

Semi-annual report 2017

N.V. Nederlandse Gasunie

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Key figures

| <i>In millions of euros</i> | First half of 2017 | First half of 2016 |
|--|-------------------------------|-------------------------------|
| Profit and loss account | | |
| Revenues | 740 | 814 |
| EBITDA | 519 | 584 |
| EBIT | 372 | 433 |
| Result after taxation | 291 | 300 |
| Cash flow statement | | |
| Cash flow from operating activities | 452 | 564 |
| Cash flow from investing activities | (103) | (149) |
| Cash flow from financing activities | (555) | (435) |
| Net cash flow | (206) | (20) |
| Non-financial key figures | | |
| Transported volume (TWh) | 593 | 606 |
| Reportable frequency index | 4.0 | 4.1 |
| Pipeline damages | 1 | 0 |
| Security of supply (non-deliveries or late deliveries) | 1 | 1 |
| <hr/> | | |
| <i>In millions of euros</i> | 30 June 2017 | 31 December 2016 |
| Balance sheet | | |
| Fixed assets | 9,753 | 10,035 |
| Equity | 5,799 | 5,682 |
| Balance sheet total | 9,976 | 10,263 |
| Key figures | | |
| Invested capital | 9,334 | 9,719 |
| Net debt | 3,565 | 3,923 |
| Credit ratings | | |
| Standard & Poor's | AA- | AA- |
| Moody's Investors Service | A2 | A2 |

Definitions relating to the key figures

| | |
|----------------------------|---|
| EBITDA | Earnings before deduction of interest, taxes, depreciations and amortisation. |
| EBIT | Earnings before deduction of interest and taxes. |
| Reportable frequency index | The number of reportable incidents (incidents resulting in absence, medical treatment, replacement work or fatalities) per one million hours worked (including third parties), assuming 1,640 working hours per FTE per year. |
| Invested capital | Total of tangible fixed assets, investments in joint ventures, investments in associates and other equity interests, corrected for assets under construction for which no compensation has yet been received. |
| Net debt | Total of long-term interest-bearing loans, current financing liabilities and pension provision less cash and cash equivalents. |

Semi-annual report

Financial results

Key figures (reported)

| <i>In millions of euros</i> | First half of 2017 | First half of 2016 |
|---|-------------------------------|-------------------------------|
| Revenues | 740 | 814 |
| Total expenses | (368) | (381) |
| Operating result | 372 | 433 |
| Financial income and expenses | (36) | (68) |
| Share in result of joint ventures, associates and dividend on other equity interests | 31 | 31 |
| Results disinvestments associates | 9 | - |
| Result before taxation | 376 | 396 |
| Taxes | (85) | (96) |
| Result after taxation | 291 | 300 |

Lower revenues

Revenues achieved in the first half year were € 74 million lower than in the same period last year. This decrease is mainly due to less capacity sold in the Netherlands and Germany. In addition, some long-term agreements in the non-regulated business segment expired.

The tariffs that Gasunie Transport Services B.V. (GTS) and Gasunie Deutschland (GUD) are allowed to charge their customers are regulated. They are determined by the regulators in the Netherlands and Germany respectively on the basis of the expected permitted revenues and the expected capacity bookings.

In February 2017, the Dutch regulatory authority, ACM, established the regulatory method for GTS. On 31 May, ACM published the transport tariffs that GTS will be permitted to charge its customers as of 1 July 2017. The tariff decision is based on the permitted revenues for 2017 less the income achieved by GTS in the first half of 2017. For this reason, GTS's revenue in the second half of the year will be € 250 million lower than in the first half.

In both the Netherlands and Germany, the regulatory methods require several regular retroactive settlements. If the actual revenues deviate from the permitted revenues, the difference will be settled in the tariffs of later years. For a part of the energy costs of gas transport, a settlement mechanism also applies. In the 2017 tariffs, as regular settlement was included a refund by GTS of € 61 million and a refund by GUD of € 3 million. On the basis of the regulatory system, Gasunie is expected to charge € 37 million over 2017 through its future tariffs (2019 and beyond).

Lower operating result despite lower expenses

The lower revenues in the first half year are only partly offset by a decrease in expenses. On balance, the operating result consequently decreased by € 61 million. The decrease in expenses is mainly due to the fact that, in the first half of 2016, an one-off provision of € 9 million was taken in order to clean up and remove pipelines.

Result after taxation

For the first half of the year, the result after taxation amounted to € 291 million, which is € 9 million lower than in the same period last year.

Our financial expenses were significantly lower than in the first half of 2016. This was mainly due to lower interest charges (€ 24 million) following the repayment of two long-term loans and the lower interest rates against which the refinancing took place. Another cause is a one-off profit of € 9 million in 2017 related to the release of the negative value of the buy/sell option regarding our share in the European Energy Exchange ICE Endex. The book profit from the sale of our share in ICE Endex is recognised under 'Results disinvestments associates'.

The share in the result of joint ventures, associates and dividends on other equity interests remained stable. As a result of the developments mentioned above, the result before taxation decreased by € 20 million.

Financial outlook for 2017

We expect revenues for the full year 2017 to be approximately € 1.2 billion. This is € 300 million lower than in 2016 and mainly due to the new method decision for GTS. This financial effect will manifest itself in the second half of the year, as the tariffs were based on the permitted revenues for 2017 less the income achieved by GTS in the first half of 2017. For this reason, GTS's revenue in the second half of the year will be € 250 million lower than in the first half. The result after taxation from regular operating activities is expected to be between € 300 million and € 350 million. The expenses for replacement and expansion investments for the full year 2017 are expected to be approximately € 300 million, in line with last year.

