

Interim financial statements

As at 30 June 2012 TenneT Holding B.V.



Underlying figures

TenneT's figures are presented on an IFRS basis. However, currently IFRS does not allow the recognition of so-called regulatory assets and regulatory liabilities arising from the regulated business of TSOs in Germany in the statement of financial position. As a result the volatility of TenneT's reported figures increases, as TenneT's investments and the impact of renewables on TenneT's energy and capacity costs in Germany are rising.

Therefore, in addition to the required IFRS presentation TenneT's Management Board has decided to present underlying (non-GAAP) figures to give users of its financial statements a broader insight in the underlying performance and developments of its businesses. This underlying financial information is based on the principle to recognise regulatory assets and liabilities for all of TenneT's regulated activities. This implies that amounts resulting from past events and which are allowed or required to be settled in future tariffs are recorded as an asset or liability, respectively, under the heading 'To be settled in tariffs' in the statement of financial position.

An example of such future settlement is the excess or shortfall amount resulting from the differences between ex-ante forecasts and ex-post realisations of transmission volumes. Both in the Netherlands and Germany it is common practise that such differences are adjusted by the regulator via tariffs applicable in future periods.

In addition, in the underlying financial information, receipts from auctioning of cross-border transmission capacity, which either have to be returned to customers through future tariff reductions or to be used for future infrastructure investments, are recorded as a liability and not as profit.

The principle behind the underlying information is that all regulatory revenues and expenses are matched with each other during a corresponding reporting period.

TenneT's Management Board believes that the presentation of underlying financial information leads to a sound, consistent and transparent financial insight into current and future business developments. TenneT's management also uses the underlying figures for its internal control purposes.

The underlying figures are based on the regulation and are part of the yearly audit procedures in the context of the responsibility to the regulator by TenneT's external auditor.

Compared to the IFRS accounts, the total effect on operating profit for the first half year of 2012 was EUR 34 million positive (2011: EUR 38 million negative).

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01 Profile



TenneT is a leading electricity grid operator in the Netherlands and a substantial part of Germany, through its subsidiary TenneT TSO GmbH. With 20,000 kilometres of high voltage lines and 36 million end users, it ranks among Europe's top 5 electricity transmission system operators. The State of the Netherlands holds the entire issued share capital of TenneT Holding B.V.

The head office is located at Arnhem in the Netherlands and TenneT TSO GmbH's main office is located at Bayreuth in Germany.

Tasks

As an electricity transmission system operator (TSO), TenneT has a duty to assure the continuity of electricity supply in the Netherlands and a substantial part of Germany 24 hours a day, 7 days a week. TenneT's core business in both countries is regulated and consists of providing transmission and system services, constructing, maintaining and operating transmission grids and continuously monitoring and maintaining the balance between electricity supply and demand in our Dutch and German grids. These activities are performed under the terms of legislation in the Netherlands and Germany. Regulatory authorities oversee TenneT's compliance with these terms. In the Netherlands, the regulated activities are carried out by TenneT TSO B.V. and its subsidiaries. In Germany, these tasks are carried out by TenneT TSO GmbH and TenneT Offshore GmbH.

Besides its regulated activities, TenneT auctions cross-border transmission capacity and develops and manages interconnectors. TenneT holds shares in a number of northwest European energy exchanges. These unregulated activities are the direct responsibility of TenneT Holding B.V. and are performed to support the energy market to ensure that it operates smoothly and efficiently. TenneT further manages part of the infrastructure required to send and receive broadcasting signals.

Objectives

TenneT strives to provide optimum service in the interest of an efficiently functioning electricity market in the Netherlands and Germany and aims to ensure the highest security of supply of electricity at the lowest possible prices while obtaining an adequate return for its shareholder. TenneT adheres to corporate governance codes and take measures to minimise its footprint.

TenneT's customers include electricity producers and traders. One of the main objectives is to achieve and maintain a high level of customer satisfaction. The company adheres to the policies laid down by the Ministry of Economic Affairs, Agriculture and Innovation.

TenneT's grid investments are driven in part by the growing role of the next generation of renewables in Europe, including energy brought in from offshore wind farms in the North Sea and over cables connecting to hydropower in Norway. New connections enable TenneT to open up large, new energy sources for Europe-wide consumption, while assuring the existence of ways of storing the newly produced sustainable energy on a large scale at the same time. These are logical next steps towards the creation of a sustainable European electricity market.

TenneT strives to serve as a linking pin, connecting producers and consumers with each other, and to maintain a permanent dialogue with the community at large.

02 Consolidated key figures

Group financial data (x EUR million)

Statement of income						
	First half 2012		First half 2011		2011	
	Reported	Underlying	Reported	Underlying	Reported	Underlying
Revenue	816	842	689	664	1,525	1,555
Operating profit	134	167	171	133	357	354
Profit for the period	48	71	93	65	200	198

Statement of financial position						
	30 June 2012		31 December 2011			
	Reported	Underlying	Reported	Underlying		
Tangible fixed assets	5,768	5,952	5,092	5,282		
Equity	2,011	1,960	2,049	1,975		
Balance sheet total	9,089	9,280	8,570	8,764		

Statement of cash flows						
	First half 2012		First half 2011		2011	
	Reported & underlying		Reported & underlying		Reported & underlying	
Cash flow from operating activities	101		786		1,030	
Cash flow from investing activities	-535		-320		-904	
Cash flow from financing activities	203		122		476	

Consolidated key figures are also presented on an underlying basis, which differs from the reported figures under IFRS. The underlying figures are used for the purpose of internal management control and considered to be a relevant indicator of the long-term earning power of our business, whilst providing a sound, consistent and transparent financial insight in TenneT's current financial and future performance. For an explanation of the adjustments and its impact on financial figures, reference is made to the separate disclosure note 'Selected underlying financial information' (see page 28).

03 Management Board Report

Overview key events

In the first half year of 2012 TenneT maintained a high security of supply, whilst transmission tariffs remained at a low level. TenneT continued its efforts to expand and strengthen the grids in the Netherlands and Germany in order to meet increasing reliability and sustainability requirements.

