

Annual report 2020

Gasunie Transport Services



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Directors' report



01 Directors' Report

Directors' Report

General

Gasunie Transport Services B.V. (GTS) owns and operates the national gas grid in the Netherlands. GTS is responsible for selling gas transport services, transporting gas, and developing and maintaining the Dutch gas transport network.

Mission

GTS delivers gas transport services in a customer-focused and transparent way. Safety, reliability, sustainability and cost-effectiveness are central in everything we do. We serve the public interest, and work as professionals to create value for our stakeholders.

Vision

GTS aims to be an organisation that best serves the market, responds flexibly to changes in its surroundings, enables new gas flows, facilitates the introduction of sustainable energy and thus plays a key role in the north-western European gas market.

Tasks

GTS provides gas transport services and related services, such as quality conversion and balancing. GTS' responsibilities include:

- ensuring a safe, reliable and efficient transport system;
- managing and developing the gas transport network on an economic basis;
- providing sufficient transport capacity;
- maintaining the connection with other networks, both national and international;
- conducting public and advisory tasks related to security of supply (including peak deliveries, emergency deliveries, and estimation of production from the Groningen field) and the small fields policy;
- managing gas quality, including quality adjustments to minimise production in Groningen;
- balancing the network.

Supervision

The regulatory authority in the Netherlands is the Netherlands Authority for Consumers and Markets (ACM). ACM supervises the execution of GTS' statutory duties. The Dutch Gas Act stipulates certain requirements for the way GTS performs its tasks. For example, GTS has a code of conduct for its employees that guarantees equal treatment for all GTS customers.

Gasunie Transport Services business model

The national transmission system operator GTS delivers its services in the Netherlands in a customer-focused and transparent manner. We sell the available capacity in a reliable network on competitive terms. Gas can be fed into the network at entry points, and customers can draw gas from the network at exit points. Customers enter into contracts to reserve capacity at specific network entry or exit points over a specific period (year, quarter, month or day). Our network competes with those in other countries in north-western Europe for the transport of transit flows.

The tariffs that we charge our customers are regulated. They are determined once a year by the regulatory authority, which reviews the method of regulation every three to five years. The tariffs are calculated by dividing the permitted revenues for the year in question by the estimated capacity demand (revenue regulation). If the actual capacity demand turns out to differ from the previous estimate, the revenue achieved could also differ from the permitted revenues. The difference between the permitted revenues and the revenue achieved will be settled across subsequent years.

The revenues permitted by the regulatory authority consist of an allowance for the cost of capital invested, a reimbursement for the annual depreciation costs (calculated on the basis of the depreciation periods determined by the regulator and the value of the assets) and a reimbursement for the operating expenses.

Investments

The design and use of the network determine the total available capacity. GTS invests efficiently in sufficient transport capacity to be able to satisfy the total market needs. To this end, the basic principle is that the gas supply for small-scale users in the Netherlands is guaranteed for a day with an average effective temperature of minus 17°C, as measured at the Royal Netherlands Meteorological Institute in De Bilt. New investments deemed suitable and necessary by ACM are added to the cost base of GTS, so that GTS can recover these investments through its tariffs.

Codes of Conduct and compliance with laws and regulations

As of 1 January 2020, GTS has been classed as a public-interest entity.

GTS complies with Codes of Conduct, laws and regulations in a manner consistent with that of its shareholder N.V. Nederlandse Gasunie. For more information, please refer to the extensive section on risk management in the annual report of N.V. Nederlandse Gasunie.

Management

The management of Gasunie Transport Services B.V. on 31 December 2020:

B.J. Hoevers, Managing Director

B.K. van Boven, Commerce & Regulation Manager

D. Locker, Finance & Control Manager

R.W.J. Zanting, Assets Manager

Foreword

We are proud to present the 2020 annual report for Gasunie Transport Services, which details the main developments at GTS over the past year. In 2020, we transported 78.7 billion m³ of gas for our customers without any disruptions. Our nitrogen installations again blended in record volumes of nitrogen this year, as we converted a record volume of 33.3 billion m³ of gas into Groningen-quality gas.

In 2020, the most significant issue for GTS was again the phase-out of gas extraction in Groningen. The construction of a new nitrogen installation at Zuidbroek, which is expected to enter into service in the first quarter of 2022, is the most important measure to make sufficient amounts of high-calorific gas suitable for use in domestic households. No need for Groningen production is anticipated from 2022, assuming an average temperature. Besides domestic households, electricity producers also showed increasing demand for natural gas, using a record amount of 8.5 billion cubic metres of natural gas in one year.

The use of gas to make up for declining gas extraction in Groningen means the liquidity of the north-western European gas market is becoming increasingly important to the Netherlands. Where the Netherlands used to produce double the amount of gas it actually needed for domestic supply several years ago, the Netherlands will soon depend on imports to cover nearly half of its gas consumption. It is therefore good to note that, with record volumes of 45,526 TWh, the Dutch virtual gas trading platform TTF was used for 72% of European gas trade. With production declining rapidly on the Dutch market, gas storage and access to international gas flows is essential for security of supply. The considerable increase in imports of LNG this year illustrates how much the situation has changed. However, the irregular course of events over the year also showed that the Netherlands is increasingly dependent on developments in the international gas market.

Our success in cutting costs over the past years translated into an improved efficiency rating in the method of regulation. In 2020, we maintained our focus on costs and were pleased to see that this went hand in hand with high customer satisfaction levels.

Meeting our customers' needs, interacting with them and providing them with extensive information is very important to us.

Alongside the dynamic natural gas market, the green gas market also developed positively in 2020. Green gas feed-in levels into our network continued to grow and we are committed to stepping up our facilitation of the required feed-in of renewable gases. In addition to green gas, hydrogen will also form part of the sustainable energy mix in the future. Our existing gas infrastructure will continue to support the process of making the energy system more sustainable. Several studies carried out with TenneT show what form this system integration between electricity and gas can take.

On behalf of GTS, I would like to thank our customers and other stakeholders for their trust and for the excellent cooperation. I would also like to thank our employees and those of our service providers for their efforts.

Bart Jan Hoevers
Managing Director

Financial results

Key figures

<i>In millions of euros</i>	2020	2019
Revenues	945.6	921.0
Total expenses	-295.1	-582.0
Operating result (EBIT)	650.5	339.0
Financial income and expenses	-86.2	-91.5
Result before taxation	564.3	247.5
Taxes	-183.8	-78.8
Result after taxation	380.5	168.7

Revenues

The revenues we generated with the transport of gas and related services in the Netherlands amounted to € 941 million. The main reasons for this were the permitted income following the x-factor decision and post-calculations in both years, of which those in 2020 were about € 38 million greater than in 2019.

Total expenses

In 2020, total expenses fell by € 287 million compared with 2019. The main reason for the drop is a reversal of an impairment loss of € 300 million recognised in the past. This reversal is mainly due to the lower discount rate. Without this reversal, total expenses were up € 13 million. This is largely due to lower depreciation (€ 16 million) and an increase in energy costs (€ 22 million). Operating expenses were up € 7 million on last year, mainly due to personnel-related costs.

Financing

We have a loan facility of € 6 billion, made available by Gasunie. The loan terminates on 31 December 2029 and has an extension option. The parties agreed that, during the term, the facility can be drawn or redeemed. The outstanding amount of the loan increased in 2020.

The Ministry of Economic Affairs has issued rules with regard to proper financial management by a network operator (Besluit Financieel Beheer Netbeheerder). These rules consist of a number of financial ratios, including a minimum for equity. Taking into account these rules, the company makes an assessment every quarter of whether the facility should be drawn or redeemed. These ratios are applied to ensure sufficient solvency and liquidity. At the end of 2020, solvency was 50% (2019: 49%).

HR and operating expenses

GTS' employees are employed by Gasunie and have been seconded to GTS for an indefinite period. The effective workforce of GTS at year-end 2020 amounted to 163 full-time equivalents (at year-end 2019: 156). GTS has entered into service agreements with Gasunie to the value in 2020 of € 356 million (2019: € 329 million) in operating expenses. These operating expenses relate to the deployment of employees, materials, services and other costs, such as transport-related energy costs. These services are delivered at cost.

Network developments

Phasing out Groningen gas

The NAM-operated Groningen gas field, which has for so long been the central source of Gasunie's transmission network, will be switched to stand-by in 2022 and closed permanently over the 2025-2028 period. We are advising the Dutch Ministry for Economic Affairs and Climate Policy on measures needed to guarantee security of natural gas supply.

Zuidbroek nitrogen installation

To take gas extraction in Groningen down to zero as quickly as possible, we are expanding our nitrogen installation near Zuidbroek. This installation made up of a nitrogen plant and a blending station will allow us to produce roughly 7 billion m³ of Groningen-quality gas (pseudo-G-gas) per year by blending imported high-calorific gas with the nitrogen we produce there. This figure of 7 billion m³ represents nearly a third of the Netherlands' current annual demand for low-calorific gas (approx. 23 billion m³). The aim is to start up this installation in April 2022. The original construction plans left some leeway to absorb possible setbacks. This leeway has meanwhile been used up completely due to COVID-19 and other circumstances. Further setbacks, such as the pandemic continuing, may lead to delays. We will keep doing our utmost to make the targeted completion date.

Wieringermeer blending station expansion

From January 2020, our blending station in Wieringermeer has been running at significantly increased capacity. It can now blend 310,000 m³ of nitrogen per hour, which is 80,000 m³ more than before. Thanks to this expansion, gas extraction in Groningen can be reduced by 5 billion m³ per year. This expansion is necessary to be able to accelerate the phase-out of gas extraction from the Groningen field.

Annual advice to the Dutch Ministry for Economic Affairs and Climate Policy

Since 2019, we have a new statutory duty to inform the Dutch Ministry of Economic Affairs and Climate Policy annually of the volume of Groningen gas and network capacity for Groningen gas required to guarantee security of supply.

For the 19/20 gas year, GTS had advised a production level of 11.8 billion cubic metres in a year with an average temperature profile. In February 2020, we lowered our Groningen gas advice for the 2019/2020 gas year. Given the large-scale use of nitrogen and increased working gas volume at the NAM storage facility in Norg, less Groningen gas was needed, namely 10.7 billion m³, based on an average temperature profile. The Ministry for Economic Affairs and Climate Policy followed this advice by

implementing a temporary measure. In the end, NAM produced 8.7 billion m³ of Groningen gas in the 2019-2020 gas year, because the 2019/2020 gas year was a relatively warm year. The actual production level was in line with our advice for a year with this temperature profile.

Based on additional advice prompted by the higher occupancy rate of the Norg gas storage facility, we projected in September 2020 that 8.1 billion m³ of Groningen gas will be needed for this current gas year, assuming it will be a year with an average temperature profile. In February 2021, we revised our estimate. This estimate shows that 3.9 billion m³ of Groningen gas will be needed for the 2021/2022 gas year, assuming an average temperature profile.

Conversions at major industrial users

The Ministry for Economic Affairs and Climate Policy wants major industrial users who use over 100 million m³ of gas per year to stop using low-calorific Groningen-quality gas and drafted new legislation for this in summer 2020. This legislation requires major industrial users to stop purchasing low-calorific gas after September 2022. If a user wants to purchase high-calorific gas instead of low-calorific gas, Gasunie is obliged to take care of the switch. This concerns nine companies with a collective annual demand of about 3 billion m³, eight of which have meanwhile indicated that they intend to switch to high-calorific gas. Preparations for implementation of these projects, in consultation with the relevant companies, are now fully under way and the first company has already been connected to our H-gas network. The next four are expected to be switched in 2022, with the final four following in 2023. These four industries require complex measures with longer lead times.

Study into conversion of Grijpskerk gas storage facility

During fierce winters with exceptionally high demand for low-calorific gas, the Netherlands was always able to fall back on the Groningen field for additional gas supply. This will soon no longer be possible. At the request of the Ministry for Economic Affairs and Climate Policy, Gasunie is exploring whether NAM's gas storage facility in Grijpskerk could take over from the Groningen field as a back-up supply if we were to convert it from high-calorific gas to low-calorific gas. This could then mean that the Groningen field can be closed approximately 2 years early. We expect the results of this study in the first half of 2021.

Risk-based asset management

Professional asset management is essential for the security of supply. Our assets are maintained using a risk-based approach. We use various systems to identify risks. All risks in the system are assessed with respect to security, transport security, sustainability and damage (including financial).

We use this risk assessment to approve replacement investments. This ensures that as many risks as possible are eliminated in a cost-efficient manner, and that no unnecessary works are carried out.

