

ANNUAL REPORT 2010

N.V. NEDERLANDSE GASUNIE



gasunie



Contents	Page
Board and Employee Council	5
Pivotal role in the development of the gas roundabout	7
Key developments in 2010 and prospects for 2011	11
Summary of results	16
Report of the Supervisory Board	18
Remuneration policy for the Executive Board	21
Corporate Governance and Risk Management	26
Report of the Executive Board	29
Regulated Network Management in the Netherlands and Germany (TSO)	31
- Regulation	31
- Gas transport	32
Participations & Business Development (Non-TSO)	34
Construction, Management and Maintenance	39
Personnel & Organisation	41
Statement by the Board	43
Primary and secondary posts held by Supervisory Directors of N.V. Nederlandse Gasunie	44
Accounts 2010	
- Consolidated financial statements	45
- Company financial statements	107





Board and Employee Council

AS AT 31 DECEMBER 2010

SUPERVISORY BOARD

G.J. van Luijk, chairman
 C. Griffioen
 A. Lont
 H.L.J. Noy
 J.P.H.J. Vermeire

EXECUTIVE BOARD



Paul C. van Gelder

Paul van Gelder has been Chairman and CEO of N.V. Nederlandse Gasunie since 1 September 2010. Before that he was Managing Director at TAQA Europa and TAQA Energy, where he was responsible for their European operations. He has previously also worked as a manager for BP Nederland Energie and as Director of Logistics at Driessen Aerospace Systems in the Netherlands and the Czech Republic. Before that he held a variety of posts with the Dutch Air Force both at home and abroad and he has also been a commanding officer in the Dutch Marines. Paul van Gelder graduated at the Royal Netherlands Naval College and Eindhoven University of Technology.

Other positions held:

- ▶ Member of the Supervisory Board, Energy Delta Institute
- ▶ Member of the Advisory Board, Clingendael



Henk A.T. Chin Sue

Henk Chin Sue has been CFO and a member of the Executive Board since July 1, 2005. He has worked for Gasunie since 1983. Henk Chin Sue studied mechanical engineering and economics. He is also an Executive Master of Finance & Control.

Other positions:

- ▶ Member of the Supervisory Board of APX/ENDEX N.V.
- ▶ Chairman of the Audit Committee of APX/ENDEX N.V.
- ▶ Member of the Supervisory Board of Holland Metrology (HM)
- ▶ Member of the board of governors of the Executive Master of Finance & Control at the University of Groningen (RUG)



Eric Dam

Eric Dam has been a member of the Executive Board and Construction & Maintenance Director since July 1, 2005.

He has worked for Gasunie since 1974. Eric Dam studied mechanical engineering.

Other positions:

- ▶ Chairman of the Executive Board of the Energy Delta Institute (EDI)
- ▶ Chairman of the working group 'Transmission' of the International Gas Union
- ▶ Member of the Executive Board of Energy Delta Research Centre, University of Groningen (EDReC)
- ▶ Vice-chairman of European Business Congress (EBC), active in working groups for Human Resources, Education & Science
- ▶ Member of the Royal Dutch Gas Association (KVGN)
- ▶ Member Advisory Board Faculty of Economics and Business, University of Groningen

- ▶ Chairman Hanze University Foundation
- ▶ Chairman Board of GGNI (Global Gas Networks Initiative)



Pieter E.G. Trienekens

Pieter Trienekens has been a member of the Executive Board and Participations & Business Development Director since July 1, 2005. He has worked for Gasunie since 1986. Prior to that he worked for the Ministry of Economic Affairs. Pieter Trienekens studied social sciences.

Other positions:

- ▶ Member of the Supervisory Board of Siza, Arnhem
- ▶ Member of the Supervisory Board of Groot Klimmendaal, Arnhem
- ▶ Member of the Taskforce for Carbon Capture & Storage (CCS)
- ▶ Member of the Supervisory Board of N.V. KEMA

'Other positions' also include unpaid positions.

MANAGEMENT WHO ARE ALSO MEMBERS OF THE EXECUTIVE COMMITTEE

G.H. Graaf, Director Regulated Network Management (the Netherlands and Germany) (TSO) and General Manager Gas Transport Services B.V.

C.S. Pisuisse, Legal Affairs, Regulation and Public Affairs Director

J. Schumann, Director Gasunie Deutschland GmbH & Co. KG

EMPLOYEE COUNCIL GASUNIE THE NETHERLANDS

D.J. Scholing (chairman)	S.J. de Moel
P.A. Altena	H. Pastoor
R.J.M. Beij	F. Post
P.J. Berben	P. Potjewijd
J.D. Bos	M.J.W. Schoonheijm
J.H.J. Curfs	G.A.J. Stallenberg
A.M. Dam	T. Wouda
H.D. Koers	

EMPLOYEE COUNCILS GASUNIE DEUTSCHLAND

Hanover/Steimbke

D. Prüve (chairman)	Schneiderkrug
J. Bode	U. Neitz (chairman)
S. Böker	S. Lüttel
K. Fischer	J. Lohmüller
S. Hermenau	R. Hollwedel
T. Holeczy	H. Stengel
J. Reichert	

Pivotal role in the development of the gas roundabout

GASUNIE

N.V. Nederlandse Gasunie (Gasunie) is one of Europe's biggest gas infrastructure companies. Our network transports approximately 125 billion cubic metres of natural gas a 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 national and international pipeline systems and hundreds of installations, including an LNG facility (peak shaver) and approximately 1,300 custody transfer stations. Additional major extensions are under construction, most of which will be completed in 2011.

We create value for all our stakeholders by providing reliable, integrated gas infrastructure services to a high standard of efficiency.

INTERNATIONAL COMPETITIVE ENVIRONMENT

Gasunie is an independent gas infrastructure company that provides services on the basis of an open access business model to customers operating in the northwestern European gas market. A number of prominent players in the gas transport sector are striving to achieve and maintain a strong position on the continent of Europe. Gasunie finds itself competing with these players.

Our strategic goals are to facilitate and promote a secure gas supply, as well as the liquidity of the gas market, in northwestern Europe. We serve public interests in the countries in which we are active by providing gas transport and gas infrastructure services in a reliable, commercially sound and businesslike manner. Our goals and the way we perceive our responsibilities concur with the government's policy that is aimed at making the Netherlands the gas roundabout ('gas hub') of northwestern Europe. The development of this gas roundabout is capable of making a significant contribution to European policy as concerns security of supply. The promotion of cross-border connections also forms an important part of our efforts in this regard. The high quality of the infrastructure with adequate alternative routes will increase security of supply and improve market function, enabling stable pricing to be realised.

The earthquake in Japan in March 2011 hit that country's population very hard. It also caused extremely grave problems at a nuclear power station, demonstrating the vulnerability of an unbalanced energy mix that relies too heavily on a single source of power. This is why Gasunie will continue to invest in diversification of natural gas supply streams. In 2011 we will have to see what the disaster in Japan will mean for the global trade in LNG.

GAS ROUNDABOUT

Europe's own production is declining slowly but surely, and so an increasingly large amount of gas will have to come from outside Europe. The Gasunie network's location is ideally suited to the task of accommodating and transporting the gas flows in question. Our network in the Netherlands and northern Germany is accessible to market parties and connected to many international gas flows. It is strategically placed for suppliers and customers of natural gas, and so is playing a pivotal role in the development of the gas roundabout. Because of our network's strategic position in the Netherlands and Germany, Gasunie is also able to support the sale of Dutch natural gas, which has a specific composition and which has formed the basis for the European gas market. Because the gas market as a whole is now globalised, it has become all the more necessary for Europe to retain an attractive and robust gas market; Gasunie intends to contribute actively to the creation of an integrated European gas market.

Security of supply in the Netherlands and Europe is also served by the further development of sustainable energy sources in combination with a stable energy source like natural gas. We are striving to be pre-eminent in facilitating the process whereby natural gas is to be 'greened' still further in the future.

A CLEAR TASK FOR NATURAL GAS

Natural gas is an essential part of the energy mix, now and in the future. It is the cleanest of the fossil fuels, and its flexible use enables weather-dependent sources such as wind and solar energy to be developed. Furthermore, there is still a great deal of natural gas available and the production of green gas, which is dependent on biogasification and bio fermentation, is on the increase. In 2020, it is possible that the proportion of gas consumption in the Netherlands that is accounted for by green gas will



be five percent. That equates to the gas consumption of more than a million households. For this reason, the government has espoused green gas as a spearhead of its sustainability policy.

Natural gas enjoys an excellent position in terms of the future, since the volume of hazardous substances that are currently released, such as CO₂, will have to be reduced very considerably. If our sustainability targets are going to be feasible and affordable, it will be essential for us to utilise natural gas.

A future scenario involving gas implies a relatively rapid and affordable 'greening' process. The greater efficiency and increasing availability of green gas, solar and wind energy will 'green' the gas roundabout still further. This sustainable gas scenario will mean an investment in long-term policy if sustainability objectives are actually to be achieved.

Gas is and will remain the indispensable partner for other sustainable energy sources.

DEVELOPMENT OF INFRASTRUCTURE

In order for gas from various sources to be accommodated, i.e. imported natural gas and liquid gas in the form of LNG, green gas and 'non-conventional' gas, it is necessary that the gas infrastructure be rendered suitable. Where this makes sense commercially, we will prepare investment plans to that end in consultation with our customers. On the strength of their expertise and knowledge of the gas market, independent infrastructure companies such as Gasunie will increasingly act as market developers. Indeed, they are eminently capable of planning for the future development of the market. They are engaged in a wide range of activities relating to infrastructure, such as business operations centring on publicly accessible LNG facilities, storage, the blending of gas of different qualities, innovative services and the facilitating of trading hubs. In offering these services they take into account the requirements of the market as a whole, as well as the way the infrastructure in question works specifically.

CUSTOMERS

We regard the wishes of our customers as our main driver. Our primary customers are 'shippers' (companies that contract transport services) and industries and electricity power stations that are directly connected to our network. We work closely with a number of other national and international network companies.

STRATEGIC GOALS

Our aim is to offer the best possible service to our customers, and hence to society at large. Safe, reliable, efficient and uninterrupted transport of natural gas is Gasunie's 'license to operate'. We ensure that our installations and pipelines always work at their optimum level. We do so safely and effectively, minimising the burden for human beings, the locality and the environment. We consider providing security of supply to be one of our most important responsibilities.

To that end, we are focusing on the following strategic goals:

► **Maintain and extend the existing Gasunie network**
Safety, reliability, efficiency and sustainability are spearheads in our policy. We will honour our 'license to operate' and serve the public interest through the sound management and maintenance of our network. Through our network we offer our customers an attractive, reliable and competitive service. If there is strong demand from the market, we will expand our infrastructure on condition that this is feasible on a commercially sound basis.

► **Attract and facilitate gas flows to and within northwestern Europe**

We must respond to market demand for infrastructure on a sound commercial basis. Our largely regulated profits must be enough to guarantee the quality of the infrastructure and services in both the short and longer term and to attract the substantial capital that is needed from the international financial market. On the basis of the needs of our customers, we make an active contribution to the cross-border connection of networks and provide integrated gas infrastructure services. In this way we are promoting the development of the northwestern European gas roundabout in which the Netherlands plays a pivotal role.

► **Offering ancillary gas infrastructure services**

By developing supplementary services, we can increase the attractiveness of the gas roundabout and better serve the markets in which we operate. These services are designed primarily to guarantee security of supply, market function and sustainability.

ORGANISATION

The Dutch arm of our network is operated by Gas Transport Services B.V. (GTS) and the German arm by Gasunie Deutschland Transport Services GmbH (GUD). As Transmission System Operators (TSO), they are responsible for the day-to-day management of the gas pipeline network. Together, they also take stock of future demand for transport capacity. This stock-taking exercise forms the basis for future investment plans, notably with regard to the regulated elements of the infrastructure.

The Construction and Maintenance Department is responsible, within Gasunie, for the management and maintenance of the gas transmission network, for the adaptation of the existing infrastructure and for implementing new infrastructure. It performs operational tasks for the benefit of gas transport and is responsible for the project-based and technical preparation, construction and operationalisation of new construction projects such as the expansion of the Dutch network (North-South Route), the natural gas buffer in Zuidwending and the nitrogen buffer in Heiligerlee.

The Participations & Business Development (non-TSO) business unit focuses on non-TSO activities (which are not part of the regulated network management) such as BBL, Gate terminal, Zuidwending and Nord Stream. It is also responsible for Gasunie's overall strategy development and monitoring and for promoting sustainable operations in particular.

The State of the Netherlands, represented by the Ministry of Finance, is the company's sole shareholder. Our aim is to satisfy the demands and expectations of our shareholder in respect of security of supply as a statutory duty (both in the Netherlands and Germany), return on investment, value creation and corporate governance.

Gasunie has 1,746 employees (at year-end 2010) distributed across more than 30 locations throughout the Netherlands and northern Germany, and with offices in The Hague, Brussels and Moscow. The company's overall head office is in Groningen. The head office for the company's activities in Germany is in Hanover. Further employment is also provided for several thousand staff working on our projects for contractors and subcontractors in the Netherlands and Germany.

PUBLIC INTEREST

Natural gas is vital for our society and economy. Our gas infrastructure is part of the Netherlands' vital infrastructure and this makes special demands on us as a company in relation to statutory tasks.

They include:

ensuring sufficient transport capacity to guarantee a safe and uninterrupted gas supply;

- ▶ contributing to long-term security of supply by developing access points and drawing gas flows to and via our network ('gas roundabout');
- ▶ contributing to Dutch policy on gas production and marketing by offering sufficient transport capacity when it is needed;
- ▶ boosting the gas market and liquidity;
- ▶ achieving a return on investments comparable to the returns for this sector in Europe;
- ▶ ensuring that tariff levels and structures form an adequate basis for implementing the aforementioned tasks.

Security of supply is one of our most important responsibilities. In 2010 it was possible for all the companies directly connected to the Gasunie network to be supplied with gas when it was needed. No significant incidents occurred during the year. Despite the limited possibilities afforded by the infrastructure's capacity, the gas supply remained consistently reliable. The maintenance of the gas transport network formed the subject of careful consultation with customers, and because the transport system was well managed, the market was provided with the gas flows it required.

The vital social importance of natural gas and hence of national gas transport was reaffirmed in 2010 by the role of GTS as peak supplier. Peak supply implies that GTS has a statutory responsibility to ensure that the supply of gas to domestic consumers (households, institutions and small industries) will be guaranteed at an average effective daily temperature of -9 degrees Centigrade or below. To meet this obligation, GTS must itself contract volume and capacity. On 1 December 2010 the effective daily temperature was -10.9 degrees Centigrade. GTS therefore provided peak supply on that day. 0.82 million m³ (35.17 MJ/m³, Groningen-gas quality) of gas was delivered by GTS in that operation. Security of supply continued to remain at a high level throughout 2010.



CORPORATE SOCIAL RESPONSIBILITY (CSR)

Gasunie presents its policy and results relating to People, Planet and Profit in a separate annual report on corporate social responsibility (CSR). Every year, the 'Transparency Benchmark' process, conducted under the auspices of the Ministry of Economic Affairs, Agriculture and

Innovation, compares the results of 500 Dutch companies and organisations with each other in the field of CSR. With a score of 145 points we attained 19th place in 2010, a very appreciable improvement on the ranking of 45th that we had achieved in 2009.



Key developments in 2010 and prospects for 2011

KEY DEVELOPMENTS IN 2010

Policy and regulation

The uncertainty being experienced in the Netherlands and Germany in relation to the applicable regulatory frameworks, and the lack of clarity they had created about Gasunie's financial position in general and investment issues, in particular, were overriding concerns in the reporting year.

In the Netherlands, on 29 June, the Trade and Industry Appeals Tribunal (CBB) annulled the method decisions that had been established by the regulator (the Dutch Competition Authority – NMa) in December 2008 for GTS. For the period starting in January 2006, the NMa must now devise a new regulation method. The consequences will be very significant for the current and future position of Gasunie and its subsidiaries, as well as for the shareholder of Gasunie and its customers.

If the new method decision weakens Gasunie's financial position, investments in the Dutch gas infrastructure that have been planned for, and thus also the gas roundabout ambition, will be jeopardised. The government has made known its intention to continue pursuing the gas roundabout strategy policy fully. The fundamental aim behind these efforts is to ensure the prompt availability of gas transport capacity, flexibility of supply, affordability, sustainability and diversification. This must help to promote a smoothly functioning gas market and the integration of the northwestern European market. A study of the implications of the gas roundabout for the Netherlands, conducted by a British research bureau under the auspices of the Ministry of Economic Affairs of the time, demonstrated that the Dutch government gas roundabout policy would generate more than 13,000 jobs over the next ten years, and that the commercial benefits for the Netherlands would represent more than € 21 billion. According to the research bureau, in order for the gas roundabout to be strengthened, investments amounting to almost € 8 billion will be required between now and 2020. In addition, this will include the investments in the gas infrastructure that Gasunie is preparing at the moment. The study also showed that market parties valued the opportunities that had arisen in consequence of the effective links that existed between the Netherlands and the surrounding gas markets. According to a

letter from the Minister of Economic Affairs, Agriculture and Innovation that was sent in mid-January 2011 on behalf of the cabinet to the chairman of the Second Chamber, government policy is aimed at guaranteeing that adequate gas is available in the long term by encouraging diversification in the energy supply and the gas supply. In order to make our country as attractive as possible as a destination and transit country, the minister is directing efforts towards further enhancing the interconnections that exist between the Netherlands and other countries. Encouraging the creation of additional gas storage within the Netherlands remains one of the core components of the gas roundabout strategy. Gasunie aims to assist with the effective implementation of this government strategy.

In Germany, too, the developments that have taken place in terms of regulation give cause for concern. Discussions have been held about these developments with the German regulator (Bundesnetzagentur), and the German Ministry of Economic Affairs (Bundesministerium für Wirtschaft und Technologie-BMWi). These discussions have now produced a partially positive result. For example, the price cap to promote efficient operations (x-factor) applied to Gasunie Deutschland (GUD)'s tariffs has been adjusted. In its initial decision, the Federal Network Agency assumed GUD's efficiency rate was approximately 65%. Since then, the regulator has stated that GUD will attain the maximum individual efficiency factor of 100%, which will cause its cash flow to be considerably more robust. The individual efficiency factor is being established for the regulatory period from 2010-2012. Expectations regarding the tariff increases for the next regulatory period, 2013-2017, as a consequence of changes in the regulatory framework (improvement in the investment climate), have been adjusted downwards. The linking of the Gasunie networks in the Netherlands and Germany is of great significance for the development of a northwestern European gas market. By this means economies of scale can be achieved, and we will be better able to meet the market parties' requirements, for example as concerns the removal of the obstacles being encountered by cross-border gas transport movements. In 2010, too, we took a few significant steps in this respect (see below).



Other developments

In January, the Global Gas Networks Initiative (GGNI) was set up. The purpose of this initiative, in which Gasunie is participating, is to deploy Dutch knowledge and experience in the field of natural gas across the globe, and thus to promote the Netherlands as a 'gas land'. The Ministry of Economic Affairs, Agriculture and Innovation (EL&I) is backing this initiative.

From February onwards, Gasunie has been both a transport company and a mining company. As at that date, Gasunie was designated by the government as an operator for the building of caverns and the construction and operation of the accompanying gas installation. We need this licence in order to carry on our activities in relation to the natural gas buffer in Zuidwending in compliance with legislation and the relevant regulations.

On 1 April, new employee councils were instituted at Gasunie in the Netherlands and Germany.

In June, we joined the consortium that is preparing to construct the North European Gas Pipeline (NEL). The NEL pipeline will connect the Nord Stream gas pipelines to our system in northern Germany. The pipeline will be laid over a distance of 440 kilometres between Lubmin near Greifswald and Rehden in Lower Saxony.

At the end of June, together with Energie Beheer Nederland (EBN), we published the results of research into the opportunities offered by and potential difficulties involved in CO₂ storage in the Netherlands. In particular, we investigated transport and storage factors. The research was commissioned by the then Ministry of Economic Affairs.

As concerns the laying of pipelines, a record was broken at the Ketelmeer in July. The pipeline, which is approx. 2,750 metres long, was pulled under the Ketelmeer in one section from Flevoland to the Noordoostpolder by means of the so called 'horizontal drilling' method.

In the reporting year, Gasunie's cross-border services increased in number. May, for example, saw the launch of Link4Hubs, which had been developed by Gasunie's TSOs (Gas Transport Services B.V. and Gasunie Deutschland Transport Services GmbH), together with the Danish gas network operator, Energinet.dk. This new service opens up new possibilities for cross-border gas trading

in northwestern Europe. It connects shippers' portfolios in the three grids and hence eases the exchange of gas between the trading points. As of 1 July we have been providing cross-border services in our networks via an international sales desk: Gasunie Transport Services. As at that date, we also introduced a number of new cross-border services, including a 'Back up Service for Interruptible Capacity'.

In August, for the very first time, green gas was able to flow in Gasunie's national gas transmission network. Green gas is biogas that is improved to the quality of natural gas. On 5 August we opened the supply valve at the Rova/HVC biogas installation in Zwolle to allow green gas to flow into the national natural gas transmission network. This marked a new chapter for natural gas, which is at the heart of a sustainable energy supply in the Netherlands and which can now itself become greener. According to expectations, the production of green gas could account for up to 5 percent of total natural gas consumption by 2020. That brings the government's sustainability targets significantly closer. In the long term, green gas can play an even greater role via gasification technology which allows biomass to be converted into gas efficiently and on a large scale.

On 1 September Paul van Gelder joined Gasunie as CEO and Chairman of the Executive Board as the successor to Marcel Kramer. He was previously Managing Director of TAQA Europa B.V. and TAQA Energy B.V.

On 15 September the first stone was laid of the air separation facility at Zuidbroek. The nitrogen from this facility will be stored in a salt cavern near Heiligerlee. A transmission line of approximately ten kilometres in length was laid between the installation and the storage cavern during the reporting year.

In September, together with Vopak and Essent, we let it be known that we were not going through with the construction of an LNG terminal in the Eemshaven. The feasibility study showed that there is insufficient basis to arrive at a positive investment decision.

In connection with the expansion of the national gas transport network (the North-South Route), a great deal of activity took place in 2010.

The building of a compressor station in Wijngaarden began on 1 October, and pipelines have been laid at

various locations. The first phase of the North-South Route was also completed on 1 October. Our network has therefore been extended through the addition of approximately 275 kilometres of pipeline and a compressor station in Scheemda. The first phase was finished on time and within its budget.

In October, Gasunie Deutschland announced investment plans for the connection of our German network to that of Denmark, to Nord Stream and, at Oude Statenzijl, to the Dutch portion of our grid. Additional connections will also be made to underground storage facilities. The final investment decision is expected to be made in mid-2011.

In December, the Smart Energy Collective (SEC) was launched. In this project, more than twenty companies in the Netherlands, including Gasunie, are collaborating on the development of intelligent energy concepts. Being the cleanest of the fossil fuels, of which there are still very considerable stocks worldwide, natural gas will have an indispensable role in the future energy mix as a flexible back-up for weather-dependent sources such as wind and solar energy, and as a carrier of green gas. The coordination of supply and demand by means of intelligent (digitally) controlled networks (smart grids) is an important part of this project.

PROSPECTS FOR 2011

Demand for gas in northwestern Europe is expected to increase over the next few years as production in Europe and the Netherlands declines. Because Europe's own production is diminishing, imports from the large gas fields in Norway and Russia, and increasingly also from the Middle East and Africa, will become progressively more important. The successful policy of introducing new gas flows will lead to an increase in the range of new types of gas on the Dutch gas market. This will enhance the operation of the market and security of supply. But it will also ensure that, in the near future, there will be greater variety in the composition of Dutch gas – just as in the rest of Europe.

In the Netherlands, the NMa will issue a new draft method decision in the spring of 2011 on the basis of which the gas transport tariffs will be set for the next few years. The final decision will come into force as at 1 January 2012. Although the NMa, itself, has stated that it will bear in mind the future investments that are

necessary, the outcome of the new method decision is uncertain. One consequence might be that it is not commercially justifiable to make further expansions to the gas transport network on the basis of users' requests. It is possible that, with retrospective effect as of 1 January 2006, the tariffs being used up till now will be reviewed. We are as yet unable to predict what the consequences of the new method decision will be for Gasunie. What is certain is that it is capable of impairing Gasunie's financial position. Any reduction in the Regulated Asset Base (RAB), as part of the new method decision, will bring with it a real possibility of loss of value.

It is not only developments in the area of regulation that are significant for Gasunie. New government policy, both in the Netherlands and in Germany and Europe, affects Gasunie's position and the circumstances in which we operate. In addition to changes in legislation and regulations, both in the Netherlands and in Germany, the 'Third Energy Package' and the 'Regulation in Relation to Security of Supply Pursuant to the Gas Act' are going to have to be introduced into national legislation.

In conformity with the agreements made with the then Minister of Housing, Spatial Planning and the Environment, in 2011 we will be starting to introduce several additional safety measures, for example on the basis of the 'Besluit externe veiligheid buisleidingen' (Bevb – Decree on the External Safety of Pipelines). The resulting expenditure will reach several tens of millions of euros.

Projects

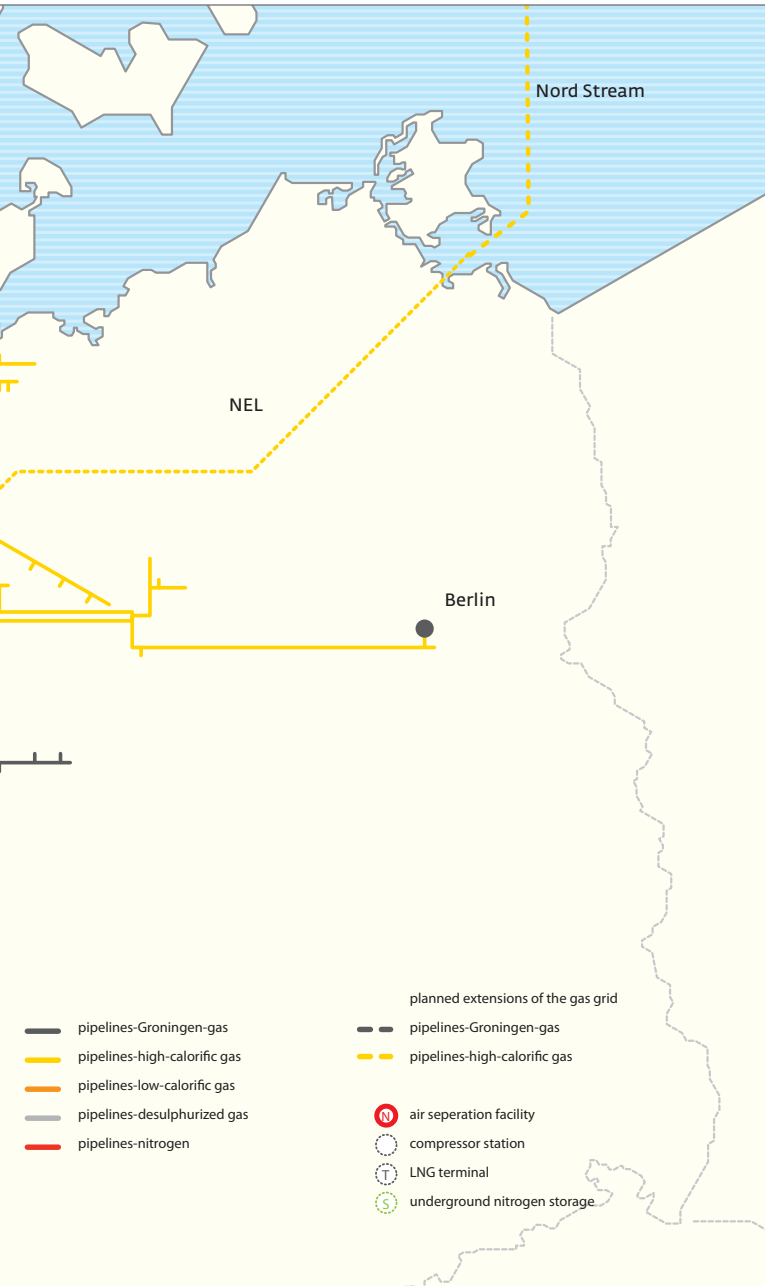
Large projects such as Gate LNG terminal, the gas storage facility in Zuidwending, Phase 2 of the expansion of the North-South Route and Phase 1 of Nord Stream, will be put into operation in 2011. Gasunie is also building a nitrogen buffer near Heiligerlee. This will make it possible to continue converting high calorific gas into Groningen-quality gas. As well as these large projects, 2011 will see a large number of other projects completed that are of very great significance for our customers. For example, we will be laying a pipeline to connect a new power station to our network.



