

N.V. Nederlandse Gasunie

Consolidated financial statements 2016

Consolidated balance sheet as at 31 December (before profit appropriation)

<i>In millions of euros</i>	Notes	2016	2015
Assets			
Fixed assets			
- tangible fixed assets	3	8,665.3	9,134.0
- investments in joint ventures	5	233.2	157.4
- investments in associates	6	11.5	12.4
- other equity interests	7	470.2	434.9
- deferred tax assets	8	430.3	322.5
Total fixed assets		9,810.5	10,061.2
Current assets			
- stocks	10	39.5	33.9
- trade and other receivables	11	182.8	202.0
- cash and cash equivalents	12	238.4	64.7
Total current assets		460.7	300.6
Total assets		10,271.2	10,361.8

<i>In millions of euros</i>	Notes	2016	2015
Equity and liabilities			
Total shareholder's equity	12	5,601.9	5,717.5
Long-term liabilities			
- interest-bearing loans	14	3,164.3	2,985.7
- deferred tax liabilities	15	202.5	210.3
- employee benefits	16	100.4	92.6
- provisions	17	67.6	67.5
Total long-term liabilities		3,534.8	3,356.1
Current liabilities			
- current financing liabilities	18	794.9	1,001.6
- trade and other payables	19	339.6	286.6
Total current liabilities		1,134.5	1,288.2
Total equity and liabilities		10,271.2	10,361.8

Consolidated profit and loss account

<i>In millions of euros</i>	Notes	2016	2015
Revenues	29	1,547.8	1.631.0
Capitalised expenditure		98.7	89.5
Staff costs	22	(199.9)	(196.9)
Other operating expenses	23	(408.8)	(441.6)
Depreciation	3	(304.6)	(296.0)
Impairments	1	(450.0)	
Total expenses		(1,264.6)	(845.0)
Operating result	30	283.2	786.0
Finance income	24	2.2	2.8
Finance costs	25	(127.2)	(135.2)
Share in result of joint ventures	5	31.2	39.3
Share in result of associates	6	2.8	2.5
Dividend from investments in other equity interests	7	27.2	28.9
Result before taxation		219.4	724.3
Taxes	26	(35.9)	(171.4)
Result after taxation		183.5	552.9
Result attributable to shareholder		183.5	552.9

Consolidated statement of comprehensive income

<i>In millions of euros</i>	Notes	2016	2015
<i>Total of results taken to the profit and loss account</i>		183.5	552.9
<i>Balance of actuarial gains and losses on employee benefits, of which corporate income tax</i>	16	(3.8) 1.2	4.1 (1.2)
<i>Total of results taken to equity which will not be reclassified subsequently to the profit and loss account</i>		(2.6)	2.9
<i>Movement in other equity interests stated at fair value</i>	7	35.3	10.5
<i>Movements in the cash flow hedge reserves concerning joint ventures and associates valued at the equity method</i>		1.2	9.5
<i>of which corporate income tax</i>		(0.3)	(3.1)
<i>Movement in cash flow hedge reserve, of which corporate income tax</i>	13	(1.3) 0.3	(1.7) 0.4
<i>Total of results taken to equity which will be reclassified subsequently to the profit and loss account</i>		35.2	18.7
Total comprehensive income for the year, net of tax		216.1	574.5
Attributable to shareholder		216.1	574.5

Consolidated statement of movements in equity

<i>In millions of euros</i>	Share capital	Cash flow hedge reserve	Fair value reserve	Other reserves	Unappropriated result	Total
2016						
Balance as at 1 January	0.2	(46.2)	262.1	4,948.5	552.9	5,717.5
Total of comprehensive income for the financial year	-	(0.1)	35.3	(2.6)	183.5	216.1
Dividend paid for 2015	-	-	-	-	(331.7)	(331.7)
Added to other reserves	-	-	-	221.2	(221.2)	-
Balance as at 31 December	0.2	(46.3)	297.4	5,167.1	183.1	5,601.9
2015						
Balance as at 1 January	0.2	(54.3)	251.6	4,704.1	603.5	5,505.1
Total of comprehensive income for the financial year	-	8.1	10.5	3.0	552.9	574.5
Dividend paid for 2014	-	-	-	-	(362.1)	(362.1)
Added to other reserves	-	-	-	241.4	(241.4)	-
Balance as at 31 December	0.2	(46.2)	262.1	4,948.5	552.9	5,717.5

Consolidated cash flow statement

<i>In millions of euros</i>	Notes	2016	2015
Cash flow from operating activities			
Revenues		1,547.8	1,631.0
Total expenses		(1,264.6)	(845.0)
Operating result		283.2	786.0
Adjustments for:			
- depreciation	3	304.6	296.0
- impairments	1	450.0	-
- movement in stocks	9	(5.6)	2.1
- movement in receivables	10	14.5	(7.7)
- movement in non-interest-bearing liabilities		48.2	(27.1)
- results on disposals		14.5	14.4
Cash flow from business operations		1,109.4	1,063.7
Interest received		2.2	2.8
Dividend received on investments in joint ventures	5	12.6	46.8
Dividend received on investments in associates	6	3.7	1.9
Dividend received on investments in other equity interests	7	27.2	27.2
Interest paid	25	(140.9)	(138.7)
Corporate income tax paid	26	(130.4)	(151.7)
		(225.6)	(211.7)
Cash flow from operating activities		883.8	852.0
Cash flow from investing activities			
Investments in tangible and intangible fixed assets	3	(294.0)	(357.3)
Disposals of tangible and intangible fixed assets	3	-	0.6
Investments in joint ventures	5	(56.3)	(13.9)
Disposals of joint ventures	5	-	10.9
Disposals of other equity interests	7	-	3.4
Cash flow from investing activities		(350.3)	(356.3)
Carried forward		533.5	495.7

<i>In millions of euros</i>	Notes	2016	2015
Carried forward		533.5	495.7
Cash flow from financing activities			
New long-term loans	14	950.0	300.0
Repayment of long-term loans	14	(721.4)	(521.5)
Issue/repayment of short-term financing	18	(256.7)	105.1
Dividend paid	28	(331.7)	(362.1)
Cash flow from financing activities		(359.8)	(478.5)
Movement in cash and cash equivalents			
		173.7	17.2
Cash and cash equivalents at previous year-end		64.7	47.5
Cash and cash equivalents at year-end		238.4	64.7
		173.7	17.2

Notes to the consolidated financial statements

The financial statements in English are a translation of the official Dutch version prepared by the Executive Board on 14 March 2017. In the event of differences and/or inconsistencies between the English version of the financial statements 2016 and the original Dutch financial statements 2016, the latter will take precedence.

Preparation and adoption of the financial statements

The 2016 financial statements were prepared by the Executive Board on 8 March 2017. The financial statements as prepared were submitted for adoption to the General Meeting of Shareholders to be held on 30 March 2017.

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 and actual 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.

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 adopted by the European Union.

The accounting policies applied in preparing the 2016 consolidated financial statements are consistent with the accounting policies applied in preparing the 2015 consolidated financial statements, with the exception of the new standards and interpretations that have become effective as of the financial year 2016.

The following new standards, which are endorsed in the European Union, became effective as of the financial year 2016:

- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IAS 1: Disclosure Initiative
- Annual Improvements to IFRSs: 2012–2014 Cycle
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- IAS 16 & IAS 38 Revaluation method proportionate restatement of accumulated depreciation

- Amendments to IFRS 11: Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (Amendments)
- IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)
- Annual Improvements to IFRSs 2010–2012 Cycle
- IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception (Amendments)

The adoption of the aforementioned standard had no material effect on the company's equity and result and did not require additional disclosures.

As of the financial year 2017, the following new standards and interpretations will become effective, but have not yet been endorsed in the European Union:

- IAS 12: Recognition of Deferred Tax Assets for Unrealized losses (Amendments)
- IAS 7: Statement of Cash Flows. Disclosure initiative: Amendments to IAS 7

The company expects that adoption of IAS 12 and interpretations will have no material effect on the company's equity and result and will not require additional disclosures. The company expects that adoption of IAS 7 and interpretations will have no material effect on the company's equity and result, but will require additional disclosures.

As of the financial year 2018, the following new standards will become effective, which have been endorsed in the European Union:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

As of the financial year 2018, the following new standards will become effective, but have not yet been endorsed in the European Union:

- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016)
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016)

The company has examined to what extent IFRS 9 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, the adoption of IFRS 9 may require additional disclosures in the field of hedge accounting.

The company has examined to what extent IFRS 15 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, the adoption of IFRS 15 is likely to require additional disclosures, particularly with regard to contracts and separate delivery obligations and management estimates.

As of the financial year 2019, IFRS 16 Leases will become effective. 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 non-material 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. In addition, 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 costs and the financing costs.

Management judgements and estimates

In preparing the 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 financial year.

The judgements and estimates are mainly relevant for the valuation of fixed assets, the provision for abandonment costs and redevelopment, deferred taxation, pensions and other equity interests, and on the classification of equity interests in the context of IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements.

Fixed assets

Fixed assets include the gas transport network.

Tangible fixed assets are valued at cost less straight-line depreciation based on the expected useful life, taking into account the residual value and impairments. To this end, assumptions were made about the useful life, the residual value and the future cash flows of the transport pipelines in particular.

A significant part of the operating activities are 'regulated'. The future cash flows and related recoverable amount of the regulated assets are partly based on judgements and estimates about the cash flows that can be earned within the regulatory framework. For more information, see note 1 to the consolidated balance sheet.

Provision for abandonment costs and redevelopment

A provision for abandonment costs and redevelopment is recognised in response to management decisions to decommission, remove or redevelop specific assets within the foreseeable future, for instance due to new legislation. Initially, the size of the provision was determined on the basis of general key figures, such as unit costs plus a generic project management surcharge. In 2014, the size of the provision was reassessed on the basis of experience figures derived from completed projects. For more information, see note 17 to the consolidated balance sheet.

A provision for long-term general abandonment costs is not recognised because it is currently considered unlikely that the removal of transport pipelines and appurtenances will be needed. The income from alternative use (in the longer term) less the costs of conservation is anticipated to offset the costs of removal, societal or otherwise.

Deferred tax assets

A deferred tax asset is recognised for all deductible temporary differences and available carry-forward losses, if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. To this end, assumptions have been made about future taxable profits.

Pensions

The costs relating to the defined benefit pension plans and the valuation of defined benefit pension liabilities are determined using actuarial calculations. To this end, significant assumptions have been made about the market interest rate on high-quality corporate bonds for the purpose of determining the discount rate, the expected future increases in salary, the expected future increases in pensions and the average life expectancy. For more information, see note 17 to the consolidated balance sheet.

Other equity interests

The interest in Nord Stream AG is stated at fair value, taking into account a post-tax discount rate on the expected cash flows. The expected cash flows are based on agreements laid down in contracts. In determining the post-tax discount rate, the assumptions made by management are significant. For more information, see note 7 to the consolidated balance sheet.

Consolidation and accounting principles

The consolidated financial statements include the financial data of N.V. Nederlandse Gasunie and its group companies. Group companies are legal entities and companies over which the company exercises control.

The Group exercises control if the Group has:

- power over the investee;
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to influence the amount of the investor's returns.

Generally, it is presumed that a majority of voting rights results in control, but the Group considers all facts and circumstances when assessing whether it exercises control over an investee.

The Group reassesses whether or not it exercises control over an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Group companies are fully consolidated from the date on which control of the group company is obtained until the date that control no longer exists. The items in the consolidated financial statements are calculated in accordance with consistent accounting policies.

Intercompany account balances and unrealised results relating to group companies are eliminated.

The group companies included in the consolidation are:

Company	Registered office	Interest as at 31 December	
		2016	2015
EnergyStock B.V.	Groningen	100%	100%
Gastransport Noord-West Europa B.V.	Groningen	100%	100%
Gastransport Noord-West Europa Holding B.V.	Groningen	100%	100%
Gastransport Noord-West Europa Services 1 B.V.	Groningen	100%	100%
Gastransport Noord-West Europa Services 2 B.V.	Groningen	100%	100%
Gastransport Noord-West Europa Services 3 B.V.	Groningen	100%	100%
Gastransport Noord-West Europa Services 4 B.V.	Groningen	100%	100%
Gasunie BBL B.V.	Groningen	100%	100%
Gasunie Engineering B.V.	Groningen	100%	100%
Gasunie New Energy B.V.	Groningen	100%	100%
Gasunie LNG BBR B.V.	Groningen	-	100%
Gasunie LNG Holding B.V.	Groningen	100%	100%
Gasunie Peakshaver B.V.	Groningen	100%	100%
Gasunie Transport Services B.V.	Groningen	100%	100%
Gasunie Grid Services B.V.	Groningen	100%	100%
Gasunie Underground Storage (GUUS) B.V.	Groningen	100%	100%
Vertogas B.V.	Groningen	100%	100%
Gasunie Deutschland GmbH & Co. KG	Hannover, Germany	100%	100%
Gasunie Deutschland Services GmbH	Hannover, Germany	100%	100%
Gasunie Deutschland Technical Services GmbH	Hannover, Germany	100%	100%
Gasunie Deutschland Transport Services GmbH	Hannover, Germany	100%	100%
Gasunie Deutschland Transport Services Holding GmbH	Hannover, Germany	100%	100%
Gasunie Deutschland Verwaltungs GmbH	Hannover, Germany	100%	100%
Gasunie Infrastruktur AG	Zug, Switzerland	100%	100%

Gasunie Peakshaver B.V. was founded in 2014. As of 1 January 2017, this company has merged with Gasunie Transport Services B.V.

Gasunie Transport Services B.V. is the network operator of the national gas transport network in accordance with the Dutch Gas Act. The Minister has issued rules with regard to proper financial management by a network operator (Besluit Financieel Beheer Netbeheerder). These rules consist of a number of financial ratios, including a minimum for equity. This can lead to restrictions with regard to the distribution of, amongst other things, dividends.

In 2016, Gasunie LNG BBR B.V. was liquidated. This transaction did not affect the net result for the year.

As of 1 January 2016, Gasunie Transport Services B.V. split off the ownership of the regional gas transport network in the Netherlands (and its related assets, liabilities and activities) to Gasunie Grid Services B.V. at the carrying amount. Gasunie Transport Services B.V. will continue to manage the main national gas transport network in the Netherlands.

N.V. Nederlandse Gasunie financed the split-off of the regional gas transport network internally by providing equity to Gasunie Grid Services B.V.

Accounting policies

General

The financial statements have been prepared under the historical cost convention. If not stated otherwise below, this general policy has been applied.

