

Annual report 2021

Gasunie Transport Services



gasunie
transport services

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Annual report 2021

Directors' report



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;
- ensuring 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, contingency 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 Netherlands Authority for Consumers and Markets (ACM) supervises the execution of GTS' statutory duties. The Dutch Gas Act stipulates certain requirements for the way GTS performs its tasks. For example, we have a code of conduct for our employees that guarantees equal treatment for all our customers.

Gasunie Transport Services business model

GTS offers its services as a national transmission system operator in a non-discriminatory, customer-oriented 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. We add new investments deemed suitable and necessary by ACM to the cost base so that we can recover these investments through our tariffs.

Codes of Conduct and compliance with laws and regulations

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

We comply with codes of conduct, laws and regulations in a manner consistent with that of our 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 2021:

B.J. Hoevers, CEO

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 2021 annual report for Gasunie Transport Services, which details the main developments at GTS over the past year. In 2021, we transported 79.3 billion cubic metres of gas for our customers. Our nitrogen installations again blended in record volumes of nitrogen this year, as we converted a record volume of 33.9 billion cubic metres of gas into Groningen-quality gas.

The construction of a new nitrogen installation at Zuidbroek is the most important measure to enable the replacement of the gas from the Groningen field with sufficient high-calorific gas that has been made suitable for use in homes. This project has been delayed due to disruptions caused by the COVID-19 pandemic. With the

completion of the installation, the need for gas production from the Groningen field will be greatly reduced. From gas year 2022-2023, the Groningen field production will be reduced to a 'pilot flame' level, the level needed to cope with contingency situations or extreme cold.

The situation on the north-western European gas market did a U-turn in 2021: where there was ample supply in 2020, partly as a result of declining gas demand, 2021 was marked by a shortage in the natural gas market as a result of increasing gas demand and limited additional supply, which was exacerbated at the end of the year by geopolitical tensions. In particular, the low fill level at the gas storage facilities at the start of winter gave rise to concern and has caused gas prices to rise to historically high levels. Due to new sanctions against Russia that were announced recently in response to the war in Ukraine, this situation may continue.

The existing infrastructure that provides access to various international sources of natural gas, in combination with sufficiently filled gas storage facilities at the start of the winter, provides a solid basis for security of supply. The use of the infrastructure and the filling of storage facilities is up to the market parties. Given this, the fact that the Dutch government's coalition agreement provides for additional measures aimed at guaranteeing sufficiently filled gas storage facilities is an important step, and even more important given the loss of a large part of the domestic production (from the Groningen field).

In our view, the efficiency rating being applied in the regulatory regime in effect from 2022 is too low and the capital cost allowance has been incorrectly formulated. In addition, the provision for the reimbursement of energy costs has been amended: where previously the system involved charging the actual energy costs, the costs are now reimbursed based on past figures. Current market developments show that energy cost levels from the previous period are not a good indication of current costs. These elements of the regulatory regime have compelled us to appeal against the regime.

In the coming years, we will continue to do our best to facilitate the feed-in of sustainable gases. The blending obligation of green gas announced by the new Dutch government also requires additional options in infrastructure connections or facilities for small-scale compression in the network of regional transmission system operators in our infrastructure. 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. Gasunie has been asked to develop the future hydrogen network, making maximum use of the GTS network in this regard.

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

CEO

Financial results

Key figures

<i>In millions of euros</i>	2021	2020
Revenue	965.4	945.6
Total expenses	-/- 706.2	-/- 295.1
Operating result	259.2	650.5
Financial income and expenses	-/- 75.4	-/- 86.2
Result before taxation	183.8	564.3
Income taxes	-/- 57.1	-/- 183.8
Result after taxation	126.7	380.5

Revenue

The revenue we generated with the transport of gas and related services in the Netherlands amounted to € 965 million. Revenue was € 20 million higher than in the same period last year. The main reasons for this increase were the permitted income following the x-factor decision and post-calculations in both years, of which those in 2021 were about € 44 million greater than in 2020.

Total expenses

In 2021, total expenses increased by € 411 million compared with 2020. In 2020, a previously recognised impairment of € 300 million was reversed. Adjusted for this effect, the total expenses come in at € 111 million higher than in 2020. The main reason for the increase is the hike in energy costs, which were approximately € 83 million higher in 2021 than in 2020. The higher energy tariffs, in the second half of 2021 in particular, explain about 80% of this increase.

In addition, an increase in the use of the installations for quality conversion brought with it higher energy usage. The higher energy costs in 2021 will largely be recalculated by the regulatory authority, with the effect that in the coming years Gasunie will recoup these higher costs as higher revenue. Another reason for the rise is the € 21 million increase in depreciation charges in 2021 compared to 2020, largely attributable to the reversal of the recognised impairment.

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 have agreed that the facility can be drawn or redeemed during the term of the loan. The outstanding amount of the loan decreased in 2021.

The Ministry of Economic Affairs has issued rules with regard to proper financial management (*Besluit Financieel Beheer Netbeheerder* [BFBN]). 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 2021, solvency was 50% (2020: 50%).

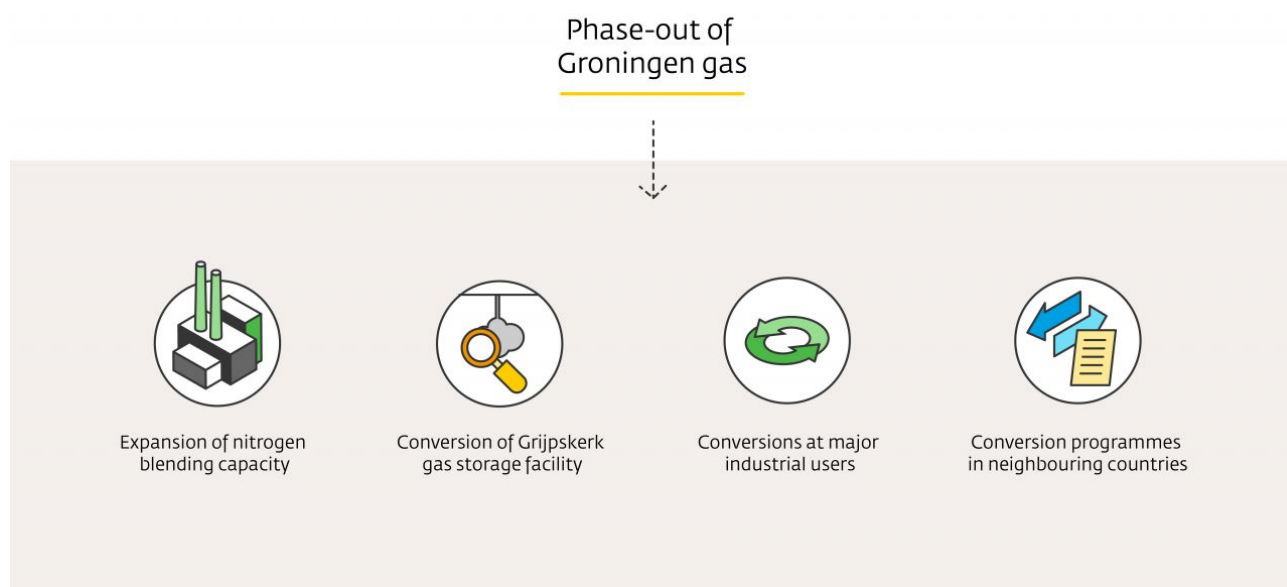
HR and operating expenses

GTS' employees are employed by Gasunie and have been seconded to GTS for an indefinite period. The effective workforce of GTS at year-end 2021 amounted to 169 full-time equivalents (at year-end 2020: 163). GTS has entered into service agreements with Gasunie to the value in 2021 of € 439 million (2020: € 356 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

Our contribution to the closure of the Groningen gas field

The NAM-operated Groningen gas field, which has for so long been such an important source of gas for north-western Europe, will be switched to stand-by and closed permanently in the near future. GTS is carrying out a range of measures to enable the closure of the Groningen field, like blending nitrogen with indigenous and imported high-calorific gas (H-gas) to bring it up to Groningen quality (pseudo G-gas), and building a nitrogen factory in Zuidbroek to be able to do this on an even larger scale. Furthermore, we are connecting large-scale industrial consumers of low-calorific natural gas (L-gas) to the H-gas network. We are also advising the Minister of Economic Affairs and Climate Policy on the timeline that can be followed to close the Groningen field without endangering security of supply.



