Semi-Annual Report 2010

N.V. Nederlandse Gasunie

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Semi-annual report

Results in brief

Key figures 2010

In millions of euros	**First half of 2010**	**First half of 2009**
Income	780	886
Total expenses	-/- 358	-/- 400
Operating result	422	486
Finance revenue and costs and share in result of associates	-/- 57	-/- 63
Profit before taxation	365	423

The realised revenue for the first half of 2010 was approximately € 100 million lower than for the same period of 2009. This is mainly caused by the efficiency factors on the tariffs of Gas Transport Services B.V. (GTS) imposed by the Dutch Competition Authority (NMa), and also by the decision of the German regulator, the Bundesnetzagentur (BNetzA), to lower the transport costs in Germany. It is expected that the revenue for 2010 will be significantly lower than the revenue for 2009.

Partially because the total expenses for the first half of 2010 were more than € 40 million lower than for the comparable period of 2009, the result before taxation is now approximately € 60 million lower than in the first half of 2009.

Regulated Network Management in the Netherlands and Germany

Regulation and tariffs

The Netherlands

Method decisions

At the end of June, the Dutch Trade and Industry Appeals Tribunal (CBb) annulled the method decisions established by the NMa in December 2008 for 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. The CBb ruled that the NMa must take a new method decision and also must set an efficiency factor on tariffs for the period 2006-2008 with retroactive effect. It is expected that any financial consequences must be reflected in future GTS-tariffs. If this should result in tariffs that are lower than were foreseen prior to the ruling of the CBb, then this will have a negative influence on the future results and the financial position of Gasunie.

Germany

Efficiency factor

The German regulator BNetzA has started with developing a procedure that will set the future efficiency factor by making comparisons between companies (benchmarking). The completion of the benchmark-procedure is not anticipated before the end of 2010.

Introducing Gasunie Transport Services
Since 1 July 2010, two new cross-border services: 'Repositioning Service' and 'Backup Service for Interruptible Capacity' have been made available in the Emden/Oude Statenzijl region under the name of 'Gasunie Transport Services'. By offering integrated services, Gasunie aims to facilitate international gas trade and make further improvements to services to clients.

Large-scale capital expenditures
The activities to extend the transport network in the Netherlands (North South Project) are progressing successfully. According to the schedule, most of the work will be completed in October 2010.

Based on our first cross-border survey of capacity requirements among (potential) customers (Integrated Open Season), 24 gas supply and trading companies have concluded binding agreements for extra capacity in both the Dutch and the German part of the Gasunie network. Some companies would also like the cross-border transport connections to be extended. This would involve capital expenditure of between € 1 and 2 billion during the 2011-2014 period. The outcome of the decision-making process on this investment largely depends on the scope provided by the regulatory framework in the Netherlands and Germany. At the present time there is uncertainty about this.

Gasunie has acquired an interest of 20% in the NEL-project (North European Gas Pipeline). This is a planned pipeline connection which will run from the Nord Stream landing point near Greifswald to Rehden. NEL will connect Nord Stream to the existing natural gas network, enabling natural gas to flow from the main gas reserves in Russia directly to Germany and the other EU member states, in particular the Netherlands, Belgium, France and the United Kingdom. Total planned investment in NEL is estimated at € 1 billion.

Participations & Business Development

Nord Stream
In April 2010, Nord Stream AG has started with the construction of a pipeline from Vyborg in Russia, through the Baltic Sea, to Greifswald in Germany. Gasunie has a 9% interest in Nord Stream AG via its subsidiary Gasunie Infrastruktur AG.

Natural gas buffer at Zuidwending
The four caverns of the natural gas buffer are currently being filled and the technical gas installation is almost ready. According to schedule, work should be completed at the end of 2010, meaning that the natural gas buffer can be brought into use in January 2011. This will contribute towards security of supply as the gas market has a growing need for gas storage facilities.

Gate LNG terminal
According to schedule, the LNG terminal will be completed in the second half of 2011. The initial capacity is € 12 billion m^3 of natural gas per year. Permits for a further expansion of the throughput capacity (up to 16 billion m^3 per year) have been granted. Gate terminal and the shareholders are investing in an additional high-pressure compression facility for the injection of boil-off gas within the terminal so as to increase flexibility for customers. This means that the minimum volume of LNG to be supplied to the public network can be reduced.

