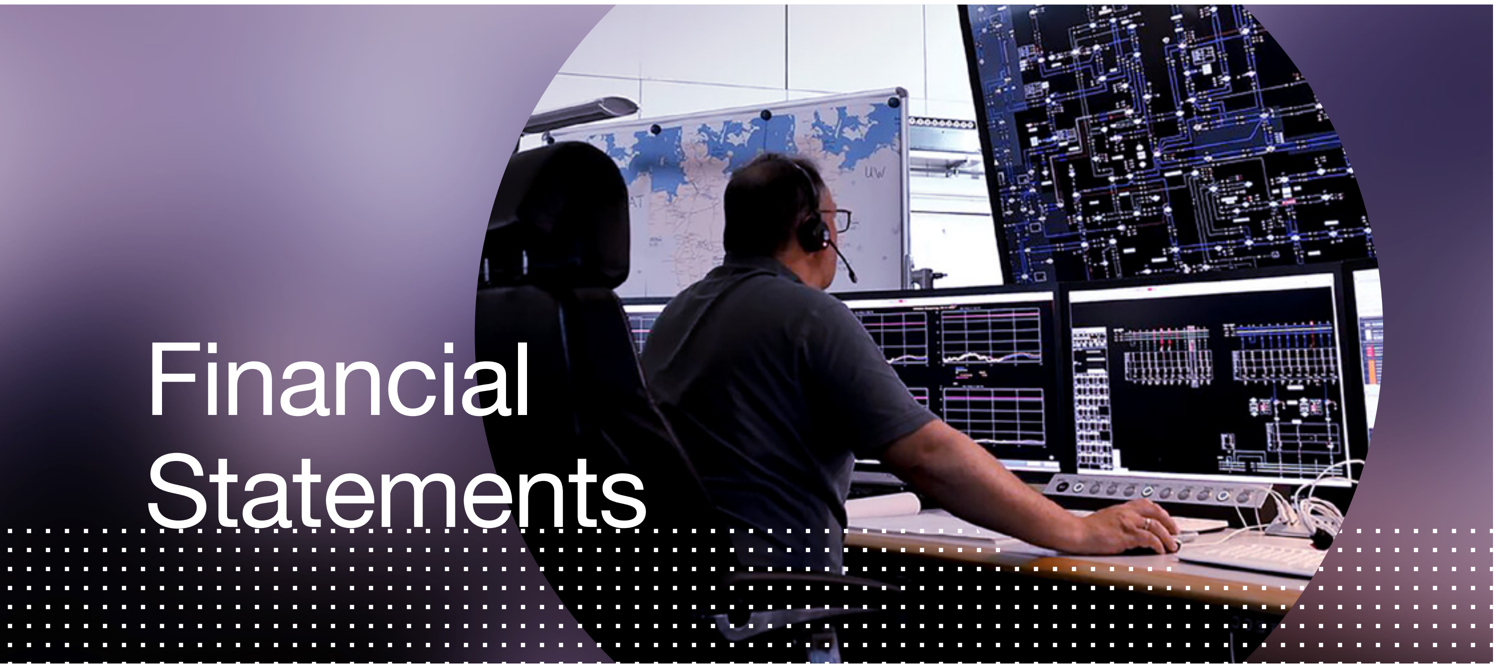

Financial Statements

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

Consolidated financial statements

Consolidated statement of financial position

For the year ended 31 December (EUR million)

Assets	Notes	2023	2022
Non-current assets			
Tangible fixed assets	10	11,764	26,823
Right of use assets	11	105	748
Intangible assets	12	254	306
Investments in joint ventures	14	211	630
Investments in associates	14	32	36
Deferred tax assets	8	580	711
Other financial assets	15	24	44
Total non-current assets		**12,970**	**29,298**
Current assets			
Inventories	16	15	132
Account- and other receivables	17	452	2,348
Income tax receivable	8	-	158
Cash and cash equivalents	18	673	6,547
Total current assets		**1,140**	**9,185**
Assets of disposal group classified as held for sale	2	27,613	26
Total assets		**41,723**	**38,509**

Consolidated statement of financial position

For the year ended 31 December (EUR million)

Equity and liabilities	Notes	2023	2022
Equity			
Equity attributable to ordinary shares	20	5,516	5,133
Hybrid securities	20	2,125	2,125
Equity attributable to owners of the company		**7,641**	**7,258**
Non-controlling interests	21	400	455
Total equity		**8,041**	**7,713**
Non-current liabilities			
Borrowings	22	18,871	19,006
Contract liabilities	23	530	531
Deferred tax liability	8	1	12
Provisions	24	490	1,235
Lease liabilities	11	90	574
Net employee defined benefit liabilities	25	-	174
Other financial liabilities	26	-	185
Other liabilities		10	31
Total non-current liabilities		**19,992**	**21,748**
Current liabilities			
Borrowings	22	3,640	709
Contract liabilities	23	12	17
Income tax payable	8	72	26
Provisions	24	54	77
Other financial liabilities	26	1,975	550
Lease liabilities	11	16	155
Account- and other payables	27	640	7,489
Total current liabilities		**6,409**	**9,023**
Liabilities of disposal group classified as held for sale	2	7,281	25
Total equity and liabilities		**41,723**	**38,509**

Consolidated statement of income

For the year ended 31 December (EUR million)

	Notes	2023		2022	
Revenue	4		**2,297**		**1,919**
Grid expenses	5	-1,485		-2,174	
Personnel expenses	5	-182		-137	
Depreciation and amortisation of assets	10,11, 12	-375		-330	
Other operating expenses	5	-218		-178	
Other (gains)/losses	6	3		-6	
Total operating expenses			**-2,257**		**-2,825**
Share in profit of joint ventures and associates	14		132		110
Operating result			**172**		**-796**
Finance income	7	41		41	
Finance expenses	7	-147		-64	
Finance result			**-106**		**-23**
Result before income tax from continued operations			**66**		**-819**
Income tax expense	8		1		229
Result for the year from continued operations			**67**		**-590**
Result for the year from discontinued operations after tax	2		644		-289
Result for the year			**711**		**-879**
Result attributable to:					
Owners of the company					
Equity holders of ordinary shares continued operations	20	10		-647	
Equity holders of ordinary shares discontinued operations	2	585		-320	
Hybrid securities	20	57		57	
Owners of the company			**652**		**-910**
Non-controlling interests					
Result from discontinued operations	2, 21	59		31	
Non-controlling interests			**59**		**31**
Result for the year			**711**		**-879**

Earnings per share attributable to the equity holders of ordinary shares

For the year ended 31 December (EUR per share)

	Note	2023	2022
Basic and diluted earnings per share from continuing operations	9	50	-3,235
Basic and diluted earnings per share from discontinuing operations	9	2,925	-1,600
Total basic and diluted earnings per share	9	2,975	-4,835

Consolidated statement of comprehensive income

For the year ended 31 December (EUR million)

	Notes	Retained earnings	Unappro-priated result	Equity attribut-able to ordinary shares	Hybrid securities	Equity attribut-able to owners of the company	Non-control-ling interest	Total equity
		20	20		30		21	
2022								
Items not to be reclassified to profit or loss in subsequent years:								
Remeasurement of defined benefit pensions	25	160	-	160	-	160	-	160
Taxation	8	-48	-	-48	-	-48	-	-48
Total other comprehensive income 2022		**112**	**-**	**112**	**-**	**112**	**-**	**112**
Result for the year		-	-967	-967	57	-910	31	-879
Total comprehensive income 2022		**112**	**-967**	**-855**	**57**	**-798**	**31**	**-767**
2023								
Items not to be reclassified to profit or loss in subsequent years:								
Remeasurement of defined benefit pensions	25	-29	-	-29	-	-29	-	-29
Taxation	8	9	-	9	-	9	-	9
Total other comprehensive income 2023		**-20**	**-**	**-20**	**-**	**-20**	**-**	**-20**
Result for the year		-	595	595	57	652	59	711
Total comprehensive income 2023		**-20**	**595**	**575**	**57**	**632**	**59**	**691**

Consolidated statement of changes in equity

For the year ended 31 December (EUR million)

		Attributable to equity holders of the company							Non-con-trolling interest	Total equity
		Paid-up and called-up capital	Share premium reserve	Retained earnings	Unappro-priated result	**Equity attribut-able to ordinary shares**	Hybrid securities	**Equity attribut-able to owners of the company**		
(EUR million)	Notes	20	20	20	20		20		21	
At 1 January 2022		**100**	**1,790**	**3,396**	**-401**	**4,885**	**2,125**	**7,010**	**455**	**7,465**
Result for the year		-	-	-	-967	-967	57	-910	31	-879
Total other comprehensive income		-	-	112	-	112	-	112	-	112
Total comprehensive income		**-**	**-**	**112**	**-967**	**-855**	**57**	**-798**	**31**	**-767**
Dividends paid	20	-	-	-	-141	-141	-	-141	-20	-161
Capital contribution	20	-	1,230	-	-	1,230	-	1,230	-	1,230
Capital repayment	20	-	-	-	-	-	-	-	-11	-11
Distribution on hybrid securities	20	-	-	-	-	-	-57	-57	-	-57
Tax on distribution on hybrid securities	20	-	-	14	-	14	-	14	-	14
Appropriation remaining prior year result		-	-	-542	542	-	-	-	-	-
At 31 December 2022		**100**	**3,020**	**2,980**	**-967**	**5,133**	**2,125**	**7,258**	**455**	**7,713**
Result for the year		-	-	-	595	595	57	652	59	711
Total other comprehensive income		-	-	-20	-	-20	-	-20	-	-20
Total comprehensive income		**-**	**-**	**-20**	**595**	**575**	**57**	**632**	**59**	**691**
Dividends paid	20	-	-	-	-207	-207	-	-207	-17	-224
Capital repayment	20	-	-	-	-	-	-	-	-97	-97
Distribution on hybrid securities	20	-	-	-	-	-	-57	-57	-	-57
Tax on distribution on hybrid securities	20	-	-	15	-	15	-	15	-	15
Appropriation remaining prior year result		-	-	-1,174	1,174	-	-	-	-	-
At 31 December 2023		**100**	**3,020**	**1,801**	**595**	**5,516**	**2,125**	**7,641**	**400**	**8,041**

Consolidated statement of cash flows

For the year ended 31 December (EUR million)

	Notes	2023		2022	
Operating result from continuing operations		172		-796	
Operating result from discontinuing operations		1,252		-180	
Operating result			**1,424**		**-976**
Non-cash adjustments to reconcile result to net cash flows:					
Depreciation, amortisation and impairment of assets	2, 10, 11 ,12	1,350		1,233	
Result on disposal of assets		1		38	
Share in result of joint ventures and associates	14, 2	-150		-120	
Dividends received from joint ventures and associates	14, 2	155		92	
Movements in provisions and other (financial) liabilities and assets		12		104	
			1,368		**1,347**
Working capital adjustments excluding EEG working capital:					
(Increase)/decrease in account- and other receivables	15, 2	-342		-1,026	
(Increase)/decrease in inventories		-21		-49	
Increase/(decrease) in account- and other payables	27, 2	596		-33	
Increase/(decrease) in contract liabilities	23, 2	81		103	
Increase/(decrease) in current financial liabilities	26, 2	-177		269	
Cash generated from operation			**137**		**-736**
Income tax paid (net)			-140		-231
Net cash flows from operating activities excluding EEG working capital			**2,789**		**-596**
EEG working capital adjustments:					
(Increase)/decrease in EEG receivables	17, 2	-1,250		592	
(Increase)/decrease EEG deposits > 3 months	17, 2	-		472	
Increase/(decrease) in EEG payables	27, 2	-3,193		728	
			-4,443		**1,792**
Net cash flows from operating activities			**-1,654**		**1,196**
Investing activities					
Purchase of tangible and intangible fixed assets	10, 12, 27	-7,319		-4,424	
Proceeds from sale of tangible and intangible fixed assets		4		5	
Proceeds from sale of subsidiaries	13	33		-	
Interest received	7	35		45	
Capital repayments from joint ventures	14, 2	34		32	
Capital contribution to joint ventures and associates	14, 2	-		-3	
Net cash flows used in investing activities			**-7,213**		**-4,345**

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Consolidated statement of cash flows

For the year ended 31 December (EUR million)

	Notes	2023		2022	
Financing activities					
Net financing					
Proceeds from borrowings	22	3,787		7,338	
Repayment of borrowings	22	-1,004		-1,339	
			2,783		**5,999**
Other financing activities					
Payment of lease liabilities	11	-177		-221	
Interest paid		-417		-202	
Capital contribution by ordinary shareholder of the company	20, 26	-		1,230	
Contribution by ordinary shareholder of the company	20, 26	1,602		-	
Dividends paid to ordinary shareholders of the company	20	-207		-141	
Distribution on hybrid securities	20	-57		-57	
Repayment of financial liability	26	-37		-20	
Dividends paid and capital repayments to non-controlling interests	21	-114		-32	
			593		**557**
Net cash flows from financing activities			**3,376**		**6,556**
Net change in cash and cash equivalents			**-5,491**		**3,407**
Cash and cash equivalents at 31 December	18	1,056		6,547	
Cash and cash equivalents at 1 January	18	6,547		3,140	
			-5,491		**3,407**

Notes to the consolidated financial statements

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

1 Basis for reporting

Basis for preparation

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

General

TenneT Holding B.V. has subsidiaries which are leading electricity transmission system operator with activities in the Netherlands. Our activities are conducted by TenneT TSO B.V. 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 2023 were prepared by our Executive Board and authorised for issuance in accordance with a resolution of the Supervisory Board on 4 March 2024. 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.

Assets held for sale

In February 2023, TenneT started to explore the potential sale of German activities to the German state. Over the past year, constructive discussions have taken place between TenneT and KfW, acting on behalf of the German state, with close involvement of the German state and the Dutch state as TenneT's sole shareholder. The Dutch government supports the sale of German activities.

To the date of this report, no agreement has been reached yet on the potential sale of German activities. TenneT and KfW continue their discussions in the coming period, however it is not certain that a deal will be reached. TenneT considers that it is highly probable that a transaction will be concluded in 2024. In the consolidated financial statements the IFRS 5 ‘Non current assets held for sale and discontinued operations' standard is applied, which implies that the German activities are no longer continued per 31 December 2023.

NOVEC B.V. is a 100% subsidiary of TenneT Holding B.V. The activities of NOVEC are part of the segment non-regulated activities. Following a strategic review, considering TenneT’s focus on the energy transition, it was concluded that TenneT Holding B.V. no longer needs to remain shareholder of NOVEC. Currently, TenneT is negotiating about a transaction and expects to finalise it within one year.

Further reference is made to note 2.

Basis for preparation

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

The consolidated financial statements are prepared on a going concern basis. The going concern basis presumes that 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.

The 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.

Earnings per share are disclosed on voluntary basis, please refer to note 9.

Changes in accounting estimates

Annually, the Group reassesses its estimate for the useful lives of tangible fixed assets. Based on this year's review, the Group concluded that the useful lives of offshore platforms, cables (subsea) and the related decommissioning provision should be extended in the Netherlands. For more details reference is made to note 10. The useful lives are adjusted prospectively per 1 July 2023, resulting in a decrease of the depreciation of EUR 12 million in the last six months of 2023.

The Group has concluded that the useful lives of several onshore assets should be extended prospectively per 1 January 2024. The expected decreased depreciation is about EUR 40-50 million on an annual basis, impacting both continued (EUR 20-25 million) and discontinued operations (EUR 20-25 million).

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

Material new and amended standards adopted by the Group

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

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

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

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

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

Basis for consolidation

The consolidated financial statements incorporate the financial statements of TenneT Holding B.V. and its subsidiaries at 31 December 2023. A list of the legal entities included in the consolidation is included in note 33. Subsidiaries are consolidated from the date of acquisition, constituting the date on which control is obtained and continue to be consolidated until the date when such control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances, transactions, unrealised gains and losses resulting from intercompany transactions and dividends are eliminated in full in consolidation.

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

Material accounting judgements, estimates and assumptions

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

Item	Note	Estimate/assumptions
Assets and liabilities held for sale, discontinued operations	2	Estimate of probable date of sale, estimate of sale price
Tangible fixed assets	10	Estimate of remaining useful life, identification of cash-generating units for fixed asset impairment testing In both the assessment of the useful lives of our assets and in the design phase of new assets, climate related risks are considered. Climate-related risks are reduced by adjusting design or taking mitigating measures.
Right of use assets and liabilities	11	Estimates of discount rate and expected extension or accelerated termination date
Intangible fixed assets	12	Estimate of recoverable amount and remaining useful life
Impairment review of goodwill	12	Estimate of cash flow projections and pre-tax discount rate
Grid expense payable	27	Amongst others estimate of electricity usage and energy prices
Impairment of current assets	17	Estimate of expected credit losses
Provision for environmental management and decommissioning	24	Estimate of removal costs, removal dates, discount rate and price increases in the period leading up to removal
Other provisions	24	Mainly relate to estimate of probability and realisation date
Net employee benefit obligations	25	Financial, actuarial and demographic assumptions

Functional currency

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

Adjustment in prior year's figures

After publication of the TenneT Integrated Annual Report 2022, we identified a misstatement in the consolidated statement of comprehensive income and consolidated statement of income; The re-measurement of defined benefit pensions was reported as EUR 217 million and should have been reported as EUR 160 million, taxation was reported as -/- EUR 64 million and should have been reported as -/- EUR 48 million. The balance at 31 December 2021 for retained earnings was reported as EUR 3,355 million and should have been reported as EUR 3,396 million. We have adjusted the misstatement.

2 Discontinued operations and assets classified as held for sale

The majority of assets and liabilities classified as held for sale, are mainly related to TenneT GmbH & Co. KG and its subsidiaries (together TenneT Germany). The remaining part is related to the assets and liabilities of NOVEC B.V. For an explanation as to why the assets are classified as held for sale, please refer to note 1.

TenneT Germany

As a result of classifying TenneT Germany's operations as held for sale, TenneT Germany's operations are classified in the statement of income as discontinued operations. The activities are presented as if TenneT Germany were a third party to TenneT Holding B.V. and the group, except for loans issued to TenneT Germany. From a business perspective, these operations are continued and remain an integral part of the TenneT group. Also internal management reports still include German operations. Therefore the segment information still includes the German underlying operations.

Corporate tax expenses and corporate tax receivables of TransTenneT B.V. are also part of held for sale, since TransTenneT is responsible for the German corporate tax of the German activities.

TenneT has not recognised an impairment loss for any write-down of assets as the fair value less costs to sell is (expected to be) higher than the carrying amount.

Assets and liabilities

The major classes of assets and liabilities of TenneT Germany classified as held for sale at 31 December 2023 are as follows:

(EUR million)	Notes	31 December 2023
Assets		
Tangible fixed assets	10	21,880
Right of use assets	11	872
Intangible assets	12	119
Investments in joint ventures	14	384
Investments in associates	14	1
Deferred tax assets	8	272
Other financial assets	15	18
Inventories	16	138
Account- and other receivables	17	3,489
Income tax receivable	8	38
Cash and cash equivalents	18	383
Assets held for sale		**27,594**
Liabilities		
Deferred tax liabilities	8	2
Provisions (including net employee defined benefit obligation)	24, 25	1,510
Lease liabilities	11	862
Contract liabilities	23	85
Other liabilities		27
Other financial liabilities	26	169
Income tax payable	8	81
Account- and other payables	27	4,532
Liabilities held for sale		**7,268**
Net assets directly associated with disposal group		**20,326**

TenneT Holding has issued EUR 15.9 billion of long-term loans to TenneT Germany. These are eliminated in the group's financial statements and as such not part of liabilities held for sale. These loans relate to cash management activities of TenneT Holding B.V. with TenneT Germany. The agreed interest rate for the intercompany loans is our cost of fund rate +0.125bps. These receivables were unsecured. Refer to note 7. Furthermore cash loans of EUR 231 million were issued by TenneT Holding to TenneT Germany for cash operating activities. These cash loans have an agreed interest rate. Beside this TenneT Germany has cash loans issued to TenneT Holding of EUR 270 million.

The details about the net employee defined benefit liabilities are disclosed in note 25.

Statement of income

The results of TenneT Germany for the year are disclosed below.

(EUR million)	2023	2022
Revenue	**7,001**	**6,380**
Grid expenses	-4,482	-5,343
Personnel expenses	-153	-148
Depreciation and amortisation	-975	-903
Other operating expenses	-159	-144
Other gains/(losses) - netted	2	-32
Total operating expenses	**-5,767**	**-6,570**
Share in result of joint ventures and associates	18	10
Operating result	**1,252**	**-180**
Finance result	-347	-234
Result for income tax from discontinued operations	**905**	**-414**
Income tax expenses	-261	125
Result for the year from discontinued operations	**644**	**-289**
Result attributable to:		
Equity holders of ordinary shares	585	-320
Non-controlling interests	59	31
Result for the year from discontinued operations	**644**	**-289**

	2023	2022
Average workforce in FTEs	**3,625**	**3,109**

Revenue increased mainly due to a growing asset base in consequence of ongoing investments and higher compensation for certain cost of capital, as well as the in 2022 higher expected costs for system services (especially such as redispatch, grid losses and control power) as well as higher costs for grid and capacity reserve power plants.) which are incorporated in the tariffs of 2023.

The result from discontinued operations mainly increased due to higher revenues. These revenues increased as they are based on the in 2022 higher costs for ancillary services (part of grid expenses). The actual costs for ancillary services decreased compared to 2022. Both increased revenues and decreased costs for ancillary services result in an increased result of discontinued operations compared to 2022.

The net cash flows generated by TenneT Germany are as follows:

(EUR million)	2023	2022
Operating	-2,236	1,702
Investing	-4,393	-2,963
Financing	2,294	3,058
Net cash inflow/(outflow)	**-4,335**	**1,797**

Contingencies and commitments

Assets and liabilities held for sale also include contingencies and commitments. This consists mainly capital commitments issued, bank guarantees received and comfort letters received.

Capital commitments increased due to investments in 2GW projects. Capital commitments are commitments entered into with regard to the purchase of tangible fixed and to a very small fraction of intangible assets (2023: EUR 79 million, 2022: EUR 43 million). Approximately EUR 4.1 billion of capital commitments were payable within 12 months, as at 31 December 2023 (2022: EUR 3.3 billion).

Other off-balance sheet commitments mainly comprise a payment guarantee for specific payment obligations of TenneT Holding B.V. issued by the German Group.

(EUR million)	31 December 2023	31 December 2022 *
Investment related off-balance items		
Off-balance sheet rights		
Bank guarantees received and other items	1,828	1,563
Comfort letters received	2,165	1,620
Total	**3,993**	**3,183**
Off-balance commitments		
Capital commitments	24,445	8,063
Comfort letters issued	813	797
Total	**25,258**	**8,860**
Other off-balance items		
Other off-balance obligations		
Grid-related commitments	712	827
Other off-balance sheet commitments	5,382	5,068
Total	**6,094**	**5,895**

* The 2022 figures have been included in the comparative figures of the “contingencies and commitments of continued operations” in note 31, for comparison reasons. Note that the 2023 figures of the discontinued operations are not included in note 31.

Electricity Revenue Cap Act

The Electricity Revenue Cap Act ("Strompreisbremsegesetz, StromPBG”) was passed by the German legislator on 20 December 2022 and went into force on 24 December in the same year. It aimed to protect domestic end-consumers in 2023 from strongly increased electricity prices resulting from the turmoil on the energy markets in Europe following the Ukraine war. The Act expired on 31 December 2023.

Energy suppliers have processed the price caps in their individual invoices with end-consumers, the Transmission System Operators (TSOs) have paid them on monthly data. The TSOs were compensated for these payments by direct transfers from the government and by funds received from electricity generators. To enable the process, detailed rules for the calculation of excess revenues from generators as well as for the settlement and pay out to end-consumers are determined in the law.

