TenneT Holding B.V.

HALF-YEAR REPORT 2018

TenneT
Taking power further

INTERIM REPORT

At TenneT, we have a clear and critical task: to keep the lights on for 41 million people across the Netherlands and Germany, 24 hours a day, 365 days a year. This mission has driven us for two decades, from when TenneT was formed in 1998, and continues to propel us today.

Our responsibility, to transport electricity safely and securely to millions of people, businesses and institutions, is more challenging than ever. We are managing the complexity of connecting growing amounts of renewable electricity to the grid, and facilitating the development of a borderless north-west European electricity market. In doing so, we are proud to forge a new path as Europe's first cross-border TSO.

Society benefits from this integration of the energy market. The Netherlands have for example experienced a significant decrease of 10-15% in electricity prices in the past years and gained wider access to new, low priced renewable electricity across the border.

Maintaining the infrastructure that society needs for a secure and reliable supply of electricity – today, and in the future – requires constant vigilance and sustained investment. Meeting society's growing demand for renewable electricity increases this responsibility. From wind farms far out in the North Sea, to end-users hundreds of kilometres inland, we must invest to carry electricity safely from wherever it is generated to wherever it is consumed.

As we invest, 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 listening to their questions and needs.

In this fast-changing market, where new technologies transform the way electricity is generated, carried, stored, traded and consumed, innovation is paramount. This goes hand in hand with our extensive investments, enabling our business to serve society's rapidly evolving needs.

In the first half of 2018, we saw a number of significant developments:

- On 1 September 2018, Manon van Beek will become TenneT's CEO. She will succeed Mel Kroon, who in January announced his decision to retire. Click here for more information.
- TenneT has started the preparation of the tender process for the SuedLink project. SuedLink will connect onshore and offshore wind production in northern Germany with Bavaria and Baden-Württemberg in the south from 2025 as a direct current cable connection. The connection will start in Wilster and Brunsbüttel and run to Grafenrheinfeld and Großgartach. TenneT and TransnetBW will jointly realise this project.
- The Dutch government presented its plans for the growth of offshore wind energy between 2024 and 2030 in its 2030 Offshore Wind Energy Road map. The ambition is to realise an additional 7 GW in offshore wind power in this period. The roadmap outlines which wind-farm zones will be released for development in the Dutch sector of the North Sea, the timeframe for this happening and the capacity of these new wind farm zones. Click here for more information.
- In April, there was an outage at our substation in Amsterdam-Zuidoost. We are currently investigating the exact cause of this outage. Click here for more information.
- In the first half of the year, TenneT's long-term interest-bearing debt increased by EUR 1.25 billion through the issuance of a Green Bond. The issue was split into one tranche of EUR 500 million and one of EUR 750 million, maturing in 10 years

and 16 years and bearing interestcoupons of 1.375% and 2.00%, respectively. Proceeds will be used for projects relating to the transmission of renewable electricity from offshore wind power plants to the onshore-electricity grid using direct current technology or alternating current technology. A short-term bond of EUR 500 million has been redeemed. Click here for more information.

- Our credit ratings have remained unchanged since the publication of the TenneT Integrated Annual Report 2017, namely senior unsecured "A"- stable outlook from Standard & Poor's and "A3" stable outlook from Moody's Investor Service.
- The Directorate-General for Competition of the European Commission (EC) is investigating regulations concerning cross-border electricity transmission between Denmark and Germany. The EC has proposed a set of commitments that could address these concerns. Click here for more information.

Key underlying[1] figures

Based on underlying financial information (EUR million)	**First half 2018**	First half 2017
Revenue	1,966	1,966
EBITDA	699	796
EBIT	362	478
Investments	904	750
Based on underlying financial information (EUR million)	**30 June 2018**	**31 December 2017**
Assets	21,020	20,412
Net debt	8,156	7,687
Equity	5,366	5,469

[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 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 in the first half of 2018 stayed equal at EUR 1,966 million (H1 2017: EUR 1,966 million). Feed-in management revenues increased as an expansion of wind energy plants. Nevertheless, in the first half year of 2018 we had lower redispatch revenues, as in 2017 there were low temperatures in January and an energy supply shortage in France which resulted in more redispatch costs being recouped in 2017.

Revenue from offshore services decreased because of regulatory changes affecting offshore compensation in Germany. The German regulator revoked the 3.4% offshore opex lump-sum compensation rate as used in the past and switched to a system of actual cost reimbursement. Nevertheless the revenue in 2018 is equal as in 2017 due to an increasing asset base, which leads to increasing revenues.

