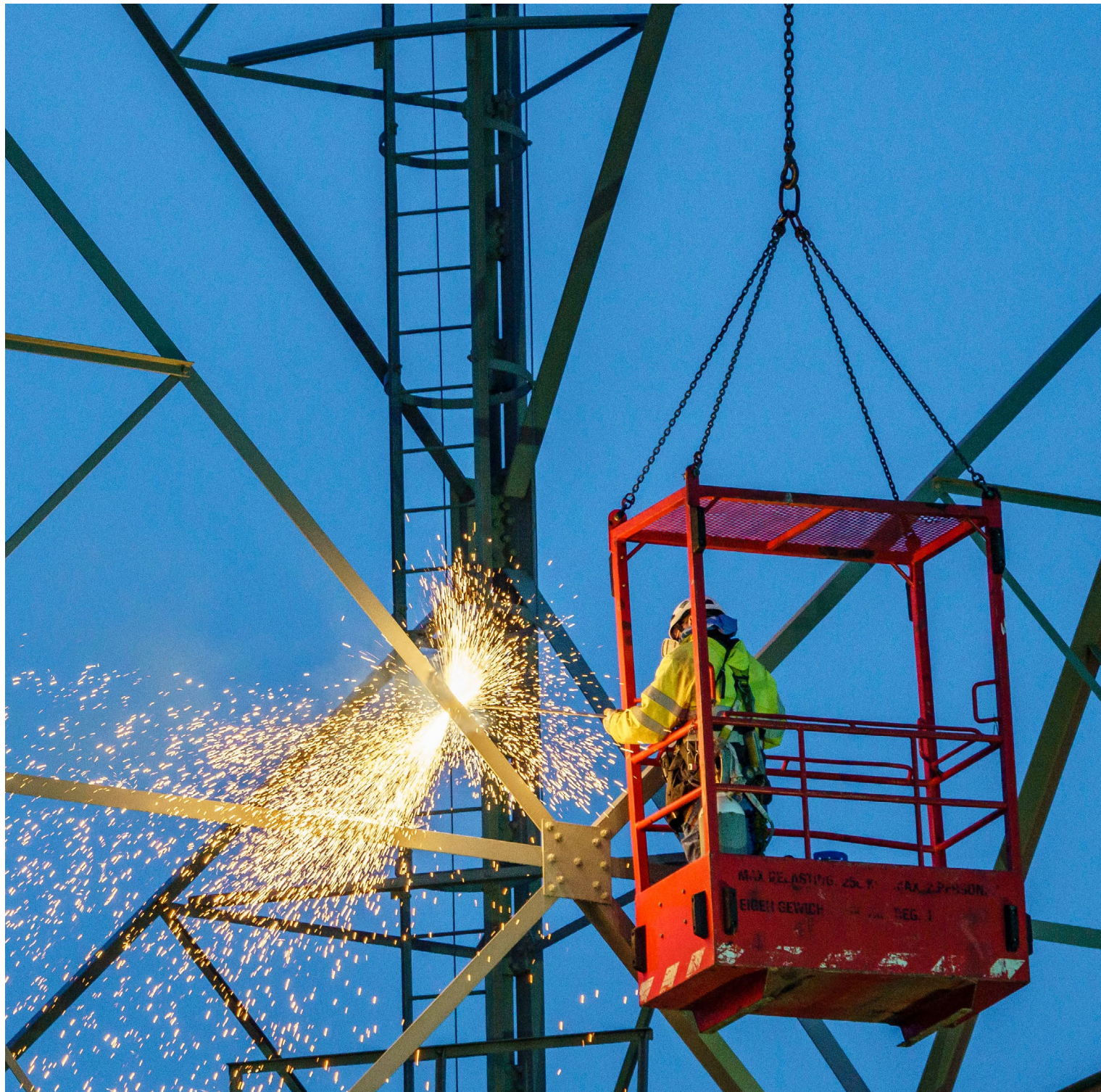




TenneT Holding B.V.

