
| Lease liability power plants     | 42         | 48          | 90         | 93         | 114         | 207        |
| Lease liability NordLink         | 68         | 131         | 199        | -          | -           | -          |
| Lease liability other leases     | 13         | 68          | 81         | 9          | 78          | 87         |
| <b>Total</b>                     | <b>135</b> | <b>327</b>  | <b>462</b> | <b>108</b> | <b>286</b>  | <b>394</b> |

| (EUR million)                      | Lease liability Land & buildings | Lease liability power plants | Lease liability NordLink | Lease liability other leases | Total      |
|------------------------------------|----------------------------------|------------------------------|--------------------------|------------------------------|------------|
| <b>Initial recognition IFRS 16</b> | <b>95</b>                        | <b>218</b>                   | <b>-</b>                 | <b>71</b>                    | <b>384</b> |
| Addition                           | 17                               | 95                           | -                        | 30                           | 142        |
| Interest                           | 1                                | -                            | -                        | 1                            | 2          |
| Repayments                         | -11                              | -102                         | -                        | -16                          | -129       |
| Other movements                    | -2                               | -4                           | -                        | 1                            | -5         |
| <b>At 31 December 2019</b>         | <b>100</b>                       | <b>207</b>                   | <b>-</b>                 | <b>87</b>                    | <b>394</b> |
| Addition                           | 8                                | 13                           | 250                      | 4                            | 275        |
| Interest                           | 1                                | -                            | -                        | 1                            | 2          |
| Remeasurement                      | 5                                | -39                          | -                        | 2                            | -32        |
| Repayments                         | -12                              | -91                          | -51                      | -15                          | -169       |
| Other movements                    | -10                              | -                            | -                        | 2                            | -8         |
| <b>At 31 December 2020</b>         | <b>92</b>                        | <b>90</b>                    | <b>199</b>               | <b>81</b>                    | <b>462</b> |

The total cash outflow (including low value items and short term leases) in 2020 was EUR 171 million (2019: EUR 130 million). Future cash outflows of leases not yet commenced but to which TenneT is committed mainly relate to power plants leases and amount to EUR 46 million yearly from 2022 till 2032.

The maturity analysis of lease liabilities is disclosed in note 25.

| (EUR million)                                     | 2020        | 2019        |
|---|-------------|-------------|
| Depreciation expense of right-of-use assets       | -122        | -134        |
| Short-term lease expenses                         | -2          | -2          |
| Interest expense on lease liabilities             | -2          | -2          |
| <b>Total amount recognised in profit and loss</b> | <b>-126</b> | <b>-138</b> |

### ① 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 earlier of the end of the useful life of the right-of-use asset or the end of the lease term, considered to be indicated by the lease term. The lease asset is periodically adjusted for certain remeasurements of the lease liability and impairment losses (if any).

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

|                | 2020  | 2019  |
|----------------|-------|-------|
| Under 5 year   | 0.00% | 0.00% |
| 5-10 years     | 0.50% | 0.50% |
| 10-15 years    | 1.10% | 1.10% |
| 15-25 years    | 1.60% | 1.60% |
| Above 25 years | 2.00% | 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 or another systematic basis if that basis is more representative of the pattern of the lessee's benefit. Furthermore we have elected not to recognise the lease of intangible assets.

## 10 Intangible assets

| (EUR million)                                       | Goodwill  | Software   | Customer contracts | Other intangible assets | Intangible assets under construction | Total      |
|---|-----------|------------|--------------------|-------------------------|--------------------------------------|------------|
| <b>Cost</b>   |           |            |                    |                         |                                      |            |
| <b>At 1 January 2019</b>                            | <b>31</b> | <b>244</b> | <b>64</b>          | <b>30</b>               | <b>3</b>                             | <b>372</b> |
| Additions   | -         | 3          | -                  | 1                       | 48                                   | 52         |
| Transfer from tangible assets                       | -         | 2          | -                  | -                       | 24                                   | 26         |
| Transfers   | -         | 20         | -                  | 10                      | -30                                  | -          |
| <b>At 31 December 2019</b>                          | <b>31</b> | <b>269</b> | <b>64</b>          | <b>41</b>               | <b>45</b>                            | <b>450</b> |
| Additions   | -         | 1          | -                  | -1                      | 66                                   | 66         |
| Transfer from intangible assets under construction  | -         | 3          | -                  | -                       | -3                                   | -          |
| Initial recognition of acquired companies (note 11) | 4         | -          | -                  | 9                       | -                                    | 13         |
| Transfers   | -         | 35         | -                  | -                       | -35                                  | -          |
| <b>At 31 December 2020</b>                          | <b>35</b> | <b>308</b> | <b>64</b>          | <b>49</b>               | <b>73</b>                            | <b>529</b> |
| <b>Amortisation and impairment</b>                  |           |            |                    |                         |                                      |            |
| <b>At 1 January 2019</b>                            | <b>-</b>  | <b>200</b> | <b>48</b>          | <b>13</b>               | <b>-</b>                             | <b>261</b> |
| Amortisation for the year                           | -         | 23         | 5                  | 1                       | -                                    | 29         |
| <b>At 31 December 2019</b>                          | <b>-</b>  | <b>223</b> | <b>53</b>          | <b>14</b>               | <b>-</b>                             | <b>290</b> |
| Amortisation for the year                           | -         | 21         | 5                  | 1                       | -                                    | 27         |
| <b>At 31 December 2020</b>                          | <b>-</b>  | <b>244</b> | <b>58</b>          | <b>15</b>               | <b>-</b>                             | <b>317</b> |
| <b>Net book value:</b>                              |           |            |                    |                         |                                      |            |
| At 1 January 2019                                   | 31        | 44         | 16                 | 17                      | 3                                    | 111        |
| At 31 December 2019                                 | 31        | 46         | 11                 | 27                      | 45                                   | 160        |
| At 31 December 2020                                 | 35        | 64         | 6                  | 34                      | 73                                   | 212        |

As at 31 December 2020 and 2019, 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 8 million). The increase of EUR 4 million is related to the acquisition of Globalways GmbH. Refer to note 11 for more information.

During 2020 EUR 26 million (2019: EUR 16 million) of software was internally developed.

### ① 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% (2019: 3.8%). The cash flows beyond the three-year period until 2080 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 2080. 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.

## 11 Business combinations

At 30 October 2020 TenneT acquired, through its subsidiary Relined GmbH, 100% of the shares of Globalways GmbH effective 1 January 2020 for a cash consideration of EUR 16 million. This company operates a network of internet connections via fibre glass cables. The acquisition consideration contains an additional earn-out option in 2021 and 2022 of both EUR 1.5 million. The purchase price allocation as presented below is preliminary.

| (EUR million)                            | Book value of assets acquired | Fair value entries | Fair value of assets acquired |
|--|-------------------------------|--------------------|-------------------------------|
| <b>Tangible fixed assets</b>             | <b>10</b>                     | <b>1</b>           | <b>11</b>                     |
| Intangible assets                        | -                             | 9                  | 9                             |
| Account- and other receivables           | 1                             | -                  | 1                             |
| <b>Liabilities</b>                       |                               |                    |                               |
| Deferred tax liabilities                 | -                             | -3                 | -3                            |
| Loan to Relined GmbH                     | -4                            |                    | -4                            |
| Account- and other payables              | -2                            |                    | -2                            |
| <b>Net assets</b>                        | <b>5</b>                      | <b>7</b>           | <b>12</b>                     |
| Cash consideration                       |                               |                    | 13                            |
| Deferred consideration                   |                               |                    | 3                             |
| <b>Total consideration</b>               |                               |                    | <b>16</b>                     |
| <b>Goodwill arising from acquisition</b> |                               |                    | <b>4</b>                      |

### ① 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.

## 12 Investments in joint ventures, joint operations and associates

### 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, Reddyn B.V., Tenzs 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 3 million in 2020 (2019: EUR 2 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.