Foreign currency

The euro is the functional and reporting currency of the company. The consolidated financial statements have been prepared in euros.

Transactions in foreign currencies are recognised at the rate of exchange of the functional currency on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate as at the balance sheet date. Any translation differences and differences arising on settlement are recognised in the profit and loss account.

Business combinations (acquisitions)

Business combinations are recognised in accordance with the 'acquisition method' as described in IFRS 3, Business Combinations. The acquisition price is calculated as the sum of the assets transferred by the acquiree, liabilities entered into or acquired, and equity instruments issued by the acquirer. Costs relating to the acquisition are taken directly to the profit and loss account. The identifiable assets, liabilities and contingent liabilities acquired as part of the business combinations are recognised by the acquiring party at fair value on the date of acquisition.

Goodwill is the surplus of the acquisition price above the Gasunie share in the fair value of the net identifiable assets, liabilities and contingent liabilities. Goodwill is recognised as intangible fixed assets. After initial recognition, goodwill is stated at cost less any accumulated impairments.

Fixed assets

Tangible fixed assets

Tangible fixed assets are valued at cost less straight-line depreciation based on their expected useful life, taking into account the residual value and impairments. The residual value of the asset, the useful life and the depreciation methods are reviewed and adjusted if necessary at the end of the financial year.

Third-party contributions to the cost of construction of the gas transport network are deducted from the investments.

Tangible fixed assets not yet completed as at the balance sheet date are recognised as 'fixed assets under construction'. On commissioning, the relevant assets are classified according to their nature in one of the main categories. The volumes of gas and nitrogen permanently present in the pipelines and caverns needed for gas transportation and related services are included under 'other fixed operating assets'.

Tangible fixed assets are classified in the following categories:

- Land and buildings
- Compressor stations
- Installations

- Main transmission lines and related plant and equipment
- Regional transmission lines and related plant and equipment
- Underground gas storage
- Other fixed operating assets
- Fixed assets under construction

Investments in joint operations

Investments in joint operations are equity interests over which the company exercises joint control and has the rights to the assets and obligations with respect to the liabilities of the equity interests.

The rights to the assets and obligations with respect to the liabilities and the associated rights to the revenues and expenses of the joint operations are included in the financial statements.

Investments in joint ventures

Investments in joint ventures are equity interests over which the company exercises joint control and has the rights to the net assets of the equity interests.

These equity interests are valued using the equity method. In accordance with this method, the equity interests are valued at cost (including goodwill) plus the share in result and other comprehensive income from the moment of acquisition minus the share in dividends. The company's share in the result of joint ventures is recognised in the profit and loss account and in the consolidated statement of comprehensive income.

Investments in associates

Investments in associates are equity interests over which the company exercises significant influence on operating and financial policies.

These equity interests are valued using the equity method. In accordance with this method, the equity interests are valued at cost (including goodwill) plus the share in result and other comprehensive income from the moment of acquisition minus the share in dividends. The company's share in the result of associates is recognised in the profit and loss account.

Other equity interests

After initial recognition and based upon IAS 39, other equity interests are stated at fair value with unrealised gains or losses taken to equity until the other equity interests are no longer recognised or are subject to impairment. The accumulated gains or losses are then taken to the profit and loss account.

To the extent that the fair value cannot be determined reliably, the other equity interests are stated at cost.

Dividend received on investments in other equity interests is recognised in the profit and loss account.

Impairments of fixed assets

The company investigates at regular intervals, and whenever there is reason to do so, whether there is any impairment of fixed assets, including tangible, intangible and financial fixed assets. This involves determining the recoverable amount of the assets. The recoverable amount is the higher of its fair value less costs of disposal and its value in use. If the recoverable amount is less than the current carrying amount, the difference is taken to the profit and loss account. Due to the nature of the assets, it is often not possible to determine the recoverable amount of each asset. In such cases, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

If there is reason to do so, the company investigates whether the impairment recognised in previous periods no longer exists or has decreased. Any reversal is taken to the profit and loss account. Impairments of goodwill are not reversed in future periods.

Current assets

Stocks

Stocks of maintenance materials and parts are stated at the lower of average cost and net realisable value.

Receivables

At initial recognition, receivables are stated at fair value. After initial recognition, receivables are stated at amortised cost based on the effective interest method less a provision for bad debts. A provision for bad debts is recognised if there is an objective reason to do so. Receivables also include the amounts that have not yet been invoiced for services rendered during the financial year.

Cash and cash equivalents

Cash includes available cash in hand and credit balances at banks. Cash equivalents are held with the aim of meeting current liabilities in cash, and are not normally used for investments or other purposes. An investment is only recognised as cash equivalent if it can be immediately converted into a known cash amount and is not subject to a material risk of fluctuation in value.

Long-term liabilities

These are liabilities with a remaining term to maturity of more than one year. Repayment obligations on long-term liabilities falling due within one year are presented under current liabilities.

Interest-bearing loans are initially recognised at the fair value of the proceeds less transaction costs. After initial recognition, interest-bearing loans are subsequently carried at amortised cost based on the effective interest method.

Employee benefits

Long-term liabilities for employee benefits concern pension liabilities, jubilee benefits and the costs of post-employment fringe benefits for non-active and retired employees.

Pension liabilities

N.V. Nederlandse Gasunie and the group companies included in the consolidation have several pension schemes in place entitling their employees to a number of benefits, including a retirement pension and a dependants' pension.

On 1 July 2013, the pension scheme of employees of N.V. Nederlandse Gasunie was changed. In the new pension scheme, the company has committed itself to paying a fixed, predetermined premium. This premium is based on a conditional average-salary scheme, which aims to achieve an annual accrual of 2% of the pension base. The Pension Savings Agreement for the Executive Board (based on a conditional average-salary scheme) has also been replaced by the new pension scheme.

On 1 January 2015, new legislation came into force concerning the fiscally allowable pension premium. The pension premium in a conditional average-salary scheme has been maximised at 1.875% per annum of the average pension base, and the maximum pensionable salary has been set at € 100,000. On 1 January 2015, the pension scheme was changed in accordance with this legislation. The pension agreement with regard to paying a fixed, predetermined premium has not changed.

In IFRS terms, the pension scheme qualifies as a 'defined contribution plan'.

The premiums payable in respect of the pension entitlements of the employees of N.V. Nederlandse Gasunie are paid to Stichting Pensioenfonds Gasunie, which administers the pension scheme. The fund manages the assets for all pension schemes administered by Stichting Pensioenfonds Gasunie.

For employees of Gasunie Deutschland who joined the company in or after 2012, a new pension scheme was implemented, which came into force on 1 January 2013. This pension scheme, which has been reinsured one-on-one with a pension fund, is treated as a defined contribution plan. The employer's contribution is determined every year on the basis of the gross pension income and can be as high as 4% of the contribution base.

The pension scheme of employees of Gasunie Deutschland who joined the company before 2012 qualifies as a defined benefit pension plan based on a final salary scheme. The entitlements of these employees have not been funded.

The provision for pension liabilities is calculated in accordance with the 'projected unit credit method of actuarial cost allocation'. According to this method, the present value of the pension entitlements is calculated on the basis of the number of active service years until the balance sheet date, the estimated salary as at the expected retirement date, and the discount rate.

Actuarial gains and losses are fully and directly recognised in equity in the period in which they occur, net of deferred taxation.

Actuarial calculations are drawn up by external actuaries every year.

Provision for jubilee benefits

This provision relates to jubilee benefits paid by N.V. Nederlandse Gasunie to its employees on service anniversaries. Account is taken of the likelihood that the allowance will be paid and of a pre-tax discount rate, which incorporates the prevailing market assessments of the time value of money and the risks inherent in the commitment.

Provision for the costs of post-employment fringe benefits for non-active and retired employees

This provision relates to the allowance which N.V. Nederlandse Gasunie pays to its employees after their retirement. It represents the present value of the benefits already committed to non-active and retired employees. Account is taken of the mortality rate and a pre-tax discount rate, which incorporates the prevailing market assessments of the time value of money and the risks inherent in the commitment.

The assumptions on which this provision is based are tested periodically against mortality, interest and cost developments, and adjusted if necessary.

Provisions

The amount recognised as a provision is the best possible estimate as at the balance sheet date of the expenditure required to meet the existing commitment, taking into account the probability of the possible outcome of the event.

If the time value of money is material, a provision is recognised based on the present value of the expenditure deemed necessary to settle the commitment.

The discount rate is determined before taxation and takes into account the prevailing market assessments of the time value of money and the risks inherent in the commitment.

Provision for abandonment costs and redevelopment

This provision is recognised due to management decisions to decommission, remove or redevelop specific assets within the foreseeable future, for instance due to new legislation.

Current liabilities

These are liabilities with a term of one year or less.

Revenues

Revenues are defined as the revenues from gas transport and related services to third parties, net of discounts and taxes, such as VAT.

If the result of a transaction involving the provision of a service can be estimated reliably, the revenues relating to the service are recognised in proportion to the services performed in the financial year.

Services relating to the provision of transport capacity are separate from actual use. They are deemed to have been supplied if the capacity was at the customer's disposal for the duration of the agreed period.

Capitalised expenditure

Capitalised expenditure includes operating expenses incurred by the company in connection with the production of tangible fixed assets. These expenses mainly comprise the costs of own and hired employees plus a part of the overhead of support departments.

Other operating expenses

These expenses are determined on a historical basis, taking into account the accounting policies set out above, and are allocated to the reporting period to which they relate. Losses are recognised in the reporting period in which they are foreseen.

Lease

A lease is classified as a finance lease if it transfers virtually all ownership-related risks and rewards to the Group. Finance leases are capitalised as investment as part of tangible fixed assets, for which a non-current lease liability is recognised. An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the profit and loss account on a straight-line basis over the lease term.

Finance revenue and costs

Included in this item are income and expenses relating to financing.

Interest income is recognised on a pro rata time basis in the profit and loss account, taking into account the effective interest rate for the asset concerned, provided the income can be measured and is likely to be received.

Interest expenses are capitalised if they relate to the purchase, construction or production of qualifying assets, provided the assets need a substantial period before being ready for their intended use.

Other interest expenses are recognised on a pro rata time basis in the profit and loss account, taking into account the effective interest rate for the liability concerned.

Corporate income tax

A deferred tax liability is recognised for all taxable temporary differences. A deferred tax asset is recognised for all deductible temporary differences and available carry-forward losses, to the extent that it is likely that taxable profit will be available for set-off.

Deferred tax liabilities and assets are stated at the undiscounted value. The tax rates used for the valuation are those that are expected to apply in the period in which the deferred tax items will be realised based on the tax rates and tax legislation in force as at the balance sheet date. The movements arising from tax rate changes are taken to the profit and loss account, except for movements relating to the revaluation of the tangible fixed assets as at 1 January 2004, the tax treatment of the purchase price paid by the Dutch State, actuarial gains and losses and the cash flow hedge reserve. These movements are recognised directly in equity.

(Deferred) tax assets and (deferred) tax liabilities are offset if a legally enforceable right exists to set off tax assets against tax liabilities and the taxes relate to the same tax authority on either the same taxable entity or different taxable entities which intend either to settle tax liabilities and tax assets or realise the assets and settle the liabilities simultaneously.

N.V. Nederlandse Gasunie and its 100% Dutch group companies form a fiscal unity. No corporate income tax is assigned to these group companies, with the exception of Gasunie Transport Services B.V. and Gasunie Grid Services B.V. The tax expense included in the corporate profit and loss account relates to all the companies in the fiscal unity, with the exception of Gasunie Transport Services B.V. and Gasunie Grid Services B.V.

Gasunie Deutschland GmbH & Co. KG and its 100% German group companies form a fiscal unity in Germany for the purposes of trade tax and corporate income tax, including the reunification surcharge.

Tax is calculated based on the recognised result, taking into account tax-exempt items and costs that are either non-deductible or only partly deductible.

Cash flow statement

This statement shows the cash flows generated by N.V. Nederlandse Gasunie. The cash flow from operating activities is determined using the indirect method, based on the revenues presented in the consolidated profit and loss account. The company recognises corporate income tax paid and income and expenses relating to interest and dividends received from joint ventures, associates and other equity interests under 'cash flow from operating activities'.

Financial information by segment

The information relating to the operating activities for which separate financial information is available, and of which the operating results are regularly reviewed by the chief operating decision-maker, covers gas transport activities in the Netherlands and Germany as well as new business activities.

The operating segments identified within Gasunie based on IFRS 8 Operating Segments are:

- Gasunie Transport Nederland
- Gasunie Deutschland
- Participations

For more detailed financial information per segment, see notes 29 to 31 to the consolidated financial statements.

Derivative financial instruments

Cash flow hedge accounting

Cash flow hedge accounting is applied to derivative financial instruments that have been specifically designated for this purpose by management, and are used to hedge a highly probable cash flow, while satisfying all other conditions.

They are initially recognised at fair value on the date on which the contract is entered into, and the fair value is subsequently periodically reassessed. The fair value is determined by discounting future cash flows to the current yield curve.

Gains or losses on the effective part of the hedging instrument are recognised in the cash flow hedge reserve in equity, net of taxation. Any ineffective parts are recognised directly in the profit and loss account.

When a hedging instrument is wound up, gains or losses on the effective part continue to be recognised in equity for as long as the underlying cash flow is expected to occur. If it is not expected to occur, the gains or losses on the effective part, which are recognised in equity, are taken directly to the profit and loss account.

Effective derivative financial instruments designated for hedge accounting are recognised in the same way as the underlying contract. Depending on the nature and the term of the underlying contract, the instruments are classified as either long-term or short-term instruments.

Other derivative financial instruments

Other derivative financial instruments used for hedging existing risks, such as interest-rate swaps and forward foreign exchange contracts, are initially recognised at fair value. Changes in value are recognised in the profit and loss account.

If the fair value is positive, the instrument is included under 'other receivables'; if the fair value is negative, the instrument is included under 'other liabilities'. Depending on the nature and the term of the underlying contract, the instruments are classified as either long-term or short-term instruments.

Notes to the consolidated balance sheet

1. Impairment tests

General

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

When carrying out an impairment test, management makes assumptions, including assumptions regarding short- and long-term developments in the relevant 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.

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.

In 2015, it was decided to investigate alternatives to the impairment model. In 2016, the Executive Board changed the impairment test model for the regulated gas transport services in order to better align the model with the regulated environment and to gain additional insights in the effects of expenses and income on the realisable value. The change involves the transition from a model with specific cash flows for a total planning period running up to the economic horizon in 2070, with no residual value, to a model with a shorter forecasting period of ten years, with a residual value based on the (corrected) RAB, i.e., the regulatory carrying amount of the assets as determined by the regulatory body. According to European law, the network operator is allowed re-earn these assets through its regulated tariffs.

