Semi-Annual Report 2011

N.V. Nederlandse Gasunie

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Foreword

At Gasunie, I look back on a turbulent first half of 2011. The annulment of the Method Decisions by the Dutch Trade and Industry Appeals Tribunal (CBb) in June 2010 and the announcement of the new draft Method Decisions by the Dutch Competition Authority (NMa) have a major adverse effect on the financial performance of our company. As a result, Gasunie is being forced to recognise an amount of € 900 million in impairment losses, leading to a net loss of € 548 million for the first half of 2011. This is a huge setback, one of a size that the business has never seen. Moreover, it does not do justice to the great efforts that our people put forth every day to ensure that the gas transport is reliable, safe and uninterrupted.

The process for defining the regulatory framework and the current methods used to do so are not only inefficient, but they also restrict free market forces. By changing the rules drastically after decisions have been taken and attributing retroactive effect to the new rules, the basis for our business has become unreliable. The Dutch consumer and businesses have a strong interest in a stable investment climate and a well-functioning European gas market. An overly one-sided approach exclusively targeting transport tariffs does nothing to advance market forces and has an inhibiting effect on necessary capital expenditures. Energy is no longer a national affair, but should rather be considered from a European perspective. The further integration of European gas networks requires investments in cross-border capacity. The effects of the draft Method Decisions are putting these investments under pressure.

In view of these developments, both Gasunie and our shareholder, the Dutch Ministry of Finance, have submitted position papers against the NMa's draft Method Decisions. Our business is being made to suffer a major competitive throwback compared to gas infrastructure companies in the countries surrounding us. We are threatening to lose the edge that we built up as the Dutch gas roundabout.

Gasunie currently finds itself in a difficult position. In response, we are now changing our organisational structure to improve the transparency of our business processes and our costs. This change involves, among other things, the implementation of an organisation with three business units, each of which will be managed by its own management team and led by a smaller Executive Board.

The personal safety of our people takes centre-stage in our operations. We are doing well in the area of safety awareness, thanks in part to the recent introduction of the new Gasunie Golden Rules of Safety. Where our operations are concerned, the first half of 2011 was a period in which we achieved 100% security of supply. Thanks to vigilant policy, the number of damage incidents to our pipelines has more than halved over the past few years. Nevertheless, every pipeline damage incident (four in total in the first half of 2011) remains a concern for Gasunie.

The completion of our expansions and replacements is running according to schedule. In January, for instance, we put a new underground gas storage facility at Zuidwending (Groningen) into operation. We are also expanding specific sections of our network in the Netherlands and Germany to meet customer demand and to resolve problems related to the security of supply.

The introduction of a new balancing system on 1 April 2011 by Gas Transport Services B.V. (GTS) was well-received in the market and seems to be propelling the growth of trading activities via Title Transfer Facility (TTF), the Dutch virtual gas trading platform.

In September 2011, we together with our partner Vopak plan to put the Gate LNG terminal into operation. The opening of this first Dutch terminal for liquid natural gas will mark a new chapter in the history of the Netherlands as a ‘gas country’.

I am confident that Gasunie will continue to be able to play a leading role in the European energy market in the future. This will be subject to the key condition, however, that the new regulatory framework should not only do justice to the interests of our company, but also that it should allow the successful continuation of the Dutch gas roundabout strategy.

P.C. van Gelder MSc

Chairman of the Executive Board and CEO
N.V. Nederlandse Gasunie

Semi-annual report

Results in brief

Key figures 2011

In millions of euros	**First half of 2011**	**First half of 2010**
Income	847	780
EBITDA	603	535
Impairments	-/- 900	-
Result after taxation	-/- 548	274

Income
In the first half of 2011 Gasunie achieved good financial results. The revenue increased with € 67 million compared to the same period of 2010. This is mainly due to the first phase of the large-scale expansion of our transport network (North-South Route) was successfully put into operation on 1 October 2010. Furthermore, the new natural gas buffer at Zuidwending came into operation according to schedule on 1 January 2011 and an increase in revenues from gas transport was realised.

EBITDA
The result before taxation, finance revenue and costs, depreciation, amortisation and impairments (EBITDA) has increased with € 68 million. Besides aforementioned income increase, costs were stable despite the new investments were put into operation. This was mainly due to the lower energy usage for transporting natural gas and the lower costs for flexibility services.

