crossing borders in energy

Semi-annual report 2018

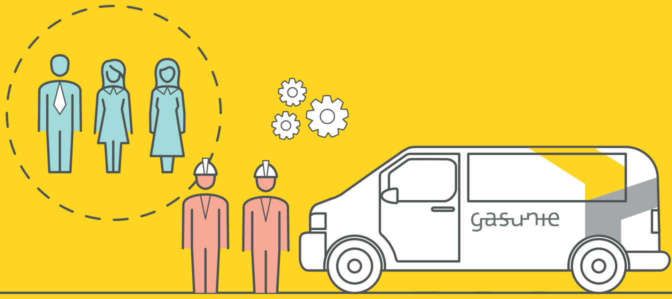
Contents

Key figures

In millions of euros	**First half of 2018**	**First half of 2017**
Profit and loss account		
Revenues	**671**	740
EBITDA	**440**	519
EBIT	**287**	372
Result after taxation	**234**	291
Cash flow statement		
Cash flow from operating activities	**360**	442
Cash flow from investing activities	**(168)**	(92)
Cash flow from financing activities	**(197)**	(555)
Net cash flow	**(5)**	(206)
Non-financial key figures		
Transported volume (TWh)	**588**	593
Total reportable frequency index	**2.3**	4.0
Pipeline damage incidents	**2**	1
Security of supply (cases of non- or late supply)	**0**	1

In miljoenen euro's	30-Jun 2018	31-dec 2017*
Balance sheet		
Fixed assets	**9,579**	9,604
Equity	**5,740**	5,775
Balance sheet total	**9,830**	9,852
Financial key figures		
Invested capital	**9,185**	9,200
Net debt	**3,562**	3,493
Credit ratings		
Standard & Poor's	AA-	AA-
Moody's Investors Service	A2	A2

*) Adjusted opening balance due to implementation of IFRS 15. Plese refer to "Basis of preparation" for further explanation



Semi-annual report

Financial results

Key figures

In millions of euros	First half of 2018	First half of 2017
Revenues	**671**	740
Total expenses	**(385)**	(368)
Operating result	**287**	372
Financial income and expenses	**(34)**	(45)
Share in result of joint ventures and associates, and dividends from other equity interests	**48**	31
Result from sale of associates	**-**	19
Result before taxation		
Taxes	**300**	376
	(66)	(85)
Result after taxation	**234**	291

Revenues

Revenues achieved in the first half of the year were approximately € 69 million less than in the same period last year. This is mainly due to the implementation of the new method decision for the 2017-2021 regulatory period for Gasunie Transport Services B.V. (GTS) in 2017.

The rates at which GTS and Gasunie Deutschland are permitted to charge their customers are regulated and are determined by the regulatory authorities in the Netherlands and Germany respectively, based on the expected permitted revenues and the expected capacity bookings. In the first half of 2017, pending the new method decision for GTS, the 2016 rates continued to apply to the regulated activities in the Netherlands. The rates for the current method decision came into force on 1 July 2017, but apply retroactively from 1 January 2017. As of 1 January 2018, the rates have been reduced by the annual efficiency target (x-factor) from the method decision.

A new method decision for the 2018-2022 period came into force for GUD in 2018. BNetzA has determined the efficiency of each individual network operator based on a benchmark. Given GUD's 100% efficiency score, the new method decision has only a limited effect on the permitted revenu.

The method of regulation in both the Netherlands and Germany includes various regular 'post-calculations'. Where the actual revenues deviate from the permitted revenues, the difference is settled in the rates for subsequent years. A post-calculation mechanism also applies to part of the energy costs for gas transport. In the 2018 revenue rates, GTS will make a repayment of € 25 million, and Gasunie Deutschland will receive a repayment of € 9 million. Based on the current financial outlook for the entire year 2018, Gasunie will, on balance, receive a repayment of approximately € 8 million in future rates (2019 and beyond) under the regulatory system.

Although the revenue from regulated activities in the Netherlands has decreased, the revenue from non-regulated activities is € 8 million more than in 2017. The greatest contribution to this increase was provided by BBL, which profited from favourable market conditions in the first quarter.

Operating result

The operating result for the first half of 2018 fell by € 85 million compared to the same period in 2017. In addition to the € 69 million decline in revenues referred to earlier, the energy costs for gas transport in the first half of the year have risen in comparison to 2017. This rise is due to an increase in imports of H-gas plus the use of nitrogen, which is necessary for conversion to low-calorific gas. This makes it possible to further reduce production from the Groningen gas field. The cold winter period and higher energy prices are also important factors behind this increase. Depreciation costs have also increased due to amongst others the accelerated depreciation of two compressors that have been (temporarily) decommissioned.

Result after taxation

The financial income and expenses were € 11 million less than in the first half of 2017, due to repayment of a bond loan at the end of the first quarter of 2017, resulting in a lower interest-bearing loan position. The share in the result of joint ventures and associates, and dividends from other equity interests increased by € 17 million due to a higher dividend payment by Nord Stream. In 2017, Gasunie sold its share in ICE Endex, which produced a one-off result from disposals of associates of € 19 million.

The developments above lead to a result after taxation of € 234 million, which is € 57 million less than in the same period last year.

Financial outlook

Although the operating results in the first half of 2017 were higher than in 2018, the application of the method decision for GTS (mentioned earlier) and our € 150 million write-off on GUD assets in the second half of 2017 give us reason to expect a better result in the second half of 2018. The results for the full year 2018 will exceed those of 2017.

The result after taxation from regular operations is expected to be approximately € 325 to € 350 million.

Expenses for replacement and expansion investments for all of 2018 are expected to total approximately € 350 to € 400 million, which is considerably higher than in 2017. The main reasons for this increase are the long-term investments in the EUGAL pipeline project and the planned construction of the new nitrogen plant.

Financing

Gasunie issued no bonds in the first half of 2018. However, Gasunie has raised short-term loans on the money market in the form of private loans and Euro Commercial Paper (ECP). No use was made of the € 680 million stand-by facility. A bond loan of € 300 million must be repaid in October 2018.

Credit ratings

In June 2018, Moody's Investors Service reconfirmed our long-term credit rating, which remains A2 with a positive outlook. Our short-term rating at Moody's remains P-1. Gasunie also has a credit rating at Standard & Poor's Global Ratings. Our long-term credit rating at S&P Global is AA- with a stable outlook, while the short-term rating is A-1+.