Expansion of nitrogen addition capacity

In the Netherlands, it has been agreed that all customers, except for nine consumers with a very high level of gas consumption, will continue to be assured of the supply of low-calorific natural gas. To be able to supply sufficient L-gas, GTS blends incoming (mainly imported) high-calorific gas with nitrogen. With the installation of three distillation columns in March and April, our new Zuidbroek nitrogen installation received its 'heart'. Building this facility involves a total investment of around € 500 million. The maximum annual production of the Zuidbroek plant when operating at full capacity will be 10 bcm of low-calorific gas (97.7 TWh).

Study into conversion of Grijpskerk gas storage facility

NAM's high-calorific gas storage facility in Grijpskerk can be converted into a low-calorific gas storage facility so that it can take over the 'contingency function' of the Groningen field. The Ministry of Economic Affairs and Climate Policy has published a feasibility study with positive results on this matter. With this conversion, together with the low-calorific reserves in NAM's Norg gas storage facilities and the various nitrogen installations and other G-gas facilities, the Groningen field will then no longer be needed.

Conversions at major industrial users

It is stipulated by law that nine major industrial gas consumers who use more than 100 million m³ (0.98 TWh) per year must stop using low-calorific gas. This concerns companies with a collective annual demand of about 3 bcm (29.3 TWh). The preparations to switch these companies are in full swing, and the first company has already switched over. The next three are expected to be switched in 2022, with the final five following in 2023 and 2024. These industries require complex measures with longer lead times.

Conversion programmes for neighbouring countries

Unlike in the Netherlands, it has been decided in Germany, France and Belgium that all end users must switch to high-calorific natural gas. For this they will need to have their appliances like boilers, stoves and ovens overhauled. The conversion programmes for homes in Germany, France and Belgium to reduce their demand for Dutch low-calorific gas are proceeding according to plan. Partly due to this, exports are falling by an average of 2 to 3 bcm (20-30 TWh) per year and will be virtually zero by the end of this decade.

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

GTS issues advice to the State Secretary for Mining (formerly to the Minister of Economic Affairs and Climate Policy) about the level of production from the Groningen gas field that will be needed to ensure security of supply. This advice is issued annually, with additional advice issued if there is a substantial change in the supply and demand for low-calorific gas. GTS is legally obliged to inform the Minister of such changes.

In October 2021, we reported that the completion of the GTS nitrogen installation at Zuidbroek, where we turn high-calorific gas into low-calorific gas, would be delayed. Germany is doing its bit in accelerating the phase-out of production from the Groningen gas field by converting its complete L-gas market to H-gas. Even though Germany is on schedule with this conversion, and will need less L-gas this gas year than during the previous gas year, the actual reduction is less than expected. In early January 2022, we informed the minister on what this means in figures. We are currently conducting additional analyses in the form of an interim evaluation of the current gas year and by updating our models. In spring, we will issue the additional advice to limit the increase in Groningen production as much as possible during the current gas year.

On 31 January, GTS issued, as per its statutory duty, advice to the state secretary on the level of production from the Groningen gas field required for the next gas year. The main conclusion from our estimate for the 2022/2023 gas year is that the Groningen gas field will then only be a back-up.

Risk management

Risk management is an activity that is performed at all levels of the GTS 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-2021, GTS' management performed a risk assessment, which is integrated into the 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 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 16 to the balance sheet in the financial statements.

Risk-based asset management

GTS is a capital-intensive company that is active in a sector with safety risks. We provide not only reliable and sustainable infrastructure, but also affordable infrastructure. Accordingly, we pay close attention to operating cost-effectively. In 2021 we invested € 55 million in replacement of our infrastructure assets.

GTS uses risk-based asset management for this. We map our risks with the help of a risk matrix. A risk assessment is carried out on all hazards/vulnerabilities in the system, during which each of the four business values – security, transport security, sustainability, and financial or other damage – are assessed.

We use this risk assessment to assess 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. Every year, some of the installations are re-analysed and re-assessed for risks.

Our updated risk matrix

In 2021 we revised our risk matrix. The risk associated with a hazard/vulnerability is determined based on the level of severity of the impact (rows A to E) and frequency of occurrence (columns I to V). With regard to the impact (potential negative value creation), not only do we look at the impact on Gasunie, but also at the impact on society.

GTS	COMPANY VALUE				frequency of occurrence per asset category						
	Finance	Sustainability	Transmission reliability	Safety	I	II	III	IV	V		
	€	Ton CO ₂ eq	m ³		10 ⁻⁶ - 10 ⁻⁵	10 ⁻⁵ - 10 ⁻⁴	10 ⁻⁴ - 10 ⁻³	0,001 - 0,01	0,01 - 0,1	0,1 - 1	1 - 10 per year
CONSEQUENCE SEVERITY	A	3k < S < 30k	30 < D < 300	DNO: 75 < T < 750 Ind: 1k < T < 10k Prod: 15k < T < 150k In/Ex: 15k < T < 150k Stor: 30k < T < 300k minor injury or health effect (max First Aid)	1E-06	0,00001	0,0001	0,001	0,01	0,1	1
	B	30k < S < 300k	300 < D < 3k	DNO: 750 < T < 7,5k Ind: 10k < T < 100k Prod: 150k < T < 1,5M In/Ex: 150k < T < 1,5M Stor: 300k < T < 3M minor injury or health effect (RWC, MT)	0,00001	0,0001	0,001	0,01	0,1	1	10
	C	300k < S < 3M	3k < D < 30k LOC 10 km HTL	DNO: 7,5k < T < 75k Ind: 100k < T < 1M Prod: 1,5M < T < 15M In/Ex: 1,5M < T < 15M Stor: 3M < T < 30M serious injury or health effect (LTI)	0,0001	0,001	0,01	0,1	1	10	100
	D	3M < S < 30M	30k < D < 300k	DNO: 75k < T < 750k Ind: 1M < T < 10M Prod: 15M < T < 150M In/Ex: 15M < T < 150M Stor: 30M < T < 300M permanent disability - 1 fatality	0,001	0,01	0,1	1	10	100	1000
	E	30M < S < 300M	300k < D < 3M	DNO: 750k < T < 7,5M Ind: 10M < T < 100M Prod: 150M < T < 1,5G In/Ex: 150M < T < 1,5G Stor: 300M < T < 3G 1-10 fatalities	0,02	0,2	2	20	200	2000	20000
	F	300M < S < 3G	3M < D < 30M	DNO: 7,5M < T < 75M Ind: 100M < T < 1G Prod: 1,5G < T < 15G In/Ex: 1,5G < T < 15G Stor: 3G < T < 30G 10-100 fatalities	1	10	100	1000	10000	100000	1000000

New investment plan for GTS

On 1 November 2021, GTS presented its new 2022IP investment plan to the market for consultation. This investment plan details GTS' expansion and replacement investments in the short and long term*, complete with a justification of the purpose and need behind the investments. The 2022IP 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.

Safety performance

Sickness 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 2021, there was a total of 1.8 accidents resulting in sickness absence (for GTS employees and contractors) per million hours worked, down from 2.0 in 2020.

Uncontrolled events

Uncontrolled events are incidents involving gas leaks ((natural) gas, hydrogen, nitrogen, air) of over 14,000 m³ from a GTS-operated pressure holder with a rated pressure of 8 bar or higher. No uncontrolled events occurred in 2021 (2020: 0).

Pipeline inspections

To safeguard the integrity of our pipeline systems, we inspect part of our pipeline system annually. In 2021, GTS carried out internal inspections ('pig runs') of 209 kilometres of pipeline. GTS also inspected four kilometres of pipeline above ground using External Corrosion Direct Assessments (ECDA).

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.

Small increase in transported gas

It was warm again in 2021, though slightly less than in recent years. The average effective temperature in KNMI's reference location of De Bilt was 8.4°C, down 0.9°C compared to 2020. Gas transports through our networks totalled 841 TWh (79.3 billion m³) in 2021, compared to 835 TWh (78.7 billion m³) in 2020, a slight increase of 0.7%. When we break the total transport volume down by domestic consumption, storage and exports, we see only slight differences between 2020 and 2021 in all categories.

