

TenneT Holding B.V.

Half-year Report 2022



INTERIM REPORT

The energy system is put under serious stress, with high energy prices and a challenge on energy security triggered by the goal to reduce Russian energy dependence. In this context and based on the ever higher political CO₂ reduction targets, we have to ensure the timely connection to our grids of rapidly growing sustainable electricity generation on land and at sea. At the same time, we must maintain a high reliability of our grids and, in close cooperation with government authorities and market players, guarantee the security of electricity supply.

TenneT has a clear and critical task: to ensure a continuous availability of electricity for almost 43 million end users across the Netherlands and Germany, 24 hours a day, 365 days a year. On the global path towards a sustainable future, our main task is becoming more challenging than ever.

With its Green Deal, Europe aims to be the first climate-neutral continent by 2050. The energy transition will require many changes in society. As the first cross-border European TSO, TenneT intends to play a pioneering role in the transition to a clean, circular decarbonised energy system. For many years, we have already demonstrated our active contribution to the transition towards a sustainable, reliable and affordable European energy system. With approximately 25,000 kilometres of high-voltage connections, we ensure a secure supply of electricity to almost 43 million end-users. TenneT is also one of Europe's largest investors in national and cross-border electricity transmission capacity on land and at sea, bringing together the Northwest European energy markets and efficiently unlocking large-scale renewable electricity sources.

This presents us with a major challenge that should not be underestimated: managing the complexity of connecting new, renewable electricity generation to the grid while maintaining high grid availability and, at the same time, further developing and shaping a liquid European electricity market that makes the energy transition much more efficient. People in Germany and the Netherlands benefit from this integration of the energy market by wider access to new renewable electricity and stronger competition on the electricity wholesale markets.

On the way to a sustainable future, our energy system is undergoing an unprecedented development in which the grids - the backbone of the energy system - are being used in a completely different way. Our energy network - one of the safest and most reliable in the world - was once built to meet the demand for energy. Now it is changing into a multifunctional connector of electricity supply, demand and storage.

Maintaining the infrastructure that people need for a secure and reliable supply of electricity – today, and in the future – requires constant vigilance and sustained investments. As the TSO responsible, we aim to achieve a timely delivery of onshore and offshore grid expansion and renewals. To drive the energy transition, a range of decisions will have to be made, from standards on manufacturing devices, leaner permitting procedures, integrated system planning (including hydrogen) to close(r) cooperation with large customers, consumers, other TSOs and DSOs. Only together we can develop innovative ways to provide reliable, clean and affordable electricity for a sustainable future. This requires appropriate European and national legislation and regulations and an investment framework that enables us to meet the needs and objectives of society, the economy and politics.

As we build and grow, we aim to minimise our impact on the environment and local communities. We work closely with communities and all other stakeholders, liaising with them and responding to their questions and needs. In this fast-changing energy market, where new technologies transform the way electricity is generated, carried, stored, traded and consumed, innovation is paramount. Innovation not only related to more effective and efficient use of assets, but also to system operations and market design. The latter includes the entry of small and larger parties that will play an important role in maintaining the balance on the high-voltage grids and/or providing the necessary flexibility in an energy system that will be largely based on weather-dependent sustainable sources.

We deeply regret the loss of an employee in May at the TenneT storage warehouse for the project Ostbayernring near Wernberg-Köblitz in the district of Schwandorf. We demand focus on safe working. Within our own organisation, but also from our contractors. Safety, especially in a rapidly growing organisation with a huge portfolio of projects now and in the future, is and will remain one of our top priorities. A comprehensive survey of the status of Safety throughout our organisation has recently been done. The results are currently being analysed, and TenneT will be taking appropriate action in response.

In the first 6 months of 2022 we hired 476 new internal employees, which supports us in reaching our targeted growth of 700 additional FTEs for 2022. This indicates TenneT is still attractive as employer even though the labour market is tight and many parties compete for the same, especially technical, talent. Although TenneT is in multiple ways seeking to make its employee base more diverse, it is positive to see that also in the first 6 months of 2022 the female inflow as % of total inflow was around 35%.

In the first half of 2022, a number of significant events took place:

- TenneT successfully issued the largest EUR corporate Green bond transaction ever of EUR 3.85 billion;
- For the Dutch provinces Limburg and Noord-Brabant we announced a temporary stop for new connection requests pending the congestion analysis;
- We made progress on several on- and offshore projects:
 - The installation and energisation of the Hollandse Kust Alpha and Beta grid connections were completed in March and June;
 - Since April, the new 380 kV line between the Emden/Ost and Conneforde substations has been in operation;
 - For the 2GW program, TenneT plans to enter into a cooperation agreement with key market partners for a period of up to eight years. The agreement covers offshore platforms and onshore stations, as well as the converters for the two-way conversion between alternating and direct currents. The impetus of the large-scale tender underlines the long-term purpose of building up all the required resources such as industry sites, staff, and materials.
- In Germany we published the Grid Development plan for electricity 2037 with an outlook on 2045. In the Netherlands we published the investment plan at the beginning of July;
- We collaborated in the ENTSO-E context to synchronising the Ukrainian Moldavian grid with the Continental European grid to stabilise these grids and allow for a limited power exchange since end of June;
- COVID-19 and the Ukraine crisis lead to issues in the supply chain: sourcing, transport and availability of materials and components. All leading to (much) higher prices for the materials to be used in our projects. Under the current market circumstances we are facing increasing grid expenses due to increased prices and volumes;
- Arina Freitag joined TenneT as CFO in January.