Profile

Gasunie has two main activities: (1) providing transport services through the gas transport network in the Netherlands and Germany, and (2) providing other infrastructure services. Our infrastructure interconnects suppliers and end users of energy as an international hub in the supply and transit of natural gas. For this purpose, we manage and develop gas infrastructure and gas trading platforms: gas transport networks, international transit pipelines, gas storage, gas infrastructure and virtual gas trading platforms. This enables us to contribute to a liquid, competitive and reliable European gas market. We also apply our knowledge and experience of energy infrastructures and markets to enable and accelerate the energy transition.

Gas transport in the Netherlands is provided by Gasunie Transport Services (GTS), and in Germany by Gasunie Deutschland (GUD). We are a state-owned company and the Dutch State is our only shareholder. Our employees are spread across more than 30 sites in the Netherlands and northern Germany, and we also have representation in The Hague, Brussels and Moscow. Our headquarters are in Groningen (the Netherlands), and our German head office is in Hanover.

Revenue regulation in the Netherlands and Germany

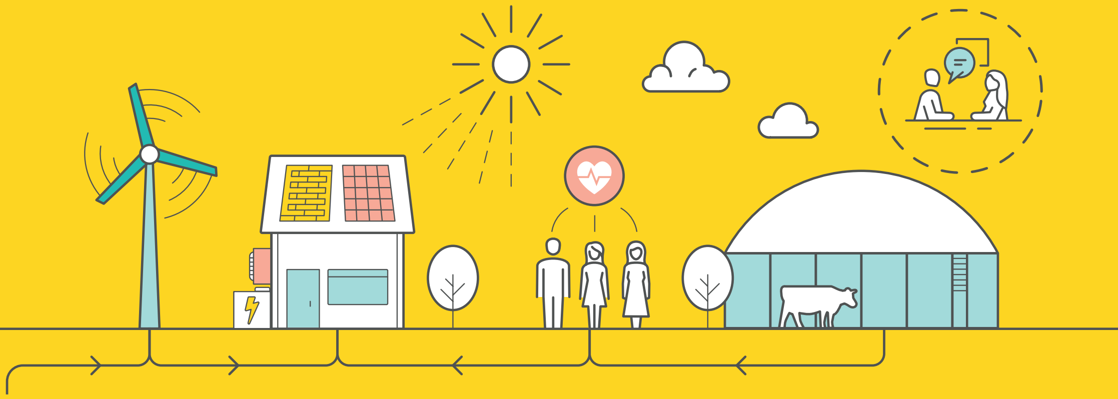
Gas transport services in the Netherlands and Germany are regulated. The rates are calculated by dividing the permitted revenues for a specific year by the forecast capacity bookings for that year. The permitted revenues consist of a capital cost allowance for the invested capital, a reimbursement for the annual depreciation costs and a reimbursement for the operating costs. The actual energy costs of gas transport are recovered by means of a (partial) settlement mechanism.

If the actual volume of bookings and corresponding revenues differ from the forecast, the difference is settled in subsequent years. The rates are determined once annually by the regulatory authorities, who review the method of regulation every 3 to 5 years. The regulatory authority in the Netherlands is the Authority for Consumers & Markets (ACM), and in Germany it is the Bundesnetzagentur (BNetzA).

Participations

The other infrastructure services, which are either unregulated or partially regulated, are provided by our Participations business unit. This business unit runs the projects focused on existing infrastructure and renewable energy solutions, developed by the Corporate Business Development department.

You can read more about these participations in our 2017 annual report.



Recent developments

Phasing-out of Groningen gas

Following the earthquake near Zeerijp on 8 January 2018, the Ministry of Economic Affairs and Climate decided on 29 March 2018 to definitively cease the extraction of gas from the Groningen gas field as quickly as possible. By October 2022 at the latest, and if possible earlier, gas extraction must decrease to less than 12 billion m^3 annually.

It must then be reduced further until gas extraction from the Groningen gas field finally comes to an end. The bill on “Minimising gas extraction from the Groningen gas field” with more details of this new extraction strategy is currently before the Dutch House of Representatives.

The position of gas in Europe

Both the phasing-out of Groningen gas and the consequences of the energy transition will contribute to a change in the role played by natural gas in the Dutch energy mix. In the short and medium term, natural gas will continue to play a dominant role in the Netherlands. In the longer term, we can expect a decline in the demand for natural gas. Due to the lower production of Groningen gas, Dutch imports of natural gas will increase, and from 2020 onwards, exports of low-calorific gas to Germany, Belgium and France will decrease. These developments will lead to a gradual decline in the demand for natural gas transport capacity in our network. Similar to the situation in the Netherlands, natural gas will continue to play a crucial role in the European energy supply.

We also wish to use our infrastructure to encourage and facilitate the feed-in of sustainable gases, such as hydrogen and green gas. Moreover, we are working on possibilities for heat and underground storage of CO_2 (Carbon Capture and Storage, CCS).

Maintenance and control of our network

We are adjusting our maintenance philosophy to match these changing gas flows. We are also performing more corrective than preventive maintenance, while always safeguarding the reliability and safety of our system. This risk-based reassessment of our replacement and maintenance programme means we are investing less in our existing infrastructure, which is generating an economic benefit.

We started to use a new operating system for the gas transport network in early July. This new operating system enables us to accurately track the transport flows, and improves our ability to predict them. The system’s improved functionality also enables us to control other energy flows and further reduce costs.

Zuidbroek nitrogen plant brings the end of gas extraction closer

To help minimise gas production in Groningen and at the same time continue to provide transport security, a series of measures is required, such as the conversion of our network for high-calorific natural gas and an increased use of quality conversion. In april 2018, we have consulted these measures with market parties in an addendum to our Network Development Plan. Furthermore, the switch to renewable gases can contribute to the reduction of gas production from the Groningen gasfield.

We are preparing the construction of a new nitrogen plant at Zuidbroek. When commissioned, this plant will give a boost to quality conversion capacity. Nitrogen plants add nitrogen to high-calorific gas (H-gas) sourced from the Netherlands and other countries, making the gas suitable for domestic use. Following commissioning of the new plant, expected in in the first quarter of 2022, it will be possible to further reduce production from the Groningen gas field by about 7 billion m^3 annually.