Grid development plan

In May 2012, at the request of the Bundesnetzagentur, TenneT presented together with the other three German grid operators (50Hertz, Amprion and TransnetBW) their first joint grid development plan for the coming decade. The grid development plan is based on the long-term renewable energy targets set by the German government and will provide a basis for a federal plan (Bundesbedarfsplan), which will identify the necessary grid expansions for the 10 years to come. According to the plan, onshore high-voltage grids in Germany will have to undergo considerable expansion necessary to facilitate the German energy transition (Energiewende) and the further development of a European electricity market. Besides optimisation and upgrading of existing lines (a total of 4,400 kilometres), the grid operators also anticipate that new high-voltage lines (a total of 3,800 kilometres) will need to be constructed over the next ten years. These lines will include both alternating-current and direct-current connections. In the plan, the grid operators also advocate broad political support, amendment of the applicable legislation, and an appropriate regulatory framework. TenneT expects to be involved in (part of) the execution of this plan and is – together with the other three grid operators – awaiting next steps by the German government.

Major contribution to energy transition in Germany

In the first half year of 2012 TenneT had ten offshore grid connections in parallel under development or construction in the German part of the North Sea. With this TenneT makes an unparalleled contribution to the Energiewende. To continue its successful contribution to this programme, TenneT has requested for a binding long-term offshore plan and clarification of potential legal liability resulting from delay or unavailability of offshore connections. TenneT's requests have already gained political support and are expected to be set down in relevant regulation and legislation as firm arrangements shortly. Constructive dialogues between TenneT, the regulator, the German government and interested investors are in progress with respect to the timing of realisation of large-scale investments, including the financing thereof.

Investing in maintaining a high security of supply and increasing sustainability

In the Netherlands more than 300 projects are in progress, including four long-distance 380kV lines. The expansion of the extra high-voltage grid is necessary in order to accommodate the expected growth in demand for electricity transmission in the Netherlands. For two of these 380kV lines, a fourth interconnection with Germany and a new connection from the northern Dutch seaport Eemshaven towards the West of the Netherlands, the Ministry of Economic Affairs, Agriculture and Innovation and the Ministry of Infrastructure and the Environment has made provisional decisions.

Construction of a twenty kilometres underground 'highway' to transport electricity across the Dutch Randstad conurbation is well underway. Cable links of this length and capacity installed underground in a high-voltage grid and at such high-voltage levels (380kV) are unprecedented. In the Noordoostpolder TenneT started with the installation of cables which is expected to connect the Netherlands' largest wind farm to the high-voltage grid in 2014.

Continued northwest European market integration

TenneT remains committed to further integrate the northwest European electricity market and to develop a more sustainable energy system in the region and is investigating additional connections with other markets. Together with Danish electricity transmission operator, Energinet.dk, it was decided to continue the development phase of the so-called COBRACable project. And with Statnett, TenneT is preparing an interconnection between Germany and Norway.

Funding

Financing strategy

TenneT's financing objectives are to safeguard the Group's ability to meet its short- and long-term obligations while providing an adequate return on capital for its shareholder. This translates into a credit rating target in the "A" category enabling TenneT to issue public debt at interest rates which are in line with the cost of debt compensation built into the Dutch and German regulatory regimes.

Equity capital contributions at TenneT Holding and offshore project level

In the second half of 2011, the Dutch State committed to an additional equity capital contribution to TenneT Holding of EUR 600 million, which was received in two tranches of EUR 300 million, in December 2011 and June 2012 respectively.

In February 2012, TenneT entered into a partnership with Mitsubishi Corporation by selling an equity stake, representing a 49% voting interest in two German offshore high-voltage cable projects, BorWin1 and BorWin2. Mitsubishi's aggregate equity commitment will total EUR 240 million. The equity contribution of Mitsubishi represents 20% of the expected combined capital expenditures of approximately EUR 1.2 billion for these two projects. TenneT will maintain majority ownership and will continue to operate the connections. Mitsubishi's participation is subject to certain conditions precedent, which TenneT expects to be met before year-end.

In March 2012, TenneT and Mitsubishi Corporation signed a Letter of Intent related to an additional participation in two further German offshore connection projects, HelWin2 and DoIWin2.

Credit rating

As at 30 June 2012, TenneT Holding B.V. has the following senior unsecured credit ratings from Standard & Poor's and Moody's, which were confirmed 22 March 2012 and 24 July 2012, respectively.

Senior unsecured credit rating as of 30 June 2012

	Long-term rating	Short-term rating
Standard & Poor's	A- (stable outlook)	A-2
Moody's	A3 (stable outlook)	P-2

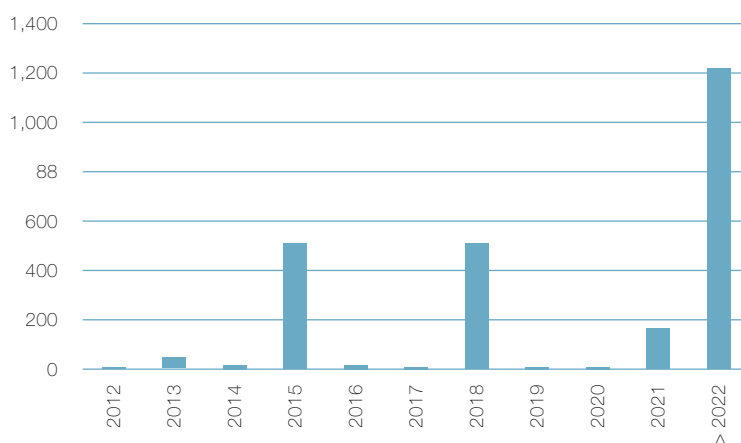
Net debt position

On 30 June 2012, TenneT's interest-bearing debt position, net of any unrestricted cash balances, amounted to EUR 2,160 million. TenneT aims not to maintain any cash balances 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 to finance the construction of the new extra high-voltage electricity transmission ring, in the western part of the Netherlands (Randstad 380). No amounts were drawn under this loan agreement as of 30 June 2012.

Redemption schedule of long-term debt

Annual redemption of interest-bearing debt (amounts in EUR million)



Debt financing sources

TenneT has a EUR 1,125 million committed revolving credit facility at its disposal, expiring August 2016. No amounts were outstanding under this facility as at 30 June 2012. In addition, at 30 June 2012, TenneT had EUR 400 million of uncommitted credit lines and a EUR 1,000 million commercial paper

programme available. No amounts were drawn under these credit lines and no commercial paper was outstanding at 30 June 2012. Finally, TenneT has a EUR 5 billion European Medium Term Note programme available to it, under which EUR 2.2 billion of bonds has been issued as at 30 June 2012. The public prospectus for this programme is currently being updated.

