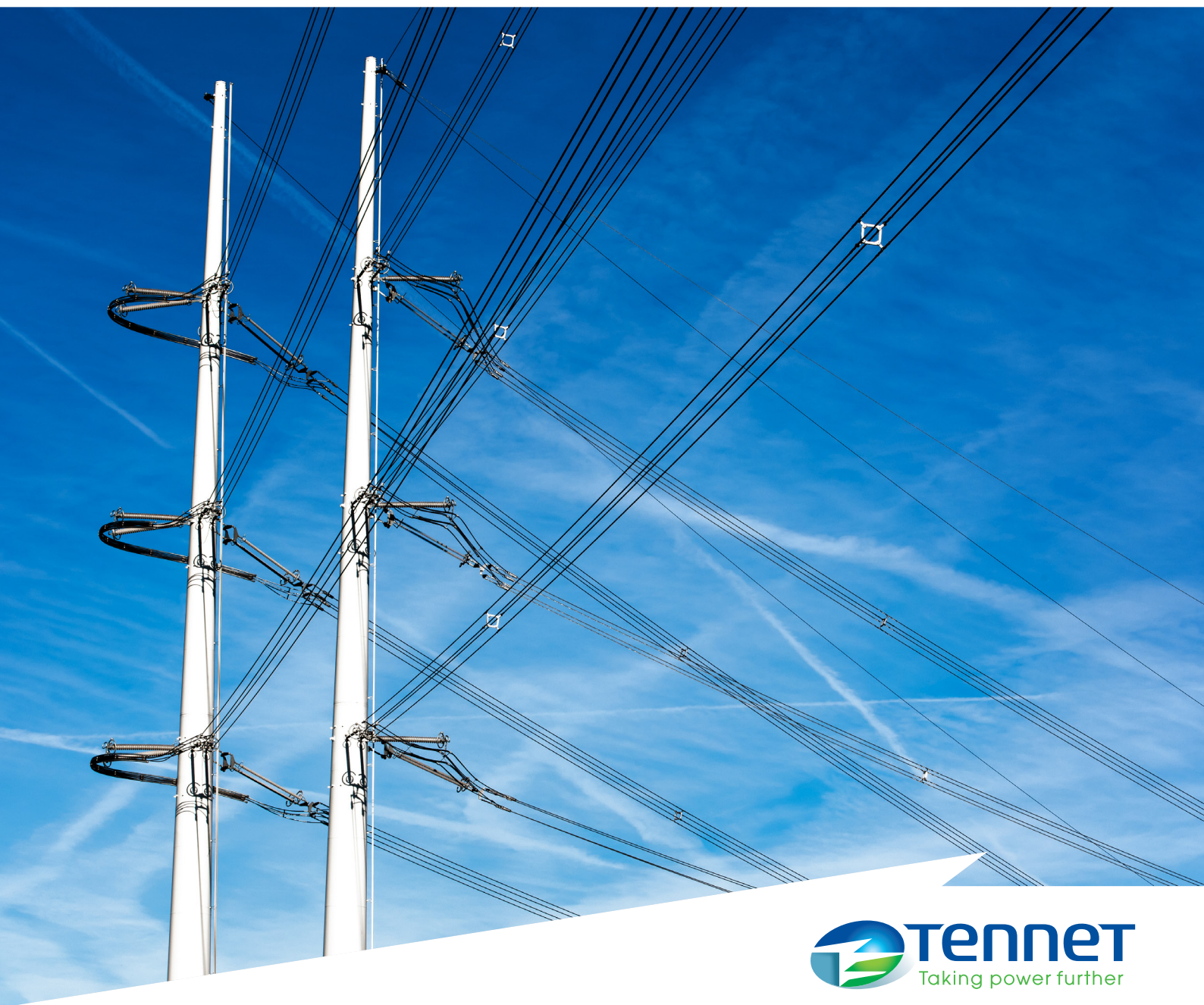


# Interim financial statements

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**As per 30 June 2011 TenneT Holding B.V.**







## Disclaimer

'We', 'TenneT', 'TenneT Holding', 'TenneT TSO', 'the Group', 'the company' or similar expressions are used in this report as a synonym for TenneT Holding B.V. and its subsidiaries.

Parts of this report contain prospective information. These parts – without exceptions – may include unqualified statements on future operating results, government measures, the impact of other regulatory measures on all activities of TenneT as a whole, TenneT's shares and those of its subsidiaries and joint ventures in existing and new markets, industrial and macro-economic trends and TenneT's performance in these. Such statements are preceded or followed by or contain words such as 'believes', 'expects', 'anticipates' or similar expressions. These prospective statements are based on the current assumptions concerning future activities and are subject to known and unknown factors, and other uncertainties, many of which are beyond TenneT's control, so that future actual results may differ significantly from these statements.

This report for the first half of 2011 has been prepared using the accounting policies applied in the preparation of the 2010 financial statements of TenneT Holding B.V., which can be found on [www.tennet.eu](http://www.tennet.eu). It does not contain all information prescribed by IFRS for interim financial reporting. To obtain a complete picture, this report must therefore be considered in conjunction with the 2010 Annual Report of TenneT Holding B.V. published in May 2011.

All financial information in these condensed interim financial statements is reported in millions of euro. As a result, small rounding differences may occur.

All financial information shown throughout this report is unaudited.

# Contents

01 Profile	5
02 Consolidated key figures	6
03 Management Board Report	8
Overview of key events	8
Funding	9
Results	13
04 Consolidated interim financial statements	14
Consolidated balance sheet	15
Notes to the consolidated balance sheet	16
Consolidated profit-and-loss account	18
Notes to the consolidated profit-and-loss account	18
Consolidated statement of comprehensive income	19
Consolidated statement of changes in equity	20
Notes to the consolidated statement of changes in equity	21
Consolidated cash flow statement	22
Notes to the consolidated cash flow statement	23
Additional explanatory notes	24
05 Review report	28
06 TenneT Group legal structure	29
07 Grid map	30
Colophon	32

# 01

## Profile

TenneT is Europe's first cross-border electricity grid operator. With 20,000 km of high-voltage and extra high-voltage lines and 36 million end-users in the Netherlands and Germany, we rank among the continent's top 5 electricity transmission operators.

