

# Annual Report 2023

Gasunie Transport  
Services



gasunie  
transport services

**Contents**

01	Management report	4
02	Financial statements	20
03	Other information	65
04	Appendices	67



# Annual Report 2023

## Management report



# 01 Management report

## General

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

## Mission

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

1. ensuring a safe, reliable and efficient transmission system;
2. managing and developing the gas transmission network on an economic basis;
3. ensuring sufficient transmission capacity;
4. maintaining the connection with other networks, both national and international;
5. 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;
6. managing gas quality, including quality adjustments to minimise production from the Groningen field;
7. 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. Customers feed gas into the network at entry points and take gas off from the network at exit points. To arrange this, they sign 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 transmission 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 comprehensive risk management section in the annual report of N.V. Nederlandse Gasunie.

## Management

The management of Gasunie Transport Services B.V. on 31 December 2023:

B.J. Hoevers, CEO\*

I. Aardse, Commerce & Regulation Manager

G. Paas Broekman, Finance & Control Manager

M.J.D. Dresden, Assets Manager

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\* Director under the articles of association

## Foreword

We are proud to present the 2023 annual report for Gasunie Transport Services, which details the main developments at GTS over the past year. In 2023, the gas market calmed down somewhat after the turbulence of 2022. Despite the absence of supplies of Russian gas to north-western Europe, the market stabilised at a new level and security of supply issues have not materialised.

Meanwhile, the predominant flow direction of gas through the Netherlands is from west to east. Thanks to the prime location of our infrastructure, with compression at all ends of our system, only very limited investments are required to accommodate this flow direction and to be able to handle the additional input of LNG in the future. Insufficient capacity in our network at the border did not arise in 2023.

In 2023, we transmitted 701 TWh (65.2 bcm) of gas for our customers. The initial high gas storage level at both Dutch and German gas storage facilities at the start of the summer was one of the reasons for the decrease compared to 2022 (73.5 bcm). The relatively warm winter also played a role, as did a drop in demand due to the higher prices. Additionally, the ongoing decline in local natural gas production has also contributed to the lower transmission volumes.

Aside from the radical change in the transmission flows, we have continued to keep a close eye on the situation on the gas market, both at national and international level. We have made analyses, both independently and with our peer TSOs, to give the government agencies involved a better understanding of the situation and support the various government measures.

In addition to ensuring an adequate supply of local and international gas, the construction of a new nitrogen plant near Zuidbroek is an important measure to permanently replace production from the Groningen gas field with sufficient volumes of low-calorific gas. After the delays, this plant was finally commissioned in the autumn of 2023. At the same time, Groningen field production ceased and the field is no longer on the 'pilot light'.

With regard to our income and tariffs, both the ruling by the Dutch Trade and Industry Appeals Tribunal and the agreement with the Dutch regulatory authority ACM and representative organisations have provided us stability. With the Tribunal's ruling, the efficiency discount that ACM had applied was reversed and we are allowed to pass on the sharply increased and unpredictable energy costs to our customers. It has been agreed with ACM and representative organisations to withdraw all ongoing legal proceedings. GTS is pleased that this agreement has been reached between the parties; it provides clarity for everyone involved and minimises proceedings.

The energy transition remains a central focus for Gasunie, as described as well in note 1 'Significant developments in 2023' to the 2023 financial statements. As regards GTS' statutory duty with regard to natural gas transmission, the company is concentrating on feeding in green gas. We are giving this an extra boost through the investment decision to convert an existing pipeline to a green gas gathering pipeline. The future blending obligation for green gas also requires additional investment in infrastructure connections or facilities for small-scale compression in the network of regional TSOs in our infrastructure. In addition, GTS is investigating which pipelines can be released for repurposing as hydrogen pipelines.

On behalf of GTS, I would like to thank all our stakeholders for their trust and for the excellent cooperation.

Bart Jan Hoevers  
Managing Director

## Key figures

<i>In millions of euros</i>	2023	2022
Total revenue	1,228.2	1,622.5
Total expenses	-929.3	-924.4
Operating result	298.9	698.1
Finance income and expenses	-51.1	-54.0
Result before taxation	247.8	644.1
Income taxes	-63.9	-166.2
<b>Result after taxation</b>	<b>183.9</b>	<b>477.9</b>

## Revenue

The revenue we generated with the transmission of gas and related services in the Netherlands amounted to € 1,228 million. Revenue was € 394 million lower than in the previous year. The decline in net revenue is due to the fact that the 2022 financial year was exceptional. The Russian invasion of Ukraine in 2022 resulted in major uncertainties on the energy markets, which in turn led to significantly higher revenues from regulated capacity auctions and 'interruptible transmission capacity' that year. Where our gas flows previously had an east-to-west orientation, in 2022 we saw a reversal in this tendency. As a result, the Netherlands received significantly larger gas volumes from Norway, the UK and Belgium and through the import of LNG via Gate terminal and EemsEnergyTerminal.

We will return any regulated revenues exceeding the permitted revenue to the market in the future in the form of lower transmission tariffs. The regulation system will see to that. Under the current annual reporting rules that apply to GTS, we are not allowed to recognise future settlements in the balance sheet nor deduct them from revenue or result. We only recognise these settlements in the year in which the settlement takes place. We expect that we will settle the surplus revenue from the 2022 and 2023 financial years with the tariffs that market parties pay for regulated natural gas transmission in the 2024 and 2025 financial years.

## Total expenses

In 2023, total expenses increased by € 5 million compared with 2022. The increase is mainly attributable to higher IT costs and higher personnel expenses. On the other hand, costs such as additions to the provision for abandonment costs and redevelopment were lower and so the result was, on balance, only a slight increase in total expenses.

## Financing

We have a loan facility of € 5 billion made available by Gasunie. The loan terminates on 31 December 2029 but has an extension option. The parties have agreed that the facility can be drawn down or redeemed without restrictions during the term of the loan.

GTS' operating activities and investments can be largely financed from normal business activities, though GTS also makes use of Gasunie's loan facility for financing.

The Ministry of Economic Affairs and Climate Policy 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 down or redeemed. These ratios are applied to ensure sufficient solvency and liquidity. At the end of 2023, the solvency ratio\* was 53% (2022: 54%). With regard to liquidity, we refer the reader to the 'Liquidity risk' section in the financial statements.

## HR and operating expenses

GTS does not employ any staff itself: it uses staff employed by Gasunie.

Gasunie changed its management model with effect from 1 July 2023. In the new management model, employees work in 'expertise teams' that work for Gasunie as a whole. As a result, there are no longer any employees who work specifically for GTS.

This is only permitted as long as Gasunie can guarantee that confidential data will always remain confidential and that customers are treated on a non-discriminatory basis. For this reason, each year all Gasunie staff must now sign an employee statement declaring this.

ACM has been consulted on the new management model as it relates to the Dutch competition legislation and the Dutch Gas Act. ACM has stated that it sees no obstacle to the introduction of the model.

GTS has entered into service agreements with Gasunie to the value of € 704 million (2022: € 663 million) in operating expenses in 2023. These operating expenses relate to the deployment of employees, materials, services and other costs, such as transmission-related energy costs. These services are delivered at cost.

## Gas transmission results

In 2023, Gasunie Transport Services transmitted 701 TWh (65.2 bcm) of gas, a drop of roughly 11% compared to the 784 TWh (73.5 bcm) in 2022 and yet another historic low. The decrease is completely down to the lower volume of G-gas transmitted: H-gas transmission has remained virtually unchanged. Domestic consumption has fallen by 4.5%, and transport abroad by 6%. Transmission of gas to fill storage facilities fell by 36%.

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\* Calculated by dividing equity by total assets.



The decrease in transmission can be attributed to an increase in the gas price as a result of the shortage caused by the sharply reduced supply from Russia to Europe, the phasing out of the G-gas market abroad (Germany, Belgium and France) and, to a very large extent, the storage facilities being filled to a much higher level at the end of winter 2022/2023 than the year before.

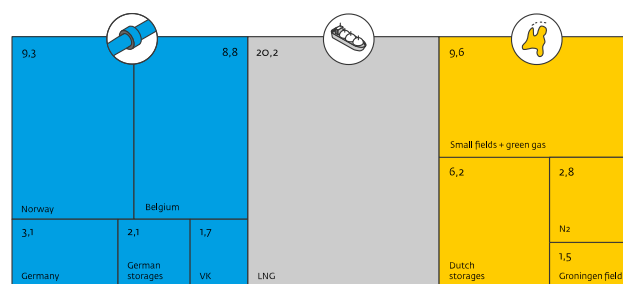
Domestic production of gas and the volume of gas imported into the Netherlands fell by 26.5% and 22.5% respectively. Feed in of gas from Dutch gas stores and German gas storage facilities connected to the GTS network also decreased. These declining volumes were offset by a sharp increase in feed in of gas via LNG imports.

Gate terminal and EemsEnergyTerminal\* together fed 20.2 bcm of natural gas into the GTS network in 2023, an increase of more than 31% compared to 2022. This brings the share of LNG in the entry mix nearly to that of foreign pipeline gas.

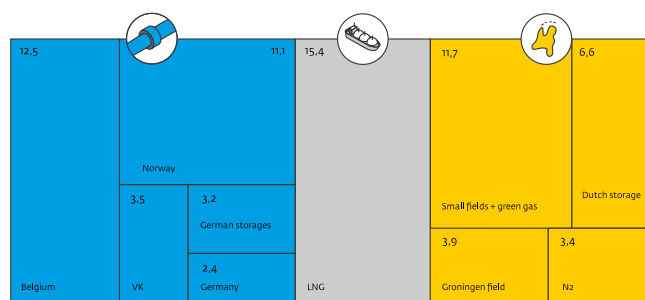
In 2023, the average effective temperature at the Royal Netherlands Meteorological Institute's reference location of De Bilt was 9.4°C, making this year the second warmest ever: only 2014 was warmer still (9.5°C). Though it was fractionally cooler in 2022, rounded off the average effective temperature that year was also 9.4°C.

The Netherlands consumed 30 bcm of natural gas in 2023, 5% less than in 2022, a year in which gas consumption had dropped to around 75% of what it had been the previous year. Dutch households reduced their natural gas consumption by 11% in 2023. In most key sectors of the economy, natural gas consumption was lower than the previous year. As can be seen from data from [Statistics Netherlands \(CBS\)](#), gas consumption by Dutch industry fell by 4%.