Half-year report 2020

INTERIM REPORT

At TenneT, we have a clear and critical task: to ensure a continuous availability of electricity for 42 million end users across the Netherlands and Germany, 24 hours a day, 365 days a year. This goal has inspired us for more than two decades, from when TenneT was founded in 1998, and continues to drive us today.

Our task, to transport electricity safely and securely to millions of people, businesses and institutions in Europe, is more challenging than ever. We have to manage the complexity of connecting growing amounts of renewable electricity to the grid while facilitating the development of a borderless European electricity market. In doing so, we are proud to forge new ways of thinking and solving problems as Europe's first cross-border TSO. End users benefit from this integration of the energy market. The Netherlands have for example experienced wider access to new renewable electricity from across its borders.

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. Meeting citizens growing demand for renewable electricity increases this responsibility. From wind farms far out in the North Sea, to end-users hundreds of kilometres inland, we must invest in transport capacity to carry electricity safely from wherever it is generated to wherever it is consumed.

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 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 assets, but also to system operations and market design.

In March 2020 Europe was confronted with the outbreak of COVID-19. Several teams within TenneT were handling the situation: a crisis team, a business continuity team and a plan ahead team. We managed to keep our system operations, field operations and projects running in very good order, despite challenging conditions. We are proud of the resilience of our people and relieved none of our employees suffered serious long-term health effects. The Corona planning Ahead (COPA) team used a structured cause-effect approach to identify the following key risks and opportunities:

- mid- and long-term effects on (mental) health of employees, due to infection or quarantine measures;
- disruptions within the supply chains and labour markets, e.g. due to increased sickness rates, border and customs controls, quarantine measures, insolvencies of supplier;
- delays in projects and strategic initiatives, e.g. due to limited availability of licensing authorities as well as supplies and materials;
- limited contact and participation with our stakeholders, yet an opportunity to foster digitalisation and thereby to increase the possibilities of participation and the efficiency of approval processes;
- a new way of working, e.g. working de-centralised and more flexible based on digitalisation provides opportunities with regard to the recruiting of work-force and collaboration; and
- an acceleration of system flexibility and innovation.

Additionally in the first half of 2020, a number of other significant events took place:

- We deeply regret the loss of an employee of one of our contractors in May 2020. During the construction works on an overhead line between substations Wilhelmshaven and Conneforde in Germany a serious incident occurred where a 21-year old workman was fatally injured;
- Beginning of this year the 12th offshore grid connection in Germany was completed with Borwin3. This brings the total connection capacity in the German part of the North Sea to over 7 GW, exceeding the German government's sustainability target of 6.5 GW in 2020;

- In March 2020, we reached an agreement with the EIB for a EUR 250 million loan. The financing will be used for the Western section of TenneT's Zuidwest 380 kV project, which will provide the transmission capacity for growing amounts of offshore wind energy to users in the Netherlands and beyond;
- We celebrated the sail out of our second Dutch offshore project, Borssele Beta in March 2020. In line with our planning, the 25 meters high topdeck, was brought to sea and is scheduled to be operational in September 2020;
- In April 2020, together with the Swiss (Swissgrid) and the Italian (Terna) TSOs, we launched a cross-border blockchain platform called Equigy. This crowd balancing platform will enable millions of European households and others who own electric devices such as electric vehicles to offer their flexible battery capacity and receive a financial reward for this in return. In the transition to a low carbon economy, where supply of electricity from renewable energy sources is less predictable, this platform can provide us with flexibility to balance the grid;
- In May 2020, our new Senior Leadership Team has been completed, which is an important milestone as part of our 'Transforming TenneT' programme. This organisational change programme was initiated early 2019 to help bring more focus to the strategy, design a functional organisation and to prepare for a company culture that supports the company and its role in the energy transition in the Netherlands and Germany. The new organisational structure went live on the first of July 2020;
- Dutch Finance Minister, Wopke Hoekstra, presented his preferred scenario for meeting TenneT's capital requirement on behalf of our shareholder, the Dutch Ministry of Finance in May 2020. A minority equity stake of the German State in either TenneT Holding or TenneT Germany will be investigated first; and
- TenneT has arranged four new committed bilateral bank facilities of each EUR 300 million in the first half of 2020. These committed facilities have original tenors between 11.5 and 21.5 months and will be used to finance working capital swings related to our renewable energy clearing activities in Germany.

