

Annual report 2022

Gasunie Transport Services



gasunie
transport services

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Annual report 2022

Directors' report



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01 Directors' Report

General

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

Mission

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

Vision

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

Tasks

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

1. ensuring a safe, reliable and efficient transport system;
2. managing and developing the gas transport network on an economic basis;
3. ensuring sufficient transport 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. Gas can be fed into the network at entry points, and customers can draw gas from the network at exit points. Customers enter into contracts to reserve capacity at specific network entry or exit points over a specific period (year, quarter, month or day). Our network competes with those in other countries in north-western Europe for the transport of transit flows.

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

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

Investments

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

Codes of Conduct and compliance with laws and regulations

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

We comply with codes of conduct, laws and regulations in a manner consistent with that of our shareholder N.V. Nederlandse Gasunie. For more information, please refer to the 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 2022:

Mr B.J. Hoevers, CEO

B.K. van Boven, Commerce & Regulation Manager

D. Locker, Finance & Control Manager

Mr R.W.J. Zanting, Assets Manager

Foreword

We are proud to present the 2022 annual report for Gasunie Transport Services, which details the main developments at GTS over the past year. The year 2022 was marked by the Russian invasion of Ukraine. The drop in the supply of Russian gas caused by this political situation has completely changed the north-western European gas market.

What has changed, for example, is that gas now flows in the opposite direction through our network, i.e. 'from south-west to north-east' instead of 'from north-east to south-west.' We were able to accommodate this change in direction thanks to our infrastructure's strategic location and the fact that it has compression facilities at both ends. Our rapid response to the new situation also saw us build several kilometres of pipeline in the port of Eemshaven to be able to scale up the feed-in of LNG into our network.

The sharp decline in the supply of Russian gas resulted in high and heavily fluctuating gas prices and a sharp drop in demand for gas. In June, the Dutch government activated the first phase of the Gas Protection and Recovery Plan. Called 'early warning', this first phase is currently still in effect.

In 2022, we transported 73.5 billion cubic metres (73.5 bcm) of gas for our customers. The Germany-bound transit of LNG fed into our system directly or imported from Belgium and the UK has contributed significantly to ensuring security of supply in Germany. Thanks to LNG imports and the sharp drop in demand, we were able to increase gas storage levels to record heights, thus guaranteeing security of supply in the Netherlands for the winter of 2022/2023.

On both a domestic and an international level, we have partnered with the relevant authorities and fellow TSOs to track the situation in the gas market, beyond the aforementioned drastic change to gas transmission flows, making analyses to support the various government measures, including supply and demand forecasts.

As of the 2022/2023 gas year, production from the Groningen gas field has been reduced to 'pilot light' level, i.e. the minimum level needed to cope with contingency situations or extreme cold. The construction of a new nitrogen installation at Zuidbroek is the most important measure to enable the replacement of the last remaining gas production from the Groningen field by converting sufficient volumes of high-calorific gas into gas that is suitable for household use. After initial delays to this project due to the COVID-19 pandemic, conflicts between the main contractor and the subcontractor led to further delays. Our existing nitrogen installations blended in 3.36 billion m³ of nitrogen this year, thus generating 28.7 bcm of Groningen-quality gas.

2022 was an exceptional year from a financial standpoint as well, as a result of the crisis in the gas market. On the positive side, there was additional revenue from interruptible capacity and auctions for the scarce cross-border capacity along the LNG transmission routes, while on the negative side we saw energy costs for quality conversion soar. While exact recognition of these windfalls and setbacks caused by developments beyond our control still depends on a pending ruling in legal proceedings, we firmly believe that income will ultimately show stable development in the long run, with regulated returns on investments and compensation for operational costs.

Given the current state of the energy market, it is even more imperative that we facilitate the feed-in of sustainable gases. 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 transmission system operators in our infrastructure. In addition to green gas, hydrogen will also form part of the sustainable energy mix in the future. Our existing gas infrastructure will continue to support the process of making the energy system more sustainable. Gasunie has been asked to develop the future hydrogen network, making maximum use of the GTS network in this regard.

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

Bart Jan Hoevers

CEO

Financial results

Key figures

<i>In millions of euros</i>	2022	2021
Total revenue	1,622.5	965.4
Total expenses	-924.4	-706.2
Operating result	698.1	259.2
Finance income and expenses	-54.0	-75.4
Result before taxation	644.1	183.8
Income taxes	-166.2	-57.1
Result after taxation	477.9	126.7

Revenue

The revenue we generated with the transport of gas and related services in the Netherlands amounted to € 1,623 million. Revenue was € 658 million higher than in the previous year. The situation on the European gas market and the loss of Russian gas flows to north-western Europe resulted in a large gap between gas prices on the Dutch market area TTF on the one hand and the UK and Belgian market areas on the other. This situation created a large demand for transport capacity from Belgium to the Netherlands, causing congestion in our gas transport network. As a result, shippers paid approximately € 220 million in auction premiums to us in 2022. Revenue from interruptible capacity was also up sharply, rising to approximately € 300 million. Furthermore, as a result of the regulatory methodology applied, the tariffs also rose, adding another approximately € 130 million to the total revenue.

We return revenue from interruptible capacity to the network users through an offset in future transmission tariffs ('post calculation'). This applies also to revenue from auction premiums, unless we use these funds for congestion-mitigating measures. Application of this post-calculation mechanism will have a dampening effect on the transmission tariffs from 2024.

Total expenses

In 2022, total expenses increased by € 218 million compared with 2021. The main reason behind this increase is the fact that we had to pay more for the energy needed to transport gas and convert it to the right quality. These costs rose by about € 170 million compared to 2021, mainly due to the higher energy prices. Under the current regulatory methodology that applies in the Netherlands, GTS may not fully offset these higher energy costs in future tariffs. We also formed a provision of approximately € 40 million for the removal of decommissioned sections of pipeline.

Financing

We have a loan facility of € 6 billion, made available by Gasunie. The loan terminates on 31 December 2029 and has an extension option. The parties have agreed that the facility can be drawn or redeemed during the term of the loan. The outstanding amount of the loan decreased in 2022.

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 or redeemed. These ratios are applied to ensure sufficient solvency and liquidity. At the end of 2022, solvency was 49% (2021: 50%).

HR and operating expenses

GTS' employees are employed by Gasunie and have been seconded to GTS for an indefinite period. The effective workforce of GTS at year-end 2022 amounted to 162 full-time equivalents (at year-end 2021: 153). GTS has entered into service agreements with Gasunie to the value in 2022 of € 663 million (2021: € 439 million) in operating expenses. These operating expenses relate to the deployment of employees, materials, services and other costs, such as transport-related energy costs. These services are delivered at cost.

Network developments

Our contribution to the closure of the Groningen gas field

The NAM-operated Groningen gas field, which has for so long been such an important source of gas for north-western Europe, became a mere back-up source of gas this gas year, meaning that production sites were switched to 'pilot light' mode. Besides the volumes needed to keep operating the sites reliably, additional volumes will only be produced as and when deemed absolutely necessary by the Minister of Economic Affairs and Climate Policy to ensure security of supply. In order to be able to maintain this low level of production, we are actively involved in a number of measures to bring down demand for Groningen gas and increase supply of replacement gas, i.e. the '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. Furthermore, we are connecting large-scale industrial consumers of low-calorific natural gas (L-gas) to the H-gas network. We are also advising the Minister of Economic Affairs and Climate Policy on the timeline that can be followed to close the Groningen field without jeopardising security of supply.

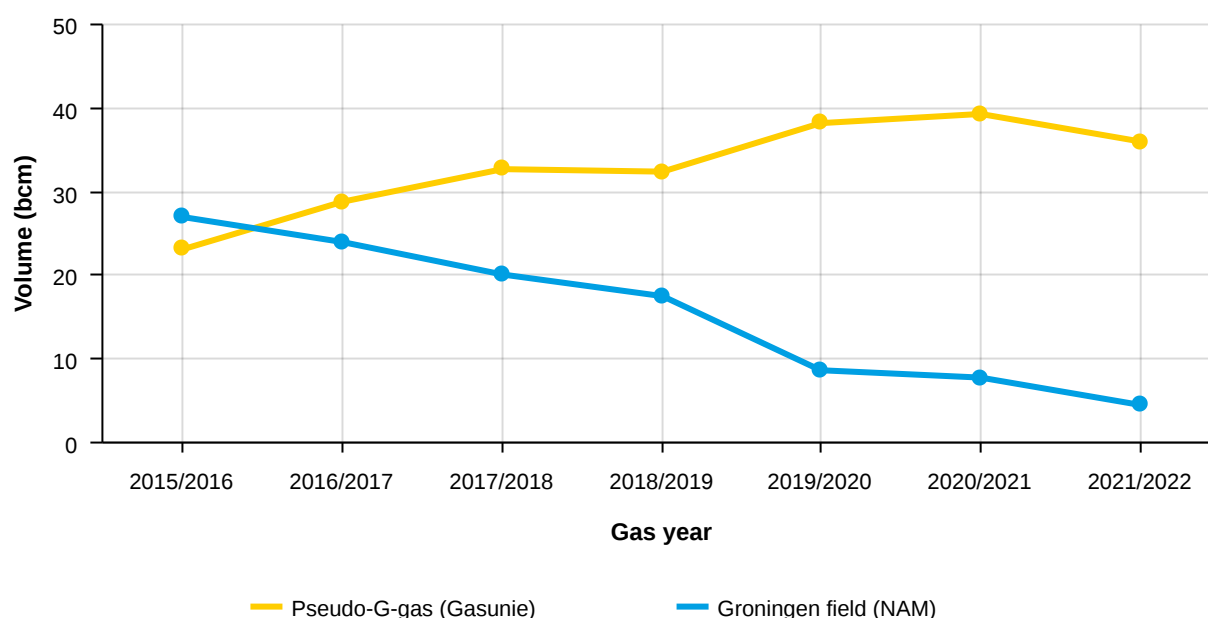
Expansion of nitrogen addition capacity

In the Netherlands, it has been agreed that all customers, except for the nine major industrial consumers specified below, will continue to be assured of the supply of low-calorific natural gas. To be able to supply sufficient L-gas, GTS blends incoming (mainly imported) high-calorific gas with nitrogen. In order to scale up this blending, we are building a second nitrogen installation near Zuidbroek.