Financing

On 31 March 2017, a bond loan of € 750 million was repaid. The financing required for this repayment had already partly been drawn in November 2016 through a new bond loan of € 300 million. In addition, short-term loans were drawn on the money market in the form of private loans and Euro Commercial Paper (ECP). No use was made of the € 750 million stand-by facility.

Credit ratings

At the end of May, rating agency Moody's raised the outlook for our current A2 credit rating from 'stable' to 'positive'. The improvement of our outlook is related to the clarity obtained with regard to the permitted revenues of GTS in the coming years and Gasunie's lower investment agenda.

Standard & Poor's (S&P) has reconfirmed its long-term credit rating. Our long-term credit rating at S&P remains AA- with a stable outlook.

Business model

Our revenues are entirely generated from activities relating to our gas infrastructure. The activities of the network operators in the Netherlands and Germany are regulated, in contrast to the infrastructure services of Participations, which are not or only partially regulated.

The business model of the network operators in the Netherlands and Germany

The network operators in the Netherlands and Germany offer their services in a customer-focused and transparent manner. They sell the available capacity in a reliable network on competitive terms. The gas can be fed into the network at entry points, and customers can retrieve gas from the network at exit points. Customers enter into contracts with which capacity is booked at certain entry or exit points in the network for a certain period (year, quarter, month or day). With regard to the transport of transit flows, our network competes with networks in other countries in Northwestern Europe.

The tariffs that we charge our customers are regulated. They are determined once a year by the regulatory authorities, which review the method of regulation every 3 to 5 years. The regulator in the Netherlands is the Authority for Consumers & Markets (ACM), and in Germany it is Bundesnetzagentur (BNetzA).

In the Netherlands and Germany, a system of revenue regulation applies: the tariffs are calculated by dividing the permitted revenues for the year in question by the estimated capacity bookings. If the actual number of bookings is different, and thus the revenues generated, the difference will be settled in later years.

The revenues permitted by the regulator consist of a capital cost allowance for the invested capital, a reimbursement for the annual depreciation costs (calculated on the basis of the depreciation periods determined by the regulator and the value of the assets) and a reimbursement for the operating costs.

The business model of Participations

Participations provides infrastructure services such as gas storage, transport through international pipelines (including sea pipelines) and a terminal for the import of liquefied natural gas (LNG). It is responsible for the sale and delivery of these gas infrastructure services. Our customers buy capacity, which entitles them to use the relevant infrastructure during a certain period. The tariffs for these services are mainly determined by the market of supply and demand. The business risks and return targets of the activities of this business unit's activities are higher than those of our fully regulated activities.

With these activities, we support the liquidity and proper functioning of the gas market. In this way, they contribute to the utilisation of our gas transport networks in the Netherlands and Germany. Participations supports the proper functioning of the energy market and competitive pricing. It positions the Netherlands as a hub in the international gas flows and contributes to the long term availability of gas. Participations is responsible for managing new business developed by Corporate Business Development with regard to both existing and future energy solutions.

Risk management

Our business activities are subject to risks. We aim to manage these risks in the best possible way. The main risks as mentioned in the Annual Report 2016 under 'Risk profile' are still relevant. For our assessment of these risks, we naturally follow internal and external developments very closely.

Besides our continuous focus on safety, we pay a lot of attention to anticipating changing market circumstances, stimulating and developing innovation and entrepreneurship, and the developments on the labour market. In addition, IT security continues to be at the focus of our attention. On balance, Gasunie's total risk profile has essentially not changed over the past six months.

Main results with regard to safety

In the first six months of the year, our safety performance with regard to the prevention of pipeline damage deteriorated slightly compared to last year. So far, there has been one report of pipeline damage, compared to zero in the first half of 2016.

Our safety performance with regard to preventing accidents requiring medical attention and accidents resulting in more serious injury was below our target. For 2017, the signal value of the reportable frequency index was lowered to 3.4 (from 3.7 in 2016). The actual score for the period July 2016 to June 2017 is 4.0, which is similar to the same period last year (4.1). One of the objectives of the Safe@Gasunie improvement programme is to structurally lower the reportable frequency index to below 3.0. The programme focuses on safety culture, safety awareness and safety behaviour.

Business unit results

Network operations in the Netherlands

Gas transport

The volume of energy transported decreased by 1.4% from 501 TWh in the first six months of 2016 to 494 TWh in the first half of 2017.

One short transport interruption occurred in the Dutch network, as a result of which a cattle feed factory did not receive gas for 20 minutes.

Production ceiling Groningen

On 24 May, the Minister of Economic Affairs decided that, in the coming 'gas year', which starts on 1 October 2017, the production of Groningen gas (G-gas) will be limited to 21.6 billion m³ per gas year. In a cold year, based on the number of actual 'heating degree days', a higher level will be permitted up to a maximum of 27 billion m³. The Minister's decision is partly based on the analysis of security of supply made by GTS.

Quality conversion

As a consequence of the further restriction of G-gas production, increasing demand will be placed on our quality conversion capacity. The 'pseudo G-gas' we produce in this way increased from virtually nil in 2013 to as much as 23.4 billion m³ in 2016. In the first half of 2017, GTS produced 15.3 billion m³ of pseudo G-gas. This is an increase of 8% compared to the same period last year.