Results

Results on a reported basis

TenneT's reported 'operating profit' over the first half of 2012 decreased to EUR 134 million (2011: EUR 171 million). Despite higher revenues both in Germany and in the Netherlands (see 'underlying financial information') the operating profit decreased mainly due to additional energy & capacity expenses in Germany for which the regulated reimbursement through future tariffs cannot yet be recognised as revenue under IFRS.

Results on an underlying basis

Revenue

TenneT's underlying revenue (i.e. reflecting future reimbursement of extra energy and capacity expenses) increased by 27% to EUR 842 million in the first half of 2012 (2011: EUR 664 million).

TSO Germany

From January to June 2012, TenneT Germany's underlying revenue amounted to EUR 506 million (2011: EUR 395 million). The increase is mainly related to additional energy & capacity expenses (EUR 80 million), for which TenneT will be reimbursed in future tariffs. In addition, the remaining growth in revenues is mainly driven by additional tariff income resulting from the increase of recent grid investments.

TSO Netherlands

Revenue of TenneT Netherlands over the first half year of 2012 amounted to EUR 299 million (2011: EUR 244 million). The increase in revenue of EUR 55 million mainly relates to additional energy and capacity expenses incurred (EUR 14 million), for which TenneT will be reimbursed in future tariffs, in combination with an (annual) adjustment of the permitted revenue by the regulatory x-factor (EUR 17 million), extra revenue in connection with capital expenditures for significant investments (EUR 11 million) and the effect of additional reimbursement of expenses related to the favourable outcome of legal proceedings in respect of the Dutch regulator's method decision for the regulatory period from 2008 to 2010.

Other

The revenue of segment 'Other' increased with EUR 12 million to EUR 37 million (2011: EUR 25 million). This increase mainly relates to a full six-month operation period of the BritNed cable in 2012, versus a three-month operation period in 2011 and a growth in revenue of APX-ENDEX B.V.

Operating profit

TenneT's underlying operating profit increased by 26% to EUR 167 million (2011: EUR 133 million).

TSO Germany

TenneT Germany achieved an underlying operating profit of EUR 97 million in the first half of 2012 (2011: EUR 77 million). Revenue (including intercompany revenue) increased by EUR 112 million whilst corresponding expenses rose by EUR 92 million. The increase in expenses mainly relates to higher energy and capacity expenses (EUR 80 million) and to a lesser extent to higher depreciation and amortisation (EUR 6 million).

TSO Netherlands

TenneT Netherlands achieved an underlying operating profit of EUR 76 million in the first half of 2012 (2011: EUR 62 million). Revenue (including intercompany revenue) increased by EUR 59 million whilst corresponding expenses rose by EUR 45 million. The increase in expenses mainly relates to higher energy and capacity expenses (EUR 14 million), higher depreciation and amortisation (EUR 7 million), costs incurred for the use of certain parts of the high-voltage grids of Stedin and Liander which are subject to cross-border lease arrangements (EUR 7 million), partly offset by lower other gains (sales of transformers) in first half 2012 (EUR 8 million).

Finance result and income tax expenses

The net finance result in 2012 amounted to EUR 64 million (2011: EUR 35 million). This increase is driven by: (1) a full six-month-period of interest on the seven-year and twelve-year bonds issued by TenneT Holding B.V. versus four months of interest in 2011 as this bond was issued February 2011, (2) lower interest related to assets under construction (i.e. BritNed cable in operation 1 April 2011, immediate reimbursement of capital costs in Germany as of 1 January 2012 (t-0 system), and (3) higher other finance charges added to the auction receipts.

Income tax for the first half of 2012 is approximately the same as for the corresponding period in 2011.

Statement of financial position on a reported basis

As per 30 June 2012, TenneT's consolidated statement of financial position amounted to EUR 9.1 billion (2011: EUR 8.6 billion). For an explanation of the main drivers we refer to 'statement of financial position on an underlying basis'.

Statement of financial position on an underlying basis

As per 30 June 2012, TenneT's consolidated assets amounted to EUR 9.3 billion (2011: EUR 8.8 billion). Main growth drivers were an increase of EUR 0.6 billion in 'tangible fixed assets' primarily related to investments in offshore projects in Germany, an increase of EUR 0.2 billion in 'receivables', mainly related to higher receivables in connection with renewable energy purchases in Germany, partly offset by a decrease of EUR 0.2 billion in the 'cash and cash equivalents' and a decrease of EUR 0.1 billion of 'non-current assets and assets of disposal group classified as held for sale'.

The consolidated equity and liabilities amounted to EUR 9.3 billion (2011: EUR 8.8 billion).

Main growth driver was an increase of 'current liabilities' related to 'EEG liabilities' (Erneuerbare-Energien-Gesetz, *Renewable Energies Act*).

Claims

In its normal course of business, TenneT both receives and files legal claims. To the extent deemed necessary, provisions have been made in the statement of financial position to cover anticipated costs of claims, disputes and legal and arbitration proceedings.

Outlook

Inherent uncertainties regarding regulation, speed of investments and associated 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 2012 and onwards.

Arnhem, 27 August 2012

Management Board

Mel Kroon*, Chairman
Martin Fuchs*, Vice-Chairman
Ben Voorhorst*
Eelco de Boer*
Lex Hartman

**Statutory directors*



04 Consolidated interim financial statements on reported basis

Condensed consolidated statement of financial position on reported basis as at 30 June 2012 (x EUR million)			
Assets	Note	30 June 2012	31 December 2011
Non-current assets			
Tangible fixed assets	2	5,767.8	5,091.5
Intangible assets		106.4	110.8
Other non-current receivables		94.9	106.7
Total non-current assets		5,969.1	5,309.0
Current assets			
<i>Receivables</i>			
Accounts receivable and other receivables	3	1,779.2	1,586.8
Other current receivables		47.4	39.8
<i>Total receivables</i>		1,826.6	1,626.6
<i>Cash and cash equivalents (excluding bank overdrafts)</i>			
Collateral securities		33.9	36.5
Short-term bank deposits		348.0	610.0
Cash at bank		97.7	63.6
<i>Total cash and cash equivalents (excluding bank overdrafts)</i>		479.6	710.1
<i>Non-current assets and assets of disposal group classified as held for sale</i>	4	813.5	924.1
Total current assets		3,119.7	3,260.8
Total assets		9,088.8	8,569.8

A considerable portion of the consolidated assets of EUR 1.9 billion (2011: EUR 1.6 billion) is not at the Group's free disposal. These assets comprise receivables relating to the Renewable Energies 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
- EEG trade debtors.