Impairments
The draft Method Decisions of the NMa and the appraisal of the Executive Board that these can be adjusted in a number of respects requires the recognition of an impairment loss on the gas transport network in the Netherlands and on the goodwill. The impairment losses amount to respectively € 221 million and € 679 million; € 900 million in total. If, however, the NMa, later this year, should adopt the Method Decisions without changes and obliges Gasunie to settle the reduced tariffs retrospectively, another impairment loss of approximately € 800 million may have to be recognised in the second half of 2011, which increases the total impairment loss to an estimated € 1.7 billion.

Outlook
The company expects for the full year 2011, taking into account the impairment losses of € 900 million based on current insights, an income of approximately € 1,650 million and a result after taxation of € 370 million negative.

General

Organisational changes
In the first half of 2011, Gasunie launched a broad programme for changing the organisational structure. Aspects of this programme are, among other things, the implementation of an organisation with three business units (i.e. GTS, Gasunie Deutschland and Participations & Business Development) and lowering the number of Executive Board members from four to three. Pieter

Trienekens, who has been a member of the Executive Board of Gasunie and director Participations & Business Development since 2005, retired on 1 July 2011. Eric Dam, who has served on the Executive Board and was director Construction & Maintenance since 2005, was appointed President of the Energy Delta Institute (EDI) on 1 October 2011. The two departing executive directors will be replaced by one. Geert Graaf, who served as managing director of GTS until 1 July 2011, will join the Executive Board on 1 October 2011. His area of responsibility will be regulated activities in the Netherlands and Germany. Ulco Vermeulen is appointed as successor of Pieter Trienekens as director Participations & Business Development on 1 July 2011. Annie Krist was appointed managing director of GTS on that same date.

Energy Report

In June, the Dutch Ministry of Economic Affairs, Agriculture and Innovation (EL&I) published the Energy Report, in which the Dutch government indicated that it is fully committed to building on the position of the Netherlands as a gas roundabout. This is also manifested in the publication of the 'Top Sector Reports', which stress the importance of natural gas in the Dutch energy mix. The Minister of EL&I also states in the Energy Report that Gasunie will have the option to privatise a non-controlling interest so as to create new opportunities for funding investments for the energy infrastructure.

Cooperation between Gasunie and Fluxys

In April 2011, Gasunie and Fluxys signed a letter of intent to explore their potential for cooperation, aimed first of all at developing cross-border services.

Rating

In May 2011, the rating agencies Standard & Poor's and Moody's Investors Service changed the outlook for the credit rating of the N.V. Nederlandse Gasunie from stable to negative. The change was a result of the publication of the draft Method Decisions by the NMa on 17 May last. The rating of respectively AA- and Aa3 did not change.

Regulated Network Management in the Netherlands and Germany

Regulation and tariffs

<u>The Netherlands</u>

Method Decisions

In June 2010, the CBb annulled the Method Decisions established for GTS by the NMa in December 2008. These Method Decisions related to the period 2009-2012. In Method Decisions, the NMa establishes the financial principles that are decisive for the tariffs that GTS charges to shippers. The CBb does not express an opinion on the level of the tariffs. The CBb ordered the NMa to adopt a new Method Decision and ruled that the NMa was wrong not to establish a regulatory method for the period 2006-2008. The NMa will have to establish a regulatory method for GTS for the period as of 1 January 2006. Any financial implications are expected to be reflected in future tariffs of GTS.

On 17 May 2011, the NMa published two draft Method Decisions per statutory task (transport, balancing and quality conversion); one for the period 2006-2009 and one for the period 2010-2013. GTS availed itself of the opportunity to respond to these draft Method Decisions and informed the NMa of its objections to the proposed Method Decisions. The Position Papers of GTS and other stakeholders, including the Dutch Ministry of Finance, our shareholder, have been published on the NMa website. The NMa is expected to publish the final Method Decisions in September 2011. These Decisions will be open to appeal.

Impairments
The final Method Decisions are set to take effect from 1 January 2012. For the period 2006-2011, the NMa has calculated the difference between the tariffs based on the draft Method Decisions and the tariffs that it had adopted earlier. Based on very rough estimates, the NMa has indicated that this difference might increase to over one billion euro. The NMa has said that it has yet to determine whether and, if so, how amounts will be settled. Allowance will be made for any capital expenditures that Gasunie is already in the process of preparing for and how these capital expenditures will be funded.