Regarding our overall business, financial condition and net income are sensitive to regulatory changes and regulatory decisions. The decrease in EBITDA in the first half of 2018 (EUR 699 million) compared to the first half of 2017 (EUR 796 million) is mainly due to a regulatory change in the Netherlands. In order to maintain the balance between supply and demand in the electricity transmission system, TenneT concludes contracts with electricity suppliers to obtain reserve emergency reserve power. The regulatory reimbursement method for these so-called 'system services' has been changed in from 2017 onwards from a "pass-through" system to a "budget-based" system. Due to an increase in the required volumes and higher prices, actual costs. exceeded the amount TenneT was allowed to recover through its tariffs (and hence revenue) during the first half of 2018. Based on past practice, the 2020 regulatory budget for these types of expenses will be based on actual costs incurred in 2018. TenneT successfully appealed against the change in the regulatory reimbursement system as of 2017 onwards. The 'College van Beroep voor het bedrijfsleven' (CBb) published its interim decision with respect to TenneT's appeal on the 24th of July. On a number of important items CBb ruled in favour of TenneT which means that the Dutch regulator ACM will have to translate the consequences of this ruling into the current reimbursement method.

EBIT for the first half of 2018 shows a similar decrease. EBIT for TSO Netherlands amounted to EUR 29 million (H1 2017: EUR 106 million) and EUR 315 million (H1 2017: EUR 345 million) for TSO Germany. For our non-regulated businesses, EBIT came to EUR 19 million (H1 2017: EUR 28 million).

Risk management update

We evaluated our strategic risks in Q2 2018, concluding that there are no significant changes in the risk position compared to the strategic risks presented in the TenneT Integrated Annual Report 2017.

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 2018. We also confirm that the interim report includes a fair representation of the important events that occurred during the period and the effect of these events on the interim condensed consolidated financial statements, as well as a fair representation of TenneT’s performance, results and position, and a description of the most significant risks and uncertainties we face in the second half of the financial year 2018.

Executive Board TenneT Holding B.V.

J.M. Kroon *
O. Jager *
B.G.M. Voorhorst *
W. Breuer
A.A. Hartman

* Statutory Director

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Interim condensed consolidated statement of income

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

	Notes	2018		2017	
Revenue	3.1		**2,064**		**1,978**
Grid expenses	3.1	1,106		1,052	
Depreciation and amortisation of assets		326		307	
Other expenses		204		169	
Total operating expenses			**1,636**		**1,528**
Share in profit of joint ventures and associates			30		33
Operating profit			**458**		**483**
Finance result			-89		-82
Profit before income tax			**369**		**401**
Income tax expense			106		104
Profit for the period			**263**		**297**
Profit attributable to:					
Equity holders of ordinary shares		212		235	
Hybrid securities		15		21	
Owners of the company			**227**		**256**
Non-controlling interests	6.1.2		36		41
Profit for the period			**263**		**297**
Basic and diluted earnings per share (EUR)	3.2		1,100		1,220

Interim condensed consolidated statement of comprehensive income

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

	Notes	2018		2017	
Profit for the period			**263**		**297**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Amortisation of hedges		-1		-1	
Items not to be reclassified to profit or loss in subsequent periods:					
Re-measurement of defined benefit pensions	6.1.1	-7		12	
Taxation	6.1.1	2		-3	
Total other comprehensive income for the period			**-6**		**8**
Total comprehensive income for the period (net of tax)			**257**		**305**
Comprehensive income attributable to:					
Equity holders of ordinary shares		206		243	
Hybrid securities		15		21	
Owners of the company			**221**		**264**
Non-controlling interests	6.1.2		36		41
Total comprehensive income for the period (net of tax)			**257**		**305**

Interim condensed consolidated statement of financial position

(EUR million)

Assets	Notes	30 June 2018	31 December 2017
Non-current assets			
Tangible fixed assets	4	15,112	14,530
Intangible assets		92	98
Investments in associates and joint ventures		513	450
Deferred tax assets		9	5
Other financial assets		317	311
Total non-current assets		**16,043**	**15,394**
Current assets			
Account- and other receivables	5.1	2,188	2,434
Other current assets		159	80
Cash and cash equivalents	6.3	1,561	1,329
Total current assets		**3,908**	**3,843**
Total assets		**19,951**	**19,237**