Gas trading platform (Title Transfer Facility)

The gas in our Dutch gas transport network can be traded by market parties via the virtual gas trading platform TTF. In the period from January to May 2017, market parties traded a total of 8,899 TWh gas on TTF, compared to 9,338 TWh in the same period in 2016. In Northwestern Europe as a whole (NBP, NCG, etc.), we have noticed a slight decline in gas trade, particularly in the trade of seasonal products. Despite this slight decline, TTF's share in the total traded volume at Northwestern European hubs increased from 45% to 48%. This underlines the importance of the presence of a liquid hub in dealing with market demand.

New tariffs as of 1 July 2017

As of 1 July 2017, GTS's transport tariffs will go down by an average of 26% compared to the current tariffs. This is the result of the tariff decision 2017 as published by the Dutch regulatory authority ACM on 31 May 2017.

These tariffs are based on the new method decision and x-factor decision published by ACM on 24 February 2017, which determine that GTS's revenues will need to come down in the coming years. The tariff decision was based on the permitted revenues for 2017 less the income achieved by GTS in the first half of 2017. For this reason, GTS's revenue in the second half of the year will be € 250 million lower than in the first half of 2017.

Integrated energy scenarios

For the first time, in collaboration with Tennet and GTS, ECN has developed integrated energy scenarios, in which the future development of gas, electricity and heat until 2035 are described in an integrated way. At the end of March, these energy scenarios were presented to, and positively received by, the Dutch Ministry of Economic Affairs and ACM. These scenarios are used as a basis for the European infrastructure plans of Entso-g and Entso-e, as well as for the network development plans of GTS and Tennet.

Green Deal on natural-gas-free neighbourhoods

Together with the Dutch Ministers Kamp and Plasterk, Deputy Minister Dijksma and dozens of municipalities, Gasunie has signed the Green Deal on natural-gas-free neighbourhoods. This Green Deal aims to stimulate concrete initiatives to provide heating in neighbourhoods without using natural gas. These initiatives will enable stakeholders to gain the necessary experience to achieve a CO₂-neutral energy supply by 2050.

One of our initiatives is the 'Groenversnelling' ('Green Acceleration') campaign, which involves stimulating the use of hybrid heat pumps in combination with green gas. This combination is currently being applied in 100 homes in the towns of Winsum and De Marne, in the Dutch province of Groningen.

Merger of GTS and GGS

As of 1 January 2016, GTS B.V. was split into two companies, Gasunie Transport Services B.V. and Gasunie Grid Services B.V., with the aim of creating two network operators, one for the national main transmission system (HTL) and one for the regional transmission system (RTL).

In the context of the new method decision 2017-2021 talks have taken place between ACM, market parties and GTS. These talks have resulted in agreements on a number of important issues. One of the agreements made is that GTS waives the split and remains the network operator for both the HTL and RTL network. Maintaining Gasunie Grid Services B.V. as a separate company, has no added value. With effect from 2 January 2018, GTS and GGS will merge.

Network operations in Germany

Gas transport

In the first half of 2017, Gasunie Deutschland transported 99 TWh of gas (2016: 105 TWh). The Nord Stream entry point in Greifswald largely ran at maximum capacity. The volume at the entry point of North Sea gas in Emden and Dornum was approximately 7 TWh lower than in the first half of 2016. The entry capacity bookings at the border points of Emden and Oude Statenzijl were significantly lower than expected, while the exit capacity bookings at Oude Statenzijl were much higher than expected caused by the increase of the H-gas import in the Netherlands. On balance, in the first half of 2017, revenues from selling transport capacity were lower than expected.

No transport interruptions occurred in the German network.

Projects

GUD received two applications for new network connections: one for an LNG terminal near Hamburg and one for increasing the transport capacity to the Volkswagen power station in Wolfsburg. These two applications, provided they will be granted, will lead to an expansion of the existing infrastructure in the coming four years.

Gas trading platform GASPOOL

From January to May 2017, the volume traded on the virtual gas trading platform GASPOOL was 682 TWh, a slight increase compared to the same period in 2016 (654 TWh).

L-gas conversion

Due to the decreasing production of low-caloric gas (L-gas) in Germany and the Netherlands, the end-user installations in our market area must be made suitable for high-caloric H-gas. GUD organizes this conversion proactively to ensure that its gas transportation network stays optimally utilized and to ensure security of supply with a controlled transition.

The first conversion projects were completed successfully. In the first half of 2017, conversion at Bremen was started, which will take until 2019.

Regulation

At the end of the second quarter of 2016, GUD submitted a cost estimate for the new regulatory period 2018–2022 to BNetzA with regard to its gas transport network. Based on a benchmark, BNetzA will determine the efficiency of each network operator. The outcomes of this benchmark are not expected before the fourth quarter of 2017. The entire process for determining the permitted revenues for the regulatory period 2018-2022 will need to be completed at the end of 2017.

Participations

Sale of share in European energy exchange ICE Endex

On 28 June, we sold our share of 20.9% in ICE Endex Holding B.V., a European energy exchange in derivatives and spot gas, to Intercontinental Exchange (NYSE: ICE) after ICE exercised its purchase option. ICE and Gasunie will continue to cooperate in the area of energy market dynamics.

