TenneT Holding B.V.

Half-year report 2019

TenneT
Taking power further

INTERIM REPORT

At TenneT, we have a clear and critical task: to ensure a continuous availability of electricity for 41 million end users across the Netherlands and Germany, 24 hours a day, 365 days a year. This goal has inspired us for more than two decades, from when TenneT was founded in 1998, and continues to drive us today.

Our task, to transport electricity safely and securely to millions of people, businesses and institutions in Northwest Europe, is more challenging than ever. We have to manage the complexity of connecting growing amounts of renewable electricity to the grid while facilitating the development of a borderless north-west European electricity market. In doing so, we are proud to forge new ways of thinking and solving problems as Europe's first cross-border TSO. Society benefits from this integration of the energy market. The Netherlands have for example experienced wider access to new renewable electricity from 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 investments. 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 in transport capacity to carry electricity safely from wherever it is generated to wherever it is consumed.

As we build and grow, we aim to minimise our impact on the environment and local communities. We work closely with communities and all other stakeholders, liaising with them and responding to their questions and needs. In this fast-changing 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 investments in new assets, enabling our business to serve society's rapidly evolving needs.

In the first half of 2019, we witnessed a number of significant events:

- In January 2019, we successfully closed our first euro-denominated Green US Private Placement in three tranches raising a total amount of EUR 500 million.
- Together with TransnetBW we published the intended routing for the Suedlink cable in February 2019.
- In February 2019 TenneT and Gasunie published their Infrastructure Outlook 2050, providing a perspective on a joint electricity and hydrogen future.
- In May 2019 a deep loader working on a project for TenneT became stuck on a railway crossing near Alt Duvenstedt in Germany. An approaching train collided with the combination, leading to several persons in the train being injured. The incident was investigated and has led to a series of preventive measures.
- In May 2019 we successfully launched and priced another Green Bond issue of EUR 1.25 billion, split in two tranches of EUR 500 million (term: 11 years, coupon 0.875%) and EUR 750 million (term: 20 years, coupon: 1.500%).

Key underlying[1] figures

Based on underlying financial information (EUR million)	First half 2019	First half 2018
Revenue	2,166	1,966
EBITDA	877	699
EBIT	407	362
Investments	1,094	904
Based on underlying financial information (EUR million)	**30 June 2019**	**31 December 2018**
Assets	23,431	21,783
Net debt	9,491	8,712
Equity	5,665	5,700

[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 2019 increased by EUR 200 million to EUR 2,166 million (H1 2018: EUR 1,966 million) mainly due to higher offshore revenue because of ongoing investments and increasing asset base. In addition a solution for the remaining uncertainties in the reimbursement of costs for the EEG surcharge on own consumption was achieved leading to addtional revenue.

At the end of 2018 the Dutch regulator changed the "budget-based" system for energy and capacity expenses back to the "pass-through" system. Since the first half-year of 2018 was still based on the "budget-based" system, this resulted in higher revenue of EUR 68 million compared to the first half-year of 2018. The increase in EBITDA in the first half-year of 2019 (EUR 877 million) compared to the first half of 2018 (EUR 699 million) was mainly due to an increasing asset base and implementation of IFRS 16.

For the first half of 2019 EBIT showed an increase of EUR 45 million. For TSO Netherlands EBIT amounted to EUR 101 million (H1 2018: EUR 29 million) and for TSO Germany to EUR 294 million (H1 2018: EUR 315 million) during this period. For our non-regulated businesses EBIT amounted to EUR 13 million (H1 2018: EUR 19 million) during the first half of 2019.

Risk management update

We evaluated our strategic risks in Q2 2019 and concluded that there were no significant changes in the risk position compared to the strategic risks presented in the TenneT Integrated Annual Report 2018.

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 2019. 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 2019.