Graphic representation of the high pressure grid in the Netherlands



and northern Germany



New market model

The new market model for the wholesale market will be launched on 1 April. A key aspect of the new regime is the new *modus operandi* for the balancing of the gas transport network. In this project, GTS will remain responsible for the integrity of the national gas transport network, but the new balancing regime will encourage market parties collectively to keep a close watch on the balancing of the gas transport network. All parties will have access to up-to-date information about the imbalance in their portfolios and the transport network. On this basis, they will be able to keep their own portfolios and thus the entire network in balance more effectively.



Summary of results

KEY FINANCIAL DATA

Results (consolidated figures)

The valuation principles in the 2010 annual accounts did not undergo any substantial changes compared with 2009.

Key figures 2010

<i>in millions of euros</i>	2010	2009
Income	1,523	1,669
Total expenses	-/- 797	-/- 1,369
Operating result	726	300
Financial income and expenses	-/- 132	-/- 139
Result before tax	594	161

Gas transport revenue as a proportion of total income fell by 9% in comparison with 2009. This drop was largely due to falls in tariffs in both the Netherlands and Germany.

Operating expenses, excluding financial income and expenses, came to a net total of € 797 million compared with € 1,369 million in 2009. This fall was due mainly to the impairment loss of € 570 million on the tangible and financial fixed assets of the gas transport network in Germany, which was accounted for in 2009.

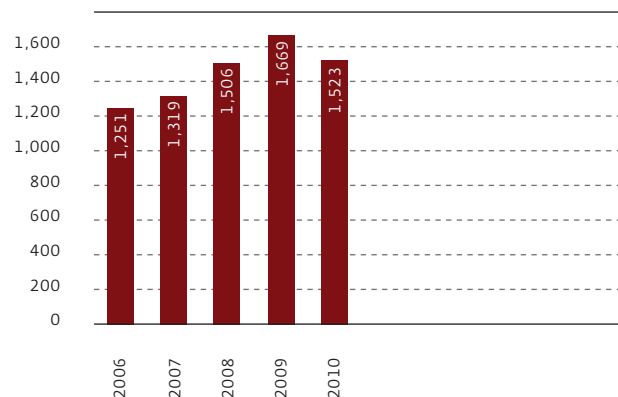
Financial ratios

The return on equity (expressed as a ratio of net earnings and shareholders' equity) on 31 December 2010 was: 8.6% (end of 2009: 2.3%). The proportion of shareholders' equity as a share of the balance sheet total on 31 December 2010 was: 47% (end of 2009: 51%). The decrease in comparison with 2009 is largely due to the increase in external funding of the investments in new construction projects and the dividend payment of € 294 million, which was charged to the general reserve.

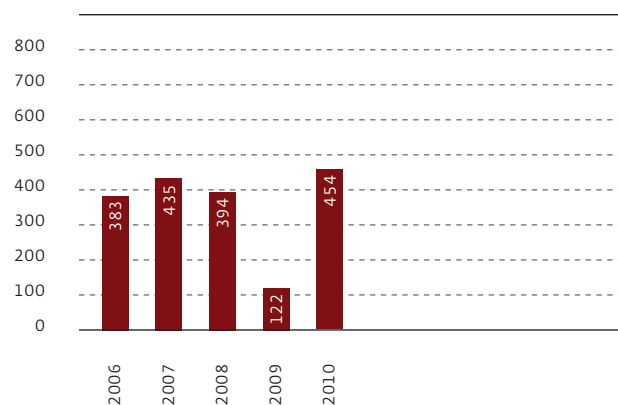
Funding

In 2010, operational activities generated a positive net cash flow of € 961 million. € 1.2 billion was spent on investments and acquisitions during the year. A total dividend of € 415.9 million for the 2009 financial year was paid out in 2010.

NET TURNOVER (x 1 million euros)



NET PROFIT (x 1 million euros)



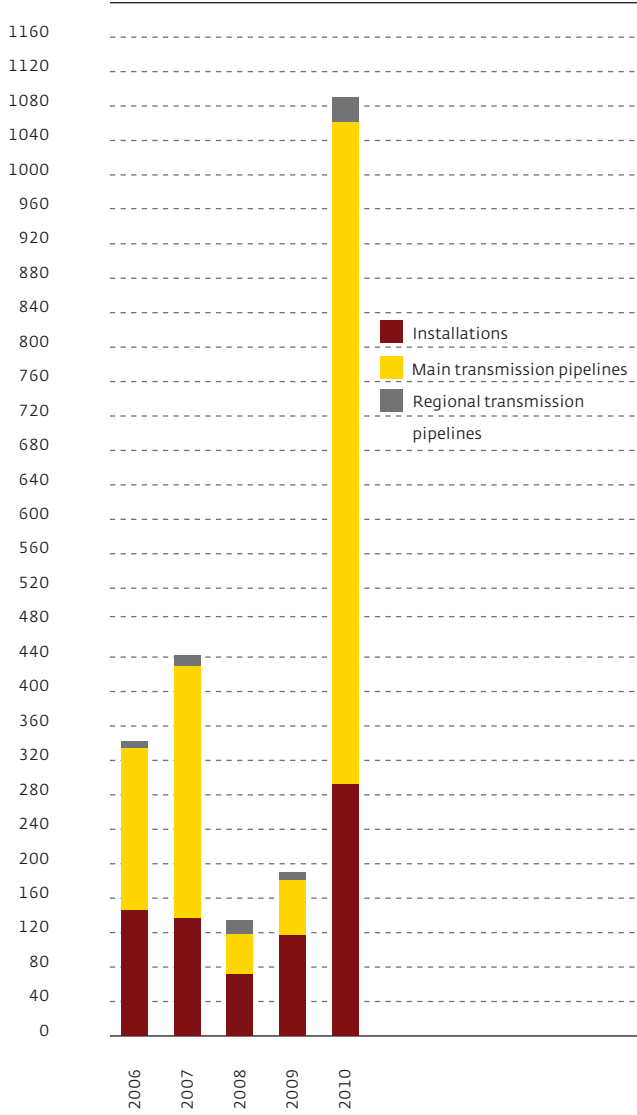
€ 726 million net in finance was added to the balance sheet total, increasing net liquid assets by € 52 million.

External funding requirements in 2010 came to € 4.9 billion compared with € 4.1 billion in 2009. This was met through € 3.9 billion in long-term loans and € 1.0 billion in short-term finance.

Acquisitions

On 1 July 2010, Gasunie LNG Holding increased its 40% stake in Gate terminal C.V. by 2.5% to 42.5%. This also increased the accompanying 40% stake in Gate terminal B.V. to 42.5%.

INVESTMENTS (x 1 million euros)



Report of the Supervisory Board

N.V. Nederlandse Gasunie made good progress in rolling out its strategy in 2010. Examples include delivery of the first phase of the expansion of the gas transport network in the Netherlands (the North-South Route), the start of construction of the air separation facility at Zuidbroek, the start of construction of the first phase of Nord Stream, the development of a new balancing regime and market model and participation in NEL, the pipeline linking the landfall point of Nord Stream in Germany to the German Gasunie network.

Investment proposals arising from market demand are tested for economic feasibility, among other things. In the light of the very considerable lack of clarity that surrounds this question, in both the Netherlands and Germany, a number of investment decisions have been postponed; for example, with respect to the expansion of our networks in the Netherlands and Germany that has been requested by our customers. Gasunie's Supervisory Board wishes to express its concern as to the development of the regulatory frameworks in both countries and its possible consequences for European market integration and security of supply. Closer coordination between the national systems throughout northwestern Europe is crucial in this regard.

ANNUAL ACCOUNTS

The annual accounts for 2010 have been drawn up by the Executive Board and audited by the external auditors Ernst & Young Accountants LLP. The auditors' opinion compiled by Ernst & Young Accountants LLP is included after the 'Other information' section.

The Supervisory Board has approved these accounts and

recommends that the General Meeting of Shareholders adopt the 2010 annual accounts without amendment. It also recommends that the General Meeting of Shareholders adopt the profit appropriation and the dividend over 2010 proposed by the Executive Board without amendment.

Finally, the Supervisory Board recommends that the General Meeting of Shareholders should discharge the members of the Executive Board from liability for the policy implemented and the Supervisory Board for the supervision exercised.

Composition of the Supervisory Board and posts held

The Supervisory Board has three advisory committees: the Audit Committee, the Remuneration, Selection & Appointments Committee and the Strategic Investments Committee. Each committee consists of three Supervisory Directors, except for the Strategic Investments Committee, which consists of four members.

A summary of the primary and secondary posts held by the members of the Supervisory Board is included at the end of this annual report.

The Supervisory Board has set up a retirement schedule on a rotation basis to guarantee its continuity and stability. The following retirement schedule was drawn up on 26 October 2005 in accordance with Article 6.2 of the regulations of the Supervisory Board.

	Supervisory Board	Audit Committee	Remuneration, Selection & Appointments Committee	Strategic Investments Committee
C. Griffioen	Vice-chairman	Chairman	Member	
A. Lont	Member			Member
G.J. van Luijk	Chairman		Chairman	Member
H.L.J. Noy	Member	Member		Chairman
J.P.H.J. Vermeire	Member	Member		Member
M.H. van der Woude *	Member		Member	

* up until 1 October 2010

Name	Date of initial appointment	End of four-year term(s)	Date of reappointment(s)
C. Griffioen (1941)	1 July 2005	2014	2006/2010
G.J. van Luijk (1943)	1 Sept. 2005	2011	2007
H.L.J. Noy (1951)	1 July 2005	2012	2008
A. Lont (1958)	1 Sept. 2005	2013	2009
J.P.H.J. Vermeire (1944)	1 Oct. 2007	2014	2010

The date of the Meeting of Shareholders at which the annual accounts of the previous financial year were adopted was taken as the date of retirement or reappointment (15 April 2011).

As of 1 October, M.H. van der Woude left the Supervisory Board of Gasunie. His departure was occasioned by his being appointed Dutch judge at the Court of the European Union.

Activities of the Board

In addition to meetings of the Committees mentioned below, the Board met formally five times in 2010, in practically every instance with all its members. These meetings included close consultations with the Executive Board concerning, inter alia, Gasunie's strategy, the shareholder structure, the departure of Marcel Kramer as CEO and chairman of the Executive Board of Gasunie, the shortlist and appointment of the current CEO and chairman of the Executive Board, the progress of the projects in hand, including the Integrated Open Season (IOS), developments in the area of legislation and regulation in the Netherlands and Germany, the annulment of the method decision and the possible consequences of it, the appointment and remuneration policy and the 2011-2013 Business Plan.

Consultations were also held with the shareholder concerning, for example, appropriation of profits, dividend and remuneration policy.

AUDIT COMMITTEE

The Audit Committee met three times in 2010, and discussed the strategic risk analysis, the financing policy, the quarterly reports, the 2009 Document of Representation, developments in regulation, the financial ratios, the audit results and the 2011 Audit Plan, audit follow-up points, Gasunie's rating and the 2011-2013 Business Plan. The external auditor was present at these discussions.

At the meetings of the Supervisory Board, the Chairman of the Audit Committee accounted for the supervisory measures implemented by the Audit Committee with regard to the company's financial activities. The audit plan, management letter and auditor's statement to the annual accounts were discussed with the auditor.

REMUNERATION, SELECTION & APPOINTMENTS COMMITTEE

The Remuneration, Selection & Appointments Committee met five times in 2010. The committee discussed the remuneration paragraph in the annual report, collective targets and performance appraisals, the employment contracts of the members of the Executive Board and the Executive Board's management succession.

STRATEGIC INVESTMENTS COMMITTEE

The Strategic Investments Committee met four times in 2010. The main aim of the Strategic Investments Committee is to allow decisions concerning large-scale investments to take place efficiently. The Committee advises on major investment proposals by the Executive Board, submits recommendations to the Supervisory Board regarding the economic feasibility of the investment proposals and tests proposals for compatibility with strategic policy. The Committee discussed matters such as Gasunie's participation in NEL, the progress of the Integrated Open Season project in the Netherlands and Germany, BBL Company's new reverse flow-service and the second phase of the 2012 Open Season.

REMUNERATION POLICY FOR THE EXECUTIVE BOARD

The remuneration policy for individual members of the Executive Board is described in a separate chapter in this report. The remuneration policy for members of the Executive Board was approved by the General Meeting of Shareholders on 23 April 2010, on the recommendation of the Supervisory Board. Within the policy, the



Supervisory Board fixes the remuneration of the individual members of the Executive Board, on the recommendation of the Remuneration, Selection & Appointments Committee.

MEETINGS WITH THE EMPLOYEE COUNCIL

A representative of the Supervisory Board attended consultations between the Executive Board and the Dutch Employee Council twice during the reporting year.

ACKNOWLEDGEMENTS

The Supervisory Board wishes to express its appreciation and recognition for the dedication and achievements of the Executive Board, the management and the employees in 2010. The Board wishes them every success in meeting the goals for 2011.

On behalf of the Supervisory Board of N.V. Nederlandse Gasunie

G.J. van Luijk, chairman

Remuneration policy for the Executive Board

The Remuneration, Selection & Appointments Committee (RSA), established the new remuneration policy in 2009/2010, with the approval of the General Meeting of Shareholders, in the meeting held on 23 April 2010.

CONTEXT OF THE REMUNERATION POLICY

In just a few years, Gasunie has evolved from a 'management' organisation operating on behalf of a single owner / user into an international, value-creating company with many international customers in a converging European market. The value for the Dutch economy is created primarily by the realisation of a strong 'hub' function, the possibility of arbitrage, flexibility (storage), the development and maintenance of the L-gas market and similar activities.

N.V. Nederlandse Gasunie consists of various organisational components, viz. Regulated Network Management in the Netherlands and Germany, Participations & Business Development and Construction & Maintenance, and has a number of subsidiaries and joint ventures. They include:

- ▶ GTS for regulated network management in the Netherlands;
- ▶ GUD for regulated network management in northern Germany;
- ▶ Zuidwending, a facility for the underground storage of natural gas;
- ▶ BBL (60%), a pipeline with attendant installations to the United Kingdom;
- ▶ Gate terminal (42.5%), a landfall facility and storage tanks for LNG on the Maasvlakte;
- ▶ APX (20.9%), a gas trading platform;
- ▶ Nord Stream (9%), a pipeline system connecting Russia with northern Germany
- ▶ North European pipeline (NEL) (20%).

In the course of 2011, the company's senior management structure is to be changed.

AIMS AND PRINCIPLES UNDERLYING THE REMUNERATION POLICY

The remuneration policy exists to acknowledge and reward the attainment of challenging objectives and to attract, motivate and retain directors of the right quality and experience, from within the company and in the form of experienced and proven talent from the market. This is necessary to realise the essential goals defined by

Gasunie's strategy. The policy is based on the following considerations:

- ▶ the remuneration policy must reflect a balance between short and long-term results, and between operational and strategic performance;
- ▶ the company bases remuneration packages for future members of the Executive Board on a market comparison using weighted averages for the labour market reference group cited below;
- ▶ although the Dutch Corporate Governance Code does not formally apply to Gasunie, the Supervisory Board will take it into account when defining the remuneration policy.

REMUNERATION STRUCTURE

The remuneration consists of:

- ▶ a fixed component (basic annual salary);
- ▶ a variable component based on the attainment of short and long-term goals¹;
- ▶ an employer's contribution to the pension premium and the life course savings scheme;
- ▶ other secondary employment conditions.

LABOUR MARKET REFERENCE GROUP

The labour market reference group is made up of companies and organisations of similar size and complexity with which Gasunie must compete, either on the market or on the labour market. These are grouped into three clusters:

1. the (semi)public labour market reference group. This consists primarily of (semi)public organisations involved with (energy and other) infrastructure (weighting factor 50%);
2. the private sector labour market reference group. This consists primarily of companies involved in infrastructure construction, energy, engineering consultancies, infrastructure management and chemistry (weighting factor 25%);
3. the international labour market reference group. This consists of foreign companies operating in Europe which, like Gasunie, are active in gas transport (weighting factor 25%).

¹ The maximum percentage of the variable component is 35% of the fixed component.

BASIC ANNUAL SALARY

The Supervisory Board will, when fixing a basic annual salary for directors, use the results of a market comparison with the aforementioned labour market reference groups as a point of departure. The Supervisory Board has verified that the external consultant who carried out this market comparison in 2009 is independent of the members of the Executive Board.

Application of the labour market reference method leads to a fixed and variable salary that exceeds the maximum of € 350,000 (reference date 1 January 2010) which the shareholder regards as acceptable. However, the Supervisory Board will, for members of the Executive Board who are appointed after 1 January 2010, restrict the sum of the fixed and variable salary to € 350,000 at the specific request of the shareholder. If the Supervisory Board feels that this limitation may lead to unacceptable risks for the company due to the fact that the available candidates do not have the requisite profile and/or necessary experience, the Supervisory Board will consult with the shareholder.

The Supervisory Board also decides on annual salary increments. If the maximum salary has been reached, further growth is limited to the structural increments set by the collective labour agreement.

VARIABLE REMUNERATION

Gasunie pays its directors a short-term and a long-term variable bonus. This variable remuneration is based on the remuneration policy that has been approved by the shareholder and they are contained in the employment contracts that are concluded with the members of the Executive Board. The maximum variable remuneration is 35% of the basic annual salary. The targets that must be attained in order to qualify for these bonuses are agreed annually. These targets will, wherever possible, be both measurable and ambitious. The Supervisory Board is authorised to adjust the variable component within the limits cited below if it is likely to lead to unfair discrimination due to exceptional circumstances during the performance period. The Supervisory Board is also authorised to reclaim from directors a variable bonus that has been awarded on the basis of inaccurate (financial) data.

Progress in attaining the targets will be measured after the end of the year concerned, initially by the RSA and then by the full Supervisory Board.

The Supervisory Board has chosen performance criteria which relate to the implementation of Gasunie's strategic goals. Company strategy is defined with specific regard for the social impact of Gasunie's activities and their effects on the environment and society.

VARIABLE SHORT-TERM REMUNERATION

The purpose of the variable short-term bonus is to reward the attainment of pre-agreed challenging targets in a number of primarily operational key areas. These operational targets apply to all Gasunie personnel; other employee groups will also be rewarded for the attainment of some of these targets.

The criteria for the awarding of the variable bonus relate mainly to the roll-out of the strategy. The strategy is approved by the Supervisory Board and is screened against the company's social responsibilities. This is reflected in, for example, challenging quantified targets relating to safety, security of supply and cost-efficiency.

The level of the variable short-term bonus will therefore depend on the attainment of the targets. Partly at the shareholder's request, this component is being maximised at an upper limit of 25% of the individual's basic annual salary (with effect from 2011). A long-term bonus of up to 10% will also be awarded (see below).

The breakdown of this 25% is as follows:

Combined Gasunie targets (10%):

- ▶ Financial 5%
 - Result before tax
 - Operating costs
- ▶ Operational 5%
 - Improving personal safety for in-house and contract staff at a Gasunie location and in projects
 - Guaranteeing security of supply – ensuring a gas supply 24 hours a day, 365 days a year
- ▶ Individual targets (15%):
 - Targets relating to the individual area of the director concerned 10%
 - Overall assessment of the contribution made by the individual director (to be established by the Supervisory Board) 5%

In 2010, as in preceding years, the maximum bonus for attaining targets in individual areas of responsibility will be 15%, bringing the variable short-term bonus to 30% if the targets are fully met.

VARIABLE LONG-TERM REMUNERATION

Gasunie also pays its directors a variable bonus linked to the creation of value over the longer term. This variable bonus consists of two components.

The first component, to be introduced with effect from 2011, covers each member of the Executive Board individually. The target is formulated in a specific and practically measurable way (SMART) where possible, and relates to the development and implementation of Gasunie's strategic and investment portfolio. This includes both key strategic decisions, such as concluding or terminating partnerships, and major investment proposals and their implementation. As well as being assessed against financial criteria, these factors are also screened against the public interest, such as security of supply and competition through diversification of supply options and facilitating the market for L-gas.

Up to 5% of the basic annual salary is paid annually to each member of the Executive Board if, in the opinion of the Supervisory Board, they have contributed to the development and implementation of the strategic and investment portfolio.

The second component relating to the multi-year criterion based on Economic Value Added (EVA™), which has been a feature of the policy in recent years, is also being

retained. This performance is measured over a period of three years and is dependent on the development of the EVA (EVA = (ROIC – WACC) x Invested Capital). A bonus of 5% of the annual basic salary is awarded annually based on progress in meeting interim targets. Scenario analyses have been made for the variable long-term bonus, and the results of these analyses have been approved by the Supervisory Board in the light of the strategy and risk management.

PROCEDURE

The targets governing eligibility for variable bonuses are agreed at the start of the year in question between the Supervisory Board and the members of the Executive Board, once the chairman of the Executive Board has discussed a proposal to this effect with the RSA Committee.

Variable bonuses are paid following approval of the annual accounts for the year for which the targets have been set.

PENSION PROVISIONS

Gasunie will offer new members of the Executive Board a career-average salary scheme. The retirement age currently provided for is 65. If a member of the Executive Board stands down before the age of 65 but continues to be employed by Gasunie, agreements will be made about that individual's pension provisions up to the age of 65, based on satisfactory mutual agreements.

As at 1 September 2010, Mr Kramer (who was until then chairman of the Executive Board) exercised an option, which had been agreed when he joined Gasunie in 2003, to retire at the age of 60 under an arrangement agreed for the purpose; he will receive a bridging payment of 52.5% of his final salary up to the age of 65. The employer's contributions to the life course savings scheme are included in this arrangement. At that time, it was also agreed with Mr Kramer that his pension would continue to be built up during that period and that the break in contributions would be compensated for in part.

In 2004 when he took up his appointment as CEO of Gas Transport Services B.V., an agreement was made with Mr Trienekens to the effect that he, too, would have the option to retire at the age of 60 with adjusted pension arrangements. A bridging pension amounting to 75% of his final salary was agreed with him, and his pen-



sion will continue to be built up during the period from the time of his actual departure to his 65th year. In his case, too, the employer's contributions to the life course savings scheme would be included in the arrangement. Since the date on which Mr Trienekens was to leave would follow (too) soon after the former chairman's departure, for the sake of continuity in the company, he was asked by the Supervisory Board to delay his departure by six months, and he agreed to do so. He is therefore due to retire on 1 July 2011. However, the payments arranged in the agreements that had been concluded were made at the end of 2010.

OTHER SECONDARY EMPLOYMENT CONDITIONS

Gasunie has put together a package of secondary employment conditions for its directors. These conditions, which also apply to other staff, include:

- ▶ an incapacity for work scheme;
- ▶ a lease car scheme;
- ▶ an expense claims scheme;
- ▶ a loan to cover mortgage costs for the first house;
- ▶ compensation in lieu of time off.

OTHER CONDITIONS

- ▶ Length of appointments

Members of the Executive Board appointed after 1 January 2010 will be appointed for a period of up to four years, with a possibility of reaffirmation for a further four years.

New members of the Executive Board will, in principle, stand down upon reaching the age of 62, unless, in the opinion of the Supervisory Board, special circumstances justify a longer term of office or a higher age limit.

Current members of the Executive Board were appointed on 1 July 2005 for an unspecified period. If the Supervisory Board feels it is opportune, the chairman will discuss with a member the date of his or her departure and the conditions attached.

Existing contracts and employment conditions will be respected.

- ▶ Notice period

Members of the Executive Board who terminate their employment contracts must give two months' notice. If the employment contract is terminated by Gasunie, a notice period of four months must be observed.

- ▶ Compensation for dismissal

Compensation for dismissal for new company directors will be limited to a maximum of one year's basic salary, in accordance with the Corporate Governance Code, except where such a limitation is clearly unreasonable.

Change in control

Directors appointed after 1 January 2010 are covered by a 'change in control' clause, which states that if they are forced to leave the company due to a merger or the acquisition of the company by an external party, or in the event of a fundamental change in the nature, management or structure of the company that is beyond the control of the Executive Board, they will be awarded compensation of up to a maximum of one year's basic salary, regardless of which party terminates the employment contract.

VARIABLE BONUS 2009

The following agreements were made regarding the variable bonuses of the members of Gasunie's Executive Board for 2009, which were based on the remuneration policy applicable at the time.

A variable bonus is awarded where the following criteria, among other things, apply:

- a. a maximum of 5% based on growth in business value, the Economic Value Added (EVA™);
- b. a maximum of 5% based on a general assessment of the Executive Board member's individual contribution, this to be assessed by the Supervisory Board.

Although the criteria mentioned under a) and b) were met as at the end of 2009, a negative trend in EVA will arise in the later years as a result of the impairment that had to be recognised in 2009. As a result of this, the Supervisory Board has decided to award conditionally both the aforementioned variable bonus elements for 2009. If, during the course of 2010, the regulatory framework in Germany should be adjusted in Gasunie Deutschland's favour as a result of negotiations conducted between Gasunie Deutschland and the Bundesnetzagentur, then these elements may yet be awarded in full or in part.

Discussions between the Bundesnetzagentur and Gasunie in 2010 did in fact produce a partially positive result, especially where one crucial factor, influenced by the company, is concerned. This relates to the price capping method to promote efficient operations (x factor)



applied in tariff setting. In its first ruling, the Bundesnetzagentur assumed an efficiency of around 65% for Gasunie Deutschland. In the meantime, Gasunie Deutschland has been able to demonstrate that this figure is now close to 100%, which has been accepted by the Bundesnetzagentur.