Various deadlines for the delivery of the plant were not met in 2022 due to friction between the main contractor Air Products and subcontractor Ballast Nedam Industriebouw. The construction work that still needed to be completed at the end of 2022 was relatively limited in scope. Construction is expected to be completed in October 2023. Given the considerable decline in market demand for natural gas, this situation will have no consequences for gas production from the Groningen gas field for the coming gas year (October 2022 to October 2023). GTS' nitrogen installations already in operation can supply sufficient nitrogen.

With the commissioning of the nitrogen installation in Zuidbroek, 10 bcm of 'pseudo Groningen gas' can be produced annually by blending nitrogen into imported gas. The new installation will provide additional capacity in the winter, ensuring that the Groningen gas field no longer needs to be used, even when temperatures are low. In the summer, the plant will eventually be used to fill the seasonal gas storage facilities with pseudo Groningen gas.

Relationship between the production of Groningen gas and the production of pseudo G-gas



In the 2021-2022 gas year (October-October), NAM's gas production from the Groningen field amounted to 4.5 bcm. That would have been eight times as much if Gasunie subsidiary Gasunie Transport Services had not been producing pseudo-Groningen gas by mixing nitrogen with natural gas imported from abroad. In total, we avoided the production of 36 bcm of Groningen gas during the 2021-2022 gas year.

Conversions at major industrial users

By law, major industrial gas consumers who used more than 100 million m³ (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). The first four of these companies have meanwhile stopped using low-calorific gas and we expect to be able to convert the other five over the coming years. Given that the industries in which the latter five companies operate require complex measures with longer lead times, these five companies 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 are also dependent 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.

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

In January each year, GTS advises the Dutch State Secretary for the Extractive Industries in the area of security of supply for the upcoming gas year. This advice includes an analysis of the expected supply and demand. In its analysis, GTS calculates the amount of production from the Groningen gas field necessary to ensure security of supply based on the amount of gas expected from the different sources (for example from foreign import, offshore production, small fields, etc.). In 2022, GTS reported that in gas year 2022/2023 the Groningen gas field would only need to operate on 'pilot light' mode, with a minimal level of production.

In February, Russia invaded Ukraine, dramatically changing the geopolitical landscape. This has had major consequences for the energy markets. The flow of Russian gas coming into Europe has dropped, causing an historic increase in gas prices and a significant reduction in demand due to demand destruction. Meanwhile, European countries have pursued policies to top up their stores of gas. In response, GTS carried out additional research in September to determine the consequences of all of this for security of supply and the level of production now required from the Groningen gas field. Based on the findings of this new analysis, it was determined that the conclusions from January still applied: the capacity of 4.4 million Nm³/hour and the resulting volume of 3.2 billion Nm³ for gas year 2022/2023 is enough to ensure security of supply.

In its advice of January 2023, GTS requested that the State Secretary not close the Groningen field definitively in the 2023-2024 gas year either. GTS recommends that the Groningen field be kept on 'pilot light' so that, in the event of lower-than-expected gas imports, the Ministry of Economic Affairs and Climate Policy has the option of allowing additional production, alongside any other measures such as (possibly mandatory) demand reduction to guarantee security of supply.

Risk management

Risk management is an activity that is performed at all levels of the GTS organisation. Key aspects of our risk management efforts are to define the risk appetite and run risk analyses at various levels of the organisation. In mid-2022, GTS' management performed a risk assessment, which is integrated into the planning and control cycle. A key focus point is to strike a balance between transport security and changing demand on the one hand and the associated costs on the other. The main risk areas are:

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

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, we refer to point 17 of the notes to the balance sheet in the financial statements.

Risk-based asset management

GTS is a capital-intensive company that is active in a sector with safety risks. We provide not only reliable and sustainable infrastructure, but also affordable infrastructure. Accordingly, we pay close attention to operating cost-effectively. In 2022 we invested € 66 million in replacement of our infrastructure assets.

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, transport security, sustainability, and financial or other damage – are assessed.

We use this risk assessment to assess replacement investments. This ensures that as many risks as possible are eliminated in a cost-efficient manner, and that no unnecessary works are carried out. Every year, some of the installations are re-analysed and re-assessed for risks.

Risk management – looking back at 2022

1. The war in Ukraine, high energy prices and supply chain shortages have created uncertainty that has a major impact on our operational processes and our projects. We handled this well by setting clear priorities with regard to security of supply and safeguarding our assets. The impact of these developments on our projects is that scope, schedules and budgets had to be adjusted.
2. At project level, in 2022 we worked further on the introduction of improved, uniform procedures and standards and more intensive support for projects.
3. Risk management is increasingly seen as an essential part of decision-making. A concrete example of this is the introduction of mandatory value assurance reviews for major projects.

Risk management – looking ahead to 2023

1. Public support for the energy transition is growing strongly, in part because the public has seen that we need to end our dependence on Russian gas.
2. The role of the government is 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 will continue our ongoing initiatives to strengthen risk management in 2023. This means that we will foster further integration within GTS, and with additional staff we can help more project teams identify and properly manage their risks.

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.

Safety performance

TRFI

An important enabling factor for carrying out our activities is the safety of our employees and the communities in which we work. A priority for us is therefore to create a safe and healthy workplace and to minimise risk to the environment.

Uncontrolled events

Uncontrolled events are incidents involving leaks from a gas line (of natural gas, green gas, hydrogen, nitrogen, air) of over 14,000m³ from a GTS-operated installation with a rated pressure of 8 bar or higher. One uncontrolled event occurred in 2022 (2021: 0). On 29 August, a gas leak occurred at the Vinkeveen gas receiving station, as a result of which 35,649m³ of gas under a pressure of 38 bar escaped into the atmosphere. Several homes were evacuated as a precaution, but all residents were able to return home within a few hours.

Pipeline inspections

To safeguard the integrity of the pipeline systems, GTS inspects part of its pipeline system annually. In 2022^[1], GTS carried out internal inspections ('pig runs') of 237 kilometres of pipeline (2021: 209 kilometres). GTS also inspected 15 kilometres of pipeline above ground in 2022 using External Corrosion Direct Assessments (2021: 4 kilometres).

* Estimated figure.

Gas transport results

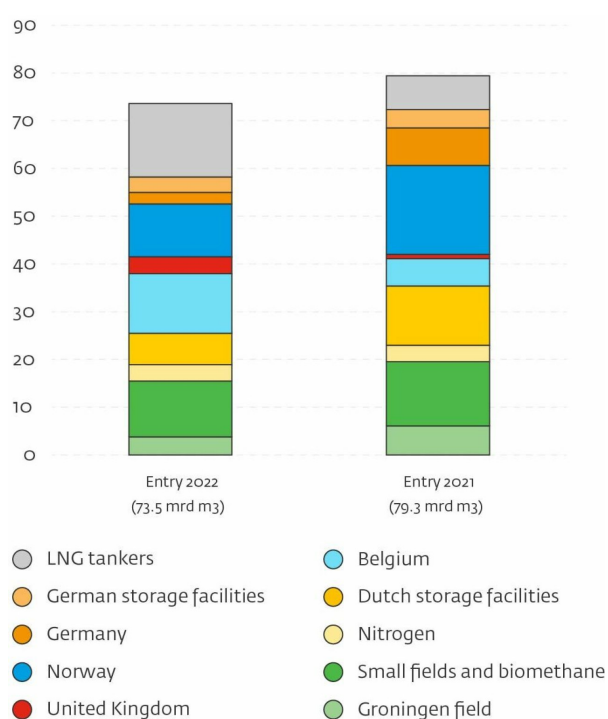
Our gas transport and infrastructure activities are at the heart of our strategy. We take care of the development of the gas transport network and ensure that it functions well. We do this by ensuring transmission security and offering relevant services to our customers. Safety, reliability, sustainability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

