TenneT Fixed Income Investor Presentation

February 2011

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Key indicative offering data

- **Issuer:** TenneT Holding B.V. ("TenneT")
- **Company Profile:** Transmission System Operator (TSO) High Voltage Grid
- **Status:** Senior unsecured Notes
- **Senior Unsecured Debt Ratings**
  - **S&P:** A- (stable)
  - **Moody's:** A3 (stable)
- **Size:** Benchmark, across two tranches
- **Use of proceeds:** General corporate purposes
- **Denominations:** EUR100,000 + EUR1,000
- **Governing Law:** Netherlands
- **Documentation & Listing:** EMTN programme (includes change of control), Amsterdam
- **Joint Bookrunners:** ING, Lloyds, Rabobank, RBS
- **Timing**
  - **Roadshow:** 7 – 10 February 2011
  - **Locations:** London, Paris, Zurich, Frankfurt, Amsterdam

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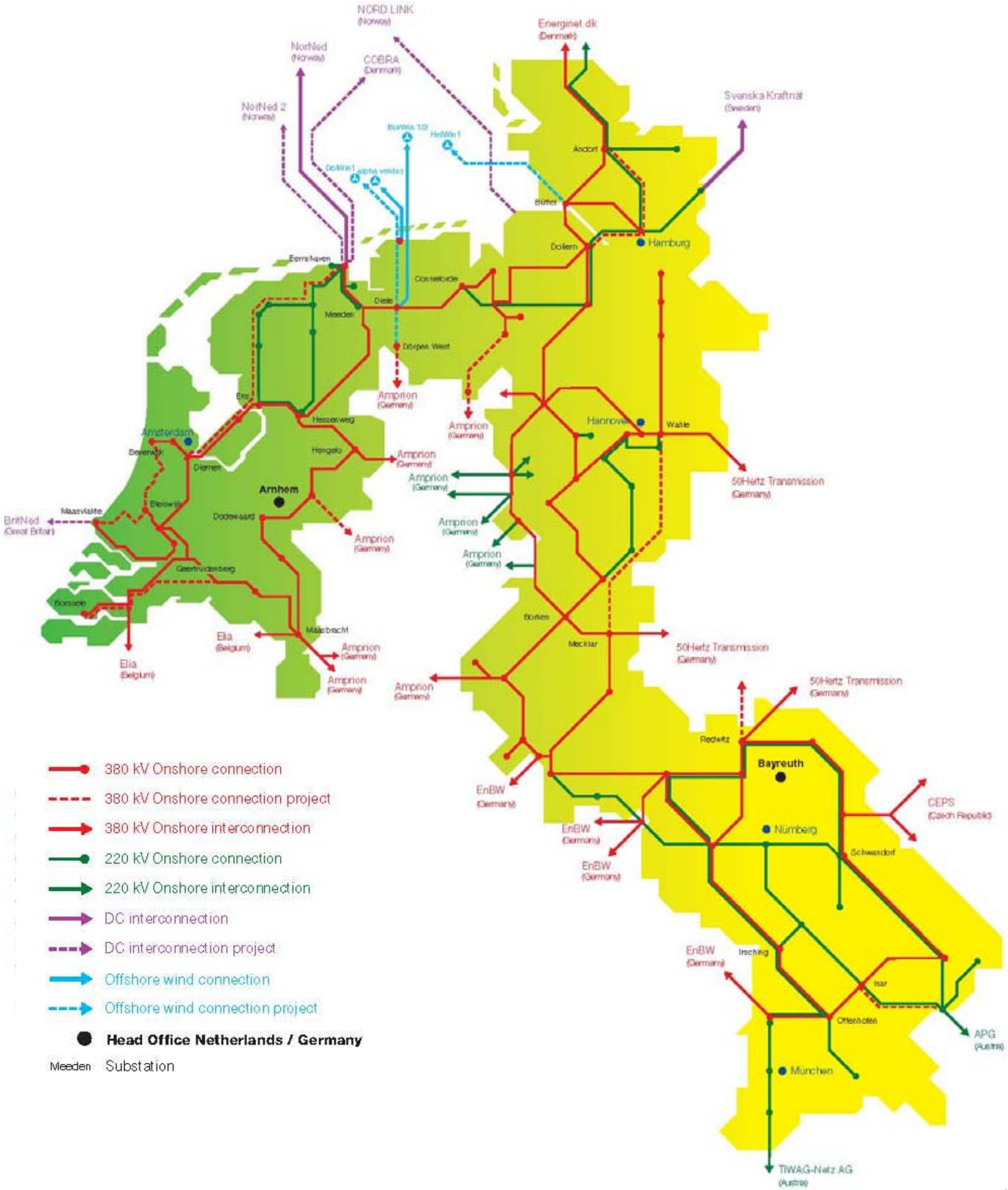
Key investment considerations

