Gasunie Results H1 2016
Fixed Income Analyst & Investor Conference Call

NV Nederlandse Gasunie
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Historical figures have been prepared in accordance with the IFRS ‘Interim Financial Reporting’ standard (IAS 34), as adopted by the European Union and applicable as at 30 June 2016. The figures in this presentation are derived from the 2016 un-audited semi-annual report of N.V. Nederlandse Gasunie.
Group activities and strategy

European gas infrastructure company

Strategy: 3 pillars

1. Provide safe, reliable, affordable and sustainable gas infrastructure and services in our home markets

2. Contribute to the proper functioning of the European gas and LNG market through active involvement in the development of gas infrastructure and services

3. Accelerate the transition to a CO2-neutral energy supply
Business units

Regulated activities contribute more than 80% of Revenues* and Operating Result

Key business unit characteristics

- Regulated: Gasunie Transport Nederland (GTN): 100% subsidiary
  - Gas transmission system operator in the Netherlands.
  - Regulated by the Dutch regulator Autoriteit Consument en Markt (ACM).

- Regulated: Gasunie Deutschland (GUD): 100% subsidiary
  - Gas transmission system operator in Northern Germany.
  - Regulated by the German regulator Bundesnetzagentur (BNetzA).

- Non-regulated: Participations & Business Development (P&BD), a.o:
  - Participations in sub-sea pipelines: BBL company 60% interest, Nord Stream 9% interest.
  - Participations in storage facilities: EnergyStock (Fast-cycle gas storage services) 100% subsidiary. Gate Terminal (LNG import terminal) 50% interest. Peakshaver (LNG Plant) 100% subsidiary.
  - Facilitation, enhancement and development of the transition to a sustainable energy system.

For more information about the business model, see Gasunie’s semi-annual report 2016 (page 6).
Gasunie is a European gas infrastructure company.

H1 2016 business highlights

H1 2016 financial performance

Financing

Outlook and Key take-aways

Appendices
H1 2016 Business developments

Gasunie

Safety:
- The Reportable Frequency Index increased to 4.1 in H1 2016 (3.5 in H1 2015). The aim of the Safe@gasunie programme is to structurally lower this number to below 3.0.
- In H1 2016 0 pipeline damage incidents were reported (3 in H1 2015).

Security of supply: There was 1 short interruption in transmission.

GTN

ACM published its draft method decision in April and June. This draft contains some significant adverse changes compared to the current method decision (2014 – 2016) including:
- Static efficiency benchmark (including historical capital costs) to assess the efficiency of GTS
- Lower reimbursement for pension and energy costs

GTS has expressed fundamental objections in its views in the consultation process on the draft method decision in July 2016. The final method decision is expected in October 2016. In the event that the draft method decision remains unchanged, it will have significant negative financial consequences for GTS and Gasunie. GTS has the possibility to appeal with the Trade and Industry Appeals (CBb) against the final method decision.

- Increase of more than 70% in gas conversion as a result of the Groningen gas field production cuts

GUD

Transport capacity towards Denmark and Schleswig-Holstein has increased significantly due to new assets taken in operation.

- Low calorific (Groningen gas) to High calorific Gas conversion projects are on schedule.
- The German government has presented a draft amendment of the Incentive Regulation to the Federal Council of Germany applicable for the next regulatory period as from 2018. Only relatively small changes are foreseen for TSOs. A final decision by the Bundesrat is expected in Q3 2016.

P&BD

- Several business initiatives with partners for green gas are well underway.
- Some long-term contracts have been renewed against lower contract values due to current market conditions.
H1 2016 Gas volume trends
Stable volumes transported, increasing trading activity on TTF

Volume transported. H1 2016 vs H1 2015:
- GTN: Slight increase due to higher exports.
- GUD: Decrease in North Sea flows almost replaced by Russian gas.

