Annual Report
TENNET TSO B.V.
2015

Report by the management board

Key events 2015:

- **Power outage:** The biggest power outage in the history of the Netherlands occurred on 27 March 2015. Approximately one million house-holds and businesses in the province of Noord-Holland and a small part of Flevoland were disconnected.
- **Green Bonds:** TenneT is the first Dutch non-financial company to issue euro green bonds, leading the way in a new form of financing for a more sustainable future and supporting responsible investment.
- **Dutch Offshore Grid:** The Dutch Minister of Economic Affairs announced his intention to appoint TenneT as the developer and operator of offshore grid connections in the Dutch part of the North Sea, which will connect 3,450 MW of wind power to the onshore high-voltage grid in the years up to 2023.
- **Flow-based market coupling:** The introduction of a market mechanism called Flow-based market coupling has increased the efficiency of the European electricity market.
- **STROOM:** In December 2015 the Dutch Senate rejected the draft bill STROOM. This draft bill also included the Dutch government officially appointing TenneT to build, own and operate the Dutch offshore grid. In February 2016, a revised bill appointing TenneT to build, own and operate the Dutch offshore grid has been approved by the lower house of parliament.

Use of underlying financial information

In evaluating the performance of TenneT’s businesses, the assessment of performance and allocation of resources is based on underlying financial information instead of information reported in accordance with IFRS. Underlying financial information is based on the principle to recognise regulatory assets and liabilities in connection with TenneT’s regulated activities whereas IFRS does not permit this. This implies that amounts resulting from past events and which are allowed or required to be settled in future grid tariffs are recorded as an asset or liability, respectively. The concept behind the underlying financial information is that relevant regulatory revenues and expenses are matched with each other during a corresponding reporting period. TenneT’s Management Board believes that the presentation of underlying financial information leads to a sound, consistent and transparent financial insight into current and future business developments and provides improved insight in the true economic performance of TenneT. TenneT’s Management Board also uses underlying financial information in communicating financial performance to investors and announcements of financial results. The analysis in this financial report principally focuses on underlying financial information.

The accounting policy on underlying reporting is further detailed in note 2.1 of the consolidated financial statements. Reconciliations of underlying financial information to reported IFRS financial information can be found in note 2.1 ‘underlying reporting' of the consolidated financial statements. In 2015, underlying reporting and IFRS are significantly different due to the decrease in value due to regulatory changes on the NorNed cable of €232 million (charge in IFRS, not underlying) and the reversal of a previously recognized impairment of €90 million (benefit in underlying, not in IFRS). These also effect the net movement in equity when comparing underlying and IFRS.

Key underlying figures 2015

Key underlying figures are summarised in the table below. TenneT’s management evaluates the performance of the business primarily based on earnings before interest and taxes (‘EBIT’).

Key underlying figures *(in EUR million)*	**2015**	**2014**	Change	Change in %
Revenues	676	653	23	3.5%
Operating expenses	-471	-529	58	-11.0%
EBIT	205	124	81	65.3%
Assets	4,330	3,856	474	12.3%
Liabilities	2,874	2,457	417	17.0%
Equity	1,456	1,399	57	4.1%

Increase in revenues (underlying)
Total underlying revenue increased by 3.5% to EUR 676 million in 2015 (2014: EUR 653 million). The acquisition of the "Stedin HS netten" resulted in EUR 18 million of additional revenue in 2015. Other factors contributing to the revenue increase in the Netherlands were indexation of tariffs and other effects (total effect EUR 5 million).

Decrease in operating expenses (underlying)
Grid expenses decreased by EUR 1 million and depreciation increased by EUR 14 million, the personnel expenses increased by EUR 3 million. The other operating expenses increased by EUR 16 million due to a project disposal. Due to an impairment reversal of EUR 90 million the total decrease of the operating expenses is EUR 58 million. The remainder results from many small items.

Following impairment reviews of the regulatory assets in the Netherlands, it was decided to fully reverse the impairment on tangible fixed assets that was initially recorded in 2010. This impairment was based on, among others, the assumption of a 43% efficiency score for the extra-high voltage assets (and later changed to 85% on the total fixed assets). The regulator's proposal (late 2015) to increase the efficiency score to 90% indicated that the impairment loss recognised in 2010 no longer existed.

Earnings Before Interest and Taxes (underlying)
Higher permitted regulated revenue and decreased operating expenses resulted in an underlying EBIT increase of EUR 81 million.

Financial position (underlying)

Assets
Total underlying assets increased mainly due to an increase in tangible fixed assets of EUR 0.5 billion.
Main investments projects under construction at the end of 2015 are; Randstad 380 kV, South-West 380 kV, North-West 380 kV, Doetinchem-Wesel and Wind op Zee.

Liabilities
Underlying liabilities increased with EUR 0.4 billion due to investments in tangible fixed assets funded primarily by the parent company.

Equity
Total equity was impacted by the result for the year and dividends of EUR 83 million paid to TenneT Holding B.V..

Cash flows (reported)

Consolidated cash flows *(in EUR million)*	**2015**	**2014**	Change	Change in %
Net cash flows from operating activities	450	167	283	169%
Net cash flows used in investing activities	-436	-266	-170	-64%
Net cash flows from financing activities	-4	94	-98	-104%
Net change in cash and cash equivalents	**10**	**-5**	**15**	**300%**

Risk management
TenneT considers risk management and internal control to be integral parts of an effective management control system. In pursuing our objectives, we operate within the boundaries of our carefully delineated financial and non-financial risk policy. The company has defined its risk appetite along seven dimensions: security of supply, safety, financial performance, customers, reputation, environmental issues and compliance. TenneT's Corporate Risk Management performs an overall risk assessment twice during the year. During this assessment all risks that TenneT could possibly face are identified. Each of these risks are subsequently assessed with respect to their likelihood and impact, using the risk matrix as presented below. Those risks that are most important (high or very high evaluation) to TenneT are reported in this report. During the year, no risks have materialised in the unacceptable categories of the matrix. As risk management for the different types of risks is the responsibility of various levels of management within TenneT, the risks are presented in four categories, Strategic, Operational, Reporting and Compliance in the remainder of this section.

Risk matrix

Risk Matrix	Effect						
	1 Minor	2 Very small	3 Small	4 Moderate	5 Considerable	6 Serious	7 Extreme
Safety	Minor injury without first aid	Minor injury with first aid	Medical Treatment by a GP	Absence due to injury	Absence due to injury > 7wk	Permanent injury	Casualty
Financial	< 1 k€	1 k€ - 10 k€	10 k€ - 100k€	100k€ - 1 M€	1M€ - 10M€	10M€ - 100M€	>100 M€
Reputation: -Media attention	Internal unrest without media attention	Local media attention	Unrest in sector without media attention	Regional media attention	Limited time national media attendion	Considerable time national media attendion	Long time national media attendion or international media attention
-Political attention					Political attention on local level	Political attention on national level	Political treatment on national level
Customers	Single complaint	Claim < 10k €	Multiple complaints, or grouped complaint	Claim < 1 M€	Claim > 1 M€	Complaint by sector, treatment by sector	National and political treatment of complaint
Environment	Minor, easy to repair	Very small, repairable within limited time	Small, repairable	Moderate, difficult to repair	Considerable, very difficult to repair	Serious, hardly repairable	Extreme, non-repairable
Compliance: -Administrative law	Individual complaint of violating rules	Grouped complaint of violating rules	Formal request for information	Formal warning or investigation	Fine < 10M €	Fine > 10M€ or binding regulations	Repail License to Operate
-Criminal law						Criminal law procedure	Criminal law sanction

Frequency

7 Very often More than 10 times a year	Low	Medium	High	Very High	Unacceptable	Unacceptable	Unacceptable
6 Often More than once a year	Negligible	Low	Medium	High	Very High	Unacceptable	Unacceptable
5 Regular Once every 1-10 years	Negligible	Negligible	Low	Medium	High	Very High	Unacceptable
4 Probable Once every 10-100 years	Negligible	Negligible	Negligible	Low	Medium	High	Very High
3 Possible Once every 100-1000 years	Negligible	Negligible	Negligible	Negligible	Low	Medium	High
2 Unlikely Once every 1000-10.000 years	Negligible	Negligible	Negligible	Negligible	Negligible	Low	Medium
1 Hardly possible Less than once every 10.000 years	Negligible	Negligible	Negligible	Negligible	Negligible	Negligible	Low

As TenneT TSO B.V. depends on the Corporate Risk Management activities to ensure the risks specific to it are being managed, the risks presented below have been derived to a large extent from the Corporate Risk Management report.

Strategic risks
Strategic risks are related to TenneT's strategic objectives, as defined by the Management Board.

A strategic risk assessment is performed annually. Strategic risks are managed by the Management Board who evaluates the development of the risk and the existence of control activities. The strategic risk position is shared and discussed with the Executive Board of TenneT Holding B.V. and embedded in the Corporate Risk Assessment.

The most important strategic risks – based on our assessment of their likelihood and impact – are presented in the following table.

Strategic risk	**Risk mitigating actions**	**Trend in risk**	**Strategic goal & potential impact if risk occurs**
Divergence of company objectives and political sentiments:		→	*Engage stakeholders*
TenneT's European strategic objectives versus national political interests	Invest in relationship with relevant policy stakeholders (shareholder, regulators, ministries of economic affairs)		Threats in development of integrated and sustainable NWE electricity market
Political conflicts of interest regarding national energy strategy between the Netherlands and Germany	Alignment / involvement of future strategy and investments with stakeholders at an early stage		
Disruptive decisions on EU level	Active involvement at European interest groups (e.g. ENTSO-E)		
Significant delay in execution of certain projects:		→	*Secure supply*
Delays in executing the investment programme due to lengthy permit/licensing procedures, insufficient project control or non-acceptance and poor public perception of new projects	'Project Management Committee' and 'Asset Chain Initiative' programme to further standardise designs, processes, reports and employee skills		Constraints in security of supply, potential blackouts or interruptions
Insufficient supplier capacity and/or number of suppliers to realise investment programme	Active stakeholder management to speed up the permit and licensing procedures		
	Supplier market consultation / supplier information days to discuss future needs		
Blackout caused by TenneT:		↑	*Secure supply*
Risk of incidents/interruptions as a result of increased dynamics in load and generation mix, combined with market developments and integration of the European energy landscape	Implementation of improved IT systems and innovative processes to better anticipate the changed grid situation		Erosion of our reputation and possibly impacting our license to operate
	Increase volume contracts of control and reserve power and redispatch capacity		
	Improve cooperation with other TSOs in order to anticipate the changed European energy landscape		
Adverse changes in Dutch regulation or changes in regulatory parameters:		→	*Deliver shareholder value*
Changes in regulation or regulatory parameters causing loss of cash flow and/ or value	Maintain and invest in relationships with regulators and governments		Unable to fulfil maintenance and replacements requirements to ensure a minimum grid quality standards
National regulatory approach and perspective in European playing field	Being pro-active towards regulators and governments		
Inability to achieve sufficient capex efficiency:		↓	*Deliver shareholder value*
Budget overruns within large offshore and onshore projects	Appropriate governance arrangements with respect to project approval and execution		Unable to generate a reasonable return on invested capital
Public acceptance considerations driving up investments costs	Close project control to ensure that large-scale infrastructure projects are realised within budget		

Lack of sustainable access to equity:		↑	*Deliver shareholder value*
Inability to raise additional equity in a timely fashion in case of changes in investment portfolio or negative regulatory developments	Active financing strategy to create and maintain an optimal capital structure as well as to diversify funding sources and manage financial risks Proactive approach of potential investors / active discussion with shareholder to contribute additional equity Lobbying activities to ensure that regulatory frameworks remain adequate to safeguard returns to investors		Not capable to fulfil our future investment portfolio

The strategic risks in 2015 are substantially similar to those of 2014. In 2015, we faced the biggest ever power outage in the Netherlands, consequently the strategic risk 'blackout caused by TenneT' entered as a key risk for 2015. In prior year the majority of key risks were related to realising our investment programme: delays; inefficiencies in construction or operations; technological failure; and problems with public acceptance, which can have a substantial impact on achieving our strategic objectives. The likelihood and impact of these risks is generally lower in 2015. Nevertheless, given the large investment programme and pressure on timely completion to safeguard the continued security of supply, managing possible project delays continues to be a high priority.

