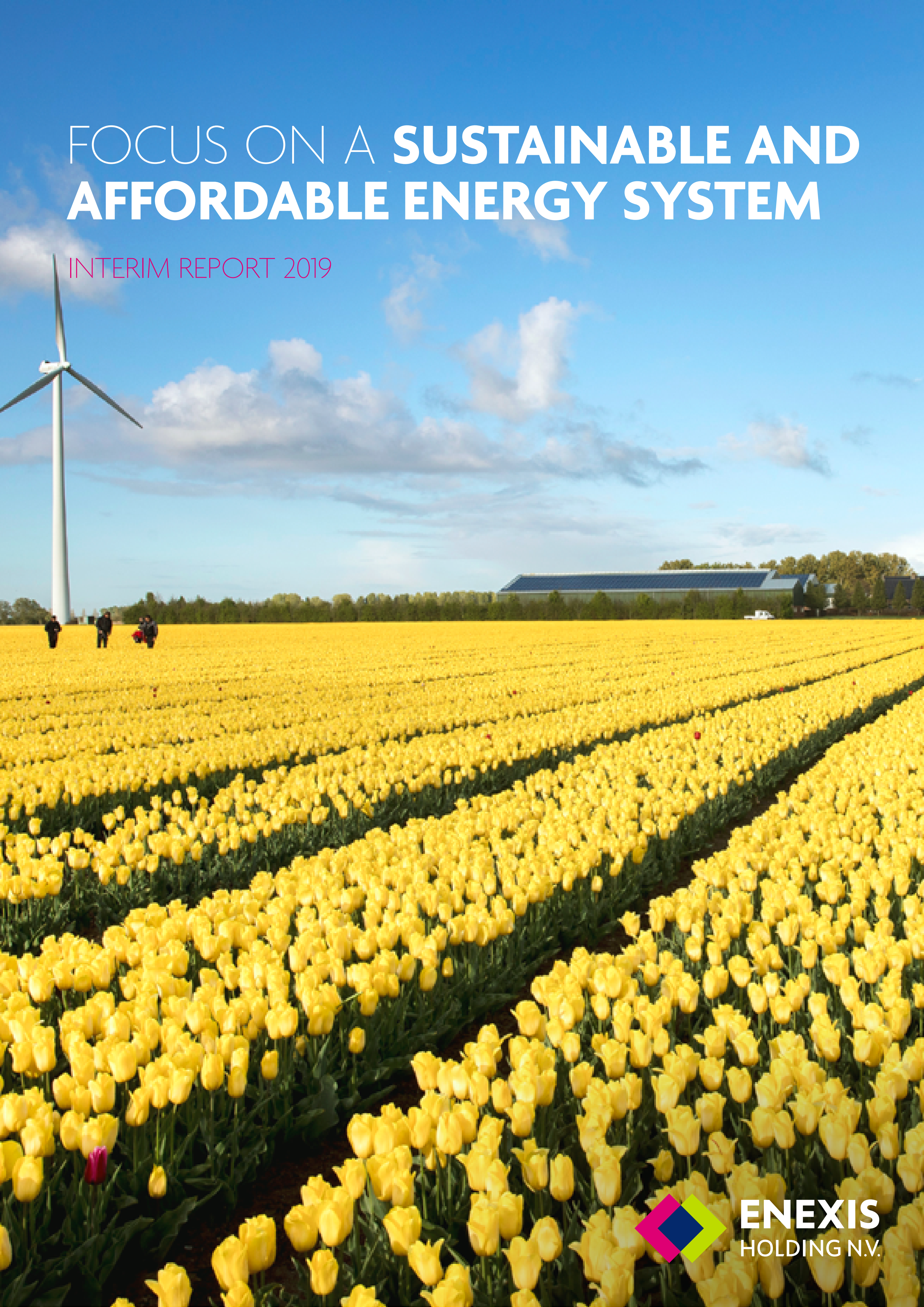
FOCUS ON A **SUSTAINABLE AND AFFORDABLE ENERGY SYSTEM**

INTERIM REPORT 2019



ENEXIS
HOLDING N.V.

