Financial results 2015
Fixed income analyst & Investor Conference call 17 March 2016
Presented by

- René Oudejans, CFO
- Ernst Vasbinder, Corporate Treasurer
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable as at 31 December 2015.

The figures in this report are derived from the 2015 audited annual report of N.V. Nederlandse Gasunie. The financial statements as prepared will be submitted on 30 March 2016 to the General Meeting of Shareholders for adoption.

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This presentation may contain projections or other forward-looking statements regarding future events or the future financial performance of N.V. Nederlandse Gasunie and its subsidiaries. We would like to bring to your attention that these statements are management predictions and that actual events or results may differ materially.
European gas infrastructure company

Diversification, flexibility and security of supply.
Strategy

Optimising the value of our existing assets

Strengthening our leading position as cross-border gas infrastructure company in Europe

Enable the transition towards more sustainable energy use possible
Gasunie has three business units.

**Gasunie Transport Services (GTS)**

**Gasunie Deutschland (GUD)**

**Participations & Business Development (P&BD)**

Regulated: **GTS** and **GUD**. The core activity of GTS and GUD is the transport of gas in the Netherlands and North Germany respectively. Both companies are what is known as Transmission System Operators (TSO’s). Customers enter into contracts to book capacity at certain entry and/or exit points in our network for a certain period (year, quarter, month or day). GTS and GUD compete with other networks with regard to transport of international gas flows.

The tariffs that GTS and GUD charge their customers are regulated. They are determined once a year by the national regulator, which reviews the method of regulation every 3 to 5 years. The regulator in the Netherlands is the Autoriteit Consument & Markt (ACM) and in Germany the Bundesnetzagentur (BNetzA). For both GTS and GUD is revenue regulation applicable and efficient costs are reimbursed. The tariffs are calculated by dividing the allowed revenues by the estimated capacity bookings. If actual bookings and therefore the revenues deviate from the estimates, the difference will be settled in future years.

The permitted revenues are calculated based on the costs incurred. GTS and GUD are allowed to earn back their capital and operating costs plus regulatory depreciations, including a return. The regulator is allowed to impose efficiency measures. The current regulation period runs for GTS from 2014 until the end of 2016 and for GUD from 2013 until the end of 2017.
Gasunie Transport Services (GTS)  |  Gasunie Deutschland (GUD)  |  Participations & Business Development (P&BD)

Non-Regulated (P&BD) : P&BD activities have been placed in separate entities. These are responsible for the marketing and delivery of gas infrastructure services and for the undertakings they entered into as owners of their assets. Our ownership ratio’s in these entities vary from full ownership (e.g., Energystock) to shared ownership with external partners (e.g., Gate and BBL). The governance is entrusted to the business unit P&BD. Gasunie takes care of the operational management of the underground gas storage facility EnergyStock, the Peakshaver storage installation and the pipeline connecting the Netherlands with the UK (BBL). The LNG terminal in Rotterdam (Gate terminal) and Nord Stream function as independent organisations, supervised by their respective shareholders.

P&BD is looking for opportunities to develop new and innovative activities with good returns and for partners to work with. These activities should contribute to Gasunie’s strategy of supporting a well functioning gas market and accelerate the transition towards a sustainable energy system.

The commercial and economic risks and therefore the return targets of these non-regulated activities are higher than for Gasunie’s fully regulated activities. This is because most entities compete in the free market.
The recently published Energy Report has shown that the Dutch government sees a clear role for gas and gas infrastructure in further reducing CO2 emissions. The report indicates that gas will continue to be important for a long time to come. This also keeps the transition to a clean energy supply reliable and affordable. In the coming decades, natural gas will be used increasingly for applications for which no cleaner alternatives are at hand.

Security of supply: during 2015 we had an almost flawless performance on security of supply. There were just 3 short interruptions (of which only 1 affecting a connected party) in the Netherlands and none in Germany.

Split-off of the assets of the regional high pressure network (RTL-network) from GTS into Gasunie Grid Services (GGS) as of 1 January 2016. This should allow GTS and GGS to service the market more effectively as the role and focus of the two transmission systems will increasingly diverge.

In 2015 GTS developed a Network Development Plan (NDP). The NDP replaces the system of Open Seasons that were previously used. The NDP is required in order to ensure sufficient future transport capacity for our customers.

