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Stable development in first half of 2012

Interim report 2012

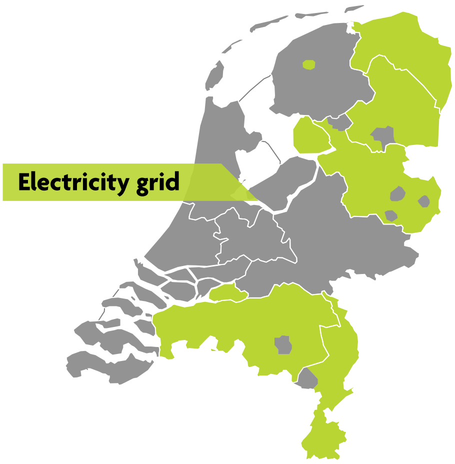
ENEXIS

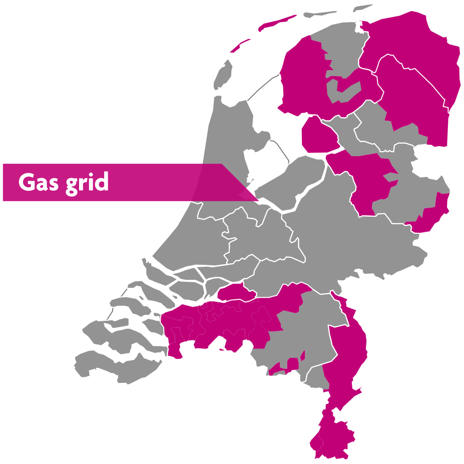
Contents

The original Dutch version of this interim report is available at www.enexis.nl.
The Dutch version takes precendence.

Profile

Enexis is the regional energy grid operator in the provinces of Groningen, Friesland, Drenthe, Flevoland (Noordoostpolder), Overijssel, Noord-Brabant and Limburg in the Netherlands. Enexis is responsible for the development and construction of energy distribution grids (gas and electricity) as well as for the maintenance and management of these grids. In this way Enexis is the link between more than 2.6 million customers and the energy suppliers. The head office of Enexis is located in Rosmalen, and the company has over 4,100 employees.





Enexis service area at 30-06-2012

Energy supply is a basic need, which is why the activities of Enexis are of great social importance. Enexis therefore carries out its tasks with maximum openness and transparency. The company has four objectives which it regards as essential for the quality of its operations: reliability, affordability, sustainability and public focus. Safety always has the highest priority. Enexis plays a leading role in the societally important energy transition to sustainable energy sources.

Enexis Holding N.V. has operating companies that focus on the (regulated) grid management activities of Enexis B.V. and closely related non-regulated core-strengthening activities. These are carried out by Fudura B.V., and consist mainly of metering tasks and the installation and maintenance of gas and electricity grids for commercial customers. The shares in Enexis Holding N.V. are held by six provinces and 116 municipalities in the Netherlands.

Stable development in first half of 2012

- **Operating profit at the same level with limited tariff increase for customers**

- **Reliability remains high; investments in grids on schedule**

- **Successful introduction of first bond of EUR 300 million on debt capital market**

Key data

	1st half-year 2012	1st half-year 2011	2011
Results (in millions of euros)			
Revenue	682.5	647.5	1,314.6
Gross margin	566.1	528.1	1,075.5
Operating profit	212.9	213.3	402.5
Profit for the period	120.9	127.1	229.4
Balance sheet (in millions of euros)			
Capital employed	5,395.5	5,135.6	5,301.2
Equity	3,135.6	3,032.9	3,130.9
Total assets	6,199.4	6,143.1	6,319.4
Gross investments	215.4	193.2	445.3
Ratios			
ROIC [1]	3.9	4.2	7.5
EBIT interest cover	4.0	4.2	4.1
FFO interest cover	6.7	6.4	7.0
FFO / net interest-bearing liabilities	34%	33%	36%
Net interest-bearing liabilities / (equity + net interest-bearing liabilities)	34%	35%	34%
Key figures			
Number of customer electricity connections (x 1,000)	2,657	2,638	2,648
Number of customer gas connections (x 1,000)	2,072	2,063	2,068
Electricity outage time (minutes per connection)	11.0	10.9	18.9
Gas outage time (seconds per connection)	17.8	20.0	69.0
Electricity grid length (x 1,000 km)	133.8	132.8	133.3
Gas grid length (x 1,000 km)	44.7	44.5	44.6
Accident index for Enexis employees (DART rate)	0.42	0.50	0.53
Number of employees at the end of the period	4,134	4,036	4,101

1. Ratios calculated on the basis of six-month or one-year returns as applicable.

Intergas Energie B.V. is included in the consolidation from 1 June 2011. A review report for the consolidated interim financial information for 2011 and 2012 has been issued by Ernst & Young Accountants LLP.