As a consequence of these developments, Gasunie performed impairment testing on the gas transport network in the Netherlands and on the goodwill. The financial implications of the draft Method Decisions have been mapped out, showing they will significantly affect the financial position of Gasunie. On the basis of the information that is currently available and taking into account the major uncertainties, the Executive Board has concluded that impairment losses should be recognised on the gas transport network in the Netherlands and on the goodwill. The impairment losses amount to respectively € 221 million and € 679 million; € 900 million in total. If the Method Decisions are adopted without changes and also over one billion euro has to be settled over the period 2006 up to and including 2011 through future tariffs, impairment losses are estimated to amount to about € 1.7 billion in total. For more details, see the semi-annual financial statements.

<u>Germany</u>
Revenue regulation
The German energy regulator (the Bundesnetzagentur), has adopted revenue regulation for Gasunie Deutschland Transport Services GmbH (GUD) for the first regulation period (2010-2012). This decision concerns an individual efficiency review of GUD based on a benchmark between the different transport companies in Germany (efficiency benchmark). This benchmark shows that GUD operates at the maximum efficiency factor of 100%.

<u>Europe</u>
All European transport companies are united, on a mandatory basis, in ENTSOG (European Network of Transmission System Operators for Gas). The responsibilities of ENTSOG include formulating European network codes and encouraging (regional) cooperation. In addition, ENTSOG is required to prepare a 10-year network development plan every two years to serve as a basis for developing the gas infrastructure in Europe. The growing influence of European institutions on the gas market does not leave the operations of GTS and GUD unaffected.

Other developments in gas transport
<u>The Netherlands</u>
Gas quality
Late in March 2011, the Minister of EL&I announced measures to allow the feed-in of gases of alternative compositions. To feed these in, GTS will have to take operational measures and has to make capital expenditures to prevent overly rich high-caloric gases from being used for the conversion into Groningen-quality gas. The measures to be taken by GTS will be regulated by law.

Balancing
The new balancing system of GTS has been in effect since 1 April 2011. All market players share responsibility for the balanced gas transport network by buying and selling gas via TTF, allowing it to function even better and building on its forerunner position on the European continent. The transition to the new system went smoothly.

Growth TTF
Trading activities via the TTF are continuing to grow substantially in 2011. The volume traded in the first five months of the year was 63.5 billion m^3, which is no less than a 40% increase on the corresponding period in 2010. The net volume was up 8% on the corresponding period in 2010 (from 14.8 billion m^3 to 16.1 billion m^3). GTS's introduction of the new balancing system on 1 April 2011 seems to have increased the number of active traders on TTF: from 82 traders on average in the first quarter of 2011 to an average of 86 active traders in April and May. The churn factor (i.e. the average number of times that a cubic metre of natural gas is traded) also seems to have improved since 1 April 2011. The churn factor was 5 in April and May 2011 and that is considerably higher than in the first quarter of 2011 and the full year 2010 (3.6 on average in both periods). Both the new balancing regime and TTF's increased appeal stimulate the expansion of the Netherlands as the ‘gas roundabout’ of North-West Europe.

<u>Germany</u>
Merger of market areas GASPOOL and Aequamus
At present, preparations are in full swing to merge GASPOOL and Aequamus, two of the three German market areas, as of 1 October 2011. Operating under the name GASPOOL, the new market area will connect approximately 400 gas networks to each other and serve about half of the German market. The merger will also result in the combination of GASPOOL's two zones for high-caloric gas and Aequamus's zones for low-caloric gas. The proposed merger is expected to increase the liquidity on the German gas market. GUD is represented in both GASPOOL and Aequamus.

Large-scale capital expenditures
<u>Investment climate</u>
Because of the new regulatory framework, the economic basis for investing in gas infrastructures is expected to deteriorate considerably. However, Gasunie and its shareholder, the Dutch State, have decided to continue with a limited number of capital expenditures that will help to avoid potential problems related to the security of supply.