GTS: historically low gas transmission

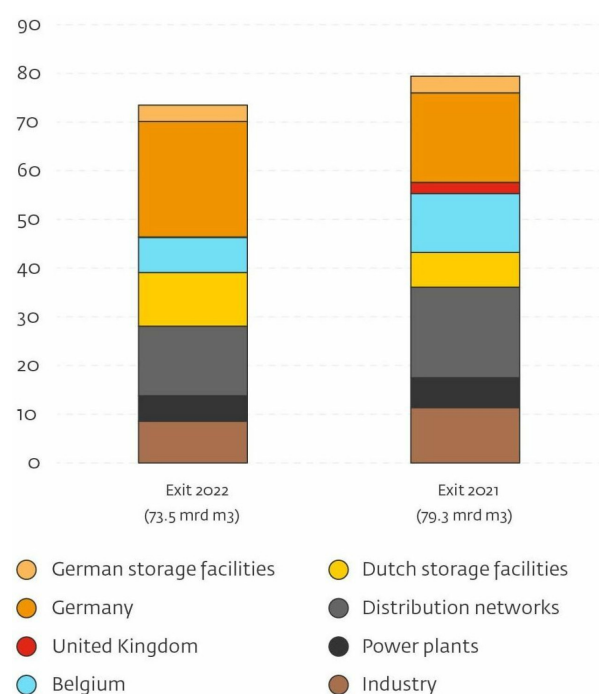
In 2022, Gasunie Transport Services transmitted 784 TWh (73.5 bcm) of gas, the lowest volume of gas transmitted in the last 30 years and a decrease of approximately 7% compared to the 841 TWh (79.3 bcm) transmitted in 2021. The decrease is largely due to lower domestic consumption and a decrease in G-gas exports, while it is compensated somewhat by a sharp increase in H-gas transport to Germany.

There were two underlying causes for this decline in market demand, the first of these being the considerably higher average annual temperature in 2022. Both January 2022 and December 2022 saw unusually warm periods. The second cause was soaring gas prices on the back of shortages caused by drastically reduced supply from Russia to Europe. This led to a sharp drop in demand and a drastic change in gas flows, as shown in the chart below.

**Origin of gas in GTS' system
(2022 compared to 2021)**



**Destination of gas from GTS' system
(2022 compared to 2021)**



Gas transport changed considerably in 2022. Where, in the past, high-calorific gas was transported from East to West, with the gas being imported from Germany via the Netherlands and then exported to the UK and Belgium, in 2022 the flow of high-calorific gas changed from West to East, with the Netherlands importing gas from the UK and Belgium and exporting this to Germany. What is striking is the sharp increase in entry via LNG tankers (+116%) and a sharp increase in exit capacity to fill Dutch storage facilities (+56%). In 2022, Dutch households consumed one quarter less natural gas than in the previous year. Major industrial companies used over one quarter less natural gas. Power stations reduced their natural gas consumption by 12%*.

* www.cbs.nl/nl-nl/nieuws/2023/07/gasverbruik-nederland-in-2022-laagste-in-50-jaar

Less quality conversion

Despite further reduction of production from the Groningen gas field, quality conversion also dropped in 2022 as high temperatures and high gas prices pushed down demand for G-gas. The volume of converted H-gas fell by 15%, from 382 TWh (33.9 bcm) in 2021 to 324 TWh (28.7 bcm) in 2022. The amount of nitrogen used for conversion fell from 3.55 billion m³ to 3.36 billion m³. The amount of nitrogen used fell less sharply than the volume of converted H-gas due to, among other reasons, the fact that conversion of gas with a higher calorific value made up a larger share of our total gas conversion, which meant that we needed more nitrogen on average.

High transport security

In 2022 we provided a high level of transport security for our customers in the Netherlands. There were unfortunately three transport disruptions (for industrial customers). At two locations our maintenance work resulted in a short-term disruption in the supply of gas. Additionally, a data communication outage at a third location led to a transport disruption. As a result, the gas supply to these customers was interrupted for a short while. These disruptions had limited impact and the industrial customers experienced little inconvenience. We have set ourselves a standard of no more than six transmission interruptions in any one year; we stayed below this figure in 2022.

Transport security in the freezing cold

The highest level of gas transport in 2022 occurred on Tuesday 13 December, which saw 311 million cubic metres of gas being transported over the course of one day (mcm/day). Though this volume could be transported without problem, it should be noted that this was considerably lower than the volume reached on the busiest day in 2021: 420 mcm/day. Both figures were far below the record set on 2 January 1997, when we transported 527 mcm of gas in one day.

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 -9.0°C. GTS provides all the necessary facilities to ensure peak supply deliveries to licence holders, including gas purchasing, flexibility services and gas transport over the national grid. There were no peak supply deliveries in 2022.

Analysis of the impact of the loss of Russian gas

In July 2022, GTS published an analysis showing what the consequences of going an entire year without Russian gas would likely be. This analysis shows that there need not be a gas shortage in the Netherlands in the winter of 2022-2023. It also shows that the Netherlands would still be able to deliver the maximum (physically possible) export volume to Germany. This is all provided that a number of conditions are met, i.e.:

1. There is a doubling of the Dutch import capacity for LNG, which must be realised before the start of the new gas year (October 2022).
2. The Dutch gas storage facilities are filled to 80%, to be achieved before the start of the new gas year.
3. Maximum use is made of the LNG terminals in the Netherlands, Belgium and the UK.
4. There is a stable import flow of gas from Norway to the EU.
5. There is also a supply from the Groningen gas field (minimum flow) and the small gas fields.
6. Use is made of virtually the full capacity of coal-fired power stations in the Netherlands.
7. We see a significant reduction in demand.
8. The winter season has average temperatures.

These conditions were met in the first three months of the gas year, with the result that the Netherlands did not have an actual gas shortage in the winter of this gas year. There has been virtually no supply of Russian gas to the EU since the summer and, with the failure of the Nord Stream pipeline, the supply of Russian gas is not expected to resume for the time being. This means the scenario as described by GTS in July has become a reality.

The loss of Russian gas flows is causing continuing scarcity in north-western Europe compared to the pre-Covid consumption level, which is reflected in high wholesale gas prices. This is having major financial consequences for consumers and businesses. Based on gas consumption data, a year with average temperatures, and current gas prices, GTS expects 20 to 25% less gas to be consumed in 2023. This reduction in demand is partially the result of voluntary energy savings on the part of consumers; however, it is, to a large extent, also due to demand destruction in the business community.

If the winter of 2023/2024 turns out to be an unexpectedly cold one, actual gas shortages will be more likely to occur in the following year, and this given the fact that there will be even less Russian gas available in 2023 than in 2022. This means that measures are needed to ensure a stable, enduring improvement to the supply/demand balance in our market area. This requires both a sustained increase in supply and a continuation of the current significant reduction in demand.

Storage facilities fill level

At the end of March 2022, the European Commission presented a proposal to require EU Member States with gas storage facilities to have these largely filled before winter. The objective is to become less vulnerable to the impact of reduced supply from non-EU countries, especially Russia. To ensure that the Netherlands was as well prepared as possible for the winter and to become less dependent on Russian gas, at the request of the Dutch government the storage facilities were filled higher than usual last year. Dutch storage facilities were at 77% of maximum fill capacity at the end of 2022, compared to 36% at the end of 2021.

Security of supply dashboard

To keep the market and society up to date on the security of gas supply, GTS has developed a dashboard, updated daily, that presents information from public sources in a clear, orderly manner. This dashboard shows the individual and total stock levels at the Dutch seasonal gas storage facilities, the gas consumption in the Dutch market, the supply of gas for Europe, gas transport to and from Germany and Belgium, and the volume of LNG imported to the Netherlands. All this information is also published weekly on the Dutch government website.

Developing our customer organisation

To maintain our standing among Europe's best TSOs, we offer gas transportation products and services that meet the needs of our customers and are in line with market developments. We do so by informing our customers well and by responding to developments that we identify in the dialogue with our customers, and during various contact moments with other stakeholders.

We inform and engage in dialogue through market consultation and information meetings, conversations with representatives of customer groups (representative organisations) and our customer desk. We support this by placing clear information on our website and sending out a newsletter whenever additional attention is required for a certain topic. The digital approach to communicating has now become fairly standard in interactions with stakeholders, and we will continue to use it – where efficient and effective – in the future as well. In addition, we will also continue to seek out dialogue elsewhere, as we did at the 2022 E-World trade show, for example.

This year, we sought out a wide range of topics and interaction with our stakeholders using this method. Last year was predominantly about ensuring security of supply in light of the Russian invasion of Ukraine and the reduction of Russian gas imports. Developments came in quick succession, including a drive to fill gas storage facilities to a sufficient level and facilitation of a new LNG terminal in the port of Eemshaven. We have amended our information delivery accordingly by, among other things, posting a security of supply dashboard with up-to-date information on our website and sharing scenario analyses. In the event that the current crisis escalates further, we have explained the role for network users.

Also in 2022, we welcomed yet more new customers and introduced them to our products and services. Other issues we addressed this year included the 2024 Investment Plan, customers' preferences with respect to our website and customer portal, advice and planning principles in relation to production from the Groningen gas field, transport tariffs and the associated terms and conditions, peak supply, the unusual within-day market transaction prices of 7 March 2022, and various other operational developments.

Queries and complaints

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

We try to process queries and complaints we receive as quickly as possible, and to the satisfaction of all parties involved. In response to complaints from shippers concerning the long-term capacity they have reserved, GTS submitted a code amendment proposal to ACM via Netbeheer Nederland in 2021, regarding adding a cancellation option for the annual capacity product. However, ACM ruled in 2022 that this code amendment proposal does not conform to the relevant laws and regulations, i.e. ACM is of the view that existing contracts cannot be cancelled. In 2022, GTS received no complaints from shippers.