Government Owned	• Strong backing by Dutch State as TenneT's 100% owner • Plays a key public policy role and is a strategic asset of the Dutch State
Financial Solidity	• Commitment to 'A' category credit rating, consistent with government policy • Sound and clearly defined financial policy • Excellent access to a wide range of funding options
Favourable Regulation	• Modern, transparent Dutch and German regulatory frameworks • Stable regulatory regime with high predictability of cash flows and adequate returns on investments
Clear Strategy	• Strong strategic position within the North Western European energy market • Leading role in further development and integration of electricity markets • High quality of operations and service standards
Business Proposition	• Top-5 European system operator • Natural and legal monopoly in the Netherlands and Germany • Key role in execution of Dutch and German State's energy policy objectives
Management	• Experienced management team

1. Company overview

Overview of TenneT

- TenneT is the operator of the Dutch national grid network. It is licensed to operate high and extra-high voltage grids (110 - 380kV). The company is fully owned by the Dutch government
- Since its acquisition of German grid operator transpower gmbh in February 2010, it also operates an extensive extra high voltage network across Germany
- The Dutch and German regulated activities represent approximately 93% of the company's 2009 revenues
- Staff increased from 933 FTEs at the end of 2009 to 1825 after the acquisition



Source: Company data

Consolidated financials

Financial data (in millions of euros)			
	First half 2010	First half 2009[1]	2009[1]
Revenues	3,213[2]	261	547
Revenues excluding renewable energy	615	261	547
Operating profit (EBIT)	125	46	137
Net profit (after amounts allocated to third-parties)	67[3]	25	72
Tangible fixed assets	3,867	2,323	2,418
Equity	1,267	690	728
Total assets	6,302	3,718	3,570
Cash flows from operating activities	69	37	99
Cash flows from investing activities	(872)	(899)	(1,118)
Cash flows from financing activities	840	802	899

1. Excluding transpower figures (acquired in 2010)
2. Including EUR2,598 million of revenue and expense in connection with the sale and purchase of renewable energy by TenneT TSO GmbH
3. Including one-off items primarily related to release of provisions of EUR10 million after tax

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Simplified organisation structure

State of the Netherlands

TenneT Holding BV 100%

Regulated business

TenneT TSO GmbH (formerly transpower gmbh) — 100%

- Sole German TSO with interconnections to all other three German TSO's as well as to Denmark, the Netherlands, Austria, Czech Republic and Sweden
- TenneT TSO Germany is active in four out of the seven regional European markets
- The grid forms part of the European integrated network (ENTSO-E)

TenneT TSO BV — 100%

- TenneT TSO BV carries out regulated activities related to managing the Dutch transmission grid and maintaining the required power balance between supply and demand in the grid
- The company is also joint owner of the "NorNed" cable link between Norway and the Netherlands
- The grid forms part of the European integrated network (ENTSO-E)

Non-regulated business

- APX Endex BV — 56.1%
- NOVEC BV — 100%
- New Values BV — 50%
- NLink International BV — 100%