Key underlying¹ figures

Based on underlying financial information (EUR million)	First half 2020	First half 2019
Revenue	2,319	2,166
EBITDA	960	877
EBIT	414	407
Investments	1,408	1,094
Based on underlying financial information (EUR million)	30 June 2020	31 December 2019
Assets	25,208	23,431
Net debt	10,788	9,491
Equity	6,289	5,665

Reference is made to note 6.4 for reconciliation to IFRS financial measures.

¹ We manage and monitor the performance of our business based on 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 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 presented above.

Underlying operating results

Underlying revenue in the first half of 2020 increased by EUR 153 million to EUR 2,319 million (H1 2019: EUR 2,166 million) mainly due to additional revenue generated by an increase in asset base and compensation of grid related expenses.

For the first half of 2020 EBIT showed an increase of EUR 7 million. For TSO Netherlands EBIT amounted to EUR 123 million (H1 2019: EUR 101 million) and for TSO Germany to EUR 280 million (H1 2019: EUR 294 million) during this period. For our non-regulated businesses EBIT amounted to EUR 14 million (H1 2019: EUR 13 million) during the first half of 2020.

Risk management update

We evaluated our strategic risk position in Q2 2020 and concluded that there were, beside certain COVID-19 related risks, no significant changes in the risk position compared to the analysis presented in the TenneT Integrated Annual Report 2019.

Statement of responsibility

We confirm that, to the best of our knowledge, 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 results and cash flows as a whole for the six-month period ended 30 June 2020. 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 performance, results and position, and a description of the most significant risks and uncertainties we face in the second half of the financial year 2020.

Arnhem, 30 July 2020

Executive Board TenneT Holding B.V.

M.J.J. van Beek

O. Jager

B.G.M. Voorhorst

T.C. Meyerjürgens

All members of Executive board are Statutory Directors

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Interim condensed consolidated statement of income

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

	Notes	2020	2019
Revenue	3	2,390	2,185
Grid expenses	3	1,211	1,116
Depreciation and amortisation of assets	3	537	459
Other expenses		214	199
Total operating expenses		1,962	1,774
Share in profit of joint ventures and associates		20	17
Operating profit		448	428
Finance result		-96	-96
Profit before income tax		352	332
Income tax expense		89	85
Profit for the period		263	247
Profit attributable to:			
Equity holders of ordinary shares		224	209
Hybrid securities		17	16
Owners of the company		241	225
Non-controlling interests	6.1.2	22	22
Profit for the period		263	247
Basic and diluted earnings per share (EUR)		1,120	1,045

Interim condensed consolidated statement of comprehensive income

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

	Notes	2020	2019
Profit for the period		263	247
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Amortisation of hedges		-1	-1
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement of defined benefit pensions	6.1.1	29	-55
Taxation	6.1.1	-8	16
Total other comprehensive income for the period		20	-40
Total comprehensive income for the period (net of tax)		283	207
Comprehensive income attributable to:			
Equity holders of ordinary shares		244	169
Hybrid securities		17	16
Owners of the company		261	185
Non-controlling interests	6.1.2	22	22
Total comprehensive income for the period (net of tax)		283	207

Interim condensed consolidated statement of financial position

(EUR million)

Assets	Notes	30 June 2020	31 December 2019
Non-current assets			
Tangible fixed assets	4	19,511	18,541
Right of use assets	5.3	300	392
Intangible assets		170	160
Investments in associates and joint ventures		648	638
Deferred tax assets		89	83
Other financial assets		62	61
Total non-current assets		20,780	19,875
Current assets			
Account- and other receivables	5.1	3,581	2,085
Other current assets		115	112
Cash and cash equivalents	6.3	142	901
Total current assets		3,838	3,098
Assets of disposal group classified as held for sale		-	-
Total assets		24,618	22,973