Equity and liabilities	Notes	30 June 2018	31 December 2017
Equity			
Equity attributable to ordinary shares	6.1.1	3,779	3,713
Hybrid securities	6.1.1	1,003	1,018
Equity attributable to owners of the company		**4,782**	**4,731**
Non-controlling interests	6.1.2	780	857
Total equity		**5,562**	**5,588**
Non-current liabilities			
Borrowings	6.2	7,999	6,786
Provisions (incl. Net employee defined benefit liabilities)		907	883
Deferred income		285	283
Deferred tax liability		185	222
Other liabilities		2	2
Total non-current liabilities		**9,378**	**8,176**
Current liabilities			
Borrowings	6.2	159	917
Provisions		89	92
Deferred income		3	3
Account- and other payables	5.2	4,663	4,354
Other current liabilities		94	68
Bank overdrafts	6.3	3	39
Total current liabilities		**5,011**	**5,473**
Total equity and liabilities		**19,951**	**19,237**

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 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**
Balance at 31 December 2017		**100**	**1,380**	**4**	**1,787**	**442**	**3,713**	**1,018**	**4,731**	**857**	**5,588**
Total comprehensive income		-	-	-1	-5	212	206	15	221	36	257
Transition effect IFRS 9	1.3	-	-	-	-1	-	-1	-	-1	-	-1
Dividends paid	6.1	-	-	-	-	-147	-147	-	-147	-113	-260
Capital repayment	6.1	-	-	-	-	-	-	-	-	-5	-5
Capital contribution	6.1	-	-	-	-	-	-	-	-	5	5
Distribution on hybrid securities	6.1.1	-	-	-	-	-	-	-30	-30	-	-30
Taxation on distribution on hybrid securities	6.1.1	-	-	-	-	8	8	-	8	-	8
Appropriation remaining prior year profit		-	-	-	303	-303	-	-	-	-	-
Balance at 30 June 2018		**100**	**1,380**	**3**	**2,084**	**212**	**3,779**	**1,003**	**4,782**	**780**	**5,562**

Interim condensed consolidated statement of cash flows

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

	Notes	2018		2017	
Operational activities					
Operating profit for the period			**458**		**483**
Non-cash adjustments to reconcile profit to net cash flows:					
Depreciation, amortisation and impairment of assets		326		307	
Share in profit of joint ventures and associates		-30		-33	
Dividends received from joint ventures and associates		19		14	
Movements in other items		-12		-17	
			303		**271**
Working capital adjustments excluding EEG working capital			-67		-185
Income tax paid			-168		-88
Net cash flows from operating activities excluding EEG working capital			**526**		**481**
EEG working capital adjustments	5.1, 5.2		292		708
Net cash flows from operating activities			**818**		**1,189**
Investing activities					
Purchase / sale of tangible and intangible fixed assets	4	-889		-733	
Acquisition of subsidiary		-		-3	
Interest received		6		2	
Capital contribution to joint ventures and associates		-51		-52	
Net cash flows used in investing activities			**-934**		**-786**
Financing activities					
Proceeds from borrowings	6.2	1,340		1,003	
Repayment of borrowings	6.2	-886		-856	
Interest paid		-130		-120	
Dividends paid to ordinary shareholder of the company	6.1.1	-147		-146	
Distribution on hybrid securities	6.1.1	-30		-38	
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	350		150	
Capital contribution to non-controlling interests	6.1.2	5		-	
Dividends paid and capital repayments to non-controlling interests	6.1.2	-118		-129	
Net cash flows from financing activities			**384**		**361**
Net change in cash and cash equivalents			**268**		**764**
Cash and cash equivalents at 30 June		1,558		1,930	
Cash and cash equivalents at 1 January		1,290		1,166	
			268		**764**

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 at 30 June 2018, the Dutch State owns the entire issued share capital of TenneT Holding B.V. Furthermore, TenneT Holding B.V. has issued hybrid securities which are deeply subordinated and are accounted for as part of equity attributable to equity holders of the company. The head office and legal seat of TenneT Holding B.V. is located in Arnhem, the Netherlands.

The interim condensed consolidated financial statements of TenneT Holding B.V. and its subsidiaries (hereafter referred to as 'TenneT', 'the company' or 'the Group') for the six-month period ended 30 June 2018 were prepared by the Executive Board and authorised for issuance in accordance with an Executive Board resolution on 23 July 2018. 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 2018 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 2017, published on 22 February 2018.
The consolidated financial statements are presented in euros and all values are rounded to the nearest million, except when indicated otherwise.

