
Financial statements

Consolidated financial statements

Consolidated statement of financial position

For the year ended 31 December (EUR million)

Assets	Notes	2021	2020
Non-current assets			
Tangible fixed assets	8	23,811	20,859
Right-of-use assets	9	433	505
Intangible assets	10	254	212
Investments in joint ventures	12	638	673
Investments in associates	12	34	34
Deferred tax assets	6	162	37
Other financial assets	13	37	28
Total non-current assets		**25,369**	**22,348**
Current assets			
Inventories	14	83	65
Account- and other receivables	15	2,401	3,795
Income tax receivable	6	143	31
Cash and cash equivalents	16	3,204	567
Total current assets		**5,831**	**4,458**
Total assets		**31,200**	**26,806**

Consolidated statement of financial position

For the year ended 31 December (EUR million)

Equity and liabilities	Notes	2021	2020
Equity			
Equity attributable to ordinary shares	18	4,844	5,324
Hybrid securities	18	2,125	2,125
Equity attributable to owners of the company		**6,969**	**7,449**
Non-controlling interests	19	638	689
Total equity		**7,607**	**8,138**
Non-current liabilities			
Borrowings	20	12,366	10,217
Contract liabilities	21	428	376
Deferred tax liability	6	7	146
Provisions	22	1,417	1,282
Lease liabilities	9	235	327
Net employee defined benefit liabilities	23	351	405
Other liabilities		25	5
Total non-current liabilities		**14,829**	**12,758**
Current liabilities			
Borrowings	20	1,339	2,243
Contract liabilities	21	2	2
Income tax payable	6	6	2
Provisions	22	45	66
Other financial liabilities		281	85
Bank overdrafts	16	64	90
Lease liabilities	9	169	135
Account- and other payables	24	6,858	3,287
Total current liabilities		**8,764**	**5,910**
Total equity and liabilities		**31,200**	**26,806**

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

Consolidated statement of income

For the year ended 31 December (EUR million)

	Notes	2021		2020	
Revenue	3		**5,524**		**5,025**
Grid expenses	4	-4,102		-2,252	
Personnel expenses	4	-287		-239	
Depreciation and amortisation of assets	8,9,10	-1,165		-1,074	
Other operating expenses	4	-303		-171	
Other (gains)/losses		-4		7	
Total operating expenses			**-5,861**		**-3,729**
Share in profit of joint ventures and associates	12		62		60
Operating profit			**-275**		**1,356**
Finance income		2		2	
Finance expenses	5	-182		-197	
Finance result			**-180**		**-195**
Profit before income tax			**-455**		**1,161**
Income tax expense *	6		135		-324
Profit for the year			**-320**		**837**
Profit attributable to:					
Equity holders of ordinary shares *	18	-401		748	
Hybrid securities	18	57		44	
Owners of the company			**-344**		**792**
Non-controlling interests	19		24		45
Profit for the year			**-320**		**837**

Earnings per share attributable to the equity holders of ordinary shares

For the year ended 31 December (EUR per share)

	Notes	2021	2020
Basic and diluted earnings per share	7	-2,005	3,740

Consolidated statement of comprehensive income

For the year ended 31 December (EUR million)

		Attributable to equity holders of the company							
		Hedging reserve	Retained earnings	Unappropriated result *	**Equity attributable to ordinary shares**	Hybrid securities	**Equity attributable to owners of the company**	**Non-controlling interest**	**Total equity**
	Notes	18	18	18		18		19	
2020									
Other comprehensive income to be reclassified to profit or loss in subsequent years:									
Amortisation of hedges	18	-1	-	-	-1	-	-1	-	-1
Taxation	6	-	-	-	-	-	-	-	-
		-1	**-**	**-**	**-1**	**-**	**-1**	**-**	**-1**
Items not to be reclassified to profit or loss in subsequent years:									
Re-measurement of defined benefit pensions	23	-	-24	-	-24	-	-24	-	-24
Taxation	6	-	8	-	8	-	8	-	8
		-	**-16**	**-**	**-16**	**-**	**-16**	**-**	**-16**
Total other comprehensive income 2020		**-1**	**-16**	**-**	**-17**	**-**	**-17**	**-**	**-17**
Profit for the year		-	-	748	748	44	792	45	837
Total comprehensive income 2020		**-1**	**-16**	**748**	**731**	**44**	**775**	**45**	**820**
2021									
Other comprehensive income to be reclassified to profit or loss in subsequent years:									
Amortisation of hedges	18	-	-	-	-	-	-	-	-
Taxation	6	-	-	-	-	-	-	-	-
		-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Items not to be reclassified to profit or loss in subsequent years:									
Re-measurement of defined benefit pensions	23	-	79	-	79	-	79	-	79
Taxation	6	-	-23	-	-23	-	-23	-	-23
		-	**56**	**-**	**56**	**-**	**56**	**-**	**56**
Total other comprehensive income 2021		**-**	**56**	**-**	**56**	**-**	**56**	**-**	**56**
Profit for the year		-	-	-401	-401	57	-344	24	-320
Total comprehensive income 2021		**-**	**56**	**-401**	**-345**	**57**	**-288**	**24**	**-264**

Consolidated statement of changes in equity

For the year ended 31 December (EUR million)

		Attributable to equity holders of the company									
		Paid-up and called-up capital	Share premium reserve	Hedging reserve	Retained earnings	Unappro-priated result	**Equity attributable to ordinary shares**	Hybrid securities	**Equity attributable to owners of the company**	**Non-controlling interest**	**Total equity**
(EUR million)	Notes	18	18	18	18	18		18		19	
At 1 January 2020		**100**	**1,790**	**1**	**2,271**	**534**	**4,696**	**1,120**	**5,816**	**744**	**6,560**
Profit for the year		-	-	-	-	748	748	44	792	45	837
Total other comprehen-sive income		-	-	-1	-16	-	-17	-	-17	-	-17
Total comprehensive income		**-**	**-**	**-1**	**-16**	**748**	**731**	**44**	**775**	**45**	**820**
Dividends paid	18	-	-	-	-	-112	-112	-	-112	-50	-162
Capital contribution	18	-	-	-	-	-	-	-	-	5	5
Capital repayment	18	-	-	-	-	-	-	-	-	-55	-55
Issue of hybrid securities	18	-	-	-	-	-	-	1,000	1,000	-	1,000
Distribution on hybrid securities	18	-	-	-	-	-	-	-39	-39	-	-39
Tax on distribution on hybrid securities	18	-	-	-	9	-	9	-	9	-	9
Appropriation remaining prior year result		-	-	-	422	-422	-	-	-	-	-
At 31 December 2020		**100**	**1,790**	**-**	**2,686**	**748**	**5,324**	**2,125**	**7,449**	**689**	**8,138**
Profit for the year		-	-	-	-	-401	-401	57	-344	24	-320
Total other comprehen-sive income		-	-	-	56	-	56	-	56	-	56
Total comprehensive income		**-**	**-**	**-**	**56**	**-401**	**-345**	**57**	**-288**	**24**	**-264**
Dividends paid	18	-	-	-	-	-149	-149	-	-149	-33	-182
Capital repayment	18	-	-	-	-	-	-	-	-	-42	-42
Distribution on hybrid securities	18	-	-	-	-	-	-	-57	-57	-	-57
Tax on distribution on hybrid securities	18	-	-	-	14	-	14	-	14	-	14
Appropriation remaining prior year result		-	-	-	599	-599	-	-	-	-	-
At 31 December 2021		**100**	**1,790**	**-**	**3,355**	**-401**	**4,844**	**2,125**	**6,969**	**638**	**7,607**

Consolidated statement of cash flows

For the year ended 31 December (EUR million)

	Notes	2021		2020	
Operational activities					
Operating profit			**-275**		**1,356**
Non-cash adjustments to reconcile profit to net cash flows:					
Depreciation, amortisation and impairment of assets	8,9,10	1,165		1,074	
Share in profit of joint ventures and associates	12	-61		-60	
Dividends received from joint ventures and associates	12	85		31	
Movements in provisions and other (financial) liabilities and assets		-59		101	
			1,130		**1,146**
Working capital adjustments excluding EEG working capital:					
(Increase)/decrease in account- and other receivables	15	-90		-85	
(Increase)/decrease in inventories		-18		1	
Increase/(decrease) in account- and other payables	24	-319		-13	
Increase/(decrease) in contract liabilities	21	52		36	
Increase/(decrease) in current financial liabilities		196		6	
Cash generated from operation			**-179**		**-55**
Income tax paid (net)			-246		-402
Net cash flows from operating activities excluding EEG working capital			**430**		**2,045**
EEG working capital adjustments:					
(Increase)/decrease in EEG receivables	15	1,956		-1,625	
(Increase)/decrease EEG deposits > 3 months	15	-472		-	
Increase/(decrease) in EEG payables	24	2,961		-516	
			4,445		**-2,141**
Net cash flows from operating activities			**4,875**		**-96**
Investing activities					
Purchase of tangible and intangible fixed assets	8,10	-2,852		-3,413	
Proceeds from sale of tangible and intangible fixed assets		11		-	
Interest received		3		-	
Acquisition of subsidiary		-		-12	
Capital contribution to joint ventures and associates	12	-		-44	
Net cash flows used in investing activities			**-2,838**		**-3,469**
Financing activities					
Net financing					
Proceeds from borrowings	20	3,481		3,316	
Repayment of borrowings	20	-2,243		-566	
			1,238		**2,750**

Continuation >

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Consolidated statement of cash flows

For the year ended 31 December (EUR million)

	Notes	2021		2020	
Other financing activities					
Payment of lease liabilities	9	-156		-169	
Interest paid		-174		-189	
Dividends paid to ordinary shareholders of the company	18	-149		-112	
Proceeds from issue of hybrid securities	18	-		1,000	
Distribution on hybrid securities	18	-57		-39	
Dividends paid and capital repayments to non-controlling interests	19	-76		-100	
			-612		**391**
Net cash flows from financing activities			**626**		**3,141**
Net change in cash and cash equivalents			**2,663**		**-424**
Cash and cash equivalents at 31 December	16	3,140		477	
Cash and cash equivalents at 1 January	16	477		901	
			2,663		**-424**

Notes to the consolidated financial statements

We are continuously improving our financial reporting to make it more relevant and understandable to our stakeholders. These financial statements focus on the key (financial) topics for 2021. Like last year, the notes to the consolidated financial statements are disclosed following more or less 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 our financial statements. Accounting policies, including new European Union (EU) endorsed accounting standards, amendments and interpretations, relating to the consolidated financial statements as a whole are described below. This section also provides general guidance regarding assumptions, estimates and judgements used in the preparation of the financial statements. A more detailed description of accounting policies and significant estimates related to specific reported amounts is presented in the respective notes. Only accounting policies which are deemed material are presented in these financial statements. We consider an item material if, in our view, it is likely to have an impact on the economic decisions of primary users of these financial statements.

General

TenneT 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.

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 2021 were prepared by our Executive Board and authorised for issuance in accordance with a resolution of the Supervisory Board on 14 March 2022. 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.

Restatement of key management remuneration

In accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors, comparative figures of the key management remuneration have been retrospectively adjusted to include the termination compensation for former Board member Ben Voorhorst (EUR 580k), which has incorrectly been omitted from the 2020 Integrated Annual Report. We refer to Note 4 for the updated key management remuneration disclosure schedules.