Gas trading. H1 2016 vs H1 2015:
- Title Transfer Facility (TTF): Increase in both OTC and gas exchange (ICE Endex, PEGAS) trading.
- TTF: Increase in number of active traders: 140 (H1 2015: 130)
- Gaspool: Traded volumes remained relatively stable.

* TTF Figures based on period January - May
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H1 2016 financial highlights

Financial performance

- Lower revenues (€ 62 mln) compared to H1 2015 due to the efficiency discounts, lower capacity sales and long-term contracts have been renewed against lower contract values.
- Lower Operating result (€ 48 mln). Lower revenues partly compensated by lower operating expenses mainly due to:
  - Lower energy costs;
  - Lower provisions. In H1 2015 a provision (€ 22 mln) was recognised for decommissioning and removal of pipeline sections to make Gasunie’s infrastructure more earthquake-proof.
- Lower net profit (€ 26 mln). Lower operating result partly compensated by:
  - Accelerated interim dividend payments Nord Stream (€ 11 mln);
  - Lower taxes (€ 13 mln).
- Positive stable free cash flows (see next slide)
Cash flow developments
Stable operating cash inflows and decreasing investing cash outflows

Main developments

- Operating cash flow:
  - Lower operating result more than offset by higher and partially accelerated dividends received and positive working capital movements in H1 2016.
  - Full year forecast operating cash flow in line with development of net profit from ordinary activities.

- Investing cash flow (Cash outflow):
  - The large expansion projects have almost been completed. As a consequence the CAPEX has been reduced.
  - Main focus currently on maintenance and replacement programme.
  - Full year forecast slightly below actuals 2015
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Interest-bearing debt and net debt development

Net debt continues to decrease

<table>
<thead>
<tr>
<th>Debt (€ mln) 30-06-2016</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market debt</td>
<td>238</td>
</tr>
<tr>
<td>Loans of the EIB</td>
<td>646</td>
</tr>
<tr>
<td>Euro Medium Term Notes</td>
<td>3,000</td>
</tr>
<tr>
<td><strong>Total interest-bearing debt</strong></td>
<td><strong>3,884</strong></td>
</tr>
<tr>
<td>Cash</td>
<td>-/- 45</td>
</tr>
<tr>
<td><strong>Total net debt</strong></td>
<td><strong>3,839</strong></td>
</tr>
</tbody>
</table>

As per 30-06-2016

Weighted average interest rate of outstanding long-term loans: approx. 3.1% p.a. (3.7% as per 31-12-2015)

Weighted average maturity of long-term loans: 5.3 years.

![Net debt 2012-2015 development](chart1)

![Net debt H1 2016](chart2)
Debt programmes and committed facilities

Debt profile allows for good access to financial markets

<table>
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<th>Debt programmes</th>
<th>Committed credit facilities at 30 June 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMTN programme of € 7,500 mln</td>
<td>Stand-by revolving credit facility (RCF) of € 750 mln (undrawn)</td>
</tr>
<tr>
<td>ECP programme of € 750 mln</td>
<td></td>
</tr>
</tbody>
</table>

**Capital markets transactions**

- In May 2016 Gasunie issued a € 650 mln 10-year fixed-rate note.
- Upcoming bond redemptions:
  - 31 March 2017 (€ 750 mln)
  - 16 October 2018 (€ 300 mln)

**Revolving credit facility**

- In July 2016 the RCF was extended by one year.
  - RCF until July 2020 is € 750 mln
  - RCF from July 2020 until July 2021 is € 680 mln
Solid ratings
Solid ratings remain unchanged

Moody’s
INVESTORS SERVICE

A2/ Stable
P-1

Rationale

- Low business risk profile: around 80% of the Group’s operating profit stems from regulated network activities, operating under two well-defined and relatively stable regulatory regimes in the Netherlands and Germany.
- Rating is constrained by challenging Dutch tariff setting.
- Liquidity profile remains solid.
- Two-notch uplift, stemming from strong support from its 100% owner, the State of the Netherlands (Aaa).
- The stable outlook reflects the view that Gasunie will be able to maintain credit metrics over the medium term in line with the minimum guidance for its current rating outlined by Moody’s, despite cash flow pressures stemming from a lower allowed return and potential efficiency challenges for the Dutch network operations.