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FOCUS ON A **SUSTAINABLE AND AFFORDABLE ENERGY SYSTEM**

There is a dichotomy going on in the Dutch energy transition: consumers are increasingly willing to embrace the large-scale generation of renewable energy, but there are limited growth opportunities on the electricity grid throughout the Netherlands. Enexis Group argues for more national policy-direction on designating generation locations by region and better distribution of sustainability subsidies. This would bring the climate targets for renewable generation within reach. To create a viable and affordable system for renewable energy, we need to focus on a combination of renewable electricity and renewable gases.

In the first half of 2019, Enexis invested €171 million in its electricity grids. Although this marked an increase by € 35 million from last year, it was not enough to connect all large-scale projects, such as solar-panelled industrial roofs, solar fields and, to a lesser extent, wind farms, to the electricity grid. The Dutch Climate Agreement stipulates that, by 2030, onshore wind and solar farms are expected to account for 35 TWh of the renewable electricity supply. This is an ambitious goal, but it feasible to a number of changes to regulations, policy and focus. The subsidy arrangement for renewable energy has already given a tremendous boost to the pace of growth. That is a positive development, but expanding the grids and making them more robust is a costly exercise; it will take a lot of time and there are not enough technicians and materials to do the work. To achieve quick wins, it would be helpful if subsidies were made conditional upon the available electricity infrastructure and if the large-scale production of renewable gases, such as green gas and hydrogen gas, were encouraged. This would allow public money to be used for developing a smart energy mix with solar and wind parks and renewable gases. More importantly, it would keep the energy supply affordable.

What the renewable energy supply will look like in the future will depend on the choices that are made locally over the next few years. We support regional authorities in defining the Regional Energy Strategy in ten regions of our catchment area. We would emphasise that, besides high-cost and time-consuming all-electric solutions or constructing heat networks, there are other alternatives to reduce carbon emissions. One such alternative would be to earmark more of the Renewable Energy Investment Subsidy (Dutch acronym: ISDE) for hybrid heat pumps. This would allow more people to buy a hybrid heat pump, which would directly encourage sustainability in the built environment. The use of a hybrid heat pump hardly requires any changes to a person's home or to the grids. What is more, the widespread natural gas infrastructure in the Netherlands would then continue to be used in the public interest over the coming decades. It is not without reason that we see the combination of renewable gas and electricity as a viable and affordable option for the built environment, in addition to all-electric solutions and heating networks.

SERVICE LEVEL AFFECTED BY STAFF SHORTAGES

We need qualified staff to duly fulfil our role in the energy transition. Customers are queuing up to be connected to our grids while we, similar to many other companies in the Netherlands, are trying to cope with a shortage of skilled technicians and materials. We need many technicians and IT specialists as well as high inventory levels to make grids in residential areas more sustainable and to implement technological innovations. This presents us with a dilemma: we want to use all our capacity to meet our customers' demands on the one hand, but we also need to free up experienced engineers to train novice technicians on the other. Although this puts pressure on our operating performance now, we have chosen to prepare more than 100 new colleagues for the job this year. We have also teamed up with local businesses and schools to secure an influx of new employees. As a grid operator, we need to continue to invest in our services in the long term.

With all the issues regarding the energy transition, we find it challenging to make further improvements to our service provision. We are prioritising customer requests, improving our accessibility and seeking personal contact with customers more often. Our customers appreciate our efforts. At the same time, we realise that structural improvements to our customer satisfaction ratings would require more time and focus than we can currently offer. Customers want the outage time of the power supply to be as short as possible. Limiting the outage time to 6.5 minutes in the first half of 2019, we were successful at achieving this. Safety is our number-one priority. No matter how busy we get, safety deserves our undivided attention every single day. In the first half of 2019, we introduced the Life Saving Rules, a set of rules and measures aimed at preventing serious injuries and accidents in the workplace. We also sat down with staff to encourage them to share stories and discuss dilemmas. As an organisation, we are committed to resolving safety issues.

STRATEGY OFFERS CONFIDENCE

Our role in society and our sustainable strategic course offers confidence for investors. We engaged in an in-depth dialogue with them during an international roadshow. At the beginning of July 2019, Enexis Holding issued a bond of € 500 million to finance its increasing investments needed to the energy transition and refinance a shareholder loan. Our financially robust position (Standard & Poor's: A+/A-1/Stable; Moody's: Aa3/P-1/Stable) is a firm foundation for the future.

We look ahead to the second half of 2019 with confidence. Our employees are committed to share their knowledge and make their contribution to the energy supply of the future. By keeping on our strategic course, we will continue to be able to facilitate an affordable energy supply and create value for all stakeholders going forward.