Changes in EU-endorsed published IFRS standards and interpretations effective in 2021

Significant new and amended standards adopted by the Group

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

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

It is anticipated that any issued changes to IFRS standards that are not yet effective and adopted by TenneT will not have a significant impact. Changes in EU-endorsed published IFRS standards and interpretations effective in 2021

Basis for consolidation

The consolidated financial statements incorporate the financial statements of TenneT Holding B.V. and its subsidiaries as at 31 December 2021. A list of the legal entities included in the consolidation is included in note 30. Subsidiaries are consolidated from the date of acquisition, constituting the date on which control is obtained and continue to be consolidated until the date when such control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances, transactions, unrealised gains and losses resulting from intercompany transactions and dividends are eliminated in full in consolidation.

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

Basis for preparation

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

Significant accounting judgements, estimates and assumptions

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

Item	Note	Estimate/assumptions
Tangible fixed assets	8	Estimate of remaining useful life, identification of cash-generating units for fixed asset impairment testing and TSO NL impairment testing assumptions
Right-of-use assets and liabilities	9	Estimates of discount rate and expected extension or accelerated termination date
Intangible fixed assets	10	Estimate of recoverable amount and remaining useful life
Impairment review of goodwill	10	Estimate of cash flow projections and pre-tax discount rate
Grid expense payable	24	Amongst others estimate of electricity usage and energy prices
Provision for environmental management and decommissioning	22	Estimate of removal costs, removal dates, discount rate and price increases in the period leading up to removal
Tariff related provisions	22	Estimate of electricity usage and number of parties
Other provisions	22	Mainly relate to estimate of probability, realisation date and curtailed feed-in volumes and prices
Net employee benefit obligations	23	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.

COVID-19 impact

The COVID-19 pandemic continued during 2021. Measures initiated in 2020 and continued in 2021 allowed us to run operations in the field and in our control room without interruption, despite challenging circumstances. We are proud of the resilience of our employees. During 2021, COVID-19 had, like in 2020, no material impact on the financial figures of TenneT.

2 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
- Non-regulated activities

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 profit. 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. Furthermore, this reflects the regulatory regime.

ⓘ Accounting policies applied for underlying financial information

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

IFRS + Regulatory Deferral Accounts = Underlying

Matching is achieved 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.

During 2021, there were three customers, being two DSOs and one TSO, in the German segment that generated revenues that were more than 10% of our total revenue. The revenue from these customers amounted respectively EUR 703 million (2020: EUR 816 million), EUR 611 million (2020: EUR 572 million) and EUR 552 million (2020: EUR 770 million).

	2021			2020		
(EUR million)	**Investments**	**Assets**	**Liabilities**	Investments	Assets	Liabilities
TSO Netherlands	1,552	9,651	6,384	1,281	7,790	4,564
TSO Germany	2,408	22,325	16,943	2,121	19,637	14,271
Non-regulated activities	9	437	206	10	841	204
Total segments	**3,969**	**32,413**	**23,533**	**3,412**	**28,268**	**19,039**
Eliminations and adjustments	-	-452	601	-	-968	730
Consolidated underlying information	**3,969**	**31,961**	**24,134**	**3,412**	**27,300**	**19,769**

	2021		2020	
(EUR million)	**Assets**	**Liabilities**	Assets	Liabilities
TSO Netherlands	9,106	6,013	7,405	3,976
TSO Germany	22,109	16,773	19,517	13,747
Non-regulated activities	437	206	857	215
Total segments	**31,652**	**22,992**	**27,779**	**17,938**
Eliminations and adjustments	-452	601	-973	730
Consolidated IFRS information	**31,200**	**23,593**	**26,806**	**18,668**

Investment amounts recognised under IFRS equal underlying investments.

For an analysis of underlying results please refer to the ‘Secure a sustainable financial performance and investor rating’ section of the integrated annual report.

Regulatory deferral accounts: reconciliation to IFRS figures

The difference between underlying financial information - as presented in the segment information and board report - and IFRS reported figures is related to the recognition of regulated assets and liabilities, auction receipts and the measurement of tangible fixed assets. In the IFRS financial statements, revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. In the underlying financial information revenues are recognised according the permissible tariff decision adopted by the regulator. By doing so, volume and post calculation differences are directly matched to the related costs and therefore provide additional relevant insight to 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:

	2021					
(EUR million)	TSO NL	TSO Germany	Non-regulated	**Total segments**	Eliminations	**Total**
Connection and transmission services	1,504	3,008	-	4,512	-	4,512
Maintenance of the energy balance	91	283	-	374	-	374
Operation of energy exchanges	4	-	-	4	-	4
Offshore (balancing)	187	1,142	-	1,329	-	1,329
Other	59	120	27	206	-58	148
Inter-segment	28	48	1	77	-77	-
Total underlying revenue	**1,873**	**4,601**	**28**	**6,502**	**-135**	**6,367**
Inter-segment adjustments and eliminations	-28	-48	-1	-77	77	-
Total underlying revenue from contracts with customers	**1,845**	**4,553**	**27**	**6,425**	**-58**	**6,367**
Grid expenses	-1,075	-2,772	-2	-3,849	32	-3,817
Other operating expenses	-546	-1,232	-19	-1,797	19	-1,778
Share in profit of joint ventures and associates	1	12	-	13	49	62
Underlying operating profit	**225**	**561**	**6**	**792**	**42**	**834**
Revenue adjustment to IFRS	-503	-340	-	-843	-	-843
Cost adjustment to IFRS	7	-273	4	-262	-4	-266
IFRS operating profit/(loss)	**-271**	**-52**	**10**	**-313**	**38**	**-275**
Finance result						-180
Profit/(loss) before income tax						**-455**
Income tax expense						135
Profit/(loss) for the year						**-320**

	2020					
(EUR million)	TSO NL	TSO Germany	Non-regulated	**Total segments**	Eliminations	**Total**
Connection and transmission services	907	2,011	-	2,918	-	2,918
Maintenance of the energy balance	52	92	-	144	-	144
Operation of energy exchanges	4	-	-	4	-	4
Offshore (balancing)	153	1,082	-	1,235	-	1,235
Other	52	99	26	177	-28	149
Inter-segment	22	23	-	45	-45	-
Total underlying revenue	**1,190**	**3,307**	**26**	**4,523**	**-73**	**4,450**
Inter-segment adjustments and eliminations	-22	-23	-	-45	45	-
Total underlying revenue from contracts with customers	**1,168**	**3,284**	**26**	**4,478**	**-28**	**4,450**
Grid expenses	-446	-1,666	-2	-2,114	11	-2,103
Other operating expenses	-483	-1,000	-21	-1,504	7	-1,497
Share in profit of joint ventures and associates	1	30	3	34	26	60
Underlying operating profit	**240**	**648**	**6**	**894**	**16**	**910**
Revenue adjustment to IFRS	-44	619	-	575	-	575
Cost adjustment to IFRS	7	-136	-	-129	-	-129
IFRS operating profit	**203**	**1,131**	**6**	**1,340**	**16**	**1,356**
Finance result						-195
Profit before income tax						**1,161**
Income tax expense						-324
Profit for the year						**837**

	Reconciliation IFRS to underlying figures					
	2021			2020		
(EUR million)	IFRS figures	Underlying items	Underlying figures	IFRS figures	Underlying items	Underlying figures
Revenue	**5,524**	**843**	**6,367**	**5,025**	**-575**	**4,450**
Grid expenses	-4,102	285	-3,817	-2,252	149	-2,103
Personnel expenses	-287	-	-287	-239	-	-239
Depreciation and amortisation of assets	-1,165	-20	-1,185	-1,074	-20	-1,094
Other operating expenses	-303	1	-302	-171	-	-171
Other (gains)/losses	-4	-	-4	7	-	7
Total operating expenses	**-5,861**	**266**	**-5,595**	**-3,729**	**129**	**-3,600**
Share in profit of joint ventures and associates	62	-	62	60	-	60
Operating profit/(loss)	**-275**	**1,109**	**834**	**1,356**	**-446**	**910**
Finance income	2	18	20	2	4	6
Finance expenses	-182	-11	-193	-197	-14	-211
Finance result	**-180**	**7**	**-173**	**-195**	**-10**	**-205**
Profit/(loss) before income tax	**-455**	**1,116**	**661**	**1,161**	**-456**	**705**
Income tax expense	135	-303	-168	-324	135	-189
Profit/(loss) for the year	**-320**	**813**	**493**	**837**	**-321**	**516**
Profit/(loss) attributable to:						
Equity holders of ordinary shares	-401	805	404	748	-321	427
Hybrid securities	57	-	57	43	-	43
Owners of the company	**-344**	**805**	**461**	**791**	**-321**	**470**
Non-controlling interests	24	8	32	46	-	46
Profit/(loss) for the year	**-320**	**813**	**493**	**837**	**-321**	**516**
Basic and diluted earnings per share	**-2,005**		**2,020**	**3,740**		**2,135**
Underlying items						
To be settled in tariffs		1,317			-353	
Auction receipts		-387			-179	
Investment contributions		-1			5	
Maintenance of the energy balance		-85			-48	
Revenue		**844**			**-575**	
To be settled in tariffs		285			149	
Grid expenses		**285**			**149**	
Depreciation and amortisation of assets		-20			-20	
Total operating expenses		**-20**			**-20**	
Share in profit of joint ventures and associates		-			-	
Operating profit/(loss)		**1,109**			**-446**	

To be settled in tariffs

Revenue surpluses and deficits resulting from differences between expected (ex ante) and realised (ex post) electricity transmission volumes are incorporated in the tariffs of subsequent years in both Germany and the Netherlands. In 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 concerns an increase amounting to EUR 1,317 million (2020: decrease of EUR 353 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.

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 24 November 2021, an additional addendum to the original agreement was signed where ACM decided that no auction receipts will be used to reduce tariffs in 2022. 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.

In Germany, the use of auction receipts for investments was effectively achieved by reducing tariffs over a rolling 20-year period as of 2019.

Investments financed by using auction receipts are classified as investment contributions and are reported under ‘liabilities’. A periodic amount equal to the depreciation charges, plus a portion of the operating expenses, is released to the statement of income, following the release scheme as described above.

The underlying item auction receipts is part of revenue stream “operations of energy exchanges” for a decrease amounting to EUR 387 million (2020: decrease EUR 179 million). The underlying item investment contribution is part of revenue stream “other” for an amount of EUR 1 million decrease (2020: EUR 5 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 85 million decrease (2020: EUR 48 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.

There is no difference in depreciation method between underlying and IFRS, but the amount of depreciation differs mainly due to an impairment under IFRS of the NorNed cable in 2015 of EUR 232 million which was not recognised in underlying financial information.

With regard to TenneT's German segment, depreciation as well as assets in underlying financial information are higher due to higher acquisition costs resulting from an adjustment in connection with the Purchase Price Allocation in 2010.