| Statement of financial position (EUR million) | 2020       |            | 2019       |            |
|---|------------|------------|------------|------------|
|   | BritNed    | NOKA       | BritNed    | NOKA       |
| Non-current assets                            | 483        | 888        | 454        | 780        |
| Cash and cash equivalents                     | 46         | 48         | 46         | 13         |
| All other current assets                      | 29         | 59         | 22         | 95         |
| Non-current liabilities                       | -47        | -80        | -9         | -72        |
| Current liabilities                           | -72        | -15        | -65        | -56        |
| <b>Equity</b>                                 | <b>439</b> | <b>900</b> | <b>448</b> | <b>760</b> |
| <i>Ownership TenneT</i>                       | 50%        | 50%        | 50%        | 50%        |
| <b>Carrying amount of the investment</b>      | <b>220</b> | <b>450</b> | <b>224</b> | <b>380</b> |

| Statement of income (EUR million) | 2020      |           | 2019      |           |
|-----------------------------------|-----------|-----------|-----------|-----------|
|                                   | BritNed   | NOKA      | BritNed   | NOKA      |
| Revenue                           | 88        | 78        | 91        | 32        |
| Depreciation and amortisation     | -16       | -5        | -16       | -         |
| Other costs                       | -12       | -3        | -12       | -2        |
| <b>Operating profit</b>           | <b>60</b> | <b>70</b> | <b>63</b> | <b>30</b> |
| Finance income and expenses       | -2        | -2        | -1        | -3        |
| Income tax expense                | -14       | -8        | -11       | -15       |
| <b>Profit for the year*</b>       | <b>44</b> | <b>60</b> | <b>51</b> | <b>12</b> |
| <i>Ownership TenneT</i>           | 50%       | 50%       | 50%       | 50%       |
| <b>Group's share in profit</b>    | <b>22</b> | <b>30</b> | <b>26</b> | <b>6</b>  |

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

BritNed had contingent liabilities of EUR 2 million (2019: EUR 2 million) mainly related to comfort letters issued. NOKA had contingent liabilities of EUR 13 million (2019: EUR 190 million) mainly related to investments in tangible fixed assets. The construction phase of NOKA's NordLink project is expected to be finalised in the next months which is the reason for the constant decline of the open amount for contingent liabilities.

None of our joint ventures are permitted to distribute profits without the consent from all shareholders or partners. In 2020 EUR 25 million dividend was received from BritNed (2019: EUR 28 million) and nil from other interests in joint ventures (2019: EUR 1 million). During 2020 we contributed EUR 42 million to NOKA's capital (2019: EUR 73 million).

Other interests in joint ventures amounted EUR 1 million at 31 December 2020 (2019: EUR 1 million).

## Joint operations

In December 2020, TenneT established Equigy B.V. as a joint operation together with the Swiss and Italian TSOs.

## Associates

At 31 December 2020 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 four 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 4 million in 2020 (2019: EUR 2 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:

| Statement of financial position (EUR million) | 2020      |            | 2019      |            |
|---|-----------|------------|-----------|------------|
|   | HGRT      | OTC        | HGRT      | OTC        |
| Non-current assets                            | 91        | 86         | 91        | 92         |
| Current assets                                | 1         | 29         | 1         | 33         |
| Other non-current liabilities                 | -         | -161       | -         | -168       |
| Current liabilities                           | -         | -2         | -         | -3         |
| <b>Equity</b>                                 | <b>92</b> | <b>-48</b> | <b>92</b> | <b>-46</b> |
| <i>Ownership TenneT</i>                       | 34%       | 25%        | 34%       | 25%        |
| <b>Carrying amount of the investment</b>      | <b>31</b> | <b>-</b>   | <b>31</b> | <b>-</b>   |

| Statement of income (EUR million) | 2020      |           | 2019      |           |
|-----------------------------------|-----------|-----------|-----------|-----------|
|                                   | HGRT      | OTC       | HGRT      | OTC       |
| Revenue                           | -         | 27        | -         | 28        |
| Depreciation and amortisation     | -         | -6        | -         | -6        |
| Other costs, gains and losses     | -         | -7        | -         | -8        |
| <b>Operating profit</b>           | <b>-</b>  | <b>14</b> | <b>-</b>  | <b>14</b> |
| Finance income and expenses       | 10        | -5        | 10        | -5        |
| Income tax expense                | -         | -2        | -         | -2        |
| <b>Profit for the year*</b>       | <b>10</b> | <b>7</b>  | <b>10</b> | <b>7</b>  |
| <i>Ownership TenneT</i>           | 34%       | 25%       | 34%       | 25%       |
| <b>Group's share in profit</b>    | <b>3</b>  | <b>2</b>  | <b>3</b>  | <b>2</b>  |

\* 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 2020, HGRT had no contingent liabilities outstanding (2019: nil). In 2020, EUR 3 million in dividends was received (2019: EUR 5 million).

## OTC

OTC (legal seat: Vianen, the Netherlands) is a holding company and holds majority interests in four asset companies: Colonne B.V., Mobile Radio Networks Vehicle B.V. (MRNV), OTC Networks B.V. 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 2020 (2019: nil). EUR 2 million dividend from OTC was received in 2020 (2019: EUR 4 million).

Effective 28 April 2020 Open Tower Company B.V. (OTC) established OTC Networks B.V., OTC holds 100% of the shares of OTC Networks.

## Other

Our interest in other associates amounted EUR 3 million at 31 December 2020 (2019: EUR 2 million). From other associates we received EUR 1 million dividend.

### ① Accounting policy

A joint venture is an arrangement whereby the parties in the arrangement have joint control over the net assets of the joint arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities of the arrangement.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. An associate is an entity in which we have significant influence, but no control. Significant influence is the power to participate in the financial and operating policy decisions of the investor.

Investments in joint ventures and associates are accounted for using the equity method. Under the equity method, the investment in the joint venture or associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in 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.

For investments in joint operations the following is recognised in relation to TenneT's interest in it:

- Assets, including its share of any assets held jointly;
- Liabilities, including its share of any liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation;
- Share of the revenue from the sale of the output by the joint operation;
- Expenses, including its share of any expenses incurred jointly.

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.

### 13 Other financial assets

| (EUR million)                        | 2020      | 2019      |
|--------------------------------------|-----------|-----------|
| Receivables from related parties     | 5         | 41        |
| Fees for credit facilities available | 5         | 6         |
| Other                                | 18        | 14        |
| <b>Total</b>                         | <b>28</b> | <b>61</b> |

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 nil (2019: EUR 36 million) respectively EUR 5 million (2019: EUR 5 million). The other position includes investments in several minorities. We contributed EUR 1 million in capital for these minorities.

#### ① Accounting policy

Refer to note 27, accounting policies for financial instruments.

### 14 Inventory

Inventory primarily composed of oil which is used for measures taken at power plants that are standing by for TenneT. The provision for inventory is EUR 11 million (2019: EUR 6 million).

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

#### ① Accounting policies

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.

### 15 Account- and other receivables

| (EUR million)                               | 2020         | 2019         |
|---|--------------|--------------|
| Amounts to be invoiced to EEG trade debtors | 2,752        | 1,133        |
| EEG trade receivables                       | 15           | 9            |
| Trade receivables                           | 316          | 240          |
| Amounts to be invoiced                      | 490          | 520          |
| VAT receivables                             | 51           | 60           |
| Interest receivable                         | -            | 4            |
| Other                                       | 171          | 119          |
| <b>Total</b>                                | <b>3,795</b> | <b>2,085</b> |

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

In accordance with the Renewable Energy Sources Act (EEG) 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 note 24 for the EEG accounts payable.

As a result of the Climate Programme 2030 ("Klimaschutzprogramm 2030") the four German TSOs will receive EUR 10.8 billion from the German government to finance the EEG in 2021. TenneT will receive 32% of this amount in three instalments (January 2021: EUR 1,632 million, May 2021: EUR 960 million and October 2021: 864 million) and will use the payments to finance payments made to renewable energy producers.

Refer to note 16 for EEG deposits.

### Trade receivables

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

| (EUR million) | Total      | Not past due | Past due  |            |                   |
|---------------|------------|--------------|-----------|------------|-------------------|
|               |            |              | 0-30 days | 31-60 days | More than 60 days |
| <b>2020</b>   | <b>316</b> | <b>281</b>   | <b>2</b>  | <b>2</b>   | <b>31</b>         |
| 2019          | 240        | 207          | 18        | 3          | 12                |

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

| (EUR million)           | 2020      | 2019      |
|-------------------------|-----------|-----------|
| <b>At 1 January</b>     | <b>13</b> | <b>12</b> |
| Charge for the year     | 4         | 4         |
| Utilised                | -1        | -2        |
| Unused amounts reversed | -         | -1        |
| <b>At 31 December</b>   | <b>16</b> | <b>13</b> |

As at 31 December 2020, receivables with an initial value of EUR 7 million (2019: EUR 4 million) were fully provided for.