- All non-regulated businesses, are supportive of the regulated activities
- APX Endex operates electricity and gas exchanges in the Netherlands and the UK
- NOVEC rents out antenna sites to telecom operators
- NLink owns 50% of BritNed Development Ltd, which owns the BritNed cable link between the Netherlands and the UK

Source: Company data

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Strategic objectives and priorities

TenneT 's overall objective is to maximise societal benefits whilst creating shareholder value

Strategic Objectives

- Security of supply
- Low (system and transmission) tariffs
- Facilitation of environmental agenda
- Drive European market integration

Strategic Priorities

- Make necessary investments to secure reliability of the Dutch and German regulated grid networks
- Build legally required connections, eg. to German offshore wind parks
- Maximise capital expenditure efficiency by making smarter investment decisions, managing projects more tightly and spending less capital to achieve the same functionality
- Improve expense efficiency, targeting significant improvements (especially in the Netherlands)
- Raise equity capital to ensure ongoing financeability
- Continue to play a leading role in the further integration of the European electricity market

2. Integration update

Integration update

TenneT TSO B.V.

- TenneT has assumed full operational control of three Dutch 110/150 kV grids acquired in 2009
- Accompanying work force has been fully integrated within TenneT’s infrastructure business unit

TenneT TSO GmbH

- Integration of German business is running according to schedule
- Financial steering model, authorisation schedules, board operating model and organisation structure with second-tier management layer in place
- Financing function (control & reporting, treasury, tax, insurance) fully centralised
- Carve-out of E.ON support functions on track before end of year 2011 (e.g. IT, payroll, payment processing)
- First purchasing synergies have been realised (transformers)
- Technical standardisation processes have been initiated
- Move to a single brand: “transpower gmbh” has been renamed “TenneT TSO GmbH” and “transpower offshore gmbh” has been renamed “TenneT Offshore GmbH”

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Post-integration management board







Name	**Mel Kroon**	**Martin Fuchs** *(formerly transpower)*	**Ben Voorhorst**	**Willem Keus** *(† 28-03-2011)*	**Eelco de Boer**	**Lex Hartman**	**Christof Schulte** *(formerly transpower)*
Role	**Chief Executive Officer**	**Chief Officer Asset Management**	**Chief Operating Officer**	**Chief Financial Officer**	**Interim Chief Financial Officer**	**Chief Officer Corporate Development**	**Chief Officer Offshore**
Focus	Exchanges Participations Strategic HR	Asset mgt Corp. security European affairs	System operations Markets IT supply	Financial svcs Audit IT demand	Financial svcs Audit IT demand	Interconnectors Corporate affairs	Offshore Procurement
With TenneT since*	2002	1978	1998	2008	2010	1999	1999

*Or a predecessor of TenneT, where appropriate

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3. Regulatory & legislative developments

Regulatory & legislative developments - Netherlands

- In June 2010, the Dutch administrative court ruled in favour of TenneT, entitling it to reimbursement of indirect operational expenses associated with its 100/150 kV grids incurred in 2008 and 2009

- In September 2010, the Dutch regulator ("Energy Chamber") published its method decisions for transmission and system services for the fifth regulatory period (2011-2013)
  - The regulated WACC has been increased from 5.4% to 6.0% (real, pre-tax)
  - X-factors for the period 2011-2013 are negative 5.6% (i.e. allowing for an increase in the revenue cap), due to the growth in TenneT TSO NL's asset and cost base
  - The deemed efficiency of the extra-high voltage grid (57%) has led TenneT to recognise a one-time impairment charge of EUR 100 million after tax in 2010 (EUR 134 million pre-tax)
  - TenneT has lodged an appeal with the Dutch administrative court against the most recent method decisions