Our task as electricity transmission operator is to watch over the continuity of electricity supply in the Netherlands and a substantial part of Germany: 24 hours a day, 7 days a week. A large part of our business in these countries is regulated.

Our customers include electricity producers, traders and ultimately everybody who uses electricity (i.e. consumers). TenneT strives to provide optimum service for an efficiently functioning electricity market in the Netherlands and Germany.

Our activities consist of providing transmission and system services; constructing, operating and managing transmission grids; and continually monitoring and keeping the balance between electricity supply and demand. We are also responsible for maintaining and developing the extra high-voltage grid. Integrating renewable energy (for example from North Sea wind farms or via cables from water reservoirs in Norway) has high priority.

We rent out telecommunications infrastructure, organise auctions of cross-border transmission capacity, and build and manage interconnectors. Furthermore, we have an interest in a number of northwest European energy exchanges, including

APX-ENDEX. The parameters within which we carry out the majority of our activities are laid down in legislation in both the Netherlands and Germany. Our compliance with these terms is supervised by regulatory authorities.

Our organisation wants to serve as a linking pin, one that connects producers and consumers with each other and engages in a permanent dialogue with the community at large. TenneT is also an innovative company. We are able to do all of this thanks to our experience, our expertise and also our level of ambition.

The entire issued share capital in TenneT Holding B.V. is held by the State of the Netherlands. TenneT's regulated activities are undertaken through TenneT TSO B.V. in the Netherlands and in Germany through TenneT TSO GmbH. Non-regulated activities are the direct responsibility of TenneT Holding B.V.

The head offices of TenneT Holding B.V. and TenneT TSO B.V. are located in Arnhem, the Netherlands. TenneT TSO GmbH's head office is located in Bayreuth, Germany.

# 02

## Consolidated key figures

Group financial data (x EUR million)			
	First half 2011	First half 2010	2010
<b>Revenue</b>	4,655.1	3,212.8	7,326.0
<b>Revenue excluding EEG</b>	677.1	615.8	1,301.0
<b>Operating profit</b>	171.2	125.1	159.8
<b>Profit after tax</b>	93.3	66.8	77.2
<b>Profit after tax allocated to shareholder</b>	92.7	66.5	76.2
<b>Tangible fixed assets</b>	4,348.6	3,867.3	4,120.7
<b>Equity</b>	1,347.4	1,266.9	1,300.1
<b>Balance sheet total</b>	7,485.7	6,301.6	7,054.4
<b>Cash flow from operating activities</b>	785.7	123.6	-139.3
<b>Cash flow from investing activities</b>	-320.1	-871.8	-1,249.7
<b>Cash flow from financing activities</b>	122.1	717.1	1,528.2

When comparing the results of the first half of 2011 and the first half of 2010, it is noted that the figures for the first half of 2011 reflect six months whereas data for the first half of 2010 include only four months of our activities in Germany, comprising of TenneT Offshore GmbH and TenneT TSO GmbH.





# 03

## Management Board Report

### Overview of key events

#### **Offshore connections**

In January 2011, TenneT announced the awarding of SylWin1, the seventh offshore grid connection that will connect North Sea wind farms to the German electricity grid. Construction will start in 2012; completion is scheduled for 2014. The total investment is estimated at EUR 1.0 billion. HelWin2 and DolWin2, the 8th and 9th offshore grid connections, were announced in August 2011. Upon their realization, TenneT will have over 5,000 MW offshore grid connection in Germany.

#### **Integration**

In February 2011, APX-ENDEX, Belpex, Elia and TenneT announced the integration of the Belgian and Dutch intraday markets through the introduction of an implicit cross border capacity allocation mechanism for the Dutch-Belgian intraday capacity. It is planned to be followed soon by the integration with the Nordic intraday market through the NorNed cable.

#### **BritNed cable**

In April 2011, the BritNed cable, the first electricity subsea connection linking the Netherlands and Great Britain, was successfully taken into operation. The

260-kilometre, 1,000 MW high-voltage direct current connection transmits power in both directions, driven by supply and demand patterns and by price differentials between the two power markets.

#### **Stedin grids**

In April 2011, TenneT took over day-to-day management of the regional 150 kV transmission grid of Stedin. Stedin remains the formal owner, as the larger part of the Stedin network is subject to a cross-border-lease contract, effectively preventing TenneT to actually acquire grid ownership. From this date, TenneT obtained control of the entire Dutch high-voltage network (consisting of 110, 150, 220 and 380 kV grids). This was the final step in TenneT's integration of the 110 and 150 kV transmission grids in the Netherlands, as laid down in the Independent Grid Administration Act (WON).

#### **Glass fibre network**

In May 2011, TenneT concluded the acquisition of E.ON Benelux's glass fibre network. This network comprises 5,000 kilometres of glass fibre, kept in 350 kilometres of underground pipes, and will be integrated in the control system of the 150 kV stations in



Rotterdam and surrounding area. This acquisition is an important step in the modernization of TenneT's telecommunication network in the 110 and 150 kV grids.

### **Atomausstieg Germany**

At the end of May 2011, the German Government announced an *Atomausstieg* of all 17 German nuclear power plants, with a total capacity of 20 GW, by 2022. Seven nuclear power stations were shut down almost instantly. The biggest challenge will be to manage the voltage level and to transport a sufficient level of electricity to those areas where nuclear generation is shut down. The situation was most tense this spring, as there were some power plants unavailable due to maintenance. The current situation in Germany is still tense and stresses the importance of urgent construction of new high voltage lines, especially between north and south Germany, to transport huge amounts of onshore and offshore wind power.

### **Underground cables**

In June 2011, TenneT started the construction of a twenty kilometre underground 'highway' to transport electricity across the Dutch Randstad conurbation. Cable links of this length and capacity installed underground in a high-voltage grid and at such high-voltage levels (380 kV) are unprecedented. The expansion of the extra high-voltage grid is necessary in order to accommodate the growing demand for electricity transmission in the Netherlands.

