Half-year report 2017

TenneT Holding B.V.

Interim report

Empowering society is at the heart of TenneT's mission. We are tasked with providing a secure electricity supply in the Netherlands and a large part of Germany. As recently demonstrated by the outage at the Hemweg plant in Amsterdam, security of supply should never be taken for granted. It is something we work on night and day. Because electricity does not recognise geographical borders, we need to cooperate with neighbouring countries and facilitate the development of an integrated North West European (NWE) energy market in order to maintain security of supply in our markets.

In the first half of 2017, there were a number of significant developments that will help us deliver on our mission:

- On 23 March 2017, TenneT TSO (Netherlands and Germany) and Energinet.dk (Denmark) signed a trilateral agreement accelerating the development of the North Sea Wind Power Hub. This hub will be a renewable European electricity system on an artificial island, to be built in the North Sea. The scale and vision of this hub is large and unprecedented. Click here for more information.
- Ben Voorhorst, TenneT's Chief Operating Officer, was appointed President of the European Network of Transmission System Operators for Electricity (ENTSO-E). Ben Voorhorst will succeed Peder Andreasen of Danish TSO Energinet.dk in this position from July 2017. Click here for more information.
- TenneT, sonnen, Vandebron and IBM have joined forces to develop block chain for balancing the electricity grid in the Netherlands and Germany. This innovative technology (crowd balancing) is a next step in enabling decentralised flexible energy sources to contribute in the management of the electricity grid. Click here for more information.
- In April, TenneT issued the first-ever green hybrid bond in an amount of EUR 1 billion.
- In June, TenneT opened a representative office in Brussels to be fully present at the heart of European energy decisions.

Key underlying[1] figures

Based on underlying financial information (EUR million)	First half 2017	First half 2016
Revenue	1,966	1,546
EBITDA	796	715
EBIT	478	414
Investments	750	875
Based on underlying financial information (EUR million)	**30 June 2017**	**31 December 2016**
Assets	20,251	18,974
Net debt	7,437	7,347
Equity	5,277	4,792

[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 receivables and payables which - based on the current regulatory framework - can be recouped or must be returned through future grid tariffs. We believe this underlying financial information better represents our actual business and financial performance, and therefore better reflects 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 grew up to EUR 1,966 million (2016: 1,546), mainly driven by the increased reimbursement of rising system service expenses. In recent years there was a significant increase in redispatch measures, through which electricity generation is shifted based on legal obligations. Besides we have had more feed-in management costs in the first half of 2017 due to more solar and wind energy generation. As these (system service) expenses are compensated on a pass-through basis, this does not affect our underlying EBIT.

As a result operating expenses grew proportionally with revenue, as grid expenses increased. Grid expenses make up the bulk of our operating expenses and consist of expenses taken to ensure the security of supply and costs for servicing and maintaining the systems used for our primary operating processes.

The growth in EBIT was driven by a higher allowed revenue in the Netherlands and Germany. In the Netherlands the new regulatory period until 2021 started in 2017. Furthermore, EBIT was affected by special items in the first half of 2017. The most significant special items are:

- Offshore reimbursement in Germany received in excess of current costs. Amongst others, TenneT had lower operating expenditures, due to temporarily lower offshore maintenance and services due to unfavourable weather conditions in the first months of 2017.
- Full half-year compensation of costs for RCR-projects ('Rijkscoördinatieregeling') in the Netherlands compared to three months compensation in the first half of 2016. The amendment regulating the immediate compensation for RCR-projects became law from 1 April 2016. Before 1 April 2016 the RCR-revenue was received with a two-year delay.

The EBITDA for the first half year of 2017 showed a similar increase to the EBIT. The EBITDA for TSO Netherlands amounted to EUR 198 million (2016: 147 million) and to EUR 569 million (2016: EUR 532 million) for TSO Germany. For the non-regulated companies the EBITDA came to EUR 29 million for (2016: EUR 36 million).

Investments

During the next years we continue to make signifcant investments in our grid in order to maintain a high security of supply and facilitate the energy transition in the Netherlands and Germany. Capital expenditure (capex) totalled EUR 750 million in the first six months of 2017. Our main projects under construction are:

- Germany: DolWin3, Borwin3 and NordLink, Westküstenleitung and (extension of) the Ostküstenleitung.
- Netherlands: Randstad 380 kV, Doetinchem-Wesel, Net on Sea (Borssele Alpha + Beta) and the COBRAcable.