Business Development results

Proposal for Balgzand-Bacton pipeline (BBL) as part of TTF market area

GTS and BBL Company have developed a proposal to make the BBL, which transports natural gas between the Netherlands and the United Kingdom, part of the TTF market area. As a result, the TTF market area in the Netherlands and the market area in the United Kingdom (NBP) will be directly linked. The Julianadorp exit/entry point will cease to exist, as well as the exit/entry tariffs at this point. Consequently, transporting gas between the two largest trading areas in Europe will become easier and cheaper.

A consultation round among relevant stakeholders was already held. A report will be drawn up about connecting the market areas, taking into account the comments received. This report will be published and discussed with the Netherlands Authority for Consumers and Markets (ACM). In addition, the intended amendments will be submitted for approval to the British regulator, Ofgem. The planned date of implementation is 1 January 2018.

Power-to-Gas project HyStock

Sustainably produced hydrogen is a suitable energy carrier for the transition to a sustainable energy regime. The opportunities in this regard are currently being mapped by Gasunie. These include, for example, transporting and storing hydrogen, adding hydrogen as part of the mix in the natural gas network, and converting sustainable electricity into hydrogen.

On 28 June, we decided that we will invest in a power-to-gas installation at the location of the underground gas storage near Zuidwending in the province of Groningen. Using energy generated by approximately 5,000 solar panels, among other sources, Gasunie subsidiaries EnergyStock and New Energy will convert sustainable electricity into hydrogen (the HyStock project). The installation will be leased to market parties who could use the hydrogen for example for road transport. This will be the first such installation in the Netherlands with a capacity of at least 1 Megawatt. The location is ideal, as it offers the opportunity of future large-scale storage of hydrogen in salt caverns made suitable for gas storage.

Switching power station from natural gas to hydrogen

Gasunie will be joining forces with Vattenfall/Nuon and Statoil to facilitate the use of hydrogen in the Magnum power station in Eemshaven, Groningen. By 2023, Nuon aims to have made one of the three units of the power station suitable for hydrogen. In the context of this innovation project, Statoil will be responsible for the production and supply of hydrogen. Gasunie is examining how the hydrogen can be transported to the Magnum power station and, if necessary, stored temporarily. Once the first natural gas station has been made suitable for hydrogen, it can serve as an example for other stations.

Gasunie builds biogas demonstration facility

In March 2016, Gasunie entered into an agreement with SCW Systems BV regarding the extraction of biogas from wet biomass by means of supercritical water gasification. In December, construction of a demonstration gasification installation was started in Alkmaar. The first reactor (of ten) is expected to be operational in the fourth quarter of 2017. The demonstration facility is built to be able to show in the coming years that the new technology can successfully be applied at an industrial scale. SCW Systems and Gasunie New Energy are each 50% shareholder of the biogas demonstration facility.

Feasibility study into LNG terminal near Hamburg

In collaboration with Oiltanking and Vopak, we are assessing the economic and technical feasibility of the first German LNG import terminal in Brunsbüttel (near Hamburg). This terminal will give Germany direct access to the global LNG market, enhancing diversity in the German energy portfolio. The terminal will be connected to the German gas transport network and will have facilities for mooring both large and small vessels, as well as for loading trucks with LNG to supply the transport market.

The use of LNG rather than fuel oil or diesel has significant environmental benefits, such as lower emissions of CO₂, nitrogen oxide and sulphur, no particulate matter and soot, and quieter engines. In addition, we are seeking opportunities for collaboration with local industries in order to fully optimise energy efficiency at gasification. No investment decision has yet been taken.

Statement of the Executive Board

(as defined by Section 5:25d, paragraph 2(c) of the Dutch Financial Supervision Act)

The members of the Executive Board hereby declare that, to the best of their knowledge,

1. the semi-annual financial statements give a true and fair view of the assets, liabilities, financial position and result of the company and the undertakings included in the consolidation taken as a whole; and that
2. the semi-annual financial report gives a true and fair view of material events that occurred in the first six months of the year and the impact of such events on the semi-annual financial statements, and provides a description of the principal risks and uncertainties faced in the remaining six months of the reporting period.

The Executive Board,

J.J. Fennema*, Chairman

I.M. Oudejans*

U. Vermeulen

Groningen, the Netherlands, 21 July 2017

* Statutory director

Consolidated semi-annual financial statements

Condensed consolidated balance sheet (before profit appropriation)

| <i>In millions of euros</i> | Notes | 30 June 2016 | 31 December 2015 |
|---------------------------------|--------------|-------------------------|-----------------------------|
| Assets | | | |
| Fixed assets | | | |
| - tangible fixed assets | | 8,625.5 | 8,665.3 |
| - investments in joint ventures | | 230.5 | 233.2 |
| - investments in associates | | 0.8 | 11.5 |
| - other equity interests | | 477.0 | 470.2 |
| - deferred tax assets | 5 | 419.0 | 430.3 |
| Total fixed assets | | 9,752.8 | 9,810.5 |
| Total current assets | | 223.3 | 460.7 |
| Total assets | | 9,976.1 | 10,271.2 |
| Equity and liabilities | | | |
| Total shareholder's equity | | 5,799.4 | 5,601.9 |
| Long-term liabilities | | | |
| - interest-bearing loans | 2 | 3,153.6 | 3,164.3 |
| - employee benefits | 3 | 97.7 | 100.4 |
| - other long-term liabilities | 4 | 276.8 | 270.1 |
| Total long-term liabilities | | 3,528.1 | 3,534.8 |
| Current liabilities | | | |
| - current financing liabilities | | 360.4 | 794.9 |
| - trade and other payables | | 288.2 | 339.6 |
| Total current liabilities | | 648.6 | 1,134.5 |
| Total equity and liabilities | | 9,976.1 | 10,271.2 |

