



TenneT Holding B.V.

Half-year Report 2021

Towards a new balance

INTERIM REPORT

TenneT has 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 since the company was founded in 1998, and continues to drive us today.

Our main task, to transport electricity safely and securely to millions of people, businesses and institutions in Europe, is more challenging than ever. The European Union decided to increase its climate ambition and reduce its carbon footprint by 55% by 2030 instead of 49% and Germany announced an increase from 55% to 65%. In the Netherlands the ambitions and plans to make industry clusters more sustainable and initiatives to develop renewable energy onshore far exceed the earlier ambitions of the Dutch Climate Agreement. To reach these goals, the electricity infrastructure which sits at the heart of the transition to a net-zero carbon world is undergoing a fundamental redesign. With more fluctuating electricity generation and increasingly difficult planning & licensing procedures as well as deteriorating regulatory returns, TenneT will need to work towards a new balance between growth and stability, between individual and societal needs and between investment incentives and the cost of the energy transition.

This presents us with a major and not to be underestimated challenge: to manage the complexity of connecting fast growing amounts of renewable electricity to the grid while maintaining a high security of supply and simultaneously to facilitate the development of a borderless European electricity market that makes the energy transition much more efficient. People in Germany and the Netherlands benefit from this integration of the energy market by wider access to new renewable electricity and stronger competition on the electricity wholesale markets. Our energy system is undergoing a revolutionary development in which the grids – the backbone of the energy system – are being used in a completely different way. Our energy network – one of the safest and most reliable in the world – was once built to meet the demand for energy. Now it is changing into a multifunctional connector of electricity supply, demand and storage.

Maintaining the infrastructure that people need for a secure and reliable supply of electricity – today, and in the future – requires constant vigilance and sustained investments. As Europe's first cross-border TSO with expected annual investments to grow to EUR 5-6 billion within the next 5 years TenneT aims to achieve a timely delivery of onshore and offshore grid extensions and renewals. To drive the energy transition a range of decisions will have to be made, from standards on manufacturing devices, leaner permitting procedures, integrated system planning (including hydrogen) to close(r) cooperation with large customers, prosumers and DSOs. Only together we can develop innovative ways to provide reliable, clean and affordable electricity for a sustainable future. This requires appropriate European and national legislation and regulations and an investment framework that enables us to meet the needs and objectives of society, the economy and politics.

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

In the first half of 2021, a number of significant events took place:

- We deeply regret the loss of an employee of one of our contractors in April 2021. During foundation work for a pylon for the 380 kV Wahle-Mecklar line in Germany a serious incident occurred which resulted in a fatal injury. We started a second company-wide safety leadership program to further improve the safety culture;
- The Spring Memorandum (“Voorjaarsnota”) of the Dutch State and TenneT’s shareholder, as presented in May 2021, includes TenneT’s estimated 10-year equity need, related to its Dutch investments, of EUR 4.25 billion, required to maintain its A-/A3 senior unsecured credit ratings. Of this amount EUR 2.57 billion in aggregate has been budgeted by the Dutch State as capital contributions for the years 2023 to 2025. With respect to TenneT’s remaining equity need related to its German investments, which the company does not expect to arise before 2024, TenneT has been exploring a number of alternatives during the first half of 2021 and is confident to be able to raise the necessary funds in a timely manner;
- We made progress on several investment projects:
 - We started the construction of the new 380 kV connection between Borssele and Rilland. This power highway is essential for transporting the electricity of the existing and future wind farms in the North Sea in the southwest of the Netherlands. In addition, the new connection is important for the exchange of electricity with Belgium;
 - Testing of the NordLink – the “green cable” – is completed, the cable between Germany and Norway is now fully in operation;
 - We completed our longest (110 kV) high-voltage cable of 55 km between Oudehaske and Heerenveen;
 - In the SuedLink project, we continued making progress in the permitting process and in preparing for the construction;
 - In the SuedOstLink project, we expanded the scope of the project to include an extra 2GW connection. In addition, we awarded the contract for the converter and are continuing making progress in the permitting process and in preparing for the construction;
 - In the first 6 months of 2021, we continued developing the new 2GW standard for the IJmuiden Ver and BalWin projects. We expect to commence the tender processes for the main contracts of the IJmuiden Ver and BalWin projects during the remainder of the year;
 - According to planning the second jacket of TenneT’s offshore transformer platform for the wind farm Hollandse Kust (zuid) has been installed.
- Integrated system planning, cooperation across borders, offshore and onshore, electrons and molecules. All are needed to meet the requirements of a new, smart and affordable energy system to be built between 2030 and 2050. That is why TenneT, Gasunie and the Dutch DSOs published the so-called II3050 (Infrastructure Outlook 30-50) in April. Some of the important conclusions: the infrastructure for electricity must be expanded on a large scale, a nationwide hydrogen transport pipeline network is needed, infrastructure for heat and CO2 must be constructed and more speed is needed since the current lead times for adjustments in the grid lead to bottlenecks. The fact that the Dutch government announced to come up with a plan to adapt existing natural gas transmission pipelines for the transport of hydrogen (‘hydrogen backbone’) is a direct and gratifying result of the insights presented in the II3050.

