About Gasunie

Profile

Gasunie is one of the largest gas infrastructure companies in Europe. Our network annually conveys approximately 125 billion cubic metres of natural gas (1,221 billion kWh) – almost a quarter of the total gas consumption in the European Union. We are the first European gas transport company with a cross-border network. This network consists of more than 15,500 kilometres of pipeline in the Netherlands and Germany, connections to national and international pipeline systems, hundreds of installations and approximately 1,300 gas receiving stations.

We are aware of the important role we play in society with respect to ensuring safe and reliable gas transport, thereby guaranteeing part of the energy supply.

We manage and develop gas infrastructure and gas trading points: gas transport networks, international transit pipelines, gas storage, an LNG terminal and the virtual gas trading points TTF (the Netherlands) and GASPOOL (Germany). All this forms the basis for the services we provide to our customers, enabling us to contribute to a liquid, competitive and reliable European energy market. Through our infrastructure and services, we connect our domestic market with the rest of the European gas market. By making optimal use of gas and LNG in the supply chain, we contribute to the development of a sustainable supply of energy. Our network functions increasingly as an international hub in the throughput of gas.

We occupy an independent position in relation to production companies and/or suppliers and apply an open-access model: our infrastructure is available to all our customers on equal conditions, and our services are transparent and non-discriminatory. Our customers are gas producers, shippers, traders, distribution companies and sizeable end-users, such as power stations and large industries.

At year-end 2013, we had 1,731 employees, distributed over more than 30 locations in the Netherlands and North Germany, and with agencies in The Hague, Berlin, Brussels and Moscow. Our headquarters are in Groningen, and our main office in Germany is located in Hanover. We make an important contribution to employment opportunities through the contractors and subcontractors in the Netherlands and Germany whom we hire to work on our projects.

The Dutch State is our only shareholder.

Mission

Gasunie is a leading European gas infrastructure company. We serve the public interest, offer integrated transport and infrastructure services to our customers and adhere to the highest safety and business standards. We focus on short- and long-term value creation for our shareholder(s), other stakeholders and the environment.

Vision

We believe in a sustainable future with a balanced energy mix and a lasting role for diversified gas. We believe that we serve our customers best with innovative gas infrastructure solutions.

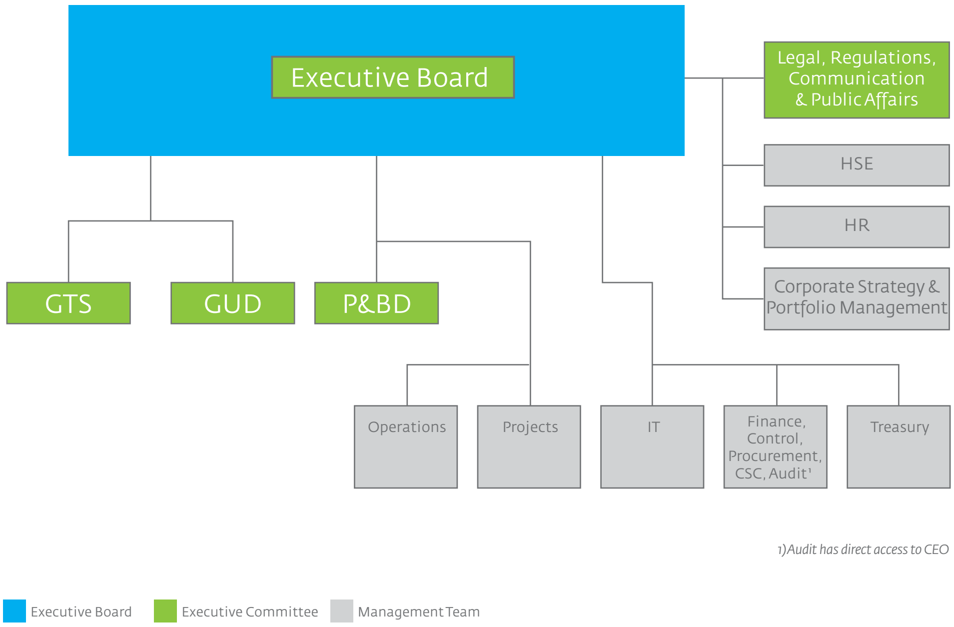
Organisational structure

We have two subsidiaries that manage the gas transport grid: Gasunie Transport Services (GTS) in the Netherlands and Gasunie Deutschland in Germany. These subsidiaries are managed as business units of the holding company.

Our third business unit, Participations & Business Development, develops and manages non-regulated or partially regulated activities. These activities support the liquidity and operation of the gas market in the areas where we are active, and also contribute to the exploitation of the networks of GTS and Gasunie Deutschland. The core activities of Participations & Business Development are gas storage, an LNG peak installation, transport through international sea pipelines, a terminal for the import of liquefied natural gas (LNG), and our share in the gas exchange ICE Endex. In providing these activities, we compete with other providers.