### Source of gas in the GTS network, 2023 versus 2022



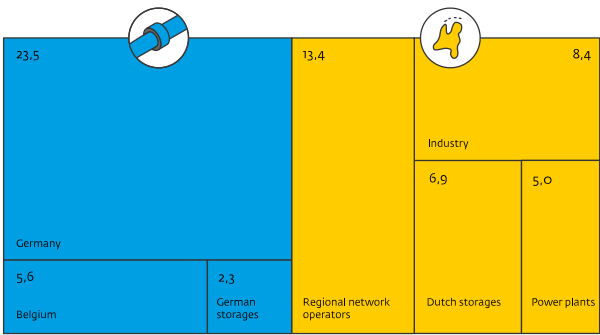
The origin of gas in the GTS system, 2023, in billion m³ (n)



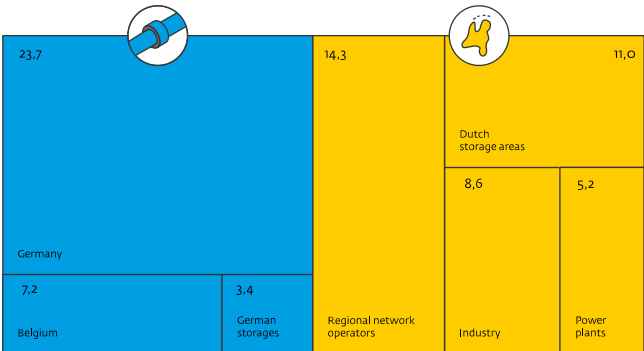
The origin of gas in the GTS system, 2022, in billion m³ (n)

\* Gate terminal and EemsEnergyTerminal are 50% participating interests of N.V. Nederlandse Gasunie.

Destination of gas in the GTS network, 2023 versus 2022



The destination of gas in the GTS system, 2023, in billion m³ (n)



The destination of gas in the GTS system, 2022, in billion m³ (n)

Result of quality conversion

Despite further reduction of production from the Groningen gas field, in 2023 GTS needed to convert less H-gas to G-gas as high temperatures and high gas prices pushed down demand for G-gas. The volume of converted H-gas decreased by 17%, from 324 TWh (28.7 bcm) in 2022 to 269 TWh (23.9 bcm) in 2023. The associated volume of nitrogen used decreased from 3.36 bcm to 2.84 bcm over the same period.

Transmission interruptions

In 2023, we provided a high level of transmission security for our customers. There was one transmission disruption this reporting year (2022: 3). This disruption, at an interconnection point with a German customer, fortunately did not cause any problems, this thanks to timely communication with the customer.

Transmission security in the freezing cold

The year 2023 was not a cold year. The coldest day at the start of the year was 21 January (-2.7°C) and 1 December was the coldest day towards the end of the year (-2.4°C). There were 23 ‘frost days’, i.e. days when the temperature, measured in an instrument shelter at 1.5 metre above ground level, dipped below 0°C (2022: 18).

Peak supply

Peak supply is an important public task 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°C. GTS provides all the necessary facilities in the area of gas procurement and sales, flexibility services, and gas transmission over the national grid. There were no peak supply deliveries in 2023.

## **Storage facilities fill level**

To ensure that the Netherlands would be as well prepared as possible for the winter and to become less dependent on Russian gas, the storage facilities were filled higher than usual last year. The Dutch storage facilities were filled to almost full capacity at the end of October 2023; the occupancy rate was at 82% at the end of 2023, while this was 77% at the end of 2022.

## **Safety performance**

### **Uncontrolled events**

Uncontrolled events are incidents involving gas leaks (of natural or other gas, hydrogen, nitrogen, air) of over 14,000m<sup>3</sup> from a GTS-operated pressure holder with a rated pressure of 8 bar or higher. No uncontrolled events occurred in 2023 (2022: 1).

### **Pipeline inspections**

To safeguard the integrity of the pipeline systems, GTS inspects part of its pipeline system annually. In 2023, GTS carried out internal inspections ('pig runs') of 201 kilometres of pipeline (2022: 237 kilometres). GTS also inspected 15.5 kilometres of pipeline above ground in 2023 using External Corrosion Direct Assessments (2022: 15 kilometres).

## **Network developments**

### **Our contribution to the closure of the Groningen gas field**

In the 2022/2023 gas year – the last gas year with ongoing production from the Groningen field managed by NAM – 2.4 bcm of natural gas was produced. Production ceased as of 1 October 2023, ending gas extraction from the Groningen gas field. Production from the Groningen field can only be called on to a very limited extent in exceptional situations, such as disruptions in the gas system, technical outages, failure of a low-calorific gas storage facility, or exceptionally cold conditions.

To facilitate the phasing out and closure of the Groningen gas field, we are actively involved in a number of measures to bring down demand for Groningen gas and increase supply of replacement gas, i.e. 'pseudo G-gas'. One such measure is the construction of a nitrogen installation near Zuidbroek to be able to scale up pseudo G-gas production. In addition, we connected large-scale consumers of low-calorific gas to the high-calorific gas network and advised the Dutch Minister of Economic Affairs and Climate Policy on guaranteeing security of supply.

### **Expansion of nitrogen addition capacity**

With the commissioning of the nitrogen plant in Zuidbroek in October 2023, a maximum of 10 bcm of pseudo Groningen gas ('pseudo G-gas') can be produced annually by blending nitrogen into imported high-calorific gas. From winter 2024-2025, the new plant will work to guarantee security of supply during cold spells once the Groningen gas field is permanently closed. In the summer, the plant will eventually be used to fill the seasonal gas storage facilities with pseudo G-gas.

The construction of the nitrogen plant has faced significant delays due to the COVID-19 crisis and delays in the supply of building materials and building components, along with the main contractor and subcontractor not being able to see eye to eye. Though we certainly regret this, fortunately, thanks to the fall in demand for gas due to high market prices and the gas storage facilities proving to be sufficiently filled, this did not result in problems regarding security of supply during the winters of 2022-2023 and 2023-2024.

## Conversions at major industrial users

By law, major industrial gas consumers who used more than 100 million m<sup>3</sup> (0.98 TWh) of gas per year in the 2017/2018 and 2018/2019 gas years must stop using low-calorific gas as of 1 October 2022. This concerns nine companies with a collective annual demand of about 3 bcm (29.3 TWh), five of which have now been switched or disconnected. The remaining conversion projects are encountering delays due to lengthy permitting processes and the nation-wide nitrogen oxide problem in the Netherlands. However, the recent 'Porthos ruling' offers prospects for a quick restart. The companies that still need to be switched over have been granted a temporary exemption that allows them to keep using low-calorific gas until their conversion date.

## Conversion programmes for neighbouring countries

Countries neighbouring the Netherlands also depend in part on low-calorific gas. Contrary to the Netherlands, which opted to build a nitrogen installation to produce low-calorific gas to replace the Groningen gas, the authorities in Germany, France, and Belgium are requiring all end users to switch to high-calorific 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.

## Advice to the Dutch Ministry

Gasunie Transport Services has the statutory duty to inform and advise the Dutch government on the security of supply in the Netherlands. Following on from the GTS study Een jaar zonder Russisch gas (a year without Russian gas) published in July 2022, in May 2023 GTS published an updated analysis (both reports are in Dutch). In this update, we also took into account the consequences of the closure of the Groningen gas field as of 1 October 2023 as announced by the government.

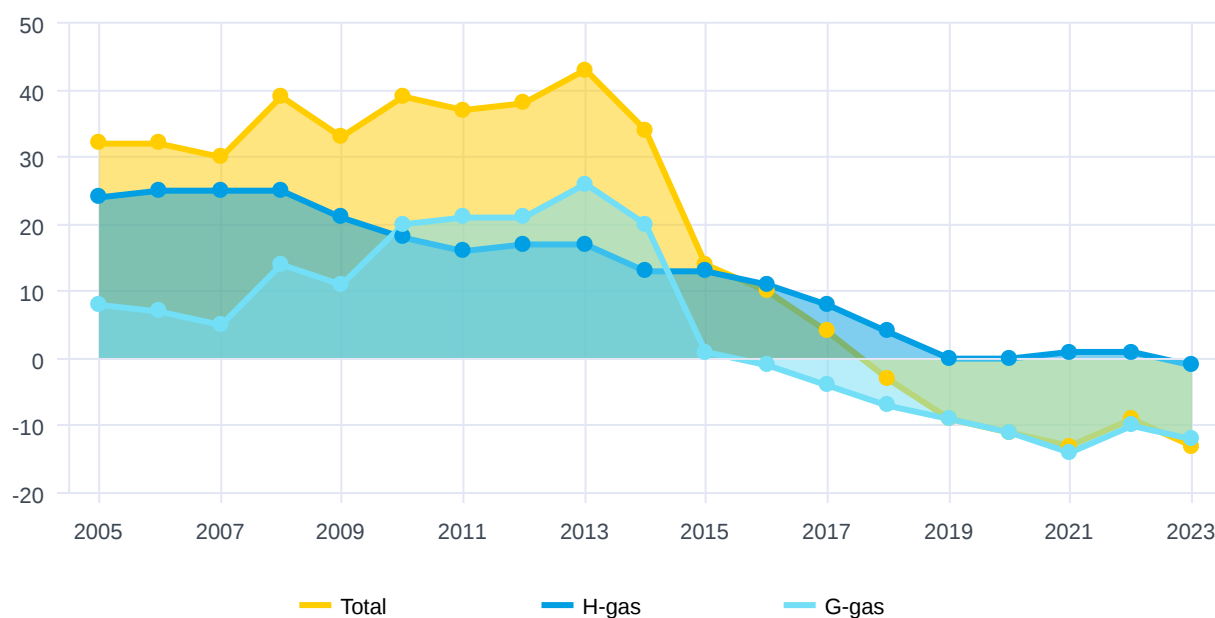
The analysis shows that it is possible to further reduce production from the Groningen gas field in the 2023/2024 gas year (October to October). Still, it appears that in some situations it may be necessary to keep a number of production clusters in reserve so that they can be cranked up within a few hours to deal with acute shortages. This could be, for example, when a problem arises in a gas storage facility at the same time as a cold snap hits. Though the chance of this happening is small, it cannot be ruled out. In June 2023, the Dutch government took the decision to close the Groningen gas field.

In late January 2024, GTS presented its advice regarding how to guarantee security of gas supply for the 2024/2025 gas year. Our analysis shows that, after the closure of the Groningen gas field, a shortage of capacity may still arise over the coming two gas years. For 2024, we estimate a shortage of roughly 10 GW during periods of high peak demand for gas. Additionally, GTS warns that it will prove difficult over the coming years – after cold winters – to get gas stocks in storage facilities back up to adequate levels over the summer periods. Volume shortages could be solved by generating additional supply through, for example, a higher pipeline utilisation rate that can be achieved by expanding or maintaining existing LNG terminals, or by building new LNG terminals.

## Dependence on other countries

The planned closure of the Groningen gas field and declining domestic production is leading to growing dependence on gas imports. The complete shutdown of Russian gas supply increases dependence on H-gas in the global LNG market. The visual below shows the extent to which the Netherlands is able to meet domestic consumption (gas leaving the GTS network) with domestic production (gas feed-in to the GTS network). This is the total of everything less storage facilities/caverns and LNG. This was negative for the first time in 2018, meaning the Netherlands was unable to supply its domestic market with domestic production. The flows of H-gas entering and exiting the GTS network more or less balance. There is a major shortage of G-gas, however, which is compensated for by converting H-gas from abroad to attain gas with the same calorific value as G-gas.

### *The Netherlands is unable to meet domestic market demand through its domestic production*



## Green gas gathering pipeline

Starting in early 2024, GTS will convert 60 km of natural gas pipeline running between Emmen and Ommen for the transmission of locally produced green gas to the Gasunie network. This requires a number of technical adjustments at existing Gasunie valve locations and on connections with the regional networks. This includes the installation of a green gas booster. Work is underway on three connections to the green gas gathering pipeline for the regional grid operators Rendo (in and around Coevorden) and Coteq (in and around Hardenberg).



