ENEXIS HOLDING N.V.

INVESTING IN CONNECTIONS

INTERIM REPORT 2020

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The cover photograph was taken well before the Dutch Institute for Public Health and the Environment (RIVM) guidelines (which include Stay 1.5 metres away from other people) became effective.

WORK PACKAGE GROWTH ACHIEVED IN THE TIME OF COVID-19

The COVID-19 pandemic, which broke out in the first half of 2020 has had a global impact on society. Enexis[1], which has not been spared, is also feeling its effects. Thanks to the adaptability of our employees and our contractors, we were able to keep critical work processes in operation, thereby guaranteeing the security of the gas and electricity supply in the Netherlands. It goes without saying that the health and safety of our employees and our customers remain key priorities for us.

Some of our operations were interrupted in March 2020. The virus outbreak initially caused problems for our house calls, for instance. The installation of smart meters was temporarily suspended to protect the health of our customers and employees. An Enexis special issue team monitored the situation from hour to hour based on three fundamentals principles: safety first, care for one another, and security of the energy supply. In May 2020, we successively resumed all our operations, while still taking the necessary precautions at all times.

1 In this report, wherever 'Enexis' is used, it can be taken to refer to the entirety of Enexis Group companies, unless otherwise specifically noted.

Fortunately, the impact of the COVID-19 pandemic on our organisation has remained limited, thanks to the flexibility of our employees, contractors and suppliers. In continuing our operations, we experience an increase in our work package to €403 million, this concerns an increase of €21 million compared of the first half of 2019. The development of the virus in the coming months and its impact on Enexis remains unknown. We foresee delays in some projects due to the delayed delivery of transformers and other materials. With the corona measures taken, we hope that there will be no futher impact on society and on Enexis.

FOCUS ON BALANCE

The energy transition continues to develop steadily despite the COVID-19 crisis. The regions have presented drafts of their Regional Energy Strategies, and new renewable energy initiatives have submitted requests for grid connectivity. Fortunately, we note that increased awareness about areas affected by congestion has led to the development of new projects in areas where there is still capacity. We are pulling out all the stops to create sufficient capacity in our grids. Although adapting our and Tennet's infrastructure remains a process that will take many years. Our drive to jointly accelerate the energy transition is also evident from the letter of intent we signed with TenneT for more intensive collaboration. The aim is to better meet the increasing need for transmission capacity in the future. This is aimed at better meeting the increasing need for transport capacity in the coming years.

The energy transition is confronting society with many complex issues. How do we keep sustainability feasible and affordable and which technologies do we use to achieve the best social return? How much public space should solar parks and wind turbines occupy and to what extent is there public support for them? As it stands, regions seem to prefer solar energy to wind energy. As a grid operator, we stress that this preference for solar energy increases the cost of grid adjustments, since the Netherlands has fewer annual hours to generate solar energy than wind energy. A wind park produces three times as much power as a solar park of the same capacity, which implies we need more capacity to produce the same volume of renewable energy. In addition, Enexis continues to believe that electrical power will not be the answer for all things in the future. Instead, we advocate an energy supply with renewable electrons and renewable molecules, such as biogas and hydrogen. In many districts, the gas distribution grid will remain intact and continue to be operable in the future. In this way, we can keep the energy transition affordable. Because of the same feasibility and affordability, for large-scale investments in the energy transition it is advisable not only to look at regional solutions, but also to take measures on a national or even international scale.

BROAD SUPPORT FOR INVESTMENTS

The energy supply of the future requires massive capital expenditures. In June, we issued our first green bond of €500 million in order to allow continued funding of the needed investments and enable repayment of the outstanding bond loan in November 2020. The bond will mature on 1 June 2032. In addition, we discussed with our shareholders the issue of a €500 million convertable hybrid shareholder loan as a means to strengthen our equity position. This loan is expected to be issued in the second half of 2020. Both instruments will strengthen our financing structure, thereby contributing to the energy transition. A good balance between affordability for citizens and companies and the financeability of the energy supply is a point of attention for the coming years.

FOUR PRIORITIES IN 2020

To bring focus to our strategic operations, we have defined four priorities for 2020: working safely, customer-driven work, improvement projects for the customer and accelerating the energy transition. Enexis has continued to achieve its targets regarding these priorities, despite some limitations due to the COVID-19 containment measures. Working safely remains our number one priority, even though during the corona period it was not always possible to organise workplace visits and meetings. In addition, the shortage of technical workers and engineers in our sector seems to be of a permanent nature. In September 2020, we will launch a Technical Academy in order to train employees and external hires to become skilled technicians. We will also place special emphasis on partnering with institutes of learning and offering traineeships.