Executive Board TenneT Holding B.V.
M.J.J. van Beek *
O. Jager *
B.G.M. Voorhorst *
T.C. Meyerjürgens

* Statutory Director

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Interim condensed consolidated statement of income

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

	Notes	2019		2018	
Revenue	3		**2,185**		**2,064**
Grid expenses	3	1,116		1,106	
Depreciation and amortisation of assets	3	459		326	
Other expenses		199		204	
Total operating expenses			**1,774**		**1,636**
Share in profit of joint ventures and associates			17		30
Operating profit			**428**		**458**
Finance result			-96		-89
Profit before income tax			**332**		**369**
Income tax expense			85		98
Profit for the period			**247**		**271**
Profit attributable to:					
Equity holders of ordinary shares		209		220	
Hybrid securities		16		15	
Owners of the company			**225**		**235**
Non-controlling interests	6.1.2		22		36
Profit for the period			**247**		**271**
Basic and diluted earnings per share (EUR)			1,045		1,100

Interim condensed consolidated statement of comprehensive income

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

	Notes	2019		2018	
Profit for the period			**247**		**271**
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	-55		-7	
Taxation	6.1.1	16		2	
Total other comprehensive income for the period			**-40**		**-6**
Total comprehensive income for the period (net of tax)			**207**		**265**
Comprehensive income attributable to:					
Equity holders of ordinary shares		169		214	
Hybrid securities		16		15	
Owners of the company			**185**		**229**
Non-controlling interests	6.1.2		22		36
Total comprehensive income for the period (net of tax)			**207**		**265**

Interim condensed consolidated statement of financial position

(EUR million)

Assets	Notes	30 June 2019	31 December 2018
Non-current assets			
Tangible fixed assets	4	16,720	16,049
Right of use lease assets	5.3	322	-
Intangible assets	1.4	149	111
Investments in associates and joint ventures		604	566
Deferred tax assets		49	15
Other financial assets		45	42
Total non-current assets		**17,889**	**16,783**
Current assets			
Account- and other receivables	5.1	2,473	2,509
Other current assets		144	128
Cash and cash equivalents	6.3	1,848	1,253
Total current assets		**4,465**	**3,890**
Assets of disposal group classified as held for sale		-	3
Total assets		**22,354**	**20,676**

Equity and liabilities	Notes	30 June 2019	31 December 2018
Equity			
Equity attributable to ordinary shares	6.1.1	4,013	3,964
Hybrid securities	6.1.1	1,103	1,120
Equity attributable to owners of the company		**5,116**	**5,084**
Non-controlling interests	6.1.2	738	796
Total equity		**5,854**	**5,880**
Non-current liabilities			
Borrowings	6.2	9,671	7,964
Provisions (incl. Net employee defined benefit liabilities)		1,045	982
Contract liabilities		318	308
Deferred tax liability		92	124
Lease liabilities	5.3	192	-
Other liabilities		2	3
Total non-current liabilities		**11,320**	**9,381**
Current liabilities			
Borrowings	6.2	65	756
Provisions		91	86
Contract liabilities		3	3
Lease liabilities	5.3	130	-
Account- and other payables	5.2	4,643	4,414
Other current liabilities		248	155
Total current liabilities		**5,180**	**5,414**
Liabilities of disposal group classified as held for sale		-	1
Total equity and liabilities		**22,354**	**20,676**

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 2017		**100**	**1,380**	**4**	**1,787**	**442**	**3,713**	**1,018**	**4,731**	**857**	**5,588**
Total comprehensive income		-	-	-1	-5	220	214	15	229	36	265
Transition effect IFRS 9		-	-	-	-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
Appropriation remaining prior year profit		-	-	-	295	-295	-	-	-	-	-
Balance at 30 June 2018		**100**	**1,380**	**3**	**2,076**	**220**	**3,779**	**1,003**	**4,782**	**780**	**5,562**
Balance at 31 December 2018		**100**	**1,380**	**3**	**2,092**	**389**	**3,964**	**1,120**	**5,084**	**796**	**5,880**
Total comprehensive income		-	-	-1	-39	209	169	16	185	22	207
Dividends paid	6.1	-	-	-	-	-120	-120	-	-120	-36	-156
Capital repayment	6.1	-	-	-	-	-	-	-	-	-44	-44
Distribution on hybrid securities	6.1.1	-	-	-	-	-	-	-33	-33	-	-33
Appropriation remaining prior year profit		-	-	-	269	-269	-	-	-	-	-
Balance at 30 June 2019		**100**	**1,380**	**2**	**2,322**	**209**	**4,013**	**1,103**	**5,116**	**738**	**5,854**