### **NorNed**

In June 2011, TenneT managed to bring the NorNed-cable back into operation after the shut-down in April 2011. In August 2011, TenneT announced that part of the NorNed-cable in the Eemshaven will have to be buried three metres deeper over a stretch of 700 metres, following the decision to deepen and widen both the Eemshaven and gate to the North Sea.

### **Pooling of electricity reserves**

In June 2011, TenneT announced that electricity reserves can be pooled and called forth when, for example, Dutch power stations experience failure. This exchange is enabled by the transpower acquisition and

will result in cost savings, which will be incorporated in consumer and industry tariffs.

### **Change in composition Management Board**

In May 2011, TenneT announced that Christof Schulte will leave the Management Board of TenneT. As of 1 August 2011, the Management Board consists of the following five members: Mel Kroon (chairman), Martin Fuchs (vice-chairman), Ben Voorhorst, Eelco de Boer (a.i.), and Lex Hartman.

## **Funding**

### **Financing strategy**

TenneT's objectives when managing capital are to safeguard the group's ability to continue as a going concern while providing an adequate return for its shareholder. This means the group aims to keep an "A" category rating as a minimum. This rating enables TenneT to issue debt at interest rates in line with cost of debt compensation foreseen under Dutch and German regulatory regimes.

### **Dutch Lower House approves capital injection**

As part of the Interim Budget Report, the Dutch Lower House approved a EUR 600 million equity capital increase to be provided to TenneT. The Dutch Upper House is required to ratify the governmental Interim Budget Report. This is currently expected to do so in October 2011, upon which TenneT will receive two equal tranches of EUR 300 million each in the second half of 2011 and the first half of 2012, respectively. This capital increase serves to safeguard TenneT's financial long-term stability.

### Credit rating

TenneT Holding received the following credit ratings from Standard & Poor's and Moody's:

Credit rating as of 30 June 2011		
	Long-term rating	Short-term rating
Standard & Poor's	A- (stable outlook)	A-2
Moody's	A3 (stable outlook)	P-2

### Debt position

On 30 June 2011, TenneT's net interest-bearing debt position amounted to EUR 1,829 million. TenneT regards cash balances resulting from recent bond issues and swings in working capital as temporary and does not aim to maintain excess cash on a long-term basis.

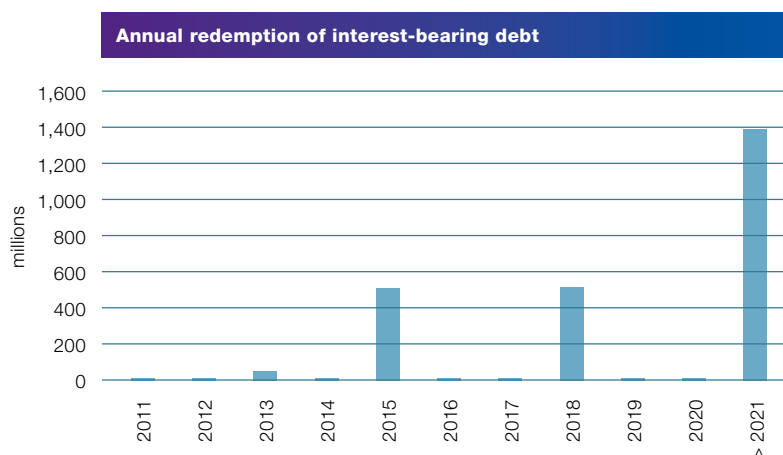
In January 2011, TenneT signed a loan agreement with the European Investment Bank (EIB) with a principal amount of EUR 150 million with willingness to consider an additional EUR 300 million to finance construction and operation of the new extra high-voltage electricity transmission ring, the 'Randstad 380'. On 30 June 2011, no drawings were outstanding.

In February 2011, TenneT issued and successfully placed EUR 1.0 billion senior unsecured bonds. The agreed issuance comprised two tranches of EUR 500 million each: one with a maturity of 7 years and a 3.875% coupon rate, and one with a maturity of 12 years and a 4.625% coupon rate. The bonds are listed on the Amsterdam Stock Exchange. Proceeds were used mainly to redeem short-term debt and to finance TenneT's capital expenditure programme. Maturities for these tranches were selected to lengthen and spread TenneT's overall debt maturity profile in line with the Company's financial policy.





### Redemption schedule of long-term debt: well balanced



### Short-term debt facilities

TenneT has an EUR 1,125 million committed revolving credit facility at its disposal, expiring August 2016. No amounts were outstanding under this facility at 30 June 2011. In addition, as of 30 June 2011, TenneT has EUR 430 million of uncommitted credit lines and an Euro-denominated commercial paper programme of EUR 1,000 million. No amounts were drawn under these credit lines and no commercial paper was outstanding as of 30 June 2011.

### Partial offshore power cable sale

TenneT is currently in discussion with interested parties to sell 49% stakes in both the German offshore power cables BorWin1 and BorWin2 and future offshore connections. Discussions with investors as well as the *BundesNetzAgentur* (BNetzA) around this topic are ongoing.

### Energy report

In its Energy report published in June 2011, the Ministry of Economic Affairs, Agriculture and Innovation stated that for investments in the Dutch power infrastructure, sufficient access to capital markets (including the option to privatise a minority share of TenneT) needs to be safeguarded by a stimulating investment climate and regulatory regime. The report also stressed that the ongoing development of a northwest European market is an essential condition for stable prices and high security of supply.

# Results

## Revenue

Total revenue in the first half of 2011 amounted to EUR 4,655 million (2010: EUR 3,213 million). This increase was mostly related to the fact that the first half of 2010 included four months of German results whereas the first half of 2011 included six months of German results.

From January to June 2011, TenneT Germany's revenue amounted to EUR 4,386 million (2010: EUR 2,960 million) of which EUR 3,978 million (2010: EUR 2,597 million) arose in the context of the Renewable Energy Sources Act (*Erneuerbare-Energien-Gesetz*, EEG) and the combined Heat and Power Act (*Kraft-Wärme-Kopplungsgesetz*, KWK-G). Under the current regulatory framework, EEG and KWK-G revenues have no effect on operating profit, as they are matched by an equal amount of expenses.