## 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.

As a result of the change in Gasunie's operating model with effect from 1 July 2023, GTS no longer has its own risk managers: GTS' risk management has been entrusted to the relevant Gasunie departments supported by Gasunie's Risk department. The 'Additional information' section of Gasunie's 2023 Annual Report, published on 1 March 2023, provides an overview of the strategic and operational risks that Gasunie risk managers have identified and monitor.

The key risk areas that apply specifically to GTS are:

1. legislation and regulations: robustness of revenue regulation in the area of gas transmission;
2. financial: risk exposure in asset management rising beyond the risk appetite;
3. strategic: public expectations regarding security of supply in relation to the investments required to reduce production from the Groningen field;
4. operational: a poorly functioning Dutch gas market driving up costs or damaging our reputation.

A risk assessment was again carried out at GTS in 2023. This assessment is integrated into the planning and control cycle. A key focus point is to strike a balance between transmission security and changing demand on the one hand and the associated costs on the other.

## Fraud

To mitigate fraud risks, we have:

1. incorporated sufficient checks and balances into fraud-sensitive processes;
2. included the topic of fraud in various awareness programmes and simulations as standard;
3. included fraud risks in operational risk analyses as standard;
4. further developed existing awareness programmes.

For more details on how we manage financial risks, see note 16 'Financial instruments' to the balance sheet in the financial statements.

In 2023, we found no incidents of fraud or corruption at GTS.

## Risk-based asset management

GTS is a capital-intensive company that is active in an industry 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 2023, we invested € 185.1 million in our infrastructure assets. We expect to have to make around €100 million in maintenance investments in 2024, which we expect to finance largely through our normal business activities.

GTS uses asset management based on risk estimates 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, transmission 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.

## **Risk management – looking back at 2023**

1. We have seen a strong increase in public support for the energy transition, in part because the public has seen that we need to end our dependence on Russian gas.
2. The role of the government has been and remains very important in this.
3. Uncertainties in supply chains and the availability of sufficiently qualified personnel for GTS, but also for its partners and contractors, will continue to exist in the coming years.
4. We have continued the initiatives already underway to strengthen risk management, i.e. we are continuing to foster further integration within GTS, and we are deploying additional staff to help more project teams identify and properly manage their risks.

## **Risk management – looking ahead to 2024**

In 2024, we will continue on the changes we are making to the network in response to the changes in the gas flows. As part of this transition, we will be releasing pipelines to be repurposed for the transmission of hydrogen. Integrating the technical systems for the energy carriers will also require attention over the coming years so that GTS can continue to ensure an optimally functioning transmission system. This hinges on the availability of highly qualified staff, also at our partners. At Gasunie ongoing attention is paid to safety, and by extension at GTS, too. With the increase in the number of projects, working safely will again be a top priority in 2024.

## **Compliance management**

Compliance at GTS focuses on promoting and enforcing compliance with national and international laws and regulations and compliance with procedures, standards and internal rules. The aim of compliance is to safeguard the integrity of the organisation, to protect management and employees, and to avoid legal or regulatory sanctions, material financial loss or loss of reputation (or the risk of such).

GTS adheres to the corporate Gasunie policy. Gasunie's compliance management system is based on the international compliance management standard and laid down in our compliance regulations, which detail the responsibilities for compliance and our compliance monitoring and reporting. All Gasunie employees are responsible and accountable for their own behaviour. Managers have first-line responsibility for compliance with the rules within their unit or department. In the second line, the corporate compliance officer has an independent role and reports directly to the Executive Board. The Supervisory Board receives an annual report on the compliance system by way of the Compliance Letter. In addition, GTS has a dedicated compliance officer who stays in close contact with Gasunie's corporate compliance officers.

## **Developing our customer organisation**

To maintain our standing among Europe's best TSOs, we offer gas transmission 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 inform and engage in dialogue through market consultation and information meetings, conversations with representatives of customer groups (representative organisations) and our customer desk. We place clear information on our website and send out a newsletter whenever additional attention is required for a certain topic. In 2023, GTS overhauled its website and optimised the customer portal to continue to provide its customers with clear information.

This year, we sought out and engaged with our stakeholders on a wide range of topics, such as the 2024 Investment Plan, advice and planning principles in relation to production from the Groningen gas field, transmission tariffs and the associated contract conditions, peak supply, a code change to prevent undesirable balancing behaviour, and various other operational developments.

We continued to use digital communication wherever efficient and effective. However, we also kept the dialogue going in person, for example at the 2023 E-world Energy & Water trade fair and at the GTS shippers meeting, which, after five years, once again enabled in-person contact.

## **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 the Customer Desk and the Industry Desk 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.

## **Shippers meeting**

The GTS shippers meeting took place in Amsterdam on Tuesday, 17 October 2023. The purpose of this event was to, after a gap of five years, allow us to meet with our shippers in person as well as to facilitate mutual contacts between shippers. During the plenary session, we updated our shippers on the closure of the Groningen gas field, tariff developments and changes in regulations. Shippers also had the opportunity to talk one-on-one with GTS' sales specialists before and after the plenary session. All the shippers were enthusiastic about the return of the shippers meeting, the conversations with the various people from GTS, and the informal setting in which this event took place.

## **Result of stakeholder engagement platform**

The Gasunie stakeholder engagement platform has been set up to engage with people, businesses and organisations, from stakeholders like local residents, farmers, growers and contractors to government bodies and educational institutions, for example. Visitors can find all sorts of information on this platform, and they can also arrange various matters online, like scheduling a preliminary meeting or reporting crop damage. The platform also offers an interactive tool that allows people to see where a Gasunie pipeline is located and to instantly report a damaged or defective Gasunie asset, for example, or submit a data request. The platform service desk can be reached by phone, email and chat, and a contact form is available for use outside office hours. In the coming years, the Gasunie stakeholder engagement platform will not only provide information about the GTS network, but also about the new CO<sub>2</sub>, hydrogen and heat networks Gasunie is currently building.

## **Phishing**

In June 2023, we were unpleasantly surprised to discover a phishing email that gave the appearance of being sent by Gasunie Transport Services. The email included an attachment, a change form instructing the recipient to make a payment into a (foreign) bank account. GTS never asks customers for payment via an attachment or link in an email: that's what our [Gasport platform](#) is for. We have not received any reports or indications that the phishers succeeded in their objective.

## Developments in the market

### TTF results

Each year, gas traders buy and sell large volumes of gas in the Netherlands. Almost all gas trading now takes place on the TTF gas trading platform. In 2023, more gas was traded on TTF than in 2022, even more than in the record year 2021. The number of parties actively trading on TTF declined slightly compared to the previous year.

	2023	2022
Amount of gas traded on TTF (TWh)	53,794	38,356
Maximum number of active parties in one day	166	170
Amount of gas traded through the GTS network via TTF (TWh)	448	486

For gas trading on the TTF platform, there are two main forms of transactions: over the counter (OTC) transactions, where the gas is purchased directly from the other party, and transactions through a gas exchange, which acts as the intermediary for all traders. OTC trading increased by 19% in 2023, from 11,511 TWh in 2022 to 13,718 TWh this reporting year. The TTF share traded through gas exchanges increased much more strongly year-on-year (by 49%), from 26,845 TWh in 2022 to 40,076 TWh in 2023.

TTF edged forward slightly in its lead over the other European gas trading platforms. In 2023, nearly 80% of European gas trading took place on TTF, which again confirms that the Dutch gas market is working well and that TTF has acquired a leading position in Europe.

### Regulatory method

The regulatory authority ACM sets the permitted revenue for GTS and thus the tariffs GTS may charge, based on its methodology decision. The methodology 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 2022 to 2026.

In 2021, GTS and market parties filed an appeal against this decision with the Dutch Trade and Industry Appeals Tribunal, the highest administrative court in the Netherlands. GTS' grounds for appeal concerned the benchmark and the energy costs. GTS was of the view that the robustness of the benchmark study was limited and did not provide a basis for the imposed efficiency discount. Moreover, GTS felt that the research was insufficiently transparent and verifiable. With regard to the price risk of the energy costs, in GTS' opinion this methodology decision did not apply a post-calculation mechanism as it should have done.

The Tribunal delivered its [final ruling](#) on 4 July 2023. The court ruled that all GTS' energy costs must be reimbursed, even now that they have risen sharply due to higher energy prices. The court also declared the benchmark for this regulatory period invalid. As a result, the efficiency discount that was applied to GTS' income has been reversed. The court went further and made it clear what requirements a future benchmark must meet before the regulatory authority may apply this. On 21 December 2023, ACM published its amended methodology decision for GTS for the 2022-2026 period.

Additionally, sector agreements were made on various matters pursuant to NC-TAR (network code on harmonised transmission tariff structures for natural gas), with the result that all related objection and appeal proceedings have been concluded and the parties have agreed not to initiate any new proceedings regarding the cases that are part of the sector agreements during the remaining years of the current methodology decision. We expect that the additional sector agreements will be finalised in their present form in Q1 2024.

As a result of the ruling of the Tribunal, alongside the NC-TAR sector agreements and a decrease in the forecast contracted capacities, the average proposed transmission tariff for 2025 will increase by approximately 51% compared to 2024. This tariff increase will follow the sharp decrease in tariffs (by 20%) for 2024 compared to 2023. Given the minor share of the GTS transmission costs in the total energy bill, this rise in GTS' tariffs will only have a limited impact on the end user's gas bill. ACM will take the decision on the 2025 transmission tariffs in May 2024.

### **Code amendment prevents undesirable balancing behaviour**

At the proposal of GTS, the ACM has taken a code decision to introduce a financial incentive to prevent undesirable balancing tactics. The new transport code that applies from 1 January 2024 states the type of behaviour that is deemed to be an undesirable tactic. This mainly concerns a relatively large imbalance in the portfolio, in which case the relevant shipper must pay an additional charge in the event of a balancing action that is the result (or partly the result) of such a tactic. In the run-up to this change, shippers were informed about the practical implications during the GTS shipper meeting. There were also many one-on-one conversations with shippers who appeared to be applying this undesirable tactic in 2023 to prepare them for the code amendment from 2024.