### Amounts to be invoiced

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

#### ① Accounting policy

Refer to note 27, accounting policies for financial instruments.

### 16 Cash, cash equivalents and bank overdrafts

Cash and cash equivalents consist of:

| (EUR million)  | 2020             |                      |            | 2019             |                      |            |
|--|------------------|----------------------|------------|------------------|----------------------|------------|
|  | At free disposal | Not at free disposal | Total      | At free disposal | Not at free disposal | Total      |
| Collateral securities  | -                | 85                   | 85         | -                | 79                   | 79         |
| EEG funds  | -                | 5                    | 5          | -                | 589                  | 589        |
| EEG deposits < 3 months  | -                | -                    | -          | -                | 30                   | 30         |
| Deposits   | 475              | -                    | 475        | -                | -                    | -          |
| Cash at bank   | 2                | -                    | 2          | 202              | 1                    | 203        |
| <b>Cash and cash equivalents</b>                                   | <b>477</b>       | <b>90</b>            | <b>567</b> | <b>202</b>       | <b>699</b>           | <b>901</b> |
| Bank overdrafts  | -90              | -                    | -90        | -                | -                    | -          |
| <b>Total cash and cash equivalents used in cash flow statement</b> | <b>387</b>       | <b>90</b>            | <b>477</b> | <b>202</b>       | <b>699</b>           | <b>901</b> |

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

### ① Accounting policy

In the consolidated statement of cash flows, cash and cash equivalents include cash at bank, deposits held at call with banks, other short-term highly liquid investments with remaining maturities of three months or less and are presented net of outstanding bank overdrafts. Securities are deposits on collaterals that serve as financial security for 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.

## 17 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 2020 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 2020 and 2019 | 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 long-term average 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 adjusted FFO/Net debt ratio of at least 8.5% based on underlying financial information (see note 2), which meets 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 Adjusted FFO and net debt is provided in the following table.

| Based on underlying information (EUR million)     | 2020          | 2019          |
|---|---------------|---------------|
| Net profit for the year                           | 516           | 401           |
| + amortisation, depreciation and impairments      | 1,094         | 994           |
| + result on disposal of assets (non-cash)         | -             | 8             |
| <b>Total FFO</b>                                  | <b>1,610</b>  | <b>1,403</b>  |
| Capatilised interest on assets under construction | -11           | -9            |
| Interest on provisions                            | 2             | 19            |
| 50% Hybrid interest                               | -22           | -17           |
| <b>FFO Adjusted</b>                               | <b>1,579</b>  | <b>1,396</b>  |
| <b>Net debt</b>                                   |               |               |
| + Long term borrowings                            | 10,217        | 9,137         |
| + Short term borrowings                           | 2,243         | 565           |
| + Bank overdrafts                                 | 90            | -             |
| - Cash and cash equivalents at free disposal      | -476          | -202          |
| + Lease liabilities                               | 462           | 394           |
| + Net employee defined benefit liabilities        | 405           | 361           |
| + 50% Hybrid loan                                 | 1,063         | 560           |
| <b>Net debt</b>                                   | <b>14,004</b> | <b>10,815</b> |
| <b>Adjusted FFO/net debt</b>                      | <b>11.3%</b>  | <b>12.9%</b>  |

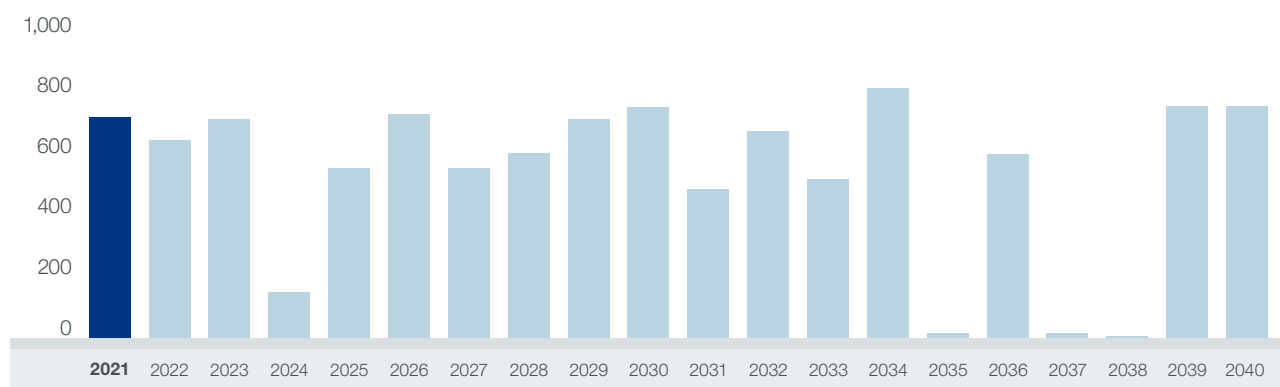
\* Net profit for the year 2019 changed from 408 into 401 and cash and cash equivalents at free disposal changed from -202 into -194 due to reconsideration of the amendment on IAS 12 explained in note 1.

### 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 2020, our interest bearing debt (excluding bank overdrafts and credit facilities to temporary finance the EEG) had the following annual redemption profile:

#### Annual redemption of debt

EUR million



#### 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

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. The 12-month liquidity requirement was met on 31 December 2020 and 31 December 2019.

### 18 Equity

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

The Company's authorised share capital amounted to EUR 500 million (2019: 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.

#### 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 2020, the 2021 FSIRS amounts to nil.

#### Retained earnings

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

#### 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.

On 31 December 2020, we had EUR 2.1 billion of green hybrid securities outstanding divided in two tranches. The first tranche is a EUR 1.1 billion green hybrid security that bears an optional, cumulative coupon of 2.995%, payable at TenneT's discretion annually on 1 June of each year. As at 31 December 2020, the unpaid cumulative dividend amounts to EUR 18 million (2019: EUR 18 million), relating to the period 1 June until 31 December and payable on 1 June 2021.

In July 2020, TenneT issued a second tranche of EUR 1 billion of green hybrid securities. These green hybrid securities bear an optional, cumulative coupon of 2.374%, payable at TenneT's discretion annually on 22 October of each year. As at 31 December 2020, the unpaid cumulative dividend amounts to EUR 5 million, relating to the period 23 October until 31 December and payable on 22 October 2021.

#### Dividend distribution

In 2020 a common full-year dividend of EUR 112 million (EUR 560 per share) to our ordinary shareholder was distributed (2019: EUR 120 million). 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 39 million during 2020 (2019: EUR 33 million). The appropriation of the 2020 profit is at the free disposal of the General Meeting of Shareholders.



## 19 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     | 2020 | 2019 |
|---|-------------|------|------|
| 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     | 67%  | 67%  |
| 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.

| Movement schedule Non-Controlling interests (EUR million) | TO2        | TO8        | TOD3       |
|---|------------|------------|------------|
| <b>At 1 January 2019</b>                                  | <b>246</b> | <b>261</b> | <b>289</b> |
| Profit attributable to non-controlling interests          | 14         | 19         | 23         |
| Dividends paid  | -5         | -31        | -          |
| Capital repayment   | 4          | -          | -76        |
| <b>At 31 December 2019</b>                                | <b>259</b> | <b>249</b> | <b>236</b> |
| Profit attributable to non-controlling interests          | 8          | 16         | 22         |
| Dividends paid  | -13        | -37        | -          |
| Capital contribution                                      | 4          | 1          | -          |
| Capital repayment   | -          | -          | -55        |
| <b>At 31 December 2020</b>                                | <b>258</b> | <b>229</b> | <b>203</b> |

The non-controlling interest in TO2, TO8, TODV and TOD3 are held by Copenhagen Infrastructure Partners (CIP), which owns respectively 69% for TO2, 63% for TO8 and a 67% economic interest for TODV and TOD3 in the adjusted (for certain regulatory effects) profits of these companies and 49% of the voting 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.