Interim condensed consolidated statement of cash flows

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

	Notes	2019		2018	
Operational activities					
Operating profit for the period			**428**		**458**
Non-cash adjustments to reconcile profit to net cash flows:					
Depreciation, amortisation and impairment of assets		459		326	
Share in profit of joint ventures and associates		-17		-30	
Dividends received from joint ventures and associates		13		19	
Movements in other items		12		-12	
			467		**303**
Working capital adjustments excluding EEG working capital			-31		-67
Income tax paid			-120		-168
Net cash flows from operating activities excluding EEG working capital			**744**		**526**
EEG working capital adjustments	5.1, 5.2		337		292
Net cash flows from operating activities			**1,081**		**818**
Investing activities					
Purchase / sale of tangible and intangible fixed assets	4	-1,029		-889	
Interest received		2		6	
Capital contribution to joint ventures and associates		-38		-51	
Net cash flows used in investing activities			**-1,065**		**-934**
Financing activities					
Proceeds from borrowings	6.2	1,732		1,340	
Repayment of borrowings	6.2	-719		-886	
Interest paid		-135		-130	
Payment of lease liabilities		-66		-	
Dividends paid to ordinary shareholder of the company	6.1.1	-120		-147	
Distribution on hybrid securities	6.1.1	-33		-30	
Proceeds from capital contributions	6.1.1	-		350	
Capital contribution to non-controlling interests	6.1.2	-		5	
Dividends paid and capital repayments to non-controlling interests	6.1.2	-80		-118	
Net cash flows from financing activities			**579**		**384**
Net change in cash and cash equivalents			**595**		**268**
Cash and cash equivalents at 30 June		1,848		1,558	
Cash and cash equivalents at 1 January		1,253		1,290	
			595		**268**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis for reporting

1.1 General

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

The Dutch State owns the entire issued share capital of TenneT Holding B.V. Furthermore, TenneT Holding B.V. has issued hybrid securities which are deeply subordinated and are accounted for as part of equity attributable to equity holders of the company. The 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 2019 were prepared by the Executive Board and authorised for issuance in accordance with an Executive Board resolution on 29 July 2019. 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 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. These do not contain all information and disclosures required in the annual financial statements and should be read in conjunction with the Group's financial statements as at 31 December 2018, published on 21 February 2019.
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 2019

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 2018, except for the adoption of new standards effective as of 1 January 2019. 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 16 Leases for the first time. As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees are also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17.

TenneT has adopted IFRS 16 using the modified retrospective approach. Under this approach, the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application (e.g. 1 January 2019). Comparative figures for the year ended 31 December 2018 are not restated to reflect the adoption of IFRS 16 but instead continue to reflect the lessee's accounting policies under IAS 17 Leases. TenneT has elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

TenneT has elected to measure the right-of-use asset for an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. TenneT has elected not to apply IFRS 16 for contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

In summary, the impact of adopting IFRS 16, on 1 January 2019 on total assets was EUR 384 million as we recognised 'leased assets' as part of the non-current assets. Correspondingly, we recognised an aggregated EUR 384 million for the items 'lease liability (long)' and 'lease liability (short)'. The impact on the equity was EUR nil.

Annual Improvements Cycle - 2015-2017

IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity: The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividend. TenneT has applied the amendments for annual reporting periods beginning on or after 1 January 2019. When an entity first applies the amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. The impact for TenneT was a reclassification of “tax on distribution on hybrid securities” from the consolidated statement of equity to the consolidated statement of income.

1.4 Changes in presentation

As of 2019, the intangible assets under construction are no longer presented as part of the Tangible fixed assets under construction but separately as part of the Intangible assets. This change affected the classification in the consolidated statement of financial position, impacting the line items Tangible fixed assets and Intangible assets at 30 June 2019 for EUR 37 million in aggregate with no impact on Total equity. There was no impact on the Consolidated statement of income.

2. Segment information

2.1 Segment analysis

TenneT generates the vast majority of its business through regulated activities. For management information purposes, TenneT's Executive Board analyses the performance of its regulated activities in the Netherlands and Germany separately. This segmentation based on the applicable regulatory framework is the key factor in our decision making and the financial management of our business. As in previous years, non-regulated activities are also reviewed separately. Financing activities (including finance income and expense) are managed on a Group basis and are not allocated to segments. Transfer pricing between operating segments is handled on an arm's length basis in a similar way to transactions with third parties. These intercompany transactions are eliminated at a consolidated level.