Condensed consolidated profit and loss account

| <i>In millions of euros</i> | Notes | First half of 2017 | First half of 2016 |
|--|-------|-----------------------|-----------------------|
| Continuing operations | | | |
| Revenues | 7 | 739.7 | 814.4 |
| Capitalised expenditure | | 51.6 | 50.6 |
| Staff costs and other operating expenses | | (272.0) | (281.4) |
| Depreciation | | (147.7) | (150.0) |
| Total expenses | | (368.1) | (380.8) |
| Operating result | 7 | 371.6 | 433.6 |
| Finance income and costs | | (35.9) | (68.3) |
| Share in result of joint ventures | | 17.4 | 15.9 |
| Share in result of associates | | 1.4 | 1.9 |
| Dividend received on investments in other equity interests | | 12.2 | 13.2 |
| Results desinvestments associates | 6 | 9.1 | - |
| Result before taxation | | 375.8 | 396.3 |
| Taxes | | (84.7) | (96.5) |
| Result after taxation | | 291.1 | 299.8 |
| Result for the period | | 291.1 | 299.8 |
| Result attributable to shareholder | | 291.1 | 299.8 |

Consolidated statement of comprehensive income

| <i>In millions of euros</i> | Notes | First half of 2017 | First half of 2016 |
|--|--------------|-------------------------------|-------------------------------|
| <i>Total of results taken to the profit and loss account</i> | | 291.1 | 299.8 |
| Balance of actuarial gains and losses on employee benefits, of which corporate income tax | 4 | 4.1 (1.1) | (3.9) 1.2 |
| <i>Total of results taken to equity which will not be reclassified subsequently to the profit and loss account</i> | | 3.0 | (2.7) |
| Movement in other equity interests stated at fair value | 6 | 6.9 | 6.9 |
| Movements in the cash flow hedge reserves concerning joint ventures and associates valued at the equity method of which corporate income tax | | 9.2 (2.3) | (9.1) 2.3 |
| Movement in cash flow hedge reserve, of which corporate income tax | | (0.4) 0.1 | (0.9) 0.2 |
| <i>Total of results taken to equity which will be reclassified subsequently to the profit and loss account</i> | | 13.5 | (0.6) |
| Total comprehensive income for the year, net of tax | | 307.6 | 296.5 |
| Attributable to shareholder | | 307.6 | 296.5 |

Consolidated statement of movements in equity

| <i>In millions of euros</i> | Share capital | Cash flow hedge reserve | Fair value reserve | Other reserves | Unappropriated result | Total |
|--|----------------------|--------------------------------|---------------------------|-----------------------|------------------------------|----------------|
| First half of 2017 | | | | | | |
| Balance as at 1 January | 0.2 | (46.3) | 297.4 | 5,167.1 | 183.5 | 5,601.9 |
| Total of comprehensive income for the period | - | 6.6 | 6.9 | 3.0 | 291.1 | 307.6 |
| Dividend paid for 2016 | - | - | - | - | (110.1) | (110.1) |
| Added to other reserves | - | - | - | 73.4 | (73.4) | - |
| Balance as at 30 June | 0.2 | (39.7) | 304.3 | 5,243.5 | 291.1 | 5,799.4 |
| First half of 2016 | | | | | | |
| Balance as at 1 January | 0.2 | (46.2) | 262.1 | 4,948.5 | 552.9 | 5,717.5 |
| Total of comprehensive income for the period | - | (7.5) | 6.9 | (2.7) | 299.8 | 296.5 |
| Dividend paid for 2015 | - | - | - | - | (331.7) | (331.7) |
| Added to other reserves | - | - | - | 221.2 | (221.2) | - |
| Balance as at 30 June | 0.2 | (53.7) | 269.0 | 5,167.0 | 299.8 | 5,682.3 |

Condensed consolidated cash flow statement

| <i>In millions of euros</i> | Notes | First half of 2017 | First half of 2016 |
|--|-------|-----------------------|-----------------------|
| Cash flow from business operations | | 587.9 | 724.1 |
| Interest, corporate income tax and other | | (135.3) | (160.4) |
| Cash flow from operating activities | | 452.5 | 563.7 |
| Cash flow from investing activities | | (103.4) | (148.5) |
| Repayment of long-term loans | 3 | (760.7) | (710.7) |
| New long-term loans | 2 | 0.0 | 650.0 |
| Movement in short-term financing | 3 | 315.5 | (42.3) |
| Dividend paid | | (110.1) | (331.7) |
| Cash flow from financing activities | | (555.3) | (434.7) |
| Movement in cash and cash equivalents | | (206.1) | (19.5) |
| Cash and cash equivalents at previous year-end | | 238.4 | 64.7 |
| Cash and cash equivalents at end of period | | 32.3 | 45.2 |
| | | (206.1) | (19.5) |

Notes to the condensed consolidated financial statements

The financial statements in English are a translation of the official Dutch version prepared by the Executive Board on 21 July 2017. In the event of differences and/or inconsistencies between the English version of the financial statements and the original Dutch financial statements, the latter will take precedence.