| Statement of financial position (EUR million) | 2020       |            |            |
|---|------------|------------|------------|
|   | TO2        | TO8        | TOD3       |
| Non-current assets                            | 978        | 1,410      | 1,658      |
| Current assets                                | 168        | 155        | 168        |
| Non-current liabilities                       | -661       | -1,045     | -1,413     |
| Current liabilities                           | -113       | -155       | -86        |
| <b>Equity</b>                                 | <b>372</b> | <b>365</b> | <b>327</b> |
| Attributable to owners of the parent          | 114        | 136        | 124        |
| Attributable to non-controlling interests     | 258        | 229        | 203        |

|   | 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       |
| <b>Equity</b>                                 | <b>373</b> | <b>398</b> | <b>336</b> |
| Attributable to owners of the parent          | 114        | 149        | 100        |
| Attributable to non-controlling interests     | 259        | 249        | 236        |

|   | 2020      |           |           |
|---|-----------|-----------|-----------|
| Statement of income (EUR million)         | TO2       | TO8       | TOD3      |
| Revenue                                   | 148       | 222       | 182       |
| Depreciation and amortisation             | -82       | -102      | -96       |
| Other expenses                            | -31       | -52       | -23       |
| <b>Operating profit</b>                   | <b>35</b> | <b>68</b> | <b>63</b> |
| Finance income and expenses               | -18       | -32       | -25       |
| Income tax expense                        | -6        | -11       | -4        |
| <b>Profit for the year</b>                | <b>11</b> | <b>25</b> | <b>34</b> |
| Other comprehensive income                | -         | -         | -         |
| <b>Total comprehensive income</b>         | <b>11</b> | <b>25</b> | <b>34</b> |
| Attributable to non-controlling interests | 8         | 16        | 22        |

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

| (EUR million)                               | 2020     |          |          |
|---|----------|----------|----------|
|   | TO2      | TO8      | TOD3     |
| Net cash flows from operating activities    | 80       | 157      | 156      |
| Net cash flows used in investing activities | -9       | -1       | -88      |
| Net cash flows from financing activities    | -71      | -156     | -68      |
| <b>Change in cash and cash equivalents</b>  | <b>-</b> | <b>-</b> | <b>-</b> |

| (EUR million)                               | 2019     |          |          |
|---|----------|----------|----------|
|   | TO2      | TO8      | 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      |
| <b>Change in cash and cash equivalents</b>  | <b>-</b> | <b>-</b> | <b>-</b> |

## 20 Borrowings

| (EUR million)  | Effective interest rate | Maturity  | Redemption schedule | 2020          | 2019         |
|--|-------------------------|-----------|---------------------|---------------|--------------|
| 0.875% green bond 2015 EUR 500 million               | 0.96%                   | Jun-21    | At maturity         | -             | 499          |
| 4.50% bond 2010 EUR 500 million                      | 4.60%                   | Feb-22    | At maturity         | 499           | 499          |
| 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         | 497           | 496          |
| 1.000% green bond 2016 EUR 500 million               | 1.04%                   | Jun-26    | At maturity         | 499           | 499          |
| 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         | 496           | 495          |
| 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%                   | Jun-30    | At maturity         | 495           | 495          |
| 4.75% bond 2010 EUR 200 million                      | 4.92%                   | Jun-30    | At maturity         | 197           | 196          |
| 1.250% green bond 2016 EUR 500 million               | 1.35%                   | Oct-33    | At maturity         | 494           | 493          |
| 2.0% green bond 2018 EUR 750 million                 | 2.04%                   | Jun-34    | At maturity         | 746           | 745          |
| 1.875% green bond 2016 EUR 500 million               | 1.97%                   | Jun-36    | At maturity         | 493           | 492          |
| 1.500% green bond 2019 EUR 750 million               | 1.58%                   | May-39    | At maturity         | 739           | 739          |
| 0.125% green bond 2020 EUR 600 million               | 0.20%                   | Nov-32    | At maturity         | 594           | -            |
| 0.500% green bond 2020 EUR 750 million               | 0.54%                   | Nov-40    | At maturity         | 744           | -            |
| <b>Non-current interest-bearing bonds</b>            |                         |           |                     | <b>7,987</b>  | <b>7,142</b> |
| 4.12% loan 2010 EUR 150 million                      | 4.12%                   | Jan-21    | At maturity         | -             | 150          |
| 4.40% loan 2010 EUR 40 million                       | 4.40%                   | 2016-2021 | Linear              | -             | 3            |
| 4.71% loan 2010 EUR 40 million                       | 4.71%                   | 2016-2022 | Linear              | 3             | 6            |
| 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              | 22            | 32           |
| 0.72% loan 2015 EUR 500 million                      | 0.72%                   | 2018-2032 | Linear              | 379           | 414          |
| 0.77% loan 2015 EUR 150 million                      | 0.77%                   | 2018-2037 | Linear              | 120           | 128          |
| 0.813% loan 2016 EUR 125 million                     | 0.81%                   | 2019-2038 | Linear              | 106           | 113          |
| 0.05% loan 2020 EUR 100 million                      | 0.05%                   | 2025-2042 | At maturity         | 100           | -            |
| 0.436% loan 2020 EUR 350 million                     | 0.44%                   | Sep-26    | Linear              | 350           | -            |
| <b>Non-current interest-bearing loans</b>            |                         |           |                     | <b>1,230</b>  | <b>996</b>   |
| 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            | 43           |
| 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           |
| <b>Non-current interest-bearing Schuldschein</b>     |                         |           |                     | <b>500</b>    | <b>500</b>   |
| 1.61% USPP 2019 EUR 160 million                      | 1.63%                   | Jan-29    | At maturity         | 160           | 160          |
| 1.83% USPP 2019 EUR 295 million                      | 1.85%                   | Jan-31    | At maturity         | 295           | 294          |
| 2.01% USPP 2019 EUR 45 million                       | 2.02%                   | Jan-34    | At maturity         | 45            | 45           |
| <b>Total non-current interest-bearing USPP</b>       |                         |           |                     | <b>500</b>    | <b>499</b>   |
| <b>Total non-current interest-bearing borrowings</b> |                         |           |                     | <b>10,217</b> | <b>9,137</b> |

Continuation &gt;

&lt; Continuation

| (EUR million)                                     | Effective interest rate | Maturity | Redemption schedule | 2020          | 2019         |
|---|-------------------------|----------|---------------------|---------------|--------------|
| 2.125% bond 2013 EUR 500 million                  | 2.22%                   | Nov-20   | At maturity         | -             | 500          |
| 0.875% green bond 2015 EUR 500 million            | 0.96%                   | Jun-21   | At maturity         | 500           | -            |
| <b>Current interest-bearing bonds</b>             |                         |          |                     | <b>500</b>    | <b>500</b>   |
| EEG related loans 2020 EUR 1,528 million          | 0.22%                   | Jan-21   | At maturity         | 1,528         | -            |
| <b>Current interest-bearing EEG related loans</b> |                         |          |                     | <b>1,528</b>  | <b>-</b>     |
| 4.12% loan 2010 EUR 150 million                   | 4.12%                   | Jan-21   | At maturity         | 150           | -            |
| 4.71% loan 2010 EUR 40 million                    | 4.71%                   | Nov-21   | Linear              | 3             | 3            |
| 4.40% loan 2010 EUR 40 million                    | 4.40%                   | Nov-21   | Linear              | 3             | 3            |
| 4.44% loan 2010 EUR 140 million                   | 4.44%                   | Nov-21   | Linear              | 11            | 11           |
| 0.72% loan 2015 EUR 500 million                   | 0.72%                   | Sep-21   | Linear              | 34            | 34           |
| 0.77% loan 2015 EUR 150 million                   | 0.77%                   | Jan-21   | Linear              | 8             | 8            |
| 0.813% loan 2016 EUR 125 million                  | 0.81%                   | Oct-21   | Linear              | 6             | 6            |
| <b>Current interest-bearing loans</b>             |                         |          |                     | <b>215</b>    | <b>65</b>    |
| <b>Total current interest-bearing borrowings</b>  |                         |          |                     | <b>2,243</b>  | <b>565</b>   |
| <b>Total borrowings</b>                           |                         |          |                     | <b>12,460</b> | <b>9,702</b> |

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 | Current interest-bearing EEG related loans | Non-current interest-bearing USPP | Total         |
|---------------------------------|--|--|---|--|-----------------------------------|---------------|
| <b>At 1 January 2019</b>        | <b>6,404</b>                           | <b>1,817</b>                           | <b>499</b>                                | -  | -                                 | <b>8,720</b>  |
| Cash inflow from new borrowings | 1,232                                  | -                                      | -   | -  | 499                               | 1,731         |
| Cash outflow from redemptions   | -                                      | -756                                   | -   | -  | -                                 | -756          |
| Amortisation (non-cash)         | 6                                      | -                                      | 1   | -  | -                                 | 7             |
| <b>At 31 December 2019</b>      | <b>7,642</b>                           | <b>1,061</b>                           | <b>500</b>                                | -  | <b>499</b>                        | <b>9,702</b>  |
| Cash inflow from new borrowings | 1,338                                  | 450                                    | -   | 1,528                                      | -                                 | 3,316         |
| Cash outflow from redemptions   | -500                                   | -66                                    | -   | -  | -                                 | -566          |
| Amortisation (non-cash)         | 7                                      | -                                      | -   | -  | 1                                 | 8             |
| <b>At 31 December 2020</b>      | <b>8,487</b>                           | <b>1,445</b>                           | <b>500</b>                                | <b>1,528</b>                               | <b>500</b>                        | <b>12,460</b> |

TenneT has a Revolving Credit Facility (RCF) of EUR 3.3 billion as of November 2019. In October 2020, we reached an agreement to extend the maturity date of our EUR 3.3 billion RCF. EUR 3.0 billion is now available till November 2025 and EUR 0.3 billion till the original maturity date of November 2024.

