



Tennet Holding B.V.

# Half-year Report 2023

# INTERIM REPORT

Electricity grids play a pivotal role in enabling and accelerating the energy transition. By integrating renewable energy sources, grids facilitate the transition to sustainable power generation. With grid modernisation and expansion, society can reduce emissions, improve sustainability and build a greener energy future.

With over 25,000 kilometres of high-voltage connections both onshore and offshore, our role as transmission system operator (TSO) is to deliver a high degree of grid availability, while securing electricity transport to nearly 43 million end-users, in the Netherlands and a large part of Germany. We are committed to this critical task today and tomorrow and during a period of major change in energy supply and high volatility in energy markets.

## Driving the energy transition

The future energy system will become increasingly dependent on renewable sources. But renewables are, by nature, intermittent – the sun does not always shine and the wind does not always blow. This requires fundamental adjustments to the system, for example through new developments in electricity storage and demand-side response. TenneT is working on these challenges together with our stakeholders. This means we build grids to support a renewables-based energy system, designed to integrate new energy sources and unlock flexibility and connect our customers, both onshore and offshore.

## Transitioning towards the first climate-neutral society

By 2050, Europe aims to become the first climate-neutral continent. The Dutch and German governments, alongside other European governments, are key to making this ambition a reality. For Europe to become a climate-neutral continent, society relies on the energy transition to ensure a sustainable supply of energy. The Dutch and German governments have set clear ambitions to support Europe's climate targets, with the German government aiming for climate neutrality in 2045 and the Dutch government in 2050. As a key player in the electricity sector, TenneT has a social responsibility to develop feasible and efficient solutions to support national climate goals and facilitate the future energy system, which we have translated in a Target Grid. More on this is included in our Key Events section. We are using our extensive experience and expertise to integrate vast amounts of renewable electricity into the grid, while keeping the light on at all times and working in close cooperation with our stakeholders.

TenneT is one of Europe's largest investors in national and cross-border electricity transmission capacity on land and at sea, connecting Northwest European energy markets and efficiently unlocking large-scale renewable electricity sources. We collaborate with a wide range of partners to develop and apply new, smart technologies and contribute to accelerating the energy transition, now and in the future.

## Towards two strong national players

In February of this year, TenneT announced that it intended to engage in discussions with the German government to explore the possibility of a sale of our German activities on acceptable terms. Such a transaction would enable the creation of two strong national players who would continue to cooperate in driving the energy transition, especially in the North Sea. Discussions between TenneT and the German government are currently ongoing. However, three joint conditions from both TenneT and the Shareholder were formulated in the process:

- a. The continuity of the operation should not be impacted.
- b. The main synergy benefits should be preserved as much as possible through cooperation agreements between both TenneT Netherlands and TenneT Germany and both states.
- c. A full sale of TenneT Germany is only on the table at a convincing and market-based price that reflects the value of the company.

Given the current status of the negotiations, there can be no certainty as to whether any transaction will materialise.

Meanwhile, our purpose and vision remains unchanged. We will continue to deliver on security of supply and are committed to safeguarding the interests of employees, customers, suppliers, financiers and other stakeholders.

### Future-proof our organisation by recruiting the best talent

To realise a rapidly expanding portfolio of investments, we need to grow our organisation. In the first six months of 2023, TenneT hired 370 new internal and external colleagues (net growth of FTE), while we have an ambition for 850 additional FTEs in 2023. Our ability to attract new people shows TenneT is maintaining its position as an attractive employer, despite the tight labour market with many parties competing for the same talents. We are seeking to increase many aspects of diversity among our employee base and we are above target for hiring non Dutch and non German employees. Unfortunately we have not reached our gender target of 30% in the first six months of 2023 since the female inflow accounted for 28% of our new employees.

## Key events first-half year 2023

### Building the green power house in Europe

In the first half of 2023, TenneT awarded framework agreements for fourteen 2GW offshore grid connection systems, as the North Sea is becoming the Green Power House in Europe. These framework agreements include onshore and offshore converter stations and also transport and installation of the offshore platforms. Furthermore, we have awarded contracts for over 10,000 kilometres of cable systems for the fourteen offshore 2GW grid connection systems. The aim is to deliver this portfolio of six German and eight Dutch 2GW offshore grid connection systems around 2031.

### Launch of Target Grid

In April 2023, TenneT launched its Target Grid 2045 strategy – a new approach designed to meet the tremendous challenges of the energy transition. The objective is to have a future-proof electricity grid in place by 2045, capable of facilitating a sustainable economy, with a reliable supply of green electricity for all users, from consumers to industry.

### Facility of EUR 8 billion and contribution from the Shareholder of EUR 1.6 billion

In May 2023, a term facility agreement of EUR 8 billion with a tenor of 2.5 years was reached. The facility is undrawn as at 30 June 2023. In June 2023, the Dutch State has provided EUR 1.6 billion to cover the funding requirements of the Dutch part of TenneT.