Departure of Marcel Kramer and appointment of Paul van Gelder

CEO and chairman of the Executive Board Marcel Kramer will be leaving Gasunie on 1 September 2010 as he reaches his 60th birthday. As of that date Marcel Kramer will be succeeded by Paul van Gelder, previously the Managing Director of TAQA Europa B.V. and TAQA Energy B.V., both subsidiaries of the Abu Dhabi National Energy Company PJSC (TAQA).

Statement of the Executive Board

Statement of the Executive Board (within the meaning of Section 5.25d of the Dutch Financial Supervision Act, "Wft")

The Executive Board states that, to the extent known to the Board,

1. the semi-annual financial statements give a true and fair view of the assets, equity and liabilities, financial position and profit of the company and of the companies included in the consolidation; and

2. the semi-annual report gives a true and fair view of the company's financial position as at the balance sheet date, the business performance during the first six months of the financial year of the company and of the companies related to it whose data has been included in its semi-annual financial statements, and of the anticipated business performance, whereby – to the extent that substantial reasons do not oppose such – in particular attention is being given to the capital expenditures and the circumstances on which revenue and profitability development depend.

M.P. Kramer, chairman
H.A.T. Chin Sue
E. Dam
P.E.G. Trienekens

Groningen, 30 August 2010

Consolidated semi-annual financial statements

Condensed consolidated balance sheet (before profit appropriation)

In millions of euros	**Notes**	**30 June 2010**	**31 December 2009**
Assets			
Fixed assets			
- tangible fixed assets	1+2	**8,347.5**	7,848.6
- intangible fixed assets	2	**689.1**	689.1
- investments in associates	2	**234.5**	220.8
- other equity interests		**168.7**	145.3
- deferred tax assets		**849.0**	911.3
- pension assets	3	**42.2**	42.2
Total fixed assets		**10,331.0**	9,857.3
Total current assets		**245.2**	468.9
Total assets		**10,576.2**	10,326.2
Equity and liabilities			
Total shareholder's equity	3	**5,150.2**	5,309.7
Long-term liabilities			
- interest-bearing loans	4	**4,165.5**	4,112.2
- other long-term liabilities		**428.9**	401.4
Total long-term liabilities		**4,594.4**	4,513.6
Current liabilities			
- current financing liabilities		**369.1**	27.1
- trade payables and other current liabilities		**462.5**	475.8
Total current liabilities		**831.6**	502.9
Total equity and liabilities		**10,576.2**	10,326.2

Condensed consolidated profit and loss account

In millions of euros	**Notes**		**First half of 2010**		**First half of 2009**
Continuing operations					
Income	5		**780.0**		886.3
Capitalised expenditure		**51.6**		42.1	
Staff and other costs		**-/- 310.2**		-/- 334.9	
Depreciation and amortisation costs		**-/- 99.5**		-/- 107.4	
Total expenses			**-/- 358.1**		-/- 400.2
Operating result			**421.9**		486.1
Finance revenue and costs			**-/- 70.6**		-/- 81.3
Share in result of associates			**13.4**		17.7
Result before taxation			**364.7**		422.5
Taxes			**-/- 91.0**		-/- 104.0
Result after taxation			**273.7**		318.5
Discontinued operations					
Result on discontinued operations after taxation			**-**		-
Profit for the period			**273.7**		318.5
Profit attributable to shareholder			**273.7**		318.5

Consolidated statement of comprehensive income

In millions of euros	**Cash flow hedge reserve**	**Other reserves**	**Unappropriated result**	**Total**
First half of 2010				
Total of results taken to profit and loss account (profit for the period)	-	-	273.7	273.7
Movement in cash flow hedge reserve,	-/- 23.4	-	-	-/- 23.4
of which corporate income tax	6.0	-	-	6.0
Other movements	-	0.1	-	0.1
Total of results taken to equity	-/- 17.4	0.1	-	-/- 17.3
Total of comprehensive income	**-/- 17.4**	**0.1**	**273.7**	**256.4**
First half of 2009				
Total of results taken to profit and loss account (profit for the period)	-	-	318.5	318.5
Movement in cash flow hedge reserve,	4.4	-	-	4.4
of which corporate income tax	-/- 1.1	-	-	-/- 1.1
Total of results taken to equity	3.3	-	-	3.3
Total of comprehensive income	**3.3**	**-**	**318.5**	**321.8**