The revenue from the Dutch segment amounted to EUR 269 million (2010: EUR 253 million). The increase in revenue was based on reimbursement of expenses incurred for deployment of extra energy and capacity, revenue from the BritNed-cable and some other, smaller effects.

## Operating profit

TenneT's operating profit increased to EUR 171 million (2010: EUR 125 million). This result was substantially impacted by the inclusion of TenneT Germany's results for a six month period in 2011 compared to four months in 2010.

TenneT Germany realized an operating profit of EUR 115 million over the first half of 2011 (2010: EUR 94 million). Besides the two extra months for 2011, this operating profit was also influenced by a bonus related to renewable energy and adjustments in some provisions.

The operating profit of the Dutch segment amounted to EUR 56 million (2010: EUR 31 million). Besides the revenue effects mentioned above, the other operating

expenses declined due to lower costs regarding the integration of TenneT Netherlands with TenneT Germany.

## Profit after tax

Profit after tax allocated to the shareholder over the first half of 2011 amounted to EUR 93 million (2010: EUR 67 million). On balance, the sum of financial income and expenses resulted in slightly higher interest expenses of EUR 33 million (2010: EUR 30 million), of which EUR 25 million (2010: EUR 24 million) related to net interest income and expenses and EUR 8 million to other finance charges (2010: EUR 6 million).

Over the first half of 2011, the corporation tax totaled EUR 44 million (2010: EUR 29 million).

## Outlook

Inherent uncertainties regarding regulation and wind related revenues cause TenneT's Management Board to refrain from expressing an opinion on the Group's revenue and profitability for the remaining six months of the year 2011 and onwards.

Arnhem, 31 August 2011

## Management Board

Mel Kroon, Chairman \*)  
Martin Fuchs, Vice-Chairman \*)  
Ben Voorhorst \*)  
Eelco de Boer a.i.  
Lex Hartman

\*) Statutory directors



04

# Consolidated interim financial statements



**Consolidated balance sheet as at 30 June 2011 (x EUR million)**

<b>Assets</b>	<b>30 June 2011 (unaudited)</b>	<b>31 December 2010 (audited)</b>
<b>Non-current assets</b>		
Tangible fixed assets	4,348.6	4,120.7
Intangible assets	143.1	141.2
Other non-current receivables	86.6	86.8
<b>Total non-current assets</b>	<b>4,578.3</b>	<b>4,348.7</b>
<b>Current assets</b>		
Accounts receivable and other receivables	1,363.1	1,708.5
Accounts receivable in connection with energy exchange transactions	158.1	188.2
Other current receivables	29.9	40.4
<b>Total current assets</b>	<b>1,551.1</b>	<b>1,937.1</b>
<b>Cash and cash equivalents</b>		
Collateral securities	503.4	724.1
Deposits	318.0	-
Bank account balances	534.9	44.5
<b>Total cash and cash equivalents</b>	<b>1,356.3</b>	<b>768.6</b>
<b>Total assets</b>	<b>7,485.7</b>	<b>7,054.4</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	100.0	100.0
Hedging reserve	2.6	-4.2
Reserve for exchange rate differences	-2.3	-2.0
Retained earnings	734.7	694.3
<i>Equity attributable to shareholder</i>	835.0	788.1
Non-controlling interest	15.6	15.2
	<b>850.6</b>	<b>803.3</b>
<b>Hybrid securities</b>	<b>496.8</b>	<b>496.8</b>
	<b>1,347.4</b>	<b>1,300.1</b>
<b>Non-current liabilities</b>		
Loans	2,573.6	1,572.0
Investment contributions	371.4	378.9
Auction receipts	340.6	319.1
Other non-current liabilities	423.4	379.1
<b>Total non-current liabilities</b>	<b>3,709.0</b>	<b>2,649.1</b>
<b>Current liabilities</b>		
Loans	22.2	762.3
Bank overdrafts	10.8	82.1
Accounts payable in connection with energy exchange transactions	158.1	185.6
Liabilities relating to collateral securities	512.0	724.1
Accounts payable and other liabilities	1,726.2	1,351.1
<b>Total current liabilities</b>	<b>2,429.3</b>	<b>3,105.2</b>
<b>Total equity and liabilities</b>	<b>7,485.7</b>	<b>7,054.4</b>

## Notes to the consolidated balance sheet

### General

In the following notes the significant changes in the balance sheet as at 30 June 2011 are explained compared to the situation as at 31 December 2010.

A considerable portion of the consolidated assets (EUR 1.6 billion, down from EUR 2.2 billion in 2010) is not at the Group's free disposal. These assets comprise receivables relating to the Renewable Energy Sources Act (*Erneuerbare-Energien-Gesetz*, EEG), securities issued by parties trading on energy exchanges operated by APX-ENDEX, as well as funds received by TenneT TSO in connection with several of its activities, including:

- Auctioning of cross-border interconnection capacity;
- Market coupling;
- Balancing the supply of and demand for energy.

### Tangible fixed assets

Investments in the Netherlands for Randstad 380 and in Germany for both onshore and large offshore projects such as SylWin1, BorWin2 and HelWin1, as well as capital expenditures for the BritNed cable caused tangible fixed assets to rise by EUR 228 million.

### Accounts receivable and other receivables

Accounts receivable and other receivables decreased by EUR 345 million, mainly owing to lower EEG receivables.

### Cash and cash equivalents

The proceeds received from the issuance of the EUR 1.0 billion bond were not yet fully utilized for investments in the Dutch and German power grid. Instead, these funds were momentarily used to redeem short-term debts. Cash and cash equivalents increased by EUR 588 million mainly due to EEG-related working capital movements.

### Non-current loans, current loans and bank overdrafts

On 14 February 2011, TenneT Holding B.V. issued EUR 1.0 billion senior unsecured bonds, causing non-current loans to rise and current loans and bank overdrafts to decrease. The agreed issuance comprised two tranches of EUR 500 million each; one with a maturity of 7 years and a 3.875% coupon rate, and one with a maturity of 12 years and a 4.625% coupon rate. The bonds are listed on the Amsterdam Stock Exchange.