Gasunie can facilitate the transition from low-calorific to high-calorific gas

A number of industries in the Netherlands, some of them major, use together some 5 billion cubic meters of low-calorific natural gas. The Ministry of Economic Affairs and Climate has urged these companies to reduce their low-calorific gas consumption by increasing their sustainability or by converting to high-calorific gas. We can apply specific network measures to facilitate these companies in the transition to high-calorific gas.

In the realisation the necessary measures, including Gasunie's task, will be laid down in a legislative framework.

The Paris climate agreement: how can we contribute?

The government reached agreement on the new Dutch Climate Act in early July 2018. Underpinning the act is the target of a 49% reduction in CO_2 emissions by 2030 compared to 1990, and a 95% reduction by 2050. Energy infrastructure is seen as one of the keys to achieving these goals. It plays a linking and facilitating role in the energy transition, and is therefore an important theme in negotiations for the Paris climate agreement.

These negotiations have already led to a number of visionary principles, including a major role for the development of renewable gases. Gasunie participates in the discussions, focusing on both infrastructure and the role for sustainable and other gases in the energy system.

From natural gas infrastructure to sustainable energy infrastructure

At present, our network primarily transports natural gas. The expectation is that gaseous energy will still form more than 40% of our energy mix in 2050. Our company is therefore evolving from a natural gas infrastructure business to a sustainable energy infrastructure business. While continuing to take advantage of the demand for natural gas infrastructure, our focus is shifting more specifically towards hydrogen, green gas, heat and underground storage of CO_2 (CCS).

Hydrogen

Hydrogen is expected to play a major role in the future energy system, as both a sustainable energy resource and as a raw material. With limited modifications and at a limited cost, Gasunie can make its existing infrastructure suitable for the transport and storage of hydrogen. Our ambition is to implement a basic hydrogen structure throughout the Netherlands by 2030 with nationwide coverage, largely based on existing pipelines. At the same time, we are working with partners to investigate the upscaling of electrolyzers to enable the production of green hydrogen from electricity. Gasunie is also a participant in the Hydrogen Coalition, which shares the ambition of establishing 3 to 4 gigawatts of green hydrogen capacity by 2030.

Green gas

Like hydrogen, green gas offers many opportunities. We expect our energy mix to comprise at least 1 billion m^3 of green gas in 2023, and 3 billion m^3 in 2030. In 2018, Gasunie and the regional network operators jointly developed a green gas assessment framework. This enables us to determine the financially most attractive option for the feed-in of green gas. Our shared expectation is that an investment of some € 300 million will be needed to adapt the existing gas networks for the intended integration of 3 billion m^3 of green gas in 2030. We are specifically examining the possibilities in the area of manifolds and feed-ins into the national grid through "green gas boosters". Construction started on the first booster in mid-2018 (jointly with Enexis). We continue to seek new opportunities to help simplify and accelerate the feed-in of green gas by new suppliers.

Heat and CCS

Alongside the facilitation of sustainable gases, Gasunie is investigating a possible role in the development of infrastructure for heat and CCS. In the case of heat, our focus is on the realisation of a heat roundabout in the province of Zuid-Holland. CCS is a temporary solution for industries without a more sustainable alternative. This option can prevent large amounts of CO_2 emissions in the short term.

Energy infrastructure needs to innovate

The further interconnection of energy systems is of major importance for a successful energy transition. The ultimate goal is an energy system in which a variety of energy forms and technologies reinforce one another. Given our extensive knowledge and experience with large-scale transport, gas storage and the balancing of supply and demand, we can make a major contribution to further system integration. In cooperation with partners, we are preparing proposals for the timely availability of new infrastructure and adaptation of our existing infrastructure (where necessary).

In 2018, Gasunie carried out a system analysis in collaboration with TenneT and Enexis. Our joint conclusion was that there is a need for investment in technological development and demonstration projects related to hydrogen and other forms of sustainable energy. An important issue is reducing the costs of hydrogen production, storage and transport, to enable the hydrogen share to grow significantly in the longer term.

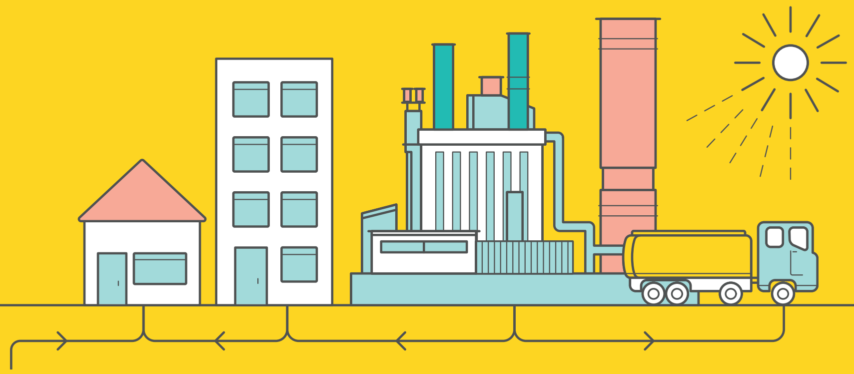
Regulatory developments

Rates
The ACM has already determined GTS' rates for 2019. The ACM has also drafted a decision on changes to the rate code, transport code and definitions code, in response to the European network code on transmission rate structures (NC TAR). This introduces a change to the methodology used for determining the rates from rate year 2020 onwards. The ACM is expected to make a final decision on this by October 2018 at the latest.

Moreover, in view of the expected decline in the use of gas infrastructure in the Netherlands, the ACM has initiated research into the long-term development and sustainability of the transport rates.

Method of regulation
In the amended Gas and Mining Act, which currently lies with the Senate for decision-making, the legal task of quality conversion has been extended to quality conversion that is required for the reduction and minimization of extraction from the Groningen field. As a result, the costs of the newly to be built nitrogen plant fall under the legal task and GTS may include these costs in its tariffs. In addition, the ACM has given comfort to GTS that the related efficient costs will not be taken into account in future efficiency benchmarks.

Dutch Progress of the Energy Transition Act
The Dutch Progress of the Energy Transition Act came into force on 1 July 2018. The purpose of this legislation is to create more clarity for all parties involved to work to achieve the energy transition.