The increase in our work package that we are managing to achieve year after year reveals the gains in efficiency that our organisation is making. Improvements in operational control allow us to provide our customers with more services. At the same time, we see that customers are not yet satisfied with the turnaround times for large orders. This is an issue that cannot be resolved by technology alone. Explaining the impact of ever-increasing demand should, however, allow us to manage our customers' expectations.

READY FOR THE NEXT PHASE IN ENERGY TRANSITION

On the operational side, we continue to be faced with the challenging task of achieving climate goals. With this in mind, the Supervisory Board has decided to increase the number of Executive Board members to four. There will also be changes to incumbent appointments to the Board. Peter Vermaat will hand over his duties as CEO to Evert den Boer on 1 September 2020. On the same date, Rutger van der Leeuw will be appointed Chief Operating Officer (COO) and Jeroen Sanders will be appointed Chief Transition Officer (CTO). Early in 2021, CFO Maarten Blacquière will be succeeded by Mariëlle Vogt, who will also join the Executive Board. We regard the fact that the management team has turned out to be a talent breeding ground with three directors taking the step to a position on the Executive Board. The expansion of the Board will allow Enexis to solidify its continuity, making the organisation ready to enter the next phase of the energy transition.

The limitations caused by the public health crisis have unleashed new forms of teamwork and creativity in our organisation. The employee satisfaction survey shows that we have once again managed to increase our ratings for engagement and teamwork. We wholeheartedly thank our employees for bearing with us and remain confident that these strengths will allow Enexis to overcome the challenges it is sure to face in the future.

Executive Board of Enexis Holding N.V.

Peter Vermaat
Maarten Blacquière

OBJECTIVES AND PERFORMANCE

TARGETS	KPI	1ST HALF YEAR 2020	OBJECTIVE 2020	1ST HALF YEAR 2019	REALISATION 2019
Employee safety	Lost Time Injury Frequency Enexis	1.15	Any accident is one too many	1.17	1.16
	Lost Time Injury Frequency Contractors	2.85	Any accident is one too many	2.38	2.58
Progress on work package	Quantitative progress Order book for the year[1]	€ 403 million	≥ € 878 million	€ 382 million	€ 804 million
Customer satisfaction	Customer Effort Scores (CES)[2]	• Standard connections: 27% • Installation of Primary Infrastructure: 33% • Outages: 16%	Lower compared to 2019 score	• Standard connections: 30% • Installation of Primary Infrastructure: 30% • Outages: 18%	• Q4 score for Standard connections: 26% • Q4 score for Installation of Primary Infrastructure: 36% • Q4 score for Outages: 17%
In-time suitability of grids for changes in energy world	Expansion of connection capacity for sustainable supply	430 MVA	≥ 1,280 MVA	N/A	N/A
Affordability	Controllable costs and revenues[3]	€ 225 million	≤ € 455 million	€ 216 million	€ 420 million

1 Exclusive of mark-up for general costs.
2 A CES year runs from December through November; each quarterly score is calculated for the period. Q1: Dec, Jan, Feb; Q2: Mar, Apr, May; Q3: Jun, Jul, Aug; Q4: Sept, Oct, Nov. The lower the score, the better the customer rating. The actual figures for H1 2020 are for Q2 (Mar through May).
3 Enexis Netbeheer (including corporate support departments).

For definitions, see the glossary in the Annual Report 2019.

ACHIEVING OUR OBJECTIVES

We use key performance indicators (KPIs) to measure how we are doing with regard to achieving our principal objectives. These objectives contribute to excellent grid management and the acceleration of the energy transition. Safety is always our number one priority. We want all our employees to arrive home safely after a day of work, which means striving for an accident-free work environment. We also actively monitor the status of our work package, customer satisfaction and the affordability of the energy supply. Finally, we seek to ensure that our grids will remain suitable as changes occur in the energy world. See the ‘Objectives and performance’ table for details on the status of our objectives.