The Executive Board of Enexis Holding N.V.,

Peter Vermaat
Maarten Blacquière

OBJECTIVES AND PERFORMANCE

KPI	1ST HALF YEAR 2019	OBJECTIVE 2019	REALISATION 2018
EXCELLENT GRID MANAGEMENT			
Employee engagement and teamwork	Engagement: 7.8 Teamwork: 6.5	Q4 score for engagement ≥ 8.0 Q4 score for teamwork ≥ 6.5	Engagement: 7.7 Teamwork: 6.2
Lost Time Injury Frequency Enexis[1]	1.17		1.48
Lost Time Injury Frequency third parties[1]	2.38		4.53
Annual electricity outage time[2]	14.2 minutes	≤ 18.5 minutes	16.0 minutes
Controllable costs and revenues[3]	€ 216 million	≤ € 408 million	€ 405 million
Customer Effort Scores (CES)[4]	• Standard connections: 30% • Installation of Primary Infrastructure: 30% • Outages: 18%	• Q4 score for Standard connections ≤ 24% • Q4 score for Installation of Primary Infrastructure: ≤ 26% • Q4 score for Outages ≤ 16%	• Standard connections: 28% • Installation of Primary Infrastructure: 28% • Outages: 18%
ACCELERATING THE ENERGY TRANSITION			
Reduction in CO_2 of leased cars and claimed mileage[5]	18.3%	≥ 29% reduction compared to 2014 score	13.8%
Number of substations equipped with Distribution Automation and Distribution Automation Light[6]	DA 100 substations DALI 1,115 substations	DA ≥ 250 substations DALI ≥ 2,000 substations	DA 379 substations DALI 1,502 substations
Enexis presence on provincial steering groups	9 regions	10 of 10 designated regions	N/A

1 No objective for 2019 on the basis that "every accident is one too many".
2 The column for H1 2019 shows the annual electricity outage time as a 12-month moving average.
3 Enexis Netbeheer (including corporate support departments); as a result of the implementation of IFRS 16, 'Leases', on 1 January 2019, controllable costs and revenues for the 2019 objective were reduced by € 27 million; the actual figure for H1 2019 was lowered by € 12 million as a consequence.
4 A CES year runs from December through November; each quarterly score is compiled for the period: Q1: Dec, Jan, Feb; Q2: Mar, Apr, May; Q3: Jun, Jul, Aug; Q4: Sept, Oct, Nov. H1 2019 actual figures are the figures for Q2 (Mar-May) figures.
5 This KPI, which covers the period from December 2018 through November 2019, is including interns and apprentices; it does not include vehicles with commercial registration numbers. H1 2019 actual figures are up to and including May.
6 2019 objective and 2018 actual figures relate to figures up to and including November. H1 2019 actual figures are figures up to and including May.

See definitions in the Glossary section of the 2018 Annual Report.

KEY FIGURES

€ million	1st half year 2019	1st half year 2018
Result		
Revenue	738	718
Operating expenses	265	242
Depreciation, impairments and decommissioning	184	168
Operating profit	185	198
Share of result of associates and joint arrangements	0	0
EBIT	185	198
Financial income and expenses	-28	-29
Profit before tax	157	169
Profit for the year	119	127
Financial position	**30 June 2019**	**31 December 2018**
Net working capital	-46	-89
Non-current assets	7,733	7,480
Capital employed	6,853	6,594
Equity	4,021	4,024
Net interest-bearing liabilities	2,532	2,272
Total assets	8,042	7,715
Gross investments [1]	342	297
Ratios	**30 June 2019**	**31 December 2018**
Solvency	50.0	52.2
ROIC	5.5	6.1
Return on equity	7.7	7.9
Key figures	**1st half year 2019**	**1st half year 2018**
Number of connections electricity (x 1,000)	2,833	2,800
Number of connections gas (x 1,000)	2,327	2,320
Section length electricity grid (x 1,000 km)	140.4	139.5
Section length gas grid (x 1,000 km)	46.4	46.4
Number of employees at end of the period	4,432	4,303
	1st half year 2019	**1st half year 2018**
Outage time electricity (in minutes)	6.5	8.0
Outage time gas (in seconds)	22	38