The Management,  
Bart Jan Hoevers,  
29 February 2024



# Annual Report 2023

## Financial Statements

### Gasunie Transport Services B.V.



## 02 Financial statements

### Balance sheet as at 31 December 2023

(before appropriation of result)

<i>In millions of euros</i>	<i>Notes</i>	<b>31 Dec. 2023</b>	<b>31 Dec. 2022</b>
<b>Assets</b>			
Fixed assets			
- tangible fixed assets	2	6,455.5	6,488.9
Financial fixed assets			
- participations	3	0.1	0.1
- deferred tax assets	4	282.7	315.9
<b>Total fixed assets</b>		<b>6,738.3</b>	<b>6,804.9</b>
Current assets			
- inventories	5	77.9	114.1
- trade and other receivables	6	126.1	156.9
<b>Total current assets</b>		<b>204.0</b>	<b>271.0</b>
<b>Total assets</b>		<b>6,942.3</b>	<b>7,075.9</b>

<i>In millions of euros</i>	<i>Notes</i>	<b>31 Dec. 2023</b>	<b>31 Dec. 2022</b>
<b>Liabilities</b>			
Equity			
- issued share capital	7	1.0	1.0
- share premium	8	1,393.3	1,393.3
- revaluation reserve	9	1,480.7	1,524.2
- other reserves	10	630.8	444.4
- unappropriated result	11	183.9	477.9
<b>Total equity</b>		<b>3,689.7</b>	<b>3,840.8</b>
Provisions	12	78.7	70.8
<b>Total provisions</b>		<b>78.7</b>	<b>70.8</b>
Non-current liabilities			
- non-current loan from the shareholder	13	3,153.3	3,142.9
- lease liabilities	14	3.8	3.9
- long-term contract liabilities	15	16.3	16.7
<b>Total non-current liabilities</b>		<b>3,173.4</b>	<b>3,163.5</b>
Current liabilities			
- lease liabilities	14	0.1	0.4
- short-term contract liabilities	15	0.4	0.4
<b>Total current liabilities</b>		<b>0.5</b>	<b>0.8</b>
<b>Total liabilities</b>		<b>6,942.3</b>	<b>7,075.9</b>

## 2023 statement of profit and loss

<i>In millions of euros</i>	<i>Notes</i>	<b>2023</b>	<b>2022</b>
Net revenues	18	1,222.5	1,620.6
Other operating revenues	19	5.7	1.9
<b>Total operating revenues</b>		<b>1,228.2</b>	<b>1,622.5</b>
Costs of subcontracted work and other external costs	20	-703.5	-662.6
Depreciation expenses	2, 21	-210.8	-213.9
Other operating expenses	22	-15.0	-47.9
<b>Total expenses</b>		<b>-929.3</b>	<b>-924.4</b>
<b>Operating result</b>		<b>298.9</b>	<b>698.1</b>
Finance income and expenses	23	-51.1	-54.0
<b>Result before taxation</b>		<b>247.8</b>	<b>644.1</b>
Taxes	24	-63.9	-166.2
<b>Result after taxation</b>		<b>183.9</b>	<b>477.9</b>

# Notes to the financial statements

## General

### Preparation and adoption of the financial statements

The 2023 financial statements were prepared on 29 February 2024. The financial statements as prepared will be submitted for adoption to the general meeting of shareholders to be held on 5 April 2024.

### 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, 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. We have also included the company's financial details 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 transmission 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 gas transmission, and with due consideration to the environment.

On 1 January 2014, GTS acquired ownership from N.V. Nederlandse Gasunie of the gas transmission network in the Netherlands and the associated assets, liabilities and operations. The transfer of the ownership of the gas transmission 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, transmission security and the safety of gas transmission 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 transmission network and the tariffs for the transmission of gas through the gas transmission 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. GTS was in compliance with the requirements at year-end 2023 and a recovery plan is, therefore, not required (2022: the same).

### Reporting period

These financial statements relate to the 2023 financial year, which ended on the balance sheet date of 31 December 2023.



### **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.

### **Accounting policies for the translation of foreign currencies**

We measure transactions denominated in foreign currencies in the functional currency upon initial recognition by translating them at the foreign exchange rate between the functional currency and foreign currency applicable on the date of the transaction.

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

We translate non-monetary assets and liabilities denominated in foreign currencies that we measure at historical cost into the functional currency at the exchange rate applicable on the historical transaction date.

### **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 accounting policies adopted for the measurement of assets and liabilities and determining the result are based on historical costs, unless otherwise specified. The accounting policies used for measuring assets and liabilities and determining the results have not changed compared to the previous financial year. The accounting policies used for presentation are also unchanged compared to the previous financial year, with the exception of the recognition of emission allowances.

As of 2023, we have opted to recognise emission allowances under the inventories item as per the netting approach, while we used to recognise emission allowances and obligations separately. For comparison purposes, we have also amended the comparative figures for 2022 accordingly. At the end of 2023, this led to the recognition of less than € 0.1 million in inventories in the balance sheet (year-end 2022: € 0.8 million). Application of the netting approach led to 'other commitments' and 'trade and other receivables' as at year-end 2022 changing by € 2.1 million and € 2.9 million respectively (€ 0.8 million net). Equity, the net result, and cash flows in 2022 and 2023 were not affected by the change. The accounting policies for measuring the emission allowances are stated under 'Inventories' in these accounting policies.

### **General**

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.

We have ceased to recognise assets or liabilities in the balance sheet if a transaction leads to all or nearly all rights to economic benefits and risks relating to an asset or liability being transferred to a third party. In such case, the results of the transaction are taken directly to profit and loss, whereby we take 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. We recognise expenses 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.

We allocate the revenue and costs 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 1 'Impairment tests' and note 2 'Tangible fixed assets');
- measurement and determination of the provision for abandonment costs and redevelopment (note 12 'Provisions');
- measurement of deferred tax assets (note 4 '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. We take these developments into account in our judgements and estimates.

## 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).

We recognise financial assets and financial liabilities in the balance sheet at the time that contractual rights or obligations arise in respect of that instrument. We have ceased to recognise financial instruments in the balance sheet if a transaction leads to all or nearly all rights to economic benefits and risks relating to an instrument being transferred to a third party.

We present financial instruments (and individual components thereof) 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, we recognise it in accordance with the basic contract. Derivatives separated from the basic contract, if applicable, are measured at cost or fair value, whichever is lower, unless the value is derived from an underlying stock exchange quotation, in which case we measure the derivative at current value.

In accordance with Dutch Accounting Standards Board guideline 290.202, we do not recognise contracts entered into for the procurement of commodities, such as energy for the company's operating activities, in the balance sheet.

In the first measurement, we recognise financial instruments at fair value, including the directly attributable transaction costs. However, if we measure financial instruments at fair value in the subsequent measurement, with impairments recognised in the statement of profit and loss, then we recognise directly attributable transaction costs 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, we measure trade and other receivables at amortised cost based on the effective interest method, minus a provision for bad debts. We recognise the effective interest and losses in respect of bad debts directly in profit and loss.

'Other receivables' also includes 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.

We reduce the carrying amount of receivables by the provision for doubtful trade receivables. We deduct receivables that cannot be collected from the provision. We recognise other additions to and deductions from the provision in profit and loss.

#### ***Non-current liabilities***

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

#### ***Current liabilities***

After initial recognition, we measure the current liabilities at amortised cost based on the effective interest method. We recognise the effective interest directly in the statement of profit and loss.

#### ***Setting off financial instruments***

We present a financial asset and a financial liability 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***

We measure tangible fixed assets 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. Please refer to the accounting policies for an explanation of the provisions for more information on the costs of repairs. We capitalise interest expenses 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.

We determine depreciation by writing off the costs of the tangible fixed assets, less their estimated residual value, on a straight-line basis over their estimated useful life. We do not calculate depreciation on land, sites or the volumes of line pack in the pipelines.

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 gas transmission. The residual value of the asset, the useful life and the depreciation methods are reviewed annually and adjusted if necessary. Note 2 'Tangible fixed assets' contains a more detailed explanation of the expected useful life of the tangible fixed assets, including our considerations with regard to the energy transition.

We divided tangible fixed assets into categories. For each category, the useful life and associated depreciation period is determined. Note 2 'Tangible fixed assets' contains a description of the categories and gives the depreciation period for each category.

We deduct third-party contributions to the cost of construction of the gas transmission network from the investments, insofar as such contributions are either government-sourced (including grants) or not related to capacity. Customer contributions to investments that are related to transmission capacity are recognised in the balance sheet as contract liabilities and we credit these to the result at regular intervals in accordance with the expected useful life of the asset. If there is a significant financing component in the customer contributions, we recognise finance expenses under the interest expenses. We describe this recognition in more detail under 'Net revenue' in these accounting policies.

We recognise tangible fixed assets not yet in operation as at the balance sheet date as 'Fixed operating assets under construction'. On commissioning, we classify the relevant assets according to their type in one of the main categories. We recognise the volumes of gas (line pack) and nitrogen permanently present in the pipelines and which are needed for gas transmission and related services under 'Other fixed operating assets'. If any changes occur in the volume of line pack and/or cushion gas, the average price for the period in which the change took place is used as the cost price.

We recognise any loss on disposal of a tangible fixed asset under depreciation costs in profit and loss at the time of decommissioning; we recognise any profit under 'operating revenue'.

We also recognise in the balance sheet any tangible fixed assets for which the company has the right of use under the terms of a lease agreement. See also the accounting policies under the heading 'Leases'.

## **Financial fixed assets**

### ***Participating interests with significant influence***

Participating interests that give the company significant influence over the associated company's business and financial policy are measured according to the equity method on the basis of the net asset value. If the participating interest cannot be measured at net asset value because the information required for this cannot be obtained, the participating interest is measured according to disclosed equity. We consider all facts and contractual relations (including any potential voting rights) when determining whether a participating interest gives the company significant influence over the associated company's business and financial policy. The company's accounting policies are used to determine the net asset value.



### ***Participating interests without significant influence***

We measure participating interests that do not give the company significant influence over the associated company's business and financial policy at acquisition cost or the lower recoverable amount. We recognise dividend received from associated companies over which the company exercises no significant influence in profit and loss as the result from participating interests.

We consider all facts and contractual relations (including any potential voting rights) when determining whether a participating interest gives the company significant influence over the associated company's business and financial policy. If the interest is less than 20%, there is a rebuttable presumption that no significant influence has been exercised.

We eliminate unrealised profit from transactions with participating interests measured using the acquisition price 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 tangible and financial fixed assets. Management determines the recoverable amount of the assets. The recoverable amount is the higher of the fair value less costs to sell (e.g. based on a sales contract less the costs to be incurred for the sale) and the value in use (based on the results of a value-in-use calculation for example). If the recoverable amount is less than the carrying amount, the difference is taken to profit and loss. Due to the nature of the tangible fixed assets, it is often not possible to determine the recoverable amount of an individual asset. In such cases, we determine the recoverable amount of the cash-generating unit to which the asset belongs.

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

### **Current assets**

#### ***Inventories***

We recognise inventories at cost based on average cost or net realisable value, whichever is lower. Cost comprises the acquisition price or the cost of manufacture plus any other costs involved in taking inventories to their current place and keeping them in their current condition. The net realisable value is based on the most reliable estimate of the amount that the inventories will generate, less any costs to be incurred.

#### ***Trade and other receivables***

The basis for measurement of 'trade and other receivables' is explained in the 'Financial instruments' section.

### **Equity**

#### ***General***

We present the financial instruments that are designated as equity instruments 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, we deduct these payments 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.

### **Remeasurement reserve**

The remeasurement reserve relates to the remeasurement of the tangible fixed assets. The remeasurement reserve is realised in proportion to the depreciation or disposal of the tangible fixed asset to which the remeasurement reserve relates. The part of the remeasurement reserve realised annually due to depreciation is added to equity under 'Other reserves'.

### **Provisions**

We recognise provisions 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, we recognise the provision 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, we present such reimbursement as a separate asset.