Definitions of key data

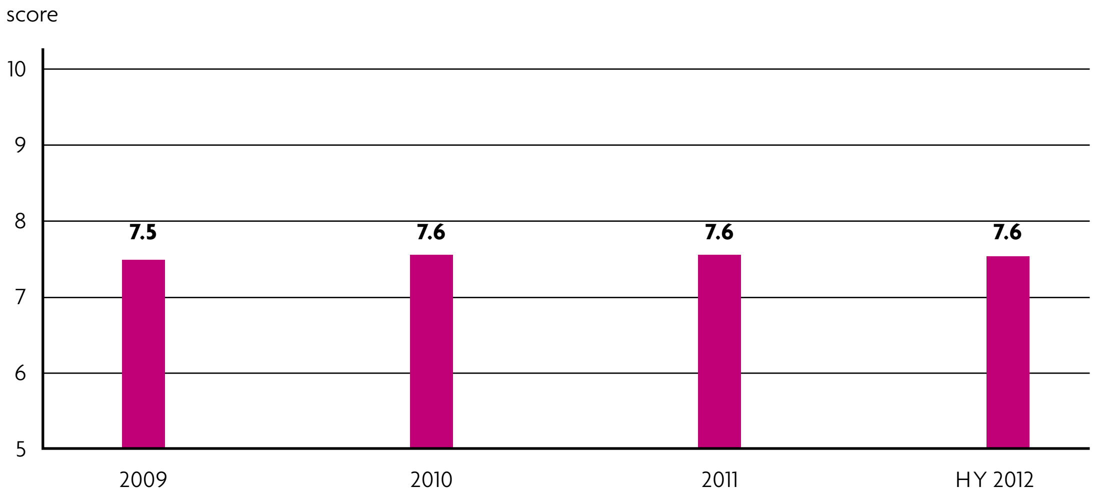
Gross investments	Investments in land and buildings, cables, pipelines and equipment, other non-current assets and software.
ROIC (Return On Invested Capital)	Ratio of EBIT / capital employed at end of period.
EBIT (Earnings Before Interest and Taxes) interest cover	Ratio of (operating profit plus share of result of associates) / interest paid.
FFO (Funds From Operations) interest cover	Ratio of (profit for the period plus changes in deferred income tax plus depreciation plus amortisation plus changes in provisions plus other one-off and not cash related costs plus interest paid) / interest paid.
FFO / net interest-bearing liabilities	Ratio of (profit for the period plus changes in deferred income tax plus depreciation plus amortisation plus changes in provisions plus other one-off and not cash related costs) / (interest-bearing liabilities minus surplus liquidity).
Net interest-bearing liabilities / (equity + net interest-bearing liabilities)	Ratio of (interest-bearing liabilities minus surplus liquidity) / (equity plus interest-bearing liabilities minus surplus liquidity).
DART (Days Away Restricted or Transferred) rate	The number of accidents resulting in absence or restricted work for every 200,000 hours worked.

Customer focus

Good service to customers and market

Customer satisfaction surveys are carried out quarterly among consumers and small business customers. Appreciation of Enexis remained at a consistently high level in the first half of 2012, with a score of 7.6. In a reputation survey held in early 2012, shareholders rated the company as 'very satisfactory' with a score of 7.5. As well as expressing their appreciation for the good financial performance of Enexis and their trust in the company as partner, the respondents also made some critical remarks, for example in relation to the ambition level of the sustainability policy. Enexis regards these recommendations as a valuable basis for further dialogue with its stakeholders.

Figure 1 **Customer satisfaction (random measurements*)**



* The survey was held among 375 low-volume customers and 150 high-volume customers.

The preparations for the introduction in 2013 of the New Market Model (NMM) for the energy sector are in full swing. The NMM will lead to a range of changes in the relationships between customers, energy suppliers and grid operators. The most far-reaching changes for Enexis will be the transfer of billing and collection to the energy suppliers, which means the tasks of a number of employees will disappear. The employees involved will be given support in finding new work either within the company or outside it. For some of them this has already led to new positions being found.

Under the NMM the connections will be centrally registered in a new Central Connections Register. Enexis has already to a large extent completed the preparations for the transfer of its data to this register, and this task is planned to be completed in October this year.

Smart meters

Another important activity, also peripherally related to the NMM, is the installation of smart meters. A start was made on this activity on 1 January 2012 with a sector-wide small-scale roll-out. The smart meters and associated equipment enable customers to take more control of their energy usage. The installations planned by Enexis were completed as scheduled in the first half of 2012. Smart meters were installed at a total of around 40,000 addresses as part of planned replacements and new connections, although the number of placements at the request of customers remained limited.