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

1.3 Changes in EU-endorsed published IFRS standards and interpretations effective in 2018

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 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.
The Group is applying IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments for the first time. As required by IAS 34, the nature and effect of these changes are disclosed below.

The new standard IFRS 15, effective from 2018, has no impact on each revenue stream, and therefor no impact on our interim condensed consolidated financial statements, so we have not disclosed any further information regarding the accounting for this new standard. With respect to the new standard IFRS 9, only limited accounting guidance has been published in this half-year report as this new standard has very limited impact on our financial statements. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the Group's interim condensed consolidated financial statements.

IFRS 9 Financial instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.
With the exception of hedge accounting, which the Group continue to report under IAS 39, the Group has applied IFRS 9

retrospectively, with the initial application date of 1 January 2018 without restating the comparative financial statements. Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at FVPL, amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group‘s business model for managing the assets; and whether the instruments‘ contractual cash flows represent ‘solely payments of principal and interest’ on the principal amount outstanding (the ‘SPPI criterion‘).
The new classification and measurement of the Group‘s debt financial assets are as follows:
• Debt instruments at amortised cost for financial assets that are held within a business model with the objective of holding the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group’s trade and other receivables, and loans included under other non-current financial assets.
The Group‘s business models were assessed on the date of initial application, i.e. 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

Accounting for the Group‘s financial assets/liabilities remains largely the same as it was under IAS 39 for the following financial assets/liabilities:
- EEG trade receivables and payables
- Hybrids
- Cash and cash equivalents
- Loans
- Intercompany loans
- Off-balance sheet financial items

The adoption of IFRS 9 has changed the Group’s accounting for impairment losses for financial assets by replacing IAS 39’s incurred loss approach with a forward-looking expected credit loss (ECL) approach.

Based on the customer segments we use internally - which are based on product type we divided our customers into four categories:
- Customers with no risk of potential default
- Users: companies with a public listing or corporates with a strong rating (i.e. low risk) or companies from industries with a low risk profile
- Combination: this group contains both users and energy generators, mostly energy companies with an outstanding credit rating and track record.
- Residual: the smaller companies or companies from industries with a slightly higher risk profile than users.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. The Group applied the simplified approach and records lifetime expected losses on all trade receivables. The Group has determined that, due to the unsecured nature of its loans and receivables, the loss allowance will not increase.

In summary, the impact of adopting IFRS 9, on 1 January 2018 on the assets is EUR 1 million as we needed to increase the debt allowance with 1 EUR million. This effect is accounted for through the retained earnings. Further reference is made to the statement of changes in equity.

Changes effective after 2018:

IFRS 16 Leases sets out the principles for recognition, measurements, and disclosures regarding leases. Although IFRS 16 will be adopted on 1 January 2019, the Group is still assessing the standard’s impact on the financial statements. For further information, please refer to the Group‘s annual consolidated financial statements for the year ended 31 December 2017.
In addition to what we disclosed in our 2017 annual consolidated financial statements, we have implemented an IT tool that helps us to calculate lease liability. We are currently in the process of assessing contracts and enriching data and as such are on schedule to implement this new standard.

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

The accounting principles used for the operating segments differ from IFRS since underlying financial information is used. Underlying financial information is based on the principle of recognising regulatory assets and liabilities for each of TenneT's regulated activities. This implies that amounts resulting from past events which are allowed or required to be settled in future tariffs are recorded as an asset or a liability, respectively (see note 2.2 for further reference). TenneT's Executive Board believes that the presentation of underlying financial information 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 2018			**30 June 2018**	
(EUR million)	**Revenue**	**EBIT**	**Investments**	**Assets**	**Liabilities**
TSO Netherlands	405	29	368	6,016	3,550
TSO Germany	1,563	315	533	15,820	11,106
Non-regulated companies	14	19	3	704	78
	1,982	**363**	**904**	**22,540**	**14,734**
Eliminations and adjustments	-16	-1	-	-1,520	920
Consolidated underlying information	**1,966**	**362**	**904**	**21,020**	**15,654**

	Six-month period ended 30 June 2017			31 December 2017	
(EUR million)	Revenue	EBIT	Investments	Assets	Liabilities
TSO Netherlands	418	106	300	5,781	3,323
TSO Germany	1,552	345	450	15,519	10,669
Non-regulated companies	13	28	-	1,026	137
	1,983	**479**	**750**	**22,326**	**14,129**
Eliminations and adjustments	-17	-1	-	-1,914	814
Consolidated underlying information	**1,966**	**478**	**750**	**20,412**	**14,943**