1 For 2018, this concerns investments in the first half year of 2018.

CONSOLIDATED **INTERIM FINANCIAL STATEMENTS 2019**

CONSOLIDATED INCOME STATEMENT

€ million	1st half year 2019		1st half year 2018	
Revenue		738		718
Less: Transmission services and distribution losses		115		112
Other operating income		11		2
Balance available for operating activities		634		608
Employee benefit expenses	241		212	
Depreciation, impairments and decommissioning	184		168	
Costs of subcontracted work, materials and other external expenses	105		99	
Other operating expenses	11		12	
Capitalised expenses of own production	-92		-81	
		449		410
Operating profit		**185**		**198**
Share of result of associates and joint arrangements				
Financial income	2		2	
Financial expenses	30		31	
Financial income and expenses		**-28**		**-29**
Profit before tax		**157**		**169**
Corporate income tax expenses		-38		-42
Profit for the year		**119**		**127**
Attributable to:				
Minority shareholders		-		-
Shareholders		119		127
Average number of shares during the financial year		149,682,196		149,682,196
Profit per share [1]		**0.80**		**0.85**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ million	1st half year 2019	1st half year 2018
Profit for the year	119	127
Released part of non-realised income through hedge reserve	0	1
Tax released on non-realised income through equity	0	0
Total result including non-realised income [1]	**119**	**128**
Attributable to:		
Minority shareholders	-	-
Shareholders	119	128

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

CONSOLIDATED BALANCE SHEET

€ million	30 June 2019	31 December 2018
Assets		
Property, plant and equipment	7,388	7,226
Intangible assets	238	229
Right-of-use assets	83	-
Associates and joint arrangements	9	9
Other financial assets	15	16
Non-current assets	**7,733**	**7,480**
Inventories	13	19
Receivables	173	160
Corporate income tax	41	22
Other financial assets (current)	3	3
Cash and cash equivalents	79	31
Current assets	**309**	**235**
Total assets	**8,042**	**7,715**

€ million	30 June 2019	31 December 2018
Liabilities		
Issued and paid-up share capital	150	150
Share premium reserve	2,436	2,436
General reserve	1,318	1,121
Hedge reserve	-2	-2
Profit for the year	119	319
Equity	**4,021**	**4,024**
Non-current interest-bearing liabilities	1,849	1,790
Non-current provisions	36	37
Advance contributions for the installation of grids and connections	813	777
Deferred corporate income tax	264	262
Other non-current liabilities	2	2
Non-current liabilities	**2,964**	**2,868**
Trade and other payables	270	287
Current interest-bearing liabilities	763	513
Current provisions	3	3
Advance contributions to be amortised in the following year	21	20
Current liabilities	**1,057**	**823**
Total liabilities	**8,042**	**7,715**

CONSOLIDATED STATEMENT OF CASH FLOW

€ million		1st half year 2019		1st half year 2018
Profit for the year	119		127	
Depreciation and impairments	184		168	
Amortised contribution for installation of grids and connections	-10		-10	
Received contributions for the installation of grids and connections	47		35	
Change in operational working capital [1]	-43		-22	
Change in deferred corporate income tax	2		9	
Change in non-current provisions	-1		0	
Cash flow from operating activities		**298**		**307**
Investments in property, plant, equipment	-320		-277	
Investments in intangible assets	-22		-20	
Investments in right-of-use assets	-15		-	
Loans granted	-1		-2	
Repayment of loans granted	2		2	
Cash flow from investing activities		**-356**		**-297**
Cash flow before financing activities		**-58**		**10**
New interest-bearing liabilities excluding amounts owed to credit institutions	1,010		655	
Repayment of interest-bearing liabilities excluding amounts owed to credit institutions	-782		-556	
Dividend paid	-122		-103	
Cash flow from financing activities		**106**		**-4**
Total cash flows		**48**		**6**
Cash and cash equivalents minus amounts owed to credit institutions at the beginning of the financial year [2]		31		56
Cash and cash equivalents minus amounts owed to credit institutions at the end of the period [3]		**79**		**62**