### Accounts payable and other liabilities

Accounts payable and other liabilities increased with EUR 375 million, mainly owing to higher EEG payables.

### Off-balance sheet rights and obligations

#### Contingent assets

As part of the Interim Budget Report, the Dutch Lower House approved a EUR 600 million equity capital increase to be provided to TenneT. The Dutch Upper House is required to ratify the governmental Interim Budget Report. This is currently expected to do so in October 2011, upon which TenneT will receive two equal tranches of EUR 300 million each in the second half of 2011 and the first half of 2012, respectively. This capital increase serves to safeguard TenneT's financial long-term stability.

#### Claims

In its normal course of business, TenneT will both receive and file claims. To the extent deemed necessary, provisions have been made in the balance sheet to cover anticipated costs of claims, disputes and legal and arbitration proceedings.

## Post balance sheet events

### Reddyn B.V.

In July 2011, TenneT and Liander established Reddyn B.V. Reddyn B.V. is a joint service provider that works exclusively for TenneT and Liander. Both companies have a 50% share. Reddyn provides the construction, management, maintenance and fault-clearing service for high-voltage and (complex) mid-voltage assets of the present and former (110/150 kV) Liander grids.

### Refinancing revolving credit facility

In August 2011, TenneT refinanced its existing EUR 1,125 million revolving credit facility. The pricing of the facility was decreased and its maturity date was extended from June 2015 to August 2016. Participating banks were: ABN AMRO, Barclays, BNG, BNP Paribas, Deutsche Bank, ING, Lloyds, Rabobank and RBS. The refinancing takes advantage of beneficial market conditions leading to cost savings for TenneT.

## Legal and arbitration proceedings

TenneT lodged an appeal with the Netherlands Trade and Industry Appeals Tribunal (CBB) to contest the Method Decision for the fourth regulatory period (2008-2010). In June 2010, the Tribunal ruled that TenneT's appeal was valid and that the Method Decision had to be reversed. TenneT won the appeal in recognition of:

- Additional indirect costs incurred by TenneT after taking over day-to-day management of the 110 and 150 kV high-voltage grids;
- Additional costs involved in the transfer of management of the above grids.

In June 2011, the Office of Energy Regulation published the final revised Method Decision. Currently, TenneT is in the process of delivering the requested cost information to the Office of Energy Regulation. This information will serve as a basis for the indirect operational cost recovery decision by the Office of Energy Regulation, that will be laid down in the expected x-factor (efficiency discount) decision later on this year.

At the end of the year 2010 TenneT TSO GmbH received a claim from E.ON Energy Trading SE (EET) requiring the delivery of a balancing band relating to the renewable energy between E.ON Netz GmbH and E.ON Sales & Trading GmbH, the legal predecessor of EET. In December 2010, the *BundesNetzAgentur* (BNetzA) informed TenneT TSO GmbH that in 2009 certain hardship cases in particular for renewable energy remarketing expenses, may have been granted inappropriately. Proceedings are still pending.



Consolidated profit-and-loss account for the first half of 2011 (x EUR million)		
	First half 2011 (unaudited)	First half 2010 (unaudited)
<b>Revenue</b>	<b>4,655.1</b>	<b>3,212.8</b>
Energy and capacity expenses	4,222.8	2,872.4
Transmission grid and system expenses	48.0	32.9
Personnel expenses	64.6	52.6
Depreciation and amortisation	85.7	78.9
Other operating expenses	62.8	50.9
<b>Total operating expenses</b>	<b>4,483.9</b>	<b>3,087.7</b>
<b>Operating profit</b>	<b>171.2</b>	<b>125.1</b>
<i>Net interest income/expenses</i>	-25.1	-24.6
<i>Other finance charges</i>	-8.4	-5.7
	<b>-33.5</b>	<b>-30.3</b>
<b>Profit before tax</b>	<b>137.7</b>	<b>94.8</b>
<i>Corporation tax</i>	43.5	28.5
<i>Result from participating interests</i>	-0.9	0.5
<b>Profit after tax</b>	<b>93.3</b>	<b>66.8</b>
<b>Allocated to:</b>		
<b>Shareholder</b>	92.7	66.5
<b>Non-controlling interest</b>	0.6	0.3
	<b>93.3</b>	<b>66.8</b>

## Notes to the consolidated profit-and-loss account

When comparing the results of the first half of 2011 and the first half of 2010, it is noted that the figures for the first half of 2011 reflect six months whereas data for the first half of 2010 include only four months of our activities in Germany, comprising of TenneT Offshore GmbH and TenneT TSO GmbH.

Revenue as well as energy and capacity expenses in the first half of 2011 included EUR 3,978 million (first half of 2010: EUR 2,597 million) in connection with the sale and purchase of renewable energy under the Renewable Energy Sources Act (EEG) and the Combined Heat and Power Act (KWKG). Under the current regulatory framework, EEG and KWKG-G revenues have no effect on operating profit, as they are matched by an equal amount of expenses.



**Consolidated statement of comprehensive income for the first half of 2011 (x EUR million)**

	First half 2011 (unaudited)	First half 2010 (unaudited)
<b>Profit after tax</b>	<b>93.3</b>	<b>66.8</b>
<b>Other income and expenses</b>		
Exchange rate differences	-0.5	0.8
Change in fair value of cash flow hedges	9.1	-19.0
Taxation	-2.3	4.9
	<b>6.3</b>	<b>-13.3</b>
<b>Total realized and unrealized income</b>	<b>99.6</b>	<b>53.5</b>
<b>Allocated to:</b>		
<b>Shareholder</b>	99.2	53.0
<b>Non-controlling interest</b>	0.4	0.5
	<b>99.6</b>	<b>53.5</b>