2.2 Regulatory deferral accounts: reconciliation to IFRS figures

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

Reconciliation underlying financial information to IFRS	EBIT	Assets	Liabilities	Recovery/reversal period (years)
2018 (EUR million)	Six-month period ended 30 June 2018	30 June 2018		
Consolidated underlying information	**362**	**21,020**	**15,654**	
To be settled in tariffs	-2	-745	-92	0 - 5
Auction receipts	76	-	-901	0 - 30
Investment contributions	-3	-	-254	0 - 30
Maintenance of the energy balance	14	-	-38	0 - 1
Difference in tangible fixed assets	11	-311	-	0 - 30
Effect on deferred tax balances	-	-13	20	0 - 30
Consolidated IFRS financial statements	**458**	**19,951**	**14,389**	

Reconciliation underlying financial information to IFRS	EBIT	Assets	Liabilities	Recovery/reversal period (years)
2017 (EUR million)	Six-month period ended 30 June 2017	31 December 2017		
Consolidated underlying information	**478**	**20,412**	**14,943**	
To be settled in tariffs	-48	-848	-92	0 - 5
Auction receipts	36	-	-910	0 - 30
Investment contributions	-4	-	-259	0 - 30
Maintenance of the energy balance	10	-	-35	0 - 1
Difference in tangible fixed assets	11	-322	-	0 - 31
Effect on deferred tax balances	-	-5	2	0 - 31
Consolidated IFRS financial statements	**483**	**19,237**	**13,649**	

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 on 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 the economic life and fair value (i.e. recoverable amount) of assets resulting from acquisitions and used for impairment analysis.

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. Revenue increased due to a higher assetbase.

For the six-month period ended 30 June (EUR million)	2018	2017
Connection and transmission services	1,558	1,467
Maintenance of energy balance	57	48
Operation of energy exchanges	73	56
Offshore balancing	335	363
Other	41	44
Total	**2,064**	**1,978**

In the first half of 2018, the grid expenses increased proportionally in line with the increase in revenue. Exception to this are the costs we make to maintain a stable balance between demand and supply, we deploy reserve and emergency capacity to compensate for fluctuations. The proceeds are refunded through regulated tariffs. Reimbursement in the Netherlands has changed from a pass-through system to a budget based system. Due to an increase in the required volume, actual costs exceeded the reimbursement granted by the regulator.

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 calculations:

For the six-month period ended 30 June (EUR million)	2018	2017
Profit for the period attributable to owners of the company	227	256
Allocation to hybrid securities	-15	-21
Tax effect on distribution to hybrid securities (note 6.1.1)	8	9
Profit for the period attributable to owners of the company adjusted for the allocation and distribution to hybrid securities	**220**	**244**
Weighted average number of ordinary shares in issues (in thousands)	200	200

4. Grid investments and related commitments

Tangible fixed assets increased by EUR 582 million to EUR 15,112 million (2017: EUR 14,530 million) due to further grid investments in Germany and the Netherlands amounting to EUR 904 million. The increase due to investments was partially offset by the depreciation for the period. As at 30 June 2018, TenneT has agreed on external commitments regarding the purchase of tangible fixed assets totalling EUR 4,033 million (2017: EUR 3,705 million).

5. Other invested capital including working capital and provisions

5.1 Account- and other receivables

Account- and other receivables comprise receivables related to the German Renewable Energy Act Erneuerbare-Energien-Gesetz or EEG, amounts to be invoiced, trade receivables, VAT and other receivables. The decrease in accounts and other receivables of EUR 246 million to EUR 2,188 million as at 30 June 2018 relates mainly to the payment by the Dutch State for the second equity tranche (EUR 350 million), which is partly offset by the increase in the EEG-related receivable. The EEG-related receivables increased, in line with the other EEG-related accounts, due to timing difference.

5.2 Account- and other payables

Account- and other payables are made up of EEG accounts payable, payables in respect of grid expenses, payables connected to tangible fixed assets purchases, accounts, interest and other payables. The increase in accounts and other payables is mainly due to the EEG accounts payable of EUR 2,713 million (2017: EUR 2,342 million). Furthermore, the grid expense accrual decreased by EUR 59 million to EUR 970 million as at 30 June 2018.