1 The change in operational working capital was significantly influenced in the first half of 2019 by an advance payment of corporate income tax to be paid over 2019 of € 72 million (in the first half of 2018, the advance payment of corporate tax over 2018 was € 70 million).
2 Bank and cash balances (€ 286 million) minus the negative bank balances presented as short-term interest-bearing liabilities (€ 230 million) in 1st half year 2018.
3 Bank and cash balances (€ 351 million) minus the negative bank balances presented as short-term interest-bearing liabilities (€ 289 million) in 1st half year 2018.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ million	Number of ordinary shares	Share capital	Share premium reserve	General reserve	Hedge reserve	Profit for the year	Total equity
At 1 January 2018	**149,682,196**	**150**	**2,436**	**1,017**	**-2**	**207**	**3,808**
Profit for the year 1st half year 2018	-	-	-	-	-	127	127
Amortisation hedge reserve 1st half year 2018	-	-	-	-	0	-	0
Total result including unrealized results	**-**	**-**	**-**	**-**	**0**	**127**	**127**
Profit appropriation for 2017	-	-	-	104	-	-104	0
Dividend paid for 2017	-	-	-	-	-	-103	-103
At 30 June 2018	**149,682,196**	**150**	**2,436**	**1,121**	**-2**	**127**	**3,832**
Profit for the year 2nd half year 2018	-	-	-	-	-	192	192
Amortisation hedge reserve 2nd half year 2018	-	-	-	-	0	-	0
At 31 December 2018	**149,682,196**	**150**	**2,436**	**1,121**	**-2**	**319**	**4,024**
At 1 January 2019	**149,682,196**	**150**	**2,436**	**1,121**	**-2**	**319**	**4,024**
Profit for the year 1st half year 2019	-	-	-	-	-	119	119
Amortisation hedge reserve 1st half year 2019	-	-	-	-	0	-	0
Total result including unrealized results	**-**	**-**	**-**	**-**	**0**	**119**	**119**
Profit appropriation for 2018	-	-	-	197	-	-197	0
Dividend paid for 2018	-	-	-	-	-	-122	-122
At 30 June 2019	**149,682,196**	**150**	**2,436**	**1,318**	**-2**	**119**	**4,021**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

GENERAL

Enexis Holding N.V. is a public limited liability company with its registered office in 's-Hertogenbosch, in the Netherlands (Chamber of Commerce number 17238877). This interim report presents the financial information for the first half of 2019 of the company and its group entities.

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

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

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

NEW AND/OR AMENDED IFRS STANDARDS EFFECTIVE FOR PERIODS BEGINNING ON OR AFTER 1 JANUARY 2019

STANDARDS EFFECTIVE IN THE FIRST HALF OF 2019

Up to and including the financial year 2018, leases were classified as finance leases or operating leases in accordance with IAS 17. For contracts qualifying as operating leases, the lease instalments are recognised in the income statement. Assets related to finance leases were recognised within assets conducive to operations or within non-current assets. The paid lease instalments were divided in such a manner between the financing expenses and repayment of the outstanding liability that a constant periodic interest rate on the remaining balance of the liability was shown during each period of the lease.

The new lease standard, IFRS 16 'leases', which has been effective since 1 January 2019 requires lessees to bring most leases onto the balance sheet, recognizing a right-of-use asset and a lease liability. In 2018 Enexis assessed its leases and rental obligations whether they meet the IFRS 16 criteria. Enexis also assessed the adequacy of its existing control framework.

Based on the contract portfolio, Enexis determined that the leases related to property and employee cars meet the IFRS 16 lease criteria. As a practical expedient, according to the standard, Enexis elected not to apply the requirements for short-term leases and for leases for which the underlying asset is of low value. Enexis has availed itself of this exemption for leases of office equipment such as laptops and printers. In addition, Enexis elected, as a practical expedient, not to separate non-lease components from lease components for the leases of employee cars.

The new standard was applied using the modified retrospective approach for the transition accounting which implies the value of the right-of-use asset as at 1 January 2019 is equal to the lease liability as at per 1 January 2019.

At 1 January 2019, Enexis' right-of-use assets recognized for € 80 million and its lease liabilities is recognized for € 80 million (€ 23 million of which qualified as current liabilities), future lease payments had been discounted using the incremental borrowing rate. The weighted average incremental borrowing rate for the lease liabilities at 1 January 2019 was 0.012%. The implementation of IFRS 16 did not effect equity. The profit before tax decreased by € 0.1 million in the first half of 2019. In addition, the implementation impacted the income statement of € 12 million. Of the employee benefits expense and other external costs, € 12 million was reclassified as depreciationc harges and € 0.1 million as finance costs.