Equity and liabilities	Note	30 June 2012	31 December 2011
Equity			
Share capital		100.0	100.0
Share premium reserve		600.0	600.0
Hedging reserve		3.1	2.8
Reserve for exchange rate differences		-2.6	-1.8
Retained earnings		794.2	832.9
<i>Equity attributable to owners of the parent</i>		1,494.7	1,533.9
Non-controlling interest		18.4	17.3
Hybrid securities		497.6	497.6
Total equity	5	2,010.7	2,048.8
Non-current liabilities			
Borrowings		2,575.5	2,580.2
Investment contributions		362.3	369.8
Auction receipts		431.8	376.5
Other non-current liabilities		477.6	437.0
Total non-current liabilities		3,847.2	3,763.5
Current liabilities			
Borrowings		17.2	17.2
Liabilities relating to collateral securities		33.9	36.5
Accounts payable and other liabilities	6	2,412.4	1,823.0
		2,463.5	1,876.7
<i>Liabilities of disposal group classified as held for sale</i>	4	767.4	880.8
Total current liabilities		3,230.9	2,757.5
Total equity and liabilities		9,088.8	8,569.8

Consolidated statement of income on reported basis for the first half of 2012 (x EUR million)

	First half 2012	First half 2011
Revenue	816.3	689.3
Energy and capacity expenses	377.2	258.4
Transmission grid and system expenses	62.6	47.2
Personnel expenses	74.5	64.5
Depreciation and amortisation of assets	110.5	95.0
Other operating expenses	58.0	53.3
Total operating expenses	682.8	518.4
Operating profit	133.5	170.9
<i>Net finance income/expenses</i>	-45.8	-24.8
<i>Other finance charges</i>	-16.8	-8.4
Finance result	-62.6	-33.2
Profit before income tax	70.9	137.7
<i>Income tax expense</i>	23.3	43.5
<i>Share of (loss)/profit of associates</i>	0.1	-0.9
Profit for the period	47.7	93.3
Profit attributable to:		
Owners of the parent	46.5	92.7
Non-controlling interest	1.2	0.6
	47.7	93.3

Consolidated statement of comprehensive income on reported basis for the first half of 2012 (x EUR million)

	First half 2012	First half 2011
Profit for the period	47.7	93.3
Other comprehensive income		
Exchange rate differences	-0.2	-0.5
Cash flow hedges ended	-	8.5
Amortisation cash flow hedges	0.4	0.6
Direct equity movements in associates	-0.8	-
Other movement	-0.1	-
Taxation	-0.1	-2.3
Other comprehensive income for the year, net of tax	-0.8	6.3
Total comprehensive income for the period	46.9	99.6
Attributable to:		
Owners of the parent	45.8	99.2
Non-controlling interest	1.1	0.4
	46.9	99.6

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

	Attributable to equity holders of the company					Total	Non-controlling interest	Hybrid securities	Total
	Paid-up and called-up capital	Share premium reserve	Hedging reserve	Reserve for exchange rate difference	Retained earnings				
Balance at 1 January 2011	100.0	-	-4.2	-2.0	694.3	788.1	15.2	496.8	1,300.1
Profit for the first half of 2011									
Profit for the period	-	-	-	-	92.7	92.7	0.6	-	93.3
Other comprehensive income									
Exchange rate differences	-	-	-	-0.3	-	-0.3	-0.2	-	-0.5
Cash flow hedges ended	-	-	8.5	-	-	8.5	-	-	8.5
Amortisation cash flow hedges	-	-	0.6	-	-	0.6	-	-	0.6
Taxation	-	-	-2.3	-	-	-2.3	-	-	-2.3
Total comprehensive income for first half of 2011	-	-	6.8	-0.3	92.7	99.2	0.4	-	99.6
Transactions with equity holders, recognised directly in equity									
Dividend 2010 TenneT Holding B.V.	-	-	-	-	-20.0	-20.0	-	-	-20.0
Distribution hybrid securities	-	-	-	-	-43.2	-43.2	-	-	-43.2
Taxation distribution hybrid securities	-	-	-	-	10.9	10.9	-	-	10.9
Total transactions with equity holders, recognised directly in equity	-	-	-	-	-52.3	-52.3	-	-	-52.3
Balance at 30 June 2011	100.0	-	2.6	-2.3	734.7	835.0	15.6	496.8	1,347.4

Consolidated statement of changes in equity on reported basis for the first half of 2012 (x EUR million)

	Attributable to equity holders of the company					Total	Non-controlling interest	Hybrid securities	Total
	Paid-up and called-up capital	Share premium reserve	Hedging reserve	Reserve for exchange rate difference	Retained earnings				
Balance at 1 January 2012	100.0	600.0	2.8	-1.8	832.9	1,533.9	17.3	497.6	2,048.8
Profit for the first half of 2012									
Profit for the period	-	-	-	-	46.5	46.5	1.2	-	47.7
Other comprehensive income									
Exchange rate differences	-	-	-	-0.1	-	-0.1	-0.1	-	-0.2
Direct equity movement in associates	-	-	-	-	-0.8	-0.8	-	-	-0.8
Amortisation hedges	-	-	0.4	-	-	0.4	-	-	0.4
Taxation	-	-	-0.1	-	-	-0.1	-	-	-0.1
Other movements	-	-	-	-0.7	0.6	-0.1	-	-	-0.1
Total comprehensive income for first half of 2012	-	-	0.3	-0.8	46.3	45.8	1.1	-	46.9
Transactions with equity holders, recognised directly in equity									
Dividend 2011 TenneT Holding B.V.	-	-	-	-	-60.0	-60.0	-	-	-60.0
Distribution hybrid securities	-	-	-	-	-33.3	-33.3	-	-	-33.3
Taxation distribution hybrid securities	-	-	-	-	8.3	8.3	-	-	8.3
Total transactions with equity holders, recognised directly in equity	-	-	-	-	-85.0	-85.0	-	-	-85.0
Balance at 30 June 2012	100.0	600.0	3.1	-2.6	794.2	1,494.7	18.4	497.6	2,010.7