### **Provision for abandonment costs and redevelopment**

The company deems it unlikely that all transmission pipelines and appurtenances will have to be completely removed. Accordingly, no general provision for abandonment costs and redevelopment (asset rehabilitation, replacement or removal) has been formed. The provision for abandonment costs and redevelopment recognised in the balance sheet has been included due to the company's decisions to decommission, remove or redevelop specific identifiable assets within the foreseeable future as required under legislation where applicable. We determine the size of the provision partially on the basis of experience figures derived from previous abandonments and redevelopment.

We measure the provision at the present value of the expenditure deemed necessary to settle the liability. We determine the discount rate before taxation and take into account the prevailing market assessments of the time value of money and the risks inherent in the liability.

### **Leases**

The company's leases are recognised in the balance sheet. The right-of-use assets leased are also recognised in the statement of financial position (as per the accounting policies 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 options for extension and termination, in the event that the company may reasonably be expected to use them.
- If applicable, we take residual value guarantees, significant variable lease payments and penalty clauses into account 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, we use GTS' incremental borrowing rate. We use a borrowing rate representative of the portfolio as a whole for portfolios of leases with similar features.
- We initially recognise the right-of-use asset connected with the lease 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 is as follows:

- We measure right-of-use assets 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, we measure the lease liabilities at amortised cost based on the effective interest method.
- If the principles in the lease change (e.g. due to modifications), we remeasure and recognise the carrying amount of the lease liability and the right-of-use asset in the balance sheet.

### **Contract liabilities**

Transport infrastructure construction or upgrades may involve customer contributions. We treat these contributions as pre-payments (contract liability) and initially recognise them in the balance sheet. We periodically take these to profit and loss over the term of the contract with the customer. In the event that a pre-payment contains a significant financing component, we determine the value of this component based on an estimate of the relevant interest rate. We will then recognise the financing component in the financial income and expenses in the period to which this component refers.

### **Determination of the result**

We calculate the result as the difference between the revenue from services rendered to meet performance commitments and the costs and other expenses incurred over the year. We recognise revenues from transactions in the year in which the services under the performance commitments were rendered.

### **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.

We consider net revenue the sum of revenues from gas transmission and related services provided to third parties, after deduction of taxes on these revenues, such as VAT. Income is subject to key estimates by the company regarding the interest rate in the case of contract liabilities with a significant financing component to them.

If we can reliably estimate the result of a transaction involving the rendering of a service, we recognise the revenues relating to the service in proportion to the services rendered in the financial year. GTS provides services in the field of gas transmission 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**

We recognise revenue that is not directly related to the supply of goods or the provision of services as part of normal operations under 'Other operating revenue'. We attribute this revenue to the reporting period in accordance with the specifics of the transactions.

#### **Government grants**

We deduct investment grants, if applicable, from the cost price of the asset for which the grant was awarded.

#### **Other costs**

We recognise the other costs in 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. We recognise interest income and similar income 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. We recognise interest expenses and similar expenses 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. For all taxable temporary differences that qualify for it, we recognise a deferred tax liability. For all deductible temporary differences that qualify for it, we recognise a deferred tax asset, 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. We have included further information about this in note 2 'Tangible fixed assets'.

We measure deferred tax liabilities and assets 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. We recognise the movements in corporate income tax arising from possible rate changes in profit and loss, with the exception of the movements that were originally taken directly to equity. We take these movements 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. No interest is calculated on deferred taxes.

### **Related parties**

We provide details of transactions with related parties that were 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.

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

### **Events after the balance sheet date**

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

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

# Additional notes to the financial statements

## 1. Significant developments in 2023

Compared to 2022, which was an unprecedentedly turbulent year as a result of the Russian invasion of Ukraine, 2023 was characterised by more stability. Energy prices were still higher than the long-term average, but still considerably less volatile compared to 2022. We made various investments in our gas infrastructure to facilitate the change in the gas flows. We will invest further in this in the coming years so that we can continue to meet the security of supply standards. We explain these investments further in note 2 'Tangible fixed assets'.

Together with its parent company Gasunie, GTS plays an important role in the energy market in north-western Europe. We manage, maintain and develop infrastructure for large-scale transmission, transport, storage and conversion of natural gas. With the energy transition, the focus of society and also that of Gasunie is increasingly shifting to CCS (carbon capture and storage) and hydrogen. Gasunie also promotes the development of the technology for green gas and the feed-in of this gas, and works on the construction and management of heat grids.

We take into account several future scenarios, all of which envision achieving a carbon-neutral society by 2050. It is Gasunie's social duty to be able to serve society no matter which scenario materialises, and our infrastructure plays a key role in fulfilling this obligation. An in-depth elaboration of these scenarios is presented in the Integrated Infrastructure Survey 2030-2050 (II3050). The key conclusions from the new II3050 report relating to us are:

- Hydrogen, green gas, heat and CCS will be key elements in bringing about a carbon-neutral future.
- After 2030, the hydrogen network planned to be built between now and 2030 will approximately double in size. Our existing gas infrastructure can largely accommodate this expansion.
- The CCS network is not only a short-term solution: it will serve us in the long term too. In the short term, Gasunie will transport captured CO<sub>2</sub> to offshore storage fields to reduce industrial carbon emissions. In the long term, Gasunie will transport sustainable CO<sub>2</sub> for production processes that are currently still based on fossil resources.

We believe in a sustainable future with a balanced energy mix and a lasting role for diversified gases. Our assets are expected to play an important role in this. Given the uncertainties concerning future developments, we have made certain assumptions and used estimates in our financial statements, including assumptions about the useful life of our network infrastructure and the associated depreciation periods. These lifespans and periods may be shorter or longer than we currently estimate, depending on, among other things, which assets we can repurpose for alternative use and when the transmission of natural gas will be phased out. We explain these matters further in note 2 'Tangible fixed assets'. These developments may also affect the required size of the provision for redevelopment costs (i.e. costs of asset rehabilitation, replacement or removal). Depending on which assets we can reuse, redevelopment may affect more or fewer assets. We explain this matter further in note 12 'Provisions'.

## 2. Tangible fixed assets

Movements in tangible fixed assets in 2023 were as follows:

<i>In millions of euros</i>	Carrying amount as at 1 Jan. 2023	Reclassification	Investments	Disposals	Depreciation	Carrying amount as at 31 Dec. 2023
Land and buildings	59.8	-	25.1	-	-5.0	79.9
Compressor stations	479.9	-	1.5	-	-37.9	443.5
Installations	710.5	-	98.7	-0.2	-49.1	759.9
Main transmission lines and related plant and equipment	3,662.0	-	45.1	-0.3	-86.6	3,620.2
Regional transmission lines and related plant and equipment	921.6	-	34.6	-0.9	-29.0	926.3
Other fixed operating assets	44.1	-	37.6	-7.7	-1.4	72.6
Right-of-use assets	4.2	-	-	-	-0.4	3.8
Fixed assets under construction	606.8	-	-57.5	-	-	549.3
<b>Total for 2023 financial year</b>	<b>6,488.9</b>	<b>-</b>	<b>185.1</b>	<b>-9.1</b>	<b>-209.4</b>	<b>6,455.5</b>

In 2023, investments related mainly to the nitrogen plant in Zuidbroek, to switching certain customers from high-calorific to low-calorific gas, and to regular replacement investments. We have detailed the conditional investment obligations at year-end 2023 in note 17 'Off-balance sheet obligations'.

In 2023, € 242.5 million (2022: € 93.3 million) was transferred from fixed assets under construction to assets in use, resulting in a negative balance of € 57.5 million in investments in fixed assets under construction (2022: € 113.9 million positive).

Tangible fixed assets includes an amount of € 3.8 million (year-end 2022: € 4.2 million) for right-of-use assets. The assets with a right of use all cover a limited number of plots with an expected remaining term of around 25 years. GTS has economic but not legal ownership of these right-of-use assets.

Movements in tangible fixed assets in 2022 were as follows:

<i>In millions of euros</i>	Carrying amount as at 1 Jan. 2022	Reclassification	Investments	Disposals	Depreciation	Carrying amount as at 31 Dec. 2022
Land and buildings	60.9	-	3.2	-	-4.3	59.8
Compressor stations	515.3	-	6.9	-0.1	-42.2	479.9
Installations	731.6	-	29.1	-0.5	-49.7	710.5
Main transmission lines and related plant and equipment	3,728.8	-	19.2	-0.1	-85.9	3,662.0
Regional transmission lines and related plant and equipment	917.2	-	34.7	-1.0	-29.3	921.6
Other fixed operating assets	56.7	-7.1	0.5	-5.5	-0.5	44.1
Right-of-use assets	4.6	-	-	-	-0.4	4.2
Fixed assets under construction	492.9	-	113.9	-	-	606.8
<b>Total for 2022 financial year</b>	<b>6,508.0</b>	<b>-7.1</b>	<b>207.5</b>	<b>-7.2</b>	<b>-212.3</b>	<b>6,488.9</b>

Amounts recognised under investments in the 2022 financial year 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. The reclassifications column includes an amount of € 7.1 million relating to changed use of a portion of the line pack/cushion gas and nitrogen inventories. We have recognised these under inventories from the 2022 financial year.



The cost and accumulated depreciation were as follows:

<i>In millions of euros</i>	<b>Cost as at 31 Dec. 2023 *</b>	<b>Accumulated depreciation as at 31 Dec. 2023 **</b>	<b>Cost as at 31 Dec. 2022 *</b>	<b>Accumulated depreciation as at 31 Dec. 2022 **</b>
Land and buildings	138.3	-58.3	113.2	-53.4
Compressor stations	1,432.3	-988.7	1,456.9	-977.0
Installations	2,155.8	-1,396.0	2,103.5	-1,393.0
Main transmission lines and related plant and equipment	7,649.1	-4,028.9	7,605.5	-3,943.5
Regional transmission lines and related plant and equipment	1,794.9	-868.5	1,764.3	-842.7
Other fixed operating assets	88.5	-16.1	58.8	-14.7
Right-of-use assets	5.5	-1.8	5.5	-1.3
Fixed assets under construction	549.4	-	606.8	-
<b>Total</b>	<b>13,813.8</b>	<b>-7,358.3</b>	<b>13,714.5</b>	<b>-7,225.6</b>

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

\*\* Including accumulated impairments and their reversals.

## Impairment tests

At the end of each reporting period, we determine whether there are any events or indications for impairment of fixed assets and we investigate whether there are reasons to reverse previously recognised impairments.

### Reason for the impairment test

At the end of 2023, we calculated the value in use of the gas transmission network. We carried out a value-in-use calculation in part in response to the ruling by the Dutch Trade and Industry Appeals Tribunal regarding various appeals brought by GTS and several market parties against the GTS methodology decision for the 2022-2026 regulatory period. GTS' main grounds for appeal centred on the static efficiency benchmark and post-calculation of the energy costs. The Tribunal largely decided in GTS' favour on both matters. The Tribunal required that ACM apply a static efficiency score of 100% and that we be allowed, for a large part, to offset increases in energy costs in future regulated tariffs.

Furthermore, in the autumn of 2023, ACM, GTS and market parties made additional sector agreements on various topics pursuant to NC-TAR (network code on harmonised transmission tariff structures for natural gas). With these agreements, all related objection and appeal proceedings have been concluded and the parties have agreed not to initiate new proceedings regarding the cases that are part of the sector agreements during the remaining years of the current methodology decision. We expect that the additional sector agreements will be finalised in their present form in Q1 2024.