### Announcement of LionLink

In April 2023, TenneT and National Grid Ventures announced plans for a first-of-its-kind electricity link that will connect offshore wind energy between the Netherlands and the UK. LionLink could connect Dutch wind farms to the electricity grids of both countries via a subsea high voltage electricity cable, called a multi-purpose, or hybrid, interconnector. The 2 GW connection would be the first of its kind for the UK and the Netherlands and the next step towards an integrated electricity grid in the North Sea.

### Grid connections Hollandse Kust Noord and DoWin6 ready

After extensive preparation and three years of construction on land and sea, the grid connection for offshore wind farm Hollandse Kust Noord is officially ready for commissioning. With this, TenneT delivers the fifth and final 700 MW connection from the 2023 Offshore Wind Energy Roadmap, safely, on time and within budget. This brings the total installed offshore connection capacity in the Netherlands to 3.5 GW. Since 28 May, the entire grid connection, beginning with the offshore platform DoWin kappa, via the HVDC cable system to the land station in Emden, has been in trial operation. After the successful completion, DoWin6 is preparing for final acceptance in autumn 2023 as planned.

### German TSOs publish grid development plan for 2037/2045

The four German transmission system operators – 50Hertz, Amprion, TenneT and TransnetBW – published the grid development plan for 2037/2045. The Netzentwicklungsplan (NEP) assumes a five-fold increase in installed capacity from renewable energy sources, reaching around 700 GW by 2045. Integrating these renewables and enabling secure grid operations requires strong expansion of the high-voltage electricity grids. Newly identified projects for 2045 comprise a total route length of 14,200 km, of which 5,700 km will be onshore and 8,500 km offshore.

## Key underlying<sup>1</sup> figures

Based on underlying financial information (EUR million)	First half of 2023	First half of 2022
Underlying revenue	4,794	4,975
Underlying EBIT	930	579
Investments	3,475	1,597

  

Based on underlying financial information (EUR million)	30 June 2023	31 December 2022
Underlying assets	42,223	40,966
Net debt	20,833	20,398
Net debt adjusted	18,794	18,120
Underlying equity	9,708	9,495

<sup>1</sup> We primarily manage and monitor the performance of our business based on so called underlying financial information.

Reference is made to note 2 for the reconciliation between underlying financial information and IFRS financial measures.

### Ancillary services costs

The decrease of ancillary services is mainly caused by decreased energy prices. This decrease is partly offset by increased costs relating to grid losses, mainly due to locked-in prices based on 2022 developments of the energy prices and increased volumes.

### Underlying revenue and EBIT

Underlying revenue in the first half-year of 2023 decreased by EUR 181 million to EUR 4,794 million (H1 2022: EUR 4,975 million) year-on-year.

The overall lower costs for ancillary services such as redispatch, grid losses, reserve power plants and control power in 2023 result in lower underlying revenues, since those costs will be settled through future tariffs or are directly offset by auction receipts. This decrease is partly offset by increased revenues from increased reimbursements due to rising interest rates. Furthermore the revenue increased due to increasing ongoing investments, resulting in a growing regulatory asset base and higher onshore and offshore revenues.

In the first half-year of 2023 underlying EBIT increased by EUR 351 million to EUR 930 million. The increase of EBIT is partly caused by higher compensation in tariffs as a result of increased regulatory reimbursement due to increased interest rates. The increase of interest rates are reflected in increased finance expenses which are not part of EBIT. Higher auction receipts resulted in an increased result of our non-regulated joint venture. For the TSO Netherlands segment EBIT amounted to EUR 274 million (H1 2022: EUR 174 million) and for the TSO Germany segment to EUR 562 million (H1 2022: EUR 370 million) during this period. For our non-regulated businesses EBIT amounted to EUR 110 million (H1 2022: EUR 40 million) during the first half-year of 2023.

## Investments

During the first half-year of 2023 TenneT continued its strong efforts to drive the energy transition, investing EUR 3,475 million in the grid (first half-year 2022: EUR 1,597 million). The significant increase compared to the first half-year of 2022 is mainly related to the earlier mentioned 2GW offshore programme where framework agreements and contracts have been awarded and milestones on progress have been met. We have planned to invest at least EUR 8 billion per year and are on track to meet this target.

## IFRS results

Underlying financial information is based on International Financial Reporting Standards as adopted by the European Union (hereafter: IFRS) plus the principle of recognising regulatory assets and liabilities for all of our regulated activities. This implies that amounts resulting from past events and which are allowed to be received or are required to be returned through future tariffs are recorded as an asset or liability, respectively. TenneT's Executive Board holds the view that the presentation of underlying financial information provides additional relevant insight in the actual financial position, financial performance and as such economic reality. By comparison, the consolidated financial statements are prepared based on IFRS. Based on prevailing opinion on IFRS it is not allowed to recognise amounts to be received or required to be returned through future tariffs.