As a result, as far as 2009 is concerned, the Supervisory Board has decided to award only the conditional variable bonus element relating to 5% (maximum) for the general assessment of the Executive Board member's individual contribution.

REMUNERATION PACKAGE FOR 2010

Based on the policy outlined above, the Supervisory Board agreed the following basic annual salaries and variable bonuses on 1 July 2010 for members of the Executive Board active on 31 December 2010:

<i>In euros</i>	Basic annual salary on 1 July 2010	Variable bonus (for performance 2010)
P.C. van Gelder, chairman (from 1-9-2010)	260,000	29,467
H.A.T. Chin Sue RC	239,340	67,015
E. Dam	239,340	71,802
P.E.G. Trienekens	239,340	74,196

See point 23 of the Explanatory Notes to the Consolidated Accounts for the allocation of other remuneration package components in 2010.

With regard to Mr Kramer, chairman of the Executive Board until 1 September 2010, agreements were made at the time of his departure concerning the variable bonus, both with regard to the conditionally allocated proportion of the variable bonus for 2009 and with regard to the variable bonus for the first eight months of 2010. This bonus has been set at 15%, based on a conservative estimate of the attainment of the targets.



Corporate Governance and Risk Management

CORPORATE GOVERNANCE

The Dutch Corporate Governance Code took effect on 1 January 2004. It is intended to contribute to a more efficient supervision of good corporate governance and a more balanced distribution of responsibilities between the Executive Board, Supervisory Board and shareholders. The code only applies in principle to listed companies. The Corporate Governance Code Monitoring Committee has since revised the code. The revised version took effect on 1 January 2009.

While Gasunie is not a listed company, the Executive Board and the Supervisory Board nevertheless feel it is important to adhere as far as possible to the guidelines and 'best practices' described in the code. Sound management principles, accountability, independent supervision, transparency and responsible entrepreneurship have been incorporated into the activities of the Executive Board and Supervisory Board, and were applied in 2010.

Statement on organisational structure

The revised 'structuurregime' is applicable to Gasunie (as a wholly-owned state company).

Application of the Dutch Corporate Governance Code

Not all 'best practice' provisions apply to Gasunie. In so far as they are applicable, most of the provisions are adhered to. One or two 'best practice' provisions are not applied, however. These are detailed below in accordance with the Corporate Governance guidelines.

Executive Board

II.1.1 A director is appointed for a maximum of four years. He or she can subsequently be reappointed for up to four years at a time.

Reasons for the departure from this Article: Contracts with the members of the Executive Board appointed before 2010 are for an unspecified period and will be respected. The Corporate Governance Code will be observed with regard to this point for directors appointed in 2010 and later.

II.2.8 The maximum compensation for premature dismissal shall be one year's salary (the 'fixed' portion of the salary). If the maximum of a year's salary for a director who is dismissed during his initial term of office is clearly

unreasonable, the director in question will be eligible for compensation of up to two years' salary.

Reasons for the departure from this Article: Contracts with the members of the Executive Board appointed before 2010 will be respected. Compensation for dismissal will be agreed on a fair and reasonable basis, with due regard for the applicable employment contract. The Corporate Governance Code will be observed with regard to this point for directors appointed in 2010 and later.

Supervisory Board

III.5.11. The chairmanship of the remuneration committee shall not be held by the chairman of the Supervisory Board, or by a former director of the company, or by a member of the Supervisory Board who is a director of another listed company.

Reasons for the departure from this Article: The Supervisory Board feels the chairman should be closely involved in the preparation of the salary and remuneration policy, partly in view of the current high profile of this policy. The Supervisory Board has therefore decided not to separate the chairmanship from that of the Remuneration, Selection & Appointments Committee.

The following documents are available on the website www.gasunie.nl:

- ▶ Procedure governing the activities of the Executive Board
- ▶ Procedure governing the activities of the Supervisory Board
- ▶ Whistleblowers' scheme
- ▶ Code of Conduct

RISK MANAGEMENT

Internal risk management and audit systems

Our company activities are subject to risks. These risks come about as a result of changing circumstances in the internal and external environment.

We are committed to managing these risks adequately. Risk management is therefore an integral part of all our company processes and activities.

Our risk management is implemented through a clear internal risk management and audit system. This is designed to provide a reasonable degree of certainty that the realisation of our operating targets is being monitored, that risks attached to our company processes and business activities are being properly managed, that our financial accounting is reliable and that legislation and regulations are being upheld. We apply the COSO (Committee of Sponsoring Organizations of the Treadway Commission) Enterprise Risk Management model as a reference framework for planning and evaluating our internal risk management and audit system.

Universally applicable standards are defined in the document 'Minimum requirements for management control'. This document is a standardised framework for all Gasunie operating units. Within the framework of the risk management and audit system, the managers of the departments and subsidiaries are responsible for the organisation and operation of the system in their own operating unit. Managers account annually for the functioning of the internal risk management and audit system to the Executive Board by means of a 'Document of Representation'.

All Gasunie staff are governed by a code of conduct. All key processes are covered by handbooks, guidelines and procedures, which are periodically updated.

In the context of the annual accounts, external auditors periodically evaluate the main aspects of the organisation and the operation of the administrative systems and its internal audit measures. They report their findings to the Executive Board and the Supervisory Board. The Executive Board discusses the organisation and operation of the entire risk management and audit system with the Audit Committee each year.

SPECIFIC RISKS FOR GASUNIE

Strategic risk analysis

A strategic risk analysis is performed annually. The Executive Board discusses the risks that could prevent Gasunie from attaining its strategic goals. Both the strategic goals and the risks are discussed by the Audit Committee and the Supervisory Board and incorporated into the business plans of the various operating units. Audits are carried out based on the policy plans and

adjustments are made where necessary. This cycle is part of the risk management and audit system. Identified risks are reduced to acceptable limits in accordance with Gasunie's risk profile.

Market risks

The liberalisation of the European gas market and the resulting EU directives and national legislation have a major impact on Gasunie's business operations. EU Regulations have direct application within the member states. Regulators, in the form of the NMa's Office of Energy Regulation in the Netherlands and the Bundesnetzagentur in Germany, have been appointed by their respective governments to monitor compliance with the Gas Act and associated regulations. This applies to regulated sections of the gas market, including gas transport. Key risks for Gasunie relate to permitted tariffs for transport and related services. This risk has increased as a result of the annulment of the Method Decision in the Netherlands. These tariffs are under pressure, both in the Netherlands and in Germany, which could endanger timely investments in vital infrastructure. It is not only new infrastructure that is affected but also Gasunie's existing infrastructure. In the near future, progressive amounts will need to be invested in the maintenance and replacement of pipelines in order to continue to guarantee security of supply and safety in the future.

One of the risks of operating on an international market is insufficient regulatory coordination between different national regulators. Gasunie holds ongoing consultations with market players, authorities and regulators to ensure that tariff levels do not undermine a good investment climate and that other conditions are coordinated in order to promote cross-border gas transport.

The gas and gas infrastructure markets are in a major state of flux. A number of prominent companies are vying for a lead in the European gas transport market. It is these parties with which we are in competition.

We can no longer assume that natural gas will maintain its historically strong position on the energy market. Gasunie will continue to promote national and international initiatives to emphasise the importance of natural gas in the energy mix.



Gasunie takes part in various partnerships with other market players. Examples include BBL, Gate terminal, Nord Stream and, for Gasunie Deutschland (GUD), the transport companies Deudan and Netra. Participating in these partnerships entails risks for Gasunie. These risks are controlled by defining tasks, responsibilities and competencies as clearly as possible in advance, and through frequent reporting. Risks for major infrastructures lie mainly in the often time-consuming licensing procedure, which can lead to the delay or even postponement of a project.

Operational risks

Personal and external safety, health and environment are spearheads of our policy. We have established a system which guides these processes, monitors performance and identifies points for improvement. We currently manage an underground pipeline network covering more than 15,000 kilometres and countless installations across the Netherlands and northern Germany. Due to the increase in the built environment and in construction activities, it is becoming increasingly difficult to ensure the safe positioning of all our pipelines. Ongoing attention is therefore vital to prevent damage to the gas transport network and to guard against the potential consequences of such damage. We have an extensive system for maintaining the integrity of the transport network. This includes cathodic protection and monitoring. Where necessary, swift adjustments to the network will be made to continue to guarantee the safe location of our pipes. The KLIC online system, coordinated by the Land Registry, is designed to ensure that no unsafe excavation work takes place near pipelines in the Netherlands.

We are developing many new activities, both in terms of sustainability and in terms of implementing major projects, sometimes in partnership with other companies. This will to some extent require new and/or specifically trained staff, who are not always easy to find.

The composition of the natural gas in the Netherlands may change as a result of the increasing volume of gas imported from abroad. This is a current topic that will also have consequences for Gasunie's business operations.

Financial risks

Over the coming years, the anticipated changes to the

Dutch and German regulatory frameworks will have a major impact on Gasunie's financial position. We will have a better idea of the implications of these changes during 2011.

Gasunie's ongoing major investment projects have generated large borrowing requirements. In the current financial market, there is a risk that such funding will either be inadequate or too expensive. It is therefore important to monitor Gasunie's creditworthiness and to broadly focus on the opportunities on the money and capital market so as to meet our financing need.

IN CONTROL STATEMENT

The Executive Board is aware that no matter how professional they may be, these management systems do not provide an absolute guarantee that the business goals will be met, or that these systems can completely remove the risk of material inaccuracies, loss, fraud and infringements of legislation and regulations.

The Executive Board hereby declare that with regard to financial reporting risks, the internal risk management and audit systems offer a reasonable degree of certainty that the financial reporting does not contain any material inaccuracies and that the risk management and audit systems functioned satisfactorily in 2010.

There are no indications that these systems will not continue to function satisfactorily during the current financial year.

Report of the Executive Board

I am hereby reporting to you on the consolidated results achieved by N.V. Nederlandse Gasunie on behalf of the Executive Board.

The year 2010 closed with a profit after tax of € 454 million, which is € 332 million higher than the profit for 2009. This was largely due to the impairment loss recognised in 2009 in respect of the gas transport network in Germany. There was no impairment loss for 2010. Without this impairment adjustment, the annual result after tax would have been € 555 million in 2009. The fall in profits for 2010, compared to the result after tax without the impairment adjustment in 2009, is mainly due to lower tariff rates for transport activities in both the Netherlands and Germany.

Regulatory frameworks

Significant uncertainty about the regulatory frameworks in the Netherlands and Germany was a feature of this reporting year. These frameworks are particularly important for Gasunie because they form the basis for the gas transport tariffs and the permitted returns. If the new Method Decision has a negative impact on Gasunie's financial position, this can endanger planned investments in Dutch gas infrastructure.

In Germany, the German regulator, the Bundesnetzagentur, announced a considerable lowering of the transport tariffs, as well as a maximum permitted return on new investments. Due to the falling returns resulting from the Bundesnetzagentur's decisions, at the end of March we let it be known that we were no longer interested in participating in the Thyssengas network. Gasunie had been invited to take part in this by a number of German gas transport companies (Stadtwerke).

Integrated Open Season (IOS)

In 2009, the first Integrated Open Season was held by the TSOs of Gasunie in the Netherlands and Germany. This showed that customers were in urgent need of more transport capacity in both countries. A total of around 20 customers booked capacity, of which half booked capacity for both the German and the Dutch market.

Uncertainties in the regulatory frameworks of both countries meant that the final investment decision could not be taken in 2010. This decision has been postponed

until 2011. The preparations for the investments continued in 2010. Discussions took place in Germany with the joint venture partners concerned, so that, in the event of a positive decision, expansions in capacity involving Denmark could be achieved in good time.

The use of Gasunie's networks in the Netherlands and Germany has intensified as a result of the company's efforts to meet market demands. Expansions to transport capacity make an important contribution towards the functioning of the gas roundabout and, as a result, to security of supply and market operations.

European developments

At European level there are also many developments that are of great importance to the future legislative and regulatory framework, and consequently for the investment climate for companies such as Gasunie. Particularly important here are the discussions about security of supply in the context of the Strategic European Energy Review, and about the promotion of market operations in the context of the Third Energy Package.

European regulations diverge greatly at national level, and this remains a problem for further, cross-border market integration, which has a restrictive effect particularly for an international gas infrastructure company such as Gasunie and for its customers. It is very important for European government policy to strike a good balance between, on the one hand, boosting efficiency in daily network management and, on the other hand, permitting a return that makes timely investments possible. Gasunie feels that this balance has not yet been achieved.

License to operate

We want to execute our responsibilities efficiently and effectively and hence generate value for our shareholder. We employ Economic Value Added (EVA™) as a financial performance yardstick. This is a measure of economic return which indicates the profitability of a company, in which explicit account is taken of the risks inherent in its activities.

The safe location of our gas transport network remains a priority. A good safety performance is and will continue to be a major prerequisite for retaining public confidence: it is our 'license to operate'. The Construction and Maintenance Department plays a major role in upholding



this satisfactory performance on a daily basis. We give considerable attention to the personal safety of our own employees and external contract staff working for Gasunie.

In 2010 there was only one accident involving absence from work among our own employees in the Netherlands (in 2009: 2). Gasunie Deutschland had no accidents at all involving absence from work among its own employees in 2010, nor in 2009.

The total number of reportable incidents relating both to in-house and contract staff (= accident, followed by absence, medical treatment, replacement work or fatalities) per million hours worked came out at 6.7; the target figure for this was less than 5.5 and so we did not achieve the target we set ourselves.

The number of potential very serious incidents and dangerous situations was 11, the target was set at less than 20 and so this target was achieved.

There were two instances of pipeline damage due to excavation work, neither of which involved a gas leak. The instances of pipeline damage therefore remained far below our self-specified indicator value of 10 incidences. Finally, the company set an operational target relating to security of supply. The target was that there should be less than 10 instances of non-supply by significant Gasunie infrastructure (non-delivery to gas receiving stations, by compressor stations, Gasunie pipelines in the Netherlands and Germany). This happened seven times in the Netherlands, in Germany there were no instances of non-delivery. Hence this target was achieved.

In 2010, Gasunie continued with the tasks and projects on which it had already started work, including the construction of the natural gas buffer in Zuidwending. The expansion of the Dutch gas transport network (North-South pipeline project) was officially finished on 1 October and brought into use.

Large-scale projects in which Gasunie is involved are all on track.

ACKNOWLEDGEMENTS

On behalf of the Executive Board, I would like to thank all our staff in the countries in which we are active for their dedication and commitment to the company over the past year. Our main task is and will continue to be to make a positive contribution to a safe, reliable, efficient and sustainable energy supply. I am confident that we will continue to reliably meet this obligation in

2011. Maintaining and further developing a constructive relationship with all stakeholders outside the company is therefore once again a key prerequisite.

P.C. van Gelder

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

Regulated Network Management in the Netherlands and Germany (TSO)

REGULATION

The Netherlands

In 2010, the Trade and Industry Appeals Tribunal (CBB) gave a judgement on an appeal made by the Association for energy, environment and water (VEMW) and EnergieNed, the branch organisation for companies in the Netherlands that are active in the production, transport, trade or supply of gas, electricity and/or heat. The CBB annulled the Method Decision laying down in 2008 GTS's financial and regulatory framework, against which the appeal was aimed. The reason for this is that, when it drew up the Method Decision, the NMa was guided by the policy rule of the Minister for Economic Affairs at that time. In the CBB's opinion, this contravenes the NMa's position under the Gas Act. The NMa has now started preparing a new Method Decision.

Approval of the bill in question by the Dutch Upper House means that, on 1 April 2011, a statutory basis will exist for a new balancing regime as part of a new market model for the wholesale market. One important element here is the introduction of the term "programme responsibility" which has almost exactly the same meaning as the equivalent term in the electricity sector.

Germany

Incentive regulation

A system of 'incentive' regulation has been applicable to GUD since 1 January 2010. GUD's permitted turnover will be based on the costs approved by the German regulator, the Bundesnetzagentur. These costs are then adjusted by means of general and individual price capping methods to promote efficient operations. The general price capping method to promote efficient operations reflects the assumed improvements in efficiency that the whole TSO sector should achieve, while the individual one represents the performance of the TSO compared to the other TSOs in Germany. The latter is determined by using a benchmark procedure which compares the efficiency of the German TSOs amongst themselves. The ultimate transport tariffs are derived from the permitted turnover figure.

The permitted turnover then applies for one regulatory period, the current one running from 2010-2012. The turnover for the next period, 2013-2017, will be determined on the basis of the approved costs in 2010.

Modifications to regulations on determining turnover and improvements to the investment climate

The application of the incentive regulation system in 2010 meant, inter alia, that a significant delay arose between the time when costs were incurred and the time when these could be recovered by the TSO. This delay meant that the anticipated investments ensuing from the Integrated Open Season could not be performed in an economically responsible manner. This regulation also meant that the statutorily determined return on equity of 9.29% before tax was not achieved by a long chalk.

Modifications to regulations on transport conditions

On 9 September 2010, the statutory regulations on conditions for access to the network were modified. This provided for increased competence for the German regulator, closer links between German market sectors, modifications to the regulations on determining and providing transport capacity and the fixing of reservation charges for gas producers and operators of storage facilities, power plants and LNG facilities.

Europe

In September 2010 the European institutions reached an agreement on the new regulation on the security of gas supply. Existing Dutch legislation already provides for a very high level of security of supply and hence we do not expect the new European regulation to lead to investment costs for GTS. There will be close consultation between the Ministry of Economic Affairs, Agriculture and Innovation and the Office of Energy Regulation regarding implementation of the measures.

The European Commission's Energy Infrastructure Package was published in November 2010. This publication stated that more detailed legislative proposals would follow during 2011, covering such areas as cross-border investments, financial support and the granting of per-



mits for EU priority projects and regional cooperation.

The Third European Energy Package came into effect on 3 March 2011. ENTSOG (European Network of Transmission System Operators for Gas) was established in December 2009, before the Third Package became effective. An important part of the package is that TSOs must join ENTSOG as members and cooperate with each other. ENTSOG's task is to draw up a ten-year European network development plan and to set out directly binding network codes for the purposes of creating a single European energy market. The European Commission, ENTSOG and ACER (Agency for the Cooperation of Energy Regulators) started on a number of pilot projects for the elaboration of network codes during the reporting year. In early 2011, the second ten-year European network development plan will be published by ENTSOG.

GAS TRANSPORT

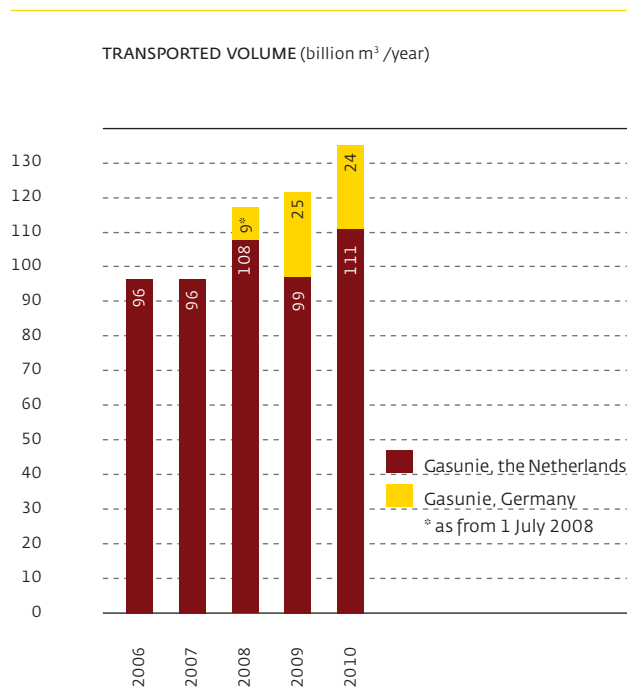
Turnover and volume

In 2010, the TSOs in Netherlands and Germany, GTS and GUD, recorded a turnover of € 1.41 billion from gas transport and related services. The total volume transported through both networks in 2010 was over 135 billion cubic metres (excluding the volume transported through the BBL).

In 2010, GTS achieved a turnover of € 1.2 billion from gas transport and related services. The average price (tariff) in 2010 was 5.4% lower than in 2009 due to application of the x factor. There was a slight increase in turnover as a result of the first phase of the North-South Route being brought into operation on 1 October 2010. Combined with the other factors, the turnover for 2010 came out at € 87 million lower than that for 2009.

In 2010 in the Netherlands, almost 111 billion cubic metres (35.17 MJ/cubic metres, Groningen gas quality) of natural gas was transported as against € 99 billion cubic metres (35.17 MJ/cubic metres) in 2009. This increase was mainly due to the low temperatures in January and December of the reporting year. The maximum daily volume in 2010 was 496 million cubic metres (on 26 January 2010). In 2009 this was 489 million cubic metres. A lot of construction work was carried out on the gas transport system during the reporting year, more than

in 2009. Most notable were the activities relating to the construction and putting into operation of the first phase of the North-South Route. Active involvement by GTS meant that restrictions affecting shippers and connected parties were kept to a minimum.



In Germany more than 24 billion cubic metres of natural gas were transported, a slight drop as compared to 2009 (25 billion cubic metres). The turnover for gas transport and related services came to € 187 million.

TRANSPORT DEVELOPMENTS IN THE NETHERLANDS

Balancing regime and market model

A new balancing regime will be introduced on 1 April 2011 as part of a new market model for the wholesale market.

TTF

Volumes on the gas trading platform, the Title Transfer Facility (TTF), continued to demonstrate a rising trend, new records were set in 2010. The traded volume rose to 113.8 billion cubic metres in 2010. This is a growth level of 39% as against 2009. The financial value of the traded gas comes to an estimated € 19 billion. Of the total volume of transported gas, 31.8 billion cubic metres flowed via the TTF. This corresponds to two-thirds of domestic gas sales. The 'churn factor' for 2010

(the average number of times that a cubic metre of natural gas is traded during a single year) was 3.6. The average number of traders who were active on the TTF was approximately 73, this has increased by around 20% compared to 2009. The maximum number of traders active on any one day was 82. The TTF is regarded as the most liquid European gas hub, after the English NBP.

Market and capacity developments

Various customers have indicated that they are interested in acquiring additional capacity. This is particularly important for the electricity sector but also for other industrial sectors. There are also a number of gas storage projects currently being developed.

If there is a positive investment decision for the Dutch part of the Integrated Open Season, the delivery date of the IOS capacity will be October 2014. There will be a shortage of entry capacity in subsequent years if supplementary measures are not taken, particularly as a result of declining capacity in Dutch gas production. It is expected that this shortage will be filled by market players who will sell gas from fields situated abroad. A number of customers have already approached GTS and asked the company to make preparations for additional entry capacity.

Cross-border cooperation

The gas market is becoming increasingly an international market. GTS customers are, almost without exception, energy concerns operating at international level. In order to give its customers the best possible service, GTS is starting to work more and more intensively with neighbouring TSOs. Cross-border services, among other things, were introduced in 2010 via Gasunie Transport Services. Gasunie Transport Services is Gasunie's new international 'label' under which both of Gasunie's TSOs work together closely.

Integrated Open Season in the Netherlands and Germany

In 2009, the first Integrated Open Season was held by the TSOs of Gasunie in the Netherlands and Germany. A considerable demand for more transport could be inferred from this first IOS. There is a particularly great requirement for more capacity for the supply and transport of natural gas to and from storage facilities intended to meet fluctuations in the gas supply. There is also a demand for expansion of capacity into Denmark,

for transporting natural gas from Nord Stream and for reinforcement of the link between the Dutch and German network at Oude Statenzijl.

In order to be able to invest in an economically sound manner, the regulatory frameworks and the regulations in the Netherlands and Germany will have to create the potential for this. The final investment decision will be made in 2011.

TRANSPORT DEVELOPMENTS IN GERMANY

Gaspool / Aequamus

In 2009, Gasunie Deutschland, EWE Netz and Erdgas Münster Transport established Aequamus for gas balancing in their L-gas market sectors. In the same year, Gasunie Deutschland, VNG-Ontras, Wingas Transport, and Statoil Transport Deutschland combined their H-gas market sectors in Gaspool. Both market sectors developed well in 2010. Gaspool consolidated its position as one of the most significant hubs in continental Europe. In December 2010, traded market volume came to 76 billion kWh with a churn factor of 2.45. Gaspool is also responsible for balancing the system. The highest purchased gas volume in 2010 was 108 million kWh per day and the highest volume sold was 84 million kWh per day. Balance gas was bought by Gaspool on a day-ahead and within-day basis via Gaspool's own web portal for balancing and via the European Energy Exchange (EEX). In order to comply with a statutory obligation requiring further cooperation between network operators, Open Grid Europe, Net Connect Germany and Thyssengas have agreed to combine their H-Gas and L-Gas market sectors into one market sector for each gas type as from 1 April 2011. Aequamus and Gaspool intend to do the same thing, meaning that two market sectors will remain in Germany.



Participations & Business Development (Non-TSO)

Gasunie also creates value for its stakeholders by developing business activities that do not fall within the regulated domain. It does this by focussing on the supply of open access gas infrastructure services. In that context we strive to achieve controlled, gradual corporate growth, for example in the form of new autonomous projects and acquisitions.

BBL

During the reporting year, the BBL Company V.O.F. (BBL) transported a total of around 9 billion cubic metres (in 2009: 7.1 billion cubic metres). In 2010, BBL Company fully met all its transport commitments. Gasunie has a 60% stake in BBL.

Problems occurred on 9 February 2009 in one of the three compressors at the station in Anna Paulowna. Following the breakdown, BBL and the manufacturer conducted a detailed investigation which identified the actual cause of the problem. As a result, all the compressors had to be overhauled. The reconditioning of the first compressor was completed shortly before winter 2009/2010. The second compressor was overhauled during the summer of 2010; the company plans to overhaul the third one in summer 2011.

Installation of a fourth compressor at Anna Paulowna was planned for 2010, which was to increase, with effect from 1 December 2010, 'firm forward flow' capacity to the UK from 1.74 million cubic metres/per hour to 2.10 million cubic metres/per hour. Due to technical problems, installation of this fourth compressor was postponed to the first quarter of 2011. At the end of 2010, the manufacturer began an investigation into the cause of the technical problems.

It was possible to supply the extra capacity already contracted with the existing three compressors.

In 2010, BBL Company launched Interruptible Reverse Flow Services (IRFS) onto the market. This makes it possible to contract volumes from the UK to Balgzand, on condition that sufficient volumes flow in the other direction. In order to be able to offer this service, BBL Company has designed an auction procedure that has been approved by the Dutch and English authorities. The IRF service has been offered to the market since 1

October 2010. In order to be able to use the service, the market had to appoint an Exit Agent on the English side and sign an Ancillary Agreement with the National Grid. It is expected that the market will have sorted out these matters by early 2011.

The BBL Company regularly investigates whether the offshore pipeline is in a secure position as part of its pipeline integrity management work. In 2010 two voids were found under the pipeline that were successfully filled up with gravel.

NORD STREAM

The Nord Stream project comprises the construction and commercial operation of two 48 inch pipelines from Vyborg (near St. Petersburg) to Greifswald (on the German coast). The pipeline is 1,220 km long and its route crosses the Baltic Sea.

