GasTerra

Annual report 2018

Final

14 February 2019

Disclaimer

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Foreword from the CEO

This 14th GasTerra annual report relates to a period that, just after the New Year, started with an event that was not entirely unexpected but nevertheless came as a unpleasant surprise. On 8 January 2018 GasTerra staff met for our traditional New Year reception. As usual, I was to speak about the results in the year that had just ended and look ahead to the coming year. The key topic of the speech was obvious: the third government under Prime Minister Rutte had taken office in 2017. An important part of the coalition agreement focused on the situation in Groningen, and more particularly on the most effective way of dealing with the harmful consequences of gas extraction for the local residents. For GasTerra, the sole purchaser of Groningen gas, the key issue – besides an effective handling of claims – is the maximum volume that the producer, NAM, would be permitted to extract from the field in the years to come. The situation did at last seem to be stabilising in this regard. Instead of an annual volume ceiling there would be a maximum for the entire term of the government. According to the target agreed among the coalition partners, the volume could be 1.5 billion cubic metres lower in 2021, that is to say 20.1 billion cubic metres. We were able to support this outcome. For us, it would mean a strategic period of calm in this difficult subject. No longer would we continually have to adapt to new decisions and results of appeals, but would be able to work on the basis of a long-term perspective that took sufficient account of the safety interests in the province.

And then there was another earthquake. Just before I was about to start my speech we heard that an earthquake measuring 3.4 on the Richter scale had taken place near Zeerijp. It was immediately clear that what I had been going to say about the year to come had been overtaken by events. I could not, and did not want to, ignore what had happened in my New Year speech. The earthquake undoubtedly created a new reality, although on 8 January it was not yet clear exactly what this reality would involve.

About three months later, on 29 March, we knew where we were. The Minister for Economic Affairs and Climate Policy unexpectedly announced that the Groningen field had to be closed as quickly as possible. This meant that production in Groningen would have to be cut more quickly. To achieve this, in addition to a number of measures focused on reducing demand, it was decided that the field would no longer form the basis of gas provision, and that other smaller sources would have to take over this role. In order to protect security of supply in spite of the planned reduction, the Minister also decided that Gasunie Transport Services would have to build another nitrogen plant to convert the high-calorific gas from the small fields and imported gas to the low-calorific quality of Groningen gas. Once this plant comes into operation, probably in 2022, Groningen production can be cut sharply to a level of about four billion cubic metres a year, and then gradually decline to zero as a result of the expected fall in demand.

This radical intervention has significant long-term consequences for GasTerra and its staff. Our company is part of the ‘Gasgebouw’, which the Dutch government set up in the early 1960s together with the oil companies Shell and Esso and EBN to exploit the huge Groningen field. This unique public-private structure has since been adapted to reflect new developments, such as the split-up of Gasunie in 2005, but still in essence remains the foundation of gas provision in the Netherlands and export to purchasers of Groningen gas in other countries. A key feature of the Dutch ‘Gasgebouw’ is that one party, GasTerra, is the only organisation that can buy Groningen gas from the producer, NAM, and then put it on the market for further trading and use. If production from the Groningen field stops, then this basic function of GasTerra automatically ceases.

To be quite clear: this understanding is actually nothing new. We already knew that the Groningen field was in its last phase of production even before the 2012 earthquake in Huizinge made it clear that extraction had to be significantly cut in order to protect the residents of Groningen. But many people still believed that this only meant that we could keep using Groningen gas for longer, by spreading out the production volume over more years. There is no longer any question of this. The government's decision was a hard blow for GasTerra's employees. We recognise the need for strong action in the Groningen gas dossier, including ongoing measures to deal with the damage (some of our staff live in the area where gas is extracted), but are as a result also facing an uncertain future.

The paradox is that our work in the coming transition period will probably be more important than ever. GasTerra is a vital link in gas provision. Natural gas is still essential, despite voices in the climate debate that give the impression that we will soon be able to manage without this energy carrier. The Netherlands still relies on gas for about 40 per cent of its energy needs. The use of gas-fired power stations may even increase over the next ten years in order to secure electricity supplies, now that the proportion of sustainable sources in the energy mix is rising and coal-fired power stations are set to disappear. Other indicators also point to demand for gas remaining high. All in all, the Netherlands will still have to produce and import several billion cubic metres of natural gas in the years to come in order to secure gas supplies.

The Netherlands has been self-sufficient ever since the first molecules of natural gas flowed out of Groningen. No longer. The tipping point at which we changed from being a net exporter to a net importer has already passed. We must therefore ask ourselves whether the current strategy, which is still founded on internal production, needs to be reviewed. Our country is becoming an 'ordinary' European gas country. The practice in countries that were and are reliant on imports for their gas needs can help us understand how we can best deal with this.

The lasting importance of natural gas for the energy supply can also be understood from our operating results. The days when we posted a turnover of over 20 billion euros are certainly in the past, but thanks to higher market prices we again topped the 10 billion euros mark in 2018. Volume was slightly down on 2017, at 55.5 billion cubic metres. This means that, as in previous years, we achieved our mission of maximising the value of Dutch natural gas.

Although most of our activities are focused on the purchase and sale of natural gas, and on keeping our portfolio in balance, our contribution to the energy transition is also an important activity. Since GasTerra was founded in 2005 we have supported transition projects by means of funding and the passing on of knowledge, and have played an active role in raising awareness of this issue. We are also the largest purchaser of green gas, which is the most important source of renewable energy in the Netherlands alongside wind, solar and electricity from biomass, and help producers to market this sustainable alternative to natural gas. We will continue our efforts at the same level in 2019.

Finally I should like to turn to my colleagues, the employees of GasTerra. I value and respect the way in which they have acted in this uncertain period to help GasTerra achieve the best possible performance. In the current circumstances this deserves special praise, and also creates confidence alongside all the doubts. Our shareholders can be assured that we will spare no effort.

Annie Krist,
CEO

1. GasTerra

1.1. About GasTerra

GasTerra is a gas trading company that operates internationally and is based at Stationsweg 1 in Groningen. The company has over 50 years' experience and enjoys a good market position. GasTerra is part of the Dutch 'Gasgebouw', a public-private partnership in which NAM, Shell, ExxonMobil, the Dutch State and EBN are also represented.

GasTerra is the purchaser of gas from the Groningen field. In addition to low-calorific Groningen gas, GasTerra also trades in high-calorific gas, which comes mainly from small Dutch gas fields in the North Sea and on land, and from imports from Russia and Norway. Producers of small-field gas can put it on the market themselves but are not obliged to do so. GasTerra has a public role with regard to implementing the Dutch government's small fields policy and is legally obliged to buy this gas at market conditions if asked to do so. We sell the gas we buy on the domestic market and to energy companies in neighbouring countries.

GasTerra's mission is to maximise the value of Dutch natural gas. We do this by aiming to achieve four objectives:

- **Anticipation**: we anticipate a changing environment and listen to our stakeholders, so that opportunities and threats can be identified and so that GasTerra can continue to fulfil its mission of value maximisation in the future.
- **Volume:** we aim to see the entire volume of gas offered to GasTerra.
- **Price:** we aim to achieve a price in line with the market, with the highest possible margin for the entire portfolio.
- **Costs:** we try to achieve a correct balance between costs on the one hand and value and care on the other hand.

As a result of the Groningen earthquakes problem, since 2014 the Minister for Economic Affairs and Climate Policy has taken various decisions on the deployability of the Groningen field, which have drastically cut the level of production from Groningen. The debate on the production and use of Groningen gas again stepped up a gear following the earthquake in Zeerijp on 8 January 2018, which measured 3.4 on the Richter scale. The minister asked GasTerra to help enable a further reduction in Groningen production. On 29 March 2018 he announced that production from the Groningen field should be reduced as much as possible in the coming years. The Gas Act and the Mining Act were amended in 2018 as a result of this decision.

In addition, the Dutch state, Shell and ExxonMobil reached an outline agreement on 25 June 2018 dealing, among other things, with the reduction in gas extraction from the Groningen field announced by the Minister. It was also stated in this outline agreement that the parties should discuss a possible restructuring of the Dutch 'Gasgebouw' including the position, organisation and future prospects of GasTerra and NAM and how Groningen gas would be sold. GasTerra is examining its own mission and strategy in the light of the minister's decision.

It is clear that the role of gas in the future energy supply will be different. It is important that, in the transition towards a climate-neutral energy supply, natural gas is only used where sustainable sources are not yet a workable alternative. In the same context we are working towards helping to make the production of green gas more sustainable and investigating and testing possible ways of using hydrogen. Gas is still vital if we want to cut CO_2 emissions while at the same time securing energy supplies.

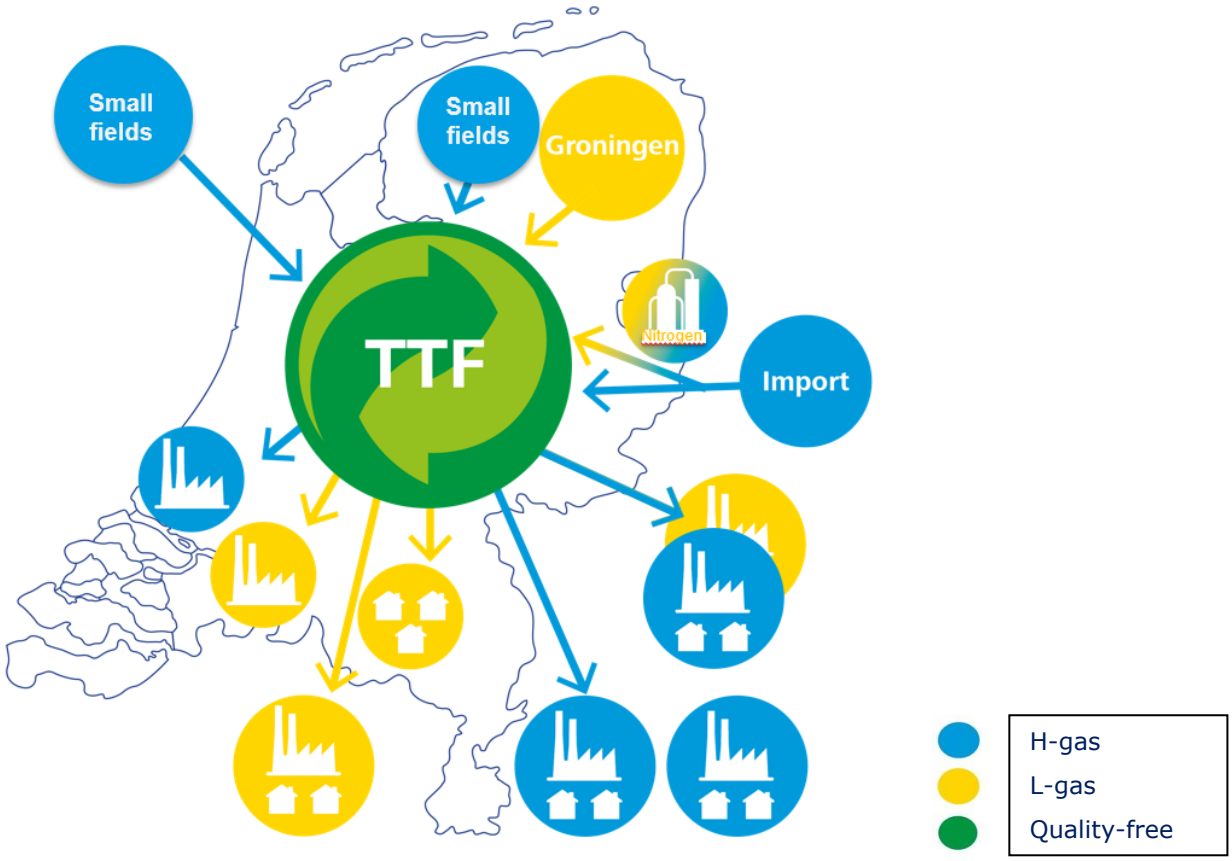
GasTerra strives to make sustainability responsible, i.e. reflect socio-economic interests. We operate according to the principles of corporate social responsibility (CSR): People, Planet, Profit, which we have translated into Gas, Green, Groningen. In this, Gas represents our operating results, Green represents the energy transition and Groningen represents our involvement in the region.

1.2. The chain and our role

We are part of the chain in which all activities from extraction to use of natural gas take place. GasTerra is active as a trader in this chain. Traders operating on the gas market must ensure that their gas purchases are in line with their sales; in other words, they must keep their trading portfolio in balance. GasTerra does more than this. As well as keeping its own portfolio in balance, GasTerra also has to help implement the minister's decision to minimise Groningen production. In that context, we need to take account of the total physical demand for low-calorific gas in north-west Europe as well as our own portfolio. The shipper Gasunie Transport Services (GTS) uses a separate pipeline network to transport Groningen gas and other low-calorific gas (L-gas), which exists alongside the gas network for the transport of high-calorific gas (H-gas). GTS has to ensure that both networks remain in balance by ensuring that the quantities of gas offered by the traders do not deviate too far from the volumes withdrawn from the network.

Demand for gas is determined by consumers. Supply and demand meet at the point of gas trading. Gas can be traded under long-term contracts and short-term trading. The liberalisation of the gas market has led to the creation of various marketplaces for gas which enable traders to buy and sell gas that is already in the transport system. The marketplace in the Netherlands is called the Title Transfer Facility (TTF). An important difference between the physical reality and commercial operations on the TTF is that the latter does not take account of different qualities of gas. Traders do not buy and sell low-calorific or high-calorific gas, but simply gas. In other words, traded gas is 'quality-free'. This is good for producers, traders and clients as it broadens their options.

1.2.1.1. Gas trading in the Netherlands



Although the market does not recognise any differences in gas quality, both pipeline systems can of course only be kept in balance if there is sufficient gas available for both the high-calorific and low-calorific networks. What this means for GasTerra is that the supply of more or less Groningen gas has to be immediately offset by H-gas to keep its own portfolio in balance. The gas must be physically available and deliverable, otherwise the system seizes up. This will become increasingly challenging as a result of the decline in the supply from Groningen and domestic H-gas from the small fields.

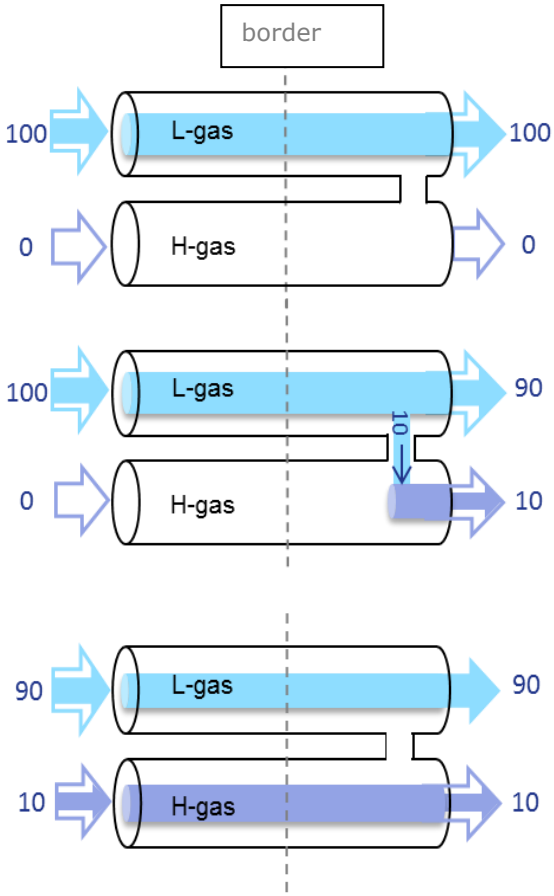
Operators of a national transmission network (Transmission System Operators/TSOs) can blend in a limited quantity of gas of different qualities in order to keep the system in balance. We refer to this as conversion. The physical conversion of L-gas to H-gas is kept as low as possible to limit demand for Groningen gas. This applies not only in the Netherlands but also in neighbouring countries. In Belgium and France, market players can book (contractual) conversion services with the TSO to convert L-gas into H-gas. The TSOs are able to carry out these services without actually performing physical conversion of the gas. This is possible by the French, Belgian and Dutch TSOs swapping gas of different qualities with each other. This allows TSOs to supply market players with gas of the required quality without physically converting it. Physical conversion which is still necessary to keep the system in balance is limited and has remained fairly consistent over the years.

This is how gas is swapped among TSOs to provide the conversion services:

1. A shipper receives L-gas at the border for supply to end users.

2. The shipper does not want to supply some of the gas as L-gas to end users and books a conversion service with the foreign TSO. Some of the L-gas received at the border is now supplied as H-gas.

3. Instead of physically blending L-gas in the H-gas network, the foreign TSO swaps the L-gas with the Dutch TSO for H-gas. Now, less L-gas is delivered from the Netherlands and additional H-gas is delivered in its place. This means that no physical conversion has to take place in the other country.



In the 2017 gas year, the physical conversion of L-gas to H-gas in Belgium and France fell compared to the 2016 gas year. It was practically zero in Belgium, as it had been the previous gas year. The amount of gas converted in France in the 2017 gas year was around 400 million cubic metres, which is about 100 million cubic metres less than the previous year. This amount is in the expected range (300-700 million cubic metres a year) that, in the opinion of GTS, TSOs need to balance their networks.