**Consolidated statement of changes in equity for the first half of 2011** (x EUR million)

	Attributable to shareholders of the company					Non-control- ling interest	Total
	Paid-up and called- up capital	Hedging reserve	Reserve for exchange rate differences	Retained earnings	Total		
<b>Balance at 1 January 2010</b>	<b>100.0</b>	<b>-2.1</b>	<b>-2.8</b>	<b>623.4</b>	<b>718.6</b>	<b>9.0</b>	<b>727.6</b>
<b>Profit for the first half of 2010</b>							
Profit after tax	-	-	-	66.5	<b>66.5</b>	0.3	<b>66.8</b>
<b>Other income and expenses</b>							
Exchange rate differences	-	-	0.6	-	<b>0.6</b>	0.2	<b>0.8</b>
Change in fair value	-	-19.0	-	-	<b>-19.0</b>	-	<b>-19.0</b>
Taxation	-	4.8	-	-	<b>4.8</b>	-	<b>4.8</b>
<b>Total recognized income for the first half of 2010</b>	<b>-</b>	<b>-14.1</b>	<b>0.6</b>	<b>66.5</b>	<b>52.9</b>	<b>0.5</b>	<b>53.5</b>
<b>Transactions with shareholders</b>							
Dividend 2009 TenneT Holding B.V.	-	-	-	-11.0	<b>-11.0</b>	-	<b>-11.0</b>
<b>Balance at 30 June 2010 (unaudited)</b>	<b>100.0</b>	<b>-16.2</b>	<b>-2.2</b>	<b>678.9</b>	<b>760.5</b>	<b>9.6</b>	<b>770.1</b>
<b>Balance at 1 January 2011</b>	<b>100.0</b>	<b>-4.2</b>	<b>-2.0</b>	<b>694.3</b>	<b>788.1</b>	<b>15.2</b>	<b>803.3</b>
<b>Profit for the first half of 2011</b>							
Profit after tax	-	-	-	92.7	<b>92.7</b>	0.6	<b>93.3</b>
<b>Other income and expenses</b>							
Exchange rate differences	-	-	-0.3	-	<b>-0.3</b>	-0.2	<b>-0.5</b>
Change in fair value	-	8.5	-	-	<b>8.5</b>	-	<b>8.5</b>
Amortisation hedges	-	0.6	-	-	<b>0.6</b>	-	<b>0.6</b>
Taxation	-	-2.3	-	-	<b>-2.3</b>	-	<b>-2.3</b>
<b>Total recognized income for first half of 2011</b>	<b>-</b>	<b>6.8</b>	<b>-0.3</b>	<b>92.7</b>	<b>99.2</b>	<b>0.4</b>	<b>99.6</b>
<b>Transactions with shareholders</b>							
Dividend 2010 TenneT Holding B.V.	-	-	-	-20.0	<b>-20.0</b>	-	<b>-20.0</b>
Distribution hybrid securities	-	-	-	-43.2	<b>-43.2</b>	-	<b>-43.2</b>
Taxation distribution hybrid securities	-	-	-	10.9	<b>10.9</b>	-	<b>10.9</b>
<b>Balance at 30 June 2011 (unaudited)</b>	<b>100.0</b>	<b>2.6</b>	<b>-2.3</b>	<b>734.7</b>	<b>835.0</b>	<b>15.6</b>	<b>850.6</b>
<b>Hybrid securities</b>							<b>496.8</b>
<b>Total equity</b>							<b>1,347.4</b>



## Notes to the consolidated statement of changes in equity

In June 2011, TenneT Holding B.V. paid the 2010 dividend of EUR 20.0 million to its sole shareholder, the State of the Netherlands. Following the payment of this dividend, payment to the holder of the hybrid securities

became mandatory (i.e. dividend pusher). The EUR 43.2 million distribution to the holders of the hybrid securities covered the period 9 February 2010 until 31 May 2011.





**Consolidated cash flow statement for the first half of 2011 (x EUR million)**

	First half 2011 (unaudited)	First half 2010 (unaudited)
<i>Operational cash flow</i>		
Profit after tax	93.3	66.8
Depreciation and amortisation	85.7	78.9
Provisions	16.8	8.5
	<b>195.8</b>	<b>154.2</b>
<i>Movement in working capital</i>		
Inventory	-1.2	1.5
Receivables	389.1	-339.8
Liabilities	202.0	307.7
	<b>589.9</b>	<b>-30.6</b>
<b>Cash flow from operating activities</b>	<b>785.7</b>	<b>123.6</b>
<i>Investment cash flow</i>		
Investments (in)tangible fixed assets	-331.5	-135.7
Disposals (in)tangible fixed assets	13.3	-
Investments financial fixed assets	-1.9	-
Acquisition of subsidiaries	-	-736.1
<b>Cash flow from investing activities</b>	<b>-320.1</b>	<b>-871.8</b>
<i>Financing activities</i>		
New long-term loans	1,235.0	848.8
Redemptions of long-term loans	-978.4	-
Bank overdrafts	-71.3	-130.7
Dividend paid	-20.0	-11.0
Distribution hybrid securities paid	-43.2	-
Financial fixed assets	-	10.0
<b>Cash flow from financing activities</b>	<b>122.1</b>	<b>717.1</b>
<b>Change in cash and cash equivalents</b>	<b>587.7</b>	<b>-31.1</b>
Cash and cash equivalents at 30 June	1,356.3	598.2
Cash and cash equivalents at 1 January	768.6	629.3
	<b>587.7</b>	<b>-31.1</b>

## Notes to the consolidated cash flow statement

### **Cash flow from operating activities**

Cash flow from operating activities amounted to EUR 786 million (2010: EUR 124 million) mainly due to movements in working capital.

### **Cash flow from investing activities**

Cash flow from investing activities amounted to EUR 320 million negative (2010: EUR 872 million negative) mainly caused by the investments in the Dutch grid, investment in the BritNed-cable and investments in the German grid and German offshore.

### **Cash flow from financing activities**

Cash flow from financing activities amounted to EUR 122 million (2010: EUR 717 million) as a result of newly issued bonds, the redemption of loans and the paid distribution on the hybrid securities.

## Additional explanatory notes

### **Basis of preparation**

These condensed consolidated interim financial statements for the six months ended 30 June 2011 have been prepared in accordance with the accounting principles as set out in the consolidated financial statements 2010 of TenneT Holding B.V. These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with IFRS. It is noted that this report does not contain all information details prescribed by IFRS for interim financial reporting.

