Semi-annual report 2014

N.V. Nederlandse Gasunie

Contents

Highlights of the first half of 2014

Solid first half year of 2014 for Gasunie

- Income of € 876 million is € 113 million higher than in the first half of 2013, principally due to the termination of the repayment obligation with regard to the method decisions of GTS from the past.
- Income normalised for the deducted repayment obligation on 2013 income, is € 2 million higher in the first half of 2014.
- Income from new assets compensates efficiency discounts imposed by the regulator.
- In the first half of 2014, capacities sold were at the same level as in the same period in 2013.
- Due to the warm winter, the transported volume (621 TWh) was lower compared to the first six months of the record year of 2013 (752 TWh), which started with a cold winter. This did not have any impact on capacities sold and the related income.
- At € 357 million, total expenses were 12% lower than in the first half of 2013 (€ 404 million) due to significant lower transport related energy costs.
- Due to above mentioned developments and also lower financial expenses, the result after taxation increases from € 214 million in the first half of 2013 to € 357 million in the first half of 2014.
- The normalised result after taxation in the first half of 2013 is € 297 million. In the first half of 2014, there were no effects that required normalisation.

Main developments

- With two incidents, our safety performance in the field of pipeline damage remains below the signal value of six as set for 2014. The reportable frequency index was 5.3, whereas we had set a signal value of 4.0. Because we want to improve our performance with regard to accidents at work we have drawn up an improvement programme.
- The large projects, such as the construction of the Beverwijk-Wijngaarden pipeline route, the expansion of the network in North Germany and the multi-year replacement programme, are all on track.
- On 1 March, the new department Gasunie New Energy was set up. This department focuses on the development of sustainable activities in the field of energy, together with business partners where possible. One of the results so far is the letter of intent for the development of a Power2Gas installation in Delfzijl.
- On 1 March, Han Fennema started as the new CEO of Gasunie. He succeeded Geert Graaf, who was acting CEO as of 1 September 2013.
- On 19 May, Gasunie Zuidwending B.V. continued under the name EnergyStock B.V. A new name that better matches the growing international nature of the activities of the gas storage company. This gas storage in Zuidwending allows us to optimally adapt to the growing volatility in the gas and energy market, due to amongst others the expected increase in the supply of sustainable energy.
- On 3 July, Gate terminal announced expanding its Small-scale LNG activities. The new facility is intended for the distribution of LNG for inland waterway transport, road transport, and industrial use.

Han Fennema, CEO Gasunie, about the results

'In the past half year, Gasunie again contributed to a reliable energy supply in the Netherlands and the surrounding countries. There were no interruptions in gas transport. As for safety, we will take additional measures to reduce the number of accidents at work. Our aim is to achieve a safe,

reliable and, above all, affordable energy supply. We are convinced that energy partners will collaborate in new chains in order to make energy supply as a whole more sustainable. Gasunie wishes to play an active part in this endeavour. This year, we have therefore set up a new organisational unit: Gasunie New Energy. Together with partners, we aim to explore the feasibility of sustainable technologies that can be applied on a larger scale.
Together with our partner in Gate terminal, Royal Vopak, we have decided to expand the LNG facilities in Rotterdam. This is an important step towards making LNG more accessible as a clean and efficient fuel for our customers in the transport sector and industry. This expansion will also reinforce the already strong position of the Netherlands as a gas hub for Europe.'

Key figures

In millions of euros	**First half of 2014**	**First half of 2013 revised *)**
Profit and loss account		
Reported		
Income	876	763
EBITDA	662	493
EBIT	519	359
Result after taxation	357	214
Normalised **)		
Income	876	874
EBITDA	662	604
EBIT	519	470
Result after taxation	357	297
Cash flow statement		
Cash flow from operating activities	534	431
Cash flow from investing activities	(239)	(227)
Cash flow from financing activities	(283)	(202)
Net cash flow	12	2
Non-financial key figures		
Transported volume (TWh)	621	752
Reportable frequency index	5.3	2.3
Pipeline damages	2	5
Security of supply (non-deliveries or late deliveries)	-	1

In millions of euros	**30 June 2014**	**31 December 2013 revised *)**
Balance sheet		
Fixed assets	9,961	9,883
Equity	5,247	5,214
Balance sheet total	10,227	10,188
Invested capital	9,247	8,801
Net debt including guarantees	4,992	4,906
Credit Ratings		
Standard & Poor’s	A+	A+
Moody’s Investors Service	A2	A2

**) For more information, see note 1 ‘Revised figures due to IFRS 11 Joint Arrangements’ in the consolidated semi-annual financial statements.*

***) Normalised for the effects of the method decisions 2010-2013 on income in the first half of 2013 (approximately € 111 million). In the first half of 2014, there were no effects that required normalisation.*

Definitions relating to the key figures

EBITDA	Earnings before interest, taxes, depreciation and amortisation
EBIT	Earnings before interest and taxes
Reportable frequency index	The number of reportable incidents (incidents resulting in absence, medical treatment, replacement work or fatalities) per million hours worked
Invested capital	Total of tangible fixed assets, investments in joint ventures, 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, current financing liabilities, cash and cash equivalents and guarantees

Semi-annual report

Financial results

Key figures

In millions of euros	**First half of 2014**	**First half of 2013 revised *)**
Income	876	763
Total expenses	(357)	(404)
Operating result	519	359
Financial income and expenses	(41)	(75)
Result before taxation	478	284
Taxes	(121)	(70)
Result after taxation	357	214

**) For more information, see note 1 'Revised figures due to IFRS 11 Joint Arrangements' in the consolidated semi-annual financial statements.*

Income

In the first half of 2014, capacities sold were at the same level as in the same period in 2013. The income achieved was € 113 million higher than in the first half of 2013. This is principally due to the termination of the repayment obligation with regard to the method decisions of GTS from the past as of year-end 2013.