1.3. Our environment

We anticipate changes in the environment by adjusting our strategy, dealings and activities accordingly. GasTerra's portfolio consists primarily of Dutch gas from Groningen, small fields and green gas sources. We also pay particular attention to the demand for gas in north-west Europe, as this is relevant to our trading activities.

1.3.1. Groningen supply

The supply from the Groningen field is declining. Since 2014 the minister for Economic Affairs and Climate Policy has determined the maximum amount of gas that can be extracted from this field each gas year. In the 2017/2018 gas year (1 October 2017 to 1 October 2018) NAM produced total of 20.1 billion cubic metres of natural gas from the Groningen field, which is 1.5 billion cubic metres less that the permitted volume of 21.6 billion cubic metres.

On 5 February 2018 the minister for Economic Affairs and Climate Policy sent a letter to NAM urgently requesting it to make the greatest possible use of options to reduce extraction within the conditions of the provisional order of the Council of State (November 2017). GasTerra and NAM

adopted a new operational plan on the basis of this request from the minister. The implementation of this plan has led to the level of production from the Groningen field referred to above.

Following the earthquake in Zeerijp on 8 January 2018, which measured 3.4 on the Richter scale, the debate on production and use of Groningen gas stepped up a gear. On 29 March 2018 the minister announced his intention for gas extraction from Groningen to end (https://www.government.nl/ministries/ministry-of-economic-affairs-and-climate-policy/news/2018/03/29/dutch-cabinet-termination-of-natural-gas-extraction-in-groningen). A timescale has been created for the minimum extraction needed in the years to come for cold, average and hot years. This timescale takes account of measures which the government thinks are sufficiently certain to achieve the reduction, such as the construction of a new nitrogen plant, declining demand from countries abroad, and the conversion of the major industrial users of Groningen gas. (https://www.rijksoverheid.nl/ministeries/ministerie-van-economische-zaken-en-klimaat/nieuws/2018/03/29/kabinet-einde-aan-gaswinning-in-groningen)

This led to amendments to the Gas Act and the Mining Act on 17 October 2018, minimising gas extraction from the Groningen field. On the basis of this the minister will determine an operational strategy for the extraction of Groningen gas by NAM once a year, starting in the gas year which begins on 1 October 2019. This will be done via a transparent procedure involving local authorities and other interested parties. The current gas year which started on 1 October 2018 is regarded as a transition year. The minister followed the principles underlying these amendments to the laws as far as possible in the final approval decision for the 2018/2019 gas year. The decision was open to objections until 27 December 2018, and objections will be discussed by the Council of State in 2019.

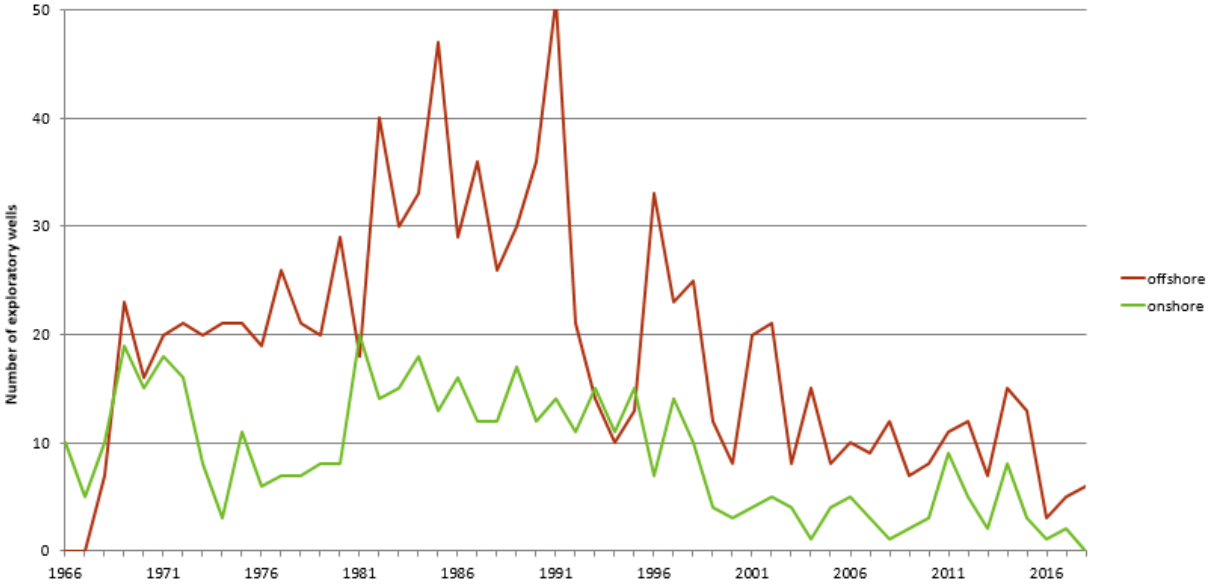
Maximum gas extraction from the Groningen field for the current gas year has been set at 19.4 billion cubic metres in a year with average temperatures. A formula of degrees and days incorporated into the approval decision means that the maximum level of extraction falls in a year that is hotter than average and rises in a year that is colder than average. From gas year 2019/2020 onwards, the nitrogen percentage referred to in the ministerial regulation is based on average utilisation of at least 85% of the available conversion capacity.

On 3 December 2018 the minister stated that it might be possible to reduce gas extraction from Groningen even more quickly. This expectation is based on the assumption that GTS can purchase additional nitrogen and the option to place high-calorific gas mixed with nitrogen in the Norg underground storage facility. GTS will first draw up an annual estimate of demand for low-calorific gas and Groningen gas in the next ten years on the basis of the amended Mining Act. The government will then use this estimate as a basis for any adjustment to the basic timescale. All these factors of course have far-reaching consequences for GasTerra's business operations.

1.3.2. Small fields

In addition to falling supply from Groningen, gas production from small gas fields in the Netherlands is also declining. Most small Dutch fields are in the last phase of their production cycle, and investments in existing and new sources are limited. Furthermore, social support for gas extraction, especially onshore, has also fallen.

1.3.2.1. Number of exploratory wells



In May 2018 the government stated that in the slowdown phase of demand for L-gas, which is possible mainly thanks to increased use of high-calorific gas, small field production would take precedence over gas imports. Consequently, the government wants to strive to maintain the economic prospects for the offshore gas sector, by means of fiscal measures among other options. This is why in spring 2018 it was decided that the tax deduction for new investments in the discovery and extraction of gas in the North Sea would increase from 25% to 40%. This decision has yet to be translated into legislation

1.3.3. Green gas

Green gas production in the Netherlands rose from 100 million cubic metres to 120 million cubic metres in 2018 because a number of new production facilities came into operation. A production level of 120 million cubic metres is still low compared to the supply of Dutch natural gas, but the aim is for this figure to increase. Green gas is regarded as a crucial part of a climate-neutral energy supply, as it can also be used as a raw material for industry, for high-temperature heat in industry, as meeting peak demand for homes that are difficult to make completely sustainable, and in goods transport. Technically, around three billion cubic metres in 2030 and ten billion cubic metres in 2050 appear possible. The draft Climate Accord refers to a volume of two billion cubic metres green gas production per year in 2030, especially for the built environment.

1.3.4. European gas demand

Total European gas demand in 2018 was 450 billion cubic metres, a fall of 1.5% compared to 2017[1]. Gas demand is expected to rise slightly until 2025. As a consequence of the phasing out of nuclear and coal-fired power stations, it is expected that gas-fired power stations will increasingly be used to generate electricity. Demand will slacken off after 2025[2], partly as a result of climate policy following the agreements reached during the Paris climate summit in 2015.

[1] Estimation Woodmac. Europe demand long term H1 2018 (EU 28), 27 July 2018, Conversionfactor: 40 MJ/m3
[2] Woodmac – Europe gas demand long term H1 2018 (EU 28 demand)

The specific demand for L-gas in north-west Europe is falling further thanks to the conversion of gas equipment in Germany, Belgium and France from L-gas to H-gas. This conversion was originally caused by the natural depletion of the Groningen field which was already forecast, but has become more urgent as a result of the accelerated decline in Groningen production. At the request of the Dutch government, the countries involved have examined whether acceleration is possible. Around 200,000 gas appliances were converted in Germany in 2018, and the rate of conversion is expected to increase to 500,000 appliances a year from 2020 onwards. A total of five million appliances need to be made suitable for H-gas. Work on the first conversion projects in Belgium and France started in 2018, and these are regarded as pilot projects. The gradual conversion in neighbouring countries means that exports of L-gas from the Netherlands will decline between 2020 and 2029. It is expected that L-gas will cease to be exported from 2030 onwards.

1.3.5. Dutch gas demand

Demand for gas in the Netherlands was 37 billion cubic metres[3] in 2018. Demand for natural gas by power stations has been increasing since 2015[4]. This is a consequence of the increasing financial viability of using natural gas to generate electricity. Market players are not all of one mind when it comes to the profitability of gas-fired power stations in the future. ENGIE and RWE decided to close down power stations in 2018[5], but RWE also announced that the Claus power station would be returned to operations in 2020[6]. The increased use of gas-fired power stations comes at the expense of coal-fired power stations. The extent to which this trend will continue in the years to come is unclear. Demand for L-gas in the Netherlands is falling mainly because of conversion from L-gas to H-gas in industry. There are no plans for conversion for small-scale consumers and therefore decline in demand in this segment is expected to be limited.

1.3.6. Energy transition in the Netherlands

Gas demand in the Netherlands will fall in future as a result of climate policy. The Dutch government has set itself a target of cutting CO_2 emissions by 49% and 95% in 2030 and 2050 respectively. Fossil energy sources should eventually give way to climate-neutral energy solutions. At present, demand for molecules is high compared to demand for electrons. In future, as a result of savings and electrification, this position should be reversed. However, how quickly this will happen is unclear, and so it is hard to estimate how quickly demand for natural gas will fall. This depends, among other things, on government policy and technological developments. However, molecules will not disappear from the energy supply completely. They will still be needed in the future, primarily as raw materials for the chemical industry and a source of high-temperature heat, in goods transport and in peak demand in the built environment.

The most important segments in which natural gas is used in the Netherlands are: the built environment (small-scale use and commercial use), industry and gas-fired power stations. There are various solutions for reducing CO_2 emissions in each segment.

[3] Source CBS: energieverbruik aardgas 1298,7 petajoule (35,17 MJ/m^3 https://www.cbs.nl/nl-nl/nieuws/2018/16/energieverbruik-verandert-nauwelijks-in-2017
[4] https://opendata.cbs.nl/statline/#/CBS/nl/dataset/00372/table?ts=1532943177491
[5] ICIS Heren 28 November 2018: Dutch gas capacity to close despite profit recovery
[6] https://www.fluxenergie.nl/claus-uit-de-mottenballen/

The built environment includes, among other things, homes, schools, public buildings and offices. The built environment accounts for approximately 50% of total gas consumption[7]. As the gas connection obligation was abolished in 2018[8] there will be little new demand for gas from new-build homes. For the existing built environment, savings due to insulation and the use of sustainable alternatives will cause future demand for natural gas to fall. Sustainable ways of providing heating include the use of green gas in central heating systems and hybrid heat pumps, the use of sustainable electricity in (hybrid) heat pumps and the use of sustainable heat (from geothermal units and biomass) in heat grids. It should also eventually be possible to use hydrogen to meet demand for heat.

The industrial segment uses natural gas for process heat and as a raw material, for example in the production of artificial fertiliser. This segment uses about 20%[9] of total gas consumption and is relatively less easy to make sustainable, because various companies need high-temperature heat in their operating processes. This is why molecules will still be needed in future. There are various ways of introducing sustainability, such as the use of natural gas in combination with carbon capture and storage (CCS) (after incineration), or the conversion of natural gas into hydrogen, with the CO_2 that is released being stored. Green gas can also be used.

The power stations segment is related to electricity production and accounts for about 25%[10] of total gas demand. The increasing quantities of wind and solar energy mean that the amount of green electricity being generated is rising. Energy production in this segment can also be made more sustainable by using natural gas in combination with CCS.

1.3.7. Security of provision

Developments in supply and demand have now made the Netherlands a net importer of natural gas. The Netherlands depends on marketplaces or new import contracts to meet domestic demand for gas. The research firm IHS Markit was commissioned by GasTerra to investigate wither long-term contracts, in addition to trade on the marketplaces, were still useful in guaranteeing security of supply in the future. The investigation looked, among other things, at how neighbouring countries have addressed these issues.

Analysis of six other large gas-consuming countries in the EU shows that large energy firms in those countries, in contrast to gas traders in the Netherlands, do not rely for their consumption on the marketplaces alone but also use long-term, high-volume contracts. Some of these companies have already secured volumes for period well into the future (2030 and beyond).

This takes nothing away from the fact that the growth in the volume and liquidity of spot markets for gas in Europe, especially the Dutch TTF, indicate that the importance of long-term contracts in guaranteeing the security of supply in the European gas market has declined. The increasing availability of LNG boosts confidence in spot markets still further. It means that natural gas has become a global commodity and that Europe is competing for this type of gas with the rest of the world, especially Asia. The Netherlands can profit from this thanks to the presence of a large, modern gas infrastructure (the 'gas hub').

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[7] Woodmac – Europe gas demand long term H1 2018
[8] Exceptions are possible: see the ministerial regulation 'designation of areas to which the connection obligation applies'. This deals with the powers of local authorities to designate an area in which the gas connection obligation does apply to new builds. https://www.rvo.nl/sites/default/files/2018/07/Factsheet-gasaansluitplicht-vanaf-1-juli-2018-02.pdf

[9] Woodmac – Europe gas demand long term H1 2018
[10] Woodmac – Europe gas demand long term H1 2018

Nevertheless, the IHS Markit report raises the issue of the very small proportion of long-term import contracts in the Dutch energy mix. The researchers wonder whether it is advisable to rely entirely on the spot market given the major changes which the gas market will undergo in the years to come as a result of the energy transition and changes in worldwide gas demand. It is also unclear to IHS Markit how large producers will position themselves in the changing gas market.

1.3.8. Number of energy suppliers in the Netherlands[11]

In 2001, just before the liberalisation of the energy market, there were only 12 permit holders for (only) electricity. In those days consumers had no choice among various providers. The grid operator and energy supplier were determined by where people lived. Since then the number of permit holders has almost quadrupled to about 50 different suppliers of electricity and gas. Most of these serve both private individuals and businesses. Consumers can choose their energy supplier themselves.

The competition which took place after liberalisation has led to tighter margins. Customer-focused technology has progressed significantly, with the smart meter being one example.

There are two energy suppliers that supply green gas to consumers. Some of the gas supplied by these firms is biogas, with the remainder being CO_2-offset gas (offset by planting trees). The split between these two forms is not known. Other suppliers offer only CO_2-offset natural gas.

The number of citizens joining forces to generate energy has increased sharply in recent years. At the end of 2017 there were 392 partnerships operating in the Netherlands, compared to 262 at the end of 2015[12]. This means that there is a partnership in almost every Dutch local authority. Thanks to a more professional approach, local support and combining forces, citizens' groups are increasingly able to operate their own wind turbines or solar arrays. At the end of 2017, 60% of the partnerships resold green energy, 70% were involved in energy saving and 60% organised the collective purchase of energy.

This means that the number of energy suppliers on the Dutch market is increasing, leading to a rise in competition.

1.3.9. Regulation

GasTerra faces regulation at national and European level that affects its business operations. We monitor developments and try to influence policy plans where this is possible and sensible. In the case of new regulations, the company does its best to ensure that it can comply with these obligations in good time.

GasTerra is subject to the *Regulation in Energy Markets Integrity and Transparency (*REMIT) and the *Market Abuse Regulation* (MAR). These regulations, which apply to wholesale energy products and financial instruments respectively, prohibit insider trading and market manipulation.

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[11] *Source: Energy comparison (https://www.energievergelijk.nl/nieuws/aantal-energieleveranciers-in-nederland-verviervoudigd).*

[12] *Sources: Generated Here (https://www.hieropgewekt.nl/nieuws/lokale-energie-monitor-2017-samen-energie-opwekken-onverminderd-populair) and Producing your own energy (https://www.zelfenergieproduceren.nl/nieuws/aantal-energiecooperaties-nederland-blijft-groeien/).*

In addition, market players have to comply with extensive reporting requirements in the context of REMIT. GasTerra has implemented the necessary procedures for this.

The revised *Markets in Financial Instruments Directive* (MiFID II) came into force for energy companies that trade in financial instruments on 3 January 2018. However, trade in contracts that qualify as financial instruments under MIFID II is a secondary activity for GasTerra, and so we make use of the secondary activity exemption provided for under MiFiD II.

The European Network Code Tariffs (NC TAR) will be implemented in the Netherlands from 2020. One of the proposed changes is a switch to a different distribution of income from entry and exit points (40%/60%) and to a postage stamp method for all GTS network points and services. The discount for transport from and to storage facilities will rise from 25% to 60%. GTS remains turnover-regulated, and so these changes will lead to a different distribution of all transport costs among the various market players rather than to a change in GTS's income.