Our IFRS revenue increased by EUR 1,408 million to EUR 5,275 million. IFRS revenues mainly increased due to increased regulatory tariffs and higher reimbursement of expected costs for ancillary services. These revenues increased as they are based on the in 2022 expected higher costs in 2022 for ancillary services. IFRS EBIT increased mainly due the increased revenues, decreased actual costs for ancillary services and increased result of our non-regulated joint venture BritNed, compared to H1 2022.

## Risk management update

As per 30 June 2023 we evaluated our risks, affecting TenneT's strategic, operational and financial domain and concluded that our overall risk position has not changed significantly, compared to the risks presented in the Integrated Annual Report 2022 (pages 105 -109). Based on recent developments, both internal as external, we highlight three new risks that have been identified since our last assessment:

1. Disentanglement: TenneT previously announced that it would explore the possibility of a sale of TenneT's German activities. If such sale were to materialise, this might impact certain cross-border activities on day 1 (e.g. projects, processes and contracts). A project to prepare a smooth potential disentanglement of the company has been set-up accordingly. At the same time, the organisation is maintaining a strong focus on the business aspects of 'employer of choice', 'reliable suppliers' and 'continuation of operations'.
2. In February 2023, the Council of Ministers decided that the Dutch cabinet wants to explore a full sale of TenneT's German activities to the German state as the preferred scenario to meet TenneT Germany's own equity need. At this moment, constructive negotiations take place. In case TenneT would require additional equity before a transaction is completed, the capital requirements of TenneT Germany could be temporarily bridged by the Dutch state.
3. Market Risk: TenneT is regularly performing market assessments on supply chain risks, is concluding framework contracts and is implementing price adjustment clauses with suppliers to mitigate the risk of potential abuse of market position, disproportionate cost increases and significant budget overruns in a market characterised by inflation, price fluctuations and strong supplier positions.

As the Ukrainian/Russian war still continues, TenneT closely monitors the developments, in particular related to the energy markets and the potential impact on our key suppliers. At this moment no financial instability of key suppliers is reported and while supply security remains a risk for the day-to-day operations mitigation actions have been undertaken.

## Challenges

### Impasse with nitrogen in the Netherlands

As a key player in the energy transition, our main environmental impact relates to driving the energy transition to deliver a green energy future. Despite this impact, we also have unavoidable impacts on the environment in getting there. One of them being the effect of nitrogen in realising our assets. This affects our projects due to the nitrogen impasse in the Netherlands, as it has led to some major delays in projects to expand the electricity grid. In TenneT's case, more than 13 projects are experiencing immediate delays (half of them by more than six months) and in the absence of a structural solution, almost 100 projects could face delays in the longer term. This could have a negative impact for existing and new end-users, as the investments are also meant to fix and prevent congestion on our Dutch grid. Grid operators in the Netherlands urged the government to come up with solutions, like using the new European directive RED III which can speed up the permitting process for energy projects and furthermore to prioritise grid expansion projects in the nitrogen space allocation.

### Dutch cabinet resigns

The Dutch cabinet resigned in July. This may lead to a (prolonged) standstill of policies around important issues such as climate and energy. Together with a broad civil society coalition, we call on national politicians not to let energy and climate policies grind to a halt. Not only because our climate goals will no longer be achievable, but certainly also because citizens, employees and companies need stable and predictable policies.

### Data leak

At the end of May, a hack occurred in software that TenneT and many other companies uses. This concerned the software MOVEit from the supplier Progress. With this software, (large) files can be sent and received encrypted. On Wednesday 31 May, immediately after discovery, TenneT closed down the system for use and informed the supplier of the software. Data sent or received via the tool was copied. No other TenneT systems were affected. The copied data has been analysed for (privacy) sensitivity. TenneT is currently further investigating the impact of the data leak.

## 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 2023. 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, 21 July 2023

### 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 2023	31 December 2022
<b>Non-current assets</b>			
Tangible fixed assets	4	29,715	26,823
Right of use assets		652	748
Intangible assets		333	306
Investments in associates and joint ventures	5	709	666
Deferred tax assets	6	690	711
Other financial assets		46	44
<b>Total non-current assets</b>		<b>32,145</b>	<b>29,298</b>
<b>Current assets</b>			
Account- and other receivables	7	2,896	2,348
Other assets		197	290
Cash and cash equivalents	8	4,685	6,547
<b>Total current assets</b>		<b>7,778</b>	<b>9,185</b>
Assets held for sale		42	26
<b>Total assets</b>		<b>39,965</b>	<b>38,509</b>