Interim condensed consolidated statement of financial position (continued)

Equity and liabilities	Notes	30 June 2020	31 December 2019
Equity			
Equity attributable to ordinary shares	6.1.1	4,828	4,696
Hybrid securities	6.1.1	1,104	1,120
Equity attributable to owners of the company		5,932	5,816
Non-controlling interests	6.1.2	695	744
Total equity		6,627	6,560
Non-current liabilities			
Borrowings	6.2	9,462	9,137
Provisions (incl. Net employee defined benefit liabilities)		1,579	1,524
Contract liabilities		354	340
Deferred tax liability		48	63
Lease liabilities	5.3	226	286
Other liabilities		2	3
Total non-current liabilities		11,671	11,353
Current liabilities			
Borrowings	6.2	1,291	565
Provisions		246	248
Contract liabilities		3	3
Lease liabilities	5.3	76	108
Account- and other payables	5.2	4,367	3,815
Bank overdrafts	6.3	46	-
Other current liabilities		291	321
Total current liabilities		6,320	5,060
Liabilities of disposal group classified as held for sale		-	-
Total equity and liabilities		24,618	22,973

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	Other reserves	Retained earnings	Unappropriated result	Equity attributable to ordinary shares	Hybrid securities	Equity attributable to owners of the company		
Balance at 31 December 2018		100	1,380	3	2,084	397	3,964	1,120	5,084	796	5,880
Total comprehensive income		-	-	-1	-39	209	169	16	185	22	207
Dividends paid	6.1	-	-	-	-	-120	-120	-	-120	-36	-156
Capital repayment	6.1	-	-	-	-	-	-	-	-	-44	-44
Distribution on hybrid securities	6.1.1	-	-	-	-	-	-	-33	-33	-	-33
Appropriation remaining prior year profit		-	-	-	277	-277	-	-	-	-	-
Balance at 30 June 2019		100	1,380	2	2,322	209	4,013	1,103	5,116	738	5,854
Balance at 31 December 2019		100	1,790	1	2,264	541	4,696	1,120	5,816	744	6,560
Total comprehensive income		-	-	-1	21	224	244	17	261	22	283
Dividends paid	6.1	-	-	-	-	-112	-112	-	-112	-50	-162
Capital repayment	6.1	-	-	-	-	-	-	-	-	-21	-21
Distribution on hybrid securities	6.1.1	-	-	-	-	-	-	-33	-33	-	-33
Appropriation remaining prior year profit		-	-	-	429	-429	-	-	-	-	-
Balance at 30 June 2020		100	1,790	-	2,714	224	4,828	1,104	5,932	695	6,627

Interim condensed consolidated statement of cash flows

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

	Notes	2020		2019	
Operational activities					
Operating profit for the period			448		428
<i>Non-cash adjustments to reconcile profit to net cash flows:</i>					
Depreciation, amortisation and impairment of assets		537		459	
Share in profit of joint ventures and associates		-20		-17	
Dividends received from joint ventures and associates		14		13	
Movements in other items		21		12	
			552		467
Working capital adjustments excluding EEG working capital			252		-31
Income tax paid			-164		-120
Net cash flows from operating activities excluding EEG working capital			1,088		744
EEG working capital adjustments	5.1, 5.2		-976		337
Net cash flows from operating activities			112		1,081
Investing activities					
Purchase of tangible and intangible fixed assets		-1,529		-1,029	
Interest received		-		2	
Capital contribution to joint ventures and associates		-3		-38	
Net cash flows used in investing activities			-1,532		-1,065
Financing activities					
Proceeds from borrowings		1,076		1,732	
Repayment of borrowings		-28		-719	
Interest paid		-151		-135	
Payment of lease liabilities		-66		-66	
Dividends paid to ordinary shareholder of the company	6.1.1	-112		-120	
Distribution on hybrid securities	6.1.1	-33		-33	
Dividends paid and capital repayments to non-controlling interests	6.1.2	-71		-80	
Net cash flows from financing activities			615		579
Net change in cash and cash equivalents			-805		595
Cash and cash equivalents at 30 June		96		1,848	
Cash and cash equivalents at 1 January		901		1,253	
			-805		595

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis for reporting

1.1 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 head office and legal seat of TenneT Holding B.V. is located in Arnhem, the Netherlands.