There are no indications that the fair value less costs of disposal is higher than the value in use.

In 2016, the Corporate WACC was re-evaluated. The Corporate WACC is relevant for determining the expected capital cost allowance and discount rate of future regulatory periods. The re-evaluation of the Corporate WACC has led to a reduction of this WACC from 4.5% nominal post-tax at year-end 2015 to 4.0% nominal post-tax at year-end 2016. The reduction is mainly due to developments in the capital market.

Impairment test of the gas transport network in the Netherlands

Reason for the impairment test 31 December 2016

The Netherlands Authority for Consumers and Markets (ACM) is authorised to annually set the maximum rates that Gasunie Transport Services B.V. ("GTS") is allowed to charge for transport, transport-related activities, the connection, balancing and quality conversion. For this purpose, ACM has determined that the regulatory method applies for a period of at least three and at most five years. This method decision is the basis for determining the allowed turnover, the efficiency deduction and the rates during the regulatory period.

The turnover allowed by the regulator consists of an allowance for the cost of capital invested (RAB), an allowance for the annual depreciation costs (calculated on the basis of depreciation terms determined by

the regulator and the set RAB) and an allowance for the operating costs. In addition, the regulator may apply an efficiency discount to the rates.

The previous regulatory period ended on 31 December 2016. ACM has decided to set the regulatory method for five years. The new regulatory period will therefore be from 2017 up to and including 2021.

In determining the method decision, ACM applies the uniform public preparatory procedure. In this procedure, ACM publishes a draft decision to which stakeholders can respond. In the definitive decision, ACM must take these responses into account.

On 24 February 2017, ACM published the definitive method decision for 2017-2021. Prior to the publication, ACM has been able to agree with major market parties, including Gasunie, that these parties are in agreement on the most essential parts of the decision and will not appeal against these.

The changes in the new method decision compared to the method decision for 2014-2016 relate to the length of the regulatory period, the way in which the cost base is determined (particularly pension and energy costs), the adjustment of the allowed revenue at the start of the regulatory period, a static efficiency discount, the way in which the dynamic efficiency is determined, the height of the WACC, the regulation of existing connections, the inclusion of investments in allowed revenues and the way in which rate adjustments are determined.

Basis of the test

The recoverable amount is determined on the basis of the regulatory framework as laid down in the definitive method decision for 2017-2021 and in other regulations.

Static efficiency benchmark

This is the first time that ACM had two benchmark studies carried out to determine the efficiency of GTS. The objective was to align the allowed revenue of GTS with the supposed cost level of an efficient and structurally comparable network operator. For the regulatory period 2017-2021, the weighted average static efficiency of GTS has been set at 88.6%.

ACM is expected to have another efficiency benchmark carried out for the next regulatory period as of 2022. To be prudent, we assume that a similar efficiency discount will apply for the regulatory period 2022-2026. In the coming years, we will strive to further prove our efficiency compared to other national network companies by improving the benchmark techniques used in establishing our efficiency. For the regulatory periods from 2027 onwards, we assume an efficiency score of 100%.

Capital cost allowance

In determining the capital cost allowance for the regulatory period 2017-2021, reference is made to the WACC established in the method decision (3.0% real pre-tax); comparable to 3.4% nominal post-tax. For the regulatory period from 2022 onwards, a WACC is assumed of 4.0% nominal post-tax. The WACC as laid down in the method decision has not been included in the agreements mentioned above between ACM and market parties with regard to the definitive method decision for 2017-2021.

Discount rate

The expected cash flows are discounted using a discount rate that is related to the expected capital cost allowance for the relevant period. For the years 2017-2022, the average discount rate is 3.6% nominal post-tax. For the period from 2022 onwards, a discount rate of 4.0% nominal post-tax has been applied.

Other assumptions

In this test, it was assumed that the current regulatory framework will remain unchanged.

Uncertainties in the test

In the table below, an indication is given of the effect of a change in an important assumption regarding the recoverable amount. The change is assumed to take place each time at the beginning of the next regulatory period under otherwise unchanged conditions.

Change in the assumption	Amounting to	Change in the recoverable amount
1. the real allowance for the cost of capital (post-tax) in the regulatory period 2017-2026	+/- 0.25%-point	+/- € 80 million
2. the discount rate (nominal post-tax) in the regulatory period 2017-2026	+/- 0.25%-point	-/+ € 130 million
3. static efficiency score compared to 88.6% in the regulatory period 2022-2026	+ 5%-point	+ € 85 million

Test results

On the basis of the information currently available, management has concluded that on 31 December 2016, the impairment of the gas transport network in the Netherlands amounts to € 450 million.

2. Acquisitions

In the second half of 2016, N.V. Nederlandse Gasunie acquired 50% of JordgasTransport GmbH shares via Gasunie Deutschland Transportservices GmbH. The remaining 50% were acquired by Open Grid Europe. JordgasTransport GmbH owns 30.8% of the NETRA (Nordeutsche Erdgas Transversale) network system, consisting of a pipeline of approx. 350km and two compressor stations. The other shareholders in NETRA are Gasunie Deutschland Transportservices GmbH and Open Grid Europe. As a result of this transaction, Gasunie Deutschland Transportservices GmbH and Open Grid Europe are now the only remaining shareholders in NETRA. For more details on how this transaction is represented in the accounts, see note 5.

3. Tangible fixed assets

<i>In millions of euros</i>	Carrying amount as at 1 Jan. 2016	Investments	Disposals	Depreciation	Impairments	Carrying amount as at 31 Dec. 2016
Land and buildings	96.5	48.3	0.1	5.3	(9.0)	130.4
Compressor stations	941.6	51.0	1.0	47.9	(46.4)	897.3
Installations	1,055.2	96.5	3.2	70.9	(53.7)	1,023.9
Main transmission lines and related plant and equipment	5,301.0	19.2	1.3	107.5	(279.0)	4,932.4
Regional transmission lines and related plant and equipment	769.5	82.3	4.1	20.9	(55.3)	771.5
Underground gas storage	527.5	1.7	4.8	16.0	-	508.4
Other fixed operating assets	194.0	36.8	0.0	36.1	(6.6)	188.1
Fixed assets under construction	248,7	(35,4)	-	-	-	213.3
Total for 2016 financial year	9,134.0	300.4	14.5	304.6	(450.0)	8,665.3

<i>In millions of euros</i>	Carrying amount as at 1 Jan. 2015	Investments	Disposals	Depreciation	Carrying amount as at 31 Dec. 2015
Land and buildings	98.2	3.4	0.3	4.8	96.5
Compressor stations	924.1	61.9	0.3	44.1	941.6
Installations	1,064.9	62.4	2.4	69.7	1,055.2
Main transmission lines and related plant and equipment	5,187.3	218.4	1.2	103.5	5,301.0
Regional transmission lines and related plant and equipment	768.9	22.5	3.5	18.4	769.5
Underground gas storage	539.9	4.2	0.7	15.9	527.5
Other fixed operating assets	180.9	51.6	0.8	37.7	194.0
Fixed assets under construction	333.9	(79.7)	5.5	-	248.7
Total for 2015 financial year	9,098.1	344.7	14.7	294.1	9,134.0

<i>In millions of euros</i>	Cost as at 31 Dec. 2016	Accumulated depreciation *) as at 31 Dec. 2016	Cost as at 31 Dec. 2015	Accumulated depreciation *) as at 31 Dec. 2015
Land and buildings	216.3	85.9	168.2	71.8
Compressor stations	1,388.5	491.2	1,343.4	401.7
Installations	1,777.2	753.3	1,699.9	644.7
Main transmission lines and related plant and equipment	7,270.9	2,338.5	7,256.7	1,955.7
Regional transmission lines and related plant and equipment	1,060.1	288.6	986.4	216.9
Underground gas storage	595.8	87.4	599.8	72.3
Other fixed operating assets	574.3	386.2	538.2	344.2
Fixed assets under construction	213.3	-	248.7	-
Total	13,096.4	4,431.1	12,841.3	3,707.3

*) Including any impairments.

Depreciation periods

As of 1 January 2008, the remaining depreciation period for investments in transmission pipelines was extended up to 2063. The carrying amount as at this date and the investments in transmission pipelines as of this date will be depreciated until 2063.

At the end of 2014, N.V. Nederlandse Gasunie reassessed the economic horizon, which determines the remaining depreciation period for investments in transmission pipelines. As a result, as of 1 January 2015, the economic horizon has shifted from 2063 to 2070. The carrying amount as at this date and the investments in transmission pipelines as of this date will be depreciated until 2070. This change in the remaining depreciation periods reduced the depreciation of the transport pipelines by approximately € 20 million as of 2015.

As of 1 January 2004, the depreciation period for compressor stations and installations is 30 years (on average).

The depreciation periods for the other components are as follows:

- Buildings: 50 years
- Underground gas storage: 0 to 40 years, approximately 35 years on average
- Other fixed operating assets: 5 to 20 years

Land, gas and nitrogen stocks are not depreciated.

Gas transport network impairments

For information on this subject, see note 1 to the consolidated balance sheet.

4. Investments in joint operations

N.V. Nederlandse Gasunie has interests in the following joint operations, either directly or through its group companies:

Company	Registered office	Interest as at 31 December	
		2016	2015
BBL Company V.O.F.	Groningen	60%	60%
Arbeitsgemeinschaft GOAL/Fluxys NEL-Projektphase	Hannover, Germany	51.3%	51.3%

BBL Company V.O.F. operates a gas pipeline between Balgzand in the Netherlands and Bacton in the United Kingdom. The company has a 60% (indirect) interest in BBL Company V.O.F. Based on the agreements between the partners of BBL Company VOF, significant decisions need to be made with an 80% majority. Since unanimous decisions are not required the company's 60% interest in BBL Company V.O.F. does not qualify as a joint venture or joint operation according to IFRS 11. However under Dutch law, in the legal form of BBL V.O.F. ("Vennootschap Onder Firma") partners have a direct interest in both assets and liabilities in the V.O.F. Since the legal and economic reality of the V.O.F. is comparable to that of a joint operation, the interest in BBL Company V.O.F. is recognized as a joint operation.

In 2013, Gasunie Ostseebindungsleitung (GOAL) GmbH and Fluxys Deutschland GmbH entered into a collaboration in the form of an *arbeitsgemeinschaft*, which is responsible for the completion of the Nordeuropäische Erdgasleitung. N.V. Nederlandse Gasunie has no control over the Arbeitsgemeinschaft GOAL/Fluxys NEL-Projektphase collaboration, which qualifies as a joint operation.

5. Investments in joint ventures

N.V. Nederlandse Gasunie has interests in the following joint ventures, either directly or through its group companies:

Company	Registered office	Interest as at 31 December	
		2016	2015
Gate terminal C.V.	Rotterdam	50%	50%
Gate terminal Management B.V.	Rotterdam	50%	50%
LBBR Management B.V.	Groningen	0%	50%
LNG Break Bulk Rotterdam C.V.	Rotterdam	0%	50%
DEUDAN - Deutsch/Dänische Erdgastransport-GmbH	Handewitt, Germany	75%	75%
DEUDAN - Deutsch/Dänische Erdgastransport-GmbH & Co. KG)	Handewitt, Germany	33.4%	33.3%
Norddeutsche Erdgastransport Infrastruktur (formerly DEUDAN - Holding GmbH	Hannover, Germany	44%	51%
JordgasTransport GmbH	Emden, Germany	50%	0%
NETRA GmbH Norddeutsche Erdgas Transversale	Emstek/Schneiderkrug, Germany	50%	33.3%
NETRA GmbH Norddeutsche Erdgas Transversale & Co. KG	Emstek/Schneiderkrug, Germany	50%	28.7%
Biogas Netwerk Twente B.V.	Almelo	50%	0%

The movements in investments in joint ventures are as follows:

<i>In millions of euros</i>	2016	2015
Balance as at 1 January	157.4	152.6
Investments	0.2	3.3
Acquisitions	56.1	10.6
Share in result after taxation	31.2	39.3
Share in other comprehensive income	0.9	9.3
Dividend received	(12.6)	(46.8)
Disposals	-	(10.9)
Balance as at 31 December	233.2	157.4

Joint venture in Gate terminal

The company has a 50% (indirect) interest in both Gate terminal Management B.V. and Gate terminal C.V. The latter has a 100% interest in Gate terminal B.V. These interests involve a collaboration with Koninklijke Vopak N.V. for the operation of a terminal for liquefied natural gas (LNG) on the Maasvlakte in the Netherlands.

In 2015, Gasunie LNG Holding B.V. increased its 47.6% interest in Gate terminal C.V. to 50.0%. The acquisition price was € 10.6 million. This concerned a buyout of a joint venture partner.

During the financial year, the company received € 12.0 million (2015: € 8.6 million) in dividend from Gate terminal C.V.

Consolidated financial information of Gate terminal C.V.:

<i>In millions of euros</i>	31 Dec. 2016	31 Dec. 2015
Fixed assets	909.1	908.5
<i>of which deferred tax assets</i>	36.3	36.8
Current assets	71.0	133.2
<i>of which cash and cash equivalents</i>	62.5	126.4
Long-term liabilities	778.5	779.6
<i>of which interest-bearing loans</i>	613.2	612.1
<i>of which derivative financial instruments</i>	165.3	167.5
Current liabilities	60.4	138.1
<i>of which current financing liabilities</i>	42.7	36.5
<i>of which tax liabilities</i>	1.0	9.4
Net investment	141.1	124.0
Gasunie's share	50%	50%
Carrying amount	70.6	62.0

<i>In millions of euros</i>	2016	2015
Revenues	147.8	145.0
Total expenses	(59.6)	(53.8)
<i>of which depreciation</i>	(32.7)	(31.9)
Finance costs	(35.1)	(36.8)
Taxes	(13.7)	(14.0)
Result after taxation	39.4	40.4
Other comprehensive income	1.9	18.4
Total of comprehensive income	41.2	58.8
Gasunie's share in comprehensive income	20.6	29.4

Other joint ventures

The company had a 50% (indirect) interest in both LBBR Management B.V. and LNG Break Bulk Rotterdam C.V. These interests involve a collaboration with Koninklijke Vopak N.V. for the construction, implementation and operation of a small-scale (break-bulk) LNG terminal, including associated facilities. In 2016, LBBR Management B.V. was liquidated. This transaction did not affect the net result for the year.