The COVID-19 pandemic continued during the 1st half of 2022. Measures initiated in 2020 and continued in 2021 and 2022 allowed us to run operations in the field and in our control rooms in good order, despite challenging circumstances. We are proud of the resilience of our people.

Key underlying¹ figures

Based on underlying financial information (EUR million)	First half of 2022	First half of 2021
Underlying revenue	4,975	2,568
Underlying EBIT	579	431
Investments	1,597	1,615
Based on underlying financial information (EUR million)	First half of 2022	31 December 2021
Underlying assets	37,174	31,961
Net debt	18,004	15,584
Underlying equity	8,073	7,827

¹ We manage and monitor the performance of our business based on so called underlying financial information and not on IFRS-reported financials. Underlying financial information involves recognising regulatory assets and liabilities which – based on the current regulatory framework – can be recouped or must be returned through future grid tariffs. We believe the underlying financial information provides additional relevant insight in the actual business, financial position and performance, and as such economic reality. The financial information in the interim condensed consolidated financial statements reflects the IFRS reported financials. These differ from the underlying financial information used to steer our activities, as presented above.

Reference is made to note 2 for reconciliation to IFRS financial measures.

IFRS accounting requires recognition of cash inflows as revenue and cash outflows as costs, regardless of future repayment obligations or reimbursement rights under the relevant regulatory regime. On the contrary, underlying financial information matches regulatory revenues and expenses in a corresponding reporting period and defers certain income items until used for investments or tariff reductions. In 2022, overall grid expenses increased significantly resulting in an IFRS loss. As those higher grid expenses will be reimbursed through considerable higher future tariffs, the underlying result remained positive.

The increase of the grid expenses is caused by both a price effect as well as increased volumes. The electricity prices remained at a high level, causing the average prices to increase by 20% to 175% on certain (balancing) capacity and energy products compared to the first half year of 2021. Ensuring security of supply, while driving the energy transition causes the volumes of grid expenses to increase. In the Netherlands the number of congestion areas is increasing as a result of the electrification of the industry, large-scale battery systems and an increasingly sustainable mobility and housing. In Germany, we are working on the required grid expansion. The necessary outages in combination with the increasing infeed of renewables cause additional transmission restrictions and grid losses. Transmission restrictions are further impacted by changes in the availability of generating units as a result of the Ukraine war.

Underlying operating results

Underlying revenue in the first half of 2022 increased by EUR 2,407 million to EUR 4,975 million (H1 2021: EUR 2,568 million). The increase in the underlying revenues can mainly be explained by:

- The higher costs for redispatch, grid losses, reserve power plants and control power in 2022 result in higher underlying revenues, since those higher costs will be reimbursed through future tariffs or are directly offset with auction receipts;
- Increased revenues due to ongoing investments, resulting in a growing regulatory asset base and higher onshore and offshore revenues;
- Increased revenues from maintaining the balance as a result of the increased prices;

In the first half of 2022 underlying EBIT increased by EUR 148 million to EUR 579 million. As per segment, for the TSO Netherlands EBIT amounted to EUR 174 million (H1 2021: EUR 106 million) and for the TSO Germany to EUR 370 million (H1 2021: EUR 322 million) during this period. For our non-regulated businesses EBIT amounted to EUR 35 million (H1 2021: EUR 3 million) during the first half of 2022.

Risk management update

We evaluated our strategic risks in Q2 2022 and concluded that our risk position is largely in line with the overall risk position, as presented on page 88 in the TenneT Integrated Annual Report 2021, except for increased supply chain risks, credit risk in relation to ancillary services parties and cyber security risks as a result of the Ukraine war. The supply chain risks consist of expected shortages, increased prices, less gas and energy availability and financial instability of suppliers.

Statement of responsibility

We confirm that, to the best of our knowledge and belief, the interim condensed consolidated financial statements, which were prepared in accordance with IAS 34, Interim Financial Reporting as adopted by the European Union, give a true and fair representation of TenneT's financial position including assets, liabilities and equity, financial performance and cash flows as a whole for the six-month period ended 30 June 2022. We also confirm that the interim report includes a fair representation of the important events that occurred during the period and the effect of these events on the interim condensed consolidated financial statements, as well as a fair representation of TenneT's financial position, performance and cash flows, as well as a description of the most significant risks and uncertainties we face in the foreseeable future.