MONITORING DEVELOPMENTS

In addition to the aforementioned KPIs, we monitor developments and trends concerning material issues relevant to our stakeholders and impacting on Enexis. Developments in the first half of 2020 involved:

- Financial value for shareholders: net profit for the first half of 2020 was €81 million, which is €38 million lower compared of the first half of 2019 (€119 million). Net profit for the full year 2019 was €210 million.
- Reliable and accessible energy supply: the average outage duration of electricity in the first half of the year was limited to 6.6 minutes, almost the same as the average outage duration last year in the same period (6.5 minutes). The moving average for 2020 is 13.9 minutes (in 2019: 14.2 minutes). This keeps Enexis well below the Dutch average.
- Innovation, digitalisation and information security: 176 stations were equipped with distribution automation (up to and including May), which was according to plan. The installation of Distribution Automation Light (DALI) at 2,489 stations (up to and including May) puts us ahead of schedule, but delays are expected in the coming months due to delivery problems caused by the COVID-19 pandemic. In the same period last year, 100 stations were equipped with Distribution Automation and 1,115 stations were equipped with Distribution Automation Light.
- A more sustainable energy supply: the exponential growth of decentralized production capacity is continuing. Enexis connected 508 MW (up to and including March), a record compared to previous years. We do not know what the impact of the COVID-19 pandemic will have on the growth of renewable energy initiatives implemented by customers, as well as the supply of materials. The decentralized production capacity will be monitored from 2020.
- Sustainable business practices: carbon emissions of leased cars and mileage expense claims (up to and including May) were 36.6% less than the figure for 2014, the reduction increasing significantly due to the increased working from home. The reduction in the first half of 2019 was 18.3% compared to 2014. At the end of 2019, the reduction has further increased to 22.5% compared to 2014.
- Agile and active organisation: we measured our performances with regard to teamwork and engagement using the Enexis Employee Satisfaction Survey. Evaluations have improved over the past twelve months. The score for teamwork rose from 6.5 (Q2 2019) to 6.7 and engagement from 7.8 (Q2 2019) to 7.9. Absenteeism due to illness (12-month moving average) was 5.2% at the end of June (June 2019: 5.4%), which was 0.2% lower than at the end of 2019.

KEY FIGURES

€ Million	1st half year 2020	1st half year 2019
Result		
Revenue	753	738
Costs of transmission services and distribution losses	156	115
Operating expenses	275	265
Depreciation, impairments and decommissioning	197	184
Operating profit	125	185
Share of result of associates and joint arrangements	0	0
EBIT	125	185
Financial income and expenses	-17	-28
Profit before tax	108	157
Profit for the year	81	119
Financial position	**30 June 2020**	**31 December 2019**
Net working capital	-71	-43
Non-current assets	8,202	7,980
Invested Capital	7,210	7,056
Equity	4,088	4,112
Net interest-bearing liabilities	2,804	2,634
Total assets	8,523	8,258
Gross investments [1]	399	342
Ratios	**30 June 2020**	**31 December 2019**
Solvency	48.0	49.8
ROIC	4.1	5.0
Return on equity	4.2	5.1

Key figures	1st half year 2020	1st half year 2019
Number of connections electricity (x 1,000)	2,864	2,833
Number of connections gas (x 1,000)	2,328	2,327
Section length electricity grid (x 1,000 km)	141.5	140.4
Section length gas grid (x 1,000 km)	46.3	46.4
Number of employees at end of the period	4,627	4,432
	1st half year 2020	**1st half year 2019**
Outage time electricity (in minutes)	6.6	6.5
Outage time gas (in seconds)	31	22

1 For 2019, this concerns investments in the first half year of 2019.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS 2020

CONSOLIDATED INCOME STATEMENT

€ Million		1st half year 2020		1st half year 2019
Revenue		753		738
Less: Transmission services and distribution losses		156		115
Other operating income		0		11
Balance available for operating activities		597		634
Employee benefit expenses	253		241	
Depreciation, impairments and decommissioning	197		184	
Costs of subcontracted work, materials and other external expenses	109		105	
Other operating expenses	13		11	
Capitalised expenses of own production	-100		-92	
Operating expenses		472		449
Operating profit		**125**		**185**
Share of result of associates and joint arrangements		0		0
Financial income	2		2	
Financial expenses	19		30	
Financial income and expenses		**-17**		**-28**
Profit before tax		**108**		**157**
Corporate income tax expenses		-27		-38
Profit for the year		**81**		**119**
Attributable to:				
Minority shareholders		–		–
Shareholders		81		119
Average number of shares during the financial year		149,682,196		149,682,196
Profit per share [1]		**0.54**		**0.80**

1 Stated in euros, dilution of earnings does not apply.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ Million	1st half year 2020	1st half year 2019
Profit for the year	81	119
Released part of non-realised income through hedge reserve	0	0
Tax released on non-realised income through equity	0	0
Total result including non-realised income [1]	**81**	**119**
Attributable to:		
Minority shareholders	–	–
Shareholders	81	119

1 The non-realised amounts in the total result solely concern amounts recognised in later periods in the income statement.