As of 1 July 2014, there have been no activities within LNG Break Bulk Rotterdam C.V., because Gate terminal B.V. took over these activities as of this date. In 2016, LNG Break Bulk Rotterdam C.V. was liquidated. This transaction did not affect the net result for the year.

In the second half of 2016, N.V. Nederlandse Gasunie acquired 50% of JordgasTransport GmbH shares via Gasunie Deutschland Transportservices GmbH. The remaining 50% were taken over by Open Grid Europe. Based on the agreements, N.V. Nederlandse Gasunie has joint control over JordgasTransport GmbH. This equity interest qualifies as a joint venture.

JordgasTransport GmbH owns 30.8% of the NETRA (Nordeutsche Erdgas Transversale) network system, consisting of a pipeline of approx. 350km and two compressor stations. The other shareholders in NETRA are Gasunie Deutschland Transportservices GmbH and Open Grid Europe. As a result of this transaction, Gasunie Deutschland Transportservices GmbH and Open Grid Europe are now the only remaining shareholders in NETRA.

Due to this transaction, the interest of N.V. Nederlandse Gasunie in NETRA GmbH Norddeutsche Erdgas Transversale and NETRA GmbH Norddeutsche Erdgas Transversale & Co. KG has increased to 50%. Based on the agreements, Gasunie has joint control. These equity interests qualify as joint ventures.

As part of this transaction, DEUDAN Holding GmbH has been renamed as Norddeutsche Erdgastransport Infrastruktur GmbH. The interest of N.V. Nederlandse Gasunie has decreased to 50%. Based on the agreements, Gasunie has joint control. This equity interest qualifies as a joint venture.

DEUDAN (Deutsch/Dänische Erdgastransport-GmbH & Co. KG) operates a gas pipeline in Germany between the Itzehoe region and the German/Danish border in the Flensburg region. Gasunie's interest in this participation is 75%. Based on the agreements between the shareholders of DEUDAN - Deutsch/Dänische Erdgastransport-GmbH, the company has no control. This equity interest qualifies as a joint venture.

On 13 July 2016, Biogas Netwerk Twente B.V. was founded. This concerns a joint venture with Cogas B.V. for the construction and management of pipelines and associated facilities, and the construction, maintenance and making available of installations for biogas. Gasunie holds a 50% interest in the company. Based on the current agreements, Gasunie has joint control.

Financial information of other joint ventures:

<i>In millions of euros</i>	2016	2015
Carrying amount as at 31 December	162.6	95.4
Gasunie's share in the result after taxation	11.4	19.3
Dividend received	0.6	38.2

6. Investments in associates

N.V. Nederlandse Gasunie has interests in the following associates, either directly or through its group companies:

Company	Registered office	Interest as at	
		2016	2015
ICE Endex Holding B.V.	Amsterdam	20.9%	20.9%
GASPOOL Balancing Services GmbH	Berlin, Germany	16.7%	16.7%

N.V. Nederlandse Gasunie has a 20.9% interest in ICE Endex Holding B.V., a European energy exchange for derivatives and spot gas. N.V. Nederlandse Gasunie has concluded a 5-year option agreement with the other shareholder of ICE Endex Holding B.V, which came into effect on 26 March 2015. According to this agreement, the company has the right to sell its 20.9% interest to the other shareholder on the basis of the value of the shares at that time, for which a minimum and a maximum value apply. In addition, it has been agreed that the other shareholder has the right to buy the 20.9% interest from N.V. Nederlandse Gasunie at the value of the shares at that time, for which also a minimum and a maximum value apply. The value of the shares in ICE Endex Holding B.V. is based on the present value of the expected cash flows, taking into account the contractual provisions agreed between the parties about the valuation technique and other important input data. At balance sheet date, the value of the shares in ICE Endex Holding B.V. exceeds the agreed maximum selling price. As a result, the option agreement has a negative value as at 31 December 2016 of € 9.5 million (2015: € 10.2 million). This value has been included as 'Derivative financial instruments' under 'Trade and other payables' on the balance sheet. The change in value of the option agreement of € 0.7 million positive (2015: € 1.2 million positive) is included in 'Other finance costs' under 'Finance costs' in the profit and loss account. If the other shareholder exercises its right to buy the 20.9% interest from N.V. Nederlandse Gasunie, the settlement of the value of the option agreement will be credited to the profit and loss account.

GASPOOL Balancing Services GmbH is a North-German virtual gas trading point. The share of Gasunie in the voting rights of this participation is 20%.

The movements in investments in associates are as follows:

<i>In millions of euros</i>	2016	2015
Balance as at 1 January	12.4	11.7
Share in result after taxation	2.8	2.5
Share in other comprehensive income	-	0.1
Dividend received	(3.7)	(1.9)
Balance as at 31 December	11.5	12.4

In 2016, Gasunie's total share in comprehensive income of associates was € 2.8 million (2015: € 2.6 million).

7. Other equity interests

The movements in other equity interests are as follows:

<i>In millions of euros</i>	2016	2015
Balance as at 1 January	434.9	424.4
Movement in fair value taken directly to equity	35.3	10.5
Balance as at 31 December	470.2	434.9

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 PRISMA European Capacity Platform GmbH, EDSN B.V. and Nordstream AG 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.

On 10 June 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 Infrastructuur AG and is intended as a long-term investment supporting the objectives of N.V. Nederlandse Gasunie. The two gas pipelines were put into use on 1 October 2011 and 8 October 2012 respectively.

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 € 26 million at year-end 2016 (2015: € 27 million).

The valuation is based on the present value of the cash flows, using a calculation model which is updated by Nord Stream AG every year in the context 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.

In 2016, the company received dividend from Nord Stream AG of € 27.2 million (2015: € 28.9 million).

In 2015, the interest in PRISMA European Capacity Platform GmbH decreased from 13.5% to 12.7%, due to new shareholders joining. The transaction did not affect the net result for the year.

The interests in PRISMA European Capacity Platform GmbH and 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.

8. Deferred tax assets

The deferred tax assets arise from temporary differences between the valuation in the financial statements of the N.V. Nederlandse Gasunie and its 100% Dutch group companies for financial reporting purposes and for tax purposes. They can be broken down as follows:

<i>In millions of euros</i>	31 Dec. 2016	31 Dec. 2015
Purchase price paid by the Dutch State	1,480.4	1,533.3
Financial instruments	(1.0)	(1.4)
Tangible fixed assets	(1,056.2)	(1,209.8)
Other deferred tax assets	7.1	0.4
Total deferred tax assets	430.3	322.5

The amount to be settled more than 1 year after the balance sheet date amounts to € 407.8 million (2015: € 299.2 million).

Tax treatment of purchase price paid by the Dutch State

When N.V. Nederlandse Gasunie was restructured, the Dutch State made a deemed capital contribution to the company for tax purposes in the form of a revaluation of the network for tax purposes. As a result, N.V. Nederlandse Gasunie applies additional depreciation for tax purposes applied with effect from 2005.

The movements in deferred tax assets are as follows:

<i>In millions of euros</i>	2016	2015
Balance as at 1 January	322.5	342.9
Movements taken to the profit and loss account	107.4	(20.8)
Movements taken to equity	0.4	0.4
Balance as at 31 December	430.3	322.5

The movements taken to the profit and loss account and to equity for 2016 are as follows:

<i>In millions of euros</i>	Profit and loss account	Equity
Purchase price paid by the Dutch State	(52.9)	-
Financial instruments	-	0.4
Tangible fixed assets	153.6	-
Other deferred tax assets	6.7	-
Total	107.4	0.4

The movements taken to the profit and loss account and to equity for 2015 are as follows:

<i>In millions of euros</i>	Profit and loss account	Equity
Purchase price paid by the Dutch State	(52.9)	-
Financial instruments	-	0.4
Tangible fixed assets	31.9	-
Other	0.2	-
Total	(20.8)	0.4

9. Stocks

Stocks, with a value of € 39.5 million as at 31 December 2015 (2015: € 33.9 million), consist almost entirely of maintenance materials and parts that are measured at the lower of average cost and net realisable value. The amount stated takes into account a provision of € 8.1 million (2015: € 7.6 million). The change in the provision (€ 0.5 million) is recognised in the profit and loss account.

10. Trade and other receivables

<i>In millions of euros</i>	31 Dec. 2016	31 Dec. 2015
Trade receivables	148.5	153.7
Receivables from joint ventures	0.3	0.1
Corporate income tax	7.8	12.4
Other taxes	3.3	2.7
Other receivables	22.9	33.1
Total trade and other receivables	182.8	202.0

Other taxes consist of V.A.T. and dividend tax.

The trade receivables, receivables from joint ventures and other receivables totalled € 171.7 million (2015: € 186.9 million). The ageing analysis of these receivables as at the balance sheet date is as follows:

<i>In millions of euros</i>	Total	Not due and not impaired	Due and not impaired				
			< 30 days	30-60 days	60-90 days	90-120 days	> 120 days
2016	171.7	169.5	1.9	-	-	-	0.3
2015	186.9	183.0	2.2	1.5	-	0.1	0.1

The movements in the provision for bad debts are as follows:

<i>In millions of euros</i>	2016	2015
Balance as at 1 January	1.1	0.4
Additions	0.1	0.7
Balance as at 31 December	1.2	1.1

The receivables are individually reviewed to determine the amount of the provision, primarily taking into account the age of the receivable and the creditworthiness of the debtor.

11. Cash and cash equivalents

<i>In millions of euros</i>	31 Dec. 2016	31 Dec. 2015
Banks	36.0	62.2
Call funds and deposits receivable	202.4	2.5
Total cash and cash equivalents	238.4	64.7

The bank balances and call funds carry an interest rate based on daily interest, and the deposits receivable carry a market-based interest rate in line with the individual term.

12. Equity

Issued share capital

The authorised share capital as at 31 December 2016 amounts to € 756,000 and is divided into 7,560 shares, each having a nominal value of € 100, of which 1,513 have been issued and paid up in full. For more information, see note 3 to the company financial statements.

Other reserves

Items included under 'Other reserves' are classified as retained earnings under IFRS.

13. Cash flow hedge reserve

The movements in the cash flow hedge reserve are as follows:

<i>In millions of euros</i>	2016	2015
Balance as at 1 January	(46.2)	(54.3)
Transferred to the profit and loss account,	(1.3)	(1.7)
of which corporate income tax	0.3	0.4
Movements concerning joint ventures	0.9	9.4
Balance as at 31 December	(46.3)	(46.2)

The cash flow hedge reserve as at year-end 2016 relates to two cash flow hedges, as was the case in 2015. 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 100% group company of the joint venture Gate terminal C.V.

<i>In millions of euros</i>	31 Dec. 2016	31 Dec. 2015
Cash flow hedge of	4.1	5.4
N.V. Nederlandse Gasunie,	(1.1)	(1.4)
of which corporate income tax		
	3.0	4.0
Cash flow hedge of Gate terminal B.V.	(49.3)	(50.2)
Total	(46.3)	(46.2)

The cash flow hedge reserve of N.V. Nederlandse Gasunie relating to two long-term bond loans concerns swaptions settled in 2006, of which the results have been included in the cash flow hedge reserve and which will subsequently be transferred to the profit and loss account during the remaining term of the underlying bond loan. The amount of € 3.0 million (2015: € 4.0 million) will be released on a straight-line basis up to and including 2021.

In July 2008, Gate terminal B.V., a 100% group company of the joint venture Gate terminal C.V., took out a private loan with a floating interest rate. The floating interest was converted into fixed interest by means of a swap transaction. This transaction aims to largely offset changes in the cash flows (interest-based or otherwise) caused by changes in the market interest rate. The transaction was specifically designated for this purpose by management.

14. Interest-bearing loans

The total amount of € 3,164.3 million (2015: 2,985.7 million) of long-term loans comprises € 2,550.0 million (2015: € 2,350.0 million) of long-term bonds and € 614.3 million (2015: € 635.7 million) of private loans. As at the balance sheet date, the long-term bonds consist of € 2,050.0 of fixed-interest bonds. The private loans as at the balance sheet date consist of € 550.0 million (2015: € 550.0 million) of fixed-interest

loans and € 64.3 million (2015: € 85.7 million) of floating interest loans. The interest rate risk relating to the floating interest loan is not hedged. The company has no open positions in foreign currencies concerning interest-bearing loans.

For more information on the financial risks associated with the interest-bearing loans and the financial risk management applied by N.V. Nederlandse Gasunie with the aim of limiting these risks, see note 20 to the consolidated balance sheet.

The movements in interest-bearing loans are as follows:

<i>In millions of euros</i>	2016	2015
Balance as at 1 January	2,985.7	3,407.1
Private loans contracted and bond loans issued	950.0	300.0
Repayment obligations in next financial year	(771.4)	(721.4)
Balance as at 31 December	3,164.3	2,985.7

The future repayments are as follows:

<i>In millions of euros</i>	2016	2015
Repayment obligations in		
2016	-	721.4
2017	771.4	771.4
2018	321.4	321.5
2019	321.5	21.4
2020	21.4	21.4
2021	800.0	800.0
After 2021	1,700.0	1,050.0
Total repayment obligations	3,935.7	3,707.1

The table below provides a breakdown of the long-term loans, including repayment obligations.

Balance as at 31 December 2016:

Remaining principal amount outstanding on original loan in euros	Term	Effective interest rates	Interest review date	Nominal amount outstanding in millions of euros
300.0 million	2006-2021	4.500%	not applicable	300.0
125.0 million	2008-2022	4.500%	not applicable	125.0
125.0 million	2008-2023	4.804%	not applicable	125.0
750.0 million	2009-2017	5.125%	not applicable	750.0
125.0 million	2009-2024	4.266%	not applicable	125.0
125.0 million	2010-2025	3.581%	not applicable	125.0
500.0 million	2011-2021	3.625%	not applicable	500.0
500.0 million	2012-2022	2.625%	not applicable	500.0
85.7 million	2013-2020	0.000%	28 April and 28 October every year	85.7
50.0 million	2014-2024	1.329%	not applicable	50.0
300.0 million	2015-2018	0.321%	as of 16/01; quarterly	300.0
650.0 million	2016-2026	1.000%	not applicable	650.0
300.0 million	2016-2019	0.000%	not applicable	300.0
Total				3,935.7

Balance as at 31 December 2015:

Remaining principal amount outstanding on original loan in millions of euros	Term	Effective interest rates	Interest review date	Nominal amount outstanding in millions of euros
700.0	2006-2016	4.250%	not applicable	700.0
300.0	2006-2021	4.500%	not applicable	300.0
125.0	2008-2022	4.500%	not applicable	125.0
125.0	2008-2023	4.804%	not applicable	125.0
750.0	2009-2017	5.125%	not applicable	750.0
125.0	2009-2024	4.266%	not applicable	125.0
125.0	2010-2025	3.581%	not applicable	125.0
500.0	2011-2021	3.625%	not applicable	500.0
500.0	2012-2022	2.625%	not applicable	500.0
107.1	2013-2020	0.131%	28 April and 28 October every year	107.1
50.0	2014-2024	1.329%	not applicable	50.0
300.0	2015-2018	0.321%	As of 16/01; quarterly	300.0
Total				3,707.1

If the Dutch State ceases to hold all shares of N.V. Nederlandse Gasunie, the interest rates of six European Investment Bank loans of in total € 635.7 million will be adjusted to reflect the lender's credit risk policy.