<u>North-South Route</u>
The expansion of the gas transport network in the Netherlands (North-South Route) is progressing according to schedule. The first phase of the expansion has been operational since October 2010. Over 100 kilometres of pipelines and a compressor station in Wijngaarden (Zuid-Holland) will be completed in the autumn of 2011. The work is progressing according to schedule and within budget. With the North-South Route, the Netherlands will enhance its unique position as ‘gas roundabout’ in the European gas market and in addition, end-users in and outside the Netherlands will continue to be able to rely on a safe, sound and uninterrupted supply of gas.

<u>Integrated Open Season</u>
As mentioned, Gasunie plans to expand its gas transport network in the Netherlands in some areas. The measures will mainly involve a new pipeline connection between Beverwijk and Wijngaarden (Zuid-Holland) and will require a capital expenditure of nearly € 500 million. These expansions are crucial for guaranteeing the security of supply while also supporting the gas roundabout policy of the Dutch government. There will also be a number of expansions in Germany. The measures involving the German network are meant to guarantee the security of supply in northern Germany, Denmark and Sweden. Among other things, a pipeline connection (the NEL – Nordeuropäische Erdgasleitung) is realised between the place where the new Nord Stream pipeline enters Germany and the German Gasunie network. This project will cost around € 450 million. The expectation is that there will be a strong increase in demand for new gas transport capacity, due in particular to the recent drastic changes in the German energy politics (‘Atomausstieg’).

NEL
Having obtained the consent of the involved authorities of Niedersachsen en Mecklenburg Vorpommern (‘Planfeststellungbeschlüße’), activities have been started to construct the 440-kilometre pipeline from Lubmin near Greifswald to Rehden. The pipeline will be connected to the German Gasunie network near Heidenau. The activities are progressing smoothly. As some changes are required to the ‘Planfeststellungbeschlüße’ for the part to the south of Hamburg, the construction activities in that area have partially been delayed. The interest of Gasunie in NEL is 20%.

Air separation facility and nitrogen buffer
In February 2011, Gasunie formally took over the salt cavern at Heiligerlee for nitrogen storage from AkzoNobel. The nitrogen to be stored in the cavern will be produced in the air separation facility in Zuidbroek and will be added to high-caloric gas, creating a quality of gas that is suitable for use in the domestic market. The air separation facility and the nitrogen compressor are put into operation in the first half of 2011. The construction of the mixing station and the nitrogen drying installation is well under way. These activities will be completed by the end of 2011. The filling of the cavern with nitrogen has also started. The plan is to complete the entire project in September 2012.

Participations & Business Development

Nord Stream
The last phase of the first Nord Stream pipeline from Vyborg in Russia to Greifswald in Germany was completed early May 2011. This pipeline is expected to be put into operation on 1 October 2011. Gasunie holds 9% of the shares in Nord Stream through its subsidiary Gasunie Infrastruktur AG. The completion of the second Nord Stream pipeline is scheduled for the end of 2012. The funding for phase 2 (€ 2.5 billion) was successfully concluded in March 2011. The financial markets were extremely interested in the project, resulting in an oversubscription rate of 60%.

Underground gas storage at Zuidwending
The underground gas storage at Zuidwending was officially put into operation in January 2011. The output of the four caverns is up to 1.6 million m^3 natural gas per hour. A total of seven customers are buying the flexibility services. A fifth cavern is being constructed at present and it is expected to be completed according to schedule on 1 January 2014.

Gate terminal
On 13 June 2011, a LNG tanker arrived for the first time ever in the Netherlands. The cargo was used to test the Gate terminal at the Maasvlakte. The 130,000 m^3 of liquid natural gas is converted into 78 million m^3 of gaseous natural gas, which entered the gas transport network of GTS at the end of June 2011. The commercial operations of Gate terminal will start in September 2011. The capacity of the terminal is 12 billion m^3 per year. Permits have already been granted to further increase the capacity to 16 billion m^3 per year.

BBL
The fourth compressor was put into operation in April. It increased the capacity of the BBL, the pipeline that connects the Netherlands to the United Kingdom, to 20.6 million kWh/h (around 15 billion m^3 per year). Early in July, BBL Company V.O.F. started a market consultation on the need for physical reverse flow capacity to the Netherlands. With this, BBL Company V.O.F. complies with the regulations of the European Commission.