Operating result

The operating result increased by € 160 million. In addition to the increase in income mentioned above, expenses were down, mainly due to significantly lower transport related energy costs. As a result of the warm first half of 2014 compared to the cold first half of 2013 less gas was transported. For an explanation of the 'Business model', reference is made to our 2013 annual report.

Normalised

In millions of euros	**First half of 2014**	**First half of 2013 revised *)**
Income	876	874
Total expenses	(357)	(404)
Operating result	519	470
Financial income and expenses	(41)	(75)
Result before taxation	478	395
Taxes	(121)	(98)
Result after taxation	357	297

**) For more information, see note 1 'Revised figures due to IFRS 11 Joint Arrangements' in the consolidated semi-annual financial statements.*

In this financial overview, income for the first half of 2013 has been normalised for the effects of the method decisions 2010-2013 (approximately € 111 million). In the first half of 2014, there were no effects that required normalisation.

Normalised income increased slightly compared to the first half of 2013. The efficiency discounts as determined by the regulators in the Netherlands (1.3%) and Germany (1.5%) were compensated for by income from new assets, in particular by NEL (Nordeuropäische Erdgas Leitung) becoming operational.

Outlook
Based on current insights, the company expects income for the full year 2014 to be approximately € 1.6 billion, with a positive result after taxation from regular operational activities of more than € 550 million. Investment expenditures are expected to be close to € 500 million.

Funding
No long-term loans were taken on in the first half of 2014. However, we did take on short-term loans on the money market in the form of private loans and Euro Commercial Paper (ECP). No use was made of the € 800 million stand-by facility. This stand-by facility will expire in October 2015 and it is our intention to renew this facility in the second half of 2014.

Credit ratings
In the first half of 2014, the rating agencies Standard & Poor's and Moody's Investors Service did not change Gasunie's credit ratings. Our long-term credit rating from Standard & Poor's is A+ with a stable outlook, the short-term rating from Standard & Poor's is A-1. From Moody's Investors Service, the long-term credit rating is A2 with a stable outlook and the short-term rating is P-1.

Changes in the Executive Board

On 1 January 2014, Han Fennema joined the Executive Board and on 1 March he took over the position of CEO and Chairman of the Executive Board from Geert Graaf, who was acting CEO as of 1 September 2013.

Risk management

Our business activities are subject to risks. These risks arise from changes both within and outside our company. We aim to manage these risks as well as possible. Our risk profile has not changed in any significant respect from that presented in the 2013 annual report. For completeness, we refer to the section on risk management in our 2013 annual report.

Safety performance

In the first half year, our safety performance with regard to accidents at work did not reach the target level we had set ourselves. The number of accidents requiring at least medical treatment, in proportion to the number of hours worked, is too high. Up to now, the reportable frequency index is 5.3, whereas the signal value is below 4.0. We have drawn up an improvement programme for the coming period in which we will focus even more on worker safety awareness, and on the risks of specific activities, such as hoisting.

The number of pipeline damage issues without gas leaks was two, which is below the signal value of a maximum of six for the entire year. In the first half year, there was one incident with gas leaks, during activities in Baarn. The incident was investigated internally and the results of this investigation were reported to the appropriate authorities and the Dutch Safety Board.

The willingness to learn from incidents and the timely implementation of 'lessons learned' are important factors in achieving the desired safety performance. At the end of June, timely follow-up to actions arising from incidents was in line with our improvement objective.

In the next few years, we will focus on improving our safety culture, safety awareness and safety behaviour, which has to improve our safety performance structurally.

Business units Gasunie

Gasunie Transport Services

Gas transport
Due to the warm winter, in the first six months of 2014, 20% less gas was transported in the Netherlands than in the same period last year (504 TWh in 2014 compared to 632 TWh 2013). In addition, less energy was used for transport, and the transport costs were € 26 million lower than in the first half of 2013. The reduction of the allowed production of the Groningen field has led to an increase in the use of quality conversion.

Earthquakes
On 17 January, the Minister of Economic Affairs announced his proposed decision to limit production from the Groningen field to 42.5 bcm in both 2014 and 2015, and 40 bcm in 2016. This limitation has resulted in a growing demand for use of the existing quality conversion capacity of GTS. GTS is also preparing possible expansion of the conversion capacity.

Balancing
On 3 June, GTS started the renewed balancing regime in the Netherlands. In this regime, the 'offered price ladder' has been replaced by the spot market. This means that in the case of a system imbalance, gas shortages or surpluses can be traded through the gas trade platform TTF on the Within Day Market of ICE Endex. With the new regime, GTS complies with the European network code for balancing gas transport networks.

TTF
The amount of gas traded via TTF rose significantly in the first half of 2014. In the period from January to May 2014, a total of 5,322 TWh gas was traded by market parties via TTF, compared to 3,458 TWh in the same period last year. This was done both via bilateral trade (OTC) and via exchanges. This increase is mainly due to the OTC part, in which larger volumes in season, quarterly and monthly products are traded, mainly for hedging purposes.