3 Revenue

	2021					
(EUR million)	TSO NL	TSO Germany	Non-regulated	**Total segments**	Eliminations	**Total**
Connection and transmission services	801	2,419	-	3,220	-	3,220
Maintenance of the energy balance	166	294	-	460	-	460
Operation of energy exchanges	164	228	-	392	-	392
Offshore (balancing)	161	1,142	-	1,303	-	1,303
Other	50	130	27	207	-58	149
Inter-segment	28	48	1	77	-77	-
Total IFRS revenue	**1,370**	**4,261**	**28**	**5,659**	**-135**	**5,524**
Inter-segment adjustments and eliminations	-28	-48	-1	-77	77	-
Total IFRS revenue from contracts with customers	**1,342**	**4,213**	**27**	**5,582**	**-58**	**5,524**

	2020					
(EUR million)	TSO NL	TSO Germany	Non-regulated	**Total segments**	Eliminations	**Total**
Connection and transmission services	617	2,538	-	3,155	-	3,155
Maintenance of the energy balance	97	96	-	193	-	193
Operation of energy exchanges	99	85	-	184	-	184
Offshore (balancing)	270	1,082	-	1,352	-	1,352
Other	41	102	26	169	-28	141
Inter-segment	22	23	-	45	-45	-
Total IFRS revenue	**1,146**	**3,926**	**26**	**5,098**	**-73**	**5,025**
Inter-segment adjustments and eliminations	-22	-23	-	-45	45	-
Total IFRS revenue from contracts with customers	**1,124**	**3,903**	**26**	**5,053**	**-28**	**5,025**

Connection and transmission services

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

Revenue increased mainly due to ongoing investments and a growing asset base.

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. The cash in- and outflows associated with maintaining this energy balance (e.g. imbalance settlements) fluctuate considerably and are settled through regulated tariffs in both the Netherlands and Germany in subsequent years.

Revenue increased mainly due to higher energy prices.

Operation of energy exchanges

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

Revenue increased mainly due to higher energy prices.

Offshore (balancing)

Total offshore (balancing) slightly decreased due to the additional non-recurring income pertaining to the years 2017-2019 of EUR 29 million in 2020.

Revenue from offshore (balancing) is regulated.

ⓘ 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 regulators, ACM or BNetzA respectively, 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 (balancing) 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.

4 Operating expenses

Grid expenses

(EUR million)	2021	2020
System services	2,266	1,238
Connection and transmission services	829	360
Maintenance of the energy balance	374	145
Maintaining and operating transmission grids	637	516
Other	-4	-7
Total	**4,102**	**2,252**

System services increased additionally due to higher costs related to feed-in management, transmission restrictions, grid losses and redispatch costs. The increase is caused both by higher energy prices due to market situation and more transmission restrictions. Increase of cost of maintaining and operating transmissions grids mainly related to higher insurance costs.

Personnel expenses

(EUR million)	2021	2020
Salaries	390	318
Social security contributions	57	47
Pension charges defined benefit plans	24	20
Pension charges other plans	32	23
Other personnel expenses	39	35
Capitalised costs for (in)tangible fixed assets	-255	-204
Total	**287**	**239**

Average workforce in FTEs (internal employees only)	4,586	3,927
Average workforce in FTEs employed in the Netherlands	1,975	1,712
Average workforce in FTEs employed in the Germany	2,611	2,215

Key management remuneration

Members of the Executive Board and Supervisory Board are regarded as key management. The comparative figures of the key management remuneration have been adjusted to include the termination compensation for former Board member Ben Voorhorst (EUR 580k), which has incorrectly been omitted from the 2020 Integrated Annual Report. The termination benefit was paid out in 2021.

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

Supervisory Board (EUR thousand)	Fixed remuneration	Committee fee	Total
2021	**126**	**58**	**184**
2020	156	59	215

Executive Board (EUR thousand)	Fixed remuneration	Pension cost	Termination benefit	Total
2021	**1,602**	**445**	**513**	**2,560**
2020	1,489	338	580	2,407

The aggregate Executive Board remuneration comprises remuneration of statutory directors of EUR 2,560 thousand (2020: EUR 2,321 thousand) and remuneration of non-statutory directors of nil (2020: EUR 86 thousand). As of 1 March 2020 the entire Executive Board consisted 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)	2021	2020
Accommodation and office expenses	99	71
Consultancy expenses	48	39
Hiring of temporary personnel	49	38
Travel and living expenses	13	10
Other expenses	94	13
Total	**303**	**171**

The increase of the accommodation and office expenses is mainly due to the increased size of the organisation. Further, the increase of the other operating expenses is mainly related to normalisation of the other expenses. These were significantly lower last year due to a release of the offshore liability.

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 individual partnerships and legal entities, including their tax services and advisory groups.

(EUR thousand)	2021	2020
Audit of the financial statements		
Deloitte Accountants B.V.	826	813
Deloitte GmbH Wirtschaftsprüfungsgesellschaft	700	833
Total audit of the financial statements	**1,526**	**1,646**
Other assurance services		
Deloitte Accountants B.V.	374	451
Deloitte GmbH Wirtschaftsprüfungsgesellschaft	164	52
Total other assurance services	**538**	**503**
Total audit fees	**2,064**	**2,149**

The financial audit fees include the aggregate fees in 2021 and 2020 for professional services rendered for the audit of TenneT's Integrated Annual Report and annual statutory financial statements of subsidiaries or services that are normally provided by the auditor in connection with these audits.

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

5 Finance expenses

(EUR million)	**2021**	2020
Interest on borrowings and credit facilities	175	188
Capitalised interest on assets under construction	-13	-11
Interest on provisions	1	2
Interest on defined benefit pension plans	3	4
Interest on lease liability	2	2
Other finance expenses	14	12
Total	**182**	**197**

Finance expenses decreased due to lower interest rates on new loans.

ⓘ Accounting policy

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

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

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

Corporate income tax is payable in the Netherlands and Germany. In the Netherlands, we have entered into a so called ‘horizontal monitoring agreement’ with the Dutch tax authorities. Based on transparency and mutual trust, this agreement is meant to ensure that tax positions are fully disclosed and agreed on in advance, as a result of which generally no tax audits are performed by the Dutch tax authorities. All corporate income tax returns in the Netherlands have been filed up to and including 2019. Corporate income tax paid in the Netherlands in 2021 amounted to EUR 58 million.

In Germany, corporate income and trade tax returns for all German entities have been filed up to and including fiscal year 2020. The German tax authorities started the tax audit for the fiscal years 2017 to 2019. In 2021, we paid EUR 188 million of corporate income tax in Germany.

Key components of corporate income tax expense are:

Consolidated income statement (EUR million)	2021	2020
Current income tax charge	152	190
Deferred tax:	-287	134
Income tax expense reported in the statement of income	**-135**	**324**

Consolidated statement of comprehensive income (EUR million)	2021	2020
Effect of re-measurement of defined benefit pensions	-23	8
Income tax charged directly to other comprehensive income	**-23**	**8**

Corporate income tax on profits has been applied at the rates prevailing in the respective countries. In the Netherlands, a statutory corporate income tax rate of 25% was applied, while in Germany, on average, a marginal statutory corporate income tax rate of 29,52% was applied (including trade tax levied by municipalities or 'Gewerbesteuer'). Reconciliation between corporate income tax expense and the accounting profit multiplied by a statutory corporate income tax rate of 25% is as follows:

(EUR million)	2021	2020
Profit/(loss) before corporate income tax	**-455**	**1,162**
Statutory corporate income tax rate of 25% (The Netherlands, 2020: 25%)	-113	290
Effect of higher corporate income tax rate in Germany	-8	46
Effect of future tax rate change in the Netherlands	-4	1
Adjustments in respect to current and deferred tax of previous years	-	-3
Non-deductible costs	2	1
Non-taxable income	-9	-6
Tax paid by third parties	-3	-5
At the effective corporate income tax rate of 30% (2020: 28%)	**-135**	**324**

The main reason for the higher effective tax rate of 30% compared to the Dutch statutory tax rate of 25% is the effect of the higher tax rate in Germany. Since the accounting profit before tax is in a loss position, the items non-taxable income and tax paid by third parties, increase the effective tax rate, which in a profit position normally decrease the effective tax rate.

Deferred taxes relate to the following:

	Statement of financial position		Statement of income	
(EUR million)	2021	2020	2021	2020
Auction receipts	-60	-139	-79	-46
Investment contributions	-71	-69	2	6
Tariffs to be settled	85	-115	-200	165
Depreciation for tax purposes	-150	-156	-6	56
Provisions	403	378	-48	-46
Profit allocation to hybrid securities	-6	-6	-	-
Other	-46	-2	44	-1
Net deferred tax assets/(liabilities)	**155**	**-109**		
Deferred tax expense/(income)			**-287**	**134**

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

(EUR million)	2021	2020
Deferred tax assets	162	37
Deferred tax liabilities	-7	-146
Deferred tax, net	**155**	**-109**

Movements in deferred tax positions are set out below.

(EUR million)	2021	2020
At 1 January	**-109**	**20**
Tax expense during the period recognised in statement of income	287	-134
Adjustment tax expense relating to rate change	4	-
Initial recognition of acquired companies (note 11)	-	-3
Tax income during the period recognised in other comprehensive income	-23	8
At 31 December	**159**	**-109**

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

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. There are no unrecognised carry forward losses per 31 December 2021 (2020: nil).

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

7 Earnings per share

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

(EUR million)	**2021**	2020
Profit/(loss) for the year attributable to the ordinary shareholder of the company	-344	792
Allocation to hybrid securities	-57	-44
Profit/(loss) for the year attributable to equity holders of the company adjusted for the allocation to hybrid securities	**-401**	**748**
Weighted average number of ordinary shares in issue (in thousands)	200	200

Accounting policy

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

8 Tangible fixed assets

(EUR million)	High-voltage substations	High-voltage connections	Other assets	Assets under construction	**Total**
Cost					
At 1 January 2020	**10,359**	**8,530**	**961**	**3,627**	**23,477**
Additions	260	324	60	2,698	3,342
Transfers	536	824	32	-1,392	-
Initial recognition of acquired companies (note 11)	-	-	11	-	11
Changes in estimations	-17	-90	-	-	-107
Disposals	-6	-	-2	-	-8
At 31 December 2020	**11,132**	**9,588**	**1,062**	**4,933**	**26,715**

Continuation >

(EUR million)	High-voltage substations	High-voltage connections	Other assets	Assets under construction	Total
Additions	131	258	70	3,439	3,898
Transfers	358	382	24	-764	-
Changes in estimations	119	-78	-	-	41
Disposals	-8	-5	-5	-8	-26
At 31 December 2021	**11,732**	**10,145**	**1,151**	**7,600**	**30,628**
Depreciation and impairment					
At 1 January 2020	**2,462**	**2,144**	**330**	**-**	**4,936**
Depreciation for the year	503	358	60	-	921
Disposals	-1	-	-	-	-1
At 31 December 2020	**2,964**	**2,502**	**390**	**-**	**5,856**
Depreciation for the year	530	378	61	-	969
Disposals	-5	-2	-1	-	-8
At 31 December 2021	**3,489**	**2,878**	**450**	**-**	**6,817**
Net book value:					
At 1 January 2020	7,897	6,386	631	3,627	18,541
At 31 December 2020	8,168	7,086	672	4,933	20,859
At 31 December 2021	8,243	7,267	701	7,600	23,811

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.

In 2021 the discount rate used for the decommissioning provision was between 0.165% and 0.318% (2020: 0.0% and 0.1%) for offshore wind farms (OWF) connections (see note 22). The discount rate was adjusted in 2021 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.

The amount of borrowing costs capitalised during 2021 is disclosed in note 5. The effective interest rate used to determine the amount of borrowing costs capitalised was 2.0% (2020: 2.1%).

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 tested, for impairment (triggers), on individual level);
- TSO Germany (One large CGU consisting of regulated on- and offshore assets);
- 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.

Impairment test for tangible fixed assets

On 20 September 2021, the ACM published a new method decision for the Netherlands, which includes a decrease in the benchmark score from 97.9% in 2021 to 89.1% in 2025 and 2026 (making an average of 92.37% in the regulatory period 2022-2026 due to the grace period). Although TenneT appealed this ACM's efficiency decision in 2021, the adjustment of the benchmark score was identified as a triggering event to perform an impairment test at the level of the regulatory assets of TenneT TSO Netherlands.