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

Key underlying¹ figures

Based on underlying financial information (EUR million)	First half of 2021	First half of 2020
Underlying revenue	2,568	2,319
Underlying EBIT	431	414
Investments	1,615	1,408
Based on underlying financial information (EUR million)	First half of 2021	31 December 2020
Underlying assets	27,880	27,300
Net debt	12,297	14,004
Underlying equity	7,597	7,531

Reference is made to note 2 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 2021 increased by EUR 249 million to EUR 2,568 million (H1 2020: EUR 2,319 million) mainly due to additional revenue generated by an increase in our asset base and compensation of grid related expenses.

For the first half of 2021 underlying EBIT increased by EUR 17 million. For TSO Netherlands EBIT amounted to EUR 106 million (H1 2020: EUR 111 million) and for TSO Germany to EUR 322 million (H1 2020: EUR 271 million) during this period. For our non-regulated businesses EBIT amounted to EUR 3 million (H1 2020: EUR 32 million) during the first half of 2021. The non-regulated EBIT is impacted by the BritNed cable failure.

Risk management update

We evaluated our strategic risks in Q2 2021 and concluded that there were no significant changes in TenneT's overall risk position compared to the analysis presented on page 83 in the TenneT Integrated Annual Report 2020.

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 2021. 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 foreseeable future.

Arnhem, 29 July 2021

Executive Board TenneT Holding B.V.

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

O. Jager, 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 2021	31 December 2020
Non-current assets			
Tangible fixed assets	4	21,970	20,859
Right of use assets	5	464	505
Intangible assets		219	212
Investments in associates and joint ventures		685	707
Deferred tax assets		39	37
Other financial assets		29	28
Total non-current assets		23,406	22,348
Current assets			
Account- and other receivables	6	2,147	3,795
Other current assets		216	96
Cash and cash equivalents	7	1,626	567
Total current assets		3,989	4,458
Total assets		27,395	26,806

Interim condensed consolidated statement of financial position (continued)

Equity and liabilities	Notes	30 June 2021	31 December 2020
Equity			
Equity attributable to ordinary shares	8	5,317	5,324
Hybrid securities	8	2,120	2,125
Equity attributable to owners of the company		7,437	7,449
Non-controlling interests	9	667	689
Total equity		8,104	8,138
Non-current liabilities			
Borrowings	10	11,407	10,217
Provisions (incl. Net employee defined benefit liabilities)		1,657	1,687
Contract liabilities		372	376
Deferred tax liability		139	146
Lease liabilities	5	277	327
Other liabilities		27	5
Total non-current liabilities		13,879	12,758
Current liabilities			
Borrowings	10	639	2,243
Provisions		51	66
Contract liabilities		2	2
Lease liabilities	5	150	135
Account- and other payables	11	4,438	3,287
Bank overdrafts	7	21	90
Other current liabilities		111	87
Total current liabilities		5,412	5,910
Total equity and liabilities		27,395	26,806

Interim condensed consolidated statement of income

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

	Notes	2021	2020
Revenue	3	2,482	2,390
Grid expenses	3	1,379	1,211
Depreciation and amortisation of assets	3	574	537
Other expenses	3	239	214
Total operating expenses		2,192	1,962
Share in profit of joint ventures and associates		10	20
Operating profit	3	300	448
Finance result		-86	-96
Profit before income tax		214	352
Income tax expense *		61	98
Profit for the period		153	254
Profit attributable to:			
Equity holders of ordinary shares		97	215
Hybrid securities		28	17
Owners of the company		125	232
Non-controlling interests	9	28	22
Profit for the period		153	254
Basic and diluted earnings per share (EUR)*		485	1,075

* References relate to the notes starting with note 1 'Basis for reporting'. These form an integrated part of the consolidated financial statements.