Standard & Poor’s Ratings Services
McGraw Hill Financial

AA-/ Stable
A-1+

Rationale

- Business Risk: Excellent. Focus on low risk regulated gas transmission operations in the Netherlands and northern Germany and the Netherlands’ very low country risk. Low level of earnings’ volatility.
- Financial risk: Intermediate. Underpinned by strengthening credit metrics and the expectation of positive and growing discretionary cash flows, on the back of structurally declining capital expenditures.
- Some likely pressure on the company’s financial profile post-2017, when a new regulatory period starts in The Netherlands.
- High likelihood of extraordinary support from the State of the Netherlands leads to a 3-notch uplift of the “a-” stand-alone credit profile.
- Liquidity position: Adequate.
Gasunie is a European gas infrastructure company.

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Outlook and Key take-aways

Outlook

- The ACM is expected to issue the final method decision for the period 2017-2021 in October 2016.

- Net profit from ordinary operating activities is expected to be approximately € 500 mln in 2016. In the event that the draft method decision remains unchanged, it will have significant negative financial consequences for GTS and Gasunie. GTS has the possibility to appeal with the CBb against the final method decision.

- The investment decision regarding a new nitrogen production facility is foreseen in H2 2016.

- Capital expenditure will be between € 300 – 350 mln in 2016, mainly coming from our maintenance and replacement programme.

- Upcoming bond redemption of € 750 mln in March 2017, all relevant products and markets will be taken into account for refinancing.

- Focus will be on:
  - Optimisation of new regulatory frameworks for GTN and GUD;
  - Development of pillar 2 and 3 as part of the current strategy;
  - Operational excellence.
Key take-aways

**A leading European gas infrastructure company**
- Continued focus on safety and security of supply.
- Increase in gas conversion due to Groningen gas field production cuts.
- Several business initiatives regarding green gas are well underway.
- TTF trading continues to increase.

**Financial performance H1 and outlook 2016**
- Lower revenues in H1 2016 due to efficiency discounts and lower capacity sales and lower contract values.
- Lower operating costs in H1 2016, mainly due to a major provision in H1 2015.
- Net profit from ordinary operating activities is expected to be approximately € 500 mln in 2016.
- Increased focus on maintenance CAPEX. CAPEX outlook 2016 slightly below realisation 2015.

**Regulatory developments**
- The ACM published its draft method decision and GTS has expressed fundamental objections in its views on this decision.
  If the ACM does not adopt the GTS views on the draft decision, this will have significant negative financial consequences.
  GTS has the possibility to appeal with the CBb against the final method decision.
  The final method decision is expected in October 2016.

**Prudent financial policy**
- Credit ratings have been reaffirmed A2/Stable (Moody’s) and AA-/Stable (S&P).
- RCF is extended with one year.
- Upcoming bond redemption of € 750 mln in March 2017; all relevant products and markets will be taken into account for refinancing.
Questions & Answers

Thank You!

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Sierd Wilkens: +31 50 521 1037, S.W.Wilkens@gasunie.nl
## Appendix: Balance sheet