Nature of business operations

N.V. Nederlandse Gasunie (Gasunie) is a European gas infrastructure company. Gasunie's network ranks among Europe's largest high-pressure gas transport networks and consists of some 15,500 kilometres of pipelines in the Netherlands and northern Germany, dozens of installations and approximately 1,300 gas-receiving stations. The annual gas throughput totals approximately 1,250 TWh (125 billion m³). Gasunie serves the public interest in the markets in which it operates and seeks to maximise value creation for its stakeholders. Gasunie provides gas transport services through its subsidiaries, Gasunie Transport Services B.V. in the Netherlands and Gasunie Deutschland Transport Services GmbH in Germany. Gasunie also provides other gas infrastructure services, including gas storage, LNG storage and the certification of green gas through its subsidiary Vertogas. Gasunie seeks to deploy its infrastructure and knowledge for the ongoing development and integration of renewable energy sources, particularly green gas.

The company has its registered office at Concourslaan 17, Groningen, the Netherlands, and is registered with the Chamber of Commerce under number 02029700.

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

Seasonal influence

The core activity of Gasunie Transport Services B.V., Gasunie Grid Services B.V., Gasunie Deutschland Transport Services GmbH and BBL Company V.O.F. is the transport of gas through their gas transport network. The revenues consist of the sale of the available transport capacity and transport-related services. Our customers can enter into contracts that allow them to book capacity at certain entry or exit points in the gas transport network for a certain period (year, quarter, month or day). There is a seasonal pattern in the regional transport capacity contracted by our customers in the Netherlands: in the winter, more capacity is contracted than in the summer. The revenues are realised through the transport capacity sold and are independent of the actual transported volume. In contrast, particularly the costs of network operations do depend on the transported volume.

In February 2017, the Dutch regulatory authority, ACM, established the regulatory method for GTS. On 31 May, ACM published the transport tariffs that GTS will be permitted to charge its customers as of 1 July 2017. The tariff decision is based on the permitted revenues for 2017 less the income achieved by GTS in the first half of 2017. For this reason, GTS's revenue in the second half of the year will be € 250 million lower than in the first half.

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 the International Financial Reporting Standards (IFRS), as adopted by the European Union.

The accounting policies adopted in the preparation of the consolidated semi-annual financial statements 2017 are consistent with those followed in the preparation of the consolidated financial statements 2016. As of the fiscal year 2017, now new standards or interpretations have been adopted by the European Union.

The company has examined to what extent IFRS 15 will have a material effect on the equity or result of the company in the period of first-time adoption and to what extent this will require any further disclosures. No material effect on the company's equity and result is expected. However, the adoption of IFRS 15 is likely to require additional disclosures, particularly with regard to contracts and separate delivery obligations and management estimates.

As of the financial year 2019, IFRS 16 Leases will become effective. The company has examined to what extent this standard will have a material effect on the equity or result of the company in the period of first-time adoption and to what extent this will require any further disclosures. No material effect on the company's equity and result is expected. However, a non-material shift will take place from operating expenses to interest and depreciation expenses. In addition, the tangible fixed assets, as well as the current and long-term liabilities, will increase. The company estimates that both assets and liabilities will increase with 50 to 100 million euros. In addition, in the cash flow statement, a shift will also take place from operational cash flows to financing cash flows. Finally, the company expects to make additional disclosures with regard to the lease liabilities concerning the depreciation costs and the financing costs.

Statement of compliance

The semi-annual financial statements have been prepared in accordance with the IFRS 'Interim Financial Reporting' standard (IAS 34), as adopted by the European Union and applicable as at 30 June 2017.

The semi-annual statements have not been audited, but have been reviewed by the independent auditor.

Management judgements and estimates

In preparing the semi-annual financial statements, management makes estimates and assessments which affect the assets and liabilities presented as at the balance sheet date and the result for the reporting period.

The judgements and estimates have a significant effect on the valuation of fixed assets, the provision for clearance costs and redevelopment, deferred taxation, pensions and other equity interests, and on the classification of equity interests in the context of IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements.

Notes

1. Impairment tests

Both in the Netherlands and in Germany, the carrying amount and the recoverable amount of the gas transport network are almost equal. This means that material downward changes in the recoverable amount as a result of, for example, method decisions for a next regulatory period can only be accommodated to a limited degree and may lead to an impairment loss.

During 2016, The German Ministry of Economic Affairs performed a review of the German Incentive Regulation (Anreizregulierung) as used in tariff-setting of German TSO's such as GUD and concluded that it was to remain largely unchanged.

Currently, the German Regulator BundesnetzAgentur (BNetzA) is in the process of setting the revenue cap for the period 2018-2022 based on this Incentive Regulation. A final decision is expected in the 4th quarter of 2017.

Whenever there is a triggering event, the company tests whether there is any impairment of tangible, intangible and financial fixed assets.

2. Interest-bearing loans

The total amount of 3,153.6 million (year-end 2016: € 3,164.3 million) of long-term loans comprises € 2,550.0 million (year-end 2016: € 2,550.0 million) of long-term bonds and € 603.6 million (year-end 2016: € 614.3 million) of private loans.