Interim condensed consolidated statement of comprehensive income

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

	Notes	2021	2020
Profit for the period ¹		153	254
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Amortisation of hedges		-	-1
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement of defined benefit pensions	8	51	29
Taxation	8	-14	-8
Total other comprehensive income for the period		37	20
Total comprehensive income for the period (net of tax) [*]		190	274
Comprehensive income attributable to:			
Equity holders of ordinary shares [*]		134	235
Hybrid securities		28	17
Owners of the company		162	252
Non-controlling interests	9	28	22
Total comprehensive income for the period (net of tax) [*]		190	274

^{*} References relate to the notes starting with note 1 'Basis for reporting'. These form an integrated part of the consolidated financial statements.

Interim condensed consolidated statement of changes in equity

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

		Attributable to equity holders of the company								Non-controlling interest	Total equity
	Notes	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 2019		100	1,790	1	2,264	541	4,696	1,120	5,816	744	6,560
Total comprehensive income		-	-	-1	21	215	235	17	252	22	274
Dividends paid	8	-	-	-	-	-112	-112	-	-112	-50	-162
Capital repayment	8	-	-	-	-	-	-	-	-	-21	-21
Distribution on hybrid securities	8	-	-	-	-	-	-	-33	-33	-	-33
Tax on distribution on hybrid securities *	8	-	-	-	9	-	9	-	9	-	9
Appropriation remaining prior year profit		-	-	-	429	-429	-	-	-	-	-
Balance at 30 June 2020		100	1,790	-	2,723	215	4,828	1,104	5,932	695	6,627
Balance at 31 December 2020		100	1,790	-	2,686	748	5,324	2,125	7,449	689	8,138
Total comprehensive income		-	-	-	37	97	134	28	162	28	190
Dividends paid	8	-	-	-	-	-149	-149	-	-149	-34	-183
Capital repayment	8	-	-	-	-	-	-	-	-	-16	-16
Distribution on hybrid securities	8	-	-	-	-	-	-	-33	-33	-	-33
Tax on distribution on hybrid securities	8	-	-	-	8	-	8	-	8	-	8
Appropriation remaining prior year profit		-	-	-	599	-599	-	-	-	-	-
Balance at 30 June 2021		100	1,790	-	3,330	97	5,317	2,120	7,437	667	8,104

* References relate to the notes starting with note 1 'Basis for reporting'. These form an integrated part of the consolidated financial statements.

Interim condensed consolidated statement of cash flows

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

	Notes	2021		2020	
Operational activities					
Operating profit for the period			300		448
Non-cash adjustments to reconcile profit to net cash flows:					
Depreciation, amortisation and impairment of assets		574		537	
Share in profit of joint ventures and associates		-10		-20	
Dividends received from joint ventures and associates		29		14	
Movements in other items		-14		21	
			579		552
Working capital adjustments excluding EEG working capital			-169		252
Income tax paid			-176		-164
Net cash flows from operating activities excluding EEG working capital			534		1,088
EEG working capital adjustments	6, 11		3,036		-976
Net cash flows from operating activities			3,570		112
Investing activities					
Purchase of tangible and intangible fixed assets		-1,568		-1,529	
Interest received		2		-	
Capital contribution to joint ventures and associates		-		-3	
Net cash flows used in investing activities			-1,566		-1,532
Financing activities					
Proceeds from borrowings		1,788		1,076	
Repayment of borrowings		-2,206		-28	
Interest paid		-151		-151	
Payment of lease liabilities		-75		-66	
Dividends paid to ordinary shareholder of the company	8	-149		-112	
Distribution on hybrid securities	8	-33		-33	
Dividends paid and capital repayments to non-controlling interests	9	-50		-71	
Net cash flows from financing activities			-876		615
Net change in cash and cash equivalents			1,128		-805
Cash and cash equivalents at 30 June		1,605		96	
Cash and cash equivalents at 1 January		477		901	
			1,128		-805