Since June 2010, Gaz de France Suez has been part of the project as the fifth shareholder with the same interest as Gasunie, i.e. 9%.

Construction of the first pipeline started in 2010. By the end of that year, already more than two-thirds of this pipeline had been laid. It is anticipated that the first and second pipeline will be brought into operation in October 2011 and November 2012 respectively. The investment budget (7.4 billion euro) is unchanged.

A separate project financing procedure has been established for the second pipeline, along the lines of the procedure which was successful for the first pipeline. It is expected that this second project financing procedure will also conclude successfully in the first quarter of 2011. The shareholders have granted several bridging loans in anticipation of the project becoming effective.

GATE TERMINAL

The construction of Gate terminal, the first LNG terminal currently being built in the Netherlands, is fully on schedule. The terminal will be brought into operation in the second half of 2011. The current capacity of 12 billion cubic metres per year has been fully booked for the coming year.

In 2010, the Danish energy company DONG Energy and the Spanish company Iberdrola signed a contract for Iberdrola to deliver LNG, via Gate terminal, to DONG

Energy corresponding to about 1 billion cubic metres of natural gas per year from the end of 2011. The agreement has a term of ten years with an option to extend it for a further five years. DONG Energy is the co-owner of Gate terminal and has contracted part of the import capacity.

During the reporting year, the company decided to invest in an additional high-pressure compression facility through which customers can reduce their minimum outflow capacity. This increases flexibility meaning that the customers of Gate terminal can respond more effectively to fluctuations in the demand for gas in Europe. The contribution of LNG towards gas market liquidity is reinforced through this additional functionality.

The Dutch energy company Eneco has concluded a long-term contract with Gate terminal for the annual throughput of 1 billion cubic metres of natural gas. The offtake of gas from the terminal will begin in September 2011 when Gate terminal comes into operation.

In 2010 we started looking into the possibilities for transmitting LNG to smaller terminals (known as 'Breaking Bulk') and into the use of LNG as a fuel for ships and lorries. The results of the feasibility study and any follow-up steps are expected in 2011.

CINTRA

At the end of October 2010, Gasunie became a 25% shareholder in the Rotterdam-based company Rotterdamse Cintra Maatschappij BV. Together with the other shareholders Vopak, Anthony Veder CO₂ Shipping BV and Air Liquide Industrie BV, we are exploring the possibilities for developing services for the transportation of CO₂ from emitter to storage operator in the Rotterdam area. This participation is an extension of Gasunie's policy on sustainability which includes studies into the possible transportation of CO₂.

VERTOGAS

Vertogas is a subsidiary company of Gasunie, established on 2 July 2009 for the purpose of issuing certificates which guarantee the origin and volume produced of green gas. The existence of a recognised certification system for green gas is one of the preconditions for the further development of the green gas market.

There was an increase in the amount of green gas certified by Vertogas in 2010 compared with 2009.



Around twelve traders and nine producers have now registered with the company. The number of certificates issued is approximately 84,000. This relates to a volume of almost 8.5 million cubic metres of gas. The certificates relate not only to green gas and to biogas upgraded to natural gas quality, but also to crude biogas. The company decided to do this in 2010 in response to market requests. This relates to biogas that is not introduced into the national transport network.

In 2010, Vertogas concluded a Letter of Intent with Dena (Deutsche Energie Agentur) in order to facilitate trading in certified green gas between Germany and the Netherlands. This will be carried out during the second quarter of 2011.

Mutual recognition of certificates can lead to an international market for green gas. This cooperation will make it possible for a Dutch customer to buy green gas that already complies with European standards (laid down in European Union Renewable Energy Directive, 2009/28/EC) as the German certificates already comply. Vertogas is also making every effort to issue this type of certificate during 2011.

NATURAL GAS BUFFER AT ZUIDWENDING

The first phase of the project was completed in 2010. At the end of December, the installation and caverns were ready for commercial operation. The official opening took place on 27 January 2011.

Leaching of the caverns was completed in the first quarter of 2010, after which, in March, the caverns started to be filled with gas. About half of the volume consists of cushion gas, the other half consists of working gas supplied by customers. Prior to the commencement of the gas operations, Gasunie became the operator of the gas storage permit pursuant to the Dutch Mining Act. The first phase of the project was handed over on schedule and within budget. Excellent results have also been achieved with regard to safety practices.

As far as the second phase is concerned, leaching operations started on the fifth cavern in early 2010. Phase 2 is scheduled to be completed by 1 January 2014.

NEL

In 2010 Gasunie became part of the consortium that is preparing the construction of the North European pipeline (NEL). This pipeline will be constructed over a length of 440 kilometres between Lubmin near Greifswald and Rehden in Lower Saxony. Gas from Nord

Stream will be transported via NEL to Germany and from there to the Netherlands, Belgium, France and the UK. NEL is the second pipeline link for gas from Nord Stream in addition to the planned OPAL pipeline to the Czech Republic. Gasunie has a 20% stake in NEL. The other shareholders are WINGAS (70%) and E.ON Ruhrgas (10%). They are also partners in Nord Stream. The planned investment for the pipeline project comes to a total of approximately 1.1 billion euros. Bringing NEL into operation provides another crucial connection for the gas roundabout, which is a very positive development for our stakeholders.

DEUDAN

On 1 January 2011, Gasunie Deutschland increased its interest in the Deudan pipeline between Germany and Denmark from 49% to 75%. GUD took over the shares and transport obligations of the Danish energy company DONG Energy Pipelines (DEP). Increasing its share has reinforced Gasunie's position as supplier of gas infrastructure services in northern Germany.

SUSTAINABILITY

Natural gas is by far the cleanest fossil fuel. Most of the CO₂ emissions reduction that has been achieved over the last few years could only have happened thanks to the use of natural gas. Through the prudent use of natural gas and through further sustainable practices ('greening') being applied to natural gas, the gas roundabout that is being accomplished in the Netherlands offers the potential for transition towards a sustainable society in a timely and cost-efficient manner.

We stepped up our sustainability strategy in 2010. The basic principle here is that we, whilst ensuring a further reduction of our own footprint (using natural gas prudently), are focussing particularly on the insertion of green gas into the gas network (making our natural gas more sustainable). We aim to cut back further not only our own CO₂ emissions but also to reduce CO₂ emissions by using natural gas.

Gasunie plays an active role in promoting the production of green gas in the Netherlands. We are one of the initiators of the 'Green Gas' knowledge centre which is being established in 2011. We also accomplished the high-pressure injection of biogas into our network on an industrial scale (the ROVA project in Zwolle) in 2010.

We also actively support the development of biogas hubs in the northern Netherlands with the objective of 'best practice' through demonstration projects. Examples of this are cost-efficient system designs for the treatment of biogas in the future and for injection into European gas networks.

At the request of the Ministry of Economic Affairs (now Economic Affairs, Agriculture and Innovation) on account of its gas transport expertise, Gasunie has, together with Energiebeheer Nederland, contributed to the formulation of a master plan for Carbon Capture & Storage (CCS) for the Dutch government. Through the Borg Foundation (Stichting Borg), Gasunie is also involved in the implementation of CO₂ storage projects in the northern Netherlands. Lastly, Gasunie makes an active contribution to the CO₂ research programme 'CATO' where, working closely with research institutes, research is conducted into CO₂ capture, transport and storage.

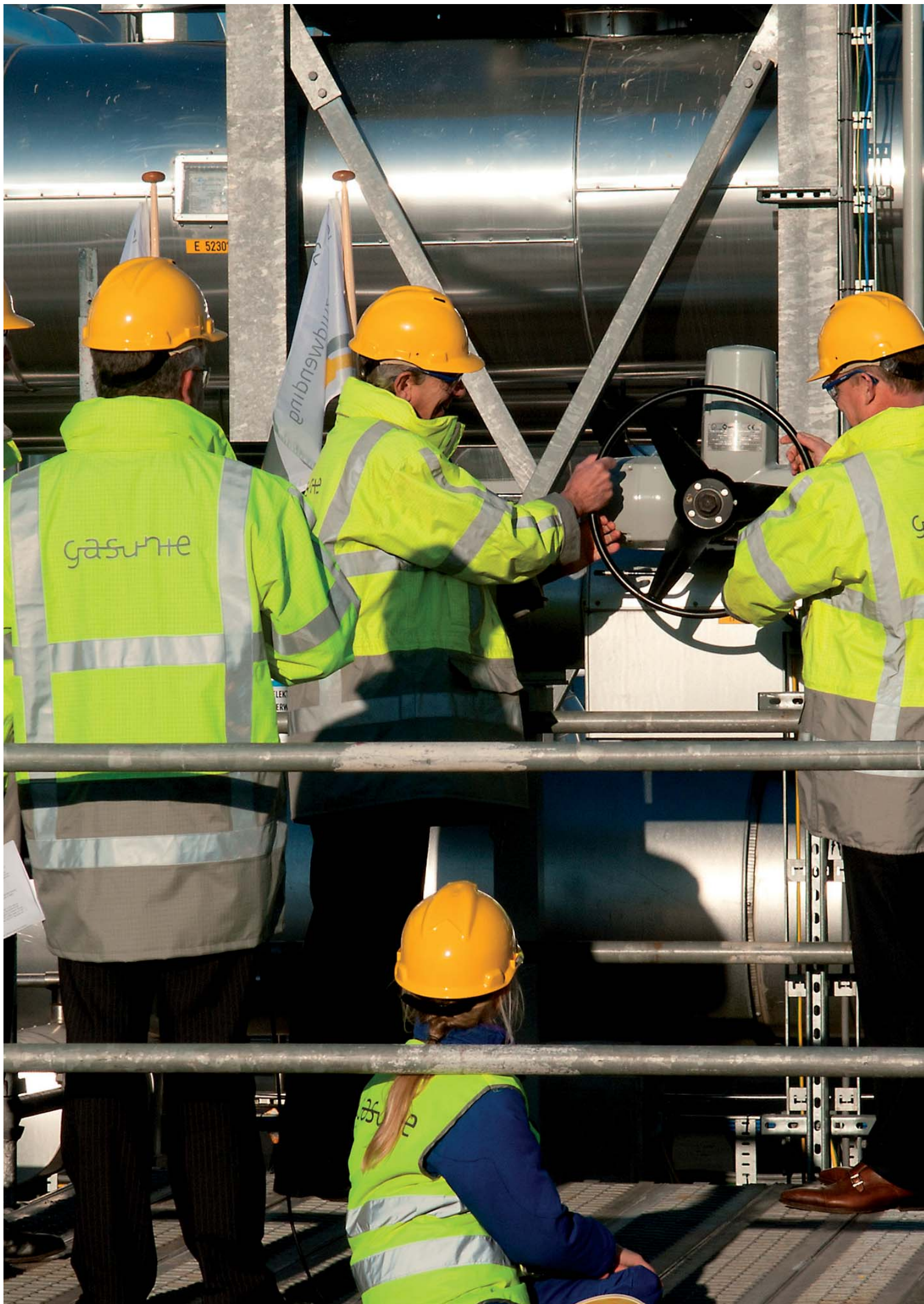
We also demonstrate how committed we are to sustainable energy by being an important sponsor of the EDGaR project (Energy Delta Gas Research). EDGaR wants to bring together the worlds of gas and sustainable energy

in order to work on new scenarios based on gas for a future with sustainable energy.

GASUNIE ENGINEERING B.V.

Gasunie Engineering B.V. (GUE) is a wholly-owned Gasunie subsidiary. GUE accepts third party assignments which are then carried out by various departments of Gasunie. In 2010, just as in previous years, there was a wide variety in the assignments performed. For example, as well as implementing the North-South Route, the company moved two high-pressure wastewater pipelines for a local authority, performed a record number of calibrations at the Bernouilli laboratory in Westerbork and carried out a number of safety inspections on behalf of various companies. It carried out high-quality consultancy work for a number of European partners. Finally, the 'special assignments' group within Gasunie Deventer was commissioned in 2010 by GUE to carry out welding work on gas-transporting pipelines in different places in Italy up to three times. These and many other activities made 2010 a year with an above-average turnover. This is certainly the case when one considers that no third party research projects were undertaken in 2010 via GUE because, since mid-2009, Gasunie's research and development department has been part of KEMA.





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Construction, Management and Maintenance

OPERATIONAL EXCELLENCE

Operational excellence is a key part of Gasunie's 'license to operate'. Keeping up the excellent performance of Gasunie's gas transport network and safeguarding its technical integrity, also in the future, play an important part in this. In accordance with the principles mentioned in Gasunie's mission, the transport network is managed and maintained in a safe, reliable, efficient and sustainable manner.

In order to remedy obsolescence of any parts of our existing network, we carry out thorough inspections of the network which we then evaluate, we replace sections where necessary and draw up renovation programmes.

ALLOCATION OF DUTIES

From a technical point of view, the Asset Management department of the Construction & Maintenance division acts as main owner of Gasunie's infrastructure. This department is responsible for the technical aspects of the network and formulates to this end strategies, schedules and policies for existing and new infrastructure. It initiates and encourages Continuous Improvement Programmes (CIP) in order to achieve performance excellence in all areas – Health, Safety, and Environment, Operations, Maintenance and Projects. With regard to the management and maintenance organisation, the Asset Management department acts as the owner by drawing up annual plans and budgets based on approved long-term programmes (more than 5 years).

ACTIVITIES

Management and maintenance chiefly involves both maintaining the infrastructure and preparing and implementing large-scale projects. By expanding the gas infrastructure through these projects, Gasunie is contributing to the government's aim to make the Netherlands the 'gas roundabout' of north-western Europe.

Phase 1 of the gas roundabout – North-South Route

In 2010, Phase 1 of the North-South Route was completed on schedule and within budget. On Friday 1 October 2010, Gasunie took no less than 275 kilometres of natural gas transmission pipeline and the new compressor station at Scheemda into operation. The completed pipeline route runs from Rysum in Germany to Ommen.

The compressor station at Scheemda and the tunnel under the Eems form part of this section of the system. The pipeline construction was also completed between Angerlo and Beuningen, as was the section between Wijngaarden and Westerschelde-West. In the meantime, work went ahead steadily on Phase 2. It is expected that the connection between Ommen and Angerlo and between Odiliapeel and Hommelhof will be completed during 2011.

Natural gas buffer at Zuidwending

On 1 January 2011 the natural gas buffer at Zuidwending was brought into operation. In setting up the facility, Gasunie worked with Akzo Nobel, which leached out the salt caverns. The natural gas buffer, which is connected to the Groningen gas transport network, consists of a gas plant above the ground and four caverns at a depth of between 1,000 and 1,500 metres. The caverns have a height of around 300 metres and a cross-section of 50 to 60 metres. The natural gas is stored at a maximum pressure of 180 bars. Each cavern can supply the market with over 50 million cubic metres of natural gas (working gas volume). Up to 1.6 million cubic metres of gas per hour can be produced from the four caverns and up to 0.8 million cubic metres per hour can be injected. The construction of a fifth cavern is well underway. This cavern will be approximately one and a half times as big as the largest of the four current caverns. The gas storage facility involved an investment of over 500 million euro and 2.3 million man-hours. During construction, Gasunie made a lot of effort to communicate with individuals in the surrounding area and local residents. Residents and local authorities were closely involved in the project from the beginning of planning in 2003. The first phase of the natural gas buffer was officially opened on 27 January 2011, followed a few days later by a festive programme of events also involving local residents.

Nitrogen buffer at Heiligerlee

In 2010 a pipeline of around ten kilometres was laid between the air separation facility in Zuidbroek and the nitrogen buffer in Heiligerlee. In 2010, preparatory work was carried out to make the salt cavern suitable for the storage of nitrogen. Leaching of the cavern will start in the second quarter of 2011 and is expected to take a year.



Bornerbroek-Epe

We are currently laying a pipeline between the German border and Bornerbroek for the connection of a gas storage facility in Epe (Germany) to our gas transport network in the Netherlands. The connection to the cavern will be completed by December 2011.

GERMANY

Elbe project

Measures have been taken in connection with work to deepen and widen the River Elbe to ensure that the existing cable trough retains sufficient cover for gas transport. Regardless of the work being performed on the Elbe, the Elbe crossing needs to be replaced. The permit procedure for this was set in motion in 2010 and will be completed in early 2013. The work needed for the construction of a new pipeline through the Elbe will take place in 2013 and 2014.

Renovation work at Achim compressor station

At the end of 2010, the work involved in renovating the compressor station at Achim neared completion. The project, started in 2007, comprises an overhaul of the four compressor units and renovation of the facilities for process technology. The project will be fully completed in early 2011.

LEGISLATION AND REGULATIONS

New agreement between LTO Nederland and Gasunie

At the end of November 2010, we reached an agreement with LTO Nederland (Dutch Federation of Agriculture and Horticulture) regarding the new fees payable for the construction of Gasunie pipelines on agricultural land. This joint initiative was based on the principle that the amount of a fee should be transparent, objective and capable of being recalculated. It was also desirable to use objective criteria, commonly used for legislation and regulations, such as the Rent Control Act, the Expropriation Act and Wealth Tax legislation. These principles have provided the framework for the new regulations. The fee system will be applied from 1 September 2010 with retroactive effect.

Personnel & Organisation

PERSONNEL

In 2010, Gasunie's total staff complement rose from 1,732 in 2009 (Gasunie in Germany 223; Gasunie in the Netherlands 1,509) to 1,746 (Gasunie in Germany 232; Gasunie in the Netherlands 1,514). The CSR report includes more information about staff trends.

Remuneration

The collective labour agreement for Gasunie staff runs from 1 July 2009 to 1 April 2011. Wages and salaries were increased by 1% as at 1 July 2010 on the basis of the prevailing collective labour agreement.

ORGANISATIONAL DEVELOPMENT

If we want to carry on being successful in the future, then we must continue to develop our capacity to operate flexibly and proactively. Consideration for leadership and leadership development occupy an important position within this.

The Gasunie 2012 management development programme was continued in a modified format during the reporting year. Central to this were, in particular, Gasunie's strategy and an individual's own managerial role in achieving strategic objectives. In that context, we have developed policies enabling us to arrive at a more coaching style of leadership within Gasunie. Another two groups will follow the programme during 2011 as well as a group of young managers with the potential to develop further. Managers and supervisors at Gasunie Deutschland also followed a leadership programme in 2010. A review and update of existing HR tools also commenced, taking Gasunie's 'best practices' in the Netherlands and Germany as the starting point.

The attention we give to leadership and leadership development will remain a permanent feature. Hence, in 2011, the Gasunie Leadership Programme will be launched as a continuation of the Gasunie 2012 programme. The central theme to this programme is the role of managers in a changing environment. Cost consciousness and efficiency are also key concepts of this programme.

In 2011, we will launch a project encompassing our whole concern that aims to adapt our internal organisation to the changing environment and to the new opportunities offered by these changes.

This project, which has been called 'Transponder', will scrutinise strategy as well as organisational and business culture.

Adjustments will be made, where necessary, so that we can continue to operate successfully in the future as a company.

Striving for an organisation that is 'fit for purpose' is also shown by our new training policy, which aims to achieve corporate objectives more effectively than it did previously. Increasing the employability of our employees is also an important pillar of this policy.

A more performance-oriented culture demands focus and control from its managers, but also from the employees themselves. They are themselves responsible for their own careers within Gasunie, but they will be given every opportunity to further these careers, by taking advantage of the courses and training opportunities offered by Gasunie. Gasunie is making every effort to be an attractive employer where employees are given the opportunity to promote their own development.

Generic job structure

As part of our efforts towards creating a flexible organisation, we have also started to set up a new, generic job structure model. In a generic job structure, jobs with similar processes and activities are classified under one generic job description. This produces an orderly and transparent system that fits in well with an organisation which has to be able to operate flexibly. In 2010, the first part of this job structure model was completed with new descriptions of part of the job groups. We will follow this up for all the other jobs in 2011. The intention is for the new job structure model to be introduced in its entirety in 2013.





Statement by the Board

STATEMENT BY THE BOARD (AS DEFINED BY ARTICLE 5.25 OF THE FINANCIAL SUPERVISION ACT)

The Executive Board hereby declares, to the best of its knowledge, that:

1. the annual accounts give a fair presentation of the assets, liabilities, financial position and profit of N.V. Nederlandse Gasunie and of the legal entities included in the consolidation; and
2. the annual report gives a fair presentation of the situation on the balance sheet date, the status of the company during the financial year, and those of its affiliates whose accounts are included here, and that the annual report accurately describes the risks with which the company is faced.

P.C. van Gelder, chairman of the Executive Board
H.A.T. Chin Sue
E. Dam
P.E.G. Trienekens

Groningen, 29 March 2011



Primary and secondary posts held by Supervisory Directors of N.V. Nederlandse Gasunie

The Supervisory Directors are all of Dutch nationality except Mr Vermeire, who is of Belgian nationality.

C. GRIFFIOEN

Current primary post held: none

Previous primary post held: Member of the Executive Board and CFO of Koninklijke KPN N.V.

Other remunerated secondary posts held:

Member of the Supervisory Board of TenneT B.V.

Vice-chairman of the Supervisory Board of Zorggroep Noorderbreedte

Consultant and Member of the Executive Board of Deloitte

A. LONT

Primary post held: CEO Statnett SF

G.J. VAN LUIJK

Current primary post held: Member of the regional body Energietransitie and Chairman of the Chain Efficiency Platform

Previous primary post held: Chairman of the Board of Governors, Delft University of Technology

Other remunerated secondary posts held:

Vice-chairman of the Supervisory Board of Reinier de Graaf Group (to 31 July 2010)

H.L.J. NOY

Primary post held: Chairman of the Executive Board of ARCADIS NV, Arnhem

Other remunerated secondary posts held:

Chairman of the Supervisory Board Hogeschool Arnhem en Nijmegen (HAN)

Chairman of the Supervisory Board Stichting Vilente (care for the elderly)

J.P.H.J. VERMEIRE

Primary post held: Managing Partner of J.V. Consult BVBA, a consultancy agency

Other remunerated secondary posts held:

Chairman of the Supervisory Board of Distrigas

Chairman of the International Group of Liquefied Natural Gas Importers (GIIGNL)

Lecturer at the Energy Delta Institute (EDI) in Groningen, the Netherlands

Consolidated balance sheet as at 31 December (before profit appropriation)

<i>In millions of euros</i>	Notes	2010	2009
Assets			
Fixed assets			
- tangible fixed assets	3	8,822.0	7,848.6
- intangible fixed assets	4	689.1	689.1
- investments in associates	5	198.9	220.8
- other equity interests	6	191.0	145.3
- deferred tax assets	8	771.3	911.3
- pension assets	16	-	42.2
Total fixed assets		10,672.3	9,857.3
Current assets			
- stocks	9	27.8	28.4
- trade and other receivables	10	254.5	334.0
- cash and cash equivalents	11	158.5	106.5
Total current assets		440.8	468.9
Total assets		11,113.1	10,326.2

<i>In millions of euros</i>	Notes	2010	2009
Equity and liabilities			
Total shareholder's equity	12+13	5,260.8	5,309.7
Long-term liabilities			
- interest-bearing loans	14	3,896.7	4,112.2
- deferred tax liabilities	15	308.9	327.4
- employee benefits	16	88.6	51.2
- provisions	17	34.8	0.6
- other long-term liabilities	18	39.4	22.2
Total long-term liabilities		4,368.4	4,513.6
Current liabilities			
- current financing liabilities	19	979.3	27.1
- trade and other payables	20	504.6	475.8
Total current liabilities		1,483.9	502.9
Total equity and liabilities		11,113.1	10,326.2



Consolidated profit and loss account

<i>In millions of euros</i>	Notes	2010	2009
Continuing operations			
Income		1,523.0	1,668.7
Capitalised expenditure		114.4	96.4
Staff costs	23	(175.0)	(149.2)
Other operating expenses	24	(531.6)	(536.3)
Depreciation and amortisation costs	3	(205.2)	(210.1)
Impairments	1+3	-	(570.0)
Total expenses		(797.4)	(1,369.2)
Operating result		725.6	299.5
Finance revenue	25	6.8	9.0
Finance costs	26	(164.9)	(173.3)
Result on investments in (disposals of) equity interests	5+7	(1.0)	-
Share in result of associates	5	27.6	25.3
Result before taxation		594.1	160.5
Taxes	27	(140.4)	(38.7)
Result after taxation		453.7	121.8
Discontinued operations			
Result on discontinued operations after taxation		-	-
Profit for the year		453.7	121.8
Profit attributable to shareholder		453.7	121.8

Consolidated statement of comprehensive income

<i>In millions of euros</i>	Cash flow hedge reserve	Other reserves	Unappropriated result	Total
2010				
Total of results taken to the profit and loss account (profit for the year)	-	-	453.7	453.7
Effect of rate change on deferred taxation	(0.1)	(19.5)	-	(19.6)
Movement in cash flow hedge reserve, of which corporate income tax	(16.4) 4.2	- -	- -	(16.4) 4.2
Balance of actuarial gains and losses on employee benefits, of which corporate income tax	- -	(74.2) 19.0	- -	(74.2) 19.0
Other movements	-	0.3	-	0.3
Total of results taken to equity	(12.3)	(74.4)	-	(86.7)
Total of comprehensive income	(12.3)	(74.4)	453.7	367.0
2009				
Total of results taken to the profit and loss account (profit for the year)	-	-	121.8	121.8
Movement in cash flow hedge reserve, of which corporate income tax	(3.2) 0.8	- -	- -	(3.2) 0.8
Balance of actuarial gains and losses on employee benefits, of which corporate income tax	- -	(59.9) 15.5	- -	(59.9) 15.5
Other movements	-	(0.7)	-	(0.7)
Total of results taken to equity	(2.4)	(45.1)	-	(47.5)
Total of comprehensive income	(2.4)	(45.1)	121.8	74.3

The total of the comprehensive income for 2010 and 2009 is fully attributable to the shareholder.