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 2020 were prepared by the Executive Board and authorised for issuance in accordance with an Executive Board resolution on 30 July 2020. These interim condensed consolidated financial statements, including the notes, were reviewed by Deloitte Accountants B.V. but have not been audited.

1.2 Basis for preparation

The interim condensed consolidated financial statements for the six-month period ended 30 June 2020 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 2019, published on 9 March 2020.

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 2019, except for the adoption of new standards effective as of 1 January 2020.

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.

1.3 Changes in EU-endorsed published IFRS standards and interpretations effective in 2020

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

The IASB made amendments to the definition of materiality in IAS 1 and IAS 8. The new definition reads: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements. In line with the amendments we consider an item material if, in our view, it could reasonably be expected that the item has impact on the economic decisions of users of our general financial statements. The amendments to IAS 1 and IAS 8 are effective for annual periods beginning on or after 1 January 2020 and must be applied prospectively. The amendment did not have a significant impact on the financial statements of 30 June 2020.

1.4 COVID-19 impact

In March 2020 Europe was confronted with the outbreak of COVID-19. Several teams within TenneT were handling the situation: a crisis team, a business continuity team and a plan ahead team. We managed to keep our system operations, field operations and projects running in very good order, despite challenging conditions. During the first half year of 2020, COVID-19 had no material impact on the financial figures of TenneT. We refer to the Interim Report, page 2, for further elaboration on the impact of COVID-19 on TenneT.

2. Segment information

2.1 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 management of our business. As in previous years, non-regulated activities are also reviewed 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 since underlying financial information is used. 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 note 2.2 for further reference). TenneT's Executive Board believes that the presentation of underlying financial information provides additional relevant insight in the actual business, financial performance, and as such economic reality. Furthermore this reflects the regulatory regime.

The underlying segment information is as follows:

(EUR million)	Six-month period ended 30 June 2020			30 June 2020	
	Revenue	EBIT	Investments	Assets	Liabilities
TSO Netherlands	528	123	582	7,154	4,018
TSO Germany	1,796	280	825	18,335	13,146
Non-regulated companies	15	14	1	392	245
	2,339	417	1,408	25,881	17,409
Eliminations and adjustments	-20	-3	-	-673	1,510
Consolidated underlying information	2,319	414	1,408	25,208	18,919

(EUR million)	Six-month period ended 30 June 2019			31 December 2019	
	Revenue	EBIT	Investments	Assets	Liabilities
TSO Netherlands	514	101	480	7,075	4,014
TSO Germany	1,659	294	612	16,977	11,836
Non-regulated companies	13	13	2	561	257
	2,186	408	1,094	24,613	16,107
Eliminations and adjustments	-20	-1	-	-937	1,307
Consolidated underlying information	2,166	407	1,094	23,676	17,414

2.2 Regulatory deferral accounts: reconciliation to IFRS figures

The financial information presented in the segment information and board report is based on underlying financial information, which differs from IFRS with respect to the recognition of regulated assets, regulated liabilities, auctions receipts, maintenance of 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.

Reconciliation underlying financial information to IFRS	Revenue	EBIT	Assets	Liabilities	Recovery/ reversal period (years)
2020 (EUR million)	Six-month period ended 30 June 2020		30 June 2020		
Consolidated underlying information	2,319	414	25,208	18,919	
To be settled in tariffs	-24	-70	-291	-2	0 - 5
Auction receipts	77	76	-	-709	0 - 20
Investment contributions	-3	-3	-	-235	0 - 30
Maintenance of the energy balance	21	21		-44	0 - 1
Difference in tangible fixed assets	-	10	-270	-	0 - 28
Effect on deferred tax balances	-	-	-29	62	0 - 30
Consolidated IFRS financial statements	2,390	448	24,618	17,991	