As from 1 November 2018, the Netcode Capacity Allocation Mechanisms (CAM) will require TSOs to introduce Virtual Interconnection Points. This means that various border points will be combined into a new virtual point. GTS has postponed this until the first quarter of 2020 as it was unclear how this would be implemented.

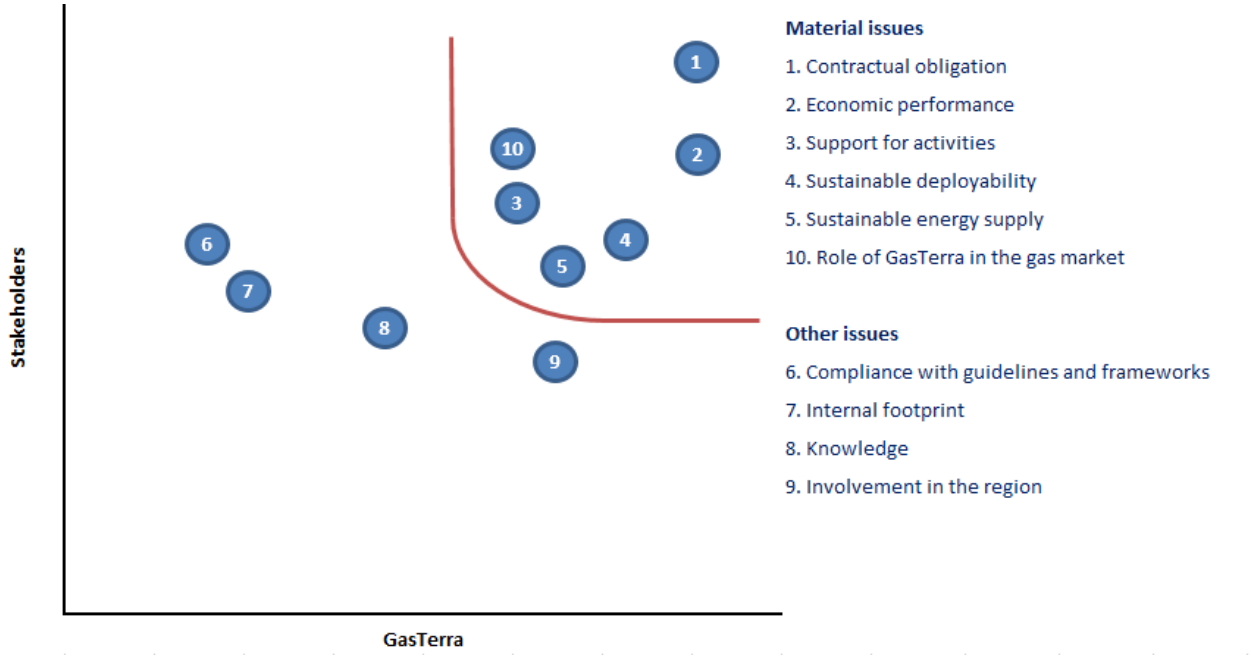
1.4. In dialogue with our environment

We are keen to know what society expects of us, and want to be transparent about our activities. This is why we are regularly in contact with the following stakeholders:

1.4.1.1. Stakeholder groups

In addition to the regular discussions with stakeholders, we conduct an annual stakeholder dialogue. In 2017 we took the views of stakeholders on a number of economic, ecological and social issues via surveys and interviews. In 2018 we tested the results of this stakeholder dialogue with a number of groups and held more in-depth interviews. The issues covered were contractual obligation, sustainable deployability, support for activities and involvement in the region. Also, on the back of the decision made by the minister for Economic Affairs and Climate Policy on gas extraction in Groningen, a new issue was added: 'the role of GasTerra in the gas market', under which heading we asked stakeholders how they saw GasTerra's current and future role. In the discussions, this new issue led to three different views. On one hand the issue was approached from the point of view of GasTerra's role in the future traditional gas market, and on another hand from the aspect of the future renewable gas market. Some groups combined both views into a hybrid form in which GasTerra continues with its current activities but also focuses on facilitating a market for renewable gases.

These interviews revealed that the importance which stakeholders attach to the issues has not changed compared to 2017. We then examined whether the assessment we had produced last year of the economic, social and ecological impact which the issues have on GasTerra's operations has changed. We found that involvement in the region had increased last year. The material issues which were determined on the basis of the 2017 stakeholder dialogue and formed an input for our strategy in 2018 remain material for the year to come. The role of GasTerra in the gas market is a new material issue. These material issues will help shape our strategy for 2019. In this report, we address developments relating to the material issues for 2018.



1.4.1.2. Materiality matrix

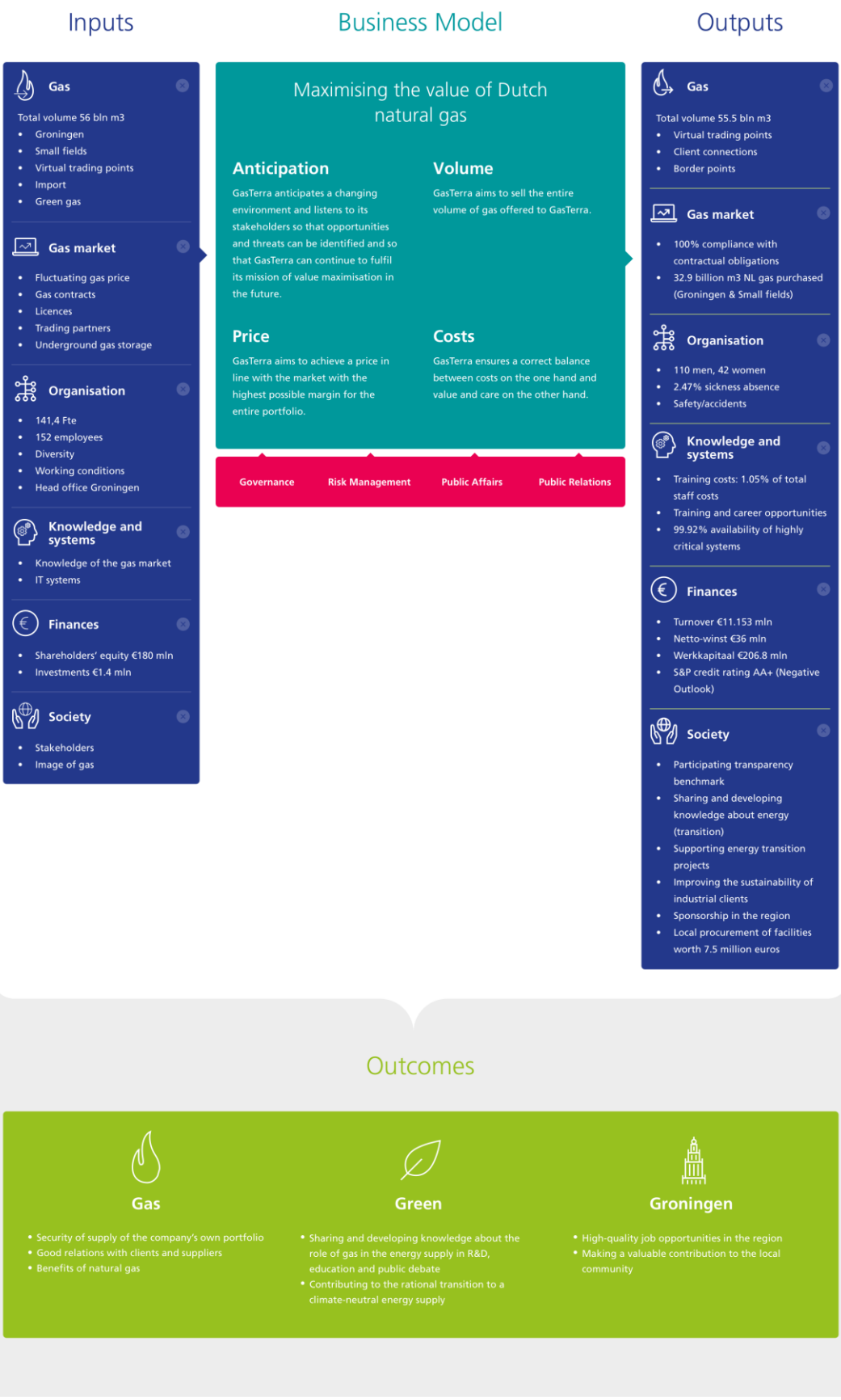
The material issues are translated into objectives for 2019 within the strategic goals of volume, price, costs and anticipation. The following connectivity matrix is created by then linking this to the risks from the Business Risk Analysis.

Material issue	Strategic goals	Objective for 2019	Business risk
Contractual obligation	Volume	GasTerra complies fully with the contractual obligations.	Supply from the Groningen field Supply from small fields
Economic performance	Volume Price Costs Anticipation	GasTerra sells the annual volume of Groningen gas offered by NAM (2018/2019 gas year) and ensures that production remains within the degree-day formula. We make maximum use of the resources in our portfolio such as storage facilities. We make a margin on our sales and purchases. We use the market potential for optimisation. The operating costs remain within budget in the 2019 calendar year.	Creditworthiness Transport costs
Sustainable deployability	Costs Anticipation	There are 0 accidents leading to time off work and the percentage of sickness absence is below 2.5% in the 2019 calendar year. We implement the new HR policy.	Organisation
Sustainable energy supply	Anticipation	We take part in a number of projects on the Strategic Agenda of GILDE (Gas In a Long-term Sustainable Energy Management). We lead the Green Gas project. In our energy transition budget we focus on sustainable gases such as green gas and hydrogen. We examine how, together with partners, we can develop a programme to achieve the required annual green gas production of two billion cubic metres in 2030 that is contained in the Climate Accord.	Image
Support for activities	Anticipation	GasTerra actively implements the vision developed by the gas sector, united in the sectoral organisation KVGN, and that links the need to continue working towards a CO_2-neutral energy supply to maintaining the current level of security of supply at the lowest possible social cost.	Image

Role of GasTerra in the gas market	Anticipation	In the light of the decision taken on Groningen gas extraction, we examine our mission and strategy in order to understand the role that GasTerra can play in the future.	Unclear business strategy and mission

Our company's mission, to maximise the value of Dutch natural gas, has not changed as a result of the decision taken by the minister for Economic Affairs and Climate policy in 2018 to stop extraction of Groningen gas as quickly as possible. However, the sharp decline in the supply of Dutch natural gas has produced uncertainty as to GasTerra's future prospects. This is particularly true for the period after 2022, since from that point on the Groningen supply in our portfolio will fall sharply as a result of the construction of an additional nitrogen plant, which will allow more high-calorific gas to be converted into low-calorific gas. GasTerra aims to clarify its future role as quickly as possible. During this uncertain period we intend to maintain the high level of quality that stakeholders are accustomed to receiving from us.

1.4.2. Value creation model



1.5. Summary of results

	2018	2017
Income and expenditure in millions of euros		
Revenue	**11,153**	9,601
Gas purchases	**10,779**	9,227
Transmission costs	**274**	287
Profits in millions of euros		
Profit before tax	**48**	48
Net income	**36**	36
Dividend	**36**	36
Other financial information		
Investments (in millions of euros)	**1.4**	1.8
Liquidity ratio	**1.1**	1.1
Balance sheet data at year end, in millions of euros		
Total assets	**1,960**	1,802
Shareholders' equity before profit appropriation	**216**	216
Current liabilities	**1,744**	1,586
Volumes sold in billions of cubic metres*		
Total sales	**55.5**	56.6
-The Netherlands	**31.8**	29.8
-Rest of Europe	**23.7**	26.8
Company staff at year-end, in full-time equivalents	**141.4**	152.4
Health and safety		
Sickness absence (in %)	**2.47**	1.6
Average absenteeism rate	**0.98**	1.03

**This annual report uses a different method for determining areas than was used in 2017. The area is determined on the basis of the delivery point rather than the registered address. The comparative figures for 2017 have been adjusted according to this new definition.*

The solvency of GasTerra is not representative because of the agreements among the various entities in the Dutch 'Gasgebouw' (see the financial statements, chapter 4). One of them is the transfer price for Groningen gas, as a result of which GasTerra makes a fixed profit of 36 million euros. This profit is fully distributed each year on the basis of a proposal from the management. Consequently, our shareholders' equity is fixed, at 180 million euros.

Investments are not material, and relate mainly to the capitalised costs of software developed in-house to support the business processes.

2. Material issues

The material issues for 2019 were contractual obligation, economic performance, sustainable deployability, sustainable energy supply and support for activities. These issues were determined partly on the basis of the outcomes of the stakeholder dialogue conducted in 2017 and served as input for the strategy in 2018. We discuss these material issues in more detail in this chapter.

2.1. Contractual obligation

Contractual obligation was one of the themes in the stakeholder dialogue. By this we mean that our company must have enough gas in portfolio at every point in the year to be able to meet our supply obligations to our clients. This is the most important topic for stakeholders, especially our clients. Compliance with these obligations is also the top priority for GasTerra. To make this possible, GasTerra must ensure that its sales obligations are in line with its supply. In the past it was possible to do this by adjusting the Groningen field upwards or downwards; now we balance this by purchases and sales on the market.

2.2. Economic performance

It is obvious that the company regards economic performance as a material issue. Maximising the value of Dutch natural gas is GasTerra's mission. It attempts to do this efficiently while keeping a good balance between costs and care.

Purchasing

In 2018 GasTerra bought 56.0 billion cubic metres of gas (2017: 56.6 billion cubic metres). 17.8 billion cubic metres of this came from the Groningen system (including storage facilities) and 15.1 billion cubic metres came from small fields. 23.1 billion cubic metres was purchased on trading hubs and via imports.

The volumes from the Groningen system are different from the production figures reported by NAM, and which are related to the production ceiling. This difference is due to a number of factors, including own use in production and the difference between injection and production from the underground storage facilities. In addition, GasTerra reports volumes on a calendar year basis, while the production ceiling is bound to the gas year.

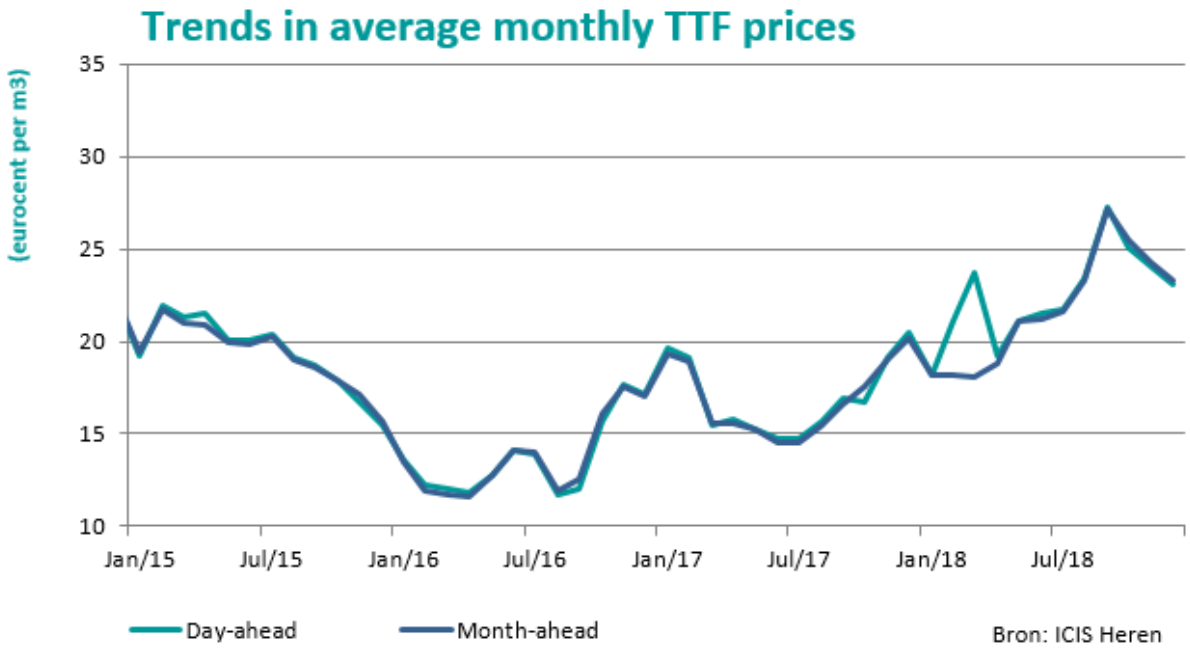
Over the past decade, the purchase of gas from small fields has declined year on year by around two billion cubic metres. This is because the reserves in the small fields are shrinking (depletion). This reduces the pressure in these fields and causes production to fall gradually. Although reserves are still being found in new fields, this does not compensate for the decline in production. A further fall is expected in the years to come. These forecasts are based on reports from producers and TNO.

In 2018 GasTerra imported 8.8 billion cubic metres from Norway, Russia, Germany and the United Kingdom. The long-term nature of the import contracts meant that there were fewer changes in this segment than in previous years.

Supply

GasTerra supplied 55.5 billion cubic metres of gas to customers in 2018 (2017: 56.6 billion cubic metres). There was also a stock change of 0.5 billion cubic metres. Some of the gas supplied was supplied to the traditional supply points such as connections and border points. Gas is increasingly being traded on entities called hubs. This means that it can change hands several times before finally reaching the end user. This means that gas contracted by foreign parties does not necessarily cross the border, and gas that we sell on the TTF can eventually leave the country.