In principle, we take risk-mitigating measures only if the costs are significantly lower than the present value of the risk that is mitigated or eliminated. Major replacement programmes are evaluated annually, giving us increasingly better insight into the risks attached to system components for replacement that will be reduced by replacing these components, including through the inspection of replaced materials.

The programmes are adjusted in response to the findings from the evaluation. We have seen the investments in our replacement and maintenance programme decrease significantly over the past years as a result. We expect unplanned corrective efforts to increase slightly as a result.

In addition, the risk analyses are regularly used in consultation with the regulatory authorities (ACM, Dutch State Supervision of Mines, Dutch Human Environment and Transport Inspectorate, Dutch Employment and Social Affairs Inspectorate, Radiocommunications Agency Netherlands and the licensing authorities).

New investment plan for GTS

On 1 October, GTS adopted its first-ever investment plan, the 2020IP. This investment plan details GTS' expansion and replacement investments in the short and long term¹, complete with a justification of the purpose and need behind the investments. The 2020IP describes developments in the energy market and provides an analysis in the form of scenarios through to 2030. The plan provides a bottleneck analysis of the network and describes the required investments in the transmission network.

In the decade ahead, we will be facing numerous developments that we will have to take into account in operating and maintaining our grid. Our job is not only to keep our infrastructure in good condition, we also work to ensure a well-functioning gas market and guarantee transport security. The energy transition is also having considerable impact on the long-term utilisation of our network. On the one hand, we are looking for ways to keep our infrastructure working perfectly while keeping costs down, while on the other we are forward-looking in exploring ways in which our network can contribute to accelerating the energy transition. One major change that is already under way is that gas extraction in Groningen has already been reduced significantly and will be completely phased out over the coming years. But since demand for natural gas will remain at roughly the same level as it is now, phasing out the use of Groningen gas will very rapidly turn the Netherlands from a major gas exporter into a major gas importer. In the investment plan, GTS explores possibilities for increased gas imports into the Netherlands, and draws attention to the importance of having sufficient gas storage facilities in the Netherlands to be able to guarantee security of supply. The opportunities offered by market integration are also addressed.

We are going to have to pick up the pace to be able to meet the climate targets. Our network can play a key role in hitting those targets, such as by using our pipelines to transport hydrogen and green gas. As also decreed in the climate agreement adopted by Dutch parliament, supply volumes of these renewable molecules must grow significantly by 2030 and 2050 and nationwide infrastructure must be developed to interconnect the supply side and the demand side. Our assets can be the foundation on which this infrastructure is built.

GTS will make a new investment plan every two years. We will publish a draft version of the next investment plan, the draft 2022IP, on 1 January 2022.

¹ GTS used to do this through its Quality and Capacity Document. Before GTS can proceed to final adoption of the 2020IP, it is reviewed by the Dutch Ministry of Economic Affairs and Climate Policy and the Authority for Consumers and Markets.

Integration of extra high-pressure networks by 1 January 2021

On 31 December 2020, GTS acquired the ZEBRA gas pipeline and a number of additional EHD high-pressure networks in the south-western part of the Netherlands. Despite the limitations associated with the COVID-19 pandemic, the project for physical integration of these networks into the current GTS network was completed as planned with the parties involved.

Both the ZEBRA pipeline and the EHD networks have now been incorporated into the TTF market area. Since late 2020, shippers can book capacity on the 'new' network points.

Safety performance

Absence

An important enabling factor for carrying out our activities is the safety of our employees and the communities in which we work. A priority for us is therefore to create a safe and healthy workplace and to minimise risk to the environment. In 2020, there was a total of 2 incidents resulting in absence (for GTS employees and contractors), down from 3 in 2019.

Uncontrolled events

'Uncontrolled events' is a new KPI that replaces the old Pipeline Damage KPI. Uncontrolled events are incidents involving gas leaks of over 14,000 m³ from a GTS-operated system with a rated pressure of 8 bar or higher. No uncontrolled events occurred in 2020 (2019: 1).

Gas transport results

Our gas transport and infrastructure activities are at the heart of our strategy, and we carry out these activities as efficiently as possible. We take care of the development of the gas transport network and ensure that it functions well. We do this by ensuring transport security and offering relevant services to our customers. Safety, reliability, sustainability and efficiency are central to everything we do.

Transport security

There were no unplanned transport disruptions in 2020.

Falling exports and stable domestic transport

2020 was another year with plenty of warm weather. In fact, according to the Royal Netherlands Meteorological Institute (KNMI), it was the seventh hot year in a row. The average effective ² temperature in KNMI's reference location of De Bilt was 9.3 °C, up 0.3°C compared to 2019. Besides the high effective temperature, the conversion of the foreign L-gas market (Germany, Belgium and France) also pushed down transport volumes. Gas transports through our networks totalled 835 TWh (78.7 billion m³) in 2020, compared to 870 TWh (81.8 billion m³) in 2019. Domestic consumption remained virtually unchanged, as the 6% drop in consumption by low-volume users was compensated largely by record consumption by gas-fired power stations. Gas transport for underground storage facilities increased in 2020, partly because the previous year had been a very quiet year for storage facilities (low

use in the winter of 2018/2019 and, therefore, hardly any need for transport to storage facilities) and partly because the storage facility in Norg is currently filled with converted H-gas using the Gasunie network.

² The 'effective temperature' is the actual temperature adjusted for wind chill.

COVID-19

Around the world, 2020 was all about COVID-19. However, the impact this virus had on domestic gas consumption seems very minor: the drop in consumption by low-volume users can be explained by the higher temperatures and the ongoing trend of people pursuing energy savings. In industry, too, consumption remained within the bandwidth that can be considered normal.

More quality conversion

Gas production from the Groningen field was wound down further in 2020. In order to be able to keep supplying G-gas, there was more conversion than in previous years. This was possible thanks to a new nitrogen contract with an external supplier and the associated expansion of our Wieringermeer conversion plant. As a result, the amount of converted H-gas in the Netherlands was up by over 15%, from 325 TWh (29.0 billion m³) in 2019 to 376 TWh (33.3 billion m³) in 2020. The associated volume of nitrogen used increased from 2.7 billion m³ to 3.4 billion m³ in 2020.

Domestic production, import and export

The amount of foreign-entry H-gas remained virtually unchanged, coming in at a rounded figure of 44 billion m³ for the third consecutive year. And for the second year in a row, the share of LNG from outside the Netherlands continues to be high, totalling 6.7 billion m³ and 7.3 billion m³ respectively for 2020 and 2019, compared to 2.5 billion m³ in 2018. Production from small fields (including offshore fields) also remained virtually unchanged. The reduction in production from the Groningen field was compensated by converting H-gas. (Pseudo-)G-gas exports fell by 13%. H-gas exports fell by 22%.

Peak delivery and emergency delivery

Peak and emergency deliveries are two important public tasks carried out by GTS for small users in the Netherlands. Peak deliveries are necessary if the mean effective 24-hour temperature falls to below -9.0 °C. GTS provides all the necessary facilities to ensure peak delivery to licence holders, including gas purchasing, flexibility services and gas transport over the national grid. There were no peak deliveries in 2020.

Emergency deliveries are necessary if a licence holder cannot supply natural gas to low-volume users, for example due to bankruptcy. Emergency deliveries were not necessary either in 2020.

Developing our customer organisation

To maintain our standing among Europe's best TSOs in the future, we offer gas transportation services that meet the needs of our customers and are in line with market developments. We do this by ensuring our customers are well-informed and by responding to developments that arise from dialogue with our customers and other stakeholders at various moments. We seek out this dialogue through

market consultation and information meetings, conversations with representatives of customer groups (representative organisations) and our customer desk. This is supported by placing clear information on our website and sending out a newsletter, where additional attention is required for a certain topic. These interactions are intended to improve our products and services.

This year, we engaged with stakeholders on a wide range of subjects, such as transport tariffs and the associated conditions, the introduction of virtual interconnection points (VIPs), randomising balancing actions, the Groningen advice and the investment plan. Owing to the COVID-19 restrictions, we engaged with our stakeholders primarily through digital channels, which partly turned out to be more efficient and effective than in-person consultations. Going forward, we will further integrate the use of virtual communication tools into our interaction with stakeholders.

Queries and complaints

In the event of questions or complaints, shippers can contact the Customer Desk, and industrial customers can contact the Industry Desk. A specialist team will then help to solve the issue. In this way, GTS provides good accessibility and specialist contact points.

We try to process queries and complaints we receive as quickly as possible, and to the satisfaction of all parties involved. In 2020, a complaint questioning the scale of the operational agreements that GTS has with a neighbouring TSO for the efficient operation of the gas transport networks was rejected.

Risk management

In 2020, ACM published the code decision entitled 'exceeding the credit limit and implementation of the neutrality principle' (Transmission Code Gas – TSO change). This decision was prompted by an incident that occurred in late 2018, which saw a programme-responsible party cause major financial losses in the balancing market. This code decision helps us limit financial losses incurred by the market due to such incidents, regulating the way costs are to be distributed between network users in the event of financial losses occurring.

Customer satisfaction survey

In December 2020, GTS commissioned the two-yearly customer satisfaction survey. We are proud that our customers continued to value us highly in 2020. GTS earned an average rating of 4 out of 5, a repeat of the result of surveys conducted in previous years. Over 60% of shippers rate GTS (much) more highly than TSOs in surrounding countries. The fact that many GTS employees were forced to work from home due to the COVID-19 pandemic over the past year did not adversely affect our customer focus and professionalism, according to our respondents.

Developments in the market

TTF (gas trading platform in the Netherlands)

Gas traders in the Netherlands buy and sell a large quantity of gas every year. Nowadays, almost all gas trade occurs through the TTF gas trading platform. In terms of volumes traded, TTF soundly topped its best year ever (2019) in 2020. Gas traders again traded a record amount of gas via TTF. The number of parties trading on TTF was also higher than ever.

	2020	2019
Amount of gas traded on TTF	45,526 TWh	38,039 TWh

Gas is primarily traded over the counter (OTC) on a gas trading platform, i.e. purchased directly from the other party, or through a gas exchange, which acts as the intermediary for all traders.

Over-the-counter trading increased again in 2020: from 26,096 TWh (in 2019) to 27,120 TWh. The TTF share traded through gas exchanges grew much more steeply from 11,943 TWh to 18,406 TWh in 2020.

	2020	2019
Amount of gas traded through the GTS network via TTF	505 TWh	581 TWh

	2020	2019
Maximum number of active parties in one day	170	166

During the past year, TTF further increased its lead over other European gas trading platforms. In 2020, 72% of European gas trading took place on TTF, compared with 66% in 2019, which again confirms that the Dutch gas market is working well and TTF has acquired a leading position in Europe.

Regulatory developments

Regulatory method

The regulatory authority, ACM, sets the permitted revenues for GTS and thus the maximum tariffs, based on the method decision. The method decision describes the method by which GTS can recoup its efficient costs during a regulatory period, and the rules and parameters that apply. The current regulatory period runs from 2017 to 2021.

On 31 August 2020, the Dutch Authority for Consumers and Markets (ACM) published a draft method decision for the period from 2022 through to 2026. In preparing this draft method decision, ACM analysed the degree of utilisation of the gas transport network, developments of future transport tariffs, and the option to change the estimation method for the efficient cost of capital. The idea behind this analysis was to find ways to better align regulation with developments as a result of the energy transition. The results of these analyses underpin the draft method decision.

Aside from this, ACM also used a comparison between GTS' cost efficiency and that of other European gas transport companies (cost benchmarking) in the draft method decision. And finally, ACM organised (online) focus group sessions for stakeholders (such as GTS and organisations representing GTS' customers) in preparing the draft method decision.

Publication of the draft method decision was followed by a consultation period that lasted six weeks, meaning that stakeholders had six weeks to submit their views on the draft method decision to ACM, both in writing and verbally. GTS submitted its views in writing and also verbally at a hearing.

On 1 February 2021, ACM published the 2022-2026 method decision. ACM has also opted to change the way in which GTS' capital costs are spread over time, bringing these costs more into line with projected network utilisation over the coming years. This way, the future reduction in gas consumption as a result of the energy transition has now also been factored in. For the 2022-2026 regulatory period, GTS' average weighted static efficiency has been set at 96.1% ³ (current method decision: 88.6%). Over the past years, GTS has demonstrably worked to improve its efficiency, partly through workforce restructuring, cost savings and maintenance optimisation. While GTS recognises that the substantial cost reductions of the past few years have improved the efficiency rating and welcomes the fact that ACM has also acknowledged this, GTS is exploring to what extent and which elements of the method decision to appeal.

The method decision for 2022-2026 triggered an impairment test that involved recalculation of the recoverable amount. Besides the elements from the method decision, this served to determine a number of variables, such as the expected operating cost development, the investment level, and the discount rate.