Furthermore, the German regulator BNetzA has an oversight role in the process. Payments from TSOs to end-consumers via the energy suppliers started in February 2023 with retroactive effect as per January. First governmental transfer payments to bridge-finance started in February 2023. The first inflow of excess revenues from generators has started as of mid of August 2023. TSOs do not have any liquidity or profitability risks from the regime which they perform as trustees of society and on a pass-through basis.

There is no impact on the results and equity per 31 December 2023. As part of the Electricity Revenue Cap Act the Group received EUR 5.6 billion compensation from the government and by funds from electricity generators, which was passed on to end-consumers as a relief. The total effect on revenues in 2023 is EUR nil (2022: nil).

NOVEC B.V.

NOVEC's operations are not classified as discontinued operations, since it does not represent a major line of business, and as such the segment information still includes the NOVEC's underlying operations.

TenneT has not recognised an impairment loss for any write-down of assets as the fair value less costs to sell is (expected to be) higher than the carrying amount.

Assets and liabilities

The major classes of assets and liabilities of NOVEC classified as held for sale at 31 December 2023 are as follows:

(EUR million)	Notes	31 December 2023
Assets		
Tangible fixed assets	10	7
Right of use assets	11	7
Intangible assets	12	3
Investments in associates		1
Account- and other receivables	17	1
Assets held for sale		**19**
Liabilities		
Lease liabilities	11	6
Provisions		1
Account- and other payables	27	6
Liabilities held for sale		**13**
Net assets directly associated with disposal group		**6**

3 Segment information

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

We generate substantially all of our revenue from our regulated operating segments in the Netherlands and Germany. Therefore, close collaboration with our respective regulators to obtain regulations and 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 (part of discontinued operations and held for sale)
- Non-regulated activities (partly part of held for sale)

For the entire year TenneT has been steered on Dutch, German and non-regulated activities. TenneT Germany is included in the segment information as discontinued operations. TenneT will be steered on both Dutch, German and non-regulated activities until the sale will be materialised.

For management information purposes, the performance of our regulated activities in the Netherlands and in Germany is considered separately into two geographical segments. 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 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, investments and return on capital are key metrics. The definition of EBIT equals operating result. Performance of non-regulated activities is evaluated based on EBIT and return on capital 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 are required to be returned through future tariffs are recorded as an asset or liability, respectively. TenneT's Executive Board believes that the presentation of underlying financial information provides additional relevant insight in the actual business, financial performance, and as such economic reality.

We have one (2022: nil) individual clients which is invoiced more than 10% of our total group underlying revenue. For the segment TSO Germany the revenue from this customer amounted to EUR 1,335 million (2022: not applicable).

(EUR million)	2023 Underlying Assets	2023 Underlying Liabilities	2023 Investments	2022 Underlying Assets	2022 Underlying Liabilities	2022 Investments
TSO Netherlands	15,586	9,020	2,948	12,328	7,697	1,527
Non-regulated companies	629	1,837	3	1,779	220	5
TSO Germany	-	-	-	27,115	21,574	2,961
Total continued segments underlying	**16,215**	**10,857**	**2,951**	**41,222**	**29,491**	**4,493**
TSO Germany (held for sale)	28,830	23,786	4,779	-	-	-
NOVEC B.V. (held for sale)	110	16	-	-	-	-
Total segments underlying	**45,155**	**34,659**	**7,730**	**41,222**	**29,491**	**4,493**
Eliminations and adjustments	-409	-99	-	-256	1,980	-
Consolidated underlying information	**44,746**	**34,560**	**7,730**	**40,966**	**31,471**	**4,493**

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

Investment amounts recognised under IFRS equal underlying investments. Investments consists of additions to tangible fixed assets, relate to note 10, and additions to intangible assets, relate to note 12.

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

(EUR million)	2023 IFRS Assets	2023 IFRS Liabilities	2022 IFRS Assets	2022 IFRS Liabilities
TSO Netherlands	13,563	8,479	10,828	7,260
Non-regulated companies	629	1,837	1,779	216
TSO Germany	-	-	26,157	21,339
Total continued segments IFRS	**14,192**	**10,316**	**38,764**	**28,815**
TSO Germany (held for sale)	27,831	23,450	-	-
NOVEC B.V. (held for sale)	110	16	-	-
Total segments underlying	**42,133**	**33,782**	**38,764**	**28,815**
Eliminations and adjustments	-410	-100	-255	1,981
Consolidated IFRS information	**41,723**	**33,682**	**38,509**	**30,796**

(EUR million)	2023	2022
Consolidated underlying information		
Assets	44,746	40,966
Liabilities	-34,560	-31,471
Total net assets and liabilities	**10,186**	**9,495**
To be settled in tariffs	-3,565	-2,847
Auction receipts	592	370
Valuation differences tangible fixed assets	-198	-218
Other regulatory receivables and payables	193	199
Tax impact	833	714
Total underlying impact	**-2,145**	**-1,782**
Consolidated IFRS information	**8,041**	**7,713**
Consolidated IFRS information		
Assets	41,723	38,509
Liabilities	-33,682	-30,796
Total net assets and liabilities	**8,041**	**7,713**

For an analysis of underlying results please refer to the ‘Safeguard sustainable financial performance’ 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 allowed revenue as set by the regulator. By doing so, volume and post calculation differences are directly matched to the related costs and therefore provide additional relevant insight to manage TenneT's business.

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:

	2023							
(EUR million)	TSO NL	Non- regu-lated	Elimina-tions within continued operation	**Contin-ued opera-tions**	TSO Germany (discontin-ued operations)	**Total segments**	Elimina-tions to discontin-ued operar-tions	**Total**
Connection and transmission services	2,094	-	-	2,094	4,516	6,610	-	6,610
Maintaining the energy balance	139	-	-	139	384	523	-	523
Operation of energy exchanges	1	-	-	1	-	1	-	1
Offshore (balancing)	465	-	-	465	1,452	1,917	-	1,917
Other	34	48	-	82	89	171	-	171
Inter-segment	53	5	-11	47	24	71	-71	-
Total underlying revenue	**2,786**	**53**	**-11**	**2,828**	**6,465**	**9,293**	**-71**	**9,222**
Grid expenses	-1,487	-1	2	-1,486	-4,003	-5,489	12	-5,477
Other operating expenses	-753	-54	9	-798	-1,339	-2,137	59	-2,078
Share in result of joint ventures and associates	2	130	-	132	18	150	-	150
Underlying operating result	**548**	**128**	**-**	**676**	**1,141**	**1,817**	**-**	**1,817**
Revenue adjustment to IFRS	-484	-	-	-484	560	76	-	76
Inter-segment adjustment	-	-	-27	-27	27	-	-	-
Cost adjustment to IFRS	7	-	-	7	-476	-469	-	-469
Discontinued operations to IFRS	-	-	-	-	-1,252	-1,252	-	-1,252
IFRS operating result	**71**	**128**	**-27**	**172**	**-**	**172**	**-**	**172**
Finance result								-106
Result before income tax from continued operations								**66**
Income tax expense								1
Result for the year from continued operations								**67**
Result from the year from discontinued operations								644
Result for the year								**711**

	2022							
(EUR million)	TSO NL	Non- regulated	Eliminations within continued operation	**Continued operations**	TSO Germany (discontinued operations)	**Total segments**	Eliminations to discontinued operartions	**Total**
Connection and transmission services	2,459	-	-	2,459	4,333	6,792	-	6,792
Maintaining the energy balance	301	-	-	301	872	1,173	-	1,173
Operation of energy exchanges	2	-	-	2	-	2	-	2
Offshore (balancing)	286	-	-	286	1,387	1,673	-	1,673
Other	41	51	-	92	108	200	-	200
Inter-segment	28	-	-6	22	73	95	-95	-
Total underlying revenue	**3,117**	**51**	**-6**	**3,162**	**6,773**	**9,935**	**-95**	**9,840**
Grid expenses	-2,190	-1	-	-2,191	-4,714	-6,905	52	-6,853
Other operating expenses	-617	-52	6	-663	-1,279	-1,942	43	-1,899
Share in result of joint ventures and associates	2	109	-	111	11	122	-	122
Underlying operating result	**312**	**107**	**-**	**419**	**791**	**1,210**	**-**	**1,210**
Revenue adjustment to IFRS	-1,220	-	-	-1,220	-321	-1,541	-	-1,541
Inter-segment adjustment	-	-	-2	-2	2	-	-	-
Cost adjustment to IFRS	8	-	-	8	-651	-643	-	-643
Share in result of joint ventures and associates to IFRS	-1	-	-	-1	-1	-2	-	-2
Discontinued operations to IFRS	-	-	-	-	180	180	-	180
IFRS operating result	**-901**	**107**	**-2**	**-796**	**-**	**-796**	**-**	**-796**
Finance result								-23
Result before income tax from continued operations								**-819**
Income tax expense								229
Result for the year from continued operations								**-590**
Result from the year from discontinued operations								-289
Result for the year								**-879**

	Reconciliation IFRS to underlying figures 2023					
(EUR million)	IFRS figures Continued operations	Discontinued operations	Eliminations	**Total**	Underlying items	**Underlying figures**
Connection and transmission services	1,344	4,524	-	5,868	742	6,610
Maintenance of the energy balance	261	432	-	693	-170	523
Operation of energy exchanges	275	475	-	750	-749	1
Offshore (balancing)	345	1,473	-	1,818	99	1,917
Other	72	97	-	169	2	171
Total revenue	**2,297**	**7,001**	**-**	**9,298**	**-76**	**9,222**
Inter-segment	47	24	-71	-	-	-
Revenue including inter-segment	**2,344**	**7,025**	**-71**	**9,298**	**-76**	**9,222**
Grid expenses	-1,485	-4,482	-	-5,967	490	-5,477
Personnel expenses	-182	-153	-	-335	-1	-336
Depreciation and amortisation of assets	-375	-975	-	-1,350	-19	-1,369
Other operating expenses	-218	-159	-	-377	-1	-378
Other (gains)/losses	3	2	-	5	-	5
Total operating expenses	**-2,257**	**-5,767**	**-**	**-8,024**	**469**	**-7,555**
Inter-segment	-20	-51	71	-	-	-
Total operating expenses including inter-segment	**-2,277**	**-5,818**	**71**	**-8,024**	**469**	**-7,555**
Share in profit of joint ventures and associates	132	18	-	150	-	150
Operating result	**172**	**1,252**	**-**	**1,424**	**393**	**1,817**
Finance income	41	1	-	42	102	144
Finance expenses	-147	-348	-	-495	-15	-510
Finance result	**-106**	**-347**	**-**	**-453**	**87**	**-366**
Result before income tax	**66**	**905**	**-**	**971**	**480**	**1,451**
Income tax expense	1	-261	-	-260	-120	-380
Result for the year	**67**	**644**	**-**	**711**	**360**	**1,071**
Result attributable to:						
Equity holders of ordinary shares continued operations	10	-	-	10	945	955
Equity holders of ordinary shares discontinued operations	-	585	-	585	-585	-
Hybrid securities	57	-	-	57	-	57
Owners of the company	**67**	**585**	**-**	**652**	**360**	**1,012**
Non-controlling interests	-	59	-	59	-	59
Result for the year	**67**	**644**	**-**	**711**	**360**	**1,071**
Basic and diluted earnings per share	**50**	**2,925**		**2,975**		**4,775**
Underlying items						
To be settled in tariffs					829	
Auction receipts					-748	
Investment contributions					4	
Maintenance of the energy balance					-161	
Revenue					**-76**	

	Reconciliation IFRS to underlying figures 2022					
(EUR million)	IFRS figures Continued operations	Discontinued operations	Eliminations	**Total**	Underlying items	**Underlying figures**
Connection and transmission services	897	3,328	-	4,225	2,567	6,792
Maintenance of the energy balance	456	891	-	1,347	-174	1,173
Operation of energy exchanges	242	660	-	902	-900	2
Offshore (balancing)	242	1,387	-	1,629	44	1,673
Other	82	114	-	196	4	200
Total revenue	**1,919**	**6,380**	**-**	**8,299**	**1,541**	**9,840**
Inter-segment	22	73	-95	-	-	-
Revenue including inter-segment	**1,941**	**6,453**	**-95**	**8,299**	**1,541**	**9,840**
Grid expenses	-2,174	-5,343	-	-7,517	664	-6,853
Personnel expenses	-137	-148	-	-285	-	-285
Depreciation and amortisation of assets	-330	-903	-	-1,233	-21	-1,254
Other operating expenses	-178	-144	-	-322	-	-322
Other (gains)/losses	-6	-32	-	-38	-	-38
Total operating expenses	**-2,825**	**-6,570**	**-**	**-9,395**	**643**	**-8,752**
Inter-segment	-22	-73	95	-	-	-
Total operating expenses including inter-segment	**-2,847**	**-6,643**	**95**	**-9,395**	**643**	**-8,752**
Share in profit of joint ventures and associates	110	10	-	120	2	122
Operating result	**-796**	**-180**	**-**	**-976**	**2,186**	**1,210**
Finance income	41	1	-	42	-11	31
Finance expenses	-64	-235	-	-299	-10	-309
Finance result	**-23**	**-234**	**-**	**-257**	**-21**	**-278**
Result before income tax	**-819**	**-414**	**-**	**-1,233**	**2,165**	**932**
Income tax expense	229	125	-	354	-615	-261
Result for the year	**-590**	**-289**	**-**	**-879**	**1,550**	**671**
Result attributable to:						
Equity holders of ordinary shares continued operations	-647	-	-	-647	1,237	590
Equity holders of ordinary shares discontinued operations	-	-320	-	-320	320	-
Hybrid securities	57	-	-	57	-	57
Owners of the company	**-590**	**-320**	**-**	**-910**	**1,557**	**647**
Non-controlling interests	-	31	-	31	-7	24
Result for the year	**-590**	**-289**	**-**	**-879**	**1,550**	**671**
Basic and diluted earnings per share	**-3,235**	**-1,600**		**-4,835**		**2,950**
Underlying items						
To be settled in tariffs					2,603	
Auction receipts					-900	
Investment contributions					11	
Maintenance of the energy balance					-173	
Revenue					**1,541**	

The decrease in the underlying revenues can mainly be explained by:
- The lower costs for redispatch, grid losses, reserve power plants and control power in 2023 result in lower underlying revenues, since those lower costs will be reimbursed through future tariffs;
- Increased revenues due to ongoing and increasing investments, resulting in a growing regulatory asset base and higher onshore and offshore revenues which are based upon these asset base values;
- Increased regulatory returns due to an increase in interest rates.

The material differences between underlying financial information and IFRS are hereafter further disclosed:

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

The underlying item 'to be settled in tariffs' is related to the revenue stream 'connection and transmission services' and 'offshore' and concerns an increase amounting to EUR 829 million (2022: increase of EUR 2,603 million).

Auction receipts & investment contributions
Auction receipts result from auctioning the available electricity transmission capacity on cross-border interconnections. These receipts are not at TenneT's free disposal. In accordance with Regulation (EU) 2019/943, auction receipts shall be used to fulfil the following priority objectives:
a. guaranteeing the actual availability of the allocated capacity including firmness compensation; or
b. maintaining or increasing cross-zonal capacities through optimisation of the usage of existing interconnectors by means of coordinated remedial actions, where applicable, or covering costs resulting from network investments that are relevant to reduce interconnector congestion.

In Germany, auction receipts are recognised as interest-free capital on investments and are released over 20 years. The reversal amounts are applied in the revenue cap of the TenneT TSO GmbH with t-2 offset. Thus, the reversal amount offsets the depreciation of the investments. When these priority objectives have been adequately fulfilled, auction receipts may be used as income to be taken into account by the regulatory authorities when approving the methodology for calculating network tariffs or fixing network tariffs, or both. In the Netherlands, TenneT agreed with its regulator (Autoriteit Consument en Markt) that investments in interconnectors are no longer financed through the auction receipts as of 2016. The current outstanding balance of auction receipts will be used in accordance with the aforementioned objectives. On 22 November 2022, the competence agreement of 2015 between TenneT and the ACM was dissolved. Investments in previous years financed by using auction receipts are classified as investment contributions and are reported under 'liabilities'. A periodic amount equal to the depreciation charges, plus a portion of the operating expenses, is released to the statement of income, following the release scheme as described above

The underlying item auction receipts is part or revenue stream 'operations of energy exchanges' for a decrease amounting to EUR 748 million (2022: decrease EUR 900 million). The underlying item investment contribution is part of revenue stream 'other' for an amount of EUR 4 million increase (2022: EUR 11 million increase).

Maintenance of the energy balance

As system manager of the high-voltage grid in the Netherlands, TenneT receives 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, TenneT TSO GmbH ('TTG') 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, 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, revenue shortages will increase future grid fees.

The underlying item maintenance of the energy balance is part of revenue 'stream maintenance' of the energy balance for an amount of EUR 161 million decrease (2022: EUR 173 million decrease).

Depreciation and amortisation of assets

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

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

ⓘ 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.

4 Revenue

(EUR million)	2023 TSO NL	Non-regulated	Eliminations	Total segments	Eliminations	Total
Connection and transmission services	1,344	-	-	1,344	-	1,344
Maintenance of the energy balance	261	-	-	261	-	261
Operation of energy exchanges	275	-	-	275	-	275
Offshore (balancing)	345	-	-	345	-	345
Revenue to related parties	3	4	-	7	-	7
Other	21	44	-	65	-	65
Inter-segment	6	5	-11	-	-	-
Revenue to TenneT Germany	47	-	-	47	-47	-
Total IFRS revenue	**2,302**	**53**	**-11**	**2,344**	**-47**	**2,297**

(EUR million)	2022 TSO NL	Non-regulated	Eliminations	Total segments	Eliminations	Total
Connection and transmission services	896	-		896	-	896
Maintenance of the energy balance	456	-		456	-	456
Operation of energy exchanges	242	-		242	-	242
Offshore (balancing)	242	-		242	-	242
Revenue to related parties	5	4		9	-	9
Other	27	47		74	-	74
Inter-segment	6	-	-6	-	-	-
Revenue to TenneT Germany	22	-		22	-22	-
Total IFRS revenue	**1,896**	**51**	**-6**	**1,941**	**-22**	**1,919**

Connection and transmission services

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

Maintenance of the energy balance

TenneT is 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, TenneT contracts and deploys (among others) reserve and emergency capacity to compensate unexpected fluctuations in supply and demand.

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

Operation of energy exchanges

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

Offshore

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

ⓘ 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 arise from contracts with a single performance obligation. The assessment of unbilled connection and transmission services supplied to customers between the date of the last meter reading and year-end is subject to 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 national regulator, ACM, a downward adjustment will be made to future tariffs to reflect this over-recovery. Under IFRS, no liability is recognised since this adjustment relates to the provision of future services. Similarly, no asset is recognised under IFRS when a regulator permits increases to be made to future tariffs in respect of under-recovery.

Offshore revenues in the Netherlands are accounted for in accordance with the recognition and measurement principles of IAS 20. These revenues are not recognised until there is reasonable assurance that the Group satisfies the conditions attached to receiving this income.

5 Operating expenses

Grid expenses

(EUR million)	2023	2022
System services	432	927
Connection and transmission services	715	803
Maintenance of the energy balance	138	293
Other ancillary services	23	-10
Total ancillary services	**1,308**	**2,013**
Maintaining and operating transmission grids	177	161
Total	**1,485**	**2,174**

Following mild weather, societal savings of fossil fuels, a diversification of gas supplies including LNG to Europe, and increased solar and wind output energy prices dropped significantly and the energy markets became less volatile in 2023. As such, our ancillary services costs decreased from EUR 2,013 million in 2022, to EUR 1,308 million in 2023. The grid expenses will be reimbursed through future tariffs, which will result in grid tariffs in future years. Please refer to note 3 for further details about differences between IFRS and Underlying financial information.

Personnel expenses

(EUR million)	2023	2022
Salaries	242	187
Social security contributions	27	21
Pension charges defined benefit plans	-	-
Pension charges other plans	36	34
Other personnel expenses	31	20
Capitalised costs for (in)tangible fixed assets	-154	-125
Total	**182**	**137**

Average internal workforce in FTEs (almost all are employed in the Netherlands)	2,652	2,320

Personnel increased mainly due to increasing FTEs. Furthermore salaries has increased to compensate employees for increased inflation. Almost all employees (except for 16 FTEs (2022: 14 FTEs)) work in the Netherlands.

Key management remuneration

Members of the Executive Board and Supervisory Board are regarded as key management. Key management remuneration relates to both continued and discontinued operations.

Aggregate remuneration of members of the Supervisory Board and Executive Board is as follows:

Supervisory Board (EUR thousand)	Fixed remuneration	Committee fee	Total
2023	**155**	**80**	**235**
2022	128	61	189

Executive Board (EUR thousand)	Fixed remuneration	Pension cost	Total
2023	**1,753**	**274**	**2,091**
2022	1,682	409	2,091

The entire Executive Board consists of 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. We refer to the Supervisory Board Report for a more detailed disclosure on remuneration.

Other operating expenses

(EUR million)	2023	2022
Accommodation and office expenses	57	48
Consultancy expenses	48	32
Hiring of temporary personnel	48	49
Travel and living expenses	19	8
Other expenses	46	41
Total	**218**	**178**

Other operating expenses mainly increased due increased portfolio and increased FTEs which lead to higher travel expenses and higher expenses for IT. Furthermore consultancy expenses increased, due to possible sale of TenneT Germany.

Auditors' remuneration

The fees listed in the table below relate to the services provided to the Company and its consolidated Group entity by Deloitte Accountants B.V., the Netherlands, 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 non-Dutch Deloitte legal entities, including their tax services and advisory groups.

(EUR thousand)	2023	2022
Audit of the financial statements		
Deloitte Accountants B.V.	879	938
Deloitte GmbH Wirtschaftsprüfungsgesellschaft	789	718
Total audit of the financial statements	**1,668**	**1,656**
Other assurance services		
Deloitte Accountants B.V.	255	390
Deloitte GmbH Wirtschaftsprüfungsgesellschaft	409	278
Total other assurance services	**664**	**668**
Total audit fees	**2,332**	**2,324**

The costs related to Deloitte GmbH Wirtschaftsprüfungsgesellschaft are part of discontinued operations, relate to note 2.

The fees for the audit of the financial statements include the audit fees related to (i) TenneT's Integrated Annual Report, (ii) any statutory financial statements of subsidiaries and (iii) services that are normally provided by the auditor in connection with their audit mandate.

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 letters, regulatory statements and audits of grant statements.

ⓘ Accounting policy

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

TenneT's energy procurement risk management policy and delegations of authority govern its commodity trading activities for energy transactions. The purpose of this policy is to ensure we transact within pre-defined risk parameters and only in the physical and financial markets where we or our customers have a physical market requirement. In addition, state regulators require TenneT 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 energy procurement strategy to be approved by the respective regulator. 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. In note 28 of the consolidated financial statements commitments under such contracts have been disclosed as 'Grid related commitments'.

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

6 Other (gains)/losses

The net result on other (gains)/losses mainly consists of sold subsidiaries Novec GmbH and Globalways GmbH partly offset by impairment on IT projects.

7 Finance income and expenses

Finance income

This mainly relates to interest on bank accounts. For previous year finance income mainly relates to interest on a settled court case.

Finance expenses

(EUR million)	2023	2022
Interest on borrowings and credit facilities	394	245
Capitalised interest on assets under construction	-25	-12
Interest on provisions	8	6
Interest on lease liability	1	1
Other finance expenses	46	11
Subtotal interest expenses	**424**	**251**
Allocated to TenneT Germany	277	187
Total interest expenses	**147**	**64**

Gross finance expenses mainly increased due to bonds of 2022 that are recognised in 2023 for the first entire year. These bonds had higher interest rates as most of the bonds are issued before 2022. Interest on provisions increased due to the increased provisions and increased discount rates. Interest allocated to TenneT Germany relate to intercompany loans issued to TenneT Germany.