A test for impairment has been conducted as at 31 December 2021. The recoverable amount of the CGU TSO Netherlands is determined based on value-in-use calculations using a discounted cash flow method. The determination of the recoverable amount is primarily based on:

- the provisions in the regulatory framework, as laid down in the 2022-2026 Method Decree (Methode Besluit) and in other applicable regulations and decrees. The WACC reimbursement is expected to converge towards the IFRS-based nominal discount rate in the long run;
- the operational projections and liquidity forecast for four regulatory periods based on approved budgets and committed investment plans. In our model it is assumed that the benchmark score will increase in the next regulatory period to being fully efficient as of the second next regulatory period – also based on the substantial arguments that TenneT brought forward against the current benchmark score;
- IFRS-based nominal pre-tax discount rate (3.75%);
- The continuing value of the grid is derived from the then expected standardised asset value (GAW). The standardised asset value is the value of the investments that a TSO is allowed to charge via the tariffs with a reasonable return.

Based on the information currently available and the above-mentioned test for impairment, management has concluded that as at 31 December 2021 there was no impairment on the CGU TSO Netherlands.

The forecast period assumed is up to 2041, which exceeds the limitation of 5 years for value in use calculations as described in IAS 36. Management considers it appropriate to exceed beyond 5 years since the forecast period should be at the end of a regulatory period and long enough to include the start of operations of the committed investment projects to be able to reflect a steady state situation.

Sensitivity analyses have been performed, including changes in the (i) investment plans, (ii) WACC reimbursement in subsequent regulatory periods and (iii) increases of the benchmark score for future regulatory periods. The sensitivity analyses did not result in a different outcome.

ⓘ Accounting policy

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

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

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

Key estimates and assumptions

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

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

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

9 Right-of-use assets and lease liabilities

Right-of-use assets

(EUR million)	Land & buildings	Power plants	NordLink cable	Other right-of-use assets	Total
Cost					
At 1 January 2020	**101**	**205**	**-**	**86**	**392**
Additions	7	14	249	3	273
Remeasurement	5	-39	-	2	-32
Depreciation	-11	-90	-7	-14	-122
Other movement	-9	-	-	3	-6
At 31 December 2020	**93**	**90**	**242**	**80**	**505**
Additions	37	51	-	10	98
Disposal	-1	-	-	-1	-2
Remeasurement	2	-	-2	-	-
Depreciation	-14	-60	-81	-13	-168
At 31 December 2021	**117**	**81**	**159**	**76**	**433**

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 2-170 years. Buildings are leased mainly as office space and for storage space. These contracts run for a period of 1-35 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 CPI index.

Leased power plants

TenneT is committed to the use of grid reserve power plants representing lease commitments according to IFRS 16. The commitments have a maturity of 2-7 years and can be prolonged depending on the decision of regulatory authorities.

Lease payments 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

TenneT leases the NordLink submarine cable to transport electricity between Germany and Norway. The lease contract has a remaining maturity of 2 years and no extension option according to IFRS 16 is included in the lease contract. Lease payments are in substance fixed.

Leased others

Telecom lease contracts (including fibreglass cables) run for a period between 3 and 36 years. For qualifying employees TenneT leased cars with a lease term between 1 and 10 years. TenneT does not purchase or guarantee the value of leased telecom assets or cars.

TenneT 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 2021 and 2020 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 (2020: EUR 2 million).

Lease liability

	2021			2020		
(EUR million)	**Current**	**Non-current**	**Total**	Current	Non-current	Total
Lease liability Land & buildings	17	101	118	12	80	92
Lease liability power plants	72	9	81	42	48	90
Lease liability NordLink	66	64	130	68	131	199
Lease liability other leases	14	61	75	13	68	81
Total	**169**	**235**	**404**	**135**	**327**	**462**

(EUR million)	Lease liability Land & buildings	Lease liability power plants	Lease liability NordLink	Lease liability other leases	Total
At 1 January 2020	**100**	**207**	**-**	**87**	**394**
Addition	8	13	250	4	275
Interest	1	-	-	1	2
Remeasurement	5	-39	-	2	-32
Repayments	-12	-91	-51	-15	-169
Other movements	-10	-	-	2	-8
At 31 December 2020	**92**	**90**	**199**	**81**	**462**
Addition	36	51	-	8	95
Interest	1	-	-	1	2
Remeasurement	3	-	-2	-	1
Repayments	-14	-60	-67	-15	-156
At 31 December 2021	**118**	**81**	**130**	**75**	**404**

The total cash outflow (including low value items and short-term leases) in 2021 was EUR 158 million (2020: EUR 171 million). Future cash outflows of leases not yet commenced but to which TenneT is committed mainly relate to leased power plants and amount to EUR 46 million yearly from 2022 till 2032.

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

(EUR million)	2021	2020
Depreciation expense of right-of-use assets	-168	-122
Short-term lease expenses	-2	-2
Interest expense on lease liabilities	-2	-2
Total amount recognised in profit and loss	**-172**	**-126**

ⓘ 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 on the next page.

	2021	2020
Under 5 year	0.00%	0.00%
5-10 years	0.00%	0.50%
10-15 years	0.24%	1.10%
15-25 years	0.58%	1.60%
Above 25 years	0.95%	2.00%

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

10 Intangible assets

(EUR million)	Goodwill	Software	Customer contracts	Other intangible assets	Intangible assets under construction	Total
Cost						
At 1 January 2020	**31**	**269**	**64**	**41**	**45**	**450**
Additions	-	1	-	-1	66	66
Initial recognition of acquired companies (note 11)	4	-	-	9	-	13
Transfers	-	38	-	-	-38	-
At 31 December 2020	**35**	**308**	**64**	**49**	**73**	**529**
Additions	-	21	-	-2	52	71
Transfers	-1	52	-	-	-52	-1
At 31 December 2021	**34**	**381**	**64**	**47**	**73**	**599**
Amortisation and impairment						
At 1 January 2020	**-**	**223**	**53**	**14**	**-**	**290**
Amortisation for the year	-	21	5	1	-	27
At 31 December 2020	**-**	**244**	**58**	**15**	**-**	**317**
Amortisation for the year	-	21	5	2	-	28
At 31 December 2021	**-**	**265**	**63**	**17**	**-**	**345**
Net book value:						
At 1 January 2020	31	46	11	27	45	160
At 31 December 2020	35	64	6	34	73	212
At 31 December 2021	34	116	1	30	73	254

As at 31 December 2021 and 2020, goodwill was allocated to the cash generating units (CGUs) in the following operating segments: TSO Netherlands (EUR 3 million), TSO Germany (EUR 24 million) and non-regulated activities (EUR 7 million, 2020: EUR 8 million). Please refer to note 11 for details on change of goodwill.

During 2021 EUR 39 million (2020: EUR 12 million) of software was internally developed.

Accounting policy

Intangible assets are measured at acquisition cost on initial recognition. The cost of intangible assets acquired in a business combination is 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.

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.

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)
- Non-regulated companies (Several small Cash Generating Units)

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 CGUs cash flow generating potential.

The recoverable amount of the German CGU was determined based on a value in use calculation using cash flow projections from our three year business plan. The pre-tax discount rate applied to cash flow projections was 3.9% (2020: 3.5%). The cash flows beyond the three-year period until 2043 were estimated on the basis of projected regulatory allowed returns and invested capital. The terminal value was determined estimating the regulatory asset base as of December 2043. We concluded that the recoverable amount as at 31 December 2021 was significantly in excess of the carrying value and as such no impairment loss needed to be recognised.

11 Business combinations

At 30 October 2020 TenneT acquired, through its subsidiary Relined GmbH, 100% of the shares of Globalways GmbH effective 1 January 2020. This company operates a network of internet connections via fibre glass cables. The acquisition consideration contains an additional earn-out option in 2021 and 2022 of EUR 1.5 million per annum. The 2021 earn-out option was not used. In 2020 the fair value of the assets and liabilities acquired was determined and was accounted for accordingly. This initial consideration, which amounted to approximately EUR 16 million, led to an amount EUR 4 million of goodwill. As of 2021, the initial amount of goodwill was adjusted downwards for changes in working capital with an amount of EUR 1 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 administrative expenses.

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

12 Investments in joint ventures and associates

Joint ventures

TenneT has, directly or indirectly, 50% equity stakes in BritNed Development Ltd. ('BritNed'), DC Nordseekabel GmbH & Co. KG (‘NOKA’), DC Nordseekabel Beteiligungs GmbH, Reddyn B.V. and Tensz B.V. We have a 20% equity stake in Equigy B.V. and a 25% indirect equity stake in Open Tower Company (OTC). For the investments in Equigy B.V. and OTC, joint control is exercised, despite unequal equity stakes. Therefore both investments are classified as joint ventures as of 2021.
In December 2021 Flexcess GmbH was established as joint venture together with TransnetBW. Both shareholders have a 50% equity stake. Flexcess GmbH has a 20% participates in Equigy B.V. effective as of 1 January 2022.

These investments are classified as joint ventures, for which only the investments in BritNed (legal seat: Arnhem, the Netherlands), OTC (legal seat: Vianen, the Netherlands) and NOKA (legal seat: Bayreuth, Germany) are each considered as an investment of material value. Other joint ventures are considered immaterial and are therefore not further disclosed. TenneT's share in profit (which is equal to other and total comprehensive income) of these immaterial joint ventures amounted to EUR 1 million in 2021 (2020: EUR 3 million).

The table below contains summarised financial information with respect to material joint ventures and a reconciliation with their carrying amounts.

	2021			2020		
Statement of financial position (EUR million)	BritNed	NOKA	OTC	BritNed	NOKA	OTC
Non-current assets	468	840	82	483	888	86
Cash and cash equivalents	56	12	19	46	48	8
Other current assets	38	44	24	29	59	21
Non-current liabilities	-47	-51	-161	-47	-80	-161
Current liabilities	-85	-6	-6	-72	-15	-2
Equity	**430**	**839**	**-42**	**439**	**900**	**-48**
Ownership TenneT	*50%*	*50%*	*25%*	*50%*	*50%*	*25%*
Carrying amount of the investment	**215**	**420**	**-**	**220**	**450**	**-**

	2021			2020		
Statement of income (EUR million)	BritNed	NOKA	OTC	BritNed	NOKA	OTC
Revenue	163	13	26	88	78	27
Depreciation and amortisation	-19	-41	-7	-16	-5	-6
Other costs	-57	-5	-7	-12	-3	-7
Operating profit	**87**	**-33**	**12**	**60**	**70**	**14**
Finance income and expenses	-2	-1	-5	-2	-2	-5
Income tax expense	-15	-2	-2	-14	-8	-2
Profit for the year*	**70**	**-36**	**5**	**44**	**60**	**7**
Ownership TenneT	*50%*	*50%*	*25%*	*50%*	*50%*	*25%*
Group's share in profit	**35**	**-18**	**1**	**22**	**30**	**2**

* Profit 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 (2020: EUR 2 million) mainly related to comfort letters issued. In 2021 EUR 40 million dividend was received from BritNed (2020: EUR 25 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) made a final investment decision to establish an interconnector between Norway and Germany under the project name ‘NordLink’. Ownership of the interconnector is equally split, with TenneT and KfW owning the southern part through NOKA, a jointly owned company and Statnett owning the northern part. In 2021 the main activity of NOKA was operating in the southern part of the interconnector. Operating costs and trading revenue are shared equally between NOKA and Statnett.