Based on the non-current nominal discount rate, the recoverable amount of the gas transport network in the Netherlands would be almost equal to the carrying amount. Because the current and more volatile market rates were used on the balance sheet date in the context of determining the recoverable amount as per the reporting standards, the valuation of the gas transport network at year-end 2020 is some € 300 million higher than the carrying amount. This amount is consequently recognised as a reversal of a previously recognised impairment loss. This reversal can, consequently, mainly be attributed to the effect of the discount rate on the balance sheet date.

³ This means that we are allowed to recover € 0.961 of every euro spent that falls within the scope of the benchmark.

Tariff decision

ACM published the 2021 tariff decision in May 2020. This was the last tariff decision based on the 2017-2021 method decision. Set to be published by ACM in May 2021, the 2022 tariff decision will be based on the 2022-2026 method decision.

Results of the energy transition

The energy transition is a major challenge facing our society today. Natural gas remains an important source of energy within the energy transition over the decades to come, but GTS is also focusing on green gas, biogas and hydrogen, within what the legislation allows us to do. With our knowledge and infrastructure, GTS seeks to play its part in implementing and accelerating the energy transition. We work together with other parties to develop successful and innovative solutions that are suitable, but also affordable and reliable. This is a long-term measure that will take us up to 2050.

Green gas

The Dutch Climate Agreement assumes that 2 billion m³ of green gas (70PJ) will be required to sustainably heat homes and buildings by 2030. This is approximately 90% more than is currently produced. Within the bounds of what current legislation allows, GTS focuses on facilitating green gas and biogas feed-in using green gas boosters, connection pipelines, and collector pipelines.

The booster forms a link between the regional and national gas network and can compress green gas to allow it to be fed into the GTS national network. This relieves the pressure on the regional network at times of congestion, so green gas can be fed in at any time. Two green gas boosters are currently under development, one of which is already operational.

There are four green gas producers that feed green gas directly into our national network, and we are looking into suitable green gas feed-in locations together with potential new feeders. In addition to this, we are currently running a feasibility study into building a green gas and biogas collector pipeline in the Emmen area. If this collector pipeline goes ahead, it can be used to feed in green gas as well as biogas from both new producers and RNOs. This innovation will empower the region to fully commit to green gas production without having to worry about congestion or having to suspend production from time to time.

Hydrogen

As regards the energy transition, the focus is now also on hydrogen, which can be produced from renewable sources (green hydrogen) or fossil sources with CO₂ storage (blue hydrogen). The supply of renewable hydrogen will be approximately 155PJ in 2030 according to the Dutch Climate Agreement. Since hydrogen can be used as an energy carrier, such as fuel for high-temperature applications, molecules in the chemical/petrochemical industry and fuel for transport and heating demand in the built environment, major steps can be taken in the hydrogen economy to reduce CO₂ emissions.

Hydrogen is also extremely well-suited for the seasonal storage of sustainable energy.

Large-scale use of hydrogen requires a reliable network, both for transport and storage. We can take an enormous leap forward by using the gas infrastructure already in place. Incorporating hydrogen into our network is also a possible first step in a transition to 100% hydrogen. GTS is aiming to progressively increase the proportion of hydrogen added to the network to 10%. The scope needed for this is expected to be created by the new Energy Act that is scheduled to be passed in 2022.

To ensure the incorporation of hydrogen runs smoothly, GTS is already undertaking research and looking to launch projects with partners in the supply chain to promote technological development and remove the barriers in this field.

Comprehensive Infrastructure Survey

Both within and outside GTS, there is a growing awareness that the integration of electricity and gas systems is essential for a successful and efficient energy transition. GTS took part in various studies in which system integration played a role, together with TenneT and the regional network operators.

The Climate-Neutral Energy Scenarios for 2050 report by Berenschot and Kalavasta is the basis for the 2030-2050 Comprehensive Infrastructure Survey (I13050) that the joint Dutch network operators are set to present to the Ministry of Economic Affairs and Climate Policy in April 2021. It is a source of technical knowledge with analyses of the future energy system as the backbone of a sustainable society in 2050. The survey serves as a compass for all parties involved in realising the energy transition.

Risk management

Risk management is an activity that is performed at all levels of the organisation. Key aspects of our risk management efforts are to define the risk appetite and run risk analyses at various levels of the organisation. In mid-2020, GTS' management performed a risk assessment, which is integrated into the business planning and control cycle. A core conclusion was to find a balance in maintaining a consistent level of transport security in view of high efficiency requirements and changing demand for transport capacity. The main specific risk areas are:

- development of a regulatory model given various market developments;
- return potential of the new investments required;
- public expectations regarding security of supply in relation to the investments required to reduce production from the Groningen field;
- performance of the Dutch gas market following closure of the Groningen field;
- fraud risk prevention and detection.

For more details on how we manage financial risks, see note 44 to the balance sheet in the financial statements.

The Management,

Bart Jan Hoevers,

4 March 2021

Annual report 2020

Financial statements Gasunie
Transport Services B.V.



02 Financial statements Gasunie Transport Services B.V.

Balance sheet as at 31 December 2020

(before profit appropriation)

<i>In millions of euros</i>	<i>Notes</i>	31 Dec. 2020	31 Dec. 2019
Assets			
Fixed assets			
- tangible fixed assets	3	6,820.1	6,494.3
Financial fixed assets			
- other participating interests	4	0.1	0.1
- deferred tax assets	5	355.9	402.3
Total fixed assets		7,176.1	6,896.7
Current assets			
- trade and other receivables	6	104.5	110.4
Total current assets		104.5	110.4
Total assets		7,280.6	7,007.1

<i>In millions of euros</i>	<i>Notes</i>	31 Dec. 2020	31 Dec. 2019
Liabilities			
Equity			
- issued share capital	7	1.0	1.0
- share premium	8	1,734.7	1,734.7
- revaluation reserve	9	1,642.2	1,659.0
- other reserves	10	151.1	-15.7
- Unappropriated result	11	115.5	50.6
Total Equity		3,644.5	3,429.6
Provisions	12	30.1	35.0
Total provisions		30.1	35.0
Non-current liabilities			
- Non-current loan from the shareholder	13	3,583.1	3,521.0
- lease liabilities	14	4.7	3.3
- long-term contract liabilities	15	17.4	17.7
Total non-current liabilities		3,605.2	3,542.0
Current liabilities			
- short-term contract liabilities	14	0.4	0.1
- lease liabilities	15	0.4	0.4
Total current liabilities		0.8	0.5
Total liabilities		7,280.6	7,007.1

2020 statement of profit and loss

<i>In millions of euros</i>	<i>Notes</i>	2020	2019
Net revenues	18	941.3	917.4
Other operating revenues		4.3	3.6
Total operating revenues		945.6	921.0
Depreciation expenses	3	-234.4	-250.1
Reversal of impairment loss	2.3	300.0	
Other operating expenses	19	-360.7	-331.9
Total expenses		-295.1	-582.0
Operating result		650.5	339.0
Finance income and expenses	20	-86.2	-91.5
Result before taxation		564.3	247.5
Taxes	21	-183.8	-78.8
Result after taxation		380.5	168.7

03 Notes to the financial statements

Notes to the financial statements

General

Preparation and adoption of the financial statements

The 2020 financial statements were prepared by the Management on 4 March 2021. The financial statements as prepared will be submitted for adoption to the General Meeting of Shareholders to be held on 1 April 2021.

Reporting entity

Gasunie Transport Services B.V. (hereinafter: 'GTS' or 'the company') was established on 2 July 2004. The company has its registered and actual office at Concourslaan 17, Groningen, the Netherlands, and is registered with the Chamber of Commerce under number 02084889. GTS is a 100% subsidiary of N.V. Nederlandse Gasunie. All shares in GTS outstanding as at the balance sheet date are held by N.V. Nederlandse Gasunie (registered with the Chamber of Commerce under number 02029700), which has its registered office at Concourslaan 17 in Groningen, the Netherlands. The financial statements of GTS B.V. are included in the consolidated financial statements of N.V. Nederlandse Gasunie. As of 1 January 2020, GTS has been classed as a public-interest entity.

GTS is the owner and network operator of the national gas transport network as defined in the Dutch Gas Act. It is the task of GTS to operate, maintain and develop the national gas grid in the Netherlands in accordance with economic conditions, in a way that guarantees the safety, efficiency and reliability of the gas transport, and with due consideration to the environment.

On 1 January 2014, GTS acquired ownership from N.V. Nederlandse Gasunie of the gas transport network in the Netherlands and the associated assets, liabilities and operations. The transfer of the ownership of the gas transport network in the Netherlands forms part of the certification of GTS as independent network operator of the national gas grid. In its capacity as the national transmission system operator, GTS buys services from N.V. Nederlandse Gasunie. GTS and N.V. Nederlandse Gasunie have laid down the agreements with respect to this collaboration in such a way that security of supply, transport security and the safety of gas transport are guaranteed.

The activities and the results of GTS are to a significant extent determined by the national and European regulation of the energy markets. The tasks of GTS, the access to the gas transport network and the tariffs for the transport of gas through the gas transport network are determined by the Dutch regulatory authority (ACM).

Rules on proper financial management

As the national transmission system operator, GTS must comply with the requirements as laid down in Article 32, paragraph 11, point c of the Dutch Gas Act and Article 10e, paragraph 1 of the rules on proper financial management by a network operator (Besluit Financieel Beheer Netbeheerder, BFBN). In the

event the network operator fails to comply with the requirements, it must report this to ACM without delay and submit a recovery plan. The above provisions may affect the level of the distributable reserves or the dividend.

Reporting period

These financial statements relate to the 2020 financial year, which ended on the balance sheet date of 31 December 2020.

Presentation and functional currency

The financial statements are presented in euros, which is the functional currency of the company. Unless otherwise specified, all amounts are in millions of euros.

Going-concern

These financial statements have been prepared on the basis of the going-concern assumption.

The company has investigated the effect of the COVID-19 pandemic on the application of the going-concern assumption. Management expects – partly on the basis of its experiences in the past financial year – that the financial impact of the COVID-19 pandemic will be limited for the company's balance sheet items, results, liquidity and solvency. This expectation is explained in more detail in note 1 'Significant matters and events in 2020'.

Management believes that there is no uncertainty about using the going-concern assumption.

Elements of the financial statements

The financial statements comprise the statement of financial position, the statement of profit and loss, and the notes thereto. The statement of financial position and the statement of profit and loss include references to the notes to the financial statements. The notes form an integral part of the financial statements.

On the basis of the exemption under guideline RJ 360.104, GTS has not published a separate cash flow statement. The financial data of GTS is included in the consolidated cash flow statement of N.V. Nederlandse Gasunie. The financial statements of N.V. Nederlandse Gasunie have been filed at the Dutch Chamber of Commerce.

Accounting policies for the measurement of assets and liabilities and determination of the results

Basis of preparation

The financial statements have been prepared in accordance with the statutory provisions of Part 9 of Book 2 of the Dutch Civil Code and the authoritative directives in the Dutch Guidelines for Annual Reporting published by the Dutch Accounting Standards Board. The principles adopted for valuing assets and liabilities and determining the result are based on historical costs, unless otherwise specified.

General

The comparative figures for 2019 have been adjusted. This concerns the reclassification of the other reserves and the unappropriated result due to an amendment to Dutch Guideline for Annual Reporting 160.210, which relates to recognition of the interim dividend paid out in the financial year. This amendment has no effect on the reported result after taxation for 2019, and neither on total equity as at year-end 2019.

An asset is recognised in the balance sheet if it is probable that the company will continue to benefit from it economically and the asset has a cost price or a value whose amount can be reliably determined. Assets that do not meet this condition are not recognised in the balance sheet, but will be flagged as assets that have not been included in the balance sheet.

A liability is recognised in the balance sheet if it is probable that the settlement thereof will be accompanied by an outflow of resources from which the company benefits economically and the amount of the settlement can be measured reliably. Provisions are also included under liabilities. Liabilities that do not meet this condition are not included in the balance sheet, but will be recognised as off-balance sheet obligations.

An asset or liability included in the balance sheet must remain there if a transaction does not give rise to a major change to the economic reality with regard to the asset or liability. Such transactions do not give rise to the recognition of results. In determining whether or not there has been a major change to the economic reality, the economic benefits and risks that are likely to arise in practice are taken as a basis, not the benefits and risks that are not reasonably expected to occur.

An asset or liability is no longer included in the balance sheet if a transaction leads to all or nearly all rights to economic benefits and risks relating to the asset or liability being transferred to a third party. In such case, the results of the transaction are included directly in the statement of profit and loss, taking account of any provisions that should be formed in conjunction with the transaction.