High gas prices

Gas prices were very high at the end of 2021, although only at the industrial connections (exits) could a slight effect on the gas price be seen. Very high exit volumes were regularly achieved in the first half of the year. Over the course of the year, the volumes at these points decreased and by the end of the year exit volumes were regularly very low.

Storage facilities fill level

A different effect can be seen in the utilisation of the Dutch gas storage facilities. These were less filled than usual in the summer and more gas than usual was withdrawn in the last few months of the year during this period. The result is a historically low fill level from the beginning of winter to the end of 2021 and beyond.

More quality conversion

Gas production from the Groningen field was wound down further in 2021. In order to be able to keep supplying gas to the G-gas market, more conversion took place than in previous years. This was achieved in part by making more use of the available volumes of nitrogen. The volume of converted H-gas increased by 2%, from 374 TWh (33.3 bcm) in 2020 to 382 TWh (33.9 bcm) in 2021. The associated volume of nitrogen used increased from 3.41 bcm to 3.55 bcm in 2021.

Indigenous production and imported gas

The amount of imported gas remained virtually unchanged, coming in at a rounded figure of 44 bcm for the fourth consecutive year. Of this total volume, 7.1 bcm (rounded off) came in from directly imported LNG and 3.9 bcm from the gas storage facilities in Germany connected to the GTS network. The indigenous small-field production (including offshore) declined by 6% to 13.5 bcm.

Peak delivery and contingency delivery

Peak and contingency deliveries are two important public tasks carried out by GTS for small users in the Netherlands. Peak supply must be distributed if the mean effective 24-hour temperature falls to below -9.0°C. GTS provides all the necessary facilities to ensure peak supply deliveries to licence holders, including gas purchasing, flexibility services and gas transport over the national grid. There were no peak supply deliveries in 2021.

Licences withdrawn

In 2021, ACM withdrew several licences from suppliers. As a result, on one occasion GTS made a residual distribution to receiving licensed suppliers. In 2021, GTS was not required to guarantee payment for the purchase of gas by, or to make gas available to licensed suppliers to supply small consumers in connection with a decision by ACM to revoke a supplier's licence.

High transport security

In 2021 we provided a high level of transport security for our customers in the Netherlands. There were unfortunately four transport disruptions. At two locations our maintenance work resulted in a short-term disruption in the supply of gas and, as a result, the gas supply to a number of homes and a German customer was interrupted for a short while. In the other two cases, the disruptions affected industrial customers; however, since these interruptions coincided with activities that were being carried out at these sites anyway, these gas outages did cause them much inconvenience. The standard we have set ourselves is that the number of transport disruptions in any one year can never exceed six; we met this target in 2021.

Transport security in the freezing cold

In the second week of February, it was remarkably cold, causing demand for natural gas in our service areas to rise steeply. These volumes were transmitted without any problems. It was, however, not cold enough for a new gas transport record. Where on Wednesday 10 February 2021, GTS transported 420 million cubic metres (mcm) of gas per hour through our Dutch networks, this was far below the record set on 2 January 1997, when we transported an average hourly volume of 527 mcm of gas.

Transport security in the event of floods

In the third week of July, the south of the Dutch province of Limburg was faced with flooding caused by excessive rainfall upstream in Germany. Two GTS gas receiving stations, one in Itteren and one in Meerssen, were damaged and fouled by flooding. Thanks to outstanding interventions by our employees and emergency services on-site and the deployment of a mobile gas receiving unit, it did not result in transport disruptions.

Developing our customer organisation

To maintain our standing among Europe's best TSOs in the future, we offer gas transportation products and services that meet the needs of our customers and are in line with market developments. We do so by informing our customers well and by responding to developments that we identify in the dialogue with our customers, and during various contact moments with other stakeholders. We seek out this dialogue through market consultation and information meetings, conversations with representatives of customer groups (representative organisations) and our customer desk. We support this by placing clear information on our website and sending out a newsletter whenever additional attention is required for a certain topic.

This year we sought interaction with our stakeholders in this manner for a wide range of topics, such as: the 2022-2026 methodology decision; transport tariffs and the associated terms and conditions; addendum to the 2020 investment plan and the 2022 investment plan; completion of the 2019-2021 incremental capacity process and start of the 2021-2023 incremental capacity process; advice regarding the closure of the Groningen field; the 2022-2023 peak delivery tender process; balancing system and undesired balancing behaviour; merging VIPs as a result of market integration in German market areas; and various operational developments. Due to the then still ongoing COVID-19 measures, the interaction with our stakeholders continued through digital channels this past year. The digital approach to communicating has now become fairly standard in interactions with stakeholders, and we will continue to use it – where efficient and effective – in the future as well.

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. With this approach we provide 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 2021, GTS received one complaint from a shipper. This complaint concerned a REMIT report that GTS should have placed out of the shipper's sight. GTS settled this complaint in 2021. In response to complaints from shippers concerning the long-term capacity they have reserved, GTS has submitted a code amendment proposal to ACM via Netbeheer Nederland regarding adding a cancellation option for the annual capacity product. This proposal is being processed by ACM.

Risk management

In 2021, the Dutch Trade and Industry Appeals Tribunal (*College van Beroep voor het bedrijfsleven* [CBB]) dismissed the appeal against the code decision 'exceeding the credit limit and implementation of the neutrality principle' (amendment of the Dutch Gas Transmission Code) as unfounded. In 2021, ACM rejected the enforcement request regarding the neutrality charge. The decision to amend the code 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 amendment helps GTS 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.

At the end of 2021, a number of suppliers and shippers ran into financial difficulties and became insolvent, mainly as a result of the higher gas prices. ACM withdrew the licences of the suppliers involved. GTS has a few relatively small claims against suppliers, which have been submitted to the relevant trustees/liquidators.

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. Almost all gas trading now takes place on the TTF gas trading platform. In 2021, gas trading volumes on the TTF reached a new all-time high. The number of parties trading on TTF was also higher than ever.

	2021	2020
Amount of gas traded on TTF (TWh)	47,705	45,526

On a gas trading platform gas is traded in one of two ways, either over the counter (OTC), i.e. purchased directly from the other party, or through a gas exchange, which acts as the intermediary for all traders.

OTC trading decreased drastically in 2021, from 27,120 TWh (in 2020) to 19,610 TWh. In contrast, the TTF share traded through gas exchanges grew steeply, from 18,406 TWh to 28,094 TWh in 2021.

	2021	2020
Maximum number of active parties in one day (TWh)	175	170
Amount of gas traded through the GTS network via TTF	513	505

During the past year, TTF further increased its lead over other European gas trading platforms. In 2021, nearly 80% of European gas trading took place on TTF, compared with 72% in 2020, which again confirms that the Dutch gas market is working well and that 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 1 February 2021, ACM published the 2022-2026 method decision, setting the boundaries within which GTS can charge its tariffs. ACM has also opted to change the way in which GTS' capital costs are spread over time, so as to factor in the future reduction in gas consumption as a result of the energy transition. Various market parties have lodged an appeal against a number of elements of the methodology decision, including GTS. To this end, on 10 December 2021 we submitted a notice of appeal to the Dutch Trade and Industry Appeals Tribunal (*College van Beroep voor het bedrijfsleven* [CBB]). GTS' grounds for appeal concerned three elements of the methodology decision, i.e. (i) the benchmark, (ii) the energy costs, and (iii) the permitted return.

(i) Benchmark

With regard to the benchmark study – the study on the basis of which a static efficiency for GTS of 93.7% has been determined – we are of the opinion that this study is insufficiently robust to serve as a basis for determining an efficiency discount for GTS. In our view, a static efficiency score of 100% should be applied. In addition to the

intrinsic shortcomings of the benchmark model used, in our view the study is also insufficiently transparent and insufficiently verifiable. ACM must still provide the Appeals Tribunal insight so that they can carry out a thorough assessment of the benchmark study.

(ii) Energy costs

With regard to the price risk of the costs of energy and capacity (energy costs), this methodology decision has not applied a post-calculation mechanism as it should do. ACM's approach, in which the entire price risk is transferred to GTS, is based on an incorrect picture of our energy costs. By not applying post calculations to GTS's energy costs, our financial risk on these costs becomes disproportionately high.