CONSOLIDATED BALANCE SHEET

€ Million	30-Jun-20	31-Dec-19
Assets		
Property, plant and equipment	7,809	7,598
Intangible assets	259	252
Right-of-use assets	110	106
Associates and joint arrangements	8	8
Other financial assets	16	16
Non-current assets	**8,202**	**7,980**
Inventories	25	18
Receivables	170	181
Corporate income tax	21	7
Other financial assets (current)	10	10
Cash and cash equivalents	95	62
Current assets	**321**	**278**
Total assets	**8,523**	**8,258**

€ Million	30-Jun-20	31-Dec-19
Liabilities		
Issued and paid-up share capital	150	150
Share premium reserve	2,436	2,436
General reserve	1,423	1,318
Hedge reserve	-2	-2
Profit for the year	81	210
Equity	**4,088**	**4,112**
Non-current interest-bearing liabilities	2,367	1,868
Non-current provisions	40	36
Advance contributions for the installation of grids and connections	898	859
Deferred corporate income tax	287	283
Other non-current liabilities	1	1
Non-current liabilities	**3,593**	**3,047**
Trade and other payables	285	245
Current interest-bearing liabilities	532	828
Current provisions	2	4
Advance contributions to be amortised in the following year	23	22
Current liabilities	**842**	**1,099**
Total liabilities	**8,523**	**8,258**

CONSOLIDATED CASH FLOW STATEMENT

€ Million	1st half year 2020		1st half year 2019	
Profit for the year	81		119	
Depreciation and impairments	197		184	
Amortised contribution for installation of grids and connections	-11		-10	
Received contributions for the installation of grids and connections	51		47	
Change in operational working capital[1]	28		-43	
Change in deferred corporate income tax	4		2	
Change in non-current provisions	4		-1	
Cash flow from operating activities		**354**		**298**
Investments in property, plant, equipment	-376		-320	
Investments in intangible assets	-23		-22	
Loans granted	-2		-1	
Repayment of loans granted	2		2	
Cash flow from investing activities		**-399**		**-341**
Cash flow before financing activities		**-45**		**-43**
Green bond issue[2]	497		–	
New interest-bearing liabilities	1,476		1,010	
Repayment of interest-bearing liabilities	-1,774		-782	
Repayment of lease liabilities	-16		-15	
Dividend paid	-105		-122	
Cash flow from financing activities		**78**		**91**
Total cash flows		**33**		**48**
Cash and cash equivalents at the beginning of the financial year		62		31
Cash and cash equivalents at the end of the period		**95**		**79**

1 The change in operational working capital in the reporting period was heavily influenced by a € 40 million increase in trade and other payables. This was mainly attributable to the fact that, because of the migration of the financial accounts to a new system on 1 January 2020, some of the outstanding invoices were paid early at year-end 2019; the balance had returned to normal at 30 June 2020.
2 The nominal value is € 500 million. The difference of € 3 million is caused by the difference between the issue price and the nominal value of the loan and the issue costs.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ Million	Number of ordinary shares	Share capital	Share premium reserve	General reserve	Hedge reserve	Profit for the year	Total equity
At 1 January 2019	149,682,196	150	2,436	1,121	-2	319	4,024
Profit for the year 1st half year 2019	–	–	–	–	–	119	119
Amortisation hedge reserve 1st half year 2019	–	–	–	–	0	–	0
Total result including unrealized results	**–**	**–**	**–**	**–**	**0**	**119**	**119**
Profit appropriation for 2018	–	–	–	197	–	-197	0
Dividend paid for 2018	–	–	–	–	–	-122	-122
At 30 June 2019	**149,682,196**	**150**	**2,436**	**1,318**	**-2**	**119**	**4,021**
Profit for the year 2nd half year 2019	–	–	–	–	–	91	91
Amortisation hedge reserve 2nd half year 2019	–	–	–	–	0	–	0
At 31 December 2019	**149,682,196**	**150**	**2,436**	**1,318**	**-2**	**210**	**4,112**
At 1 January 2020	149,682,196	150	2,436	1,318	-2	210	4,112
Profit for the year 1st half year 2020	–	–	–	–	–	81	81
Amortisation hedge reserve 1st half year 2020	–	–	–	–	0	–	0
Total result including unrealized results	**–**	**–**	**–**	**–**	**0**	**81**	**81**
Profit appropriation for 2019	–	–	–	105	–	-105	0
Dividend paid for 2019	–	–	–	–	–	-105	-105
At 30 June 2020	**149,682,196**	**150**	**2,436**	**1,423**	**-2**	**81**	**4,088**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

GENERAL
Enexis Holding N.V. Is a public limited liability company with its registered office in 's-Hertogenbosch, the Netherlands (Chamber of Commerce no.: 17238877). This interim report presents the financial information of the company and its group entities for the first half of 2020.