Arnhem, 28 July 2022

Executive Board TenneT Holding B.V.

M.J.J. van Beek, Chief Executive Officer

A.C.H. Freitag, Chief Financial Officer

T.C. Meyerjürgens, Chief Operating Officer

M.C. Abbenhuis, Chief Operating Officer

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Interim condensed consolidated statement of financial position

(EUR million)

Assets	Notes	30 June 2022	31 December 2021
Non-current assets			
Tangible fixed assets	4	24,637	23,811
Right of use assets	5	689	433
Intangible assets		271	254
Investments in associates and joint ventures		673	672
Deferred tax assets	6	402	162
Other financial assets		45	37
Total non-current assets		26,717	25,369
Current assets			
Account- and other receivables	7	3,600	2,401
Other current assets		385	226
Cash and cash equivalents	8	4,558	3,204
Total current assets		8,543	5,831
Total assets		35,260	31,200

Interim condensed consolidated statement of financial position (continued)

Equity and liabilities	Notes	30 June 2022	31 December 2021
Equity			
Equity attributable to ordinary shares	9	4,243	4,844
Hybrid securities	9	2,120	2,125
Equity attributable to owners of the company		6,363	6,969
Non-controlling interests	10	619	638
Total equity		6,982	7,607
Non-current liabilities			
Borrowings	11	15,904	12,366
Provisions (incl. Net employee defined benefit liabilities)	12	1,419	1,768
Contract liabilities		460	428
Deferred tax liability	6	6	7
Lease liabilities	5	469	235
Other liabilities		44	25
Total non-current liabilities		18,302	14,829
Current liabilities			
Borrowings	10	562	1,339
Provisions	12	46	45
Contract liabilities		2	2
Lease liabilities	5	197	169
Account- and other payables	13	8,795	6,858
Bank overdrafts	7	-	64
Other current liabilities		374	287
Total current liabilities		9,976	8,764
Total equity and liabilities		35,260	31,200

Interim condensed consolidated statement of income

For the six-month period ended 30 June (EUR million)

	Notes	2022	2021
Revenue	3	3,867	2,482
Grid expenses	3	3,693	1,379
Depreciation and amortisation of assets	3	603	574
Other gains/(losses) - netted	3	7	-
Other expenses	3	290	239
Total operating expenses		4,593	2,192
Share in result of joint ventures and associates		41	10
Operating result	3	-685	300
Finance result		-63	-86
Result before income tax		-748	214
Income tax expense		-223	61
Result for the period		-525	153
Result attributable to:			
Equity holders of ordinary shares		-579	97
Hybrid securities		28	28
Owners of the company		-551	125
Non-controlling interests	9	26	28
Result for the period		-525	153
Basic and diluted earnings per share (EUR)		-2,895	485

Interim condensed consolidated statement of comprehensive income

For the six-month period ended 30 June (EUR million)

	Notes	2022	2021
Result for the period		-525	153
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement of defined benefit pensions	9	157	51
Taxation	9	-46	-14
Total other comprehensive income for the period		111	37
Total comprehensive income for the period (net of tax)		-414	190
Comprehensive income attributable to:			
Equity holders of ordinary shares		-468	134
Hybrid securities		28	28
Owners of the company		-440	162
Non-controlling interests	10	26	28
Total comprehensive income for the period (net of tax)		-414	190

Interim condensed consolidated statement of changes in equity

For the six-month period ended 30 June (EUR million)

	Notes	Attributable to equity holders of the company							Non-controlling interest	Total equity
		Paid-up and called-up capital	Share premium reserve	Retained earnings	Unappropriated result	Equity attributable to ordinary shares	Hybrid securities	Equity attributable to owners of the company		
Balance at 31 December 2020		100	1,790	2,686	748	5,324	2,125	7,449	689	8,138
Total comprehensive income		-	-	37	97	134	28	162	28	190
Dividends paid	9	-	-	-	-149	-149	-	-149	-34	-183
Capital repayment	9	-	-	-	-	-	-	-	-16	-16
Distribution on hybrid securities	9	-	-	-	-	-	-33	-33	-	-33
Tax on distribution on hybrid securities	9	-	-	8	-	8	-	8	-	8
Appropriation remaining prior year result		-	-	599	-599	-	-	-	-	-
Balance at 30 June 2021		100	1,790	3,330	97	5,317	2,120	7,437	667	8,104
Balance at 31 December 2021		100	1,790	3,355	-401	4,844	2,125	6,969	638	7,607
Total comprehensive income		-	-	111	-579	-468	28	-440	26	-414
Dividends paid	9	-	-	-	-141	-141	-	-141	-38	-179
Capital repayment	9	-	-	-	-	-	-	-	-7	-7
Distribution on hybrid securities	9	-	-	-	-	-	-33	-33	-	-33
Tax on distribution on hybrid securities	9	-	-	8	-	8	-	8	-	8
Appropriation remaining prior year result		-	-	-542	542	-	-	-	-	-
Balance at 30 June 2022		100	1,790	2,932	-579	4,243	2,120	6,363	619	6,982