The weighted average effective interest rate for the long-term loans as at the balance sheet date was 2.8% (2015: 3.7%).

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

15. Deferred tax liabilities

The deferred tax liabilities arise from temporary differences between the valuation in the financial statements of Gasunie Deutschland for financial reporting purposes and for tax purposes. They can be broken down as follows:

<i>In millions of euros</i>	31 Dec. 2016	31 Dec. 2015
Tangible fixed assets	187.3	184.0
Financial fixed assets	11.7	11.8
Provisions for employee benefits	(15.2)	(13.3)
Provision for abandonment costs and redevelopment	18.3	17.1
Tariff settlement provision	-	10.3
Other deferred tax liabilities	0.4	0.4
Total deferred tax liabilities	202.5	210.3

The amount to be settled more than one year after the balance sheet dates amounts to € 202.2 million (2015: € 207.9 million).

The movements in deferred tax liabilities are as follows:

<i>In millions of euros</i>	2016	2015
Balance as at 1 January	210.3	203.1
Movements taken to the profit and loss account	(6.6)	6.0
Movements taken to equity	(1.2)	1.2
Balance as at 31 December	202.5	210.3

The movements taken to the profit and loss account and to equity for 2016 are as follows:

<i>In millions of euros</i>	Profit and loss account	Equity
Tangible fixed assets	3.4	-
Financial fixed assets	(0.1)	-
Provisions for employee benefits	(0.7)	(1.2)
Provision for abandonment costs and redevelopment	1.2	-
Tariff settlement provision	(10.3)	-
Other deferred tax liabilities	(0.1)	-
Total	(6.6)	(1.2)

The movements taken to the profit and loss account and to equity for 2015 are as follows:

<i>In millions of euros</i>	Profit and loss account	Equity
Tangible fixed assets	3.1	-
Financial fixed assets	0.1	-
Provisions for employee benefits	(0.4)	1.2
Provision for abandonment costs and redevelopment	4.1	-
Tariff settlement provision	(0.8)	-
Other deferred tax liabilities	(0.1)	-
Total	6.0	1.2

16. Employee benefits

<i>In millions of euros</i>	31 Dec. 2016	31 Dec. 2015
Pension liabilities, Gasunie Deutschland	85.5	78.0
Jubilee benefits	8.7	8.0
Post-employment fringe benefits for non-active and retired employees	6.2	6.6
Total	100.4	92.6

Provisions for pension liabilities

Five-year summary (balance at year-end):

<i>In millions of euros</i>	2016	2015	2014	2013	2012
Present value of pension entitlements	85.5	78.0	78.1	56.3	1,306.3
Plan assets	-	-	-	-	(1,066.6)
Pension provision	85.5	78.0	78.1	56.3	239.7
Experience adjustments to plan liabilities	(2.4)	0.3	(2.0)	(1.8)	1.2
Experience adjustments to plan assets	-	-	-	-	77.5

On 1 July 2013, a new pension scheme came into force for N.V. Nederlandse Gasunie and its employees in the Netherlands. The new pension scheme qualifies as a 'defined contribution plan' in IFRS terms. As a consequence, the provision for pension liabilities related to the old pension scheme was released to the profit and loss account.

Provision for pension liabilities, Gasunie Deutschland

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

A breakdown of the provision is shown below:

<i>In millions of euros</i>	31 Dec. 2016	31 Dec. 2015
Present value of pension entitlements	85.5	78.0
Plan assets	-	-
Pension provision	85.5	78.0

The weighted average duration of the pension liabilities is approximately 20 years.

The assumptions underlying the calculation of the pension liabilities are as follows:

	2016	2015
Discount rate	1.9%	2.5%
Expected future salary increases	2.7%	2.8%
Expected future pension increases	1.7%	1.8%

The movements in the pension provision are as follows:

<i>In millions of euros</i>	2016	2015
Present value of pension entitlements		
Balance as at 1 January	78.0	78.1
Increase in pension entitlements	2.5	2.8
Accrued interest	1.9	1.7
Actuarial result	3.8	(4.1)
Pension benefits paid	(0.7)	(0.5)
Balance as at 31 December	85.5	78.0

The actuarial result in 2016 and 2015 was affected mainly by the change in discount rate.

The actuarial results are as follows:

<i>In millions of euros</i>	2016	2015
Changes in actuarial financial assumptions	(6.2)	4.4
Changes in actuarial demographic assumptions	-	-
Experience adjustments	2.4	(0.3)
Total actuarial result on pension entitlements	(3.8)	4.1

Actuarial results taken directly to equity totalled € 3.8 million negative in 2016 (2015: € 4.1 million positive).

At year-end 2016, the accumulated actuarial gains and losses taken directly to equity totalled € 27.5 million negative (2015: € 23.7 million negative).

If the discount rate changes by 0.1%-point, in otherwise unchanged circumstances, this is expected to lead to a change in the 'present value of pension entitlements' of € 1.7 million (2015: € 1.6 million) and a change in the total of actuarial results taken directly to equity of € 1.7 million at year-end 2016 (2015: € 1.6 million).

If the 'expected future salary increases' change by 0.1%-point, in otherwise unchanged circumstances, this is expected to lead to a change in the 'present value of pension entitlements' of € 0.4 million (2015: € 0.4 million) and a change in the total of actuarial results taken directly to equity of € 0.4 million at year-end 2016 (2015: € 0.4 million).

If the 'expected future pension increases' change by 0.1%-point, in otherwise unchanged circumstances, this is expected to lead to a change in the 'present value of pension entitlements' of € 1.3 million (2015: € 1.1 million) and a change in the total of actuarial results taken directly to equity of € 1.1 million at year-end 2016 (2015: € 1.1 million).

The total pension costs for the defined benefit pension plan as presented in the profit and loss account comprise:

<i>In millions of euros</i>	2016	2015
Increase in pension entitlements	2.5	2.8
Accrued interest	1.9	1.7
Total pension costs	4.4	4.5

Provision for jubilee benefits

This provision relates to jubilee benefits paid by N.V. Nederlandse Gasunie to its employees.

The movements in the provision are as follows:

<i>In millions of euros</i>	2016	2015
Balance as at 1 January	8.0	5.5
Additions	1.2	3.2
Charges	(0.5)	(0.7)
Balance as at 31 December	8.7	8.0

Provision for costs of post-employment fringe benefits for non-active and retired employees

This provision relates to the allowance which N.V. Nederlandse Gasunie pays to its employees after their retirement.

The movements in the provision are as follows:

<i>In millions of euros</i>	2016	2015
Balance as at 1 January	6.6	4.7
Additions	0.8	2.6
Charges	(0.8)	(0.7)
Release	0.4	-
Balance as at 31 December	6.2	6.6

The provision is primarily a long-term provision. The provision is not fully funded.

17. Provisions

Provision for abandonment costs and redevelopment

The movements in the provision are as follows:

<i>In millions of euros</i>	2016	2015
Balance as at 1 January	67.5	69.3
Additions	20.0	35.0
Charges	(14.8)	(32.8)
Release	(5.1)	(4.0)
Balance as at 31 December	67.6	67.5

The short-term part of the provision for abandonment costs and redevelopment totalled € 10.6 million as at year-end 2016 (2015: € 13.8 million).

This provision was recognised in 2010 due to management decisions to decommission, remove or redevelop specific assets within the foreseeable future, for instance because of new legislation, such as the 'Decree on the External Safety of Pipelines', which came into force on 1 January 2011. This decree sets requirements (including new requirements) on the transportation of hazardous substances through pipelines. As a result, the company needs to take measures in order to limit the effects on people's health and the environment.

The provision relates to the redevelopment of site-related and group-related bottlenecks, obligations to disengage decommissioned branches from the grid and the decision to redevelop or replace certain pipeline sections. Pipelines that had already been disengaged were added to the redevelopment programme in 2011, and in 2012 pipelines were added that had been taken over from third parties in the past.

The province of Groningen has been confronted with an increasing number of earthquakes caused by gas extraction. Moreover, the strength of these earthquakes is also increasing. The Ministry of Economic Affairs has informed Gasunie Transport Services B.V. that, for the time being, the maximum force of earthquakes is assumed to be 5.0 on the Richter scale. When the gas transport system was constructed, however, no account was taken of earthquakes of that magnitude. For this reason, Gasunie Transport Services B.V. commissioned studies into possible measures it can take to ensure that its infrastructure can withstand these forces.

On the basis of these studies, it was concluded that a large majority of the pipelines can withstand earthquakes of the maximum magnitude expected over the coming years. However, for approximately 4% (about 80 kilometres) of the Dutch regional gas transport grid in the earthquake zone, this cannot be guaranteed. This concerns pipelines constructed before 1964, which were taken over by N.V. Nederlandse Gasunie when it was founded. It has been decided to make preventive adjustments to this part of the pipeline network as part of the project Magnitude. For the decommissioning and removal of these pipeline sections, a provision has been recognised of € 1.3 million, charged to the profit and loss account in 2016 (2015: € 22 million).

The last part of the redevelopment programme, including project Magnitude, is expected to be carried out in 2020.

The amount of the provision for abandonment costs and redevelopment is determined on the basis of experience figures derived from completed projects.

A provision for long-term general abandonment costs is not recognised because it is currently considered unlikely that the removal of transport pipelines and appurtenances will be needed. The income from alternative use (in the longer term) less the costs of conservation is anticipated to offset the costs of removal, including societal costs.

18. Current financing liabilities

<i>In millions of euros</i>	31 Dec. 2016	31 Dec. 2015
Repayments on long-term loans	771.4	721.4
Short-term loans	-	280.0
Short-term loans to joint ventures	23.5	0.2
Total current financing liabilities	794.9	1,001.6

As at the end of 2016, N.V. Nederlandse Gasunie had drawn € 0.0 million (2015: € 280.0 million) in short-term loans against prevailing market rates, which at year-end 2015 related to term deposits and commercial paper.

To be able to fulfil the above current financing liabilities, N.V. Nederlandse Gasunie has a current account facility of € 25 million (2015: € 25 million) and a committed credit facility for short-term financing of € 750 million (2015: € 750 million), which expires in 2020. No funds were drawn under these facilities as at year-end 2016 and 2015. The interest payable on the funds drawn under the facilities is based on prevailing market rates. No securities have been provided for the credit facilities by N.V. Nederlandse Gasunie.

19. Trade and other payables

<i>In millions of euros</i>	31 Dec. 2016	31 Dec. 2015
Trade payables	42.8	40.6
Derivative financial instruments	9.5	10.2
Corporate income tax	59.3	44.3
Other taxes and social security contributions	28.1	13.4
Other liabilities, accruals and deferred income	199.9	178.1
Total trade and other payables	339.6	286.6

Other taxes and social security contributions primarily consist of V.A.T. payable, social security contributions, wage tax payable and interest payable on due income taxes.

Trade and other payables do not bear interest. For information on 'derivative financial instruments', see note 6 to the consolidated balance sheet.

20. Financial risks

General

The main financial risks to which N.V. Nederlandse Gasunie is exposed are market risk (consisting of interest rate risk and currency risk), credit risk and liquidity risk. N.V. Nederlandse Gasunie uses financial risk management to limit these risks by operational and financial measures. Specific instruments are used for this purpose, depending on the nature and size of the risks.

The Treasury department is responsible for executing financial risk management at group level; the credit default risk of accounts receivable is monitored on a business unit level. The use of specific risk instruments requires the prior approval of the Executive Board, which receives regular reports on the nature and size of the risks as well as the measures taken.

N.V. Nederlandse Gasunie may use derivative financial instruments to manage currency and interest rate risks arising from ordinary operational activities. The risk policy relating to interest rate risk aims to limit the effects of interest rate fluctuations on the result, and in the long term to follow the regulatory allowance for cost of debt. The risk policy relating to currency risk aims to limit the effects of exchange rate fluctuations on the result.

Financial instruments are only used to hedge risks and not for trading or any other purpose.

For the disclosure of currency and interest rate risks, IFRS 7 requires sensitivity analyses that show the financial effects of reasonable hypothetical changes in relevant risk variables on the profit and loss account and on equity. These effects are determined by relating the hypothetical changes to the risk variables to the balance sheet values of the financial instruments as at the reporting date, assuming that the balance sheet values as at the reporting date are representative of the whole period.

Interest rate risk

The interest rate risk to which the company is exposed relates to the risk that future cash flows will fluctuate due to market interest rate changes of long-term loans with floating interest rates and of current financing liabilities. The company is also exposed to an interest rate risk in the period between the decision to issue long-term loans with a fixed rate and the realisation of these loans.

At year-end 2016, the share of the floating interest rate loans including repayment obligations was € 386 million (2015: € 407 million). A 1%-point increase/decrease of the interest rate will respectively increase/decrease these annual interest expenses by € 3.9 million (2015: € 4.1 million).

At year-end 2016 and 2015, the short-term loans had a floating interest. A 1%-point increase/decrease of the interest rate will respectively increase/decrease these annual interest expenses by € 0.2 million (2015: € 2.8 million).

Currency risk

Currency risks arise, as defined in IFRS 7, if financial instruments are concluded in a currency that is different from the functional currency, and if the financial instruments are of a monetary nature. The currency risk that the company is exposed to consists of the risk that future cash flows from a financial instrument, including payables and receivables, will fluctuate over time due to changes in exchange rates.

N.V. Nederlandse Gasunie seeks to limit currency risks. To this end, it uses forward exchange contracts and currency swaps. Foreign exchange instruments are only used if underlying positions exist. Currency risks are fully hedged to the extent that there is sufficient certainty about the amount and timing of the foreign currency cash flows.

At year-end 2016, a total of € 2.4 million in liabilities denominated in foreign currencies was hedged by means of forward transactions (2015: € 4.1 million).