Supplies were 1.1 billion cubic metres lower than in 2017. The main reason for this is the limitation on production from the Groningen field. Prices of gas supplied by GasTerra were higher than in 2017. The average price paid in 2018 was 20.0 eurocents per cubic metre compared to 16.9 eurocents in 2017. These higher prices are related to prices on hubs. On average, the prices on the TTF were higher in 2018 than in 2017. The annually averaged day-ahead price was 5.5 eurocents/cubic metre higher than in 2017, while the annually averaged month-ahead price was 4.9 eurocents/cubic metres higher.



2.2.1.1.

Following the cold weather in February and March this year, storage facilities were less full than in previous years. The need to inject more than usual led to gas prices in the summer being higher than in previous summers. Upward price pressure also resulted from rises in the prices of oil, coal and CO_2 emission rights.

Several existing import and export contracts were renegotiated in 2018. Arbitration takes place where no agreement can be reached. GasTerra was involved in two cases of arbitration in 2018, which had still not been concluded by the end of 2018. In addition, two new arbitrations started at the beginning of 2019. As the outcomes of renegotiations or related arbitration that are still unresolved are uncertain, the possible outcomes of these proceedings are not reflected in the financial statements.

Transport

In order to meet the obligations under our trading contracts we book transmission capacity with network operators, especially GTS. In 2018, the cost of purchasing transmission capacity stood at 274.2 million euros. That is 12.5 million euros lower than in 2017.

2.3. Sustainable deployability

GasTerra started the 'GasTerra 2018' reorganisation trajectory in 2014. The reasons behind this trajectory were falling gas volumes and changing market conditions. The aim was to reduce headcount from around 200 fte in 2015 to around 160 fte by the end of 2018 without compulsory

redundancies. This aim was achieved in 2018. Another aim in 2018 was to conduct strategic staff planning to determine what competencies are needed to keep the organisation future-ready for the period after 2018 and what HR policy is needed to achieve this.

The governmental decision in March 2018 on gas extraction in Groningen means that the future role of GasTerra in the longer term is not yet clear. Despite this uncertainty, we want to maintain the high level of quality which stakeholders are used to receiving from us. This is why in 2018 rather than creating a strategic staff plan we conducted an inventory of the headcount and competencies. This inventory is important to the structure of the organisation in the short term and is also relevant to GasTerra's longer-term future, once this becomes clearer. It also offers GasTerra employees guidance as to individual development and deployability.

The motivation and involvement of GasTerra employees is crucial in order to maintain quality levels. The employee satisfaction survey conducted in 2018 shows that employee satisfaction rose slightly to 7.4 compared with the average figure of 7.2 in 2016. Uncertainty as to GasTerra's future was also highlighted by this survey. In the period to come, the company will continue to focus on optimum deployment of people and their skills. The new HR policy will be implemented in 2019. It will focus on the personal development of employees, movement within the organisation and career development both inside and outside GasTerra.

2.4. Sustainable energy supply

GasTerra carries out concrete projects as part of its contribution to the transition to a climate-neutral energy supply. Stakeholders are also of the opinion that GasTerra can use the energy-related knowledge and skills present in the business, and that it must take opportunities in the area of new gases. This is why our role in sustainable energy supply has been a material theme for a number of years.

We reviewed our energy transition policy at the end of 2018. We are going to focus increasingly on the issue of renewable gases (green gas and hydrogen) as this fits in with our role as a gas trader. This means that the other two issues which used to be high on the agenda, innovations in gas applications (including hybrid heat pumps) and the systemic function of gas, will have a somewhat less prominent role.

As in 2018, GasTerra will in 2019 take part in projects carried out by GILDE (Gas as part of Long-term Sustainable Energy Management), in which the gas sector shows that it is contributing to the energy transition. We will lead the Green Gas project and contribute to the hydrogen and emissions reduction themes.

2.4.1. Green gas

Through our green gas activities we want to contribute to making the use of gas more sustainable and developing a circular economy. We are deliberately focusing on improving the sustainability of towns and provinces, also in order to boost entrepreneurship and so also employment opportunities in the field of energy transition. The development of the green gas market improves access to sustainable energy and transparency with regard to production and conditions. Communicating knowledge about green gas leads to support, and integral policy and, we hope, to the lowest social costs for the transition.

Demand for green gas is growing. The draft Climate Accord specified an ambition for green gas production volume of two billion cubic metres in 2030 for the built environment in particular. GasTerra's green gas activities focus mainly on stimulating production so that it can meet part of

this growing demand. Active participation in the green gas market provides us with new connections with market players, are able to realise opportunities in many areas, and make use of new market opportunities. Reconciling supply and demand, aggregating volumes and developing new markets and commercial products fits in well with GasTerra's activities. We want to be an attractive outlet channel for green gas producers with the relevant Guarantees of Origin (GoO). Sale contracts with GasTerra offer reassuring financial security to potential financial backers and providers of subsidies.

The amount of green gas produced in 2018 was more than 20% up on the 2017 figure, at 120 million cubic metres. GasTerra concluded a few new purchase contracts in 2018, partly for existing production and partly for planned production. GasTerra now has 50% of the volume produced in the Netherlands under contract.

In addition to this commercial role, GasTerra offers project support for the development of green gas production plants. GasTerra also supports innovative conversion techniques to increase biomass conversion speed and gas yields and reduce costs. Our support enables the investigation, construction or expansion of pilots and demos in the fields of fermentation and gasification.

Providing information about the green gas market to financial backers, policymakers and groups considering adding green gas to their portfolio to improve its sustainability is also an important task of GasTerra. GasTerra is also consulted in the context of green gas tenders and sustainability issues. Finally, our links with green gas producers allow us to identify generic bottlenecks in project development and policy and to give feedback to politicians and policymakers via our network in the form of policy proposals or policy adjustments. The aim of this is to ensure that policies and stimulation measures for the implementation of green gas projects are in line with demand from producers/project developers.

In 2019 we will continue to support groups wanting to construct green gas production plants, and to support projects for the development of green gas technologies that are not yet commercially viable, such as high-pressure fermentation and gasification technologies. We will also examine how, along with partners, for example under the banner of 'Groen Gas Nederland', we can develop a programme to achieve the annual green gas production target of 2 billion cubic metres in 2030.

2.4.2. Hydrogen

Hydrogen is a relatively new subject for GasTerra. It is therefore clear that we needed to start by developing our knowledge of the hydrogen market, now and in the future, before we could work on business cases. To do this we have started an internal analysis and take part in external hydrogen projects. We also carry out external stakeholder consultation and are conducting an academic study into the development of a market for hydrogen.

We take part in hydrogen initiatives to understand more about current and future opportunities. This is why GasTerra employees are taking part in the external hydrogen projects known as H-Vision, Hydrogreenn and North Sea Energy 3. These projects now show clearly that most if not all parties concerned still have questions as to how the market can be structured.

In addition to learning more from participation in projects, we want to ask our stakeholders directly how they view the possible development of a hydrogen market. This is why we are having an external stakeholder consultation carried out among parties that play an important part in the current hydrogen market, may do so in the future hydrogen market, or that, in their capacity as a social organisation, will influence the market opportunities for hydrogen. These parties have been asked what they expect the future hydrogen market to be like, and what barriers still need to be removed in order to reach market potential.

To get an idea of the possible structuring of the market, GasTerra has asked 'Rijksuniversiteit Groningen' to set up a study into the development of a market for hydrogen. The key question which must be answered in this market is whether the hydrogen market can, if there is sufficient potential supply and demand, evolve into a liquid market, or whether intervention on the part of market players or the government is needed for this.

In the coming period, the outcomes of the internal analysis will be refined by the incorporation of outcomes of the external studies and activities. This will help determine whether GasTerra can play a part in the hydrogen market.

2.5. Support for activities

GasTerra considers social acceptance for its activities important, as do its stakeholders. Although GasTerra has only limited influence on the social acceptance of the many activities within the gas sector, we recognise that without support ('licence to operate') every company in the sector, and therefore also GasTerra, would eventually lose its right to exist. Consequently, this is a material issue.

Natural gas does not have a good image in the Netherlands, mainly because of the earthquake problems resulting from gas extraction in Groningen and also the realisation that the use of fossil fuels leads to climate change. This means that the position of natural gas in the energy mix is under pressure.

The consequences of the earthquakes in Groningen still require close attention. The minister for Economic Affairs and Climate Policy has decided to terminate production in Groningen as quickly as possible. The gas sector needs to carry out this operation in a responsible manner. Dealing with the damage caused and strengthening buildings remain the top priority.

Our product plays a vital role in the transition towards a climate-neutral energy supply. The gas sector, working together in the sectoral organisation KVGN, has therefore developed a vision linking the need to continue working towards a CO_2-neutral energy supply to maintaining the current level of security of supply at the lowest possible social cost. This vision divides energy users into three clusters: industry, the built environment and transport. For each of these clusters the KVGN describes a transition to climate neutrality in which sustainable sources, including renewable gases such as hydrogen and green gas, will have an ever-growing role. Fossil sources will eventually disappear more or less completely from the mix. Where this is not (yet) possible, compensatory measures such as capture and underground storage of CO_2 (CCS) must ensure that these resources can nevertheless be used in a climate-neutral way.

The core of this vision is that making energy supply sustainable can only succeed if renewable gases (molecules) are deployed alongside green electricity (electrons) and geothermy. As long as renewable gases cannot meet the entire demand for energy, natural gas remains desirable and necessary as the least harmful of the three fossil fuels.

This means that the function of gas is changing fundamentally. Molecules will be used where this is the most efficient option from both an ecological and environmental standpoint. In other words, gas will become customised. In this way the gas sector is building a bridge between the required CO_2 reduction and sustainability on the one hand and the need for supplies to be secure and measures to be cost-effective. This is vital to acquire social support for climate policy and to maintain support for the activities of the gas sector.

2.6. Involvement in the region

Although involvement in the region is not a material issue, GasTerra devotes considerable attention to it. Since its inception we have positioned ourselves as a Groningen company.

We therefore make efforts to help the northern Netherlands develop into an energy (transition) knowledge centre. We do this in various ways, such as by focusing on our region when pursuing our energy transition policy. Examples of this include the New Energy Coalition (a joint venture including the Energy Academy Europe, the Energy Delta Institute and Energy Valley), EnTranCe, ESTRAC and the long-term project 'Duurzaam Ameland' (Sustainable Ameland). We also work on various educational projects, often with other partners. Examples include the travelling classroom 'Jouw Energie van Morgen' (Your Energy of Tomorrow), the 'VMBO Battle' (Battle intermediate vocational education provision) and activities carried out by the 'Instituut voor Natuureducatie IVN' (Institute for Nature Education INE).

With regard to sponsorship, we focus mainly on the town and region of Groningen. GasTerra sponsors various activities in the fields of culture, education, society and mass-participation sport. Sponsorship has mainly a social function, but also raises the profile of the company and its business activities. In 2018 we spent 370,000 euros on sponsorship and donations (in 2017: 326,000 euros).

We want to contribute to a structural strengthening of the Groningen economy. We are also interested in the image of gas and the role of GasTerra in the province of Groningen. We do this in various ways, for example by offering financial support, knowledge and resources to the 'De Uitdaging 'project and via the 'GasTerra Meer met Minder Fonds' ('The GasTerra Energy Saving fund'). The aim of this fund is to encourage energy saving among social institutions. This is done by granting an interest-free loan that is "earned back" by energy bill savings. The money brought back can be reused for new investments in energy saving.

When purchasing non-gas-related products and services, we prefer to work with local suppliers to stimulate the Groningen economy. When making a choice from the available suppliers, we consider their location in addition to sustainability, price and quality. In 2018 the total commitments entered into for non-gas-related purchases amounted to 22.4 million euros. Of this, 10.3 million euros was spent with local suppliers. (2017: total 18.1 million euros, of which 7.5 million was spent locally).

3. Governance

We believe that it is self-evident that we should report in a transparent manner on how our company is run and supervised.

3.1. Report of the Board of Supervisory Directors

3.1.1. Composition

The Board of Supervisory Directors oversees the policy of the Board of Management and the general business performance at GasTerra. The Board of Supervisory Directors comprises eight members, one of whom is appointed by the Minister of Economic Affairs and Climate Policy. The Board appoints a chairperson from among its midst; this appointment has to be approved by the Minister of Economic Affairs and Climate Policy.

The Board of Supervisory Directors appoints from among its midst a College of Delegate Supervisory Directors, comprising five members, one of whom is appointed by the Minister of Economic Affairs and Climate Policy. The Board may delegate its powers to the College, in so far as this delegation does not infringe the duties and powers of the Board of Supervisory Directors.

The company's Articles of Association lay down that two members of the Board of Supervisory Directors are to step down each year at the General Meeting of Shareholders according to a rotation schedule determined by drawing lots. The members who step down may be re-elected or reappointed immediately. Successive members of the Board of Supervisory Directors take the place of their predecessors on the rotation schedule.

On 12 February 2018 Mr. B.C. Fortuyn MSc was appointed to the position of chairperson of the Board of Supervisory Directors and College of Delegate Supervisory Directors which had fallen vacant on 25 October 2017.

Name	Term of office	Capacity	Date of appointment
B.C. Fortuyn MSc	Re-electable in 2021	Delegate Supervisory Director	12 February 2018
R.M. De Jong MA	Re-electable in 2022	Delegate Supervisory Director	01 August 2016
R.G. De Jongh MA	Re-electable in 2021	Member of the Board of Supervisory Directors	01 April 2016
A.F. Gaastra LLM	Eligible for reappointment in 2022	Delegate Supervisory Director	15 September 2016
J.W. van Hoogstraten MSc	Re-electable in 2019	Delegate Supervisory Director	01 March 2016
T.W. Langejan LLM	Re-electable in 2020	Member of the Board of Supervisory Directors	15 February 2016
J.M.W.E. van Loon MSc	Re-electable in 2020	Delegate Supervisory Director	01 January 2016

Name	Term of office	Capacity	Date of appointment
F.A.E. Schittecatte MSc	Re-electable in 2019	Member of the Board of Supervisory Directors	15 February 2014

3.1.2. Meetings

The Board (including the College of Supervisory Directors) met eight times in the presence of the Board of Management. The Audit Committee (AC) was also represented at one of the meetings. At the invitation of the Board, the external auditor was present at the meeting in which the Annual Report and Accounts relating to 2017 were discussed and approved.

	Board of Supervisory Directors	College of Delegate Supervisory Directors	Audit Committee
B.C. Fortuyn MSc	2/2	6/6	n.a.
J.M.W.E. van Loon MSc	2/2	5/6	n.a.
J.W. van Hoogstraten MSc	2/2	6/6	n.a.
A.F. Gaastra LLM	1/2	5/6	n.a.
R.M. De Jong MA	2/2	6/6	n.a.
R.G. De Jongh MA	2/2	n.a.	n.a.
F.A.E. Schittecatte MSc	2/2	n.a.	n.a.
T.W. Langejan LLM	2/2	n.a.	4/4
A.J. van der Linden MA	n.a.	n.a.	4/4

	Board of Supervisory Directors	College of Delegate Supervisory Directors	Audit Committee
A.J. Boekelman MA	n.a.	n.a.	4/4
S.G. Van Santbrink LLM	n.a.	n.a.	2/2

The first number shows the number of meetings attended, the second number is the number of meetings that took place during the period in which the individual was in post.

N.B.: Ms. Van Loon was unable to attend one of the College meetings and was represented at that meeting by Mr. De Jongh. Mr. Gaastra was unable to attend one of the Board meetings and one of the College meetings and was represented at those meetings by Mr. Van Hoogstraten.

3.1.3. Objectives and strategy

Discussions with the management took place regarding the company's strategy and how to translate this into objectives for the future. Maximisation of the value of Dutch natural gas remains our top priority. GasTerra contributes actively to ensuring that natural gas plays an important role in the transition towards a climate-neutral energy supply.

The decisions taken since the beginning of 2014 by the minister for Economic Affairs and Climate Policy on how much of the potential gas in the Groningen field may be extracted, as a consequence of the developments in the Groningen earthquakes dossier, have had a major influence on GasTerra's business operations. In 2018 the minister decided that extraction of Groningen gas should be significantly reduced in the years to come, and that it should eventually end completely.

The maximum production figure set in calendar year 2018 for the Groningen gas field for the 2017/2018 gas year was 21.6 billion m3. The maximum production figure for the 2018/2019 gas year is 19.4 billion m3, with some tolerance upwards and downwards if the gas year turns out to be colder or warmer than average. If certain technical limitations in the installations of GTS occur, extra production may be necessary at the direction of GTS. In addition to the production limits in force, there are also other conditions relating to evenness of production and the distribution of production among the sections of the Groningen field within the gas year. NAM is required to comply with these requirements, and GasTerra makes an important contribution to developing the planning systems needed for this, and for their day-to-day implementation.

In conjunction with management, the Board of Supervisory Directors decided that the objectives within the GasTerra 2018 project had largely been achieved. The approach to and results of this project are discussed with the Board of Supervisory Directors at set times.