Interim condensed consolidated statement of cash flows

For the six-month period ended 30 June (EUR million)

	Notes	2022	2021
<i>Operational activities</i>			
Operating result for the period		-685	300
Non-cash adjustments to reconcile result to net cash flows:			
Depreciation, amortisation and impairment of assets		603	574
Share in result of joint ventures and associates		-41	-10
Dividends received from joint ventures and associates		39	29
Movements in other items		21	-14
		622	579
Working capital adjustments excluding EEG working capital		-839	-169
Income tax paid		-151	-176
Net cash flows from operating activities excluding EEG working capital		-1,053	534
EEG working capital adjustments	7; 13	1,746	3,036
Net cash flows from operating activities		693	3,570
<i>Investing activities</i>			
Purchase of tangible and intangible fixed assets		-1,593	-1,568
Proceeds from sale of tangible and intangible fixed assets		3	-
Interest received		27	2
Capital contribution to joint ventures and associates		-2	-
Net cash flows used in investing activities		-1,565	-1,566
<i>Financing activities</i>			
Proceeds from borrowings		4,058	1,788
Repayment of borrowings		-1,302	-2,206
Interest paid		-159	-151
Payment of lease liabilities		-88	-75
Dividends paid to ordinary shareholder of the company	9	-141	-149
Distribution on hybrid securities	9	-33	-33
Dividends paid and capital repayments to non-controlling interests	10	-45	-50
Net cash flows from financing activities		2,290	-876
Net change in cash and cash equivalents		1,418	1,128
Cash and cash equivalents at 30 June		4,558	1,605
Cash and cash equivalents at 1 January		3,140	477
		1,418	1,128

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis for reporting

General

TenneT Holding B.V. and its subsidiaries are a leading electricity transmission system operator with activities in the Netherlands and a large part of Germany. In the Netherlands, our activities are conducted by TenneT TSO B.V. and its subsidiaries. In Germany, our work is performed by TenneT GmbH & Co. KG and its subsidiaries.

The Dutch State owns the entire issued share capital of TenneT Holding B.V. Furthermore, TenneT Holding B.V. has issued hybrid securities which are deeply subordinated and are accounted for as part of equity attributable to equity holders of the company. The registered office of TenneT Holding B.V. is located at Utrechtseweg 310, Arnhem, the Netherlands, with its statutory seat in Arnhem and a registration with the Dutch Commercial Register under number 09083317.

The interim condensed consolidated financial statements of TenneT Holding B.V. and its subsidiaries (hereafter referred to as 'TenneT', 'the company' or 'the Group') for the six-month period ended 30 June 2022 were prepared by the Executive Board and authorised for issuance in accordance with an Executive Board resolution on 28 July 2022. These interim condensed consolidated financial statements, including the notes, were reviewed by Deloitte Accountants B.V. but have not been audited.

Basis for preparation

The interim condensed consolidated financial statements for the six-month period ended 30 June 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. These do not contain all information and disclosures required in the annual financial statements and should be read in conjunction with the Group's financial statements as at 31 December 2021, published on 14 March 2022.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021.

The interim condensed consolidated financial statements are presented in euros and all values are rounded to the nearest million, except when indicated otherwise.

TenneT's operations are not materially affected by seasonal influences.

Changes in EU-endorsed published IFRS standards and interpretations effective in 2022

TenneT has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Impact of Ukraine war

The Ukraine war contributes to the increase of the electricity prices, which increase the costs of (balancing) capacity and energy products compared to the first half year of 2021. Looking forward, we expect significant price increases on raw materials, which will impact our investment projects. The higher grid expenses and project costs will be reimbursed through future tariffs, which will result in considerable higher grid tariffs in future years. From a security of supply perspective, the governments, TSOs and DSOs are closely monitoring the developments and are preparing for the 2022 / 2023 winter.

COVID-19 impact

The COVID-19 pandemic continued during 2022. Measures initiated in 2020 and continued in 2021 and 2022 allowed us to run operations in the field and in our control room without interruption, despite challenging circumstances. We are proud of the resilience of our employees. During 2022, COVID-19 had, like in previous years, no material impact on the financial figures of TenneT.

Adjustment in prior year's figures

After publication of the TenneT Integrated Annual Report 2021, we identified a misstatement in the consolidated statement of cash flows; the increase/(decrease) in account and other payables was reported as -/- EUR 319 million and should have been EUR 540 million, the purchase of tangible and intangible fixed assets was reported as -/- EUR 2,852 million and should have been -/- EUR 3,711 million.