€ million	1st half year 2019
Operational lease liabilities disclosed at year-end 2018	75
Add: non-lease components	9
Less: practical expedient short-term leases cars	-3
Less: discounted incremental borrowing rate at 1 January 2019	-1
Lease liabilities recognised at 1 January 2019	**80**

€ million	30 June 2019	1 January 2019
Non-current liabilities	58	57
Current liabilities	25	23
Total lease liabilities	**83**	**80**
Right-of-use offices	24	28
Right-of-use leases cars	59	52
Total right-of-use assets	**83**	**80**

€ million	Income statement after change in accounting policy	Income statement before change in accounting policy
Employee benefit expenses	241	245
Costs of subcontracted work, materials and other external expenses	105	113
Financial expenses	30	30
Depreciation, impairments and decommissioning	184	172
Total	**560**	**560**

Lessor accounting under IFRS 16 has not changed significantly from the prevailing accounting rules under IAS 17. Lessors will classify all leases in accordance with IAS 17, distinguishing between operating and finance leases. IFRS 16 requires both lessees and lessors to provide more detailed disclosures in their financial statements than IAS 17 does. The notes on lessor contracts do not affect Enexis Group's interim report for 2019.

The changes do not affect the tax deferral at 1 January 2019. The impact of IFRS 16 is still being debated in tax literature. The Dutch Tax and Customs Administration has yet to take a formal position on the impact of IFRS 16 on profit for tax purposes. As a result, the current accounting treatment of leases from a tax perspective will not change for the time being. With this in mind, a tax deferral was formed in the course of 2019.

FUTURE STANDARDS NOT YET EFFECTIVE IN THE FIRST HALF OF 2019

No improvements or amendments to IFRS standards have been published that might affect the figures for the first half of 2019.

BASIS OF CONSOLIDATION AND ACCOUNTING POLICIES

Except for the new standard IFRS 16, 'Leases', we have applied the same accounting policies in this interim report as in the financial statements 2018 of Enexis Holding N.V. (see www.enexisgroep.com/annualreport).

IFRS 16, 'LEASES'

Enexis Group as the lessee

In accordance with IFRS 16, which became effective on 1 January 2019, leases are recognised in the balance sheet as soon as the group has the right of use over the asset. Each lease payment is allocated between the liability and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is then depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will renew the contract or obtain ownership at the end of the lease term.

Assets and liabilities arising from leases are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate and are measured on initial recognition based on the index or interest rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease period reflects the lessee exercising that option.

Lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or Enexis' incremental borrowing rate. The incremental borrowing rate is the interest rate at which Enexis could obtain a similar borrowing from an independent financier under comparable terms and conditions.

At the commencement date, lease liabilities are measured at the present value of the lease payments that have not been made at that date. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs incurred by Enexis; and
- an estimate of the costs to be incurred by Enexis for decommissioning and removing the underlying asset and for restoring the site where it is located, or for restoring the underlying asset to the condition described in the terms of the lease, unless those costs are incurred for producing inventories. Enexis will assume the corresponding liability either at the commencement date or as a result of the fact that it has used the underlying asset for a certain period of time.

Extension and termination options

Enexis determines the lease period as the non-cancellable period of a lease, combined with:

- the periods subject to an extension option if it reasonably certain that Enexis will exercise this option;
- the periods subject to a termination option if it is reasonably certain that Enexis will not exercise this option.

In determining the lease term, Enexis considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

Enexis Group as the lessor

Enexis has contracted operating leases for energy-related installations. Operating leases are leases that do not qualify as finance leases. The risks and rewards associated with the ownership of the underlying assets have not been transferred to Enexis Group.

Assets that have been provided to third parties under operating leases are recognised within property, plant and equipment. Income from operating leases is recognised through profit or loss over the term of the lease as other operating income within revenue.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Except for the fair value of the interest-bearing loans (see notes on page 18), the fair value of the financial assets and liabilities did not differ materially from their carrying amount at 30 June 2019.

INCOME TAX EXPENSE

The income tax expense is based on the best estimate of the expected average tax rate for 2019 and allocated to the profit before tax for the first six months of 2019. The effective tax rate in the first half of 2019 was slightly lower than the nominal tax rate due to a partial release of the tax deferral.