The amount of borrowing costs (including fair value adjustment) capitalised was EUR 64 million (2019: EUR 59 million).

For more information about the fair value see note 26.

The EEG related loans are redeemed in January 2021. Interest on EEG related loans is charged to the EEG levies. For further information see note 15.

### ① Accounting policy

Refer to note 27, accounting policies for financial instruments.

## 21 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 374 million (2019: EUR 339 million). The change was due to received contributions of EUR 48 million minus EUR 13 million amortisation. The current part of the investment contributions amounted to EUR 2 million (2019: EUR 3 million) and has been presented separately in the statement of financial position. The non-current part has a maturity up and till 2060.

### ① Accounting policy

Contract liabilities are recognised when payments are made or the payments are due (whichever is earlier) before a related performance obligation is satisfied. 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.

## 22 Provisions

| (EUR million)                     | 2020      |              |              | 2019       |              |              |
|-----------------------------------|-----------|--------------|--------------|------------|--------------|--------------|
|                                   | Current   | Non-current  | Total        | Current    | Non-current  | Total        |
| Environmental and decommissioning | 15        | 1,144        | 1,159        | 15         | 1,127        | 1,142        |
| Tariff related                    | 21        | 101          | 122          | 123        | 5            | 128          |
| Other                             | 30        | 37           | 67           | 110        | 31           | 141          |
| <b>Total</b>                      | <b>66</b> | <b>1,282</b> | <b>1,348</b> | <b>248</b> | <b>1,163</b> | <b>1,411</b> |

| (EUR million)              | Environmental management and decommissioning | Tariff related | Other      | Total        |
|----------------------------|--|----------------|------------|--------------|
| <b>At 1 January 2019</b>   | <b>676</b>                                   | <b>33</b>      | <b>153</b> | <b>862</b>   |
| Addition                   | 122  | 98             | 8          | 228          |
| Utilisation                | -6   | -3             | -5         | -14          |
| Changes in estimations     | 334  | -              | 2          | 336          |
| Unused amounts reversed    | -3   | -              | -17        | -20          |
| Imputed interest           | 19   | -              | -          | 19           |
| <b>At 31 December 2019</b> | <b>1,142</b>                                 | <b>128</b>     | <b>141</b> | <b>1,411</b> |
| Addition                   | 117  | -1             | 22         | 138          |
| Utilisation                | -  | -2             | -8         | -10          |
| Changes in estimations     | -94  | -2             | 2          | -94          |
| Unused amounts reversed    | -8   | -1             | -90        | -99          |
| Imputed interest           | 2  | -              | -          | 2            |
| <b>At 31 December 2020</b> | <b>1,159</b>                                 | <b>122</b>     | <b>67</b>  | <b>1,348</b> |

### Provisions for environmental management and decommissioning

Provisions for environmental management and decommissioning serve to cover future obligations in relation to high-voltage connections and underground cables and to cover the decommissioning costs. In 2020 EUR 117 million was added (2019: EUR 122 million) for future decommissioning costs for projects constructed during 2020. Changes in estimates related to the provision for decommissioning amounted to EUR 94 million negative (2019: EUR 334 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 2020. The first decommissioning of an offshore grid connection is expected to start in 2029.

### 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 2020, EUR 1 million (2019: nil) of the provided amount matured and was released through the statement of income.

### 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.

### ① Accounting policy

Provisions are recognised when there is (i) a legal or constructive obligation as a result of past events, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and (iii) when the amount can be reliably estimated. 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.

### 🔧 Key estimates and assumptions

The estimated decommissioning provision involves 1) decommissioning costs and 2) assessing the expected remaining useful life of relevant asset. The main uncertainties to the decommissioning costs are the removal method (currently assuming reverse installation) and the uncertainties around equipment and vessel availability and market rates at expected time of decommissioning. At this point, there is also limited benchmark information available. Decommissioning costs are provided for at the present value of expected costs to settle the obligation. The useful life of the offshore grid connections is estimated at 20 years. This provision assumed a discount rate between 0.0% and 0.1% (2019: between 0.4% and 0.7%) and an inflation rate of 1.8% (2019: between 2.0% and 3.0%). A change in the discount rate of 1 percent point could have a maximum impact of EUR 155 million on the asset value and liability value.

A discount rate of 0.0% is applied for environmental management provisions (2019: 2.2%). A change in discount rate of 1 percent point could have a maximum impact of EUR 2 million on the related book value.

A discount rate of 0.0% was applied for other provisions (2019: 1.49%). A change in discount rate of 1 percent point could have a maximum impact of EUR 4 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.

Due to the business TenneT operates in and TenneT's legal structure, TenneT faces several contingent liabilities.

In general the following issues are recognised as contingent liabilities at TenneT:

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

The uncertainties relating to the contingent liabilities makes a reliable estimation of the financial impact impossible.

## 23 Net employee defined benefit liabilities

### 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)                                | 2020      | 2019      |
|--|-----------|-----------|
| Current service costs (note 4)               | 14        | 14        |
| Past service cost - plan amendments (note 4) | 6         | -         |
| Net interest costs (note 5)                  | 4         | 4         |
| <b>Net benefit expense</b>                   | <b>24</b> | <b>18</b> |

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

| (EUR million)              | 2020       | 2019       |
|----------------------------|------------|------------|
| Defined benefit obligation | 514        | 465        |
| Fair value of plan assets  | -107       | -104       |
| <b>Benefit liability</b>   | <b>407</b> | <b>361</b> |

The short-term part of the benefit liability is presented as part of note 22 provisions.

| (EUR million)                          | 2020       | 2019       |
|--|------------|------------|
| Defined benefit liability long-term    | 405        | 360        |
| Defined benefit liability short-term   | 2          | 1          |
| <b>Total defined benefit liability</b> | <b>407</b> | <b>361</b> |

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

| (EUR million)                                    | 2020       | 2019       |
|--|------------|------------|
| <b>Defined benefit obligation at 1 January</b>   | <b>465</b> | <b>302</b> |
| Current service costs                            | 14         | 14         |
| Past service costs                               | 6          | -          |
| Interest costs                                   | 5          | 6          |
| Contributions by plan participants               | 2          | 2          |
| Benefits paid                                    | -4         | -4         |
| Re-measurements on obligation                    | 26         | 145        |
| <b>Defined benefit obligation at 31 December</b> | <b>514</b> | <b>465</b> |

Re-measurements on obligation are EUR 24 million, mainly due to the change of the discount rate from 1.05% to 0.7%.