At the start of January, TenneT and its Danish partner Energinet.dk laid the first foundation for the construction of the Dutch convertor station of the COBRAcable, a subsea electricity connection that will link the Dutch and Danish grids. Click here for more information.

For more information on our projects, see the project section of our website.

Financing

Considering our extensive investment program and in order to maintain our current credit rating, TenneT plans to increase its capital in the short to medium-term. Our present credit rating affords us access to financial markets on favourable terms, ensuring sufficient funding for our investment programs. The rating of TenneT Holding B.V. was unchanged in 2017. This was reaffirmed in March 2017, by Standard & Poor's (A- / stable outlook) and Moody's Investor Service (A3 / stable outlook).

Net interest-bearing debt position

Over the first six months of 2017, TenneT's long-term interest-bearing debt increased by EUR 1 billion through the issuance of Green bonds. The issue comprised two tranches of EUR 500 million each, maturing in 2025 and 2029 and bear interest coupons of 0.750% and 1.375%, respectively. These instruments are used to finance or refinance projects relating to the transmission of renewable electricity powered by offshore wind farms in Germany. The European Investment Bank (EIB) provided a loan facility of EUR 350 million for the 1.4 GW NordLink high voltage direct current (HVDC) subsea interconnector between Norway and Germany. The agreement was signed on 3 April.

Equity

In April, TenneT successfully launched and priced the first-ever green hybrid bond, totalling EUR 1 billion with a coupon of 2.995% and a 7-year non-call period. The hybrid bond classifies as equity (see also note 6.1.1) and was awarded an instrument rating of Baa3 and BB+ by Moody's and S&P, respectively. Click here for more information. Due to the launch of the new hybrid, TenneT decided to redeem the EUR 500 million hybrid loan, which was issued in 2010, in June 2017.

On 2 March 2017, TenneT's shareholder, the Dutch State represented by the Ministry of Finance, paid out the EUR 150 million first tranche of the committed capital contribution.

Risk management update

We evaluated TenneT's strategic risk position. Compared to the strategic risks presented in our Integrated Annual Report 2016, we identified the following developments during the first half of 2017:

- Although slightly improving, permit-related challenges still have a significant impact on a timely realisation of our on- and offshore infrastructural projects. Active stakeholder management and the continuous improvement of our processes will help us effectively realise results.
- Cyber security related threats are on the rise everywhere and increased media attention for this type of threads may trigger dishonest parties to target our company. As such, security measures and security contingency plans have our ongoing and full attention. We liaise closely with national and international governments and security offices to maximise both the safety of our people and security of supply.
- The structural increase in renewable energy sources will lead to an increase in our investment portfolio because this requires a reinforced grid that is both robust and flexible. Funding this investment increase is a challenge. We discuss the development of sustainable financing solutions on an ongoing basis with our shareholder.

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 view of TenneT's financial position including assets, liabilities and equity, financial performance and results and cash flows as a whole for the period ended 30 June 2017. We also confirm that the interim report includes a fair review 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 review of TenneT's performance, results and position, and a description of the most significant risks and uncertainties we face in the second half of the financial year 2017.

Executive Board TenneT Holding B.V.

J.M. Kroon *
U.T.V. Keussen *
B.G.M. Voorhorst *
O. Jager *
A.A. Hartman
W. Breuer

* Statutory Director

Interim condensed consolidated financial statements

Interim condensed consolidated statement of income

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

	Notes	2017		2016	
Revenue	3.1		**1,978**		**1,386**
Grid expenses	3.1	1,052		709	
Depreciation and amortisation of assets		307		290	
Other expenses		169		176	
Total operating expenses			**1,528**		**1,175**
Share in profit of joint ventures and associates			33		37
Operating profit			**483**		**248**
Finance result			-82		-72
Profit before income tax			**401**		**176**
Income tax expense			104		45
Profit for the period			**297**		**131**
Profit attributable to:					
Equity holders of ordinary shares		235		74	
Hybrid securities		21		17	
Owners of the company			**256**		**91**
Non-controlling interests	6.1.2		41		40
Profit for the period			**297**		**131**
Basic and diluted earnings per share (EUR)	3.2		1,220		410