## Interim condensed consolidated statement of financial position (continued)

Equity and liabilities	Notes	30 June 2023	31 December 2022
<b>Equity</b>			
Equity attributable to ordinary shares	9	5,628	5,133
Hybrid securities	9	2,120	2,125
<b>Equity attributable to owners of the company</b>		<b>7,748</b>	<b>7,258</b>
Non-controlling interests	10	354	455
<b>Total equity</b>		<b>8,102</b>	<b>7,713</b>
<b>Non-current liabilities</b>			
Borrowings	11	18,888	19,006
Provisions (incl. Net employee defined benefit liabilities)		1,487	1,409
Contract liabilities		546	531
Deferred tax liability	6	1	12
Lease liabilities		490	574
Other financial liabilities	12	1,779	185
Other liabilities		51	31
<b>Total non-current liabilities</b>		<b>23,242</b>	<b>21,748</b>
<b>Current liabilities</b>			
Borrowings	11	679	709
Provisions		104	77
Contract liabilities		21	17
Lease liabilities		157	155
Account- and other payables	13	7,053	7,489
Other liabilities		579	576
<b>Total current liabilities</b>		<b>8,593</b>	<b>9,023</b>
Liabilities directly associated with the assets held for sale		28	25
<b>Total equity and liabilities</b>		<b>39,965</b>	<b>38,509</b>



## Interim condensed consolidated statement of income

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

	Notes	2023	2022
<b>Revenue</b>	3	<b>5,275</b>	<b>3,867</b>
Grid expenses	3	-3,142	-3,693
Depreciation and amortisation of assets	3	-655	-603
Other gains/(losses) - netted	3	-10	-7
Other expenses	3	-331	-290
<b>Total operating expenses</b>		<b>-4,138</b>	<b>-4,593</b>
Share in result of joint ventures and associates		105	41
<b>Operating result</b>	3	<b>1,242</b>	<b>-685</b>
Finance result	3	-213	-74
<b>Result before income tax</b>		<b>1,029</b>	<b>-759</b>
Income tax expense		-285	223
<b>Result for the year</b>		<b>744</b>	<b>-536</b>
<b>Result attributable to:</b>			
Equity holders of ordinary shares	9	701	-579
Hybrid securities	9	28	28
<b>Owners of the company</b>		<b>729</b>	<b>-551</b>
Non-controlling interests	10	15	15
<b>Result for the period</b>		<b>744</b>	<b>-536</b>
Basic and diluted earnings per share (EUR)		3,505	-2,895

## Interim condensed consolidated statement of comprehensive income

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

(EUR million)	Notes	2023	2022
<b>Result for the period</b>		<b>744</b>	<b>-536</b>
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement of defined benefit pensions	9	-9	135
Taxation	9	3	-40
<b>Total other comprehensive income for the period</b>		<b>-6</b>	<b>95</b>
<b>Total comprehensive income for the period (net of tax)</b>		<b>738</b>	<b>-441</b>
<b>Comprehensive income attributable to:</b>			
Equity holders of ordinary shares		695	-484
Hybrid securities		28	28
<b>Owners of the company</b>		<b>723</b>	<b>-456</b>
Non-controlling interests	10	15	15
<b>Total comprehensive income for the period (net of tax)</b>		<b>738</b>	<b>-441</b>

## Interim condensed consolidated statement of changes in equity

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

(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		
<b>Balance at 31 December 2021</b>		<b>100</b>	<b>1,790</b>	<b>3,395</b>	<b>-401</b>	<b>4,884</b>	<b>2,125</b>	<b>7,009</b>	<b>455</b>	<b>7,464</b>
Total comprehensive income		-	-	95	-579	-484	28	-456	15	-441
Dividends paid	9	-	-	-	-141	-141	-	-141	-27	-168
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	-	-	-	-	-
<b>Balance at 30 June 2022</b>		<b>100</b>	<b>1,790</b>	<b>2,956</b>	<b>-579</b>	<b>4,267</b>	<b>2,120</b>	<b>6,387</b>	<b>436</b>	<b>6,823</b>
<b>Balance at 31 December 2022</b>		<b>100</b>	<b>3,020</b>	<b>2,980</b>	<b>-967</b>	<b>5,133</b>	<b>2,125</b>	<b>7,258</b>	<b>455</b>	<b>7,713</b>
Total comprehensive income		-	-	-6	701	695	28	723	15	738
Capital repayment	10	-	-	-	-	-	-	-	-99	-99
Dividends paid	9;10	-	-	-	-207	-207	-	-207	-17	-224
Distribution on hybrid securities	9	-	-	-	-	-	-33	-33	-	-33
Tax on distribution on hybrid securities	9	-	-	8	-	8	-	8	-	8
Appropriation remaining prior year result		-	-	-1,174	1,174	-	-	-	-	-
<b>Balance at 30 June 2023</b>		<b>100</b>	<b>3,020</b>	<b>1,808</b>	<b>701</b>	<b>5,629</b>	<b>2,120</b>	<b>7,749</b>	<b>354</b>	<b>8,103</b>