Fudura

The non-regulated activities of Enexis have been transferred with effect from January 2012 to an organisation with a new name, Fudura, which was introduced to the market on 24 May 2012. The company made a successful start in the first half of 2012. Important new activities are the building and maintenance of biogas infrastructure and the installation of solar panel systems. The latter is being done at a large number of schools in Emmen and Heerlen, among other locations. Students from VMBO (pre-vocational secondary education) schools in these cities are also involved in the installation of these systems as part of their practical training.

Reliable and safe

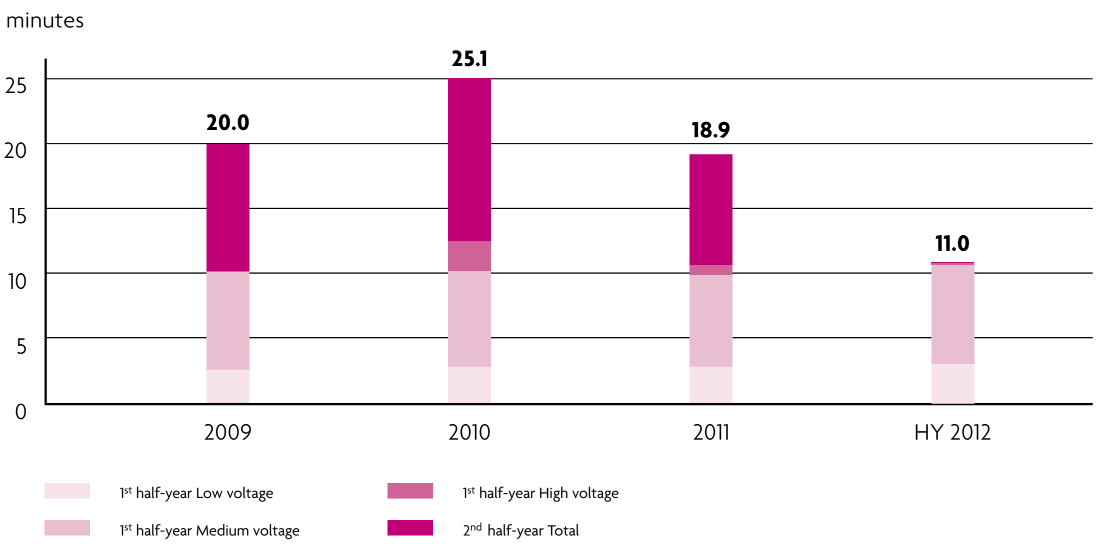
Investment level maintained

Expenditure on grid maintenance, replacements and improvement in the first half of 2012 amounted to EUR 98 million, an increase over the corresponding period in 2011 (EUR 90 million). Investments in the electricity grids are virtually on schedule. The programme for the replacement of obsolete gas grids is on schedule. Of the 220 km planned for 2012, 89 km were replaced in the first half of the year, of which 60 km were cast-iron pipelines. As in past years, Enexis is continuing to work hard on replacing gas pipelines of this kind. Customer-driven investments are below the normal level, due mainly to the slowdown in new housebuilding. Enexis is using the resulting available capacity for investments not directly related to specific customer requests.

The assessment for the NTA 8120 quality certificate, which was already awarded in 2011 for a part of Enexis, was completed in July and now applies to the whole of Enexis.

The average outage time for the electricity grids in the first half of 2012 at 11.0 minutes per connection was slightly higher than in the corresponding period in 2011 (10.9 minutes), but below the national average for that period. The gas outage time of 17.8 seconds was slightly below that for the corresponding period in 2011 (20.0 seconds). A meaningful comparison of both of these developments with the national figures will only be possible on an annual basis. Distribution automation in Enschede as part of a smart grids project proved its value in March when there was a major outage. Electricity supply to almost 900 of the affected connections was restored within only three minutes from the control centre in Zwolle, because it was possible to identify the location of the outage precisely. Two of the four sub-networks in Enschede are scheduled to be fully automated by the end of 2012, and distribution automation is intended to be started throughout the Enexis service area in the coming 10 years.

Figure 2 **Electricity supply reliability / Annual outage time per connection**



Working safety comes first

Enexis works intensively on safety together with its own and external employees, for example by procedure improvements and programmes to address potential unsafe situations. The effects of these measures should be visible in a declining accident index (DART rate), a weighted indicator based on the number and seriousness of working accidents. At the end of June the DART rate for Enexis employees was 0.42; for employees of subcontractors (third parties) the figure was 0.74. Enexis has defined the upper limits for 2012 as 0.45 and 1.00 respectively.

Good progress is being made on the mandatory personal certification for 'working on or near gas or electrical installations' (BEI/VIAG), although this is somewhat slower than planned. Enexis is providing intensive support, which is especially necessary for the theoretical part. After that, the employees concerned can take their examinations in Enexis' own, nationally recognised examinations institute, which was established in 2011 and is also open to external candidates. Enexis was the first grid operator to gain this kind of recognition.