Interim condensed consolidated statement of comprehensive income

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

	Notes	2017	2016
Profit for the period		**297**	**131**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Amortisation of hedges		-1	-
Items not to be reclassified to profit or loss in subsequent periods:			
Re-measurement of defined benefit pensions	6.1.1	12	-61
Taxation	6.1.1	-3	18
Total other comprehensive income for the period		**8**	**-43**
Total comprehensive income for the period (net of tax)		**305**	**88**
Comprehensive income attributable to:			
Equity holders of ordinary shares		243	31
Hybrid securities		21	17
Owners of the company		**264**	**48**
Non-controlling interests	6.1.2	41	40
Total comprehensive income for the period (net of tax)		**305**	**88**

Interim condensed consolidated statement of financial position

(EUR million)

Assets	Notes	30 June 2017	31 December 2016
Non-current assets			
Tangible fixed assets	4	13,783	13,321
Intangible assets		107	109
Investments in associates and joint ventures		428	362
Deferred tax assets		4	3
Other financial assets		659	655
Total non-current assets		**14,981**	**14,450**
Current assets			
Account- and other receivables	5.1	2,006	1,874
Other current assets		101	117
Cash and cash equivalents	6.3	1,930	1,208
Total current asssets		**4,037**	**3,199**
Total assets		**19,018**	**17,649**

Equity and liabilities	Notes	30 June 2017	31 December 2016
Equity			
Equity attributable to ordinary shares	6.1.1	3,513	3,410
Hybrid securities	6.1.1	1,003	520
Equity attributable to owners of the company		**4,516**	**3,930**
Non-controlling interests	6.1.2	883	971
Total equity		**5,399**	**4,901**
Non-current liabilities			
Borrowings	6.2	6,817	6,335
Provisions		822	821
Deferred income		276	279
Deferred tax liability		228	252
Other liabilities		2	-
Total non-current liabilities		**8,145**	**7,687**
Current liabilities			
Borrowings	6.2	792	1,127
Provisions		138	141
Deferred income		5	5
Account- and other payables	5.2	4,432	3,666
Other current liabilities		107	80
Bank overdrafts	6.3	-	42
Total current liabilities		**5,474**	**5,061**
Total equity and liabilities		**19,018**	**17,649**

Interim condensed consolidated statement of changes in equity

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

	Notes	Attributable to equity holders of the company								Non-controlling interest	Total equity
		Paid-up and called-up capital	Share premium reserve	Other reserves	Retained earnings	Unappropriated result	**Equity attributable to ordinary shares**	Hybrid securities	**Equity attributable to owners of the company**		
Balance at 31 December 2015		**100**	**600**	**5**	**2,012**	**-5**	**2,712**	**520**	**3,232**	**956**	**4,188**
Total comprehensive income		-	-	-	-43	74	31	17	48	40	88
Dividends paid	6.1	-	-	-	-196	-	-196	-	-196	-36	-232
Distribution on hybrid securities	6.1.1	-	-	-	-	-	-	-33	-33	-	-33
Taxation on distribution on hybrid securities	6.1.1	-	-	-	-	8	8	-	8	-	8
Appropriation remaining prior year profit		-	-	-	3	-3	-	-	-	-	-
Balance at 30 June 2016		**100**	**600**	**5**	**1,776**	**74**	**2,555**	**504**	**3,059**	**960**	**4,019**
Balance at 31 December 2016		**100**	**1,380**	**5**	**1,791**	**134**	**3,410**	**520**	**3,930**	**971**	**4,901**
Total comprehensive income		-	-	-1	9	235	243	21	264	41	305
Dividends paid	6.1	-	-	-	-12	-134	-146	-	-146	-42	-188
Capital repayment	6.1	-	-	-	-	-	-	-500	-500	-87	-587
Issue of hybrid securities	6.1.1	-	-	-	-3	-	-3	1,000	997	-	997
Distribution on hybrid securities	6.1.1	-	-	-	-	-	-	-38	-38	-	-38
Taxation on distribution on hybrid securities	6.1.1	-	-	-	-	9	9	-	9	-	9
Appropriation remaining prior year profit		-	-	-	9	-9	-	-	-	-	-
Balance at 30 June 2017		**100**	**1,380**	**4**	**1,794**	**235**	**3,513**	**1,003**	**4,516**	**883**	**5,399**