As at 31 December, NOKA had contingent liabilities of EUR 3 million (2020: EUR 13 million) mainly related to purchase obligations. During 2021 TenneT has withdrawn EUR 42 million from NOKA's capital (2020: capital contribution of EUR 42 million).

OTC
OTC (legal seat: Vianen, the Netherlands) 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 2021 (2020: nil). No dividend from OTC was received in 2021 (2020: EUR 2 million).

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 (2020: nil).

Other interests in joint ventures amounted EUR 3 million at 31 December 2021 (2020: EUR 1 million).

Associates

At 31 December 2021 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), European Market Coupling Company GmbH (EMCC), WL Winet B.V. and TSCNET Services GmbH (TSC). The Group's share in profit (which is equal to other and total comprehensive income) of these immaterial associates amounted to nil in 2021 (2020: EUR 4 million).

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:

	2021	2020
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**

	2021	2020
Statement of income (EUR million)	**HGRT**	HGRT
Revenue	-	-
Depreciation and amortisation	-	-
Other costs	-	-
Operating profit	**-**	**-**
Finance income and expenses	11	10
Income tax expense	-	-
Profit for the year*	**11**	**10**
Ownership TenneT	*34%*	*34%*
Group's share in profit	**4**	**3**

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

HGRT

The legal seat of HGRT is in Paris, France. HGRT holds a 49% stake in EPEX. EPEX is the exchange for the power spot markets for the 'North West Europe' (NWE) region and the United Kingdom. At 31 December 2021, HGRT had no contingent liabilities outstanding (2020: nil). In 2021 EUR 3 million dividend was received (2020: EUR 3 million).

Other

Our interest in other associates amounted EUR 3 million at 31 December 2021 (2020: EUR 3 million). From other associates we received nil dividend in 2021 (2020: EUR 1 million).

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

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

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

13 Other financial assets

(EUR million)	2021	2020
Receivables from related parties	5	5
Fees for credit facilities available	4	5
Minority participating interests	14	6
Other	14	12
Total	**37**	**28**

The receivables from related parties mainly consisted of loans granted to MRNV, a minority participating interest of Novec B.V., in an amount of EUR 5 million (2020: EUR 5 million). The other position includes minorities equity investments in Westley Fund 3 and 4, located in Menlo Park, California, USA, with fair value of EUR 11 million and in Set Ventures 2 and 3, located in Amsterdam, for a total fair value of EUR 3 million. We contributed EUR 2 million in capital for these minorities (2020: EUR 1 million). Since we have obtained reliable fair value information about these investments, we have accounted this accordingly, resulting in an EUR 8 million fair value gain recognised. Furthermore due to disinvestments by Westley Fund 3 we accounted a result of EUR 2 million.

Accounting policy
Please refer to note 27, accounting policies for financial instruments.

14 Inventory
Inventory primarily composed of oil which is used for measures taken at power plants that are standing by for TenneT. The allowance for inventory is EUR 6 million (2020: EUR 11 million). The fair value of inventory was not materially different from the carrying value.

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.

15 Account- and other receivables

(EUR million)	2021	2020
Amounts to be invoiced to EEG trade debtors	790	2,752
EEG trade receivables	21	15
EEG short-term bank deposits > 3 months	472	-
Trade receivables	401	316
Amounts to be invoiced	434	490
VAT receivables	159	51
Other	124	171
Total	**2,401**	**3,795**

EEG trade receivables and amounts to be invoiced to EEG trade debtors
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 for marketing the energy on the power exchange. The EEG levy also includes an additional liquidity buffer to avoid a net financing need for the TSOs. TenneT 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 24 for the EEG accounts payable.

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

Please refer to note 16 for EEG deposits.

Trade receivables

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

			Past due		
(EUR million)	Total	Not past due	0-30 days	31-60 days	More than 60 days
2021	**401**	**371**	**30**	**-**	**-**
2020	316	281	2	2	31

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

(EUR million)	2021	2020
At 1 January	**16**	**13**
Charge for the year	22	4
Utilised	-	1
Unused amounts reversed	2	-
At 31 December	**40**	**18**

As at 31 December 2021, receivables with an initial value of EUR 23 million (2020: EUR 7 million) were fully provided for.

Amounts to be invoiced

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

Accounting policy

Please refer to note 27, accounting policies for financial instruments.

16 Cash, cash equivalents and bank overdrafts

Cash and cash equivalents consisted of the following items.

	2021			2020		
(EUR million)	At free disposal	Not at free disposal	Total	At free disposal	Not at free disposal	Total
Collateral securities	-	281	281	-	85	85
EEG funds	-	771	771	-	5	5
EEG deposits < 3 months	-	2,150	2,150	-	-	-
Deposits	-	-	-	475	-	475
Cash at bank	2	-	2	2	-	2
Cash and cash equivalents	**2**	**3,202**	**3,204**	**477**	**90**	**567**
Bank overdrafts	-64	-	-64	-90	-	-90
Total cash and cash equivalents used in cash flow statement	**-62**	**3,202**	**3,140**	**387**	**90**	**477**

Funds related to EEG activities have been legally separated as required by BNetzA. EEG Funds are not at the TenneT's free disposal. For further reference regarding EEG we refer to note 15. Cash at banks carry interest at floating rates based on daily bank deposit rates which may at times be negative.

ⓘ Accounting policy

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

17 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 and Germany. 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.

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

As of 31 December 2021 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 2020 and 31 December 2021	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 2), which meets the minimum requirements for an A-/A3 long-term unsecured credit rating as formulated by the credit rating agencies Standard & Poor's and Moody's Investor Service. Individual years can be no lower than 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.

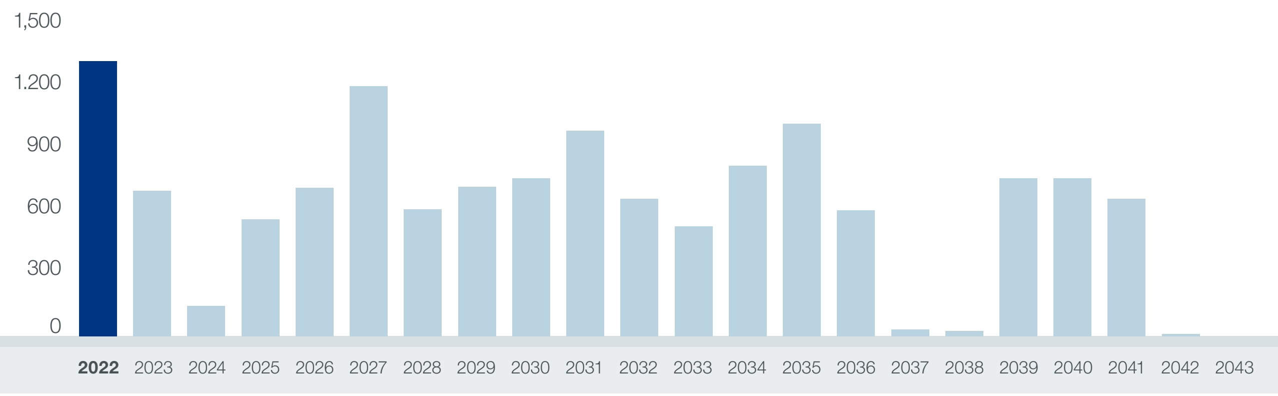
Based on underlying information (EUR million)	2021	2020
Net profit for the year	493	516
+ amortisation, depreciation and impairments	1,185	1,094
+ result on disposal of assets (non-cash)	-	-
Total FFO	**1,678**	**1,610**
Capitalised interest on assets under construction	-13	-11
Interest on provisions	1	2
50% Hybrid interest	-28	-22
FFO Adjusted	**1,638**	**1,579**
Net debt		
+ Long-term borrowings	12,366	10,217
+ Short-term borrowings	1,339	2,243
+ Bank overdrafts	64	90
- Cash and cash equivalents at free disposal	-2	-476
Lease liabilities	404	462
Net employee defined benefit liabilities	351	405
50% Hybrid loan	1,062	1,063
Net debt	**15,584**	**14,004**
Adjusted FFO/net debt	**10.5%**	**11.3%**

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 2021, our interest bearing debt (excluding bank overdrafts) had the following annual redemption profile:

Annual redemption of debt

EUR million



4. Maintaining liquidity through cash and undrawn committed credit lines covering at least our net cash requirement on a rolling 12-month forward-looking basis

We monitor the liquidity of the Group on a rolling 12-month forward-looking basis. This means that the sum of (i) cash and cash equivalents, (ii) undrawn committed credit facilities and (iii) 12-month 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 2021 and 31 December 2020.

18 Equity

Paid-up and called-up capital

The Company's authorised share capital amounted to EUR 500 million (2020: 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.

Hedging reserve

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

Retained earnings

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

Hybrid securities

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

The holders of the hybrid securities have limited ability to influence the outcome of a bankruptcy proceeding or a restructuring outside bankruptcy. Consequently, the hybrid security holders cannot oblige 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 2021, 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. As at 31 December 2021, the unpaid cumulative dividend for this tranche amounted to EUR 18 million (2020: EUR 18 million), relating to the period 1 June until 31 December and payable on 1 June 2022.

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. As at 31 December 2021, the unpaid cumulative dividend for this tranche amounted to EUR 7 million (2020: EUR 7 million).

Dividend distribution

In 2021 a common full-year dividend of EUR 149 million (EUR 745 per share) to our ordinary shareholder was distributed (2020: EUR 112 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 2021 (2020: EUR 39 million). The appropriation of the 2021 profit is at the free disposal of the General Meeting of Shareholders.

19 Non-controlling interests

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

% Non-Controlling Interests	Country	2021	2020
TenneT Offshore 2. Beteiligungsgesellschaft mbH ("TO2")	Germany	69%	69%
TenneT Offshore 8. Beteiligungsgesellschaft mbH ("TO8")	Germany	63%	63%
TenneT Offshore DolWin3 Beteiligungs GmbH & Co. KG ("TOD3")	Germany	67%	67%
TenneT Offshore DolWin3 Verwaltungs GmbH ("TODV")	Germany	67%	67%
ETPA Holding B.V. ("ETPA")	Netherlands	50%	50%

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

Movement schedule Non-Controlling interests (EUR million)	TO2	TO8	TOD3
At 1 January 2020	**259**	**249**	**236**
Profit attributable to non-controlling interests	8	16	22
Dividends paid	-13	-37	-
Capital contribution	4	1	-
Capital repayment	-	-	-55
At 31 December 2020	**258**	**229**	**203**
Profit attributable to non-controlling interests	10	-6	20
Dividends paid	-16	-18	-
Capital repayment	-1	-1	-40
At 31 December 2021	**251**	**204**	**183**

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

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

	2021		
Statement of financial position (EUR million)	TO2	TO8	TOD3
Non-current assets	337	634	916
Current assets	160	217	125
Non-current liabilities	-47	-296	-653
Current liabilities	-88	-226	-94
Equity	**362**	**329**	**294**
Attributable to owners of the parent	111	125	111
Attributable to non-controlling interests	251	204	183

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

Statement of income (EUR million)	2021 TO2	2021 TO8	2021 TOD3
Revenue	164	164	192
Depreciation and amortisation	-82	-104	-98
Other expenses	-52	-58	-36
Operating profit	**30**	**2**	**58**
Finance income and expenses	-8	-15	-24
Income tax expense	-7	3	-4
Profit/(loss) for the year	**15**	**-10**	**30**
Other comprehensive income	-	-	-
Total comprehensive income	**15**	**-10**	**30**
Attributable to non-controlling interests	10	-6	20