Establishment of Green Gas Netherlands (GGNL)

The Green Gas Netherlands foundation was established in the spring. Gasunie is one of the initiators of this foundation, whose objective is to accelerate the production and sale of green gas in the Netherlands by bundling knowledge on the area of production, reprocessing and feeding-in of green gas. This initiative gives a further impulse to the market for sustainable energy.

Statement of the Executive Board

Statement of the Executive Board (within the meaning of Section 5.25d of the Dutch Financial Supervision Act, 'Wft')

The Executive Board states, to the extent known to the Board, that

1. the semi-annual financial statements give a true and fair view of the assets, equity and liabilities, financial position and profit of the company and of the companies included in the consolidation; and that

2. the semi-annual report gives a true and fair view of material events that occurred in the first six months of the respective financial year and the impact of such events on the semi-annual financial statements, as well as a description of the principal risks and uncertainties in the remaining six months of the respective financial year.

P.C. van Gelder, chairman
H.A.T. Chin Sue
E. Dam

Groningen, the Netherlands
29 July 2011

Consolidated semi-annual financial statements

Condensed consolidated balance sheet (before profit appropriation)

In millions of euros	**Notes**	**30 June 2011**	**31 December 2010**
Assets			
Fixed assets			
- tangible fixed assets	1	**8,818.2**	8,822.0
- intangible fixed assets	1	**8.7**	689.1
- investments in associates		**214.9**	198.9
- other equity interests		**197.8**	191.0
- deferred tax assets		**734.7**	771.3
Total fixed assets		**9,974.3**	10,672.3
Total current assets		**207.7**	440.8
Total assets		**10,182.0**	11,113.1
Equity and liabilities			
Total shareholder's equity		**4,536.1**	5,260.8
Long-term liabilities			
- interest-bearing loans	2	**3,935.1**	3,896.7
- employee benefits	3	**90.6**	88.6
- other long-term liabilities		**374.4**	383.1
Total long-term liabilities		**4,400.1**	4,368.4
Current liabilities			
- current financing liabilities		**860.0**	979.3
- trade payables and other current liabilities		**385.8**	504.6
Total current liabilities		**1,245.8**	1,483.9
Total equity and liabilities		**10,182.0**	11,113.1

Condensed consolidated profit and loss account

In millions of euros	**Notes**		**First half of 2011**		**First half of 2010**
Continuing operations					
Income			**846.6**		780.0
Capitalised expenditure		**51.3**		51.6	
Staff and other operating expenses		**-/- 307.8**		-/- 310.2	
Depreciation and amortisation costs		**-/- 122.4**		-/- 99.5	
Impairments of goodwill	1	**-/- 679.4**		-	
Impairments of gas transport network	1	**-/- 220.6**		-	
Total expenses			**-/- 1,278.9**		-/- 358.1
Operating result			**-/- 432.3**		421.9
Finance revenue and costs			**-/- 85.6**		-/- 70.6
Share in result of associates			**12.7**		13.4
Result before taxation			**-/- 505.2**		364.7
Taxes	4		**-/- 42.6**		-/- 91.0
Result after taxation			**-/- 547.8**		273.7
Discontinued operations					
Result on discontinued operations after taxation			**-**		-
Profit for the period			**-/- 547.8**		273.7
Profit attributable to shareholder			**-/- 547.8**		273.7

Consolidated statement of comprehensive income

In millions of euros	**Cash flow hedge reserve**	**Other reserves**	**Unappropriated result**	**Total**
First half of 2011				
Total of results taken to the profit and loss account (profit for the period)	-	-	-/- 547.8	-/- 547.8
Movement in cash flow hedge reserve,	6.3	-	-	6.3
of which corporate income tax	-/- 1.6	-	-	-/- 1.6
Other movements	-	-/- 0.1	-	-/- 0.1
Total of results taken to equity	4.7	-/- 0.1	-	4.6
Total of comprehensive income	**4.7**	**-/- 0.1**	**-/- 547.8**	**-/- 543.2**
First half of 2010				
Total of results taken to the profit and loss account (profit for the period)	-	-	273.7	273.7
Movement in cash flow hedge reserve,	-/- 23.4	-	-	-/- 23.4
of which corporate income tax	6.0	-	-	6.0
Other movements	-	0.1	-	0.1
Total of results taken to equity	-/- 17.4	0.1	-	-/- 17.3
Total of comprehensive income	**-/- 17.4**	**0.1**	**273.7**	**256.4**

The total of comprehensive income for the first half of 2011 and 2010 is fully attributable to the shareholder.