These interim financial statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

The interim report has not been audited, but the independent external auditor did perform a review.

Enexis Holding N.V. uses the euro as its functional currency. Unless otherwise stated, all amounts are presented in millions of euros.

NEW AND/OR AMENDED IFRS STANDARDS EFFECTIVE 1 JANUARY 2020

STANDARDS EFFECTIVE IN THE FIRST HALF OF 2020
The following improvements and amendments to IFRS standards and IFRIC interpretations came into effect on 1 January 2020.
- Amendments to IFRS 3 – Business Combinations, effective 1 January 2020.
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform, effective 1 January 2020.
- Amendments to IAS 1 and IAS 8 – Definition of Material, effective 1 January 2020.
- Amendments to References to the Conceptual Framework in IFRS Standards, effective 1 January 2020.

The above changes and improvements in the standards as of 1 January 2020 have no direct consequences for the equity and the result or do not apply to Enexis Group.

FUTURE STANDARDS NOT YET EFFECTIVE IN 2020
The following improvements and amendments to IFRS standards have been published but are not yet effective.
- IFRS 17 – Insurance Contracts, effective 1 January 2021.
- Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current, effective 1 January 2022.
- Amendments to IFRS 3 – Business Combinations, IAS 16 – Property, Plant and Equipment, IAS 37 – Provisions, Contingent Liabilities and Contingent Assets and annual improvements, effective 1 January 2022.
- Amendments to IFRS 16 – Leases, COVID-19-related Rent Concessions.

The changes and improvements in the standards after 2020 are not expected to have any direct consequences for equity and results or are not applicable to Enexis Group.

BASIS OF CONSOLIDATION AND ACCOUNTING POLICIES
We have applied the same accounting policies in this interim report as in the financial statements 2019 of Enexis Holding N.V. (available at www.enexisgroep.nl/jaarverslag).

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES
Except for the fair value of the interest-bearing loans (see notes on page 14), the fair value of the financial assets and liabilities did not differ materially from their carrying amount at 30 June 2020.

CORPORATE INCOME TAX
Corporate income tax is based on the best estimate of the expected average tax rate for 2020 and applied to the profit before tax for the first six months of 2020. The effective tax rate for the reporting period was 24%, slightly below the nominal rate of 25%.

SEASONAL INFLUENCES
Enexis Holding N.V. is not affected by seasonal influences that have a material impact on earnings.

COVID-19
The COVID-19 pandemic reached the Netherlands at the end of February. To curb the spread of the virus, the Dutch government took far-reaching measures that had an impact on Enexis Holding N.V. The energy infrastructure is vital to society, and Enexis Holding N.V. is taking every step required to responsibly safeguard the reliability of our electricity and gas distribution grids. The front office has been applying special safety measures for some time now. Social distancing is practised wherever possible, employees work in fixed teams, handshakes are a thing of the past, and we only make house calls in emergencies. Office staff is working from home as much as possible. The virus has now passed its peak in the Netherlands and, its spread has been curtailed, government restrictions are gradually being lifted, allowing business activity to resume speed. This may ease the crisis, although it is certainly not over yet.

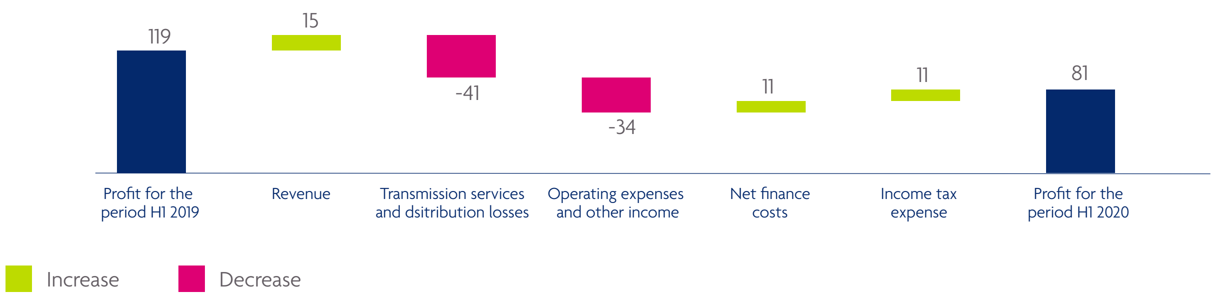
The extent to which the crisis and resulting economic decline will persist remains uncertain, as does their impact on society and our business. That said, Enexis Holding N.V. will continue to be alert to what our customers and society expect of us. The corona crisis had no consequences for the valuation of (in) tangible fixed assets as at 30 June 2020. For the whole of 2020, only a small impact on the financial result is expected. Moreover, we only expect to see a minor effect on our financial performance for 2020 as a whole. Given our robust credit rating (see 'Credit rating'), Enexis Holding N.V. expects to continue to have adequate access to the financial resources we need to carry on our business and to meet our payment obligations, thus safeguarding the company's ability to continue as a going concern.