Verdict in Solstar case

At the end of 2018, GTS fell victim to balancing fraud by a small connected shipper, Solstar, as a result of which it incurred over € 16 million in losses. To call the offenders to account and recover the losses suffered, GTS reported the fraud to the authorities. An investigation by the Fiscal Intelligence and Investigation Service ('FIOD') eventually led to an arrest and conviction. In December 2022, a former director of Solstar was sentenced to one year's unconditional imprisonment. It was proven that the man (together with others) was able to obtain a licence under false pretences and that he falsified statements and other documents with the aim of forming an image of a creditworthy enterprise, based on which Solstar gave an inaccurate picture that the company could pay its bills.

Developments in the market

TTF: less trade, rising market share

In 2022, less gas was traded on the Title Transfer Facility (TTF) than in the record year 2021. The number of parties trading on TTF also declined compared to the previous year.

	2022	2021	Change
Amount of gas traded on TTF (TWh)	38,356	47,705	-20%
Maximum number of active parties in one day	170	175	-3%
Amount of gas traded through the GTS network via TTF (TWh)	486	513	-5%

On a gas trading 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 decreased by more than 40% in 2022, from 19,610 TWh (in 2021) to 11,511 TWh. The decline in the TTF share traded through gas exchanges was less steep, from 28,094 TWh (in 2021) to 26,845 TWh in 2022.

Over the past year, TTF's lead over other European gas trading platforms remained strong. In 2021, nearly 80% of European gas trading took place on TTF, compared with 75% in 2022, 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 revenues for GTS and thus the maximum tariffs, based on the method 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.

2022 methodology decision appeal proceedings

GTS and market parties have lodged an appeal against the methodology decision. To this end, GTS filed a notice of appeal with the Dutch Trade and Industry Appeals Tribunal (*College van Beroep voor het bedrijfsleven* [CBB]) on 10 December 2021. GTS' grounds for appeal concern (i) the benchmark and (ii) the energy costs.

(i) Benchmark

With regard to the benchmark study – the study on the basis of which a static efficiency of GTS of 93.7% has been determined – GTS believes that this study is insufficiently robust to serve as a basis for determining an efficiency discount for GTS. In our view, a static efficiency score of 100% should be applied. In addition to the intrinsic shortcomings of the benchmark model used, in our view the study is also insufficiently transparent and insufficiently verifiable.

(ii) Energy costs

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

GTS wants to see full post calculation of the total costs of energy and power, possibly with a limited bonus/penalty arrangement.

Most of the court sessions took place between September and December 2022; the final session covering the remaining items on the agenda will be held in March. The Tribunal is expected to issue its ruling in the autumn of 2023 at the earliest.

Tariff decision

ACM will publish the 2024 Tariff Decision in May 2023.

The Management,

Bart Jan Hoevers,

7 March 2023

Annual report 2022

Financial Statements
Gasunie Transport
Services B.V.



gasunie
transport services

02 Financial statements

Balance sheet as at 31 December 2022

(before appropriation of result)

<i>In millions of euros</i>	<i>Notes</i>	31 Dec. 2022	31 Dec. 2021
Assets			
Fixed assets			
- tangible fixed assets	3	6,488.9	6,508.0
Financial fixed assets			
- other participating interests	4	0.1	0.1
- deferred tax assets	5	315.9	344.0
Total fixed assets		6,804.9	6,852.1
Current assets			
- inventories	6	113.3	-
- trade and other receivables	7	159.8	95.9
Total current assets		273.1	95.9
Total assets		7,078.0	6,948.0

<i>In millions of euros</i>	<i>Notes</i>	31 Dec. 2022	31 Dec. 2021
Liabilities			
Equity			
- issued share capital	8	1.0	1.0
- share premium	9	1,393.3	1,384.7
- revaluation reserve	10	1,524.2	1,571.9
- other reserves	11	444.4	358.7
- unappropriated result	12	477.9	126.7
Total equity		3,840.8	3,443.0
Provisions	13	70.8	28.8
Total provisions		70.8	28.8
Non-current liabilities			
- non-current loan from the shareholder	14	3,142.9	3,451.6
- lease liabilities	15	3.9	4.3
- long-term contract liabilities	16	16.7	17.0
Total non-current liabilities		3,163.5	3,472.9
Current liabilities			
- lease liabilities	15	0.4	0.4
- short-term contract liabilities	16	0.4	0.4
- other liabilities		2.1	2.5
Total current liabilities		2.9	3.3
Total liabilities		7,078.0	6,948.0

2022 statement of profit and loss

<i>In millions of euros</i>	<i>Notes</i>	2022	2021
Net revenues	19	1,620.6	964.2
Other operating revenues		1.9	1.2
Total operating revenues		1,622.5	965.4
Costs of subcontracted work and other external costs	20	-662.6	-439.3
Depreciation expenses	3, 21	-213.9	-260.5
Impairments of fixed assets	2, 3	-	-
Other operating expenses	22	-47.9	-6.4
Total expenses		-924.4	-706.2
Operating result		698.1	259.2
Finance income and expenses	23	-54.0	-75.4
Result before taxation		644.1	183.8
Taxes	24	-166.2	-57.1
Result after taxation		477.9	126.7

Notes to the financial statements

General

Preparation and adoption of the financial statements

The 2022 financial statements were prepared on 7 March 2023. The financial statements as prepared will be submitted for adoption to the general meeting of shareholders to be held on 31 March 2023.

Reporting entity

Gasunie Transport Services B.V. (hereinafter: 'GTS' or 'the company') was established on 2 July 2004. The company has its registered and actual office at Concourslaan 17, Groningen, the Netherlands, and is registered with the Chamber of Commerce under number 02084889. GTS is a 100% subsidiary of N.V. Nederlandse Gasunie. All shares in GTS outstanding as at the balance sheet date are held by N.V. Nederlandse Gasunie (registered with the Chamber of Commerce under number 02029700), which has its registered office at Concourslaan 17 in Groningen, the Netherlands. 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 transport network as defined in the Dutch Gas Act. It is the task of GTS to operate, maintain and develop the national gas grid in the Netherlands in accordance with economic conditions, in a way that guarantees the safety, efficiency and reliability of the gas transport, and with due consideration to the environment.

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

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

Rules on proper financial management

As the national transmission system operator, GTS must comply with the requirements as laid down in Article 32(11)(c) of the Dutch Gas Act and Article 10(e)(1) of the rules on proper financial management by a network operator (*Besluit Financieel Beheer Netbeheerder* [BFBN]). In the event the network operator fails to comply with the requirements, it must report this to ACM without delay and submit a recovery plan. The above provisions may affect the level of the distributable reserves or the dividend.

Reporting period

These financial statements relate to the 2022 financial year, which ended on the balance sheet date of 31 December 2022.

Presentation and functional currency

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

Going concern

These financial statements have been prepared on the basis of the going-concern assumption. Management believes that there is no uncertainty about using the going-concern assumption.

Elements of the financial statements

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

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

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

Basis of preparation

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

General

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. An asset or liability will, however, still be recognised in the balance sheet if transactions do not give rise to a major change to the economic reality with regard to that asset or liability. 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:

1. measurement and determination of the useful life of fixed assets (note 2 'Impairment tests' and note 3 'Tangible fixed assets');
2. measurement and determination of the provision for abandonment costs and redevelopment (note 13 'Provisions');
3. measurement of deferred tax assets (note 5 'Deferred tax assets').

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

Principles 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.

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:

1. the economic characteristics and risks of the agreement are not closely related to the economic characteristics and risks of the basic contract;
2. a separate instrument with the same conditions would meet the definition of a derivative; and
3. 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. If applicable, we measure derivatives separated from the basic contract at cost or a lower fair 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.

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

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

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 interest-bearing loans 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. 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 the gas transport. The residual value of the asset, the useful life and the depreciation methods are reviewed annually and adjusted if necessary. Note 3 'Tangible fixed assets' contains a more detailed explanation of the expected service life of the tangible fixed assets.

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

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

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 transport 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 profit or loss on disposal of a tangible fixed asset under depreciation costs in profit and loss at the time of decommissioning.

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 principles under the heading 'Leasing'.

Financial fixed assets

We measure participating interests over which the company exercises no significant influence at acquisition cost or the lower recoverable amount. We recognise the dividend received from participating interests in 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 there is a participating interest in which the company has exercised a significant influence on the business and financial policy. If the interest is less than 20%, there is a rebuttable presumption that no significant influence has been exercised.

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.

Inventories

We recognise inventories at cost based on the lower of average cost, applying the FIFO principle, or recoverable amount. 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 recoverable amount is based on the most reliable estimate of the amount that the inventories will generate less any costs to be incurred.

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.

Revaluation reserve

On 1 January 2014, GTS acquired ownership from N.V. Nederlandse Gasunie of the gas transport network in the Netherlands at the carrying amount. The revaluation reserve for tangible fixed assets was also part of this transfer. This revaluation reserve came into being because N.V. Nederlandse Gasunie measured the tangible fixed assets at the then-deemed cost on the date of the transition to IFRS. This has led to a revaluation reserve for tangible fixed assets, after deduction of a liability for deferred tax, which has also been transferred to GTS.