In the months January to May, partly due to the mild winter, the net TTF volume, which is the physical volume that flows via TTF, decreased from 225 TWh in 2013 to 210 TWh in 2014. However the churn factor has increased in this period from 15.4 in 2013 to 25.3 in 2014. This factor indicates the number of times an amount of gas is traded on average. The higher the churn factor, the higher the liquidity and therefore the attractiveness of a trading platform. The maximum number of TTF traders active on one day rose further from 108 (January to May 2013) to 115 (January to May 2014).

New contracting and invoicing system
Following the implementation of new European regulations for offering border capacity, on 24 January, GTS started using the new contracting and invoicing system MECOMS. This system gives GTS the flexibility it needs to offer cross-border capacity through several auction products on the European capacity platform PRISMA.

Open Season 2019
From December 2013 to April 2014, GTS organised the market phase of the Open Season 2019. Through an Open Season, GTS offers its customers an opportunity to indicate what their capacity needs will be as of October 2019. In this way, GTS can determine whether measures need to be taken to meet long-term capacity demand. The market phase has not led to additional bookings or a redistribution of existing capacity.

Gasunie Deutschland

Gas transport
Due to the warm winter, in Germany too, less gas was transported than in the first half of 2013. The volume transported decreased by 3% (117 TWh 2014 compared to 120 TWh 2013). The transport costs incurred were € 11 million lower than in the first half of 2013. This is due to both the lower volume transported and lower compression costs. Gas which is injected by Nord Stream in our transport network, via the NEL (Nordeuropäische Erdgas Leitung), is transported under higher pressure, which requires less compression in our network.

The warm winter has resulted in fuller gas storages in Germany than was the case in the first half of 2013. For the coming summer, we therefore expect lower transport volumes and lower compression costs for filling the gas storages.

Transport revenues
In 2013, less capacity was booked at Gasunie Deutschland than expected. As a result of the method of revenue regulation, an increase in the rate for 2014 was therefore unavoidable. The number of bookings during the first half of 2014 was as expected. However, we are noticing a trend of shippers preferring less expensive short-term bookings (interruptible capacity on day-ahead basis). As of 1 October of this year, we expect a revenue increase resulting from ExEll (Exit Ellund), the export connection with Denmark, becoming operational.

Regulation
In April, BNetzA (Bundesnetzagentur) started a consultation phase of mapping the requirements with regard to the tariffs for both short-term bookings and gas storages entry and exit points. Although concrete results are not yet known, BNetzA is expected to be willing to change the tariff system in order to promote long-term bookings rather than short-term ones. This may stabilise the number of bookings which are now highly volatile and difficult to predict.

Following a complaint by a storage operator, BNetzA has started to evaluate the tariffs of Gasunie Deutschland’s entry and exit points. The results of this assessment are expected in the fourth quarter.

Projects
Deepening and widening the River Elbe requires an adjustment to be made to the 'Elbe culvert'. This culvert will otherwise no longer be sufficiently deep, as a result of which it will no longer comply with the permits. Gasunie Deutschland is co-owner of the culvert, together with OGE, Telekom and WSV. The Elbe culvert is of major importance for gas transport to Hamburg, Schleswig-Holstein, Denmark and Sweden. It is also important for the Scandinavian telecom market. The shareholders have agreed that Gasunie will take on both the commercial and the technical management of this project, including the permit procedure.

The NEP (Netzentwicklungsplan) for 2014 considers the expansion of the NEL by 50 TWh transmission capacity per year. Extra volumes are necessary to enable the market conversion of low-calorific to high-calorific gas in north-west Germany and, in the long term, in the Netherlands.

The ExEll project, which will expand the capacity of our network in the direction of Denmark, is proceeding according to plan.

GASPOOL
In the first half of 2014, the traded volumes on the virtual gas trading platform GASPOOL were approximately the same as in the first half of the previous year. However the churn factor has increased in this period from 2.8 in 2013 to 3.1 in 2014. As of October 2013, the churn factor for low-calorific as well as high-calorific gas has continuously increased. In March 2014, the churn factor for high-calorific gas reached its highest point ever at 3.8.

Participations & Business Development

With their diverse activities, Gasunie's participations make a significant contribution to the security of supply of natural gas in the Netherlands. By being connected to the global natural gas supplies, the Netherlands is attracting gas flows both for its own use and for the rest of Western Europe.

Gasunie New Energy
One of our strategic pillars is the transition towards more sustainable energy supply. In order to be able to give this more substance, in the first quarter of 2014 we set up a new department, Gasunie New Energy, which focuses on developing projects in this context. We thus take on a proactive role in the development of sustainable activities in the field of energy. In addition, we are developing the necessary knowledge and building a network of business partners. One of the results so far is a letter of intent for the development of a Power2Gas installation in Delfzijl.

Power2Gas
Power2Gas (P2G) is a process whereby power surpluses from sustainable energy sources, such as wind turbines or solar panels, are converted into methane gas, which is injected into the gas transport network. Together with its partners Torrgas, A.Hak, Siemens, Stedin, EnTranCe and Hanze Hogeschool, Gasunie has signed a letter of intent regarding the development of a P2G installation in Delfzijl. The aim is to have it operational in 2018.

Gate terminal
On 3 July 2014, it was announced that Gate terminal, the joint venture between Gasunie and Vopak, will be building facilities to enable the distribution of LNG via tanker barges and other small vessels. These so called break bulk facilities will form the basis for distributing LNG as a clean alternative transport fuel in shipping and road transport in Europe. This investment is in line with Gasunie's strategy and strengthens the positioning of Gate terminal as a European LNG hub.