Figure 3 **DART rate* for employees of Enexis and third parties**

* DART (Days Away Restricted or Transferred) rate: the number of accidents resulting in absence or restricted work for every 200,000 hours worked.

Affordable service

Stable returns with moderate tariff development

As a company with mainly regulated activities and relatively stable returns, Enexis is regarded as a solid party in the financial markets. This was underlined in January by an increase in the credit rating by Standard & Poor's from A to A+.

In view of the developments Enexis decided at the end of 2011 to set its tariffs in 2012 well under the maximum levels defined by the Office of Energy Regulation, part of the Netherlands Competition Authority (NMa) on the basis of so-called X-factors. These X-factors are fixed for a period of three years, and new X-factors for the period after 2013 will be set by the Office of Energy Regulation on the basis of new efficiency and quality standards.

Enexis announced on 27 February 2012 that it was interested in acquiring Rendo Netwerken. Rendo is a relatively small, independent grid operator in the east of the Netherlands, located within the Enexis service area. The discussions about a possible acquisition were suspended by Rendo at the end of June for internal reasons. Enexis is keen to resume the discussions after the end of the suspension.

Sustainable

Energy transition well under way

Enexis took further steps in the first half of 2012 towards the energy transition, the move from fossil fuels to sustainable energy sources. Pilots with different forms of smart grids are running in Hoogkerk (Groningen), Zwolle and Breda, as well as in other locations, to test practical applications of smart energy usage.

On 25 June caretaker State Secretary for Infrastructure and the Environment Joop Atsma opened the EcoNexishuis in Zwolle. This permanent demonstration house shows how smart grid principles are put into practice in different ways. Thanks to the use of solar collectors and intelligent electronics the house is fully self-supporting in terms of energy, and gives interested visitors the opportunity to find out about numerous innovations in relation to the energy transition.

Particularly through Fudura, Enexis is also closely involved in the building and use of infrastructure for biogas. However a number of large projects, including BioNOF in Friesland, are being delayed by uncertainty about subsidies for the gas producers, mainly farmers.

Enexis regards education about energy, energy saving and reliable, sustainable energy supplies as important. During the first half of 2012 the provincial delegates Verheijen and Moorlag handed out the new Enexis 'Krachtmeting' (trial of strength) teaching package to pupils in their final two years at primary school. Many primary schools are keen to start using this package, in which the transition to sustainable energy is a central theme. Through the 'Krachtmeting' package, Enexis is also working to increase enthusiasm among schoolchildren about a future job in the technical field.

Employees

More technical training and chain partnerships with contractors

The greying population and a reduced inflow of young people into technical careers are threatening over time to cause a shortage of technicians at MBO (intermediate vocational education) level. Enexis is therefore working on a number of fronts to avoid such a shortage, for example by setting up its own technical training programmes. On 25 April 2012 provincial delegate Pauli opened a modern new Enexis technical training school in Eindhoven, including all the necessary practical training facilities. The school also welcomes employees of the contractors with which Enexis works. This means the required quality and safety standards become part of everyday practice for employees of Enexis and its partners at the same time.

Enexis is also combating the threatened shortage of capacity by increasing efficiency, for example through far-reaching changes in the partnership with contractors. New processes based on management of output can deliver significant efficiency improvements, as a recently started programme shows. This programme focuses on making the chain process as effective as possible, without overlaps in the tasks of Enexis and the contractor.

Financial review

General

Enexis achieved revenues of EUR 682.5 million and a profit for the period of EUR 120.9 million in the first half of 2012. This result was achieved with a tariff increase of 2.5%, although the supervisory authority, the Office of Energy Regulation of the Netherlands Competition Authority (NMa), would have allowed an increase of almost 9% in the tariffs charged by Enexis. With this limited tariff increase Enexis is delivering on its goal of providing affordable service.

Revenues, cost of sales and gross margin

The revenues of EUR 682.5 million represent an improvement of 5.4% over the first half of 2011 with slightly lower cost of sales. Gross margin including other operating income in the first half of 2012 was EUR 570.4 million, an increase of EUR 36.8 million. Of this increase, EUR 22.2 million was due to the tariff increase, EUR 11.6 million to revenues from customers of the former Intergas Energie B.V., and EUR 3.0 million to a decrease in the cost of sales as a result of lower costs for TenneT.

Operating expenses

Operating expenses increased by EUR 37.2 million to EUR 357.5 million, consisting on the one hand of regular cost developments (EUR 12.7 million) and on the other hand of one-off items and expansion of activities (EUR 24.5 million). The regular cost developments are accounted for by cost increases of EUR 19.5 million, partly offset by savings of EUR 6.8 million. The cost increases as a result of one-off items and expansion of activities were the result of the formation and release of provisions (EUR 13.4 million), the consolidation of Intergas Energie B.V. from 1 June 2011 (EUR 6.6 million) and expansion of activities (EUR 4.5 million).