DEVELOPMENTS IN EARNINGS IN REPORTING PERIOD

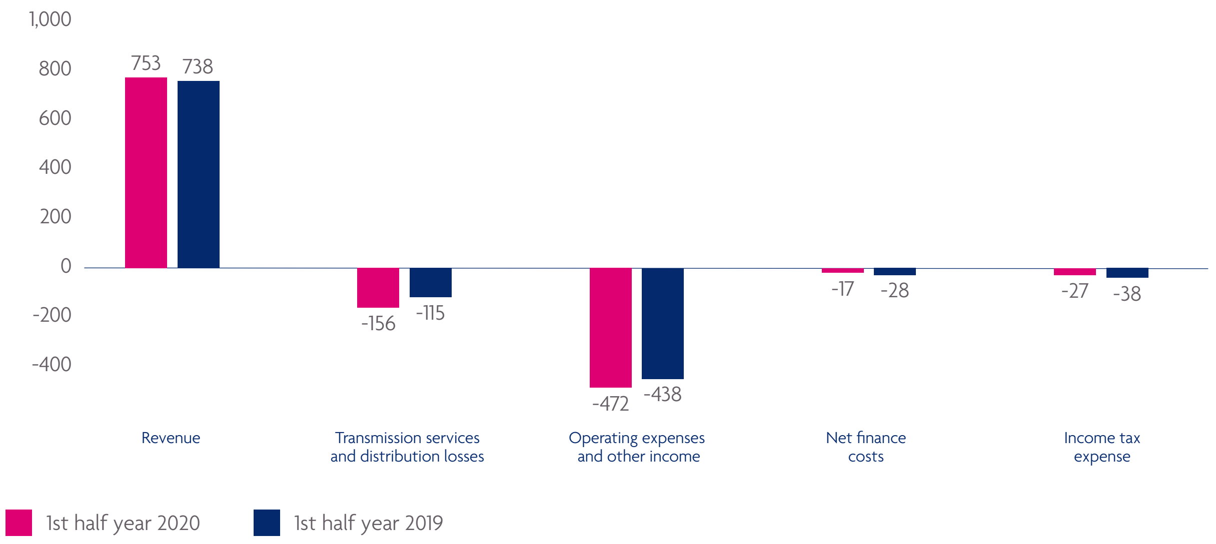
Net profit was €81 million, which is €38 million lower compared to the first half of 2019, the main reason being the €41 million increase in the cost of transmission services and distribution losses. The public health crisis had a minor impact on profit for the period.

Operating expenses were up €23 million, which was mainly attributable to the growth of our work package. We also saw a fall in other operating income by €11 million. These effects were offset in part by an increase in revenue by €15 million and a drop in financial income and expenses by €11 million.

YEAR-ON-YEAR DEVELOPMENTS IN FINANCIAL PERFORMANCE



YEAR-ON-YEAR INCOME STATEMENT



AVAILABLE FOR OPERATING ACTIVITIES

The balance available for operating activities fell by €37 million year-on-year, dropping to €597 million. This fall was largely attributable to the higher cost of transmission services, which was only partially offset by an increase in revenue thanks to higher tariffs.

Revenue can be broken down as follows:

€ Million	1st half year 2020	1st half year 2019
Regulated		
Periodic transmission- and connection fees for electricity		
High-volume consumers	162	165
Low-volume consumers	276	270
Periodic transmission- and connection fees for gas		
High-volume consumers	22	21
Low-volume consumers	146	142
Metering services	67	65
Amortised contributions	11	10
Other	3	3
Total regulated	**687**	**676**
Non-regulated		
Income from sale of products and services	32	28
Metering services	16	17
Total non-regulated	**48**	**45**
Other revenue		
Rental income	18	17
Total	**753**	**738**

Revenue was up 2.1% year-on-year, which was largely attributable to a 1.7% increase in regulated revenue due mainly to a rise in tariffs for periodic transmission and connection fees in the gas business by 3.5% and in the electricity business by 0.7%. Regulated revenue from electricity and gas metering services was up 3.7% year-on-year. This increase was virtually entirely attributable to an increase in tariffs.