The risk of not being able to raise sufficient equity capital to finance our investment programme increased in 2015, because of the size of the future on- and offshore investment programme.

The risk with regard to external factors such as adverse changes in the regulatory framework and conflicting decisions and / or views of our external stakeholders continuous to be high. A robust regulatory environment and solid strategic alignment with our stakeholders continue to be important cornerstones for safeguarding the realisation of our strategy.

Operational risks

The operational risks affecting the various departments are identified and analysed each quarter by Risk Management in conjunction with the responsible senior managers and their finance & control teams. The TenneT risk matrix is used to determine the likelihood and impact of the identified risks and establish whether they are within TenneT’s risk appetite. The respective departments produce quarterly reports detailing the status of operational risks and their progress in controlling them. Each quarter, a summary of the most important operational risks for TenneT TSO B.V. is reported to the Management Board.

In the following table the most important operational risks of TenneT TSO B.V. are presented.

Operational risk	Risk mitigating actions
Not realising planned portfolio (maintenance and investments)	
• Gap between planned and realised portfolio. Risk of the condition of the grid deteriorating in the long-term.	• Increased rate of replacing crucial components • Internal taskforces to improve internal colloboration within departments (e.g. Tactical Planning taskforce) • Improvement of project reporting cycle / project control and evaluation of projects (Plan-Do-Check-Act)
Inability to achieve opex efficiency:	
• Opex structurally higher than regulatory revenue allowance	• Increased focus on internal approval of budgets and measures taken to increase efficiency
• Insufficient awareness in organisation about cost efficiency	• Close monitoring of opex performance (actuals versus budget)

Reporting risks

Our ICF is designed to support and enhance the realisation of our objectives, fulfil legal obligations and to provide reasonable assurance regarding the reliability of our internal and external reporting. The ICF programme supports responsible management by identifying, documenting, monitoring and, if necessary, improving the control framework. Key risks and controls are defined in close cooperation between responsible business owners, controllers and risk management & internal control. They use a quantitative approach that analyses the profit and loss statement (P&L) and the balance sheet on significant accounts, and a qualitative approach by determining critical factors affecting specific process goals and objectives. In 2015, we started testing key controls through a control self-assessment carried out by control owners and coordinated by internal control experts. The outcome of these assessments is direct input for the LOR process whereby management provides assurance on the adequacy of the internal control framework for its area of responsibility. Identified issues are reported to Internal Control, who monitor and secure follow up on mitigation by assigned business owners.

Reporting risk	Risk mitigating actions
• Financial statements do not give a true and fair view of the company's financial position, financial performance and cash flows	• Use of internal control frameworks (Business, IT, Tax framework), including internal control statements
• Incorrect (regulatory) reports or information to ACM and/or tax authorities	• External and internal audit reviews and follow-up on findings • Use of internal accounting manuals

Compliance risks

TenneT aims to comply to the fullest extent with all relevant national and international legislation, technical standards and regulatory decisions. Any breach of these may have negative financial and operational consequences. Non-compliance with laws, technical standards and regulations is considered a key risk that demands continuous management attention. The business managers are responsible for keeping up to date on relevant legal, technical or regulatory changes and for implementing the relevant changes in their processes.

The following table presents compliance risks and mitigating actions, grouped in three areas.

Compliance risk	Risk mitigating actions
General / legal compliance	
• Non-compliance with European or national laws and regulations, e.g. in the area of tendering and energy markets	• Active involvement of experts from Legal Affairs, Procurement, Human Resources, Safety & Security, Regulation, etc.
• Non-compliance with bilateral agreements between TenneT and other TSOs, suppliers, customers, etc.	• Adequate registration of decisions and contracts by Legal Affairs and other involved departments
• Non-compliance with labour laws and agreements	• Involvement of external specialists (e.g. legal experts) when deemed necessary
• Non-compliance with permits and licenses	• Training and awareness programmes
• Non-compliance with health, safety and environment laws and regulations	
Financial compliance	
• Non-compliance with IFRS, local GAAP, the Dutch Corporate Governance Code	• Active involvement of experts within Finance & Control, Treasury, Tax and Legal departments
• Non-compliance with financing agreements	• Frequent knowledge update by means of training, external audit/expert reviews, etc.
• Non-compliance with financial legislation	• Availability of accounting manuals, treasury statute, etc.
• Non-compliance with tax laws and regulations	• Use of outside expertise, if and when necessary
Technical compliance	
• Non-compliance with electricity laws and technical codes, ENTSO-E operational handbook, electrical safety regulations and standards, etc.	• Regular assessments by the technical compliance officer • Cooperation with regulatory authorities by the Corporate Asset Owner department • Involvement of authorised electrical safety experts and technical strategists

Financial Risks

The financial risk management for TenneT TSO B.V. is executed by the Treasury department of TenneT Holding B.V. The main treasury risks TenneT TSO B.V. recognizes are: market risk, credit risk, liquidity risk and refinancing risk. For further details of these risks reference is made to Chapter 3 of the financial statements.

Funding

TenneT TSO B.V. is financed by TenneT Holding B.V. (the Holding) with a long term credit facility; the maximum of this facility has not been defined. The facility matures after 10 years and is automatically extended every year for another year, unless agreed upon otherwise. The conditions include a cross default clause. TenneT TSO B.V. aims to have a capital structure which is in line with the risk profile of its (predominantly regulated) activities and with the economic useful lives of its assets. To maintain ample access to a wide range of financing options and consistent with government policy and regulatory assumptions, the Holding is committed to maintaining a senior unsecured long-term credit rating of at least A3/A-. In addition, the Holding strives to have sufficient liquidity, consisting of cash and credit lines to cover the expected net cash outflow for the next 12 months on a rolling basis for all of its subsidiaries.

Outlook
TenneT TSO B.V. faces a very sizable investment programme over the next 10 years. These investments mainly involve Randstad 380 kV, South-West 380 kV, North-West 380 kV, Doetinchem-Wesel and Wind op Zee. TenneT TSO B.V. expects to continue to have a significant need for equity and debt capital during the coming years which is part of the financing plan as prepared by the corporate treasury department. Despite the investment programme we expect a stable average workforce. Regulatory changes will continue to be of importance during 2016. We expect a final decision of the ACM on the cost of debt and efficiency benchmark, which will have a positive impact on our revenues, and are hopeful that the upper house will approve the revised STROOM bill that was approved in the lower house of parliament on 18 February 2016.

Laws and regulation

Composition of the Management Board
TenneT's Management Board consists of people with diverse experiences, skills and knowledge. TenneT values this diversity and believes it contributes positively to the way situations are assessed and decisions are made. TenneT is aware that women are currently underrepresented in the Management Board and takes this into account for new appointments by making gender one of the assessment criteria and by a focussed search for qualified female candidates. When multiple qualified candidates are available, the candidate that contributes to a more equal division in gender will in principle be preferred. For future appointments, TenneT will continue its current approach and will make serious efforts to comply with the gender equality targets as described in the Dutch law and as set by the European Commission, to ensure a more equal gender representation in the Management Board by 2020.

Report in accordance with article 18 paragraph 3 of the electricity act 1998.
The relationship between TenneT TSO B.V. and its related parties within the Tennet Holding Group is compliant with the requirements of article 18 paragraph 1 of the electricity act 1998. The related parties perform the activities the transmission system operator is not allowed to in accordance with article 17a of the electricity act 1998. This implies TenneT TSO B.V. does not provide benefits to group companies which are not awarded to third parties nor does it provide group companies with other benefits exceeding normal trade practice.

The following items are considered as benefits to group companies or awarding benefits exceeding normal trade practice:
- Providing a group company with data relating to customers, not being customers as included in article 95a paragraph 1 of the electricity act 1998, who have made a request as meant in article 23 or 24 of the electricity act 1998;
- Providing goods or services to a group company at a price lower than the reasonably attributable costs; or
- Allowing the use of the name and logo of the transmission system operator in a way that could confuse the public regarding the origin of goods and services.

Besluit Financieel Beheer Netbeheerder
TenneT TSO B.V. is required by law to disclose information regarding (solvency) ratio's at the end of every financial year.

For 2015 TenneT did not meet one of the ratio requirements. In such instances article 18a paragraph 4 of the electricity act 1998 stipulates the following implications;
- TenneT sends the Authority Consumer and Markets a written notification;
- Within four weeks after the notification TenneT sets up a recovery plan describing the manner in which improvement of financial management will be realised and sends this plan to the Authority Consumer and Markets;
- TenneT will not distribute dividends to the shareholder.

For further disclosure we refer to note 6.4 of the financial statements.

FINANCIAL STATEMENTS
TENNET TSO B.V.
2015

These financial statements comprise:

- Consolidated statement of comprehensive income
- Consolidated statement of financial position
- Consolidated statement of changes in equity
- Consolidated statement of cash flows
- Notes to the consolidated financial statements
- Company statement of income
- Company statement of financial position
- Company statement of changes in equity
- Notes to the company financial statements

To the financial statements have been added:

- Appropriation of profit
- Events after the reporting period
- Independent auditor's report

Consolidated statement of comprehensive income
For the year ended 31 December
(in EUR million)

	Note	2015	2015	2014	2014
Revenue	4.1		**707**		**744**
Operating expenses					
Grid expenses	4.2.1	241		246	
Personnel expenses	4.2.2	82		82	
Depreciation, amortisation and decrease in value of assets	5.1, 5.2	407		162	
Other operating expenses	4.2.3	61		49	
Other (gains)/losses	4.2.4	16		-	
Total operating expenses			**807**		**539**
Share of result from associates and joint ventures	5.3		3		1
Operating loss / profit			**-97**		**206**
Finance income	4.3	15		13	
Finance expenses	4.3	-19		-21	
Finance result			**-4**		**-8**
Loss / Profit before income tax			**-101**		**198**
Income tax expense	4.4		-26		49
Loss / Profit for the year			**-75**		**149**
Other comprehensive income (net of tax)			**-**		**-**
Total comprehensive expense / income (net of tax)			**-75**		**149**

Both the loss for the year as well as total comprehensive expense are fully attributable to Equity holders of the company.

