

## November 2016 fixed income investor update



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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 historical figures in this presentation are derived from the 2012, 2013, 2014 and 2015 audited annual report and the 2016 un-audited semi-annual report of N.V. Nederlandse Gasunie.

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## Gasunie Credit summary

- Gasunie Credit ratings:
  - S&P: Long term AA-/Stable ; Short term A-1+
  - Moody's: Long term A2/Stable ; Short term P-1
- N.V. Nederlandse Gasunie is 100% owned by the State of the Netherlands (Aaa/Stable, AAA/Stable), represented by the Ministry of Finance.
- Gasunie's regulated activities in The Netherlands and in Germany contribute more than 80% of Revenues and EBIT.
- Strong balance sheet: balance sheet 30 June 2016 totals € 10.3 billion of which € 5.7 billion in the form of equity (55% solvency).
- Liquidity position is underpinned by a € 750 million committed Revolving Credit Facility which does not mature until July 2020. The RCF is fully undrawn.
- Net debt position is decreasing since 2014.

## Group activities and strategy

European gas infrastructure company



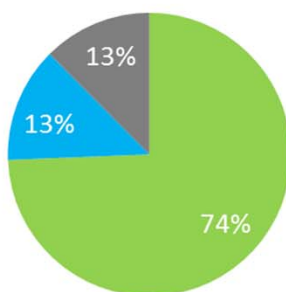
### Strategy: 3 pillars

1. Ensure a secure, reliable, affordable and sustainable gas infrastructure in our key area
2. Contribute to efficient gas infrastructure & services for a well-functioning European gas and LNG market
3. Accelerate the transition to a CO2-neutral energy supply

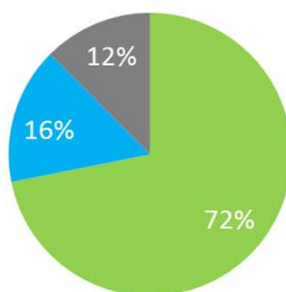
## Business units

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

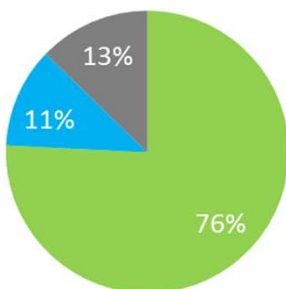
Revenues H1 2016



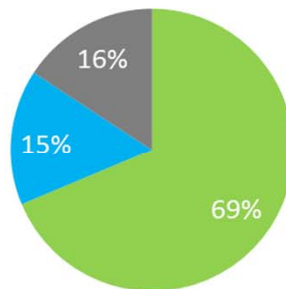
Revenues H1 2015



Operating Result H1 2016



Operating Result H1 2015



Regulated: Gasunie Transport Nederland | Gasunie Deutschland  
Non-regulated: Participations & Business Development

### Key business unit characteristics

- Regulated: **Gasunie Transport Services (GTS): 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).

\*Before inter-segment eliminations.

## Business developments

- GTS** ■ *A new regulatory period will start in 2017.* The 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 the beginning of 2017. 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.

- *Measurement differences.* The ACM currently investigates the financial settlement resulting from measurement differences in gas quantities. The ACM proposed that it will settle the measurements retroactively. A settlement with the market could lead to a total future revenues reduction up to approximately EUR 200 million in aggregate.
- *Nitrogen factory.* In September 2016 the Minister of Economic Affairs has delayed the investment decision on the expansion of the Nitrogen Factory. The Minister wants to assess whether the additional commitment of quality conversion is required with the intended Groningen production level of 24 billion m<sup>3</sup> per year. The investment decision is foreseen shortly after the summer of 2017.

- GUD** ■ Large expansions projects are completed reducing CAPEX spent.
- A new regulatory period will start in 2018. Before the start of this new regulatory period, the parameters of the relevant regulatory period, and thereby the applicable revenue cap for GUD, will be reset by the BNetzA.