Construction is scheduled to start this year. The delivery tests and the first provision of services are expected to take place in the first half of 2016.

The level of activity at Gate terminal has increased as a result of technical adjustments that were made last year. This has provided the terminal with an opportunity to load and unload small LNG vessels and trucks on a limited scale. Particularly transhipments to small vessels and loading trucks have shown an upward trend in the past period.

Zuidwending - EnergyStock

On 19 May, Gasunie Zuidwending B.V. announced that it will continue under the name EnergyStock B.V. A name that better matches the growing international nature of the activities of the gas storage company. This gas storage in Zuidwending allows us to optimally adapt to the growing volatility in the gas and energy market, which can grow as a result of the expected increase in the supply of sustainable energy. From a commercial point of view, EnergyStock focuses on offering tailor-made solutions that match the specific needs of customers in managing their energy portfolio. In the past few months, this has resulted in a number of new contracts.

On 30 June, we reached an agreement with AkzoNobel about taking over the former rights of Nuon with regard to the development of caverns at the Zuidwending location, and subsequently the further development of the caverns in cooperation with AkzoNobel. In addition, on 30 June, we also reached an agreement with Nuon about Nuon’s exit from the cavern project. This deal is expected to be effectuated in the third quarter of 2014.

Statement of the Executive Board

(as defined by Section 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 reporting period.

J.J. Fennema, Chairman
I.M. Oudejans

Groningen, the Netherlands
22 July 2014

Consolidated semi-annual financial statements

Condensed consolidated balance sheet (before profit appropriation)

In millions of euros	**Notes**	**30 June 2014**	**31 December 2013 revised *)**	**31 December 2012 revised *)**
Assets				
Fixed assets				
- tangible fixed assets		**9,002.2**	8,923.7	8,539.6
- intangible fixed assets		**2.9**	3.9	5.8
- investments in joint ventures		**152.8**	160.1	154.7
- investments in associates		**10.9**	10.6	10.1
- other equity interests	6	**436.1**	418.1	403.9
- deferred tax assets		**355.7**	366.8	458.7
Total fixed assets		**9,960.6**	9,883.2	9,572.8
Total current assets		**266.3**	304.8	1,083.0
Total assets		**10,226.9**	10,188.0	10,655.8
Equity and liabilities				
Total shareholder's equity		**5,246.9**	5,213.9	4,856.5
Long-term liabilities				
- interest-bearing loans	4	**3,867.9**	3,878.6	3,750.0
- employee benefits	5	**77.0**	66.6	250.7
- other long-term liabilities		**280.5**	292.6	290.5
Total long-term liabilities		**4,225.4**	4,237.8	4,291.2
Current liabilities				
- current financing liabilities		**458.3**	405.9	1,135.5
- trade and other payables		**296.3**	330.4	372.6
Total current liabilities		**754.6**	736.3	1,508.1
Total equity and liabilities		**10,226.9**	10,188.0	10,655.8

**) For more information, see note 1 'Revised figures due to IFRS 11 Joint Arrangements'.*

Condensed consolidated profit and loss account

In millions of euros	**Notes**		**First half of 2014**		**First half of 2013 revised *)**
Continuing operations					
Gross income		**875.9**		873.6	
Tariff settlement repayment	7	**-**		(110.5)	
Income			**875.9**		763.1
Capitalised expenditure		**43.7**		44.0	
Staff costs and other operating expenses		**(257.4)**		(314.3)	
Depreciation		**(142.8)**		(134.2)	
Total expenses			**(356.5)**		(404.5)
Operating result			**519.4**		358.6
Finance revenue and costs			**(61.0)**		(94.3)
Share in result of joint ventures			**18.9**		18.9
Share in result of associates			**0.3**		0.2
Dividend received on investments in other equity interests			**-**		0.1
Result before taxation			**477.6**		283.5
Taxes			**(120.6)**		(69.7)
Result after taxation			**357.0**		213.8
Discontinued operations					
Result on discontinued operations after taxation			**-**		-
Result for the period			**357.0**		213.8
Result attributable to shareholder			**357.0**		213.8

**) For more information, see note 1 ‘Revised figures due to IFRS 11 Joint Arrangements’.*

Consolidated statement of comprehensive income

In millions of euros	**Notes**	**Cash flow hedge reserve**	**Fair value reserve**	**Other reserves**	**Unappro-priated result**	**Total**
First half of 2014						
Total of results taken to the profit and loss account (result for the period)		-	-	-	357.0	357.0
Balance of actuarial gains and losses on employee benefits,	5	-	-	(8.4)	-	(8.4)
of which corporate income tax		-	-	2.5	-	2.5
Total of results taken to equity which will not be reclassified subsequently to the profit and loss account		-	-	(5.9)	-	(5.9)
Movement in cash flow hedge reserve,		(13.8)	-	-	-	(13.8)
of which corporate income tax		3.5	-	-	-	3.5
Movement in other equity interests stated at fair value	6	-	18.0	-	-	18.0
Total of results taken to equity which will be reclassified subsequently to the profit and loss account		(10.3)	18.0	-	-	7.7
Movement in cash flow hedge reserve,		(0.9)	-	-	-	(0.9)
of which corporate income tax		0.2	-	-	-	0.2
Total of results which have been reclassified to the profit and loss account		(0.7)	-	-	-	(0.7)
Total of comprehensive income		**(11,0)**	**18,0**	**(5,9)**	**357,0**	**358,1**