Where ACM does, in principle, apply post calculation – specifically to the volumes of gas that have undergone quality conversion – in our view actual post calculations are not carried out in full. Specifically, ACM assumes a unit price per volume of converted gas, instead of per unit of nitrogen produced. GTS wants to see full post calculation of the total costs of energy and power, possibly with a limited bonus/penalty arrangement.

(iii) Return

Finally, GTS is of the opinion that the way in which ACM determines the regulated return (the weighted average cost of capital, WACC) is incorrect. This concerns both the components of the WACC (and thus the level) and the moment at which the calculation is made. Firstly, ACM has set the cost of equity in the WACC too low because it does not contain all the necessary risk premiums and, moreover, it is determined in an inconsistent manner. More in principle, we object to the fact that ACM intends to make annual, ex-post reviews of the WACC, based on the interest rates in that year.

This method conflicts with the ex-ante character of the WACC, as this has also been endorsed by the ACM and the Appeals Tribunal in the past. We want to see the missing risk premiums applied after all and the return determined in advance of the tariff year.

Within 12 weeks of 13 December 2021, ACM will submit its statement of defence to the Appeals Tribunal regarding both the appeal from GTS and those of the other market parties. This is followed by an opportunity to respond via a 'reply and rejoinder' (i.e. a full second presentation of the appellant's case) after which a hearing will be scheduled. The proceedings are expected to continue through to at least the end of 2022.

Tariff decision

ACM will publish the 2023 tariff decision in May 2022.

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

In the Netherlands, the Climate Agreement has set 2 billion cubic metres (bcm) as the target volume of green gas that is to flow through the networks by 2030. Green gas is produced mainly through the fermentation and gasification of biomass. Being the same quality as Groningen gas and entirely carbon-neutral, green gas is a sustainable alternative to natural gas. In 2021, a total of 19 million m³ (185.4 GWh) of green gas was fed into GTS' networks. There are four green gas producers that feed directly into our national network. We are investigating suitable locations with potential new feed-in parties to feed in green gas.

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 gathering pipelines. The green gas 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 under development, one of which is currently operational.

In some areas where many boosters are provided, GTS is studying the use of green gas gathering pipelines; a gathering pipeline maximises the integration of green gas and minimises costs for GTS. We are currently running a feasibility study into building a green gas and biogas gathering pipeline in the Emmen area. If this gathering pipeline is eventually built, it can be used to feed in green gas, as well as biogas, from both new producers and regional transmission system operators.

The Management,

Bart Jan Hoevers,

Groningen, 3 March 2022

Annual report 2021

Financial Statements

Gasunie Transport Services B.V.



Financial statements

Balance sheet as at 31 December 2021

(before appropriation of result)

<i>In millions of euros</i>	<i>Notes</i>	31 Dec. 2021	31 Dec. 2020
Trade and other receivables			
Fixed assets			
Total trade and other receivables	3	6,508.0	6,820.1
Result of reversal of impairment loss recognised in profit and loss			
- other participating interests	4	0.1	0.1
- deferred tax assets	5	344.0	355.9
Total fixed assets		6,852.1	7,176.1
Current assets			
- trade and other receivables	6	95.9	104.5
Total current assets		95.9	104.5
Total assets		6,948.0	7,280.6

<i>In millions of euros</i>	<i>Notes</i>	31 Dec. 2021	31 Dec. 2020
Trade and other receivables			
Equity			
Total trade and other receivables	7	1.0	1.0
- share premium	8	1,384.7	1,734.7
Result of reversal of impairment loss recognised in profit and loss	9	1,571.9	1,642.2
- other reserves	10	358.7	151.1
- unappropriated result	11	126.7	115.5
Total equity		3,443.0	3,644.5
Provisions	12	28.8	30.1
Total provisions		28.8	30.1
Non-current liabilities			
- non-current loan from the shareholder	13	3,451.6	3,583.1
- lease liabilities	14	4.3	4.7
- long-term contract liabilities	15	17.0	17.4
Total non-current liabilities		3,472.9	3,605.2
Current liabilities			
- lease liabilities	14	0.4	0.4
- short-term contract liabilities	15	0.4	0.4
- other liabilities		2.5	-
Total current liabilities		3.3	0.8
Total liabilities		6,948.0	7,280.6

2021 statement of profit and loss

<i>In millions of euros</i>	<i>Notes</i>	2021	2020
Trade and other receivables	18	964.2	941.3
Other operating revenue		1.2	4.3
Total trade and other receivables		965.4	945.6
Result of reversal of impairment loss recognised in profit and loss	19	-439.2	-355.8
Depreciation expenses	3, 20	-260.5	-240.1
Reversal of impairment loss	2, 3	-	300.0
Other operating expenses	21	-6.4	0.8
Total expenses		-706.2	-295.1
Operating result		259.2	650.5
Finance income and expenses	22	-75.4	-86.2
Result before taxation		183.8	564.3
Taxes	23	-57.1	-183.8
Result after taxation		126.7	380.5

Notes to the financial statements

Notes to the financial statements

General

Preparation and adoption of the financial statements

The 2021 financial statements were prepared on 3 March 2022. The financial statements as prepared will be submitted for adoption to the General Meeting of Shareholders to be held on 1 April 2022.

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 company's financial details are also included in the consolidated financial statements of N.V. Nederlandse Gasunie, the parent company of the group to which GTS belongs.

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(11) (c) of the Dutch Gas Act and Article 10(e)(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 2021 financial year, which ended on the balance sheet date of 31 December 2021.

Presentation and functional currency

The financial statements are presented in euros, which is also 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. 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 of the Dutch Council for Annual Reporting, 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. The accounting policies used for the measurement of assets and liabilities and the determination of the results were unchanged compared to the previous financial year.

General

The comparative figures for 2020 have been adjusted in two areas, as described below.

- As of 2021, the book profit or loss on disposals is recognised under depreciation costs instead of under other costs. This is further explained in note 20 'Depreciation costs'.
- With effect from 2021, other operating expenses in the statement of profit and loss are split into the costs of subcontracted work and other external costs, and other costs. This is explained in note 19 'Costs of subcontracted work and other external costs' and note 21 'Other costs'.

These changes have no effect on the reported result, equity or cash flows for 2020 or 2021.

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 revenue and costs are allocated to the period to which they relate. Revenue is 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');
- measurement and determination of the provision for abandonment costs and redevelopment (note 12 'Provisions');
- measurement of deferred tax assets (note 5 'Deferred tax assets').

In certain cases, the aforementioned judgements and estimates are also affected by developments in the area of the energy transition and tightened environmental and climate targets. Management takes these developments into account in its judgements and estimates.

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 accordance with guideline RJ 290.202 of the Dutch Council for Annual Reporting, contracts entered into for the procurement of commodities, such as energy for the company's operating activities, are not included in the balance sheet.

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 the company 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.

Current liabilities

Current liabilities are initially 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 impairments. 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.

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 the company, in particular with regard to the useful life, residual value and future cash flows of the gas transport. 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 transport 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 disposal of a tangible fixed asset is recognised under depreciation costs 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 under the heading '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

At the end of every reporting period, the company investigates whether there is any impairment of fixed assets, including both tangible and financial fixed assets. The company 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.

At the end of each reporting period, 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 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. Repayment of the share premium to the shareholder is taken to the share premium.

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-deemed cost 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 the company's 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 of the Dutch Council for Annual Reporting to recognise leases as per the provisions of IFRS 16. The principles of IFRS 16 have been fully and consistently applied.

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 and with possible impairment losses. An explanation of how the cost price 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 of the Dutch Council for Annual Reporting 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 the company's 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 rendering of a service can be estimated reliably, the revenues relating to the service are recognised in proportion to the services rendered 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 revenue

Revenue that is not directly related to the supply of goods or the provision of services as part of normal, non-incidental operations is recognised under 'Other operating revenue'. This revenue is 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, the company 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 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.

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Additional notes to the financial statements

1. Significant matters and events in 2021

COVID-19 pandemic

GTS has continuously monitored the consequences of the COVID-19 pandemic on its operations and its financial position. In so doing, the company considered a range of scenarios which were repeatedly updated throughout 2021 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 2021 and financial position as at year-end 2021 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. Several important projects, however, did suffer delays due to the impact of the pandemic.