Results for first half of 2018

Gasunie Transport Services

Transport
The volume of energy transported increased by 2.2%, from 494 TWh in the first half of 2017, to 505 TWh in the same period of 2018. Late February to early March was a period of cold weather, with temperatures falling to almost -11°C. These were therefore also the days with the highest transport volumes of the winter.

Quality conversion
Compared to 2017, G-gas production in the first half of 2018 was further restricted. This led to a higher utilisation of the quality conversion. In the first half of 2017, 150 TWh of H-gas was converted to G-gas, while in 2018 this was higher, at 169 TWh. This is an increase of 12.7%. The volume of nitrogen required increased from 0.95 billion m^3 in the first half of 2017 to 1.28 billion m^3 in the same period of 2018.

Title Transfer Facility (TTF) gas trading platform
The gas in our Dutch gas transport network can be traded by market parties using the virtual gas trading platform TTF. In the period from January to May 2018 inclusive, market parties traded a total of 11,168 TWh of gas on TTF, compared to 8,899 TWh in the same period of 2017; an increase of over 25% due to the aforementioned cold weather early this year. In particular, much extra business was done on the Over-The-Counter market (OTC): 8,963 TWh. This meant an increase in TTF's lead on the other European gas trading platforms in the first five months of 2018. Despite the decline in production from the Groningen gas field, this further underlines the leading role of TTF as a liquid gas trading platform for a smoothly running European gas market.

Infrastructure Outlook
In preparation for the 2020 Network Development Plan, we will again develop national energy scenarios in cooperation with TenneT. These can also serve as input for TenneT's Investment Plan and the European Energy Scenarios of ENTSOG (European Network of Transmission System Operators of Gas) and ENTSOE (European Network of Transmission System Operators of Electricity).

GTS is collaborating with TenneT on the first Infrastructure Outlook for the Netherlands and Germany. This is a long-term survey of the core infrastructure for electricity and gas (natural gas and renewable gases), aimed at ensuring a reliable and sustainable energy supply in the long term. This survey will be completed later this year, so that the results can be taken into consideration in the finalisation of the Paris climate agreement.

Gasunie Deutschland

Transport

In the first half of 2018, GUD transported 83 TWh of gas (2017: 99 TWh). The capacity utilisation at the Nord Stream entry point in Greifswald was 50%, compared to almost full utilisation in the first half of 2017. The volume at the entry point for North Sea gas in Emden and Dornum was approx. 18 TWh less than in the first half of 2017. This was to some extent due to the cancellation of capacity contracts at the border transits of Greifswald and Ellund. The revenue from sales of transport capacity in the first half of 2018 was therefore less than expected.

New connections

Current requests for new network connections, including those for a planned LNG terminal near Hamburg (Brunsbüttel) and a Volkswagen power plant in Wolfsburg, are fully in development. Volkswagen has now confirmed its decision to invest in a power plant project. The GLNG consortium will make a definitive decision on investment in the planned LNG terminal at the end of 2019. GUD has already started the permit procedures for both projects.

GASPOOL gas trading platform

From January to May 2018, the volume traded on the GASPOOL virtual gas trading platform was 758 TWh, a significant increase compared to the same period in 2017 (682 TWh). This was due to the low temperatures during this period.

L-Gas conversion

Due to declining production of low-calorific gas, end-user installations in Germany need to be made suitable for high-calorific gas. With this in mind, GUD has developed a programme over recent years to ensure optimum use of the gas transport network, and to be able to guarantee transport security.

The first conversion projects have been completed successfully. An area to the east of Hanover (Großburgwedel - Peine) was converted in the first half of 2018. The Bremen conversion has started, and will continue until 2019.

Participations

The project to enable gas transport in both directions through the Balgzand Bacton Line (BBL) is proceeding according to plan. This option is expected to be available to customers from late 2019. Since the gas can flow in both directions, customers can benefit more from the link between the TTF and the British gas trading platform NBP.

We are working to add an extra cavern to the Zuidwending underground gas storage in order to achieve better utilisation of the existing functionality. The extra cavern is expected to be operational by the end of 2020.

Business Development

Developments in green gas, heat, hydrogen and CCS projects

Our projects to support and accelerate the energy transition are proceeding on track:

- In Alkmaar, Gasunie New Energy and SCW Systems are working jointly on a plant for supercritical water gasification. This technology is capable of converting dehydrated sewage sludge under high pressure and at high temperatures into green gas.
- When it comes to heat, we launched a major study into the feasibility and manner of realisation of a large-scale heat infrastructure in Zuid-Holland — the Zuid-Holland Heat Roundabout — in 2017, together with the Port of Rotterdam Authority and a number of other parties.
- We are working with the Port of Rotterdam Authority and EBN on a project to capture, transport and store CO_2 in empty gas fields. The recently-completed study indicates that the capture, transport and storage of CO_2 deep below the North Sea is technically feasible, and cost-effective in comparison to other measures that contribute to achievement of the Dutch climate targets. Gasunie contributes its vast experience in gas infrastructure development and gas transport.
- Last year, Gasunie joined the North Sea Wind Power Hub consortium, whose other members are the companies TenneT (Netherlands and Germany), Energinet.dk and the Port Authority Rotterdam.

These various projects are described in more detail in our 2017 annual report.

German LNG Terminal

Together with the companies Oiltanking and Vopak Holding, Gasunie has established the joint venture "German Terminal GmbH" (GLNG) for the purpose of developing an LNG terminal in northern Germany. This can make a key contribution to the diversification of German energy supply. Germany is working to phase out the use of nuclear energy for its electricity production, and the use of coal (especially brown) is also under pressure. Natural gas is considered a good alternative.

The LNG terminal is expected to be sited in Brunsbüttel, on the Elbe north of Hamburg. The joint venture is now enjoying formal interest from a considerable number of companies. This interest reflects the business potential of the terminal, such as the storage of imported liquefied natural gas, its conversion to gas, and the further distribution in liquid form. The lower environmental impact and stricter regulations governing LNG make it a cleaner alternative fuel for shipping and heavy road transport.

Safety results

Safety

When it comes to safety, one of our ambitions is to structurally reduce the Total Reportable Frequency Index (TRFI) to below 3.0. The TRFI is a measure of safety performance based on a ratio between ‘reportable’ accidents and total hours worked.