- Late 2010, parliament approved an amendment to the Dutch Electricity Act (effective 2011) allowing TenneT to include all "expansionary" investments into its regulatory asset base in the year of completion
  - This means a significant improvement towards resolving the "time lag" issue (i.e. not being compensated for new investments until the start of the immediately subsequent regulatory period)

- The new Dutch government has announced a revised renewable energy subsidy scheme, rendering the construction of additional offshore wind farms in the Dutch North Sea highly unlikely

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Regulatory & legislative developments - Germany

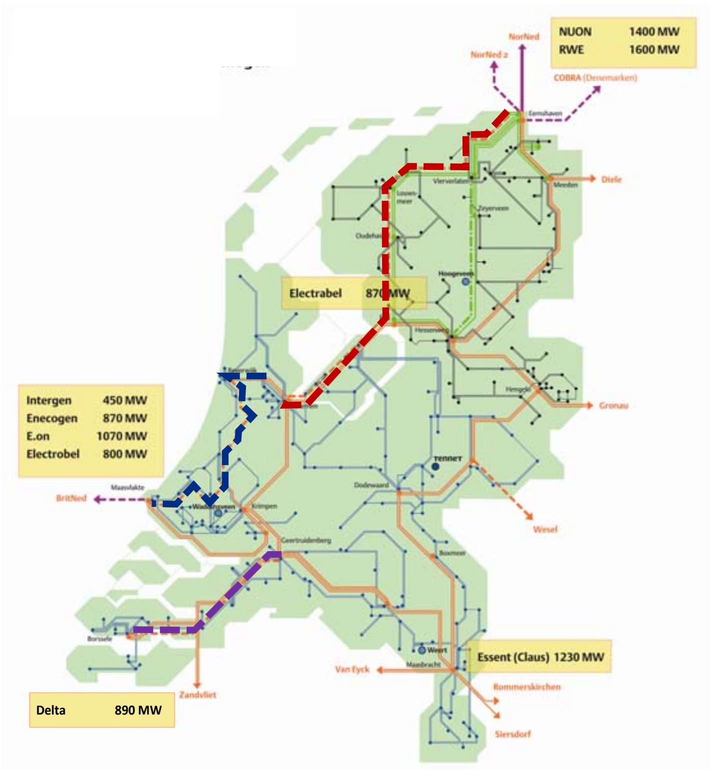
- Late 2009, the German regulator (“BundesNetzAgentur “) no longer required wind farm developers to have financing in place before applying for a grid connection
  - Signed procurement contracts for wind turbines are sufficient by themselves
  - Grid connection applications have accelerated as a result
- The base year (2011) for the next regulatory period (2014-2018) has commenced
  - Costs incurred in 2011 (e.g., depreciation, capital costs and operating expenses) will be used to determine the revenue cap for the upcoming 5-year regulatory period
  - Costs related to projects under construction and completed during a regulatory period can be recouped through so-called “investment budgets”

4. Investment programme

Investment programme - Netherlands

- TenneT 's Dutch investment programme is largely driven by significant anticipated increases in electricity supply in the North, West and South-East of the country
- The expected aggregate capital expenditures across the entire portfolio in the Netherlands range from EUR 4 billion to EUR 5 billion over the next 10 years