### **Going-concern basis**

The group meets its day-to-day working capital requirements through its bank facilities. The Management Board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated interim financial statements.

### **Accounting policies**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new standards, amendments to standards and interpretations, which have been adopted if relevant. These standards and interpretations have no material impact on the company's interim financial statements.

- Improvements to IFRSs 2010
- IAS 24 – Related Party Disclosures
- IAS 32 – Financial Instruments
- IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

### **Estimates**

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

### **Seasonality of operations**

The operations are not materially affected by seasonal influences.

### Segment information

The financial information is segmented according to the Group's activities. The operating segments reflect the management structure of the Group. The segmentation has been adjusted following the acquisition of the German activities. Consequently, two segments are presently distinguished: the Netherlands and Germany.

Segment information for the first half of 2011 (x EUR million)				
	The Netherlands	Germany	Elimination	Total
Assets	5,536.2	4,095.8	-2,146.3	7,485.7
Liabilities	4,188.8	1,949.5	-	6,138.3
Equity	1,347.4	2,146.3	-2,146.3	1,347.4
<b>Equity and liabilities</b>	<b>5,536.2</b>	<b>4,095.8</b>	<b>-2,146.3</b>	<b>7,485.7</b>
Revenue	269.5	4,385.6	-	4,655.1
Depreciation	-47.3	-38.4	-	-85.7
Other costs	-166.0	-4,232.2	-	-4,398.2
Finance result	-41.7 <sup>1)</sup>	8.2	-	-33.5
Corporation tax	-6.7	-36.8	-	-43.5
Profit from participating interests	-1.0	0.1	-	-0.9
<b>Profit after tax</b>	<b>6.8</b>	<b>86.5</b>	<b>-</b>	<b>93.3</b>

1) Including interest charges related to German activities



**Segment information for the first half of 2010** (x EUR million)

	<b>The Netherlands</b>	<b>Germany</b>	<b>Elimination</b>	<b>Total</b>
Assets	4,562.6	2,939.5	-1,114.1	6,388.0
Liabilities	3,209.3	1,825.4	-	5,034.7
Equity	1,266.9	1,114.1	-1,114.1	1,266.9
<b>Equity and liabilities</b>	<b>4,476.2</b>	<b>2,939.5</b>	<b>-1,114.1</b>	<b>6,301.6</b>
Revenue	253.3	2,959.5	-	3,212.8
Depreciation	-55.8	-23.1	-	-78.9
Other costs	-166.8	-2,842.0	-	-3,008.8
Finance result	-31.5 <sup>1)</sup>	1.2	-	-30.3
Corporation tax	-0.5	-28.0	-	-28.5
Profit from participating interests	-	0.5	-	0.5
<b>Profit after tax</b>	<b>-1.3</b>	<b>68.1</b>	<b>-</b>	<b>66.8</b>

1) Including interest charges related to German activities

The assets, liabilities, revenues and results of the segments comprise both items directly related to those segments and items that can reasonably be attributed to them. Intercompany transactions are not material and therefore not separately included in the overview.



# 05

## Review report

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

### Introduction

We have reviewed the accompanying condensed consolidated interim financial information as set out on pages 14 to 27 for the six-month period ended 30 June 2011 of TenneT Holding B.V., Arnhem, which comprises the balance sheet as at 30 June 2011, the profit-and-loss account, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the selected explanatory notes for the six-month period then ended. The Management Board is responsible for the preparation and presentation of this interim financial information in accordance with the accounting policies described in the financial statements 2010 of TenneT Holding B.V. and with the additional explanatory notes set out on page 24 of the interim financial statements 2011. 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 company. A review of interim financial information consists of making inquiries, primarily of

persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2011 is not prepared, in all material respects, in accordance with the accounting policies described in the financial statements 2010 of TenneT Holding B.V. and with the additional explanatory notes set out on page 24 of the interim financial statements 2011.

Arnhem, 31 August 2011

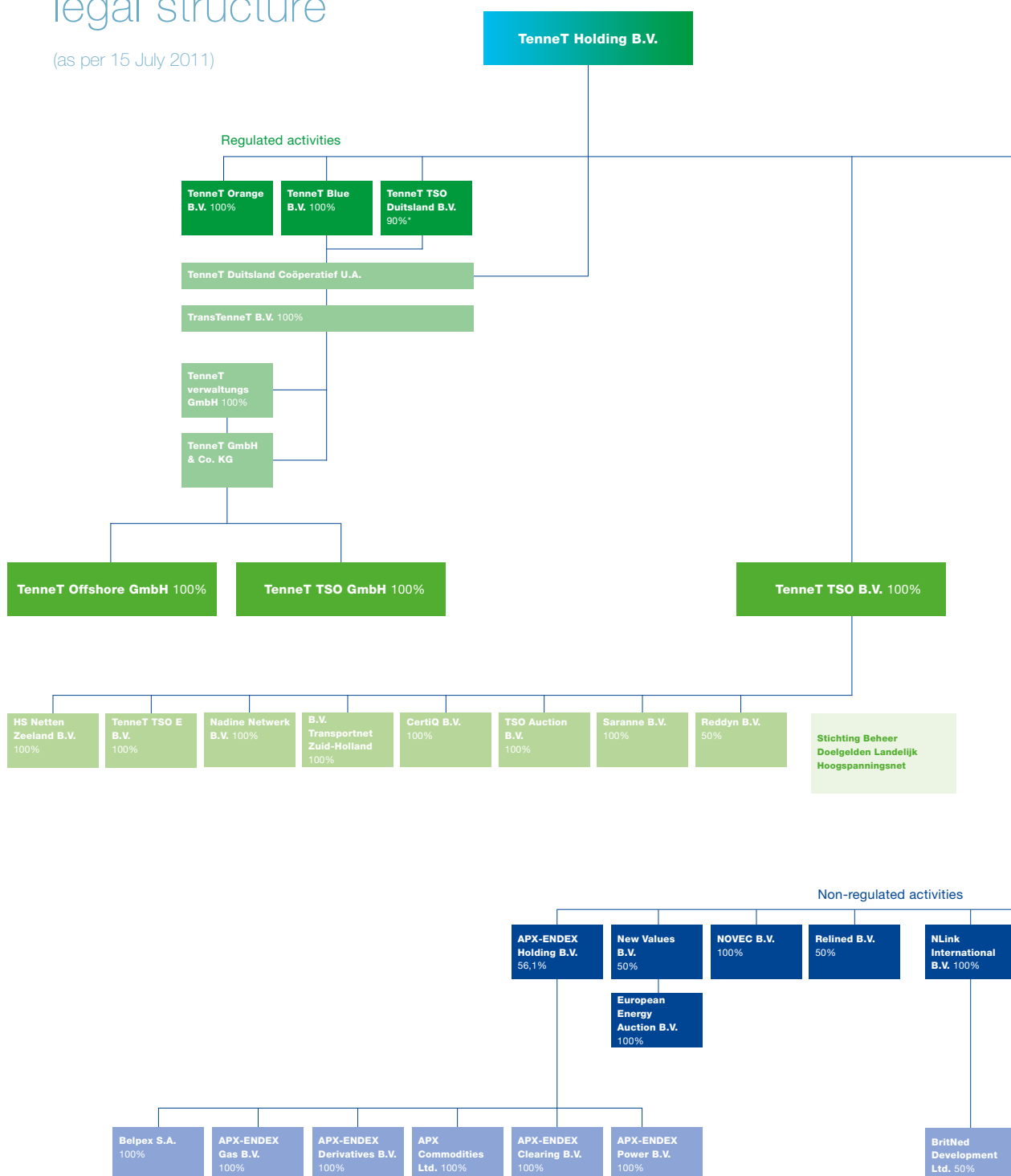
**PricewaterhouseCoopers Accountants N.V.**