The accounting principles used for the operating segments differ from IFRS since underlying financial information is used. Underlying financial information is based on the principle of recognising regulatory assets and liabilities for each of TenneT's regulated activities. This implies that amounts resulting from past events which are allowed or required to be settled in future tariffs are recorded as an asset or a liability, respectively (see 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 2019			**30 June 2019**	
(EUR million)	**Revenue**	**EBIT**	**Investments**	**Assets**	**Liabilities**
TSO Netherlands	514	101	480	6,714	4,132
TSO Germany	1,659	294	612	16,809	11,860
Non-regulated companies	13	13	2	923	161
	2,186	**408**	**1,094**	**24,446**	**16,153**
Eliminations and adjustments	-20	-1	-	-1,015	1,613
Consolidated underlying information	**2,166**	**407**	**1,094**	**23,431**	**17,766**

	Six-month period ended 30 June 2018			31 December 2018	
(EUR million)	Revenue	EBIT	Investments	Assets	Liabilities
TSO Netherlands	405	29	368	6,165	3,646
TSO Germany	1,563	315	533	16,067	11,135
Non-regulated companies	14	19	3	684	159
	1,982	**363**	**904**	**22,916**	**14,940**
Eliminations and adjustments	-16	-1	-	-1,133	1,143
Consolidated underlying information	**1,966**	**362**	**904**	**21,783**	**16,083**

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, maintenance of the energy balance and the measurement of tangible fixed assets. Consequently, the aforementioned results in different deferred tax balances in underlying financial information compared to IFRS reported figures.

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

Reconciliation underlying financial information to IFRS	Revenue	EBIT	Assets	Liabilities	Recovery/ reversal period (years)
2019 (EUR million)	Six-month period ended 30 June 2019		30 June 2019		
Consolidated underlying information	**2,166**	**407**	**23,431**	**17,766**	
To be settled in tariffs	-60	-68	-754	-140	0 - 5
Auction receipts	71	71	-	-852	0 - 30
Investment contributions	-2	-2	-	-238	0 - 30
Maintenance of the energy balance	10	10	-	-36	0 - 1
Difference in tangible fixed assets	-	10	-292	-	0 - 29
Effect on deferred tax balances	-	-	-31	-	0 - 30
Consolidated IFRS financial statements	**2,185**	**428**	**22,354**	**16,500**	

Reconciliation underlying financial information to IFRS	Revenue	EBIT	Assets	Liabilities	Recovery/ reversal period (years)
2018 (EUR million)	Six-month period ended 30 June 2018		31 December 2018		
Consolidated underlying information	**1,966**	**362**	**21,783**	**16,083**	
To be settled in tariffs	19	-2	-785	-140	0 - 5
Auction receipts	68	76	-	-852	0 - 30
Investment contributions	-3	-3	-	-249	0 - 30
Maintenance of the energy balance	14	14	-	-41	0 - 1
Difference in tangible fixed assets	-	11	-300	-	0 - 30
Effect on deferred tax balances	-	-	-22	-5	0 - 30
Consolidated IFRS financial statements	**2,064**	**458**	**20,676**	**14,796**	

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 at TenneT's free disposal. In accordance with European law, auction receipts must be used to finance investments in cross-border interconnections or to reduce future tariffs. In the Netherlands, the ACM and TenneT agreed that 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.

Maintenance of the energy balance

As system manager of the high-voltage grid in the Netherlands, TenneT TSO B.V. receives funds for performing certain statutory duties, such as the maintenance of the energy balance. The proceeds from these activities (i.e., imbalance settlements) may only be used after approval by the ACM. Imbalance settlements collected during the year are to be offset in transmission tariffs in the subsequent year. Consequently, these amounts are recorded as a liability in the underlying financial information.

Difference in tangible fixed assets

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

3. Results for the period

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

	First half of 2019			
(EUR million)	TSO NL	TSO Germany	Non- regulated	**Total**
Connection and transmission services	320	1,194	-	1,514
Maintenance of energy balance	31	21	-	52
Operation of energy exchanges	32	43	-	75
Offshore	-	498	-	498
Other	11	22	13	46
Inter-segment	13	7	-	20
Total revenue IFRS	**407**	**1,785**	**13**	**2,205**
Inter-segment adjustments and eliminations	-13	-7	-	-20
Total revenue from contracts with customers IFRS	**394**	**1,778**	**13**	**2,185**

	First half of 2018			
(EUR million)	TSO NL	TSO Germany	Non- regulated	**Total**
Connection and transmission services	309	1,249	-	1,558
Maintenance of energy balance	24	33	-	57
Operation of energy exchanges	48	25	-	73
Offshore balancing	-	335	-	335
Other	12	15	14	41
Inter-segment	10	6	-	16
Total revenue IFRS	**403**	**1,663**	**14**	**2,080**
Inter-segment adjustments and eliminations	-10	-6	-	-16
Total revenue from contracts with customers IFRS	**393**	**1,657**	**14**	**2,064**