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

Provisions

We recognise provisions in the balance sheet if:

1. there is a legally enforceable or factual liability resulting from a previous event;
2. a reliable estimate of the above can be made; and
3. 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

This provision is recognised due to the company's decisions to decommission, remove or redevelop specific identifiable assets within the foreseeable future as required under legislation where applicable. 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.

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.

Leases

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

Initial recognition and measurement of leases is as follows:

- The company breaks down lease liabilities into lease and non-lease components. The non-lease components are not considered to fall within the scope of IFRS 16. The costs resulting from these contracts are recognised in profit and loss in the period to which they relate.
- The expected term of the lease liability is determined on the basis of the contractual term of the agreement, taking into account any potential optional extensions, in the event that the company may reasonably be expected to use them.
- If applicable, 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 conditions.
- 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 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 indexation or other modifications), we remeasure and recognise the carrying amount of the lease liability and the right-of-use asset in the balance sheet.

Determination of the result

We calculate the result as the difference between the net realisable value of services rendered and the costs and other expenses incurred over the year. We recognise revenues from transactions in the year in which they are realised.

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

If 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 transport and related activities. These services are offered as capacity services. This gives customers the right to use pre-agreed capacities for a pre-agreed period (hour, day, month, etc.). GTS regards the service as delivered over the period concerned and recognises the revenue accordingly. The realisation of net revenues can be reliably determined.

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

Other operating revenue

We recognise revenue that is not directly related to the supply of goods or the provision of services as part of normal, non-incidental 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 measure costs on a historical basis, taking into account the accounting policies set out above, and allocate them to the reporting period to which they relate.

Financial income and expenses

Included in this item are income and expenses relating to financing and similar income and expenses. 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. We recognise a deferred tax liability for all taxable temporary differences. A deferred tax asset is recognised for all deductible temporary differences, to the extent that it is likely that sufficient taxable profit will be available for future set-off. For this purpose, the company makes assumptions about the future taxable profits and the point at which the temporary differences are realised.

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.

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.

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

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

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

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

Events after the balance sheet date

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 matters and events in 2022

Geopolitical and related developments on the energy markets and their impact on Gasunie

In 2022, the European gas market entered a new era. In February, Russia invaded Ukraine, dramatically changing the geopolitical landscape. This has had major consequences for the energy markets. The flow of Russian gas coming into Europe has dropped, causing an historic increase in gas prices. Meanwhile, European countries have pursued policies to reduce their dependence on Russian gas. Partly as a result of this, we see that the physical gas flows have reversed direction compared to previous years.

The Russian invasion of Ukraine had a direct impact on GTS' operational activities, and it could be seen that this then also affected our financial results and financial position. This has affected several items in the financial statements. Below we summarise the most important consequences.

Increased revenue and energy costs

Net revenue rose by approximately € 656 million compared to the previous financial year. The increase in revenue comes partly on the back of higher revenues from regulated-capacity auctions and the sale of 'interruptible transmission capacity'. 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. Germany saw its supplies from Norway and the Netherlands increase sharply.

Over the coming years, we will return to the market any regulated revenues exceeding the permitted revenue. The regulation system will see to that. If the actual revenue deviates from the revenue permitted by the regulatory authority, the difference is settled in the tariffs for subsequent years. Under the current Dutch Accounting Standards Board guidelines, 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. Our revenue in 2022 was substantially higher than the revenue permitted by the regulatory authority. However, this also means that in subsequent financial years we will settle the excess in the tariffs that market parties pay for regulated natural gas transmission; this will then have a dampening effect on the permitted revenue during that period.

GTS has also been directly affected by the higher energy prices. Energy and network operation costs increased by around € 167 million. We use gas and electricity for gas transmission and gas storage and to produce the nitrogen used in gas quality conversion. The increase in costs compared to 2021 is due to the substantially higher energy prices. Given that, under the current regulatory methodology, the regulatory authority has, for the time being, allocated the price risk to the network operator, we are not able to fully pass on the increased energy costs to our customers.

We have included further information on revenue and energy costs in note 19 'Net revenue' and note 20 'Costs of subcontracted work and other external costs'.

Guaranteeing security of supply

GTS has taken measures to secure peak capacity for suppliers to small scale consumers in the Netherlands. Although this function is not new, in 2022 it will be fulfilled differently than it has been previously. Where this was previously outsourced in part to market parties, given the volatile gas market, GTS procured the gas required to meet its obligation to provide peak capacity itself. At the end of 2022, this led to us recognising approximately € 113 million for physical gas inventories on the balance sheet. These gas inventories are exclusively intended and held to cover peak capacity requirements and not for trading purposes, this in accordance with GTS' statutory duty in this regard. We provide further information on these gas inventories in note 6 'Inventories'.

Measurement of tangible fixed assets

At the end of 2022, we measured the value of the gas transport network using an impairment test based on value in use (a 'value-in-use calculation'). We provide a summary of the key findings of the value-in-use calculation below; a detailed explanation is provided in note 2 'Impairment tests'.

The reason for the value-in-use calculation GTS made at year-end 2022 was the significant increase in energy prices in 2022 in combination with the fact that the regulatory conditions offer no possibility to settle this in full in the future. Alongside this the relevant market interest rates also increased at the end of 2022. These market interest rates form the basis for the discount rate, which is used in the value-in-use calculation.

From the calculation of value in use at year-end 2022, it was determined that the recoverable amount of the gas transport network in the Netherlands is roughly equal to its carrying amount.

2. 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.

Gas transport network in the Netherlands

Reason for the impairment test

As explained in note 1 'Significant matters and events in 2022', the Russian invasion of Ukraine had a direct impact on GTS' operational activities, as well as on the associated cash flows and financial results. One of these impacts we see is a significant increase in energy costs. We use gas and electricity for gas transmission and in the production of the nitrogen used in gas quality conversion. However, as a consequence of the GTS 2022-2026 methodology decision, in the Netherlands we cannot fully offset the increased energy costs in our future tariffs. The Netherlands Authority for Consumers and Markets (ACM) is authorised to use a regulatory framework to set the tariffs GTS is allowed to charge for activities that fall under its statutory duty. If the high energy prices we saw in 2022 continue to apply in the future and if these may not be largely offset in the future tariffs, this will have consequences for GTS' revenue and thus for the valuation of the gas transport network.

A second, more indirect effect of developments in the energy markets and general economic developments and uncertainties is the high inflation and, in response to this, the rise in market interest rates. The discount rate used is based on the relevant market interest rates on the balance sheet date and, accordingly, is different to the way in which ACM determines the capital cost allowance for GTS' permitted revenue. Abrupt increases in market interest rates/spot market interest rates (like we saw in 2022) would possibly have had an effect on the measurement of the gas transport network at the end of 2022.

Prior to the impairment test at year-end 2022, the carrying amount of the gas transport network – which is considered to be a single interrelated cash-generating unit – was approximately € 5.9 billion.

Impairment test method

Management uses an impairment test based on value in use (a 'value-in-use calculation') to determine the recoverable amount of the gas transport network. 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 2022; 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 2023-2026 is the expected permitted revenue based on the 2022-2026 methodology decision for GTS and the cash flows derived from this. 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.

The company's management determines the starting point for the forecast expenditure and other variables, such as the expected development of operating costs (including energy cost developments), the investment level and the discount rate. The most important operating and investment cash flows (relevant for the capital cost allowance and its subsequent costing) are based on the business plan for the next three years adopted by the management and on a recent medium term forecast.

The total fixed assets of GTS are considered as a single cash-generating unit, with the exception of the assets relating to land and the line pack (gas present in the pipeline at all times). These assets are assumed not to be subject to impairment.

The key assumptions and estimates in the value-in-use calculation are explained below.

Efficiency after the 2022-2026 regulatory period

For the 2022-2026 regulatory period, ACM has, based on a benchmark study, set GTS' average weighted static efficiency at 96.1% (previous methodology decision: 88.6%). Over the past years, GTS has demonstrably worked to improve its efficiency, partly through workforce restructuring, long-term cost savings and maintenance optimisation. Management will continue to work on the further optimisation of efficiency in the coming years too.

In GTS' view, the robustness of ACM's benchmark study is limited and it does not provide a basis for the imposed efficiency discount. GTS has lodged an appeal against the methodology used to determine the static efficiency and the resulting static efficiency score with the Dutch Trade and Industry Appeals Tribunal (*College van Beroep voor het bedrijfsleven* [CBb]). In GTS' opinion, a static efficiency score of 100% should be assigned. In addition to the intrinsic shortcomings of the benchmark model used, in our view the study is, for us, also insufficiently transparent and insufficiently verifiable. The results of the appeal are expected partway through 2023.

For the calculation of value in use at year-end 2022, we worked with the provisional assumption that the average weighted static efficiency for the regulatory period 2022-2026 will be maintained at 96.1%. For the period after 2026, we assume static efficiency of 100%.