Our subsidiary Vertogas acts as a certification agency for green gas. It issues certificates which guarantee the sustainable origin of green gas and make sustainable production methods transparent and demonstrable.

Organogram



Business model

The three business units have different business models. The business models of GTS and Gasunie Deutschland are largely similar. The activities of GTS and Gasunie Deutschland are both regulated, in contrast to those of Participations & Business Development, which are not or only partially regulated.

The core activity of GTS and Gasunie Deutschland is the transport of gas in the Netherlands and North Germany respectively. Both companies are fully independent Transmission System Operators (TSOs). Their income and returns are regulated by national regulatory authorities, the Dutch Authority for Consumers and Markets (ACM) in the Netherlands and the *Bundesnetzagentur* (BNetzA) in Germany.

A major focal point for our future is facilitating, stimulating and developing the transition towards a sustainable energy system. In this, we focus on innovations (e.g., in the field of green gas and power-to-gas) and new product/market combinations for natural gas (e.g., utilising LNG in the maritime and transport sector). These new activities should generate extra income and contribute to making optimal use of our existing gas infrastructure activities. These activities are being developed by the business unit Participations & Business Development.

Our revenues are almost entirely generated from activities relating to the gas infrastructure.

GTS's business model

In its service provision, GTS focuses on selling the available capacity in a reliable network with competitive conditions. Customers enter into contracts which allow them to book capacity at certain entry or exit points in the network, for a certain period (year, month or day). Customers can feed gas into the network at entry points, and they can retrieve gas from the network at exit points. For all services, customers pay an all-in tariff for the capacity booked. This capacity tariff entitles customers to feed gas into and retrieve gas from the relevant network point for the period that has been agreed. There is no tariff for actual usage of the network point. Customers can trade gas amongst themselves at a virtual market place called Title Transfer Facility (TTF). A liquid and competitive capacity market is important to GTS, because it makes the GTS infrastructure more attractive to its customers.

The GTS network forms part of the European gas network. It competes with other networks with regard to transport of international gas flows.

Costs

The variable costs that GTS makes for using the capacity booked by its customers consist mainly of energy costs, i.e., gas and electricity for compressors to transport the gas, and electricity for producing nitrogen to blend the gas to the right quality. These variable costs, also referred to as uncontrollable costs, form part of the all-in capacity tariff.

Retroactive settlement

In a year with an unusually cold winter, it can happen that GTS's revenues do not actually increase significantly, because customers have already booked their winter capacity. However, the actual energy costs of transporting larger volumes of gas in a cold winter do increase, leading to a lower operating result. Conversely, an unusually mild winter leads to lower energy costs.

These energy costs are subject to a system of retroactive settlement, with a limited risk for GTS, allowing these uncontrollable fluctuations in the operating result to be corrected in a later year. In compliance with current IFRS rules, in the annual accounts of GTS, no accounts payable or receivable have been included for these settlements with regard to energy costs (which may be either positive or negative depending on whether the winter is unusually mild or extremely cold).

Tariffs

The tariffs that GTS charges its customers are regulated. They are determined according to the ACM calculation rules. As of 2014, a system of income regulation will be applicable: the tariffs are calculated by dividing the permitted revenues by the estimated capacity bookings. If the actual revenues deviate from this, the difference will be settled in later years. The permitted revenues are based on 'cost-plus regulation': GTS is allowed to earn back the efficiently incurred capital costs and operational costs, including a return that is in line with the market. The permitted capital costs are derived from the 'regulated asset value', which is also referred to as 'regulated asset base' (RAB), while the permitted operational costs consist mainly of costs for planning, metering and billing, management and maintenance, and the uncontrollable energy costs mentioned above.

Investments and return

The design and use of the network determine the total available capacity. GTS is legally bound to invest efficiently in sufficient transport capacity in order to be able to satisfy the total market needs. To this end, the legal point of departure is that the gas supply for small-scale users in the Netherlands is guaranteed for a day with an average effective temperature over 24 hours as measured at the Royal Netherlands Meteorological Institute in De Bilt of minus 17°C.

New investments – if they are deemed to be efficient by ACM – are added to the RAB, and contribute to the revenues as of the year after becoming operational.

In 2013, ACM laid down for a period of three years (2014–2016) the method by which GTS is to be regulated. The main parameters defining this method of regulation are:

- CPI: the tariffs may be indexed annually on the basis of inflation, in line with the Consumer Price Index.
- The WACC: (Weighted Average Cost of Capital): the allowed return on the regulated asset value. For the years 2014–2016, ACM has set the real pre-tax WACC at 3.6%. This is based on a 50/50 equity to debt ratio, a nominal cost base for loans of 3.85%, and a nominal return on equity of 5.6%.