6. Capital structure and financing

6.1 Equity

6.1.1 Equity attributable to owners of the company

During the first six months of 2018, TenneT distributed a EUR 147 million common dividend to its ordinary shareholder (EUR 735 per share). TenneT also paid out EUR 30 million to the holders of the hybrid securities. The tax on this distribution was EUR 8 million. TenneT accounted for an actuarial loss of EUR 5 million (net of tax) on German pension obligations directly through equity, as the discount rate changed from 1.95% (31 December 2017) to 1.85 % (30 June 2018).

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 2018	31 December 2017
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	64%	61%
TenneT Offshore DolWin3 Verwaltungs GmbH ("TODV")	Germany	67%	67%
ETPA Holding B.V.	Netherlands	49%	60%

Non-controlling interests are reflected based on economic interests. The Group holds more than 50% of the voting rights in TO2, TO8, TOD3, TODV and ETPA.

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

(EUR million)	TO2	TO8	TOD3	TODV	ETPA	Total
At 31 December 2017	**267**	**293**	**297**	**-**	**-**	**857**
Profit attributable to non-controlling interests	4	11	21	-	-	36
Dividends paid	-29	-46	-38	-	-	-113
Capital repayment	-5	-	-	-	-	-5
Capital contribution	-	-	5	-	-	5
At 30 June 2018	**237**	**258**	**285**	**-**	**-**	**780**
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**

6.2. Borrowings

	Carrying amount		Fair value		
(EUR million)	30 June 2018	31 December 2017	30 June 2018	31 December 2017	Hierarchy
Borrowings:					
- Bonds	6,402	5,661	6,807	6,064	Level 1
- Other	1,756	2,042	1,645	2,087	Level 2
	8,158	**7,703**	**8,452**	**8,151**	

Borrowings include bonds, loans, short-term cash loans and commercial papers. The fair values of the 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 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 May 2018, TenneT issued another senior unsecured Green Bond of EUR 1.25 billion under its Euro Medium Term Note programme. The issue was split in two tranches of EUR 500 million and EUR 750 million. The first bond of EUR 500 million matures in 2028 and bears a 1.375% interest coupon (carrying value EUR 495 million). The second bond of EUR 750 million matures in 2034 and bears a 2% interest coupon (carrying value EUR 746 million). In February the EUR 500 million of the long-term bond is repaid.

Beside the redemption of the EUR 500 million bond, the short-term borrowings decreased due to the redemption of short-term commercial papers. As at 30 June 2018, 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 European Investment Bank facility available. There is EUR 3 million outstanding under the overdrafts, and there is no amount outstanding under the RCF.

6.3 Cash, cash equivalents and bank overdrafts

	30 June 2018			31 December 2017		
(EUR million)	At free disposal	Not at free disposal	Total	At free disposal	Not at free disposal	Total
Collateral securities	-	54	54	-	61	61
EEG funds	-	1,503	1,503	-	1,213	1,213
Cash at bank	4	-	4	55	-	55
Cash and cash equivalents	**4**	**1,557**	**1,561**	**55**	**1,274**	**1,329**
Bank overdrafts	-3	-	-3	-39	-	-39
Total cash and cash equivalents used in cash flow statement	**1**	**1,557**	**1,558**	**16**	**1,274**	**1,290**

7. Events after the reporting period

There were no significant events after the reporting period.

INDEPENDENT AUDITOR'S REVIEW REPORT

To: the Executive 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 2018 of TenneT Holding B.V., Arnhem, which comprise the interim condensed consolidated statement of income for the six-month period ended 30 June 2018, the interim condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2018, the interim condensed consolidated statement of financial position as at 30 June 2018, the interim condensed consolidated statement of changes in equity for the six-month period ended 30 June 2018 and the interim condensed consolidated statement of cash flows for the six-month period ended 30 June 2018, and the notes, comprising a summary of the significant accounting policies and other explanatory information.

The Executive Board is responsible for the preparation and presentation of 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 2018 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

The Hague, 25 July 2018

Ernst & Young Accountants LLP

Signed by J. Kamphuis

TenneT is a leading European electricity transmission system operator (TSO) with its main activities in the Netherlands and Germany. With around 23,000 kilometres of high-voltage lines we ensure a secure supply of electricity to 41 million end-users. We employ over 4,000 people, have a turnover of EUR 3.9 billion and our assets total EUR 20 billion. TenneT is one of Europe's major investors in national and cross-border grid connections on land and at sea, bringing together the Northwest 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.

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