Set out below is the reconciliation of revenue from contracts with customers based on IFRS with the amounts disclosed in the segment information (Note 2) based on underlying financial information:

	First half of 2019			
(EUR million)	TSO NL	TSO Germany	Non- regulated	**Total**
Total revenue	**407**	**1,785**	**13**	**2,205**
To be settled in tariffs	142	-82	-	60
Auction receipts	-29	-42	-	-71
Investment contributions	5	-3	-	2
Maintenance of the energy balance	-11	1	-	-10
Total revenue underlying	**514**	**1,659**	**13**	**2,186**
Inter-segment adjustments and eliminations	-13	-7	-	-20
Total revenue from contracts with customers underlying	**501**	**1,652**	**13**	**2,166**

	First half of 2018			
(EUR million)	TSO NL	TSO Germany	Non- regulated	Total
Total revenue	**403**	**1,663**	**14**	**2,080**
To be settled in tariffs	55	-74	-	-19
Auction receipts	-44	-24	-	-68
Investment contributions	5	-2	-	3
Maintenance of the energy balance	-14	-	-	-14
Total revenue underlying	**405**	**1,563**	**14**	**1,982**
Inter-segment adjustments and eliminations	-10	-6	-	-16
Total revenue from contracts with customers underlying	**395**	**1,557**	**14**	**1,966**

Revenue increased mainly due to ongoing investments and a growing asset base. This increase on line item "Connection and transmission services" is offset by a different classification as a result of a changed methodology for the reimbursement of offshore costs since the beginning of 2019. Until 2018 offshore costs were partly included in the revenue cap, which is included in the line item “Connection and transmission services”. As of 2019 all offshore costs are included in the offshore grid levy and are fully reported in the line item "Offshore".

From 1 January 2019 lease cost for power plants are no longer recorded as grid expenses due to the adoption of IFRS 16 but are reflected as depreciation of EUR 54 million instead.

Depreciation and amortisation of assets rose compared to the first half of 2018 from EUR 326 million to EUR 459 million due to an increased asset base and the amortisation of the right of use lease assets, following IFRS16.

4. Grid investments and related commitments

Tangible fixed assets increased by EUR 671 million to EUR 16,720 million (2018: EUR 16,049 million) due to further grid investments in Germany and the Netherlands amounting to EUR 1,094 million. The increase due to investments was partially offset by the depreciation for the period. As at 30 June 2019, TenneT has entered into external commitments regarding the purchase of tangible fixed assets totalling EUR 3,731 million (2018: EUR 3,611 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 36 million to EUR 2,473 million mainly related to EEG.

5.2 Account- and other payables

Account- and other payables consist of EEG accounts payable, payables in respect of grid expenses, payables connected to tangible fixed assets purchases, accounts, interest and other payables. The increase in accounts and other payables is mainly due to the EEG accounts payable of EUR 2,774 million (2018: EUR 2,479 million). Furthermore, grid expense accrual increased by EUR 71 million to EUR 1,141 million as at 30 June 2019.

5.3 Right of use and lease liabilities

At inception of a contract, TenneT assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration in accordance with IFRS16.

TenneT has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

TenneT recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right of use asset or the lease term using the straight line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if TenneT is reasonably certain to exercise that option. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, TenneT's incremental borrowing rate. Generally, TenneT uses its incremental borrowing rate as the discount rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the TenneT's estimate of the amount expected to be payable under a residual value guarantee, or if TenneT changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

TenneT has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

On 1 January 2019 EUR 384 million leased assets and EUR 384 million lease liabilities were recognised. On 30 June 2019 the leased assets decreased to EUR 322 million and the lease liability decreased to EUR 192 million (long-term) and EUR 130 million (short-term).

Due to TenneT's current long-term unsecured credit rating (see note 6.2) the discount rate used on 30 June 2019 and 1 January 2019 to calculate the total lease liability is between 0% and 2% depending on the duration of the contract. The interest expense on the lease liabilities for the first half year of 2019 was EUR 0.8 million. The total impact of IFRS 16 on the interim condensed consolidated statement of income is therefore not material for the profit of the year, however it has resulted in an increase of EBITDA. Total depreciation of the right of use asset in the first half-year of 2019 is EUR 65 million.