Revenue from and costs of regulated operations did not deviate substantially from the business plan as a result of the pandemic. There were no changes to the measurement of sales, purchase and lease contracts in 2021. The existing contracts do not 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 liquidity position is good, including access to money markets and capital markets. 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. The dividend policy has also remained unchanged.

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

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

The company concluded that in 2021, like in the 2020 financial year, the COVID-19 pandemic had no major consequences for the application of the aforementioned accounting policies. For the 2022 financial year, the company again expects no major consequences for the application of the aforementioned accounting policies.

Trend in energy costs

In 2021, the company faced rapidly rising prices for the gas and electricity it buys for its gas transport operations, balancing actions in the gas transport network, and the internal and external production of nitrogen for quality conversion. Gas and electricity prices were very volatile, especially in the second half of the financial year. Of the total increase in energy costs in 2021, approximately € 70 million to € 75 million is the result of higher energy prices. Under current regulations, costs relating to trends in energy prices are partly offset in future tariffs.

On 1 February 2021, ACM published the 2022-2026 methodology decision for the group company GTS. When it comes to GTS's energy costs, the 2022-2026 methodology decision does not allow GTS to offset additional costs due to energy prices in its tariffs. In GTS's view, ACM's approach, which puts the price risk entirely on GTS, is based on an inaccurate picture of GTS's energy costs and GTS's influence over these costs and leads to disproportionate financial risks for the company. On 10 December 2021, GTS lodged an appeal against the 2022-2026 methodology decision with the Dutch Trade and Industry Appeals Tribunal (*College van Beroep voor het bedrijfsleven* [CBB]), objecting to the energy costs aspect among other things. On the date that the 2021 financial statements were prepared, it was not known when the CBB will deal with the appeals lodged.

More information about the consequences of energy price developments on the measurement of the gas transport network can be found in note 2 'Impairment tests'.

Demerger within GTS B.V.

On 30 December 2021, part of GTS B.V.'s tangible fixed assets was transferred to Gasunie Assets B.V. and Maasvlakte Storage B.V. This demerger arose from and relates to the assets held by GTS B.V., but which are – increasingly – being used for other entities that come under N.V. Nederlandse Gasunie. These are mainly certain buildings and installations and part of the other operating assets, such as tools and IT equipment. On the basis of contractual arrangements – where applicable – in the future GTS can continue to use the divested assets for its own operating activities.

The carrying amount of the tangible fixed assets at the time of the demerger was € 243.9 million. In addition to the demerger of assets, € 122.0 million in long-term debt was also demerged. Furthermore, € 122.6 million in share premium was transferred to Gasunie Assets B.V. and Maasvlakte Storage B.V. The effect of the demerger on the deferred taxes associated with the tangible fixed assets amounted to € 0.7 million on balance. As at the end of 2021, N.V. Nederlandse Gasunie had repaid the demerger share premium. Shares in Gasunie Assets B.V. and Maasvlakte Storage B.V. are also held by N.V. Nederlandse Gasunie for the full 100%.

2. Impairment tests

At the end of each reporting period, the company determines whether there are any events or indications for impairment of the fixed assets. As mentioned in note 1 'Significant matters and events in 2021', as in 2020 the COVID-19 pandemic had no consequences for the valuation of fixed assets as at 31 December 2021. The outcomes of this analysis for the most significant cash-generating unit are shown below.

Gas transport network

The valuation of the gas transport network partly depends on the company's regulated income. In early 2021, the company analysed the valuation of the gas transport network following the 2022-2026 methodology decision for GTS published on 1 February 2021. The outcome of this investigation prompted reversal of an impairment of € 300.0 million that had been recognised in the 2020 financial statements. The main assumptions used in the valuation analysis regarded the determination of static efficiency (GTS's efficiency compared to that of other European network operators) after the 2022-2026 regulatory period, the capital cost allowance for the 2022-2026 regulatory period, and the discount rate after taxation. When it comes to the aforementioned assumptions, no new insights were gained in 2021 that are relevant in preparing the 2021 financial statements.

In early 2021, both GTS and market parties filed a pro forma appeal against the methodology decision with the Dutch Trade and Industry Appeals Tribunal (*College van Beroep voor het bedrijfsleven* [CBb]). The grounds for this appeal were further detailed in December 2021 in a notice of appeal filed with the Trade and Industry Appeals Tribunal. GTS's objections relate to the robustness of the benchmark analysis, including how static efficiency is determined, how the regulated return is determined, and the regime of offsetting energy procurement costs in future tariffs. On the date that the 2021 financial statements were prepared, it was not known when the CBb will deal with the appeals lodged.

For the 2021 financial year, costs incurred due to trends in energy costs are partly offset in future tariffs. Although the outcome of the appeal lodged with the Trade and Industry Appeals Tribunal for the 2022-2026 period has not yet been finalised, the company concluded that the increase in energy prices over the second half of 2021 is not an indication for an impairment of the gas transport network as at 31 December 2021. This conclusion also took into account the fact that energy prices are hard to predict and, at year-end 2021, subject to various national and European factors, such as how quickly the economy picks up, the filling levels of gas storage facilities, and various geopolitical developments.

Other tangible and financial fixed assets

The company's assessment has not revealed any evidence or indication of impairment of other tangible and financial fixed assets as at 31 December 2021.

3. Tangible fixed assets

Movements in tangible fixed assets in 2021 were as follows:

<i>In millions of euros</i>	Carrying amount as at 1 Jan. 2021	Acquisitions	Investments	Disposals	Depreciation	GTS B.V. demerger	Carrying amount as at 31 Dec. 2021
Trade and other receivables	136.3	-	3.4	-1.8	-9.5	-67.5	60.9
Compressor stations	554.2	-	11.0	-0.3	-49.6	-	515.3
Installations	783.9	-	10.8	-0.8	-51.7	-10.6	731.6
Total trade and other receivables	3,819.5	-	3.9	-5.6	-89.0	-	3,728.8
Regional transmission lines and related plant and equipment	922.7	-	25.0	-0.8	-29.7	-	917.2
Result of reversal of impairment loss recognised in profit and loss	202.8	-	26.4	-0.7	-28.8	-143.0	56.7
Right-of-use assets	5.0	-	-	-	-0.4	-	4.6
Fixed assets under construction	395.7	-	120.0	-	-	-22.8	492.9
Total for 2021 financial year	6,820.1	-	200.5	-10.0	-258.7	-243.9	6,508.0

In 2021, investments related mainly to the construction of a new nitrogen plant and the switching of certain customers from high-calorific to low-calorific gas and to regular replacement investments. Note 1 'Significant matters and events in 2021' provides more information on the demerger at GTS B.V.

Tangible fixed assets includes an amount of € 4.6 million (2020: € 5.0 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 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
Trade and other receivables	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
Total trade and other receivables	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
Result of reversal of impairment loss recognised in profit and loss	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

The sums mentioned under acquisitions in the 2020 financial year relate to the acquisition of the ZEBRA gas pipeline and the EHD networks. Most of the investments made in 2020 went into a new nitrogen plant and regular asset replacements.

The cost and accumulated depreciation are as follows:

<i>In millions of euros</i>	Cost * as at 31 Dec. 2021	Accumulated depreciation ** as at 31 Dec. 2021	Cost * as at 31 Dec. 2020	Accumulated depreciation ** as at 31 Dec. 2020
Trade and other receivables	110.3	-49.4	258.3	-122.0
Compressor stations	1,450.5	-935.2	1,440.4	-886.2
Installations	2,085.8	-1,354.2	2,146.8	-1,362.9
Total trade and other receivables	7,586.8	-3,858.0	7,597.3	-3,777.8
Regional transmission lines and related plant and equipment	1,734.5	-817.3	1,714.8	-792.1
Result of reversal of impairment loss recognised in profit and loss	98.6	-41.9	568.3	-365.5
Right-of-use assets	5.5	-0.9	5.5	-0.5
Fixed assets under construction	492.9	-	395.7	-
Total	13,564.9	-7,056.9	14,127.1	-7,307.0

* Including the revaluation of tangible fixed assets in N.V. Nederlandse Gasunie's transition to IFRS in 2005 (deemed cost)

** Including accumulated impairments and their reversals

Depreciation periods

The company uses assumptions to determine the relevant depreciation periods. The company concluded that, at year-end 2021, there was no reason to review the depreciation periods.