2. Segment information

Segment analysis

TenneT generates the vast majority of its business through regulated activities. For management information purposes, TenneT's Executive Board analyses the performance of its regulated activities in the Netherlands and Germany separately. This segmentation based on the applicable regulatory framework is the key factor in our decision-making and the financial steering of our business. As in previous years, non-regulated activities are also presented separately. Financing activities (including finance income and expense) are managed on a Group basis and are not allocated to segments. Transfer pricing between operating segments is handled on an arm's length basis in a similar way to transactions with third parties. These intercompany transactions are eliminated at a consolidated level.

The accounting principles used for the operating segments differ from IFRS. Underlying financial information is based on the principle of recognising regulatory assets and liabilities for each of TenneT's regulated activities. This implies that amounts resulting from past events which are allowed or required to be settled in future tariffs are recorded as an asset or a liability, respectively (see next paragraph for further reference). TenneT's Executive Board believes that the presentation of underlying financial information provides additional relevant insight in the actual financial position, performance, and as such economic reality.

The underlying segment information is as follows:

(EUR million)	First half of 2022			31 December 2021		First half of 2021
	Underlying Assets	Underlying Liabilities	Investments	Underlying Assets	Underlying Liabilities	Investments
TSO Netherlands	10,527	7,196	627	9,651	6,384	624
TSO Germany	26,129	20,717	967	22,325	16,943	988
Non-regulated companies	935	94	3	437	206	3
Total segments underlying	37,591	28,007	1,597	32,413	23,533	1,615
Eliminations and adjustments	-417	1,094	-	-452	601	-
Consolidated underlying information	37,174	29,101	1,597	31,961	24,134	1,615

(EUR million)	First half of 2022		31 December 2021	
	IFRS Assets	IFRS Liabilities	IFRS Assets	IFRS Liabilities
TSO Netherlands	9,638	6,770	9,106	6,013
TSO Germany	25,103	20,325	22,109	16,773
Non-regulated companies	930	85	437	206
Total segments IFRS	35,671	27,180	31,652	22,992
Eliminations and adjustments	-411	1,098	-452	601
Consolidated IFRS information	35,260	28,278	31,200	23,593

IFRS investments are equal to underlying investments.

Regulatory deferral accounts: reconciliation to IFRS figures

The financial information presented in the segment information and interim report is based on underlying financial information, which differs from IFRS with respect to the recognition of regulated assets, regulated liabilities, auctions receipts, maintaining the energy balance and the measurement of tangible fixed assets. Consequently, the aforementioned results in different deferred tax balances in underlying financial information compared to IFRS reported figures.

The reconciliation of the underlying information to the reported IFRS figures is as follows.

(EUR million)	First half of 2022			Total
	TSO NL	TSO Germany	Non-regulated	
Connection and transmission services	1,081	2,524	-	3,605
Maintaining the energy balance	105	425	-	530
Operation of energy exchanges	2	-	-	2
Offshore (balancing)	142	630	-	772
Other	26	81	-41	66
Inter-segment	13	52	-65	-
Total underlying revenue	1,369	3,712	-106	4,975
Inter-segment adjustments and eliminations	-13	-52	65	-
Total underlying revenue from contracts with customers	1,356	3,660	-41	4,975
Grid expenses	-899	-2,673	43	-3,529
Other operating expenses	-284	-624	-	-908
Share in result of joint ventures and associates	1	7	33	41
Underlying operating result	174	370	35	579
Revenue adjustment to IFRS	-423	-685	-	-1,108
Cost adjustment to IFRS	6	-161	-1	-156
IFRS operating result	-243	-476	34	-685
Finance result				-63
Result before income tax				-748
Income tax expense				223
Result for the period				-525

(EUR million)	First half of 2021			Total
	TSO NL	TSO Germany	Non-regulated	
Connection and transmission services	522	1,215	-	1,737
Maintaining the energy balance	33	94	-	127
Operation of energy exchanges	3	-	-	3
Offshore (balancing)	88	578	-	666
Other	24	18	-7	35
Inter-segment	12	16	-	28
Total underlying revenue	682	1,921	-7	2,596
Inter-segment adjustments and eliminations	-12	-16	-	-28
Total underlying revenue from contracts with customers	670	1,905	-7	2,568
Grid expenses	-303	-1,030	9	-1,324
Other operating expenses	-261	-560	-2	-823
Share in result of joint ventures and associates	-	7	3	10
Underlying operating result	106	322	3	431
Revenue adjustment to IFRS	-83	-3	1	-85
Cost adjustment to IFRS	4	-49	-1	-46
IFRS operating result	27	270	3	300
Finance result				-86
Result before income tax				214
Income tax expense				-61
Result for the period				153

To be settled in tariffs

Revenue surpluses and deficits resulting from differences between expected (ex ante) and realised (ex post) electricity transmission volumes and costs are incorporated in the tariffs of subsequent years. In the underlying financial information, these surpluses and deficits are recorded in the statement of financial position as 'to be settled in tariffs'. The expenses have to be settled in future tariffs in the coming years.