In 2016, balance sheet assets included GBP positions to the value of € 0.4 million (2015: € 1.1 million). Foreign currencies were converted into euros at the year-end exchange rate.

<i>In millions of euros</i>	Position	Exchange rate increase/ decrease	Effect on result before taxation	Effect on equity
2016				
Euro/GBP	0.4	+/- 30%	-/+ 0.1	-/+ 0.1
2015				
Euro/GBP	1.1	+/- 30%	-/+ 0.3	-/+ 0.2

The sensitivity analysis takes into account the past fluctuation range of currencies. The same ranges are used by the company for its analyses of potential risks. There were no other significant foreign currency positions.

Credit risk

Credit risk relates to the loss that would arise if counterparties were to default entirely as at the balance sheet date and fail to meet their contractual obligations. The company is not exposed to any material credit risk with regard to any individual customer or counterparty.

To reduce counterparty risk, when employing derivative financial instruments, the company uses strict limits concerning the credit risk exposure allowed for each counterparty. The company has drawn up criteria for selecting counterparties of financial instrument transactions. These criteria limit the risks associated with possible credit concentrations and market risks. As at year-end 2016 and 2015, no collateral was placed by counterparties at N.V. Nederlandse Gasunie to hedge counterparty risks with respect to financial instruments.

Guarantees received

N.V. Nederlandse Gasunie and its group companies have received the following guarantees from third parties:

<i>In millions of euros</i>	31 Dec. 2016		31 Dec. 2015	
	Number	Value	Number	Value
Bank guarantees	56	139.7	71	198.6
Deposits	53	34.6	46	11.6
Sureties	15	46.4	14	41.9
Parent Company Agreements	23	117.6	18	144.2
Letters of Awareness	9	29.2	10	89.4
Total guarantees received	156	367.5	159	485.7

The bank guarantees received mainly concern financial securities from contractors for new construction projects. The deposits and sureties received relate to securities from gas transport agreements. The deposits are held in cash. The interest on deposits is credited to the issuer of the guarantee.

The individual terms of the guarantees received are generally short (one to three years), with the terms of a few guarantees exceeding five years. The guarantees are not freely assignable.

Liquidity risk

The liquidity risk is the risk that the company has insufficient cash to meet its short-term liabilities. N.V. Nederlandse Gasunie's policy is to reduce this risk at minimal cost. The options for reducing the liquidity risk depend on the solvency of an enterprise. As a solvent company, N.V. Nederlandse Gasunie is in a good position to obtain credit facilities. It quantifies the liquidity risk by using a multi-year forecast of capital expenditures and a liquidity forecast with a horizon of at least one year for operational expenses.

The company has a current account facility of € 25 million (2015: € 25 million), a committed credit facility of € 750 million (2015: € 750 million), a € 750 million (2015: € 750 million) Commercial Paper programme and a € 7.5 billion (2015: € 7.5 billion) Medium Term Note (MTN) programme. Under the MTN programme, € 4.2 billion was available for new issues as at year-end 2015.

Rating

Gasunie's long-term credit rating with Standard & Poor's is AA- with a stable outlook, and the short-term rating is A-1+. With Moody's Investors Service, the long-term credit rating is A2 with a stable outlook, and the short-term rating is P-1.

Dividend policy

N.V. Nederlandse Gasunie aims to achieve a ratio of liabilities to equity that will enable the company to realise its strategy and will lead to a credit rating that is as high as possible and is in line with the character of the company and the policy of its shareholder.

Summary of future cash flows

The maturity profile of future cash flows pertaining to long-term and current liabilities outstanding as at the balance sheet date is as follows:

<i>In millions of euros</i>	Total	Payable immediately	< 1 year	1-5 year	> 5 year
2016					
Long-term liabilities					
- interest-bearing loans	3,935.7			2,235.7	1,700.0
Current liabilities					
- current financing liabilities	794.9	23.5	771.4	-	-
- trade payables	45.8	45.3	0.5	-	-
- tax liabilities	87.5	12.3	18.3		56.9
- other liabilities, accruals and deferred income	196.9	16.7	156.7	-	23.5
Interest payable on liabilities	440.3	-	83.9	278.1	78.3
Total	5,501.1	97.8	1,030.8	2,513.8	1,858.7

<i>In millions of euros</i>	Total	Payable immediately	< 1 year	1-5 year	> 5 year
2015					
Long-term liabilities					
- interest-bearing loans	2,985.7			1,135.7	1,850.0
Current liabilities					
- current financing liabilities	1,001.6	0.2	1,001.4	-	-
- trade payables	40.6	39.4	1.2	-	-
- tax liabilities	57.7	0.6	8.3	-	48.8
- other liabilities, accruals and deferred income	178.1	16.7	161.4	-	-
Interest payable on liabilities	509.7	-	121.3	288.3	100.1
Total	4,773.4	56.9	1,293.6	1,424.0	1,998.9

Guarantees issued

N.V. Nederlandse Gasunie and its group companies have issued the following guarantees to third parties:

<i>In millions of euros</i>	31 Dec. 2016		31 Dec. 2015	
	Number	Value	Number	Value
Bank guarantees	4	4.6	4	4.6
Parent Company Guarantees	6	109.3	6	504.9
Sureties	2	30.0	2	30.0
Total guarantees issued	12	143.9	12	539.5

The decrease in Parent Company Guarantees is primarily due to the fact that, over time, the chance that the guarantee with regard to Nordstream will be called on has become remote.

The sureties are issued for a specific purpose and mainly relate to investment projects. The guarantees are not freely assignable.

The maturity of the bank guarantees is generally short (one to two years).

As part of the acquisition of Jordgas (see also note 5 to the consolidated financial statements), Gasunie has issued a guarantee related to compliance with the provisions in the transaction agreement.

The company is guarantor for Gate terminal B.V., a 100% group company of the joint venture Gate terminal C.V., for leases payable to the Port of Rotterdam Authority to the value of € 38.5 million at year-end 2016 (2015: € 42.0 million) and for two sureties provided to shippers totalling € 30 million (2015: € 30 million). The remaining maturities of the guarantees for the Port of Rotterdam and for the two sureties are 11 years and 17 years respectively.

Fair value and carrying amount of financial instruments

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

- For trade receivables, other receivables, cash and cash equivalents, current financing liabilities excluding repayment obligations on long-term loans, trade payables, 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 own risk profile, including the credit risk, has been taken into account; and
- The derivative financial instruments that obliges the company to deliver financial assets at a predetermined price are valued at the fair value of the underlying financial assets, determined on the basis of the present value of the expected cash flows, taking into account the contractual provisions agreed between the parties about the valuation technique and other important input data. The counterpart risk is also 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 quoted prices in active markets for the same instrument;

Level 2: Based on quoted 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 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:

<i>In millions of euros</i>	Total	Level 1	Level 2	Level 3
2016				
- other equity interests	470.1	-	-	470.1
- derivative financial instruments	9.5	-	-	9.5
2015				
- other equity interests	434.8	-	-	434.8
- derivative financial instruments	10.2	-	-	10.2

For information on the movements in 'other equity interests', see note 7, and for information on 'derivative financial instruments', see note 6 to the consolidated balance sheet.

At year-end 2016, the long-term loans with a fixed interest rate amounts to € 2,800 million (2015: € 2,600 million). The table below compares the carrying amount and fair value of those financial instruments whose carrying amount does not approximate the fair value:

<i>In millions of euros</i>	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Interest-bearing loans	3,164.3	3,532.3	2,985.7	3,361.7
Repayments on long-term loans	771.4	781.3	721.4	735.0

The fair value of these financial instruments is determined in accordance with the following hierarchy:

<i>In millions of euros</i>	Total	Level 1	Level 2	Level 3
2016				
- interest-bearing loans	3,532.4	2,773.9	758.5	-
- repayments on long-term loans	781.2	759.8	21.4	-
2015				
- interest-bearing loans	3,361.7	2,584.1	777.6	-
- repayments on long-term loans	735.0	713.5	21.5	-

A 1%-point increase/decrease of the interest rate will respectively increase/decrease the fair value of these financial instruments by € 202.2 million (2015: € 197.6 million).

21. Commitments not included in the balance sheet

Investment commitments

At year-end 2016, N.V. Nederlandse Gasunie had commitments not included in the balance sheet of € 60.0 million with regard to investment projects, compared to € 102 million in 2015. The figure for 2016 includes € 54 million (2015: € 86 million) for replacement investments.

Lease commitments (operating lease)

Lease commitments at year-end 2016 totalled € 107 million (2015: € 111 million). A breakdown is shown below:

Term	Commitment as at 31 Dec. 2016	Commitment as at 31 Dec. 2015
0 – 1 year	€ 9 million	€ 9 million
1 – 5 year	€ 18 million	€ 17 million
> 5 year	€ 80 million	€ 85 million

These commitments mainly relate to the operating leases for industrial sites and company cars. The fixed lease payment for the cars and vehicles is partly based on the value of the leased vehicles and the expected operating expenses, which are based on a standard annual number of kilometres driven. A variable allowance is also paid per kilometre over and above the standard number of kilometres. The average remaining term of the lease commitments of the vehicles is approximately 2 years. The lease commitment for the industrial sites will end in 2048.

The actual operating lease costs with regard to industrial sites, company cars and private vehicles for 2016 amount to € 9.3 million (2015: € 9.6 million).

Other commitments

Other commitments at year-end 2016 totalled € 374 million (2015: € 264 million). A breakdown of these commitments is shown below:

Term	Contract value as at 31 Dec. 2016	Contract value as a 31 Dec. 2015
0 – 1 year	€ 73 million	€ 60 million
1 – 5 year	€ 238 million	€ 135 million
> 5 year	€ 63 million	€ 69 million

The other commitments relate to commitments entered into with suppliers for the purpose of carrying out operational activities.

Notes to the consolidated profit and loss account

22. Staff costs

<i>In millions of euros</i>	2016	2015
Salaries	154.3	153.3
Social security costs	16.9	16.0
Pension costs	28.7	27.6
Total staff costs	199.9	196.9

The 'pension costs' of defined contribution pension plans total € 24.2 million (2015: € 21.3 million).

Remuneration for members of the Executive Board and Supervisory Board

I. Members of the Executive Board

<i>In euros</i>	Salary	Variable remuneration	Fixed & variable remuneration	Deferred remuneration	Social security costs	Other benefits	Total
2016							
Executive Board							
Ir. J.J. Fennema, Chairman	301,212	48,386	349.598	63,880	8,822	22,344	444,644
I.M. Oudejans RA	277,954	44,650	322.604	59,112	8,822	20,843	411,381
A.J. Krist ¹⁾	160,961	25,805	186.766	34,418	5,881	17,739	244,804
U. Vermeulen ¹⁾	160,961	25,805	186.766	34,418	5,881	17,392	244,457
Total	901,088	144,646	1.045.734	191,828	29,406	78,318	1,354,327

1) As of 1 May 2016

The variable remuneration shown in the table above is based on the realisation of agreed targets during the financial year. The agreed targets comprise both collective Gasunie targets and individual targets, as described in the section entitled 'Remuneration policy for the Executive Board'. The collective Gasunie targets relate to achieving agreed financial and operational results over 2016.

As of 1 July 2013, the pension scheme of employees of N.V. Nederlandse Gasunie was changed. The new pension scheme is a defined contribution plan, which means that the company has committed itself to paying a fixed, predetermined premium. This premium is based on a conditional average-salary scheme. As of 1 July 2013, this new pension scheme also applies to members of the Executive Board.

The other reimbursements in the column 'Other benefits' relating to Mr Fennema refer to the compensation in October 2016 for payout annual leave days relating to the year 2016 to the amount of € 19,441 and the employer's contribution to the life-course savings scheme to the amount of € 2,903.

In October 2016, a payment was made to Mr Oudejans as compensation for untaken leave days relating to the year 2016 to the amount of € 17,940. In addition, the employer's contribution to the life-course savings scheme of € 2,903 was paid out. These reimbursements are recognised in 'Other benefits'.

The reimbursements in the column 'Other benefits' relating to Ms Krist refer to the compensation for untaken leave days and the employer's contribution to the life-course savings scheme totalling € 16,048, as well as a mortgage-related payment of € 1,691.

The reimbursements in the column 'Other benefits' relating to Mr Vermeulen refer to the compensation for untaken leave days and the employer's contribution to the life-course savings scheme totalling € 17,161, as well as a mortgage-related payment of € 231.

The members of the Executive Board have a lease car at their disposal that is appropriate to their position.

<i>In euros</i>	Salary	Variable remuneration	Fixed & variable remuneration	Deferred remuneration	Social security costs	Other benefits	Total
2015							
Executive Board							
J.J. Fennema, Chairman	297,070	48,662	345,732	63,287	8,539	28,696	446,254
I.M. Oudejans	274,132	44,905	319,037	58,945	8,539	17,797	404,318
Total	571,202	93,567	664,769	122,232	17,078	46,493	850,572

The variable remuneration shown in the table above is based on the realisation of agreed targets during the financial year. The agreed targets comprise both collective Gasunie targets and individual targets, as described in the section entitled 'Remuneration policy for the Executive Board'. The collective Gasunie targets relate to achieving agreed financial and operational results over 2016.

II. Members of the Supervisory Board

The remuneration for members of the Supervisory Board (SB) is determined, amongst other things, by their participation in the various committees: the Audit Committee (AC) and the Remuneration, Selection & Appointments Committee (RAC). In addition, the premium paid with regard to the Health Insurance Act (HIA) is included in the remuneration.

<i>In euros</i>	SB	AC	RAC	HIA premium	Total
2016					
R. de Jong, Chairman	30,722		2,048		32,770
D.J. van den Berg	22,530		2,048	1,659	26,237
M.M. Jonk	20,482		2,048		22,530
M.J. Poots-Bijl	20,482	5,120		1,728	27,330
W.J.A.H. Schoeber	20,482	5,120			25,602
J.P.H.J. Vermeire	20,482	5,120			25,602
Total	135,180	15,360	6,144	3,387	160,071
2015					
R. de Jong, Chairman	30,300		2,020		32,320
D.J. van den Berg	22,220		2,020	1,684	25,924
M.M. Jonk	20,200		2,020		22,220
M.J. Poots-Bijl	20,200	5,050		1,755	27,005
W.J.A.H. Schoeber	20,200	5,050			25,250
J.P.H.J. Vermeire	20,200	5,050			25,250
Total	133,320	15,150	6,060	3,439	157,969

The amounts for 2015 have been adjusted to allow for a 2% increase according to the Collective Labour Agreement with retrospective effect as of 1 July 2015, following a shareholder resolution.