6. Capital structure and financing

6.1 Equity

6.1.1 Equity attributable to owners of the company

During the first six months of 2019, TenneT distributed a EUR 120 million common dividend to its ordinary shareholder (EUR 600 per share). TenneT also paid EUR 33 million in cash to the holders of the hybrid securities. TenneT accounted for an actuarial loss of EUR 39 million (net of tax) on German pension obligations directly through equity, mainly due to the decrease of the discount rate from 2.00% (31 December 2018) to 1.15% (30 June 2019).

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 2019	31 December 2018
TenneT Offshore 2. Beteiligungsgesellschaft mbH ("TO2")	Germany	69%	69%
TenneT Offshore 8. Beteiligungsgesellschaft mbH ("TO8")	Germany	63%	63%
TenneT Offshore DolWin3 Beteiligungs GmbH & Co. KG ("TOD3")	Germany	67%	59%
TenneT Offshore DolWin3 Verwaltungs GmbH ("TODV")	Germany	67%	67%
ETPA Holding B.V.	Netherlands	50%	50%

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
At 31 December 2018	**246**	**261**	**289**
Profit attributable to non-controlling interests	3	6	13
Dividends paid	-5	-31	-
Capital repayment	-	-	-44
Capital contribution	-	-	-
At 30 June 2019	**244**	**236**	**258**
At 31 December 2017	**267**	**293**	**297**
Profit attributable to non-controlling interests	4	11	21
Dividends paid	-29	-46	-38
Capital repayment	-5	-	-
Capital contribution	-	-	5
At 30 June 2018	**237**	**258**	**285**

6.2. Borrowings

	Carrying amount		**Fair value**		
(EUR million)	**30 June 2019**	31 December 2018	**30 June 2019**	31 December 2018	Hierarchy
Borrowings:					
- Bonds	7,639	6,404	8,374	6,734	Level 1
- Other	2,097	2,316	2,250	2,323	Level 2
	9,736	**8,720**	**10,624**	**9,057**	

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 during the first half-year of 2019. Fair value of the other financial instruments was close to their carrying amounts due to the short-term maturities of these instruments and are therefore not disclosed.

Senior unsecured credit ratings for TenneT Holding B.V. remained unchanged during the first half of 2019 and were reaffirmed by Standard & Poor's (A- / stable outlook) on 10 May 2019 and Moody's Investor Service (A3 / stable outlook) on 24 May 2019.

6.3 Cash, cash equivalents and bank overdrafts

	30 June 2019			31 December 2018		
(EUR million)	At free disposal	Not at free disposal	Total	At free disposal	Not at free disposal	Total
Collateral securities	-	86	86	-	71	71
EEG funds	-	1,068	1,068	-	1,024	1,024
EEG deposits < 3 months	-	440	440	-	150	150
Cash at bank	245	9	254	8	-	8
Cash and cash equivalents	**245**	**1,603**	**1,848**	**8**	**1,245**	**1,253**
Bank overdrafts	-	-	-	-	-	-
Total cash and cash equivalents used in cash flow statement	**245**	**1,603**	**1,848**	**8**	**1,245**	**1,253**

7. Events after the reporting period

No significant events occurred after the reporting period.

 Independent auditor's review report

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 2019 of TenneT Holding B.V., Arnhem, that comprises the interim condensed consolidated statement of income for the six-month period ended 30 June 2019, the interim condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2019, the interim condensed consolidated statement of financial position as at 30 June 2019, the interim condensed consolidated statement of changes in equity for the six-month period ended 30 June 2019 and the interim condensed consolidated statement of cash flows for the six-month period ended 30 June 2019, 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 interim condensed consolidated financial statements for the six-month period ended 30 June 2019 are not prepared, in all material respects, in accordance with IAS 34, ‘Interim Financial Reporting’, as adopted by the European Union.

Rotterdam, 29 July 2019

Ernst & Young Accountants LLP

Signed by J.F.M. Kamphuis

TenneT is a leading European transmission service operator (TSO), with a mission to ensure a secure supply of electricity to 41 million people in the Netherlands and large parts of Germany. We maintain a network of high voltage lines, of approximately 23,000 kilometres over land and sea. We are one of Europe's major investors in national and cross-border grid connections, linking North West Europe's energy markets and facilitating the energy transition. We employ over 3,400 people, turn over EUR 4.2 billion and have assets of EUR 22 billion. As we fulfill our mission, we make every effort to meet the needs of society by being responsible, engaged and connected. **Taking power further.**

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