The Board of Supervisory Directors discussed with management the extent to which the objectives for 2018 had been achieved and set the objectives for 2019.

In 2018 the Board of Supervisory Directors discussed the risks associated with business activities. As part of this process, the management's assessment of the set-up and operation of the internal risk management and control systems was discussed, as well as the document of representation Attention was also paid to the management letter from the external auditor, and the social aspects relevant to GasTerra were taken into consideration too. The Board concludes that GasTerra has a robust control system that functions effectively, and that it is subject to continuous improvement.

In the light of the ministerial decision on the running down and termination of production from the Groningen field, GasTerra is examining what the consequences of the decision are for the organisation and for the roles that GasTerra plays. The content and progress of this study are, and will continue to be, discussed with the Board at set intervals.

3.1.4. Staffing matters

The Board of Supervisory Directors approves remuneration policy by issuing a Collective Labour Agreement mandate. Where necessary, the Board gets involved in updates relating to ancillary roles held by members of the Board of Management, and once a year discusses the complete overview of these ancillary roles. The overview of ancillary activities of members of the Board of Supervisory Directors is also reviewed once a year.

3.1.5. Audit Committee

The Board of Supervisory Directors has established an Audit Committee. This committee oversees the workings of the internal risk management and control systems, all financial affairs, relations with the external auditor and the application of information and communication technology. At one of the meetings of the Supervisory Board, the Audit Committee reported on the activities it had undertaken.

The Audit Committee met on four occasions during the reporting year.

In mid-2018, S.G. van Santbrink LLM left the Audit Committee. On 6 December 2018 he was succeeded by Mr. P.W. Gerssen MA. At the end of 2018, the composition of the Committee was as follows:

A.J. van der Linden MA (Chairperson)
A.J. Boekelman MA
TW Langejan LLM
P.W. Gerssen MA

3.1.6. Self-evaluation

In 2018 the Board of Supervisory Directors monitored the implementation of the recommendations arising from the self-evaluation conducted in 2017. Another self-evaluation will be carried out in 2019.

3.1.7. Contacts with employees

At set times members of the Board of Supervisory Directors have informed employees on the company’s activities in informal conversations. With a few exceptions, the Board always meets in the company’s building.

Board members attended two consultative meetings between the management and the Works Council in 2018. The topics discussed included developments in GasTerra’s environment and the future of GasTerra.

3.1.8. Financial statements

The recommendations from the Board of Supervisory Directors to the General Meeting of Shareholders, to be held in Groningen on 14 February 2019, are as follows:

We have examined the financial statements for 2018, prepared by the Chief Executive Officer in accordance with Article 23 of the Articles of Association. We concur with these Financial Statements and recommend that:

- the net profit for 2018 - set at €36 million - be entirely appropriated for payment to the shareholders;
- the 2018 Financial Statements be adopted without alteration.

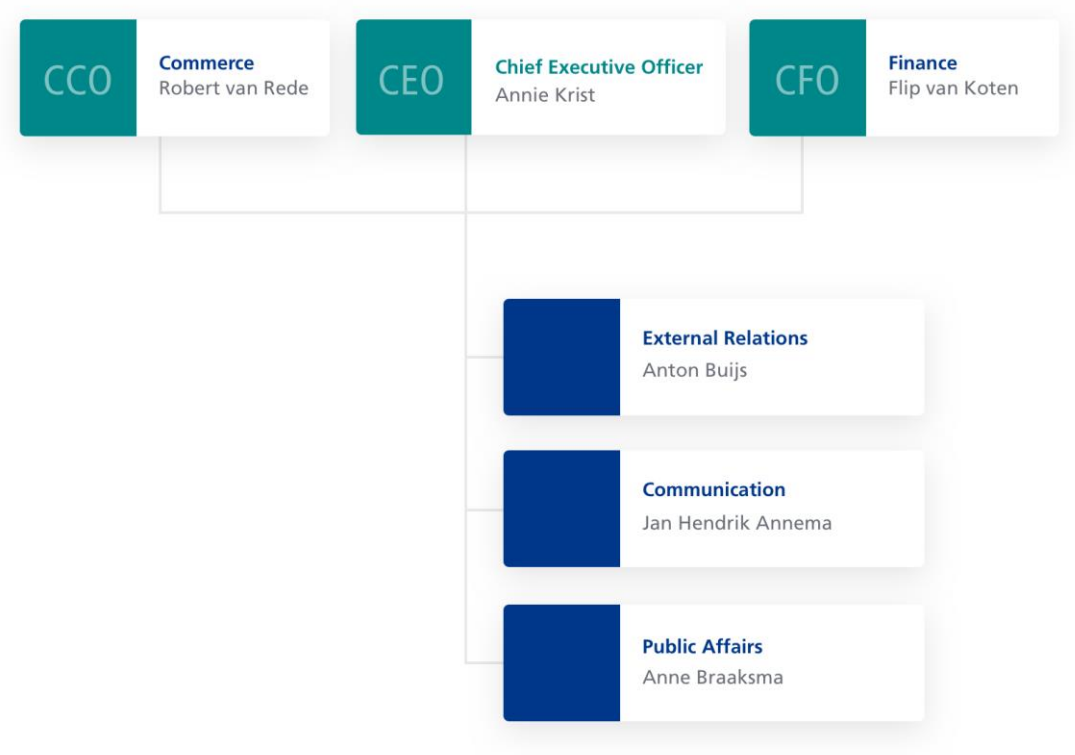
The Board of Supervisory Directors wishes to express its appreciation for the results attained in 2018 and is grateful for the way in which the Board of Management and employees devoted themselves to the objectives of the enterprise during the financial year, and for the results that were achieved. The Board wishes every success to everyone working at GasTerra in their endeavours to achieve the objectives set for 2019.

The Board of Supervisory Directors,

B.C. Fortuyn MSc, chairperson
A.F. Gaastra LLM
J.W. van Hoogstraten MSc
R.M. de Jong MA
R.G. de Jongh MA
T.W. Langejan LLM
J.M.W.E. van Loon MSc
F.A.E. Schittecatte MSc

3.2. Management information

The Board of Management of GasTerra consists of one Managing Director (CEO). This is Ms. A.J. Krist MA. In addition to Ms. Krist, the Board of Management also consists of a financial director (CFO), F.F. van Koten MA and a commercial director (CCO), R.E. van Rede MSc.

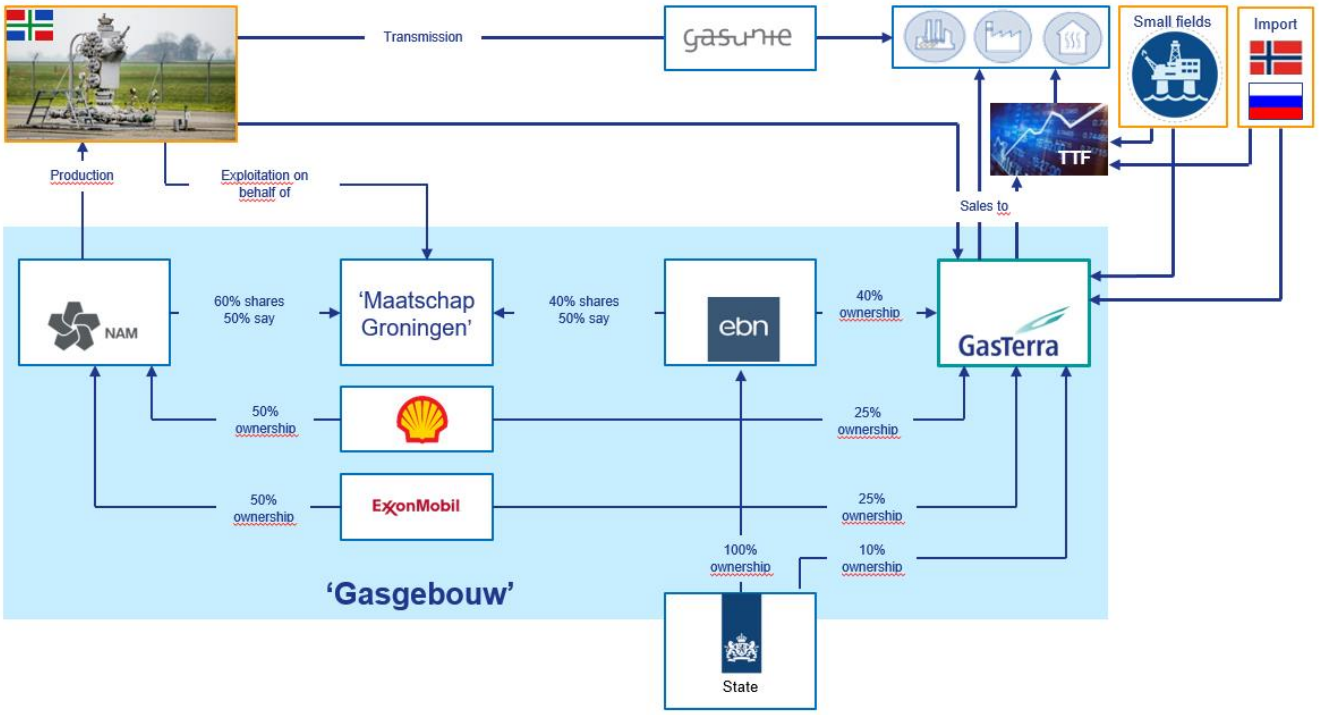


3.2.1.1. Structural diagram

3.3. Corporate Governance

GasTerra B.V. is a private limited company with registered offices in Groningen, the Netherlands. The company was founded on 1 July 2005 when N.V. Nederlandse Gasunie was legally split into a transmission system operator and a trading company. In the process, the infrastructure (the gas pipelines) and all transmission-related activities remained with Gasunie while the newly formed GasTerra continued with all gas trading activities.

GasTerra B.V.'s authorised share capital is €180 million, split into 40,000 shares of €4,500 each. All shares have been subscribed, fully paid up and registered, and can only be transferred by unanimous approval of the General Meeting of Shareholders. The shares are held by the State (10%), EBN B.V. (40%), Shell Nederland B.V. (25%) and Esso Nederland B.V. (25%). No depositary receipts are issued.



3.3.1.1. 'Gasgebouw'

GasTerra is not a listed company, as a result of which the Corporate Governance Code does not apply to the organisation. However, where possible and relevant, GasTerra is guided by the principles of the code and takes the best practice provisions as a guide. In this chapter, we report on the appropriate principles of the Code.

These are to be implemented in the main when it comes to the principles and provisions included under the task and manner of working of the Board of Management. The tools that the Board of Management uses for this consist specifically of the annual activity plan, the budget, monthly and quarterly reports and the Business Risk Analysis (BRA) tailored to the organisation. The structure and operation of risk management at GasTerra are described in these documents among other things (see also the risk chapter, which contains a description of the most important risks). Risk management has been delegated to the line management. Reports are made to the Board of Management concerning implementation. The Board of Management reports at least once a year to the Audit Committee via the BRA. The external auditor assesses the compliance of this system to the extent relevant in the context of the audit of the accounts.

In formal terms the Board of Management of GasTerra consists of one Managing Director (CEO), nominated on the recommendation of the Supervisory Board and approved by the Minister of Economic Affairs and Climate Policy. The Managing Director is appointed for an indefinite period. In addition to the Managing Director, the Board of Management also consists of two further Directors/holders of a general power of attorney: a financial director and a commercial director.

The remuneration of the Managing Director is set by the Board of Supervisory Directors and, in addition to a fixed remuneration, it also has a variable component that is dependent on the financial and general performance of the organisation. The Board of Supervisory Directors decides whether the Managing Director is eligible for a variable remuneration and its amount. In accordance with government policy on state holdings, the variable remuneration may not exceed 20% of the fixed salary. The amount of the Managing Director's remuneration is given in the financial statements. With regard to the Managing Director, the provisions relating to the maximum number of allowable supervisory board memberships in the Management and Supervision Act are observed.

Supervision of the Board of Management of GasTerra is exercised by the Board of Supervisory Directors. The Board of Supervisory Directors consists of eight members. One member is appointed directly by the Minister of Economic Affairs and Climate Policy, the remaining members are appointed by the Annual General Meeting of Shareholders on the recommendation of the individual shareholders. The number of Supervisory Board memberships that one person may hold is limited to ensure the proper performance of the duties. The Supervisory Board has appointed its own secretary, who is supported, where necessary, by the Company Secretary.

The Dutch Civil Code contains provisions regarding even gender distribution of the seats on the Board of Management and the Board of Supervisory Directors. This is taken into account when appointing and proposing new members of the Board of Supervisory Directors. In the year under review, the seat distribution of the Board of Supervisory Directors did not comply with this provision. The company has a positive attitude to the appointment and employment of women at all levels in the company.

The duty and manner of working of the Supervisory Board are in accordance with the Code set out in its own regulations. It is standard procedure that the Annual Report contains a report of the Supervisory Board. A (brief) profile of the members of the Supervisory Board is included in the Annual Report. The provisions relating to the supervision of the Board of Management by the Supervisory Board are effected at the regular meetings of the Supervisory Board. Furthermore, at least once a year without the Board of Management being present, the Supervisory Board discusses its own performance (and desired competencies) as well as that of its own individual members and individual members of the Board of Management.

The Articles of Association stipulate that decisions which are important to GasTerra must be approved by the Supervisory Board or the College of Delegate Supervisory Directors. The College of Delegate Supervisory Directors is a corporate body. The College is formed by members of the Supervisory Board and consists of five supervisory directors including the supervisory director who has been appointed by the Minister of Economic Affairs and Climate Policy.

The Board of Supervisory Directors has established an Audit Committee. The Audit Committee is a non-corporate body composed of four members appointed by the Supervisory Board. The Supervisory Board, or the College of Delegate Supervisory Directors, may refer matters for the consideration of the Audit Committee. Whether requested to do so or not, the Audit Committee advises the Supervisory Board or the College of Delegate Supervisory Directors on matters within its remit and prepares the decisions of the Supervisory Board in relation to those matters. The Audit Committee generally meets four times a year, and did so in 2018.

The duty and method of working of the Audit Committee are set out in regulations that essentially follow best practice provisions mentioned in the Code. Thus, the duties of the Audit Committee include supervision regarding the financing of the company, operating expenses and capital expenditures in relation to the agreed budgets, the provision of financial information, the operation of the internal risk management and control systems, compliance with recommendations and observations of internal and external auditors, the role and functioning of the internal audit department, the operation of information- and communicationtechnolgy and maintaining the relationship with the external auditor. Matters covered in particular by this latter topic are the independence of the auditor, remuneration and the potential provision of work that is not audit-related.

The (system of) remuneration of the Board of Supervisory Directors is approved by the Annual General Meeting of Shareholders. The total amount of remuneration of the Board is stated in the financial statements.

With regard to the powers of the shareholders, the Articles of Association stipulate that resolutions of shareholders may only be adopted by a majority of three-quarters of the votes cast. For certain

resolutions, in particular the transfer of shares, suspension or dismissal of the Managing Director, amendment of the Articles of Association and dissolution of the company, unanimity is required.

As regards disclosure of information to shareholders and the potential impact on the share price, it should be noted that the 'GasTerra share' is not traded on the financial markets.

With regard to financial reporting, several times a year (at regular meetings), the Supervisory Board, the College of Delegate Supervisory Directors and the Audit Committee supervise compliance with the internal procedures relating to the preparation of the quarterly reports and the preparation and publication of the annual report and the financial statements.

The Annual General Meeting of Shareholders appoints the external auditor. It is standard procedure for the Audit Commission to interrogate the external auditor with regard to his declaration on the accuracy of the financial statements. Furthermore, the Board of Management and the Supervisory Board report to the Annual General Meeting of Shareholders on the independence of the external auditor and a recommendation is issued for the appointment of an external auditor. For this purpose, the Board of Management and the Supervisory Board assess the functioning of the external auditor periodically, at least once every four years. From the 2015 financial year, EY (Ernst & Young) has been GasTerra's auditor.

The external auditor has an understanding of the Internal Audits working plan, which is discussed in the Audit Committee. Findings concerning the internal audit function are included where necessary in the external auditor's management letter, which is discussed at a meeting of the Supervisory Board The external auditor reports anything it wishes to bring to the attention of the Board of Management and the Supervisory Board in relation to its audit of the financial statements and the related audits. This gives effect to the provisions pertaining to the principle in the Code on the relationship and communication of the external auditor with the company's organs.

CSR is an integral part of the strategy at GasTerra and is therefore embedded into our day-to-day operations. GasTerra has integrated the materiality matrix and associated objectives and activities into the Business Plan which is approved by the Board of Supervisory Directors, the body with the highest degree of responsibility. Monitoring of progress is included in the regular reporting cycle. The quarterly reports are discussed by the College of Delegate Supervisory Directors and the Audit Committee.

3.4. Risk section

A robust risk policy is vital to GasTerra in order to allow it to achieve its aims. Risk management at strategic, tactical and operational level is part of the Management Control System. GasTerra's Management Control System is based on the COSO ERM framework that is used throughout the world.