Interim condensed consolidated statement of cash flows

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

	Notes	2017		2016	
Operational activities					
Operating profit for the period			**483**		**248**
Non-cash adjustments to reconcile profit to net cash flows:					
Depreciation, amortisation and impairment of assets		307		290	
Share in profit of joint ventures and associates		-33		-37	
Dividends received from joint ventures and associates		14		-	
Movements in other items		-17		7	
			271		**260**
Working capital adjustments excluding EEG working capital			-185		-136
Income tax paid			-88		-91
Net cash flows from operating activities excluding EEG working capital			**481**		**281**
EEG working capital adjustments	5.1, 5.2		708		159
Net cash flows from operating activities			**1,189**		**440**
Investing activities					
Purchase / sale of tangible and intangible fixed assets	4	-733		-849	
Acquisition of subsidiary		-3		-	
Interest received		2		-	
Capital contribution to joint ventures and associates		-52		-19	
Net cash flows used in investing activities			**-786**		**-868**
Financing activities					
Proceeds from borrowings	6.2	1,003		1,487	
Repayment of borrowings	6.2	-856		-356	
Interest paid		-120		-99	
Dividends paid to ordinary shareholder of the company	6.1.1	-146		-196	
Distribution on hybrid securities	6.1.1	-38		-33	
Repayment of hybrid securities	6.1.1	-500		-	
Proceeds from issue of hybrid securities	6.1.1	997		-	
Proceeds from capital contributions	6.1.1	150		-	
Dividends paid and capital repayments to non-controlling interests	6.1.2	-129		-36	
Net cash flows from financing activities			**361**		**767**
Net change in cash and cash equivalents			**764**		**339**
Cash and cash equivalents at 30 June		1,930		374	
Cash and cash equivalents at 1 January		1,166		35	
			764		**339**

Notes to the interim condensed consolidated financial statements

1. Basis for reporting

1.1 General

TenneT Holding B.V. is 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.

As per 30 June 2017, The Dutch State owns the entire issued share capital of TenneT Holding B.V. Furthermore, TenneT Holding B.V. has issued hybrid securities which are deeply subordinated and are accounted for as part of equity attributable to equity holders of the company. The head office and legal seat of the Group is located in Arnhem, the Netherlands.

The interim condensed consolidated financial statements of TenneT Holding B.V. and its subsidiaries (hereafter referred to as 'TenneT', 'the company' or 'the Group') for the six-month period ended 30 June 2017 were prepared by the Executive Board and authorised for issuance in accordance with an Executive Board resolution on 27 July 2017. These interim condensed consolidated financial statements were reviewed by Ernst & Young Accountants LLP, but have not been audited.

1.2 Basis for preparation

The interim condensed consolidated financial statements for the six-month period ended 30 June 2017 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. They 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 2016, published on 6 March 2017.
The consolidated financial statements are presented in euros and all values are rounded to the nearest million (EUR '000'000), except when indicated otherwise.

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

TenneT has prepared its condensed consolidated interim financial statements in accordance with the same principles for financial reporting, presentation and calculation methods used for the 2016 consolidated financial statements.

In the first half year 2017 TenneT made no changes in accounting policies.

1.3 Changes in EU endorsed published IFRS Standards and Interpretations effective in 2017

The following changes in the EU-endorsed IFRS standards and IFRIC interpretations are effective from 1 January 2017

- Amendments to IAS 7: statement of cash flows
- Amendments to IFRS 12; disclosure of interests in other entities
- Amendments to IAS 12; income taxes

Changes effective after 2017:

- IFRS 9 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities.
- IFRS 15 'Revenue from contracts with customers'
- IFRS 16 'Leases' sets out the principles for recognition, measurements and disclosures regarding leases.

IFRS 9 and IFRS 15 will be adopted as per 1 January 2018. IFRS 16 will be adopted as per 1 January 2019. We expect that these (and the upcoming) changes have no material effect on the total equity attributable to the shareholders or profit or loss for the (interim) reporting period of TenneT and are therefore not further described.