ⓘ Accounting policy

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

8 Corporate income tax

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

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

Corporate income tax is payable in the Netherlands and Germany. In the Netherlands, we recently extended the so called 'horizontal monitoring agreement' with the Dutch tax authorities. Based on transparency and mutual trust, this agreement is meant to ensure that tax positions are fully disclosed and agreed on in advance, therefore generally no tax audits are performed by the Dutch tax authorities. The corporate income tax returns in the Netherlands have been filed up to and including 2021. Corporate income tax paid in the Netherlands in 2023 amounted to EUR 74 million.

In Germany, corporate income and trade tax returns for all German entities have been filed up to and including fiscal year 2022. In 2023, we paid EUR 66 million of corporate income and trade tax in Germany. German tax receivables and payables are part of assets classified as held for sale (refer to note 2). German tax expenses are part of discontinued operations (refer to note 2).

Key components of corporate income tax expense are:

Consolidated income statement (EUR million)	2023	2022
Current income tax charge	157	86
Deferred tax	-158	-315
Income tax expense reported in the statement of income	**-1**	**-229**

Consolidated statement of comprehensive income (EUR million)	2023	2022
Effect of remeasurement of defined benefit pensions	9	-48
Income tax charged directly to other comprehensive income	**9**	**-48**

Corporate income tax on results has been applied at the rates prevailing in the respective countries. In the Netherlands, a statutory corporate income tax rate of 25.8% was applied, while in Germany, on average, a marginal statutory corporate income tax rate of 30.1% was applied (including trade tax levied by municipalities or 'Gewerbesteuer'). Reconciliation between corporate income tax expense and the accounting result before income tax multiplied by a statutory corporate income tax rate of 25.8% is as follows:

(EUR million)	2023	2022
Result from continued operations before tax	66	-819
Result from discontinued operations before tax (note 2)	905	-414
Total result before tax	**971**	**-1,233**
Statutory corporate income tax rate in the Netherlands of 25.8% (2022: 25.8%)	251	-318
Effect of discontinued operations (including tax rate effect)	32	-17
Adjustment in respect to current and deferred tax of previous years	-	1
Non-deductible costs	13	10
Non-taxable income	-36	-30
At the effective corporate income tax rate of 27% (2022: 29%)	**260**	**-354**
Income tax expense reported in statement of profit and loss	-1	-229
Income tax expense attributable to discontinued operations (note 2)	261	-125
Total income tax expenses	**260**	**-354**

The main reason for the slightly higher effective tax rate of 26% compared to the Dutch statutory rate of 25.8% is the effect of the non-deductible costs and the effect of the discontinued operations (including the higher tax rate effect of the discontinued operations), which both increase the effective tax rate. This effect is largely compensated by the effect of the non-taxable income (due to Dutch participation exemption), which decreases the effective tax rate.

Deferred taxes relate to the following:

	Statement of financial position		Held for sale	Statement of income	
(EUR million)	2023	2022	2023	2023	2022
Auction receipts	-41	-41	-56	34	-6
Investment contributions	-62	-69	-4	-1	-2
Tariffs to be settled	566	327	-13	-179	-302
Depreciation for tax purposes	113	-108	-342	-8	-
Provisions	10	262	346	-2	-3
Result allocation to hybrid securities	-6	-6	-	-	-
Receivable/payable	-	343	342	-	-
Other	-1	-9	-3	-2	-2
Net deferred tax assets/(liabilities)	**579**	**699**	**270**		
Deferred tax expense/(income)				**-158**	**-315**

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

(EUR million)	2023	2022
Deferred tax assets from continuing operations	580	711
Deferred tax liabilities from continuing operations	-1	-12
Deferred tax, net from continuing operations	**579**	**699**
Deferred tax assets from assets held for sale (note 2)	272	-
Deferred tax liabilities from liabilities held for sale (note 2)	-2	-
Deferred tax, net from assets and liabilities held for sale	**270**	**-**
Deferred tax, net	**849**	**699**

Movements in deferred tax positions are set out below.

(EUR million)	2023	2022
At 1 January	**699**	**139**
Tax expense during the period recognised in statement of income from continued operations	158	315
Tax expense during the period recognised in statement of income from discontinued operations	-19	293
Transfer to current tax payable	15	14
Deconsolidation	2	-
Tax income during the period recognised in equity	-15	-14
Tax income during the period recognised in other comprehensive income	9	-48
Transfer to held for sale (note 2)	-270	-
At 31 December	**579**	**699**

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

Pillar Two legislation

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

In the Netherlands, the Pillar Two legislation is enacted, and will be effective as of 2024 and will be applicable to TenneT. Since TenneT is mainly operating in the Netherlands and Germany with statutory rates of 25.8% and 30.1% respectively. Based on a safe harbour analyses on the current year and the previous year financial information, the effective tax rate for TenneT Group in the Netherlands and Germany was not below 15%. Therefore, it is expected and estimated that the Pillar Two legislation will not lead to exposure for TenneT Group. The Pillar Two exposure will be further assessed in 2024.

ⓘ Accounting policy

The corporate income 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. The corporate income tax charge comprises both current and deferred tax.

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

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

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

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

9 Earnings per share

Earnings per share were calculated by dividing results 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)	2023	2022
Result attributable to ordinary equity holders of the parent:		
Continuing operations	10	-647
Discontinuing operations	585	-320
Result for the year attributable to equity holders of the company adjusted for the allocation to hybrid securities	**595**	**-967**
Weighted average number of ordinary shares in issue (in thousands)	200	200

Accounting policy

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

10 Tangible fixed assets

(EUR million)	High-voltage substations	High-voltage connections	Other assets	Assets under construction	Total
Cost					
At 1 January 2022	**11,732**	**10,145**	**1,151**	**7,600**	**30,628**
Additions	252	331	-6	3,825	4,402
Transfers	996	1,071	163	-2,230	-
Changes in estimations	-170	-120	-	-22	-312
Impairment	-	-	-	-9	-9
Disposals	-92	-11	-5	-11	-119
Transfer to held for sale (note 2)	-	-	-12	-	-12
At 31 December 2022	**12,718**	**11,416**	**1,291**	**9,153**	**34,578**
Additions	242	174	201	6,986	7,603
Transfers	2,144	1,464	45	-3,653	-
Changes in estimations	-23	399	-	14	390
Deconsolidation of subsidiaries (note 13)	-	-	-13	-	-13
Acquisition of a subsidiary (note 13)	-	-	3	-	3
Disposals	-23	-40	-8	-2	-73
Transfer to held for sale (note 2)	-10,028	-7,927	-1,015	-8,456	-27,426
At 31 December 2023	**5,030**	**5,486**	**504**	**4,042**	**15,062**
Depreciation and impairment					
At 1 January 2022	**3,489**	**2,878**	**450**	**-**	**6,817**
Depreciation for the year	555	407	60	-	1,022
Disposals	-73	-9	-2	-	-84
At 31 December 2022	**3,971**	**3,276**	**508**	**-**	**7,755**
Depreciation for the year	628	441	67	-	1,136
Deconsolidation of subsidiaries (note 13)	-	-	-2	-	-2
Acquisition of a subsidiary (note 13)	-	-	4	-	4
Disposals	-16	-38	-2	-	-56
Transfer to held for sale (note 2)	-3,253	-2,018	-268	-	-5,539
At 31 December 2023	**1,330**	**1,661**	**307**	**-**	**3,298**
Net book value:					
At 1 January 2022	8,243	7,267	701	7,600	23,811
At 31 December 2022	8,747	8,140	783	9,153	26,823
At 31 December 2023	3,700	3,825	197	4,042	11,764

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 TenneT. Other tangible fixed assets consist of office buildings, office ICT equipment and other company assets.

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

In 2023 the discount rate used for the decommissioning provision was between 2.328% and 2.443% (2022: 2.086% and 2.942%) for offshore wind farms (OWF) connections consisting of offshore platforms and (subsea) cables, (refer to note 24). The discount rate was adjusted in 2023 to reflect current market assessments of the time value of money and the risks specific to this liability. The main part of the decommissioning provision was recognised as part of the carrying value of the related asset. Besides the change of the discount rate, also changes in inflation, changes in underlying assumptions and updated price levels are included in the change of estimates.

In 2023 an analysis within tangible fixed assets led to a change in the presentation of converter halls. To improve understandability they were reclassed from other assets to high-voltage substations, accordingly costs of EUR 138 million and depreciation of EUR 51 million were transferred.

The amount of borrowing costs capitalised during 2023 is disclosed in note 7. The effective interest rate used to determine the amount of borrowing costs capitalised was 1.86% (2022: 1.34%).

Annual impairment trigger analyses on tangible assets, and where applicable testing for impairment, is done at the individual asset level, or smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating units (CGUs)). For our three operating segments this consists of:

- TSO Netherlands (One large CGU consisting of regulated on- and offshore assets, and the NorNed cable, considered for impairment (triggers), on individual level);
- TSO Germany (One large CGU consisting of regulated on- and offshore assets), part of discontinued operations and assets held for sale (refer to note 2);
- Non-regulated companies (Several small CGUs as well as individual assets).

The non-regulated companies also include the Joint Venture investment in the BritNed cable, tested, for impairment (triggers), on individual level.

Off balance commitments related to tangible fixed assets are disclosed in note 31.

Key estimates and assumptions

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

Estimated useful lives tangible fixed assets	2023	2022
Substations		
Switches and offshore converter stations	20-35	20-35
Offshore platforms	20-35	20
Security and control equipment	10-20	10-20
Power transformers	20-35	20-35
Capacitor banks	20-35	20-35
Telecommunications equipment	10-20	10-20
Connections		
Pylons/lines	35-40	35-40
Cables (subsea and underground)	20-40	20-40
Other		
Office buildings	40-50	40-50
Office IT equipment	3-5	3-5
Process automation facilities	5	5
Other company assets	5-10	5-10

For assets in the Netherlands useful lives of offshore platforms and (subsea) cables have been extended with 5 years, from 1 July 2023 onwards, resulting in a decrease of the depreciation. New offshore platforms have a useful life of 35 years.

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

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 material 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 impaired or disposed 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 impaired or disposed.

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

11 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
Cost					
At 1 January 2022	**117**	**81**	**159**	**76**	**433**
Additions	32	-	-	6	38
Disposal	-	-	-	-8	-8
Remeasurement	13	98	355	3	469
Depreciation	-21	-70	-73	-17	-181
Transfer to held for sale (note 2)	-	-	-	-3	-3
At 31 December 2022	**141**	**109**	**441**	**57**	**748**
Additions	9	397	-	16	422
Disposal	-2	-	-	3	1
Remeasurement	9	-14	-10	2	-13
Depreciation	-23	-64	-71	-18	-176
Transfer to held for sale (note 2)	-65	-428	-360	-24	-877
At 31 December 2023	**69**	**-**	**-**	**36**	**105**

Leased Land & Buildings

Land is mainly leased to set up pylons for electricity transmission lines and for constructed substations. These contracts run for a period of 18-142 years. Buildings are leased mainly as office space and for storage space. These contracts run for a period of 1-22 years.

Lease contracts for buildings are negotiated individually and include a range 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 consumer price index (CPI) index.

Leased power plants

Leased power plants are as of 2023 part of assets held for sale refer to note 2.

Till effective date of potential sale, TenneT is committed to the use of grid reserve power plants representing lease commitments according to IFRS 16. The commitments had a maturity of 1-10 years (2022: 1-3 years) and could be prolonged depending on the decision of regulatory authorities.

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

Leased NordLink cable

The leased NordLink cable is as of 2023 part of held for sale refer to note 2.

Till effective date of potential sale, TenneT leases the NordLink submarine cable from NOKA to transport electricity between Germany and Norway. The lease contract was extended which resulted in a remeasurement and had a remaining maturity of 5 years and no extension option according to IFRS 16, was included in the lease contract. Lease payments were in substance fixed.

Leased others

Telecom lease contracts (including fibreglass cables) run for a period between 5 and 30 years. For qualifying employees TenneT leased cars with a lease term between 1 and 8 years. TenneT does not purchase or guarantee the value of leased telecom assets or leased cars.

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

TenneT had no material 'sub lease' contracts in 2023 and 2022 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 were in substance fixed, only some of the lease contracts had pre-determined lease payment changes.

Short-term leases and leases of low value

TenneT leased certain other assets with terms up to 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 were 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 (2022: EUR 2 million).

Lease liability

	2023			2022		
(EUR million)	Current	Non-current	Total	Current	Non-current	Total
Lease liability Land & buildings	10	59	69	20	121	141
Lease liability power plants	-	-	-	53	62	115
Lease liability NordLink	-	-	-	66	349	415
Lease liability other leases	6	31	37	16	42	58
Total	**16**	**90**	**106**	**155**	**574**	**729**

(EUR million)	Lease liability Land & buildings	Lease liability power plants	Lease liability NordLink	Lease liability other leases	Total
At 1 January 2022	**118**	**81**	**130**	**75**	**404**
Addition	28	-	-	6	34
Interest	1	-	3	1	5
Disposal	-	-	-	-8	-8
Remeasurement	12	98	355	5	470
Repayments	-18	-64	-73	-18	-173
Transfer to held for sale (note 2)	-	-	-	-3	-3
At 31 December 2022	**141**	**115**	**415**	**58**	**729**
Addition	9	397	-	16	422
Interest	2	4	11	1	18
Disposal	-	-4	-	-1	-5
Remeasurement	9	-14	-10	2	-13
Repayments	-26	-56	-80	-15	-177
Transfer to held for sale (note 2)	-66	-442	-336	-24	-868
At 31 December 2023	**69**	**-**	**-**	**37**	**106**

The total cash outflow (including low value items and short-term leases) in 2023 was EUR 179 million (2022: EUR 223 million). There are no material future cash outflows of leases not yet commenced but to which TenneT is committed.

The undiscounted maturity analysis of lease liabilities is disclosed in note 28.

The table below reconciles the costs in the profit and loss related to lease liabilities.

(EUR million)	2023	2022
Depreciation expense of right-of-use assets	-16	-14
Short-term lease expenses	-	-2
Interest expense on lease liabilities	-1	-1
Total amount recognised in profit and loss	**-17**	**-17**

Below the discounted maturity of the lease liability:

(EUR million)	2023	2022
<1 month	2	13
1 to 3 months	2	22
3 to 12 months	12	146
1 to 5 years	42	404
More than 5 years	48	144
Total discounted maturity	**106**	**729**

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.

	2023	2022
Under 5 years	2.6%	0.0%-0.5%
5-10 years	3.2%	0.1%-1.6%
10-15 years	3.5%	0.4%-2.2%
15-25 years	3.7%	0.7%-2.5%
Above 25 years	3.9%	1.1%-2.8%

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

Short-term leases and leases of low value

TenneT 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, TenneT has elected not to recognise the lease of intangible assets.

12 Intangible assets

(EUR million)	Goodwill	Software	Customer contracts	Other intangible assets	Intangible assets under construction	Total
Cost						
At 1 January 2022	**34**	**357**	**64**	**47**	**73**	**575**
Additions	-	3	-	-	88	91
Transfers	-	46	-	-	-46	-
At 31 December 2022	**34**	**406**	**64**	**47**	**115**	**666**
Additions	-	12	-	1	114	127
Transfers	-	117	-	-	-117	-
Impairment	-	-	-	-	-2	-2
Deconsolidation of subsidiaries (note 13)	-3	-	-	-6	-	-9
Transfer to held for sale (note 2)	-28	-115	-	-2	-39	-184
At 31 December 2023	**3**	**420**	**64**	**40**	**71**	**598**
Amortisation and impairment						
At 1 January 2022	**-**	**242**	**62**	**17**	**-**	**321**
Amortisation for the year	-	35	2	2	-	39
At 31 December 2022	**-**	**277**	**64**	**19**	**-**	**360**
Amortisation for the year	-	45	-	1	-	46
Transfer to held for sale (note 2)	-	-60	-	-2	-	-62
At 31 December 2023	**-**	**262**	**64**	**18**	**-**	**344**
Net book value:						
At 1 January 2022	34	115	2	30	73	254
At 31 December 2022	34	129	-	28	115	306
At 31 December 2023	3	158	-	22	71	254

At 31 December 2023 goodwill was allocated to the cash generating units (CGUs) in the following operating segments: TSO Netherlands (EUR 3 million). At 31 December 2022 also goodwill was allocated to the TSO Germany CGU (EUR 24 million) and non-regulated activities (EUR 7 million). Please refer to note 2 and note 13 for details on change of goodwill.

During 2023 EUR 39 million (2022: EUR 46 million) of software was internally developed.

Additions to intangible assets under constructions mainly relate to customising activities of a new ERP (enterprise resource planning) system and other software systems.

Key estimates and assumptions

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

Intangible assets, with the exception of goodwill, are assumed to have a fixed useful life within the ranges outlined 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.

Additions to intangible assets under construction relate to a variety of software projects including the continuing customizing activities of a new ERP (enterprise resource planning) system.

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

Impairment testing of goodwill

For the purpose of annual impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs. For our three operating segments this consists of:

- TSO Netherlands (One large Cash Generating Unit consisting of regulated on- and offshore assets)
- TSO Germany (One large Cash Generating Unit consisting of regulated on- and offshore assets) (part of discontinued operations and assets held for sale, refer to note 2)
- Non-regulated companies (Several small Cash Generating Units, refer to note 2)

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

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

The recoverable amount of the Germany CGU was determined based on a value-in-use calculation using cash flow projections following our investment portfolio. The pre-tax discount rate applied to cash flow projections was 6.0% (2022: 6.7%). The cash flows were estimated on the basis of regulatory allowed returns and invested capital, based on TenneT's business plan and a transition period to reach a steady state. The terminal value is determined by the invested capital (adjusted for regulatory minus IFRS NBV of tangible fixed assets). 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.

ⓘ Accounting policy

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

Goodwill is initially measured at cost and represents the excess (i) of the consideration transferred over (ii) TenneT'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. If the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

13 Business combinations and changes in consolidated entities

Mergers and acquisitions

As per 1 September Relined B.V. has acquired Nederlands-Duitse Internet Exchange B.V. for a not material purchase price.

As per 25 October TenneT Holding B.V. established together with Gasunie N.V. National Energy Information Services B.V. Both shareholders have 50% of the shares.

Assets and liabilities classified as held for sale

Assets and liabilities classified as held for sale entirely mainly relate to TenneT Germany. The Group holds per 31 December 2023 100% interest in TenneT Germany. Please refer to note 2.

Furthermore the assets and liabilities of NOVEC B.V. are classified as held for sale. Please refer to note 2.

As per 31 December 2022 the assets and liabilities classified as held for sale fully relate to NOVEC GmbH.

Divestments

At 27 November 2023 Relined GmbH sold Globalways GmbH to Zayo Infrastructure Deutschland GmbH, located in Frankfurt, Germany for a price of EUR 24 million, this resulted in a net gain of EUR 2 million.

At 30 November 2023 NOVEC B.V. sold NOVEC GmbH to Phoenix Tower International, located in Boca Raton, FL, USA, for a price of EUR 11 million, this resulted in a net gain of EUR 10 million.

ⓘ Accounting policy

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of assets and liabilities measured at their acquisition-date fair value (with a limited number of specified exceptions) including the amount of any non-controlling interest in the acquiree. For each business combination, we decide whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred in connection with an acquisition and included in other operating expenses (see note 5).

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 probable to be sold within a year. Non-current assets held for sale have been stated at the lower of (i) the asset's carrying value and, (ii) fair value less costs of disposal.

Acquisitions

The company accounts for business combinations using the acquisition method when control is transferred to the group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired and the liabilities assumed. Transaction costs are expensed as incurred. Any contingent consideration is measured at fair value at the acquisition date and is initially presented in long-term provisions. When the timing and amount of the consideration become more certain, it is reclassified to accrued liabilities. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in the Consolidated statements of income.

Changes to the initial fair value of the acquired assets and liabilities, based on new information about the circumstances at the acquisition date, can be made up to twelve months after the acquisition date.

Divestments

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

Upon loss of control, the company derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary, any surplus or deficit arising from the loss of control is recognised in the consolidated statement of income. If the company retains any interest in the previous subsidiary, such interest is measured at fair value at the date the control is lost. Subsequently it is accounted for as either an equity-accounted investee (associate) or as a financial asset, depending on the level of influence retained. Further information on loss of control can be found in discontinued operations and assets classified as held for sale (refer to note 2).

14 Investments in joint ventures and associates

Joint ventures

TenneT has, directly or indirectly, 50% equity stakes in BritNed Development Ltd. ('BritNed'), Reddyn B.V., VertiCer B.V., NED B.V. and Tensz B.V. We have a 20% equity stake in Equigy B.V. For the investment in Equigy B.V., joint control is exercised, despite unequal equity stakes. Therefore this investment is classified as joint venture. As of 25 October 2023 TenneT has a 50% participation in National Energy Information Services B.V. (NEIS).

These investments are classified as joint ventures, for which only the investment in BritNed (legal seat: Arnhem, the Netherlands) is considered as an investment of material value. Other joint ventures are considered immaterial per 31 December 2023 and are therefore not further disclosed. TenneT's share in result (which is equal to other and total comprehensive income) of these immaterial joint ventures amounted to EUR 2 million in 2023 (2022: EUR 1 million).

As per 31 December 2023 TenneT has, directly or indirectly, also 50% stakes in DC Nordseekabel GmbH & Co. KG ('NOKA'). DC Nordseekabel Beteiligungs GmbH and Flexcess GmbH. NOKA (legal seat: Bayreuth, Germany) was considered as an investment of material value. Flexcess GmbH has a 20% participation in Equigy B.V. effective as of 1 January 2022. At 31 December 2023 these are part of assets classified as held for sale and discontinued operations.

As per 31 December TenneT has, directly or indirectly, also 25% stakes in Open Tower Company (OTC). For this investment, joint control was exercised, despite unequal stakes. Therefor this investment was classified as joint venture. OTC was considered as an investment of material value. At 31 December 2023 it was part of assets classified as held for sale.

BritNed is the only material joint venture at 31 December 2023. The table below contains summarised financial information with respect to material joint ventures and a reconciliation with their carrying amounts.

	2023	2022		
Statement of financial position (EUR million)	**BritNed**	BritNed	NOKA	OTC
Non-current assets	446	458	783	80
Cash and cash equivalents	99	140	55	22
Other current assets	20	23	10	2
Non-current liabilities	-45	-47	-33	-134
Current liabilities	-106	-119	-15	-5
Equity	**414**	**455**	**800**	**-35**
Ownership TenneT	*50%*	*50%*	*50%*	*25%*
Carrying amount of the investment	**207**	**228**	**400**	**-**

Statement of income (EUR million)	2023 BritNed	2022 BritNed
Revenue	374	304
Depreciation and amortisation	-18	-18
Other costs	-32	-22
Operating result	**324**	**264**
Finance income and expenses	-2	-3
Income tax expense	-78	-59
Result for the year*	**244**	**202**
Ownership TenneT	*50%*	*50%*
Group's share in result	**122**	**101**

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

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. BritNed had contingent liabilities of EUR 2 million (2022: EUR 1 million) mainly related to comfort letters issued. In 2023 EUR 142 million dividend was received from BritNed (2022: EUR 88 million).

TenneT Holding B.V. has, together with the other shareholder, National Grid Holding One plc, provided a parent company guarantee on the liabilities of BritNed.

NOKA

NordLink is an interconnector between Norway and Germany jointly owned by Statnett SF, TenneT and KfW IPEX-Bank GmbH (KfW) 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. In 2022 the main activity of NOKA was operating the southern part of the interconnector. Operating costs and trading revenue are shared equally between NOKA and Statnett. NOKA is per 31 December 2023 part of assets classified as held for sale and discontinued operations (relate to note 2).