The Board of Management and the management team jointly determine the strategic and tactical risks, and are responsible for their management. Reports on this issue are also submitted to the Board of Supervisory Directors and the Audit Committee. In addition, each process owner is responsible for the management of the operational risks associated with his business processes.

Risk management is an integral part of business activities. All employees are from time to time involved in parts of the Management Control System. They are always expected to comply with the policy rules, procedures, work instructions and guidelines in force.

GasTerra has set up a risk and control register, containing a central summary of all risks and management measures for each business process on the basis of operational risk analyses.

GasTerra's risk tolerance is low. Risks are mitigated by specific measures. For all risks, an assessment is carried out to determine whether the residual risk is acceptable. GasTerra's focus lies on the effectiveness and efficiency of existing measures so that balanced measures appropriate to the level of the risk are taken.

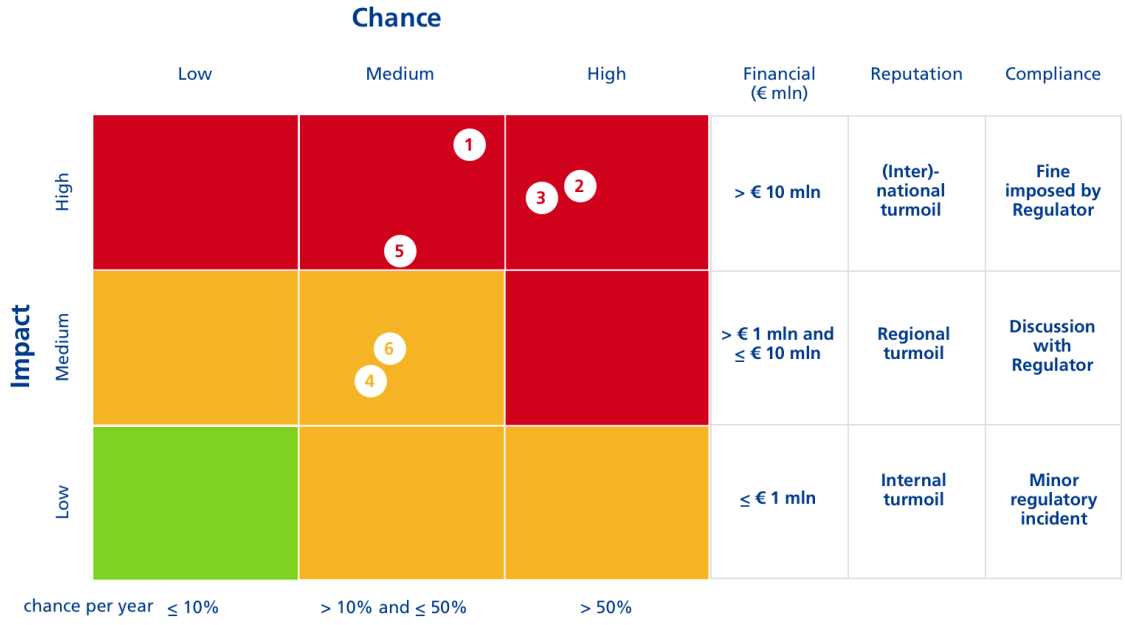
Strategic and tactical risks are determined twice a year. At the end of 2018 this was integrated into the SWOT analysis conducted for GasTerra as a whole once a year. The frequency of risks at operational level is determined on the basis of the risk profile of the business process concerned. In any event, each process is subjected to a risk analysis once every three years.

The management measures that cover high risks, known as key controls, are tested periodically via self-assessments carried out by the process owner. The results are reported internally and the implementation of recommendations made on the basis of the results is monitored. In addition to the self-assessments, an internal auditor periodically tests the design and operation of the management measures, also on the basis of the risk profile of the business process concerned. Finally, GasTerra has a procedure for reporting incidents in order to promote improvements and to allow people to learn from each other.

During the course of normal business operations, the company uses financial instruments that expose the company to market risk, including exchange rate risk and interest risk, and to credit risk and liquidity risk. This is described in the 'financial instruments' section of the financial statements.

Business risks

GasTerra's business risk analysis analyses the main business risks that could interfere with the achievement of targets in terms of anticipation, volume, price and costs. For each risk GasTerra determines the likelihood of the risk occurring and the impact on GasTerra if it does occur. The company decides what are the most important risks on the basis of that information. The summary below shows the most important risks for 2018 identified at the end of 2017.



The various risks, classified according to the volume, anticipation and costs targets, are described below along with the measures taken by GasTerra and the trend that we see for the risks for 2019. As far as the price target is concerned, GasTerra offers conditions in line with the market, following the market price.

Volume target: GasTerra aims to sell the entire volume of gas offered to GasTerra.

1. Supply from the Groningen field

Description
The volume offered by NAM from the Groningen field limits the volume to be sold by GasTerra. Restrictions imposed on NAM, in terms of production volume and measures leading to smooth production or the use of the clusters, automatically restrict the volume available, resources available to balance the portfolio, and the sale of flexibility.

Explanation
Since 2014 gas production in the Groningen field has been limited by ministerial decisions related to safety in the extraction area. The first decision in 2014 limited production to 42.5 billion cubic metres, and this has been followed by lower limits and further restrictions on extraction at various production locations in the Groningen field.

The maximum production level for the 2017/2018 gas year was set at 21.6 billion cubic metres from the Groningen field, with scope for more extraction if the year is colder than average. The maximum production level for the 2018/2019 gas year is 19.4 billion cubic metres, also with scope for a higher permitted level of extraction if the year is colder than average, but now also with a lower level of permitted extraction if the gas year is hotter than average. The minister has also decided that extraction of Groningen gas will be cut sharply in the years to come and eventually cease completely.

Measures
In the sale of volume and flexibility we have also been cautious in entering into commitments, using own resources and the gas market to this end.

Trend
The defined risk that the production ceiling will be further lowered is no longer an uncertainty thanks to the decisions taken by the minister. The rate at which production will decline does however remain unclear, but GasTerra has shown that it can always respond adequately to decisions that are taken.

2. Supply from small fields

Description
Gas production from small Dutch gas fields has declined significantly in the past few years. Partly because most small Dutch gas fields are in the final stage of their production cycle. Investments into drilling in new small fields is also very limited as a result of the investment climate. It is true that the current higher gas price extends the lifetime of existing gas fields, but this does not offer sufficient certainty for the development of new plans. Another factor is that social support for gas extraction, especially onshore, has reduced.

Explanation
GasTerra buys gas from small Dutch fields in addition to Groningen gas. GasTerra is fulfilling a public duty with regard to the implementation of the Dutch government’s small fields policy and is legally obliged to buy this gas at market rates if asked to do so.

However, the developments referred to above stand in the way of opening up new fields for production. Very limited exploration activity means that this situation is likely to remain for a considerable time. This will lead to falling supply, which will also affect GasTerra's portfolio.

Measures
In 2018 GasTerra offered small field producers normal market conditions in accordance with the Gas Act and its own company policy. GasTerra also informs parties concerned as to the expected effects of current market conditions on supply from small fields.

Trend
In May 2018 the government stated that in the slowdown phase of L-gas demand, which is possible primarily by increasing the use of high-calorific gas, small field production would take precedence over the importing of gas. Consequently, the government wants to strive to maintain economic prospects for the offshore gas sector, including by means of fiscal measures. This lies behind the decision taken in spring 2018 to increase the tax deduction for new investments in the detection and extraction of gas from the North Sea from 25% to 40%.

Prices are also higher at the moment. If this appears to be structural, it may eventually mean that supply from the small fields declines more slowly than indicated in the current forecast. As a result, GasTerra has set this risk at a lower level for 2019 compared to 2018.

Anticipation target: GasTerra anticipates a changing environment and listens to its stakeholders so that opportunities and threats can be identified and GasTerra can continue to fulfil its mission of maximising value in the future.

3. Image of natural gas

Description
The position of gas in the energy mix of the future and consequently the image of this energy source are under pressure. The position has been damaged as a result of the earthquake problems in Groningen, concern over dependence on Russian gas and discussions on CO_2 emissions from fossil fuels and methane emissions. The positive aspects of (natural) gas risk being pushed to the background of these debates.

Explanation
Gas has played a vital role in energy supply for decades. But this is no longer automatically the case. Society wants to reduce the volumes of greenhouse gas emissions in order to help limit the extent of climate change. Governments have formulated targets for this. Fossil fuels are often seen as a drawback in this regard, simply slowing down the process towards a fully sustainable energy supply. The concept of a responsible move towards sustainability, where the main focus in the transition period is on cutting emissions, risks being pushed into the background as a result of this attitude.

The earthquakes in Groningen have also made many people feel more strongly that gas is at best a necessary evil, and tensions between Russia and the EU have heightened the existing doubts over security of supply of gas in Europe. The debates on shale gas extraction and methane emissions caused by natural gas have also brought the image of gas under increasing pressure.

This development undermines the position of natural gas and is therefore a major concern for the gas sector.

Measures
GasTerra sees it as important to increase understanding of the energy issue and the significance of gas within it. GasTerra works with other parties in this. Under the umbrella of the Dutch gas association KVGN GasTerra has been working with other companies that are active in the gas sector to formulate the 'Gas by Design' vision, based on the principle that natural gas will only be used where there is no sustainable alternative available. In order to achieve the CO_2 targets in 2030 and 2050 there needs to be a strong focus on green gas, hydrogen, geothermy and CO_2 storage alongside the generation of green electricity. On 10 December 2018 KVGN published its

vision 'On the road towards CO_2-neutral in 2050', addressing the potential of these alternatives to natural gas over time.

GasTerra is making its own contribution towards the development and use of renewable gases.

Trend
The discussions on the Climate Accord have clearly shown that natural gas, green gas and hydrogen will remain essential in the energy supply for a considerable time. The risk had already declined in 2018, and it has been removed from the risk matrix for 2019.

4. Organisation

Description
In 2018 we observed that as a result of developments in the market and our portfolio, the organisation was being squeezed and that there was a risk of GasTerra's organisation no longer being fit for purpose. This could lead to a mismatch between the skills that the workforce currently has and those which are desirable, which could in turn mean failure to achieve objectives and use opportunities.

Explanation
Three years ago GasTerra started a reorganisation process aimed at reducing the number of ftes from 200 to 160 in 2018. So far this transition has been successfully managed, but ensuring that the organisation's skills will in future continue to match the organisation's (future) objectives and resulting activities is a challenge.

Measures
The measure introduced for this risk in 2018 was to conduct strategic personnel planning in order to determine what skills were needed to future-proof the organisation for the period after 2018 and what HR policy was needed to this end.

The ministerial decision taken in March 2018 about gas extraction in Groningen means that the future role of GasTerra is unclear. This is why in 2018 we carried out an inventory of formation and competences instead of setting up a strategic personnel plan. This inventory is important to the structure of the organisation in the short term, and is also relevant to GasTerra's future in the longer term. The process of completing the inventory also gives GasTerra's staff guidance with regard to individual development and deployability.

Trend
The 'organisation' risk is split into two separate risks for 2019: retaining skilled staff, and employee motivation and involvement. Both elements are important so that, in the uncertain period for GasTerra's role after 2022, we can maintain the high quality level that stakeholders are accustomed to receiving from us so that we keep our licence to operate. Considerable attention will be focussed on this in the coming period, including via the implementation of the new HR policy centring on employee development and informing employees about developments relating to the future of GasTerra.

Costs target: GasTerra ensures a correct balance between costs on the one hand and value and diligence on the other hand.

5. Credit-worthiness

Description
GasTerra is at a higher credit risk because of the worse financial position of a number of large clients.

Explanation
The credit risk is the loss that might arise if clients are in default and do not comply with their contractual obligations.

Measures
GasTerra has drawn up guidelines which must be met by clients, with most of whom there is a long-standing relationship. These guidelines limit the risk associated with possible credit concentrations and market risks. The guidelines form part of GasTerra contracts. The credit-worthiness of each party is permanently monitored. If clients or counterparties fail to meet these guidelines, further securities such as bank guarantees are requested, and/or no new contracts are entered into with these parties.

Trend
This risk was already reduced in 2017. The credit-worthiness of a number of large clients stabilised further in 2018, and where necessary additional agreements have been made.

6. Transmission costs

Description
European Member States are working on the implementation of the Network Code Tariffs (NC TAR). The Netherlands plans to present tariffs under this Network Code for the first time in May 2019. This means that GasTerra is uncertain as to the level of transmission costs, especially as a result of the implementation of the Network Code Tariffs.

Explanation
GasTerra books transmission capacity for multiannual supply contracts and other types of contracts so that it can meet its supply obligations. In the Netherlands, GasTerra buys transmission capacity from GTS, the operator of the national transmission network. It also books transmission capacity with various operators of transmission networks outside the Netherlands (TSOs). Uncertainty regarding transmission costs for honouring future obligations is not desirable for GasTerra.

Measures and trend
The implementation of NC TAR is still under way, but GasTerra has been able to make a constructive contribution to this process via its public affairs activities. For this reason this issue is no longer included in the risk matrix for 2019.

4. Financial statements

The composition of the 2018 financial statements is as follows:

- Balance sheet as of 31 December (before profit appropriation)
- Income statement
- Cashflow statement
- Explanatory notes to the financial statements
- Other information

The original financial statements were drafted in Dutch. This document is an English translation of the original. In the case of any discrepancies between the English and the Dutch text, the latter will prevail.

Balance Sheet as at 31 December (before profit appropriation)

in millions of euros

Assets	Note	**2018**		2017	
Fixed assets					
- intangible fixed assets	(1)	**6.4**		9.3	
- tangible fixed assets	(2)	**2.8**		3.8	
Current assets					
- stocks	(3)	**112.0**		0.0	
- receivables	(4)	**1,666.2**		1,678.2	
- cash and cash equivalents	(5)	**172.6**		111.1	
Total			**1,960.0**		1,802.4
			====		====
Liabilities and Equity					
Shareholders'equity					
- paid in share capital	(6)	**180.0**		180.0	
- result for the year	(6)	**36.0**		36.0	
Current liabilities	(7)	**1,744.0**		1,586.4	
Total			**1,960.0**		1,802.4
			====		====

Income Statement

in millions of euros

	noot	**2018**		2017	
Revenu	(8)	**11,153.1**		9,601.3	
Cost of sales	(9)	**-11,053.5**		-9,514.1	
Gross margin		**99.6**		87.2	
Operating expenses	(10)	**-50.5**		-49.8	
Operating profit			**49.1**		37.4
Financial income	(11)	**-1.2**		11.3	
Financial expenses	(11)	**0.1**		-0.7	
Net financial income and expenses			**-1.1**		10.6
Profit before income tax			**48.0**		48.0
Income tax expenses	(12)		**-12.0**		-12.0
Net income			**36.0**		36.0

Cash flow statement

in millions of euros

	2018		2017	
Cash flow from operating activities				
Operating profit	**49.1**		37.4	
Adjustments for:				
- depreciation and impairment	**5.3**		7.2	
- change in stocks	**-112.0**		0.0	
- change in receivables	**12.0**		-65.5	
- change in current liabilities	**157.6**		-192.2	
Cash flow from operations		**112.0**		**-213.1**
Financial income (received)	**-1.2**		11.3	
Financial expenses (paid)	**0.1**		-0.7	
Income taxes paid	**-12.0**		-12.0	
		-13.1		-1.4
Cash flow from operating activities		**98.9**		-214.5
Cash flow from investing activities				
Investments in fixed assets	**-1.4**		-1.8	
Cash flow from investing activities		**-1.4**		-1.8
Cash flow from financing activities				
Dividends paid	**-36.0**		-36.0	
Cash flow from financing activities		**-36.0**		-36.0
Change in cash and cash equivalents		**61.5**		-252.3
		====		====
Cash and cash equivelants at year end	**172.6**		111.1	
Cas and cash equivalents at preceding year end	**111.1**		363.4	
Change in cash and cash equivalents				
		61.5		-252.3
		====		====

4.1. Notes to the financial statements

General information

GasTerra B.V., Groningen.

Chamber of Commerce number 02089290

1. ACCOUNTING PRINCIPLES

General

GasTerra B.V is a gas trading company that operates internationally and is based at Stationsweg 1, Groningen. The company (and its legal predecessors) have over 50 years' experience and enjoys a good market position. GasTerra serves part of the Dutch and European gas market.

The financial statements have been prepared in accordance with the statutory provisions of Title 9, Book 2 of the Dutch Civil Code (BW). Unless otherwise specified, the financial statements are prepared based on historical cost.

An asset is included in the balance sheet when it is probable that future economic benefits will flow to the company and its value can be reliably determined. A liability is included in the balance sheet when it is probable that settlement thereof will entail an outflow of resources that embody economic benefits and the magnitude of the amount thereof can be reliably determined.

Income is included in the income statement when an increase in the economic potential related to an increase in an asset or a decrease in a liability has taken place, the magnitude of which can be reliably determined. Expenses are accounted for when a decrease in the economic potential related to a decrease in an asset or an increase in a liability has taken place, the magnitude of which can be reliably determined.

If a transaction results in all or almost all of the future economic benefits and all or almost all of the risks related to an asset or liability being transferred to a third party, the asset or liability is no longer included in the balance sheet. Furthermore, assets and liabilities are not included in the balance sheet from the time at which the requirements of probability of future economic benefits and/or reliability of the determination of the value are no longer met.