2. Segment information

2.1 Segment analysis

TenneT generates most 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 the business. Like previous years, non-regulated activities are also reviewed separately. Financing activities (including finance income and expense) are managed on a Group basis and are not allocated to segments. Transfer pricing between operating segments is handled on an arm's length basis in a similar way to transactions with third parties. These intercompany transactions are eliminated at a consolidated level.

The accounting principles used for the operating segments differ from IFRS since underlying financial information is used. Underlying financial information is based on the principle of recognising regulatory assets and liabilities for each of TenneT's regulated activities. This implies that amounts resulting from past events which are allowed or required to be settled in future tariffs are recorded as an asset or a liability, respectively (see note 2.2 for further reference). TenneT's Executive Board believes that the presentation of underlying financial information leads to a sound, consistent and transparent financial insight into past and future business developments.

The underlying segment information is as follows:

	Six-month period ended 30 June 2017			**30 June 2017**	
(EUR million)	**Revenue**	**EBIT**	**Investments**	**Assets**	**Liabilities**
TSO Netherlands	418	106	300	5,681	3,275
TSO Germany	1,552	345	450	15,190	10,481
Non-regulated companies	13	28	-	1,210	68
	1,983	**479**	**750**	**22,081**	**13,824**
Eliminations and adjustments	-17	-1	-	-1,830	1,150
Consolidated underlying information	**1,966**	**478**	**750**	**20,251**	**14,974**

	Six-month period ended 30 June 2016			31 December 2016	
(EUR million)	Revenue	EBIT	Investments	Assets	Liabilities
TSO Netherlands	334	56	233	5,529	3,193
TSO Germany	1,209	324	642	13,993	9,381
Non-regulated companies	14	37	-	1,309	147
	1,557	**417**	**875**	**20,831**	**12,721**
Eliminations and adjustments	-11	-3	-	-1,857	1,461
Consolidated underlying information	**1,546**	**414**	**875**	**18,974**	**14,182**

2.2 Regulatory deferral accounts: reconciliation to IFRS figures

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

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

Reconciliation underlying financial information to IFRS	EBIT	Assets	Liabilities	Recovery/reversal period (years)
2017 (EUR million)	Six-month period ended 30 June 2017	30 June 2017		
Consolidated underlying information	**478**	**20,251**	**14,974**	
To be settled in tariffs	-48	-900	-88	0 - 5
Auction receipts	36	-	-984	0 - 30
Investment contributions	-4	-	-264	0 - 31
Maintenance of the energy balance	10	-	-31	0 - 1
Difference in tangible fixed assets	11	-333	-	0 - 31
Effect on deferred tax balances	-	-	12	0 - 31
Consolidated IFRS financial statements	**483**	**19,018**	**13,619**	

Reconciliation underlying financial information to IFRS	EBIT	Assets	Liabilities	Recovery/reversal period (years)
2016 (EUR million)	Six-month period ended 30 June 2016	31 December 2016		
Consolidated underlying information	**414**	**18,974**	**14,182**	
To be settled in tariffs	-210	-979	-88	0 - 5
Auction receipts	30	-	-1,046	0 - 30
Investment contributions	-3	-	-273	0 - 32
Maintenance of the energy balance	6	-	-33	0 - 1
Difference in tangible fixed assets	11	-345	-	0 - 32
Effect on deferred tax balances	-	-1	6	0 - 32
Consolidated IFRS financial statements	**248**	**17,649**	**12,748**	

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

Auction receipts & investment contributions
Auction receipts result from auctioning the available transmission capacity on cross-border interconnections. The resulting receipts are not TenneT's to dispose of freely. In accordance with European law, auction receipts are used to finance investments in cross-border interconnections. In the Netherlands, the ACM and TenneT agreed that remaining auction receipts shall be used to reduce future tariffs. The outstanding balance of auction receipts per 31 December 2014 is refunded through the tariffs up to and including 2024. In Germany, the use of auction receipts for investments is effectively achieved by reducing tariffs over a 30-year period.

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

Difference in tangible fixed assets
Differences in tangible fixed assets result from the difference in the accounting treatment between the regulatory

deferral accounts and the related cash flows in order to determine useful the economic life and fair value (i.e. recoverable amount) of assets resulting from acquisitions and used for impairment analysis. Most of the difference relates to NorNed assets, which were written down to zero in 2015 under IFRS.