Auction receipts & investment contributions

Auction receipts result from auctioning the available electricity transmission capacity on cross-border interconnections. These receipts are not at TenneT's free disposal. In accordance with Regulation (EU) 2019/943, auction receipts shall be used to fulfil the following priority objectives:

- guaranteeing the actual availability of the allocated capacity including firmness compensation; or
- maintaining or increasing cross-zonal capacities through optimisation of the usage of existing interconnectors by means of coordinated remedial actions, where applicable, or covering costs resulting from network investments that are relevant to reduce interconnector congestion.

When these priority objectives have been adequately fulfilled, auction receipts may be used as income to be taken into account by the regulatory authorities when approving the methodology for calculating network tariffs or fixing network tariffs, or both. In the Netherlands, TenneT agreed with its regulator (Autoriteit Consument en Markt) that investments in interconnectors are no longer financed through the auction receipts as of 2016. The current outstanding balance of auction receipts will be used in accordance with the aforementioned objectives. On 24 November 2021, an additional addendum to the original agreement was signed where ACM decided that no auction receipts will be used to reduce tariffs in 2022. Investments in previous years financed by using auction receipts are classified as investment contributions and are reported under 'liabilities'. A periodic amount equal to the depreciation charges, plus a portion of the operating expenses, is released to the statement of income, following the release scheme as described above.

In Germany, the use of auction receipts for investments was effectively achieved by reducing tariffs over a rolling 20-year period as of 2019.

Investments financed by auction receipts are classified as investment contributions and are reported under 'liabilities'. A periodic amount equal to the depreciation charges, plus a portion of the operating expenses, is released to the statement of income, following the release scheme as described above.

Maintaining the energy balance

As system operator of the high-voltage grid in the Netherlands, TenneT TSO B.V. receives funds for performing certain statutory duties, such as maintaining the energy balance. The proceeds from these activities (e.g., imbalance settlements) may only be used after approval by the ACM. Imbalance settlements collected during the year are to be offset in transmission tariffs in the subsequent year. Consequently, these amounts are recorded as a liability in the underlying financial information.

As the balancing group coordinator, the TSO in Germany is responsible for balancing the balancing groups in terms of energy. We balance surplus or shortfall balancing groups by means of control energy and bill the balancing group managers for the resulting costs. For this billing of balance imbalances, the so-called "Uniform balancing energy price across control zones" (reBAP) is used. As a result, TenneT TSO GmbH (TTG) receives higher payments from balancing group managers than TTG pays to power plant operators. The resulting additional revenues from the balancing energy billing system are deducted from future grid charges. Analogously, a reduction in revenues increases future grid fees.

Depreciation and amortisation of assets

Differences in the recorded value of tangible fixed assets occur due to the difference in accounting treatment of the regulatory deferral accounts and the related cash flows in order to determine the economic useful life and recoverable amount of the assets resulting from acquisitions and used for impairment analyses.

There is no difference in depreciation method between underlying and IFRS, but the amount of depreciation differs mainly due to an impairment under IFRS of the NorNed cable in 2015 of EUR 232 million which was not recognised in underlying financial information.

With regard to the segment TSO Germany, depreciation as well as assets in underlying financial information are higher due to higher acquisition costs resulting mainly from an adjustment in connection with the Purchase Price Allocation from the acquisition of transpower stromübertragungs GmbH in 2010.

3. Results for the period

Revenue from connection and transmission services is regulated in Germany and the Netherlands, respectively. It includes revenue from services provided to regional grid operators and industrial customers. The increase in IFRS revenues can be explained by:

- higher tariffs caused by ongoing investments, resulting in a growing regulatory asset base and higher planned costs for system services;
- higher auction revenues due to increased market prices;
- higher revenues for maintaining the balance due to increased market prices;
- higher subsidy for offshore activities due to growth of regulatory asset base;

Operating result decreased as a result of increased grid expenses in the first half of 2022. This increase of the grid expenses is caused by both a price effect as well as increased volumes. The electricity prices remained at a high level, causing the average prices to increase on (balancing) capacity and energy products compared to the first half year of 2021. Ensuring security of supply, while driving the energy transition causes the volumes of grid expenses to increase. In the Netherlands the number of congestion areas is increasing as a result of the electrification of the industry, large-scale battery systems and an increasingly sustainable mobility and housing. In Germany, we are working on the required grid expansion. The necessary outages in combination with the increasing infeed of renewables cause additional transmission restrictions and grid losses.

Transmission restrictions are further impacted by changes in the availability of generating units as a result of the Ukraine war. These higher grid expenses will be reimbursed in our future tariffs and revenue.

EUR million)	First half of 2022	First half of 2021
System services	2,224	783
Connection and transmission services	644	232
Maintaining the energy balance	510	127
Maintaining and operating transmission grids	317	241
Other	-2	-4
Total IFRS grid expenses	3,693	1,379

Depreciation and amortisation of assets rose compared to the first half year from EUR 574 million (2021) to EUR 603 million (2022) due to an increase in our asset base.