Consolidated statement of movements in equity

In millions of euros	**Share capital**	**Cash flow hedge reserve**	**Other reserves**	**Unappro-priated result**	**Total**
First half of 2011					
Balance as at 1 January 2011	0.2	-/- 16.9	4,823.8	453.7	5,260.8
Total of comprehensive income for the period	-	4.7	-/- 0.1	-/- 547.8	-/- 543.2
Final dividend paid for 2010	-	-	-	-/- 181.5	-/- 181.5
Added to other reserves	-	-	272.2	-/- 272.2	-
Balance as at 30 June 2011	**0.2**	**-/- 12.2**	**5,095.9**	**-/- 547.8**	**4,536.1**
First half of 2010					
Balance as at 1 January 2010	0.2	-/- 4.6	5,192.3	121.8	5,309.7
Total of comprehensive income for the period	-	-/- 17.4	0.1	273.7	256.4
Final dividend paid for 2009	-	-	-/- 294.1	-/- 121.8	-/- 415.9
Balance as at 30 June 2010	**0.2**	**-/- 22.0**	**4,898.3**	**273.7**	**5,150.2**

Condensed consolidated cash flow statement

In millions of euros		**First half of 2011**		**First half of 2010**
Cash flow from business operations	**642.7**		662.2	
Interest, corporate income tax and other	**-/- 150.4**		-/- 75.9	
Cash flow from operating activities		**492.3**		586.3
Cash flow from investing activities		**-/- 348.4**		-/- 622.3
New long-term loans	**38.4**		53.3	
Movements in short-term financing	**-/- 119.3**		342.0	
Dividend paid	**-/- 181.5**		-/- 415.9	
Cash flow from financing activities		**-/- 262.4**		-/- 20.6
Increase in cash and cash equivalents		**-/- 118.5**		-/- 56.6
Cash and cash equivalents at previous year-end	**158.5**		106.5	
Cash and cash equivalents at the end of the period	**40.0**		49.9	
		-/- 118.5		-/- 56.6

Notes to the condensed consolidated financial statements

Nature of the business activities

The N.V. Nederlandse Gasunie (Gasunie) is one of Europe's largest gas infrastructure companies. The gas network carries approximately 125 billion m^3 of natural gas per year, nearly a quarter of the total volume consumed in Europe. Gasunie is the first European gas transport company with a cross-border network, consisting of more than 15,000 kilometres of pipeline in the Netherlands and Germany, connections to (inter)national pipeline systems and hundreds of installations, including LNG facilities (peak shaver and regasification terminal), as well as approximately 1,300 gas reception stations.

The company has its registered office in Groningen, the Netherlands, and is listed in the Chamber of Commerce under number 02029700.

All shares outstanding as at the balance sheet date are held by the Dutch State.

Basis of preparation

On the grounds of Regulation (EC) No 1606/2002 of the European Parliament, the company is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

The following new standards and interpretations were endorsed for use in the European Union and took effect in the first half of 2011:

- IAS 24, Related Party Transactions (Amendment)
- IAS 32, Financial Instruments: Presentation (Amendment)
- IFRIC 14, Prepayments of a Minimum Funding Requirement (Amendment)
- Improvements to IFRSs (Issued 2010)

The adoption of the aforementioned standards and interpretations has no material effect on the equity and profit of the company.

<u>Statement of compliance</u>

The semi-annual financial statements have been prepared in compliance with IFRS 'Interim Financial Reporting' (IAS 34), as applicable on 30 June 2011.

These semi-annual financial statements do not contain all the information and disclosures that must be included in financial statements and should be assessed in combination with the consolidated financial statements for 2010.

These semi-annual financial statements have not been audited, but have been reviewed by a qualified accountant.

<u>Management judgements and estimates</u>

In preparing the semi-annual financial statements, the management makes estimates and judgements which affect the assets and liabilities presented as at the balance sheet date and the profit for the period. These judgements and estimates have a significant effect on the valuation of business combinations, fixed assets including goodwill, deferred taxation and pensions.