23. Other operating expenses

<i>In millions of euros</i>	2016	2015
Cost of subcontracted work and other external costs	227.7	237.7
Costs of network operations	109.8	118.6
Other operating costs	71.3	85.3
Total other operating expenses	408.8	441.6

The decrease in other operating expenses was partly due to the fact that fewer additions were made to the provisions, one of the reasons being an addition in 2015 to the provision for abandonment costs and redevelopment. In addition, the decrease in other operating expenses was due to favourable purchasing prices for energy and costs incurred in 2015 relating to the removal of the old Elbe diver in Germany which were not incurred in 2016.

Movements to the provision for abandonment costs and redevelopment totalling € 14.8 million (2015: € 31.0 million) and movements in the provision for obsolescent stocks amounting to € 0.5 million negative (2015: € 0.1 million negative) are included in 'Other operating costs'.

24. Finance revenue

<i>In millions of euros</i>	2016	2015
Interest income	2.0	1.9
Foreign exchange results	0.2	0.9
Total finance revenue	2.2	2.8

Interest income relates to loans granted and receivables.

25. Finance costs

<i>In millions of euros</i>	2016	2015
Interest expenses	123.4	132.1
Foreign exchange results	0.6	-
Other finance costs	3.2	3.1
Total finance costs	127.2	135.2

The interest expenses on financing liabilities stated at amortised cost amount to € 122.6 million (2015: € 137.3 million). The interest expenses relating to short-term financing amount to €2.0 million (2015: € 2.4 million). Of the interest expenses, a total of € 2.7 million (2015: € 7.6 million) was capitalised in 2016, based on a weighted average interest rate of 3.2% (2015: 3.6%).

In 2016, a movement of € 0.7 million positive in 'other finance costs' (2015: € 1.2 million positive) relates to financial instruments stated at fair value whose changes in value are recognised in the profit and loss account. For more information, see note 6 to the consolidated balance sheet.

26. Taxes

The taxes on the result in the consolidated profit and loss account comprise the following components:

<i>In millions of euros</i>	2016	2015
Corporate income tax payable for the financial year	159.0	144.8
Corporate income tax payable for the previous financial years	(9.0)	(0.2)
Movement in deferred taxation	(114.1)	26.8
Total taxes	35.9	171.4

The reconciliation between the effective tax rate and the applicable tax rate for the consolidated financial statements is as follows:

<i>In percentages</i>	2016	2015
Profit and loss account		
Applicable tax rate, the Netherlands	25.0	25.0
Effect of tax rates in other countries	-	0.2
Prior-year adjustments	(4.8)	-
Effect of tax rate change on deferred taxation	0.8	-
Effect of innovation box	(1.1)	-
Other differences	(3.5)	(1.5)
Effective rate	16.4	23.7
Deferred taxation		
Applicable rate (for subsequent financial years)	25.0	25.0
Effective rate (for subsequent financial years)	25.0	25.0

The prior year adjustments relate to the Dutch innovation box tax settlement obtained in 2016 relating to previous years. The other differences relate to non-taxable amounts as a result of the application of the participation exemption.

27. Workforce

The average number of employees in full-time equivalents in 2016 totalled 1,759 (2015: 1,726). At year-end 2016, the company employed 1,771 (2015: 1,748) full-time equivalents.

28. Dividend paid and proposed

The Executive Board proposes that € 73.4 million of the profit for 2016 be added to the general reserve and € 110.1 million be distributed to the shareholder. This dividend proposal has not been taken into account in the balance sheet as at 31 December 2016 or in the notes. The profit for 2015 amounted to € 552.9 million, of which € 331.7 million was paid out as dividend in 2016.

29. 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. This segment comprises the entities Gasunie Transport Services B.V. and Gasunie Grid Services B.V.
- *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 facilitating access to the new gas flows for north-west 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 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 assets, 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.

I. Information on assets

<i>In millions of euros</i>	Assets	
	31 Dec. 2016	31 Dec. 2015
Segments		
- Gasunie Transport Services	6,489.2	6,917.6
- Gasunie Deutschland	1,459.8	1,403.8
- Participations	1,431.1	1,417.3
Segment total	9,380.1	9,738.7
Unallocated assets and liabilities	891.1	623.1
Total consolidated assets	10,271.2	10,361.8

Allocated assets relate to tangible fixed assets, intangible fixed assets, investments in joint ventures, investments in associates and other equity interests. Unallocated assets relate to deferred tax assets and current assets.

II. Information on revenues and result

<i>In millions of euros</i>	Revenues		Segment result	
	2016	2015	2016	2015
Segments				
- Gasunie Transport Services	1,208.5	1,178.6	80.5	504.7
- Gasunie Deutschland	235.2	290.4	102.3	134.0
- Participations	213.0	226.2	100.4	147.3
Inter-segment	(108.9)	(64.2)		
Segment total	1,547.8	1,631.0	283.2	786.0
Unallocated financial income and expenses			(63.8)	(61.7)
Result before taxation			219.4	724.3
Taxes			(35.9)	(171.4)
Revenues and result after taxation for the year	1,547.8	1,631.0	183.5	552.9

During 2016, the Gasunie Transport Services segment provided inter-segment services to the value of € 27.1 million (2015: € 1.0 million), the Gasunie Deutschland segment provided € 0.5 million (2015: € 0.5 million) and the Participations segment provided € 81.3 million (2015: € 62.7 million).

III. Other segment information

<i>In millions of euros</i>	Investments in fixed assets	
	2016	2015
Segments		
- Gasunie Transport Services	266.2	246.6
- Gasunie Deutschland	80.2	86.7
- Participations	10.0	25.3
Segment total	356.4	358.6

The above fixed assets comprise tangible fixed assets, intangible fixed assets, investments in joint ventures, investments in associates and other equity interests.

<i>In millions of euros</i>	Depreciation		Tangible non-monetary items other than depreciation	
	2016	2015	2016	2015
Segments				
- Gasunie Transport Services	235.6	230.8	467.0	36.1
- Gasunie Deutschland	34.8	29.9	4.4	4.4
- Participations	34.2	35.3	0.2	0.6
Segment total	304.6	296.0	471.6	41.1

The 'tangible non-monetary items other than depreciation' relate to the impairments of the gas transport network in the Netherlands and additions to and releases of provisions.

<i>In millions of euros</i>	Investments in joint ventures and associates		Share in equity of joint ventures and associates	
	2016	2015	31 Dec. 2016	31 Dec. 2015
Segments				
- Gasunie Transport Services	-	-	-	-
- Gasunie Deutschland	-	-	163.1	96.2
- Participations	0.2	3.3	81.6	73.6
Segment total	0.2	3.3	244.7	169.8

<i>In millions of euros</i>	Acquisitions in joint ventures and associates		Share in result of joint ventures and associates	
	2016	2015	2016	2015
Segments				
- Gasunie Transport Services	-	-	-	-
- Gasunie Deutschland	56.1	-	11.4	19.8
- Participations	-	10.6	22.5	22.0
Segment total	56.1	10.6	33.9	41.8

31. Information on products and services

<i>In millions of euros</i>	Revenues from third parties	
	2016	2015
Gas transport	1,440.8	1,500.9
Other activities	107.0	130.1
Total	1,547.8	1,631.0

32. Geographical information

Revenues from third parties and fixed assets by geographical area are determined primarily on the basis of the area where the activities take place. N.V. Nederlandse Gasunie operates in two geographical areas: the Netherlands and outside the Netherlands.

<i>In millions of euros</i>	Revenues from third parties		Fixed assets	
	2016	2015	31 Dec. 2016	31 Dec. 2015
The Netherlands	1,237.3	1,262.2	7,190.1	7,632.6
Outside the Netherlands	310.5	368.8	2,190.0	2,106.1
Total	1,547.8	1,631.0	9,380.1	9,738.7

The above fixed assets comprise tangible fixed assets, intangible fixed assets, investments in joint ventures, investments in associates and other equity interests.

33. Major customers

In 2016 and 2015, the company generated at least 10% of its external revenues from gas transport from one single external customer.

34. Related parties

Services between N.V. Nederlandse Gasunie and its related parties are provided at arm's length.

GasTerra B.V. is a related party because the Dutch State has significant influence, both directly and indirectly. N.V. Nederlandse Gasunie provides gas transport services to GasTerra B.V. These services are performed in compliance with the Dutch Gas Act, which stipulates that N.V. Nederlandse Gasunie is obliged to act in a non-discriminatory manner and to conduct business as requested. The tariffs charged have been established by the Dutch regulator ACM, an independent body with no involvement from the Dutch State. GasTerra B.V. qualifies as a major customer.

Services between N.V. Nederlandse Gasunie and its joint ventures and associates are not material.

The Executive Board also qualifies as a related party. For the remuneration of the members of the Executive Board, see note 22 to the consolidated financial statements.

35. External auditor's fees

The following fees relating to the work carried out by the audit firm responsible for auditing these financial statements were charged to the legal entity in the year under review. They include the corresponding fees charged to the consolidated subsidiaries.

<i>In millions of euros</i>	Total		Of which	
	PricewaterhouseCoopers		PricewaterhouseCoopers	
	2016	2015	2016	2015
Audit of the financial statements	0.7	0.7	0.6	0.5
Other audit engagements	0.2	0.2	0.2	0.2
Tax consultancy	-	-	-	-
Other non-audit services	-	0.1	-	-
Total external auditor's fees	0.9	1.0	0.8	0.7

36. Events after the balance sheet date

There are no events after the balance sheet date with significant financial consequences.

Company financial statements

Company balance sheet as at 31 December (before profit appropriation)

<i>In millions of euros</i>	Notes	2016	2015
Assets			
Fixed assets			
- tangible fixed assets	1	3.1	2.6
- financial fixed assets	2	9,860.4	10,582.3
Total fixed assets		9,863.5	10,584.9
Current assets			
- stocks		35.2	30.2
- trade and other receivables		15.2	21.5
- receivables from group companies	3	37.8	12.1
- receivables from joint ventures		0.3	0.1
- cash and cash equivalents		228.6	43.4
Total current assets		317.1	107.3
Total assets		10,180.6	10,692.2
Equity and liabilities			
Equity			
- issued share capital	4	0.2	0.2
- revaluation reserve	5	1,761.1	1,957.2
- statutory reserves for equity interests	6	381.8	213.1
- general reserve	7	3,275.3	2,994.1
- result for the year	8	183.5	552.9
		5,601.9	5,717.5
Provisions	9	112.8	123.5
Long-term liabilities			
- interest-bearing loans		3,164.3	2,985.7
Current liabilities			
- current financing liabilities		771.4	1,001.4
- trade and other payables	10	220.1	192.1
- liabilities to group companies	11	310.1	672.0
Total equity and liabilities		10,180.6	10,692.2

Company profit and loss account

<i>In millions of euros</i>	Notes	2016	2015
Revenues		538.1	519.8
Staff costs	13	(170.9)	(166.7)
Other operating expenses	14	(373.7)	(358.7)
Depreciation		(0.6)	(0.3)
Total expenses		(545.2)	(525.7)
Operating result		(7.1)	(5.9)
Finance revenue and costs	16	37.8	56.7
Share in result of group companies, associates and joint ventures	17	164.5	543.6
Result before taxation		195.2	594.4
Taxes	18	(11.7)	(41.5)
Result after taxation	8	183.5	552.9

Notes to the company financial statements

Accounting policies

The company financial statements have been prepared in accordance with accounting policies generally accepted in the Netherlands and comply with the financial reporting requirements (NL GAAP), using the option provided in Section 362, paragraph 8, of Book 2 of the Dutch Civil Code to apply the accounting policies used in the consolidated financial statements to the company financial statements. These are the IFRS provisions, as adopted by the European Union.

Please refer to the notes to the consolidated balance sheet and profit and loss account for the accounting policies. These notes contain additions to the notes to the consolidated financial statements.

Interests in group companies are stated at net asset value. If and to the extent that N.V. Nederlandse Gasunie is unable to transfer results to itself due to restrictions, the results will be added to a statutory reserve.

Notes to the company balance sheet

1. Tangible fixed assets

<i>In millions of euros</i>	Carrying amount as at 1 Jan. 2016	Investments	Depreciation	Carrying amount as at 31 Dec. 2016
Other fixed operating assets	2.2	1.3	0.7	2.8
Fixed assets under construction	0.4	(0.1)	-	0.3
Total for 2016 financial year	2.6	1.2	0.7	3.1

<i>In millions of euros</i>	Carrying amount as at 1 Jan. 2015	Investments	Depreciation	Carrying amount as at 31 Dec. 2016
Other fixed operating assets	0.9	1.6	0.3	2.2
Fixed assets under construction	0.1	0.3	-	0.4
Total for 2015 financial year	1.0	1.9	0.3	2.6

<i>In millions of euros</i>	Cost as at 31 Dec. 2016	Accumulated depreciation *) as at 31 Dec. 2016	Cost as at 31 Dec. 2015	Accumulated depreciation *) as at 31 Dec. 2015
Other fixed operating assets	3.8	1.0	2.5	0.3
Fixed assets under construction	0.3	-	0.4	-
Total	4.1	1.0	2.9	0.3

*) Including any impairments.

2. Financial fixed assets

<i>In millions of euros</i>	2016	2015
Group companies		
Equity interest as at 1 January	5,312.4	5,112.2
Movements		
- investments	749.7	3.7
- movements directly in equity	33.6	22.8
- share in result of group companies	161.6	541.5
- divestments	(4.7)	-
- repayment of share premium	-	(32.6)
- dividend received	(625.3)	(335.2)
Equity interest as at 31 December	5,627.3	5,312.4
Financing as at 1 January	5,285.3	5,316.7
Movements		
- long-term loans granted	101.7	96.6
- repayment of long-term loans	(1,137.8)	(155.0)
Financing as at 31 December	4,222.3	5,258.3
Balance as at 31 December	9,849.6	10,570.7
Investments in associates	10.8	11.6
Total financial fixed assets	9,860.4	10,582.3

The short-term part of the long-term loans totalled € 20 million at year-end 2016 (2015: € 20.0 million). In the above table, this amount has been recognised in the financing of the group companies.

The interest percentage on the long-term loans granted to group companies is the weighted average borrowing rate of the long-term loan portfolio of N.V. Nederlandse Gasunie plus 12.5 basis points.

The long-term loan granted to Gasunie Transport Services B.V. totalled € 3,207.6 million at year-end 2016 (2015: € 4,227.1). This concerns a loan facility of € 6 billion, made available as of 1 January 2014. The loan terminates on 31 December 2029 and has an extension option. The parties agreed that, during the term, the facility can be drawn or redeemed. No amortisation schedule has been determined.