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis for reporting

General

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

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

The interim condensed consolidated financial statements of TenneT Holding B.V. and its subsidiaries (hereafter referred to as 'TenneT', 'the company' or 'the Group') for the six-month period ended 30 June 2021 were prepared by the Executive Board and authorised for issuance in accordance with an Executive Board resolution on 29 July 2021. These interim condensed consolidated financial statements, including the notes, were reviewed by Deloitte Accountants B.V. but have not been audited.

Basis for preparation

The interim condensed consolidated financial statements for the six-month period ended 30 June 2021 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 2020, published on 8 March 2021.

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 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.

Changes in prior year interpretations

Since 1 January 2019 TenneT has applied the amendment on 'IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity' that is part of the Annual Improvements Cycle 2015-2017.

When applying this amendment on 1 January 2019 TenneT concluded that the past transaction that generated the dividend payment came solely from the income statement. Accordingly, the tax consequences were recognised in the income statement 2019. In 2020 TenneT reconsidered this conclusion, noting that a dividend payment to hybrid security holders does not necessarily directly link to the (result from the) income statement because even if the result is negative, the coupon repayment on our hybrid securities continues to accrue and should be paid in full before the Company can issue ordinary dividend to its shareholders. Additionally, our standing dividend policy corrects for hybrid security coupons in determining the dividend payment proposal. An adjustment of EUR 9 million is made from the consolidated statement of income of the first half year 2020 to the consolidated statement of equity 2020. Comparative figures are changed accordingly.

Changes in EU-endorsed published IFRS standards and interpretations effective in 2021

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

COVID-19 impact

The COVID-19 pandemic continued during the 1st half of 2021. Measures initiated in 2020 and continued in 2021 allowed us to run operations in the field and in our control room in good order, despite challenging circumstances. We are proud of the resilience of our people. During the first half year of 2021, COVID-19 had, like in 2020, no material impact on the financial figures of TenneT.

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 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 next paragraph 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)	First half of 2021			31 December 2020		First half of 2020
	Underlying Assets	Underlying Liabilities	Investments	Underlying Assets	Underlying Liabilities	Investments
TSO Netherlands	8,288	5,099	624	7,790	4,564	582
TSO Germany	19,892	14,657	988	19,637	14,271	825
Non-regulated companies	455	94	3	841	204	1
Total segments underlying	28,635	19,850	1,615	28,268	19,039	1,408
Eliminations and adjustments	-755	433	-	-968	730	-
Consolidated underlying information	27,880	20,283	1,615	27,300	19,769	1,408

(EUR million)	First half of 2021		31 December 2020	
	IFRS Assets	IFRS Liabilities	IFRS Assets	IFRS Liabilities
TSO Netherlands	7,858	4,528	7,405	3,976
TSO Germany	19,828	14,226	19,517	13,747
Non-regulated companies	469	103	857	215
Total segments IFRS	28,155	18,857	27,779	17,938
Eliminations and adjustments	-760	434	-973	730
Consolidated IFRS information	27,395	19,291	26,806	18,668

IFRS investments are equal to underlying investments.

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.

(EUR million)	First half of 2021			Total
	TSO NL	TSO Germany	Non-regulated	
Connection and transmission services	522	1,215	-	1,737
Maintenance of the energy balance	33	94	-	127
Operation of energy exchanges	3	-	-	3
Offshore (balancing)	88	578	-	666
Other	24	18	-7	45
Inter-segment	12	16	-	28
Total underlying revenue	682	1,921	-7	2,596
Inter-segment adjustments and eliminations	-12	-16	-	-28
Total underlying revenue from contracts with customers	670	1,905	-7	2,568
Grid expenses	-303	-1,030	9	-1,324
Other operating expenses	-261	-560	-2	-823
Share in profit of joint ventures and associates	-	7	3	10
Underlying operating profit	106	322	3	431
Revenue adjustment to IFRS	-83	-3	1	-85
Cost adjustment to IFRS	4	-49	-1	-46
IFRS operating profit	27	270	3	300
Finance result				-86
Profit before income tax				214
Income tax expense				-61
Profit for the period				153