Earthquakes in the Groningen region are affecting Gasunie and GTS in a number of ways:

- The Minister of Economic Affairs has decreased the cap on production from the Groningen gas field to 27 billion cubic meters (“bcm”) for 2016. Future reductions will depend on the outcome of political decisions. The decreased domestic gas production allows for less exports and changing gas flows.
- Continuous effort by Gasunie to ensure that its infrastructure in this region can better cope with earthquake magnitudes up to 5.0 on the Richter-scale.
- Volume of converted high caloric gas (H-gas) to low caloric gas (G-gas: domestically used Groningen quality gas) has increased to 16.9 bcm in 2015 from 4.8 bcm in 2014.
- In order to ensure sufficient low caloric gas, Gasunie is planning to invest in an additional nitrogen-production facility in order to offer sufficient conversion capacity to the market.
Business developments 2015 (2)

GTS (cont.)
- Decrease in natural gas transported in 2015 (935 TWh, 95.7 bcm) compared to 2014 (976 TWh, 100 bcm).
- Large ICT-project started in 2015 for GTS to replace the software used for the GTS transmission management system.
- TTF: Record volume of 16,684 TWh traded (2014: 13,216 TWh), increasing TTF’s market leadership of European OTC-trade. Net TTF volume was 450 TWh (2014: 430 TWh).

GUD
- Transported volumes: Gasunie Deutschland transported less natural gas in 2015 (244 TWh) compared to 2014 (257 TWh).
- Large projects: The pipeline Fockbek-Ellund and the Elbe-culvert have been taken into operation during 2015.
- Gaspool: Increase in traded volume gas to 1,494 TWh in 2015 (until Q3) from 1,291 TWh in 2014 (until Q3), increase in number of member traders to 402 in 2015 from 398 in 2014.

P&BD
- Gate terminal: Throughput of LNG increased for the fourth year in a row. All segments are increasing: Number of ships unloading, number of ships re-loading (large ships and small scale tankers combined), truck and container loading.
- Nord Stream: During 2015 Nord Stream transported a record volume of 39 TWh. This is over 10% more than in 2014.
- Gate terminal: Excavation works started for the new LNG Break Bulk Rotterdam harbor basin, RFO expected mid 2016. As of 1 April 2015, Gasunie and Royal Vopak each hold 50% of the share capital in Gate terminal as a result of a joint venture partner’s sale of its shareholding.
Total transported volume decreased

- Total transported volume decreased to 1,179 TWh from 1,233 TWh:
  - Gasunie Transport Services: decrease (-4%) mainly due to the lower production from the Groningen field.
  - Gasunie Deutschland: decrease (-5%) mainly due to changing gas flows in the beginning of 2015.
Financial highlights 2015

Financial performance
- Net profit of € 553 million (2014: € 603 million) from an invested capital of € 9,739 million.
- Proposed dividend of € 332 million (2014: € 362 million). The proposed dividend pay-out ratio is 60% (2014: 60%).
- Energy costs (ENF) 2015 in line with 2014.
- EBIT 2015 amounted to € 786 million and was € 107 million lower than 2014.
- The decrease in net profit and EBIT are mainly caused by higher operating costs relating to the multi-year maintenance and replacement programme and due to a provision for the decommissioning and removal of pipeline sections.

Developments 2015 | 2014
(in € mln)
Key financial figures

<table>
<thead>
<tr>
<th>In € mln</th>
<th>2015</th>
<th>2014</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>1,631</td>
<td>1,651</td>
<td>-1%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,082</td>
<td>1,186</td>
<td>-9%</td>
</tr>
<tr>
<td>EBIT</td>
<td>786</td>
<td>893</td>
<td>-12%</td>
</tr>
<tr>
<td>Financial income and expenses</td>
<td>-132</td>
<td>-139</td>
<td>5%</td>
</tr>
<tr>
<td>Taxes</td>
<td>-171</td>
<td>-201</td>
<td>15%</td>
</tr>
<tr>
<td>Net Profit</td>
<td>553</td>
<td>603</td>
<td>-8%</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>In € mln</th>
<th>2015</th>
<th>2014</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating cash flow</td>
<td>852</td>
<td>979</td>
<td>-13%</td>
</tr>
<tr>
<td>Investing cash flow</td>
<td>-356</td>
<td>-462</td>
<td>-30%</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>In € mln</th>
<th>31-12-2015</th>
<th>31-12-2014</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td>10,061</td>
<td>10,032</td>
<td>0%</td>
</tr>
<tr>
<td>Current assets</td>
<td>301</td>
<td>267</td>
<td>13%</td>
</tr>
<tr>
<td>Total assets</td>
<td>10,362</td>
<td>10,299</td>
<td>1%</td>
</tr>
<tr>
<td>Shareholder’s equity</td>
<td>5,718</td>
<td>5,505</td>
<td>4%</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>3,356</td>
<td>3,768</td>
<td>-11%</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>1,288</td>
<td>1,026</td>
<td>26%</td>
</tr>
<tr>
<td>Equity &amp; liabilities</td>
<td>10,362</td>
<td>10,299</td>
<td>1%</td>
</tr>
</tbody>
</table>