In millions of euros	**Notes**	**Cash flow hedge reserve**	**Fair value reserve**	**Other reserves**	**Unappro-priated result**	**Total**
First half of 2013						
Total of results taken to the profit and loss account (result for the period)		-	-	-	213.8	213.8
Balance of actuarial gains and losses on employee benefits,		-	-	73.4	-	73.4
of which corporate income tax		-	-	(18.4)	-	(18.4)
Total of results taken to equity which will not be reclassified subsequently to the profit and loss account		-	-	55.0	-	55.0
Movement in cash flow hedge reserve,		17.1	-	-	-	17.1
of which corporate income tax		(4.3)	-	-	-	(4.3)
Total of results taken to equity which will be reclassified subsequently to the profit and loss account		12.8	-	-	-	12.8
Movement in cash flow hedge reserve,		(0.8)	-	-	-	(0.8)
of which corporate income tax		0.2	-	-	-	0.2
Other movements		-	-	0.6	-	0.6
Total of results which have been reclassified to the profit and loss account		(0.6)	-	0.6	-	-
Total of comprehensive income		**12.2**	**-**	**55.6**	**213.8**	**281.6**

The total of comprehensive income for the first half of 2014 and 2013 is fully attributable to the shareholder.

Consolidated statement of movements in equity

In millions of euros	**Share capital**	**Cash flow hedge reserve**	**Fair value reserve**	**Other reserves**	**Unappro-priated result**	**Total**
First half of 2014						
Balance as at 1 January	0.2	(34.7)	206.6	4,577.4	464.4	5,213.9
Total of comprehensive income for the first half of the financial year	-	(11.0)	18.0	(5.9)	357.0	358.1
Dividend paid for 2013	-	-	-	-	(325.1)	(325.1)
Added to other reserves	-	-	-	139.3	(139.3)	-
Balance as at 30 June	**0.2**	**(45.7)**	**(224.6)**	**4,710.8**	**357.0**	**5,246.9**
First half of 2013						
Balance as at 1 January	0.2	(52.7)	175.4	4,374.9	358.7	4,856.5
Total of comprehensive income for the first half of the financial year	-	12.2	-	55.6	213.8	281.6
Dividend paid for 2012	-	-	-	-	(215.2)	(215.2)
Added to the other reserves	-	-	-	143.5	(143.5)	-
Balance as at 30 June	**0.2**	**(40.5)**	**175.4**	**4,574.0**	**213.8**	**4,922.9**

Condensed consolidated cash flow statement

In millions of euros			**First half of 2014**		**First half of 2013 revised *)**
Cash flow from business operations		**715.7**		513.4	
Interest, corporate income tax and other		**(181.8)**		(82.0)	
Cash flow from operating activities			**533.9**		431.4
Cash flow from investing activities			**(238.8)**		(227.3)
Repayment of long-term loans	4	**(10.7)**		-	
Movement in short-term financing		**52.4**		13.1	
Dividend paid		**(325.1)**		(215.2)	
Cash flow from financing activities			**(283.4)**		(202.1)
Movement in cash and cash equivalents			**11.7**		2.0
Cash and cash equivalents at previous year-end		**36.2**		869.1	
Cash and cash equivalents at end of period		**47.9**		871.1	
			11.7		2.0

*) For more information, see note 1 ‘Revised figures due to IFRS 11 Joint Arrangements’.

Notes to the condensed consolidated financial statements

The semi-annual financial statements in English are a translation of the official Dutch version adopted by the Executive Board. In the event of differences and/or inconsistencies between the English version of the semi-annual financial statements 2014 and the original Dutch semi-annual financial statements 2014, the latter will take precedence.

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 m^3). 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 at the balance sheet date were 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 the International Financial Reporting Standards (IFRS), as adopted by the European Union.

The following new standards and interpretations became effective and were endorsed for use in the European Union in the financial year 2014:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IFRS 10, 11 & 12 – Transition Guidance (Amendments)
- IFRS 10, 12 & IAS 27 – Investment Entities (Amendments)
- IAS 27 Separate Financial Statements (Revised)
- IAS 28 Investments in Associates and Joint Ventures (Revised)
- IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)
- IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (Amendments)
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendments)
- IFRIC 21 Levies

The adoption of the aforementioned standards and interpretations has no material effect on the company's equity or result in 2014, but has an effect on the consolidated financial statements and disclosures because of the abolition of 'proportional consolidation' for joint ventures under IFRS 11 Joint Arrangements. In addition, the adoption has led to reclassification of some participations and requires additional disclosures. For more information, see note 1 'Revised figures due to IFRS 11 Joint Arrangements' in the consolidated semi-annual financial statements.

Statement of compliance

The semi-annual financial statements have been prepared in accordance with the IFRS 'Interim Financial Reporting' standard (IAS 34), as adopted by the European Union and applicable as at 30 June 2014.

These semi-annual financial statements do not contain all the information and disclosures that are required to be included in annual financial statements and should be read in combination with the consolidated financial statements for 2013.

The semi-annual statements have not been audited, but have been reviewed by the chartered 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 at the balance sheet date and the result for the reporting period. These judgements and estimates have a significant effect on the valuation of fixed assets, the provision for clearance costs and redevelopment, deferred taxation, pensions and other equity interests.