If the representation of the economic reality leads to the recognition of assets for which the legal entity is not the legal owner, this will be mentioned.

Income is recognised in profit and loss if there has been an increase in the economic potential, in conjunction with an increase in an asset or a reduction in a liability, and the amount of which can be reliably determined. Expenses are recognised in profit and loss if there has been a reduction in the economic potential, in conjunction with a reduction in an asset or an increase in a liability, and the amount of which can be reliably determined.

The revenues and costs are allocated to the period to which they relate. Revenues are recognised if all major risks are transferred to the buyer.

Management judgements and estimates

In preparing the financial statements, management has used estimates and assessments that could affect the assets and liabilities presented as at the balance sheet date and the result for the financial year. The actual results may differ from these estimates. The estimates and underlying assumptions are reviewed at regular intervals. Revisions to estimates are recognised in the period in which the estimate is revised and in future periods that are affected by the review.

The nature of the judgements and estimates, including the assumptions that accompany the uncertainties, are included in the note to the relevant items in the financial statements if they are deemed necessary for providing the information required in Article 2:362, paragraph 1 of the Dutch Civil Code. The effect of the judgements and estimates is significant for the:

- measurement and determination of the useful life of fixed assets (note 2 'Impairment tests' and note 3 'Tangible fixed assets');
- deferred tax assets (note 5 'Deferred tax assets').

Principles for the translation of foreign currencies

Transactions denominated in foreign currencies are measured in the functional currency in their initial recognition, by translating them at the foreign exchange rate between the functional currency and foreign currency applicable on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the functional currency at the exchange rate applicable on that date. Exchange differences arising from the settlement of monetary items or resulting from the translation of monetary items into foreign currencies are recognised in profit and loss in the period in which they arise.

Non-monetary assets and liabilities denominated in foreign currencies measured at historical cost are translated into the functional currency at the exchange rate applicable on the historical transaction date.

Financial instruments

The company's financial statements include financial instruments. These concern trade and other receivables (financial assets) and non-current financial liabilities (financial liabilities).

Financial assets and financial liabilities are recognised in the balance sheet at the time that contractual rights or obligations arise in respect of that instrument. A financial instrument is no longer included in the balance sheet if a transaction leads to all or nearly all rights to economic benefits and risks relating to the instrument being transferred to a third party.

Financial instruments (and individual components thereof) are presented in the financial statements in accordance with the economic reality of the contractual provisions. They are presented on the basis of individual components of financial instruments as a financial asset, financial liability or equity. In financial and non-financial contracts, agreements could have been made that meet the definition of derivatives. Such an agreement is separate from the basic contract and recognised as a derivative if:

- the economic characteristics and risks of the agreement are not closely related to the economic characteristics and risks of the basic contract;
- a separate instrument with the same conditions would meet the definition of a derivative; and
- the composite instrument is not measured at fair value with the impairment recognised in profit and loss.

If a financial instrument is contained in a contract and cannot be separated from the basic contract, this is recognised in accordance with the basic contract. Derivatives separated from the basic contract, if applicable, are measured at cost or a lower fair value.

In the first measurement, financial instruments are recognised at fair value, including the first share premium/discount and the directly attributable transaction costs. However, if financial instruments are measured at fair value in the subsequent measurement, with impairments recognised in the statement of profit and loss, then directly attributable transaction costs are recognised directly in the statement of profit and loss in the first measurement.

The measurement of the financial instruments after initial recognition is described below.

Trade and other receivables

After initial recognition, trade and other receivables are measured at amortised cost based on the effective interest method, minus a provision for bad debts. The effective interest and losses in respect of bad debts are recognised directly in profit and loss.

Trade and other receivables also include the amounts that have not yet been invoiced as at the balance sheet date for services rendered during the financial year. A provision for bad debts is also recognised if there is an objective reason to do so.

Trade and other receivables that have not been individually shown to be subject to impairment are collectively assessed to determine whether they are subject to impairment. This is done by aggregating assets with similar risk characteristics. In assessing collective impairment, the company uses historical trends to determine likelihood of non-fulfilment of payment obligations and the number of payment arrears in the portfolio. The results are adjusted if management believes that the current economic and credit circumstances make it probable that the losses incurred will be higher or lower than historical trends suggest.

The carrying amount of receivables is reduced by the provision for doubtful trade receivables. Receivables that cannot be collected are deducted from the provision. Other additions to and deductions from the provision are recognised in profit and loss.

Non-current liabilities

These are liabilities with a remaining nominal term of more than one year. After initial recognition, non-current liabilities are measured at amortised cost based on the effective interest method. The effective interest is recognised directly in the statement of profit and loss.

Setting off financial instruments

A financial asset and a financial liability are presented as a net amount if the company has a valid legal instrument that can be used to do so and the company firmly intends to settle the balance as such simultaneously.

Tangible fixed assets

Tangible fixed assets are measured at cost, less any accumulated depreciation and accumulated impairment losses. When initially measured, the costs of periodic major repairs are recognised in the carrying amount of the asset on the basis of the component approach. Interest expenses are capitalised if they relate to the purchase, construction or production of qualifying assets, provided the assets need a substantial period (more than one year) before being ready for their intended use.

Depreciation is determined by writing off the costs of tangible fixed assets, less their estimated residual value, on a straight-line basis over their estimated useful life. Depreciation is not calculated on land, sites or gas in the pipes.

A substantial part of the assets is intended for regulated business operations. Regulation of future cash flows by the regulatory authority will determine the recoverable amount of the regulated assets. There are significant estimates and judgements required from management, in particular with regard to the useful life, residual value and future cash flows of the gas transportation. The residual value of the asset, the useful life and the depreciation methods are reviewed annually and adjusted if necessary. Note 3 'Tangible fixed assets' contains a more detailed explanation of the expected useful life of the tangible fixed assets.

Tangible fixed assets are divided into categories. For each category, the useful life and associated depreciation period is determined. Note 3 'Tangible fixed assets' contains a description of the categories and gives the depreciation period for each category.

Third-party contributions to the cost of construction of the gas transport network are deducted from the investments, insofar as such contributions are either government-sourced (including grants) or non-capacity-related. Customer contributions to investments which are related to transport capacity are recognised in the balance sheet as contract liabilities and are credited to the result at regular intervals in accordance with the term of the contract with the customer. If there is a significant financing component in the customer contributions, the finance expenses are recognised under the interest expenses. This recognition is described in more detail under 'Net revenue' in these principles.

Tangible fixed assets not yet in operation as at the balance sheet date are recognised as 'Fixed operating assets under construction'. Upon commissioning, the relevant assets are classified according to their type in one of the main categories. The volumes of gas and nitrogen permanently present in the pipelines and which are needed for gas transportation and related services are included under 'Other fixed operating assets'. If any changes occur in the permanent gas stocks, the average gas price for the period in which the change took place is used as the cost price.

Any profit or loss on decommissioning a tangible fixed asset is recognised in profit and loss at the time of decommissioning.

Tangible fixed assets for which the company has the right of use under the terms of a lease agreement are also included in the balance sheet. See also the accounting principles for leasing.

Financial fixed assets

Participating interests over which the company exercises no significant influence are measured at acquisition cost or the lower recoverable amount. The dividend received from participating interests in which the company exercises no significant influence is recognised in profit and loss as the result from participating interests.

All facts and contractual relations (including any potential voting rights) are considered when determining whether there is a participating interest in which the company has exercised a significant influence on the business and financial policy. If the interest is less than 20%, there is a rebuttable presumption that no significant influence has been exercised.

Unrealised profit from transactions with participating interests measured using the acquisition price are eliminated in proportion to GTS' interest in the participating interest.

Impairment of fixed assets

The company investigates at regular intervals whether there is any impairment of fixed assets, including tangible and financial fixed assets. Management determines the recoverable amount of the assets. The recoverable amount is the greater of its fair value less costs of disposal and its value in use. If the recoverable amount is less than the current carrying amount, the difference is taken to profit and loss. Due to the nature of the assets, it is often not possible to determine the recoverable amount of each asset. In such cases, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The company also investigates whether an impairment loss recognised in previous periods no longer exists or has decreased. If an impairment loss recognised in the past is found to no longer exist or to have decreased, the increased carrying amount of the relevant asset or cash-generating unit will not be set higher than the carrying amount which would have been determined if no impairment loss for the asset or cash-generating unit had been recognised. Any reversal is recognised in profit and loss.

Equity

General

Financial instruments that are designated as equity instruments are presented under 'Equity'. Profits distributed to the holders of these instruments are deducted from equity.

As part and in anticipation of profit appropriation, interim payments may have been made during the year under review that were taken to the result for the financial year. In the statement of financial position, these payments are deducted from the result after taxation for the financial year.

Share premium

The amounts contributed by shareholders above the nominal share capital are recognised as share premium. This also includes additional equity contributions made without the issue of shares or rights to subscribe to or receive company shares.

Revaluation reserve

On 1 January 2014, GTS acquired ownership from N.V. Nederlandse Gasunie of the gas transport network in the Netherlands at the carrying amount. The revaluation reserve for tangible fixed assets

was also part of this transfer. This revaluation reserve came into being because N.V. Nederlandse Gasunie measured the tangible fixed assets at the then-assumed cost price on the date of the transition to IFRS. This has led to a revaluation reserve for tangible fixed assets, after deduction of a liability for deferred tax, which has also been transferred to GTS.

The part of the revaluation reserve realised annually due to depreciation is added to equity under 'Other reserves'.

Provisions

A provision is included in the balance sheet if:

- there is a legally enforceable or factual liability resulting from a previous event;
- a reliable estimate of the above can be made; and
- it is probable that an outflow of resources is required to settle that liability.

The amount recognised as a provision is the best possible estimate as at the balance sheet date of the expenditure required to meet the existing liability, taking into account the probability of the event.

If the time value of money is material, the provision is recognised based on the present value of the expenditure deemed necessary to settle the liability. The discount rate is determined before taxation and takes into account the prevailing market assessments of the time value of money and the risks inherent in the liability.

If all or part of the expenditure required to settle a provision is likely to be reimbursed in whole or in part by a third party in settlement of the provision, such reimbursement is presented as a separate asset.

Provision for abandonment costs and redevelopment

This provision is recognised due to management decisions to decommission, remove or redevelop specific identifiable assets within the foreseeable future as required under legislation where applicable. The size of the provision is partially determined on the basis of experience figures derived from previous abandonments and redevelopments.

The provision is measured at the present value of the expenditure deemed necessary to settle the liability. The discount rate is determined before taxation and takes into account the prevailing market assessments of the time value of money and the risks inherent in the liability.

Contract liabilities

Transport infrastructure construction or upgrades may involve customer contributions. These are considered to be pre-payments (contract liabilities) and are initially recognised in the balance sheet and subsequently periodically credited to profit and loss over the term of the contract. In the event that a pre-payment contains a significant financing component, the value of this component is determined based on an estimate of the relevant interest rate. The financing component will then be recognised in the financial income and expenses in the period to which it refers.

Leases

Certain of the company's leases are recognised in the statement of financial position. The right-of-use assets leased are also recognised in the statement of financial position (as per the principles detailed under 'Tangible fixed assets'). The company applies the possibility offered by guideline RJ 292.101 to recognise leases in full and consistently as per the provisions of IFRS 16.

Initial recognition and measurement of leases is as follows:

- The company breaks down lease liabilities into lease and non-lease components. The non-lease components are not considered to fall within the scope of IFRS 16. The costs resulting from these contracts are recognised in profit and loss in the period to which they relate.
- The expected term of the lease liability is determined on the basis of the contractual term of the agreement, taking into account any potential optional extensions, in the event that the company may reasonably be expected to use them.
- If applicable, account is taken of residual value guarantees, significant variable lease payments and penalty clauses when measuring the lease liabilities.
- In principle, the present value of the lease liabilities is calculated at the implicit interest rate. Where the implicit interest rate cannot be directly derived from the leases, GTS' incremental borrowing rate will be used. A borrowing rate representative of the portfolio as a whole is used for portfolios of leases with similar conditions.
- The right-of-use asset connected with the lease is initially included in the balance sheet at the present value of the lease liability, plus any directly attributable costs.
- Leases with a term of less than one year or with a contract value of less than € 5,000 are not included in the balance sheet, in accordance with the provisions of IFRS 16.

The assets associated with the lease liability are recognised under tangible fixed assets in the main category right-of-use assets.

The subsequent measurement of the leases as follows:

- Right-of-use assets are measured at cost, less straight-line depreciation calculated over the expected term of the lease agreement. An explanation of how the cost price of the right-of-use asset is determined is given above under 'initial recognition and measurement of leases'.
- After initial recognition, the lease liabilities are measured at amortised cost based on the effective interest method.
- If the principles in the lease change (e.g. due to indexation or other modifications), the carrying amount of the lease liability and the right-of-use asset is remeasured and recognised in the balance sheet.