The company's assets are largely made up of regulated assets. The regulatory system in the Netherlands allows the company to recoup investments in tangible fixed assets. The depreciation periods for such investments are set by the regulatory authority for the regulated networks in the Netherlands (ACM). In both the methodology decision for GTS that applied to the 2021 financial year and the methodology decision for GTS for the 2022-2026 period, ACM still assumes – based partly on their energy transition studies – a long depreciation horizon (up to as long as 55 years for transport pipelines) for the gas transport network. The company took the view of the regulatory authority into account in determining the depreciation periods under the reporting standards that apply in the Netherlands.

Should ACM decide to amend the regulated depreciation periods in the future, possibly in response to more concrete developments around the phasing out of natural gas transmission, the company will again take that development into account in the determination of the depreciation periods under the reporting standards that apply in the Netherlands. This may in certain cases lead to a shortening or extension of the depreciation periods,

which would change the depreciation charges under the reporting standards that apply in the Netherlands. However, this will in practice primarily affect the depreciation of mainline and regional transport pipelines, as the other assets generally have a relatively shorter technical life.

Another key consideration in determining depreciation periods under the reporting standards that apply in the Netherlands is the company's own view on the energy transition and tightened environmental and climate targets. This goes both for the regulated and for the non-regulated (transport-related) assets. The company shares ACM's view that the existing gas transport network will continue to be needed for natural gas transmission for the medium to long term.

However, the company also considers the possibility that the existing gas transport infrastructure could in the long term gradually be used to transport alternative energy carriers, such as hydrogen. Given the recent political decisions in the Netherlands with respect to hydrogen, heat, and CO₂, and the new government's strong commitment to the climate, this long-term vision is becoming increasingly concrete and is expected to be further worked out over the coming years. The company also conducts regular assessments of the impact of these developments on the depreciation periods under the reporting standards that apply in the Netherlands.

Finally, the company checks in its regular assessments of depreciation periods whether they relate to assets that will in the medium term no longer be used for gas transport. In such specific cases, the company may amend the depreciation periods for certain assets. The anticipated closure of the Groningen field and increased imports from sources outside the Netherlands are changing gas flows and consequently the use of certain parts of our gas infrastructure, including compressor stations and related components and other assets, in specific locations.

These assets 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 possibility of recommissioning the installations in the future if an alternative use is foreseen for hydrogen, heat, and CO₂ is also taken into consideration. The installations will therefore not be redeveloped, but sustainably preserved.

The company has no indications that the expected useful life of the other assets is shorter than the current depreciation period. In fact, these assets are subject to a considerably shorter depreciation period, which is generally based on their 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. Depreciation is not calculated on land, gas and 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 2021, GTS held a financial interest of 11.05% (year-end 2020: 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 2021, GTS held a financial interest of 12.5% (year-end 2020: 12.5%) in EDSN. Based on agreements with shareholders, GTS has no significant influence in EDSN.

The total carrying amount for the shares in PRISMA and EDSN is less than € 0.1 million. In 2021, there were no movements in the acquisition price and no dividend was received from the relevant participating interests either (2020: the 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 N.V. Nederlandse 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 2021 are as follows:

<i>In millions of euros</i>	Tax treatment of the purchase price paid by the Dutch State	Tangible fixed assets	Total
Trade and other receivables	1,269.1	-913.1	356.0
Recognition of temporary differences in profit and loss	-52.9	31.0	-21.9
Total trade and other receivables	-	-11.1	-11.1
Result of change in corporate tax rate recognised in equity	38.8	-17.1	21.7
Result of reversal of impairment loss recognised in profit and loss	-	-0.7	-0.7
Balance as at 31 December 2021	1,255.0	-911.0	344.0

The deferred tax assets to be settled under one year after the balance sheet date amount to € 26.7 million (2020: € 26.6 million). This amount is not presented separately under current assets.

At the end of 2021, the Dutch House of Representatives and Senate both approved the tax plan for 2022. As part of this tax plan, the corporate income tax will be raised to 25.8% for 2022. 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 € 38.8 million in 2021, (2020: € 167.4 million).

The tax impact of the revaluation of certain 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 € 17.1 million in 2021 (2020: minus € 68.0 million).

Note 1 'Significant matters and events in 2021' provides more information on the demerger at GTS B.V.

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

<i>In millions of euros</i>	Tax treatment of the purchase price paid by the Dutch State	Tangible fixed assets	Total
Trade and other receivables	1,154.5	-752.2	402.3
Recognition of temporary differences in profit and loss	-52.9	24.8	-28.1
Total trade and other receivables	-	-42.7	-42.7
Result of change in corporate tax rate recognised in equity	-	-75.0	-75.0
Result of reversal of impairment loss recognised in profit and loss	167.4	-68.0	99.4
Balance as at 31 December 2020	1,269.1	-913.1	355.9

Movements in deferred tax assets in 2020 related to regular movements as well as movements due to the review of the rate of corporate income tax, and furthermore the effect of the reversal of an impairment recognised in the past.

6. Trade and other receivables

Trade and other receivables can be broken down as follows:

<i>In millions of euros</i>	31 Dec. 2021	31 Dec. 2020
Trade and other receivables	112.7	121.1
Provision for doubtful debts	-16.8	-16.6
Total trade and other receivables	95.9	104.5

Trade and other receivables are measured less a provision for doubtful debts. Movements in the provision are as follows:

<i>In millions of euros</i>	31 Dec. 2021	31 Dec. 2020
Trade and other receivables	16.6	16.5
Additions charged to profit and loss	0.2	0.1
Total trade and other receivables	-	-
Release, credited to profit and loss	-	-
Result of reversal of impairment loss recognised in profit and loss		
Balance as at 31 December	16.8	16.6

The trade receivables have a nominal term of less than one year. 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 (year-end 2020: € 1.0 million). No movements took place in the issued and paid-up shares during the financial year (2020: the same).

At year-end 2021, all shares in issue were held by N.V. Nederlandse Gasunie (year-end 2020: the same).

8. Share premium

Movements in the share premium are as follows:

<i>In millions of euros</i>	2021	2020
Trade and other receivables	1,734.7	1,734.7
Share premium payment	122.6	-
Total trade and other receivables	-122.6	-
Share premium repayment	-350.0	-
Result of reversal of impairment loss recognised in profit and loss		
Balance as at 31 December	1,384.7	1,734.7

Note 1 'Significant matters and events in 2021' provides more information on the demerger of GTS B.V. and the associated share premium payment. In 2021, a further amount of € 350.0 million in share premium was repaid to N.V. Nederlandse Gasunie (2020: nil).

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>	2021	2020
Trade and other receivables	1,642.2	1,659.0
Realised share in the unrealised revaluation	-53.2	-47.8
Total trade and other receivables	-	99.0
Effect of tax rate change on deferred taxation	-17.1	-68.0
Result of reversal of impairment loss recognised in profit and loss		
Balance as at 31 December	1,571.9	1,642.2

For an explanation of the change to the corporate income tax rate, see note 5 'Deferred tax assets'.

10. Other reserves

The movements in the other reserves are as follows:

<i>In millions of euros</i>	2021	2020
Trade and other receivables	151.1	-15.7
Appropriation of result for previous financial year	115.5	50.6
Total trade and other receivables	53.2	47.8
Adjustment of the revaluation reserve due to reversal of impairment losses	-	-99.0
Result of reversal of impairment loss recognised in profit and loss	38.9	167.4
Balance as at 31 December	358.7	151.1

For a description of the movements, 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* [BFBN]). These rules include a minimum for equity, which can lead to restrictions with regard to the level of distributable reserves. At year-end 2021, no such restriction applied and no non-distributable reserve was recognised (year-end 2020: the same).

11. Unappropriated result

Movements in the unappropriated result are as follows:

<i>In millions of euros</i>	2021	2020
Trade and other receivables	115.5	50.6
Appropriation of result in previous financial year	-115.5	-50.6
Total trade and other receivables	126.7	380.5
Interim dividend paid for the current financial year	-	-265.0
Result of reversal of impairment loss recognised in profit and loss		
Balance as at 31 December	126.7	115.5

Profit appropriation for the previous financial year

The 2020 financial statements were adopted by the General Meeting of Shareholders on 1 April 2021. The General Meeting of Shareholders appropriated the result as determined in accordance with management's proposal. The result for 2020 amounted to a profit of € 380.5 million. The dividend to be paid is determined at € 265.0 million, which is equal to the interim dividend that was paid during the 2020 financial year. The remainder of € 115.5 million was added to the other reserves.