Consolidated statement of cash flows on reported basis for the first half of 2012 (x EUR million)

	First half 2012	First half 2011
<i>Operational cash flow</i>		
Profit for the period	47.7	93.3
Depreciation and amortisation of assets	110.5	85.7
Provisions	15.8	16.8
	174.0	195.8
<i>Movement in working capital</i>		
Receivables	-372.0	387.9
Liabilities	298.7	202.0
	-73.3	589.9
Cash flow from operating activities	100.7	785.7
<i>Investment cash flow</i>		
Additions of tangible and intangible fixed assets	-528.9	-331.5
Disposals of tangible and intangible fixed assets	-	13.3
Additions of financial fixed assets	-	-1.9
Dividend received from financial assets	0.3	-
New deposits (financial assets)	-24.0	-
Repayment of deposits (financial assets)	18.0	-
Cash flow from investing activities	-534.6	-320.1
<i>Financing activities</i>		
New long-term borrowings	-	1,235.0
Repayment of long-term borrowings	-3.3	-978.4
Bank overdrafts	-	-71.3
Capital contribution Dutch State	300.0	-
New short-term borrowings	375.0	-
Repayment of short-term borrowings	-375.0	-
Dividend TenneT Holding B.V	-60.0	-20.0
Distribution on hybrid securities	-33.3	-43.2
Cash flow from financing activities	203.4	122.1
Change in cash and cash equivalents	-230.5	587.7
Cash and cash equivalents including bank overdrafts at 30 June	479.6	1,356.3
Cash and cash equivalents including bank overdrafts at 1 January	710.1	768.6
	-230.5	587.7

Notes to the consolidated interim financial statements

1. General information

TenneT provides transmission and system services, constructs, operates and manages transmission grids, maintains the energy balance between supply and demand, facilitates the operation of the energy market, encourages the development of a sustainable energy market and rents out telecommunications infrastructure.

These condensed interim financial statements were approved for issue on 27 August 2012. These condensed interim financial statements have been reviewed, not audited.

Basis of preparation

The condensed interim financial statements for the first half of 2012 have been prepared in accordance with IAS 34 'Interim financial reporting'. It does not contain all information and disclosures required in the annual financial statements, and should be read in conjunction with the 2011 Annual Report of TenneT Holding B.V. published in May 2012.

Accounting policies

The accounting policies applied in the condensed interim financial statements are consistent with those applied in the preparation of the 2011 financial statements of TenneT Holding B.V.

Going concern basis

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

Presentation of EEG and KWK-G revenues and expenses

In the consolidated interim financial statements revenues and expenses related to the Renewable Energies Act (*Erneuerbare-Energien-Gesetz*, EEG) and Combined Heat and Power Act (*Kraft-Wärme-Kopplungs-Gesetz*, KWK-G) in Germany are presented on a net basis in the profit and loss statement, consistent with TenneT's 2011 annual report. For more details reference is made to these statements (page 68). In the first half of 2012, the gross revenue amount was EUR 5,440 million (2011: 3,966 million).

Presentation of sec. 19 par. 2

Electricity Grid Ordinance (Stromnetzentgeltverordnung, StromNEV)

Sec. 19 par. 2 StromNEV is applicable as of 1 January 2012. Revenues and expenses relating to this sec. are netted in the profit and loss statement because of reasons similar to those applicable to EEG and KWK-G amounts. TenneT is acting as an agent with respect to these services. The corresponding amount in 2012 was EUR 99 million (2011: nil).

Estimates

The preparation of the consolidated 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 the 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 ending on 31 December 2011.

Seasonality of operations

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

2. Tangible Fixed Assets

Tangible fixed assets increased to an amount of EUR 5,768 million (2011: EUR 5,092 million). The increase is mainly related to the offshore activities of TenneT.

At 30 June 2012, external commitments totalling EUR 3,139.6 million (2011: EUR 2,969.9) had been entered into with regard to the purchase of tangible fixed assets. Furthermore, other German grid related obligations amounted to EUR 136.0 million (2011: EUR 139.7 million).

3. Accounts receivable and other receivables

The accounts receivable and other receivables comprise accounts receivable, EEG trade debtors, amounts to be invoiced (EEG trade debtors), taxes and other receivables.

The accounts receivable and other receivables increased to an amount of EUR 1,779 million (2011: EUR 1,587 million). The increase is mainly related to the increase in EEG related receivables. This increase is partially offset by the receipt of EUR 300 million from TenneT's shareholder, which was included as a receivable as per 31 December 2011.

4. Non-current assets and assets of disposal group classified as held for sale/ Liabilities of disposal group classified as held for sale

The balance sheet positions 'Non-current assets and assets of disposal group classified as held for sale' and 'Liabilities of disposal group classified as held for sale' relate to TenneT's majority equity interest in APX-ENDEX as at 30 June 2012. As at that date, management and the shareholders of APX-ENDEX were exploring strategic partnerships for APX-ENDEX, potentially resulting in a decrease of TenneT's interest below 50%.

5. Equity

TenneT Holding paid an annual dividend of EUR 60.0 million to its sole shareholder, the State of the Netherlands (in May 2012) and paid a dividend of EUR 33.3 million to the holders of the hybrid securities covering the period 1 June 2011 to 1 June 2012 (in June 2012).

6. Accounts Payable & other liabilities

The accounts payables and other liabilities comprise expenses payable in respect of transmission and system services, trade payables, EEG accounts payable, taxes and social securities, interest payable, provisions, to be settled in tariffs, investor contributions, work in process and other liabilities.

The significant increase in the accounts payable and other liabilities is mainly related to the EEG accounts payable, which is inherent to the nature of the EEG system. No other significant changes occurred in the accounts payable and other liabilities during the first half 2012.

7. Financial risk management

The Group's activities are exposed to a variety of financial risks: treasury risk, market risk, credit risk, liquidity risk and refinancing risk. The consolidated interim financial statements does not include all financial risk management information and disclosures which are required for the annual financial statements. They should be read in conjunction with the Group's annual financial statements as at 31 December 2011. There have been no changes in the risk management department or in any risk management policies since year-end 2011.