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

(EUR million)	2021 TO2	2021 TO8	2021 TOD3
Net cash flows from operating activities	75	64	75
Net cash flows used in investing activities	-12	-11	-13
Net cash flows from financing activities	-63	-53	-62
Change in cash and cash equivalents	**-**	**-**	**-**

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

20 Borrowings

(EUR million)	Effective interest rate	Maturity	Redemption schedule	2021	2020
4.50% bond 2010 EUR 500 million	4.60%	Feb-22	At maturity	-	499
4.625% bond 2011 EUR 500 million	4.70%	Feb-23	At maturity	500	499
0.75% green bond 2017 EUR 500 million	0.87%	Jun-25	At maturity	498	497
1.000% green bond 2016 EUR 500 million	1.04%	Jun-26	At maturity	499	499
1.75% green bond 2015 EUR 500 million	1.83%	Jun-27	At maturity	498	497
1.375% green bond 2018 EUR 500 million	1.49%	Jun-28	At maturity	496	496
1.375% green bond 2017 EUR 500 million	1.41%	Jun-29	At maturity	499	498
0.875% green bond 2019 EUR 500 million	0.98%	Jun-30	At maturity	496	495
4.75% bond 2010 EUR 200 million	4.92%	Jun-30	At maturity	197	197
1.250% green bond 2016 EUR 500 million	1.35%	Oct-33	At maturity	494	494
2.0% green bond 2018 EUR 750 million	2.04%	Jun-34	At maturity	746	746
1.875% green bond 2016 EUR 500 million	1.97%	Jun-36	At maturity	493	493
1.500% green bond 2019 EUR 750 million	1.58%	Jun-39	At maturity	740	739
0.125% green bond 2020 EUR 600 million	0.20%	Nov-32	At maturity	595	594
0.500% green bond 2020 EUR 750 million	0.54%	Nov-40	At maturity	744	744
0.125% green bond 2021 EUR 650 million	0.10%	Dec-27	At maturity	648	-
0.500% green bond 2021 EUR 500 million	0.34%	Jun-31	At maturity	495	-
0.875% green bond 2021 EUR 1000 million	0.12%	Nov-35	At maturity	993	-
1.125% green bond 2021 EUR 650 million	0.65%	Jun-41	At maturity	645	-
Non-current interest-bearing bonds				**10,276**	**7,987**
4.71% loan 2010 EUR 40 million	4.71%	2016-2022	Linear	-	3
2.74% loan 2012 EUR 150 million	2.74%	Sep-23	At maturity	150	150
4.44% loan 2010 EUR 140 million	4.44%	2016-2023	Linear	11	22
0.72% loan 2015 EUR 500 million	0.72%	2018-2032	Linear	345	379
0.77% loan 2015 EUR 150 million	0.77%	2018-2037	Linear	112	120
0.813% loan 2016 EUR 125 million	0.81%	2019-2038	Linear	100	106
0.05% loan 2020 EUR 100 million	0.05%	2025-2042	At maturity	100	100
0.436% loan 2020 EUR 350 million	0.44%	Sep-26	Linear	350	350
Non-current interest-bearing loans				**1,168**	**1,230**

Continuation >

< Continuation

(EUR million)	Effective interest rate	Maturity	Redemption schedule	2021	2020
0.646% green Schuldschein 2016 EUR 77 million	0.67%	May-22	At maturity	-	77
0.989% green Schuldschein 2016 EUR 100 million	1.01%	May-24	At maturity	100	100
1.310% green Schuldschein 2016 EUR 55 million	1.32%	May-26	At maturity	55	55
1.500% green Schuldschein 2016 EUR 50 million	1.51%	May-28	At maturity	50	50
1.750% green Schuldschein 2016 EUR 43 million	1.76%	May-31	At maturity	43	43
1.750% green Schuldschein 2016 EUR 95 million	1.76%	May-31	At maturity	95	95
2.000% green Schuldschein 2016 EUR 80 million	2.01%	May-36	At maturity	80	80
Non-current interest-bearing Schuldschein				**423**	**500**
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	294	295
2.01% USPP 2019 EUR 45 million	2.02%	Jan-34	At maturity	45	45
Total non-current interest-bearing USPP				**499**	**500**
Total non-current interest-bearing borrowings				**12,366**	**10,217**
0.875% green bond 2015 EUR 500 million	0.96%	Jun-21	At maturity	-	500
4.50% bond 2010 EUR 500 million	4.60%	Feb-22	At maturity	500	-
Current interest-bearing bonds				**500**	**500**
EEG related loans 2020 EUR 1,528 million	0.22%	Jan-21	At maturity	-	1,528
Current interest-bearing EEG related loans				**-**	**1,528**
0.646% green Schuldschein 2016 EUR 77 million	0.67%	May-22	At maturity	77	-
Current interest-bearing Schuldschein				**77**	**-**
4.12% loan 2010 EUR 150 million	4.12%	Jan-21	At maturity	-	150
4.71% loan 2010 EUR 40 million	4.71%	Nov-21	Linear	3	3
4.40% loan 2010 EUR 40 million	4.40%	Nov-21	Linear	-	3
4.44% loan 2010 EUR 140 million	4.44%	Nov-21	Linear	11	11
0.72% loan 2015 EUR 500 million	0.72%	Sep-21	Linear	34	34
0.77% loan 2015 EUR 150 million	0.77%	Jan-21	Linear	8	8
0.813% loan 2016 EUR 125 million	0.81%	Oct-21	Linear	6	6
Variable interest loan 2021 EUR 700 million	Variable	Jan-22	At maturity	700	-
Current interest-bearing loans				**762**	**215**
Total current interest-bearing borrowings				**1,339**	**2,243**
Total borrowings				**13,705**	**12,460**

Changes in borrowings arising from financing activities are as follows:

(EUR million)	(Non) - current interest-bearing bonds	(Non) -current interest-bearing loans	Non-current interest-bearing Schuldschein	Current interest-bearing EEG related loans	Non-current interest-bearing USPP	Total
At 1 January 2020	**7,642**	**1,061**	**500**	**-**	**499**	**9,702**
Cash inflow from new borrowings	1,338	450	-	1,528	-	3,316
Cash outflow from redemptions	-500	-66	-	-	-	-566
Amortisation (non-cash)	7	-	-	-	1	8
At 31 December 2020	**8,487**	**1,445**	**500**	**1,528**	**500**	**12,460**
Cash inflow from new borrowings	2,781	700	-	-	-	3,481
Cash outflow from redemptions	-500	-215	-	-1,528	-	-2,243
Amortisation (non-cash)	8	-	-	-	-1	7
At 31 December 2021	**10,776**	**1,930**	**500**	**-**	**499**	**13,705**

TenneT had a Revolving Credit Facility (RCF) of EUR 3.6 billion as of 31 December 2021. Subsequent to a one-year extension executed in September 2021 EUR 3.3 billion is available till November 2026 and EUR 0.3 billion till the original maturity date of November 2024. Furthermore, TenneT had available EUR 500 million of undrawn long-term loan commitment from the EIB at 31 December 2021, of which EUR 250 million will be settled in February 2022 with a fixed interest rate of 0.562% and a linear repayment schedule starting in 2027 and with a last repayment in 2045.

TenneT also has a committed bank facility of EUR 300 million and an uncommitted bank facility of EUR 500 million at its disposal till February 2024 (including committed extension options) and September 2022 respectively (both facilities were undrawn at 31 December 2021).

In 2021 TenneT signed a EUR 700 million committed bilateral revolving credit facility, which was fully drawn at 31 December 2021. The committed bilateral revolving credit facility is available till December 2025 (including committed extension options).

Finally, TenneT had EUR 450 million of short-term uncommitted credit facilities available at year end of which drawn EUR 64 million (2020: EUR 90 million).

The amount of borrowing costs (including fair value adjustment) capitalised was EUR 75 million (2020: EUR 64 million).

For more information about the fair value see note 26.

ⓘ Accounting policy
Refer to note 27, accounting policies for financial instruments.

21 Contract liabilities

(EUR million)	Investment contributions	Other	Total
At 1 January 2020	**341**	**1**	**342**
Addition	48	2	50
Amortisation	-13	-	-13
Release to profit and loss	-	-1	-1
At 31 December 2020	**376**	**2**	**378**
Addition	75	-	75
Amortisation	-21	-2	-23
At 31 December 2021	**430**	**-**	**430**

	2021			2020		
(EUR million)	Investment contributions	Other contract liabilties	Total	Investment contributions	Other contract liabilties	Total
< 1 year	2	-	2	2	-	2
1-5 years	12	-	12	52	-	52
> 5 years	416	-	416	324	-	324
Total	**430**	**-**	**430**	**378**	**-**	**378**

ⓘ 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.

22 Provisions

	2021			2020		
(EUR million)	Current	Non-current	Total	Current	Non-current	Total
Environmental and decommissioning	14	1,364	1,378	15	1,144	1,159
Tariff related	16	14	30	21	101	122
Other	15	39	54	30	37	67
Total	**45**	**1,417**	**1,462**	**66**	**1,282**	**1,348**

(EUR million)	Environmental management and decommissioning	Tariff related	Other	Total
At 1 January 2020	**1,142**	**128**	**141**	**1,411**
Addition	117	-1	22	138
Utilisation	-	-2	-8	-10
Changes in estimations	-94	-2	2	-94
Unused amounts reversed	-8	-1	-90	-99
Imputed interest	2	-	-	2
At 31 December 2020	**1,159**	**122**	**67**	**1,348**
Addition	162	1	11	174
Utilisation	-9	-92	-18	-119
Changes in estimations	78	-	-1	77
Unused amounts reversed	-13	-1	-5	-19
Imputed interest	1	-	-	1
At 31 December 2021	**1,378**	**30**	**54**	**1,462**

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. In 2021 EUR 163 million was added (2020: EUR 117 million) for future decommissioning costs for projects constructed during 2021. Changes in estimates related to the provision for decommissioning amounted to EUR 78 million (2020: -/- EUR 94 million), mainly due to a changes in the discount rate used, in the inflation rate, underlying assumptions and applicable price levels. Both amounts were not recognised through the statement of income. There was no material decommissioning of substations in 2021. In line with current regulation and permits, the first decommissioning of an offshore grid connection is expected to start in 2029.

Tariff related provisions

Tariff-related provisions relate to uncertain regulatory compensations of nil (2020: EUR 91 million) and to provisions for system service fees in the Netherlands. We charge electricity consumers a fee for system services performed. Following a change in law, the court in the Netherlands concluded that only parties with a direct connection to a grid maintained by a TSO are required to pay system service fees for the period prior to 31 December 2014. Consequently, we are required to refund amounts paid by certain parties to us without a direct grid connection. These refunds can be recouped by us through future tariffs. In 2021, EUR 0 million (2020: EUR 1 million) of the provided amount matured and was released through the statement of income.

Other provisions

The majority of other provisions relates to the risk of compensation payments associated with delays and interruptions of offshore grid connections in Germany. The connection of offshore wind farms presents additional technical and organisational challenges. A number of factors, including a lack of supplier resources required for the construction of offshore grid connection systems, as well as weather conditions and the application of new technologies, hindered the timely realisation and/or interrupted the operational phase of offshore grid connection systems.

ⓘ 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 anoutflow 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. For all other provisions changes in estimated future costs and discount rates are recognised in the statement of income.