Drs. C.J.A.M. Romme RA

# 06

## TenneT Group legal structure

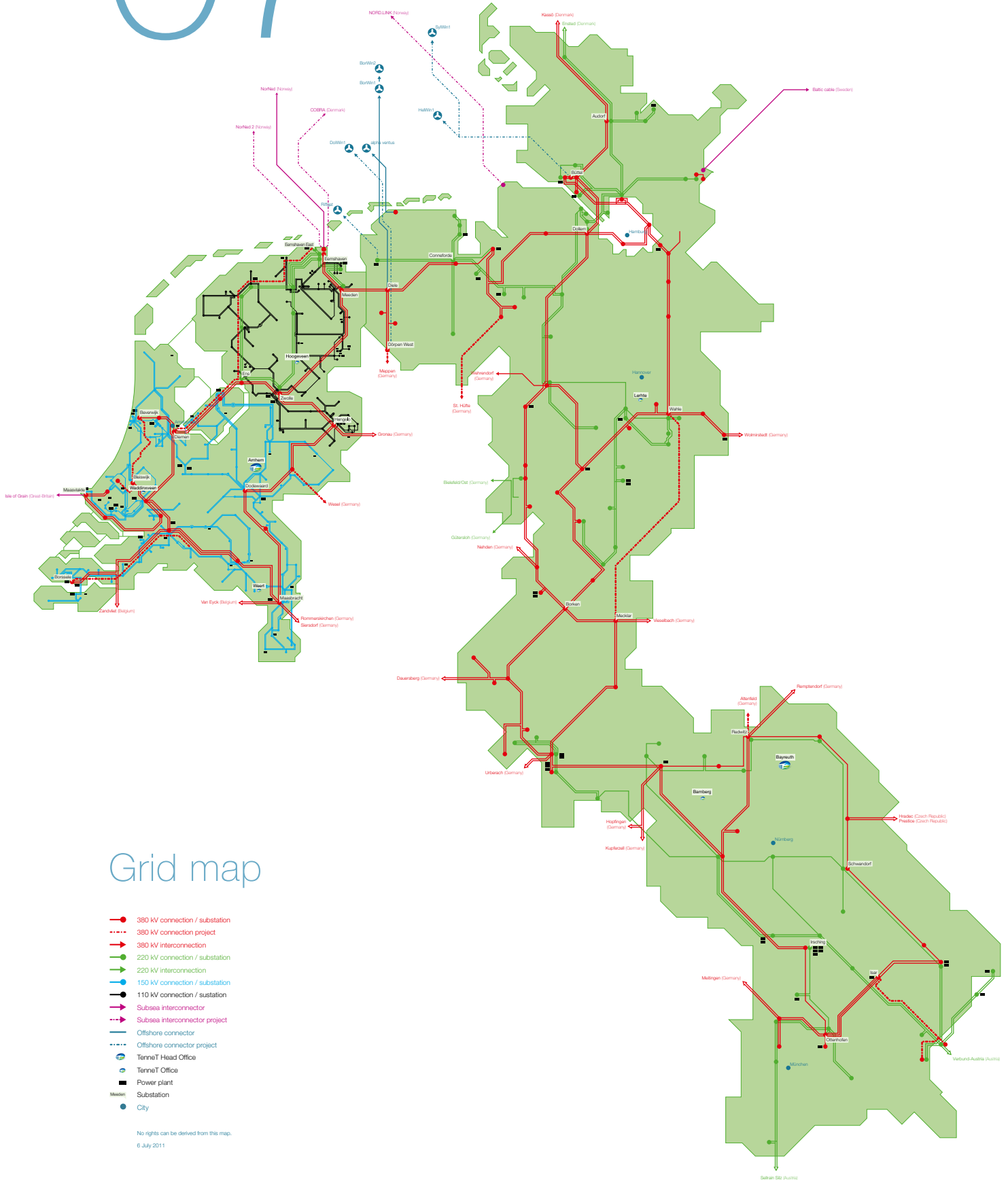
(as per 15 July 2011)



\* 10% Stichting Beheer Doelgelden Landelijk Hoogspanningsnet



# 07







## Colophon

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TenneT is Europe's first cross-border grid operator for electricity. With approximately 20,000 kilometres of (extra) High Voltage lines and 36 million end users in the Netherlands and Germany we rank among the top five grid operators in Europe. Our focus is to develop a Northwest European energy market and to integrate renewable energy. Taking power further.

## **Taking power further**

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September 2011