Applications for additional generation capacity



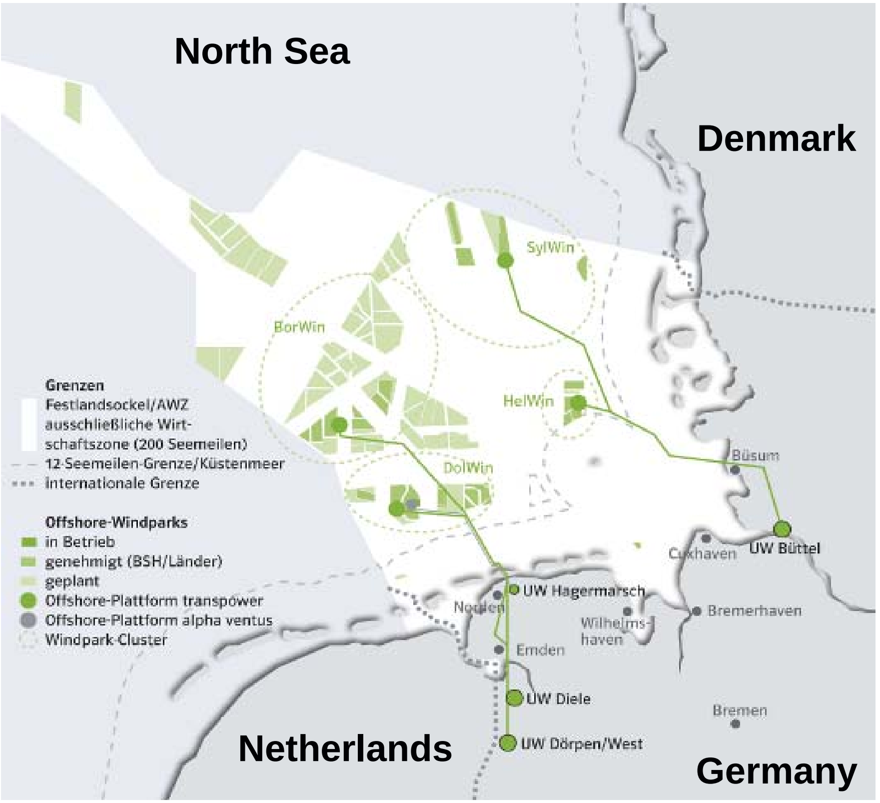
Major capex projects

- SouthWest 380
  - Connecting Borssele with Tilburg
  - Completion expected: 2016/17
- Randstad 380
  - Southern loop: Wateringen to Bleiswijk
  - Northern loop: Bleiswijk to Beverwijk
  - Completion expected: 2014/15
- NorthWest 380
  - Connecting Eemshaven with Diemen
  - Completion expected: 2016/17

Investment programme - Germany

- TenneT 's German investment programme is largely driven by the need for offshore DC connections
- The expected aggregate capital expenditures across the entire portfolio in Germany range from EUR 5 billion to EUR 6 billion over the next 10 years

Wind farm areas in German North Sea



Major capex projects

- BorWin2
  - Capacity: 800 MW
  - Esitmated completion: 2014
- DolWin
  - Capacity: 800 MW
  - Estimated completion: 2014
- HelWin
  - Capacity: 576 MW
  - Estimated completion: 2014
- SylWin
  - Capacity: 864 MW
  - Estimated completion: 2014

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5. Financials, funding & capital structure considerations

Financial policy

Generate a return on invested capital at least equal to the regulated return

- Create and maintain a capital structure which enables TenneT to achieve an optimal cost of capital
- Provide the shareholder with a adequate return on its investment in line with the risk profile of the company

Protect shareholder capital and operating results against financial risk

- Maintain at least 12 months liquidity through cash and credit lines
- Maintain solvency levels which enable TenneT to absorb fluctuations in profits. This requires a sufficient buffer of equity capital
- Diversify maturities of funding instruments to limit refinancing risk
- Manage financial risks (such as interest rate and currency risk) through appropriate hedging arrangements

Obtain and maintain access to financial markets at the most favourable conditions

- Maintain a credit profile in line with an ‘A’ rating profile to secure access to a wide range of financial markets
- Diversify funding sources to limit funding risk

Funding & capital structure - accomplishments ‘10/’11

FINANCING INITIATIVES

initial credit ratings obtained
(January 2010)

EUR 5,000 million
EMTN programme
(January 2010)

EUR 400 million
Bilateral credit lines
(February 2010)

EUR 1,125 million
Revolving credit facility
(June 2010)

EUR 1,000 million
Commercial Paper programme
(September 2010)

EUR 150 million
EIB Loan
(January 2011)