## Interim condensed consolidated statement of cash flows

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

EUR million)	Notes	2023	2022
<i>Operational activities</i>			
<b>Operating result for the period</b>	3	<b>1,242</b>	<b>-685</b>
<b>Non-cash adjustments to reconcile result to net cash flows:</b>			
Depreciation, amortisation and impairment of assets		655	603
Share in result of joint ventures and associates		-105	-41
Dividends received from joint ventures and associates		60	39
Movements in other items		36	21
		<b>646</b>	<b>622</b>
Working capital adjustments excluding EEG working capital		-13	39
Income tax paid		-55	-151
<b>Net cash flows from operating activities excluding EEG working capital</b>		<b>1,820</b>	<b>-175</b>
EEG working capital adjustments	7; 13	-1,132	868
<b>Net cash flows from operating activities</b>		<b>688</b>	<b>693</b>
<i>Investing activities</i>			
Purchase of tangible and intangible fixed assets		-3,364	-1,593
Proceeds from sale of tangible and intangible fixed assets		3	3
Interest received		20	27
Capital contribution to joint ventures and associates		-	-2
<b>Net cash flows used in investing activities</b>		<b>-3,341</b>	<b>-1,565</b>
<i>Financing activities</i>			
Proceeds from borrowings		370	4,058
Repayment of borrowings		-525	-1,302
Interest paid		-200	-159
Payment of lease liabilities		-82	-88
Dividends paid to ordinary shareholder of the company	9	-207	-141
Repayment of financial liability	12	-18	-38
Distribution on hybrid securities	9	-33	-33
Contribution by ordinary shareholder of the company	12	1,602	-
Dividends paid and capital repayments to non-controlling interests	10	-116	-7
<b>Net cash flows from financing activities</b>		<b>791</b>	<b>2,290</b>
<b>Net change in cash and cash equivalents</b>		<b>-1,862</b>	<b>1,418</b>
Cash and cash equivalents at 30 June		4,685	4,558
Cash and cash equivalents at 1 January		6,547	3,140
		<b>-1,862</b>	<b>1,418</b>

# 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 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 2023 were prepared by the Executive Board and authorised for issuance in accordance with an Executive Board resolution on 21 July 2023. These interim condensed consolidated financial statements, including the notes, were reviewed by Deloitte Accountants B.V. and have not been audited.

### Basis for preparation

The interim condensed consolidated financial statements for the six-month period ended 30 June 2023 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 2022, published on 14 March 2023.

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 2022.

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 accounting estimates

The Group re-assessed, as performed annually, its estimate for the useful lives of the tangible fixed assets. Based on this review the Group concluded that the useful lives should be extended for certain asset categories of the tangible fixed assets. The useful lives will be adjusted prospectively per 1 July 2023, resulting in a decrease of the depreciation. TenneT is finalising the impact in the course of the second half-year 2023.

### Changes in EU-endorsed published IFRS standards and interpretations effective in 2023

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

### Adjustment in prior year's figures

After publication of the TenneT Half-year report 2022, we identified a misstatement in the consolidated statement of cash flows within the operational activities; the working capital adjustments excluding EEG working capital was reported as -/- EUR 839 million and should have been EUR 39 million, the EEG working capital adjustments was reported as EUR 1,746 million and should have been EUR 868 million. We have adjusted the misstatement in the comparative figures.

After publication of the TenneT Integrated Annual Report 2021, we identified a misstatement amounting to EUR 183 million in the consolidated statement of financial position that the non-controlling interest regarding one of our consolidated entities (TOD3) should be classified as non-current other financial liability instead of total equity, reference is also made to the Integrated Annual Report 2022. The related result should be classified as interest expenses. We have adjusted the error retrospectively, for an overview of the impacted accounts in the statement of income reference is made to the table below.

(EUR million)	30 June 2022 Published	Adjusted	30 June 2022 Adjusted
<b>Impact on statement of income</b>			
Interest expenses	-63	-11	-74
Result for the year	-525	-11	-536

After publication of the TenneT Integrated Annual Report 2022, we identified a misstatement in the consolidated statement of comprehensive income; the re-measurement of defined benefit pensions was reported as EUR 217 million and should have been EUR 160 million. The tax effect in other comprehensive income decreased with EUR 17 million. The net employee defined benefit liabilities were correctly recognised per 31 December 2022. The impact for the comparative figures in the consolidated statement of comprehensive income in this half-year report is EUR 22 million and EUR 16 million net of tax.

## 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)	30 June 2023			31 December 2022		30 June 2022
	Underlying Assets	Underlying Liabilities	Investments	Underlying Assets	Underlying Liabilities	Investments
TSO Netherlands	14,054	7,691	1,650	12,328	7,697	627
TSO Germany	27,322	21,543	1,825	27,115	21,574	967
Non-regulated companies	994	1,788	-	1,779	220	3
<b>Total segments underlying</b>	<b>42,370</b>	<b>31,022</b>	<b>3,475</b>	<b>41,222</b>	<b>29,491</b>	<b>1,597</b>
Eliminations and adjustments	-147	1,493	-	-256	1,980	-
<b>Consolidated underlying information</b>	<b>42,223</b>	<b>32,515</b>	<b>3,475</b>	<b>40,966</b>	<b>31,471</b>	<b>1,597</b>

IFRS investments are equal to underlying investments.