At 31 December, NOKA had contingent liabilities of EUR 2 million (2022: EUR 3 million) mainly related to purchase obligations. During 2023 TenneT has withdrawn EUR 34 million from NOKA's capital (2022: EUR 32 million).

OTC

OTC is a holding company and holds majority interests in four separate 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 2023 (2022: nil). We received EUR 4 million dividend from OTC in 2023 (2022: nil). OTC is per 31 December 2023 part of assets classified as held for sale (refer to note 2) due to the possible merger with NOVEC B.V. and the possible sale of the merged entity afterwords.

Other

None of our joint ventures are permitted to distribute profits without the consent from all shareholders or partners. We received nil from other interests in joint ventures (2022: nil).

Other interests in joint ventures amounted EUR 4 million at 31 December 2023 (2022: EUR 2 million).

Associates
At 31 December 2023 our substantial investments in associates consisted of a 34% interest in Holding des Gestionaires de Réseaux de Transport d'Electricité S.A.S. (HGRT). In addition, the Group holds four immaterial investments in Energie Data Services Nederland B.V. (EDSN) (12.5%), WL Winet B.V. (40%), Beheer Afsprakenstelsel B.V. (BAS) (25%) and TSCNET Services GmbH (TSC) (12.5%). Both TenneT TSO B.V. and TenneT Germany has a share of 6.25%. The Group's share in result (which is equal to other and total comprehensive income) of these immaterial associates amounted to nil in 2023 (2022: nil). The German share in TSC and WL Winet B.V. are at 31 December 2023 part of assets classified as held for sale.

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

	2023	2022
Statement of financial position (EUR million)	**HGRT**	HGRT
Non-current assets	91	91
Current assets	1	1
Non-current liabilities	-	-
Current liabilities	-	-
Equity	**92**	**92**
Ownership TenneT	*34%*	*34%*
Carrying amount of the investment	**31**	**31**

	2023	2022
Statement of income (EUR million)	**HGRT**	HGRT
Revenue	-	-
Depreciation and amortisation	-	-
Other costs	-	-
Operating result	**-**	**-**
Finance income and expenses	13	13
Income tax expense	-	-
Result for the year*	**13**	**13**
Ownership TenneT	*34%*	*34%*
Group's share in result	**4**	**4**

* Result 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' region and the United Kingdom. At 31 December 2023, HGRT had no contingent liabilities outstanding (2022: nil). In 2023 EUR 4 million dividend was received (2022: EUR 4 million).

Other
Our interest in other associates amounted EUR 1 million at 31 December 2023 (2022: EUR 5 million). From other associates we received EUR 1.5 million dividend in 2023 (2022: nil).

ⓘ 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.

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

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

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

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

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

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

15 Other financial assets

(EUR million)	2023	2022
Fees for credit facilities available	2	3
Financial assets through profit or loss	15	15
Other	7	26
Total	**24**	**44**

Financial assets through profit and loss

Financial assets through profit and loss interests includes investments in Westley Fund 3 and 4, located in Menlo Park, California, USA, with fair value of EUR 7 million (2022: EUR 10 million) and in Set Ventures 2, 3 and 4 located in Amsterdam, for a total fair value of EUR 8 million (2022: EUR 5 million). We contributed EUR 2 million in capital for these minorities (2022: EUR 3 million). We have recognised EUR 2 million (2022: nil) fair value loss.

Other financial assets
Per 31 December 2022 the position other mainly relates to pension assets. Per 31 December 2023 amounting to EUR 14 million is part of assets classified as held for sale (relate to note 2).

ⓘ Accounting policy
Please refer to note 30.

16 Inventory
Inventory primarily composes of strategic stock. The allowance for inventory is EUR 3 million (2022: EUR 8 million). The fair value of inventory was not materially different from the carrying value. Per 31 December 2023 amounting to EUR 138 million is part of assets classified as held for sale. Per 31 December 2023 the allowance for inventory part of assets classified as held for sale amounting to EUR 3 million (relate to note 2).

ⓘ 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 a sale.

17 Account- and other receivables

(EUR million)	2023	2022
Amounts to be invoiced to EEG trade debtors	-	184
EEG trade receivables	-	35
Trade receivables	201	501
Amounts to be invoiced	86	1,051
VAT receivables	-	300
Susbidies to be received	131	80
Other	34	197
Total	**452**	**2,348**

EEG trade receivables and amounts to be invoiced to EEG trade debtors
EEG receivables are part of assets classified as held for sale, per 31 December 2023 amounting to EUR 1,469 million (relate to note 2).

In accordance with the Renewable Energy Sources Act (EEG) TenneT TSO GmbH is 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 TSO GmbH for marketing the energy on the power exchange. The EEG surcharge was set to zero by law on 1 July 2022 and abolished with effect from 1 January 2023. Since then, the promotion of renewable energies has been financed by the federal budget. TenneT TSO GmbH acts 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. Please refer to note 27 for the EEG accounts payable.

Please refer to note 2 and note 18 for EEG deposits.

Trade receivables

Per 31 December 2023 EUR 361 million is part of assets classified as held for sale (relate to note 2).

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

(EUR million)	Total	Not past due	Past due 0-30 days	Past due 31-60 days	Past due More than 60 days
2023	**201**	**181**	**8**	**8**	**4**
2022	501	453	27	13	8

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

(EUR million)	2023	2022
At 1 January	**28**	**40**
Charge for the year	2	7
Utilisation of provision	-14	-19
Unused amounts reversed	-1	-
Transfer to held for sale (note 2)	-5	-
At 31 December	**10**	**28**

Per 31 December 2023 amounting to EUR 5 million is part of assets classified as held for sale (relate to note 2).

Per 31 December 2023, receivables with an initial value of EUR 8 million (2022: EUR 5 million) were fully provided for.

Amounts to be invoiced

Per 31 December 2023 amounting to EUR 1,335 million is part of assets classified as held for sale (relate to note 2).

ⓘ Accounting policy

Please refer to note 30, accounting policies for financial instruments.

18 Cash, cash equivalents and bank overdrafts

Cash and cash equivalents consisted of the following items.

(EUR million)	2023 At free disposal	2023 Not at free disposal	2023 Total	2022 At free disposal	2022 Not at free disposal	2022 Total
Collateral securities	-	373	373	-	550	550
EEG funds	-	-	-	-	1,414	1,414
EEG deposits < 3 months	-	-	-	-	3,300	3,300
Deposits	-	-	-	300	-	300
Cash at bank	298	2	300	982	1	983
Cash and cash equivalents	**298**	**375**	**673**	**1,282**	**5,265**	**6,547**
Cash at banks and short-term deposits part of assets held for sale (note 2)	2	381	383	-	-	-
Total cash and cash equivalents used in cash flow statement	**300**	**756**	**1,056**	**1,282**	**5,265**	**6,547**

Decrease of cash not at free disposal is mainly related to EEG deposits and EEG funds which are part of assets classified as held for sale (relate to note 2).

Funds related to EEG activities have been legally separated as required by BNetzA. EEG Funds are not at the TenneT's free disposal. The same applies for funds related to KWK-G and Electricity Revenue Cap Act (‘Strompreisbremse’). For further reference regarding EEG we refer to note 2 and note 17. Cash at banks carry interest at floating rates based on daily bank deposit rates.

Collateral securities are related to other financial liabilities, we refer to note 26.

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

ⓘ Accounting policy

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

19 Capital management

The primary objective of TenneT's capital structure is to ensure a sustainable financial position to absorb adverse 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. The majority of the funding for our investment programme is sourced from the debt capital markets, commercial banks and international financial institutions (e.g. the European Investment Bank).

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

1. to maintain a senior unsecured long-term credit rating of at least A3/A-;
2. to maintain a long-term average Funds From Operations (FFO) to Net debt based on ‘underlying’ financial information of at least 8.5% (with individual years of at least 8.0%);
3. to diversify the maturities of long-term funding instruments to limit refinancing risk;
4. to maintain liquidity through cash and undrawn committed credit lines covering at least our net cash requirement on a rolling 12-month forward-looking basis.

Capital consists of equity and debt.

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

As of 31 December 2023 TenneT Holding B.V. had the following senior unsecured long-term credit ratings from Standard & Poor’s and Moody's Investor Service, which comply with our financial policy.

Unsecured credit rating at 31 December 2022 and 31 December 2023	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 FFO/Net debt ratio of at least 8.5% based on underlying financial information (see note 3), 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. Individual years have a FFO/Net debt of at least 8.0%.

A reconciliation of the Adjusted FFO and net debt is provided in the following table. Please refer to the chapter 'Secure a sustainable financial performance and investor rating' for detailed information about the Adjusted FFO.

Based on underlying information (EUR million)	2023	2022
Net result for the year*	1,071	671
+ amortisation, depreciation and impairments*	1,369	1,254
+ other (gains)/losses (non-cash)*	-5	38
+ result on disposal of assets (non-cash)	-	-
Total FFO	**2,435**	**1,963**
Capitalised interest on assets under construction (note 7)	-25	-12
Interest on provisions (note 7)	32	25
50% Hybrid interest (note 20)	-28	-28
Adjusted FFO	**2,414**	**1,948**
Net debt		
+ Long-term borrowings (note 22)	18,871	19,006
+ Short-term borrowings (note 22)	3,640	709
- Cash and cash equivalents at free disposal (note 18)	-300	-1,282
- To be settled in tariffs (note 3)	-3,565	-2,847
Lease liabilities (note 2 and note 11)	974	729
Net employee defined benefit liabilities (note 2)	217	174
50% Hybrid loan (note 20)	1,062	1,062
Net debt	**20,899**	**17,551**
Adjusted FFO/net debt	**11.6%**	**11.1%**

* Net result and amortisation, depreciation and impairments include both continued and discontinued operations. Reference is made to note 3.

Further reference is made to note 3 Segment information.

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

To minimise refinancing risk, we diversify the maturity profile of our senior debt. As of 31 December 2023, our interest bearing debt (excluding bank overdrafts) had the following annual redemption profile:

Annual redemption of debt (EUR million)

Year	Maturities	Year	Maturities	Year	Maturities	Year	Maturities	Year	Maturities
2024	**3,640**	2029	**1,742**	2034	**1,843**	2039	**784**	2044	**14**
2025	**868**	2030	**782**	2035	**1,048**	2040	**784**	2045	**7**
2026	**1,973**	2031	**1,015**	2036	**628**	2041	**684**	2046	**–**
2027	**1,225**	2032	**1,182**	2037	**48**	2042	**1,724**		
2028	**1,282**	2033	**1,298**	2038	**40**	2043	**14**		

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 expected 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 2023 and 31 December 2022.

20 Equity

Paid-up and called-up capital

The Company's authorised share capital amounted to EUR 500 million (2022: 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 contributions, made by the Shareholder of ordinary shares, the Dutch state represented by the Ministry of Finance. In 2022 EUR 1,230 million was received. In June 2023 TenneT received a contribution from our Shareholder of EUR 1,602 million. Given the conditions precedent, the contribution is classified as current financial liability instead of equity. Refer to note 26.

Retained earnings

Part of the retained earnings has been presented as legal reserve. For more details see note 43.

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 TenneT 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 owners.

On 31 December 2023, TenneT had EUR 2.1 billion of green hybrid securities outstanding divided in two tranches. The first tranche consisted of EUR 1.1 billion green hybrid securities that bear an optional, cumulative coupon of 2.995%, payable at TenneT's discretion annually on 1 June of each year. At 31 December 2023, the unpaid cumulative dividend for this tranche amounted to EUR 18 million (2022: EUR 18 million), relating to the period 1 June until 31 December and payable on 1 June 2024. The second tranche consisted of EUR 1 billion green hybrid securities that bear an optional, cumulative coupon of 2.374%, payable at TenneT's discretion annually on 22 October of each year. At 31 December 2023, the unpaid cumulative dividend for this tranche amounted to EUR 7 million (2022: EUR 7 million).

Dividend distribution

In 2023 a common full-year dividend of EUR 207 million (EUR 1,035 per share) to our ordinary shareholder was distributed (2022: EUR 141 million). In agreement with the State of the Netherlands TenneT has 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 equity investors. We made aggregate distributions to the holders of hybrid securities of EUR 57 million during 2023 (2022: EUR 57 million). The appropriation of the 2023 result is at the free disposal of the General Meeting of Shareholders.

21 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	2023	2022
TenneT Offshore 2. Beteiligungsgesellschaft mbH ('TO2')	Germany	69%	69%
TenneT Offshore 8. Beteiligungsgesellschaft mbH ('TO8')	Germany	63%	63%

The Group has the power to control TO2 and, TO8 and holds 51% of the voting rights in these entities. Movements in the non-controlling interest, to the extent material, are summarised below.

Movement schedule Non-Controlling interests (EUR million)	TO2	TO8	Total
At 1 January 2022	**251**	**204**	**455**
Result attributable to non-controlling interests	16	15	31
Dividends paid	-12	-8	-20
Capital repayment	-13	2	-11
At 31 December 2022	**242**	**213**	**455**
Result attributable to non-controlling interests	41	18	59
Dividends paid	-16	-1	-17
Capital repayment	-53	-44	-97
At 31 December 2023	**214**	**186**	**400**

The non-controlling interest in TO2 and TO8 are held by Copenhagen Infrastructure Partners (CIP, legal seat: Copenhagen, Denmark), which owns an economic interest of 69% for TO2 and 63% for TO8 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)	2023 TO2	2023 TO8	2023 Total
Non-current assets	817	1,155	1,972
Current assets	153	122	275
Non-current liabilities	-594	-880	-1,474
Current liabilities	-69	-99	-168
Equity	**307**	**298**	**605**
Attributable to owners of the parent	93	112	205
Attributable to non-controlling interests	214	186	400

Statement of financial position (EUR million)	2022 TO2	2022 TO8	2022 Total
Non-current assets	812	1,218	2,030
Current assets	168	234	402
Non-current liabilities	-555	-906	-1,461
Current liabilities	-77	-205	-282
Equity	**348**	**341**	**689**
Attributable to owners of the parent	106	128	234
Attributable to non-controlling interests	242	213	455

Statement of income (EUR million)	2023 TO2	2023 TO8	2023 Total
Revenue	222	222	444
Depreciation and amortisation	-78	-100	-178
Other expenses	-52	-62	-114
Operating result	**92**	**60**	**152**
Finance income and expenses	-8	-18	-26
Income tax expense	-25	-13	-38
Result from discontinuing operations for the year*	**59**	**29**	**88**
Attributable to owners of the parent	18	11	29
Attributable to non-controlling interests	41	18	59

Statement of income (EUR million)	2022 TO2	2022 TO8	2022 Total
Revenue	208	250	458
Depreciation and amortisation	-80	-102	-182
Other expenses	-86	-95	-181
Operating result	**42**	**53**	**95**
Finance income and expenses	-11	-18	-29
Income tax expense	-10	-10	-20
Result from discontinuing operations for the year*	**21**	**25**	**46**
Attributable to owners of the parent	5	10	15
Attributable to non-controlling interests	16	15	31

	2023		
(EUR million)	TO2	TO8	**Total**
Net cash flows from operating activities	150	107	257
Net cash flows used in investing activities	3	6	9
Net cash flows from financing activities	-153	-113	-266
Change in cash and cash equivalents	-	-	-

	2022		
(EUR million)	TO2	TO8	**Total**
Net cash flows from operating activities	68	75	143
Net cash flows used in investing activities	-12	-16	-28
Net cash flows from financing activities	-56	-59	-115
Change in cash and cash equivalents	-	-	-

22 Borrowings

(EUR million)	Effective interest rate	Maturity	Redemption schedule	2023	2022
0.75% green bond 2017 EUR 500 million	0.87%	Jun-25	At maturity	499	499
1.000% green bond 2016 EUR 500 million	1.04%	Jun-26	At maturity	499	499
1.75% green bond 2015 EUR 500 million	1.84%	Jun-27	At maturity	499	498
1.375% green bond 2018 EUR 500 million	1.50%	Jun-28	At maturity	497	497
1.375% green bond 2017 EUR 500 million	1.42%	Jun-29	At maturity	499	499
0.875% green bond 2019 EUR 500 million	0.99%	Jun-30	At maturity	497	496
4.750% bond 2010 EUR 200 million	4.98%	Jun-30	At maturity	198	197
1.250% green bond 2016 EUR 500 million	1.36%	Oct-33	At maturity	495	495
2.000% green bond 2018 EUR 750 million	2.05%	Jun-34	At maturity	747	746
1.875% green bond 2016 EUR 500 million	2.00%	Jun-36	At maturity	494	493
1.500% green bond 2019 EUR 750 million	1.60%	Jun-39	At maturity	741	740
0.125% green bond 2020 EUR 600 million	0.21%	Nov-32	At maturity	596	595
0.500% green bond 2020 EUR 750 million	0.54%	Nov-40	At maturity	745	744
0.125% green bond 2021 EUR 650 million	0.17%	Dec-27	At maturity	649	648
0.500% green bond 2021 EUR 500 million	0.61%	Jun-31	At maturity	496	496
0.875% green bond 2021 EUR 1,000 million	0.93%	Jun-35	At maturity	994	994
1.125% green bond 2021 EUR 650 million	1.17%	Jun-41	At maturity	646	646
1.625% green bond 2022 EUR 1,250 million	1.79%	Nov-26	At maturity	1,244	1,243
2.125% green bond 2022 EUR 1,000 million	2.24%	Nov-29	At maturity	994	993
2.375% green bond 2022 EUR 750 million	2.51%	May-33	At maturity	742	742
2.750% green bond 2022 EUR 850 million	2.90%	May-42	At maturity	835	834
3.875% green bond 2022 EUR 650 million	3.94%	Oct-28	At maturity	648	648
4.250% green bond 2022 EUR 500 million	4.34%	Apr-32	At maturity	497	497
4.500% green bond 2022 EUR 1,000 million	4.59%	Oct-34	At maturity	994	993
4.750% green bond 2022 EUR 850 million	4.84%	Oct-42	At maturity	842	842
Non-current interest-bearing bonds				**16,587**	**16,574**
0.717% loan 2015 EUR 500 million	0.72%	2018-2032	Linear	276	310
0.766% loan 2015 EUR 150 million	0.77%	2018-2037	Linear	97	105
0.813% loan 2016 EUR 125 million	0.81%	2019-2038	Linear	88	94
0.05% loan 2020 EUR 100 million	0.05%	Sep-26	At maturity	100	100
0.436% loan 2020 EUR 350 million	0.44%	2025-2042	Linear	350	350
0.562% loan 2022 EUR 250 million	0.56%	2025-2043	Linear	250	250
Floating rate Loan 2022-2025 EUR 300 million	4.29%	Aug-25	At maturity	300	300
Non-current interest-bearing loans				**1,461**	**1,509**
0.989% green Schuldschein 2016 EUR 100 million		May-24	At maturity	-	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
Non-current interest-bearing Schuldschein				**323**	**423**
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	295
2.01% USPP 2019 EUR 45 million	2.03%	Jan-34	At maturity	45	45
Total non-current interest-bearing USPP				**500**	**500**
Total non-current interest-bearing borrowings				**18,871**	**19,006**

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(EUR million)	Effective interest rate	Maturity	Redemption schedule	2023	2022
4.625% bond 2011 EUR 500 million		Feb-23	At maturity	-	500
Current interest-bearing bonds				**-**	**500**
0.989% green Schuldschein 2016 EUR 100 million	1.01%	May-24	At maturity	100	-
Current interest-bearing Schuldschein				**100**	**-**
4.44% loan 2010 EUR 140 million		Nov-23	Linear	-	11
2.74% loan 2012 EUR 150 million		Sep-23	At maturity	-	150
0.72% loan 2015 EUR 500 million	0.72%	Oct-24	Linear	34	34
0.77% loan 2015 EUR 150 million	0.77%	Apr-24	Linear	8	8
0.813% loan 2016 EUR 125 million	0.81%	Oct-24	Linear	6	6
Cash loans	4.04%	Jan-24 - Mar-24	At maturity	540	-
Commercial papers	4.03%	Jan-24 - Mar-24	At maturity	2,372	-
Borrowings under committed bilateral bank credit facilities	4.21%	Jan-24	At maturity	380	-
Borrowings under uncommitted bilateral bank credit facilities	4.63%	Jan-24	At maturity	200	-
Current interest-bearing loans				**3,540**	**209**
Total current interest-bearing borrowings				**3,640**	**709**
Total borrowings				**22,511**	**19,715**

TenneT has developed a Green Financing Framework to finance its renewable energy activities. The Green Financing Framework is aligned to the 2021 ICMA Green Bond Principles (GBP) and the 2021 LMA Green Loan Principles (GLP) and addresses their four pillars; Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting. Under this framework we have issued across different formats (senior bonds, hybrid bonds, US Private Placement and Schuldschein). US Private Placement is an issuance on the US private placement market and Green Schuldschein is a type of privately placed German debt.

Changes in borrowings arising from financing activities are as follows:

(EUR million)	(Non) - current interest-bearing bonds	(Non) -current interest-bearing loans	(Non)-current interest-bearing Schuldschein	Non-current interest-bearing USPP	Total
At 1 January 2022	**10,776**	**1,930**	**500**	**499**	**13,705**
Cash inflow from new borrowings	6,787	550	-	-	7,337
Cash outflow from redemptions	-500	-762	-77	-	-1,339
Amortisation (non-cash)	11	-	-	1	12
At 31 December 2022	**17,074**	**1,718**	**423**	**500**	**19,715**
Cash inflow from new borrowings	-	3,787	-	-	3,787
Cash outflow from redemptions	-500	-504	-	-	-1,004
Amortisation (non-cash)	13	-	-	-	13
At 31 December 2023	**16,587**	**5,001**	**423**	**500**	**22,511**

TenneT has a Revolving Credit Facility (RCF) of EUR 3.3 billion at 31 December 2023 (available till November 2026). At 31 December 2023, this facility was undrawn. Furthermore, TenneT has also available EUR 700 million of undrawn long-term loan commitments from the EIB at 31 December 2023.

In May 2023, a term facility agreement of EUR 8 billion with a tenor of 2.5 years was reached. The facility is undrawn at 31 December 2023.

In addition, TenneT has EUR 1.75 billion of committed bilateral RCF's (EUR 1.37 billion undrawn) and uncommitted bank facilities of EUR 0.65 billion (EUR 0.45 billion undrawn) at its disposal at 31 December 2023.

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

The amount of borrowing costs (including fair value adjustment) capitalised was minus EUR 116 million, this is due to increased interest rates leading to lower fair value for bonds (2022: EUR 126 million).

For more information about the fair value see note 29.

ⓘ Accounting policy

Refer to note 30, accounting policies for financial instruments.

23 Contract liabilities

This position fully relates to investment contributions.

(EUR million)	2023	2022
At 1 January	**548**	**430**
Addition	94	131
Amortisation	-15	-13
Transfer to held for sale (note 2)	-85	-
At 31 December	**542**	**548**

(EUR million)	2023	2022
< 1 year	12	17
1-5 years	49	54
> 5 years	481	477
Total	**542**	**548**

Additions in contract liabilities mainly relate to new grid connections from clients that will be connected to our grid and have to be paid by the customer.

ⓘ 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 transaction price, presented as contract liabilities ('investment contributions') and are subsequently recognised as revenue over the related asset's useful life.