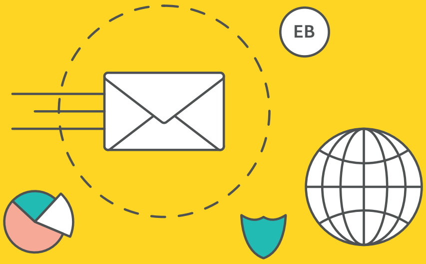
In the first half of 2018, the TRFI has remained well below the norm. The current value for the period from July 2017 to June 2018 inclusive is 2.3, which is much lower than the value achieved in the same period last year (4.0).

Pipeline damage incidents

Another of our safety ambitions is to reduce the incidence of pipeline damage with actual or potential gas leaks. The signal value for 2018 has been set at less than 5 (less than 6 in 2017). So far in 2018, there have been two cases of pipeline damage, one of which gave rise to an actual gas leak. In the first half of 2018, there were no transport disruptions resulting from pipeline damage in both the Netherlands and Germany.

Risk management

Our activities are subject to risks and our policy is aimed at managing these risks in the best possible way. Our assessment of strategic risks is supported by close monitoring of external developments. In the management of our operational risks, our main focus is on safety, the environment and IT security. The major risks stated in the 2017 annual report are still present, and Gasunie's overall risk profile has not substantially changed over the past six months.



Statement of the Executive Board

(as defined in Article 5:25d, paragraph 2(c) of the Dutch Financial Supervision Act)

The members of the Executive Board hereby declare that, to the best of their knowledge,

1. the semi-annual financial statements give a true and fair view of the assets, liabilities, financial position and result of the company and the undertakings included in the consolidation taken as a whole; and that
2. the semi-annual financial report gives a true and fair view of material events that occurred in the first six months of the year and the impact of such events on the semi-annual financial statements, and provides a description of the principal risks and uncertainties faced in the remaining six months of the financial year in question.

J.J. Fennema*, chair
I.M. Oudejans*
U. Vermeulen
B.J. Hoevers

Groningen, 23 July 2018

* Director under the Articles of Association

Consolidated semi-annual financial statements

Condensed consolidated balance sheet (before profit appropriation)

In millions of euros	Notes	30 June 2018	31 December 2017*
Assets			
Fixed assets			
tangible fixed assets		8,510.4	8,518.0
investments in joint ventures		195.9	190.1
investments in associates		0.8	0.7
other equity interests	5	478.3	490.7
deferred tax assets		393.2	404.2
Total fixed assets		**9,578.6**	**9,603.7**
Total current assets		**251.2**	**248.2**
Total assets		**9,829.8**	**9,851.9**

*) Adjusted opening balance due to implementation of IFRS 15

In millions of euros	Notes	30 June 2018	31 December 2017*
Equity and liabilities			
Total shareholder's			
equity		5,740.3	5,774.9
Long-term liabilities			
interest-bearing loans	1, 5	2,832.2	2,842.9
deferred tax liabilities		169.5	166.9
Long-term contract commitment		50.7	50.7
other long-term liabilities		160.1	160.7
Total long-term liabilities		**3,212.5**	**3,221.2**
Current liabilities			
current financing liabilities	2	675.6	602.8
trade and other payables		201.4	253.0
Total current liabilities		**877.0**	**855.8**
Total equity and liabilities		**9,829.8**	**9,851.9**

*) Adjusted opening balance due to implementation of IFRS 15

Condensed consolidated profit and loss account

In millions of euros	Notes	first half of 2018	first half of 2018	first half of 2017	first half of 2017
Continuing operations					
Revenues	6, 7		671.4		739.7
Capitalised costs		36.0		51.6	
Staff costs and other operating expenses		(267.5)		(272.0)	
Depreciation costs		(153.4)		(147.7)	
Total expenses			(384.9)		(368.1)
Operating result	6		**286.5**		**371.6**
Finance income and expenses			(34.4)		(45.4)
Result of disposals of and investments in associates			-		18.6
Share in result of joint ventures			18.1		17.4
Share in result of associates			0.1		1.4
Dividend received on investments in other equity interests			30.1		12.2
Result before taxation			**300.4**		**375.8**
Taxes			(66.1)		(84.7)
Result after taxation			234.3		291.1
Result for the period			**234.3**		**291.1**
Result attributable to shareholder			234.3		291.1

Consolidated statement of comprehensive income

In millions of euros	**Notes**	**first half of 2018**		**first half of 2017**	
Total of results taken to the profit and loss account			234.3		291.1
Balance of actuarial gains and losses on employee benefits,	4	(0.4)		4.1	
of which corporate income tax		0.2		(1.1)	
Total of results taken to equity which will not be reclassified subsequently to the profit and loss account			**(0.2)**		**3.0**
Movement in other equity interests stated at fair value	6	(12.4)		6.9	
Movements in the cash flow hedge reserves concerning joint ventures and associates valued at the equity method		3.7		9.2	
of which corporate income tax		(0.9)		(2.3)	
Movement in cash flow hedge reserve,		(0.4)		(0.4)	
of which corporate income tax		0.1		0.1	
Total of results taken to equity which will be reclassified subsequently to the profit and loss account			**(9.9)**		**13.5**
Total comprehensive income			**224.2**		**307.6**
Attributable to shareholder			224.2		307.6

Consolidated statement of movements in equity

In millions of euros	Share capital	Cash flow hedge reserve	Fair value reserve	Other reserves*	Unappropriated result	Total
First half of 2018						
Balance as at 1 January 2018	0.2	(36.8)	317.9	5 234,1	259.5	5,774.9
Total of comprehensive income for the financial year	-	2.5	(12.4)	(0.2)	234.3	224.2
Dividend paid for 2017	-	-	-	-	(258.8)	(258.8)
Added to other reserves	-	-	-	0.7	(0.7)	-
Balance as at 30 June 2018	**0.2**	**(34.3)**	**305.5**	**5,234.6**	**234.3**	**5,740.3**
First half of 2017						
Balance as at 1 January 2017	0.2	(46.3)	297.4	5 161,7	183.5	5,596.5
Total of comprehensive income for the financial year	-	6.6	6.9	3.0	291.1	307.6
Dividend paid for 2016	-	-	-	-	(110.1)	(110.1)
Added to other reserves	-	-	-	73.4	(73.4)	-
Balance as at 30 June 2017	**0.2**	**(39.7)**	**304.3**	**5,238.1**	**291.1**	**5,794.0**