Energy costs

In the context of the price risk associated with the energy cost trend, the 2022-2026 methodology decision does not allow GTS to fully offset higher costs in its future tariffs. GTS has lodged an appeal against this with the Trade and Industry Appeals Tribunal (CBB). GTS wants to see full settlement of the total costs of energy in future tariffs. The results of the appeal are expected partway through 2023. In anticipation of the results, and given the unique situation on the energy markets in 2022, ACM intends to apply a one-off correction to the energy costs incurred by GTS in 2022. The correction will be settled in the tariffs for 2024. In the calculation of value in use at year-end 2022, it was assumed that this correction will be continued in future years.

Capital cost allowance - ACM WACC

The methodology decision for the 2022-2026 regulatory period includes a capital cost allowance which is, among other things, dependent on a WACC determined by ACM. The nominal WACC for investments from 2022 onwards is set at 3.0% before tax. The nominal WACC before tax for existing capital from 2023 onwards is also 3.0%. Every year, ACM determines the actual applicable WACC, which is then subsequently costed and settled in GTS' permitted revenues in the following years. When setting up the impairment test, account is taken of the possible effects of subsequent costing on this part of the capital cost allowance.

Discount rate

A nominal pre-tax discount rate of 5.6% was applied when making the value-in-use calculation; this discount rate was 2.9% in 2020. A peak in the relevant market interest rates became visible around the balance sheet date of 31 December 2022. Although market interest rates have fallen slightly since then, the decline after the balance sheet date may not be taken into account when making the value-in-use calculation under Dutch Accounting Standards Board guidelines.

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. All other things being equal, the change is assumed to have taken place at the beginning of the regulatory period.

Change in the assumption or estimate	Size	Impact on recoverable amount
Static efficiency after the regulatory period	-1%	approx. +/- € 40-50 million
Capital cost allowance for the 2023-2026 period – ACM WACC	+/-0,25%	approx. +/- € 45-55 million
IFRS pre-tax discount rate	+/-0,25%	approx. +/- € 40-50 million
Actual energy costs compared to estimate	-1%	approx. +/- € 8-10 million

Outcome of the impairment test

From the value-in-use calculation, management determined that the recoverable amount of the gas transport 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.

Other tangible and financial fixed assets

The company's assessment has not revealed any evidence or indication of impairment of other tangible and financial fixed assets as at 31 December 2022.

3. Tangible fixed 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	Acquisitions	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
Total for 2022 financial year	6,508.0	-7.1	-	207.5	-7.2	-212.3	6,488.9

In 2022, investments related mainly to the construction of a new nitrogen plant and the switching of certain customers from high-calorific to low-calorific gas and to regular replacement investments.

The change in the reclassifications column relates to a changed use of a portion of the line pack/cushion gas and the nitrogen inventories. From 2022, we present these under the 'inventories' balance sheet item. Given the insignificant scope of this reclassification, the comparative figures for 2021 have not been adjusted.

We have detailed the conditional investment commitments at year-end 2022 in note 18 'Off-balance sheet obligations'.

Tangible fixed assets includes an amount of € 4.2 million (2021: € 4.6 million) for right-of-use assets. The right-of-use assets all cover a limited number of plots with an expected remaining term that varies between three to thirty years. GTS has economic but not legal ownership of these right-of-use assets.

Movements in tangible fixed assets in 2021 were as follows:

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

Amounts recognised under investments in the 2021 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. Amounts stated under 'GTS B.V. demerger' relate to the transfer of part of GTS B.V.'s tangible fixed assets to Gasunie Assets B.V. and Maasvlakte Storage B.V.

The cost and accumulated depreciation are as follows:

<i>In millions of euros</i>	Cost as at 31 Dec. 2022 * depreciation as at 31 Dec. 2022 **	Accumulated depreciation as at 31 Dec. 2022 **	Cost as at 31 Dec. 2021 * depreciation as at 31 Dec. 2021 **	Accumulated depreciation as at 31 Dec. 2021 **
Land and buildings	113.2	-53.4	110.3	-49.4
Compressor stations	1,456.9	-977.0	1,450.5	-935.2
Installations	2,103.5	-1,393.0	2,085.8	-1,354.2
Main transmission lines and related plant and equipment	7,605.5	-3,943.5	7,586.8	-3,858.0
Regional transmission lines and related plant and equipment	1,764.3	-842.7	1,734.5	-817.3
Other fixed operating assets	58.8	-14.7	98.6	-41.9
Right-of-use assets	5.5	-1.3	5.5	-0.9
Fixed assets under construction	606.8	-	492.9	-
Total	13,714.5	-7,225.6	13,564.9	-7,057.0

* 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.

Depreciation periods

The company uses assumptions to determine the relevant depreciation periods.

The company concluded that, at year-end 2022, there was no reason to review the depreciation periods.

The company's assets are largely made up of regulated assets. The regulatory system in the Netherlands allows the company to recoup investments in tangible fixed assets. ACM sets the regulated depreciation periods for these assets. 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 transport network. The company took the view of the regulatory authority into account in determining the depreciation periods.

Should ACM decide to amend the regulated depreciation periods in the future, possibly in response to more concrete developments around the phasing out of natural gas transmission, the company will, at that time, again take that development into account in the determination of the depreciation periods. This may in certain cases lead to a shortening or extension of the depreciation periods, which would change the depreciation charges. However, this will in practice primarily affect the depreciation of mainline and regional transport pipelines, as the other assets generally have a relatively shorter technical life.

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. The company shares ACM's view that the existing gas infrastructure will continue to be needed in the medium to long term.

In cooperation with our shareholder – N.V. Nederlandse Gasunie – we are 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. Given the recent political decisions in the Netherlands with respect to hydrogen, heat and CCS, this long-term vision is becoming increasingly concrete and is expected to be worked out in more detail over the coming years. The Russian invasion of Ukraine in 2022 further accelerated these developments. We periodically evaluate the impact of these social and political developments on the depreciation periods and GTS' use of the gas transport network. At the end of 2022, 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 transport 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.

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, gas and nitrogen stocks and assets under construction.

4. Other participating interests

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

PRISMA

PRISMA is a European platform for trading transport capacity. GTS offers some of its transport capacity on this platform. At year-end 2022, GTS held a financial interest of 11.05% (year-end 2021: 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 2022, GTS held a financial interest of 12.5% (year-end 2021: the same) in EDSN. Based on agreements with shareholders, GTS has no significant influence in EDSN.

Beheerder Afspraken Stelsel (BAS) B.V.

At the end of 2021, GTS obtained 25% of the shares in the newly established entity Beheerder Afsprakenstelsel B.V. (BAS B.V.). 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 other shares in BAS are held by TenneT (25%) and the regional TSOs (jointly 50%). At the end of 2022, the value of our share in BAS was less than € 0.1 million (year-end 2021: € zero).

The total carrying amount for the stakes in PRISMA, EDSN and BAS is less than € 0.1 million. In 2022, there were no movements in the acquisition price and no dividend was received from the relevant participating interests either (2021: the same).

5. Deferred tax assets

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

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

The temporary difference resulting from the measurement of tangible fixed assets is mainly due to the one-time revaluation of tangible fixed assets when N.V. Nederlandse Gasunie was split in 2005 and the subsequent transition to IFRS. On 1 January 2014, the assets in question, including the (legal) revaluation reserve, were transferred to GTS. In addition, the depreciation method for tax purposes deviates from time to time from the depreciation principles under Title 9 of Book 2 of the Dutch Civil Code (including the recognition of impairment losses and their reversals). 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 2022 are as follows:

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

The deferred tax assets to be settled under one year after the balance sheet date amount to € 30.3 million (2021: € 26.7 million). This amount is not presented separately under current assets.

The movements in deferred tax assets in 2021 are as follows:

<i>In millions of euros</i>	Purchase price paid by the Dutch State	Tangible fixed assets	Total
Balance as at 1 January 2021	1,269.1	-913.1	356.0
Recognition of temporary differences in profit and loss	-52.9	31.0	-21.9
Result of change in corporate income tax rate recognised in profit and loss	-	-11.1	-11.1
Result of change in corporate income tax rate recognised in equity	38.8	-17.1	21.7
GTS B.V. demerger	-	-0.7	-0.7
Balance as at 31 December 2021	1,255.0	-911.0	344.0

Movements in deferred tax assets in 2021 related to regular movements as well as movements due to the review of the rate of corporate income tax, and furthermore the effect of the transfer of tangible fixed assets from GTS B.V. to Gasunie Assets B.V. and Maasvlakte Storage B.V.

6. Inventories

The 'inventories' item is made up entirely of the physical gas inventories that GTS maintains 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 gas to licence holders (i.e. the suppliers to the small users' market).

GTS put its obligation to provide peak capacity out to tender in 2022; however, given the volatile gas market in 2022, this tender was unsuccessful and so GTS procured the gas required to fulfil this obligation itself. For the storage of this gas, GTS uses Gasunie's Peakshaver installation as well as third-party gas storage facilities. To mitigate the price risk on the gas volumes held, GTS has already sold a substantial part of the gas volumes it holds to meet its obligation to provide peak capacity through forward supply contracts for supply in 2023. Should the gas volumes be required for GTS to fulfil its statutory duty to provide peak capacity, GTS will fulfil the forward supply contracts by purchasing the required volumes on the spot market. For further details, we also refer to note 1 'Significant matters and events in 2022'.