24 Provisions

	2023			2022		
(EUR million)	Current	Non-current	Total	Current	Non-current	Total
Environmental and decommissioning	2	465	467	7	1,193	1,200
Other	52	25	77	70	42	112
Total	**54**	**490**	**544**	**77**	**1,235**	**1,312**

(EUR million)	Environmental management and decommissioning	Other	Total
At 1 January 2022	**1,378**	**84**	**1,462**
Addition	140	55	195
Utilisation	-4	-8	-12
Changes in estimations	-338	-9	-347
Unused amounts reversed	-	-11	-11
Imputed interest	24	1	25
At 31 December 2022	**1,200**	**112**	**1,312**
Addition	102	92	194
Utilisation	-4	-43	-47
Changes in estimations	381	4	385
Unused amounts reversed	-26	-12	-38
Imputed interest	31	-1	30
Transfer to held for sale (note 2)	-1,217	-75	-1,292
At 31 December 2023	**467**	**77**	**544**

Provisions for environmental management and decommissioning

Provisions for environmental management and decommissioning serve to cover future obligations in relation to high-voltage connections, underground cables and offshore platforms, including decommissioning costs. Asset retirement obligations are included for the legal and constructive obligations in relation to all our offshore interconnectors and offshore assets, consisting of offshore platforms and (subsea) cables. In 2023 EUR 102 million was added (2022: EUR 140 million) for future decommissioning costs for projects constructed during 2023. Changes in estimates related to the provision for decommissioning resulted in an increase of EUR 381 million (2022: release of EUR 338 million), mainly due to changes in the used discount rate (increase of EUR 51 million), used inflation rate (decrease of EUR 17 million) and further due to changes in underlying assumptions and applicable price levels and extended useful lifetimes (increase of EUR 347 million). The changes in estimates were not recognised through the statement of income. There was no decommissioning of substations in 2023 or 2022. In line with current regulation and permits, the first decommissioning of offshore platforms and linked grid connections is expected to be finalised in 2046.

Other provisions

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

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

Furthermore this provision is related to long-term service bonuses.

Key estimates and assumptions

The estimated decommissioning provision involves:

1. Decommissioning costs; and
2. Assessing the expected remaining useful life of relevant assets.

The main uncertainties related to the decommissioning costs are the removal method (currently assuming reverse installation), the uncertainties around equipment and vessel availability, and market rates at expected time of decommissioning. At 31 December 2023, updated benchmark information was available, due to updated assumptions, new offshore platforms and offshore cables and updated market information. Decommissioning costs are provided for at the present value of expected costs to settle the obligation. The useful life of the offshore platforms and linked grid connections is estimated at 20 till 35 years and have been extended compared to previous year due to reassessment of the useful lives (2022: 20 till 30 years). For offshore interconnectors the useful life is estimated at 40 years. This provision assumed a discount rate between 2.476% and 2.545% was applied for other provisions (2022: between 2.737% and 2.942%) and an inflation rate between 2.328% and 2.443% (2022: between 2.594% and 2.624%). A change in the discount rate of 1 percent point would have a maximum impact of EUR 105 million on the asset value and liability value.

A discount rate of 3.0% was applied for other provisions (2022: 2.7%). A change in discount rate of 1 percent point would have a maximum impact of EUR 4 million on the related book value.

The estimated number of risks associated with delays and interruptions concerning the Group’s offshore activities is based on the number of offshore grid connections and the compensation payable 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 items are recognised as contingent liabilities at TenneT:

- Possible impact of the Dutch 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 legal structure of TenneT;
- Risks relating to the financing of TenneT;
- Factors which are material for the purpose of assessing market risks.

Uncertainties relating to contingent liabilities make a reliable estimation of the financial impact impossible. For further contingent liabilities we refer to note 31.

ⓘ Accounting policy

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

25 Net employee defined benefit liabilities

Net employee defined benefit liabilities are part of liabilities held for sale (relate to note 2).

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 employees' pensionable income of a particular year. Furthermore, each employee is allowed to defer a certain amount of his compensation to raise his pension claim within defined bounds.

The Group contributes to two post-employment defined benefit plans in Germany, pursuant to 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 at the time. 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 date. The plan offers benefits in the form of old-age, disability and surviving dependents' pensions and is composed of an employer-funded basic level based on the respective employee's yearly pensionable income, an employer-funded top-up level based on the respective company's performance and an 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, in which case the pension scheme 2001 applies). This scheme offers benefits in the form of old-age, disability and surviving dependents’ pensions.

Pension cost is composed on the employer-funded basic level based on the respective employee’s yearly pensionable income, an employer funded top-up level based on the respective company’s performance and an 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 increased with an interest rate that is recalculated based on the weighted average current yield of German Federal Government Bonds (Bundesanleihen), with an effective floor of 3.0% and 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, the disclosure in the notes below comprises the combined plans.

The funded status of the plans and the amounts recognised in the statement of financial position at 31 December were as follows:

(EUR million)	2023	2022
Defined benefit obligation	314	265
Fair value of plan assets	-109	-103
Funded status	**205**	**162**
Benefit asset included in other financial assets	14	14
Defined benefit liability	**219**	**176**

The defined benefit liabilities at 31 December 2023 were as follows. The short-term part of the benefit liability is presented as provisions, relate to note 2.

(EUR million)	2023	2022
Defined benefit liability long-term	217	174
Defined benefit liability short-term	2	2
Total defined benefit liability	**219**	**176**

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

(EUR million)	2023	2022
Defined benefit obligation at 1 January	**265**	**410**
Current service costs	11	23
Interest costs	10	6
Contributions by plan participants	3	3
Benefits paid	-6	-5
Remeasurements on obligation	31	-172
Transfer to held for sale (note 2)	-314	-
Defined benefit obligation at 31 December	**-**	**265**

Re-measurements on obligation are mainly due to the change of the discount rate from 3.9% to 3.45%.

Changes in the fair value of plan assets at 31 December of the year were as follows:

(EUR million)	2023	2022
Fair value of plan assets at 1 January	**103**	**113**
Actual return on plan assets	6	-9
Contributions by employer	5	4
Benefits paid	-5	-5
Transfer to held for sale (note 2)	-109	-
Fair value of plan assets at 31 December	**-**	**103**

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

	2023	2022
Quoted in active markets:		
Equity instruments	32%	33%
Debt securities	44%	45%
Other	5%	4%
Unquoted investments:		
Debt securities	0%	0%
Real estate	13%	14%
Cash	4%	3%
Other	2%	1%

Remeasurements, 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)	2023	2022
Accumulated balance at 1 January	**-14**	**146**
Remeasurements during the year	29	-160
Accumulated balance at 31 December	**15**	**-14**

Remeasurements of the year originate from the following items:

(EUR million)	2023	2022
Remeasurements from actuarial (gains)/losses in DBO	31	-172
Exceeding return on plan assets (over net interest included in net liability)	-2	12
Accumulated balance at 31 December	**29**	**-160**
Thereof:		
actuarial (gains)/losses from experience	5	5
actuarial (gains)/losses from changes in actuarial assumptions	26	-177

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, which 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:

	2023	2022
Discount rate	3.45%	3.90%
Future salary increases	2.50%	2.50%
Future pension increases	1.00%	1.00%

The vast majority of our pension plans include a fixed annual pension increase of 1% after retirement. For pension agreements that do not foresee this fixed increase, a future pension increase of 2.3% per year (2022: 2.3% per year) was used in the calculation of defined benefit obligations.

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)	2023	2022
0.25% change of discount rate	-14	-11
0.5% change of salary increase rate	1	1
0.5% change of pension increase rate	1	1
Change of 1 year in life expectancy	8	6

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 development of plan assets and the change in (statutory) discount rates, we expect to have no obligation to contribute to plan assets in 2024. We expect the following, undiscounted, benefit payments from the plan:

(EUR million)	2023	2022
Within the next 12 months	7	7
Within 1-5 years	35	31
Within 5-10 years	57	52
More than 10 years	529	482
Total	**628**	**572**

ⓘ 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 the 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.

Pension plan the Netherlands

For the majority of our Dutch personnel we have a multi-employer scheme offered by ABP Pension Fund (ABP) in the Netherlands. The pension contribution rate for 2023 was 20.1% of the pensionable salary. In 2024 we expect to contribute EUR 42 million, based on 2023 number of employees, to the ABP scheme. Compared to the total participants in the ABP pension fund, our share in ABP is limited. We are not liable for any 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. Consequently, this scheme is treated as if it were a defined contribution scheme.

The policy funding ratio is the 12-month moving average of the nominal funding ratio. ABP's policy funding ratio at 31 December 2023 was 113.9% (2022: 118.6%) which is above the critical regulatory coverage rate level under which pensions would have to be reduced.

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

26 Other financial liabilities

In June 2023 TenneT received a contribution from our Shareholder of EUR 1,602 million. Given the conditions precedent, the contribution is classified as current financial liability instead of equity.

Furthermore this position consists of financial liabilities relate to shares held by Copenhagen Infrastructures in TOD3 for 67%. The movement of this liability is disclosed below. Per 31 December this part is disclosed as liabilities classified as held for sale.

The remaining short-term other financial liabilities (EUR 373 million) relate to collateral securities given by third parties to underwrite trading on energy exchanges and the auctioning of cross-border interconnection capacity. as disclosed in note 18.

(EUR million)	2023	2022
At 1 January	**185**	**183**
Profit share current year	21	22
Contribution by ordinary shareholder	1,602	-
Capital repaid	-37	-20
Transfer to held for sale (note 2)	-169	-
At 31 December	**1,602**	**185**

ⓘ Accounting policy
Please refer to note 31, accounting policies for financial instruments.

27 Account- and other payables

(EUR million)	2023	2022
EEG accounts payable	-	4,934
Accounts payable	207	368
Accruals for tangible fixed assets	-	332
Grid expenses payable	101	1,452
Interest payable	148	142
Social securities and other taxes payable	25	22
Other payables	159	239
Total	**640**	**7,489**

EEG accounts payable

EEG accounts payable are recognised as liabilities classified as held for sale, per 31 December 2023 amounting to EUR 1,741 million (refer to note 2).

Accruals for tangible fixed assets

Payables in connection with tangible fixed assets purchases are related to unbilled services and deliveries for onshore and offshore investment projects, per 31 December 2023 is EUR 588 million recognised as liabilities classified as held for sale (refer to note 2).

Interest payable

Interest payable increased due to increased borrowings. These new loans have higher interest rates, which also has impact to the increase of interest payable.

Grid expenses payable

The grid expenses payable consisted mainly of accrued expenses for redispatch measures. Grid expense payable mainly decreased due to movement to liabilities classified as held for sale, per 31 December 2023 amounting to EUR 1,846 million (refer to note 2).

Key estimates and assumptions

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

Other payables

Other payables mainly comprised compensation payments to offshore wind farm operators (OWFs), personnel-related liabilities and accruals for which invoices had not yet been received.

Other payables mainly decreased due to reclassification to liabilities classified as held for sale, per 31 December 2023 amounting to EUR 107 million (refer to note 2).

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.

Accounting policy

Please refer to note 31, accounting policies for financial instruments.

28 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 result 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 'Corporate Governance' section of our Executive Board report.

Risk management related to financing activities is done by our Treasury department under policies included in the Treasury Statute approved by our Executive Board. 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 of the Company. Any speculative use of financial instruments is explicitly not authorised.

Interest rate risk

TenneT is exposed to interest rate risk on its 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 2023, the senior debt portfolio was for more than 83% (2022: 98%) based on fixed interest rates. An increase or decrease in interest rates of 2 percentage points would result in an increase or decrease of EUR 70 million in our interest cost (2022: EUR 6 million). The increase is mainly related to the increased short-term loans compared to 31 December 2022.

Furthermore, there is a risk that interest payable on borrowings exceeds the interest compensation received by TenneT under the prevailing regulatory systems in the Netherlands. In 2022, a new regulatory period started in the Netherlands. The risk that the interest payable on borrowings exceeds the interest compensation received by TenneT is largely mitigated with the ex-post settlement of the interest rates which is part of the new regulatory period as of 2022.

Credit risk

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

Operational credit risk

In respect of our operating activities, TenneT has 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 the Netherlands, TenneT is 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.

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 requires no material collateral as security and no insurance for credit risk. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 15 and note 17. The movement of the allowance for expected credit losses of trade receivables is included in note 17.

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 2023, financial credit risk arose mainly from TenneT's transactions and positions with several financial institutions. At 31 December 2023, the maximum credit risk amounted to nil (2022: EUR 3,600 million).

Counterparty risk may be defined as the risk that a party that has entered into a contract with the TenneT Group is unable to fulfil its financial obligations towards the TenneT Group. In accordance with our treasury policies, counterparty credit exposure is monitored frequently against the counterparty credit limits. Exposure per counterparty is calculated for the group as a whole (excluding the positions for EEG, KWKG and ASK) We have concentration limits in place for the group, EEG, KWKG and ASK for current account balances, when funds are placed on deposit and when financial derivatives, Money Market Loans and other products are entered into. At 31 December 2023 we had nil at our free disposal for these deposits. These deposits had a maturity of less than 3 months (2022: EUR 300 million), see note 17.

At 31 December 2023 we had nil deposits with third parties for EEG cash amounts. These were part of assets held for sale (relate to note 2) (2022: EUR 3,300 million) and no financial derivatives outstanding. As of 31 December 2023 these deposits had a maturity of more than 3 months (2022: EUR 3,300 million), please refer to note 2, note 17 and note 18.

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. Liquidity is monitored every quarter on a rolling 12-month forward-looking basis. Our 12-month liquidity objective was met on 31 December 2023 and 31 December 2022.

The following maturity schedule presents our financial obligations on a contractual, non-discounted basis. The liquidity risk for lease liabilities, account- and other payables and other financial liabilities mainly decreased due to liabilities which per 31 December 2023 are classified as held for sale.

(EUR million)	Notes	<1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
At 31 December 2023							
Account- and other payables	27	314	131	47	-	-	492
Other financial liabilities	26	373	-	1,602	-	-	1,975
Lease liabilities	11	3	2	13	46	64	128
Borrowings	22	1,611	1,918	491	6,658	15,626	26,304
Total		**2,301**	**2,051**	**2,153**	**6,704**	**15,690**	**28,899**
At 31 December 2022							
Account- and other payables	27	2,465	1,353	3,529	-	-	7,347
Other financial liabilities	26	550	-	-	-	185	735
Lease liabilities	11	13	22	115	427	162	739
Borrowings	22	5	527	543	5,566	17,213	23,854
Total		**3,033**	**1,902**	**4,187**	**5,993**	**17,560**	**32,675**

TenneT's borrowings have a diversified maturity profile, which reduces refinancing risks (see also note 21).

The EEG has a significant impact on the Group'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. In accordance with EEG legislation, shortfalls are reimbursed through EEG levies and/or government contributions at the latest in the following yearwas regulated in a contract between the German TSOs and the German Federal Ministry for Economic Affairs and Climate Action following the abolition of the EEG surcharge in July 2022. From 1 January 2023, the EEG costs used to finance payments made to renewable energy producers are to be financed entirely from the federal budget. Nevertheless liquidity risks may arise for the four TSOs in the EEG settlement due to the current prognosis-mechanism. Interim financing to bridge shortfalls is necessary and is currently being discussed intensively with political decision-makers.

In order to reduce liquidity risk, TenneT has EUR 3.3 billion committed revolving credit facilities (RCFs) at its disposal for general corporate purposes. At 31 December 2023, this facility was undrawn. Furthermore, we had EUR 700 million of undrawn long-term loan commitments from the European Investment Bank (EIB) available at 31 December 2023 and EUR 1.75 billion committed bilateral RCFs (EUR 0.38 billion drawn at 31 December 2023). Next to that we had EUR 650 million of uncommitted bank facilities (EUR 200 million drawn at 31 December 2023).

In May 2023, a term facility agreement of EUR 8 billion with a tenor of 2.5 years was reached. The facility is undrawn at 31 December 2023.

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

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.

TenneT also has access to diversified funding sources through its medium-term note (EMTN) programme and our commercial paper (CP) programme. Both programmes significantly reduce our dependency on bank financing.

TenneT expects to meet its financial obligations for 2024 with (i) cash and cash equivalents, (ii) funds from operations, (iii) unused credit facilities, (iv) capital market transactions and (v) equity contributions from our shareholder. 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.

Equity risk

There is a risk of a lack of access to equity on a sustainable basis. This risk reflects the inability to raise additional equity in a timely fashion in case of unexpectedly large increases in our investment portfolio or negative regulatory developments. Actions taken in order to mitigate this risk are: (i) an active financing strategy to create and maintain an optimal capital structure as well as to diversify funding sources and manage financial risks, (ii) a proactive approach of potential investors and active discussion with our shareholder to contribute additional equity (which effected in EUR capital contribution of 1.21 billion for period 2022, see note 20 and a conditional contribution of EUR 1.62 billion see note 26) 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 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 30.

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

29 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. Instruments are measured at fair value.

		Carrying amount		Fair value		
(EUR million)	Notes	2023	2022	2023	2022	Hierarchy
Financial assets						
Other financial assets:						
- Financial assets through profit and loss	15	14	15	14	15	Level 3
Total		**14**	**15**	**14**	**15**	
Financial liabilities						
Borrowings:						
- Borrowings – bonds	22	16,585	17,074	16,025	14,615	Level 1
- Borrowings – other	22	5,923	2,641	5,643	2,221	Level 2
Total		**22,508**	**19,715**	**21,668**	**16,836**	

At 31 December 2023, no instruments carried at fair value were held (2022: 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 2023, due to the short-term maturities of these instruments.

The following hierarchy by valuation technique was used to calculate the fair value of assets and liabilities:
- Level 1: Measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Measurement based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Measurement based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

The fair value of the level 3 financial assets through profit and loss was based on information received by the investment funds.

30 ⓘ 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. Financial investments in investment funds (see note 14) are classified as fair value through profit or loss. All other of 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, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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, 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 the 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 income.

31 Contingencies and commitments

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

(EUR million)	2023	2022
Investment related off-balance items		
Off-balance sheet rights		
Bank guarantees received and other items	1,918	1,907
Comfort letters received	-	1,620
Total	**1,918**	**3,527**
Off-balance commitments		
Capital commitments	11,333	9,923
Comfort letters issued	-	797
Total	**11,333**	**10,720**
Other off-balance items		
Other off-balance obligations		
Grid-related commitments	46	914
Other off-balance sheet commitments	55	74
Total	**101**	**988**

The comparative figures include both continued and discontinued operations. Comparative figures of discontinued operations are also included in note 2.

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

Bank guarantees received and other items

The majority is related to bank guarantees received included guarantees for investment projects.

Comfort letters received

Comfort letters received decreased due to assets classified as held for sale (relate to note 2).

Capital commitments

Capital commitments increased due to investments in our 2GW Program. In 2022 for continued operations amounted to EUR 1,860 million. Capital commitments of discontinued operations are part assets classified as held for sale (relate to note 2).

Capital commitments are commitments entered into with regard to the purchase of tangible fixed assets. Approximately EUR 5.3 billion of capital commitments were payable within 12 months, at 31 December 2023 (2022: EUR 4.4 billion).

Comfort letters issued

Comfort letters issued are part of liabilities classified as held for sale (relate to note 2).

Grid related commitments

Grid related commitments mainly decreased due to assets classified as held for sale (relate to note 2).

Grid-related commitments mainly consist of the outstanding value of purchase orders related to grid expenses to which we are committed to, amounting to EUR 46 million (2022: EUR 86 million).

Other

Other off-balance sheet commitments mainly consisted of:

- Compensation claimed by several parties 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;
- Capital commitments to minority participating interests;

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

Various other off-balance sheet commitments and contingencies as well as other off-balance sheet rights existed as of 31 December 2023 but were immaterial from a disclosure perspective. The majority of these claims related to (i) construction contracts and planning damage where additional payments would be capitalised, (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 financial situation.

Insurance captive

At 23 October 2023 TenneT Holding B.V. has established TenneT Reinsurance N.V. This entity will reinsure our Dutch offshore activities as of mid 2024. Future capital contributions are related to restricted equity need for Solvency II requirements.

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. TenneT is of the opinion that the currently recognised provisions are adequate, based on information currently available.

32 Related parties

Note 33 provides an overview of legal entities included in the consolidated financial statements.

TenneT has entered into transactions with the following related parties:

- The shareholder, 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 20);
- Joint ventures NOKA, OTC, BritNed and VertiCer (refer to note 14);
- Associate HGRT (refer to note 14);
- Members of the Executive Board and Supervisory Board of TenneT Holding B.V. (refer to note 5).

33 Consolidated subsidiaries

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

			Voting interest		Economic interest		
Subsidiary	Legal seat	Country	2023	2022	2023	2022	
Direct subsidiaries							
NLink International B.V.	Arnhem	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 Reinsurance N.V.	Arnhem	Netherlands	100%	0%	100%	0%	
TenneT TSO B.V.	Arnhem	Netherlands	100%	100%	100%	100%	
TenneT TSO Duitsland B.V.	Arnhem	Netherlands	100%	100%	100%	100%	*
Direct subsidiaries part of assets and liabilities held for sale as per 31 December 2023							
NOVEC B.V.	The Hague	Netherlands	100%	100%	100%	100%	
Indirect subsidiaries							
B.V. Transportnet Zuid-Holland	Voorburg	Netherlands	100%	100%	100%	100%	*
CertiQ B.V.	Arnhem	Netherlands	0%	100%	0%	100%	***
Duvekot Rentmeesters B.V.	Bathmen	Netherlands	100%	100%	100%	100%	
Nadine Netwerk B.V.	Arnhem	Netherlands	100%	100%	100%	100%	*
Nederlands-Duitse Internet Exchange B.V.	Enschede	Netherlands	100%	0%	100%	0%	
Saranne B.V.	Arnhem	Netherlands	100%	100%	100%	100%	*
Stichting Beheer Doelgelden Landelijk Hoogspanning-snet	Arnhem	Netherlands	N/A	N/A	N/A	N/A	
Relined GmbH	Emsbüren	Germany	100%	100%	100%	100%	
TransTenneT B.V.	Arnhem	Netherlands	100%	100%	100%	100%	*
Indirect subsidiaries part of assets and liabilities held for sale as per 31 December 2023							
Omroepmasten B.V.	Vianen	Netherlands	100%	100%	100%	100%	
DC Netz DolWin4 GmbH	Bayreuth	Germany	100%	100%	100%	100%	
DC Netz HelWin1 GmbH	Bayreuth	Germany	100%	100%	100%	100%	
DC Netz SylWin2 GmbH	Bayreuth	Germany	100%	100%	100%	100%	
Globalways GmbH	Stuttgart	Germany	0%	100%	0%	100%	
Greennet Stiftung	Bayreuth	Germany	N/A	N/A	N/A	N/A	
NOVEC GmbH	Emsbüren	Germany	0%	100%	0%	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%	

* For these companies TenneT has issued a declaration of liability as referred to in Part 9 of Book 2 of the Dutch Civil Code, article 403.
** This company, which has been consolidated in these financial statements, has opted for the exemption of Section 264b of the German Commercial Code.
*** Per 31 December 2022 CertiQ B.V. merged with Vertogas B.V. into VertiCer B.V. which is a joint venture per the same date, reference is made to note 11.

As TenneT is able to exercise direct control over its management and financial and operational policies, 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., is included in the consolidation.

As TenneT is able to exercise direct control over its management and financial and operational policies, Greennet Stiftung, the foundation that compensate negative impact due to construction work of TenneT in our German grid is included in the consolidation.

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

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

At 23 October 2023 TenneT Holding B.V. has founded TenneT Reinsurance N.V. TenneT has many offshore activities. The insurance market hardened, especially for offshore risks, which results in lower limits, coverage, market capacity and higher premiums. Due to TenneT Reinsurance N.V., TenneT has access to a better market with lower insurance premiums, since part of the risk is not insured by the market, but by TenneT Reinsurance N.V. Activities will start in 2024.

34 Events after the reporting period

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

Company financial statements

The balance sheet is prepared on a basis before result appropriation.