Notes

1. Revised figures due to IFRS 11 Joint Arrangements

The implementation of IFRS 11 Joint Arrangements has led to a revision of the definition of 'joint control'. In addition, the covering name 'joint ventures' has changed into 'joint arrangements'. The classification of joint arrangements has also been revised from three categories to two categories: 'joint ventures' and 'joint operations'. Proportional consolidation of joint ventures, as applied by N.V. Nederlandse Gasunie before the transition to IFRS 11 Joint Arrangements, is no longer allowed. As of 2014, these participations will be valued in accordance with the equity method. With regard to joint operations, the rights to the assets and obligations with respect to the liabilities resulting from the participation and the associated rights to the revenues and obligations with respect to the associated expenses will be included in the financial statements.

For the following participations, the classification changed from associate to joint venture. However, the accounting method did not change, because the valuation is the same under both classifications:

- DEUDAN - Deutsch/Dänische Erdgastransport-GmbH & Co. KG
- NETRA GmbH Norddeutsche Erdgas Transversale
- NETRA GmbH Norddeutsche Erdgas Transversale & Co. KG

Of those participations which before the transition to IFRS 11 Joint Arrangements were classified as a joint venture, the following participations are now accounted for as a joint operation:

- BBL Company V.O.F.
- Arbeitsgemeinschaft GOAL/Fluxys NEL-Projektphase

The accounting method for these participations is the same as the accounting method before the transition to IFRS 11 Joint Arrangements: proportional consolidation.

The company has a direct interest in the assets and obligations of BBL Company V.O.F. The accounting method of this interest is similar to that of a joint operation, although BBL Company V.O.F. is formally not a 'joint arrangement'.

Of those participations which before the transition to IFRS 11 Joint Arrangements were classified as a joint venture, the following participations are classified anew under the joint venture category:

- Gate terminal C.V.
- Gate terminal Management B.V.
- LBBR Management B.V.
- LNG Break Bulk Rotterdam C.V.
- DEUDAN - Deutsch/Dänische Erdgastransport-GmbH
- DEUDAN - Holding GmbH

For these participations, proportional consolidation is no longer allowed. These are now accounted for in accordance with the equity method.

Gate terminal B.V. is a 100% group company of Gate terminal C.V. Because Gate terminal C.V. is now accounted for in accordance with the equity method, Gate terminal B.V. is no longer proportionally consolidated.

The above changes with regard to IFRS 11 Joint Arrangements should be applied retrospectively. The application has no effect on the equity and result of the company, but it does affect the consolidated financial statements and disclosures. In the consolidated financial statements and disclosures, it is indicated when the comparative figures have been revised. Below the impact is shown on the consolidated balance sheet and profit and loss account, which have been incorporated for purposes of comparison. The impact on the consolidated cash flow statement is not material.

Consolidated balance sheet

In millions of euros	**31 December 2012**	**Impact of re-classification to joint venture**	**Impact of discontinuation of proportional consolidation**	**31 December 2012 revised**
Assets				
Fixed assets				
- tangible fixed assets	8,925.9	-	(386.3)	8,539.6
- intangible fixed assets	5.8	-	-	5.8
- investments in joint ventures	-	118.5	36.2	154.7
- investments in associates	128.6	(118.5)	-	10.1
- other equity interests	403.9	-	-	403.9
- deferred tax assets	479.9	-	(21.2)	458.7
Current assets	1,129.0	-	(46.0)	1,083.0
Total assets	**11,073.1**	**-**	**(417.3)**	**10,655.8**
Equity and liabilities				
Total shareholder’s equity	4,856.5	-	-	4,856.5
Long-term liabilities				
- interest-bearing loans	4,059.1	-	(309.1)	3,750.0
- employee benefits	250.7	-	-	250.7
- other long-term liabilities	380.0	-	(89.5)	290.5
Current liabilities	1,526.8	-	(18.7)	1,508.1
Total equity and liabilities	**11,073.1**	**-**	**(417.3)**	**10,655.8**

Consolidated profit and loss account

In millions of euros	**First half of 2013**	**Impact of re-classification to joint venture**	**Impact of discontinuation of proportional consolidation**	**First half of 2013 revised**
Income	793.4	-	(30.3)	763.1
Capitalised expenditure	44.1	-	(0.1)	44.0
Staff costs and other operating expenses	(318.1)	-	3.8	(314.3)
Depreciation	(141.0)	-	6.8	(134.2)
Operating result	**378.4**	**-**	**(19.8)**	**358.6**
Finance revenue and costs	(103.7)	-	9.4	(94.3)
Share in result of joint ventures	-	11.3	7.6	18.9
Share in result of associates	11.5	(11.3)	-	0.2
Dividend received on investments in other equity interests	0.1	-	-	0.1
Result before taxation	**286.3**	**-**	**(2.8)**	**283.5**
Taxes	(72.5)	-	2.8	(69.7)
Result after taxation	**213.8**	**-**	**-**	**213.8**

2. Impairment tests

General

Whenever there is a triggering event, the company tests whether there is any impairment of tangible, intangible and financial fixed assets.

There is an impairment if the recoverable amount of an asset or group of assets is less than the carrying amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use. The value in use is calculated on the basis of future cash flows estimated by management. These cash flows are based on the business plan for the next three years adopted by the Executive Board as well as on a recent long-range forecast. The total planning period runs up to and including 2062. There are no indications that the fair value less costs of disposal is higher than the value in use.

When carrying out an impairment test, management makes assumptions, including those regarding short- and long-term developments in the regulatory framework, makes estimates of aspects such as future cash flows, and determines the discount rate. These assumptions, estimates and judgements significantly affect the value in use.