Prior to the impairment test at year-end 2023, the carrying amount of the gas transmission network – which is considered to be a single interrelated cash-generating unit – was approximately € 6.4 billion.

### **Impairment test method**

To determine the recoverable amount of the gas transmission network we use an impairment test based on value in use (a 'value-in-use calculation'). The value in use is determined using a discounted cash flow (DCF) model. A fair value less costs to sell figure was not available at year-end 2023; there is no indication that the fair value less costs to sell is higher than the value in use.

### **Key assumptions in determining the recoverable amount and the key assumptions and estimates**

The recoverable amount is, in principle, determined on the basis of the regulatory framework as laid down in the 2022-2026 methodology decision for GTS and in other regulations and decisions.

The starting point for the forecast revenue in the period 2024-2026 is the expected permitted revenue based on the 2022-2026 methodology decision for GTS and the cash flows derived from this, as well as cash flows from the post-calculations from previous years. For the period after 2026, the value of the network is derived from the standardised asset value expected at that time (terminal value approach). The standardised asset value is the value of the investments which the network operator may charge through the tariffs allowing for a reasonable return. Given the regulated nature of the business operations and the use of the expected standardised asset value as the terminal value, no growth percentage has been applied to the future cash flows.

In the regulatory framework, the stance has always been that GTS is entitled to recoup its adequately targeted investments through its future tariffs. When making the value-in-use calculation, it was assumed that this stance will not change in the future, not even as a result of a possible phasing out of the gas transmission network in the long term as a result of the energy transition. For more information about this matter, see note 1 'Significant developments in 2023'. For this reason, the standardised asset value has been used as the terminal value in the terminal value approach.

The company's management determines the starting point for the forecast expenditure and other variables, such as the expected development of operating expenses, and the investment level. The key operating and investment cash flows (relevant for the capital cost allowance and the related post-calculation) are based on the business plan for the next three years.

A nominal pre-tax discount rate of 5.1% (derived from the post-tax discount rate of 3.8%) was applied when making the value-in-use calculation. The value-in-use calculation assumes a discount rate for determining the present value of the projected future cash flows equal to the capital cost allowance determined by ACM.

In determining the future discount rate in the value-in-use calculation, we have used the same methodology ACM uses, with the result that the value-in-use calculation has only limited sensitivity to changes in the discount rate (for example the timing effect of the post-calculation of the capital cost allowance).

The key principles in the value-in-use calculation are explained below.

#### **Static efficiency after the 2022-2026 regulatory period**

For the calculation of value in use at year-end 2023, we assumed that the average weighted static efficiency for the regulatory period after 2026 will be maintained at 100%. For the 2022-2026 regulatory period, ACM initially set GTS' average weighted static efficiency at 96.1%, based on a benchmark study. This was one of the grounds for GTS filing an appeal with the Dutch Trade and Industry Appeals Tribunal against ACM's methodology decision for GTS. In GTS' view, the robustness of ACM's benchmark study was too limited and the model was not verifiable and did not provide a basis for the imposed efficiency discount. In 2023, the Tribunal ruled in favour of GTS on this point and required that ACM apply a static efficiency score of 100%.

#### **Inflation adjustment for permitted revenue**

For the forecast revenue in 2025 and 2026, the value-in-use calculation includes an estimate of the inflation adjustment allowance for the permitted revenue. ACM determines the amount of the inflation adjustment allowance over a reference period that differs from the assumption used in the business plan regarding the projected inflation. If the actual inflation adjustment allowance deviates from the allowance assumed in the value-in-use calculation, this will affect the projected future cash flows and, with this, the value in use of the gas transmission network.

#### **Actual (vs forecast) operating expenses**

The forecast operating expenses for the 2024-2026 period are based in part on the approved business plan for the next three years. With the exception of most of the energy costs, for almost all operating expenses no post-calculation is carried out. If the actual operating expenses deviate from the forecast costs, this will affect the projected future cash flows and, with this, the value in use of the gas transmission network.

#### **Sensitivity analysis**

The recoverable amount is based on significant assumptions. Changes may have a considerable effect on these assumptions. The table below provides an indication of the effect that changes to an important assumption will have on the recoverable amount.

We assume that, all other things being equal, the change will take place at the start of the business plan period.

Change in the assumption or estimate	Size	Impact on recoverable amount
Static efficiency after the regulatory period	-1%	approx. € 50-60 million negative
Inflation adjustment for permitted revenue	+/- 1%	approx. € 10-20 million
Actual (vs forecast) operating expenses	+/- 5%	approx. € 40-50 million

#### **Outcome of the impairment test**

From this value-in-use calculation, we determined that the recoverable amount of the gas transmission network in the Netherlands is virtually the same as its carrying amount. This means that there is no impairment loss or a need to reverse a previously recognised impairment loss.

## Depreciation periods

We use assumptions when determining the relevant depreciation periods. At year-end 2023, we concluded that there was no reason at that time to review the depreciation periods.

The company's assets are largely made up of regulated assets.

The depreciation periods for these assets are set by the regulatory authority for the regulated networks (ACM). In 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 transmission pipelines) for the gas transmission network. However, depreciation of the regulated assets has been accelerated in the current methodology decision through the application of a declining factor.

When determining the depreciation periods in the financial statements, at the end of 2023 we attached particular importance to the regulatory framework as it stood at that time and to the assumed longer useful life of regulated assets resulting from this. We anticipate that in the coming years more clarity will arise concerning the regulator's view on the expected useful life of the regulated assets in the long term and on any further adjustments to the expected useful life/depreciation period set by the regulator. At that time, we will reassess the impact on our depreciation period and/or methodology.

Alongside external regulations, another key consideration in determining depreciation periods is our own view on the energy transition and environmental and climate targets, as well as on other social and political developments. We share ACM's view that the existing gas infrastructure will continue to be needed in the medium to long term. Our parent company Gasunie is also working on the possibility of using the existing gas infrastructure, in due course, for the transmission and storage of alternative energy carriers, such as hydrogen. In the Netherlands, an increasingly concrete long-term vision is emerging in the field of hydrogen, heat and CCS, and the details are expected to become ever more clear over the coming years. A practical example of this is the start of the construction of the national hydrogen grid in the Netherlands at the end of 2023. The Russian invasion of Ukraine in 2022 further accelerated these developments. We periodically evaluate the impact of social and political developments on the depreciation periods. At the end of 2023, this review did not result in a change in the depreciation periods.

Lastly, in our regular assessments of depreciation periods we check whether they relate to individual assets that will in the medium term no longer be used for the transmission or storage of gas. In such specific cases, we may possibly amend the depreciation periods for these individual assets. These installations have been temporarily decommissioned, or could be in the near future; in such cases these assets are depreciated at an accelerated rate until the date of decommissioning. In the approach to the technical decommissioning, if an alternative use is foreseen for hydrogen, heat or CCS, the possibility of recommissioning the installations in the future is also taken into consideration. The installations will therefore not be redeveloped, but sustainably preserved. In 2023, accelerated depreciation was applied to one installation, resulting in additional depreciation costs of approximately € 4.5 million.

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

We depreciate right-of-use assets 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, line pack/cushion gas volumes or assets under construction.

### 3. Participating interests

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

#### PRISMA

PRISMA is a European platform for trading transmission capacity. GTS offers some of its transmission capacity on this platform. At year-end 2023, GTS held a financial interest of 11.05% (year-end 2022: the same) 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 2023, GTS held a financial interest of 12.5% (year-end 2022: the same) in EDSN. Based on agreements with shareholders, GTS has no significant influence in EDSN.

#### Beheerder Afsprakenstelsel B.V. (BAS)

BAS is responsible for the practical support of the Market Facilitation Forum (MFF) association and also responsible for the implementation and monitoring of the agreements made within MFF. The shares in BAS are held by GTS (25%), TenneT (25%) and the regional TSOs (jointly 50%). BAS has its registered office in Amersfoort, the Netherlands. Based on agreements with shareholders GTS has significant influence in BAS.

The total carrying amount for the stakes in PRISMA, EDSN and BAS is less than € 0.1 million. In 2023, there were no movements in the net asset value or acquisition price and neither was dividend received from the relevant associated entities in which GTS holds a participating interest (2022: the same). PRISMA, EDSN and BAS are joint arrangements between various grid operators and are aimed at facilitating an efficient and effective market; the entities are not profit or dividend focused.

The company's assessment has not revealed any evidence or indication of an impairment of the financial fixed assets as at 31 December 2023 (year-end 2022: the same).

## 4. 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. At year-end 2023, we expected sufficient future taxable profits to utilise the deferred tax asset (year-end 2022: the same). This assumption is based on the projected taxable results for the coming years (based on the most recent business plan) and on the assumption that, based on the current regulatory frameworks, the company will in principle always be allowed to make a reasonable return on its invested amounts and the operating expenses and depreciation costs will always be recovered, meaning that we will also earn sufficient taxable profits in the long term.

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 transmission 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 remeasurement 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 (statutory) remeasurement reserve, were transferred to GTS. In addition, the depreciation method for tax purposes deviates from time to time from the depreciation principles under Part 9 of Book 2 of the Dutch Civil Code (including the recognition of impairment losses and their reversals). We recognise temporary differences for that 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 2023 were as follows:

<i>In millions of euros</i>	<b>Purchase price paid by the Dutch State</b>	<b>Tangible fixed assets</b>	<b>Total</b>
Balance as at 1 January 2023	1,200.5	-884.6	315.9
Recognition of temporary differences in profit and loss	-54.6	21.4	-33.2
<b>Balance as at 31 December 2023</b>	<b>1,145.9</b>	<b>-863.2</b>	<b>282.7</b>

The deferred tax assets to be settled under one year after the balance sheet date amount to € 30.0 million (2022: € 30.3 million). This amount is not presented separately under current assets.

The movements in deferred tax assets in 2022 were as follows:

<i>In millions of euros</i>	<b>Purchase price paid by the Dutch State</b>	<b>Tangible fixed assets</b>	<b>Total</b>
Balance as at 1 January 2022	1,255.0	-911.0	344.0
Recognition of temporary differences in profit and loss	-54.5	26.4	-28.1
<b>Balance as at 31 December 2022</b>	<b>1,200.5</b>	<b>-884.6</b>	<b>315.9</b>

## 5. Inventories

Inventories can be broken down as follows:

<i>In millions of euros</i>	2023	2022
Gas inventories	77.9	113.3
Emission allowances	-	0.8
<b>Totaal voorraden</b>	<b>77.9</b>	<b>114.1</b>

The gas reserves consist entirely of physical gas reserves. Except for € 2.0 million (year-end 2022: € 2.7 million) in stored nitrogen, this concerns the entire inventory of natural gas. GTS uses the nitrogen for quality conversion and maintains natural gas reserves for several purposes, including to fulfil its statutory duty to provide peak capacity in the Netherlands. Furthermore, GTS is obliged to take measures to secure peak capacity for suppliers of small-scale consumers. Peak capacity concerns the supply of gas in case of extremely cold weather conditions, i.e. when temperatures over a 24-hour period at the Royal Netherlands Meteorological Institute's base in the town of De Bilt drop to below -9°C. When that happens, GTS will supply natural gas to licence holders (i.e. the suppliers to the small users' market).