The movements in interest-bearing loans are as follows:

| In millions of euros | First half of 2017 | 2016 |
|--|-----------------------|---------|
| Balance as at 1 January | 3,164.3 | 2,985.7 |
| Long term bonds contracted | - | 950.0 |
| Repayment obligations in next financial year | (10.7) | (771.4) |
| Balance as at 30 June/31 December | 3,153.6 | 3,164.3 |

The future repayments are as follows:

| In millions of euros | 30 Jun. 2017 | 31 Dec. 2016 |
|-----------------------------|--------------|--------------|
| Repayment obligations in | | |
| 2017 | 10.7 | 771.4 |
| 2018 | 321.4 | 321.4 |
| 2019 | 321.5 | 321.5 |
| 2020 | 21.4 | 21.4 |
| 2021 | 800.0 | 800.0 |
| After 2021 | 1,700.0 | 1,700.0 |
| Total repayment obligations | 3,175.0 | 3,935.7 |

The company has a current account facility of € 25 million (year-end 2016: € 25 million) and a committed credit facility of € 750 million (year-end 2015: € 750 million). As at 30 June 2016 and year-end 2015, no funds were drawn under these facilities. The interest payable on the funds drawn under these facilities is based on prevailing market rates.

In addition to the above-mentioned facilities, the company has a € 750 million Commercial Paper programme (year-end 2016: € 750 million) and a € 7.5 billion Medium Term Note (MTN) programme (year-end 2016: € 7.5 billion). Under the MTN programme, € 5.3 billion is available for new issues as at 30 June 2017.

No securities have been provided by N.V. Nederlandse Gasunie for the interest-bearing loans and other facilities.

3. Current financing liabilities

| <i>In millions of euros</i> | 30 Jun. 2017 | 31 Dec. 2016 |
|-------------------------------------|---------------------|---------------------|
| Repayments on long-term loans | 21.4 | 771.4 |
| Short-term loans | 320.0 | - |
| Short-term loans to joint ventures | 19.0 | 23.5 |
| Total current financing liabilities | 360.4 | 794.9 |

In the first half year of 2017, the company has repaid € 760.7 million (first half year 2016: € 710.7 million) on long term loans.

4. Employee benefits

The pension liabilities are valued annually in the second half of the year in accordance with IAS 19 Employee Benefits (Revised). As at the balance sheet date, an indicative calculation of pension liabilities has been made, taking into account currently available data.

Compared to the financial statements 2016, the assumptions underlying the calculation of the pension liabilities remain unchanged: inflation 1.9% (year-end 2016: 1.9%), expected annual salary increase for the pension scheme 2.7% (year-end 2016: 2.7%) and the expected pension increase for retirees 1.7% (year-end 2016: 1.7%).

The provision for pension liabilities relates to the pension scheme of employees who joined Gasunie Deutschland before 2012. It is treated as a defined benefit pension scheme.

The provision for pension liabilities for employees in Germany concerns the present value of the pension entitlements as at 30 June 2017 of € 83.2 million (year-end 2016: € 85.5 million).

The total actuarial result for the first half of 2017 taken directly to equity is € 4.1 million positive (first half 2016: € 3.9 million negative).

As at 30 June 2017, the accumulated actuarial gains and losses taken directly to equity total € 23.4 million negative (year-end 2016: € 27.5 million negative).

5. Other long-term liabilities

The 'other long-term liabilities' consist of 'deferred tax liabilities' and 'provisions'. Until 30 June 2017, there has been no substantial addition to or release of provisions.

6. Financial instruments

The following methods are applied by N.V. Nederlandse Gasunie to determine the approximate fair values of financial instruments:

- For trade receivables, tax and social security contributions, other receivables, cash and cash equivalents, current financing liabilities excluding repayment obligations on long-term loans, trade payables, tax liabilities, and other liabilities, accruals and deferred income, the carrying amount approximates the fair value because of the short period to the due date for each of these instruments;
- The other equity interests are stated at fair value, which is based on the present value of the expected cash flows. In determining the discount rate, the risk profile, including the credit risk, of the other equity interests has been taken into account;
- The interest-bearing loans and repayment obligations on long-term loans are bonds with a listing on the Amsterdam stock exchange, and private loans. The fair value of the bonds is the market value at the year-end closing price. The fair value of the private loans has been calculated by discounting the future cash flows against the current yield curve. In determining the discount rate, the company's own risk profile, including the credit risk, has been taken into account; and
- The derivative financial instruments that oblige the company to deliver financial assets at a predetermined price are stated at the fair value of the underlying financial assets, determined on the basis of the present value of the expected cash flows, taking into account the contractual provisions agreed between the parties about the valuation technique and other important input data. The counterparty risk is also taken into account.

N.V. Nederlandse Gasunie uses the following hierarchy of methods to determine and measure the fair value of the derivative financial instruments for presentation in the balance sheet:

- Level 1: Based on prices in active markets for the same instrument;
- Level 2: Based on prices in active markets for comparable instruments, or based on other measurement methods, with all required key data being derived from publicly available market information; and
- Level 3: Based on other measurement methods, with all required key data not being derived from publicly available market information.

The assets and liabilities presented at fair value in the balance sheet are determined in accordance with the following hierarchy:

| <i>In millions of euros</i> | Total | Level 1 | level 2 | Level 3 |
|------------------------------------|--------------|----------------|----------------|----------------|
| 30 Jun. 2017 | | | | |
| - other equity interests | 477.0 | - | - | 477.0 |
| - derivative financial instruments | - | - | - | - |
| 31 Dec. 2016 | | | | |
| - other equity interests | 470.1 | - | - | 470.1 |
| - derivative financial instruments | 9.5 | - | - | 9.5 |

The other equity interests are a 9% interest in Nord Stream AG, a 12.7% interest in PRISMA European Capacity Platform GmbH, and a 12.5% interest in Energie Data Services Nederland (EDSN) B.V.