Notes

1. Analysis of potential impairment losses

Triggering event

In June 2010, the Dutch Trade and Industry Appeals Tribunal (CBb) annulled the Method Decisions for the period 2009-2012 established by the Dutch Competition Authority (NMa) for Gas Transport Services (GTS) in December 2008. Furthermore, the CBb ruled that the NMa incorrectly did not establish a regulatory method for the period 2006-2008.

On 17 May last, the NMa published two draft Method Decisions per statutory task (transport, balancing and quality conversion); one for the period 2006-2009 and one for the period 2010-2013.

The developments as referred to above give rise to impairment testing of the gas transport network in the Netherlands and of the goodwill.

Financial implications of the draft Method Decisions

The financial implications of the draft Method Decisions have been mapped out. In this process estimates and judgements were made by the management which have an extremely significant impact on the outcome.

If the Method Decisions are adopted without changes and also over one billion euro has to be settled over the period 2006 up to and including 2011, than this will lead to:

- an impairment loss of approximately € 1.7 billion;
- a considerable deterioration of the future cash flows and solvency ratios;
- a considerable curtailment of the possibilities to raise funds.

The company has informed the NMa formally of its objections to the draft Method Decisions. The objections have been set out in the Position Paper which the NMA published on its website. The key objections are:

- the regulated asset value has been understated. The Method Decision 2009-2012 started from a regulated asset value of € 6.4 billion as at 1 January 2005 and the draft Method Decisions a value of € 4.7 billion as at 31 December 2005;
- the rate of return on capital invested has been understated;
- the compensation for operating expenses has been understated;
- the employed productivity improvement is also applied on non-influenceable costs (such as depreciation, amortisation and interest expenses);
- the adverse financial effects for the company and the long-term implications for the gas transport market are disproportionately high compared to the short-term benefits for the market.

The Executive Board is confident that these objections will lead to changes in the draft Method Decisions. Also as a consequence of this, the estimated amount of the repayment is too high in the Board's opinion.

Outcome of the impairment tests

On the basis of the information that is currently available and taking into account the major uncertainties, the management has concluded that impairment losses should be recognised as at the balance sheet date on the gas transport network in the Netherlands and on the goodwill. These impairment losses amount to respectively € 221 million and € 679 million; € 900 million in total.

For a full understanding, it should be noted that these impairment losses are based on judgements and estimates of the management. If the draft Method Decisions are adopted without changes, there is a realistic chance of a total impairment loss of € 1.7 billion.

2. Interest-bearing loans

The total amount of € 3,935.1 million (first half of 2010: € 4,165.5 million) in long-term loans consists of € 3,150.0 million (first half of 2010: € 3,616.1 million) in long-term bonds and € 785.1 million (first half of 2010: € 549.4 million) in private loans.

Movements in interest-bearing loans:

In millions of euros	**2011**	**2010**
Balance as at 1 January	**3,896.7**	4,112.2
Private loans contracted *)	**38.4**	53.3
Balance as at 30 June	**3,935.1**	4,165.5

**) These loans were contracted by Gate terminal B.V. in the form of long-term facilities and are consolidated proportionally. These facilities are drawn in phases.*

Future repayments:

In millions of euros	**First half of 2011**	**First half of 2010**
Repayment commitments in		
2010	**-**	-
2011	**466.1**	466.1
2012	**11.8**	7.6
2013	**1,412.2**	1,407.8
2014	**13.2**	8.5
2015	**14.0**	9.0
After 2015	**2,489.5**	2,279.3
Total repayment commitments	**4,406.8**	4,178.3

The company has a Medium Term Note (MTN) programme of € 5 billion. As at 30 June 2011, € 1.4 billion is still available for new issues under the MTN programme.

In addition, the company has credit facilities for temporary financing for a total amount of € 910 million (first half of 2010: € 340 million). At neither half year 2011 and 2010 any funds have been drawn under these facilities. The credit facilities have a maximum term of five years and are committed. The interest payable on the credit facilities is at a variable market rate.

In May 2011, the rating agencies Standard & Poor's and Moody's Investors Service changed the outlook for the credit rating of the N.V. Nederlandse Gasunie from stable to negative. The change was a result of the publication of the draft Method Decisions by the NMa on 17 May last. The rating of respectively AA- and Aa3 did not change.