Both in the Netherlands and in Germany, the carrying amount and the recoverable amount of the gas transport network are comparable. This means that material downward changes in the recoverable amount as a result of, for example, method decisions for a next regulatory period can only be accommodated to a limited degree and may lead to an impairment loss.

Impairment tests

Gas transport network in the Netherlands
On 2 October 2013, ACM published the definite method decisions and x-factor decisions for the regulatory period 2014-2016. In addition, the regulator imposed an efficiency discount of 1.3% per year. As a result, when the 2013 financial statements were prepared, the company performed an analytical test to determine any possible impairments.

In this test it was assumed that the current regulatory framework will be continued unchanged.

The revenues permitted by the regulator for any year consist of an allowance for the cost of capital invested, an allowance for the annual depreciation costs (calculated on the basis of the depreciation periods determined by the regulator), and an allowance for the operational expenses.

The allowance for the cost of capital is the result of the regulated asset base and the weighted average cost of capital (WACC). In determining the allowance for the cost of capital for the third regulatory period (2014-2016), reference was made to the WACC established in the method decision (3.6% real pre-tax); comparable to 4.25% nominal post-tax. For the regulatory period from 2017 onwards, a WACC is assumed of 5.5% nominal post-tax.

The expected cash flows have been discounted using a discount rate that is related to the expected allowance for the cost of capital for the relevant period. For the years 2014-2016, the discount rate is 4.25% nominal post-tax. For the years from 2017 onwards, a discount rate of 5.5% nominal post-tax has been applied.

On the basis of the information available at the time the 2013 financial statements were prepared, management has concluded that the recoverable amount of the gas transport network in the Netherlands as at year-end 2013 is not less than the carrying amount.

When preparing the consolidated semi-annual financial statements for 2014, management concluded that there was no reason to perform an analytical test to determine any possible impairments of the gas transport network in the Netherlands.

Gas transport network in Germany
The German regulator BNetzA determined the permitted revenues for the regulatory period 2013-2017 on the basis of the projected permissible costs for the period, reduced by an individual efficiency factor. In the second half of 2012, BNetzA took a decision on the permissible costs. The individual efficiency factor was announced by BNetzA in January 2014. As a result, when management was preparing the consolidated financial statements for 2013, the company performed an analytical test to determine any possible impairments.

In this test it was assumed that the current regulatory framework will be continued unchanged.

The expected cash flows have been discounted using a discount rate that is related to the expected allowance for the cost of capital for the relevant period. For the years 2014-2017, the discount rate is 5.5% nominal post-tax. For the years from 2018, a discount rate of also 5.5% nominal post-tax has been applied.

On the basis of the information available at the time the 2013 financial statements were prepared, management has concluded that the recoverable amount of the gas transport network in Germany as at year-end 2013 is not less than the carrying amount.

When preparing the consolidated semi-annual financial statements for 2014, management concluded that there was no reason to perform an analytical test to determine any possible impairments of the gas transport network in Germany.

3. Acquisitions

At the beginning of 2013, the 8.3% interest in PRISMA European Capacity Platform GmbH, formerly known as TRAC-X Transport Capacity Exchange GmbH, was expanded to 16.1%. The acquisition price was € 0.0 million (€ 16,989).

In the first quarter of 2013, APX B.V. was split into a Power part and a Gas part. Following this split, the N.V. Nederlandse Gasunie has an interest of 20.9% in the Gas part, which has been transferred to ICE Endex Holding B.V. In 2013, this transaction led to an additional loss of € 0.3 million.

In 2013, Gasunie LNG Holding B.V. expanded its 45% interest in Gate terminal C.V. (which has a 100% interest in Gate terminal B.V.) by 2.5% to 47.5%. The acquisition price was € 7.8 million.

4. Interest-bearing loans

The total amount of € 3,867.9 million (year-end 2013: € 3,878.6 million) of long-term loans comprises € 3,250.0 million (year-end 2013: € 3,250.0 million) of long-term bonds and € 617.9 million (year-end 2013: € 628.6 million) of private loans.

Movements in interest-bearing loans:

In millions of euros	**First half of 2014**	**2013**
Balance as at 1 January	**3,878.6**	3,750.0
Private loans contracted	**-**	150.0
Repayment obligations in next financial year	**(10.7)**	(21.4)
Balance as at 30 June/31 December	**3,867.9**	3,878.6

Future repayments:

In millions of euros	**30 Jun. 2014**	**31 Dec. 2013**
Repayment obligations in		
2014	**10.7**	21.4
2015	**521.4**	521.4
2016	**721.4**	721.4
2017	**771.4**	771.4
2018	**21.4**	21.4
2019	**21.4**	21.4
After 2019	**1,821.6**	1,821.6
Total repayment obligations	**3,889.3**	3,900.0

The company has a current account facility of € 25 million (year-end 2013: € 100 million), a committed credit facility of € 800 million (year-end 2013: € 800 million), and a loan facility of € 100 million (year-end 2013: € 100 million) with the European Investment Bank. As at 30 June 2014 and year-end 2013, no funds were drawn under these facilities. The interest payable on the funds drawn under the facilities is based on prevailing market rates.

In addition to the above-mentioned facilities, the company has a € 750 million Commercial Paper programme (year-end 2013: € 750 million) and a € 7.5 billion Medium Term Note (MTN) programme (year-end 2013: € 7.5 billion). Under the MTN programme, € 4.25 billion is available for new issues as at 30 June 2014.