8. Segment information

The financial information is segmented according to the Group's activities. The operating segments reflect the management structure of the Group. From a product perspective, TenneT's Holding Management Board distinguishes between the performance of regulated and non-regulated activities. From a geographic perspective, the Management Board separately considers the performance of the regulated activities in the Netherlands and in Germany. In contrast to the situation at the time of the annual financial statements as at 31 December 2011, TenneT Holding Management Board currently assesses performance and allocates resources based on underlying financial information instead of information reported in accordance with IFRS.

Separately, the identified operating segments have been adjusted following the changed internal reporting requested by the Management Board during 2011. Consequently, three segments are presently discerned: 'TSO Netherlands', 'TSO Germany' and 'Other'. The segment 'Other' comprises all non-regulated activities and TenneT Holding B.V. costs. For these three segments, the Management Board assesses the performance based on earnings before interest and tax (EBIT). Interest income and expenses are not separately allocated to segments, as TenneT's funding takes place on a centralised level and does not necessarily bear a direct relationship to any intercompany financing arrangements.

Segment information for the first half of 2012 (x EUR million)

	Underlying	Underlying	Underlying	Underlying	Underlying		
	TSO Netherlands	TSO Germany	Other	Elimination	Total	Total adjustment to underlying	Reported
Assets	3,818.7	5,950.9	7,467.3	-7,957.2	9,279.7	-190.9	9,088.8
Liabilities	2,527.7	3,849.5	5,507.0	-4,564.8	7,319.4	-241.3	7,078.1
Equity	1,291.0	2,101.4	1,960.3	-3,392.4	1,960.3	50.4	2,010.7
Equity and liabilities	3,818.7	5,950.9	7,467.3	-7,957.2	9,279.7	-190.9	9,088.8
Revenue	299.1	506.4	36.5	-	842.0	-25.7	816.3
IC Revenue	14.7	1.4	45.6	-61.7	-	-	-
Depreciation and amortisation	-60.6	-50.5	-6.2	-	-117.3	6.8	-110.5
Other costs	-177.1	-360.1	-30.8	10.4	-557.6	-14.6	-572.2
EBIT	76.1	97.2	45.1	-51.3	167.1	-33.5	133.6

Segment information for the first half of 2011 (x EUR million)

	Underlying	Underlying	Underlying	Underlying	Underlying		
	TSO Netherlands	TSO Germany	Other	Elimination	Total	Total adjustment to underlying	Reported
Assets	3,074.1	4,294.8	6,188.0	-5,872.2	7,684.7	-198.9	7,485.8
Liabilities	2,513.4	2,248.2	4,940.3	-3,264.9	6,437.0	-298.6	6,138.4
Equity	560.7	2,046.6	1,247.7	-2,607.3	1,247.7	99.7	1,347.4
Equity and liabilities	3,074.1	4,294.8	6,188.0	-5,872.2	7,684.7	-198.9	7,485.8
Revenue	243.7	394.8	25.8	-	664.3	25.0	689.3
IC Revenue	11.0	-	35.9	-46.9	-	-	-
Depreciation and amortisation	-53.3	-44.7	-2.9	-	-100.9	5.9	-95.0
Other costs	-139.9	-273.6	-31.0	12.8	-431.7	7.4	-424.3
EBIT	61.5	76.5	27.8	-34.1	131.7	38.3	170.0

Reconciliation to operating profit

	2012	2011
Operating profit	133.5	170.9
Share of (loss) profit of associates	0.1	-0.9
EBIT	133.6	170.0

Events after the reporting period

Cap on potential offshore liabilities

The Federal Ministry of Economics and Technology (BMWi) and the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) in Germany published the outlines of a draft law addressing potential liability of TSOs regarding offshore wind farms in case of 'late delivery' or 'non-availability' of extra-high-voltage cable connections on 2 July 2012. The proposal intends to reduce the remaining exposure for TenneT to insurable levels. Final legislation is expected to be passed by the end of the third quarter 2012.

Certification as TSO

The German Federal Network Agency (*Bundesnetzagentur*, BNetzA) published a draft decision, stating its inability to certify TenneT Germany as a transmission grid operator according to Energy Act (*Energiewirtschaftsgesetz*, EnWG) under the current circumstances, on 10 July 2012. Such certification is required as part of the newly established European Union's unbundling requirements. Based on recent discussions with relevant stakeholders including senior representatives of the European Commission, TenneT's management is convinced that a favourable decision will be made and announced by the BNetzA not later than early 2013. Obviously TenneT's management is fully committed to make all efforts possible to obtain this certificate.

05 Review report and assurance report



TenneT engaged its external auditors to review the consolidated interim financial statements as reported in accordance with IAS 34. The external review report is presented on page 26. In addition, TenneT engaged its external auditors to provide assurance on the accuracy and completeness of the adjustments between the information as reported under IAS 34 and the underlying financial information including all regulatory assets and liabilities. This assurance report is presented on page 27.

Review report

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

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements as set out on the pages 13 to 24 for the six-month period ended 30 June 2012 of TenneT Holding B.V., Arnhem, which comprises the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes for the six-month period then ended. The Management Board is responsible for the preparation and presentation of these condensed interim 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 condensed interim financial statements 2012 based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, Review of Interim Financial Statements performed by the Independent Auditor of the company. A review of interim financial statements 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 statements as at 30 June 2012 are not prepared, in all material respects, in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union.

Utrecht, 27 August 2012

PricewaterhouseCoopers
Accountants N.V.

Original has been signed by
drs. C.J.A.M. Romme RA

Assurance report on the selected underlying financial information

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

Introduction

We have been engaged by the Management Board of TenneT Holding B.V. to perform a reasonable assurance engagement on the accuracy and completeness of the adjustments shown in the selected underlying financial information (middle column), as set out on the pages 28 to 29 of this half year report. This information is prepared on the basis set out on page 2. The Management Board is responsible for the preparation and presentation of this information. Our responsibility is to express an opinion on the accuracy and completeness of this information based on our work performed.

Scope

We conducted our work in accordance with Dutch law including standard 3000 'Assurance Engagements other than Audits or Reviews of Historical financial information'. Our procedures performed on the pages 28 to 29 were:

- agreeing the amounts presented in the column 'Reported' with the financial statements presented on the pages 13 to 24
- assessing through substantive procedures whether the amounts presented in the column 'Adjustments to Underlying' have been prepared in accordance with the notes to the regulatory accounting prepared by the Management Board as set out on page 2
- reconciling the amounts presented in the columns 'Reported' and 'Adjustments to underlying' to the column 'Underlying'.