Reconciliation underlying financial information to IFRS	Revenue	EBIT	Assets	Liabilities	Recovery/ reversal period (years)
2019 (EUR million)	Six-month period ended 30 June 2019		31 December 2019		
Consolidated underlying information	2,166	407	23,676	17,414	
To be settled in tariffs	-60	-68	-405	-2	0 - 5
Auction receipts	71	71	-	-790	0 - 30
Investment contributions	-2	-2	-	-243	0 - 30
Maintenance of the energy balance	10	10	-	-34	0 - 1
Difference in tangible fixed assets	-	10	-280	-	0 - 29
Effect on deferred tax balances	-	-	-18	68	0 - 30
Consolidated IFRS financial statements	2,185	428	22,973	16,413	

To be settled in tariffs

Revenue surpluses and deficits resulting from differences between expected (ex ante) and realised (ex post) electricity transmission volumes 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'.

Auction receipts & investment contributions

Auction receipts result from auctioning the available transmission capacity on cross-border interconnections. The resulting receipts are not at TenneT's free disposal. In accordance with European law, auction receipts must be used to finance investments in cross-border interconnections or to reduce future tariffs. In the Netherlands, the ACM and TenneT agreed that auction receipts shall be used to reduce future tariffs. The outstanding balance of auction receipts on 31 December 2014

was and will be refunded through annual the tariffs up to and including the year 2024. In Germany, the use of auction receipts for investments is effectively achieved by reducing tariffs over a 20-year period subsequent to receiving these amounts.

Under IFRS, auction receipts are recognised as revenue when realised.

Maintenance of the energy balance

As system manager of the high-voltage grid in the Netherlands, TenneT TSO B.V. receives funds for performing certain statutory duties, such as the maintenance of the energy balance. The proceeds from these activities (i.e., 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.

Difference in tangible fixed assets

Differences in 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 analysis.

3. Results for the period

Revenue from connection and transmission services is regulated in Germany and the Netherlands. It includes revenue from services provided to regional grid operators and industrial customers.

(EUR million)	First half of 2020			
	TSO NL	TSO Germany	Non- regulated	Total
Connection and transmission services	366	1,217	-	1,583
Maintenance of energy balance	44	42	-	86
Operation of energy exchanges	41	38	-	79
Offshore (balancing)	46	546	-	592
Other	10	25	15	50
Inter-segment	11	9	-	20
Total revenue IFRS	518	1,877	15	2,410
Inter-segment adjustments and eliminations	-11	-9	-	-20
Total revenue from contracts with customers IFRS	507	1,868	15	2,390

(EUR million)	First half of 2019			
	TSO NL	TSO Germany	Non- regulated	Total
Connection and transmission services	296	1,194	-	1,514
Maintenance of energy balance	31	21	-	52
Operation of energy exchanges	32	43	-	75
Offshore (balancing)	24	498	-	498
Other	11	22	13	46
Inter-segment	13	7	-	20
Total revenue IFRS	407	1,785	13	2,205
Inter-segment adjustments and eliminations	-13	-7	-	-20
Total revenue from contracts with customers IFRS	394	1,778	13	2,185

Compared to previous report, revenue from offshore (balancing) for TSO NL is shown separately.

Set out below is the reconciliation of revenue from contracts with customers based on IFRS with the amounts disclosed in the segment information (Note 2) based on underlying financial information:

(EUR million)	First half of 2020			
	TSO NL	TSO Germany	Non- regulated	Total
Total revenue	518	1,877	15	2,410
To be settled in tariffs	65	-41	-	24
Auction receipts	-39	-38	-	-77
Investment contributions	5	-2	-	3
Maintenance of the energy balance	-21	-	-	-21
Total revenue underlying	528	1,796	15	2,339
Inter-segment adjustments and eliminations	-11	-9	-	-20
Total revenue from contracts with customers underlying	517	1,787	15	2,319