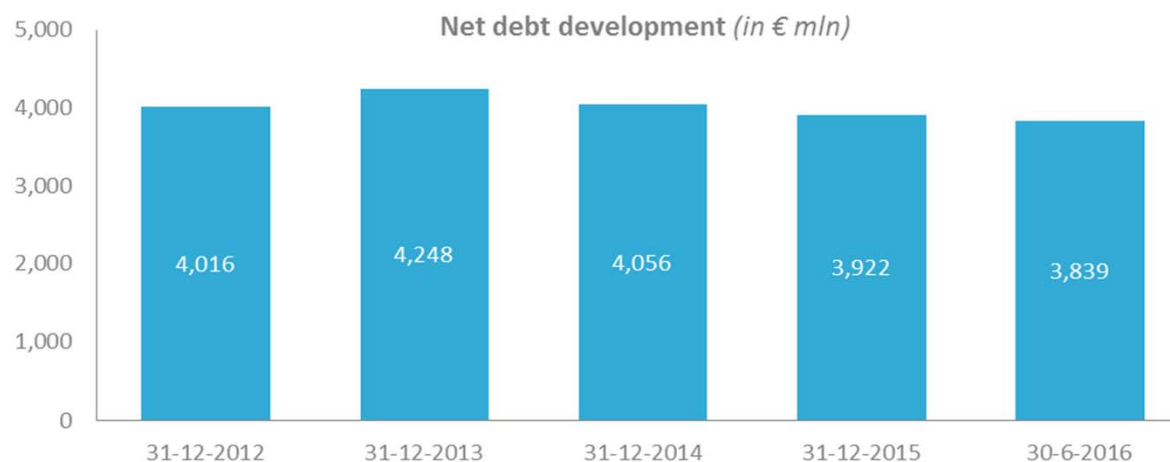
- P&BD** ■ The LNG Break Bulk project of Gate terminal will open in November 2016. The first seagoing vessels
- Some long term contracts have been renewed against lower contract values due to current market conditions

## Interest-bearing debt and net debt development

Net debt continues to decrease

Debt (€ mln) 30-06-2016	
Money market debt	238
Loans of the European Investment Bank (EIB)	646
Euro Medium Term Notes	3,000
<b>Total interest-bearing debt</b>	<b>3,884</b>
Cash	-/- 45
<b>Total net debt</b>	<b>3,839</b>

As per 30-06-2016
Weighted average interest rate of outstanding long-term loans: approx. 3.1% p.a.
Weighted average maturity of long-term loans: 5.3 years.





## Debt programmes and committed facilities

Debt profile allows for good access to financial markets

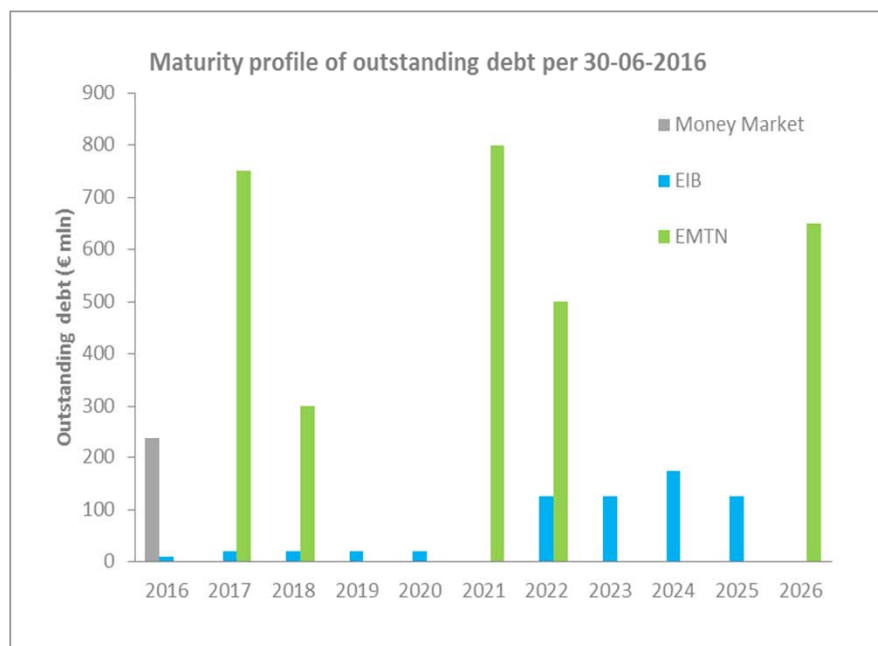
### Debt programmes

EMTN programme of € 7,500 mln

ECP programme of € 750 mln

### Committed credit facilities at 30 June 2016

Stand-by revolving credit facility (RCF) of € 750 mln (undrawn)



### 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.

Source: Moody's Investors Service Credit Opinion of 20 May 2016 and Standard & Poor's Rating Services Research Update of 2 June 2016.