Of the regular cost increase of EUR 19.5 million, EUR 12.3 million was caused by an increase in operational tasks in the primary process and an ICT improvement programme. In addition, the employee benefit expenses increased by EUR 7.2 million as a result of higher salary costs based on the CAO (central labour agreement), higher social charges and pension costs.
Finally savings of EUR 6.8 million were made, in particular by process improvements.

The expansion of activities at EUR 4.5 million is aimed at sustainable development, including a strengthening of the stand-by service team, recruiting and training more technicians, and electric transport.

Operating profit

Enexis achieved an operating profit of EUR 212.9 million in the first half of 2012, EUR 0.4 million lower than the figure for the corresponding period of 2011.

Share of result of associates and financial income and expenses

The share of result of associates was negative, due primarily to the formation of a reorganisation provision at a non-consolidated Enexis associate. On balance, financial income and expenses in the first half of 2012 amounted to an expense of EUR 48.2 million, compared with an expense of EUR 44.5 million in the first half of 2011. An interest penalty was paid due to early partial repayment of loans from shareholders. The higher costs resulting from this one-off interest penalty were partly compensated in the first half of 2012 by lower interest charges as a result of the reduction in outstanding debt. The lower balance of cash deposits meant that less interest was received.

Profit for the period

Profit for the period amounted to EUR 120.9 million, representing a decline of EUR 6.2 million over the comparable period in the preceding year.

Financing

Enexis started a EUR 3 billion European Medium Term Notes (EMTN) programme in December 2012. Under this programme, a 10-year EUR 300 million bond with a coupon of 3.375% was issued in January at a price of 99.043% and listed on NYSE Euronext Amsterdam. Enexis used this bond to refinance an existing loan from shareholders of EUR 450 million (tranche A), which was due to be repaid on 30 September 2012. The rest of the repaid amount, EUR 150 million, was financed out of available liquidity.

Directly after approval of the refinancing of the loan from shareholders which was due for repayment, and in line with its policy, Enexis purchased a risk-limiting product (forward starting interest rate swaps) at the beginning of December 2011 to cover a significant part of the interest rate risk on the issued bond. The swaps were purchased in December at an average level of 2.71%. Immediately after the fixing of the interest rate of the bond which was issued on 19 January 2012, the swaps were settled at an average level of 2.31%. The costs of settling the swaps at EUR 8.2 million will be amortised over the 10-year term of the bond, after correction for tax, so that the commercial interest rate is fixed at the locked-in level.

Condensed consolidated interim financial statements 2012

Consolidated income statement

(amounts in millions of euros)		**1st half-year 2012**		1st half-year 2011		2011
Revenue from the supply of goods and services		682.5		647.5		1,314.6
Cost of sales		116.4		119.4		239.1
Gross margin		**566.1**		**528.1**		**1,075.5**
Other operating income		4.3		5.5		11.8
Gross margin plus other operating income		**570.4**		**533.6**		**1,087.3**
Employee benefit expenses	140.9		120.8		268.0	
Depreciation and impairments	138.1		133.7		271.9	
Cost of work contracted out, materials and other external expenses	66.9		60.3		138.4	
Other operating expenses	11.6		5.5		6.5	
Total operating expenses		357.5		320.3		684.8
Operating profit		**212.9**		**213.3**		**402.5**
Share of result of associates		–2.6		1.5		–5.7
Financial income	1.4		4.4		7.8	
Financial expenses	49.6		48.9		96.3	
Financial income and expenses		–48.2		–44.5		–88.5
Profit before tax		162.1		170.3		308.3
Income tax expense		41.2		43.2		78.9
Profit for the period		**120.9**		**127.1**		**229.4**
Attributable to:						
Shareholders		**120.9**		**127.1**		**229.4**
Average number of shares during the financial year		149,682,196		149,682,196		149,682,196
Profit per share[1]		**0.81**		**0.85**		**1.53**

1. Dilution of profit is not applicable.

Consolidated statement of total income

(amounts in millions of euros)	1st half-year 2012	1st half-year 2011	2011
Profit for the period	120.9	127.1	229.4
Non-realised income through hedge reserve	−2.5	0.0	−5.7
Corporate income tax on non-realised income through equity	0.7	0.0	1.4
Released non-realised income through hedge reserve	0.4	0.0	0.0
Tax release on non-realised income through hedge reserve	−0.1	0.0	0.0
Total income including non-realised income through hedge reserve	**119.4**	**127.1**	**225.1**