- The productivity improvement to be realised during the regulation period on the total operational and capital costs, excluding uncontrollable costs. For the years 2014–2016, this productivity improvement (or frontier shift) has been set at 1.3% per year. For the current regulation period, ACM has not conducted an individual efficiency benchmark survey for GTS, but it intends to do so in the next regulation period.

In practice, GTS can achieve a higher or lower return compared to the return on efficiently incurred costs determined by ACM. This depends on the level of the actual costs.

Gasunie Deutschland's business model

The business model of Gasunie Deutschland is largely identical to that of GTS. The main differences between the Dutch and the German regulation models are as follows:

- The permitted return on capital consists of the real interest costs and a competitive return on equity, up to a maximum share of 40% of equity in the total capital. The permitted nominal return on equity for all investments is on average approximately 7.4% for the current regulation period (from 2013 up to and including 2017).
- New investments receive a return on capital from the beginning, and immediately contribute to revenues.
- For each regulation period, BNetzA carries out an individual efficiency benchmark on the total costs of a network company. For the current regulation period 2013–2017, Gasunie Deutschland has received an assessment rating of '100% efficient'.

Participations & Business Development's business model

Participations & Business Development's activities are – like the activities of GTS and Gasunie Deutschland – capital intensive and relate mainly to gas infrastructure.

The main activities have been allocated to separate participations, which often cooperate with external partners. These include, amongst others, the LNG terminal in Rotterdam (Gate), the pipeline to England (BBL), Nord Stream and the underground gas storage facility Zuidwending.

The operating risks and profitability targets of these activities are higher than those of fully regulated activities, because the participations compete in the free market.

Investments

The construction of new infrastructure does not start until we have signed commercial sales contracts for a sufficiently long period. These contracts form the basis for the earning capacity of the participations. We try to further improve the return on these activities by means of additional contracts.

Revenue flow

Customers buy capacity and thereby also the right to utilise the infrastructure during the contracted period.

For these participations, we also apply the 'open-access infrastructure' policy: as an independent party, we provide services to our customers in a non-discriminatory and transparent way. We construct and operate infrastructure, but we do not participate in activities in the field of the upstream supply, trade and downstream delivery of gas or LNG. In this way, we can, with our participations, facilitate a well-functioning gas market and gas trade.

The LNG terminal in Rotterdam (Gate), the pipeline to England (BBL) and the underground gas storage facility (Zuidwending) all have to deal with legal regulatory frameworks and regulators. For instance, we need prior consent for providing services outside the regulatory frameworks through our participations. Usually, a term is agreed on during which such an exemption from regulation for certain aspects is allowed. After this period, we will carry out part of our services within regulated frameworks. European legislation to facilitate a well-functioning European gas market therefore affects the business model of Participations & Business Development.

Participations & Business Development is looking for opportunities to develop new, profitable activities. These should be activities that contribute to Gasunie's strategy of supporting the functioning of the gas market and realising the transition towards a sustainable energy system.

Participations

We participate, usually in cooperation with other parties, in a number of projects that contribute to the security of supply in the field of gas in Europe. The most important of these are mentioned below.

Gate

The increasing need for natural gas combined with declining European production requires additional import. That is why we participate in Gate (Gas Access To Europe). This terminal, located on the Maasvlakte in Rotterdam, is the first import terminal for liquefied natural gas (LNG) in the Netherlands. At the terminal, LNG is stored, regasified and pressurised for distribution to the Dutch gas transport network. Gate allows quick access to the large nearby potential consumer markets for natural gas in north-west Europe. Gasunie's interest in the terminal is 47.5%.

Nord Stream

Nord Stream is a pipeline through the Baltic Sea that connects Russia with Europe. It has provided the European pipeline network with an extra connection to gas flows from Russia, thus contributing to a stable gas supply in Europe. Our interest in Nord Stream is 9%.

NEL

The *Nordeuropäische Erdgas Leitung* (NEL) is the connecting pipeline between Nord Stream and our German network. It allows gas from Russia to flow directly into our network. Our interest in this pipeline is 25.13%.

BBL

BBL is a pipeline from Balgzand in the Netherlands to Bacton in the UK. The pipeline contributes to a stable supply of gas in the United Kingdom, which to a large extent depends on imported gas for its gas supply. Gasunie has an interest of 60% in BBL.