Consolidated statement of financial position

(in EUR million)

Assets	Note	2015	2014
Non-current assets			
Tangible fixed assets	5.1	3,239	3,101
Intangible assets	5.2	80	76
Investments in associates and joint ventures	5.3	-	13
Other financial assets	5.4	375	375
Total non-current assets		**3,694**	**3,565**
Current assets			
Inventories		6	5
Accounts- and other receivables	5.5	162	199
Financial assets	5.8	-	12
Cash and cash equivalents	5.6	49	39
Total current assets		**217**	**255**
Total assets		**3,911**	**3,820**

Consolidated statement of financial position

(in EUR million)

Equity and liabilities	Note	2015	2014
Total equity	5.7	**2,005**	**2,163**
Non-current liabilities			
Borrowings	5.9	958	958
Deferred income	5.10	211	140
Deferred tax liability	4.4	188	247
Provisions	5.11	15	16
Total non-current liabilities		**1,372**	**1,361**
Current liabilities			
Accounts- and other payables	5.12	360	127
Other financial liabilities		42	38
Provisions	5.11	132	131
Total current liabilities		**534**	**296**
Total equity and liabilities		**3,911**	**3,820**

Consolidated statement of changes in equity

(in EUR million)

	Note	Paid-up and called-up capital	Share premium reserve	Retained earnings	Unappropriated result	Total Equity
	Note	*5.7*	*5.7*	*5.7*		
Balance at 1 January 2014		**100**	**600**	**1,091**	**223**	**2,014**
Total comprehensive income		-	-	-	149	149
Appropriation remaining prior year profit		-	-	223	-223	-
Balance at 31 December 2014		**100**	**600**	**1,314**	**149**	**2,163**
Total comprehensive income		-	-	-	-75	-75
Dividends paid	5.7	-	-	-	-83	-83
Appropriation prior year profit		-	-	66	-66	-
Balance at 31 December 2015		**100**	**600**	**1,380**	**-75**	**2,005**

Consolidated statement of cash flows for the year 2015
(in EUR million)

	Note	2015		2014	
Operational activities					
Operating profit			**-97**		**206**
Non-cash adjustments to reconcile profit to net cash flows:					
Depreciation, amortisation and decrease in value of assets	5.1, 5.2	407		162	
Disposal of tangible and intangible fixed assets		16		-	
Share of result of associates and joint ventures	5.3	-1		-1	
Increase/(decrease) in deferred income	5.10	71		-15	
Movements in provisions and other (financial) liabilities and assets	5.11	-35		1	
			458		**147**
Working capital adjustments:					
(Increase)/decrease in trade and other receivables	5.5	-43		14	
(Increase)/decrease in trade and other receivables related to acquisition of 'CBL grid Stedin Zuid Holland'	5.5	-		-80	
(Increase)/decrease in inventories	5.3	-1		-	
(Increase)/decrease in provisions	5.11	-24		-58	
Increase/(decrease) in trade and other payables	5.12	153		-63	
Increase/(decrease) in other current (financial) liabilities		4		1	
			89		**-186**
Net cash flows from operating activities			**450**		**167**
Investment activities					
Purchase of tangible and intangible fixed assets	5.1, 5.2	-471		-307	
Proceeds from sale of tangible and intangible fixed assets		6		-	
Contributions to current financial assets	5.8	-		-12	
Proceeds from sale of associate		12		-	
Proceeds from repayment of current financial assets	5.8	13		51	
Interest received	4.3	4		2	
Net cash flows used in investing activities			**-436**		**-266**
Financing activities					
Proceeds from borrowings	5.9	-		96	
Interest paid	4.3	-4		-2	
Net cash flows from financing activities			**-4**		**94**
Net change in cash and cash equivalents			**10**		**-5**
Cash and cash equivalents at 31 December	5.6	49		39	
Cash and cash equivalents at 1 January	5.6	39		44	
			10		**-5**

1 Corporate information

General

The consolidated financial statements of TenneT TSO B.V. and its subsidiaries (hereafter referred to as "TenneT" or "the Group") for the year ended 31 December 2015 were authorised for issue on 3 March 2016. For regulatory, risk management and treasury activities TenneT relies on support from corporate departments of TenneT Holding B.V. These activities are executed under responsibility of the management board of TenneT TSO B.V.

As an electricity transmission system operator (TSO), TenneT's principal tasks are to provide (1) power transmission services, by constructing and maintaining a robust high-voltage grid and (2) system services, by maintaining the balance between supply and demand of electricity 24 hours a day, 7 days a week and (3) facilitating the market in order to have a liquid, stable electricity market with prices in line with the surrounding countries.

These activities are governed by the provisions of relevant legislation in the Netherlands. Regulatory authorities oversee TenneT's compliance with these provisions.

TenneT Holding B.V. holds the entire issued share capital of TenneT TSO B.V. The head office (and legal seat) is located at Utrechtseweg 310, 6800 AS Arnhem.

General basis for preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and with part 9, Book 2 of the Netherlands civil code.

The consolidated financial statements are presented in euros and all values are rounded to the nearest million (€ ,000,000), except when otherwise indicated.

Pursuant to Article 402, Book 2, of the Netherlands Civil Code, the company profit-and-loss account has been presented in abridged form.

Basis for consolidation

The consolidated financial statements comprise the financial statements of the TenneT TSO B.V. and its subsidiaries as at 31 December 2015.

Subsidiaries are consolidated from the date of acquisition, that being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances, transactions, unrealised gains and losses resulting from intercompany transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group ceases to have control of a subsidiary, it derecognises the subsidiary's assets (including goodwill) and liabilities, with any non-controlling interest and the cumulative translation differences recorded in equity. Furthermore, the Group recognises the fair value of the consideration received, the fair value of any investment retained, and any surplus or deficit in profit or loss.

The following legal entities are included in the consolidation:

	Share of capital held
TenneT TSO B.V., Arnhem	
• CertiQ B.V., Arnhem	(100%)
• Saranne B.V., Arnhem	(100%)**
• B.V. Transportnet Zuid-Holland, Voorburg	(100%)**
• HS Netten Zeeland B.V., Middelburg	(100%)**
• Nadine Netwerk B.V., Arnhem	(100%)**
• TenneT TSO E B.V., Arnhem	(100%)**
• Stichting Beheer Doelgelden Landelijk Hoogspanningsnet, Arnhem	(0%)*

* The consolidation includes Stichting Beheer Doelgelden Landelijk Hoogspanningsnet (hereafter 'the Foundation'). The Foundation temporarily manages the funds arising from maintenance of the energy balance and auctioning by TenneT TSO

B.V. TenneT TSO B.V. can exercise direct control over its management and financial- and operational policy, consequently the Foundation is included in the consolidation of the Group.

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

Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Management assesses such estimates continuously on the basis of previous results and experience, consultations with experts, trends, prognoses and other methods which management deems appropriate in each individual case. Since TenneT is subject to risks and uncertainties this may lead to actual results differing from these estimates, both positively and negatively. Significant items relating to TenneT's use of estimates and assumptions are as follows:

Item	Note	Estimate/assumptions
Impairment of tangible fixed assets	5.1	Estimate of recoverable amount
Tangible fixed assets	5.1	Estimate of remaining useful life
Intangible fixed assets	5.2	Estimate of recoverable amount and remaining useful life
Impairment review of goodwill	5.2	Estimate of cash flow projections and pre-tax discount rate
Provision for environmental management and decommissioning	5.11	Estimate of removal costs, removal dates and price increases in the period leading up to removal
Tariffs related provision	5.11	Estimate of electricity usage and number of parties
Other provisions	5.11	Mainly relate to estimate of probability, realisation date and curtailed feed-in volumes and prices

Reclassifications

The classification of financial items has been reassessed and as a result certain items have been reclassified in the statement of income or statement of financial position. Originally reported comparative figures have been reclassified in order to conform to the current year's presentation.

2 Underlying financial reporting

TenneT's Management Board believes that the presentation of underlying financial information leads to a sound, consistent and transparent financial insight into current and future business developments.

2015 *(in EUR million)*	TenneT TSO IFRS	Adjustments to underlying	TenneT TSO Underlying Information
Assets	**3,911**	**419**	**4,330**
Liabilities	1,906	968	2,874
Equity	2,005	-549	1,456
Equity and liabilities	**3,911**	**419**	**4,330**
Revenue	707	-31	676
Depreciation and amortisation	406	-330	76
Other costs	398	-3	395
EBIT	**-97**	**302**	**205**

2014 *(in EUR million)*	TenneT TSO IFRS	Adjustments to underlying	TenneT TSO Underlying Information
Assets	**3,820**	**36**	**3,856**
Liabilities	1,657	800	2,457
Equity	2,163	-764	1,399
Equity and liabilities	**3,820**	**36**	**3,856**
Revenue	744	-91	653
Depreciation and amortisation	162	-9	153
Other costs	376	-	376
EBIT	**206**	**-82**	**124**

Following discussions with the Authority Consumer and Markets ('ACM') on the manner in which investments in interconnector capacity should be financed in the future, TenneT signed a new policy framework for interconnectors on 15 December 2015. This framework results in TenneT having to utilize future auction receipts to reduce future tariffs. As such, the auction receipts balance currently presented as a difference between the IFRS financial statements and the underlying financial information is expected to decline in future years.

Accounting policies applied for underlying financial information

As described earlier, the financial information presented in this note and in the board report is based on underlying financial information, which differs from IFRS. The accounting principles applied differ from IFRS with respect to the recognition of regulated assets, regulated liabilities and auctions receipts. No other differences between underlying financial information and IFRS are applicable.

The key requirement for the recognition of regulatory deferral accounts in underlying financial information is that an existing regulatory framework must be in place that permits the future reimbursement or requires the future settlement of the regulated asset or liability respectively. Consequently, a regulated asset is recognised in underlying financial information in respect of permitted reimbursements of current year expenses in future years. And vice versa, a regulated liability is recognised in underlying financial information in respect of required settlements (i.e. repayments) of current year revenues through future tariffs. Regulatory revenues and expenses are matched with each other during a corresponding reporting period.

Furthermore, auction receipts resulting from auctioning available capacity on cross-border interconnections are recognised as a liability in underlying financial information, whereas under IFRS these auction receipts are recognised as revenue. In underlying financial information auction receipts are initially valued at fair value and subsequently measured at amortised cost using the effective interest method. Once approved by the regulator, investments made using auction receipts are classified as investment contributions (presented under ‘Liabilities’). An annual amount equal to the depreciation charges, plus a portion of the operating expenses, is recognised in the statement of income. The different accounting treatment of the regulatory deferral accounts results in a different value of the assets.

3 Financial risk management

TenneT's activities expose it to a range of financial risks, the main ones being regulatory risk, interest rate risk, credit risk and liquidity risk. TenneT's financial risk management primarily focuses on protecting the liquidity, equity capital and net result in order to safeguard the Group's ability to continue its active operations while providing an adequate return to its shareholders. This note outlines TenneT's approach to managing financial risks, including a number of specific disclosures (such as a maturity analysis of contractual undiscounted financial obligations) required by accounting standards.

Risk management related to regulation is conducted by the Corporate Regulation department under policies approved by the Management Board. The Company's regulatory risk management objectives, policies and processes were unchanged in 2015 compared to 2014. The objective of the Corporate Regulation department is aligned with the corporate objectives described above. Specific focus is put on an adequate rate of return on invested capital, the financeability of investments and realistic efficiency targets on TenneT's capital and operational expenditures.

Risk management related to financing activities is conducted by the Corporate Treasury department under policies approved by the Management Board. The Company's financial risk management objectives, policies and processes were unchanged in 2015 compared to 2014. The Treasury department's objective is to facilitate TenneT's realisation of its financial and strategic objectives from a funding and financial risk perspective. The Management Board has approved TenneT's Treasury Statute, which includes principles covering specific areas such as interest rate risk, liquidity risk, the use of derivatives and the investment of excess liquidity. The use of all ordinary course financial instruments is permitted, provided these are used solely to cover positions. Any speculative use of financial instruments is expressly not authorised. The Management Board has also approved specific risk management solutions such as the issuance of new debt capital market instruments.

TenneT TSO B.V. is exposed to the following risks, which are described in more detail below:

- regulatory risk;
- interest rate risk;
- credit risk; and
- liquidity risk

3.1 Regulatory risk

A substantial part of TenneT's revenues comes from regulated activities. Changes to the regulatory frameworks directly affect our activities and performance. As such it is important that our activities are regulated by a realistic, stable and predictable regulatory framework.