7. Trade and other receivables

Trade and other receivables can be broken down as follows:

<i>In millions of euros</i>	31 Dec. 2022	31 Dec. 2021
Trade and other receivables	173.7	110.3
Provision for doubtful debts	-16.8	-16.8
Other receivables and accruals	2.9	2.4
Total trade and other receivables	159.8	95.9

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

<i>In millions of euros</i>	31 Dec. 2022	31 Dec. 2021
Balance as at 1 January	16.8	16.6
Addition, charged to profit and loss	-	0.2
Write-offs charged against the provision	-	-
Release, credited to profit and loss	-	-
Balance as at 31 December	16.8	16.8

The trade receivables have a nominal term of less than one year. Note 17 'Financial instruments' provides more information on the securities provided.

8. 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 2021: € 1.0 million). No movements took place in the issued and paid-up shares during the financial year (2021: the same).

At year-end 2022, all shares in issue were held by N.V. Nederlandse Gasunie (year-end 2021: the same).

9. Share premium

Movements in the share premium are as follows:

<i>In millions of euros</i>	2022	2021
Balance as at 1 January	1,384.7	1,734.7
Share premium payment	8.6	122.6
GTS B.V. demerger	-	-122.6
Share premium repayment	-	-350.0
Balance as at 31 December	1,393.3	1,384.7

In 2022, N.V. Nederlandse Gasunie made an € 8.6 million share premium payment on account of the transfer of part of the assets to Gasunie Assets B.V. and Maasvlakte Storage B.V. in 2021.

10. Revaluation reserve

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

Movements in the revaluation reserve are as follows:

<i>In millions of euros</i>	2022	2021
Balance as at 1 January	1,571.9	1,642.2
Realised share in the unrealised revaluation	-47.7	-53.2
Effect of tax rate change on deferred taxation	-	-17.1
Balance as at 31 December	1,524.2	1,571.9

11. Other reserves

The movements in the other reserves are as follows:

<i>In millions of euros</i>	2022	2021
Balance as at 1 January	358.7	151.1
Appropriation of result for previous financial year	126.7	115.5
Dividend paid	-88.7	-
Realised share in the unrealised revaluation	47.7	53.2
Change in deferred taxes	-	38.9
Balance as at 31 December	444.4	358.7

For a description of the movements, we refer to note 5 'Deferred tax assets', note 10 'Revaluation reserve', and note 12 '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 2022, no such restriction applied and no non-distributable reserve was recognised (year-end 2021: the same).

12. Unappropriated result

Movements in the unappropriated result are as follows:

<i>In millions of euros</i>	2022	2021
Balance as at 1 January	126.7	115.5
Appropriation of result in previous financial year	-126.7	-115.5
Result for the year	477.9	126.7
Balance as at 31 December	477.9	126.7

Profit appropriation for the previous financial year

The 2021 financial statements were adopted by the general meeting of shareholders of 1 April 2022. The general meeting of shareholders appropriated the result as determined in accordance with management's proposal. The result for 2021 amounted to a profit of € 126.7 million, and the dividend to be paid has been set at € 88.7 million. The remainder of € 38.0 million was added to the other reserves.

Result appropriation proposal for the 2022 financial year

Management proposes that an amount of € 142.9 million of the result after taxation for 2022 be added to the other reserves and a sum of € 335.0 million be distributed to the shareholder as dividend. This appropriation of result has not been recognised in the balance sheet as at 31 December 2022 or in the notes thereto.

The company may make distributions to the shareholders only if: 1) the company can continue to pay its due and payable debts after distribution (distribution test), and 2) the equity is greater than the reserves that must be maintained by law (balance test). In addition to these general statutory provisions, GTS, as the national transmission system operator, must also comply with the requirements as laid down in the BFBN. These rules consist of a number of financial ratios, including a minimum for equity. This can lead to restrictions with regard to the distribution of dividends, among other things. At year-end 2022, no such restriction applied (year-end 2021: the same).

13. 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 initially formed in 2010 following the company's decisions to decommission or redevelop specific assets. Legislation, regulations and permits, including those governing the environment and spatial planning, require pipelines to be redeveloped 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 redevelopment programme was updated in 2022. An additional number of pipelines that have been decommissioned have been designated as relevant for redevelopment. An addition to the existing provision has been made to account for the new scope of the redevelopment programme. At year-end 2022, there was still a term of 12 years left to run on the redevelopment programme.

At year-end 2022, the company considered it unlikely that all transmission pipelines and appurtenances will have to be completely removed. In its judgement, the company has taken into consideration that natural gas transmission will continue to be important over the coming years. Aside from that, the company sees sufficient opportunities for various alternative uses, including the transport of alternative energy carriers, such as hydrogen. 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 transport network as a whole in the longer term has not been recognised.

In measuring the provision for abandonment costs and redevelopment, the company takes into account that its judgements and estimates may be affected by developments in the area of the energy transition and tightened environmental and climate targets. Partly given the political decisions with respect to hydrogen, heat and CO₂, 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, the company brings 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.

Movements in the provision are as follows:

<i>In millions of euros</i>	2022	2021
Balance as at 1 January	28.8	30.1
Provisions made during the year	54.8	5.10
Provisions reversed during the year	-8.6	-
Accrued interest	1.3	-
Provisions used during the year	-5.5	-6.4
Balance as at 31 December	70.8	28.8

The current part of the provision for abandonment costs and redevelopment is expected to total € 7.8 million at year-end 2022 (year-end 2021: € 5.7 million). This amount is not shown separately under current liabilities. The part of the provision with a term of over five years totalled € 37.0 million at year-end 2022 (year-end 2021: € zero). In 2022, we applied a discount rate of between 3.5% and 3.8% (2021: 0.0%). The increase in the discount rate came about mainly as a result of higher market rates of interest compared to 2021.

14. Non-current loan from the shareholder

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

<i>In millions of euros</i>	2022	2021
Balance as at 1 January	3,451.6	3,583.1
GTS B.V. demerger	-	-122.0
Borrowings	78.5	241.7
Repayments	-387.2	-251.2
Balance as at 31 December	3,142.9	3,451.6

The debt to shareholder is the de facto balance of borrowings drawn under a loan facility of up to € 6.0 billion, which was made available to GTS by N.V. Nederlandse Gasunie on 1 January 2014. The loan terminates on 31 December 2029, but has an extension option. The agreed interest rate is the weighted average borrowing rate of the non-current loan portfolio of N.V. Nederlandse Gasunie plus 12.5 basis points. The weighted average interest rate on the balance of the borrowings drawn in 2022 was 1.8% (2021: 2.4%). It has been agreed with N.V. Nederlandse Gasunie that the facility can be drawn or redeemed without restrictions during the term of the loan. No interim repayment scheme has been agreed.

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

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

15. Lease liabilities

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

Movements in lease liabilities are as follows:

<i>In millions of euros</i>	2022	2021
Balance as at 1 January	4.7	5.1
New lease contracts	-	-
Modifications	-	-
Lease payments	-0.5	-0.5
Interest on leases	0.1	0.1
Total	4.3	4.7
Included under current liabilities	-0.4	-0.4
Balance as at 31 December	3.9	4.3

The remaining term of the lease liabilities is as follows:

<i>In millions of euros</i>	31 Dec. 2022	31 Dec. 2021
Maturity < 1 year	0.4	0.4
Maturity ≥ 1 year and ≤ 5 years	0.5	0.7
Maturity ≥ 5 years	3.4	3.6
Total lease liability	4.3	4.7

Lease contracts with a term of less than one year or with a contract value of less than € 5,000 are not included in the balance sheet. They represented less than € 0.1 million per year at year-end 2022 (2021: the same).

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

The weighted average incremental borrowing rate in 2022 was 1.74% (2021: 1.64%).

16. Contract liabilities

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

At year-end 2022, contract liabilities totalled € 17.1 million (2021: € 17.4 million). Movements in contract liabilities are as follows:

<i>In millions of euros</i>	2021	2020
Balance as at 1 January	17.4	17.8
Recorded as net revenue	-0.9	-1.0
Accrued interest	0.6	0.6
New contributions	-	-
Total	17.1	17.4
Included under current liabilities	-0.4	-0.4
Balance as at 31 December	16.7	17.0

The remaining term of the contract liabilities is as follows:

<i>In millions of euros</i>	31. Dec 2022	31. Dec 2021
Maturity < 1 year	0.4	0.4
Maturity ≥ 1 year and ≤ 5 years	1.9	1.9
Maturity ≥ 5 years	14.8	15.1
Total contract liabilities	17.1	17.4

17. 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 1% point change in the interest rate will change the annual interest expenses by around € 31.4 million (2021: € 34.5 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 2022, there were no material receivables or liabilities in a foreign currency and hedging instruments were therefore not used (year-end 2021: the same).

Price risk

The company uses gas and electricity for its day-to-day operations, including for gas transport, balancing actions in the gas transport network, and internal and external production of nitrogen for quality conversion, for which the company has entered into gas and power supply contracts with energy providers. The contracts the company has entered into are supply contracts that are common in the market today, with variable energy prices based on current spot market prices at the moment of contracting/supply. These contracts are not subject to a minimum purchase obligation. The energy supply contracts generally have a relatively short term (3-5 years). The company is exposed to a price risk if the variable charges for gas and electricity increase and regulations do not allow Gasunie to offset these price increases in its future tariffs. For the 2022 financial year, we may partially offset the price risk in future regulated tariffs.