Income is allocated to the period to which it relates. Income is recognised when all significant risks relating to the delivery pass to the counterparty. Costs are determined in the light of the valuation principles referred to above and allocated to the reporting year to which they relate. (Foreseeable) liabilities and possible losses arising before the end of the financial year are taken into account to the extent that they are known before the preparation of the financial statements and the conditions for including provisions are met.

(Positive and negative) interest results relating to the liquid assets invested or borrowed are recognised under financial income or financial expenses.

Continuity

These financial statements have been prepared on a going concern basis.

Estimates and uncertainties

In preparing these financial statements, assessments, estimates and assumptions have been made that affect the amounts accounted for. In particular, this concerns the net sales and cost of sales (including transport costs). The assessments, estimates and assumptions made are based on market data, knowledge and experience, and other factors that are considered reasonable under the given circumstances. The actual results may differ from these estimates. The estimates and underlying assumptions are continually assessed. Revisions of estimates are recognised in the period in which the estimate is revised and in any future periods on which the revision has an impact. Potential special features regarding estimates and assessments, if significant, are included in the notes to the balance sheet and the income statement. As a consequence of the agreement between the shareholders of GasTerra, as explained under the off-balance sheet assets and liabilities, the deviations from these estimates do not affect the result.

Transactions in foreign currencies

Transactions in foreign currencies are converted at the exchange rate applying on the transaction date.

Cash and cash equivalents balances, trade receivables and current liabilities in foreign currency are converted at the exchange rate applying on the date of the balance sheet.

Foreign exchange gains and losses on both gas exports and gas imports are presented in the income statement as cost of sales. The other exchange rate results are accounted for under financial income and expenses.

Fixed assets

Intangible fixed assets

Intangible fixed assets are valued at the historical purchase price or production cost, less straight-line depreciation over the economic life of the assets.

Intangible fixed assets that have not been completed as at the balance sheet date are accounted for under the category intangible fixed assets under construction. After being put into use, the relevant asset will be classified under the category intangible fixed assets.

The depreciation period used for intangible fixed assets is 5 years. Intangible fixed assets under construction are not depreciated.

Tangible fixed assets

Tangible fixed assets are valued at the historical purchase price or production cost, less straight-line depreciation over the economic life of the assets.

Tangible fixed assets that have not been completed as at the balance sheet date are accounted for under the category tangible fixed assets under construction. After being put into use, the relevant asset will be classified under the category tangible fixed assets.

The depreciation periods used for tangible fixed assets are 5 or 10 years. Tangible fixed assets under construction are not depreciated.

Impairment

Once a year on the date of the balance sheet an assessment is performed to ascertain whether there are any indications that the book value of a tangible or intangible fixed asset is higher than the recoverable value (the higher of the value in use or the realisable value). If that is the case, an analysis is carried out to identify any impairment that may be necessary.

If the recoverable value of an asset is below the book value, the book value is written down to the recoverable value. Impairment is fully or partly reversed in the event of a change in the estimate that is relevant to determining the recoverable value. Impairments are recorded under operating expenses.

Current assets

Stocks

Stocks of natural gas are values at cost price according to the FIFO (first-in first-out) principle or the lower realisable value.

Receivables

The receivables are valued in the first instance at their actual value and thereafter at the amortised cost taking collectability risks into account. Trade receivables also include sales that have not yet been invoiced.

Pensions

Together with N.V. Nederlandse Gasunie (Dutch natural gas infrastructure and transmission company), GasTerra is affiliated with the Stichting Pensioenfonds Gasunie (Gasunie Pension Fund Foundation). GasTerra's employees have a pension scheme administered here.

The pension scheme is classified as a defined benefit pension under the Pensions Act. Premiums are not determined on the basis of cover. The most important agreement in the pension scheme is that the employer's premium is 24.6% of maximum pensionable annual salary. The chance of GasTerra being obliged to pay a higher contribution is practically nil.
The maximum accrual of pension rights in a conditionally indexed career average system is 1.875% per annum over the average pensionable earnings and the maximum pensionable salary.

The starting point is that pension charges to be processed in the reporting period are equal to the pension contributions owed to the pension fund during the same period. To the extent that the contributions payable on the balance sheet date have not yet been met, a liability is included for this. If the contributions already paid at the balance sheet date exceed the contributions owed, an accrued asset item is recognised to the extent that there will be repayment by the fund or a set-off against contributions owed in the future.

Current liabilities

The current liabilities are valued at the amortised cost, whereby the income and expenditure arising from amortisation are recognised in the income statement using the effective interest method. The initial measurement is effected at fair value whereby the transaction costs that are directly attributable to the acquisition are included in the measurement. This relates to liabilities with a term of no more than one year.

Amounts payable also include purchases that have not yet been invoiced. Amounts received from customers due to a decreased purchase of gas under 'take-or-pay' agreements are recorded under current liabilities as an obligation to deliver. Invoices paid by customers in advance are also included under current liabilities. The obligation to deliver arising from the receipt of gas in the storage service is also recorded under current liabilities.

Financial instruments

Financial instruments comprise receivables, cash and cash equivalents and current liabilities.

Financial instruments also include derivative financial instruments (derivatives) embedded in contracts. The company separates embedded derivatives from the host contract and accounts for these separately if:

- the host contract's economic characteristics and risks and the embedded derivative are not closely related; and
- a separate instrument with the same terms and conditions as the derivative embedded in the contract would meet the definition of a derivative; and
- the combined instrument is not measured at fair value in the income statement, including value changes.

Financial instruments (derivatives) embedded in contracts that are not separated from the host contract, because the above-mentioned conditions are not satisfied, are recognised in accordance with the host contract. Derivative financial instruments that are separated from the host contract are valued at cost price or lower market value, whichever is the lower.

GasTerra concludes gas purchase contracts and gas sale contracts as part of its business operations. These contracts are concluded for the actual physical delivery and receipt of gas in accordance with the company's expected purchases, sales levels or usage requirements. For this reason, they fall outside the scope of RJ 290 (Dutch Accounting Standards).

Pricing of gas sales and gas purchases

The pricing of natural gas for both the sales and purchasing sides is influenced to a significant degree by developments in the prices of natural gas as well as the prices of other energy carriers.
GasTerra's shareholders have concluded an agreement relating to the after-tax profits to be made by GasTerra. This agreement stipulates that the price of the natural gas from Groningen sold by the Nederlandse Aardolie Maatschappij B.V. (NAM) to GasTerra during the year has been set such that GasTerra will retain the after-tax profits determined for that year by the shareholders.

Net turnover
Net turnover is divided into gas sales and other net turnover.

Gas sales represent the income from the supply of gas and the income from the corresponding services provided, after deducting the tax assessed on the turnover. A distinction is made between services related to making transport capacity and flexibility available and actual usage. The services are considered to have been provided if the service was made available to the client during the period agreed.

Other net turnover is represented primarily by the income from the delivery of services to third parties. This income results primarily from flexibility services.

The income is recorded during the reporting period in which the gas was delivered and the services were provided.

Cost of sales
In the main, the cost of sales represents the cost of the purchase of gas and the associated services, the transport costs and the costs related to underground gas storage.

Operating expenses
The expenses are determined on a historical basis, taking into account the principles for valuation set out above, and are accounted for in the period to which they relate. Losses are recorded in the reporting period in which provisions for them may be made. GasTerra has no specific sale costs.

Net financial income and expenses
This item includes the income and expenses related to deposits and financing.

Corporate tax
The tax on result is calculated based on the result before tax in the income statement, in due observance of the valid tax-related provisions and rates.

Cash flow statement
This report provides a statement of the cash flows generated. The statement of cash flow is drawn up on the basis of the indirect method based on the operating results in the income statement.

2. Notes to the balance sheet

Intangible fixed assets (1)

in millions of euros	Intagible fixed assets	Intangible fixed assets under construction	Total 2018	Total 2017
Balance as at 1 January:				
Cost	57.7	1.4	59.1	57.8
Cumulative depreciations and Impairments	-49.8	0.0	-49.8	-44.0
Net book value	7.9	1.4	9.3	13.8
Change in the net book value				
Capital expenditure	0.4	1.0	1.4	1.4
Commissioning	1.0	-1.0	0.0	0.0
Depreciation	-4.3	0.0	-4.3	-5.9
Disposal	0.0	0.0	0.0	0.0
Net book value as at 31 december	5.0	1.4	6.4	9.3
Balance as at 31 december				
Cost	57.6	1.4	59.0	59.1
Cumulative depreciations and impairments	-52.6	0.0	-52.6	-49.8
Net book value	5.0	1.4	6.4	9.3

The intagible fixed assets primarly concist of capitalised costs for software developed in-house to to support opatational processes.

Tangible fixed assets (2)

In millions of euros	Tangible fixed	Tangible fixed assets under conctruction	Total 2018	Total 2017
Balance as at 1 january:				
Cost	9.8	0.5	10.3	11.0
Cumulative depreciations and impairments	-6.5	0.0	-6.5	-6.3
Net book value	3.3	0.5	3.8	4.7
Change in the net book value				
Capital expenditure	0.0	0.1	0.1	0.4
Commissioning	0.4	-0.5	-0.1	0.0
Depreciation	-1.0	0.0	-1.0	-1.2
Disposal	0.0	0.0	0.0	-0.1
Net book value as at 31 december	2.7	0.1	2.8	3.8
Balance as at 31 december				
Cost	9.3	0.1	9.4	10.3
Cumulative depreciations and impairments	-6.6	0.0	-6.6	-6.5
Net book value	2.7	0.1	2.8	3.8

The tangible fixed assets primarly consist of machinery and equipment and computer supplies.
The tangible fixed assets are classified as other fixed business assets.

Stocks (3)	**31 Dec. 2018**	31 Dec. 2017
in millions of euros		
Stocks of natural gas	**112.0**	0.0
Total	**112.0**	0.0

GasTerra has had access to a stock of natural gas starting from 1 November 2018. The stock was valued at cost on 31 December 2018.

Receivables (4)	**31 Dec. 2018**	31 Dec. 2017
In millions of euros		
Trade receivables	**1,585.3**	1,407.1
Taxes	**0.0**	0.0
Receivables from shareholder *)	**32.0**	108.0
Other receivables *)	**48.9**	163.1
Total	**1,666.2**	1,678.2

**) The amount mainly relates to deposits placed under the Deposit & Loan Agreements concluded with NAM B.V. and with EBN B.V.. These deposits have a maximum term of three months.*

None of the receivables have a term longer than one year.

A provision for bad debts to the amount of € 1.0 million (2017: € 1.1 million) is reserved as at the balance sheet date.

Cash and cash equivalents (5)	**31 Dec. 2018**	31 Dec. 2017
in millions of euros		
Deposits	**172.3**	108.7
Other cash and cash equivalents	**0.3**	2.4
Total	**172.6**	111.1

Shareholders' equity (6)

Issued capital
The authorised and issued capital in 2017 and 2018 amounts to € 180 million and is divided into 40,000 shares, each with a nominal value of € 4,500. The issued capital, that is fully paid up, is divided as follows:

EBN B.V.	40%
Esso Nederland B.V.	25%
Shell Nederland B.V.	25%
State of the Netherlands	10%

Unappropriated profit *in millions of euros*	
Balance at 1 January 2018	36.0
Appropriation of the results for the financial year 2017 in accordance with the resolution of the General Meeting of Shareholders	-/-36.0
Unappropriated profit for the financial year 2018	36.0
Balance at 31 December 2018	36.0

Proposal for profit appropriation

It is proposed by the board that the full year result 2018 of € 36.0 million will be paid to the shareholders as dividend.

Current liabilities (7)	**31 Dec. 2018**	31 Dec. 2017
In millions of euros		
Amounts payable - for gas purchases	**1,547.7**	1,334.4
Amounts payable - to shareholders	**117.5**	104.8
Other amounts payable	**7.4**	7.9
Taxation and social security contributions	**6.0**	9.1
Amounts received in advance	**64.9**	128.4
Accrued and deferred income	**0.5**	1.8
Total	**1,744.0**	1,586.4

Financial instruments

General
The company uses financial instruments during its normal business operations that expose the company to market risks, including currency risk and interest rate risk and also to credit risk and liquidity risk.
No forward currency contracts or gas price swaps were entered into in 2018 (or 2017).

Credit risk
The credit risk is limited to the receivables and cash and cash equivalents and it consists of the loss that would be generated if customers or counterparties were to remain in default and fail to fulfil their contractual obligations. The company has drawn up guidelines with which customers or counterparties must comply. These guidelines limit the risk associated with possible credit concentrations and market risks. There was no particular credit risk as a result of credit concentrations at the end of 2018. If customers or counterparties fail to comply with these guidelines, they will be asked to furnish additional security such as bank guarantees. This prevents the company from running any major credit risks in respect of any individual customer or counterparty. Long-term relations have been built with the majority of customers and counterparties. They fulfilled their payment obligations in 2018.

Interest rate risk
The interest rate risk is limited to potential changes in the market value of funds withdrawn and issued. It is company policy not to use derivative financial instruments to manage fluctuations in interest rates (on an interim basis or otherwise). Given the short-term nature of deposits, the interest rate risk for the year 2018 did not exceed € 0.1 mln. (2017: € 0.1 mln.).

Liquidity risk
The company monitors its liquidity position through liquidity forecasts. The management ensures that the company always has sufficient liquidity available via its credit facilities to meet its commitments.

Foreign exchange rate risk
GasTerra has a very low level of foreign exchange rate risk, and consequently this is not covered. All foreign exchange transactions take place on the spot market.

Market value
The market value of the majority of the financial instruments recorded in the balance sheet, including receivables, cash and cash equivalents and current liabilities, is approximate to the book value of those items as a result of the short maturities.

Off-balance sheet assets and liabilities

Procurement, supply and transport commitments
GasTerra has long-term procurement, supply and transport commitments pursuant to gas purchase, gas sales and transport contracts. The gas purchase and sales prices depend to a large degree on the future prices of natural gas, as well as the future market prices of other energy carriers. The embedded derivatives included in current contracts represent a negative real value of € 1.2 mln. (2017: positive value of € 3.5 mln.).
In addition to this, GasTerra has entered into long-term commitments for office rental and ICT services. The financial consequences of this are of minor significance for assessing the financial position at the end of the financial year.

€ 1,246.4 million in bank guarantees (2017: € 1,338.3 million) have been issued to the benefit of GasTerra by third parties. GasTerra has not issued any bank guarantees to the benefit of third parties (2017: € 0.0 million).

The supply commitments are covered by long-term purchase contracts, including the contract for low-calorific Groningen gas. The temporary difference between delivery obligations and the import and domestic procurement obligations, are bought or sold by GasTerra mainly short-term, on liquid trading points.

GasTerra's shareholders have concluded an agreement relating to the profit after taxes to be made by GasTerra. This agreement stipulates that the price of the natural gas from Groningen sold by the Nederlandse Aardolie Maatschappij B.V. (NAM) to GasTerra during the year has been set such that GasTerra will retain the profit of €36 million determined for that year by the shareholders. As a result of the implementation of the above agreement, no notes are given on the valuation of the individual gas purchase and sales contracts.

The commitments and rights arising from long-term gas purchase, sales and transport contracts are not shown on the balance sheet.

Long-term gas purchase and sales agreements usually contain renegotiation clauses enabling the parties to review the contract conditions during the term of the agreement, subject to certain conditions. GasTerra regularly renegotiates the long-term gas sales and purchase contracts with the counterparties in question (see page 23). It is not possible to arrive at a reliable estimate of the outcomes of these renegotiations or associated arbitration proceedings.

3. Notes to the income statement

Net turnover (8)	**2018**	2017
in millions of euros		
Gas sales	**11,105.4**	9,556.6
Other net turnover	**47.7**	44.7
Total	**11,153.1**	9,601.3

The following is a regional* overview of gas sales:

	2018	2017
The Netherlands	**6,345.9**	5,022.1
Rest of Europe	**4,759.5**	4,534.5
Total	**11,105.4**	9,556.6

The volumes were 2 per cent lower in 2018 than in 2017, falling from 56.6 billion m^3 to 55.5 billion m^3. The average selling price is 20.0 cent/m^3 (16.9 cent/m^3 in 2017) [13].

**Regions are defined differently in this annual report compared to 2017. A region is determined on the basis of the point of delivery rather than the registered address. The comparison figures for 2017 have been adjusted to reflect this new definition.*

Cost of sales (9)	**2018**	2017
in millions of euros		
Gas purchases	**10,779.3**	9,227.4
Transport cost	**274.2**	286.7
Total	**11,053.5**	9,514.1

The average purchase price is 19.4 cent/m^3 (16.3 cent/m^3 in 2017). The gas purchase costs also include the costs connected with underground gas storage [1].
The movements in foreign exchange rates recognised in the income statement under the cost of sales amount to € 0.0 million exchange loss (2017: € 0.3 million exchange loss).