The interests in PRISMA European Capacity Platform GmbH, EDSN B.V. and Nordstream AG are stated at fair value. In calculating the fair value of relevant assets, N.V. Nederlandse Gasunie applies a discount rate based on the risk-free interest rate plus an appropriate risk premium. This discount rate as applied by Gasunie varies between 4% and 7% after taxes, depending on the risk profile of the asset to be valued.

On 10 June 2008, N.V. Nederlandse Gasunie acquired a 9% interest in Nord Stream AG, which operates two gas pipelines across the Baltic Sea from Russia to Germany. The equity interest in Nord Stream AG is held by Gasunie Infrastruktur AG and is intended as a long-term investment supporting the objectives of N.V. Nederlandse Gasunie. The two gas pipelines were put into use on 1 October 2011 and 8 October 2012 respectively.

The projected cash flows are based on contractual agreements. As an indication, all things being equal, if the discount rate changes by 0.5% points, this will result in a change in the fair value amount of € 26.6 million (2016: € 26 million).

The valuation is based on the present value of the cash flows, using a calculation model which is updated by Nord Stream AG every year in the context of the business plan. This model is presented for assessment and approval to the shareholders of Nord Stream AG. The model is subsequently tested by the management of N.V. Nederlandse Gasunie on the basis of Nord Stream AG's periodic reports.

The interests in PRISMA European Capacity Platform GmbH and Energie Data Services Nederland (EDSN) B.V. are stated at fair value. Given the relatively limited materiality of these equity interests, a sensitivity analysis of the fair value calculation has not been included.

On 28 June, Gasunie sold its share of 20.9% in ICE Endex Holding B.V., a European energy exchange in derivatives and spot gas, to Intercontinental Exchange (NYSE: ICE) after ICE exercised its purchase option. The negative value of the related buy/sell option (€ 9.5 million) that was accounted for as a 'derivative financial instrument' was released to the profit and loss account ('other finance costs').

For a further explanation on this option we refer to note 6 in the consolidated annual accounts 2016.

The movements in other equity interests are as follows:

| <i>In millions of euros</i> | First half of 2017 | 2016 |
|---|-------------------------------|--------------|
| Balance as at 1 January | 470.1 | 434.9 |
| Movement in fair value taken directly to equity | 6.9 | 35.2 |
| Disposals | - | |
| Balance as at 30 June/31 December | 477.0 | 470.1 |

The table below compares the carrying amount and fair value of those financial instruments whose carrying amount does not approximate the fair value:

| <i>In millions of euros</i> | 30 Jun. 2017 | | 31 Dec. 2016 | |
|-------------------------------|------------------------|-------------------|------------------------|-------------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Interest-bearing loans | 3,153.6 | 3,512.4 | 3,164.3 | 3,532.4 |
| Repayments on long-term loans | 21.4 | 21.4 | 771.4 | 781.2 |

7. Financial information by segment

The information is segmented in line with the Group's activities. The operating segments reflect the management structure of the Group. The following segments are distinguished:

- *Gasunie Transport Services*
This segment covers network operations in the Netherlands and is responsible for managing transport, developing the pipeline network and related plants, as well as promoting market forces. This segment comprises the entities Gasunie Transport Services B.V. and Gasunie Grid Services B.V.
- *Gasunie Deutschland*
This segment covers network operations in Germany and is responsible for managing transport, developing the pipeline network and related plants, as well as promoting market forces.
- *Participations*
This segment focuses on facilitating access to the new gas flows for north-west Europe using an LNG connection and long-distance pipelines, and on utilising the geological infrastructure for the purpose of storing natural gas. Participation in national and international projects relating to the natural gas infrastructure in the Netherlands and Germany is another activity of this segment. This segment also includes joint arrangements relating to pipelines that connect the Gasunie transport network with foreign markets, such as the BBL pipeline to the United Kingdom.

Information on revenues and result

| <i>In millions of euros</i> | Revenues | | Segment result | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | First half of 2017 | First half of 2016 | First half of 2017 | First half of 2016 |
| Segments | | | | |
| - Gasunie Transport Services | 588.6 | 650.3 | 295.5 | 328.6 |
| - Gasunie Deutschland | 108.3 | 115.1 | 47.8 | 49.7 |
| - Participations | 60.4 | 108.9 | 28.3 | 55.2 |
| Inter-segment | (17.6) | (59.9) | | |
| Segment total | 739.7 | 814.4 | 371.6 | 433.5 |
| Financial income and expenses | | | 4.2 | (37.2) |
| Result before taxation | | | 375.8 | 396.3 |
| Taxes | | | (84.7) | (96.5) |
| Revenues and result after taxation for the period | 739.7 | 814.4 | 291.1 | 299.8 |

The financial income and expenses include a gain of € 9.1 million related to the sale of the 20.9% interest in ICE-Endex.

During the first half of 2017, the Gasunie Transport Services segment provided inter-segment services to the value of € 4.2 million (first half of 2016: € 16.6 million), the Gasunie Deutschland segment provided inter-segment services to the value of € 0.1 million (first half of 2016: € 0.1 million) and the Participations segment provided inter-segment services to the value of € 13.3 million (first half of 2016: € 43.2 million).

The Executive Board,

J.J. Fennema*, Chairman

I.M. Oudejans*

U. Vermeulen

Groningen, the Netherlands, 21 July 2017

* Statutory director