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

| (EUR million)                                   | 2020       | 2019       |
|---|------------|------------|
| <b>Fair value of plan assets at 1 January</b>   | <b>104</b> | <b>94</b>  |
| Actual return on plan assets                    | 3          | 8          |
| Contributions by employer                       | 4          | 5          |
| Benefits paid                                   | -4         | -3         |
| <b>Fair value of plan assets at 31 December</b> | <b>107</b> | <b>104</b> |

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

|                                  | 2020 | 2019 |
|----------------------------------|------|------|
| <b>Quoted in active markets:</b> |      |      |
| Equity instruments               | 32%  | 36%  |
| Debt securities                  | 47%  | 43%  |
| Other                            | 4%   | 5%   |
| <b>Unquoted investments:</b>     |      |      |
| Debt securities                  | 5%   | 5%   |
| Real estate                      | 11%  | 9%   |
| Cash                             | 1%   | 2%   |

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)                             | 2020       | 2019       |
|---|------------|------------|
| <b>Accumulated balance at 1 January</b>   | <b>258</b> | <b>121</b> |
| Re-measurements during the year           | 24         | 137        |
| <b>Accumulated balance at 31 December</b> | <b>282</b> | <b>258</b> |

Re-measurements of the year originate from:

| (EUR million)  | 2020      | 2019       |
|--|-----------|------------|
| Re-measurements from actuarial gains(-)/losses in DBO                      | 26        | 145        |
| Exceeding return on plan assets (over net interest incl. in net liability) | -2        | -8         |
| <b>Accumulated balance at 31 December</b>                                  | <b>24</b> | <b>137</b> |
| <i>Thereof:</i>  |           |            |
| actuarial gains(-)/losses from experience                                  | -7        | -4         |
| actuarial gains(-)/losses from changes in demographic assumptions          | -         | -          |
| actuarial gains(-)/losses from changes in actuarial assumptions            | 33        | 149        |

Effective 2020, an additional agreement was made to address the negative impacts of the current low interest rate environment. Part of this addition is a provision that introduces a floor to internal return for employees and capital conversion rate to calculate final pension payments. The floor is set by 2,5% for the year 2020 and 3,0% thereafter.

### ① 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:

|                          | 2020  | 2019  |
|--------------------------|-------|-------|
| Discount rate            | 0.70% | 1.05% |
| 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)                        | 2020 | 2019 |
|--------------------------------------|------|------|
| 0.25% change of discount rate        | -25  | -27  |
| 0.5% change of salary increase rate  | 2    | 2    |
| 0.5% change of pension increase rate | 2    | 2    |
| Change of 1 year in life expectancy  | 17   | 18   |

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 expect to have an obligation to contribute to plan assets in 2021 of EUR 3 million. We expect the following, undiscounted, benefit payments from the plan:

| (EUR million)             | 2020       | 2019       |
|---------------------------|------------|------------|
| Within the next 12 months | 5          | 5          |
| Within 2-5 years          | 25         | 23         |
| Within 5-10 years         | 41         | 38         |
| More than 10 years        | 382        | 365        |
| <b>Total</b>              | <b>453</b> | <b>431</b> |

### 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 2020 was 17.43% of the pensionable salary. In 2021 we expect to contribute EUR 25 million, based on 2020 number of employees, 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 2020 was 93.2% (2019: 95.8%) which is above the critical regulatory coverage rate level under which pensions would have to be reduced.

### ① Accounting policy

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

## 24 Account- and other payables

| (EUR million)  | 2020         | 2019         |
|--|--------------|--------------|
| EEG accounts payable                                       | 1,245        | 1,761        |
| Accounts payable   | 473          | 269          |
| Payables in connection with tangible fixed asset purchases | 337          | 424          |
| Grid expenses payable                                      | 911          | 1,045        |
| Interest payable   | 104          | 105          |
| Social securities and other taxes payable                  | 35           | 19           |
| Payables to related parties                                | 11           | 7            |
| Other payables   | 172          | 185          |
| <b>Total</b>   | <b>3,288</b> | <b>3,815</b> |

### EEG accounts payable

Refer to note 15.

### Payables in connection with tangible fixed assets purchases

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

## Grid expenses payable

The grid expenses payable consist 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.

## 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 grid surcharge.

## 25 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. The Treasury Statute was updated in 2020. 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 2020, 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 8 million in our net interest cost (2019: EUR 4 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 2022 a new regulatory period will start in the Netherlands. In Germany, actual interest costs are compensated up to a level customary to the market. The BNetzA determines marketability on the basis of reference interest rates published by the Deutsche Bundesbank. Currently we expect that actual costs of debt for TenneT are below the predefined maximum reference rates. Therefore, there is currently no risk for TenneT.

### 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 13 and 15. The movement of the allowance for expected credit losses of trade receivables is included in note 15.

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 2020, financial credit risk arose mainly from our transactions and positions with several financial institutions. As at 31 December 2020, the maximum credit risk amounted to EUR 475 million (2019: EUR 36 million).

In 2020 these funds are related to funds at free disposal. In 2019 these funds related to EEG and 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 2020 we had EUR 475 million free at disposal. These deposits had a maturity of less than 3 months (2019: nil), see note 15. At 31 December 2020 we had nil deposits with third parties for EEG cash amounts (2019: EUR 30 million) and no financial derivatives outstanding.

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 2020 and 31 December 2019.

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         |
|-----------------------------|-------|--------------|---------------|----------------|--------------|-------------------|---------------|
| <b>At 31 December 2020</b>  |       |              |               |                |              |                   |               |
| Lease liabilities           | 9     | 12           | 23            | 103            | 263          | 125               | 526           |
| Borrowings                  | 20    | 158          | 47            | 683            | 2,592        | 8,972             | 12,452        |
| EEG related Borrowings      | 20    | 1,528        | -             | -              | -            | -                 | 1,528         |
| Account- and other payables | 24    | 1,011        | 517           | 1,660          | -5           | -                 | 3,183         |
| Other financial liabilities |       | 85           | -             | -              | -            | -                 | 85            |
| <b>Total</b>                |       | <b>2,794</b> | <b>587</b>    | <b>2,446</b>   | <b>2,850</b> | <b>9,097</b>      | <b>17,774</b> |
| <b>At 31 December 2019</b>  |       |              |               |                |              |                   |               |
| Lease liabilities           | 9     | 10           | 19            | 87             | 202          | 139               | 457           |
| Borrowings                  | 20    | 7            | 48            | 692            | 2,777        | 7,771             | 11,295        |
| Account- and other payables | 24    | 2,091        | 417           | 1,200          | 1            | -                 | 3,709         |
| Other financial liabilities |       | 79           | -             | -              | -            | -                 | 79            |
| <b>Total</b>                |       | <b>2,187</b> | <b>484</b>    | <b>1,979</b>   | <b>2,980</b> | <b>7,910</b>      | <b>15,540</b> |

Our borrowings, have a diversified maturity profile, which reduces refinancing risks (see also note 20).

In order to minimise our exposure to liquidity risk, we have a EUR 3.3 billion committed revolving credit facility (RCF) at our disposal for general corporate purposes. At 31 December 2020, this facility was undrawn. Furthermore, we had EUR 250 million of undrawn long-term loan commitments from the EIB available at 31 December 2020. Finally, we had EUR 450 million of short-term uncommitted credit facilities available at year end drawn EUR 90 million (2019: nil).

On 31 December 2020 we had EUR 1.35 billion committed credit facilities and EUR 0.5 billion uncommitted credit facilities available (drawn EUR 1.528 billion) to finance temporary fluctuations in working capital related to our clearing activities for renewable energy in Germany. In accordance with EEG legislation, shortfalls are reimbursed through EEG levy and/or government contributions for the subsequent years.

The EEG has a significant impact on TenneT's working capital position and to prevent negative EEG bank account balances and additional short-term bridge financing, a liquidity buffer is included in the EEG levy. Nevertheless, TenneT raised additional committed financing of EUR 1.5 billion and uncommitted financing of EUR 0.5 billion in 2020, due to significant unforeseen variations in renewable energy volumes and electricity prices.

As a result of the Climate program 2030 ("Klimaschutzprogramm 2030") the four German TSOs will receive EUR 10.8 billion from the German government to finance the EEG in 2021. TenneT will receive 32% of this amount in three instalments (January 2021: EUR 1,632 million, May 2021: EUR 960 million and October 2021: 864 million) and will use the payments to finance payments made to renewable energy producers.

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 2021 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 our shareholder to contribute additional equity and (iii) lobbying activities to ensure that regulatory frameworks remain adequate to safeguard regulators income and returns to investors.

### Commodity price risk

Energy purchase contracts for the forward purchase of electricity or gas that are used to satisfy physical delivery requirements to customers, or for energy that the Group uses itself, meet the expected purchase or usage requirements of IFRS 9. They are, therefore, not recognised in the financial statements until they are realised. Disclosure of commitments under such contracts is made in note 28.