Consolidated statement of movements in equity

<i>In millions of euros</i>	Share capital	Cash flow hedge reserve	Other reserves	Unappro- priated result	Total
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 financial year	-	(12.3)	(74.4)	453.7	367.0
Final dividend paid for 2009	-	-	(294.1)	(121.8)	(415.9)
Balance as at 31 December 2010	0.2	(16.9)	4,823.8	453.7	5,260.8
2009					
Balance as at 1 January 2009	0.2	(2.2)	5,138.9	394.1	5,531.0
Total of comprehensive income for the financial year	-	(2.4)	(45.1)	121.8	74.3
Final dividend paid for 2008	-	-	-	(295.6)	(295.6)
Added to other reserves	-	-	98.5	(98.5)	-
Balance as at 31 December 2009	0.2	(4.6)	5,192.3	121.8	5,309.7

Consolidated cash flow statement

<i>In millions of euros</i>	Notes	2010	2009
Cash flow from operating activities			
Income		1,523.0	1,668.7
Total expenses		(797.4)	(1,369.2)
		<u>725.6</u>	<u>299.5</u>
Adjustments for:			
- depreciation and amortisation costs	3	205.2	210.1
- impairments	1+3	-	570.0
- movement in stocks		0.6	1.6
- movement in receivables		79.8	(59.7)
- movement in non-interest-bearing liabilities		(7.8)	10.8
- other movements		4.7	-
		<u>1,008.1</u>	<u>1,032.3</u>
Cash flow from business operations			
Interest received		6.8	9.0
Dividend received on investments in associates	5	54.5	12.6
Interest paid		(163.7)	(145.5)
Corporate income tax received/paid		55.2	(25.1)
		<u>(47.2)</u>	<u>(149.0)</u>
Cash flow from operating activities		<u>960.9</u>	<u>883.3</u>
Cash flow from investing activities			
Investments in tangible and intangible fixed assets	3+4	(1,170.7)	(1,092.6)
Disposals of tangible and intangible fixed assets	3+4	2.9	16.6
Acquisition of subsidiaries, net of cash and cash equivalents available	2	-	(121.0)
Acquisition of share in joint venture, net of cash and cash equivalents available	2+7	(3.5)	-
Investments in associates	5	(2.1)	(0.1)
Investments in other equity interests	6	(45.7)	(26.1)
Disposals of associates	5	0.3	-
		<u>(1,218.8)</u>	<u>(1,223.2)</u>
Cash flow from investing activities			

Transport		-/- 257.9	-/- 339.9
Cash flow from financing activities			
New long-term loans	14	239.7	926.1
Repayment of long-term loans	14	-	(12.0)
Movement in short-term financing	19	486.1	(322.9)
Dividend paid	29	(415.9)	(295.6)
		<hr/>	<hr/>
Cash flow from financing activities		309.9	295.6
Increase in cash and cash equivalents			
		<hr/>	<hr/>
		52.0	(44.3)
Cash and cash equivalents at previous year-end		106.5	150.8
Cash and cash equivalents at year-end		158.5	106.5
		<hr/>	<hr/>
		52.0	(44.3)

Notes to the consolidated financial statements

PREPARATION AND ADOPTION OF THE FINANCIAL STATEMENTS

The 2010 financial statements are prepared by the Executive Board on 29 March 2011. The financial statements as prepared will be submitted for adoption to the General Meeting of Shareholders on 15 April 2011.

NATURE OF BUSINESS OPERATIONS

The N.V. Nederlandse Gasunie (Gasunie) is one of Europe's largest gas infrastructure companies. The Gasunie network carries approximately 125 billion cubic metres of natural gas a 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 pipelines in the Netherlands and Germany, connections to national and international pipeline systems and hundreds of installations, including a LNG facility (peak shaver), as well as approximately 1,300 gas receiving 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

The consolidated financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and applicable as at 31 December 2010.

New reporting standards

The following new standards and interpretations were endorsed for use in the European Union and took effect in 2010:

- ▶ IFRS 1, First-Time Adoption of IFRS (Revised)
- ▶ IFRS 1, First-Time Adoption of IFRS – Additional Exemptions for First-Time Adopters
- ▶ IFRS 2, Share-Based Payment – Group Cash-Settled Share-Based Payment Arrangements
- ▶ IFRS 3, Business Combinations (Revised)
- ▶ IAS 27, Consolidated and Separate Financial Statements (Amendment)
- ▶ IAS 39, Financial Instruments: Recognition and Measurement – Eligible Hedged Items (Amendments)
- ▶ IFRIC 17, Distributions on Non-Cash Assets to Owners
- ▶ IFRIC 18, Transfers of Assets from Customers
- ▶ Improvements to International Financial Reporting Standards (Issued 2008)
- ▶ Improvements to International Financial Reporting Standards (Issued 2009)

The adoption of the aforementioned standards and interpretations has no material effect on the equity or profit of the company in 2010 and merely requires certain additional disclosures.

The IFRS standards and the interpretations of the International Financial Reporting Interpretations Committee that have been published and endorsed for use in the European Union, but are not yet effective, have not been adopted by the company. These include, as from the 2011 financial year:

- ▶ IFRS 1, First-Time Adoption of IFRS – Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters
- ▶ IAS 24, Related Party Disclosures (Revised)



- ▶ IAS 32, Financial Instruments: Presentation – Classification of Rights Issues
- ▶ IFRIC 14, Prepayments of a Minimum Funding Requirement (Amendment)
- ▶ IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments

As from the 2011 financial year, the following new standards and interpretations will take effect, but have not yet been endorsed for use in the European Union:

- ▶ Improvements to International Financial Reporting Standards (Issued 2010)

The company does not expect the adoption of the aforementioned standards and interpretations to have a material effect on the equity or profit of the company in the period of first-time adoption.

Management judgments and estimates

In preparing the financial statements, the management makes estimates and assessments which affect the assets and liabilities presented as at the balance sheet date and the profit for the financial year. These judgments and estimates have a significant effect on the valuation of business combinations, fixed assets, deferred taxation and pensions.

Valuation of business combinations

In the case of business combinations, identifiable assets, liabilities and contingent liabilities are recognised by the acquiring party at fair value on the acquisition date.

Fixed assets

Fixed assets include the gas transport network and goodwill.

Tangible fixed assets are valued at cost less straight-line depreciation based on the expected useful life, taking into account the residual value and impairments. To this end, assumptions were made about the useful life, the residual value and the future cash flows of the transport pipelines in particular. Goodwill is stated at cost less any accumulated impairments.

A significant part of our operating activities are 'regulated'. The future cash flows and related recoverable amount of the regulated assets are partly based on judgments and estimates about the cash flows that can be earned within the regulatory framework. For more information, see notes 1, 3 and 4 of the notes to the consolidated balance sheet.

A provision for long-term general clearance costs is not recognised because it is currently considered unlikely that the removal of transport pipelines and appurtenances will be needed. It is anticipated that the income from alternative use (in the longer term) less the costs of conservation will offset the (social) costs of removal.

Deferred tax assets

A deferred tax asset is recognised for all deductible temporary differences and available carry-forward losses, to the extent that it is likely that taxable profit will be available for set-off. To this end, assumptions have been made about future taxable profits.

Pensions

The costs relating to the pension plans and the valuation of pension liabilities are determined using actuarial calculations. To this end, significant assumptions have been made about the market interest rate on high-quality corporate bonds for the purpose of determining the discount rate, the expected future increases in salary, the expected future increases in pensions and the expected return on plan assets. For more information, see note 16 of the notes to the consolidated balance sheet.



RECLASSIFICATION OF COMPARATIVE FIGURES

In 2010, different cost categories are recognised within the operating expenses, which are more in line with internal management reporting. This also resulted in adjustments to the financial information by segment. The comparative figures for 2009 with respect to these categories are restated accordingly. For more information, see notes 24 and 31 of the notes to the consolidated profit and loss account.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial data of the N.V. Nederlandse Gasunie and its group companies. Group companies are legal entities and companies over which the company exercises control.

Group companies are fully consolidated from the date on which control of the group company is obtained until the date that control no longer exists. The items in the consolidated financial statements are calculated in accordance with consistent accounting policies.

Intercompany account balances and unrealised results relating to group companies are eliminated. Unrealised losses are also eliminated, except when a loss is an indication of impairment.



The group companies included in the consolidation are:

Company	Registered office	Interest as at 31 December	
		2010	2009
Gas Transport Services B.V.	Groningen	100%	100%
Gastransport Noord-West Europa B.V.	Groningen	100%	100%
Gastransport Noord-West Europa Holding B.V.	Groningen	100%	100%
Gastransport Noord-West Europa Services 1 B.V.	Groningen	100%	100%
Gastransport Noord-West Europa Services 2 B.V.	Groningen	100%	100%
Gastransport Noord-West Europa Services 3 B.V.	Groningen	100%	100%
Gastransport Noord-West Europa Services 4 B.V.	Groningen	100%	100%
Gasunie BBL B.V.	Groningen	100%	100%
Gasunie Engineering B.V.	Groningen	100%	100%
Gasunie LNG Holding B.V.	Groningen	100%	100%
Gasunie Underground Storage (GUUS) B.V.	Groningen	100%	100%
Gasunie Zuidwending B.V.	Groningen	100%	100%
Vertogas B.V.	Groningen	100%	100%
Zuidwending V.O.F.	Groningen	100%	100%
Cupa Holding GmbH	Hanover, Germany	100%	100%
Cupa Transport Services GmbH	Hanover, Germany	100%	100%
Gasunie Deutschland GmbH & Co. KG	Hanover, Germany	100%	100%
Gasunie Deutschland Services GmbH	Hanover, Germany	100%	100%
Gasunie Deutschland Technical Services GmbH	Hanover, Germany	100%	100%
Gasunie Deutschland Transport Services GmbH	Hanover, Germany	100%	100%
Gasunie Deutschland Transport Services Holding GmbH	Hanover, Germany	100%	100%
Gasunie Deutschland Verwaltungs GmbH	Hanover, Germany	100%	100%
Gasunie Ostseeanbindungsleitung (GOAL) GmbH	Hanover, Germany	100%	100%
Gasunie Infrastruktur AG	Zug, Switzerland	100%	100%

The N.V. Nederlandse Gasunie exercised control over the aforementioned legal entities throughout 2010.

Vertogas B.V. and Gasunie Ostseeanbindungsleitung GmbH were incorporated in 2009. With the acquisition in 2009 of Nuon Zuidwending B.V., which is renamed Gasunie Underground Storage B.V., the remaining 50% of the shares in Zuidwending V.O.F. were obtained.



Joint ventures are consolidated proportionally. They are:

Company	Registered office	Interest as at 31 December	
		2010	2009
BBL Company V.O.F.	Groningen	60%	60%
Gate terminal B.V.	Rotterdam	42.5%	40%
Gate terminal C.V.	Rotterdam	42.5%	40%
Gate terminal Management B.V.	Rotterdam	50%	50%

Based on agreements between the partners of BBL Company V.O.F., the N.V. Nederlandse Gasunie has no control over the company, its equity interest qualifying as a joint venture.

In 2010, Gasunie LNG Holding B.V. increased its 40% interest in Gate terminal C.V. by 2.5% to 42.5%, accordingly increasing the associated interest in Gate terminal B.V. from 40% to 42.5%.



Accounting policies

GENERAL

The financial statements have been prepared under the historical cost convention. If not mentioned otherwise, this general policy will be applied.

FOREIGN CURRENCY

The euro is the functional and reporting currency of the company. The consolidated financial statements have been prepared in euros.

Transactions in foreign currencies are recognised at the rate of exchange of the functional currency on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate as at the balance sheet date. Any differences are recognised in the profit and loss account.

BUSINESS COMBINATIONS (ACQUISITIONS)

Business combinations are recognised in accordance with the 'acquisition method' as described in IFRS 3, Business Combinations (Revised). The acquisition price is calculated as the sum of the assets transferred by the acquiree, liabilities entered into or acquired and equity instruments issued by the acquirer. Costs relating to the acquisition are directly taken to the profit and loss account. The identifiable assets, liabilities and contingent liabilities acquired as part of the business combinations are recognised by the acquiring party at fair value on the date of acquisition.

FIXED ASSETS

Tangible fixed assets

Tangible fixed assets are valued at cost less straight-line depreciation based on the expected useful life, taking into account the residual value and impairments. The fair value of the assets at the time of the conversion to IFRS (1 January 2004) is used as assumed cost price. The residual value of the asset, the useful life and the valuation methods are reviewed and adjusted if necessary at the end of the financial year.

Third-party contributions to the cost of construction of the gas transport system are deducted from the investments.

Tangible fixed assets not yet completed as at the balance sheet date are recognised as 'fixed assets under construction'. On commissioning, the concerning assets are classified according to nature in one of the main categories. The volumes of gas permanently present in the pipelines needed for the gas transportation are included under 'other fixed operating assets'.

Tangible fixed assets are classified into the following categories:

- ▶ Land and buildings
- ▶ Compressor stations
- ▶ Installations
- ▶ Main transmission lines and related plant and equipment
- ▶ Regional transmission lines and related plant and equipment
- ▶ Other fixed operating assets

Impairments of tangible fixed assets

The company investigates at regular intervals, and whenever there is reason to do so, any impairment of tangible fixed assets. This involves determining the recoverable amount of the assets. If the recoverable amount is less than the current carrying amount, the difference is taken to the profit and loss account. Due to the nature of the assets, it is often not possible to determine the recoverable amount per asset. In such cases, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

If there is reason to do so, the company investigates whether the impairment of a tangible fixed asset recognised in previous periods no longer exists or has decreased.

Intangible fixed assets

Exploitation rights

Exploitation rights are valued at cost less straight-line amortisation based on the expected useful life, taking into account the residual value and impairments. The residual value of the asset, the useful life and the amortisation methods and terms are assessed at least at the end of the financial year and adjusted if necessary.

Impairments of exploitation rights

If there is reason to do so, the company investigates whether there is an impairment of the exploitation rights. This involves determining the recoverable amount of the assets. If the recoverable amount is less than the current carrying amount, the difference is recognised in the profit and loss account.

Goodwill

Goodwill is the surplus of the acquisition price above the Gasunie share in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill is recognised as intangible fixed assets. After initial recognition, goodwill is stated at cost less any accumulated impairments.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to one or more cash-generating units that are expected to benefit from the synergies of the combination, no later than in the financial year following the acquisition date.

Impairment of goodwill

Every year, and if there is reason to do so, the company assesses whether there is an impairment of goodwill acquired in a business combination and which is allocated to one or more cash-generating units.

This involves determining the recoverable amount of each cash-generating unit (or group of cash-generating units) to which goodwill has been allocated. If the recoverable amount is less than the current carrying amount, the difference is recognised in the profit and loss account. Impairments of goodwill are not reversed in future periods.

Investments in associates

Participations over which the company exercises significant influence on operating and financial policies are valued using the equity method.

The company's share in the result of associates is recognised in the profit and loss account.

Investments in other equity interests

To the extent the fair value can be determined reliable, the other equity interests are stated at fair value. Otherwise, the other equity interests are stated at cost.



CURRENT ASSETS

Stocks

Stocks of maintenance materials and parts are stated at average cost net of a provision for obsolescence.

Receivables

Receivables are stated at amortised cost less a provision for doubtful debts. A provision for doubtful debts is recognised if there is an objective reason to do so.

Cash and cash equivalents

Cash includes available cash on hand and credit balances at banks. Cash equivalents are highly liquid short-term investments with a maximum term of three months and are not subject to a material risk of fluctuations in value.

LONG-TERM LIABILITIES

These are liabilities with a remaining term of more than one year. Repayment obligations on long-term liabilities falling due within one year are presented under current liabilities.

Interest-bearing loans are initially recognised at the fair value of the proceeds less transaction costs. After initial recognition, interest-bearing loans are subsequently carried at amortised cost based on the effective interest method.

EMPLOYEE BENEFITS

Long-term liabilities for employee benefits concern pension liabilities, jubilee benefits and the costs of post-retirement fringe benefits for non-active and retired employees.

Pension liabilities

Gasunie has two pension plans in place that give its employees entitlement to a number of benefits including a retirement pension and a dependants' pension based on a final salary scheme. One pension plan is for employees in the Netherlands and the other is for Gasunie employees in Germany. Under IAS 19, Employee Benefits, both pension plans are considered defined benefit plans. The entitlements of the employees in the Netherlands are funded through annual premium contributions and transferred to Stichting Pensioenfonds Gasunie, which administers the plan. The fund invests in all pension plans administered by Stichting Pensioenfonds Gasunie. The entitlements of the employees of Gasunie Deutschland are not funded.

The provision for pension liabilities is calculated using the projected unit credit method of actuarial cost allocation. According to this method, the present value of the pension entitlements is calculated based on the number of active service years until the balance sheet date, the estimated salary as at the expected retirement date and the market interest rate on high-quality corporate bonds. To determine the pension costs, the expected return on plan assets is included in the calculation.

Actuarial gains and losses are fully recognised in equity in the period in which they occur, net of deferred taxation.

The net liability under the defined benefit plan consists of the present value of the gross liability less the fair value of the plan assets. If this results in an asset, plan assets are only included in the balance sheet if realisation is possible in the future through the payment of lower premiums or refunds.

Actuarial calculations are drawn up by external actuaries every year.

Provision for jubilee benefits

The provision relates to jubilee benefits paid by the N.V. Nederlandse Gasunie to its employees.

Provision for costs of post-retirement fringe benefits for non-active and retired employees

The provision relates to the allowance, which the N.V. Nederlandse Gasunie pays to its employees after their retirement. The likelihood that the allowance will be paid and the actuarial interest rate for the pension liability are taken into account.

The provision represents the present value of the benefits already in payment in respect of non-active and retired employees and the accrued rights for employees still in active service throughout the remaining period of service. Calculation of the provision takes into account severance and mortality probabilities and a discount rate that is equal to the discount rate used to determine the pension liabilities.

The assumptions, on which this provision is based, are tested periodically against mortality, interest and cost developments, and adjusted if necessary.

PROVISIONS

The amount recognised as a provision is the best possible estimate as at the balance sheet date of the expenditure required to meet the existing commitment, taking into account the probability of the possible outcome of the event.

If the time value of money is material, a provision is recognised based on the present value of the expenditure expected to be necessary to settle the commitment.

The discount rate is calculated before taxation and takes into account the prevailing market assessments of the time value of money and the risks inherent in the commitment.

Provision for reorganisation expenses

The provision serves to cover the liabilities (in respect of non-active employees) arising from previously implemented reorganisations. The liabilities are discounted using a discount rate of 4% per annum.

Provision for clearance costs and redevelopment

This provision is recognised due to management decisions to decommission, remove or redevelop specific assets within the foreseeable future, for instance due to new legislation.

CURRENT LIABILITIES

These are liabilities with a remaining term of one year or less.

INCOME

Income is the income from gas transport and related services to third parties, net of discounts and taxes, such as VAT.

If the result of a transaction involving services being provided can be estimated reliable, the income relating to the services is recognised in proportion to the services performed in the financial year.

Services relating to the provision of transport capacity are separate from actual use. They are deemed to have been supplied if the capacity was at the customer's disposal for the duration of the agreed period.



CAPITALISED EXPENDITURE

Capitalised expenditure includes operating expenses incurred by the company in connection with the production of tangible fixed assets. These expenses mainly comprise the costs of own and hired employees plus a part of the overhead of support departments.

OTHER OPERATING EXPENSES

The expenses are determined on a historical basis, taking into account the accounting policies set out above, and are allocated to the reporting period to which they relate. Losses are recognised in the reporting period in which they are foreseen.

FINANCE REVENUE AND COSTS

Included in this item are income and expenses relating to financing.

Interest income is recognised on a pro rata time basis in the profit and loss account, taking into account the effective interest rate for the asset concerned, provided the income can be measured and is likely to be received.

Interest expenses are capitalised if they are related to the purchase, construction or production of qualifying assets, provided the assets need a long period before being ready for their intended use.

Other finance costs are recognised on a pro rata time basis in the profit and loss account, taking into account the effective interest rate for the liability concerned.

SHARE IN PROFIT OF ASSOCIATES

Included in this item are income and expenses in respect of investments in associates.

CORPORATE INCOME TAX

A deferred tax liability is recognised for all taxable temporary differences. A deferred tax asset is recognised for all deductible temporary differences and carry-forward losses, insofar as it is likely that taxable profit will be available for set-off.

Deferred tax liabilities and assets are stated at the undiscounted value of the expected cash flows. The tax rates used for the valuation are those that are expected to apply in the period in which the deferred tax items will be realised based on the tax rates and tax legislation in force as at the balance sheet date. The movements arising from this are taken to the profit and loss account, except for movements relating to the revaluation of the tangible fixed assets as at 1 January 2004, the tax treatment of the purchase price paid by the Dutch State, actuarial gains and losses and the cash flow hedge reserve. These movements are recognised directly in equity.

Tax assets and liabilities (deferred or otherwise) are netted, provided the general conditions for setting off tax items have been met.

With the exception of Gasunie Underground Storage B.V., the N.V. Nederlandse Gasunie and its Dutch wholly owned subsidiaries form a fiscal unity. Gasunie Deutschland GmbH & Co. KG, its wholly owned German subsidiaries and Gasunie Deutschland Verwaltungs GmbH form a fiscal unity in Germany for the purposes of trade tax and corporate income tax including the reunification surcharge.

Tax is calculated based on the recognised result, taking into account tax-exempt items and costs that are not or partially deductible.

CASH FLOW STATEMENT

This statement shows the cash flows generated by the N.V. Nederlandse Gasunie. The cash flow from operating activities is determined using the indirect method, based on the income presented in the consolidated profit and loss account.

FINANCIAL INFORMATION BY SEGMENT

The information relating to the operating activities for which separate financial information is available and of which the operating results are regularly reviewed by the chief operating decision maker, covers the gas transport activities as well as the new business activities.

The operating segments identified within Gasunie based on IFRS 8 are:

- ▶ Regulated Network Management in the Netherlands and Germany (TSO)
- ▶ Participations & Business Development (Non-TSO)

For more detailed financial information by segment, see notes 30 to 35 of the notes to the consolidated financial statements.

DERIVATIVE FINANCIAL INSTRUMENTS

Cash flow hedge accounting

Cash flow hedge accounting is applied to derivative financial instruments that have been specifically designated for this purpose by management, and are used to hedge a highly probable cash flow while satisfying the other conditions.

They are initially recognised at fair value on the date on which the contract is entered into and subsequently the fair value is remeasured periodically. The fair value is determined based on the market value of comparable instruments.

Gains or losses on the effective part of the hedging instrument are recognised in the cash flow hedge reserve in equity, net of deferred taxation. Any ineffective parts are recognised directly in profit or loss.

When a hedging instrument is settled, gains or losses on the effective part continue to be recognised in equity for as long as the underlying cash flow is expected to continue. If it is not expected to continue, the gains or losses on the effective part, which are recognised in equity, are taken directly to the profit and loss account.

Effective derivative financial instruments designated for hedge accounting are recognised in the same way as the underlying contract. Depending on the nature and the term of the underlying contract, the instruments are classified as current or long-term liabilities.

Other derivative financial instruments

Other derivative financial instruments used for hedging existing risks, such as interest rate swaps and forward exchange contracts, are initially recognised at fair value. Changes in value are recognised in the profit and loss account.

The fair value is determined on the basis of the market value of comparable instruments. If the fair value is positive, the instrument is included under 'other receivables'; if the fair value is negative, the instrument is included under 'other liabilities'. Depending on the nature and the term of the underlying contract, the instruments are classified as current or long-term liabilities.



Notes to the consolidated balance sheet

1. IMPAIRMENT TESTS IN 2010

Developments in respect of regulatory framework; situation as at 29 March 2011

Tariffs the Netherlands

In June 2010, the Dutch Trade and Industry Appeals Tribunal (CBb) annulled the method decisions established by the Dutch Competition Authority (NMa) in December 2008 for Gas Transport Services (GTS). These method decisions related to the 2009-2012 period. In method decisions, the NMa establishes the financial principles that are decisive for the tariffs that GTS charges to shippers, such as the value of the national gas transport network, depreciation periods and the allowances for the cost of capital. The CBb ruled that the NMa must establish a new method decision.

Furthermore, the CBb ruled that the NMa incorrectly did not establish a regulatory method for the 2006-2008 period. The NMa will have to establish a regulatory method for the period as of 1 January 2006 for GTS. It is expected that any financial consequences must be factored into GTS's future tariffs.

The NMa stated that it aims to render new method decisions in the second half of 2011 to become effective as at 1 January 2012. The draft decisions are expected to be published in the first half of 2011, followed by the possibility to submit a response for the network operator and representative organisations of parties in the gas market.

Tariffs Germany

In 2009, the German regulator (Bundesnetzagentur) has started with developing a procedure that will set an individual efficiency factor for each German national network operator by making comparisons between companies (benchmarking).

In February 2011, Gasunie Deutschland received a letter from the Bundesnetzagentur, stating that Gasunie Deutschland will reach the maximum individual efficiency factor of 100%. Accordingly, Gasunie Deutschland does not need to adjust its tariffs in this respect. The individual efficiency factor will be established for the regulatory period 2010-2012.

Principles underlying the impairment tests

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

There is an impairment if the recoverable amount of an asset or group of assets is less than the carrying amount. The recoverable amount of the gas transport network is determined based on the indirect recoverable amount (the present value of the future cash flows of the current network).

The cash flow forecast constitutes essential input for calculating the indirect recoverable amount. In an impairment test, the management must make the most realistic estimate of the cash flow forecast, taking into account the developments and uncertainties that gave rise to the impairment test (the regulatory developments in the Netherlands and Germany regarding future tariffs). Hereby the management must make estimates and assessments that have a major effect on the outcome. In the following section, the nature and scope of the uncertainties are addressed in detail, and an indication is given of the financial consequences.

The cash flows for the next three years are based on the business plan as adopted by the Executive Board. The full planning period runs through 2062. The cash flows are discounted using a nominal discount rate of 5.5% after taxation (2009: nominal discount rate of 5.5% after taxation).

Uncertainties as to the outcome of the impairment tests

Uncertainties in the Netherlands

As a result of the CBB's ruling, over the past few months the NMa and GTS conducted various exploratory discussions about the method to be pursued and the (financial) principles to be applied.

The future cash flows consist of:

- ▶ income derived from services provided during the year based on regulated tariffs for the year concerned; less
- ▶ any repayment to the market for the years from 2006 to date.

The regulated tariffs for any year comprise the following allowances:

1. an allowance for the cost of capital invested;
2. an allowance for annual depreciation costs; and
3. an allowance for operating costs.

In addition, the NMa may impose an efficiency factor.

Each of the allowances is defined by a large number of factors, using complex calculation models. However, the outcomes are highly affected by the regulatory carrying amount of the gas transport network, the allowance for the cost of capital, the regulatory depreciation periods and the operating cost standards. These factors currently entail a high degree of uncertainty.

The annulled method decision assumed a regulatory carrying amount of € 6.376 billion as at 1 January 2005. The assets were depreciated on a straight-line basis over a period of 55 years for pipelines, taking into account an annual indexation. A 20-year depreciation period was applied to new construction projects. The real allowance for the cost of capital was 5.5% before taxation for existing assets and 7.0% before taxation for expansion investments in the gas transport network.

Indicatively (under equal circumstances), any change in the regulatory carrying amount as at 1 January 2005 of € 0.5 billion will result in a change of the recoverable amount by approximately € 0.3 billion at year-end 2010.

Indicatively (under equal circumstances), any change in the real allowance for the cost of capital by 0.25% point will result in a change of the recoverable amount by approximately € 0.2 billion at year-end 2010.

Due to the large number of factors which are uncertain and the strong correlation between these factors, it is impossible to indicate the impact of each of these factors. As a rule of thumb, a long-term decrease in the cash flow by € 10 million annually will reduce the recoverable amount by € 180 million.

As to any repayment to the market for the years from 2006 to date, also major uncertainty regarding the amount, the repayment period and the interest payment exists. The International Financial Reporting Standards do not provide for the option of recognising a provision in this respect. This means that the repayment must be deducted from future cash flows and therefore from the related recoverable amount.

Uncertainties in Germany

The cash flow forecast takes into account the outcome of the Bundesnetzagentur's investigation into the individual efficiency factor. Expectations as to tariff increases for the next regulatory period 2013-2017 due to changes in the regulatory framework (improved investment climate) have been adjusted downwards.