(EUR million)	30 June 2023		31 December 2022	
	IFRS Assets	IFRS Liabilities	IFRS Assets	IFRS Liabilities
TSO Netherlands	12,310	7,255	10,828	7,260
TSO Germany	26,807	21,328	26,157	21,339
Non-regulated companies	1,103	1,828	1,779	216
<b>Total segments IFRS</b>	<b>40,220</b>	<b>30,411</b>	<b>38,764</b>	<b>28,815</b>
Eliminations and adjustments	-255	1,453	-255	1,981
<b>Consolidated IFRS information</b>	<b>39,965</b>	<b>31,864</b>	<b>38,509</b>	<b>30,796</b>

#### Regulatory deferral accounts: reconciliation to IFRS figures

The difference between underlying financial information - as presented in the segment information and board report - and IFRS reported figures is related to the recognition of regulated assets and liabilities, auction receipts and the measurement of tangible fixed assets. In the IFRS financial statements, revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. In the underlying financial information revenues are recognised according the permissible tariff decision adopted by the regulator. By doing so, volume and post calculation differences are directly matched to the related costs and therefore provide additional relevant insight to manage TenneT's business.

These differences also result in different deferred tax balances in underlying financial information compared to IFRS reported figures. No other differences between underlying financial information and IFRS exist.

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

(EUR million)	First half of 2023					
	TSO NL	TSO Germany	Non-regulated	Total segments	Eliminations	Total
Connection and transmission services	1,102	2,450	-	3,552	-	3,552
Maintaining the energy balance	80	204	-	284	-	284
Operation of energy exchanges	1	-	-	1	-	1
Offshore (balancing)	203	678	-	881	-	881
Other	22	31	23	76	-	76
Inter-segment	15	8	2	25	-25	-
<b>Total underlying revenue</b>	<b>1,423</b>	<b>3,371</b>	<b>25</b>	<b>4,819</b>	<b>-25</b>	<b>4,794</b>
Grid expenses	-784	-2,180	-	-2,964	1	-2,963
Other operating expenses	-366	-638	-10	-1,014	8	-1,006
Share in result of joint ventures and associates	1	9	95	105	-	105
<b>Underlying operating result</b>	<b>274</b>	<b>562</b>	<b>110</b>	<b>946</b>	<b>-16</b>	<b>930</b>
Revenue adjustment to IFRS	-295	776	-	481	-	481
Cost adjustment to IFRS	4	-173	-	-169	-	-169
<b>IFRS operating result</b>	<b>-17</b>	<b>1,165</b>	<b>110</b>	<b>1,258</b>	<b>-16</b>	<b>1,242</b>
Finance result						-213
<b>Result before income tax</b>						<b>1,029</b>
Income tax expense						-285
<b>Result for the period</b>						<b>744</b>

(EUR million)	First half of 2022					
	TSO NL	TSO Germany	Non-regulated	Total segments	Eliminations	Total
Connection and transmission services	1,081	2,524	-	3,605	-	3,605
Maintaining the energy balance	105	425	-	530	-	530
Operation of energy exchanges	2	-	-	2	-	2
Offshore (balancing)	142	630	-	772	-	772
Other	13	29	24	66	-	66
Inter-segment	13	52	-	65	-65	-
<b>Total underlying revenue</b>	<b>1,356</b>	<b>3,660</b>	<b>24</b>	<b>5,040</b>	<b>-65</b>	<b>4,975</b>
Grid expenses	-899	-2,673	-17	-3,589	60	-3,529
Other operating expenses	-284	-624	-	-908	-	-908
Share in result of joint ventures and associates	1	7	33	41	-	41
<b>Underlying operating result</b>	<b>174</b>	<b>370</b>	<b>40</b>	<b>584</b>	<b>-5</b>	<b>579</b>
Revenue adjustment to IFRS	-423	-685	-	-1,108	-	-1,108
Cost adjustment to IFRS	6	-161	-1	-156	-	-156
<b>IFRS operating result</b>	<b>-243</b>	<b>-476</b>	<b>39</b>	<b>-680</b>	<b>-5</b>	<b>-685</b>
Finance result						-74
<b>Result before income tax</b>						<b>-759</b>
Income tax expense						223
<b>Result for the period</b>						<b>-536</b>



**To be settled in tariffs**

Revenue surpluses and deficits resulting from variances related to actual costs or transmission volumes (ex post) and estimates used to set tariffs (ex-ante) are incorporated in the tariffs of subsequent years in both Germany and the Netherlands. In underlying financial information, these surpluses and deficits are recorded as assets and liabilities, respectively, under 'to be settled in tariffs'. The expenses related to these items 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.