Under IFRS, where these supply contracts are not accounted for as finance leases, they are considered to comprise two components, being a forward purchase of power at spot prices, and a forward purchase of environmental certificates at a variable price (being the contract price less the spot power price). With respect to our current contracts, neither of these components meets the requirement to be accounted for as a derivative. The environmental certificates are currently required for compliance purposes, and at present there are no liquid markets for these attributes. Accordingly, this component meets the expected purchase or usage exemption of IFRS 9. We expect to enter into an increasing number of these contracts, in order to meet our compliance requirements in the short to medium term. It is possible that in future, if and when liquid markets develop, and to the extent that we are in receipt of environmental certificates in excess of our required levels, this exemption may cease to apply, and we may be required to account for forward purchase commitments for environmental certificates as derivatives at fair value through profit and loss.

## 26 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 |              | Fair value    |               | Hierarchy |
|------------------------------|-------|-----------------|--------------|---------------|---------------|-----------|
|                              |       | 2020            | 2019         | 2020          | 2019          |           |
| <b>Financial liabilities</b> |       |                 |              |               |               |           |
| <i>Borrowings:</i>           |       |                 |              |               |               |           |
| - Borrowings – bonds         | 20    | 8,487           | 7,642        | 9,478         | 8,354         | Level 1   |
| - Borrowings – other         | 20    | 2,445           | 2,060        | 2,665         | 2,203         | Level 2   |
| - Borrowings – EEG related   | 20    | 1,528           | -            | 1,528         | -             | Level 2   |
| <b>Total</b>                 |       | <b>12,460</b>   | <b>9,702</b> | <b>13,671</b> | <b>10,557</b> |           |

As at 31 December 2020, no instruments carried at fair value were held (2019: 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 2020, 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 2020 or 2019.

## 27 ⓘ Accounting policies for financial instruments

### Financial assets

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

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



## 28 Contingencies and commitments

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

| (EUR million)                               | 2020         | 2019         |
|---|--------------|--------------|
| <b>Investment related off-balance items</b> |              |              |
| <i>Off-balance sheet rights</i>             |              |              |
| Bank guarantees received                    | 1,227        | 1,765        |
| Comfort letters received                    | 1,202        | 878          |
| <b>Total</b>                                | <b>2,429</b> | <b>2,643</b> |
| <i>Off-balance commitments</i>              |              |              |
| Capital commitments                         | 7,133        | 4,059        |
| Comfort letters issued                      | 776          | 774          |
| <b>Total</b>                                | <b>7,909</b> | <b>4,833</b> |
| <b>Other off-balance items</b>              |              |              |
| <i>Other off-balance rights</i>             |              |              |
| Government guarantees received              | -            | 300          |
| Other off-balance sheet rights              | -            | 76           |
| <b>Total</b>                                | <b>-</b>     | <b>376</b>   |
| <i>Other off-balance obligations</i>        |              |              |
| Grid-related commitments                    | 920          | 1,109        |
| Other off-balance sheet commitments         | 43           | 69           |
| <b>Total</b>                                | <b>963</b>   | <b>1,178</b> |

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.

### Bank guarantees received

Bank guarantees received include guarantees for investment projects.

### Comfort letters received

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

### Capital commitments

Capital commitments are commitments entered into with regard to the purchase of tangible fixed assets.

Approximately EUR 2.7 billion of capital commitments are payable within the next 12 months (2019: EUR 2.2 billion).

### Comfort letters issued

The comfort letters issued relate to offshore projects in Germany.

### Government guarantees received

TenneT benefited 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.

### Grid related commitments

Grid-related commitments included received but unused auction receipts in the Netherlands amounting to EUR 322 million (2019: EUR 470 million).

## 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;

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 and planning damage where additional payments would be capitalised, or (ii) claims relating to compensation for delays and interruptions where any compensation would be pass-through for TenneT 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.

## Environmental obligations

The Group is exposed to risks regarding environmental obligations arising from past activities. For example, a number of sites have to be decontaminated and restored to their original condition before being handed back at the end of the contractual period. Under current legislation, environmental plans and any other measures to be adopted have to be agreed with local, regional and national authorities as appropriate. As soon as such plans are approved or other legal obligations arise, a provision is formed based on the most reliable estimate possible of future expenses. The Executive Board is of the opinion that the currently recognized provisions are adequate, based on information currently available. However, given the degree of difficulty in making estimates, this does not guarantee that no additional costs will arise going forward.

## 29 Related parties

Note 30 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 note 18);
- Joint ventures NOKA and BritNed (refer to note 12);
- Associates HGRT and OTC (refer to note 12) and indirect associate Mobile Radio Networks Vehicle B.V. (refer to note 13);
- Members of the Executive and Supervisory Board of TenneT Holding B.V. (refer to note 4).

### 30 Consolidated subsidiaries

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

| Subsidiary   | Legal seat | Country     | Voting interest |      | Economic interest |      |     |
|--|------------|-------------|-----------------|------|-------------------|------|-----|
|  |            |             | 2020            | 2019 | 2020              | 2019 |     |
| <b>Direct subsidiaries</b>                             |            |             |                 |      |                   |      |     |
| ETPA Holding B.V.                                      | Amsterdam  | Netherlands | 50%             | 50%  | 50%               | 50%  |     |
| NLink International B.V.                               | Arnhem     | Netherlands | 100%            | 100% | 100%              | 100% | *   |
| NOVEC B.V.   | The Hague  | Netherlands | 100%            | 100% | 100%              | 100% |     |
| Relined B.V.   | Utrecht    | Netherlands | 100%            | 100% | 100%              | 100% |     |
| 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% | *   |
| <b>Indirect subsidiaries</b>                           |            |             |                 |      |                   |      |     |
| 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 B.V.  | Amsterdam  | Netherlands | 50%             | 50%  | 50%               | 50%  |     |
| Nadine Netwerk B.V.                                    | Arnhem     | 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  |     |
| TransTenneT B.V.                                       | Arnhem     | Netherlands | 100%            | 100% | 100%              | 100% | *   |
| DC Netz DoWin4 GmbH                                    | Bayreuth   | Germany     | 100%            | 100% | 100%              | 100% |     |
| DC Netz HeWin1 GmbH                                    | Bayreuth   | Germany     | 100%            | 100% | 100%              | 100% |     |
| DC Netz SylWin2 GmbH                                   | Bayreuth   | Germany     | 100%            | 100% | 100%              | 100% |     |
| Globalways GmbH  | Stuttgart  | Germany     | 100%            | 0%   | 100%              | 0%   |     |
| NOVEC GmbH   | Emsbüren   | Germany     | 100%            | 100% | 100%              | 100% |     |
| Relined 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 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%               | 30%  | **  |
| TenneT Offshore Dolwin3 GmbH & Co. KG                  | Bayreuth   | Germany     | 51%             | 51%  | 30%               | 30%  |     |
| TenneT Offshore Dolwin3 Verwaltungs GmbH               | Bayreuth   | Germany     | 51%             | 51%  | 33%               | 33%  |     |
| 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.

\*\*\* 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.

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.



### **31 Events after the reporting period**

No significant events occurred after the reporting period.

# Company financial statements

## Company statement of financial position

For the year ended 31 December (EUR million)

| Assets                                       | Notes | 2020          | 2019          |
|--|-------|---------------|---------------|
| <b>Non-current assets</b>                    |       |               |               |
| Investments in subsidiaries                  | 36    | 8,651         | 7,552         |
| Investments in joint ventures and associates | 37    | 31            | 29            |
| Other financial assets                       | 38    | 9,828         | 6,655         |
| <b>Total non-current assets</b>              |       | <b>18,510</b> | <b>14,236</b> |
| <b>Current assets</b>                        |       |               |               |
| Other financial assets                       | 38    | 2,093         | 1,777         |
| Account- and other receivables               | 39    | 14            | 30            |
| Cash and cash equivalents                    |       | 475           | 194           |
| <b>Total current assets</b>                  |       | <b>2,582</b>  | <b>2,001</b>  |
| <b>Total assets</b>                          |       | <b>21,092</b> | <b>16,237</b> |

| Equity and liabilities                              | Notes | 2020          | 2019          |
|---|-------|---------------|---------------|
| <b>Equity</b>                                       | 40    |               |               |
| Paid up and called-up capital                       |       | 100           | 100           |
| Share premium                                       |       | 1,790         | 1,790         |
| Revaluation reserve                                 |       | 22            | 32            |
| Reserve for participating interests                 |       | 94            | 62            |
| Reserve for internally generated assets             |       | 55            | 62            |
| Hedging reserve                                     |       | -             | 1             |
| Retained earnings                                   |       | 2,515         | 2,117         |
| Unappropriated result                               |       | 748           | 532           |
| <b>Equity attributable to ordinary shares</b>       |       | <b>5,324</b>  | <b>4,696</b>  |
| Hybrid securities                                   |       | 2,125         | 1,120         |
| <b>Equity attributable to owners of the company</b> |       | <b>7,449</b>  | <b>5,816</b>  |
| <b>Non-current liabilities</b>                      |       |               |               |
| Borrowings  | 41    | 10,217        | 9,137         |
| Deferred tax liability                              |       | 6             | 5             |
| <b>Total non-current liabilities</b>                |       | <b>10,223</b> | <b>9,142</b>  |
| <b>Current liabilities</b>                          |       |               |               |
| Borrowings  | 41    | 2,243         | 565           |
| Bank overdraft                                      |       | 90            | -             |
| Account- and other payables                         | 42    | 1,087         | 714           |
| <b>Total current liabilities</b>                    |       | <b>3,420</b>  | <b>1,279</b>  |
| <b>Total equity and liabilities</b>                 |       | <b>21,092</b> | <b>16,237</b> |