## Outlook

- The ACM is expected to issue the final method decision for the period 2017-2021 in the beginning of 2017.
- In the event that the draft method decision remains unchanged, it will have significant negative financial consequences for GTS and Gasunie. The net result over 2016 may be materially impacted by the impairment test that Gasunie's management intends to do as part of the financial closing process 2016.
- The investment decision regarding a new nitrogen production facility is foreseen after summer 2017.
- 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 GTS and GUD;
  - Development of pillar 2 and 3 as part of the current strategy;
  - Operational excellence.

## For further information

Corporate Treasurer:

Janneke Hermes: +31 50 521 2742, [J.Hermes@gasunie.nl](mailto:J.Hermes@gasunie.nl)

Manager treasury front office:

René van der Haar: +31 50 521 2697, [R.E.van.der.Haar@gasunie.nl](mailto:R.E.van.der.Haar@gasunie.nl)

Treasury front office:

Sierd Wilkens: +31 50 521 1037, [S.W.Wilkens@gasunie.nl](mailto:S.W.Wilkens@gasunie.nl)

# Appendix

## Appendix: Profit and loss statement

<i>(In € mln)</i>	FY 2014	FY 2015	H1 2015	H1 2016
Revenues	1,651.2	1,631.0	875.9	814.4
- Capitalised expenditure	91.5	89.5	43.1	50.6
- Staff costs & other operating exp.	- 556.6	- 638.5	- 293.4	-281.4
- Depreciations	- 293.3	- 296.0	- 144.8	- 150.0
Operating result	892.8	786.0	480.8	433.6
- Finance income & costs	- 139.1	- 132.4	-65.8	- 68.3
- Share in result participations	50.9	70.7	20.3	31.0
Result before taxation	804.6	724.3	435.3	396.3
Taxes	- 201.1	- 171.4	- 109.4	- 96.5
Result after taxation	603.5	552.9	325.9	299.8

## Appendix: Cash flow statement

<i>In € mln</i>	FY 2014	FY 2015	H1 2015	H1 2016
Cash flow from operating activities	978.5	852.0	525.3	563.7
Cash flow from investing activities	- 461.3	- 356.3	- 180.3	-148.5
- New long-term loans	50	300	- 10.7	- 710.7
- Repayment of long-term loans	- 21.4	- 521.5		650.0
- Movement in short-term financing	- 209.4	105.1	11.4	- 42.3
- Dividend paid	- 325.1	- 362.1	- 362.1	- 331.7
Cash flow from financing activities	- 505.9	- 478.5	- 361.4	- 434.7
Movement in cash & cash equivalents	11.3	17.2	- 16.4	- 19.5

## Appendix: Balance sheet

<i>in € mln</i>	31-12-2013	31-12-2014	31-12-2015	30-06-2016
- <i>Tangible &amp; intangible fixed assets</i>	8,927.6	9,100.0	9,134.0	9,115.3
- <i>Investments in Joint ventures</i>	160.1	152.6	157.4	154.3
- <i>Investments in associates</i>	10.6	11.7	12.4	11.9
- <i>Other equity interests</i>	418.1	424.4	434.9	441.8
- <i>Deferred tax assets</i>	366.8	342.9	322.5	311.8
Total Fixed assets	9,883.2	10,031.6	10,061.2	10,035.1
Total Current assets	304.8	267.6	300.6	227.6
<b>Total assets</b>	<b>10,188.0</b>	<b>10,299.2</b>	<b>10,361.8</b>	<b>10,262.7</b>
Shareholder's equity	5,213.9	5,505.1	5,717.5	5,682.3
- <i>Interest-bearing loans</i>	3,878.6	3,407.1	2,985.7	2,875.0
- <i>Other long-term liabilities</i>	359.2	360.7	370.4	375.7
Total Long-term liabilities	4,237.8	3,767.8	3,356.1	3,250.7
- <i>Current financing liabilities</i>	405.9	696.6	1,001.6	1,009.3
- <i>Trade and other payables</i>	330.4	329.7	286.6	320.4
Total Current liabilities	736.3	1,026.3	1,288.2	1,329.7
<b>Equity &amp; liabilities</b>	<b>10,188.0</b>	<b>10,299.2</b>	<b>10,361.8</b>	<b>10,262.7</b>



gasunie  
crossing borders in energy