Profit appropriation and interim dividend proposal for the 2021 financial year

In 2021, no interim dividend was paid over the 2021 financial year (2020: interim dividend of € 265.0 million paid over the 2020 financial year). Management proposes that an amount of € 38.0 million of the result after taxation for 2021 be added to the other reserves and € 88.7 million be paid as dividend to the shareholders. This appropriation of result has not been recognised in the balance sheet as at 31 December 2021 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 2021, no such restriction applied (year-end 2020: 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. At year-end 2021, there will still be a term of several years left to run on the redevelopment programme.

The company deems it unlikely that transport pipelines and appurtenances will have to be completely removed. In its judgement, the company has taken into consideration that natural gas transmission will continue to be important over the coming years. Aside from that, the company sees sufficient opportunities for various alternative uses, including the transport of alternative energy carriers, such as hydrogen. The expectation is that the existing natural gas transmission network will gradually be repurposed for the transport of alternative energy carriers in the near and more distant future. Aside from that, the revenues from alternative use (in the longer term) less the costs of conservation are anticipated to offset the costs of removal, including societal costs. Based on the above considerations, a provision for abandonment costs for the gas transport network as a whole in the longer term has not been recognised.

In measuring the provision for abandonment costs and redevelopment, the company takes into account that its judgements and estimates may be affected by developments in the area of the energy transition and tightened environmental and climate targets. Given the recent political decisions with respect to hydrogen, heat, and CO₂, and a new government with a strong commitment to the climate, the long-term vision is becoming increasingly concrete and is expected to be further worked out over the coming years. On the balance sheet date, the company brings the provision for abandonment costs and redevelopment into line with the most recent developments. The aforementioned developments may in future years lead to an adjustment to the scope of the provision for redevelopment, such as if certain network components turn out not to be fit for an alternative use that was previously thought feasible. Aside from that, the provision can be adjusted if experience figures prompt a change to the redevelopment method or if the costs of historic redevelopments are reason to assume higher or lower costs for future redevelopments.

Movements in the provision are as follows:

<i>In millions of euros</i>	2021	2020
Trade and other receivables	30.1	35.0
Additions charged to profit and loss	5.1	-
Total trade and other receivables	-	0.6
Amount charged against the provision	-6.4	-5.5
Result of reversal of impairment loss recognised in profit and loss		
Balance as at 31 December	28.8	30.1

The current part of the provision for abandonment costs and redevelopment is expected to total € 5.7 million at year-end 2021 (year-end 2020: € 6.6 million). This amount is not shown separately under current liabilities. The discount rate at year-end 2021 was 0.0% (2020: 1.0%). The drop in the discount rate came mainly as a result of lower market rates of interest (negative on the balance sheet date) compared to 2020. The addition to the provision relates mainly to a revision of the scope of pipelines to be removed for which GTS is currently responsible.

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>	2021	2020
Trade and other receivables	3,583.1	3,521.0
GTS B.V. demerger	-122.0	-
Total trade and other receivables	241.7	168.5
Repayments	-251.2	-106.4
Result of reversal of impairment loss recognised in profit and loss		
Balance as at 31 December	3,451.6	3,583.1

Note 1 'Significant matters and events in 2021' provides more information on the demerger at GTS B.V.

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 2021 was 2.4% (2020: 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, the company 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>	2021	2020
Trade and other receivables	5.1	3.4
New lease contracts	-	1.8
Total trade and other receivables	-	0.2
Lease payments	-0.5	-0.4
Result of reversal of impairment loss recognised in profit and loss	0.1	0.1
Total	4.7	5.1
Included under current liabilities	-0.4	-0.4
Balance as at 31 December	4.3	4.7

The remaining term of the lease liabilities is as follows:

<i>In millions of euros</i>	31 Dec. 2021	31 Dec. 2020
Trade and other receivables	0.4	0.4
Maturity \geq 1 year and \leq 5 years	0.7	1.0
Maturity \geq 5 years	3.6	3.7
Total trade and other receivables		
Total lease liability	4.7	5.1

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 2021 (2020: 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 2021 was 1.64% (2020: 1.56%).

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 2021, GTS' contract liabilities amounted to € 17.4 million (2020: € 17.8 million). Movements in contract liabilities are as follows:

<i>In millions of euros</i>	2021	2020
Trade and other receivables	17.8	18.1
Reclassified as net revenue	-1.0	-0.9
Total trade and other receivables	0.6	0.6
New contract liabilities	-	-
Result of reversal of impairment loss recognised in profit and loss		
Total	17.4	17.8
Included under current liabilities	-0.4	-0.4
Balance as at 31 December	17.0	17.4

The remaining term of the contract liabilities is as follows:

<i>In millions of euros</i>	31 Dec. 2021	31 Dec. 2020
Trade and other receivables	0.4	0.4
Maturity ≥ 1 year and ≤ 5 years	1.9	1.9
Maturity ≥ 5 years	15.1	15.5
Total trade and other receivables		
Total contract liabilities	17.4	17.8

16. Financial instruments

General

The main financial risks to which the company is exposed are market risk (consisting of interest rate risk, currency risk, and price risk), credit risk and liquidity risk. In consultation with its shareholder (N.V. Nederlandse Gasunie), 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 shareholder.

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 and/or the shareholder.

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 interest-bearing 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 repayment cash flows under the loan facility have not been established and cannot be predicted with sufficient precision.

A 1% point change in the interest rate will change the annual interest expenses by around € 34.5 million (2020: € 35.8 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 those from 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 2021, there were no material receivables or liabilities in a foreign currency and hedging instruments were therefore not used (year-end 2020: the same).

Price risk

The company uses gas and electricity for its day-to-day operations, including for gas transport, balancing actions in the gas transport network, and internal and external production of nitrogen for quality conversion, for which the company has entered into gas and power supply contracts with energy providers. The contracts the company has entered into are supply contracts that are common in the market today, with variable energy prices based on current spot market prices at the moment of contracting/supply. These contracts are not subject to a minimum purchase obligation. The energy supply contracts generally have a relatively short term (3-5 years). The company is exposed to a price risk if the variable charges for gas and electricity increase and regulations do not allow Gasunie to offset these price increases in its future tariffs. For the 2021 financial year, the price risk can partially be offset in future tariffs. For further details on the price risk, see note 1 'Significant matters and events in 2021'.

In order to mitigate the price risk in the company's day-to-day operations, and thus pursue stability in the regulatory tariffs, the company uses a risk hedging policy and associated energy procurement strategy. The basic principle of this policy is that the company does not trade in energy supply contracts and does not take speculative positions. The company has committed to purchasing the contracted volumes itself and using them for its day-to-day operations.

The energy supply contracts come with the contractual option to partly fix prices for a certain future supply period. Under the current contracts, this can be done a maximum of three years in advance. In these 'forward purchases', the company takes into account the anticipated periodic energy requirements to meet the own-use exemption. The level of price risk hedging is influenced by the predictability of the volume and timing of the energy usage. GTS

aims to hedge at least 65% of the anticipated energy usage, whereby the degree of hedging is also partly based on current and forward prices. Energy usage that has not been contracted under forward supply contracts is purchased on the spot market as and when the need for energy arises.

At year-end 2021, the nominal value of the forward supply contracts for the company's energy usage totalled approximately € 74.7 million (year-end 2020: € 30.3 million). The forward supply of energy under these contracts consists entirely of electricity and gas to be supplied in the 2022 financial year. Under guideline Rj 290.202 of the Dutch Council for Annual Reporting, liabilities from forward supply contracts are not recognised in the balance sheet.