3. Results for the period

3.1 Revenue and Grid expenses

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 clients. Because TenneT is responsible for a stable balance between demand and supply, we deploy reserve and emergency capacity to compensate for fluctuations. The proceeds are refunded through regulated tariffs. Revenues increased significantly in the first half of 2017. This was mainly due to revenue received as compensation for German feed-in management expenses. Due to regulatory changes, this compensation reflects 2015 expenses over 2017 (i.e. a two-year delay). From 2017 onwards, feed-in management will be compensated for in the year of occurrence.
In the first half of 2017 the expenses increased due to a strong increase in system services expenses. System services expenses comprise mainly of the expenses for measures taken to restore the imbalance of the electricity grid and grid losses.

3.2 Earnings per share

The earnings per share are calculated by dividing the profit for the period attributable to equity holders after adjustment for distribution to hybrid securities, by the weighted average number of ordinary shares issued during the period. The following reflects the income and share data used in the net income and basic and diluted earnings per share computations:

For the six-month period ended 30 June (EUR million)	2017	2016
Profit for the period attributable to owners of the company	256	91
Allocation to hybrid securities	-21	-17
Tax effect on distribution to hybrid securities (note 6.1.1)	9	8
Profit for the period attributable to owners of the company adjusted for the allocation and distribution to hybrid securities	**244**	**82**
Weighted average number of ordinary shares in issues (in thousands)	200	200

4. Grid investments and related commitments

Tangible fixed assets increased by EUR 462 million to EUR 13,783 million (31 December 2016: EUR 13,321 million) due to further grid investments in Germany and the Netherlands amounting to EUR 750 million. The increase due to investments was partially offset by the depreciation for the period. Per 30 June 2017, external commitments regarding the purchase of tangible fixed assets totalling EUR 2,574 million (31 December 2016: EUR 2,353 million) had been entered into.

5. Other invested capital including working capital and provisions

5.1 Account- and other receivables

Account- and other receivables comprise EEG ('Erneuerbare-Energien-Gesetz'; German Renewable Energy Act) related receivables, amounts to be invoiced, trade receivables, VAT- and other receivables. The increase in account- and other receivables of EUR 132 million to EUR 2,006 million per 30 June 2017 relates mainly to the increase in EEG-related receivables. The EEG-related receivables are mainly made up of the outstanding invoices for the EEG levy and the accrual for horizontal balancing (i.e. charges to other TSOs).

5.2 Accounts- and other payables

Accounts- and other payables are made up of EEG accounts payable, payables in respect of grid expenses, payables connected to tangible fixed assets purchases, account-, interest- and other payables. The increase in accounts- and other payables is mainly due to the EEG accounts payable of EUR 2,931 million (31 December 2016: EUR 2,017 million). Furthermore, the grid expense accrual increased by EUR 58 million to EUR 720 million per 30 June 2017, due to higher redispatch and cold reserve costs during the first half of 2017.

6. Capital structure and financing

6.1 Equity

6.1.1 Equity attributable to owners of the company

On 12 April 2017, new hybrid securities were issued amounting to EUR 1,000 million and bearing an optional, cumulative interest rate of 2.995%, payable annually 1 June of each year. The securities are subordinated and classify as equity. The existing hybrid securities issued in 2010 were recalled in June 2017.

During the first six months of 2017, TenneT distributed a EUR 146 million common dividend to its ordinary shareholder (EUR 730 per share). Furthermore, TenneT paid out EUR 38 million to the holders of the hybrid securities. The tax on this distribution was EUR 9 million. TenneT accounted for an actuarial profit of EUR 9 million (net of tax) on German pension obligations directly through equity, as the discount rate changed from 1.8% (31 December 2016) to 2.0% (30 June 2017).

6.1.2 Non-controlling interests

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

	Country	30 June 2017	31 December 2016
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	61%	62%
TenneT Offshore DolWin3 Verwaltungs GmbH ("TODV")	Germany	67%	67%

Non-controlling interests are reflected based on economic interests. The Group holds 51% of the voting rights in TO2, TO8, TOD3 and TODV.