In 2016 the Authority for Consumers and Markets, the Dutch regulator, will set the weighted average cost of capital for the 7th regulatory period (starting 2017), being a combination of the regulatory return on equity and the allowed cost of debt remuneration. TenneT TSO B.V. has an active dialogue with the regulator to discuss a solution that provides an adequate equity and debt remuneration that adjusts for the historically low risk free rate and ensures a sufficient basis for the financeability of investments required for the energy transition.

The Ministry of Economic Affairs is planning a revision of the Electricity Act through the legislative process, named STROOM. Next to appointing TenneT TSO B.V. as the offshore grid operator for connecting offshore wind, the legislative proposal includes regulatory improvements such as the remuneration without delay of the financing costs of large investment projects. Unfortunately late December 2015 the Dutch Senate rejected the proposed law. In February 2016, a revised (emergency) bill has been approved by the lower house of parliament appointing TenneT to build, own and operate the Dutch offshore grid and arranging for immediate reimbursing of investments.

The specific risks affecting TenneT TSO B.V. are summarised below:

Risk	Risk mitigation actions
Substantial requests from TSOs in other countries for infrastructure financing as part of the Cross-Border-Cost-Allocation procedure for Projects of Common Interest, so-called PCIs.	The objective is to have a solid, legally settled base to include any acknowledged claim in the grid fees, without delay. Therefore it is necessary to build up specific knowledge on PCIs to be able to judge and deal with such requests; Be a competent partner to regulatory authorities to set up reasonable financing arrangements to be applied when justified requests have to be dealt with and lead to payments.
Delay in the national implementation of Network Codes, in the extreme case leading to infringement cases by the European Commission against TenneT.	Be largely involved in the implementation of Network Codes, create the appropriate internal structures to cope with the requirements and engage in the relevant European structures for this purpose.
Insufficient investment incentives within national regulatory framework	Implement international best practices regarding financeability of investments in the national regulatory framework that relate to an adequate balance between risk, reward and timely remuneration.
TenneT is not able to achieve a reasonable rate of return on its invested capital as the regulatory WACC is set at a too low level as a consequence of the artificially low risk free interest rate	TenneT seeks dialogue with its regulator to discuss a solution that reflects the current financial market conditions. ACM is required by court to substantiate its approach to cost of debt in such a way that the efficient costs will be remunerated within a regulatory period.
Inability to achieve the efficiency targets set by the regulator on operational and capital expenditures by organisation measures	TenneT has successfully appealed at court against the efficiency parameter that was set by ACM based on the national run of the international benchmark study. ACM is required to repair its decision. In the new STROOM legislation additional conditions will be introduced such as the treatment of non-influenceable costs in determining and setting the efficiency target.

3.2 Interest rate risk

The Company is exposed to interest rate risk on its debt portfolio. To manage the Group’s interest rate risk, TenneT's policy is to ensure that the majority of its loan portfolio is based on a fixed interest rate. At present, the long-term loan portfolio is wholly based on fixed interest rates, consequently the Group’s interest rate risk is very limited. An increase or decrease in interest rates of 2 percentage points would create an increase or decrease of EUR 0,1 million in the Group’s net interest cost (2014: EUR 0,3 million) results from short-term loans.

Furthermore, the Company is at risk of its interest payable on liabilities exceeding the interest receivable by TenneT TSO B.V. under the prevailing regulatory system. The ACM has set the relevant interest rate at 3.85% for the current regulatory period (2014-2016).

3.3 Credit risk

In general TenneT TSO B.V. is exposed to the risk of loss resulting from counterparties’ defaulting on their commitments including failure to pay or make a delivery on a contract. TenneT's exposure to credit risk from its operating activities and treasury activities is inherent in our business activities.

Operational credit risk

In respect of its operating activities, the Group has a credit policy in place, which takes into account the risk profiles of the counterparties. The Group has policies in place to monitor the financial viability of counterparties.

TenneT TSO B.V. is responsible for maintaining the balance between supply and demand of energy. The associated costs are covered by income from parties with balance responsibility, which are charged for any imbalances attributable to them. Any surplus is deducted from the tariffs for system services. For certain situations, securities in the form of bank guarantees and collaterals are held as protection against the parties with balance responsibility defaulting.

Also with respect to the investment projects, TenneT TSO B.V. asks certain counterparties to deliver bank guarantees or collaterals as a protection against defaults.

The management of energy exchanges, and the maintenance of the energy balance between supply and demand all require TenneT TSO B.V. to handle large cash flows. The Company's policies are aimed at minimising the risks associated with the clearing transactions of these cash flows.

The risk on trade receivables is very limited, as the losses are expected to qualify for compensation in future tariffs.

Financial credit risk

In 2015, credit risk arose mainly from TenneT's transactions and positions with financial institutions. As at 31 December 2015, the maximum credit risk amounted to EUR 7 million (2014: EUR 13 million).

In accordance with our treasury policies, counterparty credit exposure is monitored frequently against the counterparty credit limits. TenneT TSO B.V. has concentration limits in place when funds are placed on deposit or when financial derivatives are arranged. TenneT's policy is that a counterparty must have an 'A-' credit rating or higher. As at 31 December 2015, the Group did not have any deposits with third parties (2014: EUR 12 million).

Management does not expect any significant losses from non-performance by treasury counterparties.

3.4 Liquidity risk

Liquidity risk is defined as the risk that the Group cannot meet its short-term financial obligations. The Group's objective when managing liquidity is to be able to meet its short-term obligations at all times. The Group monitors the liquidity of the Group every month on a rolling 12-month forward-looking basis.

The following maturity schedule presents TenneT's financial obligations at 31 December 2015 and 31 December 2014 on a non-discounted basis:

Maturity schedule (in EUR million)

31 December 2015	<1M	1M<3M	3M<1Y	1-5Y	>5Y	Total
Liabilities relating to assets at free disposal						
Borrowings.	2	5	22	118	72	219
Borrowing from parent					958	958
Accounts payable and other liabilities, excluding interest payable	345	-	15	-	-	360
Other financial liabilities	42	-	-	-	-	42
Total	**389**	**5**	**37**	**118**	**1,030**	**1,579**

Maturity schedule (in EUR million)

31 December 2014	<1M	1M<3M	3M<1Y	1-5Y	>5Y	Total
Liabilities relating to assets at free disposal						
Borrowings.	3	6	29	155	118	311
Borrowing from parent					958	958
Accounts payable and other liabilities, excluding interest payable	113	-	14	-	-	127
Other financial liabilities	38	-	-	-	-	38
Total	**154**	**6**	**43**	**155**	**1,076**	**1,434**

The financing arrangement with TenneT Holding B.V. is such that management expects that all substantial adverse financial developments and events can reasonably be expected to be accommodated and that continuation of day-to-day operations is ensured for at least 12 months. No security interest over any of the Group's assets has been provided. All facilities have floating-rate interest conditions.

TenneT expects to meet its obligations for 2016 with (i) cash and cash equivalents, (ii) funds from operations (iii) drawings on the facility provided by TenneT Holding B.V.

Financial instruments – Fair values
Set out in the table below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

		Carrying amount		Fair value		
(in EUR million)	Note	2015	2014	2015	2014	Hierarchy
Financial Assets						
Loans and receivables:						
- Accounts- and other receivables	5.5	162	199	162	199	Level 3
- (Other) financial assets	5.4	375	387	375	387	Level 3
Cash and cash equivalents	5.6	49	39	49	39	Level 1
Total		**586**	**625**	**586**	**625**	
Financial Liabilities						
Borrowings:						
- Borrowings	5.9	958	958	969	971	Level 3
- Accounts- and other payables	5.12	360	127	360	127	Level 3
- Other financial liabilities	5.8	42	38	42	38	Level 3
Total		**1,360**	**1,123**	**1,371**	**1,136**	

The Group concluded that the fair value of the loans and receivables, cash and cash equivalents, account- and other payables and other financial liabilities approximate their carrying amounts due to the short-term maturities of these instruments. There have been no transfers between the fair value hierarchy levels.

Fair value hierarchy
As at 31 December 2015 TenneT TSO B.V. holds no financial instruments valued at fair value. TenneT TSO B.V. uses the following hierarchy for determining the fair value of financial instruments by valuation technique:
Level 1: Measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: Measurement based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3: Measurement based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

4. Items of the consolidated statements of income

4.1 Revenue

(in EUR million)	2015	2014
Connection and transmission services	489	432
System services	-25	106
Maintenance of energy balance	56	37
Operation of energy exchanges	157	144
Other	30	25
Total	**707**	**744**

Connection, transmission and system services
The revenue from connection, transmission and system services is to a large extent regulated by the Authority Consumer and Markets in the Netherlands. The revenue from connection and transmission services includes the revenue from services provided to regional grid operators and industrial clients (resolution of transmission restrictions and reactive power management).
Revenue includes an assessment of unbilled connection and transmission services supplied to customers for the month December. This assessment is based on historical consumption over the relevant period.

System services
From the 1st of January 2015 there are no system services billed any more. These services are included in the connection- and transmission services. The negative revenue from system services is due to an net increase of the system services tariffs provision.

Maintenance of energy balance
This amount includes the revenue from maintenance of the energy balance between supply and demand.

Operation of energy exchanges
This amount includes auction revenues consisting of auctioning cross-border interconnection capacity.

4.2. Operating expenses

4.2.1 Grid expenses

(in EUR million)	2015	2014
Connection and transmission services	73	67
System services	66	74
Maintenance of energy balance	26	25
Costs of maintaining and operating transmission grids	87	88
Systems for primary operating processes	-11	-8
Total	**241**	**246**

Connection and transmission services
The expenses associated with the provision of connection and transmission services relate to purchases for grid losses, transmission restrictions and reactive power.

System services
The expenses associated with system services involve the purchase of regulating and reserve capacity, black-start facilities and emergency capacity.

Maintenance of energy balance
This amount comprises of the costs from maintenance of the energy balance between the supply and demand of electricity.

4.2.2 Personnel expenses

(in EUR million)	2015	2014
Salaries	81	76
Social security contributions	10	9
Pension charges defined contribution plans	11	12
Hiring of temporary personnel	12	15
Other personnel expenses	17	15
Capitalised costs for tangible fixed assets	-49	-45
Total	**82**	**82**

In 2015, the average workforce amounted to 1,187 FTEs (2014: 1,157 FTEs). All FTEs were employed in the Netherlands.

Key management remuneration
The members of the Executive Board of the parent company are regarded as key management. The remuneration paid to the members of the Management Board is summarised below.

In EUR thousand	Fixed remuneration	Variable remuneration	Pension contributions	Total
2015	562	126	168	**856**
2014	537	145	156	**838**

The variable remuneration of the Management Board members is send by the Supervisory Board of TenneT Holding B.V., in which both members also have a role.

As of January 1, 2015, new legislation in the Netherlands has introduced a lower pension build up percentage for all employees as well as a cap for gross premium for pensionable income above EUR 100,000. Depending on the pensionable income and the remaining years to retirement, the changes in the pension legislation will lead to lower projected pension outcomes. The lower pension build up leads to lower pension premium payments by employers, which are partly offset by a collective salary increase as defined in the 'NWb' Collective Labour Agreement for grid companies. To partly compensate the impact of the cap for gross premium for pensionable income, TenneT directors receive the same compensation as TenneT employees with an income above EUR 100,000. The compensation is based on the fiscally allowed pension premium percentage for income above EUR 100,000 and specified per age category. The compensation is included in the pension contributions mentioned above.

Remuneration paid to members of the Management Board in respect of supervisory directorships in affiliated entities accrues to the company.