In addition, 'yardstick' regulation is expected to apply as of 2018. This means that tariffs will no longer be based on the costs incurred by the individual network operator, but on the costs incurred by the sector as a whole and the net-

work operator's performance compared with the entire sector's performance. In this respect, it is assumed that a normative cash flow will be derived from tariffs for the regulatory period 2013-2017. As of 2018, a growth of income and expenses is expected of 1% per year.

A lower cash flow of € 10 million per year for Gasunie Deutschland for the regulatory period 2013-2017 and for the normative cash flows as of 2018 will result in an impairment of € 130 million before taxation.

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 the recoverable amounts of the gas transport network in the Netherlands and Germany and of the goodwill as at the balance sheet date are not less than the carrying amount.

For a full understanding, it should be noted that there is a realistic chance of an impairment loss in the future.

2. TREATMENT OF ACQUISITIONS

Acquisitions in 2010

In 2010 Gasunie has, through Gasunie LNG Holding B.V., increased its 40% interest in Gate terminal C.V. and Gate terminal B.V. by 2.5% to 42.5%, as well as acquired an interest in the Rotterdamse Cintra Maatschappij B.V. For more information, see notes 7 and 5 of the notes to the consolidated balance sheet.

Acquisitions in 2009

Underground natural gas storage facility in Zuidwending

On 15 December 2009, Gasunie increased its 50% stake in the phase I activities aimed at realising an underground gas storage facility in salt caverns near Zuidwending to 100% by acquiring Nuon Zuidwending B.V. As part of the deal, it also obtained the associated 50% interest in Zuidwending V.O.F. The effects of the acquisition on the consolidated financial statements of the N.V. Nederlandse Gasunie are shown in the table below:

<i>In millions of euros</i>	Carrying amount	Adjustment to fair value	Opening balance sheet
Tangible fixed assets	111.2	11.1	122.3
Net working capital	(0.1)	3.4	3.3
Provisions	-	(2.9)	(2.9)
Subtotal	111.1	11.6	122.7
Acquisition price			122.7
Goodwill			-

The acquisition price less available cash and cash equivalents amounts to € 122.7 million, of which € 121.0 million is a cash payment and € 1.7 million is the total of future amounts to be settled. The cash payment is presented in the cash flow statement as the purchase price of the acquisition.

The assets and liabilities acquired relate to the underground natural gas storage facility under construction. No operating activities were carried out in 2009.

3. TANGIBLE FIXED ASSETS

<i>In millions of euros</i>	Carrying amount as at 1 Jan. 2010	Acquisitions	Additions	Disposals	Depreciation	Impairments	Carrying amount as at 31 Dec. 2010
Land and buildings	105.4	-	0.6	-	3.7	-	102.3
Compressor stations	441.2	-	190.1	0.6	28.5	-	602.2
Installations	789.5	-	102.4	1.0	50.5	-	840.4
Main transmission lines and related plant and equipment	4,122.6	-	767.8	1.5	82.9	-	4,806.0
Regional transmission lines and related plant and equipment	751.7	-	28.0	1.9	14.4	-	763.4
Other fixed operating assets	106.5	-	56.1	2.6	25.2	-	134.8
Fixed assets under construction	1,531.7	15.5	25.7	-	-	-	1,572.9
Total for 2010 financial year	7,848.6	15.5	1,170.7	7.6	205.2	-	8,822.0

<i>In millions of euros</i>	Carrying amount as at 1 Jan. 2009	Acquisitions	Additions	Disposals	Depreciation	Impairments	Carrying amount as at 31 Dec. 2009
Land and buildings	109.8	-	3.0	3.6	3.8	-	105.4
Compressor stations	441.2	-	50.1	3.4	27.5	19.2	441.2
Installations	810.7	-	67.6	4.3	50.7	33.8	789.5
Main transmission lines and related plant and equipment	4,500.0	-	62.7	2.3	85.4	352.4	4,122.6
Regional transmission lines and related plant and equipment	757.7	-	9.1	0.8	14.3	-	751.7
Other fixed operating assets	110.6	-	26.5	2.2	28.4	-	106.5
Fixed assets under construction	545.5	122.3	863.9	-	-	-	1,531.7
Total for 2009 financial year	7,275.5	122.3	1,082.9	16.6	210.1	405.4	7,848.6

<i>In millions of euros</i>	Cost as at 31 Dec. 2010	Accumulated depreciation *) as at 31 Dec. 2010	Cost as at 31 Dec. 2009	Accumulated depreciation *) as at 31 Dec. 2009
Land and buildings	162.2	59.9	160.9	55.5
Compressor stations	786.3	184.1	589.9	148.7
Installations	1,195.4	355.0	1,078.4	288.9
Main transmission lines and related plant and equipment	5,860.0	1,054.0	5,071.0	948.4
Regional transmission lines and related plant and equipment	882.4	119.0	858.3	106.6
Other fixed operating assets	429.7	294.9	345.3	238.8
Fixed assets under construction	1,572.9	-	1,531.7	-
Total	10,888.9	2,066.9	9,635.5	1,786.9

*) Including any impairments

Depreciation periods

As from 1 January 2004, the depreciation period for compressor stations and installations is 30 years (on average).

The depreciation periods for the other components are:

- ▶ buildings: 50 years; and
- ▶ other fixed operating assets: 3 to 20 years.

Land is not depreciated.

Impairment tests gas transport network 2010

For this subject, see note 1 of the notes to the consolidated balance sheet.

Impairment tests gas transport network 2009

An impairment of tangible and financial fixed assets of € 570 million before taxation is charged to the result of 2009. This relates to the gas transport network of the cash-generating unit 'Gasunie Deutschland' in the segment 'Regulated Network Management in the Netherlands and Germany (TSO)'. The impairment is accounted for under 'impairments gas transport network' in the consolidated profit and loss account.

The 'gas transport network' refers to the aggregate of transport pipelines and transport-related assets of the group companies and associates of Gasunie Deutschland. The impairment was first determined for this aggregate and then allocated to the tangible and financial fixed assets of Gasunie Deutschland in accordance with the business-specific cash flows.

The impairment as estimated based on currently available information is mainly attributed to the tariff decision of the German regulator (Bundesnetzagentur) of October 2009. Furthermore, the Bundesnetzagentur still has to set the applicable efficiency factor. The resulting tariff system will apply for the regulatory period 2008-2012.

The tariffs are substantially lower than envisaged when the 2008 financial statements were prepared and when Gasunie Deutschland was acquired in 2007. As a result of the tariff decision, management reconsidered the cash flow forecast, among other things. This revised cash flow forecast is used as the input for the calculation of the indirect

recoverable amount of the cash-generating unit 'Gasunie Deutschland', on which its recoverable amount is based. As at 31 December 2009, the full planning period is 53 years.

The cash flow forecast is based on the business plan for the next three years as adopted by the Executive Board and on a recent long-term forecast. Included is an expected change to the regulatory framework as of 2013 that will enable sustainable investments in the gas transport network in the long-term. The assumption is that this will lead to increased tariffs for the next regulatory period (2013-2017), from which a normative cash flow in 2018 will be derived. As of 2018, a growth of turnover and expenses is expected of 1% per year.

The cash flows are discounted using a discount factor based on a nominal discount rate of 5.5% after taxation (2008: nominal discount rate of 5.5% after taxation).

When carrying out an impairment test, management makes assumptions, including those regarding short-term and long-term developments in the regulatory framework, and makes estimates of, for example, the future cash flows, and determines the discount rate. These assumptions, estimates and judgments significantly affect the valuation. A lower cash flow of € 10 million per year for Gasunie Deutschland for the regulatory period 2013-2017 and for the normative cash flows as of 2018 will result in an additional impairment of € 120 million before taxation.

4. INTANGIBLE FIXED ASSETS

<i>In millions of euros</i>	Exploitation rights	Goodwill	Total
2010			
Balance as at 1 January 2010			
- cost	9.7	679.4	689.1
Carrying amount	9.7	679.4	689.1
Movements in the 2010 financial year	-	-	-
Balance as at 31 December 2010			
- cost	9.7	679.4	689.1
Carrying amount	9.7	679.4	689.1
2009			
Balance as at 1 January 2009			
- cost	-	679.4	679.4
Carrying amount	-	679.4	679.4
Movements in the 2009 financial year			
- additions	9.7	-	9.7
	9.7	-	9.7
Balance as at 31 December 2009			
- cost	9.7	679.4	689.1
Carrying amount	9.7	679.4	689.1

Exploitation rights

Gasunie Zuidwending B.V. has acquired the exploitation rights of a part of the transmission capacity of the natural gas storage facility in Zuidwending from third parties. The exploitation rights relate to the period 2011 to 2015. As from the beginning of 2011, the intangible fixed asset will be amortised on a straight-line basis consistent with the useful life of the rights.

Impairment test goodwill 2010

For these impairments, see note 1 of the notes to the consolidated balance sheet.

Impairment test goodwill 2009

The goodwill relating to the cash-generating unit Gasunie Deutschland GmbH & Co. KG is allocated to the group of cash-generating units TSO-Netherlands and TSO-Germany in the segment 'Regulated Network Management in the Netherlands and Germany (TSO)'.

An impairment test has been carried out on the capitalised goodwill of the aforementioned group. This test did not show any impairment.

The recoverable amount of the goodwill is based on a calculation of the indirect recoverable amount. As at 31 December 2009, the full planning period is 53 years. The expected cash flows for the next three years are based on the business plan as adopted by the Executive Board. The anticipated cash flows following the planning period of three years take into account the expected changes in tariffs and inflation. The cash flows are discounted using a discount factor based on a nominal discount rate of 5.5% after taxation (2008: nominal discount rate of 5.5% after taxation).

5. INVESTMENTS IN ASSOCIATES

The N.V. Nederlandse Gasunie has interests in the following companies, directly or through its group companies:

Company	Registered office	Interest as at 31 December	
		2010	2009
APX B.V.	Amsterdam	20.9%	26.1%
C.V. Gasexpansie IJmond	Groningen	50%	50%
Eemshaven LNG Terminal B.V.	's-Hertogenbosch	25%	25%
Energie Data Services Nederland (EDSN) B.V.	Arnhem	25%	25%
Global Gas Networks Initiative (GGNI) B.V.	Groningen	25%	-
Rotterdamse Cintra Maatschappij B.V.	Rotterdam	25%	-
Aequamus GmbH	Bremen, Germany	33.3%	33.3%
DEUDAN - Deutsch/Dänische Erdgastransport-GmbH	Handewitt, Germany	26%	26%
DEUDAN - Deutsch/Dänische Erdgastransport-GmbH & Co. KG	Handewitt, Germany	33.3%	33.3%
DEUDAN - Holding GmbH	Hanover, Germany	51%	51%
EuroHub GmbH	Haan, Germany	-	50%
GASPOOL Balancing Services GmbH	Berlin, Germany	25%	25%
NETRA GmbH Norddeutsche Erdgas Transversale	Emstek/Schneiderkrug, Germany	33.3%	33.3%
NETRA GmbH Norddeutsche Erdgas Transversale & Co. KG	Emstek/Schneiderkrug, Germany	28.7%	28.7%

The N.V. Nederlandse Gasunie is managing partner of C.V. Gasexpansie IJmond.

In 2010, Global Gas Networks Initiative (GGNI) B.V. is incorporated and an interest is acquired in the Rotterdamse Cintra Maatschappij B.V.

The interest in APX B.V. is changed in 2010 due to the merger with Belpex S.A., resulting in a gain of € 2.8 million.

In 2010, EuroHub GmbH was liquidated, resulting in a gain of € 0.3 million.

Aequamus GmbH and GASPOOL Balancing Services GmbH are both incorporated in 2009.

Movements in investments in associates:

<i>In millions of euros</i>	2010	2009
Balance as at 1 January	220.8	373.3
Investments	2.1	0.1
Movements directly in equity	0.1	(0.7)
Result on investments in associates	27.6	25.3
Dividend received	(54.5)	(12.6)
Disposals/changes in interests	2.8	-
Impairments	-	(164.6)
Balance as at 31 December	198.9	220.8

For information on impairments in 2009, see note 3 of the notes to the consolidated balance sheet.

The share in the assets and liabilities as at the balance sheet date and in the income and result of the associates for the financial year is as follows:

<i>In millions of euros</i>	31 Dec. 2010	31 Dec. 2009
Assets	473.6	437.0
Liabilities	279.6	221.9
Income	74.8	42.0
Profit after taxation	27.6	25.3

6. OTHER EQUITY INTERESTS

On 10 June 2008, the N.V. Nederlandse Gasunie acquired an interest of 9% in the Nord Stream gas pipeline, which crosses the Baltic Sea from Russia to Germany. During the construction phase, the company's interest in Nord Stream is valued at cost.

The equity interest in the Nord Stream gas pipeline is intended as a long-term investment supporting the objectives of the N.V. Nederlandse Gasunie.

<i>In millions of euros</i>	2010	2009
Balance as at 1 January	145.3	119.2
Investments	45.7	26.1
Balance as at 31 December	191.0	145.3

7. INTERESTS IN JOINT VENTURES

The company has a 60% (indirect) interest in BBL Company V.O.F., which is jointly controlled by Gasunie BBL B.V. and two other parties. BBL Company V.O.F. operates a gas pipeline between Balgzand in the Netherlands and Bacton in the United Kingdom. The pipeline was taken into use in December 2006.

The company has a 50% (indirect) interest in Gate terminal Management B.V., a 42.5% interest in Gate terminal C.V. and a 42.5% interest in Gate terminal B.V. These interests relate to a joint venture with Koninklijke Vopak N.V. for the construction and operation of a terminal for liquified natural gas (LNG) on the Maasvlakte.

In 2010, Gasunie LNG Holding B.V. increased its 40% interest in Gate terminal C.V. by 2.5% to 42.5%, resulting in a loss of € 4.1 million. It accordingly increased the associated interest in Gate terminal B.V. from 40% to 42.5%.

The share in the assets and liabilities as at the balance sheet date and in the income and expenses of the joint ventures for the financial year as included in the consolidation is as follows:

<i>In millions of euros</i>	31 Dec. 2010	31 Dec. 2009
Fixed assets	611.3	460.5
Current assets	18.4	22.1
Total assets	629.7	482.6
Long-term liabilities	286.2	143.4
Current liabilities	18.2	21.6
Total liabilities	304.4	165.0
Net investment	325.3	317.6
Income	67.6	67.2
Profit after taxation	49.3	44.2

8. DEFERRED TAX ASSETS

The deferred tax assets arise from temporary differences between the valuation in the financial statements for financial reporting purposes and those for tax purposes of Gasunie Nederland. They can be broken down as follows:

<i>In millions of euros</i>	31 Dec. 2010	31 Dec. 2009
Tax treatment of purchase price paid by the Dutch State	1,797.7	1,887.6
Tax treatment of the provision for employee benefits	7.4	(10.5)
Tax treatment of financial instruments	6.3	2.1
Tangible fixed assets	(1,041.8)	(969.0)
Losses available for set-off	1.7	1.1
Total deferred tax assets	771.3	911.3

Tax treatment of the purchase price paid by the Dutch State

When the N.V. Nederlandse Gasunie was restructured, the Dutch State made a deemed capital contribution to the company for tax purposes.

As a result, additional depreciation for tax purposes applied to the N.V. Nederlandse Gasunie with effect from 2005 in the form of a revaluation of the network for tax purposes. The deferred tax asset arising from this is taken to equity. The effects of the rate changes were and are also taken to equity.

Movements in deferred tax assets are as follows:

<i>In millions of euros</i>	2010	2009
Balance as at 1 January	911.3	1,010.8
Movements taken to profit and loss account	(143.4)	(114.5)
Movements taken to equity	3.4	15.0
Balance as at 31 December	771.3	911.3

Movements taken to the profit and loss account and to equity for 2010 can be broken down as follows:

<i>In millions of euros</i>	Profit and loss account	Equity
Purchase price paid by the Dutch State	(53.9)	(36.0)
Provision for employee benefits	(0.2)	18.1
Financial instruments	(0.4)	4.8
Tangible fixed assets	(89.4)	16.5
Losses available for set-off	0.5	-
Total	(143.4)	3.4

Movements taken to the profit and loss account and to equity for 2009 can be broken down as follows:

<i>In millions of euros</i>	Profit and loss account	Equity
Purchase price paid by the Dutch State	(53.9)	-
Provision for employee benefits	(19.1)	14.2
Financial instruments	0.3	0.8
Tangible fixed assets	(41.9)	-
Losses available for set-off	0.1	-
Total	(114.5)	15.0

As at 31 December 2010, the effect of the tax rate change from 25.5% to 25% in the Netherlands on deferred taxation is € 15.4 million negative, of which € 19.6 million was charged to equity and € 4.2 million was credited to the profit and loss account.

9. STOCKS

Stocks, with a recognised value of € 27.8 million as at 31 December 2010 (2009: € 28.4 million), comprise almost entirely maintenance materials and parts that are measured on an average-cost basis. The amount stated takes into account a provision of € 7.3 million (2009: € 7.4 million) for obsolescence. In 2010, € 0.1 million is credited (2009: € 1.2 million charged) to the result because of adjustments to the provisions and write-downs of stocks.

10. TRADE AND OTHER RECEIVABLES

<i>In millions of euros</i>	31 Dec. 2010	31 Dec. 2009
Trade receivables	166.9	177.0
Tax and social security contributions	-	26.4
Other receivables	87.6	130.6
Total trade and other receivables	254.5	334.0

The other receivables as at 31 December 2010 comprise two loans granted to Nord Stream AG of € 56.6 million (31 December 2009: € 94.5 million).

The total trade and other receivables amount to € 254.5 million (2009: € 307.6 million). The ageing analysis of these receivables as at the balance sheet date is as follows:

<i>In millions of euros</i>	Total	Not due and not impaired	Due and not impaired				
			< 30 days	30-60 days	60-90 days	90-120 days	> 120 days
2010	254.5	241.4	9.0	2.0	0.2	0.1	1.8
2009	307.6	294.6	4.3	5.3	0.1	1.4	1.9

Movements in the provision for doubtful debts are set out below:

<i>In millions of euros</i>	2010	2009
Balance as at 1 January	0.5	0.1
Additions	-	0.3
Acquisitions	-	0.3
Charges	-	(0.1)
Release credited to the result	(0.5)	(0.1)
Balance as at 31 December	-	0.5

The receivables are individually reviewed to determine the amount of the provision, primarily taking into account the age of the receivable and the creditworthiness of the debtor.

11. CASH AND CASH EQUIVALENTS

<i>In millions of euros</i>	31 Dec. 2010	31 Dec. 2009
Banks	57.4	45.5
Call funds and deposits receivable	101.1	61.0
Total cash and cash equivalents	158.5	106.5

The bank balances and call funds carry an interest rate based on daily interest, and the deposits receivable an interest rate in accordance with the market appropriate with the individual term. The deposits receivable have terms of one to four months.

12. EQUITY

Issued share capital

The authorised share capital as at 31 December 2010 amounts to € 756,000 and is divided into 7,560 shares of € 100 nominal value each, of which 1,512 have been issued and paid up in full.

Other reserves

Items included under 'other reserves' are classified as retained earnings under IFRS.

Dividend

The Executive Board proposes that 60% of the profit for 2010 (€ 272.2 million) will be added to the general reserve and 40% (€ 181.5 million) will be paid to the shareholder.

The profit for 2009 (€ 121.8 million) plus € 294.1 million from the general reserve, a total of € 415.9 million, is distributed as dividend in 2010.

	2010	2009
Final dividend to be paid (<i>in millions of euros</i>)	181.5	415.9
Dividend per share (<i>in thousands of euros</i>)	120.0	275.1

13. CASH FLOW HEDGE RESERVE

Movements in the cash flow hedge reserve are as follows:

<i>In millions of euros</i>	2010	2009
Balance as at 1 January	(4.6)	(2.2)
Effect of rate change on deferred taxation	(0.1)	-
Movement of the valuation of transactions for hedging (interest-based) cash flows recognised in the reserve,	(14.7)	(1.5)
of which corporate income tax	3.8	0.4
Transferred to the profit and loss account,	(1.7)	(1.7)
of which corporate income tax	0.4	0.4
Balance as at 31 December	(16.9)	(4.6)

The cash flow hedge reserve as at year-ends 2010 and 2009 relates to two cash flow hedges. They are the N.V. Nederlandse Gasunie's cash flow hedge, relating to two bond loans, and the Gate terminal B.V. cash flow hedge.

<i>In millions of euros</i>	31 Dec. 2010	31 Dec. 2009
Cash flow hedge N.V. Nederlandse Gasunie,	13.9	15.6
of which corporate income tax	(3.4)	(4.0)
	10.5	11.6
Cash flow hedge Gate,	(36.5)	(21.8)
of which corporate income tax	9.1	5.6
	(27.4)	(16.2)
Total	(16.9)	(4.6)

The N.V. Nederlandse Gasunie's cash flow hedge reserve relating to two long-term bond loans concerns swap transactions settled in 2006, of which the results have been included in the cash flow hedge reserve and will subsequently be transferred to the profit and loss account during the remaining term of the underlying bond loan. An amount of € 3.4 million (2009: € 3.9 million) of the balance of € 10.5 million (2009: € 11.6 million) will be released on a straight-line basis until 2016 and € 7.1 million (2009: € 7.7 million) on a straight-line basis until 2021.

In July 2008, Gate terminal B.V. took out a private loan subject to a variable interest rate. The variable interest was converted into a fixed interest by means of a swap transaction. This transaction aims to largely offset changes in the (interest-based) cash flows caused by changes in the market interest rate. This transaction has been specifically designated for this purpose by management. At year-end 2010, the valuation of the swap transaction, including accrued interest, amounted to € 39.2 million negative (2009: € 22.0 million negative). The swap transaction is recognised in the balance sheet under other long-term liabilities.

14. INTEREST-BEARING LOANS

The total amount of € 3,896.7 million (2009: € 4,112.2 million) in long-term loans consists of € 3,150 million (2009: € 3,616.1 million) in long-term bonds and € 746.7 million (2009: € 496.1 million) in private loans. The long-term bonds are fixed-interest bonds as at the balance sheet date. The private loans as at the balance sheet date consist of € 500 million (2009: € 375 million) in fixed-interest loans and € 246.7 million (2009: € 121.1 million) in variable-interest loans. 70% of the interest rate risk at year-end 2010 relating to the € 246.7 million is hedged by a swap transaction. At year-end 2009, 70% of the interest rate risk relating to the € 121.1 million in variable-interest loans was hedged by a swap transaction.

The company has no open positions in foreign currencies.

Movements in interest-bearing loans:

<i>In millions of euros</i>	2010	2009
Balance as at 1 January	4,112.2	3,186.1
Issued bond loans	-	750.0
Private loans contracted	239.7	176.1
Increase in private loans due to expansion of equity interest	10.9	-
Repayment commitments in next financial year	(466.1)	-
Balance as at 31 December	3,896.7	4,112.2

Future repayments:

<i>In millions of euros</i>	2010	2009
Repayment commitments in		
2010	-	-
2011	466.1	466.1
2012	10.2	5.2
2013	1,410.6	1,405.4
2014	11.5	5.8
2015	12.1	-
After 2015	2,458.4	2,236.1
Total repayment commitments	4,368.9	4,118.6

The table below provides a breakdown of the long-term loans, including repayment commitments.

Balance as at 31 December 2010:

Remaining principal outstanding from original loan in millions of euros	Term	Effective interest rates	Interest review date	Nominal amount outstanding in millions of euros
700.0	2006-2016	4.250%	not applicable	700.0
300.0	2006-2021	4.500%	not applicable	300.0
466.1	2008-2011	5.376%	not applicable	466.1
400.0	2008-2013	6.000%	not applicable	400.0
1,000.0	2008-2013	6.000%	not applicable	1,000.0
125.0	2008-2022	4.500%	not applicable	125.0
125.0	2008-2023	4.804%	not applicable	125.0
145.5 *)	2008-2029	5.930%	15th of every month	109.2
145.5 *)	2008-2029	5.910%	15th of every month	109.2
750.0	2009-2017	5.125%	not applicable	750.0
125.0	2009-2024	4.266%	not applicable	125.0
22.0 *)	2009-2029	8.000%	15th of every month	14.3
30.9 *)	2009-2029	7.600%	15th of every month	20.1
125.0	2010-2025	3.581%	not applicable	125.0
Total				4,368.9

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.

Balance as at 31 December 2009:

Remaining principal outstanding from original loan in millions of euros	Term	Effective interest rates	Interest review date	Nominal amount outstanding in millions of euros
700.0	2006-2016	4.250%	not applicable	700.0
300.0	2006-2021	4.500%	not applicable	300.0
466.1	2008-2011	5.376%	not applicable	466.1
400.0	2008-2013	6.000%	not applicable	400.0
1,000.0	2008-2013	6.000%	not applicable	1,000.0
125.0	2008-2022	4.500%	not applicable	125.0
125.0	2008-2023	4.804%	not applicable	125.0
136.9 *)	2008-2029	6.000%	15th of every month	58.8
136.9 *)	2008-2029	5.930%	15th of every month	58.8
750.0	2009-2017	5.125%	not applicable	750.0
125.0	2009-2024	4.266%	not applicable	125.0
20.7 *)	2009-2029	7.950%	15th of every month	4.1
29.1 *)	2009-2029	7.610%	15th of every month	5.8
Total				4,118.6

*) 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.

The weighted average interest rate for the long-term loans as at the balance sheet date was 5.2% (year-end 2009: 5.2%).

The interest rate risk is managed by means of financial derivatives (see also note 21).

The market value of the long-term loans as at 31 December 2010 is € 4.3 billion (2009: € 4.4 billion).

15. DEFERRED TAX LIABILITIES

The temporary differences between the valuation in the financial statements for financial reporting and for tax purposes of Gasunie Deutschland result in the recognition of deferred tax liabilities. They can be broken down as follows:

In millions of euros	31 Dec. 2010	31 Dec. 2009
Tangible fixed assets	281.5	279.8
Provision for employee benefits	(6.1)	(4.8)
Other deferred tax liabilities	33.5	52.4
Total deferred tax liabilities	308.9	327.4

Movements in deferred tax liabilities are as follows:

<i>In millions of euros</i>	2010	2009
Balance as at 1 January	327.4	456.1
Movements taken to profit and loss account	(17.5)	(127.4)
Movements taken to equity	(1.0)	(1.3)
Balance as at 31 December	308.9	327.4

Movements taken to the profit and loss account and to equity for 2010 can be broken down as follows:

<i>In millions of euros</i>	Profit and loss account	Equity
Tangible fixed assets	1.7	-
Provision for employee benefits	(0.3)	(1.0)
Other movements	(18.9)	-
Total	(17.5)	(1.0)

Movements taken to the profit and loss account and to equity for 2009 can be broken down as follows:

<i>In millions of euros</i>	Profit and loss account	Equity
Tangible fixed assets	(117.7)	-
Provision for employee benefits	-	(1.3)
Other movements	(9.7)	-
Total	(127.4)	(1.3)

As at 31 December 2010, the effect of the tax rate change from 28.5% to 28.7% in Germany on deferred taxation is € 1.4 million negative, which was taken to the profit and loss account.