In addition to possibly using our own natural gas, we contract third parties specifically for the purpose of fulfilling this statutory duty, putting the fulfilment of this obligation out to tender. However, given the volatile gas market in 2022, the tender was unsuccessful. The invitation to tender for the provision of peak capacity for the winter of 2023/2024 was successful, meaning we did not have to make as much use of our own physical natural gas at the end of 2023.

The emission allowances concern emission allowances under the EU ETS. The balance of emission allowances recognised in the balance sheet is made up of allowances not needed to meet the obligation at the end of the financial year. We can use these allowances to settle future obligations. At year-end 2023, this balance was less than € 0.1 million (year-end 2022: € 0.8 million).

## 6. Trade and other receivables

Trade and other receivables can be broken down as follows:

<i>In millions of euros</i>	31 Dec. 2023	31 Dec. 2022
Trade and other receivables	142.9	173.7
Provision for doubtful debts	-16.8	-16.8
<b>Total trade and other receivables</b>	<b>126.1</b>	<b>156.9</b>

Trade and other receivables are measured less a provision for doubtful debts.



Movements in the provision were as follows:

<i>In millions of euros</i>	31 Dec. 2023	31 Dec. 2022
Balance as at 1 January	16.8	16.8
Addition, charged to profit and loss	-	-
Write-offs charged against the provision	-	-
Release, credited to profit and loss	-	-
<b>Balance as at 31 December</b>	<b>16.8</b>	<b>16.8</b>

The trade receivables have a nominal term of less than one year. Note 16 'Financial instruments' provides more information on 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 2022: the same). No movements took place in the issued and paid-up shares during the financial year (2022: the same).

At year-end 2023, all shares in issue were held by N.V. Nederlandse Gasunie (year-end 2022: the same).

## 8. Share premium

Movements in the share premium were as follows:

<i>In millions of euros</i>	2023	2022
Balance as at 1 January	1,393.3	1,384.7
Share premium payment	-	8.6
Share premium repayment	-	-
<b>Balance as at 31 December</b>	<b>1,393.3</b>	<b>1,393.3</b>

## 9. Remeasurement reserve

The remeasurement reserve relates to the remeasurement of certain company assets. This remeasurement was originally connected to the division of Gasunie into a trading and a transmission company and the subsequent introduction of IFRS in 2005, and was calculated in line with the situation as at 1 January 2004. At the time, GTS was still part of N.V. Nederlandse Gasunie. When the assets were transferred to GTS on 1 January 2014, the remeasurement reserve linked to the assets was also transferred to GTS. The remeasurement reserve is realised in proportion to the depreciation or disposal of the assets to which the remeasurement reserve relates. We have recognised deferred taxation relating to the remeasurement in the liability for deferred taxation, which is part of the deferred tax assets for the Dutch fiscal unity.

Movements in the remeasurement reserve were as follows:

<i>In millions of euros</i>	2023	2022
Balance as at 1 January	1,524.2	1,571.9
Realised share in the unrealised revaluation	-43.5	-47.7
<b>Balance as at 31 December</b>	<b>1,480.7</b>	<b>1,524.2</b>

## 10. Other reserves

The movements in the other reserves were as follows:

<i>In millions of euros</i>	2023	2022
Balance as at 1 January	444.4	358.7
Appropriation of result for previous financial year	477.9	126.7
Dividend paid	-335.0	-88.7
Realised share in the unrealised revaluation	43.5	47.7
<b>Balance as at 31 December</b>	<b>630.8</b>	<b>444.4</b>

For a description of the movements, we refer the reader to note 9 'Remeasurement 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 2023, no such restriction applied and no non-distributable reserve was recognised (year-end 2022: the same).

## 11. Unappropriated result

Movements in the unappropriated result were as follows:

<i>In millions of euros</i>	<b>2023</b>	<b>2022</b>
Balance as at 1 January	477.9	126.7
Appropriation of result in previous financial year	-477.9	-126.7
Result for the year	183.9	477.9
<b>Balance as at 31 December</b>	<b>183.9</b>	<b>477.9</b>

### Profit appropriation for the previous financial year

The 2022 financial statements were adopted by the general meeting of shareholders of 31 March 2023. The general meeting of shareholders appropriated the result as determined in accordance with management's proposal. The result for 2022 amounted to a profit of € 477.9 million, and the dividend to be paid has been set at € 335.0 million. The remainder of € 142.9 million was added to the other reserves.

### Result appropriation proposal for the 2023 financial year

The management proposes that the 2023 result after taxation be added to 'other reserves' in full. This appropriation of result has not been recognised in the balance sheet as at 31 December 2023 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, as specified in the appendices. This can lead to restrictions with regard to the distribution of dividends, among other things. At year-end 2023, no such restriction applied (year-end 2022: 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 (asset rehabilitation, replacement or removal) was formed in 2010 following the company's decision to decommission or remove specific GTS assets. Legislation, regulations and permits, including those governing the environment and spatial planning, require pipelines to be removed 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 the company is currently responsible. The removal/rehabilitation activities are being carried out under two programmes, the 2013-2024 Programme and the 2025-2034 Programme. This means that at year-end 2023 there was still about 10 years left to run on the redevelopment programme.

We update the redevelopment programme annually, including with regard to expected future prices, the estimate of the assets to be removed, and the nature and extent of the work to be carried out in connection with the removal (or rehabilitation) of the pipelines.

At year-end 2023, we considered it unlikely that all transmission pipelines and appurtenances will have to be completely removed. In our assessment, we have taken into consideration that natural gas transmission will continue to be important over the coming years. Moreover, we see sufficient opportunities for various alternative uses, including for the transmission of alternative energy carriers, such as hydrogen. We expect that the existing natural gas transmission network will be repurposed in stages for the transmission of alternative energy carriers in both 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 transmission network as a whole in the longer term has not been recognised.

In measuring the provision for abandonment costs and redevelopment, we take into account that our judgements and estimates may be affected by developments in the area of the energy transition and tightened environmental and climate targets. Partly given the political decisions with respect to hydrogen, heat and CO<sub>2</sub>, the long-term vision is becoming increasingly concrete and is expected to be worked out further over the coming years. On the balance sheet date, we have brought the provision for abandonment costs and redevelopment into line with the most recent developments. The aforementioned developments may also 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.

<i>In millions of euros</i>	<b>2023</b>	<b>2022</b>
Balance as at 1 January	70.8	28.8
Provisions made during the year	14.4	54.80
Provisions reversed during the year	-	-8.60
Accrued interest	2.6	1.3
Provisions used during the year	-9.1	-5.5
<b>Balance as at 31 December</b>	<b>78.7</b>	<b>70.8</b>

The current part of the provision for abandonment costs and redevelopment is expected to total € 14.6 million at year-end 2023 (year-end 2022: € 7.8 million). This amount is not shown separately under current liabilities. The part of the provision with a term of over five years totalled € 35.7 million at year-end 2023 (year-end 2022: € 37.0 million). In 2023, we applied a discount rate of between 3.5% and 3.6% (2022: between 3.5% and 3.8%).

### 13. Non-current loan from the shareholder

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

<i>In millions of euros</i>	<b>2023</b>	<b>2022</b>
Balance as at 1 January	3,142.9	3,451.6
Borrowings	87.6	78.5
Repayments	-77.2	-387.2
<b>Balance as at 31 December</b>	<b>3,153.3</b>	<b>3,142.9</b>

The debt to shareholder is the de facto balance of borrowings drawn under a loan facility of up to € 5.0 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 2023 was 1.8% (2022: 1.8%). It has been agreed with N.V. Nederlandse Gasunie that the facility can be drawn down or redeemed without restrictions during the term of the facility. 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 down 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 transmission 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 liabilities.

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 2 'Tangible fixed assets'.

Movements in lease liabilities were as follows:

<i>In millions of euros</i>	2023	2022
Balance as at 1 January	4.3	4.7
New lease contracts	-	-
Adjustments of lease variables	-	-
Lease payments	-0.5	-0.5
Interest on leases	0.1	0.1
<b>Total</b>	<b>3.9</b>	<b>4.3</b>
Included under current liabilities	-0.1	-0.4
<b>Balance as at 31 December</b>	<b>3.8</b>	<b>3.9</b>

The remaining term of the lease liabilities is as follows:

<i>In millions of euros</i>	<b>31 Dec. 2023</b>		<b>31 Dec. 2022</b>	
	<b>Carrying amount</b>	<b>Nominal value</b>	<b>Carrying amount</b>	<b>Nominal value</b>
Maturity < 1 year	0.1	0.2	0.4	0.5
Maturity ≥ 1 year and ≤ 5 years	0.5	0.7	0.5	0.7
Maturity ≥ 5 years	3.3	4.0	3.4	4.0
<b>Total lease liability</b>	<b>3.9</b>	<b>4.9</b>	<b>4.3</b>	<b>5.2</b>

The weighted average incremental borrowing rate in 2023 was 1.85% (2022: 1.74%).

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. Both categories represented less than € 0.1 million per year at year-end 2023 (2022: the same).

Adjustment of lease variables concerns interim adjustments of variables in the existing lease contracts that result in a change in the measurement of the contracts, such as expected or agreed lease terms and the size of lease payments.

## 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 under which customers have made a financial contribution to the investment in specific transmission capacity. In principle, we attribute these contributions to the contract with the customer. We have included a contract liability for such pre-payments, taking account of the financing element in these contracts.

At year-end 2023, contract liabilities totalled € 16.7 million (2022: € 17.1 million). Movements in contract liabilities were as follows:

<i>In millions of euros</i>	2023	2022
Balance as at 1 January	17.1	17.4
Recorded as net revenue	-0.9	-0.9
Accrued interest	0.5	0.6
New contributions	-	-
<b>Total</b>	<b>16.7</b>	<b>17.1</b>
Included under current liabilities	-0.4	-0.4
<b>Balance as at 31 December</b>	<b>16.3</b>	<b>16.7</b>

In 2023, there were no significant movements in contract liabilities (2022: the same). The remaining term of the contract liabilities is as follows:

<i>In millions of euros</i>	31. Dec 2023	31. Dec 2022
Maturity < 1 year	0.4	0.4
Maturity ≥ 1 year and ≤ 5 years	1.9	1.9
Maturity ≥ 5 years	14.4	14.8
<b>Total contract liabilities</b>	<b>16.7</b>	<b>17.1</b>

## 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 directly by the company itself or indirectly through the shareholder.

We only use derivative financial instruments 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 one percentage point change in the interest rate will change the annual interest expenses by around € 31.5 million (2022: € 31.4 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 is the risk that future cash flows 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 2023, there were no material receivables or liabilities in a foreign currency and hedging instruments were, therefore, not used (year-end 2022: the same).

## Price risk

We use gas and electricity for our day-to-day operations, including for gas transmission, balancing actions in the gas transmission 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. These 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. We are exposed to a price risk if the variable charges for gas and electricity increase and regulations do not allow us to offset these price increases in the future regulated tariffs.