Other gains and losses consist of the revenues and costs related to insurance and legal claims and compensations. In 2022, the other gains and losses mainly consist of

- a payment of around EUR 7 million of outstanding invoices, following the final judgement of the arbitral court, part of a claim procedure because of alleged wrongful termination of construction contracts, which TenneT won: contracts rightfully dissolved and HEP convicted to pay damages deriving from the dissolution, to be decided in a separate procedure.
- an insurance compensation of EUR 2 million for the costs made to repair the NorNed cable;
- a damages compensation of around 3 million for competition law infringements;

The related interest compensation (EUR 38 million) is posted as finance income, leading to a decrease of the finance result.

4. Tangible fixed assets and related commitments

Tangible fixed assets increased by EUR 826 million to EUR 24,637 million (2021: EUR 23,811 million) due to further grid investments in Germany and the Netherlands amounting to EUR 1,597 million, partially offset by depreciation for the period. As at 30 June 2022, TenneT had entered into external commitments regarding the purchase of tangible fixed assets totalling EUR 7,532 million (2021: EUR 7,468 million).

5. Right of use assets and lease liabilities

The right of use assets and lease liabilities mainly increased due to the renewal of the NordLink contract.

6. Deferred tax assets

The corporate tax treatment is aligned with the underlying treatment, resulting in temporary differences in relation to auction receipts, amounts to be settled in future tariffs and investment contributions. Those temporary differences increased in 2022, resulting in a related increase in the deferred tax assets.

7. Account- and other receivables

Account- and other receivables comprise receivables related to the EEG (German Renewable Energies Act or Erneuerbare-Energien-Gesetz), amounts to be invoiced, trade receivables, VAT and other receivables. The increase in accounts and other receivables from EUR 2,401 million (2021) to EUR 3,600 million (2022) is mainly related to EEG activities.

8. Cash, cash equivalents and bank overdrafts

(EUR million)	30 June 2022			31 December 2021		
	At free disposal	Not at free disposal	Total	At free disposal	Not at free disposal	Total
Collateral securities	-	367	367	-	281	281
EEG funds	-	940	940	-	771	771
EEG deposits < 3 months	-	2,850	2,850	-	2,150	2,150
Cash at bank	400	1	401	2	-	2
Cash and cash equivalents	400	4,158	4,558	2	3,202	3,204
Bank overdrafts	-	-	-	-64	-	-64
Total cash and cash equivalents used in cash flow statement	400	4,158	4,558	-62	3,202	3,140

9. Equity

During the first six months of 2022, TenneT distributed a EUR 141 million common dividend to its ordinary shareholder (EUR 705 per share). TenneT also paid a cash distribution of EUR 33 million to the holders of its hybrid securities.

TenneT accounted for an actuarial gain of EUR 111 million (net of tax) on German pension obligations directly through equity, mainly due to the increase of the discount rate from 1.3% (31 December 2021) to 3.3% (30 June 2022).

10. Non-controlling interests

Non-controlling interests and the proportion of economic interests held by non-controlling interest holders in the Group's subsidiaries are as follows:

	Country	30 June 2022	31 December 2021
TenneT Offshore 2. Beteiligungsgesellschaft mbH ("TO2")	Germany	69%	69%
TenneT Offshore 8. Beteiligungsgesellschaft mbH ("TO8")	Germany	63%	63%
TenneT Offshore DolWin3 Beteiligungs GmbH & Co. KG ("TOD3")	Germany	67%	67%
TenneT Offshore DolWin3 Verwaltungs GmbH ("TODV")	Germany	67%	67%
ETPA Holding B.V.	Netherlands	0%	50%

Non-controlling interests are recorded based on economic interests. The Group holds more than 50% of the voting rights in all of the above-mentioned subsidiaries.

Non-controlling interests as part of total equity can be broken down as follows:

(EUR million)	TO2	TO8	TOD3
At 31 December 2021	251	204	183
Result attributable to non-controlling interests	7	8	11
Dividends paid	-27	-	-11
Capital repayment	-	-7	-
At 30 June 2022	231	205	183
At 31 December 2020	257	229	203
Result attributable to non-controlling interests	11	10	7
Dividends paid	-16	-18	-
Capital repayment	-	-	-16
At 30 June 2021	252	221	194

11. Borrowings

(EUR million)	Carrying amount		Fair value		Hierarchy
	30 June 2022	31 December 2021	30 June 2022	31 December 2021	
Financial liabilities					
<i>Borrowings:</i>					
-Borrowings - bonds	14,088	10,776	12,315	11,221	Level 1
-Borrowings - other	2,378	2,929	2,064	2,329	Level 2
	16,466	13,705	14,379	13,550	

Borrowings include bonds, loans, short-term cash loans and commercial papers. The fair values of bonds (level 1) are based on price quotations (unadjusted) and the fair values of the other borrowings (level 2) are based on discounted cash flows. There were no transfers between the fair value hierarchy levels during the first half-year of 2022. Fair value of other financial instruments as at 30 June 2022 was close to their carrying amounts due to the short-term maturities of these instruments and are therefore not disclosed.