SEASONAL INFLUENCES

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

DEVELOPMENTS IN EARNINGS IN THE FIRST HALF OF 2019

Enexis Holding achieved a profit for the period of € 119 million, a decrease of € 8 million on the profit for the first half of 2018. The main reason for this drop was an increase in operating expenses by € 39 million, which was counteracted by an increase in revenue by € 20 million and other operating income by € 9 million.

BALANCE AVAILABLE FOR OPERATING ACTIVITIES

Revenue can be broken down as follows:

€ million	1st half year 2019	1st half year 2018
Regulated		
Periodic transmission- and connection fees for electricity		
High-volume consumers	165	160
Low-volume consumers	270	261
Periodic transmission- and connection fees for gas		
High-volume consumers	21	21
Low-volume consumers	142	140
Metering services	65	63
Amortised contributions	10	9
Other	3	3
Total regulated	**676**	**657**
Non-regulated		
Income from sale of products and services	28	28
Metering services	17	16
Total non-regulated	**45**	**44**
Other revenue		
Rental income	17	17
Total	**738**	**718**

Revenue increased with 2.8% compared to the first half of 2018. This increase was entirely attributable to a 2.9% increase in regulated revenue, which was mainly due to a rise in tariffs for periodic transmission- and connection fees in the electricity business by 3.0%. The effect of the increase in tariffs in the electricity business was somewhat cushioned by a relatively slighter increase in tariffs for periodic transmission- and connection fees in the gas business by 1.0%.

The cost of transmission services and distribution losses rose by € 3 million, reaching € 115 million; this was attributable to higher grid losses and TenneT transmission costs.

Other operating income increased with € 9 million, rising to € 11 million, thanks to a non-recurring income item from the settlement of a claim.

OPERATING EXPENSES

The employee benefit expenses increased by € 29 million, reaching € 241 million in the first half of 2019. Personnel expenses for own staff rose by € 14 million, mainly as a result of routine salary increases, a 3% wage increase under the collective labour agreement (CLA) on 1 January and an increase in the headcount of own staff.

Personnel expenses for insourced staff increased with € 15 million as a result of the number of ongoing improvement- and transition projects, and of insourcing staff for infrastructure projects to make up for staff shortages.

Depreciation, impairments and decommissioning amounted € 184 million at 30 June 2019. In addition to being due to the introduction of IFRS 16, this € 16 million increase from last year was caused by a higher volume of smart meter installations and higher capital investments in grid expansions and replacements.

The costs of subcontracted work, materials and other external expenses showed a € 6 million increase to € 105 million, which was attributable to a rise in the costs of subcontracted work, caused mainly by an increase in maintenance and outage services and higher advisory fees, which is counteracted by the effect of the introduction of IFRS 16.

The capitalised expenses of own production increased with € 11 million, mainly due to the additional insourcing of staff for improvement- and transition projects and for infrastructure investment projects.

€ million	1st half year 2019	1st half year 2018
Capitalised employee benefit expenses	-71	-63
Capitalised supplements and logistic surcharge	-21	-18
Total	**-92**	**-81**

FINANCIAL INCOME AND EXPENSES

Financial expenses for the first half of 2019 amounted to € 28 million, an improvement by € 1 million on the same period of 2018. This was attributable to a lower interest expense thanks mainly to higher negative finance costs associated with the Euro Commercial Paper programme.

CORPORATE INCOME TAX EXPENSES

Profit before tax for the first half of 2019 amounted to € 157 million. The corporate income tax expenses for the first half of 2019 was € 38 million. The effective tax rate (24.4%) for the first half of 2019 was slightly below the nominal tax rate (25.0%).

GROSS INVESTMENTS

Gross investments increased with € 295 million in the first half of 2019, € 33 million up on the figure for the first half of 2018. The increase was mainly attributable to the growth of infrastructure investment projects. This was due to more Onshore Sustainability projects, particularly in the workflows for customised connections (€ 11 million) and grid expansions (€ 11 million) and more replacements based on guidelines for low-pressure gas connections (€ 11 million).

FAIR VALUE OF INTEREST-BEARING LOANS

As of 30 June 2019, Enexis has € 2,528 million (31 December 2018: € 2,303 million) in interest-bearing loans on its balance sheet. The fair value of these interest-bearing loans was € 2,676 million (year-end 2018: € 2,676 million). The fair value of bond loans is based on their listed prices and that of other loans on the Euro Utility (A) BFV yield curve at 30 June 2019.