Net revenue

In determining the net revenue, the company applies the option offered by guideline RJ 270.101a to recognise revenues and related costs in accordance with IFRS 15. The principles of IFRS 15 have been fully and consistently applied.

Net revenue is the sum of revenues from gas transport and related services provided to third parties, after deduction of taxes on these revenues, such as VAT. Revenues are subject to management estimates of the risk of loss of credit due to non-payment and, in the case of contract liabilities by virtue of customer contributions, the relevant interest rate.

If the result of a transaction involving the provision of a service can be estimated reliably, the revenues relating to the service are recognised in proportion to the services performed in the financial year. GTS provides services in the field of gas transport and related activities. These services are offered as capacity services. This gives customers the right to use pre-agreed capacities for a pre-agreed period (hour, day, month, etc.). GTS regards the service as delivered over the period concerned and recognises the revenue accordingly. The realisation of net revenues can be reliably determined.

GTS does not receive any consideration from customers other than the consideration based on the pre-agreed tariffs and capacities. The tariffs for the GTS services are determined by the independent regulatory authority. No discounts are applied.

Other operating revenues

Revenues that are not directly related to the supply of goods or the provision of services as part of normal, non-incidental operations are recognised under 'Other operating revenues'. These revenues are attributed to the reporting period in accordance with the specifics of the transactions.

Government grants

Investment grants, if applicable, are deducted from the cost price of the asset for which the grant was awarded.

Other expenses

These costs are determined on a historical basis, taking into account the accounting policies set out above, and are allocated to the reporting period to which they relate.

Financial income and expenses

Included in this item are income and expenses relating to financing and similar income and expenses. Interest income and similar income is recognised in the period to which it relates, taking into account the effective interest rate for the asset concerned, provided the income can be measured and is likely to be received. Interest expenses and similar expenses are recognised in the period to which they relate.

Income taxes

GTS is part of a fiscal unity for the purposes of corporate income tax, which is headed by N.V. Nederlandse Gasunie. These two parties have agreed that tax will be assigned to GTS based on the fiscal result, as if GTS were independently liable for tax. GTS settles taxes payable with N.V. Nederlandse Gasunie through a current account relationship.

Tax includes income tax and deferred taxation due over the reporting period. The tax is included in the statement of profit and loss, except when it relates to items recognised directly as equity, in which case the tax effect is also recognised directly as equity.

The tax owed for the financial year is the tax expected to be payable on the taxable profit for that financial year, calculated on the basis of tax rates determined on the reporting date or materially decided upon on the reporting date, plus any corrections to the tax owed for previous years. The tax owed is calculated taking into account tax-exempt items and costs that are either non-deductible or only partly deductible.

If the carrying amount of assets and liabilities for financial reporting purposes differs from their carrying amounts for tax purposes, these are classed as temporary differences. A deferred tax liability is recognised for all taxable temporary differences. A deferred tax asset is recognised for all deductible temporary differences, to the extent that it is likely that sufficient taxable profit will be available for future set-off. For this purpose, management makes assumptions about the future taxable profits and the point at which the temporary differences are realised.

Deferred tax liabilities and assets are measured at the nominal value. The tax rates used for the measurement are those that are expected to apply in the period in which the deferred tax items will be realised based on the tax rates and tax legislation effective as at the balance sheet date. The movements in corporate income tax arising from possible rate changes are recognised in profit and loss, with the exception of the movements that were originally taken directly to equity. These movements are taken directly to equity.

The recognised deferred taxes can actually be classed as either deferred receivables or deferred liabilities towards the head of the fiscal unity and are recognised as a net receivable or liability. Details of the current part of the deferred taxes are provided in the note to deferred taxation.

Related parties

Transactions with related parties are explained at least insofar as they are not effected under normal market conditions. The company will also explain major important transactions with related parties that are effected under normal market conditions. The nature and the size of such transactions, plus any other information necessary to gain an understanding, are also explained.

Determining the fair value

The fair value of a financial instrument is the amount for which an asset could be traded or a liability settled between parties knowledgeable about the matter who are willing to enter into a transaction and are independent of each other.

The fair value of non-listed financial instruments is determined by calculating the present value of the expected cash flows at a discount rate equal to the applicable risk-free market interest for the remaining term, plus credit and liquidity surcharges.

When determining the fair value of an asset or a liability, the company makes as much use as possible of market-observable data. The company classifies fair values according to various levels on the basis of a fair value hierarchy, depending on the information used to apply valuation methods.

The various levels are defined as follows:

- Level 1: Based on quoted prices on active markets for the same instrument.
- Level 2: Based on prices on active markets for comparable instruments, or based on other valuation methods, with all required key data being derived directly or indirectly from publicly available market information.
- Level 3: Based on valuation methods, with all the required key data not being derived from publicly available market information.

If the information to be used for determining the fair value of an asset or liability can be classified at different levels of the fair value hierarchy, the fair value determined will be classified in its entirety at the lowest applicable level.

GTS recognises reclassifications between levels of the fair value hierarchy at the end of the reporting period in which the change has taken place. The company continually assesses changes to significant information it uses and where necessary, adjusts the fair value determination accordingly.

Events after the balance sheet date

Events that provide further information about the actual situation at the balance sheet date and that appear before the date on which the financial statements are prepared are recognised in the financial statements.

Events that do not provide further information about the actual situation on the balance sheet date are not recognised in the financial statements. If such events are important for users to form an opinion of the financial statements, the nature and estimated financial effects are explained in the financial statements.

04 Additional notes to the financial statements

1. Significant matters and events in 2020

COVID-19 pandemic

Starting in the first quarter of 2020, the COVID-19 pandemic spread throughout the Netherlands and the rest of Europe. As a national transmission system operator, GTS has investigated the consequences of the COVID-19 pandemic on its operations and its financial position. In so doing, management considered a range of scenarios which were repeatedly updated throughout 2020 on the basis of the most recent information and developments. Additional measures were taken to be able to continue to perform our operations – including the continuity of the gas transport – safely and reliably.

The financial results for 2020 were not significantly adversely affected by the pandemic. No important operations were halted and major investment projects were continued, with adjustments due to stricter safety guidelines where necessary.

Revenue from and costs of regulated operations did not deviate substantially from the business plan as a result of the pandemic. No adjustments took place in terms of measurement of sales, purchase and lease contracts in 2020, nor did existing contracts give rise to the recognition of additional liabilities or provisions in the balance sheet.

GTS is part of a cash pool headed by N.V. Nederlandse Gasunie. The group's liquidity position is good. No additional funds were borrowed on the money or capital market to be able to meet current liabilities. No adjustments were made to the dividend policy either. GTS did not make use of the emergency financial measures brought in by the Dutch government. The COVID-19 pandemic had no significant consequences for the valuation of trade and other receivables.

In particular, management investigated whether COVID-19 affected the transactions recognised in accordance with the following reporting standards:

- Revenue recognition
- Measurement of fixed assets
- Financial instruments
- Leases
- Provisions
- Income taxes

Management concluded that the COVID-19 pandemic had no consequences for the application of the aforementioned accounting policies.

ZEBRA network acquisition

On 31 December 2020, GTS acquired the ZEBRA gas pipelines and a number of extra-high-pressure networks (*Extra Hoge Druk netten* - EHD) in the south-western Netherlands from an alliance of four network operators. The aim of the acquisition was among other things to integrate these networks into GTS' national network as well as in the TTF market area. Their integration will make a positive contribution to the utilisation of the national network. The acquisition is accounted for in line with RJ 216. The fair value of the tangible fixed assets acquired is the same as the acquisition price: € 11.5 million. The acquisition price was paid outright and in cash. There is no question of goodwill or the acquisition of liabilities, nor are there any tax effects to be measured. The acquisition had no consequences for revenue or the result for 2020. The technical and operational integration of the ZEBRA gas pipeline and the EHD networks into GTS' existing network was completed as at the acquisition date. The assets acquired became part of GTS' regulated assets after the acquisition.

Publication of method decision for GTS

ACM published the 2022-2026 draft method decision for GTS on 31 August 2020, followed by its publication of the 2022-2026 final method decision for GTS on 1 February 2021. The consequences of this decision for GTS' permitted income and therefore for the valuation of the gas transport network are included in note 2 'Impairment tests'.

2. Impairment tests

Management determines at regular intervals whether there are any events or indications for impairment of fixed assets. As mentioned in note 1 'Significant matters and events in 2020', the COVID-19 pandemic had no consequences for the valuation of fixed assets as at 31 December 2020. The outcomes of this analysis for the most significant cash-generating unit are shown below.

Gas transport network

Impairment tests

Reason for the test

The Netherlands Authority for Consumers and Markets (ACM) is authorised to use a regulatory framework to set the tariffs that GTS is allowed to charge for transport, transport-related activities and its connection, balancing and quality conversion duties. This is known as a method decision and is the basis for determining the permitted revenues and tariffs during the regulatory period.

The current regulatory period ends on 31 December 2021. ACM published the 2022-2026 method decision for GTS on 1 February 2021, which was preceded by its publication of the 2022-2026 draft method decision for GTS on 31 August 2020. ACM has decided to set the regulatory method for five years once again. The publication of the method decision can have consequences for GTS' permitted revenues in the future. By inference, it may also have consequences for the valuation of the gas transport network as of 31 December 2020. These consequences may be positive or negative for the company. Prior to the impairment test at year-end 2020, the carrying amount of the gas transport network – which is considered to be a single interrelated cash-generating unit – was approximately € 6.5 billion.

Test method

Management makes use of a value-in-use approach to establish the recoverable amount of the transport network. The value-in-use of the gas transport network is calculated on the basis of expected cash flows for the 2021 financial year based on the business plan plus the expected cash flows for the 2022-2026 regulatory period.

At the end of the 2022-2026 regulatory period, the value of the network is derived from the standardised asset value expected at that time. The standardised asset value is the value of the investments which the network operator may charge through the tariffs allowing for a reasonable return.

There are no indications that the fair value less costs of disposal is higher than the value in use.

Starting point when determining the recoverable amount

The recoverable amount is determined primarily on the basis of the regulatory framework as laid down in the 2022-2026 Method Decision for GTS and in other regulations and decisions. The main elements in the new method decision are (i) the renewed application of an efficiency discount, (ii) the lowering of the capital cost allowance for investment, (iii) the introduction of a subsequent costing regime for a nominal capital cost allowance, (iv) the estimation of the capital costs of future investments and subsequent costing of these estimates, (v) the estimation, for the most part, and subsequent costing of energy costs and (vi) the introduction of a declining factor in the method of depreciation.

Furthermore, a number of variables, such as the expected development of operating costs, the investment level and the discount rate are determined by the company's management. The most important operating and investment cash flows (relevant for the capital cost allowance and its subsequent costing) are based on the business plan for the next three years adopted by GTS' management, on the investment plan for GTS assessed by ACM, as well as on a recent long-range forecast for the medium term.

The most important assumptions and estimates in the impairment test are explained below.

Most important assumptions and estimates

Efficiency after the 2022-2026 regulatory period

For the 2022-2026 regulatory period, GTS' average weighted static efficiency has been set at 96.1% (current method decision: 88.6%). Over the past years, GTS has demonstrably worked to improve its efficiency, partly through workforce restructuring, long-term cost savings and maintenance optimisation. Management will, of course, continue to work on further optimising efficiency in the coming years. In carrying out the impairment test, the provisional assumption was made at year-end 2020 that the efficiency discount imposed by ACM will also apply in future regulatory periods.

Capital cost allowance - ACM WACC

The method decision for the 2022-2026 regulatory period includes a capital cost allowance which is, among other things, dependent on a WACC determined by ACM. The nominal WACC for new capital is set at 3.0% before tax. The nominal WACC before tax for existing capital will be decreased gradually from 3.1% in 2022 to 3.0% in 2026. Every year, ACM determines the actual applicable WACC, which is then subsequently costed and settled in GTS' permitted revenues in the following years. When setting up the impairment test, account is taken of the possible effects of subsequent costing on this part of the capital cost allowance.

Discount rate

A nominal pre-tax discount rate of 2.9-4.0% is applied when performing the impairment test. A nominal pre-tax discount rate of 4.8%-5.3% was applied when performing the previous impairment test in 2016. The decrease in the discount rate was mainly caused by developments on the capital market since 2016 and has been further reinforced as a consequence of fluctuating interest rates in the period around the balance sheet date.

Sensitivity analysis

The table below provides an indication of the effect that changes to an important assumption or estimate will have on the recoverable amount. All other things being equal, the change is assumed to have taken place at the beginning of the new regulatory period.