Key estimates and assumptions

The estimated decommissioning provision involves 1) decommissioning costs and 2) assessing the expected remaining useful life of relevant 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. As at 31 December 2021, limited benchmark information was available. Decommissioning costs are provided for at the present value of expected costs to settle the obligation. The useful life of the offshore grid connections is estimated at 20 years. For interconnectors the useful life is estimated at 40 years. This provision assumed a discount rate between 0.165% and 0.318% was applied for other provisions (2020: between 0.0% and 0.1%) and an inflation rate of 2.0% (2020: 1.8%). A change in the discount rate of 1 percent point would have a maximum impact of EUR 164 million on the asset value and liability value.

A discount rate of 0.0% was applied for other provisions (2020: 0.0%). 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 amount of risks associated with delays and interruptions concerning the Group's offshore activities in Germany is based on the number of offshore grid connections and the compensation 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 and German regulatory frameworks on the TenneT's business financial conditions and net income;
- Operational risks and risks related to material projects;
- Impact of environmental issues;
- Risks relating to the 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 28.

23 Net employee defined benefit liabilities

Pension plans Germany

We have defined benefit plans for the majority of our German personnel. Said personnel are mainly employed based on the collective labour agreement of 'Tarifgruppe Energie' and thus enjoy benefits in the form of old-age, disability and surviving dependents' pensions. The large majority of the benefit obligations are based on pension schemes that define annual pension claims based on respective 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% (2020: 2.5%) 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.

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

(EUR million)	2021	2020
Current service costs (note 4)	24	14
Past service cost - plan amendments (note 4)	-	6
Net interest costs (note 5)	3	4
Net benefit expense	**27**	**24**

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

(EUR million)	2021	2020
Defined benefit obligation	466	514
Fair value of plan assets	-113	-107
Benefit liability	**353**	**407**

The defined benefit liabilities as at 31 December 2021 were as follows.
The short-term part of the benefit liability is presented as part of note 22 provisions.

(EUR million)	2021	2020
Defined benefit liability long-term	351	405
Defined benefit liability short-term	2	2
Total defined benefit liability	**353**	**407**

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

(EUR million)	2021	2020
Defined benefit obligation at 1 January	**514**	**465**
Current service costs	24	14
Past service costs	-	6
Interest costs	4	5
Contributions by plan participants	3	2
Benefits paid	-5	-4
Re-measurements on obligation	-74	26
Defined benefit obligation at 31 December	**466**	**514**

Re-measurements on obligation are mainly due to the change of the discount rate from 0.7% to 1.3%.

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

(EUR million)	2021	2020
Fair value of plan assets at 1 January	**107**	**104**
Actual return on plan assets	6	3
Contributions by employer	4	4
Benefits paid	-4	-4
Fair value of plan assets at 31 December	**113**	**107**

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

	2021	2020
Quoted in active markets:		
Equity instruments	36%	32%
Debt securities	47%	47%
Other	4%	4%
Unquoted investments:		
Debt securities	0%	5%
Real estate	12%	11%
Cash	0%	1%
Other	1%	0%

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

(EUR million)	2021	2020
Accumulated balance at 1 January	**282**	**258**
Re-measurements during the year	-79	24
Accumulated balance at 31 December	**203**	**282**

Re-measurements of the year originate from; the following items:

(EUR million)	2021	2020
Re-measurements from actuarial gains(-)/losses in DBO	-74	26
Exceeding return on plan assets (over net interest incl. in net liability)	-5	-2
Accumulated balance at 31 December	**-79**	**24**
Thereof:		
actuarial gains(-)/losses from experience	-	-7
actuarial gains(-)/losses from changes in demographic assumptions	-	-
actuarial gains(-)/losses from changes in actuarial assumptions	-79	33

ⓘ 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.

Key estimates and assumptions

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

	2021	2020
Discount rate	1.30%	0.70%
Inflation rate	2.00%	2.00%
Future salary increases	2.50%	2.50%
Future pension increases	1.75%	1.75%

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

(EUR million)	2021	2020
0.25% change of discount rate	-26	-25
0.5% change of salary increase rate	2	2
0.5% change of pension increase rate	2	2
Change of 1 year in life expectancy	17	17

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 an obligation to contribute to plan assets in 2022 of EUR 4 million. We expect the following, undiscounted, benefit payments from the plan.

(EUR million)	2021	2020
Within the next 12 months	6	5
Within 2-5 years	28	25
Within 5-10 years	47	41
More than 10 years	452	382
Total	**533**	**453**

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 2021 was 25.9% of the pensionable salary. In 2022 we expect to contribute EUR 33 million, based on 2021 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.

Since the financial situation of the ABP pension plan at 31 December 2015 was inadequate from a regulatory perspective, ABP filed a recovery plan, which was approved by De Nederlandsche Bank (DNB) during the course of 2016. In accordance with this recovery plan, ABP evaluates how recovery is progressing at the start of each year. Progress is measured by means of the policy funding ratio at the end of the preceding year. The policy funding ratio is the 12-month moving average of the nominal funding ratio. ABP's policy funding ratio as at 31 December 2021 was 102.8% (2020: 93.2%) 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.

24 Account- and other payables

(EUR million)	2021	2020
EEG accounts payable	4,206	1,245
Accounts payable	455	473
Payables in connection with tangible fixed asset purchases	423	337
Grid expenses payable	1,410	911
Interest payable	105	104
Social securities and other taxes payable	27	35
Payables to related parties	8	11
Other payables	224	171
Total	**6,858**	**3,287**

EEG accounts payable

Refer to note 15.

Payables in connection with tangible fixed assets purchases

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

Grid expenses payable

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

Key estimates and assumptions

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

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.

Key estimates and assumptions

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

25 Financial risk management

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

Risk management related to financing activities is 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 2021, the long-term loan portfolio was for more than 95% 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 15 million in our net interest cost (2020: EUR 8 million).

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 and Germany, respectively. The ACM set the relevant interest rate which linearly decreased from 3.58% in 2016 to 2.29% in 2021. In 2022 a new regulatory period will start in the Netherlands. In Germany, actual interest costs are compensated up to a level customary to the market. The BNetzA determines marketability on the basis of reference interest rates published by the Deutsche Bundesbank. Currently we expect that actual costs of debt for TenneT are below the predefined maximum reference rates. in which ACM has decided to ex post settle the interest rate for interest rates actually measured in the applicable year of the regulatory period.

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 both the Netherlands and Germany, 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.

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

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

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

Financial credit risk

In 2021, financial credit risk arose mainly from TenneT's transactions and positions with several financial institutions. As at 31 December 2021, the maximum credit risk amounted to nil (2020: EUR 475 million).

In accordance with our treasury policies, counterparty credit exposure is monitored frequently against the counterparty credit limits. We have concentration limits in place when funds are placed on deposit or when financial derivatives are entered into. At 31 December 2021 we had nil at our free disposal. These deposits had a maturity of less than 3 months (2020: EUR 475 million), see note 15.

At 31 December 2021 we had EUR 2,622 million deposits with third parties for EEG cash amounts (2020: nil) and no financial derivatives outstanding. As of 31 December 2021 EUR 472 million of these deposits had a maturity of more than 3 months (2020: nil), please refer to note 15 and note 16.

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 request to maintain at least 12-month liquidity was met at each quarter end date, including 31 December 2021 and 31 December 2020.

The following maturity schedule presents our financial obligations on a contractual, non-discounted basis.

(EUR million)	Notes	<1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
At 31 December 2021							
Lease liabilities	9	12	21	100	251	69	453
Borrowings	20	704	548	268	2,701	11,408	15,629
Account- and other payables	24	1,797	1,293	3,660	4	-	6,753
Other financial liabilities		281	-	-	-	-	281
Total		**2,794**	**1,862**	**4,028**	**2,956**	**11,477**	**23,116**
At 31 December 2020							
Lease liabilities	9	12	23	103	263	125	526
Borrowings	20	158	47	683	2,592	8,972	12,452
EEG related Borrowings	20	1,528	-	-	-	-	1,528
Account- and other payables	24	1,011	517	1,660	-5	-	3,183
Other financial liabilities		85	-	-	-	-	85
Total		**2,794**	**587**	**2,446**	**2,850**	**9,097**	**17,774**

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

In order to reduce liquidity risk, TenneT had a EUR 3.6 billion committed revolving credit facility (RCF) at its disposal for general corporate purposes. At 31 December 2021, this facility was undrawn. Furthermore, we had EUR 500 million of undrawn long-term loan commitments from the EIB available at 31 December 2021 and a EUR 700 million committed bilateral RCF, which was fully drawn at 31 December 2021. Next to that we had a committed bank facility of EUR 300 million and an uncommitted bank facility of EUR 500 million available (both facilities were undrawn at 31 December 2021). Finally, we had EUR 450 million of short-term uncommitted credit facilities available at year end of which drawn EUR 64 million (2020: EUR 90 million).

The EEG has a significant impact on TenneT's working capital position and to prevent negative EEG bank account balances and additional short-term bridge financing, a liquidity buffer is included in the EEG levy. In accordance with EEG legislation, shortfalls are reimbursed through EEG levies and/or government contributions in subsequent years.

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

The size of our credit facilities is such that we expect that all substantial adverse financial developments and events can reasonably be expected to be accommodated and that continuation of day-to-day operations is ensured for at least 12 months. The terms and conditions of our credit facilities include negative pledge and pari passu clauses. No security interest over any of the Group's assets has been provided. All credit facilities have floating-rate interest conditions.

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 2022 with (i) cash and cash equivalents, (ii) funds from operations, (iii) unused credit facilities and (iv) capital market transactions. We expect to meet our financial obligations for the subsequent years through various capital market transactions and equity contributions and intend to manage future refinancing risks by spreading the tenors of new financing arrangements.

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 4.25 billion) 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 28.

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.

26 Fair values

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

		Carrying amount		Fair value		
(EUR million)	Notes	**2021**	2020	**2021**	2020	Hierarchy
Financial assets						
Other financial assets:						
- Minority participating interests	13	14	6	14	-	Level 3
Total		**14**	**6**	**14**	**-**	
Financial liabilities						
Borrowings:						
- Borrowings – bonds	20	10,776	8,487	11,221	9,478	Level 1
- Borrowings – other	20	2,929	2,445	2,329	2,665	Level 2
- Borrowings – EEG related	20	-	1,528	-	1,528	Level 2
Total		**13,705**	**12,460**	**13,550**	**13,671**	

As at 31 December 2021, no instruments carried at fair value were held (2020: 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 2021, 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 2021 or 2020.

27 ⓘ Accounting policies for financial instruments

Financial assets

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

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

28 Contingencies and commitments

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

(EUR million)	2021	2020
Investment related off-balance items		
Off-balance sheet rights		
Bank guarantees received	1,440	1,227
Comfort letters received	1,314	1,202
Total	**2,754**	**2,429**
Off-balance commitments		
Capital commitments	7,468	7,133
Comfort letters issued	783	776
Total	**8,251**	**7,909**
Other off-balance items		
Other off-balance obligations		
Grid-related commitments	640	920
Other off-balance sheet commitments	55	43
Total	**695**	**963**

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

Bank guarantees received included guarantees for investment projects.

Comfort letters received

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

Capital commitments

Capital commitments are commitments entered into with regard to the purchase of tangible fixed assets. Approximately EUR 4.0 billion of capital commitments were payable within 12 months, as at 31 December 2021 (2020: EUR 2.7 billion).

Comfort letters issued

The comfort letters issued mainly related to offshore projects in Germany.