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

Consolidated statement of movements in equity

in millions of euros	**Share capital**	**Cash flow hedge reserve**	**Other reserves**	**Unappropriated result**	**Total**
First half of 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 period	-	-/- 17.4	0.1	273.7	256.4
Final dividend paid for 2009	-	-	-/- 294.1	-/- 121.8	-/- 415.9
Added to other reserves	-	-	-	-	-
Balance as at 30 June 2010	**0.2**	**-/- 22.0**	**4,898.3**	**273.7**	**5,150.2**
First half of 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 period	-	3.3	-	318.5	321.8
Final dividend paid for 2008	-	-	-	-/- 295.6	-/- 295.6
Added to other reserves	-	-	98.5	-/- 98.5	-
Balance as at 30 June 2009	**0.2**	**1.1**	**5,237.4**	**318.5**	**5,557.2**

Condensed consolidated cash flow statement

in millions of euros		**First half of 2010**		**First half of 2009**
Cash flow from business operations	**662.2**		746.0	
Interest, corporate income tax and other	**-/- 75.9**		-/- 9.6	
Cash flow from operating activities		**586.3**		736.4
Cash flow from investing activities		**-/- 622.3**		-/- 464.2
New long-term loans	**53.3**		786.0	
Repayment of long-term loans	**-**		-/- 12.0	
Movements in short-term financing	**342.0**		-/- 350.0	
Dividend paid	**-/- 415.9**		-/- 295.6	
Cash flow from financing activities		**-/- 20.6**		128.4
Increase in cash and cash equivalents		**-/- 56.6**		400.6
Cash and cash equivalents at previous year-end	**106.5**		150.8	
Cash and cash equivalents at the end of the period	**49.9**		551.4	
		-/- 56.6		400.6

Notes to the condensed consolidated financial statements

Nature of business activities
N.V. Nederlandse Gasunie (Gasunie) is a European gas infrastructure company offering its transport services through its subsidiaries Gas Transport Services B.V. (GTS) in the Netherlands and Gasunie Deutschland in Germany. Its operating activities also focus on, among other things, facilitating access to new gas flows for northwest Europe via an LNG connection and long-distance pipelines and on optimum use of the geological infrastructure for the storage of natural gas.

The company has its registered office in Groningen, the Netherlands.

All shares outstanding at the balance sheet date are held by the Dutch State.

Basis of preparation
On the grounds of Regulation (EC) No 1606/2002 of the European Parliament, the company is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union.

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

- IFRS 2, Share-based Payment (amendment) – Group and cash-settled share-based payment arrangements.
- IFRS 3, Business Combinations (revised in 2008).
- IAS 27, Consolidated and Separate Financial Statements (revised in 2008).
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation.

The adoption of the aforementioned standards and interpretations has no material effect on the equity or profit of the company.

Statement of compliance
These semi-annual financial statements have been prepared in compliance with IFRS 'Interim Financial Reporting' (IAS 34), as applicable on 30 June 2010.

This semi-annual report does not contain all the information and disclosures that must be included in financial statements and should be assessed in combination with the consolidated financial statements for 2009.

These semi-annual financial statements have not been audited, but have been reviewed by a qualified accountant.

Management judgements and accounting estimates
In preparing the financial statements, the management makes estimates and assumptions which affect the assets and liabilities presented as at the balance sheet date and the profit for the financial year. These estimates and judgements have a significant effect on the valuation of business combinations, the gas transmission network, deferred taxation and pensions.

Notes

1. Tangible fixed assets

Tariffs the Netherlands
On Tuesday 29 June 2010, the Dutch Trade and Industry Appeals Tribunal (CBb) annulled three so-called method decisions, dated 16 December 2008. Method decisions form the basis for the tariff regulation of GTS, as operator of the national gas transport network. They include the parameters for the mandatory determination of an efficiency factor by the Dutch Competition Authority (NMa). The method decisions which the CBb has annulled related to the period from 2009 to 2012 inclusive.

Furthermore, the CBb has ruled that the NMa is obliged to take a new method decision and determine a new efficiency factor on the basis thereof for the period of 2006-2008, following the earlier annulment by the CBb (in a judgement dated 30 November 2006) of the previous method decision and efficiency factor for that period. The NMa had failed to take new decisions, which the CBb judged to be unlawful, as this implied that no efficiency factor had been applied to GTS's tariffs over the years 2006, 2007 and 2008. The revised decisions may show that the tariffs which have been charged over the period prior to the revision have been too high. According to the CBb the NMa should adjust future tariffs to take into account the efficiency factor over the period 2006-2008.

The annulment of the method decisions, as well as CBb's judgement that a new method decision must be taken for the period of 2006-2008, have led to increased uncertainty regarding the extent of future cash flows. It is currently unclear when and at what level the NMa will adopt revised regulatory parameters which determine the allowed revenue of GTS and hence its tariffs over the periods of 2006-2008 and 2009-2012.