The fair value and carrying amount of the interest-bearing loans rose mainly as a result of an increase in Euro Commercial Paper and the withdrawal of a cash loan. Of these loans, an amount of € 375 million was outstanding at 30 June 2019 (year-end 2018: € 150 million).

CREDIT RATING

The credit ratings of Standard & Poor's (A+, stable outlook) and Moody's (Aa3, stable outlook) did not change in the first half of 2019. Enexis Holding's short-term credit rating is P-1 (Moody's) and A-1 (Standard & Poor's). To achieve our objective of maintaining at least an A credit rating and a financially healthy capital structure, we aim to achieve the following key financial indicators:

	Standard	Actual
FFO-interest cover	≥ 3,5	10.9
FFO/net interest-bearing liabilities	≥ 16%	24%
Net interest-bearing liabilities/(equity + net interest-bearing liabilities)	≤ 60%	39%

SEGMENT INFORMATION FOR THE FIRST HALF OF 2019

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

- regulated; and
- other.

For more details on the segments, their description and intersegment eliminations, please consult the section entitled 'Segmentation' in the notes to the consolidated financial statements on pages 90 to 92 of the Annual Report 2018 of Enexis Holding N.V. (see www.enexisgroep.com/media/2432/enexis-holding-nv-annual-report-2018.pdf).

The segment information for the first half of 2019 can be broken down as follows:

	Enexis regulated		Enexis Other		Normalisations, eliminations and reconciliations		Enexis total	
€ million	1st half year 2019	1st half year 2018	1st half year 2019	1st half year 2018	1st half year 2019	1st half year 2018	1st half year 2019	1st half year 2018
Income statement								
Revenue	704	684	42	40	-8	-6	738	718
Other operating income	10	2	2	2	-1	-2	11	2
Operating profit	177	187	8	11	0	0	185	198
Assets and liabilities								
Total assets	7,041	7,246	233	241	768	397	8,042	7,884

RELATED PARTIES

In the first half of 2019, an amount of € 122 million was paid to the shareholders in the form of dividend. In addition, EDSN made a scheduled repayment of € 2 million on its loans and Enexis Holding issued new loans to EDSN for an amount of € 1 million. Other related-party transactions are conducted in the ordinary course of business and at arm's length rates and conditions.

CONTINGENT ASSETS AND LIABILITIES

Rent, lease and purchasing obligations

In accordance with the changes to IFRS 16, 'Leases', all leases and rental obligations that used to be recognised as contingent liabilities have been recognised in the balance sheet since 1 January 2019. This means that contracts for leased cars and rental agreements for offices with a combined value of € 75 million at year-end 2018 (< 1 year: € 23 million; 1-5 years : € 46 million; > 5 years: € 6 million) qualify as leases under the new IFRS 16 standard. The other liabilities at 30 June 2019 do not show significant differences from 31 December 2018. The liabilities relating to the purchase for grid losses amounted to € 121 million at 30 June 2019. Total liabilities at 30 June 2019 stood at € 215 million (< 1 year: € 107 million; 1-5 years: € 106 million; > 5 years: € 2 million).

EVENTS AFTER THE REPORTING DATE

On 2 July 2019, Enexis Holding issued a 12-year bond with a nominal volume of € 500 million at an interest rate of 0.75%.

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

Peter Vermaat
Maarten Blacquière

's-Hertogenbosch, 23 July 2019

REVIEW REPORT

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

INTRODUCTION

We have reviewed the accompanying condensed consolidated interim financial information of Enexis Holding N.V. of 's Hertogenbosch, the Netherlands, which comprises the consolidated income statement and the consolidated statement of comprehensive income for the period from 1 January 2019 through 30 June 2019, the consolidated balance sheet as at 30 June 2019, the consolidated cash flow statement, the consolidated statement of changes in equity for the period from 1 January 2019 through 30 June 2019 and the notes. The Executive Board is responsible for the preparation and fair presentation of this consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

SCOPE

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information for the period from 1 January 2019 through 30 June 2019 has not been prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Utrecht, the Netherlands, 23 July 2019
For PricewaterhouseCoopers Accountants N.V.

Original Dutch review report has been signed by:

K. Hofstede RA

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

Enexis Holding N.V.

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