(EUR million)	First half of 2019			
	TSO NL	TSO Germany	Non- regulated	Total
Total revenue	407	1,785	13	2,205
To be settled in tariffs	142	-82	-	60
Auction receipts	-29	-42	-	-71
Investment contributions	5	-3	-	2
Maintenance of the energy balance	-11	1	-	-10
Total revenue underlying	514	1,659	13	2,186
Inter-segment adjustments and eliminations	-13	-7	-	-20
Total revenue from contracts with customers underlying	501	1,652	13	2,166

Revenue increased mainly due to ongoing investments, a growing asset base and increasing reimbursement of costs for grid related expenses. As grid related expenses will be reimbursed through future tariffs, the operating profit increased less than revenue during the first half of 2020.

Depreciation and amortisation of assets rose compared to the first half year from EUR 459 million (2019) to EUR 537 million (2020) due to an increase in the asset base.

4. Grid investments and related commitments

Tangible fixed assets increased by EUR 970 million to EUR 19,511 million (2019: EUR 18,541 million) due to further grid investments in Germany and the Netherlands amounting to EUR 1,408 million, partially offset by the depreciation for the period. As at 30 June 2020, TenneT had entered into external commitments regarding the purchase of tangible fixed assets totalling EUR 4,914 million (2019: EUR 3,731 million).

5. Other invested capital including working capital and provisions

5.1 Account- and other receivables

Account- and other receivables comprise receivables related to the EEG (German Renewable Energy or Act Erneuerbare-Energien-Gesetz), amounts to be invoiced, trade receivables, VAT and other receivables. The increase in accounts and other receivables from EUR 2,085 million (2019) to EUR 3,581 million (2020) is mainly related to EEG activities.

5.2 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 is mainly due to EEG accounts payable of EUR 2,321 million (2019: EUR 1,761 million). Furthermore, grid expense accrual increased by EUR 97 million to EUR 1,118 million as at 30 June 2020.

5.3. Right of use assets and lease liabilities

The right of use assets and lease liabilities mainly decreased due to expired lease contracts for power plants.

6. Capital structure and financing

6.1 Equity

6.1.1 Equity attributable to owners of the company

During the first six months of 2020, TenneT distributed a EUR 112 million common dividend to its ordinary shareholder (EUR 560 per share). TenneT also paid EUR 33 million in cash to the holders of its hybrid securities. TenneT accounted for an actuarial gain of EUR 20 million (net of tax) on German pension obligations directly through equity, mainly due to the increase of the discount rate from 1.05% (31 December 2019) to 1.30% (30 June 2020).

The method to determine the discount rate for pensions has been changed to better comply with the requirements of IAS 19. According to this standard the discount rate used on post-employment benefit obligations shall be determined by reference to market yields on high quality corporate bonds. Only in countries where there is no deep market in such bonds the market yields on government bonds may be used instead. Based on improved market data secured corporate bonds, whose risk/return profile corresponds more closely to that of government bonds, can be eliminated from the database more accurately to comply with the provisions of IAS 19.

Compared to the previous method, this resulted in a discount rate of 1.3% instead of 0.65% (30 June 2020) and actuarial gains of approximate EUR 70 million.

6.1.2 Non-controlling interests

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

	Country	30 June 2020	31 December 2019
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	63%	70%
TenneT Offshore DolWin3 Verwaltungs GmbH ("TODV")	Germany	67%	67%
ETPA Holding B.V.	Netherlands	50%	50%

Non-controlling interests are reflected 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 2019	259	249	236
Profit attributable to non-controlling interests	2	9	11
Dividends paid	-13	-37	-
Capital repayment	-	-	-21
At 30 June 2020	248	221	226
At 31 December 2018	246	261	289
Profit attributable to non-controlling interests	3	6	13
Dividends paid	-5	-31	-
Capital repayment	-	-	-44
At 30 June 2019	244	236	258

6.2. Borrowings

(EUR million)	Carrying amount		Fair value		Hierarchy
	30 June 2020	31 December 2019	30 June 2020	31 December 2019	
Borrowings:					
- Bonds	7,646	7,642	8,389	8,354	Level 1
- Other	3,107	2,060	3,256	2,203	Level 2
	10,753	9,702	11,645	10,557	

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 2020. Fair value of the other financial instruments as at 30 June 2020 was close to their carrying amounts due to the short-term maturities of these instruments and are therefore not disclosed.