Consolidated balance sheet

(amounts in millions of euros)	**30 June 2012**	30 June 2011	31 December 2011[1]
Assets			
Property, plant and equipment	5,373.7	5,197.2	5,304.9
Intangible assets	108.1	100.3	106.0
Associates	22.7	32.3	25.3
Other financial assets	2.6	2.5	2.4
Non-current assets	**5,507.1**	**5,332.3**	**5,438.6**
Inventories	20.0	19.5	24.7
Receivables	521.7	483.0	527.0
Corporate income tax	6.7	0.0	0.0
Cash and cash equivalents	143.9	308.3	329.1
Current assets	**692.3**	**810.8**	**880.8**
Total assets	**6,199.4**	**6,143.1**	**6,319.4**

(amounts in millions of euros)	**30 June 2012**	30 June 2011	31 December 2011[1]
Liabilities			
Issued and paid-up share capital	149.7	149.7	149.7
General reserve	434.5	319.8	319.8
Share premium reserve	2,436.3	2,436.3	2,436.3
Hedge reserve	−5.8	0.0	−4.3
Profit for the period	120.9	127.1	229.4
Equity	**3,135.6**	**3,032.9**	**3,130.9**
Non-current interest-bearing liabilities	1,760.4	1,909.3	1,459.7
Non-current provisions	67.1	53.1	63.7
Advance contributions for installation of grids and connections	397.0	311.9	364.1
Deferred income tax	155.1	109.6	134.0
Non-current liabilities	**2,379.6**	**2,383.9**	**2,021.5**
Trade and other payables	638.7	639.6	609.2
Current interest-bearing liabilities	14.6	19.3	463.6
Income tax expense	0.0	40.4	52.8
Current provisions	21.3	19.2	27.0
Advance contributions to be amortised in following year	9.6	7.8	8.7
Derivatives	0.0	0.0	5.7
Current liabilities	**684.2**	**726.3**	**1,167.0**
Total liabilities	**6,199.4**	**6,143.1**	**6,319.4**

1. Before profit appropriation proposal.

Consolidated cash flow statement

(amounts in millions of euros)	1st half-year 2012	1st half-year 2011	2011
Profit for the period	120.9	127.1	229.4
Depreciation and impairments	138.1	133.8	271.9
Impairments of associates	0.0	0.0	8.5
Amortised contributions for installation of grids and connections	–4.7	–3.7	–8.1
Balance of amounts allocated to, charged to and released from provisions, changes in operational working capital and other items	3.1	117.2	103.2
Cash flow from operating activities	**257.4**	**374.4**	**604.9**
Investments in property, plant and equipment and intangible assets	–215.4	–193.2	–445.3
Acquisitions	0.0	–186.4	–188.4
Contributions for installation of grids and connection	45.9	36.7	87.2
Sale of assets and liabilities held for sale	0.0	1.2	1.2
Loans granted	–0.7	–0.7	–1.2
Repayment of loans granted	0.5	1.0	1.6
Sale of financial assets	0.0	1.0	0.0
Cash flow from investing activities	**–169.7**	**–340.4**	**–544.9**
Cash flow before financing activities	**87.7**	**34.0**	**60.0**
Settlement of interest rate swaps	–8.2	0.0	0.0
New interest-bearing liabilities	300.0	9.7	5.0
Repayment of interest-bearing liabilities	–450.0	–7.5	–8.0
Dividend paid	–114.7	–58.1	–58.1
Cash flow used in financing activities	**–272.9**	**–55.9**	**–61.1**
Total cash flows	**–185.2**	**–21.9**	**–1.1**
Cash and cash equivalents at beginning of financial year	329.1	330.2	330.2
Cash and cash equivalents at end of period	**143.9**	**308.3**	**329.1**

Consolidated statement of changes in equity

(amounts in millions of euros)	Number of ordinary shares	Share capital	Share premium reserve	General reserve	Hedge reserve[3]	Profit for the period	Total equity
At 1 January 2011	**149,682,196**	**149.7**	**2,436.3**	**184.2**	**-**	**193.7**	**2,963.9**
Profit appropriation for 2010	-	-	-	135.6	-	−135.6	0.0
Dividend paid for 2010[1]	-	-	-	-	-	−58.1	−58.1
Non-realised income for 1st half of 2011	-	-	-	-	-	-	0.0
Profit for the period 1st half of 2011	-	-	-	-	-	127.1	127.1
At 30 June 2011[2]	**149,682,196**	**149.7**	**2,436.3**	**319.8**	**0.0**	**127.1**	**3,032.9**
Non-realised income for 2nd half of 2011	-	-	-	-	−4.3	-	−4.3
Profit for the period 2nd half of 2011	-	-	-	-	-	102.3	102.3
At 31 December 2011[2]	**149,682,196**	**149.7**	**2,436.3**	**319.8**	**−4.3**	**229.4**	**3,130.9**
At 1 January 2012	**149,682,196**	**149.7**	**2,436.3**	**319.8**	**−4.3**	**229.4**	**3,130.9**
Profit appropriation for 2011	-	-	-	114.7	-	−114.7	0.0
Dividend paid for 2011[1]	-	-	-	-	-	−114.7	−114.7
Non-realised income for 1st half of 2012	-	-	-	-	−1.5	-	−1.5
Profit for the period 1st half of 2012	-	-	-	-	-	120.9	120.9
At 30 June 2012[2]	**149,682,196**	**149.7**	**2,436.3**	**434.5**	**−5.8**	**120.9**	**3,135.6**