Pension charges defined contribution plans
TenneT TSO B.V. has a multi-employer scheme for the majority of its Dutch personnel, which is administered by the ABP Pension Fund (ABP). ABP has indicated that it is unable to provide the kind of company-specific information required by IFRS for defined-benefit pension schemes. As such, this scheme is treated as if it were a defined contribution scheme.

In 2016 the Group expects to contribute EUR 11 million to the multi-employer scheme administered by the ABP in the Netherlands. In 2008 the funding ratio of the ABP pension fund deteriorated. Consequently ABP introduced a recovery plan in 2009. In accordance with this recovery plan, ABP evaluates how recovery is progressing at the start of each year. Progress is measured by means of the funding ratio at the end of the preceding year. A new method of calculating the funding ratio was effective from 2015. This method calculates the 12-month moving average of the nominal funding ratio (called policy funding ratio). ABP’s policy funding ratio as at 31 December 2015 is 98.7% (2014: 104.7%). Compared to the total participants in the ABP pension fund, TenneT's share in ABP is very limited.

4.2.3 Other operating expenses

(in EUR million)	2015	2014
Accommodation and office expenses	18	18
Consultancy expenses	6	7
Travel and subsistence expenses	8	9
Other operating expenses	29	15
Total	**61**	**49**

Independent auditor's fees are classified under 'Other operating expenses'. For 2015 this concerns the fees charged by Ernst & Young Accountants LLP regarding assurance of the financial statements and related assurance services of EUR 445k (2014: EUR 462k).

4.2.4 Other gains and losses

(in EUR million)	**2015**	**2014**
Disposal of assets	16	-
Total	**16**	**-**

Other gains and losses mainly relate to the partial disposal of developed software.

4.3 Finance income and expenses

Finance income

(in EUR million)	**2015**	**2014**
Interest from participations	11	8
Interest from shareholder	2	3
Other interest income	2	2
Total	**15**	**13**

Finance expenses

(in EUR million)	**2015**	**2014**
Interest expenses borrowings shareholder	34	34
Interest on assets under construction	-19	-15
Other interest expenses	4	2
Total	**19**	**21**

For the effective rate of interest on assets under construction and interest on long-term loans, reference is made to note 5.1 respectively 5.9.

4.4 Income Tax

TenneT TSO B.V. forms a fiscal unity with TenneT Holding B.V. regarding income tax. TenneT TSO B.V. has recognised income tax as if the company is solely liable for income tax.

The major components of income tax expense are:

Consolidated income statement

(in EUR million)	2015	2014
Current income tax:		
Current income tax charge	33	26
Adjustments in respect of current income tax of previous years	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	-59	23
Income tax expense reported in the income statement	**-26**	**49**

A reconciliation between tax expense and the accounting profit multiplied by the domestic tax rate is as follows:

(in EUR million)	2015	2014
Accounting profit before income tax	**-101**	**198**
At statutory income tax rate of 25% (2014: 25%)	-26	49
Adjustments in respect of current income tax of previous years	-	-
Non-taxable income / Non-deductible expenses for tax purposes	-	-
At the effective income tax rate of 25.7% (2014: 24.7%)	**-26**	**49**

Deferred tax relate to the following:

(in EUR million)	**Statement of financial position**		**Statement of income**	
	2015	2014	2015	2014
Auction receipts	-208	-180	27	14
Investment contributions	-76	-78	-2	2
Tariffs to be settled	37	24	-13	13
Accelerated depreciation for tax purposes	54	-17	-71	-6
Provisions recognised for tax purposes	3	3	-	-
Receivables and payables	-	-	-	-
Other	2	1	-	-
Deferred tax expense/(income)			**-59**	**23**
Net deferred tax assets/(liabilities)	**-188**	**-247**		

Reconciliation of net deferred tax liabilities

(in EUR million)	2015	2014
Opening balance as of 1 January	**-247**	**-224**
Tax income/(expense) during the period recognised in profit or loss	59	-23
Closing balance as at 31 December	**-188**	**-247**

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred assets and deferred liabilities relate to income taxes levied by the same tax authority. The group does not have any tax loss carry forwards.

5. Items of the consolidated statement of financial position

5.1 Tangible fixed assets

(in EUR million)	High-voltage substations	High-voltage connections	Other assets	Assets under construction	Total
Cost					
At 1 January 2014	1,456	1,831	158	620	4,065
Additions	-	-	-	298	298
Transfers	162	122	51	-335	-
Transfers from assets held for sale	5	-	-	-	5
Disposals	-	-	-6	-	-6
At 31 December 2014	**1,623**	**1,953**	**203**	**583**	**4,362**
Additions	35	57	5	447	544
Transfers	141	119	80	-340	-
Transfers from assets held for sale	-	-	-	-	-
Disposals	-2	-	-26	-16	-44
At 31 December 2015	**1,797**	**2,129**	**262**	**674**	**4,862**
Depreciation and impairment					
At 1 January 2014	522	544	60	-	1,126
Depreciation for the year	61	64	14	-	139
Transfers	2	-	-	-	2
Impairment	-	-	-6	-	-6
At 31 December 2014	**585**	**608**	**68**	**-**	**1,261**
Depreciation for the year	67	69	17	-	153
Decrease in value due to regulatory developments	78	154	-	-	232
Disposals	-1	-	-22	-	-23
At 31 December 2015	**729**	**831**	**63**	**-**	**1,623**
Net Book value:					
At 1 January 2014	934	1,287	98	620	2,939
At 31 December 2014	1,038	1,345	135	583	3,101
At 31 December 2015	1,068	1,298	199	674	3,239

High-voltage substations include transformers. High-voltage connections consist of overhead and underground connections, insofar as they are owned by TenneT TSO B.V.. TenneT TSO B.V. does not own the land surrounding its high-voltage pylons and cables. Other tangible fixed assets consist of office buildings, office ICT equipment and other company assets.

Capitalised borrowing costs
The amount of borrowing costs capitalised during the year ended 31 December 2015 was EUR 19 million (2014: EUR 15 million). The effective interest rate used to determine the amount of borrowing costs eligible for capitalisation was 3.3% (2014: 3.8%).

Decrease in value due to regulation development
On 15 December 2015 TenneT and the ACM signed a new policy framework for interconnectors ('Bevoegdhedenovereenkomst'). This regulatory change directly impacted the economic useful life of the NorNed interconnector for TenneT. The construction of the NorNed cable was financed by auction receipts in the past; as a result TenneT neither receives a reimbursement for the depreciation nor for the cost of capital on the NorNed assets. The majority of the economic benefits for TenneT was related to revenues from auctioning of capacity on the NorNed cable. However, following the change in regulation, any future auction receipts must be returned to consumers in future tariffs. This change in regulation resulted in a reduction of the future economic benefits embodied in the NorNed assets to nil as from 1 January 2016 and as such a decrease of the remaining carrying value of the NorNed assets for TenneT from EUR 232 million to zero as per 31 December 2015.

Disposals
Disposals mainly relate to an office building and software that was being developed.

Impairment test

The recoverable amount of the TSO Netherlands CGU was determined based on a value in use calculation using cash flow projections from the Group's three year business plan and cash flows beyond the three-year period were estimated on the basis of regulatory allowed returns and invested capital. Management believes that these cash flows can be determined reliably and give an appropriate reflection of the CGUs cash flow generating potential. The main assumptions applied in calculating the recoverable amount of TSO Netherlands CGU are:

- Discount rate – The applied discount rate is equal to the regulatory allowed return on capital (3.2% nominal, post-tax). For auction receipts a higher discount rate has been applied due to its different risk profile (5.0% nominal, post-tax).
- CAPEX efficiency score 90% until 2025 - The applied CAPEX efficiency score equals the ACM's recent proposal for the current regulatory period.
- Growth rate – The applied growth rate has been derived from the capital expenditures included in the company's business plan and for the period thereafter management has assumed a long-term sustainable level of investments.

Based on these assumptions the recoverable amount of TSO Netherlands CGU was some EUR 150 million above the carrying value. A change in the post-tax discount rate of 0.5% would result in a change in the recoverable amount of some EUR 50 million. An indefinite change in the CAPEX efficiency benchmark score of 1% would result in a change in the recoverable amount of some EUR 90 million. Overall, management concluded that the recoverable amount of TSO Netherlands CGU was in excess of its carrying value and therefore no impairment loss was to be recognised.

5.2 Intangible assets

(in EUR million)	Software	Telecom contracts	Goodwill	Other Intangible assets	Total
Cost:					
At 1 January 2014	89	64	3	14	170
Additions	23	-	-	1	24
At 31 December 2014	**112**	**64**	**3**	**15**	**194**
Additions	26	-	-	-	26
At 31 December 2015	**138**	**64**	**3**	**15**	**220**
Amortisation and impairment					
At 1 January 2014	70	23	-	2	95
Amortisation for the year	17	5	-	1	23
At 31 December 2014	**87**	**28**	**-**	**3**	**118**
Amortisation for the year	17	5	-	-	22
At 31 December 2015	**104**	**33**	**-**	**3**	**140**
Net Book value:					
At 1 January 2014	19	41	3	12	75
At 31 December 2014	25	36	3	12	76
At 31 December 2015	34	31	3	12	80

5.3 Investments in associates and joint ventures

The group holds a 50% joint venture in Reddyn B.V., TeslaN B.V. en TensZ B.V. which are immaterial to the group.

In addition, the group holds an immaterial investment in Energie Data Services Nederland (EDSN) B.V.

In 2015 TenneT TSO B.V. received EUR 2 million dividend from its associates and joint ventures (2014: nil).

In 2015 TenneT TSO B.V. sold the entire investment (of 24.5%) in HGRT to TenneT Holding B.V.

5.4 Other financial assets

(in EUR million)	2015	2014
Participation in TenneT TSO Germany B.V.	375	375
Total	**375**	**375**

TenneT TSO Germany B.V.
The Foundation for the Management of Allocated Funds from the National High-Voltage Grid (hereafter: 'The Foundation') holds a 10% investment recognised at fair value. In order to protect the allocated funds and to ensure their immediate availability upon request from the Dutch regulator a put- and a call option have been emitted at 25 February 2010. The call option with an exercise price of EUR 375 million and a maturity period of ten years entitles TenneT Holding B.V. to acquire the investment from 'The Foundation'. The put option has an exercise price of EUR 375 million and a maturity period of ten years and requires TenneT Orange B.V. to buy the investment from 'The Foundation' upon offer. The obligation of TenneT Orange B.V. is largely covered by means of a guarantee issued by the Dutch government.

The fair value of the participation amounts to EUR 424 million; the fair values of the options are minus EUR 49 million for the call option and nil for the put option.

5.5 Accounts- and other receivables

(in EUR million)	2015	2014
Trade receivables	91	33
Amounts to be invoiced	31	64
Amounts due from related parties	6	7
Interest receivables	1	1
Other	33	94
Total	**162**	**199**

Trade receivables
In respect of the regular trade receivables the credit risk is limited since the majority of potential losses are expected to be compensated in future tariffs. As at 31 December 2015, receivables with an initial value of EUR 1 million (2014: 3 million) were impaired and fully provided for.

The movement in the provision for impairment of receivables is as follows:

(in EUR million)	2015	2014
Balance at 1 January	3	2
Charge for the year	5	1
Utilised	-2	-
Unused amounts reversed	-	-
Total	**6**	**3**

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

(in EUR million)			Past due but not impaired		
	Total	Neither past due nor impaired	0-30 days	31-60 days	>60 days
2015	**91**	69	2	2	18
2014	**33**	12	2	-	19

Further reference is made to chapter 4 'Financial risk management' for a discussion on how the Group analyses and manages credit risk.