Opinion

In our opinion, based on our work performed, the selected underlying financial information as set out on the pages 28 to 29 is accurate and complete in all material respects, in accordance with the basis of preparation as set out on page 2 of this half year report.

Restriction of use

This assurance report is solely prepared to provide reasonable assurance on the selected underlying financial information and cannot be used for other purposes.

Utrecht, 27 August 2012

PricewaterhouseCoopers

Accountants N.V.

Original has been signed by

drs. C.J.A.M. Romme RA

06 Selected underlying financial information

For the basis of preparation we refer to the paragraph 'Underlying figures'.

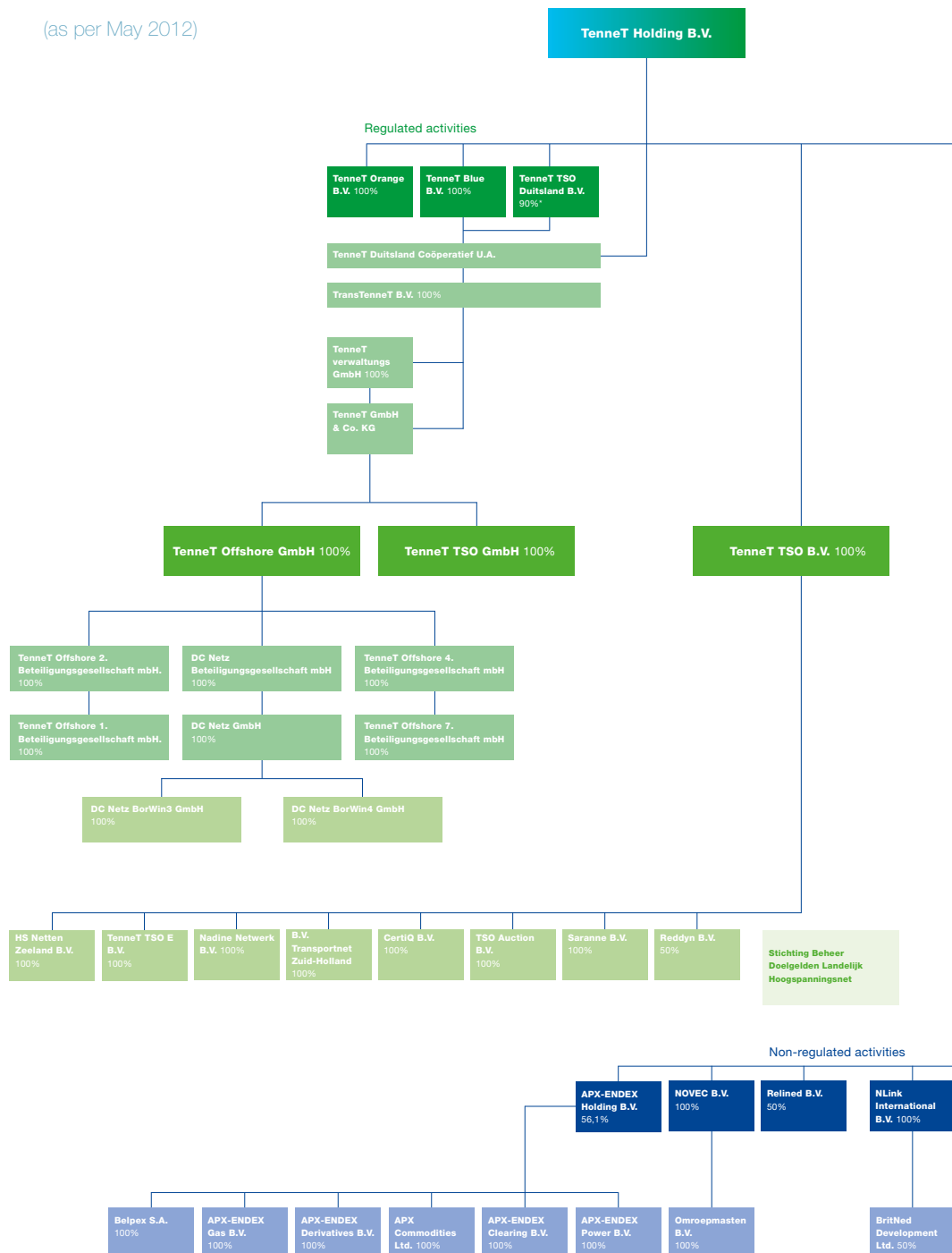
Consolidated statement of financial position (x EUR million)						
	Reported	Adjustment to underlying	Underlying	Reported	Adjustment to underlying	Underlying
	30 June 2012			30 June 2011		
Assets						
Tangible fixed assets	5,767.8	184.2	5,952.0	5,091.5	190.9	5,282.4
Other non-current assets	201.3	-	201.3	217.5	0.1	217.6
Non-current assets	5,969.1	184.2	6,153.3	5,309.0	191.0	5,500.0
Current assets						
Receivables	1,826.6	6.7	1,833.3	1,626.6	2.8	1,629.4
Cash and cash equivalents (excluding bank overdrafts)	479.6	-	479.6	710.1	-	710.1
Non-current assets and assets of disposal group classified as held for sale	813.5	-	813.5	924.1	-	924.1
Total current assets	3,119.7	6.7	3,126.4	3,260.8	2.8	3,263.6
Total assets	9,088.8	190.9	9,279.7	8,569.8	193.8	8,763.6
Equity and liabilities						
Total equity	2,010.7	-50.4	1,960.3	2,048.8	-73.6	1,975.2
Non-current liabilities						
Auction receipts	431.8	168.3	600.1	376.5	152.1	528.6
Other non-current liabilities	3,415.4	-22.0	3,393.4	3,387.0	-31.7	3,355.3
Total non-current liabilities	3,847.2	146.3	3,993.5	3,763.5	120.4	3,883.9
Current liabilities						
Liabilities of disposal group classified as held for sale	767.4	-	767.4	880.8	-	880.8
Total current liabilities	3,230.9	95.0	3,325.9	2,757.5	147.0	2,904.5
Total equity and liabilities	9,088.8	190.9	9,279.7	8,569.8	193.8	8,763.6