Change in the assumption or estimate	Size	Impact on recoverable amount
Efficiency after the regulatory period	+/- 1% point	+/- approx. € 50 million
Capital cost allowance for the 2022-2026 regulatory period - ACM WACC	+/- 0.25% point	+/- approx. € 50 million
Discount rate after taxation	+/- 0.25% point	+/- approx. € 80 million

Outcome of the test

On the basis of the information currently available, management has concluded that on 31 December 2020, there was no impairment loss for the gas transport network.

Because the current and more volatile market rates were used on the balance sheet date in the context of determining the recoverable amount as per the reporting standards, the valuation of the gas transport network at year-end 2020 is some € 300 million higher than the carrying amount. This amount is consequently recognised as a reversal of a past impairment loss. The reversal can primarily be attributed to a decrease in the discount rate on the balance sheet date compared to the discount rate that was applicable in 2016 when the previous impairment test was performed. Without this effect, the recoverable amount of the gas transport network would be almost equal to the carrying amount.

Other tangible and financial fixed assets

Management's assessment has not revealed any evidence or indication of impairment of other tangible and financial fixed assets as at 31 December 2020.

3. Tangible fixed assets

Movements in tangible fixed assets in 2020 were as follows:

<i>In millions of euros</i>	Carrying amount as at 1 Jan. 2020	Acquisitions	Investments	Disposals	Depreciation	Reversal of impairment loss	Carrying amount as at 31 Dec. 2020
Land and buildings	134.9	-	3.4	-0.2	-7.8	6.0	136.3
Compressor stations	553.7	-	9.5	-0.8	-38.5	30.3	554.2
Installations	762.0	0.6	39.0	-3.4	-50.0	35.7	783.9
Main transmission lines and related plant and equipment	3,692.5	10.7	12.2	-0.3	-82.6	187.0	3,819.5
Regional transmission lines and related plant and equipment	882.2	-	30.6	-1.0	-25.8	36.7	922.7
Other fixed operating assets	221.2	0.2	6.5	-0.1	-29.3	4.3	202.8
Right-of-use assets	3.3	-	2.1	-	-0.4	-	5.0
Fixed assets under construction	244.5	-	151.2	-	-	-	395.7
Total for 2020 financial year	6,494.3	11.5	254.5	-5.8	-234.4	300.0	6,820.1

Most of the investments made in 2020 went into a new nitrogen plant and regular asset replacements. More information about the reversal of the impairment loss recognised in the past can be found in note 2 'Impairment tests'.

Tangible fixed assets includes an amount of € 5.0 million (2019: € 3.3 million) for right-of-use assets. The right-of-use assets all cover a limited number of plots with an expected remaining term that varies between three to thirty years. GTS has economic but not legal ownership of these right-of-use assets.

Movements in tangible fixed assets in 2019 were as follows:

<i>In millions of euros</i>	Carrying amount as at 1 Jan. 2019	Acquisitions	Investments	Disposals	Depreciation	Reversal of impairment loss	Carrying amount as at 31 Dec. 2019
Land and buildings	131.0	-	12.1	-0.1	-8.1	-	134.9
Compressor stations	589.0	-	12.3	-4.7	-42.9	-	553.7
Installations	804.0	-	17.1	-0.8	-58.3	-	762.0
Main transmission lines and related plant and equipment	3,775.0	-	1.3	-0.6	-83.2	-	3,692.5
Regional transmission lines and related plant and equipment	882.9	-	32.2	-7.9	-25.0	-	882.2
Other fixed operating assets	238.6	-	15.1	-	-32.5	-	221.2
Right-of-use assets	3.4	-	-	-	-0.1	-	3.3
Fixed assets under construction	110.2	-	134.3	-	-	-	244.5
Total for 2019 financial year	6,534.1	-	224.4	-14.1	-250.1	-	6,494.3

The cost and accumulated depreciation are as follows:

<i>In millions of euros</i>	Cost as at 31 Dec. 2020	Accumulated depreciation * as at 31 Dec. 2020	Cost as at 31 Dec. 2019	Accumulated depreciation * as at 31 Dec. 2019
Land and buildings	244.5	-108.2	242.2	-107.3
Compressor stations	1,009.9	-455.7	1,006.3	-452.6
Installations	1,504.6	-720.7	1,484.1	-722.1
Main transmission lines and related plant and equipment	5,336.0	-1,516.5	5,315.1	-1,622.6
Regional transmission lines and related plant and equipment	1,213.4	-290.7	1,192.1	-309.9
Other fixed operating assets	507.9	-305.1	502.2	-281.0
Right-of-use assets	5.5	-0.5	3.4	-0.1
Fixed assets under construction	395.7	-	244.5	-
Total	10,217.5	-3,397.4	9,989.9	-3,495.6

* including impairment losses and reversal of impairment losses

Depreciation periods

There was no reason to review the depreciation period in 2020. The regulatory authority for the regulated networks in assumes a long depreciation period (up to 55 years for transport pipelines) in the current method decision and in the 2022-2026 method decision for GTS. Management endorses a long-term vision in which account is taken of the possibility that, in due course, the existing gas transport infrastructure could be used to transport alternative energy carriers, such as hydrogen, or to transport captured CO₂.

It should be noted, however, that limited adjustments to depreciation periods may be made in specific cases. The anticipated closure of the Groningen field and increased imports from sources outside the Netherlands are changing gas flows and directions, as well as the use of certain parts of our gas infrastructure, including compressor stations and related components, in specific locations. These installations have been or are due to be decommissioned in the near future and will be depreciated more quickly until the time of decommissioning. When determining the technical decommissioning method, the future possibility of making the installations suitable for transporting alternative energy sources will also be considered. The installations will therefore not be redeveloped, but sustainably preserved.

Management has no indications that the expected useful life of the other assets is shorter than the current depreciation period. These assets have a much shorter depreciation period anyway, mostly based on a shorter technical life.

The depreciation periods for the most important asset categories are as follows:

Land	no depreciation
Buildings	50 years
Compressor stations	30 years
Installations	30 years
Main transmission lines and related plant and equipment	until 2070
Regional transmission lines and related plant and equipment	until 2070
Other fixed operating assets	5-20 years
Fixed operating assets under construction	no depreciation

Right-of-use assets are depreciated in accordance with the above categories; leased land is depreciated in accordance with the useful life of the asset with which the land lease is connected. No depreciation is recognised on land, gas & nitrogen stocks and assets under construction.

4. Other participating interests

The other participating interests are interests in PRISMA European Capacity Platform GmbH and Energie Data Services Nederland (EDSN) B.V.

PRISMA

PRISMA is a European platform for trading transport capacity. GTS offers some of its transport capacity on this platform. At year-end 2020, GTS held a financial interest of 11.05% (year-end 2019: 11.05%) in PRISMA. PRISMA has its registered office in Leipzig, Germany. Based on agreements with shareholders, GTS has no significant influence in PRISMA.

EDSN

EDSN works in conjunction with the regional transmission system operators, TenneT and GTS on central market facilitation for the energy sector. EDSN develops and manages IT infrastructure for the energy market. EDSN has its registered office in Arnhem, the Netherlands. At year-end 2020, GTS held a financial interest of 12.5% (year-end 2019: 12.5%) in EDSN. Based on agreements with shareholders, GTS has no significant influence in EDSN.

The total carrying amount (acquisition price) for the shares in PRISMA and EDSN is less than € 0.1 million.

The movements in other participating interests are as follows:

<i>In millions of euros</i>	2020	2019
Balance as at 1 January	0.1	0.1
Movements	-	-
Balance as at 31 December	0.1	0.1

In 2020, there were no movements in the acquisition price and no dividend was paid either (2019: same).

5. Deferred tax assets

Deferred tax assets arise from temporary differences between the measurement of assets and liabilities for financial reporting purposes and their measurement for tax purposes. There are no capitalised losses carried forward.

The temporary differences concern the tax treatment of the purchase price paid by the Dutch State and the differences in respect of the measurement of tangible fixed assets. The first difference arose when the shareholder (N.V. Nederlandse Gasunie) was split into a transport and a trading company in 2005. At the time, the Dutch State made a deemed capital contribution to the company for tax purposes. This purchase price for tax purposes has not been capitalised in the company financial statements. This recognition of the purchase price has given Gasunie an additional tax depreciation potential that can be attributed to GTS, for which a deferred tax asset has been recognised.

The temporary difference resulting from the measurement of tangible fixed assets is mainly due to the one-time revaluation of tangible fixed assets when N.V. Nederlandse Gasunie was split in 2005 and the subsequent transition to IFRS. On 1 January 2014, the assets in question, including the (legal) revaluation reserve, were transferred to GTS. In addition, the depreciation method for tax purposes deviates from time to time from the depreciation principles under Title 9 of Book 2 of the Dutch Civil Code (including the recognition of impairment losses and their reversals). Such temporary differences are recognised in the balance sheet. On balance, temporary differences in tangible fixed assets result in a deferred tax liability.

The above deferred tax assets and liabilities relate fully to the fiscal unity with N.V. Nederlandse Gasunie and are, therefore, presented as a net amount.

The movements in deferred tax assets in 2020 are as follows:

<i>In millions of euros</i>	Purchase price paid by the Dutch State	Tangible fixed assets	Total
Balance as at 1 January 2020	1,154.5	-752.2	402.3
Recognition of temporary differences in profit and loss	-52.9	24.8	-28.1
Result of change in corporate tax rate recognised in profit and loss	-	-42.7	-42.7
Result of change in corporate tax rate recognised in equity	167.4	-68.0	99.4
Result of reversal of impairment loss recognised in profit and loss	-	-75.0	-75.0
Balance as at 31 December 2020	1,269.0	-913.1	355.9

The deferred tax assets to be settled under one year after the balance sheet date amount to € 26.6 million (2019: € 28.8 million). This amount is not presented separately under current assets.

At the end of 2020, the Dutch House of Representatives and Senate both approved the tax plan for 2021. In contrast to earlier plans from 2018 and 2019, the rate of corporate income tax in 2021 and beyond has not been reduced to 21.7% but maintained at 25.0%. This decision has a significant impact on the valuation of the company's deferred tax assets.

Since the deferred tax impact of the tax treatment of the purchase price paid by the Dutch State was taken directly to equity, the effect of the changes to future rates for corporate income tax will also be taken directly to equity. This has led to an upward adjustment of € 167.4 million in 2020, (2019: € 66.0 million).

The tax impact of the revaluation of tangible fixed assets was also taken directly to the company's equity, which is why the effect of the changes to the future rates of corporate income tax have been taken directly to equity here as well. This led to an adjustment of minus € 68.0 million in 2020 (2019: minus € 27.1 million).

And finally, the reversal of the impairment loss recognised in the past has consequences for the size of the temporary differences in measurement. More information about the reversal of the impairment loss recognised in the past can be found in note 2 'Impairment tests'.

The movements in deferred tax assets in 2019 are as follows:

<i>In millions of euros</i>	Purchase price paid by the Dutch State	Financial instruments	Total
Balance as at 1 January 2019	1,141.2	-741.9	399.3
Recognition of temporary differences in profit and loss	-52.9	33.9	-19.0
Result of change in corporate tax rate recognised in profit and loss	-	-16.9	-16.9
Result of change in corporate tax rate recognised in equity	66.0	-27.1	38.9
Balance as at 31 December 2019	1,154.5	-752.2	402.3

Movements in deferred tax assets in 2019 related to regular movements as well as movements due to the review of the rate of corporate income tax for the financial year 2020 and beyond.

6. Trade and other receivables

At year-end 2020, the trade and other receivables consisted entirely of trade receivables (year-end 2019: the same).

Trade and other receivables can be broken down as follows:

<i>In millions of euros</i>	31 Dec. 2020	31 Dec. 2019
Trade and other receivables	121.1	126.9
Provision for doubtful debts	-16.6	-16.5
Total trade and other receivables	104.5	110.4

The trade receivables are measured minus a provision for doubtful debts. Movements in the provision are as follows:

<i>In millions of euros</i>	2020	2019
Balance as at 1 January	16.5	16.1
Addition, charged to profit and loss	0.1	0.4
Write-offs charged against the provision	-	-
Release, credited to profit and loss	-	-
Balance as at 31 December	16.6	16.5

The trade receivables have a nominal term of less than one year. Please refer to note 16 'Financial instruments' for the securities provided.

7. Issued share capital

The authorised share capital amounts to € 5.0 million, consisting of five million ordinary shares of € 1 each, of which one million have been issued and paid up in full. The issued share capital amounts to € 1.0 million (2019: € 1.0 million). No movements took place in the issued and paid-up shares during the financial year (2019: the same).