Company statement of financial position

For the year ended 31 December (EUR million)

Assets	Notes	2023	2022
Non-current assets			
Investments in subsidiaries	40	10,661	8,491
Investments in associates	41	31	31
Other financial assets	42	22,299	17,412
Total non-current assets		**32,991**	**25,934**
Current assets			
Other financial assets	42	317	323
Account- and other receivables	43	5	1
Cash and cash equivalents		295	1,275
Total current assets		**617**	**1,599**
Total assets		**33,608**	**27,533**

Equity and liabilities	Notes	2023	2022
Equity			
Paid up and called-up capital		100	100
Share premium		3,020	3,020
Reserve participating interests		184	181
Retained earnings		1,617	2,799
Unappropriated result		595	-967
Equity attributable to ordinary shares		**5,516**	**5,133**
Hybrid securities		2,125	2,125
Equity attributable to owners of the company	44	**7,641**	**7,258**
Non-current liabilities			
Borrowings	45	18,871	19,006
Deferred tax liability		6	7
Total non-current liabilities		**18,877**	**19,013**
Current liabilities			
Borrowings	45	3,640	709
Financial liability	46	1,602	-
Account- and other payables	47	1,848	553
Total current liabilities		**7,090**	**1,262**
Total equity and liabilities		**33,608**	**27,533**

Company statement of income

For the year ended 31 December (EUR million)

(EUR million)	Notes	2023	2022
Revenue		**-**	**-**
Other operating expenses	37	-23	-10
Other gains/(losses)		-	-
Total operating expenses		**-23**	**-10**
Share in profit of joint ventures and associates		4	5
Operating result		**-19**	**-5**
Finance income	38	436	281
Finance expenses	39	-456	-259
Finance result		**-20**	**22**
Result before income tax		**-39**	**17**
Income tax expense		-3	-12
Result from subsidiaries	40	694	-915
Result for the year		**652**	**-910**

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.

35 Company accounting policies

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

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

36 Personnel expenses

TenneT Holding B.V. did not employ any personnel during 2023 or 2022, and as a result did not incur any personnel expenses in those periods. Members of the Executive Board and Supervisory Board of the Company received their remuneration, as disclosed in note 5 of the consolidated financial statements, from other entities within the Group.

37 Other operating expenses

Other operating expenses mainly comprise of consultancy expenses due to advise for held for sale activities.

38 Finance income

Finance income was mainly related to the interest received on intercompany loans and other inhouse financing activities (see note 42). The intercompany agreements have terms equivalent to those that prevail in arm’s length transactions.

39 Finance expenses

Finance expenses mainly related to interest on borrowings and credit facilities (2023: EUR 394 million; 2022: EUR 245 million). This increase is related to increased interest rates and increased borrowings.

40 Investments in subsidiaries

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

(EUR million)	2023	2022
At 1 January	**8,491**	**8,216**
Share in result	694	-915
Deconsolidation	-	1
Capital contribution	1,602	1,230
Capital repayment	-42	-144
Dividends received	-64	-50
Remeasurement of defined benefit pension	-20	153
At 31 December	**10,661**	**8,491**

Investments in subsidiaries relate to the legal entities included in the consolidation as disclosed in note 33 of the consolidated financial statements.

ⓘ Accounting policies

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

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

41 Investments in associates

Investments in are related to HGRT. In 2023, TenneT's share in HGRT's result amounted to EUR 4 million (2022: EUR 4 million) and EUR 4 million (2022: EUR 4 million) dividends were received. Further reference is made to note 14 of the consolidated financial statements.

42 Other financial assets

In relation to financial assets through profit and loss reference is made to note 15 of the consolidated financial statements.

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 rate +0.125%. These receivables were unsecured. The movement schedule is as follows:

(EUR million)	2023	2022
At 1 January	**17,412**	**12,861**
Additions	6,432	5,482
Capital contribution to minority participating interests	2	3
Repayments	-1,338	-834
Transfer to current	-207	-100
Fair value adjustment equity investments	-2	-
At 31 December	**22,299**	**17,412**

TenneT Holding B.V. had EUR 251 million (2022: EUR 325 million) of current other financial assets which were related to receivables from subsidiaries. Certain subsidiaries have guaranteed the payment to, certain creditors of TenneT Holding B.V. up to an aggregate amount of EUR 400 million (2022: EUR 400 million).

43 Account- and other receivables

Account- and other receivables mainly related to corporate income tax receivable.

44 Equity

(EUR million)	Reserve participating interests	Reserve for internally generated assets	Revaluation reserve	Total reserve participating interests
At 1 January 2022	**64**	**88**	**11**	**163**
Result NOKA and HGRT	30	-	-	30
Dividend NOKA and HGRT	-25	-	-	-25
Internally generated intangible assets	-	46	-	46
Amortisation on internally generated intangible assets	-	-23	-	-23
Depreciation revaluation tangible fixed assets	-	-	-10	-10
At 31 December 2022	**69**	**111**	**1**	**181**
Result NOKA, HGRT, VertiCer and associates	23	-	-	23
Dividend NOKA and HGRT	-39	-	-	-39
Internally generated intangible assets	-	39	-	39
Amortisation on internally generated intangible assets	-	-19	-	-19
Depreciation revaluation tangible fixed assets	-	-	-1	-1
At 31 December 2023	**53**	**131**	**-**	**184**

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 20.

Reserve participating interests

The revaluation reserve covers the IFRS 1 revaluation of tangible fixed assets in 2004. The reserve for participating interests relates to HGRT, NOKA, Verticer and associates, for which TenneT does not control payment of dividends. The reserve for internally generated assets relates to software created by internal employees. 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 reserve participating interests are not freely distributable.

Appropriation of result for the year ended 31 December 2023

The financial statements of 2022 were approved in the General Meeting held on 11 March 2023. The General Meeting determined the appropriation of result in accordance with the proposal being made to that end.

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

45 Borrowings

Details on borrowings are included in the consolidated financial statements, see note 22.

46 Financial liabilities

In June 2023 TenneT received a contribution from our Shareholder of EUR 1,602 million. Given the conditions precedent, the contribution is classified as current financial liability instead of equity.

47 Account- and other payables

(EUR million)	2023	2022
Payables to subsidiaries	1,627	406
Interest payable	148	142
Income tax payable	70	1
Other payables	3	4
Total	**1,848**	**553**

48 Events after the reporting period

See note 34 of the consolidated financial statements.

Arnhem, 4 March 2024

Executive Board TenneT Holding B.V.
M.J.J. van Beek (Chair)
T.C. Meyerjürgens
M.C. Abbenhuis
A.C.H. Freitag

Supervisory Board TenneT Holding B.V.
A.F. van der Touw (Chair)
A.C.C. van Els
E. Kairisto
E.M. Schöne
M.R.P.M. Camps
K. Singh

TenneT Holding B.V.
Utrechtseweg 310
6812 AR Arnhem
The Netherlands

Postbus 718
6800 AS Arnhem
The Netherlands
Chamber of Commerce register 09083317

Other information

Profit appropriation

Profit appropriation is governed by Section 38.3 of the Articles of Association, which states the following 'To the extent that the profit is not used to make up prior losses in accordance with the provision of paragraph 2, it shall be at the free disposal of the general meeting. In the calculation of the profit amount to be distributed on every share, only the amount of the compulsory payments on the nominal amount of the shares shall be taken into consideration. In the event of a tied vote on a proposal to distribute or reserve profits, the profits to which the proposal relates shall be reserved'.

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 TenneT 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 owners.

Independent auditor’s report

To: the Shareholder and Supervisory Board of TenneT Holding B.V. (“**TenneT**” or the “**Company**”)

Report on the audit of the financial statements 2023 included in the Integrated Annual Report 2023

Our opinion

We have audited the financial statements 2023 of TenneT, based in Arnhem, the Netherlands (the “**Financial Statements**”). The Financial Statements comprise the consolidated financial statements and the company financial statements.

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

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

The company financial statements comprise:
1. the company statement of financial position as at 31 December 2023;
2. the company statement of income for 2023; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

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

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

Information in support of our opinion

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

Materiality

Based on our professional judgement we determined the materiality for the Financial Statements as a whole at EUR 75 million (2022: EUR 60 million). The materiality is based on 7% of the average of underlying operating profits for the years 2023, 2022 and 2021. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the Financial Statements for qualitative reasons.

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

- TenneT GmbH & Co. KG ("**TSO DE**"): EUR 51 million (2022: EUR 40.8 million); and
- TenneT TSO B.V. ("**TSO NL**"): EUR 33 million (2022: EUR 26.4 million).

For the other reporting entities, the component materiality levels did not exceed EUR 15 million (2022: EUR 12 million).

We agreed with the Supervisory Board that misstatements in excess of EUR 3.75 million (2022: EUR 3 million), which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

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

Because we are ultimately responsible for the opinion, we are responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for reporting entities. Decisive were the size and/or the risk profile of the reporting entities or operations. On this basis, we selected reporting entities for which an audit had to be carried out on the complete set of financial information or specific items.

In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at the components by the group engagement team and the component auditors.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence was obtained as a basis for our opinion on the Financial Statements as a whole. For each component we determined whether we required an audit of their complete financial information or whether other procedures would be sufficient.

Our group audit mainly focused on the significant group entities TenneT Holding B.V., TSO DE and TSO NL, because combined they make up more than 95% of the group's revenue, underlying operating profit and assets. We included additional reporting entities in the scope of our group audit to have additional audit coverage on the group's consolidated financial statements, and performed other procedures with respect to residual risk in components and account balances that have not been included in audit scope.

The group consolidation, Financial Statements disclosures and certain centrally coordinated accounting topics were audited by the group engagement team. These topics included among others treasury and corporate income tax. Team members with specialized knowledge were involved in the areas of forensic, tax, accounting, valuation, pension and information technology.

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

Audit coverage	
Revenue	99%
IFRS	98%
Assets	99%

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

Audit approach fraud risks

Description

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

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

Our response

We performed the following procedures:

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

Significant accounting judgements, estimates and assumptions that might have a major impact on the Financial Statements are disclosed in note 1 of the consolidated Financial Statements. Useful life of assets, grid expense payables and the provision for decommissioning were focus areas in our audit as the related account balances are subject to significant management judgment. Reference is made to the section “Our key audit matters”; and

- performing a retrospective review of management judgments and assumptions related to significant accounting estimates such as cost assumptions on the decommissioning provisions and in-feed management accruals reflected in prior year Financial Statements. We considered available information and made enquiries of relevant executives and the Supervisory Board.

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

Audit approach compliance with laws and regulations

Description

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

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

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

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

Our response

We performed the following procedures:

- As part of obtaining an understanding of TenneT and its environment we obtained a general understanding of the legal and regulatory framework applicable to TenneT and the industry in which it operates and how TenneT is complying with that framework.
- We assessed the laws and regulations relevant to the Company through discussion with management, those charged with governance and others within TenneT, including the units (i) Internal Audit, Risk & Internal Control and Compliance & Integrity, (ii) Legal Affairs, (iii) Regulatory Affairs, (iv) Business Guidance and (v) Financial Governance Services. We have read related minutes and reports. We involved our forensic specialists in our evaluation.
- We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the Financial Statements such as (corporate) tax and pension laws and financial reporting regulations, the requirements under IFRS and Part 9 of Book 2 of the Dutch Civil Code.
- Apart from these, TenneT is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the Financial Statements, for instance, through imposing fines or litigation. Given the nature of TenneT’s business and the complexity of European public procurement regulations, the Energiewet (Dutch Electricity Act), the Energiewirtschafsgesetz (German Energy Industry Act), and other relevant Dutch and German energy laws and regulations, as well as environmental laws, there is a risk of non-compliance with the requirements of such laws and regulations. In addition, we considered relevant laws and regulations applicable to listed companies.

- Our procedures are more limited with respect to other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the Financial Statements. These laws and regulations compliance may be fundamental to the operating aspects of the business, to TenneT's ability to continue its business, or to avoid material penalties (e.g., compliance with the energy laws in the Netherlands and Germany or compliance with environmental regulations) and therefore non-compliance with such laws and regulations may have a material effect on the Financial Statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the Financial Statements.
- Our procedures are limited to (i) inquiry of the Executive Board, the Supervisory Board and others within TenneT as to whether the Company is in compliance with such laws and regulations and (ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the Financial Statements.
- We remained alert to indications of (suspected) non-compliance throughout the audit.
- We obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

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

Audit approach going concern

Description

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

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

Our response

We performed the following procedures:
- We evaluated management's assessment of the going concern assumption and related disclosure note 1 of the Financial Statements;
- We challenged management's cash flow forecasts and primary assumptions, also in the light of our understanding obtained with regards to management's outlook as reported in the Board Report;
- We evaluated the Company's capital management objectives, including its long-term credit rating and liquidity on a rolling 12-month forward looking basis as disclosed in note 19; and
- We considered the Company's repayment obligations as disclosed in note 28.

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

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

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

Project Ampere

Description

On 10 February 2023, TenneT announced that it intends to engage in discussion with the German government to investigate the potential full sale of TenneT's German activities. Since then, talks between the Dutch and German governments on the potential sale ("Project Ampere") have been ongoing. Based on the current state of the negotiation, TenneT has concluded that the IFRS 5 'Held for Sale' criteria have been met per 31 December 2023 and therefore have been applied to the Financial Statements.

We have included this as a key audit matter because of:
- the additional reporting risks such as incorrectly concluding that all IFRS 5 criteria have been met; and
- the one-off nature of this potential transaction could lead to incorrect accounting under the treatment of IFRS 5 and incomplete disclosures on the matter.

Our response
We performed the following procedures:
- We obtained a detailed understanding of the (internal) process that TenneT management uses to keep track of all developments in Project Ampere.
- We have reviewed all relevant minutes and reports, made regular inquiries with TenneT's Executive Board, Supervisory Board, and other key officers involved.
- We performed an analysis on the media coverage surrounding this topic, including potential developments in the process.
- We evaluated the affected accounting positions, including the judgment if all IFRS 5 'Held for Sale' criteria have been met as per 31 December 2023, and the related disclosures in the Financial Statements around the potential transaction.

Our observations
Our procedures did not identify material observations and we considered management's judgment and the disclosure thereon to be adequate.

Tangible fixed assets

Description
Securing supply and facilitating the energy transition by expanding and enhancing the high-voltage grid through integration of sustainable energy sources require substantial investments and flexible access to (equity) funding. TenneT expects to increase its annual investment volume to at least EUR 10 billion in 2024 for on- and offshore grid connections.

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

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

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

Provision for decommissioning of (offshore) assets

Description

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

We have included this as a key audit matter because of:
- the significance of the provision and additions for the year triggered by the start of construction of new (offshore) assets; and
- the uncertainty involved in measuring the provision and sensitivity to changes in key assumptions, including the cost base, the inflation rate and the discount rate.

Our response

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

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

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

Our observations

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

Report on the other information included in the Integrated Annual Report 2023

The Integrated Annual Report 2023 contains other information, in addition to the Financial Statements and our auditor's report thereon. The other information consists of:
1. Director's Report, consisting of:
   a. About TenneT;
   b. Our performance in 2023;
   c. Corporate Governance; and
   d. EU Taxonomy disclosures.
2. Supervisory Board Report.
3. Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.
4. Other information included in the integrated annual report.

Based on the following procedures performed, we conclude that the other information:
- is consistent with the Financial Statements and does not contain material misstatements; and
- contains all the information regarding the director's report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

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

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

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

Report on other legal and regulatory requirements and ESEF

Engagement

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

No prohibited non-audit services

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

European Single Electronic Format (ESEF)

TenneT has prepared its annual report in ESEF. The requirements for this are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (the "**RTS on ESEF**").

In our opinion, the annual report, prepared in XHTML format, including the (partly) marked-up consolidated financial statements, as included in the reporting package by TenneT complies in all material respects with the RTS on ESEF.

Management is responsible for preparing the annual report including the Financial Statements in accordance with the RTS on ESEF, whereby management combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting).

Our examination included amongst others:

- Obtaining an understanding of the Company's financial reporting process, including the preparation of the reporting package.
- Identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
  - obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance and the XBRL extension taxonomy files has been prepared in accordance with the technical specifications as included in the RTS on ESEF; and
  - examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

Description of responsibilities regarding the Financial Statements

Responsibilities of management and the Supervisory Board for the Financial Statements

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

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

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

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the Financial Statements

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

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

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

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

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

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

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

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

Rotterdam, 4 March 2024

Deloitte Accountants B.V.

Signed on the original J.A. de Bruin

Limited assurance report of the independent auditor with respect to the 2023 Sustainability Information of TenneT Holding B.V.

To: the Shareholder and Supervisory Board of TenneT Holding B.V. ("TenneT" or the "Company")

Our conclusion

We have performed a limited assurance engagement on the sustainability information included in the Integrated Annual Report for the year 2023 ("**IAR**"), of TenneT based in Arnhem (the "**Sustainability Information**"). Our procedures did not cover the information set out in the section EU Taxonomy disclosures' on page 213.

Based on our procedures performed and the assurance information obtained, nothing has come to our attention that causes us to believe that the Sustainability Information in the accompanying IAR does not present fairly, in all material respects:

- the policy and business operations with regard to sustainability; and
- the business operations, events and achievements in 2023

in accordance with the applicable criteria as included in the 'Reporting criteria' section of our report.

The Sustainability Information consists of the performance information in the chapters 'At a glance 2023', 'Letter from the Board', 'About TenneT', 'Our Performance in 2023' (excluding the sections 'Safeguard sustainable financial performance' and 'Statements of the Executive Board') and the section 'About this report' in the IAR.

Basis for our conclusion

We have performed our limited assurance engagement on the Sustainability Information in accordance with Dutch law, including Dutch Standard 3810N 'Assurance-opdrachten inzake duurzaamheidsverslaglegging' (Assurance engagements relating to sustainability reports) which is a specified Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000 'Assurance engagements other than audits or reviews of historical financial information'. This assurance engagement is aimed at obtaining limited assurance. Our responsibilities under this standard are further described in the 'Our responsibilities for the review of the Sustainability Information' section of our report.

We are independent of TenneT in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics for Professional Accountants).

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

Reporting criteria

The reporting criteria applied for the preparation of the Sustainability Information are the Sustainability Reporting Standards of the Global Reporting Initiative ("**GRI Standards**") and the criteria supplementally applied as disclosed in the chapter 'About the report" of the IAR.

The Sustainability Information is prepared with reference to the GRI Standards. The GRI Standards used are listed in the GRI Content Index as disclosed on page 205 of the IAR.

The comparability of Sustainability Information between entities and over time may be affected by the absence of a uniform practice on which to draw, to evaluate and measure this information. This allows for the application of different, but acceptable, measurement techniques.

Consequently, the Sustainability Information needs to be read and understood together with the criteria applied.

Materiality
Based on our professional judgement we determined materiality levels for each relevant part of the sustainability information. When evaluating our materiality levels, we considered quantitative and qualitative aspects as well as the relevance of information for both stakeholders and the company.

Limitations to the scope of our review
The Sustainability Information includes prospective information such as ambitions, strategy, plans, expectations, estimates and risk assessments. As discussed in the section 'Climate related risks and opportunities' on page 109 of the IAR, the Sustainability Information includes information based on climate-related scenarios that is subject to inherent uncertainty because of incomplete scientific and economic knowledge about the likelihood, timing or effect of possible future climate-related impacts. Prospective information relates to events and actions that have not yet occurred and may never occur. We do not provide any assurance on the assumptions and achievability of this prospective information.

In the Sustainability Information, the calculations to determine the Impact Indicators are mostly based on assumptions and sources from third parties. The assumptions and sources used are disclosed in the chapter The Sustainable Development Goals of the IAR and further elaborated in the Additional CSR data document as available on the website of TenneT. We have reviewed that these assumptions and external sources are appropriate, but we have not performed procedures on the content of these assumptions and external sources

The references to external sources or websites in the Sustainability Information are not part of the Sustainability Information as included in the scope of our assurance engagement. We therefore do not provide assurance on this information. Our conclusion is not modified in respect to these matters.

Responsibilities of management and the Supervisory Board for the Sustainability Information
Management is responsible for the preparation and fair representation of the Sustainability Information in accordance with the criteria as included in the 'Reporting criteria' section, including the identification of stakeholders and the definition of material matters. Management is also responsible for selecting and applying the criteria and for determining that these criteria are suitable for the legitimate information needs of stakeholders, considering applicable law and regulations related to reporting. The choices made by management regarding the scope of the Sustainability Information and the reporting policy are summarised in the chapter 'Our strategy and value creation' of the IAR.

Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the Sustainability Information that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the sustainability reporting process of TenneT.

Our responsibilities for the assurance engagement on the Sustainability Information
Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence to provide a basis for our conclusion.

Our assurance engagement is aimed to obtain a limited level of assurance to determine the plausibility of information. The procedures vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in a limited assurance engagement is therefore substantially less than the assurance that is obtained when a reasonable assurance engagement is performed.

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

Our limited assurance engagement included among others:

- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, and the characteristics of TenneT.
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the Sustainability Information. This includes the evaluation of TenneT's materiality assessment and the reasonableness of estimates made by management.
- Obtaining through inquiries a general understanding of the internal control environment, the reporting processes and information systems and the entity's risk assessment process relevant to the preparation of the Sustainability Information, without obtaining assurance information about the implementation or testing the operating effectiveness of controls.
- Identifying areas of the Sustainability Information where misleading or unbalanced information or material misstatements, whether due to fraud or error, is likely to arise. Designing and performing further assurance procedures aimed at determining the plausibility of the Sustainability Information responsive to this risk analysis. These procedures consisted amongst others of:
  - obtaining inquiries from management, KPI owners and/or other relevant staff at corporate and business level responsible for the sustainability strategy, policy and results;
  - obtaining inquiries from relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the Sustainability Information;
  - determining the nature and extent of the procedures for KPI's. For this, the nature, extent and/or risk profile of the KPI's are decisive. Based thereon we selected the KPI owners or other relevant staff whom we have interviewed.
  - obtaining assurance evidence that the Sustainability Information reconciles with underlying records of TenneT;
  - reviewing, on a limited test basis, relevant internal and external documentation; and
  - performing an analytical review of the data and trends.
- Reading the information in the IAR which is not included in the scope of our assurance engagement to identify material inconsistencies, if any, with the Sustainability Information.
- Considering the overall presentation and balanced content of the sustainability information.
- Considering whether the Sustainability Information as a whole, including the sustainability matters and disclosures, is clearly and adequately disclosed in accordance with the applicable criteria.

We communicated with the Executive Board and Supervisory Board regarding, among other matters, the planned scope, timing and outcome of the review and significant findings that we identified during our review.

Rotterdam, 4 March 2024

Deloitte Accountants B.V.

Signed on the original J.A. de Bruin

About this report

Scope of this report

The scope of this report is TenneT Holding B.V. and the subsidiaries in which it has a controlling interest (generally speaking a voting interest of over 50%). For example, our 50% stake in BritNed and BritNed's activities are not included in our results. This integrated report covers the full year 2023, i.e. 1 January 2023 to 31 December 2023. TenneT's Integrated Annual Report 2023 was published on 11 March 2024 and is available online.

In 2023, there were no significant acquisitions or divestments impacting our non-financial reporting. A complete overview of all the consolidated entities in this Integrated Annual Report is disclosed in note 31 of the consolidated financial statements. Our reporting policy in the event of acquisitions or divestments is disclosed in notes 1, 2, 12 and 13 of the consolidated financial statements. For non-financial performance we report acquisitions and divestments from the day of purchase or when an entity is sold respectively. We recognise that in the event of acquisitions, reporting improvements may be required which may result in data being estimated.

Reporting principles

Our non-financial qualitative and quantitative information is prepared with reference to the Global Reporting Initiative (GRI) Universal Standards. In absence of sector guidance, we also adhere to the sector guidelines for our industry (G4 sector disclosures - electric utilities). For more information, please refer to the reporting guidance document on our corporate website.