Gasunie Zuidwending

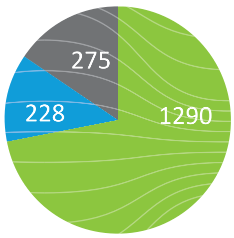
This facility for underground gas storage compensates for short-term fluctuations in the supply and demand of natural gas. The high flexibility of this buffer is important for balancing the portfolios of the Zuidwending customers and the GTS network. This gas storage is unique in the Netherlands – never before was natural gas stored here in underground layers of salt. We have a 100% interest in Gasunie Zuidwending.

Key figures

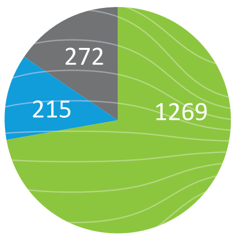
In millions of euros	2013	2012
Profit and loss account		
Reported		
Income	**1,527**	1,506
EBITDA	**1,089**	941
Result after taxes	**464**	359
Proposed dividend	**325**	215
Normalised[1]		
Income	**1,733**	1,696
EBITDA	**1,204**	1,131
Result after taxes	**551**	501
Balance sheet		
Fixed assets	**10,258**	9,944
Equity	**5,214**	4,857
Balance sheet total	**10,606**	11,073
Invested capital[2]	**9,161**	8,675
Net debt including guarantees	**5,182**	5,300
Cash flow statement		
Cash flow from operating activities	**668**	935
Cash flow from investing activities	**(659)**	(510)
Cash flow from financing activities	**(831)**	416
Ratios[2]		
ROIC (normalised)	**7.6%**	7.7%
ROE (normalised)	**10.6%**	10.3%
FFO/interest ratio	**4.4**	4.2
Net debt including guarantees/fixed assets	**56%**	59%
Controllable Costs	**364**	383
Credit Ratings		
Standard & Poor's	**A+**	AA-
Moody's Investors Service	**A2**	A2

Non-financial key figures		
Full-time equivalents employed (as at 31 Dec.)	**1,686**	1,685
Transported volume (bn kWh)	**1,365**	1,261
Length of regulated gas transport pipelines (km)	**15,500**	15,500
Sickness absence	**3.1%**	3.3%
Incidents resulting in absence	**2**	1
Incidents not resulting in absence	**6**	1
Pipeline damage	**6**	5
Security of supply (non-deliveries or late deliveries)	**3**	3
Total CO_2 emission (kilotonnes)	**751**	598
- Scope 1	**575**	453
- Scope 2	**172**	143
- Scope 3	**4**	2
Consumption of natural gas (million m³)	**168.7**	154.1
Consumption of electricity (million kWh)	**448.6**	389.8
Amount of non-hazardous waste (tonnes)	**16,256**	23,080
Amount of hazardous waste (tonnes)	**4,274**	2,682
Number of environmental irregularities	**197**	190

Normalised revenues (in € mln)

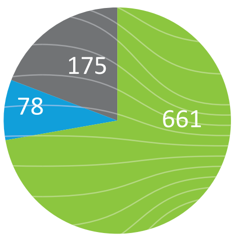


2013

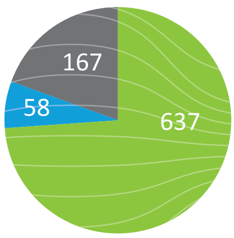


2012

Normalised EBIT (in € mln)



2013



2012

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

1 Adjusted for the effects of the method decisions 2010–2013 on the income, the release of part of the pension provision in 2013, and a one-off compensation received by Gasunie Deutschland in 2012.

2 The comparative figures for 2012 have been adjusted following the adjustment of the definition in 2013.

Definitions relating to the key figures

EBITDA
Earnings before interest, taxes, depreciation and amortisation.

EBIT
Earnings before interest and taxes.

Invested capital
Total of tangible fixed assets, investments in associates and other equity interests, corrected for assets under construction for which no compensation has yet been received.

Net debt including guarantees
Total of long-term interest-bearing loans, short-term finance obligations, cash and cash equivalents and guarantees.

Normalised ROIC
Normalised Return on Invested Capital is the normalised NOPLAT divided by the invested capital. This ratio gives insight into the extent to which Gasunie is generating cash flows relative to the cash flow it has invested in the business.

Normalised NOPLAT
Normalised Net Operating Profit Less Adjusted Taxes: total of normalised EBIT and share in result of participations after taxation.

Normalised ROE
Normalised Return on Equity is the normalised result after taxation divided by equity.

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

FFO/interest ratio
This ratio gives insight into the development of the Funds from Operations relative to finance costs.

Net debt including guarantees/fixed assets
This ratio gives insight into the extent to which the fixed assets are financed by debt.

Controllable costs
Normalised total of staff costs and other operating expenses minus costs allocated to investments and uncontrollable energy costs.

Reportable frequency index
The number of reportable incidents (incidents resulting in absence, medical treatment, replacement work or fatalities) per million hours worked.