ISSUANCES

EUR 375 million
Equity interests to Stichting Doelgelden
(February 2010)

EUR 500 million
Perpetual (hybrid) bonds
(February 2010)

EUR 500 million
5-year public bonds
(February 2010)

EUR 500 million
12-year public bonds
(February 2010)

EUR 200 million
20-year private bonds
(May 2010)

EUR 500 million
Perp NC7NC12 (hybrid bonds)
(February 2010)

Size undisclosed
1- to 3-month commercial paper
(September - January 2011)

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Funding & capital structure - debt financing strategy

- Short-term liquidity provided by issuances under commercial paper programme
  - Issuance generally at rates equal to EURIBOR flat (vs. 0.75% spread on bank credit facilities)
  - Bilateral bank lines used for ultra-short liquidity needs (1 to 3 days)
  - Revolving credit facility used as back-up line only, in case CP market is unavailable

- Long-term funding provided through note issuances under EMTN programme
  - Public issuances provide majority of funding
  - Smaller private placements used to access specific pockets of liquidity or pricing unavailable in the public markets
  - Longer maturities to match duration of asset base and regulatory (debt financing) parameters

- Long-term EIB financing used if and when available
  - Flexible and inexpensive form of long-term financing
  - EUR 364 million outstanding as of 31 December 2010
  - Additional EUR 150 million loan agreement signed January 2011

Funding & capital structure - equity strategy

- TenneT is committed to maintaining at least A-/A3 credit ratings
  - In 2010 this was evidenced by the issuance of EUR 375 million of equity (gross) to the Stichting Doelgelden (the “Foundation”) and EUR 500 million of public perpetual NC7NC12 notes
  - Consequently, part of TenneT’s sizable investment programme will have to be funded through equity capital
- TenneT is discussing a capital contribution of at least EUR 500 million with its shareholder, the Dutch State by mid 2011
- In addition, TenneT is exploring the sale of non-controlling equity stakes in one or more offshore projects to third-party financial investors
  - This would allow TenneT to flexibly raise equity proportional to additional offshore capital spending

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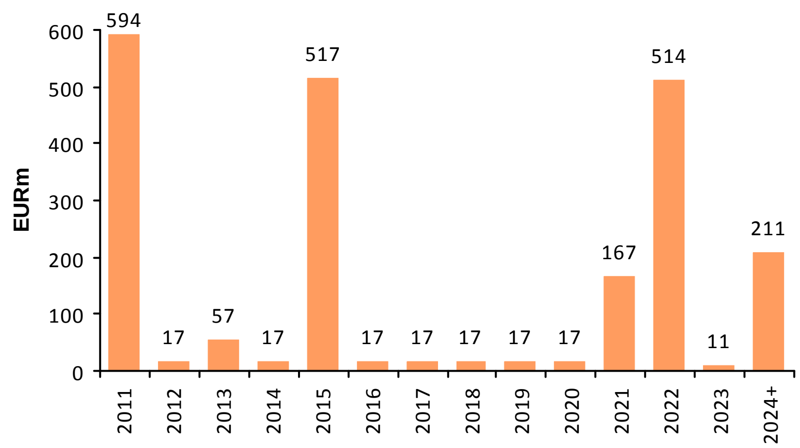
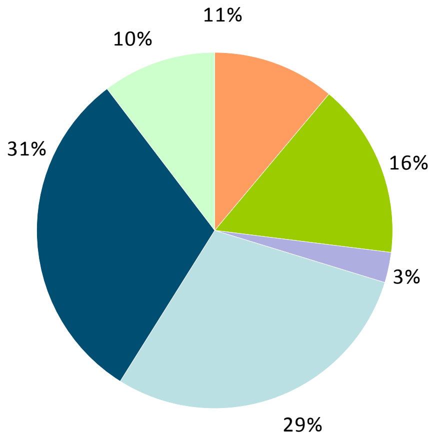
Capital structure overview