As a result of the ruling by the Dutch Trade and Industry Appeals Tribunal, the original agreements concerning post-calculation of GTS' energy costs have been amended. For the 2022-2026 period, GTS may apply post-calculation for 75% of the difference between the actual and estimated costs, provided that actual costs do not deviate from estimated costs by more than 20%. In the case of a deviation of more than 20% between the estimated and actual costs, we may fully apply post-calculation to the costs above the 20% deviation. As a result, GTS' price risk is limited.

GTS applies a procurement strategy aimed at achieving a market-competitive price. The basic principle of our policy is that we do not trade in energy supply contracts and do not take speculative positions. We have committed to purchasing the contracted volumes ourselves and using them for our day-to-day operations.

The energy supply contracts come with the contractual option to partly fix prices for a certain future supply period. We do this, for example, through forward supply contracts, in which we take into account the anticipated energy requirements for specific periods in order to meet the conditions for the own-use exemption. The level of price risk hedging is influenced in part by the predictability of the volume and timing of the energy usage. GTS aims to cover at least 65% of the forecast energy usage. 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 2023, the nominal value of the forward supply contracts for the company's energy usage totalled approximately € 73.5 million (year-end 2022: € 205.2 million). The forward supply of energy under these contracts consists entirely of electricity and gas to be supplied in the 2024 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. No other derivative financial instruments have been excluded from the balance sheet based on the own-use exception.

## 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. We were not exposed to any material credit risk with regard to any individual customer or counterparty (year-end 2022: the same). In 2023, we did generate over 10% (but under 15%) of our external revenue relating to gas transmission and the associated services from one single external customer (2022: the same). This customer had no payment arrears at year-end 2023 (2022: the same).

To limit the credit risk with regard to counterparties, if appropriate, we ask for guarantees from our 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. 2023		31 Dec. 2022	
	Number	Balance	Number	Balance
Security Deposit	142	195.1	164	243.9
Bank Guarantee	56	142.5	54	137.7
Parent Company Guarantee	39	385.0	36	356.5
Surety Agreement	2	10.4	2	10.4
<b>Total guarantees received</b>	<b>239</b>	<b>733.0</b>	<b>256</b>	<b>748.5</b>

The securities received relate to securities for capacity bookings under gas transmission agreements. The security deposits are held in cash via N.V. Nederlandse Gasunie.

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.

To hedge the liquidity risk, the company had a loan facility of € 5.0 billion at year-end 2023 (year-end 2022: € 5.0 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 down or redeemed without restrictions during the term of the facility.

The company also has an uncommitted external credit facility of € 10.0 million (year-end 2022: € 10.0 million), as per the cash pool agreement. No amounts had been drawn down on this facility as at year-end 2023 (year-end 2022: the same).

## 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

We have detailed the way in which fair value is determined 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 carrying amount and the fair value of the non-current loan from the shareholder as at year-end 2023 were:

<i>In millions of euros</i>	31 Dec. 2023			31 Dec. 2022		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Non-current loan from the shareholder	3,153.3	3,003.3	-150.0	3,142.9	2,807.3	-335.6

## 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 (2022: € 0.8 million) for the benefit of its participating interest in EDSN.

### Investment obligations

At year-end 2023, there were conditional investment obligations totalling € 34.3 million (year-end 2022: € 27.8 million). These obligations mainly relate to the completion (finishing work) of the new nitrogen plant in Zuidbroek 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 26 'Related parties'.

## Non-current obligations

Non-current obligations were as follows:

<i>In millions of euros</i>		Contract value
Term	31 Dec. 2023	31 Dec. 2022
0 – 1 year	57.6	53.5
1 – 5 years	195.9	180.5
> 5 years	98.0	123.5
<b>Total other commitments</b>	<b>351.5</b>	<b>357.5</b>

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 26 'Related parties'.

## Liabilities arising from physical imbalances

Although we strive to minimise operational imbalances, steering differences do arise in practice, meaning that the actual physical gas flow may differ to some extent from the volumes nominated (and confirmed) by our customers. Due in part to practical feasibility, these differences are not financially settled on a daily basis but are included in a cumulative steering differences account (an Operational Balancing Account, or OBA). GTS has agreed with adjacent networks, storage facilities and production locations to the establishment and operation of OBAs.

The operational imbalance is closely and continuously monitored and continuously settled in kind with the relevant counterparty/counterparties through the physical intake or supply of natural gas. OBAs are only used for operational, not commercial, purposes.

The use of the OBA is based on the going concern assumption and a continuous settlement in kind. The imbalances will only be settled financially if a party to the agreement ceases to exist and settlement in gas is therefore no longer possible. The OBAs are perpetual in nature. Given the considerations stated above, the balance of gas to be received or to be supplied can be regarded as 'perpetual' and has no value on the balance sheet date. For this reason, the imbalances are included in the off-balance sheet receivables and liabilities.

At year-end 2023, the cumulative operational imbalance volume was 36 GWh negative (2022: 265 GWh positive), meaning that there was a balancing claim with regard to adjacent networks, storage facilities and/or production sites. Based on the TTF spot price on the balance sheet date, the value of this imbalance amounts to approx. € 1.1 million (2022: approx. € 20.1 million negative).

In addition to imbalances based on the OBAs, imbalances with customers can also occur based on the 'System Balance Signal' (SBS), the sum of the Portfolio Imbalance Signals of all shippers active in the transmission network. Here, too, we apply a going concern assumption and a continuous settlement in kind. The imbalances will only be settled financially if the shipper's licence is withdrawn and settlement in gas is, consequently, no longer possible. At year-end 2023, the shippers had a negative cumulative imbalance volume of 3 GWh (2022: 17 GWh negative). Based on the TTF spot price on the balance sheet date, the value of this imbalance amounts to approx. € 0.1 million (2022: approx. € 1.3 million).

## 18. Net revenue

The net revenue is fully generated in the Netherlands and consists exclusively of revenue from gas transmission and gas transmission-related services. Net revenue declined by 24.6% compared to the previous financial year (2022: increase of 68.1%).

As regards the decline in net revenue, it must be kept in mind that 2022 was an exceptional financial year. The Russian invasion of Ukraine in 2022 resulted in major uncertainties on the energy markets, which in turn led to significantly higher revenues from regulated capacity auctions and 'interruptible transmission capacity' that year. Where our gas flows previously had an east-to-west orientation, in 2022 we saw a reversal in this tendency. As a result, the Netherlands received significantly larger gas volumes from Norway, the UK and Belgium and through the import of LNG.

We will return any regulated revenues exceeding the permitted revenue to the market in the future in the form of lower transmission tariffs. The regulation system will see to that. Under the current Dutch accounting standards, we are not allowed to recognise future settlements in the balance sheet nor deduct them from revenue or result. We only recognise these settlements in the year in which the settlement takes place. We expect that we will settle the surplus revenue from the 2022 and 2023 financial years with the tariffs that market parties pay for regulated natural gas transmission in the 2024 and 2025 financial years.

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

## 19. Other operating revenue

'Other operating revenue' comprises mainly contributions from third parties, for example to cover the costs of relocating our pipelines at the third party's request. Also included in this item are the amounts that GTS charges for making certain transmission pipelines suitable for a possible transfer to a hydrogen operator in the coming years. The company will be fully reimbursed for the costs associated with this repurposing work.

## 20. 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>	2023	2022
Cost of network management	373.0	385.0
Other operating expenses	330.5	277.6
<b>Total costs of subcontracted work and other external costs</b>	<b>703.5</b>	<b>662.6</b>

The costs of network operations mainly comprise the procurement of nitrogen production capacity and electricity for the production of nitrogen and the cost of electricity and gas for gas transmission.

The costs of subcontracted work and other external costs also include the services provided by N.V. Nederlandse Gasunie. The increase in costs is mainly attributable to higher personnel expenses and higher IT costs. For further explanation of the transactions with affiliates, we refer the reader to note 26 'Related parties'.

## 21. Depreciation costs

Depreciation costs can be broken down as follows:

<i>In millions of euros</i>	2023	2022
Depreciation expenses	209.4	212.3
Result from disposals	1.4	1.6
<b>Total depreciation costs</b>	<b>210.8</b>	<b>213.9</b>

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.

## 22. Other costs

Other costs can be broken down as follows:

<i>In millions of euros</i>	2023	2022
Other costs	15.0	47.9
<b>Total other costs</b>	<b>15.0</b>	<b>47.9</b>

Other costs comprise incidental costs, consisting mainly of the addition to the provision for abandonment and redevelopment costs as well as certain other incidental costs. Other operating expenses will be lower in 2023 than in 2022 because in 2022 there was a relatively high addition to the provision for abandonment costs and redevelopment.

## 23. Financial income and expenses

Financial income and expenses can be broken down as follows:

<i>In millions of euros</i>	2023	2022
Interest on non-current loan from the shareholder and cash pooling	57.7	60.4
Accrued interest on provisions	2.6	1.3
Other finance expenses	-0.4	0.4
Interest and finance expenses	59.9	62.1
Capitalised interest	-8.8	-8.1
<b>Total financial income and expenses</b>	<b>51.1</b>	<b>54.0</b>

Interest relating to the construction of qualifying fixed assets was capitalised based on a weighted average interest rate of 1.7% (2022: 1.8%).

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

## 24. Income taxes

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

<i>In millions of euros</i>	2023	2022
Corporate income tax for the financial year	30.7	138.1
Movement in deferred taxation	33.2	28.1
<b>Total tax expense</b>	<b>63.9</b>	<b>166.2</b>

The applicable tax rate in 2023 was 25.8% (2022: 25.8%). The effective tax rate in 2023 was 25.8% (2022: 25.8%). There are no permanent differences resulting in a difference between the applicable tax rate and the effective tax rate.



## 25. Workforce

The company did not employ any staff in 2023 (2022: 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, we refer the reader to note 26 'Related parties'.

## 26. 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 procures goods and 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, transmission security and the safety of gas transmission are guaranteed.

In 2023, the volume of the services provided amounted to € 878.2 million (2022: € 870.1 million), of which € 177.4 million (2022: € 207.5 million) related to investments in the gas transmission network, and € 700.8 million (2022: € 662.6 million) were operating expenses. The operating expenses relate to the deployment of employees of N.V. Nederlandse Gasunie, the procurement of flexible storage services, and the supply of materials & services and the costs passed on, including the transmission-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 2023, these interest expenses amounted to € 57.7 million (2022: € 60.4 million).

### Transactions between GTS and other related parties

GTS provides gas transmission 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.

We carry out GTS' services to GasTerra B.V. 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.

## **27. 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.

## **28. External auditor's fees**

Ernst & Young Accountants LLP 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.

## **29. Events after the balance sheet date**

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

## Signature

B.J. Hoevers

CEO

Groningen, 29 February 2024

# Annual Report 2023

## Other information



## 03 Other information

### Independent auditor's report

The independent auditor's report with respect to the 2023 company financial statements is included in the original Dutch version of the annual report.

### 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.



# Annual Report 2023

## Appendices: Rules on proper financial management



## 04 Appendices

### 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:

- A. The operating result before interest and tax divided by the gross interest expenses must equal at least 1.7.
- B. 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.
- C. 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.
- D. 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	2023	2022
Ratio A	at least 1.7	5.2	11.3
Ratio B	at least 2.5	9.3	10.5
Ratio C	at least 0.11	0.1	0.2
Ratio D	no greater than 0.7	0.5	0.5

## 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.