(EUR million)	First half of 2020			Total
	TSO NL	TSO Germany	Non-regulated	
Connection and transmission services	405	1,175	-	1,580
Maintenance of the energy balance	23	41	-	64
Operation of energy exchanges	2	-	-	2
Offshore (balancing)	72	546	-	618
Other	15	25	15	55
Inter-segment	11	9	-	20
Total underlying revenue	528	1,796	15	2,339
Inter-segment adjustments and eliminations	-11	-9	-	-20
Total underlying revenue from contracts with customers	517	1,787	15	2,319
Grid expenses	-172	-1,002	8	-1,166
Other operating expenses	-234	-522	-3	-759
Share in profit of joint ventures and associates	-	8	12	20
Underlying operating profit	111	271	32	414
Revenue adjustment to IFRS	-10	81	-2	69
Cost adjustment to IFRS	4	-39	-	-35
IFRS operating profit	105	313	30	448
Finance result				-96
Profit before income tax				352
Income tax expense				-98
Profit for the period				254

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'. The expenses have to be settled in future tariffs in the coming years.

Auction receipts & investment contributions

Auction receipts result from auctioning available transmission capacity on cross-border interconnections. These receipts are not at our free disposal. In accordance with European law, auction receipts are to be used to invest in additional cross-border interconnections or to be refunded through tariff reductions. In the Netherlands, we have agreed with our regulator (Autoriteit Consument en Markt) to fully utilise auction receipts to reduce future tariffs. The current outstanding balance of auction receipts will be refunded via tariffs over the coming years. On 19 November 2019, an addendum to the original agreement was signed. The agreements relate to the restitution of existing auction fees in order to limit the increase in net tariffs in 2020. In Germany, the refund of auction receipts is effectively achieved by reducing tariffs over a rolling 20-year period starting 2019.

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

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 (e.g., imbalance settlements) may only be used after approval by the ACM. Imbalance settlements collected during the year are to be offset in transmission tariffs in the subsequent year. Consequently, these amounts are recorded as a liability in the underlying financial information.

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

Depreciation and amortisation of assets

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

3. Results for the period

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

Revenue increased mainly due to ongoing investments, a growing asset base and increasing reimbursement of costs for grid related expenses. Operating profit decreased as a result of increased grid expenses in the first half of 2021. The 2021 grid expenses will be reimbursed in our 2023 tariffs and revenue.

Depreciation and amortisation of assets rose compared to the first half year from EUR 537 million (2020) to EUR 574 million (2021) due to an increase in our asset base.

The draft Method decision published by the Dutch regulator in April 2021 would amount to an average efficiency percentage of 88.45% for the period 2022-2026. Such decrease in TenneT's efficiency score for the next regulatory period could lead to a decreased revenue and/or an impairment of assets in the Netherlands. The assessment of the benchmark results by the ACM has not yet been finalized and TenneT has objected to the outcome based on perceived inaccuracies in ACM's methodology. The final Method decision will be published in September of this year.

4. Tangible fixed assets and related commitments

Tangible fixed assets increased by EUR 1,111 million to EUR 21,970 million (2020: EUR 20,859 million) due to further grid investments in Germany and the Netherlands amounting to EUR 1,631 million, partially offset by depreciation for the period. As at 30 June 2021, TenneT had entered into external commitments regarding the purchase of tangible fixed assets totalling EUR 7,522 million (2020: EUR 7,133 million).

5. Right of use assets and lease liabilities

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

6. Account- and other receivables

Account- and other receivables comprise receivables related to the EEG (German Renewable Energy or Erneuerbare-Energien-Gesetz Act), amounts to be invoiced, trade receivables, VAT and other receivables. The decrease in accounts and other receivables from EUR 3,795 million (2020) to EUR 2,147 million (2021) is mainly related to EEG activities.