All shares issued are held by N.V. Nederlandse Gasunie.

8. Share premium

In 2020, there were no movements in the share premium (2019: same).

9. Revaluation reserve

The revaluation reserve relates to the revaluation of the tangible fixed assets by N.V. Nederlandse Gasunie as of 1 January 2004, prior to the transfer of the assets to GTS on 1 January 2014. This revaluation was connected to the division of N.V. Nederlandse Gasunie and the introduction of IFRS by N.V. Nederlandse Gasunie in 2005 and was calculated in line with the situation as at 1 January 2004. Deferred taxation relating to the revaluation is recognised in the liability for deferred taxation, which is part of the deferred tax assets item.

The revaluation reserve is realised in proportion to the depreciation of the tangible fixed assets to which the revaluation reserve relates.

Movements in the revaluation reserve are as follows:

<i>In millions of euros</i>	2020	2019
Balance as at 1 January	1,659.0	1,743.6
Realised share in the unrealised revaluation	-47.8	-57.5
Adjustment revaluation reserve due to reversal of impairment losses	99.0	-
Effect of tax rate change on deferred taxation	-68.0	-27.1
Balance as at 31 December	1,642.2	1,659.0

For an explanation of the change to the corporate income tax rate, see note 5 'Deferred tax assets'. More information about the reversal of the impairment loss recognised in the past can be found in note 2 'Impairment tests'. As a consequence of this reversal, part of the realisation of the revaluation reserve has been reversed at the expense of the other reserves.

10. Other reserves

Movements in the other reserve are as follows:

<i>In millions of euros</i>	2020	2019
Balance as at 1 January	-15.7	-282.3
Appropriation of result for previous financial year	50.6	143.1
Realised share in the unrealised revaluation	47.8	57.5
Adjustment revaluation reserve due to reversal of impairment losses	-99.0	-
Change in deferred taxes	167.4	66.0
Balance as at 31 December	151.1	-15.7

For a description of the movements, please refer to note 5 'Deferred tax assets', note 9 'Revaluation reserve', and note 11 'Unappropriated result'.

GTS is the network operator of the national gas grid in the Netherlands as defined in the Dutch Gas Act. The Ministry has issued rules with regard to proper financial management by a transmission system operator (Besluit Financieel Beheer Netbeheerder). These rules include a minimum for equity, which can lead to restrictions with regard to the level of distributable reserves. At year-end 2020, no such restriction applied and no non-distributable reserve was recognised (year-end 2019: the same).

11. Unappropriated result

Movements in the unappropriated result are as follows:

<i>In millions of euros</i>	2020	2019
Balance as at 1 January	50.6	143.1
Appropriation of result in previous financial year	-50.6	-143.1
Result for the year	380.5	168.7
Dividend paid	-265.0	-118.1
Balance as at 31 December	115.5	50.6

Profit appropriation for the previous financial year

The 2019 financial statements were adopted by the General Meeting of 27 March 2020. The General Meeting of Shareholders has appropriated the result as determined in accordance with management's proposal. The result for 2019 amounted to a profit of € 168.7 million. The dividend to be distributed is determined at € 118.1 million, which is equal to the interim dividend that was distributed during the 2019 financial year. The remainder of € 50.6 million was added to the other reserves.

Profit appropriation and interim dividend proposal for the 2020 financial year

In 2020, an interim dividend of € 265.0 million was distributed over the 2020 financial year (2019: interim dividend of € 118.1 million distributed over the 2019 financial year). Management proposes that an amount of € 115.5 million of the result after taxation for 2020 be added to the other reserves and € 265.0 million be distributed to the shareholders, as per the interim dividend already distributed. This profit appropriation has not been recognised in the balance sheet as at 31 December 2020 or in the notes thereto.

The company may make distributions to the shareholders only if: 1) the company can continue to pay its due and payable debts after distribution (distribution test), and 2) the equity is greater than the reserves that must be maintained by law (balance test). In addition to these general statutory provisions, GTS, as the national transmission system operator, must also comply with the requirements as laid down in the BFBN. These rules consist of a number of financial ratios, including a minimum for equity. This can lead to restrictions with regard to the distribution of dividends, among other things. At year-end 2020, no such restriction applied (year-end 2019: the same).

12. Provisions

The provisions completely comprise the provision for certain abandonment costs and redevelopment.

Provision for abandonment costs and redevelopment

The provision for abandonment costs and redevelopment was formed in 2010 due to the company's decisions to decommission or redevelop specific assets. Legislation, regulations and permits, including those governing the environment and spatial planning, require redevelopment to take place in certain cases.

This provision relates to the redevelopment of decommissioned pipelines. The redevelopment programme also includes pipelines that have already been disconnected and former third-party pipelines for which GTS is currently responsible. The redevelopment programme is a long-term programme.

A provision for long-term abandonment costs for the gas transport network as a whole is not recognised, because it is currently considered unlikely that the full removal of transport pipelines and appurtenances will be needed. In the context of the energy transition, revenues from alternative use (in the longer term) less the costs of conservation are anticipated to offset the costs of removal, including societal costs.

Movements in the provision are as follows:

<i>In millions of euros</i>	2020	2019
Balance as at 1 January	35.0	50.1
Addition, charged to profit and loss	0.6	0.8
Write-offs charged against the provision	-5.5	-7.1
Release, credited to profit and loss	-	-8.8
Balance as at 31 December	30.1	35.0

The current part of the provision for abandonment costs and redevelopment is expected to total € 6.6 million at year-end 2020 (year-end 2019: € 7.4 million). This amount is not shown separately under current liabilities. The discount rate is 1.0% (2019: 1.0%).

13. Non-current loan from the shareholder

Movements in the non-current loan from the shareholder are as follows:

<i>In millions of euros</i>	2020	2019
Balance as at 1 January	3,521.0	3,639.6
Borrowings	168.5	-
Repayments	-106.4	-118.6
Balance as at 31 December	3,583.1	3,521.0

The debt to shareholder is the de facto balance of borrowings drawn under a loan facility of up to € 6.0 billion, which was made available to GTS by N.V. Nederlandse Gasunie on 1 January 2014. The loan terminates on 31 December 2029, but has an extension option. The agreed interest rate is the weighted average borrowing rate of the non-current loan portfolio of N.V. Nederlandse Gasunie plus 12.5 basis points. The weighted average interest rate on the balance of the borrowings drawn in 2020 was 2.5% (2019: 2.5%). It has been agreed with N.V. Nederlandse Gasunie that the facility can be drawn or redeemed without restrictions during the term of the loan. No interim repayment scheme has been agreed.

The Dutch Ministry of Economic Affairs and Climate Policy has issued rules with regard to proper financial management by a network operator by way of the BFBN. Each quarter, management must assess, taking account of the provisions of the BFBN, whether the credit facility must be redeemed or drawn in order to meet the BFBN requirements. In this periodic assessment, the company not only takes into account the current financial position, but also the expectations for the coming years regarding the expected volume and timing of the investment expenditure, the expected dividend payments and the expected operating expenses for the gas transport network. Due to the size and volatility of these variables, it is not currently possible to make a reliable estimate regarding potential future repayments. For this reason, the borrowings as at the balance sheet date are fully presented under non-current debts.

No securities have been provided by the company with regard to the loan facility.

14. Lease liabilities

The company is bound by some leases relating to the lease of land. These right-of-use assets are for the company's own use; there are no sub-leases involved. More detailed information about the associated right-of-use assets can be found in note 3 'Tangible fixed assets'.

Movements in lease liabilities are as follows:

<i>In millions of euros</i>	2020	2019
Balance as at 1 January	3.4	3.4
New lease contracts	1.8	-
Modifications	0.2	0.1
Lease payments	-0.4	-0.2
Interest on leases	0.1	0.1
Total	5.1	3.4
Included under current liabilities	-0.4	-0.1
Balance as at 31 December	4.7	3.3

The remaining term of the lease liabilities is as follows:

<i>In millions of euros</i>	31 Dec. 2020	31 Dec. 2019
Maturity < 1 year	0.4	0.1
Maturity ≥ 1 year and ≤ 5 years	1.0	0.3
Maturity ≥ 5 years	3.7	3.0
Total lease liability	5.1	3.4

Lease contracts with a term of less than one year or with a contract value of less than € 5,000 are not included in the balance sheet. They represented less than € 0.1 million per year at year-end 2020 (2019: the same).

Modifications are interim adjustments of variables in the existing lease contracts that result in a change in the measurement of the agreements, such as expected or agreed lease terms and the amount of lease payments.

The weighted average incremental borrowing rate in 2020 was 0.74% (2019: 1.85%). The drop in the average incremental borrowing rate came as GTS entered into several new leases with a short term that, due to the short term, have a low borrowing rate.

15. Contract liabilities

Contract liabilities relate to the company's revenue from contracts with customers. The payment schedule for certain contracts is not synchronous with the way in which GTS is required to allocate revenues to the financial years. This includes contracts in which customers have made a financial contribution to the investment in specific transport capacity. In principle, these contributions are attributed to the contract with the customer and not to the asset to which the contribution relates. A contract liability is included for such pre-payments, taking account of the financing element in these contracts.

At year-end 2020, GTS' contract liabilities amounted to € 17.8 million (2019: € 18.1 million). The following table shows the movements in these contract liabilities.

<i>In millions of euros</i>	2020	2019
Balance as at 1 January	18.1	18.2
Reclassified in profit and loss	-0.9	-1.0
Interest on liability	0.6	0.6
New contributions	-	0.3
Total	17.8	18.1
Included under current liabilities	-0.4	-0.4
Balance as at 31 December	17.4	17.7

The remaining term of the contract liabilities is as follows:

<i>In millions of euros</i>	31 Dec. 2020	31 Dec. 2019
Maturity < 1 year	0.4	0.4
Maturity ≥ 1 year and ≤ 5 years	1.9	1.9
Maturity ≥ 5 years	15.5	15.8
Total contract liabilities	17.8	18.1

16. Financial instruments

General

The main financial risks to which the company is exposed are market risk (consisting of interest rate risk and currency risk), credit risk and liquidity risk. In consultation with its parent company, GTS applies financial risk management with the aim of reducing these risks through operational and financial measures. Depending on the nature and size of the risks, specific hedging instruments are used for this purpose, either by the company itself or by the parent company.

Derivative financial instruments are only used to hedge risks and not for trading or any other purpose. The use of specific risk instruments requires the prior approval of management.

Interest rate risk

The interest rate risk to which the company is exposed relates to the risk that future outgoing interest cash flows will increase due to changes to the interest rate for non-current loans with floating interest rates. GTS is exposed to an interest rate risk with respect to the interest-bearing loan from the shareholder. The loan facility made available by N.V. Nederlandse Gasunie has a variable interest rate based on the weighted average borrowing rate of the non-current loan portfolio of N.V. Nederlandse Gasunie plus 12.5 basis points. If this average interest rate changes, the amount of the interest payments made by the company also changes. GTS has not hedged this interest rate risk, because the timing and the size of the cash flows under the loan facility cannot be predicted with sufficient precision.

A 1% point change in the interest rate will change the annual interest expenses by € 35.8 million (2019: € 35.2 million).

Currency risk

Currency risks arise if financial instruments are entered into in a currency that is not the functional currency. The currency risk the company is exposed to consists of the risk that future cash flows, including payables and receivables, will fluctuate over time due to changes in exchange rates.

The currency risk involved in normal business operations is very limited because almost all transactions take place in euros. At year-end 2020, there were no material receivables or liabilities in a foreign currency and hedging instruments were therefore not used (year-end 2019: the same).

Credit risk

Credit risk relates to the loss that would arise if counterparties were to entirely or partially default and fail to meet their contractual obligations. The company was not exposed to any material credit risk with regard to any individual customer or counterparty (year-end 2019: the same). In 2020, the company generated over 10% of its external revenues from gas transport and associated services from one single external customer (2019: the same).

To limit the credit risk with regard to counterparties, if appropriate, GTS asks for guarantees from its customers and other parties with whom transactions take place.

The guarantees received from third parties are as follows:

In millions of euros	31 Dec. 2020		31 Dec. 2019	
	Number	Value	Number	Value
Security Deposit	86	31.0	108	31.5
Bank Guarantee	52	46.7	44	81.6
Parent Company Guarantee	30	159.9	26	130.9
Letter of Awareness	6	108.4	10	191.1
Surety Agreement	5	17.4	5	17.4
Total guarantees received	179	363.4	193	452.5

The securities received predominantly relate to securities from gas transport arrangements. The security deposits are held in cash and are interest-bearing. A market interest charge is calculated for the security deposits. The letters of awareness mainly relate to legally unlimited guarantees received from the parent company or the shareholder of the customers to which they relate. An internal creditworthiness analysis and the maximum allowed exposure of the customers in question subsequently determined by Gasunie form the basis for quantifying the value of these guarantees.