*) Adjusted opening balance due to implementation of IFRS 15

Condensed consolidated cash flow statement

In millions of euros	**Notes**		**first half of 2018**		**first half of 2017**
Cash flow from business operations			**438.1**		587.8
Interest, corporate income tax and other			**(78.6)**		(146.2)
Cash flow from operating activities			**359.5**		441.6
Cash flow from investing activities			**(167.8)**		(92.4)
Cash flow from financing activities					
Repayment of long-term loans	3	(10.7)		(760.7)	
Movement in short-term financing	3	72.8		315.5	
Dividend paid		(258.8)		(110.1)	
Cash flow from financing activities			**(196.7)**		(555.3)
Movement in cash and cash equivalents			**(5.0)**		(206.1)
Cash and cash equivalents at previous year-end		41.2		238.4	
Cash and cash equivalents at year-end		36.2		32.3	
			(5.0)		(206.1)

Notes to the condensed consolidated financial statements

Nature of business operations

N.V. Nederlandse Gasunie (Gasunie) is a European gas infrastructure company. Gasunie's network ranks among Europe's largest high-pressure gas transport networks and consists of some 15,500 kilometres of pipelines in the Netherlands and northern Germany, dozens of installations and approximately 1,300 gas-receiving stations. The annual gas throughput totals approximately 1,250 TWh (125 billion m³). Gasunie serves the public interest in the markets in which it operates and seeks to maximise value creation for its stakeholders. Gasunie provides gas transport services through its subsidiaries, Gasunie Transport Services B.V. in the Netherlands and Gasunie Deutschland Transport Services GmbH in Germany. Gasunie also provides other gas infrastructure services, including gas storage, LNG storage and the certification of green gas through its subsidiary Vertogas. Gasunie seeks to deploy its infrastructure and knowledge for the ongoing development and integration of renewable energy sources, particularly green gas.

The company has its registered office at Concourslaan 17, Groningen, the Netherlands, and is registered with the Chamber of Commerce under number 02029700.

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

Seasonal influence

The core activity of Gasunie Transport Services B.V., Gasunie Deutschland Transport Services GmbH and BBL Company V.O.F. is the transport of natural gas through their gas transport network. Revenues consist of the sale of the available transport capacity and transport-related services. Our customers can enter into contracts that allow them to reserve capacity at certain entry or exit points in the gas transport network for a certain period (year, quarter, month or day). There is a seasonal pattern in the regional transport capacity contracted by our customers in the Netherlands: in the winter, more capacity is contracted than in the summer. Revenues are realised through the transport capacity sold and are independent of the actual transported volume. In contrast, the costs of network operations in particular do depend on the transported volume.

Basis of preparation

Under Regulation (EC) no. 1606/2002 of the European Parliament, the company's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as endorsed by the European Union.

The accounting policies applied in preparing the 2018 consolidated semi-annual financial statements are consistent with the accounting policies applied in preparing the 2017 consolidated financial statements, with the exception of IFRS 9 and IFRS 15, which came into force as of 1 January 2018. The incorporation of these standards is shown below.

IFRS 9 Financial Instruments

IFRS 9 pertains to the classification and measurement of financial instruments and replaces IAS 39 (among others). The consolidated semi-annual financial statements include several financial instruments that fall within the scope of IFRS 9. For the assets, this concerns the following items: investments in other equity interests, receivables from joint ventures, loans to third parties and trade and other receivables. These assets are measured at amortised cost with the exception of the investments in other equity interests, which are measured at fair value with changes in value recognised in equity. The introduction of IFRS 9 does not have any impact on the classification or measurement of these financial instruments.

The company measures trade receivables according to the "simplified approach", as further analysis has established that these arise from the revenues within the scope of IFRS 15, which do not contain any significant financing component.

Under the simplified approach, a provision is formed upon the first measurement of the receivable to cover the expected non-payment. This expectation is based on historical payment data. To determine this effect, Gasunie has analysed the corporate credit policy and scale of bad debt among its trade receivables over the past 5 years. This bad debt is extremely limited in both its incidence and its volume; the latter is between 0.00 and 0.04%. In the next 12 months, the credit risk will continue to be extremely limited.

Given the very limited volume and low incidence of write-offs on trade receivables, an allowance for expected credit losses is financially immaterial. Gasunie continues to monitor the payment behaviour of its debtors. If there are sufficient indications that a receivable has become uncollectible, a provision will be formed.

As concerns liabilities, IFRS 9 only introduces changes with respect to IAS 39 in terms of the classification and measurement of liabilities measured at fair value, whereby the result is taken to the profit and loss account. The consolidated financial statements do not contain any such liabilities.

Finally, the consolidated semi-annual financial statements include two cash flow hedges. These are the cash flow hedge of N.V. Nederlandse Gasunie, relating to two long-term bond loans, and the cash flow hedge of Gate terminal B.V., a wholly owned group company of the joint venture Gate terminal C.V. The results of these hedges are taken to equity ("Fair Value through Other Comprehensive Income") and reclassified to the profit and loss account upon realisation. This manner of recognition is maintained under IFRS 9.

To summarise, it can be said that the application of IFRS 9 does not bring with it any changes to the classification or measurement of the company's financial instruments.

IFRS 15: revenue from customer contracts
IFRS 15 is in effect as of 1 January 2018, and supersedes IAS 18. The company has implemented the guideline according to the retrospective method, making use of the provision allowing contracts that expired before 1 January 2017 to be disregarded.

In the context of IFRS 15 implementation, the company has analysed its current contracts with customers, devoting attention to the contract terms and conditions, the rate structures, the terms of the contracts and any special stipulations. The purpose of this analysis was to determine whether IFRS 15 has an impact on the measurement of its contracts, and whether any discounts, prepayments or advance deliveries of services might give rise to new contract assets or liabilities.

The implementation of IFRS 15 does not give rise to any adjustment in the measurement or processing of the regular transport and storage contracts. However, three special contractual provisions have been identified that were in effect prior to 1 January 2018, and which give rise to an adjustment of the opening balance on 1 January 2018. Furthermore, we have reassessed an existing contract commitment, and reclassified it from a short-term to a long-term liability. The following table shows the influence of these adjustments on the opening balances as per 1 January 2018.