## Company statement of income

For the year ended 31 December (EUR million)

| (EUR million)                                    | Notes | 2020       | 2019       |
|--|-------|------------|------------|
| <b>Revenue</b>                                   |       | -          | -          |
| Other operating expenses                         |       | -6         | -3         |
| Other gains/(losses)                             |       | -          | -          |
| <b>Total operating expenses</b>                  |       | <b>-6</b>  | <b>-3</b>  |
| Share in profit of joint ventures and associates |       | 5          | -          |
| <b>Operating profit</b>                          |       | <b>-1</b>  | <b>-3</b>  |
| Finance income                                   | 33    | 159        | 177        |
| Finance expenses                                 | 34    | -202       | -192       |
| <b>Finance result</b>                            |       | <b>-43</b> | <b>-15</b> |
| <b>Profit before income tax</b>                  |       | <b>-44</b> | <b>-18</b> |
| Income tax expense                               |       | 1          | -9         |
| Profit from subsidiaries                         | 36    | 835        | 593        |
| <b>Profit for the year</b>                       |       | <b>792</b> | <b>566</b> |

Income tax expense 2019 changed from EUR -1 million to -9 million compared to last year's report. Further reference can be found in note 1 Basis for reporting.

## Notes to the company financial statements

These notes contain information about the company financial statements of TenneT Holding B.V. 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.

### 32 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.

### 33 Finance income

Result on finance income is mainly related to the interest received on intercompany loans and other in-house financing activities (see note 37). The intercompany agreements have terms equivalent to those that prevail in arm's length transactions.

### 34 Finance expenses

Finance expenses mainly relate to interest on borrowings and credit facilities (2020: EUR 187 million; 2019: EUR 178 million).

### 35 Personnel expenses

TenneT Holding B.V. did not employ any personnel in 2020 (2019: nil), and as such did not incur any personnel expenses in those periods. The members of the Executive Board and Supervisory Board of the Company received their remuneration, as disclosed in note 4 of the consolidated financial statements, from other entities within the Group.

### 36 Investments in subsidiaries

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

| (EUR million)                             | 2020         | 2019         |
|---|--------------|--------------|
| <b>At 1 January</b>                       | <b>7,552</b> | <b>6,690</b> |
| Share in result                           | 835          | 593          |
| Capital contribution                      | 284          | 410          |
| Dividends received                        | -3           | -44          |
| Re-measurement of defined benefit pension | -17          | -97          |
| <b>At 31 December</b>                     | <b>8,651</b> | <b>7,552</b> |

Investments in subsidiaries related to the legal entities included in the consolidation as disclosed in note 30 of the consolidated financial statements.

### ① 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.

### 37 Investments in joint ventures and associates

Investments in joint ventures and associates mainly related to HGRT. In 2020, TenneT's share in HGRT's result amounted to EUR 5 million (2019: EUR 3 million) and EUR 3 million (2019: EUR 5 million) dividends were received. In 2019 the carrying amount was adjusted to better reflect the equity value of the investment. Further reference is made to note 12 of the consolidated financial statements.

### 38 Other financial assets

| (EUR million)                 | 2020         | 2019         |
|-------------------------------|--------------|--------------|
| Receivables from subsidiaries | 9,818        | 6,646        |
| Other financial assets        | 10           | 9            |
| <b>Total</b>                  | <b>9,828</b> | <b>6,655</b> |

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)         | 2020         | 2019         |
|-----------------------|--------------|--------------|
| <b>At 1 January</b>   | <b>6,655</b> | <b>6,232</b> |
| Additions             | 3,377        | 1,941        |
| Repayments            | -93          | -1,408       |
| Transfer to current   | -110         | -109         |
| Other movements       | -1           | -1           |
| <b>At 31 December</b> | <b>9,828</b> | <b>6,655</b> |

Besides non-current other financial assets, the company had EUR 2.1 billion (2019: EUR 1.8 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 2.5 billion (2019: EUR 2.5 billion).

### 39 Account- and other receivables

Account- and other receivables mainly relates to income tax receivable.



## 40 Equity

| (EUR million)  | Reserve<br>Participating<br>interests | Reserve for<br>internally<br>generated<br>assets | Hedging<br>reserve | Revaluation<br>reserve | Total legal<br>reserve |
|--|---------------------------------------|--|--------------------|------------------------|------------------------|
| <b>At 1 January 2019</b>                               | <b>61</b>                             | <b>22</b>  | <b>3</b>           | <b>43</b>              | <b>129</b>             |
| Result NOKA and HGRT                                   | 5                                     | -  | -                  | -                      | 5                      |
| Dividend NOKA and HGRT                                 | -4                                    | -  | -                  | -                      | -4                     |
| Internally generated intangible assets                 | -                                     | 52   | -                  | -                      | 52                     |
| Depreciation on internally generated intangible assets | -                                     | -12  | -                  | -                      | -12                    |
| Depreciation revaluation tangible fixed assets         | -                                     | -  | -                  | -11                    | -11                    |
| Amortisation of hedges                                 | -                                     | -  | -2                 | -                      | -2                     |
| <b>At 31 December 2019</b>                             | <b>62</b>                             | <b>62</b>  | <b>1</b>           | <b>32</b>              | <b>157</b>             |
| Result NOKA and HGRT                                   | 35                                    | -  | -                  | -                      | 35                     |
| Dividend NOKA and HGRT                                 | -3                                    | -  | -                  | -                      | -3                     |
| Internally generated intangible assets                 | -                                     | 55   | -                  | -                      | 55                     |
| Depreciation on internally generated intangible assets | -                                     | -62  | -                  | -                      | -62                    |
| Depreciation revaluation tangible fixed assets         | -                                     | -  | -                  | -11                    | -11                    |
| Amortisation of hedges                                 | -                                     | -  | -1                 | -                      | -1                     |
| <b>At 31 December 2020</b>                             | <b>94</b>                             | <b>55</b>  | <b>-</b>           | <b>21</b>              | <b>170</b>             |

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 18.

The revaluation reserve covers the IFRS 1 revaluation of tangible fixed assets in 2004. The reserve for participating interests relates 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.

### Appropriation of result for the year ended 31 December 2019

The annual report 2019 was approved in the General Meeting held on March 11, 2020. The General Meeting has determined the appropriation of result in accordance with the proposal being made to that end.

The appropriation of the 2020 profit is at the free disposal of the General Meeting of Shareholders and has not been recorded in the financial statements.

## 41 Borrowings

Details on borrowings are included in the consolidated financial statements, see note 20.

## 42 Account- and other payables

| (EUR million)            | 2020         | 2019       |
|--------------------------|--------------|------------|
| Payables to subsidiaries | 983          | 606        |
| Interest payable         | 104          | 105        |
| Other payables           | -            | 3          |
| <b>Total</b>             | <b>1,087</b> | <b>714</b> |



### 43 Events after the reporting period

See note 31 of the consolidated financial statements.

Arnhem, 8 March 2021

#### **Executive Board TenneT Holding B.V.**

M.J.J. van Beek  
O. Jager  
T.C. Meyerjürgens  
M.C. Abbenhuis

#### **Supervisory Board TenneT Holding B.V.**

A.C.C.. van Els  
L.J. Griffith  
E. Kairisto  
E.M. Schöne  
A.F. van der Touw

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