- Currently EUR3.5 billion of committed credit lines are in place. TenneT has never experienced any difficulties in drawing under uncommitted lines
- Currently, no financial ratio covenants exist in any of TenneT's credit agreements

Maturity profile of TenneT's outstanding debt*

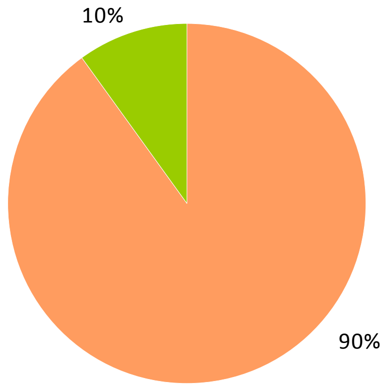


Type of credit facility



Liquidity facilities/overdraft	EUR 430m
CP	EUR 628m
Short term loans	EUR 113m
RCF	EUR 1,125m
Senior bonds	EUR 1,200m
Long term loans	EUR 404m
	EUR 3,899m

Committed vs uncommitted facilities



Committed	EUR 3,499m
Uncommitted	EUR 400m
	EUR 3,899m

**Note: excludes EUR500m NC7NC12 hybrid instrument issued in February 2010*
Capital structure overview as of 31st December 2010

6. Appendix

History of TenneT

- **October 1998** – Foundation of TenneT TSO out of SEP[1]
- **January 2001** – First import / export capacity auction at TSO Auction
- **May 2001** – TenneT acquires the energy exchange APX
- **October 2001** – Ministry of Finance acquires 100% of TenneT TSO
- **June 2003** – TenneT acquires TZH[2]: first step towards a national transmission system
- **November 2006** – Parliamentary approval for transfer of 110 / 150kV grids to TenneT TSO
- **1 January 2008** – TenneT TSO appointed as national TSO for HV assets 110kV and higher
- **April 2008** – NorNed, a cable between the Netherlands and Norway, becomes operational
- **H1 2009** – Acquisitions of regional 110 and 150 kV grids from Liander, Enexis and Delta
- **February 2010** – Acquisition of transpower (Germany)

Note 1) Samenwerkende Electriciteits-Produktiebedrijven
Note 2) Transportnet Zuid-Holland

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TenneT’s business profile compares favourably to its peer group

- TenneT’s business profile compares favourably to its peers:
  - One of the few TSOs that remains fully stated-owned with no stated intentions of privatisation;
  - Applied method of regulations, both Dutch and German are supportive and well established;
  - Capex programme remains focussed on regulated activities

Peer comparison

	TenneT	Gasunie	Statnett	Terna	Red Electrica	Fingrid	Nat. Grid Electr. Transm.
Country	Netherlands, Germany	Netherlands, Germany	Norway	Italy	Spain	Finland	UK
Ownership by state	100%	100%	100%	30% (State controlled bank)	20%	33%	0%
Business operations	100% of Dutch and c. 40% of German transmission grids (by area)	100% of Dutch gas transport grid and two German regional transport grids	85% owner, 100% operator of Norwegian transmission grid	98% of Italian transmission grid and additional Brazilian operations	92% of Spanish transmission grid	100% Finnish transmission grid	100% transmission grid England and Wales
Regulated	c. 93% of revenues	c. 90% of revenues	Most of revenues	85% of revenues (decreasing)	Most of revenues	Most of revenues	Most of revenues
Method of regulation	Revenue	Revenue	Revenue	Tariff	Revenue	Revenue	Revenue
Moody's / S&P	A3 / A-	Aa2 / AA-	A2 / A+	A2 / A+	A2 / AA-	A1 / A+	A3 / A-
Revenue 2009 (EURm)	547	1,669	363	1,295	1,216	359	3,021*
EBITDA 2009 (EURm)	238	983	33	654	841	115	1,064*

Source: Company reports
**Note: accounting year ending March 2009*

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