Long-term senior unsecured credit ratings for TenneT Holding B.V. remained unchanged during the first half of 2020 and were reaffirmed by Standard & Poor's (A- / stable outlook) on 15 May 2020 and Moody's Investor Service (A3 / stable outlook) on 14 May 2020.

6.3 Cash, cash equivalents and bank overdrafts

(EUR million)	30 June 2020			31 December 2019		
	At free disposal	Not at free disposal	Total	At free disposal	Not at free disposal	Total
Collateral securities	-	84	84	-	79	79
EEG funds	-	41	41	-	589	589
EEG deposits < 3 months	-	-	-	-	30	30
Cash at bank	11	6	17	202	1	203
Cash and cash equivalents	11	131	142	202	699	901
Bank overdrafts	-46	-	-46	-	-	-
Total cash and cash equivalents used in cash flow statement	-35	131	96	202	699	901

6.4 Reconciliation of non-IFRS financial measures

In the discussion of TenneT's financial results, a number of alternative performance measures (non-GAAP figures) are used to provide readers with additional financial information that is regularly reviewed by management. These 'underlying' (non-IFRS) figures should not be viewed as a substitute for TenneT's financial results as determined in accordance with IFRS, which are presented in TenneT's consolidated financial statements.

TenneT's main non-IFRS figures are explained below.

EBITDA

TenneT defines EBITDA as operating result before interest, tax and depreciation (including impairments) of tangible fixed assets and amortisation (including impairments) of intangible assets.

Based on underlying financial information (EUR million)	First half 2020	First half 2019
IFRS EBIT	448	428
IFRS Depreciation and amortisation	537	459
IFRS EBITDA	985	887
Other underlying adjustments	-35	-20
Underlying adjustment depreciation	10	10
Underlying EBITDA	960	877

7. Events after the reporting period

TenneT secured EUR 300 million of additional short-term bank financing in July 2020 to finance working capital needs related to its renewable energy clearing activities in Germany, bringing the aggregate amount of such financing to EUR 1.5 billion.

Additionally, in July TenneT successfully issued, launched and priced its second-ever Green Hybrid Bond of EUR 1 billion with a coupon of 2.374% and a non-call period of 5.25 years. Proceeds will be used to invest in green projects in the Netherlands and Germany to connect large scale offshore wind to the onshore electricity grid and to enhance the onshore transmission capacity for renewable energy.

REVIEW REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To: the Executive Board of TenneT Holding B.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of TenneT Holding B.V., Arnhem, that comprises the interim condensed consolidated statement of financial position as at 30 June 2020, the interim condensed consolidated statement of income for the six-month period ended 30 June 2020, the interim condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2020, the interim condensed consolidated statement of changes in equity for the six-month period ended 30 June 2020 and the interim condensed consolidated statement of cash flows for the six-month period ended 30 June 2020, and the notes, comprising a summary of the significant accounting policies and other explanatory information.

The Executive Board is responsible for the preparation and presentation of this consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2020 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Rotterdam, 30 July 2020

Deloitte Accountants B.V.

J.A. de Bruin

TenneT is a leading European transmission service operator (TSO), with a mission to ensure a secure supply of electricity to 41 million people in the Netherlands and large parts of Germany. We maintain a network of high voltage lines, of approximately 23,000 kilometres over land and sea. We are one of Europe's major investors in national and cross-border grid connections, linking North West Europe's energy markets and facilitating the energy transition. We employ over 3,400 people, turn over EUR 4.2 billion and have assets of over EUR 23 billion. As we fulfill our mission, we make every effort to meet the needs of society by being responsible, engaged and connected. **Taking power further.**

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