The GRI context index, as included on our corporate website, shows which GRI aspects are material to TenneT and refers to those sections in the report describing this aspect. In addition, and in accordance with the policy on state-owned companies (*Nota Deelnemingenbeleid Rijksoverheid 2022)*, TenneT complies with the Dutch Corporate Governance Code, as laid down in the Corporate Governance section of this report. As required per this policy, TenneT also signed the Diversity Charter in 2021 and embraces the principles of the Tax Governance Code.

We have used the Integrated Reporting (IR) framework, as defined by the International Integrating Reporting Council (IIRC, which together with SASB formed the Value Reporting Foundation in 2021) as a basis for this integrated report. This allows us to be transparent about our impact as an organisation. The financial information in this report was prepared in accordance with IFRS, as adopted by the EU, and complies with Part 9 of Book 2 of the Dutch Civil Code.

Furthermore, our Integrated Annual Report complies with the EU Non-Financial Reporting Directive (NFRD), which was translated to Dutch legislation and has been mandatory for annual reports since 2017. In 2022, the successor of this legislation was published: the Corporate Sustainability Reporting Directive (CSRD). This directive sets out the legal basis to which companies, that fulfil the requirements set out in this legislation, need to comply to and as of which date to be more transparent on how companies manage and perform with respect to the organisation's environmental, social and governance related impacts, risks and opportunities. As a company already needing to comply to the NFRD, TenneT needs to report in accordance with the CSRD as of reporting year 2024. TenneT has started its preparations to comply to this new EU legislation, ahead of the finalisation of the legislation and delivery of the reporting standards connected to them, the European Sustainability Reporting Standards (ESRS).

The CSRD legislation was finalised in November 2022 and the final wording of the ESRS was agreed upon and adopted by the European Commission in July 2023. TenneT has started preparing to become CSRD ready and to be able to report on the requirements set by the ESRS. Therefore, TenneT has performed a double materiality analysis (refer to the 'Stakeholders and materiality' section) and been performing gap analyses to determine potential gaps between what the ESRS requires and how impacts, risks and opportunities for a certain topic are currently managed.

Examples of this relate to where we can better explain the connection between TenneT's strategy, the policies, actions, targets and metrics defined for instance. With a relatively new topic for TenneT such as circularity, we are aware that managing this impact in the context of ESRS, is a journey and there is still ground to cover. That is why we have been working step by step on this and closing gaps one step at a time. In 2024, TenneT will continue to work on gaps identified.

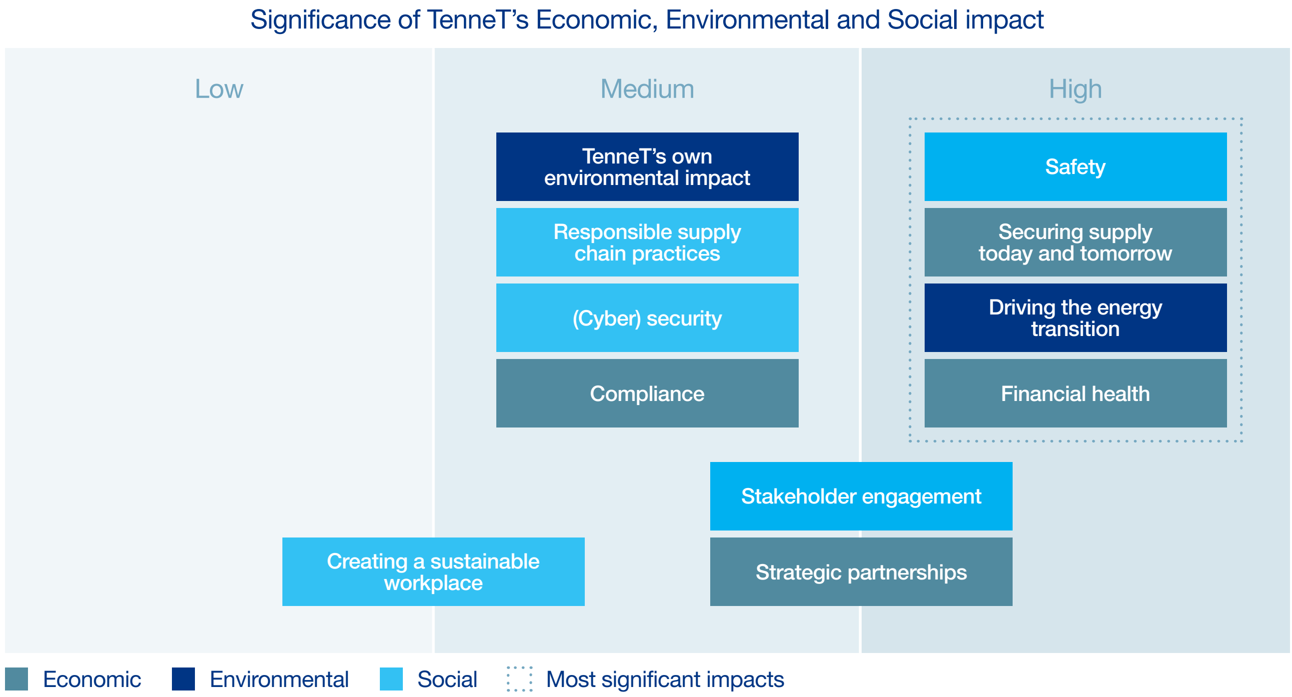
Furthermore, this report is also part of our progress and how we implement the 10 principles of the United Nations Global Compact (UNGC). We have endorsed these principles since 2015, not just to underline our own commitment, but also to drive CSR performance in the value chain. The UNGC principles are the basis of our TenneT Supplier Code of Conduct and mandatory for all suppliers. New suppliers who do not meet our standards during supplier visits, are disqualified from our tender procedures. The way communication on the progress related to the UNGC has changed in 2022 and as of 2023 this will be shared via the UNGC website.

In 2015, the United Nations launched the Sustainable Development Goals (SDGs). These goals are accepted worldwide as driving sustainability. The section in our Integrated Annual Report 'The Sustainable Development Goals' describes our impact and the contribution we make to the SDGs that are most relevant to our business.

Stakeholders and materiality

In accordance with the applied reporting principles, this integrated report covers topics considered material to our organisation. TenneT uses the materiality principle to determine which subjects/impacts to include in the report related to which activities (also with respect to our supply chain) to take into account. Our corporate website (www.tennet.eu) includes additional information which was not considered material for integrated reporting purposes. How we defined the material topics and the results of this assessment can be found in the materiality section below. The fact that we report on selected topics does not mean we do not manage aspects that are not considered material to our business. Our activities and CSR policy are broader and are not limited to the outcome of the materiality analysis. For more detailed information, go to the CSR section of our website.

Materiality



Our policy is to perform a materiality analysis every two to three years and review the analysis every year to identify gaps in intermediate years. As 2023 is the final year we will be reporting based on GRI, due to the reporting requirements related to the CSRD as of reporting year 2024, we made use of the materiality analysis performed in 2022 and reconfirmed its appropriateness for our 2023 annual reporting. This is based on the guidance provided by GRI in their Universal Standards (2021), described in GRI 3. Here, the analysis of the significance of TenneT's economic, social and environmental impact was performed and determined through an internal analysis. We included the views of our (external) stakeholders from earlier surveys and interactions in this analysis. This determined whether our impact per topic is either high, medium or low. The outcome of this analysis was reviewed and validated by our highest governance body, being both the Executive Board and the Supervisory Board. The outcome of this was that the following four impacts are considered to be our key material topics: safety, securing supply today and tomorrow, driving the energy transition and financial health. The materiality process is thoroughly embedded in the TenneT organisation. After validation, the materiality analysis was completed and resulted in the overview, depicted on the previous page.

As aforementioned, the European Commission adopted the CSRD legislation in 2022, and will replace the NFRD requirement when the first organisations need to report based on the ESRS in regarding fiscal year 2024, such as TenneT. With respect to materiality, the concept of double materiality is mentioned in both the NFRD as well as the CSRD. This means that on the one hand, companies need to assess the degree of the impact the organisation's material environmental, social and governance (ESG) impacts, risks and opportunities on people and planet and also on the other hand how these impacts, risks and opportunities financially impact the organisation.

As TenneT, our impact on both dimensions is disclosed in our annual reporting already in several ways. This is on the one hand a part of the materiality analysis where the significance of TenneT's impact is assessed per relevant topic. Key impacts are also disclosed quantitatively and qualitatively in the relevant chapters. With regards to our impact on people, this is disclosed in 'Our stakeholders' and the chapter 'Safe and inspiring workplace'. Our impact on the environment is disclosed in the chapter 'Create value to transition to a climate-neutral economy'.

On the other hand, the impact of ESG impacts, risks and opportunities on TenneT is currently described in the way we incorporate the Taskforce for Climate related Financial Disclosures (TCFD) recommendations in Integrated Annual Report 2023. The impact of climate change on our activities and the associated risks and opportunities are disclosed here. We also disclose how developments related to people and the environment could impact us as a company, for example in 'Key Developments' and the 'What could prevent us from reaching our goals?' in each chapter of 'Our performance'. This relates to the effects of climate change, scarcity of goods and services, changing demographics, also related to our people and future employees, might impact us, as for instance changing demographics and scarcity of (technical) talent provides challenges.

However, this is just covering a part of the ESRS requirements. That is why we have finalised our double materiality analysis in the second half of 2023 to prepare ourselves for the reporting year 2024 and reporting based on ESRS. As there are differences between how GRI and ESRS approach the concept of materiality, we have used the outcomes of this assessment purely for the preparation of the 2024 reporting and not to base our Integrated Annual Report 2023 on.

The double materiality analysis performed has been executed in accordance with ESRS 2 and has made use of obtaining the views of stakeholders via surveys, internal desktop research and expert sessions with internal stakeholders from multiple departments such as CSR experts, risk specialists and colleagues with a broad financial background. This analysis has been reviewed and validated by both our Executive Board and Supervisory Board in 2023. As a result, the following impacts, risks and opportunities have been identified as material:

- Safe working environment
- Security of supply
- Financial health
- Climate change
- Resource use and circularity
- Responsible Supply Chain Practices
- Delivering the energy transition

These outcomes are used to prepare ourselves for the 2024 annual reporting based on ESRS. In this year's annual report, we already disclose information on all of the topics that are deemed material based on this double materiality assessment, where for certain topics to a greater extent than for others. In Integrated Annual Report 2024, we will ensure that our disclosures on how we manage these topics are prepared in accordance with ESRS.

Scope and boundaries

The table on the next pages provides a clear overview of the material topics, their impact, our contribution and the boundaries. A detailed disclosure of our management approach on each material topic can be found in the CSR section of our website.

Material topic	Safety	Security of supply	Drive the energy transition	Financial health
Reference				
• Chapter	• Create a safe and inspiring workplace	• Deliver a high security of supply	• Deliver a high security of supply, Ensure critical infrastructure for society, • Create value to transition to a climate neutral economy, • Solve societal challenges with stakeholders and through partnerships	• Safeguard sustainable financial performance
• Why material?	• Our employees are our most important and valuable asset, which is why the safety of everyone involved in our activities (employees and contractors) is a top priority.	• Our main task is to ensure security of electricity supply to more than 43 million people across the Netherlands and Germany.	• With our knowledge, experience and vision with respect to the future energy landscape, we believe that we can serve society by helping to drive the energy transition in an effective and efficient manner.	• Safeguarding sustainable financial performance will enable us to drive the energy transition against lower societal costs. We need to invest in onshore and offshore grid infrastructure to realise the energy transition over the next ten years and achieve the energy goals set by the Dutch and German government.
• What is the impact?	• We need to make sure our employees can perform their work safely, as every safety incident is one too many.	• Electricity is the backbone of the economy of the countries we operate in.	• National governments in the area we serve have committed themselves to national and international climate agreements. We are an important stakeholder to help realise this.	• It is important to carefully make the right investment decisions and to manage them properly to be sure we are doing the right things at acceptable costs.
• What is our role?	• We are responsible for integrating safety into our daily pratices as a TSO.	• We are responsible for maintaining a balance between supply and demand; we operate and manage the high-voltage grid.	• To connect everyone with a brighter energy future, we need to lead as a green grid operator, be a thought leader in the energy transition, develop innovative instruments to unlock flexibility and establish a pivotal role in the energy data world to facilitate innovation.	• We are responsible for realising the investment programme and living up to our stakeholders' expectations.

Material topic	Safety	Security of supply	Drive the energy transition	Financial health
• What are the bounderies?	• We are responsible for making sure everyone that works with and for us can return safely to their homes at the end of the day. The scope of our safety reporting relates to both our own employees as safety incidents from employees working for our contractors related to our projects.	• We are responsible for transmission services. Production is the responsibility of producers, distribution lies with DSOs.	• Our boundaries related to this topic align with the scope of this report. • For our carbon footprint reporting, we broadened the scope of our reporting this year as also the scope 3 emissions related to purchased and capital goods and services are included related to the realisation of our assets.	• We are responsible for realising our investment portfolio. The investment programme is based on the task we are given by the Dutch and German governments.
• Key Performance Indicators (KPIs)	• TRIR	• Security of supply: uptime in %	• Amount of GW of offshore capacity realised	• Adjusted underlying EBIT group FFO/Net debt ROIC
• Targets/ambitions	• 4.3 (in 2023)	• 99.99962% grid availability onshore 95.07% grid availability offshore	• TenneT aims to connect over 43 GW of offshore wind energy by ~2030.	• In 2023, our investment target was EUR 6.3 billion • To finance our investments, our target is to deliver at least EUR 10 billion per year in projects while securing our supply chain.
• Unit(s) responsible within organisation	• Health, Safety & Environment (HSE)	• Asset Management (AMT) Large Projects departments (LPG), (LPN), (LPD), (LPO) System Operations (SOP), Grid Field Operations, (GFO)	• Large Projects departments (LPG), (LPN), (LPD), (LPO) Digital & Process Business Technology Organisation (BTO), Grid Field Operations (GFO)	• Strategic Investment Committee, Supervisory Board, Business Guidance Corporate (BGD)

For most of our figures, our reporting focus is on our own operations, although we do take some aspects of the value chain into account in our carbon footprint and safety (TRIR). We recognise that reporting outside our gate (so-called 'value chain reporting') provides a better overview of our impact. We will strive to expand the boundaries of our reporting where possible in the next years.

EU Non-Financial Reporting Directive

Our Integrated Annual Report complies with the EU Non-Financial Reporting Directive with respect to non-financial and diversity information. The table below provides a clear overview of where the different aspects of this directive are reported.

Topic	A description of the policies pursued, including due dilligence.	The outcome of those policies.	Principle risks in own operations and within value chain.	How risks are managed.	Non-financial key performance indicators.
• Relevant social and personnel matters (e.g. HR, safety etc.)	• Create a safe and inspiring workplace • Create value to transition to a climate-neutral economy • Solve societal challenges with stakeholders and through partnerships	• Create a safe and inspiring workplace • Create value to transition to a climate-neutral economy • Solve societal challenges with stakeholders and through partnerships	• Create a safe and inspiring workplace • Create value to transition to a climate-neutral economy • Solve societal challenges with stakeholders and through partnerships	• Create a safe and inspiring workplace • Create value to transition to a climate-neutral economy • Solve societal challenges with stakeholders and through partnerships	• Create a safe and inspiring workplace • Create value to transition to a climate-neutral economy • Solve societal challenges with stakeholders and through partnerships
• Relevant Environmental matters (e.g. climate-related impacts)	• Create value to transition to a climate-neutral economy	• Create value to transition to a climate-neutral economy	• Create value to transition to a climate-neutral economy	• Create value to transition to a climate-neutral economy • Climate related risks	• Create value to transition to a climate-neutral economy
• Relevant matters with respect for human rights (e.g. labour protection)	• About TenneT - The supply chain of TenneT	• About TenneT - The supply chain of TenneT	• About TenneT - The supply chain of TenneT • Create value to transition to a climate-neutral economy	• About TenneT - The supply chain of TenneT • Create value to transition to a climate-neutral economy	• About TenneT - The supply chain of TenneT
• Relevant matters with respect to anti-corruption and bribery	• Corporate Governance	• Corporate Governance	• Corporate Governance	• Corporate Governance	• Corporate Governance

Topic	A description of the policies pursued.	Diversity targets	Description of how the policy is implemented	Results of the diversity policy
• Insight into the diversity (executive board and the supervisory board)	• Create a safe and inspiring workplace • Supervisory Board report, 8. Inclusion and Diversity	• Create a safe and inspiring workplace • Supervisory Board report, 8. Inclusion and Diversity	• Create a safe and inspiring workplace • Supervisory Board report, 8. Inclusion and Diversity	• Create a safe and inspiring workplace • Supervisory Board report, 8. Inclusion and Diversity

Data collection process

The reported data is obtained from financial and non-financial data management systems in our own operations, such as IFS and SAP for financial and HR data, Mecoms for our electricity transport data, and Zenya for our incident reporting, i.e. safety data. The key non-financial qualitative and quantitative data is included in the regular planning and control cycles and reported internally at least once a quarter by the Business Guidance department which performs a check on the quality and reliability of the data. TenneT's Executive Board and senior management contribute to the context of the report and the quantitative data.

The definitions and calculations used are disclosed in the abbreviations and definitions section of this Integrated Annual Report and in the CSR section of our corporate website. The definitions and calculations used were re-assessed based on such things as process improvements, further alignment within the group and the materiality analysis. As a result, certain originally reported comparative figures were re-classified to conform to the current year's presentation.

The data for this report was measured, and where no data was available, it was estimated. An example of this is the energy use at some of our smaller offices. Due to the nature and maturity level of non-financial data, we acknowledge that it is a journey to fully align this with the level of financial systems and processes. Therefore, improvements can be made over time with the aim to provide our stakeholders better and more relevant information. That is why 100% completeness and accuracy of our data cannot be guaranteed as processes may be subject to a higher degree of manual data collection.

External assurance

The financial statements included in this report are subject to an independent external audit and TenneT's non-financial reporting is subject to a limited assurance review. These were both conducted by our external auditor, Deloitte Accountants B.V.. Reliable data is essential in our dialogue with stakeholders, so we decided to have our non-financial data reviewed by an external assurance provider. We have requested Deloitte to review the Integrated Annual Report sections 'At a Glance', 'Letter from the Board', 'About TenneT' and 'Our Performance in 2023' (excluding 'Safeguard sustainable financial performance' and 'Statements of the Executive Board') with reference to the GRI Standards and audit the financial statements in accordance with IFRS as adopted by the EU and Part 9 of Book 2 of the Dutch Civil Code.

Governance of CSR

For TenneT, CSR covers a broad range of subjects, all aimed at creating a sustainable future for our internal and external stakeholders. CSR is embedded in our current strategy. We have set clear priorities, targets and key performance indicators in this. For some areas we are currently developing new or updating key performance indicators. On an overall level, our Executive Board is responsible for our strategy and company target setting, which includes the areas with respect to CSR. Our Strategy and Partnerships department, is mandated by the Executive Board to make decisions based on the CSR areas in our overall strategy and to execute studies for future ambitions with respect to CSR. In case new decisions and directions, this will be approved by the relevant decision committee within our organisation depending on the topic (Future Design, Asset, Integrated Work Planning or Systems & Market committee). In addition, business units are responsible for the topics that relate to their unit and sustainable development. The senior leaders are requested to manage and steer on their respective responsibility areas.

These units report the progress with respect to our strategy, our financial and non-financial performance (including our CSR policy and actions) on a quarterly basis and this is reviewed by our Executive Board and Supervisory Board in that frequency to evaluate whether we are on track and or if actions are deemed necessary to improve. Our Supervisory Board consists of members all with knowledge of various elements of sustainable development. For more information, refer to page 90 of the Supervisory Board report where the capabilities matrix is included.

Other information

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, our 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.

EU Taxonomy disclosures

Introduction

The EU Taxonomy constitutes one of the cornerstones for both the European Green Deal as well as the EU Action Plan on Sustainable Finance. It aims to facilitate the flow of capital towards more sustainable investments in the EU. However, to do so, a clear definition of what constitutes as “sustainable” is needed. And this is what the EU Taxonomy is aimed at – providing clear guidance on when an activity can be deemed sustainable. In 2023, additional guidance has been published with respect to the remaining four environmental goals:

- The sustainable use and protection of water and marine resources
- The transition to a circular economy
- Pollution prevention and control
- The protection and restoration of biodiversity and ecosystems

Considering that nearly all of our activities already relate to EU Taxonomy 4.9 ‘Transmission and distribution of electricity’ (NACE code D35.12), the published guidance on the remaining four environmental goals is not final yet and that the guidance in TenneT's case relates to assessing the remaining approximately 1% of our Taxonomy metrics against this guidance, we concluded that we do not claim eligibility and alignment against one of the other environmental goals for the currently remaining ineligible part of our activities.

Reporting requirements

TenneT, subject to the Non-Financial Reporting Directive (NFRD) via Part 9 of Book 2 of the Dutch Civil Code, is required to apply the EU Taxonomy Regulation 2020/852 in its corporate reporting as of reporting year 2021. As of 2022, and in accordance with these requirements, TenneT reported on its eligible contribution to the European Union’s environmental objectives of climate change mitigation (CCM) according to the guidelines laid down in the EU Taxonomy. We reported the share of turnover, capital expenditure (CAPEX) and operating expenditure (OPEX) that we have deemed ‘Taxonomy-eligible’ - irrespective of whether these activities met any or all the technical screening criteria stated in the Taxonomy. As of 2022, and in accordance with these requirements, TenneT reported on its eligible contribution to the European Union’s environmental objectives of climate change mitigation (CCM) according to the guidelines laid down in the EU Taxonomy.

In reporting year 2023, TenneT determined whether its activities are taxonomy ‘eligible’ and ‘aligned’ for the environmental goal climate change mitigation. This builds on the 2021 ‘EU Taxonomy eligibility’ by requiring the activities to meet additional criteria for:

- Substantial contribution to climate change mitigation;
- Do no significant harm (DNSH) to any other environmental objectives for those activities; and
- Minimum safeguards at the organisational level.

To this end, we analysed whether we met the requirements for these elements, based on the assessment performed in 2022 and updated this on certain elements. This relates to reviewing and assessing the technical screening criteria related to this economic activity, next to the review of the respective DNSH as included in the respective annex as well as the minimum safeguards to which the European Commission provided additional guidance in their final report of October 2022. Furthermore, we comprehensively analysed and screened our eligible economic activities and the turnover they generate, as well as our CAPEX and OPEX, and determined the share that qualifies as Taxonomy-aligned.

For reporting year 2023, we leveraged on the 2022 assessments and updated them where required.

Basis for preparation

As indicated in Annex I to the Commission Delegated Regulation, article 1.2, the basis of how the KPIs are prepared, is included in our Integrated Annual Report 2023. This relates to the accounting policy (1.2.1), where is explained how these KPIs were determined and how the allocation has been performed. As nearly all of our activities are related to EU Taxonomy 4.9 ‘Transmission and distribution of electricity’, allocation to different economic activities is not applicable. This is because our primary tasks are to provide electricity transmission services and system services and to facilitate the energy market. Those economic activities are linked to NACE code D35.12 and are concluded to substantially contribute to climate change mitigation, since TenneT is transmitting and distributing renewable energy in line with Directive (EU) 2018/2001, including necessary reinforcement or extension of the grid. In line with technical screening criterium 4.9 ’Transmission and distribution of electricity’ on climate mitigation, as per Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 Annex I. The regulated activities are as such EU Taxonomy eligible activities (in the table known as activity A) and the non-regulated activities are EU Taxonomy non-eligible activities (in the table known as activity B).

Both turnover and operational expenditures are based on underlying financial information as disclosed in note 3 ‘Segment information’ of the consolidated financial statements and as used in the director’s report. Capital expenditures are also based on underlying financial information, but there are no differences with investments based on IFRS.