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

The energy supply contracts come with the contractual option to partly fix prices for a certain future supply period. Under the current contracts, this can be done a maximum of two years in advance. In these 'forward purchases', the company takes into account the anticipated periodic energy requirements to meet the own-use exemption. The level of price risk hedging is influenced by the predictability of the volume and timing of the energy usage. GTS aims to hedge at least 65% of the anticipated energy usage, whereby the degree of hedging is also partly based on current and forward prices. Energy usage that has not been contracted under forward supply contracts is purchased on the spot market as and when the need for energy arises.

At year-end 2022, the nominal value of the forward supply contracts for the company's energy usage totalled approximately € 205.2 million (year-end 2021: € 74.7 million). The forward supply of energy under these contracts consists entirely of electricity and gas to be supplied in the 2023 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.

With regard to the gas inventories held to fulfil the obligation to provide peak capacity, given the underlying regulated settlement system we do not run a price risk. To reduce the price risk for the market, GTS has already sold a substantial part of the gas volumes it holds to meet its peak capacity obligation through forward supply contracts for supply in 2023. Should the gas volumes be required for GTS to fulfil its statutory duty to provide peak capacity, GTS will fulfil the forward supply contracts by purchasing the required volumes on the spot market.

Credit risk

Credit risk relates to the loss that would arise if counterparties were to entirely or partially default and fail to meet their contractual obligations. The company was not exposed to any material credit risk with regard to any individual customer or counterparty (year-end 2021: the same). In 2022, the company did generate over 10% (but under 15%) of its external revenue relating to gas transport and the associated services from one single external customer (2021: the same). This customer had no payment arrears at year-end 2022 (2021: the same).

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

The guarantees received from third parties are as follows:

<i>In millions of euros</i>	31 Dec. 2022		31 Dec. 2021	
	Number	Balance	Number	Balance
Security Deposit	164	243.9	107	36.9
Bank Guarantee	54	137.7	56	61.9
Parent Company Guarantee	36	356.5	32	175.4
Letter of Awareness	-	-	6	110.9
Surety Agreement	2	10.4	6	17.5
Total guarantees received	256	748.4	207	402.6

The securities received relate to securities from gas transport arrangements. The security deposits are held in cash via N.V. Nederlandse Gasunie. The increased value of the security deposits is connected with the uncertainties in the energy markets.

The term of the guarantees received varies from a few months to indefinite guarantees. The guarantees are not freely assignable.

Liquidity risk

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

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

In order to hedge the liquidity risk, the company had a loan facility of € 6.0 billion at year-end 2022 (year-end 2021: € 6.0 billion), which is provided by the shareholder. The loan terminates on 31 December 2029, but has an extension option. It has been agreed with N.V. Nederlandse Gasunie that the facility can be drawn or redeemed without restrictions during the term of the loan.

The company also has an uncommitted external credit facility of € 10.0 million (2021: € 10.0 million), as per the cash pool agreement.

Fair value

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

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

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 determination of the fair value took place according to level 2 (year-end 2021: level 2).

The carrying amount and the fair value of the non-current loan from the shareholder as at year-end 2022 were:

<i>In millions of euros</i>	31 Dec. 2022			31 Dec. 2021		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Non-current loan from the shareholder	3,142.9	2,807.3	-335.6	3,451.6	3,939.2	487.6

18. 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 (2021: € 0.8 million) for the benefit of its participating interest in EDSN B.V.

Investment obligations

At year-end 2022, there were conditional investment obligations totalling € 27.8 million (year-end 2021: € 67.8 million). These obligations mainly relate to the development of a new nitrogen plant and regular replacement investments. N.V. Nederlandse Gasunie occasionally carries out the investment projects for GTS; in these instances the associated investment obligations can be classified as obligations towards the shareholder. For further explanation of the transactions with affiliates, see note 26 'Related parties'.

Non-current obligations

Non-current obligations are as follows:

<i>In millions of euros</i>	Contract value	
	31 Dec. 2022	31 Dec. 2021
0 – 1 year	53.5	52.6
1 – 5 years	180.5	164.9
> 5 years	123.5	155.2
Total other commitments	357.5	372.7

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 2022, the cumulative operational imbalance volume was 265 GWh, meaning that there was a supply obligation 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. -/- € 20.1 million (2021: approx. -/- € 1.2 million).

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 transport 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 therefore no longer possible. At year-end 2022, the shippers had a negative cumulative imbalance volume of 17 GWh; Based on the TTF spot price on the balance sheet date, the value of this imbalance amounts to approx. -/- € 1.3 million (2021: approx. -/- € 0.6 million).

19. Net revenue

The net revenue is fully generated in the Netherlands and consists of the revenue on gas transport and gas transport-related services. Net revenue increased by 68.1% compared to the previous financial year (2021: increase of 2.4%). For more information about this, see note 1 'Significant matters and events in 2022'.

For an explanation of the release of contract liabilities credited to the net revenue, we refer to note 16 'Contract liabilities'.

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>	2022	2021
Cost of network management	385.0	218.0
Other operating expenses	277.6	221.3
Total costs of subcontracted work and other external costs	662.6	439.3

The cost of network operations mainly comprises the procurement of nitrogen production capacity and electricity for the production of nitrogen and the cost of electricity and gas for gas transmission and gas storage operations. As already explained in note 1 'Significant matters and events in 2022,' the increase in costs is caused primarily by substantially higher energy prices.

The costs of subcontracted work and other external costs also include the services provided by N.V. Nederlandse Gasunie. For further explanation of the transactions with affiliates, we refer to note 26 'Related parties'.

21. Depreciation costs

Depreciation costs can be broken down as follows:

<i>In millions of euros</i>	2020	2021
Depreciation expenses	212.3	258.7
Result from disposals	1.6	1.8
Total depreciation costs	213.9	260.5

Depreciation costs were down on 2021, as a result of the transfer of part of GTS' tangible fixed assets to Gasunie Assets B.V. and Maasvlakte Storage B.V. at the end of 2021.

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>	2022	2021
Other costs	47.9	6.4
Total other costs	6.4	6.4

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

23. Financial income and expenses

Financial income and expenses can be broken down as follows:

<i>In millions of euros</i>	2022	2021
Interest on non-current loan from the shareholder and cash pooling	60.4	83.0
Accrued interest on provisions	1.3	-
Other finance expenses	0.4	0.7
Interest and finance expenses	62.1	83.7
Capitalised as part of tangible fixed assets	-8.1	-8.3
Total financial income and expenses	54.0	75.4

Interest relating to the construction of qualifying fixed assets was capitalised based on a weighted average interest rate of 1.8% (2021: 2.4%).

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>	2021	2021
Corporate income tax for the financial year	138.1	24.1
Movement in deferred taxation	28.1	33.0
Total tax expense	166.2	57.1

The applicable tax rate in 2022 is 25.8% (2021: 25.0%). The effective tax rate in 2022 is 25.8% (2021: 31.1%). The difference between the applicable and effective tax rates in 2021 was caused by the remeasurement of deferred taxes on the back of the change to the corporate income tax rate.

25. Workforce

The company did not employ any staff in 2022 (2021: 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 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 buys services from N.V. Nederlandse Gasunie and/or its group companies. GTS and N.V. Nederlandse Gasunie have laid down the agreements with respect to this collaboration in such a way that security of supply, transport security and the safety of gas transport are guaranteed.

In 2022, the volume of the services provided amounted to € 870.1 million (2021: € 639.9 million), of which € 207.5 million (2021: € 200.5 million) related to investments in the gas transport network, and € 662.6 million (2021: € 439.3 million) were operating costs. The operating expenses relate to the deployment of employees of N.V. Nederlandse Gasunie, the procurement of flexible storage services, and the supply of materials & services and the costs passed on, including the transport-related energy costs. These services and supplies are delivered at cost.

Arm's length interest is charged on the loan taken out from N.V. Nederlandse Gasunie. In 2022, these interest expenses amounted to € 61.8 million (2021: € 83.0 million).

Transactions between GTS and other related parties

GTS provides gas transport services to customers, including GasTerra B.V. In 2022, GTS also engaged in gas procurement and sales transactions with GasTerra in relation to its statutory duty to cover peak capacity. 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

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

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

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, 7 March 2023

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Other information



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03 Other information

Provisions of the articles of association governing profit appropriation

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

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

Independent auditor's report

The independent auditor's report with respect to the 2022 company financial statements is included in the original Dutch version of the annual report.

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Annex: Rules on proper financial management



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Annex

Rules on proper financial management

Being the national transmission system operator, GTS is under an obligation to meet the requirements specified in Article 32(11)(c) and Article 10(e)(1) of the Dutch Gas Act and the Rules on proper financial management ('BFBN decision'). The BFBN decision defines four ratios, including a minimum for equity, each with a standard value that network operators must comply with. In the event the network operator fails to comply with the requirements, it must report this to ACM without delay and submit a recovery plan.

The BFBN ratios are:

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

The BFBN ratios can be broken down as follows:

	Standard	2022	2021
Ratio A	at least 1.7	11.3	3.1
Ratio B	at least 2.5	10.5	6.0
Ratio C	at least 0.11	0.18	0.12
Ratio D	no greater than 0.7	0.5	0.5

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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.