The unregulated and other turnover together increased by 6.7% compared to the first half of 2019. This increase was mainly due to the growth of the operations of Fudura B.V.

The cost of transmission services and distribution losses increased by €41 million in the reporting period, reaching €156 million. Of this increase, €29 million was attributable to higher fees charged by TenneT for transmission and system services (€33 million for tariff increases less €4 million for volume differences). The cost of grid losses also rose by €12 million. Of this amount, €8 million was attributable to electricity, largely due to higher allocation for price differences, and €4 million to gas, largely due to the purchase of gas grid losses since 1 January 2020. From that date onwards, regional grid operators have had the statutory duty to purchase gas grid losses, which used to be the responsibility of suppliers.

Other operating income decreased by €11 million compared to the first half of 2019, which was primarily due to a non-recurring income item of €10 million in 2019 as a result of the settlement of a legal dispute.

OPERATING EXPENSES

Total employee benefits expenses were up €12 million, rising to €253 million in the reporting period, mainly due to an €11 million increase in the cost of external hires because of the increase in our work package and more staff being assigned to improvement and transition projects. Personnel expenses for own staff showed limited growth despite the increase in headcount and a pay rise under the collective labour agreement. This was attributable to such aspects as a drop in travel expenses and training costs as a result of the public health crisis.

Amortisation and depreciation amounted to €197 million in the reporting period, up €13 million year-on-year due to an increase in property, plant and equipment and intangible assets, which stemmed from the increase in our work package and the growth in improvement and transition projects.

The cost of work contracted out, materials and other external expenses rose by €4 million, reaching €109 million. This increase was mainly attributable to a rise in advisory fees and sector-wide IT expenses.

Other operating expenses were up €2 million, reaching €13 million as at 30 June 2020.

Own production capitalised rose by €8 million to €100 million. This increase was mainly attributable to the growing work package and the staffing of improvement and transition projects.

FINANCE INCOME AND EXPENSES

Financial expenses for the reporting period amounted to €17 million, € 11 million lower than in the first half of 2019. This was mainly attributable to the expiration of a shareholder loan (tranche D) worth €350 million at 7.2% interest on 30 September 2019; this resulted in a drop in interest expense by €13 million. This was counteracted by a €2 million increase in interest expense on 2019 for the €500 million bond loan that was contracted at 0.75% interest on 2 July 2019.

TAX

Profit before tax for the period was €108 million. The corporate income tax liability for the period amounted to €27 million. The effective tax rate was 24%, slightly below the nominal rate of 25%.

CAPITAL EXPENDITURES

Despite the difficulties caused by the COVID-19 crisis, such as the freezing of certain work flows and additional safety precautions, net capital expenditures rose by €51 million year-on-year, reaching €346 million. This rise was mainly attributable to an increase in customer demand in combination with more sustainable onshore projects that led to more grid expansions and customised connections. We also saw an increase in safety-driven replacement investments in our gas distribution grid. That said, activity in the Smart Meters workflow was down due to its temporary freeze as a result of the public health crisis.

FUNDING

FAIR VALUE OF INTEREST-BEARING LOANS

Enexis Holding N.V. had € 2.788 billion in interest-bearing loans (excluding lease liabilities) on its balance sheet as at 30 June 2020 (year-end 2019: € 2.589 billion). The fair value of these interest-bearing loans (excluding lease liabilities) was €2.905 billion (year-end 2019: €2.706 billion). The fair value of bond loans is based on their listed prices and that of other loans on the Euro Utility (A) BFV yield curve as at 30 June 2020.

The fair value and carrying amount of the interest-bearing loans rose mainly due to the issue of the green bond.

CREDIT RATING

The credit ratings of Standard & Poor's (A+, stable outlook) and Moody's (Aa3, stable outlook) did not change in the first half of 2020. The short-term credit ratings of Enexis Holding N.V. are P-1 (Moody's) and A-1 (Standard & Poor's). The following financial ratios are pursued in order for Enexis Holding to achieve its objectives to keep at least an A credit rating and to maintain a financially robust capital structure:

	Standard	Actual
FFO-interest cover	≥ 3,5	10.4
FFO/net interest-bearing liabilities	≥ 16%	20%
Net interest-bearing liabilities/(equity + net interest-bearing liabilities)	≤ 60%	41%

FINANCING REQUIREMENTS

The energy transition forces Enexis Holding N.V. to sharply increase its capital expenditures every year. To meet the resulting financing requirements, Enexis Holding N.V. issued a €500 million green bond in June 2020, the proceeds of which may only be used for existing and new sustainable investments. Enexis Holding N.V. has also asked its shareholders to participate in a hybrid convertible shareholder loan of €500 million. Its issue is scheduled for the second half of 2020. As a result of the issue of the green bond, the committed credit facilities of €450 million that fall due in November 2021 have been reduced to €300 million.