Grid related commitments

Grid-related commitments included unused auction receipts, received in the Netherlands amounting to EUR 136 million (2020: EUR 482 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;
- TenneT TSO B.V. is currently involved in a claim procedure because of alleged wrongful termination of construction contracts and in a counter claim procedure against this counter party regarding financial settlement & damages due to the alleged non-fulfilment of the construction contracts.

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

Various other off-balance sheet commitments and contingencies as well as other off-balance sheet rights existed as of 31 December 2021 but were immaterial from a disclosure perspective. The majority of these claims related to (i) construction contracts and planning damage where additional payments would be capitalised, or (ii) claims relating to compensation for delays and interruptions where any compensation would be pass-through for TenneT 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.

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.

29 Related parties

Note 30 provides an overview of legal entities included in the consolidated financial statements.

TenneT has entered into transactions with the following related parties:

- State of the Netherlands: TenneT Holding B.V. is controlled by the Dutch State, which owns 100% of the Company's ordinary shares (refer to note 18);
- Joint ventures NOKA, OTC and BritNed (refer to note 12);
- Associate HGRT (refer to note 12);
- Members of the Executive Board and Supervisory Board of TenneT Holding B.V. (refer to note 4).
- Copenhagen Infrastructure partners (CIP). As of 1 April 2022 Mr Jager will be a partner at CIP

30 Consolidated subsidiaries

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

			Voting interest		Economic interest		
Subsidiary	Legal seat	Country	**2021**	2020	**2021**	2020	
Direct subsidiaries							
ETPA Holding B.V.	Amsterdam	Netherlands	50%	50%	50%	50%	
NLink International B.V.	Arnhem	Netherlands	100%	100%	100%	100%	*
NOVEC B.V.	The Hague	Netherlands	100%	100%	100%	100%	
Relined B.V.	Utrecht	Netherlands	100%	100%	100%	100%	
TenneT Duitsland Coöperatief U.A.	Arnhem	Netherlands	100%	100%	100%	100%	*
TenneT Green B.V.	Arnhem	Netherlands	100%	100%	100%	100%	*
TenneT Orange B.V.	Arnhem	Netherlands	100%	100%	100%	100%	
TenneT TSO B.V.	Arnhem	Netherlands	100%	100%	100%	100%	
TenneT TSO Duitsland B.V.	Arnhem	Netherlands	100%	100%	100%	100%	*
Indirect subsidiaries							
B.V. Transportnet Zuid-Holland	Voorburg	Netherlands	100%	100%	100%	100%	*
CertiQ B.V.	Arnhem	Netherlands	100%	100%	100%	100%	
Duvekot Rentmeesters B.V.	Bathmen	Netherlands	100%	100%	100%	100%	
ETPA B.V.	Amsterdam	Netherlands	50%	50%	50%	50%	
Nadine Netwerk B.V.	Arnhem	Netherlands	100%	100%	100%	100%	*
Omroepmasten B.V.	Vianen	Netherlands	100%	100%	100%	100%	
Saranne B.V.	Arnhem	Netherlands	100%	100%	100%	100%	*
Stichting Beheer Doelgelden Landelijk Hoogspanningsnet	Arnhem	Netherlands	N/A	N/A	N/A	N/A	
TransTenneT B.V.	Arnhem	Netherlands	100%	100%	100%	100%	*
DC Netz 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	100%	100%	100%	100%	
NOVEC GmbH	Emsbüren	Germany	100%	100%	100%	100%	
Relined GmbH	Emsbüren	Germany	100%	100%	100%	100%	
Greennet Stiftung	Bayreuth	Germany	100%	0%	100%	0%	
TenneT GmbH & Co. KG	Bayreuth	Germany	100%	100%	100%	100%	**
TenneT Offshore 1. Beteiligungsgesellschaft mbH	Bayreuth	Germany	51%	51%	31%	31%	
TenneT Offshore 2. Beteiligungsgesellschaft mbH	Bayreuth	Germany	51%	51%	31%	31%	
TenneT Offshore 8. Beteiligungsgesellschaft mbH	Bayreuth	Germany	51%	51%	37%	37%	
TenneT Offshore 9. Beteiligungsgesellschaft mbH	Bayreuth	Germany	51%	51%	37%	37%	
TenneT Offshore Dolwin3 Beteiligungs GmbH & Co. KG	Bayreuth	Germany	51%	51%	30%	30%	**
TenneT Offshore Dolwin3 GmbH & Co. KG	Bayreuth	Germany	51%	51%	30%	30%	
TenneT Offshore Dolwin3 Verwaltungs GmbH	Bayreuth	Germany	51%	51%	33%	33%	
TenneT Offshore GmbH	Bayreuth	Germany	100%	100%	100%	100%	
TenneT TSO GmbH	Bayreuth	Germany	100%	100%	100%	100%	
TenneT Verwaltungs GmbH	Bayreuth	Germany	100%	100%	100%	100%	
WL Winet GmbH (in liquidation)	Emsbüren	Germany	100%	100%	100%	100%	***

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

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

*** WL Winet GmbH exists since 2016 but never showed a positive result. Although sales were increasing, management didn't expect an improvement of the result due to the lack of finding qualified personnel. Therefore, it was decided to liquidate WL Winet GmbH. The liquidation commenced on 1 March 2019.

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

31 Events after the reporting period

The Russian invasion in Ukraine does not have an impact on TenneT's tangible assets. It could have an impact on TenneT through higher energy prices and higher cost of supplies that are needed for maintenance and investment projects. The situation is continuously being monitored in close alignment with the Dutch and German governments.

In January 2022, due to the weather events related to storm Corrie, an adrift cargo vessel collided with the jacket of Hollandse Kust Zuid Beta. We are currently investigating the effects of this collision, to get a clear picture of the exact damage to the jacket so that we can make a plan for necessary repairs.

Company financial statements

Company statement of financial position

For the year ended 31 December (EUR million)

Assets	Notes	2021	2020
Non-current assets			
Investments in subsidiaries	36	8,216	8,651
Investments in joint ventures and associates	37	31	31
Other financial assets	38	12,861	9,828
Total non-current assets		**21,108**	**18,510**
Current assets			
Other financial assets	38	274	2,093
Account- and other receivables	39	12	14
Cash and cash equivalents		-	475
Total current assets		**286**	**2,582**
Total assets		**21,394**	**21,092**

Equity and liabilities	Notes	2021	2020
Equity	40		
Paid up and called-up capital		100	100
Share premium		1,790	1,790
Revaluation reserve		10	22
Reserve for participating interests		64	94
Reserve for internally generated assets		87	55
Retained earnings		3,193	2,515
Unappropriated result		-401	748
Equity attributable to ordinary shares		**4,843**	**5,324**
Hybrid securities		2,125	2,125
Equity attributable to owners of the company		**6,968**	**7,449**
Non-current liabilities			
Borrowings	41	12,366	10,217
Deferred tax liability		8	6
Total non-current liabilities		**12,374**	**10,223**
Current liabilities			
Borrowings	41	1,339	2,243
Bank overdraft		64	90
Account- and other payables	42	649	1,087
Total current liabilities		**2,052**	**3,420**
Total equity and liabilities		**21,394**	**21,092**

Company statement of income

For the year ended 31 December (EUR million)

(EUR million)	Notes	2021	2020
Revenue		**1**	**-**
Other operating expenses		-8	-6
Other gains/(losses)		-	-
Total operating expenses		**-8**	**-6**
Share in profit of joint ventures and associates		14	5
Operating profit		**7**	**-1**
Finance income	33	194	159
Finance expenses	34	-186	-202
Finance result		**8**	**-43**
Profit before income tax		**15**	**-44**
Income tax expense		-14	1
Profit from subsidiaries	36	-345	835
Profit for the year		**-344**	**792**

Notes to the company financial statements

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

32 Company accounting policies

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

Expected credit loss (ECL) provisions for receivables from subsidiaries 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.

33 Finance income

Finance income was mainly related to the interest received on intercompany loans and other in- house financing activities (see note 38). The intercompany agreements have terms equivalent to those that prevail in arm’s length transactions.

34 Finance expenses

Finance expenses mainly related to interest on borrowings and credit facilities (2021: EUR 175 million; 2020: EUR 187 million).

35 Personnel expenses

TenneT Holding B.V. did not employ any personnel during 2020 or 2021, 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 4 of the consolidated financial statements, from other entities within the Group.

36 Investments in subsidiaries

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

(EUR million)	2021	2020
At 1 January	**8,651**	**7,552**
Share in result	-345	835
Capital contribution	-36	284
Dividends received	-110	-3
Re-measurement of defined benefit pension	56	-17
At 31 December	**8,216**	**8,651**

Investments in subsidiaries relate to the legal entities included in the consolidation as disclosed in note 30 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.

37 Investments in joint ventures and associates

Investments in joint ventures and associates related to HGRT. In 2021, TenneT's share in HGRT's result amounted to EUR 4 million (2020: EUR 3 million) and EUR 3 million (2020: EUR 3 million) dividends were received. Further reference is made to note 12 of the consolidated financial statements.

38 Other financial assets

(EUR million)	2021	2020
Receivables from subsidiaries	12,843	9,818
Minority participating interests	14	5
Other financial assets	4	5
Total	**12,861**	**9,828**

In relation to the minority participating interests reference is made to note 13.

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

(EUR million)	2021	2020
At 1 January	**9,828**	**6,655**
Additions	3,190	3,377
Repayments	-57	-93
Transfer to current	-108	-110
Fair value adjustment equity investments	8	-
Other movements	-	-1
At 31 December	**12,861**	**9,828**

TenneT Holding B.V. had EUR 271 million (2020: EUR 2.1 billion) 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 (2020: EUR 2.5 billion).

39 Account- and other receivables

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

40 Equity

(EUR million)	Reserve Participating interests	Reserve for internally generated assets	Hedging reserve	Revaluation reserve	**Total legal reserve**
At 1 January 2020	**62**	**62**	**1**	**32**	**157**
Result NOKA and HGRT	35	-	-	-	35
Dividend NOKA and HGRT	-3	-	-	-	-3
Internally generated intangible assets	-	32	-	-	32
Depreciation on internally generated intangible assets	-	-39	-	-	-39
Depreciation revaluation tangible fixed assets	-	-	-	-11	-11
Amortisation of hedges	-	-	-1	-	-1
At 31 December 2020	**94**	**55**	**-**	**21**	**170**
Result NOKA and HGRT	15	-	-	-	12
Dividend NOKA and HGRT	-45	-	-	-	-42
Internally generated intangible assets	-	52	-	-	52
Depreciation on internally generated intangible assets	-	-19	-	-	-19
Depreciation revaluation tangible fixed assets	-	-	-	-11	-11
At 31 December 2021	**64**	**87**	**-**	**10**	**161**

The statement of changes in equity and disclosures to that statement are included in the consolidated financial statements. For details on the hybrid securities see note 18.

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

The legal reserves are not freely distributable.

Appropriation of result for the year ended 31 December 2020

The annual report 2020 was approved in the General Meeting held on 11 March 2021. The General Meeting determined the appropriation of result in accordance with the proposal being made to that end.

The appropriation of the 2021 profit is at the free disposal of the General Meeting of Shareholders and has not been recorded in the financial statements.

41 Borrowings

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

42 Account- and other payables

(EUR million)	**2021**	2020
Payables to subsidiaries	544	983
Interest payable	105	104
Total	**649**	**1,087**

43 Events after the reporting period
See note 31 of the consolidated financial statements.

Arnhem, 14 March 2022

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
L.J. Griffith
E. Kairisto
E.M. Schöne

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