In millions of euros	31 Dec. 2017	IFRS 15 retrospective application	1 January 2018
Tangible fixed assets	8,499.9	18.1	8,518.0
Deferred tax assets	402.0	2.2	404.2
Total change in assets		**20.3**	
Equity (Other reserves)	5,782.3	(7.4)	5,774.9
Long-term contract commitment	-	50.7	50.7
Trade and other payables	276.0	(23.0)	253.0
Total change in liabilities		**20.3**	

The impact of the implementation on the result after taxation amounts to € 0.5 million over the first half of 2017 and 2018.

IFRS 15 requires the company to categorise its revenues according to the way in which economic factors influence the nature, amount, timing and uncertainty of the cash flows. This categorisation is explained in note 7 to these financial statements.

IFRS 16 Leases
IFRS 16 Leases will become effective from the 2019 financial year. Gasunie will implement this standard using what is known as the “modified retrospective approach”, whereby the remaining lease commitments will be presented as a liability on the balance sheet and discounted at the incremental interest rate. The asset or right of use associated with the lease will be presented at the same value on the assets side.

The company has examined to what extent this standard will have a material effect on the equity or result of the company in the period of first-time adoption and to what extent this will require any further disclosures. No material effect on the company’s equity and result is expected. However, a shift will take place from operating expenses to interest and depreciation expenses. In addition, the tangible fixed assets, as well as the current and long-term liabilities, will increase. The company expects this increase in the balance sheet total to amount to between 75 and 125 million euros. Moreover, in the cash flow statement, a shift will also take place from operational cash flows to financing cash flows. Finally, the company expects to make additional disclosures with regard to the lease liabilities concerning the depreciation and financing expenses.

Statement of compliance

The semi-annual financial statements have been prepared in accordance with the IFRS standard 'Interim Financial Reporting' (IAS 34), as endorsed by the European Union and applicable as of 30 June 2018.

The semi-annual financial statements have not been subjected to a full audit, but have been reviewed by our external accountant.

Management judgements and estimates

In preparing the semi-annual financial statements, management makes estimates and assessments which affect the assets and liabilities presented as of the balance sheet date and the result for the first half of the financial year.

The influence of judgements and estimates is significant for the measurement of fixed assets, customer contracts, trade receivables, the provision for abandonment costs and redevelopment, deferred taxation, pensions and other equity interests, and for the classification of equity interests in the context of IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements.

Notes

1. Interest-bearing loans

The total amount of € 2,832.2 million (year-end 2017: € 2,842.9 million) in long-term loans comprises € 2,250.0 million (year-end 2017: € 2,250.0 million) in long-term bonds and € 582.2 million (year-end 2017: € 592.9 million) in private loans.

The movements in interest-bearing loans

In millions of euros	First half of 2018	2017
Balance as at 1 January	2,842.9	3,164.3
Private loans contracted and bond loans issued		-
Repayment obligations in next financial year	(10.7)	(321.4)
Balance as at 30 June/31 December	**2,832.2**	**2842.9**

The future repayments

In millions of euros	30 June 2018	2017
Repayment obligations in		
2018	310.7	321.4
2019	321.5	321.5
2020	21.4	21.4
2021	800.0	800.0
2022	625.0	625.0
After 2022	1,075.0	1,075.0
Total repayment obligations	**3,153.6**	**3,164.3**

The company has a current account facility of € 25 million (year-end 2017: € 25 million), a committed credit facility of € 680 million (year-end 2017: € 680 million), a € 750 million Commercial Paper programme (year-end 2017: € 750 million) and a € 7.5 billion Medium Term Note (MTN) programme (year-end 2017: € 7.5 billion).

Under the MTN programme, € 5.0 billion was available for new issues as of 30 June 2018.

No securities have been provided by N.V. Nederlandse Gasunie for the interest-bearing loans and other facilities.

2. Current financing liabilities

In millions of euros	30 June 2018	31 Dec. 2017
Repayments on long-term loans	321.4	321.4
Short-term loans	335.1	268.0
Short-term loans to joint ventures	19.1	13.3
Total current financing liabilities	**675.6**	**602.7**

In the first half of 2018, the company repaid € 10.7 million (first half of 2017: € 760.7 million) in long-term loans.

3. Employee benefits

The pension liabilities are valued annually in the second half of the year in accordance with IAS 19 Employee Benefits (Revised). As of the balance sheet date, an indicative calculation of pension liabilities has been made, taking into account the changed assumptions below.

The assumptions underlying the calculation of the pension liabilities are as follows: inflation 1.85% (year-end 2017: 1.9%), expected annual salary increase 2.7% (year-end 2017: 2.7%) and the expected pension increase for retirees 1.7 % (year-end 2017: 1.7%).

The provision for pension liabilities relates to the pension scheme of employees who joined Gasunie Deutschland before 2012. The scheme is treated as a defined benefit pension scheme.

The provision for pension liabilities for employees in Germany concerns the present value of the pension entitlements granted as of 30 June 2018 in the amount of € 90.1 million (year-end 2017: € 88.1 million).

Actuarial results taken directly to equity for the first half of 2018 totalled € 0.4 million negative (first half of 2017: € 4.1 million positive).

As of 30 June 2018, the accumulated actuarial gains and losses taken directly to equity totalled € 26.7 million negative (year-end 2017: € 26.3 million negative).

4. Other long-term liabilities

The ‘other long-term liabilities’ consist of ‘deferred tax liabilities’ and ‘provisions’. There was no substantial addition to or release of provisions up to 30 June 2018.

5. Financial instruments

The following methods are applied by N.V. Nederlandse Gasunie to determine the approximate fair values of financial instruments:

- For trade receivables, tax and social security contributions, other receivables, cash and cash equivalents, current financing liabilities excluding repayment obligations on long-term loans, trade payables, tax liabilities, and other liabilities, accruals and deferred income, the carrying amount approximates the fair value because of the short period to the due date for each of these instruments;
- The other equity interests are stated at fair value, which is based on the present value of the expected cash flows. In determining the discount rate, the risk profile, including the credit risk, of the other equity interests has been taken into account;
- The interest-bearing loans and repayment obligations on long-term loans are bonds with a listing on the Amsterdam stock exchange, and private loans. The fair value of the bonds is the market value at the year-end closing price. The fair value of the private loans has been calculated by discounting the future cash flows against the current yield curve. In determining the discount rate, the company's own risk profile, including the credit risk, is taken into account.