In Germany, auction receipts are recognised as interest-free capital on investments and are released over 20 years. The reversal amounts are applied in the revenue cap of the TenneT TSO GmbH with t-2 offset. Thus, the reversal amount offsets the depreciation of the investments.

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 22 November 2022, the competence agreement of 2015 between TenneT and the ACM was dissolved. 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.

**Maintaining the energy balance**

As system manager of the high-voltage grid in the Netherlands, TenneT 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 and released in the subsequent year in the underlying financial information.

As the balancing group coordinator, TenneT TSO GmbH ('TTG') 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, TTG receives higher payments from the balancing group managers than TTG pays to the power plant operators. The resulting additional revenues from the balancing energy billing system are to be deducted from the grid charges. Analogously, revenue shortages will increase future grid fees.

**Depreciation and amortisation of assets**

Differences in depreciation and amortisation of 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. IFRS revenues mainly increased due to increased regulatory tariffs and higher reimbursement of expected costs for ancillary services. These revenues increased as they are based on the in 2022 expected higher costs for ancillary services.

(EUR million)	2023	2022
System services	1,797	2,224
Connection and transmission services	700	644
Maintaining the energy balance	285	510
Other	12	-2
<b>Total ancillary services</b>	<b>2,794</b>	<b>3,376</b>
Maintaining and operating transmission grids	348	317
<b>Total IFRS grid expenses</b>	<b>3,142</b>	<b>3,693</b>

Depreciation and amortisation of assets increased compared to the first half-year from EUR 603 million (2022) to EUR 655 million (2023) due to an increase of our asset base.

IFRS EBIT increased mainly due the increased revenues, decreased actual costs for ancillary services and increased result of our non-regulated joint venture BritNed, compared to H1 2022 amounting to EUR 65 million.

#### Electricity Revenue Cap Act

The Electricity Revenue Cap Act ('Strompreisbremsegesetz, StromPBG') was passed by the German legislator on 20 December 2022 and went into force on 24 December in the same year. It aims to protect domestic end-consumers in 2023 from strongly increased electricity prices resulting from the turmoil on the energy markets in Europe following the Ukraine war. Energy suppliers processed price caps in their individual invoices with end-consumers. The aggregated financial impact of this is paid out starting in the first quarter of 2023 by the TSOs to the energy suppliers on the basis of aggregated volume data. The TSOs are compensated for these payments by direct transfers from the government and by funds received from electricity generators. To enable the process, detailed rules for the calculation of excess revenues from generators as well as for the settlement and pay out to end-consumers are determined in the law. Furthermore, the German regulator BNetzA has an oversight role in the process. Payments from TSOs to end-consumers via the energy suppliers started in February 2023 with retroactive effect as per January. First governmental transfer payments to bridge-finance occurred in February 2023. The first inflow of excess revenues from generators is expected for mid of August 2023. TSOs do not expect any liquidity or profitability risks from the regime which they perform as trustees of society and on a pass-through basis.

As per 30 June 2023 no reliable estimate could be made of the to be received over profit until June 2023 and as such the receivable and corresponding liability are both not recognised in the financial statements. There is no impact on the results and equity per 30 June 2023.

In the first half-year of 2023 is EUR 1.4 billion (30 June 2022: nil) is recognised in revenues as a relief for end consumers through a payment from the government to the transmission system operators for the proportionate financing of transmission system costs.

#### 4. Tangible fixed assets and related commitments

Tangible fixed assets increased by EUR 2,892 million to EUR 29,715 million (31 December 2022: EUR 26,823 million).

Tangible fixed assets increased due to the investments in Germany and the Netherlands amounting to EUR 3,475 million, partially offset by depreciation for the period.

As at 30 June 2023, TenneT had entered into external commitments regarding the purchase of tangible fixed assets totalling EUR 22,904 million (31 December 2022: EUR 7,532 million).

#### 5. Investment in associates and joint ventures

The investment in associates and joint ventures mainly increased due to result of joint venture BritNed.

#### 6. Deferred tax

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 2023, resulting in a related decrease 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 account- and other receivables are mainly increased due to prepayments resulting from the administration of the Electricity Revenue Cap Act ('Strompreisbremsengesetz') for July 2023.

#### 8. Cash, cash equivalents and bank overdrafts

(EUR million)	30 June 2023			31 December 2022		
	At free disposal	Not at free disposal	Total	At free disposal	Not at free disposal	Total
Collateral securities	-	455	455	-	550	550
EEG funds	-	929	929	-	1,414	1,414
EEG deposits < 3 months	-	2,650	2,650	-	3,300	3,300
Deposits	-	-	-	300	-	300
Cash at bank	629	22	651	982	1	983
<b>Cash and cash equivalents</b>	<b>629</b>	<b>4,056</b>	<b>4,685</b>	<b>1,282</b>	<b>5,265</b>	<b>6,547</b>
Bank overdrafts	-	-	-	-	-	-
<b>Total cash and cash equivalents used in cash flow statement</b>	<b>629</b>	<b>4,056</b>	<b>4,685</b>	<b>1,282</b>	<b>5,265</b>	<b>6,547</b>

#### 9. Equity

During the first six months of 2023, TenneT distributed a EUR 207 million common dividend to its ordinary shareholder (EUR 1,035 per share). TenneT also paid a cash distribution of EUR 33 million to the holders of its hybrid securities. TenneT accounted for an actuarial loss of EUR 6 million (net of tax) on German pension obligations directly through equity, mainly due to the decrease of the discount rate from 3.9% (31 December 2022) to 3.7% (30 June 2023).