There were no changes to the application of calculations compared to the previous reporting period, nor material changes to the implementation of the CAPEX plans. We consider Annex 1, articles 1.2.2.1c, 1.2.2.2., 1.2.2.3 and 1.2.3 to be not applicable to our situation, with the exception of the key information about our CAPEX plans related to our Taxonomy eligible and aligned activities. Please note that we deem the risk of double counting not applicable our eligible economic activities only relates to one activity (the aforementioned NACE code D35.12). More information on our investments, can be found in the chapter ‘Ensure critical infrastructure for society’ of the director’s report. These investments contribute to a future green energy system, related to the EU’s environmental goal of climate change mitigation. Significant research and development and innovation activities are mentioned in the ‘Our performance in 2023’ section of this report.

Our additional disclosures are therefore related to how these KPIs were determined and how the allocation has been performed.

Scope of sustainability reporting

For sustainability reporting purposes, TenneT consolidates data in line with the scope of our report as set out on page 205 ‘About this report’. The EU Taxonomy includes reporting of entities that are consolidated in the Group’s consolidated financial statements, in line with the requirements of IFRS 10 ‘Consolidated financial statements’. As such the EU Taxonomy reporting scope is limited to our subsidiaries. Joint ventures and associates are not included for EU Taxonomy purposes as no turnover, OPEX and CAPEX are recognised in the consolidated financial statements, because of accounting under the equity method for these types of investments.

Turnover

Financial year 2023	Year			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities (1)	Code (2)	Turnover (3)	Proportion of Turnover, year 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) turnover, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
	35.12	in EUR million	%														%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Transmission of electricity in the Netherlands	35.12	2,709	29.4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	31.1%	E	
Transmission of electricity in Germany	35.12	6,310	68.4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	66.6%	E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**9,019**	**97.8%**	**97.8%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**97.7%**		
Of which enabling		9,019	97.8%	97.8%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	97.7%	E	
Of which transitional		–	0%	0%						Y	Y	Y	Y	Y	Y	Y	0%		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Transmission of electricity in the Netherlands last mile to fossil power plant		24	0.3%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.3%		
Transmission of electricity in Germany last mile to fossil power plant		131	1.4%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								1.5%		
Turnover of Taxonomy- eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**155**	**1.7%**	**1.7%**	**0%**	**0%**	**0%**	**0%**	**0%**								**1.8%**		
A. Turnover of Taxonomy-eligible activities (A.1+A.2)		**9,174**	**99.5%**	**99.5%**	**0%**	**0%**	**0%**	**0%**	**0%**								**99.5%**		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		**48**	**0.5%**																
Total (A+B)		**9,222**	**100%**																

Y Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

	Proportion of turnover / Total turnover	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	97.8%	99.5%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

CAPEX

Financial year 2023	Year			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities (1)	Code (2)	CAPEX (3)	Proportion of CAPEX, year 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) CAPEX, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
		in EUR million	%														%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Transmission of electricity in the Netherlands	35.12	2,956	36.3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	33.8%		
Transmission of electricity in Germany	35.12	5,192	63.7%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	66.0%	E	
CAPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)		8,148	**100%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**99.8%**		
Of which enabling		8,148	100%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	99.8%	E	
Of which transitional		–	0%	0%						Y	Y	Y	Y	Y	Y	Y	0%		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Transmission of electricity in the Netherlands last mile to fossil power plant		–	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Transmission of electricity in Germany last mile to fossil power plant		–	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
CAPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**–**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0%**		
A. CAPEX of Taxonomy-eligible activities (A.1+A.2)		**8,148**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**								**99.8%**		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
CAPEX of Taxonomy-non-eligible activities		3	0%																
Total		**8,151**	**100%**																

Y Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

Proportion of CAPEX / Total CAPEX		
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	100%	100%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

OPEX

Financial year 2023	Year			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities (1)	Code (2)	OPEX (3)	Proportion of OPEX, year 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) OPEX, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
		in EUR million	%														%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Transmission of electricity in the Netherlands	35.12	1,475	26.9%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	31.5%	E	
Transmission of electricity in Germany	35.12	3,971	72.5%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	67.9%	E	
OPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**5,446**	**99.4%**	**99.4%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**99.4%**		
Of which enabling		5,446	99.4%	99.4%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	99.4%	E	
Of which transitional		–	0%	0%						Y	Y	Y	Y	Y	Y	Y	0%		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Transmission of electricity in the Netherlands last mile to fossil power plant		8	0.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL								0.2%		
Transmission of electricity in Germany last mile to fossil power plant		22	0.4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL								0.4%		
OPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**30**	**0.6%**	**0.6%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0.6%**		
A. OPEX of Taxonomy-eligible activities (A.1+A.2)		**5,476**	**100%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**								**100%**		
B. Taxonomy non-eligible activities																			
OPEX of Taxonomy-non- eligible activities		**1**	**0%**																
Total		**5,477**	**100%**																

Y Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

Proportion of OPEX / Total OPEX		
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	99.4%	100%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

Accounting policy

EU Taxonomy Turnover (page 215)

Turnover for taxonomy-eligible activities (A. Taxonomy - eligible activities)
All regulated revenues are eligible to the EU Taxonomy turnover.

Determination of numerator for taxonomy – aligned turnover
All regulated revenues are aligned to EU Taxonomy, except the other revenues stream and the total share of the direct connections between our substation or grid and the network and a power production plant that is more greenhouse gas intensive than 100 gCO_2e/kWh measured on a life cycle basis. This turnover is excluded from the final calculation to determine the reporting metrics related to this regulation and this turnover is disclosed under A.2. Taxonomy-eligible but not environmentally sustainable activities.

Determination of denominator for taxonomy-aligned turnover
Total turnover as included in note 3 'Segmenting information'.

EU Taxonomy CAPEX (page 216)

CAPEX for taxonomy-eligible activities (A. Taxonomy - eligible activities)
All regulated investments are eligible to the EU Taxonomy CAPEX.

Determination of numerator for taxonomy - aligned activities
All investments are related to new connections to green electricity producers or other parts of the grid that are needed to transmit green electricity. The amount is based on the regulated investments and additions to the right-of-use assets, reference is made to the table below.

Determination of denominator for taxonomy - aligned activities
Total of the investments and the right-of-use assets additions, reference is made to the next table.

(EUR million)	TSO NL	TSO DE	Regulated	Non-regulated	Total
Investments (note 3)	2,948	4,779	7,727	3	7,730
Right-of-use assets (note 10)	8	413	421	-	421
Total EU Taxonomy CAPEX	**2,956**	**5,192**	**8,148**	**3**	**8,151**

Since we do not have any investments related to fossil power plants we have no CAPEX disclosed under A.2. Taxonomy-eligible but not environmentally sustainable activities.

EU Taxonomy OPEX (page 217)

OPEX for taxonomy-eligible activities (A. Taxonomy - eligible activities)
Based on the frequently asked questions from October 2022 (Commission Notice on the interpretation of the Disclosures Delegated Act from October 2022) and December 2022 (Second Draft Commission Notice on interpretation and implementation EU Taxonomy Climate Delegated Act from December 2022), the OPEX category is closely related to maintenance and repair and can include the following costs for: maintenance material, cost of employee repairing a machine, cost of employee cleaning a factory, IT dedicated to maintenance. In view of the above, TenneT has included grid related expenses in calculating the OPEX. This methodology has not been changed compared to our Integrated Annual Report 2022.

All regulated grid expenses are eligible to the EU Taxonomy OPEX.

Determination of numerator for taxonomy - aligned activities OPEX
All regulated grid expenses are aligned to EU Taxonomy, except the total share of the direct connections between our substation or grid and the network and a power production plant that is more greenhouse gas intensive than 100 gCO_2e/kWh measured on a life cycle basis. These OPEX are excluded from the final calculation to determine the reporting metrics related to this regulation and are disclosed as OPEX under A.2. Taxonomy-eligible but not environmentally sustainable activities.

Determination of denominator for taxonomy - aligned activities OPEX
All grid expenses as included in note 3 ‘Segmenting information’.

Glossary

Power units
- Power is energy per unit of time
- Power output is measured in watts (W)
- 1 kW (kilowatt) = 1,000 W
- 1 MW (megawatt) = 1,000 kW
- 1 GW (gigawatt) = 1,000,000 kW

Energy units
- Energy is power multiplied by time
- 1 kWh (kilowatt hour) = 1 kW in one hour
- 1 MWh (megawatt hour) = 1,000 kWh
- 1 GWh (gigawatt hour) = 1,000,000 kWh
- 1 TWh (terawatt hour) = 1,000,000,000 kWh

Weight units
- ktonnes (kilotonnes) = 1,000 tonnes
- Mt or Mtonnes (megatonnes) = 1,000,000 tonnes

Voltage
- 1 kV (kilovolt) = 1,000 volts (V)

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

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

ACER – Agency for the Cooperation of Energy Regulators
The European network organisation for energy regulators. It has a key role in the integration of European electricity and gas markets, providing a framework for co-operation at EU level and regulatory certainty.

ACM – Autoriteit Consument & Markt
Dutch national regulatory authority.

Adjusted FFO – Adjusted funds from operations
Profit for the year plus depreciation, amortisation and impairments minus gain/loss on the disposal of assets minus capitalised interest on assets under construction, plus interest on provisions, minus 50% of Hybrid interest.

Adjusted FFO/net debt
Adjusted funds from operations divided by net debt.

Blockchain
The digital process of verifying and documenting the performance of distributed flexible devices. Blockchain is suited to connecting multiple parties and large numbers of distributed computed nodes and enabling them to undertake joint action in a scalable, transparent and trusted network.

BNetzA – Bundesnetzagentur für Elektrizität, Gas, Telekommunikation, Post und Eisenbahnen
German national regulatory authority.

BritNed
The 260 km-long high-voltage direct current BritNed cable has a capacity of 1,000 MW and connects the Dutch and British electricity grids.

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

Carbon footprint
The total amount of greenhouse gases produced to directly and indirectly support human activities, usually expressed in equivalent tons of carbon dioxide (CO_2).

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

CIP – Copenhagen Infrastructure Partners
Copenhagen Infrastructure Partners is a fund management company that is joined between four senior partners and PensionDenmark.

CO2 – Carbon dioxide
Carbon dioxide is a greenhouse gas formed by the burning of carbon-based fuels. Its concentration in the atmosphere is rapidly increasing, leading to global warming.

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

COSO – Committee of Sponsoring Organisations of the Treadway Commission
COSO has established the common internal control model against which companies and organisations assess their control systems.

CP programme – Commercial paper programme
A commercial paper is a flexible short-term debt instrument that is issued directly to the market with different maturities and is offered continuously.

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

CSR – Corporate social responsibility
Corporate social responsibility relates to the socially responsible business practices of a company, balancing people, planet and profit.

CSRD – Corporate Sustainability Reporting Directive
The objective of the proposed CSRD is to improve sustainability reporting and ensure it is brought into a company's management report to better leverage the potential of the European single market and to contribute to the transition to a fully sustainable and inclusive economic and financial system in line with the European Green Deal and the UN Sustainable Development Goals (SDGs).

Cross-border TSO
A cross-border TSO is a TSO that operates in more than one country.

CTA - Contractual Trust Arrangements
A contractual trust arrangement is essentially a form of company pension fund where the fund's assets have been transferred to a legal entity separate from the company.

DBO - Defined Benefit Obligation
A defined benefit obligation pension plan is a type of pension plan in which an employer/sponsor promises a specified pension payment, lump-sum or combination thereof on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service and age, rather than depending directly on individual investment returns.

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

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

E-wet – Elektriciteitswet 1998
The Dutch electricity law.

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

EBITDA – Earnings before interest, tax, depreciation and amortisation
Earnings for the period before income tax expense, interest payments depreciation and amortisation are deducted.

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

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

EEG – Erneuerbare-Energien-Gesetz
German Renewable Energy Act, designed to govern the preferred supply of electricity from renewable sources into the grid with guaranteed, fixed minimum producer prices. It is intended to serve and protect the climate and is one of several statutory provisions aimed at reducing Germany's dependence on fossil fuels such as oil, natural gas or coal, and nuclear power.

EIB – European Investment Bank
The European Investment Bank is one of the key financial institutions of the EU. It is the only bank owned by and representing the interests of the EU member states, providing financing for sustainable investment projects that contribute to furthering EU policy objectives.

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

EMTN – Euro medium-term note
A flexible medium-term debt instrument that is issued directly to the market with different maturities and is offered continuously rather than all at once like a bond issue.

Energinet
Energinet is the Danish TSO that TenneT is partnering with to build the COBRAcable between the Netherlands and Denmark. Energinet.dk is also participating in the development of the North Sea Wind Power Hub.

EnWG – Energiewirtschaftsgesetz
The German electricity law.

ENTSO-E – European Network of Transmission System Operators for Electricity
ENTSO-E is the organisation of transmission system operators at a European level, representing 39 TSOs from 35 countries. Its mission is to promote important aspects of energy policy, especially integrating renewable energy and the completion of an internal energy market.

Equigy B.V.
Together with TenneT (Germany and the Netherlands), Transpower (Germany), Swissgrid (Switzerland) and Terna (Italy), four of the largest European transmission system operators are now jointly developing a cross-border blockchain platform - Equigy. This will enable millions of European households and owners of e.g. electric vehicles to actively offer the flexible capacity of their cars and house batteries on the energy markets to stabilise the electricity system and thus earn money from the energy transition.

ESG ratings
ESG ratings asses environmental, social and governance information of TenneT.

EU – European Union
The European Union (EU) is a political-economic union of 28 member states located in Europe.

Flexumers
Energy consumers simultaneously acting as producers

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

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

GIS – Gas insulated switchgear
A switchgear insulated via SF_6 gas or other gasses.

Green (hybrid) bonds
The proceeds of the green bonds are used to finance, refinance and/or invest in projects relating to the transmission of renewable electricity from offshore wind power plants into the onshore electricity grid using direct current technology or alternating current technology.

Green hybrid bonds are perpetual bonds without an end-date.

GRI – Global Reporting Initiative
The Global Reporting Initiative is a non-profit organisation that promotes sustainability and produces global standards for sustainability reporting.

Helaba – Helaba Pension Trust e.V.
Helaba Pension Trust e.V. is a subsidiary of German bank Landesbank Hessen-Thüringen and holds a part of the assets of the German pension plan.

HGRT – Holding des Gestionnaires de Réseaux de Transport d'Électricité S.A.S.
Holding des Gestionnaires de Réseaux de Transport d'Électricité S.A.S. is a holding company of EPEX SPOT power exchange.

HR – Human resources
Our HR department aims to make a distinctive contribution to TenneT's position as a leading TSO by attracting, recruiting and retaining qualified staff, as well as by creating a healthy and stimulating working environment.

HVDC – High-voltage direct current
A high-voltage, direct current system can transmit bulk electricity over longer distances than an alternating current system and with lower grid losses. As such, HVDC is used for linking offshore wind farms to the onshore grid and for our Interconnectors NorNed to Norway, BritNed to the UK and COBRAcable to Denmark and NordLink to Norway.

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

ICF – Internal control framework
Framework for the set of internal controls, to provide reasonable assurance on the reliability of our internal and external reporting.

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

IFRS – International Financial Reporting Standards
The internationally prescribed and recognised reporting guidelines.

IIRC – International Integrated Reporting Council
The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession, academia and NGOs. The coalition promotes communication about value creation as the next step in the evolution of corporate reporting. Together with the Sustainability Accounting Standards Board (SASB) the IIRC formed the Value Reporting Foundation.

ISS ESG
ISS ESG is a sustainability rating agency and external assessor for benchmarking CSR reports.

KfW – Kreditanstalt für Wiederaufbau
KfW is the Reconstruction Credit Institute development bank owned by the German government.

KWK-G – Kraft-Wärme-Kopplungs-Gesetz
The German Combined Heat and Power Act.

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

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

Moody's
Moody's Investors Service provides credit ratings, research, and risk analysis.

Net debt
Gross debt minus cash and cash equivalents at free disposal plus lease liabilities plus net employee defined benefit obligation plus 50% of hybrid securities.

Netbeheer Nederland
Netbeheer Nederland is the association in the energy sector representing the interests of national and regional electricity and gas network operators in the Netherlands.

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

NOKA – DC Nordseekabel GmbH & Co. KG
NOKA is jointly owned by TenneT and German development bank KfW. It is responsible for financing and building the German part of the NordLink cable.

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

NordLink
TenneT is jointly developing the NordLink interconnector with its project partners, the Norwegian TSO Statnett and German development bank KfW. With an overall transmission capacity of 1,400 MW, the subsea cable will run between Tonstad in the South of Norway and Wilster in Northern German.

NSWPH – North Sea Wind Power Hub
The consortium of the North Sea Wind Power Hub programme has joined forces to realise climate goals. The consortiums work is based on research, stakeholder interaction and experience from earlier projects. Partners in the consortium are Energinet, Gasunie and TenneT.

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

OECD – Organisation for Economic Co-operation and Development
The Organisation for Economic Co-operation and Development is an intergovernmental economic organisation with 36 member countries, founded in 1961 to stimulate economic progress and world trade.

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

OPEX deficit
The difference between our operation expenditure and the reimbursement for these costs.

OWF – Offshore wind farm operators
Offshore wind farms are constructed in bodies of water to generate electricity from wind.

PBA - Project Budget Approval
The process of formally identifying and approving the project budget, prior to the start of the project.

RCF – Revolving credit facility
A line of credit where TenneT pays a commitment fee and can then use the funds as and when needed.

RES – Renewable Energy Sources
All sources of renewable energy including sunlight, wind, tides, waves, biomass and geothermal heat.

ROIC – Return on invested capital
Underlying EBIT Group expressed as a percentage of the average underlying invested equity plus loans and bank overdrafts minus cash at free disposal during the year.

S&P – Standard & Poors
Standard & Poors provides credit ratings, research, and risk analysis.

SASB – Sustainability Accounting Standards Board
The Sustainability Accounting Standards Board is a non-profit organisation that sets financial reporting standards. SASB was founded in 2011 to develop and disseminate sustainability accounting standards. Together with the IIRC, the SASB formed the Value Reporting Foundation.

SBTi – The Science Based Targets initiative
The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The SBTi call to action is one of the We Mean Business Coalition commitments.

SCL – Safety Culture Ladder
TenneT uses the Safety Culture Ladder (SCL) as a tool to increase safety awareness and enhance safety culture, not only within our own organisation but also for our contractors. The Safety Culture Ladder is a requirement in the selection phase of a tender as described in the 'Safety by Contractor Management' programme.

SDG – United Nations Sustainable Development Goals
The Sustainable Development Goals (SDGs) are a universal call to action to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere. The 17 aspirational ‘global goals’ with 169 targets between them were adopted by all UN Member States in 2015, as part of the 2030 Agenda for Sustainable Development which set out a 15-year plan to achieve the Goals.

SF_6 – Sulphur hexafluoride
An inorganic, colourless, odourless and non-flammable greenhouse gas that is used in the electricity industry to insulate high-voltage circuit breakers, switchgear and other electrical equipment.

SHE – Safety, Health & Environment
SHE is the set of activities relating to safety, health & environment.

SIC - Standard Interpretation Committee
SIC Interpretations were previously issued by the Standard Interpretations Committee (SIC), and were subsequently endorsed by the International Accounting Standards Board (IASB). The IFRS Interpretations Committee has reissued Interpretations in this series if it considers it necessary.

SLA – Service level agreement
A service-level agreement is an agreement between two or more parties, where one is the customer and the others are service providers.

SuedLink
A DC connection to transport electricity generated in the north of Germany to the South.

SuedOstLink
A DC connection to transport electricity generated in north of Germany to the South-East.

Sustainalytics
Sustainalytics is a sustainability ratings agency and external assessor for benchmarking CSR reports.

TRIR – Total recordable incident rate
The total recordable incident rate is the number of total recordable incidents per million hours worked. Recordable incidents are fatalities, lost work day cases, restricted work day cases and medical treatment cases.

TSCNET
TSCNET Services is one of Europe's Regional Security Coordinators (RSCs). The company based in Munich, renders integrated services for power transmission system operators (TSOs) and their control centres to maintain the operational security of our electricity system – 24 hours a day, seven days a week.

TSO – Transmission system operator
A transmission system operator transports electricity at national or regional level from producers to distributers. A TSO is responsible for providing (1) power transmission services, by constructing and maintaining a robust high-voltage grid, (2) system services, by maintaining the balance between supply and demand of electricity 24/7 and (3) facilitating a smooth functioning, liquid and stable electricity market.

UN – United Nations
An international organisation formed to promote international peace, security, and co-operation under the terms of the charter signed by 51 founding countries in San Francisco in 1945.

UNGC – United Nations Global Compact
A call from the UN to companies to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and take actions that advance societal goals.

VKE – Versorgungskasse Energie VVaG
Versorgugnskasse Energie VVaG is pension fund for energy mutuals and a subsidiary of E.ON SE. It holds a part of the assets of the German pension plan.

WACC – Weighted average cost of capital
The WACC is the rate that a company is expected to pay on average to all its capital providers to finance its assets.

Workforce
All internal and external people who works for TenneT and where TenneT is responsible for their safety relating to our work.

SWOT Analysis

In the section 'Our performance in 2023' of our report, we elaborated on TenneT's performance, strategic risks and the outlook for 2024. Our SWOT provides an insight into our company's opportunities and strengths, as well as threats and weaknesses, providing context to our stakeholders.

SWOT Analysis

Strengths

High level of security of supply

Technical innovations

Leader in European market integration in North-West Europe

First cross-border TSO in Europe and a favorable corporate reputation amongst stakeholders

Stable credit rating

First mover attitude in shaping the grid of the future

Weaknesses

Dependency on the availability of suppliers

Grid extensions, customer connections and congestion management

Increasing OPEX costs

Maintenance pressure aging assets

S W
O T

Opportunities

Standardisation of assets and components

Attractive employer

More favorable laws to support the energy transition

System integration / sector coupling (a.o. hydrogen)

Usage of artificial intelligence applications

Threats

Supply chain disruptions and scarcities

Volatile European grid

Unavailability of new hires

Cyber and physical security threat

Changes in national or European political landscape

Affordability of the energy transition

Not having the capacity to deliver large projects in time

Key figures: five-year summary

(based on underlying figures)

	2023	2022	2021	2020	2019
Energise our people and organisation					
TRIR	4.5	4.9	5.8	4.1	4.8
Absentee rate NL	3.9	3.7	3.1	2.7	3.4
Absentee rate DE	3.4	4.1	2.6	2.5	2.8
Diversity % female inflow to total inflow	32%	33%	31%	33%	31%
Internal headcount	6,937	5,930	5,168	4,321	3,768
Secure supply today and tomorrow					
Investments (in)tangible fixed assets	7,730	4,493	3,969	3,412	3,012
Grid availability (onshore)	99.99993%	99.99963%	99.99999%	99.99995%	99.99982%
Interruptions (onshore)	14	11	17	4	14
Interconnectors	17	17	17	15	15
Drive the energy transition					
Percentage greened of our carbon footprint	33%	35%	69%	62%	27%
Safeguard our financial health					
Net debt	20,899	17,551	15,584	14,004	10,815
Underlying EBIT group	1,817	1,210	834	910	768
Underlying result for the year	1,071	671	493	516	401
Adjusted ROIC	5.8%	4.9%	4.2%	5.1%	5.1%
Adjusted FFO/Net debt	11.6%	11.1%	10.5%	11.3%	12.9%
IFRS EBIT group from continuing operations	172	-796	-275	1,356	1,077
IFRS result from continuing operations	67	-590	-320	837	630
IFRS result from discontinuing operations	644	-289	–	–	–
IFRS result	711	-879	-320	837	630