5.6 Cash and cash equivalents

Cash and cash equivalents consist of collateral securities (2015: EUR 42 million; 2014: EUR 38 million), short-term bank deposits and cash at bank (2015: EUR 7 million; 2014: EUR 1 million).

Short-term deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Cash at banks earn interest at floating rates based on daily bank deposit rates. For the (undrawn) committed borrowing facilities reference is made to note 5.9.

5.7 Equity

Paid-up and called-up capital
The company's authorised share capital amounts to EUR 500 million (2014: EUR 500 million), divided into one million shares of EUR 500 each. Of these shares, two hundred thousand shares have been issued and paid-up.

Share premium reserve
The share premium reserve relates to a EUR 600 million capital contribution granted by the shareholder in 2011.

Unappropriated result
The loss for 2015 is at the free disposal of the General Meeting of Shareholders. As described in note 6.4 TenneT will not be able to distribute a dividend to its parent due to not meeting a BFBN ratio as of 31 December 2015.

5.8 Financial assets and liabilities

The current financial assets comprise of deposits made by the Foundation for the Management of Allocated Funds from the National High-Voltage Grid and are not at free disposal.

Other financial liabilities relate to collateral securities given by third parties to underwrite trading on energy exchanges and the auctioning of cross-border interconnection capacity.

5.9 Borrowings

(in EUR million)	**Effective Interest rate**	**Maturity**	**Redemption schedule**	**2015**	**2014**
Non-current interest-bearing borrowings					
Loans from shareholder	3.33%	December 2025	At maturity	883	883
Loans from related parties	5.16%	February 2020	At maturity	75	75
Total				**958**	**958**

TenneT TSO B.V. is financed through TenneT Holding B.V. as per 31 December 2015 the principal amount of the finance facility between TenneT Holding B.V. and TenneT TSO B.V. amounted to EUR 883 million. (2014: EUR 883 million); a maximum facility has not been agreed upon. The facility matures after 10 years and is automatically extended every year for another year, unless agreed upon otherwise. The conditions include a cross default clause. The effective interest rate is equal to the cost of fund of TenneT Holding B.V. with a surcharge of 0.125%. The Group had no other credit facilities as at 31 December 2015 (2014: nil).

5.10 Deferred income

(in EUR million)	2015	2014
Investment contributions	210	139
Other	1	1
Total	**211**	**140**

Investment contributions relate to a payment from certain third parties for construction of a new substation, a grid connection or increased capacity for its connection. The payment is recognised as revenue over the related asset's useful life.

5.11 Provisions

(in EUR million)	Total 2015		Total 2014	
	Current	Non-current	Current	Non-current
Environmental management and decommissioning	2	8	2	8
System services tariffs	129	-	128	-
Personnel	-	7	-	7
Other	1	-	1	1
Total	**132**	**15**	**131**	**16**

The movement in the provisions is as follows:

(in EUR million)	Environmental management and decommissioning	System services tariffs	Personnel	Other	Total
At 1 January 2014	10	185	7	2	**204**
Addition	3	-	-	-	**3**
Utilization	-3	-55	-	-	**-58**
Release	-	-2	-	-	**-2**
Imputed interest and discount rate adjustment	-	-	-	-	**-**
At 31 December 2014	**10**	**128**	**7**	**2**	**147**
Addition	-	28	-	-	**28**
Utilization	-	-24	-	-	**-24**
Release	-	-3	-	-1	**-4**
Imputed interest and discount rate adjustment	-	-	-	-	**-**
At 31 December 2015	**10**	**129**	**7**	**1**	**147**

TenneT TSO B.V. believes that the recorded provisions reflect its best estimate of the probable outflow of resources. Uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of these provisions in future periods.

Provision for environmental management and decommissioning
The provision for environmental management and decommissioning serves to cover future obligations to dispose of hazardous substances and to decommission assets. The estimated decommissioning provision involves judgment on the expected remaining life in use of the respective asset. Changes in this estimate will probably not result in an effect on the statement of income, instead it will result in a reclassification in the statement of financial position. A discount rate of 4% is applied to calculate the provision.

System services tariffs
TenneT TSO B.V. charges electricity consumers a fee for system services performed by TenneT TSO B.V.. Resulting from a change in law, the court in the Netherlands concluded in the course of 2012 that only consumers with a direct connection to a

grid maintained by a TSO are required to pay a system services fee in the period prior to 1 July 2011. As a result consumers without a direct grid connection unjustifiably paid a fee for system services to TenneT TSO B.V. in the past years. Therefore, TenneT TSO B.V. is obliged to repay the unjustified system services fees. The exact amount to be repaid is uncertain and depends, amongst others, on the usage of the consumer in the past and the nature and legal structure of each individual consumer. In 2015 an additional provision of €14 million has been recognised for the period from 1 July 2011 till 31 December 2014, following the a court ruling on a specific grid connection situation.

Personnel provision
The Group has future liabilities under the Collective Labour Agreement involving the payment of salary-related bonuses to long-serving and retiring employees on their retirement date. The size of the associated provision has been calculated on the basis of actuarial principles. The main assumptions made in this context concern the annual salary increase of 1.0% in the Netherlands, an age-dependent retention rate and a discount rate of 4.0%.

5.12 Accounts- and other payables

(in EUR million)	**2015**	**2014**
Accounts payable	84	71
Payables to group companies	7	3
Payables to parent company (effective interest 0.52%)	214	-
Invoices to be received	16	21
Taxation and social security contributions	6	5
Other	33	27
Total	**360**	**127**

6. Miscellaneous

6.1 Off-balance sheet rights and obligations

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

(in EUR million)	**2015**	**2014**
Off balance sheet obligations:		
(Long-term) financial obligations	394	284
Grid related commitments	932	879
Operating leases	75	81
Conditional obligations	2	2
Other off-balance sheet commitments	23	6
Total	**1,426**	**1,252**
Off balance sheet rights:		
Conditional rights	75	59
Government guarantees received	300	300
Total	**375**	**359**

(Long-term) financial obligations
At 31 December 2015, external commitments totalling EUR 392 million (2014: EUR 281 million) had been entered into with regard to the purchase of tangible fixed assets. TenneT TSO B.V. has entered into commercial ground lease contracts with the owners of the land on, under or over which TenneT TSO B.V.'s substations, lines and underground cables are sited or routed. TenneT TSO B.V.'s annual obligation under these contracts amounts to EUR 2 million (2014: EUR 3 million).

Grid related commitments
The grid related commitments include the unused auction receipts in the Netherlands amounting to EUR 831 million (2014: EUR 721 million). TenneT TSO B.V. sells transport capacity through auctions. In the Netherlands the received cash is restricted and must be used to finance investments in interconnectors or to reduce future tariffs. Also the grid related commitments include the energy and capacity commitments amounting to EUR 101 million (2014: EUR 158 million).

Operating leases
The total obligation under the operating leases for office premises and vehicles is as follows:

(in EUR million)	**<1 year**	**1-5 years**	**>5 years**	**Total**
At 31 December 2015	9	27	39	**75**
At 31 December 2014	9	27	45	**81**

Conditional obligations
TenneT TSO B.V. issued bank guarantees for an amount of EUR 2 million (2014: EUR 2 million).

Conditional rights
At year-end 2015, TenneT TSO B.V. has received bank guarantees totalling EUR 75 million (2014: EUR 59 million) with respect to prepayments in relation to investment projects.

Government guarantees received
A written put option – with an exercise price of EUR 375 million and a term of 10 years – obliges TenneT Orange B.V. to purchase the share from the Foundation when it is being offered. TenneT Orange B.V.'s obligation is substantially covered by a guarantee issued by the Dutch State for an amount of EUR 300 million.
The Group has various other off-balance sheet rights and obligations, which are not sufficiently large to be disclosed separately.

Legal and arbitration proceedings
TenneT TSO B.V. believes it suffered damages from certain price fixings. TenneT TSO B.V. has held the parties in question liable for losses sustained. As yet, the results hereof are uncertain. TenneT TSO B.V. has received claims from customers. A portion of these claims relates to refunds of transmission services, which TenneT TSO B.V. believes are unlikely to prevail in court.

6.2 Related parties

For an overview of legal entities that are included in the consolidated financial statements, reference is made to chapter 1 'Basis for consolidation'. Furthermore, the following related parties are part of the TenneT Holding Group:

TenneT Holding B.V., Arnhem
Relined B.V., Utrecht
TenneT Orange B.V., Arnhem
TenneT Green B.V., Arnhem
TenneT TSO Duitsland B.V., Arnhem
TenneT Duitsland Coöperatief U.A., Arnhem
TenneT Verwaltungs GmbH, Bayreuth
TenneT GmbH & Co. KG, Bayreuth

- TenneT TSO GmbH, Bayreuth
- TenneT Offshore GmbH, Bayreuth
- TenneT Offshore 1. Beteiligungsgesellschaft GmbH, Bayreuth
- TenneT Offshore 2. Beteiligungsgesellschaft GmbH, Bayreuth
- TenneT Offshore 4. Beteiligungsgesellschaft GmbH, Bayreuth
- TenneT Offshore 7. Beteiligungsgesellschaft GmbH, Bayreuth
- TenneT Offshore 8. Beteiligungsgesellschaft GmbH, Bayreuth
- TenneT Offshore 9. Beteiligungsgesellschaft GmbH, Bayreuth
- TenneT Offshore Dolwin 3 Beteiligungs GmbH & Co. KG, Bayreuth
- TenneT Offshore Dolwin 3 GmbH & Co. KG, Bayreuth
- TenneT Offshore Dolwin 3 Verwaltungs GmbH, Bayreuth
- DC Netz GmbH, Bayreuth
- DC Netz BorWin3 GmbH, Bayreuth
- DC Netz BorWin4 GmbH, Bayreuth
- DC Netz DolWin4 GmbH, Bayreuth
- DC Netz HelWin1 GmbH, Bayreuth
- DC Netz SylWin2 GmbH, Bayreuth
- DC Nordseekabel Beteiligungs GmbH
- DC Nordseekabel Management GmbH
- DC Nordseekabel GmbH & Co KG

TransTenneT B.V., Arnhem
TenneT Blue B.V., Arnhem
WL Winet B.V., Maasdijk
WL Winet GmbH, Bayreuth
Holding des Gestionnaires de Réseaux de Transport d'Électricité S.A.S., Paris, FR

- EPEX SPOT SE., Luxemburg

Open Tower Company B.V., Vianen

- Colonne B.V., Vianen
- Mobile Radio Networks Vehicle B.V., Vianen
- Air Towers (1) B.V., Vianen
- Air Towers (2) B.V.,Vianen
- DutchFort B.V.,Vianen

NOVEC B.V., The Hague

- Omroepmasten B.V., Vianen
- Duvekot Rentmeesters B.V., Bathmen

NLink International B.V., Arnhem

- BritNed Development Ltd., London, UK

In addition, the following related parties are identified:

The Dutch State
The parent company TenneT Holding B.V. is owned by the Dutch State, which owns 100% of the company's shares.

No material transactions with related parties, other than already disclosed, have taken place in 2015. Transactions that did take place were made under normal commercial terms and conditions. Some members of the Supervisory Board of the Company’s parent hold positions with suppliers of the Company. During the year, transactions with these parties were made under normal commercial terms and conditions.

6.3 Key personnel remuneration

The remuneration is broken down in note 4.2.2.