<table>
<thead>
<tr>
<th>Balance Sheet - Before profit appropriation (in € mln)</th>
<th>30-06-2016</th>
<th>31-12-2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Tangible &amp; intangible fixed assets</td>
<td>9,115.3</td>
<td>9,134.0</td>
</tr>
<tr>
<td>- Investments in Joint ventures</td>
<td>154.3</td>
<td>157.4</td>
</tr>
<tr>
<td>- Investments in associates</td>
<td>11.9</td>
<td>12.4</td>
</tr>
<tr>
<td>- Other equity interests</td>
<td>441.8</td>
<td>434.9</td>
</tr>
<tr>
<td>- Deferred tax assets</td>
<td>311.8</td>
<td>322.5</td>
</tr>
<tr>
<td>Total Fixed assets</td>
<td>10,035.1</td>
<td>10,061.2</td>
</tr>
<tr>
<td>Total Current assets</td>
<td>227.6</td>
<td>300.6</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>10,262.7</strong></td>
<td><strong>10,361.8</strong></td>
</tr>
<tr>
<td>Shareholder’s equity</td>
<td>5,682.3</td>
<td>5,717.5</td>
</tr>
<tr>
<td>- Interest-bearing loans</td>
<td>2,875.0</td>
<td>2,985.7</td>
</tr>
<tr>
<td>- Other long-term liabilities</td>
<td>375.7</td>
<td>370.4</td>
</tr>
<tr>
<td>Total Long-term liabilities</td>
<td>3,250.7</td>
<td>3,356.1</td>
</tr>
<tr>
<td>- Current financing liabilities</td>
<td>1,009.3</td>
<td>1,001.6</td>
</tr>
<tr>
<td>- Trade and other payables</td>
<td>320.4</td>
<td>286.6</td>
</tr>
<tr>
<td>Total Current liabilities</td>
<td>1,329.7</td>
<td>1,288.2</td>
</tr>
<tr>
<td><strong>Equity &amp; liabilities</strong></td>
<td><strong>10,262.7</strong></td>
<td><strong>10,361.8</strong></td>
</tr>
</tbody>
</table>

More detailed information about the financial statements can be found in Gasunie’s semi-annual report 2016
### Appendix: Profit and loss statement

<table>
<thead>
<tr>
<th>Profit &amp; Loss statement (in € mln)</th>
<th>H1 2016</th>
<th>H1 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>814.4</td>
<td>875.9</td>
</tr>
<tr>
<td>- Capitalised expenditure</td>
<td>50.6</td>
<td>43.1</td>
</tr>
<tr>
<td>- Staff costs and other operating expenses</td>
<td>-/- 281.4</td>
<td>-/- 293.4</td>
</tr>
<tr>
<td>- Depreciations</td>
<td>-/- 150.0</td>
<td>-/- 144.8</td>
</tr>
<tr>
<td>Operating result</td>
<td>433.6</td>
<td>480.8</td>
</tr>
<tr>
<td>- Financial income &amp; costs</td>
<td>-/- 68.3</td>
<td>-/- 65.8</td>
</tr>
<tr>
<td>- Result of participations</td>
<td>31.0</td>
<td>20.3</td>
</tr>
<tr>
<td>Result before taxation</td>
<td>396.3</td>
<td>435.3</td>
</tr>
<tr>
<td>Taxes</td>
<td>-/- 96.5</td>
<td>-/- 109.4</td>
</tr>
<tr>
<td>Result after taxation</td>
<td>299.8</td>
<td>325.9</td>
</tr>
</tbody>
</table>

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Appendix: Cash flow statement

<table>
<thead>
<tr>
<th>Cash Flow statement (in € mln)</th>
<th>H1 2016</th>
<th>H1 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow from operating activities</td>
<td>563.7</td>
<td>525.3</td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>-/- 148.5</td>
<td>-/- 180.3</td>
</tr>
<tr>
<td>- Repayment of long-term loans</td>
<td>-/- 710.7</td>
<td>-/- 10.7</td>
</tr>
<tr>
<td>- New long-term loans</td>
<td>650.0</td>
<td></td>
</tr>
<tr>
<td>- Movement in short-term financing</td>
<td>-/- 42.3</td>
<td>11.4</td>
</tr>
<tr>
<td>- Dividend paid</td>
<td>-/- 331.7</td>
<td>-/- 362.1</td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>-/- 434.7</td>
<td>-/- 361.4</td>
</tr>
<tr>
<td>Movement in cash &amp; cash equivalents</td>
<td>-/- 19.5</td>
<td>-/- 16.4</td>
</tr>
</tbody>
</table>

More detailed information about the financial statements can be found in Gasunie’s semi-annual report 2016