## 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 2023	31 December 2022
TenneT Offshore 2. Beteiligungsgesellschaft mbH ("TO2")	Germany	69%	69%
TenneT Offshore 8. Beteiligungsgesellschaft mbH ("TO8")	Germany	63%	63%

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	Total
<b>At 31 December 2021</b>	<b>251</b>	<b>204</b>	<b>455</b>
Result attributable to non-controlling interests	7	8	15
Dividends paid	-27	-	-27
Capital repayment	-	-7	-7
<b>At 30 June 2022</b>	<b>231</b>	<b>205</b>	<b>436</b>
<b>At 31 December 2022</b>	<b>242</b>	<b>213</b>	<b>455</b>
Result attributable to non-controlling interests	10	5	15
Dividends paid	-16	-1	-17
Capital repayment	-54	-45	-99
<b>At 30 June 2023</b>	<b>182</b>	<b>172</b>	<b>354</b>

## 11. Borrowings

(EUR million)	Carrying amount		Fair value		Hierarchy
	30 June 2023	31 December 2022	30 June 2023	31 December 2022	
<b>Financial liabilities</b>					
<i>Borrowings:</i>					
-Borrowings - bonds	16,581	17,074	14,955	14,615	Level 1
-Borrowings - other	2,986	2,641	2,254	2,221	Level 2
	<b>19,567</b>	<b>19,715</b>	<b>17,209</b>	<b>16,836</b>	

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 2023. Fair value of other financial instruments as at 30 June 2023 was close to their carrying amounts due to the short-term maturities of these instruments and are therefore not disclosed.

In May 2023, a term facility agreement of EUR 8 billion with a tenor of 2.5 years was reached. The facility is undrawn as at 30 June 2023.

Long-term senior unsecured credit ratings for TenneT Holding B.V. remained unchanged during the first half-year of 2023 and were reaffirmed by both Standard & Poor's (A- / stable outlook) and Moody's Investor Service (A3 / stable outlook) on respectively 6 July and 8 May 2023.

## 12. Other financial liabilities

In June 2023 TenneT received a contribution from our Shareholder of EUR 1,602 million. Given the conditions precedent, the contribution is classified as non-current financial liability instead of equity.

## 13. Account- and other payables

Account- and other payables consist of EEG accounts payable, payables in respect of ancillary services, payables connected to tangible fixed assets purchases, interest and other payables. The decrease in accounts and other payables from EUR 7,489 million to EUR 7,053 million was mainly due to lower payables related to EEG, partly offset by an increase in the grid expenses payable relating to redispatch and Electricity Revenue Cap Act as described in note 3. The payable relating to the Electricity Revenue Cap Act (Strompreisbremsegesetz) is new compared to 31 December 2022. Received payments from the German government are higher than the to be paid compensation to energy suppliers and should be for that reason repaid to the German government.

## 14. Events after the reporting period

No significant events occurred after the reporting date.

# REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

## Our conclusion

We have reviewed the accompanying interim condensed consolidated financial statements for the period from 1 January 2023 to 30 June 2023 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 2023;
- following interim condensed consolidated statements for the six-months period ended 30 June 2023: 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 Dutch 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 (ViO, 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 (VGBA, 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 Interim Financial Information

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 are 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 an 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 TenneT's accounting systems and accounting records and consider whether these generate data that is adequate for the purpose of performing the analytical procedures.
- 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 agree with, or reconcile to, TenneT's underlying accounting records.
- Evaluating the assurance evidence obtained.
- Considering the appropriateness of accounting policies used and considering whether the accounting estimates and related disclosures made by management appear reasonable.
- Considering the overall presentation, structure and content of the Interim Financial Information, including the disclosures.
- Considering whether the financial statements and the related disclosures represent the underlying transactions and events free from material misstatement.

Rotterdam, 27 July 2023

Deloitte Accountants B.V.

Signed on the original 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 – more sustainable, reliable and affordable than ever before. In our role as the first cross-border Transmission System Operator (TSO) we design, build, maintain and operate 25,000 kilometres of high-voltage electricity grid in the Netherlands and large parts of Germany, and facilitate the European energy market through our 17 interconnectors to neighbouring countries. We are one of the largest investors in national and international onshore and offshore electricity grids, with a turnover of EUR 9.8 billion and a total asset value of EUR 42 billion. Every day our 7,400 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.

### **Lighting the way ahead together**

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