Main developments

- EBIT is lower than 2014. This is mainly due to:
  - Lower revenues: higher tariffs resulting from new assets coming into operation and from additional capacity bookings could not compensate a partial repayment of the WQA service revenues and regular efficiency discounts.
  - Higher operating cost: A provision of € 22 million was charged to the result for the decommissioning and removal of pipeline sections in order to make Gasunie’s infrastructure more earthquake-proof. Moreover, costs increased due to the multi-year maintenance and replacement programme and the removal of the Elbe culvert pipeline in Germany.
  - Energy costs in line with 2014. Due to the reduced gas production from the Groningen field, the costs of converting gas from high-caloric to the desired quality level have risen. However, this is compensated by lower transmission costs due to changing gas flows.
Breakdown per business segment

Regulated activities contribute more than 80% of revenues and EBIT*

Main developments

- **Gasunie Transport Services:**
  - EBIT lower mainly caused by higher maintenance costs in combination with a provision for decommissioning and removal of pipeline sections and lower revenues due to partial repayment of WQA service revenues.

- **Gasunie Deutschland:**
  - EBIT 2015 on the same level as 2014;
  - Contribution (EBIT) of Gasunie Deutschland has increased to 17% (2015) from 15% (2014).

- **Participations & Business Development:**
  - EBIT higher as a result of stable revenues in combination with lower costs;
  - Contribution (EBIT) of Participations & Business Development has increased to 19% (2015) from 16% (2014).

*Revenues before inter-segment eliminations.
Cash flow from operating and investing activities
Decrease in operating cash inflow largely offset by decrease in investing cash outflow.

Main developments

- Cash flow from operating activities in 2015 is lower than 2014 due to higher operating costs and lower revenues.
- Total CAPEX have been gradually declining over the past couple of years.
- Cash flow from investing activities in 2015 is lower than 2014 due to decreasing amounts required for expansion projects.
- Investments 2015 have increasing focus on multi-year replacement programme.
Definitions

Total assets/EBITDA: Denominator is EBITDA + results on participations.

FFO: Funds from Operations is the total of the result on continuing operations after taxation, depreciation, amortisation and impairments.

Net Debt including guarantees: Total of long-term interest-bearing loans, current financing liabilities and guarantees, less cash and cash equivalents.

ROE is the result after taxation divided by equity.

ROIC is the NOPLAT divided by the invested capital. This ratio gives insight into the extent to which Gasunie generates cash flows relative to the cash flow it has invested in the business.
Financing: Debt profile allows for good access to financial markets

Gasunie has good access to the financial markets and has committed credit lines in place to ensure a sufficient liquidity position. In July 2015 the € 750 mln revolving stand-by credit facility (RCF) has been extended by one year leading to a new maturity date of 24 July 2020.

<table>
<thead>
<tr>
<th>Debt programmes</th>
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<tbody>
<tr>
<td>EMTN programme of € 7,500 mln</td>
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<tr>
<td>ECP programme of € 750 mln</td>
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<table>
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<tr>
<th>Committed credit facilities at 31 December 2015 (undrawn)</th>
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<tbody>
<tr>
<td>EMTN programme of € 7,500 mln</td>
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<tr>
<td>Stand-by revolving credit facility of € 750 mln</td>
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**Capital markets transactions**

- In October 2015 Gasunie issued a € 300 mln 3 year floating rate note. Interest: 3-month euribor + 0.37%
- Upcoming bond redemptions (next 3 years):
  - 20 June 2016 (€ 700 mln)
  - 31 March 2017 (€ 750 mln)
  - 16 October 2018 (€ 300 mln)
- Gasunie intends to refinance the maturing 20 June 2016 € 700 mln bond by a benchmark capital market transaction in Q1 or Q2 2016, possibly complemented by a private placement.
Composition of interest bearing debt and net debt development:

Net debt continues to decrease.