The individual terms of the guarantees received are generally short (one to three years), with the terms of a few guarantees exceeding five years. The guarantees are not freely assignable.

Liquidity risk

The liquidity risk is the risk that the company has insufficient cash to meet its immediately payable current liabilities. GTS quantifies its liquidity risk by using a long-range forecast of capital expenses and investments and a liquidity forecast with a horizon of at least one year for operational expenses.

The company's cash and cash equivalents are part of a cash pool agreement with N.V. Nederlandse Gasunie and its group companies. Under the terms of this agreement, the bank balances of the companies, including GTS, are held in the main account of N.V. Nederlandse Gasunie. The amounts received by GTS in its bank account are transferred daily to N.V. Nederlandse Gasunie. Equally, the amounts paid by GTS are reimbursed daily by N.V. Nederlandse Gasunie. The bank balances that are part of the cash pool agreement are interest-bearing.

In order to hedge the liquidity risk, the company had a loan facility of € 6.0 billion at year-end 2020 (year-end 2019: € 6.0 billion), which is provided by the shareholder. The loan terminates on 31 December 2029, but has an extension option. It has been agreed with N.V. Nederlandse Gasunie that the facility can be drawn or redeemed without restrictions during the term of the loan.

The company also has an uncommitted external credit facility of € 10.0 million (2019: € 10.0 million), as per the cash pool agreement.

Fair value

Various financial instruments for which the fair value can deviate from the carrying amount on the basis of amortised cost are included in these financial statements. This relates to:

- Trade and other receivables
- Non-current loan from the shareholder

The way in which fair value is determined is described under 'Determining fair value' in the accounting policies for the measurement of assets and liabilities and the determination of the results.

Trade and other receivables

The fair value of trade and other receivables in the balance sheet is almost the same as the carrying amount due to the short term of these instruments.

Non-current loan from the shareholder

The company has calculated the fair value of the loan from the shareholder by calculating the present value of the expected future cash flows at a discount rate equal to the applicable risk-free market interest for the remaining term, plus credit and liquidity surcharges. In doing so, the company has taken into account its own risk profile and that of the lender. It is assumed that the outstanding principal sum will be redeemed in full on the date of the end of the credit facility. The determination of the fair value took place according to level 3 (year-end 2019: level 3).

The carrying amount and the fair value of the non-current loan from the shareholder as at 31 December 2020 were:

In millions of euros	31 Dec. 2020			31 Dec. 2019		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Non-current loan from the shareholder	3,583.1	4,398.2	815.1	3,521.0	4,286.2	765.2

17. Off-balance sheet obligations

Joint and several liability of the fiscal unity

The company is part of a fiscal unity for the purposes of Dutch corporate income tax and VAT which is headed by N.V. Nederlandse Gasunie. Pursuant to the Dutch Collection of State Taxes Act, the company is jointly and severally liable for the corporate income tax and VAT liabilities of all the companies in the fiscal unity.

Guarantees issued

The company has issued a guarantee of € 0.8 million (2019: € 0.8 million) for the benefit of its participating interest in EDSN B.V.

Investment obligations

At year-end 2020, there were conditional investment obligations totalling € 96.0 million (year-end 2019: € 278.2 million). These obligations mainly relate to the development of a new nitrogen plant and regular replacement investments.

Non-current obligations

Non-current obligations are as follows:

Term	Contract value	
In millions of euros	31 Dec. 2020	31 Dec. 2019
0 – 1 year	84.0	72.8
1 – 5 years	150.5	167.9
> 5 years	186.0	227.8
Total other commitments	420.5	468.5

These obligations mainly relate to the procurement of nitrogen production capacity, electricity and flexible storage services. If appropriate, such procurement is routed through N.V. Nederlandse Gasunie (or one of its group companies) and the associated obligations can be classified as long-term obligations towards the parent company (or one of its group companies). For further explanation of the transactions with affiliates, see note 23 'Related parties'.

18. Net revenue

The net revenue is fully generated in the Netherlands and consists of the revenues on gas transport and gas transport-related services (2019: the same). Net revenue increased by 2.6% compared to the previous financial year (2019: drop of 0.8%). The increase in revenue can predominantly be explained by the higher gas transport tariffs for 2020, although this increase was partly attenuated by a slight fall in capacity bookings compared to 2019.

For an explanation of the release of contract liabilities credited to the net revenue, see note 15 'Contract liabilities'.

19. Other operating expenses

Other operating expenses can be broken down as follows:

<i>In millions of euros</i>	2020	2019
Costs of subcontracted work and other external costs	221.2	215.6
Cost of network management	134.5	112.9
Other operating expenses	5.0	3.4
Total other operating expenses	360.7	331.9

The cost of network operations mainly comprises the procurement of nitrogen production capacity, electricity and gas for the company's own use for gas transport. The increase in costs compared to 2019 is mainly due to greater demand for conversion, which was partly met by expanding capacity in the Wieringermeer blending station, and to higher prices for the procurement of energy.

The other operating expenses include the services provided by N.V. Nederlandse Gasunie. For an explanation of the transactions with affiliates, see note 23 'Related parties'.

20. Financial income and expenses

Financial income and expenses can be broken down as follows:

<i>In millions of euros</i>	2020	2019
Interest on non-current loan from the shareholder and cash pooling	91.1	92.0
Other finance expenses	1.3	1.5
Interest and finance expenses	92.4	93.5
Capitalised as part of tangible fixed assets	-6.2	-2.0
Total financial income and expenses	86.2	91.5

Interest relating to the construction of qualifying fixed assets was capitalised based on a weighted average interest rate of 2.5% (2019: 2.5%).

The other finance expenses relate mainly to accrued interest on provisions and the financing component in non-current contract liabilities.

21. Income taxes

The tax expense in the statement of profit and loss comprises the following components:

<i>In millions of euros</i>	2020	2019
Corporate income tax for the financial year	38.0	42.9
Corporate income tax for the previous financial years	-	-
Movement in deferred taxation	145.8	35.9
Total tax expense	183.8	78.8

The total tax expense was substantially affected by the adjustments to corporate income tax rates in the Netherlands in both 2019 and 2020. For a more detailed explanation of the change to the corporate income tax rate, see note 5 'Deferred tax assets'. Furthermore, the reversal of the impairment loss recognised in the past led to a € 75.0 million increase in deferred taxation. More information about the reversal of the impairment loss recognised in the past can be found in note 2 'Impairment tests'.

The applicable tax rate is 25.0% (2019: 25.0%). The effective tax rate in 2020 is 32.6% (2019: 31.8%). The difference between the nominal and effective rate for both 2019 and 2020 can be fully explained by the effects of the government's decision not to change the corporate income tax rate on the measurement of the deferred tax items. For further details, see note 5 'Deferred tax assets'.

22. Workforce

The company did not employ any staff in 2020 (2019: the same). The staff who work for GTS are legally employed by N.V. Nederlandse Gasunie. For the cost of the provision of services by N.V. Nederlandse Gasunie, see note 23 'Related parties'.

23. Related parties

General

The company is part of a group that is headed by N.V. Nederlandse Gasunie. N.V. Nederlandse Gasunie and all entities belonging to the group are considered to be related parties. Management members as named under the articles of association, other key officers of Gasunie Transport Services B.V. and N.V. Nederlandse Gasunie and closely related parties are also deemed to be related parties. There have been no transactions with related parties that were not made under normal market conditions.

The following transactions with related parties have been made under normal market conditions:

Transactions with N.V. Nederlandse Gasunie and/or its group companies

In its capacity as the national transmission system operator, GTS buys services from N.V. Nederlandse Gasunie and/or its group companies. GTS and N.V. Nederlandse Gasunie have laid down the agreements with respect to this collaboration in such a way that security of supply, transport security and the safety of gas transport are guaranteed.

In 2020, the volume of the services provided amounted to € 621.8 million (2019: € 553.0 million), of which € 266.1 million (2019: approx. € 224.4 million) related to investments in the gas transport network, and € 355.7 million (2019: € 328.6 million) were operating expenses. The operating expenses relate to the deployment of employees of N.V. Nederlandse Gasunie, the procurement of flexible storage services, and the supply of materials & services and the passing on of costs such as transport-related energy costs. These services and supplies are delivered at cost.

Business interest is charged on the recognised balances of the non-current loan from and cash pool with N.V. Nederlandse Gasunie. In 2020, interest expenses amounted to € 91.1 million (2019: € 92.0 million).

Transactions from GTS to other related parties

GTS provides gas transport services to customers, including GasTerra B.V. The ultimate shareholder of the company, the Dutch State, is also 50% shareholder of GasTerra B.V. This allows the Dutch State, in its capacity as shareholder, to exercise significant influence on the policy of the two companies. Services provided by GTS to GasTerra B.V. are carried out in accordance with the provisions of the Dutch Gas Act. Under this legislation, GTS must not discriminate in its treatment of all market parties and must conduct business as requested. The tariffs charged to GasTerra B.V. are determined by the Dutch regulatory authority, ACM. ACM operates independently of GTS, GasTerra B.V. and the Dutch State.

24. Remuneration of management

Pursuant to Article 2:383, paragraph 1 of the Dutch Civil Code, the remuneration of management is not specified, because this can be traced back to a single natural person.

25. External auditor's fees

In accordance with Article 2:382(a) of the Dutch Civil Code, the consolidated financial statements of N.V. Nederlandse Gasunie, GTS' parent company, include details of the external auditor's fees. These fees relate to services provided by the accounting firm (PricewaterhouseCoopers Accountants N.V.) in 2020. PricewaterhouseCoopers Accountants N.V. performed the statutory audit of GTS' financial statements. Further audit procedures were performed with respect to disclosures to the regulatory authority, ACM.

26. Events after the balance sheet date

On 1 February 2021, ACM published the 2022-2026 method decision for GTS. The consequences of this decision for GTS' permitted income and therefore for the valuation of the gas transport network are included in note 2 'Impairment tests'.

No other significant events occurred between the balance sheet date and the date of these financial statements that could give rise to an adjustment of the financial statements or an addition to the explanatory notes to the company financial statements.

05 Signature

Signature

Management,

B.J. Hoevers

Groningen, 4 March 2021

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Other information



06 Other information

Provisions of the articles of association governing profit appropriation

Article 33, paragraphs 2 and 3, of the company's articles of association read as follows:

- The profit is at the free disposal of the General Meeting of Shareholders. In the event of a tied vote regarding the distribution or reservation of profit, the profit to which the proposal relates shall be reserved. A decision to distribute the profit is subject to the approval of management, in accordance with Article 2:216, paragraph 2, of the Dutch Civil Code. Management may only refuse such approval if it knows or can be reasonably expected to foresee that, after distribution, the company will not be able to continue to pay its due and payable debts.
- The company may make distributions to shareholders and other persons entitled to receive part of the distributable profit only insofar as its equity exceeds the total issued share capital plus the reserves that must be maintained by law.

Independent auditor's report

The independent auditor's report with respect to the 2020 company financial statements is included in the original Dutch version of the annual report.

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Annexes: Rules on proper financial management



07 Annexes

Rules on proper financial management

Being the national transmission system operator, GTS is under an obligation to meet the requirements specified in Article 32(1)(c) and Article 10(e)(1) of the Dutch Gas Act and the Rules on proper financial management ('BFBN decision'). The BFBN decision defines four ratios, including a minimum for equity, each with a standard value that network operators must comply with. In the event the network operator fails to comply with the requirements, it must report this to ACM without delay and submit a recovery plan.

The BFBN ratios are:

1. The operating result before interest and tax divided by the gross interest expenses must equal at least 1.7.
2. The sum of the net profit from ordinary operating activities, depreciation, amortisation, deferred taxes, other cost items for which no cash is required and gross interest expenses divided by the gross interest expenses must equal at least 2.5.
3. The sum of the net profit from ordinary operating activities, depreciation, amortisation, deferred taxes and other cost items for which no cash is required divided by the total debt must equal at least 0.11.
4. The total debt divided by the sum of the total debt and equity including minority interests and preference shares must be no greater than 0.7.

The BFBN ratios can be broken down as follows:

	Standard	2020	2019
Ratio A	at least 1.7	7.04	3.78
Ratio B	at least 2.5	6.06	5.88
Ratio C	at least 0.11	0.13	0.12
Ratio D	no greater than 0.7	0.50	0.51

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Disclaimer



08 Disclaimer

Disclaimer

In the event of inconsistencies or differences of interpretation between the original Dutch report and the translated English report, the Dutch report shall prevail.