As of 1 January 2016, Gasunie Transport Services B.V. split off the ownership of the regional gas transport network in the Netherlands (and its related assets, liabilities and activities) to Gasunie Grid Services B.V. at the carrying amount. Gasunie Transport Services B.V. will continue to manage the main national gas transport network in the Netherlands. N.V. Nederlandse Gasunie financed the split-off of the regional gas transport network internally by providing equity to Gasunie Grid Services B.V.

Gasunie Transport Services B.V. is the network operator of the national gas transport network in accordance with the Dutch Gas Act. The Minister has issued rules with regard to proper financial management by a network operator (Besluit Financieel Beheer Netbeheerder). These rules consist of a number of financial ratios, including a minimum for equity. Taking into account the rules with regard to

proper financial management by a network operator, an assessment is made every quarter of whether the facility should be drawn or redeemed.

The long-term loans granted to Gastransport Noord-West Europa Holding B.V. totalled € 604.0 million at year-end 2016 (2015: € 570.0 million). The loans terminate on 31 December 2022 and 2023. For all loans, the parties agreed that full or partial repayments may be made during the term.

The long-term loan granted to EnergyStock B.V. totalled € 225.0 million at year-end 2016 (2015: € 245.0 million). The loan terminates on 1 December 2028, and € 10.0 million is paid back on the loan twice a year, starting in 2014, until the loan has been fully repaid. In addition, voluntary repayments of a maximum of € 25.0 million can be made twice a year.

The long-term loans granted to Gasunie BBL B.V. totalled € 128.0 million at year-end 2016 (2015: € 130.1 million). This includes a loan facility of € 200 million, made available as of 12 December 2014. The loan terminates on 1 December 2024 and has an extension option. The parties agreed that, during the term, the facility can be drawn or redeemed. No amortisation schedule has been determined. In addition, two long-term loans were granted. These loans were both fully repaid in 2015.

The long-term loan granted to Gasunie Peakshaver B.V. totalled € 57.5 million at year-end 2016 (2015: € 85.9 million). This concerns a loan facility of € 95 million, made available as of 1 January 2014. The loan terminates on 1 December 2023 and has an extension option. The parties agreed that, during the term, the facility can be drawn or redeemed. No amortisation schedule has been determined.

No other special conditions have been agreed upon between N.V. Nederlandse Gasunie and the group companies concerning the long-term loans granted.

For information on investments in associates, see note 7 to the consolidated balance sheet in the consolidated financial statements.

3. Receivables from group companies

This concerns receivables relating to the performance of business activities for the group companies and dividends to be received. The interest on these receivables is 0% per annum (2015: 0%).

4. Issued share capital

The authorised share capital amounts to € 756,000 and is divided into 7,560 shares, each having a nominal value of € 100, of which 1,513 have been issued and paid up in full.

All shares issued are held by the Dutch State.

The movements in issued share capital are as follows:

<i>In euros</i>	2016	2015
Balance as at 1 January	151,300	151,300
Movements	-	-
Balance as at 31 December	151,300	151,300

5. Revaluation reserve

The movements in the revaluation reserve are as follows:

<i>In millions of euros</i>	2016	2015
Balance as at 1 January	1,957.2	2.022.0
Realised share of the unrealised revaluation	(195.1)	(63.5)
Transferred to the profit and loss account, of which corporate income tax	(1.3) 0.3	(1.7) 0.4
Balance as at 31 December	1,761.1	1.957.2

The revaluation reserve as at balance sheet date 2015 and 2014 includes the revaluation of tangible fixed assets as at 1 January 2004, which were transferred to Gasunie Transport Services B.V. and Gasunie Peakshaver B.V in 2014 and to Gasunie Grid Services B.V. in 2016, and the cash flow hedge reserve of N.V. Nederlandse Gasunie relating to two long-term bond loans.

<i>In millions of euros</i>	31 Dec. 2016	31 Dec. 2015
Revaluation of tangible fixed assets as at 1 January 2004	1,758.1	1,953.2
Cash flow hedge N.V. Nederlandse Gasunie, of which corporate income tax	4.0 (1.0)	5.4 (1.4)
	3.0	4.0
Total	1,761.1	1.957.2

6. Statutory reserves for equity interests

The movements in the statutory reserves for equity interests are as follows:

<i>In millions of euros</i>	2016	2015
Balance as at 1 January	213.1	193.0
Movement in cash flow hedge reserve concerning joint ventures	1.2	9.4
Movement in other equity interests stated at fair value	35.3	10.5
Share in retained earnings not distributable due to restriction	132.5	0.2
Balance as at 31 December	381.8	213.1

The share in retained earnings not distributable due to restrictions mainly relates to the earnings of Gasunie Transport Services B.V. This company acts as the network operator of the national gas transport network in accordance with the Dutch Gas Act. The Minister has issued rules with regard to proper financial management by a network operator (Besluit Financieel Beheer Netbeheerder). These rules consist of a number of financial ratios. In 2016, this leads to restrictions with regard to the distribution of, amongst other things, dividends.

7. General reserve

The movements in the general reserve are as follows:

<i>In millions of euros</i>	2016	2015
Balance as at 1 January	2,994.1	2,686.4
Appropriation of result for previous financial year	221.2	241.4
Balance of actuarial gains and losses on employee benefits,	(3.8)	4.1
of which corporate income tax	1.2	(1.2)
Realised share of the unrealised revaluation	195.1	63.5
Movements in statutory reserves	-/-132,5	(0.1)
Balance as at 31 December	3.275,3	2,994.1

8. Result for the year

The movements in the result for the year are as follows:

<i>In millions of euros</i>	2016	2015
Balance as at 1 January	552.9	603.5
Dividend paid	(331.7)	(362.1)
Appropriation of result	(221.2)	(241.4)
Result for the year	183.5	552.9
Balance as at 31 December	183.5	552.9

Dividend

The Executive Board proposes that € 73.4 million of the profit for 2016 be added to the general reserve and € 110.1 million be distributed to the shareholder. This dividend proposal has not been included in the balance sheet as at 31 December 2016 or in the notes. The profit for 2015 amounted to € 552.9 million of which 331.7 was distributed to the shareholder.

The profit for 2015 amounted to € 552.9 million, of which € 331.7 million was paid out as dividend in 2016.

	2016	2015
Final dividend to be distributed (<i>in millions of euros</i>)	110.1	331.7
Dividend per share (<i>in thousands of euros</i>)	72.8	219.3

9. Provisions

<i>In millions of euros</i>	2016	2015
Provision for deferred tax liabilities	98.5	109.4
Provision for jubilee benefits	8.1	7.6
Provision for post-employment fringe benefits for non-active and retired employees	6.2	6.5
Total provisions	112.8	123.5

For more information on these provisions, see notes 8 and 16 to the consolidated balance sheet in the consolidated financial statements.

10. Trade and other payables

The 'trade and other payables' items can be categorised as follows:

	2016	2015
Trade payables	42.1	39.4
Derivative financial instruments	9.5	10.2
Tax liabilities	12.5	4.9
Other liabilities, accruals and deferred income	156.0	137.6
	220.1	192.1

The fair value of the trade and other payables approximates the carrying amount due to the short-term character of these instruments.

11. Liabilities to group companies

The 'liabilities to group companies' mainly concern the company's withdrawal of call funds from its group companies. The call funds carry an interest rate of 0% to 1%, depending on the group company.

12. Other items in the company balance sheet

For information on other items in the company balance sheet, see the notes to the relevant consolidated items in the consolidated financial statements. For 'Commitments not included in the balance sheet', reference is also made to the notes to the consolidated financial statements, as these commitments virtually all relate to the company.

Notes to the company profit and loss account

13. Staff costs

<i>In millions of euros</i>	2016	2015
Salaries	133.1	130.9
Social security costs	13.7	12.9
Pension costs	24.1	23.0
Total staff costs	170.9	166.7

The specification of the remuneration for members of the Executive Board and Supervisory Board has been included in the notes to the consolidated financial statements.

14. Other operating expenses

<i>In millions of euros</i>	2016	2015
Costs of subcontracted work and other external costs	194.5	186.5
Cost of network operations	151.2	135.8
Other operating costs	28.0	36.4
Total other operating expenses	373.7	358.7

15. External auditor's fees

For more information about the external auditor's fees, see note 35 to the consolidated financial statements.

16. Finance revenue and costs

<i>In millions of euros</i>	2016	2015
Interest income	163.9	197.7
Finance revenue	163.9	197.7
Interest expenses	(122.9)	(137.8)
Other finance costs	(3.2)	(3.2)
Finance costs	(126.1)	(141.0)
Net finance costs	37.8	56.7

17. Share in result of associates

The share in the result of associate ICE Endex Holding stated at net asset value is € 2.9 million (2015: € 2.0 million).

18. Taxes

The taxes on the result in the profit and loss account comprise the following components:

<i>In millions of euros</i>	2016	2015
Corporate income tax payable for the financial year	117.5	107.6
Corporate income tax receivable for previous financial years	(9.4)	(0.5)
Corporate income tax payable for the fiscal unity	108.1	107.1
Movement in deferred taxes	(107.4)	20.8
Tax charge on fiscal unity	0.7	127.9
Recognised by Gasunie Transport Services B.V.	3.9	(86.4)
Recognised by Gasunie Grid Services B.V.	7.1	-
Total tax charge	11.7	41.5

N.V. Nederlandse Gasunie and its 100% Dutch group companies form a fiscal unity. No corporate income tax is assigned to these group companies, with the exception of Gasunie Transport Services B.V. The tax expense included in the corporate profit and loss account relates to all the companies in the fiscal unity, with the exception of Gasunie Transport Services B.V. and Gasunie Grid Services B.V.

Of the total tax charge of € 11.7 million (2015: € 41.5 million), € 18.7 million (2015: € 29.0 million) relates to results from associates within N.V. Nederlandse Gasunie's fiscal unity, and a tax profit of € 7.0 million (2015: tax charge of € 12.5 million) relates to the company's own results. The difference between 2015 and 2016 mainly concerns the application by N.V. Nederlandse Gasunie of the fiscal innovation box pertaining to 2016 and previous years. The tax charge of € 11.7 million is excluding the tax profit of € 11.0 million recognised by Gasunie Transport Services B.V. and Gasunie Grid Services B.V. (2015: tax charge of € 86.4 million).

N.V. Nederlandse Gasunie is part of a fiscal unity in the Netherlands for the purposes of corporate income tax and trade tax. Consequently, the company is jointly and severally liable for the corporate income and trade tax liabilities of the fiscal unit as a whole.

19. Other items in the company profit and loss account

For information on other items in the company profit and loss account, see the notes to the relevant consolidated items in the consolidated financial statements.

The average number of employees in full-time equivalents in 2016 totalled 1,538.3 (2015: 1,480), of which 6.8 abroad (2015: 13.6).

20. Events after the balance sheet date

There are no events after the balance sheet date with significant financial consequences.

List of participations

Company	Registered office	Interest as at 31 Dec. 2016
<i>Group companies</i>		
Gasunie Transport Services B.V.	Groningen	100%
Gastransport Noord-West Europa B.V.	Groningen	100%
Gastransport Noord-West Europa Holding B.V.	Groningen	100%
Gastransport Noord-West Europa Services 1 B.V.	Groningen	100%
Gastransport Noord-West Europa Services 2 B.V.	Groningen	100%
Gastransport Noord-West Europa Services 3 B.V.	Groningen	100%
Gastransport Noord-West Europa Services 4 B.V.	Groningen	100%
Gasunie BBL B.V.	Groningen	100%
Gasunie Engineering B.V.	Groningen	100%
Gasunie New Energy B.V.	Groningen	100%
Gasunie LNG Holding B.V.	Groningen	100%
Gasunie Peakshaver B.V.	Groningen	100%
Gasunie Underground Storage (GUUS) B.V.	Groningen	100%
EnergyStock B.V.	Groningen	100%
Vertogas B.V.	Groningen	100%
Gasunie Deutschland GmbH & Co. KG	Hannover, Germany	100%
Gasunie Deutschland Services GmbH	Hannover, Germany	100%
Gasunie Deutschland Technical Services GmbH	Hannover, Germany	100%
Gasunie Deutschland Transport Services GmbH	Hannover, Germany	100%
Gasunie Deutschland Transport Services Holding GmbH	Hannover, Germany	100%
Gasunie Deutschland Verwaltungs GmbH	Hannover, Germany	100%
Gasunie Infrastruktur AG	Zug, Switzerland	100%
<i>Joint operations</i>		
BBL Company V.O.F.	Groningen	60%
Arbeitsgemeinschaft GOAL/Fluxys NEL-Projektphase	Hannover, Germany	51.3%
<i>Joint ventures</i>		
Biogas Netwerk Twente B.V.	Almelo	50%
Gate terminal C.V.	Rotterdam	50%
Gate terminal Management B.V.	Rotterdam	50%
DEUDAN - Deutsch/Dänische Erdgastransport-GmbH	Handewitt, Germany	75%
DEUDAN - Deutsch/Dänische Erdgastransport-GmbH & Co. KG	Handewitt, Germany	33.3%
JordgasTransport GmbH	Emden, Germany	50%
NETRA GmbH Norddeutsche Erdgas Transversale	Emstek/Schneiderkrug, Germany	50%
NETRA GmbH Norddeutsche Erdgas Transversale & Co. KG	Emstek/Schneiderkrug, Germany	50%
Norddeutsche Erdgastransport Infrastruktur (formerly DEUDAN - Holding GmbH)	Hannover, Germany	44%
<i>Associates</i>		
ICE Endex Holding B.V.	Amsterdam	20.9%
GASPOOL Balancing Services GmbH	Berlin, Germany	16.7%

The Executive Board,

J.J. Fennema*, Chairman

I.M. Oudejans*

U. Vermeulen, as of 1 May 2016

The Supervisory Board,

R. de Jong, Chairman

D.J. van den Berg

M.M. Jonk

M.J. Poots-Bijl

W.J.A.H. Schoeber

J.P.H.J. Vermeire

Groningen, the Netherlands

14 March 2017

*Statutory director

Other information

Provisions of the Articles of Association governing profit appropriation

The Executive Board does not consider it necessary to add profit to the reserves pursuant to Article 39, paragraph 2, of the Articles of Association. As a result, the profit is at the free disposal of the General Meeting of Shareholders.

The company may make distributions to shareholders and other persons entitled to receive part of the distributable profit only insofar as its equity exceeds the total issued share capital plus the reserves that must be maintained by law.