CONDITIONS GOVERNING BOND

The green bond was issued on 17 June 2020 in a nominal amount of €500 million at an interest rate of 0.625% with a term of 12 years, ending on 17 June 2032. The loan will be used to fund existing and new sustainable investments. Enexis Holding N.V. has a Green Finance Framework. This framework defines which investments qualify as sustainable and which do not. The framework has been endorsed by ISS ESG, an external rating agency for responsible investments. Enexis Holding N.V. will specifically use the bond for investments in grid expansions that are required to embrace renewable energy, for distribution automation and for smart meters.

CONDITIONS GOVERNING HYBRID CONVERTIBLE SHAREHOLDER LOAN

Enexis Holding N.V. plans to take out a hybrid convertible shareholder loan with an issue volume of €500 million consisting of two tranches on 29 July and 30 November 2020. Both tranches will fall due on 30 November 2080 at the latest. The exact conditions have yet to be defined.

SEGMENT INFORMATION

Enexis Holding N.V. has two reporting segments, i.e.:

- regulated; and
- other.

For more details on the segments, their description and intersegment eliminations, please consult pages 67 and 68 of the Annual Report 2019 of Enexis Holding N.V. (available at www.enexisgroep.nl/jaarverslag).

The segment information for the reporting period can be broken down as follows:

	Enexis regulated		Enexis Other		Subtotal		Normalisations, eliminations and reconciliations		Enexis total	
€ Million	1st half year 2020	1st half year 2019	1st half year 2020	1st half year 2019	1st half year 2020	1st half year 2019	1st half year 2020	1st half year 2019	1st half year 2020	1st half year 2019
Income statement										
Revenue	712	704	45	42	757	746	-4	-8	753	738
Other operating income	3	10	2	2	5	12	-5	-1	0	11
Operating profit	116	177	9	8	125	185	0	0	125	185
Assets and liabilities										
Total assets	7,343	7,041	265	233	7,608	7,274	915	768	8,523	8,042

RELATED PARTIES

In the first half of 2020, an amount of €105 million was paid to shareholders in the form of dividend. In addition, EDSN made a scheduled repayment of €2 million on its loans, and Enexis Holding N.V. issued new loans to EDSN for an amount of €3 million, €2 million of which was drawn down. Other related-party transactions are conducted in the ordinary course of business and at arm's length rates and conditions.

CONTINGENT ASSETS AND LIABILITIES

RENTAL, LEASE AND PURCHASE OBLIGATIONS

These liabilities include service agreements, IT contracts, grid losses and other contracts. They do not show significant differences from the liabilities recognised as at 31 December 2019. The value of rental contracts signed in the reporting period but not taking effect until after the balance-sheet date was €13 million. The liabilities relating to the purchase of grid losses amounted to €128 million as at 30 June 2020. Total liabilities as at 30 June 2020 stood at €238 million (< 1 year: €120 million; 1- 5 years: €111 million; > 5 years: €7 million).

EVENTS AFTER THE REPORTING DATE

There were no events after the reporting date that have an impact on these financial statements.

On behalf of the Executive Board of Enexis Holding N.V.

Peter Vermaat
Maarten Blacquière

's-Hertogenbosch, the Netherlands, 22 July 2020

REVIEW REPORT

To: the Board of Directors and Supervisory Board of Enexis Holding N.V.

INTRODUCTION

We have reviewed the accompanying condensed consolidated interim financial information for the six-month period ended 30 June 2020 of Enexis Holding N.V., 's Hertogenbosch, which comprises the consolidated balance sheet as at 30 June 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the period then ended and the selected explanatory notes. The board of directors is responsible for the preparation and presentation of this (condensed) interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

SCOPE

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

CONCLUSION

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

Utrecht, the Netherlands, 22 July 2020
For PricewaterhouseCoopers Accountants N.V.

Original Dutch review report has been signed by:

K. Hofstede RA

(This review report is a translation of the original review report accompanying the original condensed consolidated interim financial information, both in Dutch. This original review report can be found on the website of Enexis Group).

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