6.4 Ratios

TenneT TSO B.V. is required by law, specifically the ‘Besluit Financieel Beheer Netbeheerder’ (‘BFBN’) to disclose information regarding the following (solvency) ratio's at the end of every financial year:

Ratio	**Requirement**	**2015**	**2014**	**2013**
A	≥ 1.7	-2.6	5.7	4.9
B	≥ 2.5	8.8	10.4	7.3
C	≥ 11%	16%	20%	25%
D	≤ 70%	49%	43%	45%

The above mentioned ratio's are calculated as follows:

A: operating profit divided by the gross finance expenses on loans

B: the sum of net profit, depreciation, amortisation, deferred taxes, other non monetary costs (movement provisions) and gross finance expenses divided by the gross finance expenses

C: the sum of net profit, depreciation, amortisation, deferred taxes, other non monetary costs (movement provisions) divided by the total liabilities

D: the total liabilities divided by the sum of total liabilities and equity including minority interest and preference shares

TenneT did not meet the ratio requirements for ratio A. In such instances article 18a paragraph 4 of the electricity act 1998 stipulates the following implications;

- TenneT sends the Authority Consumer and Markets a written notification;
- Within four weeks after the notification TenneT sets up a recovery plan describing the manner in which improvement of financial management will be realised and sends this plan to the Authority Consumer and Markets;
- TenneT will not distribute dividends to the shareholder.

6.5 Events after the balance sheet date

No significant events after the reporting period have occurred.

7 Summary of accounting principles applied

7.1 Summary of significant accounting policies

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs or groups of CGUs expected to benefit from the synergies of the combination. Each CGU or group of CGUs to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Impairment testing

At each reporting date, TenneT TSO B.V. assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used, since no recent market transactions can be identified.

The impairment calculation is based on detailed budgets and forecast projections, which are prepared separately for each of the CGUs to which the individual assets are allocated. These budgets and forecast projections reflect current regulatory parameters taking into account expected future regulatory developments. Management believes that these cash flows can be determined reliably and that they give an appropriate reflection of the CGUs cash flow generating potential.

Financial instruments

The initial measurement of financial instruments is at fair value on the settlement date, generally at the transaction price that has taken into account the directly attributable transaction costs.

- Financial assets and liabilities held for the purpose of profiting from short-term price fluctuations (held for trading purposes) or accounted for according to the fair value option are classified at fair value through profit or loss;
- All other financial assets with the exception of loans and receivables issued by the Company are classified as available for sale;
- Borrowings and other financial liabilities are classified as borrowings and other liabilities and accounted for at amortised cost.

Measurement and classification

The subsequent measurement of the most relevant financial instruments and their classification is outlined below.

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income is recorded using the effective interest rate method. The effective interest rate at which estimated discounted future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, is equal to the net carrying amount of the financial asset or liability.Gains or losses attributed to changes in the fair value of financial instruments classified as available for sale are recognised as other comprehensive income until the disposal of the investment. The cumulative gain or loss on the financial instrument previously recognised in other comprehensive income will be reversed, and the gain or loss will be recognised in the income statement.Changes in the fair value of financial instruments classified at fair value through profit or loss (held for trading purposes or fair value option) are recognised in the income statement and presented as financial income/expenses.

Financial instruments are included in the balance sheet when the Group becomes a party to the instrument's contractual terms. Financial instruments are derecognised from the balance sheet when the contractual rights or obligations have been fulfilled, cancelled or transferred, or they have expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of income. Financial instruments are classified as long-term when they are expected to be realised more than 12 months after the balance sheet date. Other financial instruments are classified as short-term.

Derivative financial instruments and hedge accounting

TenneT TSO B.V. uses derivative financial instruments, such as forward currency contracts, options and interest rate swaps to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of income.

Foreign currencies

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currency are recognised at the exchange rates prevailing at the date of the transaction. Monetary items in currencies are translated into euros at the exchange rate in effect on the balance sheet date. Non-monetary items measured at acquisition cost are translated into euros at the exchange rate in effect on the transaction date. Non-monetary items that are measured at fair value expressed in foreign currency are translated at the exchange rate in effect on the balance sheet date. Changes in exchange rates are recorded on a current basis in the income statement during the reporting period and presented as financial items.

Offsetting

Assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Revenue recognition

General

Revenue primarily represents the sales value derived from the connection of general capacity and transmission of energy, maintenance of the energy balance, offshore services and energy exchanges during the year. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue includes an assessment of unbilled connection and transmission services supplied to customers between the date of the last meter reading and the year end. This assessment is based on expected consumption and weather patterns.

If the revenue received or receivable exceeds the maximum amount permitted by the regulator an adjustments will be made to future tariffs to reflect this over-recovery, no liability is recognised since this adjustment relates to the provision of future services. Similarly no asset is recognised in situations where the regulator permits adjustments to be made to future prices in respect of an under-recovery.

Investment contributions

At initial recognition fees received from third parties are measured at fair value and recognised as deferred income ('investment contributions') and recognised as revenue over the related asset's useful life.

Income taxes

General

The tax charge for the period is recognised in the income statement, the statement of comprehensive income or directly in equity, according to the accounting treatment of the related transaction. The tax charge comprises both current and deferred tax.

Current income taxes

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities.

Deferred tax

Deferred tax is recognised using the liability method on temporary differences between the tax bases of assets and liabilities and their respective carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax is generally recognised in respect of all temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future;
- arising on the initial recognition of goodwill. All taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The Group offsets (deferred) tax assets and liabilities only if it has a legally enforceable right to set off assets and current tax liabilities, and the deferred assets and deferred liabilities relate to income taxes levied by the same tax authority.

Tangible fixed assets

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

The following useful lives of the various asset types are assumed:

Estimated useful lives tangible fixed assets		*years*
Substations	Earthing switches, isolating switches, power cut-out switches	35
	Security and control equipment	10
	Power transformers	35
	Capacitor banks	35
	Telecommunications equipment	10
Connections	Pylons/lines	40
	Cables (underground)	40
Other	Office buildings	40
	Office ICT equipment	3-5
	Process automation facilities	5
	Other company assets	5-10

Land (and its preparation for building) is not subject to depreciation

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

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

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

Leases
Leases in which substantially all risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

Leases in which a significant portion of the risks and rewards of ownership are transferred to the lessee are classified as financial leases.

Intangible assets
Intangible assets are measured at acquisition cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenses are reflected in the statement of income in the period in which they are incurred.

Goodwill is initially measured at cost and represents the excess of the consideration transferred over TenneT TSO B.V.'s interest in the value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the amount of the non-controlling interest in the acquiree. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

The useful lives of the various intangible asset types are as follows:

Estimated useful lives intangible assets	*years*
Goodwill	Indefinite
Software	3-5
Customer contracts	10-14
Purchased rights to use land	25-45
Other	5-15

As shown in the table, TenneT TSO B.V.'s intangible assets, with exception of goodwill, have a fixed useful life and are amortised over the asset's useful life. The useful life is re-assessed at least at the end of each reporting period. Intangible assets are amortised in a straight line, as this best reflects the use of the asset.

Goodwill has an indefinite useful life and is therefore not amortised, but is tested for impairment annually or more frequently if events or changes in circumstances indicate a triggering event, either individually or at the CGU level. The assessment of indefinite useful life is reviewed annually superfluous.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of income when the asset is derecognised.

Research costs are charged directly against the operating result. Development costs relate to the costs of a new technological development of an asset. Such costs are capitalised as an intangible asset if the project in question is likely to be successful, in view of its commercial and technical feasibility, and if the costs can be reliably measured.

Investments in joint ventures and associates
A joint venture is an arrangement whereby the parties in the arrangement have joint control over the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity in which the Group has significant influence, but no control. Significant influence is the power to participate in the financial and operating policy decisions of the investor.

Investments in joint ventures and associates are accounted for using the equity method. Under the equity method, the investment in the joint venture/associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the investment since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of income reflects TenneT TSO B.V.’s share of the results of operations of the investment. Any change in other comprehensive income of those investors is presented as part of the Group’s other comprehensive income. In addition, when there is a change recognised directly in the equity of the investment, TenneT TSO B.V.'s share of any change is recognised in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the investment are eliminated to the extent of the interest in the investment.

When an associate or joint venture makes dividend distributions to TenneT TSO B.V. in excess of our carrying amount, a liability is recognised if TenneT TSO B.V. is obliged to (i) refund the dividend, (ii) has incurred a legal or constructive obligation or (iii) made payments on behalf of the associate. In the absence of such obligations, TenneT TSO B.V. recognises the excess in net profit for the period. When the associate or joint venture subsequently makes profits, TenneT TSO B.V. only starts recognising profits when they exceed the excess cash distributions recognised in net profit plus any previously unrecognised losses.

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

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

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance income in the statement of income. The losses arising from impairment are recognised in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

Inventories
Inventories are stated at the lower of cost and net realisable value. The cost is determined using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.
On an incidental basis, TenneT TSO B.V. undertakes projects on behalf of third parties. Such projects are valued at construction cost, i.e. the direct costs of material and labour, plus an allowance for indirect costs, directly attributable subcontracting costs, other external costs and interest incurred during the construction phase. These assets are recognised under work in progress and revenue is recognised after completion of the project.

Cash & cash equivalents
In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with remaining maturities of three months or less and are present net of outstanding bank overdrafts. Securities are deposits on collaterals that serve as financial security for auction and energy exchange transactions. A matching debt is recognised to the party that deposited the funds on the collateral. Securities are initially stated at fair value and consequently at amortised cost. Unless stated otherwise cash and cash equivalents are at free disposal.

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

Borrowings
After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the income statement.

Provisions

General
Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when the amount can be reliably estimated. The provisions are provided at the present value of estimated cash flows to settle the obligation, based on expected price levels. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the liability. The interest unwinding is recognised in the statement of income as a finance cost. The estimated future costs are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are recognised in the statement of income.

Environmental management and decommissioning provisions
Provisions are made for environmental management and decommissioning costs, based on future estimated expenditures, discounted to present values. The estimated future costs are reviewed annually and adjusted as appropriate. Changes in the future costs or in the discount rate applied for the environmental management provision are recognised in the statement of income. Decommissioning costs are recognised as part of the cost of the particular asset. Changes arising from revised estimates or discount rates or changes in the expected timing of expenditures are added to or deducted from the cost of the asset. Estimated future costs for decommissioning obligations arising after the related asset is brought into use are recognised in the statement of income. The unwinding of the discount is included in the income statement as a financing charge.

Personnel provisions
Provisions have been set up to cover the cost of special personnel benefit schemes with liabilities that existed prior to the balance sheet date. The schemes in question are redundancy schemes, long-service bonus schemes and health insurance premium schemes. The amounts set aside to cover health insurance premium and bonus schemes have been calculated in accordance with actuarial principles. Any actuarial gains/losses are recognised in the statement of income.

Pension provisions
TenneT has a multi-employer scheme for the majority of its Dutch personnel, which is administered by the ABP Pension Fund (ABP). ABP has indicated that it is unable to provide the kind of company-specific information required by IFRS for defined-benefit pension schemes. As such, this scheme is treated as if it were a defined contribution scheme.

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

A number of new standards, amendments to standards and interpretations were issued but not effective for the financial year beginning 1 January 2015. Changes to these standards, following from amendments, interpretations and the annual improvement cycles which do not have a material impact on the TenneT's financial statements are not described.
Other upcoming changes to standards relevant for TenneT, but not yet adopted, are:

• **IFRS 9** ‘Financial instruments’ addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments and requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. IAS 39's treatment of financial liabilities is carried forward to IFRS 9 essentially unchanged. The only change for financial liabilities valued against fair value is that IFRS 9 requires changes in the fair value of an entity’s own credit risk to be recognised in other comprehensive income rather than the statement of income, unless this creates an accounting mismatch. The adoption of this new standard will have a limited impact on the Group’s disclosures to the financial statements, but will not affect TenneT’s financial position or performance. The effective date of this new standard is 1 January 2018. The Group plans to adopt the new standard on the given effective date.