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 2020: the same). In 2021, the company generated over 10% of its external revenue relating to gas transport and the associated services from one single external customer (2020: the same). This customer had no payment arrears at year-end 2021 (2020: 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:

<i>In millions of euros</i>	31 Dec. 2021		31 Dec. 2020	
	Number	Value	Number	Value
Trade and other receivables				
Security Deposits	107	36.9	86	31.0
Bank Guarantees	56	61.9	52	46.7
Total trade and other receivables	32	175.4	30	159.9
Letter of Awareness	6	110.9	6	108.4
Result of reversal of impairment loss recognised in profit and loss	6	17.5	5	17.4
Total guarantees received	207	402.6	179	363.4

The securities received predominantly relate to securities from gas transport arrangements. The security deposits are held in cash via N.V. Nederlandse Gasunie. The letters of awareness mainly relate to legally unlimited guarantees received from the parent company of the customers to which they relate. In these cases, 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 term of the guarantees received varies from a few months to indefinite guarantees. 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 2021 (year-end 2020: € 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 (2020: € 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, and other payables
- 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, and other payables

The fair value of trade and other receivables and of other payables 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 2 (year-end 2020: level 2).

The carrying amount and the fair value of the non-current loan from the shareholder as at year-end 2021 were:

In millions of euros	31 Dec. 2021			31 Dec. 2020		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Trade and other receivables						
Non-current loan from the shareholder	3,451.6	3,939.2	487.6	3,583.1	4,398.2	815.1

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 (2020: € 0.8 million) for the benefit of its participating interest in EDSN B.V.

Investment obligations

At year-end 2021, there were conditional investment obligations totalling € 67.8 million (year-end 2020: € 96.0 million). These obligations mainly relate to the development of a new nitrogen plant and regular replacement investments. N.V. Nederlandse Gasunie occasionally carries out the investment projects for GTS; in these instances the associated investment obligations can be classified as obligations towards the shareholder. For further explanation of the transactions with affiliates, see note 25 'Related parties'.

Non-current obligations

Non-current obligations are as follows:

In millions of euros	31 Dec. 2021	31 Dec. 2020
Trade and other receivables	52.6	53.7
1 – 5 years	164.9	150.5
> 5 years	155.2	186.0
Total trade and other receivables		
Total other commitments	372.7	390.2

These obligations mainly relate to the procurement of nitrogen production capacity, 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 shareholder (or one of its group companies). For further explanation of the transactions with affiliates, see note 25 'Related parties'.

18. Net revenue

The net revenue is fully generated in the Netherlands and consists of the revenue on gas transport and gas transport-related services. Net revenue increased by 2.4% compared to the previous financial year (2020: increase of 2.6%). The increase in revenue is due mainly to the increase in gas transport tariffs in 2021.

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

19. Costs of subcontracted work and other external costs

Costs of subcontracted work and other external costs can be broken down as follows:

<i>In millions of euros</i>	2021	2020
Trade and other receivables	218.0	134.5
Costs of subcontracted work	221.3	221.2
Total trade and other receivables	439.3	355.8

The cost of network operations mainly comprises the procurement of nitrogen production capacity and electricity for the production of nitrogen, and electricity and gas for the company's own use for gas transport. The increase in costs compared to 2020 is due mainly to higher energy prices and a slight increase in the use of resources for gas transport operations.

The costs of subcontracted work and other external costs also include the services provided by N.V. Nederlandse Gasunie. For an explanation of the transactions with affiliates, see note 25 'Related parties'.

20. Depreciation costs

Depreciation costs can be broken down as follows:

<i>In millions of euros</i>	2021	2020
Trade and other receivables	258.7	234.4
Result from disposals	1.8	5.8
Total trade and other receivables	260.5	240.2

Depreciation costs were up partly due to a partial reversal of a previously recognised impairment in 2020.

The result from disposals is the balance of the net realisable value of the assets sold or transferred minus the carrying amount of these assets when they were delivered.

21. Other costs

Other costs can be broken down as follows:

<i>In millions of euros</i>	2021	2020
Trade and other receivables	6.4	-0.9
Total other costs	6.4	-0.9

Other costs comprise incidental costs, consisting of the addition to the provision for abandonment costs and redevelopment and the balance of the other incidental costs and revenue.

22. Financial income and expenses

Financial income and expenses can be broken down as follows:

<i>In millions of euros</i>	2021	2020
Trade and other receivables	83.0	91.1
Other finance expenses	0.7	1.3
Interest and finance expenses	83.7	92.4
Total trade and other receivables		
Capitalised as part of tangible fixed assets	-8.3	-6.2
Result of reversal of impairment loss recognised in profit and loss		
Total financial income and expenses	75.4	86.2

Interest relating to the construction of qualifying fixed assets was capitalised based on a weighted average interest rate of 2.4% (2020: 2.5%).

The other finance expenses mainly concern the financing component in the long-term contract liabilities and the interest accrued on the lease liabilities.

23. Income taxes

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

<i>In millions of euros</i>	2021	2020
Trade and other receivables	24.1	38.0
Corporate income tax for the previous financial years	-	-
Movements in deferred taxation	33.0	145.8
Total trade and other receivables		
Total tax expense	57.1	183.8

The total tax expense was substantially affected by the adjustments to corporate income tax rates in both 2020 and 2021. For a more detailed explanation of the change to the corporate income tax rate, see note 5 'Deferred tax assets'. In 2020, the reversal of the impairment loss recognised in the past led to an additional deferred tax expense of € 75.0 million.

The applicable tax rate in 2021 is 25.0% (2020: 25.0%). The effective tax rate in 2021 is 31.1% (2020: 32.6%). The difference between the nominal and effective rate can be fully explained for 2021 by the effects of the change in the corporate income tax rate on the measurement of the deferred tax items.

24. Workforce

The company did not employ any staff in 2021 (2020: 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 25 'Related parties'.

25. 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. Directors named under the articles of association, management and 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 2021, the volume of the services provided amounted to € 639.9 million (2020: € 621.8 million), of which € 200.5 million (2020: approx. € 266.1 million) related to investments in the gas transport network, and € 439.3 million (2020: € 355.8 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 costs passed on, including the transport-related energy costs. These services and supplies are delivered at cost.

Arm's length interest is charged on the loan taken out from N.V. Nederlandse Gasunie. In 2021, these interest expenses amounted to € 83.0 million (2020: € 91.1 million).

Transactions from GTS to other related parties

GTS provides gas transport services to customers, including GasTerra B.V. The ultimate shareholder of GTS, 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 Gasunie, GTS, GasTerra B.V. and the Dutch State.

26. 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.

27. External auditor's fees

PricewaterhouseCoopers Accountants N.V. performed the statutory audit of the financial statements of Gasunie Transport Services B.V. Further audit procedures were performed with respect to disclosures to the regulatory authority, ACM.

The financial information (including concerning the fees of the external auditor) of Gasunie Transport Services B.V. are included in the consolidated financial statements of N.V. Nederlandse Gasunie. In accordance with Article 2:382(a)(3) of the Dutch Civil Code, the financial statements of Gasunie Transport Services B.V. do not include a separate explanation concerning the fees of the external auditor.

28. Events after the balance sheet date

Following the Russian invasion of Ukraine in February 2022, various sanctions were announced against Russia and Belarus, as well as against Russian and Belarusian companies. GTS does business with Russian companies in accordance with European and national gas transport regulations.

GTS complies with the sanction regime that has been adopted. Aside from this, GTS has suspended all non-operational business relationships and contacts with Russian companies. Operational contacts with Russian companies have been reduced to the minimum level required to facilitate security of supply in the Netherlands and Europe through our infrastructure. Given the major social and economic impact on society in Europe, GTS adheres to the Dutch government's policy on gas imports from Russia.

GTS has concluded that the sanctions and other measures imposed do not lead to new information on the actual situation as on the balance sheet date. Depending on how the conflict develops, the duration and extent of the sanctions, and GTS' policy in this respect, the company may face adverse financial effects in the long term. This could, for example, occur if shippers from Russia or other shippers indirectly affected by the crisis were to default on payments for transport capacity they booked or if the relevant market interest rates were to rise substantially, potentially exposing fixed assets to impairments.

No other significant events occurred after the balance sheet date that have to be recognised or explained in the financial statements.

Signature

Signature

B.J. Hoevers

CEO

Groningen, 3 March 2022

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Other information



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 2021 company financial statements is included in the original Dutch version of the annual report.

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Annex: Rules on proper financial management



Annex

Rules on proper financial management

Being the national transmission system operator, GTS is under an obligation to meet the requirements specified in Article 32(11)(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	2021	2020
Ratio A	at least 1.7	3.1	7.0
Ratio B	at least 2.5	6.0	6.1
Ratio C	at least 0.11	0.12	0.13
Ratio D	no greater than 0.7	0.5	0.5

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Disclaimer



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.