<table>
<thead>
<tr>
<th>Debt (€ mln) 31-12-2015</th>
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<tbody>
<tr>
<td>Money market debt</td>
<td>280</td>
</tr>
<tr>
<td>Loans of the European Investment Bank (EIB)</td>
<td>657</td>
</tr>
<tr>
<td>Euro Medium Term Notes</td>
<td>3,050</td>
</tr>
<tr>
<td><strong>Total interest bearing debt</strong></td>
<td><strong>3,987</strong></td>
</tr>
<tr>
<td>Cash</td>
<td>65</td>
</tr>
<tr>
<td><strong>Total net debt</strong></td>
<td><strong>3,922</strong></td>
</tr>
</tbody>
</table>

As per 31-12-2015

Weighted average interest rate of outstanding long term loans: approximately 3.7% p.a.

Weighted average maturity of long term loans: 4.0 years.
Financing: Total net debt decreased during 2015

Operating cash flow exceeds the sum of investing cash flow and dividend payment.

The decrease of the total net debt in 2015 can be explained as follows:

<table>
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<tr>
<th>In € mln</th>
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<tbody>
<tr>
<td>Net debt position end 2014</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
</tr>
<tr>
<td>Dividend</td>
</tr>
<tr>
<td>Net debt position end 2015</td>
</tr>
</tbody>
</table>
Financing: Solid ratings
S&P ratings upgrade to AA-/A-1+ from A+/A-1, Moody’s ratings remained unchanged at A2/P-1;

Rationale
- Low business risk profile because around 90% of the Group’s reported revenue are derived from regulated gas transmission network operations under 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 for the Dutch network operations.

Outlook

- Decrease of net profit expected in 2016 mainly due to:
  - Yearly efficiency discounts in revenues;
  - Maturing long-term sales contracts in non-regulated business;
  - Increasing OPEX from the multi year maintenance and replacement programme.

- The annual CAPEX outlook will be in the range of € 300 - € 500 million for the upcoming three years.

- In the 2\textsuperscript{nd} half of 2016, a final investment decision is foreseen by Gasunie Transport Services for a new nitrogen facility in the Netherlands.

- Focus will be on:
  - Optimisation of new regulatory frameworks for Gasunie Transport Services and Gasunie Deutschland;
  - Operational excellence;
  - Development of new sustainability projects as part of the current strategy.

- Redemption of approx. € 1,8 bln long-term debt in 2016-2018 of which € 700 mln in 2016; for refinancing, all relevant products and markets will be taken into account.

- In 2017 a new regulatory period in The Netherlands will start. It is expected that the ACM will include a static benchmark. During 2016 the regulatory parameters that determine the allowed revenues will become clear.
Key Take aways

- Investments in previous years have led to a significant extension, diversification and flexibility of the Gasunie network. This has improved the security of supply and enhanced market liquidity at TTF.
- Financial performance in 2015:
  - Decrease in revenues due to partial repayment of the WQA service revenues and regular efficiency discounts;
  - Higher operating cost relating to a provision for the decommissioning and removal of pipeline sections, to the multi-year maintenance and replacement programme and to the removal of the Elbe culvert pipeline in Germany;
  - Net profit decreased from € 603 million in 2014 to € 553 million in 2015;
  - Proposed dividend of € 332 million (60% pay-out for 2015; 3.4% on invested capital).
- Investments in 2015 lower compared to 2014.
- Financing and funding:
  - Good access to financial markets;
  - Ratings are solid, unchanged at Moody’s (A2/stable) and upgraded by Standard & Poor’s (from A+ to AA-/stable).
- Outlook:
  - Decrease of net profit expected in 2016 mainly due to yearly efficiency discounts in revenues, maturing long-term sales contracts and increasing OPEX from replacement activities;
  - FID in the 2nd half of 2016 foreseen for new nitrogen facility in the Netherlands.
- Focus will be on:
  - Optimisation of new regulatory frameworks for Gasunie Transport Services and Gasunie Deutschland;
  - Operational excellence;
  - Development of new sustainability projects as part of the current strategy;
  - Refinancing of maturing debt.
Questions & Answers

Thank You!

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