Consolidated statement of income (x EUR million)

	Reported	Adjustment to underlying	Underlying	Reported	Adjustment to underlying	Underlying
	30 June 2012			30 June 2011		
Revenue	816.3	25.7	842.0	689.3	-25.0	664.3
Energy and capacity expenses	377.2	-10.8	366.4	258.4	12.0	270.4
Depreciation and amortisation of assets	110.5	6.8	117.3	95.0	5.9	100.9
Other operating expenses	195.1	-3.8	191.3	165.0	-4.6	160.4
Total operating expenses	682.8	-7.8	675.0	518.4	13.3	531.7
Operating profit	133.5	33.5	167.0	170.9	-38.3	132.6
Net finance income/expenses	-45.8	-1.0	-46.8	-24.8	-2.2	-27.0
Other finance charges	-16.8	-	-16.8	-8.4	-	-8.4
Finance result	-62.6	-1.0	-63.6	-33.2	-2.2	-35.4
Profit before income tax	70.9	32.5	103.4	137.7	-40.5	97.2
Income tax expense	23.3	9.4	32.7	43.5	-12.1	31.4
Share of (loss)/ profit of associates	0.1	-	0.1	-0.9	-	-0.9
Profit for the period	47.7	23.1	70.8	93.3	-28.4	64.9
Attributable to						
Owner of the parent	46.5	23.1	69.6	92.7	-28.4	64.3
Non-controlling interest	1.2	-	1.2	0.6	-	0.6
	47.7	23.1	70.8	93.3	-28.4	64.9

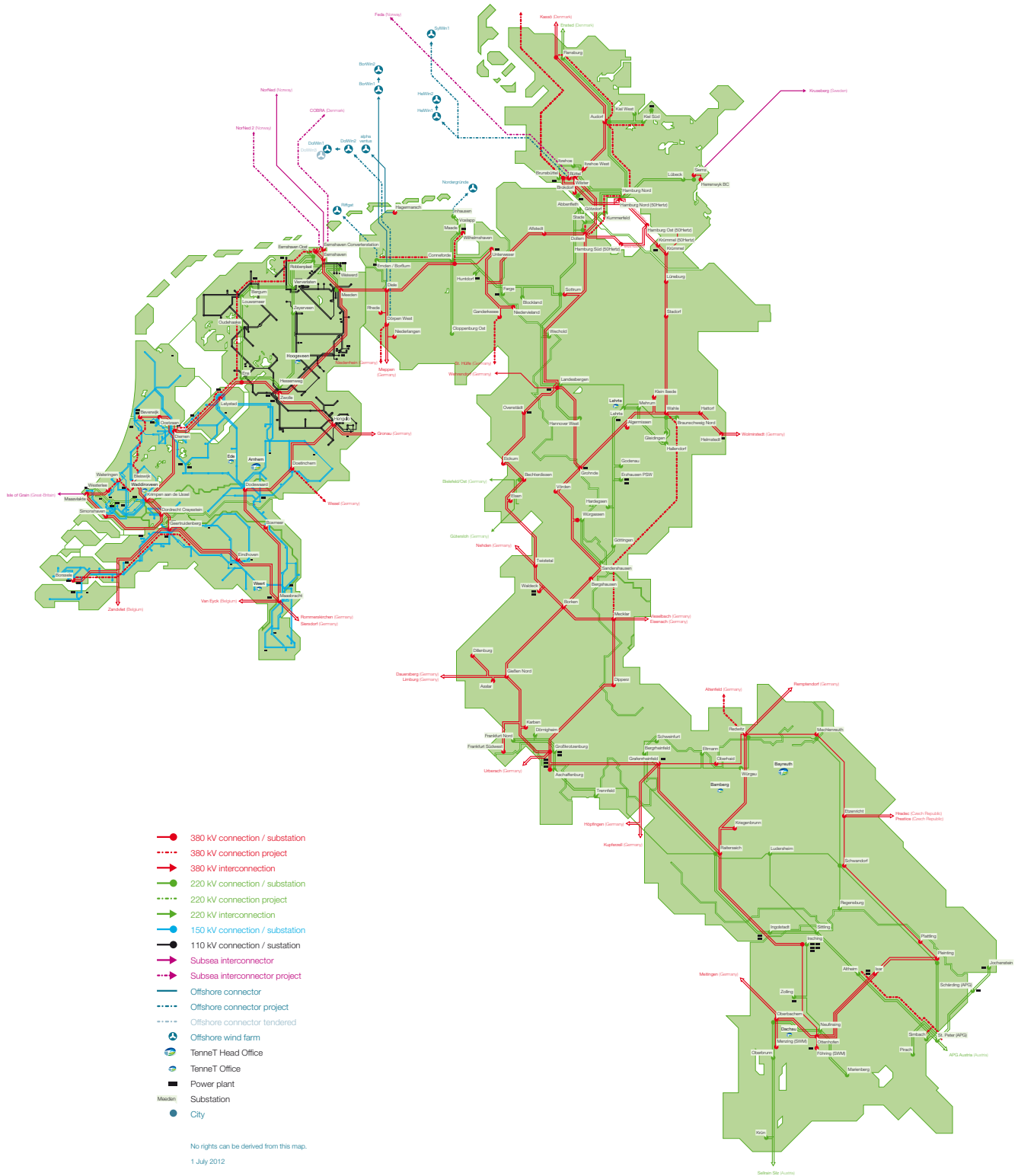
07 TenneT Group legal overview

(as per May 2012)



* 10% Stichting Beheer Doelgeden Landelijk Hoogspanningsnet

08 Grid map



Disclaimer

'We', 'TenneT', 'TenneT Holding', '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.

The consolidated interim financial statements for the first half of 2012 have been prepared in accordance with IAS 34 'Interim financial statements'. They do not contain all information and disclosures required in the annual financial statements. To obtain a complete picture, this report must therefore be considered in conjunction with the 2011 Annual Report of TenneT Holding B.V. published in May 2012. The accounting policies applied in the interim financial statements are consistent with those applied in the preparation of the 2011 financial statements of TenneT Holding B.V., which can be found on www.tennet.eu.

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

Apart from the 31 December 2011 financial information, all financial information shown throughout this report is unaudited.

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August 2012



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