If the Dutch State ceases to hold all the N.V. Nederlandse Gasunie's shares, the interest rates of the four € 125 million loans from the European Investment Bank will be adapted to reflect the credit risk policy of the lender.

No security has been provided for the interest-bearing loans and the credit facilities.

3. Employee benefits

The pension liabilities are valued annually in the second half of the year in accordance with IAS 19 'Employee Benefits'. An indicative calculation of pension liabilities as at the balance sheet date is made, taking into account current available data. The difference between the outcome of this indicative calculation and the calculation for the annual report 2010 is not deemed to be material with regard to the company's equity. In the semi-annual report 2011 the valuation is maintained, as included in the annual report 2010.

4. Taxes

The result before taxation amounts to € 505 million negative; this includes the goodwill impairment of € 679 million, which is not tax-deductible. Excluding this item, the result before taxation amounts to € 174 million and the effective tax rate is 24.5% (first half of 2010: 25.0%).

5. Information on income and result of segments

In millions of euros		**Income**		**Segment result**
	First half of 2011	**First half of 2010**	**First half of 2011**	**First half of 2010**
Continuing operations				
Segments				
- Regulated Network Management	**770.4**	737.4	**-/- 468.8**	411.8
- Participations & Business Development	**76.2**	42.6	**49.2**	23.5
Segment total	**846.6**	780.0	**-/- 419.6**	435.3
Unallocated finance revenue and costs			**-/- 85.6**	-/- 70.6
Result before taxation			**-/- 505.2**	364.7
Taxes			**-/- 42.6**	-/- 91.0
Result on continuing operations after taxation			**-/- 547.8**	273.7
Result on discontinued operations after taxation			**-**	-
Income and profit for the period	**846.6**	780.0	**-/- 547.8**	273.7

The information is segmented according to the group's activities. The operating segments reflect the management structure of the group. The following segments are distinguished:

- *Regulated Network Management in the Netherlands and Germany (TSO)*
  This segment covers network management and is responsible for managing transport, developing the pipeline network and related plants, and advancing market activities.
- *Participations & Business Development (non-TSO)*
  This segment focuses on facilitating access to new gas flows for northwest Europe via an LNG connection and long-distance pipelines, and on the use of the geological infrastructure for the storage of natural gas. Participation in (inter)national projects relating to natural gas infrastructure in the Netherlands and Germany is another part of this segment. This segment also includes joint ventures relating to pipelines that connect the Gasunie transport network to foreign markets, such as the BBL pipeline to the United Kingdom.

Income represents revenues from services supplied to third parties. Furthermore, the segments also supply to each other. During the first half of 2011, the segment Regulated Network Management supplied services for € 10.2 million (first half of 2010: € 7.1 million) to the segment Participations & Business Development. The segment Participations & Business Development supplied services for € 28.5 million (first half of 2010: € 14.9 million) to the segment Regulated Network Management in the first half of 2011.

The total assets amounts to € 8,697 million (year-end 2010: € 9,629 million) for the segment Regulated Network Management and € 1,485 million (year-end 2010: € 1,484 million) for the segment Participations & Business Development.

The Executive Board,

P.C. van Gelder, chairman
H.A.T. Chin Sue
E. Dam

Groningen, the Netherlands
29 July 2011

Review report

To: N.V. Nederlandse Gasunie; Groningen, the Netherlands

Introduction
We have reviewed the accompanying consolidated semi-annual financial statements of N.V. Nederlandse Gasunie, Groningen, the Netherlands for the period 1 January 2011 through 30 June 2011, which comprise the condensed consolidated balance sheet, the condensed consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of movements in equity and the condensed consolidated cash flow statement as well as the notes. The Executive Board of the company is responsible for the preparation and presentation of these consolidated semi-annual 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 consolidated semi-annual financial statements based on our review.

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the consolidated semi-annual financial statements for the period 1 January 2011 through 30 June 2011 are not prepared, in all material aspects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Emphasis of uncertainty in the consolidated semi-annual financial statements with respect to risk of impairment losses
We draw attention to note 1 to the consolidated semi-annual financial statements, which describes the uncertainty with respect to impairment losses on the gas transport network and/or on goodwill. Our conclusion is not qualified in respect of this matter.

Groningen, the Netherlands, 29 July 2011

Ernst & Young Accountants LLP

Signed: P.J.T.A. van Kleef