1. The dividend for 2011, which was paid to shareholders in 2012, was EUR 0.77 per share (2010: EUR 0.39), calculated on the basis of the number of shares at year-end.
2. Total equity per share at end-June 2012 was EUR 20.95 (30 June 2011: EUR 20.90), calculated on the basis of the number of shares at the end of the period.
3. The hedge reserve cannot be distributed.

Notes to the consolidated interim financial statements

General

Enexis Holding N.V., which has its head office in Rosmalen, the Netherlands, is a public limited liability company. This interim report includes the financial statements for the first half of 2012 for the company and its subsidiaries.

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

Further explanation of the financing and an analysis of the income statement is provided in the financial review.

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

A review report for the consolidated interim financial information for 2011 and 2012 has been issued by Ernst & Young Accountants LLP.

Basis of consolidation

The consolidated balance sheet, income statement and cash flow statement comprise the balance sheet, income statement and cash flow statement of Enexis Holding N.V. and its subsidiaries.

Subsidiaries are legal entities and companies over whose management and financial policy the Company can exercise control. Subsidiaries are included in the consolidation from the date on which control is obtained, and are excluded from the consolidation from the date on which control ceases to exist. In determining whether control exists, potential voting rights that can be exercised directly are taken into account.

Full consolidation is used, if an interest in a consolidated entity is less than 100%, a minority interest is disclosed in equity and in the income statement. Transactions between consolidated companies and intercompany balances are eliminated.

The entity concept method is applied to any additional interest acquired in an associate over which the Company already has control. In this case the transaction is treated as a change in equity, with the difference between the acquisition price and fair value being recognised in the other reserve.

Accounting policies

The same accounting policies are used in this interim report as in the annual report for 2011 of Enexis Holding N.V., which is available at www.enexis.nl, with the exception of the changes in standards and interpretations effective from 1 January 2012 which are detailed below.

IFRS developments in the first half of 2012

The improvements and changes in IFRS standards as detailed below were adopted by the European Union in the first half of 2012.

IAS 1 'Presentation of Items of Other Comprehensive Income'. This change relates to guidance for the presentation of items of other non-realised income and will take effect on 1 July 2012. This change has not yet been applied in the 2012 interim report.

IAS 19 'Employee Benefits'. This standard relates to employee benefits and has been changed. The changed standard (IAS 19R) will take effect on 1 January 2013, and has therefore not yet been applied in this interim report. In the second half of 2012 Enexis will consider the effects of the changes in the standard on the existing provisions, including the effect of any changes on the financial statements for past years.

The improvements and changes in IFRS standards as detailed below have not yet been adopted by the European Union.

New standards (IFRS 9, IFRS 10, IFRS 11, IFRS 12 and IFRS 13), improvements in IFRS standards (IAS 27 and IAS 28), changes (IAS 12, IFRS 1, IFRS 7, IFRS 10, IFRS 11 and IFRS 12, and IAS 32) and interpretations (IFRIC 20), taking effect on various dates. Further consideration will be given to the effects which these improvements, changes and interpretations may have on reporting.

Seasonal effects

Enexis is not subject to any seasonal influences that could have a material effect on the result.

Goodwill

The impairment test on goodwill in relation to the acquisition of Intergas will be carried out in the second half of 2012.

Segmentation information for the first half-year

From financial year 2011, Enexis applies IFRS 8 ('Operational Segments') in its financial statements. Enexis distinguishes the following segments in its reporting:

- The regulated activities;
- Others.

The above classification is based on the internal reporting structure, in particular the consolidated monthly reports and the (annual) business plan. Because of the high level of administrative independence, virtually all revenues, costs, assets and liabilities can be allocated to the segments.

The regulated grid management activities form by far the largest activity area within Enexis (in terms of revenues, profit for the period and total assets the share of these activities is more than 90%).

The segments classified as 'Others' cover the Fudura, Enexis Vastgoed and Facilities activities.