If the outcome of the new method decisions is that tariffs which GTS may charge in the future are lower than as foreseen prior to the annulment of the method decisions, then this will result in a negative impact on the future cash flows, revenues, operating results, profitability and financial condition of Gasunie.

Tariffs Germany
The tariff decision of the German regulator (Bundesnetzagentur) of October 2009 and an estimation of management of the applicable efficiency factor at the end of 2009 have lead to an impairment of the 'Gas transport network', accounted for in the financial statements for the year 2009. The 'Gas transport network' refers to the aggregate of transport pipelines and transport-related assets of the group companies and associates of Gasunie Deutschland.

When preparing the semi-annual financial statements 2010, the Bundesnetzagentur had not yet set the final efficiency factor for the regulatory period 2008-2012.

2. Review for possible impairments

The developments mentioned under note 1 regarding the tariffs in the Netherlands and Germany give cause to perform an investigation for a possible impairment for the relating assets and goodwill.

On the basis of the information that is currently available and taking into account the major uncertainties, the management has concluded that as at the balance sheet date of 30 June 2010 the recoverable amount of the assets exceeds the book value. For the sake of completeness, it is remarked that there is a significant probability that an impairment may be necessary in the future.

3. Pensions

The pension liabilities are valued annually in the second half of the year in accordance with IAS 19 'Employee Benefits'. An indicative calculation of pension liabilities as at the balance sheet date is made, taken into account current available data. The difference between the outcome of this indicative calculation and the calculation for the annual report 2009 is not deemed to be material with regard to the company's equity. In the semi-annual report 2010 the valuation is maintained, as included in the annual report 2009.

4. Interest-bearing loans

The total amount of € 4,165.5 million in long-term loans consists of €3,616.1 million in long-term bonds and € 549.4 million in private loans.

Movements in interest-bearing loans:

In millions of euros	**2010**	**2009**
Balance as at 1 January	**4,112.2**	3,186.1
Issued bond loans	**-**	750.0
Drawn on private facilities *)	**53.3**	36.0
Balance at June 30	**4,165.5**	3,972.1

**) These facilities were contracted by Gate terminal B.V. and are consolidated proportionally. These facilities are drawn in phases.*

5. Information on income and result of the segments

In millions of euros		**Income**		**Segment result**
	First half of 2010	**First half of 2009**	**First half of 2010**	**First half of 2009 *)**
Continuing operations				
Segments				
- Regulated Network Management	**737.4**	841.5	**411.8**	475.6
- Participations & Business Development	**42.6**	44.8	**23.5**	28.2
Segment total	**780.0**	886.3	**435.3**	503.8
Unallocated finance revenue and costs			**-/- 70.6**	-/- 81.3
Result before taxation			**364.7**	422.5
Taxes			**-/- 91.0**	-/- 104.0
Result on continuing operations after taxation			**273.7**	318.5
Result on discontinued operations after taxation			**-**	-
Income and profit for the period	**780.0**	886.3	**273.7**	318.5

**) Adjusted for comparative purposes.*

The information is segmented according to the Group's activities. The operating segments reflect the management structure of the group. The following segments can be 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 market forces.

- *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.

Income represents revenues from services supplied to third parties. In addition the Participations & Business Development segment has provided services amounting to € 14.9 million to the Regulated Network Management segment during the first half of 2010 (first half of 2009: € 14.8 million).

The Executive Board,

M.P. Kramer, chairman
H.A.T. Chin Sue
E. Dam
P.E.G. Trienekens

Groningen, 30 August 2010

Review report

To: N.V. Nederlandse Gasunie, Groningen

Review report

Introduction

We have reviewed the accompanying consolidated semi-annual financial statements of N.V. Nederlandse Gasunie, Groningen for the period 1 January 2010 through 30 June 2010, which comprise the condensed consolidated balance sheet, the condensed consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of movements in equity and the condensed consolidated cash flow statement as well as the notes. The Executive Board of the company is responsible for the preparation and presentation of these consolidated semi-annual financial statements in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated semi-annual financial statements based on our review.

Scope

We conducted our review of the consolidated semi-annual financial statements in accordance with Dutch law including Standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated semi-annual financial statements for the period 1 January 2010 through 30 June 2010 are not prepared, in all material aspects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Groningen, 31 August 2010

Ernst & Young Accountants LLP

Signed: P.J.T.A. van Kleef