7. Cash, cash equivalents and bank overdrafts

(EUR million)	30 June 2021			31 December 2020		
	At free disposal	Not at free disposal	Total	At free disposal	Not at free disposal	Total
Collateral securities	-	105	105	-	85	85
EEG funds	-	1,512	1,512	-	5	5
Deposits	-	-	-	475	-	475
Cash at bank	2	7	9	2	-	2
Cash and cash equivalents	2	1,624	1,626	477	90	567
Bank overdrafts	-21	-	-21	-90	-	-90
Total cash and cash equivalents used in cash flow statement	-19	1,624	1,605	387	90	477

8. Equity

During the first six months of 2021, TenneT distributed a EUR 149 million common dividend to its ordinary shareholder (EUR 745 per share). TenneT also paid a cash distribution of EUR 33 million to the holders of its hybrid securities. TenneT accounted for an actuarial gain of EUR 37 million (net of tax) on German pension obligations directly through equity, mainly due to the increase of the discount rate from 0.70% (31 December 2020) to 1.10% (30 June 2021).

9. 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 2021	31 December 2020
TenneT Offshore 2. Beteiligungsgesellschaft mbH ("TO2")	Germany	69%	69%
TenneT Offshore 8. Beteiligungsgesellschaft mbH ("TO8")	Germany	63%	63%
TenneT Offshore DolWin3 Beteiligungs GmbH & Co. KG ("TOD3")	Germany	67%	67%
TenneT Offshore DolWin3 Verwaltungs GmbH ("TODV")	Germany	67%	67%
ETPA Holding B.V.	Netherlands	50%	50%

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

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

(EUR million)	TO2	TO8	TOD3
At 31 December 2020	257	229	203
Profit attributable to non-controlling interests	11	10	7
Dividends paid	-16	-18	-
Capital repayment	-	-	-16
At 30 June 2021	252	221	194
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

10. Borrowings

(EUR million)	Carrying amount		Fair value		Hierarchy
	30 June 2021	31 December 2020	30 June 2021	31 December 2020	
Financial liabilities					
<i>Borrowings:</i>					
-Borrowings - bonds	9,779	8,487	10,424	9,478	Level 1
-Borrowings - other	2,267	2,445	2,399	2,665	Level 2
-Borrowings - EEG related	-	1,528	-	1,528	Level 2
	12,046	12,460	12,823	13,671	

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 2021. Fair value of other financial instruments as at 30 June 2021 was close to their carrying amounts due to the short-term maturities of these instruments and are therefore not disclosed.

On 26th of May we have issued our largest Green Bond ever. The transaction was split in three tranches of, respectively, EUR 650 million (6.5 years, coupon 0.125%), EUR 500 million (term: 10 years, coupon 0.500%) and EUR 650 million (term: 20 years, coupon 1.125 %).

Long-term senior unsecured credit ratings for TenneT Holding B.V. remained unchanged during the first half of 2021 and were reaffirmed by both Standard & Poor's (A- / stable outlook) and Moody's Investor Service (A3 / stable outlook) on 17 May 2021.

11. 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 was mainly due to EEG accounts payable of EUR 2,706 million (2020: EUR 1,245 million)

12. Events after the reporting period

No significant events occurred after the reporting date.

REVIEW REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

Our conclusion

We have reviewed the accompanying condensed consolidated interim financial statements for the period from 1 January 2021 to 30 June 2021 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 2021;
- following interim condensed consolidated statements for the six-months period ended 30 June 2021: the income statement, the statements of comprehensive income, changes in equity and cash flows; and
- notes, comprising a summary of the significant accounting policies and other explanatory information.

Basis for our conclusion

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

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

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

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

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

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

Our responsibilities for the review of the Interim Financial Information

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

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

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

Our review included among others:

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

Rotterdam, 29 July 2021

Deloitte Accountants B.V.

Signed by J.A. de Bruin

TenneT is a leading European grid operator. We are committed to providing a secure and reliable supply of electricity 24 hours a day, 365 days a year, while helping to drive the energy transition in our pursuit of a brighter energy future – 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 23,900 km of high-voltage electricity grid in the Netherlands and large parts of Germany, and facilitate the European energy market through our 16 interconnectors to neighbouring countries. We are one of the largest investors in national and international onshore and offshore electricity grids, with a turnover of EUR 5 billion and a total asset value of EUR 28 billion. Every day our 6,000 employees take ownership, show courage and make and maintain connections to ensure that the supply and demand of electricity is balanced for over 42 million people.

Together, we are lighting the way ahead

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