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

(EUR million)	TO2	TO8	TOD3	TODV	Total
At 31 December 2016	**264**	**286**	**421**	**-**	**971**
Profit attributable to non-controlling interests	9	12	20	-	41
Dividends paid	-18	-24	-	-	-42
Capital repayment	-	-	-87	-	-87
At 30 June 2017	**255**	**274**	**354**	**-**	**883**
At 31 December 2015	**252**	**289**	**415**	**-**	**956**
Profit attributable to non-controlling interests	4	18	18	-	40
Dividends paid	-2	-34	-	-	-36
At 30 June 2016	**254**	**273**	**433**	**-**	**960**

6.2. Borrowings

(EUR million)	Carrying amount 30 June 2017	Carrying amount 31 December 2016	Fair value 30 June 2017	Fair value 31 December 2016	Hierarchy
Borrowings:					
- Bonds	5,660	4,668	6,018	5,124	Level 1
- Other	1,949	2,794	1,978	2,846	Level 2
	7,609	**7,462**	**7,996**	**7,970**	

Borrowings include bonds, loans, short-term cash loans and commercial papers. Fair values of the bonds (level 1) are based on price quotations (unadjusted) and fair values of the other borrowings (level 2) are based on discounted cash flows. There have been no transfers between the fair-value hierarchy levels. Fair value of the other financial instruments is close to their carrying amounts due to the short-term maturities of these instruments and are therefore are not disclosed.

In June 2017, TenneT issued another senior unsecured Green Bond of EUR 1 billion under its Euro Medium Term Note programme. The issue is comprised of two tranches of EUR 500 million each. The first bond matures in 2025 and bears a 0.75% interest coupon (carrying value EUR 495 million). The second bond matures in 2029 and bears a 1.375% interest coupon (carrying value EUR 498 million). The short-term borrowings decreased due to redemption of short term commercial papers. The decrease was partially offset due to a reclassification of a long term bond of EUR 500 million with a maturity date in February 2018.

Per 30 June 2017, TenneT had EUR 450 million of uncommitted overdraft facilities, a committed EUR 2.2 billion revolving credit facility ('RCF') and a EUR 350 million undrawn committed EIB (European Investment Bank) facility available. There were no amounts outstanding under the overdrafts and RCF.

6.3 Cash, cash equivalents and bank overdrafts

	30 June 2017			31 December 2016		
(EUR million)	At free disposal	Not at free disposal	**Total**	At free disposal	Not at free disposal	**Total**
Collateral securities	-	64	64	-	66	66
EEG funds	-	1,688	1,688	-	981	981
Cash at bank	172	6	178	157	4	161
Cash and cash equivalents	**172**	**1,758**	**1,930**	**157**	**1,051**	**1,208**
Bank overdrafts	-	-	-	-42	-	-42
Total cash and cash equivalents used in cash flow statement	**172**	**1,758**	**1,930**	**115**	**1,051**	**1,166**

7. Events after the reporting period

No significant events after the reporting period have occurred.

Independent auditor's review report

To: The Shareholder and the Supervisory Board of TenneT Holding B.V.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements for the six month period ended 30 June 2017 of TenneT Holding B.V., Arnhem, which comprise the interim condensed consolidated statement of income and the interim condensed consolidated statement of comprehensive income for the six month period ended 30 June 2017, the interim condensed consolidated statement of financial position as at 30 June 2017, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six month period ended 30 June 2017, and the notes.

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

Scope

We conducted our review in accordance with Dutch law including Dutch Standard on Auditing 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 Dutch Standards on Auditing 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 interim condensed consolidated financial statements for the six month period ended 30 June 2017 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Zwolle, 27 July 2017

Ernst & Young Accountants LLP

Signed by A.E. Wijnsma

TenneT is a leading European electricity transmission system operator (TSO) with its main activities in the Netherlands and Germany. With over 22,500 kilometres of high-voltage lines we ensure a secure supply of electricity to 41 million end-users. We employ over 3,000 people, have a turnover of EUR 3.2 billion and our assets total EUR 19 billion. TenneT is one of Europe's major investors in national and cross-border grid connections on land and at sea, bringing together the North West European energy markets and enabling the energy transition. We take every effort to meet the needs of society by being responsible, engaged and connected. **Taking power further.**

TenneT Holding B.V.
Utrechtseweg 310, 6812 AR, Arnhem, the Netherlands
P.O. Box 718, 6800 AS Arnhem, the Netherlands

Telephone: +31 (0)26 – 37 31 111
E-mail: communication@tennet.eu
Website: www.tennet.eu