(amounts in millions of euros)	Enexis Regulated		Enexis Others		Eliminations		Enexis Total	
	1st half-year 2012	1st half-year 2011	1st half-year 2012	1st half-year 2011	1st half-year 2012	1st half-year 2011	1st half-year 2012	1st half-year 2011
Income statement								
Revenue	652.6	622.7	35.0	34.1	−5.1	−9.3	682.5	647.5
Other operating income	4.7	5.9	18.1	18.5	−18.5	−18.9	4.3	5.5
Gross margin	199.9	198.1	13.0	15.2	0.0	0.0	212.9	213.3
Assets and liabilities								
Total assets	6,115.5	6,058.2	97.6	97.9	−13.7	−13.0	6,199.4	6,143.1

Costs and revenues charged between the segments and receivables, payables and current-account positions between the segments are eliminated. These costs and revenues relate almost entirely to payments for the use of assets.

Other notes

Off-balance sheet commitments and contingencies

Developments in Cross Border Leases (CBLs) in the first half of 2012

At end-June 2012 Enexis still held one grid CBL, on the gas grid in the former Intergas service area, consisting of two individual transactions. The asset company Aktivabedrijf Enexis Intergas B.V. has transferred this CBL to a separate subsidiary, Intergas Gasnetwerk B.V.

The other CBLs, which were originally entered into by Essent/Enexis, were all voluntarily and prematurely by the end of 2011. The existing cross-guarantee structure between Essent and Enexis remained intact after the settlement of the CBLs to cover any remaining liabilities and costs. This means that both parties act as guarantors to the US investors in the commercial and network CBLs which have been ended. To cover these costs, the existing CBL fund set up by third parties was reduced to a size of approximately USD 20 million at end-June 2012. This CBL fund is therefore not intended to cover any costs of the Intergas Netwerk CBL.

CBLs were established with among others US investors, and Dutch and foreign lenders and guarantors. When entering into the CBLs the US investors in many cases set up separate legal entities such as trusts.

The CBLs are governed by conditional and unconditional rights and obligations. As in previous years, the structure of the transactions concluded for this purpose does not require the disclosure of the rights and obligations of the CBLs in the balance sheet of Enexis.

A CBL may be terminated prematurely in consultation with the investor. This option of voluntary early termination has been used frequently in recent years because of a range of circumstances.

CBLs may also be terminated involuntarily if specific events as defined in the contracts arise, for example default by the lessee, or if the underlying asset is destroyed.

In case of involuntary early termination the CBL entity concerned, and with it the asset company Aktivabedrijf Enexis Intergas B.V., Enexis B.V. and Enexis Holding N.V., can be held liable for payment of termination compensation and other related indemnities and finance charges to the US investors and/or other CBL parties.

At 30 June 2012, total equity exposure on the Intergas Netwerk CBL (i.e. the amount that would be payable in case of early termination) was USD 94.6 million. Part of this amount is covered by separate financial instruments (portfolio investments) at a value depending on the date of early termination. The value of these instruments at 30 June 2012 was estimated at USD 88.6 million.

At the end of the sublease term, Enexis has the right under specific conditions to repurchase the rights to the asset (repurchase option). If this option is exercised, it is expected that the amounts that will have to be paid for this purpose can be settled out of the proceeds of the separate financial instruments (investments with a very high creditworthiness and a fixed value on maturity).

The contractually agreed Intergas Netwerk CBL rental obligations for the coming years (up to 2025) can be broken down as follows:

(amounts in millions of US dollars)	**2012**	**2013**	**2014**	**2015**	**>2015**	**Total**
CBL rental obligations (nominal)	16.3	16.3	16.3	16.3	125.9	**191.1**

The rental obligations shown are fully covered by deposits.

For the Intergas Netwerk CBL contract, mortgage rights were granted on a part of the underlying assets. At 30 June 2012 these assets had a carrying amount of about EUR 1.6 million.

Under the terms of the CBL contracts, Letters of Credit and/or other guarantees were issued in favour of specific CBL contracting parties when the CBLs were entered into. At 30 June 2012, a financial institution had issued a Letter of Credit to the value of approximately USD 15.7 million for the Intergas Netwerk CBL in favour of these parties.

Events after the balance sheet date

No events occurred after the balance sheet date that might affect the consolidated financial statements of Enexis Holding N.V.

Review report

To: the General Meeting of Shareholders and the Supervisory Board of Enexis Holding N.V.

Introduction

We have reviewed the accompanying consolidated interim financial information of Enexis Holding N.V., Rosmalen as stated on pages 16 to 25, which comprises the consolidated income statement and the consolidated statement of total income for the period of six months ended 30 June 2012, the consolidated balance sheet as at 30 June 2012, the consolidated cash flow statement and the consolidated statement of changes in equity for the period of six months ended 30 June 2012 and the notes. Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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 consolidated interim financial information as at 30 June 2012 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

The Hague, 9 August 2012

Ernst & Young Accountants LLP

Signed by J. Niewold

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