16. EMPLOYEE BENEFITS

<i>In millions of euros</i>	31 Dec. 2010	31 Dec. 2009
A. pension assets, the Netherlands	-	42.2
Total	-	42.2
A. pension liabilities, the Netherlands	28.5	-
B. pension liabilities, Gasunie Deutschland	42.7	35.8
C. jubilee benefits	7.7	7.9
D. post-retirement fringe benefits	9.7	7.5
Total	88.6	51.2

The amount by which the plan assets exceed the present value of the pension commitments in the Netherlands at year-end 2009 is recognised in the balance sheet as a pension asset.

Provisions for pension liabilities

The assumptions underlying the calculation of the pension liabilities are set out below:

	the Netherlands		Germany	
	2010	2009	2010	2009
Discount rate	4.5%	5.0%	4.5%	5.0%
Expected future salary increases	3.7%	3.7%	3.3%	3.3%
Expected future pension increases	1.8%	1.8%	1.8%	1.8%
Expected return on plan assets	4.0%	6.0%	-	-

In 2010, the expected return on plan assets is decreased to 4.0%, given the returns realised in the past years and the expected future returns.

Five-year summary (balance at year-end):

<i>In millions of euros</i>	2010	2009	2008	2007	2006
Present value of pension entitlements	996.2	858.6	734.9	810.4	843.4
Plan assets	(925.0)	(865.0)	(729.3)	(854.5)	(843.0)
Pension provision	71.2	(6.4)	5.6	(44.1)	0.4
Experience adjustments to plan liabilities	41.4	70.2	(0.4)	22.0	-
Experience adjustments to plan assets	41.8	47.9	(171.2)	31.4	(4.8)

A. Provision for pension liabilities, the Netherlands

The provision for pension liabilities in respect of employees in the Netherlands can be broken down as follows:

<i>In millions of euros</i>	31 Dec. 2010	31 Dec. 2009
Present value of pension entitlements	953.5	822.8
Plan assets	(925.0)	(865.0)
Pension provision	28.5	(42.2)

Movements in the pension provision are as follows:

<i>In millions of euros</i>	2010	2009
Present value of pension entitlements		
Balance as at 1 January	822.8	706.5
Increase in pension entitlements	15.8	12.6
Accrued interest	41.1	37.4
Actuarial result	112.6	103.4
Pension benefits paid	(38.8)	(37.1)
Balance as at 31 December	953.5	822.8
Plan assets		
Balance as at 1 January	865.0	729.3
Expected return	34.5	43.1
Employer's pension contributions received	22.5	81.8
Actuarial result	41.8	47.9
Pension benefits paid	(38.8)	(37.1)
Balance as at 31 December	925.0	865.0

All plan assets are administered by Stichting Pensioenfond Gasunie.

The company has undertaken, pursuant to an agreement between Stichting Pensioenfond Gasunie and the N.V. Nederlandse Gasunie, to pay an additional pension contribution to increase the funding ratio of the fund to 105% to the extent that the funding ratio is less than 105% as at 31 December of any financial year. As at 31 December 2010, the pension fund had a funding ratio of over 105%.

The employer's pension contributions received for 2009 include a one-off amount of € 56 million to increase the funding ratio of the fund as at 31 December 2008.

<i>In millions of euros</i>	2010	2009
Actuarial results taken directly to equity		
Actuarial result on pension entitlements	(112.6)	(103.4)
Actuarial result on plan assets	41.8	47.9
Total actuarial result	(70.8)	(55.5)

The actuarial result in 2010 is largely influenced by, for one thing, the experience adjustments to the pension liabilities and the lowering of the discount rate and, for another, the return on plan assets.

The actuarial result in 2009 is largely influenced by, for one thing, the experience adjustments to the pension liabilities and, for another, the return on plan assets.

The accumulated actuarial gains and losses, taken directly to equity, amounts to € 253.6 million negative at year-end 2010 (year-end 2009: € 182.8 million negative).

The plan assets for each investment category are set out below:

<i>In percentages</i>	31 Dec. 2010	31 Dec. 2009
Property and shares	54	55
Bonds	41	42
Cash	5	3
Total	100	100

The actual return on plan assets for 2010 is 8.7% (2009: 11.9%). The company expects to be liable in 2011 for approximately € 22.8 million in pension contributions to the pension fund.

As at 31 December 2010 and 31 December 2009, Stichting Pensioenfonds Gasunie has not granted financing to the N.V. Nederlandse Gasunie.

The pension fund does not invest in property or other assets used by the company.

The total pension costs for this defined benefit pension plan, as presented in the profit and loss account, consist of:

<i>In millions of euros</i>	2010	2009
Increase in pension entitlements	15.8	12.6
Accrued interest	41.1	37.4
Expected return on plan assets	(34.5)	(43.1)
Total pension costs	22.4	6.9

B. Provision for pension liabilities, Gasunie Deutschland

The pension provision relates to the pension plan as it applies to Gasunie Deutschland employees.

The provision for pension liabilities is made up as follows:

<i>In millions of euros</i>	31 Dec. 2010	31 Dec. 2009
Present value of pension entitlements	42.7	35.8
Plan assets	-	-
Pension provision	42.7	35.8

Movements in the pension provision are as follows:

<i>In millions of euros</i>	2010	2009
Present value of pension entitlements		
Balance as at 1 January	35.8	28.4
Increase in pension entitlements	1.8	1.5
Accrued interest	1.7	1.5
Actuarial result	3.4	4.4
Pension benefits paid	-	-
Balance as at 31 December	42.7	35.8

<i>In millions of euros</i>	2010	2009
Actuarial results taken directly to equity		
Actuarial result on pension entitlements	(3.4)	(4.4)
Total actuarial result	(3.4)	(4.4)

The accumulated actuarial gains and losses, taken directly to equity, amount to € 9.0 million negative at year-end 2010 (year-end 2009: € 5.6 million negative).

The total pension costs for this defined benefit pension plan, as presented in the profit and loss account, consist of:

<i>In millions of euros</i>	2010	2009
Increase in pension entitlements	1.8	1.5
Accrued interest	1.7	1.5
Total pension costs	3.5	3.0

C. Provision for jubilee benefits

The provision relates to jubilee benefits paid by the N.V. Nederlandse Gasunie to its employees. The likelihood that these benefits will be paid and the discount rate used for the pension liability are taken into account. Movements in the provision are set out below:

<i>In millions of euros</i>	2010	2009
Balance as at 1 January	7.9	8.4
Charges	(0.2)	(0.2)
Transfers to third parties	-	(0.3)
Balance as at 31 December	7.7	7.9

D. Provision for costs of post-retirement fringe benefits for non-active and retired employees

The N.V. Nederlandse Gasunie pays other benefits to non-active and retired employees. Movements in the provision are set out below:

<i>In millions of euros</i>	2010	2009
Balance as at 1 January	7.5	8.1
Additions	3.2	0.4
Used in the financial year	(1.0)	(1.0)
Balance as at 31 December	9.7	7.5

The provision is primarily long-term. The provision is not fully funded.

17. PROVISIONS

Provision for reorganisation expenses

Movements in the provision for reorganisation expenses are as follows:

<i>In millions of euros</i>	2010	2009
Balance as at 1 January	0.6	0.8
Additions	-	0.5
Short-term share of the provision	(0.3)	(0.7)
Balance as at 31 December	0.3	0.6

Provision for clearance costs and redevelopment

Movements in the provision for clearance costs and redevelopment are as follows:

<i>In millions of euros</i>	2010	2009
Balance as at 1 January	-	-
Additions	34.5	-
Balance as at 31 December	34.5	-

This provision is recognised due to management decisions to decommission, remove or redevelop specific assets within the foreseeable future, for instance due to new legislation. The provision relates to redevelopments of site-related and group-related bottlenecks, obligations to disengage decommissioned branches from the grid and the decision to redevelop or replace certain pipeline sections.

A provision for long-term general clearance costs is not recognised because it is currently considered unlikely that the removal of transport pipelines and appurtenances will be needed. It is anticipated that the income from alternative use (in the longer term) less the costs of conservation will offset the (social) costs of removal.

18. OTHER LONG-TERM LIABILITIES

<i>In millions of euros</i>	31 Dec. 2010	31 Dec. 2009
Derivative financial instruments	39.2	22.0
Other long-term liabilities	0.2	0.2
Total other long-term liabilities	39.4	22.2

In July 2008, Gate terminal B.V. contracted a private loan with a variable interest rate. The variable interest was converted into a fixed rate by means of a swap transaction. At year-end 2010, the valuation of the swap transaction, in-

cluding accrued interest, was € 39.2 million negative (2009: € 22.0 million negative).

19. CURRENT FINANCING LIABILITIES

<i>In millions of euros</i>	31 Dec. 2010	31 Dec. 2009
Repayments on long-term loans	466.1	-
Short-term loans	513.2	27.1
Total current financing liabilities	979.3	27.1

As at the end of 2010, the N.V. Nederlandse Gasunie has contracted € 513.2 million (2009: € 27.1 million) in short-term loans on market terms. At year-end 2010, these primarily concern deposits payable. In addition, to hedge counterparty risks on financial instruments, counterparties deposited € 83 million at the N.V. Nederlandse Gasunie. At year-end 2009, the outstanding balance concerned short-term loans of associates.

In addition to the aforementioned current financing, the N.V. Nederlandse Gasunie has three credit facilities for a total amount of € 915 million (2009: € 340 million) for temporary financing. At neither year-end 2010 nor year-end 2009 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.

20. TRADE AND OTHER PAYABLES

<i>In millions of euros</i>	31 Dec. 2010	31 Dec. 2009
Trade payables	162.6	241.6
Derivative financial instruments	-	1.8
Tax liabilities	60.2	20.6
Other liabilities, accruals and deferred income	281.8	211.8
Total trade and other payables	504.6	475.8

The trade and other payables do not bear interest. The derivative financial instruments in 2009 relate to interest rate swaps.

21. FINANCIAL RISKS

General

The main risks to which Gasunie is exposed are the market risk (consisting of interest rate risk and currency risk), the credit risk and the liquidity risk. Gasunie uses financial risk management to hedge these risks by operational and financial measures. Specific instruments are used for this purpose, depending on the nature and size of the risks.

The Treasury department is responsible for implementing the financial risk management. The use of specific risk instruments requires prior approval from the Executive Board. The Executive Board receives regular reports on the

nature and size of the risks, as well as the measures taken.

The N.V. Nederlandse Gasunie uses derivative financial instruments to manage currency and interest rate risks arising from ordinary operational activities. The risk policy aims to limit the short-term effects of price and interest-rate fluctuations on the result, and in the long term to follow prevailing market interest rates and market exchange rates.

Financial instruments are only used to hedge risks and not for trading or any other purpose.

For the disclosure of currency and interest rate risks, IFRS 7 prescribes sensitivity analyses that show the financial effects of reasonable hypothetical changes in relevant risk variables on the profit and loss account and on equity. These effects are determined by relating the hypothetical changes in risk variables to the balance sheet values of the financial instruments as at the reporting date, assuming that the balance sheet values as at the reporting date are representative for the whole period.

Interest rate risk

The risk to which the company is exposed owing to fluctuations in market interest rates mainly relates to the long-term commitments with a variable interest rate. The company is also exposed to an interest rate risk in the period between the decision to grant long-term loans with a fixed rate and the realisation.

For the project financing for one of the consolidated joint ventures, the interest rate risk was managed in the period between the decision to finance the project and the time of actually doing so by means of a swap transaction. This swap transaction is also being used to manage the interest rate risk during the project financing term. The transaction is designed to effectively offset changes in the (interest-based) cash flows caused by changes in the market interest rate (cash flow hedge).

At year-end 2010, the variable interest-bearing share of the loan portfolio is 1% (2009: 1%). A 1%-point increase/decrease of the interest rate will respectively increase/decrease the annual interest expenses of the loan portfolio by € 0.5 million (2009: € 0.4 million).

The effect of a 1%-point increase/decrease on the valuation of the financial instruments that are recognised by movements directly through equity is a € 5 million decrease/increase (2009: € 3 million decrease/increase), net of corporate income tax.

Currency risk

Currency risks arise, as defined in IFRS 7, if financial instruments are concluded in a currency that is different from the functional currency, and if the financial instruments are of a monetary nature.

The N.V. Nederlandse Gasunie strives to limit currency risks by using forward exchange contracts and currency swaps. Foreign exchange instruments are only used on the basis of underlying positions. Currency risks are fully hedged to the extent that there is sufficient certainty about the amount and timing of the foreign currency cash flows.

A loan of CHF 700 million is presented on the liabilities side, with the related currency risk fully swapped to euros. In addition, GBP positions amounting to € 2 million remain for 2010 (2009: € 5.4 million).

At year-end 2010, liabilities denominated in GBP amounting to € 3 million were hedged by means of forward transactions (2009: nil). The conversion of foreign currencies into euros is at the exchange rate at year-end.



<i>In millions of euros</i>	Position	Exchange rate increase/ decrease	Effect on profit before taxation	Effect on equity
2010				
EUR/GBP	2.0	+/- 30%	-/+ 0.6	-/+ 0.2
2009				
EUR/GBP	5.4	+/- 30%	-/+ 1.6	-/+ 0.4

The sensitivity analysis takes into account the past fluctuation range of currencies. The same ranges are used by the company for its analyses of potential risks. There were no other significant foreign currency positions.

Credit risk

The credit risk relates to the loss that would arise if counterparties were to default entirely as at the balance sheet date and fail to meet their contractual obligations. The company is not exposed to any material credit risk with regard to any individual customer or counterparty.

When employing derivative financial instruments, the company uses, to reduce the counterparty risk, strict limits concerning the level of the risk that is allowed for each counterparty. The company has drawn up criteria for selecting counterparties of financial instruments. These criteria limit the risk associated with possible credit concentrations and market risks. As at year-end 2010, to hedge counterparty risks on financial instruments, counterparties deposited € 83 million at the N.V. Nederlandse Gasunie (2009: nil).

Guarantee received from third parties

The N.V. Nederlandse Gasunie and its group companies have received the following guarantees from third parties:

<i>In millions of euros</i>	31 Dec. 2010		31 Dec. 2009	
	Number	Value	Number	Value
Bank guarantees	113	99.5	126	265.0
Deposits	36	5.9	27	8.4
Sureties	25	88.4	27	130.7
Other	2	3.1	-	-
	176	196.9	180	404.1

The deposits and sureties received relate to sureties from gas transport agreements. The bank guarantees received are mainly sureties of contractors for new construction projects.

The deposits are guarantees held in cash. The interest on deposits is credited to the issuer of the guarantee. The individual terms of the guarantees received are generally short (one to three years), with the terms of a few guarantees exceeding five years. The guarantees are not freely transferable.

Liquidity risk

Liquidity risk is the risk that the company has insufficient cash to meet ongoing payments. Gasunie's policy is to reduce this risk at minimal cost. The options for doing so depend on the solvency of an enterprise. As a solvent com-



pany, Gasunie is in a good position to obtain credit facilities. It quantifies the risk using a multi-year schedule of capital costs and a liquidity forecast with a horizon of at least one year for operational expenses.

The company has committed credit facilities of € 915 million (2009: € 340 million) and a Medium Term Note (MTN) programme of € 5 billion (2009: € 5 billion), with € 1.4 billion still available under this programme for new issues at year-end 2010.

Dividend policy

The N.V. Nederlandse Gasunie aims for a ratio of liabilities to equity that enables the company to fulfil its strategy.



Summary of future cash flows

The summary of maturity terms of future cash flows regarding long-term and current liabilities outstanding as at the balance sheet date is as follows:

<i>In millions of euros</i>	Total	Payable immediately	< 1 year	1-5 years	> 5 years
2010					
Long-term liabilities					
- interest-bearing loans	3,902.8	-	-	1,444.4	2,458.4
- derivative financial instruments	39.2	-	-	-	39.2
- other long-term liabilities	0.2	-	-	-	0.2
Current liabilities					
- current financing liabilities	979.3	429.9	549.4	-	-
- trade payables	162.6	152.7	9.9	-	-
- tax liabilities	60.2	57.9	2.3	-	-
- other liabilities, accruals and deferred income	281.8	136.2	145.6	-	-
Interest payable on liabilities	1,216.7	-	215.2	595.6	405.9
Total	6,642.8	776.7	922.4	2,040.0	2,903.7
2009					
Long-term liabilities					
- interest-bearing loans	4,118.6	-	-	1,882.5	2,236.1
- derivative financial instruments	22.0	-	-	-	22.0
- other long-term liabilities	0.2	-	-	-	0.2
Current liabilities					
- current financing liabilities	27.1	27.1	-	-	-
- trade payables	241.6	145.6	96.0	-	-
- derivative financial instruments	1.8	-	1.8	-	-
- other liabilities, accruals and deferred income	211.8	129.2	82.6	-	-
- tax liabilities	20.6	20.2	0.4	-	-
Interest payable on liabilities	1,291.5	-	215.5	646.8	429.2
Total	5,935.2	322.1	396.3	2,529.3	2,687.5

Guarantees issued

The N.V. Nederlandse Gasunie and its group companies issued the following guarantees to third parties:

<i>In millions of euros</i>	31 Dec. 2010		31 Dec. 2009	
	Number	Value	Number	Value
Bank guarantees	4	5.6	3	4.8
Parent guarantees	3	320.5	1	0.6
Sureties	1	45.0	-	-
Total guarantees issued by Gasunie	8	371.1	4	5.4

The sureties are issued for a specific purpose and mainly concern investment projects.

The terms of the guarantees are generally short (one to two years). The guarantees are not freely transferable.

In 2010, the N.V. Nederlandse Gasunie acted as a guarantor for the payment obligations of Gasunie Deutschland for a maximum of € 320 million regarding an investment project in Germany. The guarantee will end when the investment project is completed, which is currently expected to be end of 2012.

In 2009, the N.V. Nederlandse Gasunie issued a purchase guarantee to N.V. KEMA worth € 87.5 million. The guarantee lasts 10 years, starting at € 14 million in 2010 and decreasing in steps to € 5 million in 2019. The guarantee concerns the purchase of services to ensure the safe and reliable transport of gas and to support the development of sustainable initiatives. For 2010, the guaranteed purchase was made.

Fair value and carrying amount of financial instruments

The table below shows a comparison between the carrying amount and fair value of the financial instruments:

<i>In millions of euros</i>	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Trade receivables	166.9	166.9	177.0	177.0
Other receivables	87.6	87.6	130.6	130.6
Cash and cash equivalents	158.5	158.5	106.5	106.5
Total	413.0	413.0	414.1	414.1
Financial liabilities				
Long-term liabilities				
- interest-bearing loans	3,896.7	4,305.3	4,112.2	4,439.7
- derivative financial instruments	39.2	39.2	22.0	22.0
- other long-term liabilities	0.2	0.2	0.2	0.2
Current liabilities				
- current financing liabilities	979.3	1,092.7	27.1	27.1
- trade payables	162.6	162.6	241.6	241.6
- derivative financial instruments	-	-	1.8	1.8
- tax liabilities	60.2	60.2	20.6	20.6
- other liabilities, accruals and deferred income	281.8	281.8	211.8	211.8
Total	5,420.0	5,942.0	4,637.3	4,964.8

The following methods are used to determine the approximate fair values of these instruments:

- ▶ For trade and other receivables, cash and cash equivalents, current financing liabilities, trade and other payables, accruals and deferred income, and tax liabilities, the carrying amount approximates the fair value because of the short period to the due date for each of these instruments.
- ▶ The derivative financial instruments are stated at fair value, which was calculated by discounting their future cash flows at the appropriate rates taken from the current interest curve.
- ▶ The interest-bearing loans are bonds of € 4,058 million, with a listing on the Amsterdam and Zurich stock exchanges. Their fair value is the market value at the year-end closing price. The fair value of the private loans of € 247 million has been calculated by discounting the future cash flows against the current interest curve.

The 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.
- 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 according to the following hierarchy:

<i>In millions of euros</i>	Total derivative financial instruments	Level 1	Level 2	Level 3
2010	39.2	-	39.2	-
2009	23.8	-	23.8	-

22. COMMITMENTS NOT INCLUDED IN THE BALANCE SHEET

Contingent liabilities for Nord Stream project

In the final quarter of 2007, the N.V. Nederlandse Gasunie concluded a provisional agreement with Gazprom, enabling Gasunie, on 10 June 2008, to acquire a 9% interest in the Nord Stream gas pipeline, which crosses the Baltic Sea from Russia to Germany. The expected investment by Nord Stream AG in the gas pipeline is approximately € 7.3 billion, excluding financing costs.

The project will be financed with over € 6 billion in loan capital. During the construction phase, the investors will act as guarantors for their share of the project vis-à-vis the providers of the loan capital. In 2009, the N.V. Nederlandse Gasunie acted as a guarantor for € 350 million for phase 1 of the project. This guarantee will likely remain in place until mid 2012. For phase 2, the N.V. Nederlandse Gasunie is expected to act as a guarantor for approximately € 220 million in the period 2011 through 2013.

Investment commitments

At year-end 2010, the N.V. Nederlandse Gasunie had off-balance-sheet commitments of € 264 million relating to investment projects, compared with over € 700 million in 2009. The figure for 2010 includes € 40 million (2009: € 185 million) for organising Open Season 2005, € 35 million (2009: € 120 million) for organising Open Season 2012, € 40 million (2009: € 40 million) relating to the construction of the nitrogen installation near Heiligerlee, € 50 million (2009: € 150 million) for the construction of the LNG terminal (Gate terminal) and € 9 million (2009: € 110 million) relating to the construction of the gas storage facility in Zuidwending.

Lease commitments (operating lease)

The total lease commitments at year-end 2010 amount to € 68 million (2009: € 87 million). They can be broken down as follows:

Term	Commitment as at 31 Dec. 2010	Commitment as at 31 Dec. 2009
0 – 1 year	€ 12 million	€ 12 million
1 – 5 years	€ 16 million	€ 38 million
> 5 years	€ 40 million	€ 37 million

These commitments relate to the operating leases for company cars and private vehicles. The fixed lease payment is calculated partly according to the value of the leased vehicle and the anticipated running costs, based on a standard annual kilometrage. A variable allowance is also paid per kilometre over and above the standard kilometre allowance. The average remaining term of these lease commitments is approximately 2 years. The actual operating lease costs for

company cars and private vehicles for 2010 amounts to approximately € 8 million (2009: approximately € 8 million).

An operating lease also exists for computer equipment and printers. It relates to the supply, replacement and maintenance of the hardware of Gasunie's office IT system and server park. The average remaining lease term for the hardware is 2 years. The current leases will expire at the end of 2013. The actual operating lease costs for computer equipment and printers for 2010 amounts to approximately € 4 million (2009: approximately € 5 million).

For the site of the LNG terminal in Rotterdam (Gate), several leases have been concluded, the largest of which in terms of area with the Port of Rotterdam Authority. These contracts are leases for land at the location of the Authority, each having a term of 50 years. At year-end 2010, the average lease commitments for all contracts amounts to approximately € 1 million (2009: approximately € 1 million) per year.

Other commitments

Other commitments as at year-end 2010 amount to € 1.1 billion (2009: € 1.2 billion). These commitments can be broken down as follows:

Term	Contract value as at 31 Dec. 2010	Contract value as at 31 Dec. 2009
0 - 1 year	€ 157 million	€ 216 million
1 - 5 years	€ 288 million	€ 328 million
> 5 years	€ 651 million	€ 705 million

The other commitments were entered into with suppliers for the purpose of carrying out operational activities.

Notes to the consolidated profit and loss account

23. STAFF COSTS

<i>In millions of euros</i>	2010	2009
Salaries	136.5	130.8
Social security costs	13.0	8.7
Pension costs and other fringe benefits	25.5	9.7
Total staff costs	175.0	149.2

REMUNERATION OF MEMBERS OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

I. Members of the Executive Board:

<i>In euros</i>	Salary	Variable remuneration	Deferred remuneration	Other benefits
2010				
Executive Board				
P.C. van Gelder, CEO (as of 1 September 2010)	86,667	29,467	15,340	12,062
M.P. Kramer, CEO (until 1 September 2010)	264,351	53,032	1,238,581 *)	37,663
H.A.T. Chin Sue	238,155	67,015	74,521	34,816
E. Dam	238,155	71,802	80,551	27,595
P.E.G. Trienekens	238,155	74,196	572,342 *)	28,546

*) Excluding the final tax levy of € 299,102 and € 130,000, respectively, payable by the employer.

The variable remuneration shown in the table above is based on achieving agreed targets during the financial year. The agreed targets comprise combined Gasunie targets and individual targets. The combined Gasunie targets relate to financial and operational results to be achieved.

Variable remuneration comprises the variable 2010 performance-related remuneration, as described in the chapter entitled 'Remuneration policy for the Executive Board'.

The following arrangements are made regarding the variable remuneration of members of Gasunie's Executive Board for 2009, based on the then applicable remuneration policy.

Variable remuneration is granted based on the following, and other, criteria:

- a maximum of 5% for the growth in the value of the company, the Economic Value Added (EVA™);
- a maximum of 5% for the general assessment of an Executive Board member's individual contribution, to be assessed by the Supervisory Board.

Although criteria a. and b. were met as at year-end 2009, a negative trend in the EVA will occur in later years, due to the impairment which was recognised in 2009. As a consequence, the Supervisory Board decided to grant both variable remuneration criteria referred to above for 2009 conditionally.

Should the regulatory framework in Germany be adjusted in Gasunie Deutschland's favour in 2010 as a result of the negotiations Gasunie Deutschland conducts with the Bundesnetzagentur, these criteria can still be granted in whole or in part.

The discussions between the Bundesnetzagentur and Gasunie in 2010 had a partly favourable outcome, in particular for a decisive criterion under the company's control. This is the efficiency factor (x-factor) applied to tariffs. The Bundesnetzagentur based its first ruling on an efficiency factor for Gasunie Deutschland of approximately 65%, whereas Gasunie Deutschland has been able to prove that the factor approximates 100%. This has been accepted by the Bundesnetzagentur.

Based on this, the Supervisory Board decided to only grant for 2009 the (maximum) 5% for the general assessment of an Executive Board member's individual contribution of the conditional variable remuneration criteria.

Arrangements were made with Mr Kramer, Chief Executive Officer until 1 September 2010, upon his departure, about the variable remuneration, both with respect to the conditionally granted part of the variable remuneration for 2009 and with respect to the variable remuneration for the first eight months of 2010. Based on a conservative estimate of achievement of the targets, this remuneration was set at 15%.

As at 1 September 2010, Mr Kramer, Chief Executive Officer until that date, used the option agreed upon his commencement of employment in 2003 to retire at the age of 60 with a then agreed scheme. The arrangement concerns an entitlement to a bridging pension of 52.5% of his last earned salary until he reaches the age of 65. The employer's payments into the life-course savings scheme are taken into account in the arrangement. It was also agreed with Mr Kramer at the time that his pension would continue to accrue during that period and that part of the pension shortfall would be compensated for.