On 3rd of May we have issued our largest Green Bond ever. The transaction was split in four tranches of, respectively, EUR 1,250 million (4.5 years, coupon 1.625%), EUR 1,000 million (term: 7.5 years, coupon 2.125%), EUR 750 million (11 years, coupon 2.375%) and EUR 850 million (term: 20 years, coupon 2.750 %).

Long-term senior unsecured credit ratings for TenneT Holding B.V. remained unchanged during the first half of 2022 and were reaffirmed by both Standard & Poor's (A- / stable outlook) and Moody's Investor Service (A3 / stable outlook) on 21 July and 25 April 2022.

12. Provisions

The provisions mainly consist of asset retirement obligations and defined benefit liabilities. Asset retirement obligations are included for the legal and constructive obligations in relation to all our interconnectors and offshore assets. Both provisions decreased due to changes in discount and inflation rates.

13. Account- and other payables

Account- and other payables consist of EEG accounts payable, payables in respect of grid expenses, payables connected to tangible fixed assets purchases, accounts, interest and other payables. The increase in accounts and other payables from EUR 6,858 million to EUR 8,795 million was mainly due to EEG accounts payable.

14. Events after the reporting period

No significant events occurred after the reporting date.

REVIEW REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To: The Executive and Supervisory Boards of TenneT Holding B.V. ("**TenneT**")

Our conclusion

We have reviewed the accompanying condensed consolidated interim financial statements for the period from 1 January 2022 to 30 June 2022 of TenneT based in Arnhem (the "**Interim Financial Information**").

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union ("**IAS 34**").

The Interim Financial Information comprises the:

- interim condensed consolidated statement of financial position as at 30 June 2022;
- following interim condensed consolidated statements for the six-months period ended 30 June 2022: the statements of income, comprehensive income, changes in equity and cash flows; and
- notes, comprising a summary of the significant accounting policies and other explanatory information.

Basis for our conclusion

We conducted our review in accordance with Dutch law including standard 2410, 'Het beoordelen van tussentijdse financiële informatie door de accountant van de entiteit' (Review of Interim Financial Information Performed by the Independent Auditor of the Entity). A review of interim financial information in accordance with Dutch Standard 2410 is a limited assurance engagement. Our responsibilities under this standard are further described in the 'Our responsibilities for the review of the interim financial information' section of our report.

We are independent of TenneT in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (Dutch Code of Ethics).

We believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Responsibilities of the Executive and Supervisory Boards for the Interim Financial Information

The Executive Board is responsible for the preparation and presentation of the Interim Financial Information in accordance with IAS 34. Furthermore, the Executive Board is responsible for such internal control as it determines is necessary to enable the preparation of the Interim Financial Information that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing TenneT's financial reporting process.

Our responsibilities for the review of the Interim Financial Information

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

The level of assurance obtained in a limited assurance engagement is substantially less than the level of assurance obtained in an audit conducted in accordance with the Dutch Standards on Auditing. Accordingly, we do not express an audit opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with Dutch Standard 2410.

Our review included among others:

- updating our understanding of TenneT and its environment, including its internal control, and the applicable financial reporting framework, in order to identify areas in the Interim Financial Information where material misstatements are likely to arise due to fraud or error, designing and performing procedures to address those areas, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our conclusion;
- obtaining an understanding of internal control, as it relates to the preparation of the Interim Financial Information;
- making inquiries of management and others within TenneT;
- applying analytical procedures with respect to information included in the Interim Financial Information;
- obtaining assurance evidence that the Interim Financial Information agrees with or reconciles to TenneT's underlying accounting records;
- evaluating the assurance evidence obtained;
- considering whether there have been any changes in accounting principles or in the methods of applying them and whether any new transactions have necessitated the application of a new accounting principle;
- considering whether management has identified all events that may require adjustment to or disclosure in the Interim Financial Information; and
- considering whether the Interim Financial Information has been prepared in accordance with the applicable financial reporting framework and represents the underlying transactions free from material misstatement.

Rotterdam, 28 July 2022

Deloitte Accountants B.V.

Signed by J.A. de Bruin

TenneT is a leading European grid operator. We are committed to providing a secure and reliable supply of electricity 24 hours a day, 365 days a year, while helping to drive the energy transition in our pursuit of a brighter energy future. In our role as cross-border Transmission System Operator (TSO) we design, build, maintain and operate 23,900 km of high-voltage electricity grid in the Netherlands and large parts of Germany, and facilitate the European energy market through our 16 interconnectors to neighbouring countries. We are one of the largest investors in national and international onshore and offshore electricity grids, with a total asset value of EUR 37 billion. Every day our 6,700 employees take ownership, show courage and make and maintain connections to ensure that the supply and demand of electricity is balanced for almost 43 million people.

Together, we are lighting the way ahead

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