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

5. Employee benefits

The pension liabilities are valued annually in the second half of the year in accordance with IAS 19 Employee Benefits (Revised). As at the balance sheet date, an indicative calculation of pension liabilities has been made, taking into account currently available data. The difference between the outcome of this indicative calculation and the calculation made when the financial statements 2013 were prepared is considered to be material with regard to the company’s equity. As a result, the pension liabilities were remeasured as at 30 June 2014.

Except for the discount rate, the assumptions underlying the calculation of the pension liabilities did not change compared to the financial statements 2013. The discount rate changed from 3.7% to 3.0%.

The provision for pension liabilities relates to the pension scheme of employees who joined Gasunie Deutschland before 2012. It 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 as at 30 June 2014 of € 66.6 million (year-end 2013: € 56.3 million).

The total actuarial result for the first half of 2014 taken directly to equity is € 8.4 million negative (first half of 2013: € 3.6 million positive).

As at 30 June 2014, the accumulated actuarial gains and losses taken directly to equity total € 18.7 million negative (year-end 2013: € 10.3 million negative).

6. 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 cash flows. In determining the discount rate, the risk profile, including the credit risk, of the other equity interests has been taken into account; and

- 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 interest curve. In determining the discount rate, the own risk profile, including the credit risk, has been 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 in active markets for the same instrument;
Level 2: Based on prices in 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 not all required key data 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 Jun. 2014				
- other equity interests	436.1	-	-	436.1
31 Dec. 2013				
- other equity interests	418.1	-	-	418.1

The other equity interests concern an interest of 9% in Nord Stream AG and an interest of 13.7% in PRISMA European Capacity Platform GmbH.

The interest in Nord Stream AG is stated at fair value, taking account of a 7.5% post-tax discount rate (year-end 2013: 7.5% post-tax) on the projected cash flows. The expected cash flows are based on agreements laid down in contracts. 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 € 32 million (year-end 2013: € 31 million).

At the beginning of 2014, N.V. Nederlandse Gasunie’s interest in PRISMA European Capacity Platform GmbH decreased from 16.1% to 13.7%, because new shareholders joined. Given the relatively limited materiality of this equity interest, a sensitivity analysis of the fair value calculation has not been included.

Movements in other equity interests:

In millions of euros	**First half of 2014**	**2013**
Balance as at 1 January	**418.1**	403.9
Acquisitions	**-**	0.0
Movement in fair value taken directly to equity	**18.0**	31.2
Disposals	**-**	(17.0)
Balance at 30 June/31 December	**436.1**	418.1

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 Jun. 2014**		**31 Dec. 2013**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Interest-bearing loans	**3,867.9**	**4.321.8**	3,878.6	4,239.4
Repayments on long-term loans	**21.4**	**21.5**	21.4	21.5

7. Tariff settlement repayment

On 11 October 2011, the ACM adopted new method decisions for the periods 2006-2009 and 2010-2013. These decisions established lower tariffs for the period 2006-2011 than those charged by N.V. Nederlandse Gasunie in the corresponding period in line with previous method decisions. N.V. Nederlandse Gasunie has refunded the difference to its customers by reducing the transport tariffs in 2012 and 2013. The effect of lowering the tariffs on the income is shown separately in the profit and loss account.

8. 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 & Business Development*
  This segment focuses on facilitating access to the new gas flows for Northwest Europe using an LNG connection and long-distance pipelines, and on utilising the geological infrastructure for the purpose of storing natural gas. 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 arrangements relating to pipelines that connect the Gasunie transport network with foreign markets, such as the BBL pipeline to the United Kingdom.

Information on income and result

In millions of euros		**Income**		**Segment result**
	First half of 2014	**First half of 2013**	**First half of 2014**	**First half of 2013**
Segments				
- Gasunie Transport Services	**656.2**	576.1	**370.5**	255.1
- Gasunie Deutschland	**138.7**	109.7	**76.1**	35.6
- Participations & Business Development	**112.7**	106.5	**72.8**	67.9
Inter-segment	**(31.7)**	(29.2)		
Segment total	**875.9**	763.1	**519.4**	358.6
Financial income and expenses			**(41.8)**	(75.1)
Result before taxation			**477.6**	283.5
Taxes			**(120.6)**	(69.7)
Income and result after taxation for the period	**875.9**	763.1	**357.0**	213.8

During the first half of 2014, the Gasunie Transport Services segment provided inter-segment services to the value of € 0.3 million (first half of 2013: € 0.4 million), the Gasunie Deutschland segment provided € 0.2 million (first half of 2013: € 0.2 million), and the Participations & Business Development segment provided € 31.2 million (first half of 2013: € 28.6 million).

The Executive Board,

J.J. Fennema, Chairman
I.M. Oudejans

Groningen, the Netherlands
22 July 2014

Review report

To: N.V. Nederlandse Gasunie, Groningen

Introduction
We have reviewed the accompanying consolidated semi-annual financial statements of N.V. Nederlandse Gasunie, Groningen, the Netherlands, which comprise the condensed consolidated balance sheet as at 30 June 2014, 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 for the period of six months ended 30 June 2014, and the notes. The Executive Board 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 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 Dutch 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 accompanying consolidated semi-annual financial statements for the period of six months ended 30 June 2014 are not prepared, in all material aspects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Groningen, the Netherlands
22 July 2014

Ernst & Young Accountants LLP

Signed by
A.E. Wijnsma RA