N.V. Nederlandse Gasunie uses the following hierarchy of methods to determine and measure the fair value of the derivative financial instruments for presentation in the balance sheet:

Level 1:	Based on prices on active markets for the same instrument;
Level 2:	Based on prices on active markets for comparable instruments, or based on other measurement methods, with all required key data being derived from publicly available market information; and
Level 3:	Based on other measurement methods, with all required key data not being derived from publicly available market information.

The assets and liabilities presented at fair value in the balance sheet are determined in accordance with the following hierarchy:

In millions of euros	Total	Level 1	Level 2	Level 3
30 June 2018				
- other equity interests	478.3	-	-	478.3
31 Dec. 2017				
- other equity interests	490.7	-	-	490.7

The other equity interests are a 9% interest in Nord Stream AG, a 12.7% interest in PRISMA European Capacity Platform GmbH, and a 12.5% interest in Energie Data Services Nederland (EDSN) B.V.

The interests in Nordstream AG, PRISMA European Capacity Platform GmbH and Energie Data Services Nederland (EDSN) B.V. are stated at fair value. In calculating the fair value of relevant assets, N.V. Nederlandse Gasunie applies a discount rate based on the risk-free interest rate plus an appropriate risk premium. This discount rate as applied by Gasunie varies between 4% and 7% after taxes, depending on the risk profile of the asset to be valued.

From 2008, N.V. Nederlandse Gasunie acquired a 9% interest in Nord Stream AG, which operates two gas pipelines across the Baltic Sea from Russia to Germany. The equity interest in Nord Stream AG is held by Gasunie Infrastruktur AG and is intended as a long-term investment supporting the objectives of N.V. Nederlandse Gasunie.

The projected cash flows are based on contractual agreements. As an indication, all things being equal, if the discount rate changes by 0.5% points, this will result in a change in the fair value amount of € 24 million (year-end 2017: € 24 million).

The valuation is based on the present value of the cash flows, using a calculation model which is updated annually by Nord Stream AG as part of the business plan. This model is presented for assessment and approval to the shareholders of Nord Stream AG. The model is subsequently tested by the management of N.V. Nederlandse Gasunie on the basis of Nord Stream AG's periodic reports.

The interests in PRISMA European Capacity Platform GmbH and Energie Data Services Nederland (EDSN) B.V. are stated at fair value. Given the relatively limited materiality of these equity interests, a sensitivity analysis of the fair value calculation has not been included.

The movements in other equity interests are as follows:

In millions of euros	first half of 2018	2017
Balance as at 1 January	**490.7**	470.2
Movement in fair value taken directly to equity	(12.4)	20.5
Balance as at 30 June/31 December	**478.3**	490.7

The table below compares the carrying amount and fair value of those financial instruments whose carrying amount does not approximate the fair value:

In millions of euros	30 June 2018		31 Dec. 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Interest-bearing loans	2,832.2	3,115.9	2,842.9	3,146.8
Repayments on long-term loans	321.3	321.7	321.4	322.2

6. Financial information by segment

The information is segmented in line with the Group's activities. The operating segments reflect the management structure of the Group. The following segments are distinguished:

- Gasunie Transport Services
  This segment covers network management in the Netherlands and is responsible for managing transport, developing the pipeline network and related plants, as well as promoting market forces.

- Gasunie Deutschland
  This segment covers network management in Germany and is responsible for managing transport, developing the pipeline network and related plants, as well as promoting market forces.

- Participations
  This segment focuses on optimum utilisation of existing participations, developing projects for the energy transition and facilitating access to the new gas flows for north-western Europe using an LNG connection and long-distance pipelines. Participation in national and international projects relating to the natural gas infrastructure in the Netherlands and Germany is another activity of this segment. This segment also includes joint ventures relating to pipelines that connect the Gasunie transport network with foreign markets, such as the BBL pipeline to the United Kingdom.

The accounting policies used for these segments are the same as those applied to the consolidated and company financial statements.

The liabilities, revenues and results of a segment comprise both items directly related to the segments and items that can reasonably be attributed to them. Transaction prices for inter-segment transactions are determined at arm's length.

Information on revenues and result

In millions of euros	Revenues		Segment result	
	first half of 2018	first half of 2017	first half of 2018	first half of 2017
Segments				
- Gasunie Transport Services	514.7	588.6	213.4	295.5
- Gasunie Deutschland	109.8	108.3	48.4	47.8
- Participations	67.8	60.4	25.8	28.3
Inter-segment	(20.9)	(17.6)	(1.1)	
Segments total	**671.4**	**739.7**	**286.5**	**371.6**
Unallocated financial income and expenses			13.9	4.2
Result before taxation			**300.4**	**375.8**
Taxes			(66.1)	(84.7)
Revenues and result after taxation for the year	**671.4**	**739.7**	**234.3**	**291.1**

During the first half of 2018, the Gasunie Transport Services segment provided inter-segment services to the value of € 7.5 million (first half of 2017: € 4.2 million), the Gasunie Deutschland segment provided inter-segment services to the value of € 0.1 million (first half of 2017: € 0.1 million) and the Participations & Business Development segment provided inter-segment services to the value of € 13.3 million (first half of 2017: € 13.3 million).

7. Revenue categorisation

IFRS 15 requires the company to categorise its revenues according to the way in which economic factors influence the nature, amount, timing and uncertainty of the cash flows. We have divided Gasunie's revenue into two categories. The first of these concerns revenue from regulated transport and related services. This revenue is determined every 5 years by the regulator in the Netherlands and Germany. The second concerns non-regulated services, the revenues of which are determined by rates and volumes resulting from market forces.

The revenue from regulated services is generated by the Gasunie Transport Services and Gasunie Deutschland segments. The revenue from non-regulated services is generated by the Participations segment. Inter-segment services have been eliminated.

The following table shows the revenues in both categories:

In millions of euros	**first half of 2018**	**first half of 2017**
Revenue category		
Revenue from regulated services	624.5	696.9
other services	67.8	60.4
Inter-segment	(20.9)	(17.6)
Segments total	**671.4**	**739.7**

The Executive Board,

J.J. Fennema*, chair
I.M. Oudejans*
U. Vermeulen
B.J. Hoevers

Groningen, 23 July 2018

* Director under the Articles of Association