• **IFRS 15** ‘Revenue from contracts with customers’ introduces a new five-step model to be applied to revenue from contracts with customers and provides a more structured approach to measuring and recognising revenue. In accordance with this new standard revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The effective date of this new standard is 1 January 2018. Based on an initial assessment the impact of this new standard seems limited for TenneT. A more detailed assessment will be carried out in 2016. The Group plans to adopt the new standard on the given effective date.

• **IFRS 16** 'Leases' sets out the principles for recognition, measurements and disclosures regarding leases. The new standard requires lessees to recognise most leases on their balance sheets. Lessees will have a single accounting model for all leases, eliminating the distinction between operating and finance leases. Lessor accounting remains largely unchanged. The new standard will be effective from 1 January 2019 with earlier adoption permitted if IFRS 15 has also been applied (subject to EU endorsement). In 2016 TenneT will assess the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

COMPANY FINANCIAL STATEMENTS
TENNET TSO B.V.
2015

Company statement of financial position at 31 December (before profit appropriation)

(in EUR million)

Assets	Note	2015	2014
Non-current assets			
Tangible fixed assets	9.1	2,359	2,263
Intangible assets	9.2	45	36
Investments in subsidiaries	9.3	1,000	1,000
Investments in associates		-	13
Other financial assets	9.4	1	1
Total non-current assets		**3,405**	**3,313**
Current assets			
Inventories		6	5
Account- and other receivables	9.5	527	496
Cash and cash equivalents	9.6	44	38
Total current assets		**577**	**539**
Total assets		**3,982**	**3,852**

Company statement of financial position at 31 December (before profit appropriation)
(in EUR million)

Equity and liabilities	Note	2015	2014
Equity			
Paid-up and called up capital	9.7	100	100
Share premium reserve	9.7	600	600
Retained earnings	9.7	1,380	1,314
Unappropriated result	9.7	-75	149
Total equity		**2,005**	**2,163**
Non-current liabilities			
Borrowings	9.8	883	883
Deferred income	9.9	179	107
Deferred tax liability	9.10	205	262
Provisions	9.11	15	16
Total non-current liabilities		**1,282**	**1,268**
Current liabilities			
Accounts- and other payables	9.12	521	252
Other financial liabilities	9.13	42	38
Provisions	9.11	132	131
Total current liabilities		**695**	**421**
Total equity and liabilities		**3,982**	**3,852**

Company statement of income for the year 2015

(in EUR million)

	2015	2014
Profit (loss) TenneT TSO B.V. after income tax	-75	149
Result from Group companies after income tax	-	-
Profit (loss) for the year	**-75**	**149**

Notes to the company financial statements

8 Summary of accounting policies applied

8.1 General basis for preparation

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

Pursuant to Article 402, Book 2, of the Netherlands Civil Code, the company profit-and-loss account has been presented in abridged form.

8.2 Investments in subsidiaries

The investments in subsidiaries are measured at net asset value. The net asset value of a participating interest is determined by valuing the assets, provisions and liabilities and calculating the result using the accounting principles applied to the consolidated financial statements.

Following the formation of TenneT as the national high voltage grid operator, TenneT TSO has acquired subsidiaries that formally own components of the onshore grid in the Netherlands. For legal reasons, these entities still exist and continue to own the grid assets. Within the TenneT TSO group, all revenues and expenses of these entities are charged to TenneT TSO BV. under the provisions of intercompany arrangements. All entities are part of the same fiscal unity for income tax purposes.

When the company’s share of losses in an investment equals or exceeds its interest in the investment, (including separately presented goodwill or any other unsecured non-current receivables, as part of the net investment), the company does not recognise any further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the investment. In this case TenneT TSO B.V. will recognise a provision.

9 Items of the company statement of financial position

9.1 Tangible fixed assets

(in EUR million)	High-voltage substations	High-voltage connections	Other assets	Assets under construction	Total
Cost					
At 1 January 2014	900	952	134	619	2,605
Additions	-	-	-	298	298
Transfers	162	122	50	-334	-
Disposals	-	-	-5	-	-5
At 31 December 2014	**1,062**	**1,074**	**179**	**583**	**2,898**
Additions	-	-	-	446	446
Transfers	141	119	79	-339	-
Disposals	-	-	-26	-16	-42
At 31 December 2015	**1,203**	**1,193**	**232**	**674**	**3,302**
Depreciation and impairment					
At 1 January 2014	263	240	47	-	550
Depreciation for the year	43	33	14	-	90
Transfers	-	-	-	-	-
Disposals		-	-5	-	-5
At 31 December 2014	**306**	**273**	**56**	**-**	**635**
Depreciation for the year	48	36	13	-	97
Decrease in value due to regulatory developments	78	154	-	-	232
Disposals	-	-	-21	-	-21
At 31 December 2015	**432**	**463**	**48**	**-**	**943**
Net Book value:					
At 1 January 2014	637	712	87	619	2,055
At 31 December 2014	756	801	123	583	2,263
At 31 December 2015	771	730	184	674	2,359

For disclosure regarding material movements we refer to paragraph 5.1.

9.2 Intangible assets

(in EUR million)	**Software**	**Other Intangible assets**	**Total**
Cost:			
At 1 January 2014	85	14	99
Additions	23	1	24
At 31 December 2014	**108**	**15**	**123**
Additions	26	-	26
At 31 December 2015	**134**	**15**	**149**
Amortisation and impairment			
At 1 January 2014	67	3	70
Amortisation for the year	17	-	17
At 31 December 2014	**84**	**3**	**87**
Amortisation for the year	16	1	17
At 31 December 2015	**100**	**4**	**104**
Net Book value:			
At 1 January 2014	18	11	29
At 31 December 2014	24	12	36
At 31 December 2015	34	11	45

9.3 Investments in subsidiaries

(in EUR million)	**2015**	**2014**
Balance at 1 January	1,000	1,000
Share in result	-	-
Balance at 31 December	**1,000**	**1,000**

The investments in subsidiaries relate to the legal entities included in the consolidation as disclosed in chapter 1 of the consolidated financial statements.

9.4 Other financial assets

(in EUR million)	**2015**	**2014**
Receivables from subsidiaries	1	1
Total	**1**	**1**

Receivables from subsidiaries comprise intercompany receivables from the group companies included in the consolidated financial statements. A list of these companies can be found under chapter 1 of the consolidated financial statements.
The agreed interest rate is Euribor +0.125%.

9.5 Accounts- and other receivables

(in EUR million)	**2015**	**2014**
Receivables from related parties and subsidiaries	373	388
Trade receivables	90	33
Amounts to be invoiced	31	64
Other	33	11
Total	**527**	**496**

9.6 Cash and cash equivalents

The cash and cash equivalents consist of collateral securities amounting to EUR 44 million (2014: EUR 38 million).

9.7 Equity

The statement of changes in equity and disclosure to that statement are included in the consolidated financial statements.

In addition to the statement of changes in equity, a legal reserve was formed within shareholder equity for a revaluation of EUR 75 million (2014: EUR 86 million). This reserve was charged against retained earnings.

The revaluation reserve serves to cover the revaluation of tangible fixed assets within TenneT TSO B.V.'s national high-voltage grid. Following the implementation of IFRS on 1 January 2004, the fair value exception provided for in IFRS 1 has been applied. This one-off exception allows tangible fixed assets to be stated at their fair value on the transition date. This figure has subsequently been used as the 'deemed cost price'. The size of the revaluation reserve corresponds to that part of the restated value of the tangible fixed assets resulting from application of the fair value exception, less the deferred tax liability.

The revaluation reserve is not freely distributable.

9.8 Borrowings

For further disclosure regarding borrowings we refer to the consolidated financial statements (note 5.9).

9.9 Deferred income

(in EUR million)	**2015**	**2014**
Investment contributions	178	106
Other	1	1
Total	**179**	**107**

9.10 Deferred tax liability

(in EUR million)	**Company statement of financial position**	
	2015	**2014**
Auction receipts	-208	-180
Investment contributions	-76	-78
Tariffs to be settled	37	24
Accelerated depreciation for tax purposes	39	-31
Provisions recognised for tax purposes	3	3
Net deferred tax assets/(liabilities)	**-205**	**-262**

For further disclosure regarding income tax we refer to the consolidated financial statements (note 4.4).

9.11 Provisions

For the movements in provisions we refer to the consolidated financial statements (note 5.11).

9.12 Accounts- and other payables

(in EUR million)	2015	2014
Payables to subsidiaries	171	128
Payables to parent company (effective interest 0.52%)	214	-
Accounts payable	81	71
Taxes and social securities	6	5
Invoices to be received	16	21
Other	33	27
Total	**521**	**252**

Payables to subsidiaries comprise intercompany payables to the group companies included in the consolidation of the consolidated financial statements. A list of these companies can be found chapter 1 of the consolidated financial statements.

9.13 Other financial liabilities

Other financial liabilities relate to collateral securities given by third parties to underwrite trading on energy exchanges and the auctioning of cross-border interconnection capacity.

10 Miscellaneous

10.1 Declarations of liability

See chapter 1 of the consolidated financial statements for further disclosure on the entities for which TenneT TSO B.V. has issued a declaration of liability pursuant to article 403 of Book 2 of the Dutch Civil Code.

10.2 Related parties

Legal entities that are included in the consolidated financial statements (chapter 1 Basis for consolidation) are regarded as related parties. Also, reference is made to note 6.2 of the consolidated financial statements.

10.3 Key management compensation

The key management compensation is broken down in note 4.2.2 of the consolidated financial statements.

10.4 Signing of the financial statements

Arnhem, 3 March 2016

Management Board TenneT TSO B.V.

O. Jager

B.G.M. Voorhorst

11 Other information

Profit appropriation

The appropriation of profits is governed by Section 38.3 of the Articles of Association, which states:
'Subject to approval by the Supervisory Board, the Management Board may reserve a portion of any profit that may remain after application of the provisions of clause 2, sufficient in the Management Board’s view to finance capital expenditure to support fulfilment of the company’s statutory duties as grid administrator, such as maintenance, expansion and environmental management. Any profit which is not thus reserved shall be at the free disposal of the General Meeting of Shareholders. When calculating the amount of profit to be paid out on each share, account shall be taken only of the sum of the obligatory call on the nominal value of the shares. In the event of a tied vote regarding the distribution or reservation of profits, the profit to which the proposal relates shall be reserved'.

We will propose to withdraw the 2015 loss from retained earnings. This proposal has not been recorded in the financial statements.

Events after the reporting period

No events after the balance sheet date requiring disclosure have occurred.

Independent auditor's report

The independent auditor's report is included on the next page.

Independent auditor's report

To: the Shareholder of TenneT TSO B.V.

Report on the financial statements

Report on the financial statements

We have audited the accompanying financial statements 2015 of TenneT TSO B.V., Arnhem.
The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of comprehensive income,
the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and the notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company statement of financial position as at 31 December 2015, the company statement of income for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management Board’s responsibility

The Management Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the
European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the
Report by the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore the Management Board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing.
This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of TenneT TSO B.V. as at 31 December 2015 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of TenneT TSO B.V. as at 31 December 2015 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report by the Management Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code,
and whether the information as required under Section 2:392 sub 1 at b-h has been annexed.

Further we report that the Report by the Management Board, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Arnhem, 3 March 2016

Ernst & Young Accountants LLP

signed by A.E. Wijnsma"