Arrangements are made with Mr Trienekens in 2004 upon his commencement of employment as Director of Gas Transport Services B.V., which also included the option to retire with an adjusted pension plan at the age of 60. A bridging pension of 75% of his last earned salary was agreed upon, as well as continuing pension accrual during the period between his actual departure and his 65th birthday. The employer's payments into the life-course savings scheme were taken into account in the arrangement in his case as well.

As Mr Trienekens' retirement would be (too) soon after the former Chief Executive Officer's departure, the Supervisory Board has requested Mr Trienekens, for the sake of the company's continuity, to stay on for another half year, to which he consented. Therefore, he will retire on 1 July 2011. However, the relevant arrangements made were financially settled at the end of 2010.

The shareholder consented to these arrangements prior to payment.

<i>In euros</i>	Salary	Variable remuneration	Deferred remuneration	Other benefits
2009				
Executive Board				
M.P. Kramer, CEO	341,628	110,268	96,005	43,956
H.A.T. Chin Sue	235,219	74,648	80,659	34,427
E. Dam	235,219	71,093	86,615	27,205
P.E.G. Trienekens	235,219	77,018	78,507	28,157

The variable remuneration shown in the table above is based on achieving agreed targets during the financial year. The agreed targets comprise combined Gasunie targets and individual targets. The combined Gasunie targets relate to financial and operational results to be achieved.

Variable remuneration comprises the variable short-term remuneration, as described in the chapter entitled 'Remuneration policy for the Executive Board', as well as variable long-term remuneration.

As disclosed earlier in this note, 5% of the variable remuneration for 2009 was granted conditionally, with the definitive granting taking place in 2010.

II. Supervisory Board members:

<i>In euros</i>	Remuneration
2010	
G.J. van Luijk, Chair	39,340
C. Griffioen, Vice-Chair	31,045
H.L.J. Noy	32,115
Professor M.H. van der Woude (until 1 October 2010)	16,500
A. Lont	26,763
J.P.H.J. Vermeire	30,000
2009	
G.J. van Luijk, Chair	39,234
C. Griffioen, Vice-Chair	31,001
H.L.J. Noy	32,070
Professor M.H. van der Woude	22,000
A. Lont	26,725
J.P.H.J. Vermeire	30,000

The remuneration of the members of the Supervisory Board for the 2010 financial year amounts to € 175,763 (2009: € 181,030).

24. OTHER OPERATING EXPENSES

<i>In millions of euros</i>	2010	2009
Costs of subcontracted work and other external costs	247.5	237.9
Costs of network operations	225.0	230.4
Other operating costs	59.1	68.0
Total other operating expenses	531.6	536.3

Other operating costs for 2010 include movements in the provision for obsolescence of € 0.1 million positive (2009: € 1.2 million negative).

In 2010, different cost categories are recognised within the operating expenses, which are more in line with internal management reporting. The comparative figures for 2009 with respect to the categories referred to above are restated accordingly. This also resulted in comparative figures for 2009 for 'staff costs' of € 149.2 million and 'other operating expenses' of € 536.3 million. In the annual accounts of 2009 these figures amounted to, respectively, € 148.6 million and € 536.9 million.

25. FINANCE REVENUE

<i>In millions of euros</i>	2010	2009
Interest income	6.2	8.9
Exchange results	0.6	0.1
Total finance revenue	6.8	9.0

Interest income relates to loans granted and receivables. An amount of € 1.3 million of the interest income in 2010 relates to financial liabilities stated at fair value through profit or loss.

26. FINANCE COSTS

<i>In millions of euros</i>	2010	2009
Interest expenses	163.2	173.1
Other finance costs	1.7	0.2
Total finance costs	164.9	173.3

The interest expenses on financing liabilities stated at amortised cost amount to € 219.3 million (2009: € 199.2 million). Of the interest expense in 2009, € 1.3 million relates to financing liabilities stated at fair value through profit or loss. The interest expenses relating to (short-term) financing amount to € 1.4 million (2009: € 2.9 million). Of the interest

expenses, a total of € 57.5 million was capitalised in 2010 (2009: € 30.3 million), based on a weighted average interest rate of 5.2% (2009: 5.2%).

27. TAXES

The taxes on the result in the consolidated profit and loss account comprise:

<i>In millions of euros</i>	2010	2009
Corporate income tax payable in the financial year	13.6	58.4
Prior-year adjustments (2004 until 2009)	0.9	(6.8)
Movement in deferred taxation	125.9	(12.9)
Total taxes	140.4	38.7

The reconciliation between the effective tax rate and the applicable tax rate for the consolidated financial statements is set out below:

<i>In percentages</i>	2010	2009
Profit and loss account		
Applicable rate (standard tax rate, the Netherlands)	25.5	25.5
Prior-year adjustments (2004 until 2009)	0.0	(1.2)
Effect of rate change on deferred taxation	(0.5)	-
Other differences	(1.4)	(0.2)
Effective rate	23.6	24.1
Deferred taxation		
Applicable rate (for subsequent financial years)	25.0	25.5
Effective rate (for subsequent financial years)	25.0	25.5

Other differences mainly relate to differences in rate between the Netherlands and Germany.

28. WORKFORCE

The average number of employees in FTEs in 2010 is 1,700 (2009: 1,714). The year-end figure for the number of employees is 1,713 FTEs (2009: 1,668).

29. DIVIDEND PAID AND PROPOSED

The Executive Board proposes that 60% of the profit for 2010 (€ 272.2 million) will be added to the general reserve and 40% (€ 181.5 million) will be paid to the shareholder.

For 2009, a final dividend of € 415.9 million is distributed.

30. NOTES ON SEGMENTS, PRODUCTS AND SERVICES

The information is segmented according to the Group's activities and the geographical areas in which the Group operates. 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 marketing 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 international and 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 transmission network with foreign markets, such as the BBL pipeline to the United Kingdom.

The accounting policies used for these segments are the same as those applied to the consolidated and company financial statements.

The assets, liabilities, income and results of a segment comprise both items directly related to the segments and items that can reasonably be attributed to them. Transaction prices for inter-segment transactions are determined at arm's length.

Information on assets and liabilities:

<i>In millions of euros</i>	Assets		Liabilities	
	31 Dec. 2010	31 Dec. 2009	31 Dec. 2010	31 Dec. 2009
Segments				
- Regulated Network Management	9,629	9,180	889	774
- Participations & Business Development	1,484	1,146	87	225
Segment total	11,113	10,326	976	999
Unallocated assets and liabilities	-	-	4,876	4,018
Total consolidated assets and liabilities	11,113	10,326	5,852	5,017

<i>In millions of euros</i>	Investments in associates		Share in equity of associates	
	2010	2009	2010	2009
Segments				
- Regulated Network Management	1	-	187	209
- Participations & Business Development	1	-	12	12
Segment total	2	-	199	221

	Acquisitions in associates		Share in profit of associates	
	2010	2009	2010	2009
Segments				
- Regulated Network Management	-	-	27	25
- Participations & Business Development	-	-	1	-
Segment total	-	-	28	25

31. INFORMATION ON INCOME AND RESULT

<i>In millions of euros</i>	Income from third parties		Segment result	
	2010	2009	2010	2009
Continuing operations				
Segments				
- Regulated Network Management	1,436	1,584	722	282
- Participations & Business Development	87	85	30	43
Segment total	1,523	1,669	752	325
Unallocated head office and functional departmental costs			-	-
Unallocated finance revenue and costs			(158)	(164)
Result before taxation			594	161
Taxes			(140)	(39)
Result on continuing operations after taxation			454	122
Result on discontinued operations after taxation			-	-
Income and profit for the year	1,523	1,669	454	122

Income represents revenues from services supplied to third parties. Furthermore, the segments also supply services to each other. During 2010, the segment Regulated Network Management supplied services for € 18 million (2009: € 12 million) to the segment Participations & Business Development. The segment Participations & Business Development supplied services for € 30 million to the segment Regulated Network Management in 2010 (2009: € 30 million).

In 2010, 'share in result of associates' was reclassified from 'unallocated finance revenue and costs' to 'segment result', in line with internal management reporting. The comparative figures for 2009 with respect to these categories are restated.

32. OTHER SEGMENT INFORMATION

<i>In millions of euros</i>	Investments in fixed assets	
	2010	2009
Segments		
- Regulated Network Management	893	854
- Participations & Business Development	326	387
Segment total	1,219	1,241

The above fixed assets comprise the tangible fixed assets, the intangible fixed assets excluding goodwill, the investments in associates and the other equity interests.

<i>In millions of euros</i>	Depreciation and amortisation		Tangible non-monetary items other than depreciation	
	2010	2009	2010	2009
Segments				
- Regulated Network Management	195	200	15	550
- Participations & Business Development	10	10	(10)	(6)
Segment total	205	210	5	544

The 'tangible non-monetary items other than depreciation' relates to capitalised interest costs, appropriation to provisions and, in 2009, mainly to the impairment of tangible and financial fixed assets of € 570 million.

33. INFORMATION ON PRODUCTS AND SERVICES

<i>In millions of euros</i>	Income from third parties	
	2010	2009
Continuing operations		
Regulated Network Management segment		
- gas transport	1,408	1,557
- other activities	28	27
	<u>1,436</u>	<u>1,584</u>
Participations & Business Development segment		
- gas transport	68	67
- other activities	19	18
	<u>87</u>	<u>85</u>
Discontinued operations	-	-
Total income from third parties	<u>1,523</u>	<u>1,669</u>

34. GEOGRAPHICAL INFORMATION

Income from third parties and fixed assets by geographical area are determined primarily on the basis of the area where the transmission takes place.

<i>In millions of euros</i>	Income from third parties		Fixed assets	
	2010	2009	31 Dec. 2010	31 Dec. 2009
The Netherlands	1,250	1,332	7,446	6,521
Outside the Netherlands	273	337	1,776	1,703
Total	<u>1,523</u>	<u>1,669</u>	<u>9,222</u>	<u>8,224</u>

The above fixed assets comprise the tangible fixed assets, the intangible fixed assets excluding goodwill, the investments in associates and the other equity interests.

Since 1 July 2008, Gasunie has activities in two geographical areas: in the Netherlands and outside the Netherlands.

35. MAJOR CUSTOMERS


In 2010 and 2009, the company generated at least 10% of its external income from gas transport at a single external customer.

36. RELATED PARTIES

Services between the N.V. Nederlandse Gasunie and its related parties are provided at arm's length.



COMPANY FINANCIAL STATEMENTS



Company balance sheet as at 31 December (before profit appropriation)

<i>In millions of euros</i>	Notes	2010	2009
Assets			
Fixed assets			
- tangible fixed assets	1	6,616.3	5,972.4
- financial fixed assets	2	2,913.2	2,593.4
- deferred tax assets		759.8	904.6
- pension assets		-	42.2
		10,289.3	9,512.6
Current assets			
- stocks		23.7	25.1
- trade and other receivables		172.7	191.8
- receivables from group companies		121.1	150.1
- cash and cash equivalents		124.2	93.4
		10,731.0	9,973.0
Total assets			
Equity and liabilities			
Equity			
- issued share capital	3	0.2	0.2
- revaluation reserve	4	2,490.2	2,549.5
- statutory reserves	5	(34.4)	(18.5)
- general reserve	6	2,351.1	2,656.7
- profit for the year	7	453.7	121.8
		5,260.8	5,309.7
Provisions	8	75.8	15.7
Long-term liabilities			
- long-term financing liabilities		3,650.0	3,991.1
Current liabilities			
- current financing liabilities		1,325.4	292.8
- trade and other payables		388.6	334.1
- liabilities to group companies		30.4	29.6
		10,731.0	9,973.0
Total equity and liabilities			

Company profit and loss account

<i>In millions of euros</i>	Notes	2010	2009
Income		1,371.0	1,418.8
Staff costs		(148.8)	(125.8)
Other operating expenses	10	(399.9)	(407.4)
Depreciation and amortisation costs		(170.2)	(166.3)
Total operating expenses		(718.9)	(699.5)
Operating result		652.1	719.3
Finance revenue and costs	12	(108.0)	(88.1)
Result on investments in (disposals of) equity interests		3.1	-
Share in result of equity interests		40.1	(363.8)
Result from ordinary activities before taxation		587.3	267.4
Taxes		(133.6)	(145.6)
Result after taxation		453.7	121.8

Notes to the company financial statements

ACCOUNTING POLICIES

The company financial statements have been prepared in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements (NL GAAP), using the option, provided in Section 362, paragraph 8, of Book 2 of the Dutch Civil Code, to apply the accounting policies used in the consolidated financial statements to the company financial statements. These are the IFRS provisions, which have been adopted by the European Union.

Please refer to the notes to the consolidated balance sheet and profit and loss account for the accounting policies. These notes contain additions to the notes to the consolidated financial statements. In 2010, different cost categories are recognised within the operating expenses, which are more in line with internal management reporting. The comparative figures for 2009 with respect to these categories are restated accordingly. For more information, see note 10 of the notes to the company profit and loss account.

Interests in group companies are stated at net asset value. If and to the extent that the N.V. Nederlandse Gasunie is unable to transfer profits to itself due to restrictions, the profits will be added to a statutory reserve.

Notes to the company balance sheet

1. TANGIBLE FIXED ASSETS

<i>In millions of euros</i>	Carrying amount as at 1 Jan. 2010	Additions	Disposals	Depreciation	Carrying amount as at 31 Dec. 2010
Land and buildings	103.7	0.3	-	3.7	100.3
Compressor stations	337.1	165.0	-	23.8	478.3
Installations	660.8	89.7	0.7	42.9	706.9
Main transmission lines and related plant and equipment	3,068.4	765.9	0.1	62.7	3,771.5
Regional transmission lines and related plant and equipment	751.7	28.0	1.9	14.4	763.4
Other fixed operating assets	83.4	43.4	2.6	22.7	101.5
Fixed assets under construction	967.3	(272.9)	-	-	694.4
Total for 2010 financial year	5,972.4	819.4	5.3	170.2	6,616.3

<i>In millions of euros</i>	Carrying amount as at 1 Jan. 2009	Additions	Disposals	Depreciation	Carrying amount as at 31 Dec. 2009
Land and buildings	108.6	2.4	3.5	3.8	103.7
Compressor stations	324.3	36.8	2.2	21.8	337.1
Installations	641.8	61.8	1.0	41.8	660.8
Main transmission lines and related plant and equipment	3,073.1	53.9	0.2	58.4	3,068.4
Regional transmission lines and related plant and equipment	757.6	9.1	0.8	14.2	751.7
Other fixed operating assets	91.3	20.6	2.2	26.3	83.4
Fixed assets under construction	333.4	633.9	-	-	967.3
Total for 2009 financial year	5,330.1	818.5	9.9	166.3	5,972.4

<i>In millions of euros</i>	Cost as at 31 Dec. 2010	Accumulated depreciation *) as at 31 Dec. 2010	Cost as at 31 Dec. 2009	Accumulated depreciation *) as at 31 Dec. 2009
Land and buildings	160.2	59.9	159.9	56.2
Compressor stations	619.3	141.0	455.0	117.9
Installations	986.9	280.0	903.7	242.9
Main transmission lines and related plant and equipment	4,262.6	491.1	3,496.9	428.5
Regional transmission lines and related plant and equipment	882.4	119.0	858.3	106.6
Other fixed operating assets	350.6	249.1	312.4	229.0
Fixed assets under construction	694.4	-	967.3	-
Total	7,956.4	1,340.1	7,153.5	1,181.1

*) Including any impairments

2. FINANCIAL FIXED ASSETS

<i>In millions of euros</i>	2010	2009
Group companies		
Equity interest as at 1 January	833.7	899.4
Movements		
- investments	230.9	299.5
- acquisitions	-	122.8
- movements directly in equity	(13.5)	(4.3)
- result of group companies	38.7	(363.5)
- dividend received	(1.5)	(120.2)
Equity interest as at 31 December	1,088.3	833.7
Financing as at 1 January	1,747.5	1,679.4
Movements		
- long-term loans granted	98.4	101.3
- repayment of long-term loans	(32.5)	(33.2)
Financing as at 31 December	1,813.4	1,747.5
Balance as at 31 December	2,901.7	2,581.2
Investments in associates	11.5	12.2
Total financial fixed assets	2,913.2	2,593.4

For the notes on investments in associates and other equity interests, see notes 5 and 6 of the notes to the consolidated balance sheet in the consolidated financial statements.

3. ISSUED SHARE CAPITAL

The authorised share capital amounts to € 756,000 and is divided into 7,560 shares of € 100 nominal value each, 1,512 of which have been issued and paid up in full.

The issued shares are held by the Dutch State.

Movements in issued share capital are as follows:

<i>In euros</i>	2010	2009
Balance as at 1 January	151,200	151,200
Movements	-	-
Balance as at 31 December	151,200	151,200

4. REVALUATION RESERVE

Movements in the revaluation reserve are as follows:

<i>In millions of euros</i>	2010	2009
Balance as at 1 January	2,549.5	2,627.7
Effect of rate change on deferred taxation	16.7	-
Realised share of the unrealised revaluation	(74.7)	(76.9)
Transferred to the profit and loss account, of which corporate income tax	(1.7) 0.4	(1.7) 0.4
Balance as at 31 December	2,490.2	2,549.5

The revaluation reserve includes the revaluation of tangible fixed assets as at 1 January 2004 and the cash flow hedge reserve. For a full understanding, see also the notes to the consolidated financial statements.

5. STATUTORY RESERVES

Movements in the statutory reserves are as follows:

<i>In millions of euros</i>	2010	2009
Balance as at 1 January	(18.5)	(16.0)
Effect of rate change on deferred taxation	(0.3)	-
Share in the movements directly in equity of participations, of which corporate income tax	(18.1) 4.8	(5.9) 1.7
Share in retained earnings not distributable due to restriction	(2.3)	1.7
Balance as at 31 December	(34.4)	(18.5)

The statutory reserves mainly consist of the share in a negative cash flow hedge reserve of a subsidiary.

6. GENERAL RESERVE

Movements in the general reserve are as follows:

<i>In millions of euros</i>	2010	2009
Balance as at 1 January	2,656.7	2,525.0
Appropriation of profit for previous financial year	-	98.5
Dividend payment as per 2009 profit appropriation	(294.1)	-
Effect of rate change on deferred taxation	(36.0)	-
Balance of actuarial gains and losses on employee benefits, of which corporate income tax	(70.8) 18.0	(55.5) 14.2
Realised share of the unrealised revaluation	74.7	76.9
Movements in statutory reserves	2.6	(2.4)
Balance as at 31 December	2,351.1	2,656.7

7. PROFIT FOR THE YEAR

Movements in the profit for the year are as follows:

<i>In millions of euros</i>	2010	2009
Balance as at 1 January	121.8	394.1
Dividend paid	(121.8)	(295.6)
Appropriation of profit	-	(98.5)
Profit for the year	453.7	121.8
Balance as at 31 December	453.7	121.8

8. PROVISIONS

<i>In millions of euros</i>	2010	2009
Provision for pension liabilities	28.5	-
Provision for jubilee benefits	7.3	7.5
Provision for post-retirement fringe benefits	9.7	7.6
Provision for reorganisation expenses	0.3	0.6
Provision for clearance costs and redevelopment	30.0	-
Total provisions	75.8	15.7

For a specification of the provisions, see notes 16 and 17 of the notes to the consolidated balance sheet in the consolidated financial statements.

9. OTHER ITEMS IN THE COMPANY BALANCE SHEET

For the notes to other items in the company balance sheet, see the notes to the relevant items in the consolidated financial statements.

Notes to the company profit and loss account

10. OTHER OPERATING EXPENSES

<i>In millions of euros</i>	2010	2009
Capitalised expenditure	(112.1)	(90.3)
Costs of subcontracted work and other external costs	200.4	191.3
Cost of network operations	174.5	177.8
Other operating costs	137.1	128.6
Total other operating expenses	399.9	407.4

The specification on the remuneration of members of the Executive Board and Supervisory Board is included in the notes to the consolidated financial statements.

In 2010, different cost categories are recognised within the operating expenses, which are more in line with internal management reporting. The comparative figures for 2009 with respect to the categories referred to above are restated accordingly. This also resulted in comparative figures for 2009 for 'staff costs' of € 125.8 million and 'other operating expenses' of € 407.4 million. In the annual accounts of 2009 these figures amounted to, respectively, € 125.2 million and € 408.0 million.

11. EXTERNAL AUDITOR'S FEES

The following fees relating to work carried out by the audit firm responsible for auditing these financial statements were charged to the legal entity in the year under review. They include the corresponding fees charged to the consolidated subsidiaries.

<i>In millions of euros</i>	Total		Of which Ernst & Young Accountants LLP	
	2010	2009	2010	2009
Audit of the financial statements	0.8	0.7	0.7	0.5
Other assurance engagements	0.5	0.4	0.3	0.3
Tax consultancy	0.4	0.7	-	-
Other non-audit services	-	0.1	-	-
Total external auditor's fees	1.7	1.9	1.0	0.8

12. FINANCE REVENUE AND COSTS

<i>In millions of euros</i>	2010	2009
Interest income	57.0	85.7
Exchange results	0.6	-
Finance revenue	57.6	85.7
Interest expenses	(164.0)	(173.5)
Other finance costs	(1.6)	(0.3)
Finance costs	(165.6)	(173.8)
Net finance costs	(108.0)	(88.1)

13. OTHER ITEMS IN THE COMPANY PROFIT AND LOSS ACCOUNT

For the notes to other items in the company profit and loss account, see the notes to the relevant items in the consolidated financial statements.



List of participations

Company	Registered office	Interest as at 31 December 2010
Gas Transport Services B.V.	Groningen	100%
Gastransport Noord-West Europa B.V.	Groningen	100%
Gastransport Noord-West Europa Holding B.V.	Groningen	100%
Gastransport Noord-West Europa Services 1 B.V.	Groningen	100%
Gastransport Noord-West Europa Services 2 B.V.	Groningen	100%
Gastransport Noord-West Europa Services 3 B.V.	Groningen	100%
Gastransport Noord-West Europa Services 4 B.V.	Groningen	100%
Gasunie BBL B.V.	Groningen	100%
Gasunie Engineering B.V.	Groningen	100%
Gasunie LNG Holding B.V.	Groningen	100%
Gasunie Underground Storage (GUUS) B.V.	Groningen	100%
Gasunie Zuidwending B.V.	Groningen	100%
Vertogas B.V.	Groningen	100%
Zuidwending V.O.F.	Groningen	100%
Cupa Holding GmbH	Hanover, Germany	100%
Cupa Transport Services GmbH	Hanover, Germany	100%
Gasunie Deutschland GmbH & Co. KG	Hanover, Germany	100%
Gasunie Deutschland Services GmbH	Hanover, Germany	100%
Gasunie Deutschland Technical Services GmbH	Hanover, Germany	100%
Gasunie Deutschland Transport Services GmbH	Hanover, Germany	100%
Gasunie Deutschland Transport Services Holding GmbH	Hanover, Germany	100%
Gasunie Deutschland Verwaltungen GmbH	Hanover, Germany	100%
Gasunie Ostseeanbindungsleitung (GOAL) GmbH	Hanover, Germany	100%
Gasunie Infrastruktur AG	Zug, Switzerland	100%
BBL Company V.O.F.	Groningen	60%
Gate terminal B.V.	Rotterdam	42.5%
Gate terminal C.V.	Rotterdam	42.5%
Gate terminal Management B.V.	Rotterdam	50%
APX B.V.	Amsterdam	20.9%
C.V. Gasexpansie IJmond	Groningen	50%
Eemshaven LNG Terminal B.V.	's-Hertogenbosch	25%
Energie Data Services Nederland (EDSN) B.V.	Arnhem	25%
Global Gas Networks Initiative (GGNI) B.V.	Groningen	25%
Rotterdamse Cintra Maatschappij B.V.	Rotterdam	25%
Aequamus GmbH	Bremen, Germany	33.3%
DEUDAN - Deutsch/Dänische Erdgastransport-GmbH	Handewitt, Germany	26%
DEUDAN - Deutsch/Dänische Erdgastransport-GmbH & Co. KG	Handewitt, Germany	33.3%
DEUDAN - Holding GmbH	Hanover, Germany	51%
GASPOOL Balancing Services GmbH	Berlin, Germany	25%
NETRA GmbH Norddeutsche Erdgas Transversale	Emstek/Schneiderkrug, Germany	33.3%
NETRA GmbH Norddeutsche Erdgas Transversale & Co. KG	Emstek/Schneiderkrug, Germany	28.7%



The Executive Board,

P.C. van Gelder, CEO
H.A.T. Chin Sue
E. Dam
P.E.G. Trienekens

The Supervisory Board,

G.J. van Luijk, Chair
C. Griffioen, Vice-Chair
A. Lont
H.L.J. Noy
J.P.H.J. Vermeire

Groningen, the Netherlands
29 March 2011



Other information

PROVISIONS OF THE ARTICLES OF ASSOCIATION GOVERNING PROFIT APPROPRIATION

The Executive Board does not consider it necessary to add profit to reserves pursuant to Article 39, paragraph 2, of the Articles of Association. As a result, the profit is at the free disposal of the General Meeting of Shareholders.

The company may make distributions to shareholders and to other persons entitled to receive part of the distributable profit only insofar as its equity exceeds the total issued share capital plus the reserves that must be maintained by law.

PROPOSED PROFIT APPROPRIATION

The Executive Board proposes that 60% of the profit for 2010 (€ 272.2 million) will be added to the general reserve and 40% (€ 181.5 million) will be paid to the shareholder.

Unqualified independent auditor's report

To the General Meeting of Shareholders and the Supervisory Board of the N.V. Nederlandse Gasunie

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements 2010 of the N.V. Nederlandse Gasunie in Groningen, the Netherlands, which comprise the consolidated and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2010, the consolidated profit and loss account for the year then ended, the consolidated statement of comprehensive income, the consolidated statement of movements in equity, the consolidated cash flow statement for 2010 and the notes, comprising a summary of the accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2010 and the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION WITH RESPECT TO THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the N.V. Nederlandse Gasunie as at 31 December 2010 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and Part 9 of Book 2 of the Dutch Civil Code.



OPINION WITH RESPECT TO THE COMPANY FINANCIAL STATEMENTS

In our opinion, the company financial statements give a true and fair view of the financial position of the N.V. Nederlandse Gasunie as at 31 December 2010 and of its result and cash flows for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

EMPHASIS OF AN UNCERTAINTY IN THE FINANCIAL STATEMENTS WITH RESPECT TO IMPAIRMENT RISKS

We draw attention to note 1 of the notes of the notes to the consolidated balance sheet, which describes the uncertainties related to impairments of the gas transport network and/or goodwill. Our opinion is not qualified in respect of this matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to the legal requirement under Section 2:393, paragraph 5, subparagraphs e. and f., of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392, paragraph 1, subparagraphs b. to h., of the Dutch Civil Code has been annexed. Furthermore, we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391, paragraph 4, of the Dutch Civil Code.

Groningen, the Netherlands

29 March 2011

Ernst & Young Accountants LLP

[was signed]

P.J.T.A. van Kleef



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