[13] by m³ is meant gas with a calorific value of 35.16912 MJ

General management expenses (10)	**2018**	2017
in millions of euros		
Wages and salaries	**14.1**	14.9
Social security expences	**1.5**	1.5
Pension expenses	**3.5**	3.2
Costs of work subcontracted and other external expenses	**17.9**	14.0
Depreciation and impairments	**5.3**	7.2
Other	**8.2**	9.0
Total	**50.5**	49.8

Net financial income and expenses (11)	**2018**	2017
in millions of euros		
Interest income *	**-1.2**	11.3
Financial income	**-1.2**	11.3
Interest charges	**0.1**	-0.7
Financing costs	**-**	-
Financial expenses	**0.1**	-0.7
Net position	**-1.1**	10.6

** The interest received in 2017 includes the interest income arising from renegotiations.*

Tax on profit from ordinary activities (12)

The effective tax rate for 2018 was 25.0% (2017: 25.0%).

Related parties transactions

Transactions with related parties take place when GasTerra conducts transactions with its directors, its senior executives, its direct shareholders or the direct shareholders of related parties.

Transactions between GasTerra and the related parties are processed based on normal market terms and conditions.

For the natural gas from the Groningen Field purchased during the year by GasTerra, the pricing structure resulting in the profit determined by the shareholders applies.

Subsequent events

There are no subsequent events with significant financial consequences for GasTerra.

Number of employees

At year-end 2018, the number of employees in full-time equivalent positions was 141.4 (2017: 152.4). The average number of employees in full-time equivalent positions during the financial year was 147.7 (2017: 157).

Auditor's fees

During the financial year, the following fees were charged to the company by EY, as referred to in Section 2:382a of the Dutch Civil Code (BW). The basis is the total fee amount for examining the financial statements for the financial year to which the financial statement relate (RJ 390.301a).

Auditor's fees		**Ernst & Young Accountants LLP**		Ernst & Young Accaountants LLP
in euros		**2018**		2017
Audit of the financial statements	**€**	**191,000**	€	206,000
Other audit engagements	**€**	**40,000**	€	40,000
	€	**231,000**	€	246,000

Remuneration of Directors and current and former Supervisory Directors

The remuneration policy of GasTerra is aimed at motivating and retaining Directors of the company who are capable of heading a large enterprise and remunerating them based on their performance. The remuneration policy as regards the company's Supervisory Directors is one of restraint.

Directors of the company
The remuneration for the CEO of the company, A.J. Krist, is as follows:

Remuneration of directors		**2018**		2017
in euros				
Periodic remuneration (excluding social security expenses)	**€**	**323,160**	€	239,643
Employer's social security expenses	**€**	**9,885**	€	7,113
Costs charged on relating to R. van Rede	**€**	**-**	€	86,899
Periodic remuneration (including employer's social security expenses)	**€**	**333,045**	€	333,655
Variable remuneration*	**€**	**43,456**	€	35,444
Employer's pension premium contribution	**€**	**28,679**	€	19,093
Salary	**€**	**405,180**	€	388,192

**The aforementioned variable remuneration is based on achieving the agreed objectives during the year under review (A.J. Krist).*

GasTerra holds an insurance policy that offers Directors and Supervisory Directors coverage in the event of their liability.

Supervisory directors of the company
The total remuneration for the current and former members of the Board of Supervisory Directors for the financial year 2018 amounts to € 56,647 (2017: € 53,773).

Board of Management
Ms. A.J. Krist MA, Chief Executive Officer

Board of Supervisory Directors
Mr. B.C. Fortuyn MSc

Mr. A.F. Gaastra LLM

Mr. J.W. van Hoogstraten MSc

Mr. R.M. de Jong MA

Mr. R.G. de Jongh MA

Mr. T.W. Langejan LLM

Ms. J.M.W.E. van Loon MSc

Mr. F.A.E. Schittecatte MSc

Groningen, 14 February 2019

5. Other information

5.1. Statutory provisions regarding profit appropriation

Pursuant to Article 24 of the articles of association of GasTerra, the profit is at the disposal of the General Meeting of Shareholders, with consideration to the provision that such parts of the available profit will be reserved as specified by the Supervisory Board.

6. Appendices/other information

6.1. About this report

The principal objective of this Annual Report is to inform stakeholders (interested parties) about GasTerra's vision and activities.

6.1.1. Integrated report

The financial, operational and social information is incorporated into an integrated report.

- Financial responsibility is in accordance with Part 9 of Book 2 of the Dutch Civil Code.
- Non-financial responsibility is in accordance with the guidelines of the Global Reporting Initiative (GRI) (Standards, Core Level).

In addition to the financial statements and the combined audit declaration, the 2018 GasTerra Annual Report contains other information, i.e.:

- The GasTerra Management Report, in the foreword and in chapters 1, 2, 3 and 6;
- The Report of the Board of Supervisory Directors, in chapter 3;
- The other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

6.1.2. Scope

The scope of the report is GasTerra B.V., which has its registered office in Groningen. This annual report covers the 2018 calendar year. The report for the 2017 calendar year was published on 22 February 2018.

6.1.3. Transparency

We consider it important to be transparent about our activities. Therefore, as an unlisted company we try as far as possible to apply the best practices from the Corporate Governance Code and participate in the Transparency Benchmark scheme of the Ministry of Economic Affairs and Climate Policy.

6.1.4. Determination of content (materiality)

The material issues largely determine the content and limits of our reporting. The material issues are determined in part by the outcomes of the stakeholder dialogue. GasTerra has decided to conduct a stakeholder dialogue once a year, alternating between an in-depth version one year and a scaled-down version the following year. In the in-depth version, all stakeholders are asked for their views on all issues. The form of the dialogue can vary according to year and stakeholder. In the scaled-down version, we focus on existing or new issues and/or stakeholders and test the results of the previous stakeholder dialogue. The form of the dialogue is aligned to the issues and stakeholders selected.

We have divided our stakeholders into nine groups: Clients, Employees, Shareholders, Producers and transport, National government and market regulators, Knowledge and educational institutions, Sectoral organisations, Social organisations and Regional groups.

The following issues were addressed during the stakeholder dialogue:

Issues raised in the stakeholder dialogue
Contractual obligation *The extent to which GasTerra complies with its contractual obligations by having enough gas in portfolio at every point in the year*
Economic performance *The extent to which GasTerra contributes to the operating result of its shareholders*
Support for activities *The extent to which GasTerra creates support for its activities*
Sustainable deployability *The extent to which GasTerra creates a good working environment, with a suitable culture and structure, and encourages employees to develop*
Sustainable energy supply *The extent to which GasTerra contributes to the sustainable energy supply*
Compliance with guidelines and frameworks *The extent to which GasTerra chooses to comply with generally applicable guidelines and frameworks, such as GRI, Sustainable Development Goals and ISO norms*
Internal footprint *The extent to which GasTerra minimises its own environmental footprint*
Knowledge *The extent to which GasTerra acquires, develops and shares knowledge*
Involvement in the region *The extent to which GasTerra is involved in the North Netherlands region*

In 2017 we conducted the in-depth version of the stakeholder dialogue, carrying out a survey and interviews to find out what stakeholders thought about these issues. In 2018 we tested the outcomes of the stakeholder dialogue on a number of groups, and focused in more closely on a number of existing or new issues.

The groups we spoke to in 2018 were clients, employees, regional groups and sectoral organisations. These groups were selected on the basis of relevant external or internal developments, low response in 2017, the importance of the group or the combination of group and issue.

The issues discussed were contractual obligation, support for activities, sustainable deployability and involvement in the region. These issues were selected on the basis of external or internal developments, difference between GasTerra and stakeholders with regard to their importance, and expected changes in the importance of an issue. In the light of the decision of the Minister for Economic Affairs and Climate Policy on gas extraction in Groningen, the role of GasTerra in the gas market was added to the list of issues, and the extent to which GasTerra plays a role in the current and future gas market was presented to stakeholders.

This new issue led to three different visions in the discussions. It was approached both from the aspect of GasTerra's role in the future traditional gas market and also from that of the future renewable gas market. Some parties also combine both visions into a hybrid form in which GasTerra continues its present activities but will also focus specifically on facilitating a market for renewable gases. All parties see GasTerra playing a considerable role in the traditional gas market in the years to come, though it must be pointed out that various parties also see GasTerra having a role in the transition from fossil energy to sustainable energy, with the traditional market declining and a new market for renewable gases being developed.

The importance which the various stakeholders attach to the issues selected in the 2018 stakeholder dialogue, on the basis of their economic, ecological or social impact, is in line with the 2017 outcomes. The Board of Management then considered whether the importance they attach to the issues has changed compared to 2017. This is only the case for regional involvement, which attracted more attention over the past year. On the basis of the views of the stakeholders and GasTerra, the new issue 'Role of GasTerra in the gas market' was added to the materiality matrix for 2019. The material issues for 2018 were contractual obligation, economic performance, support for activities, sustainable deployability and sustainable energy supply. The management report covers these material issues by reporting on developments and results achieved in 2018. These issues will be material again in 2019, but the role of GasTerra in the gas market will be added to them. These issues are translated into key issues in the 2019 Business Plan, and are also briefly addressed in the 2018 management report.

The table below sets out in broad outline how relations with stakeholders are maintained in addition to the stakeholder dialogue

Stakeholder group	**Example**	**Interaction via**
Clients	Energy firms and power plants, industries, export clients	Consultation with account managers, relationship event, periodic client satisfaction survey, stakeholder dialogue
Staff	Works council, trade union	Regular consultation, Intranet, internal presentations, meetings between the works council and management, stakeholder dialogue
Shareholders	Shell Nederland B.V., Esso Nederland B.V., EBN B.V., Dutch State	Shareholders' assemblies, Expert consultation, Advisory committee, Audit committee, College of Delegate Supervisory Directors, Supervisory Board, stakeholder dialogue
Producers and Transport	Gas suppliers, GTS	Consultation with account managers, relationship event, stakeholder dialogue
National government and market regulators	Authority for Consumers and Markets (ACM)	Via Energie Nederland, periodic consultation, stakeholder dialogue
Knowledge and education institutions	Hanze College, University of Groningen, New Energy Coalition, Clingendael, CE Delft	Internships, guest lectures, project contributions, stakeholder dialogue
Sectoral organisations	Energie Nederland federation, KVGN, Eurogas, VEMW, Nogepa, EFET, EASEE Gas	Periodic consultation, participation in working groups, board membership, Energy podium dinners*, stakeholder dialogue.
Social organisations	NBR/Save the Climate, Greenpeace, Nature and Environment Foundation	Energy podium dinners, stakeholder dialogue
Regional groups	Sponsors, regional non-gas suppliers, communities, local government	Relationship event sponsored groups, periodic consultation, 2017 stakeholder dialogue

* The www.energiepodium.nl website, a GasTerra initiative, was launched in 2010 and has the objective of broadening and deepening the energy supply debate by exchanging views. Over the course of the year, events called 'energy podium dinners' are held, in which energy specialists from industry, science, the government, politics and social organisations discuss current issues.

The table below shows the targets for material issues in 2018. The targets referred to were met. The only exception is that in the light of the decision on gas extraction in Groningen, it was decided not to draw up a strategic staff plan. Instead of this, an inventory of training and competencies was produced. This inventory is important to the structure of the organisation in the short term and is also relevant to GasTerra's longer-term future, once this becomes clearer. It also offers GasTerra employees guidance as to individual development and deployability.

Material issue	**Target for 2018**
Contractual obligation	GasTerra will be fully in compliance with its contractual obligations.
Economic performance	GasTerra will sell all the gas offered to GasTerra. We will make the maximum possible use of resources such as storage facilities in our portfolio. We will try to make a margin on our purchases and sales. We will use the market potential for optimisation. The running costs will remain within budget in the 2018 calendar year.
Sustainable deployability	There will be 0 accidents leading to time off work, and the sick leave percentage will be below 2.5% in the 2018 calendar year. GasTerra will achieve the reduction in the number of ftes proposed in the GasTerra 2018 reorganisation trajectory. We will develop a strategic staff plan with an appropriate HR policy for the future.
Sustainable energy supply	We will take part in projects under the Strategic Agenda of GILDE (Gas as part of Long-term Sustainable Energy Management). We will lead the Green Gas project and contribute to the Hybrid Heat Pumps and Hydrogen themes. We will have an energy transition budget that we wish to devote to key issues from our energy transition policy. We will investigate whether GasTerra's involvement in renewable gases offers a sufficient basis for a business case.
Support for activities	GasTerra wants to contribute to ensuring that the Netherlands makes the transition to a climate-neutral energy supply in a rational manner. GasTerra embraces the vision of the Dutch gas sector "Gas by Design") that natural gas should only be used where there are currently no more sustainable alternatives and where this has the greatest added value for society. In 2018 we will continue our efforts to help the northern Netherlands develop into an energy (transition) knowledge centre.

6.1.5. Management of material issues

CSR is an integral part of the strategy at GasTerra and is therefore embedded into our day-to-day operations. As described in the chapter 'In dialogue with our stakeholders', GasTerra has integrated the materiality matrix and associated objectives and activities into the Business Plan which is approved by the Board of Supervisory Directors. Monitoring of progress and activities is included in the regular reporting cycle and discussed once a month by the College of Delegate Supervisory Directors and the Audit Committee.

6.1.6. Reporting principles

Information	Definition/calculation method
Sickness absence (in %).	The number of calendar days (including weekends) lost due to sickness in the observation period, divided by the number of staff (in full-time equivalents), multiplied by the number of calendar days in the observation period.
Average absenteeism rate	The average number of times that an employee reports sick per year.
Gas consumption	The gas consumption of the GasTerra offices at Stationsweg in Groningen according to the final settlement from the energy supplier.
Electricity	The electricity consumption of the GasTerra offices at Stationsweg in Groningen according to the final settlement from the energy supplier.
Water consumption	The water consumption of the GasTerra offices at Stationsweg in Groningen according to the final settlement from the water supplier.
Paper consumption.	The paper consumption according to the readings from the supplier of the copy machines.

6.2. Facts and figures

6.2.1. Staff trends

As of 31 December 2018 152 (141.1 Fte) people were permanent employees of GasTerra compared to 165 (152.4 Fte) at the end of 2017. To further flexibility, since 2014 it has been GasTerra's policy to only take on new staff via the 'payrolling system'. This means that the staff are employed by a payroll firm under similar conditions of employment as GasTerra employees.

GasTerra has its own collective labour agreement and the company's staff are actively involved in the sectoral trade union, the VPG[2]. Together with N.V. Nederlandse Gasunie, GasTerra is affiliated with the Stichting Pensioenfonds Gasunie (Gasunie Pension Fund Foundation). GasTerra's employees have a pension scheme administered here. An explanation of this scheme is contained in the financial statements.

	2018	**2017**
Fte *(year end)*	141.1	152.4
Number *(year end)*	152 (110 men, 42 women)	165 (121 men and 44 women)
Fixed-term contract of employment *(year end)*	-	-
Permanent contract of employment *(year end)*	152	165
Staff covered by a collective labour agreement *(year end)*	128	141
Staff employed under payrolling *(year end)*	9	13
Participation Act *(year end)*	1	3

Secondments *(year end)*	3	8
Interns *(year end)*	0	5
Degree of organisation	>80%	>80%
Outflow	13	13
Inflow	0	1
Absence due to illness	2.47%	1.6%
Average absenteeism rate	0.98	1.03
Accidents leading to time off work	0	-

6.2.2. GasTerra's footprint

We believe that it is important for sustainability to be enshrined inside and outside our organisation. We are located in an office building in the centre of Groningen. The building, which dates back to the 1980s, was fully renovated and modernised in 2012. The installation of facilities such as solar panels, triple glazing, heat/cold storage and LED screens led to the building being awarded an A+ energy label, which is a high score. This fits in with GasTerra's aim to minimise the environmental impact of its business operation. The nature of our activities mean that our footprint is small, but we still try to minimise it further where possible by monitoring our own energy use, encouraging staff to travel by public transport or bicycle, and enabling staff to work from home.

Finally, GasTerra offsets the CO_2 emissions caused by flights and car leasing. We also offset the CO_2 emissions of our office by purchasing carbon credits from the Climate Neutral Group (CNG). Offsetting is done via a sustainable gold standard project that invests in biogas installations for families in Tanzania.

	2018	**2017**
Gas consumption	31,327 cubic metres	38,743 cubic metres
Electricity consumption	387,999 kWh	377,265 kWh
Water consumption	1,123 cubic metres	1,163 cubic metres
Paper consumption.	267,625 sheets	319,416 sheets

6.2.3. Standards and norms

GasTerra attaches a great deal of importance to safeguarding the quality and integrity of the staff's actions. This is why GasTerra has a code of conduct with norms and values. New GasTerra employees formally undertake to comply with the code of conduct at the beginning of their employment. Attention is also regularly drawn to the code of conduct within the organisation. A focus on customers, a focus on results and a focus on improvement are GasTerra's three core values. GasTerra employees are expected to use these concepts as a basis for their action.

The new General Data Protection Regulation came into force on 25 May 2018. This regulation replaces the existing Personal Data Protection Act and is designed to protect the personal data of individuals. GasTerra has implemented new procedures and set up specific instructions for staff to ensure compliance with this.

An internal auditor inspects departments at set times to ascertain whether they are complying with all procedures. The results of the audits are discussed with the Board of Management, the auditor and the Audit Committee. There were no reports in 2018 of employees failing to comply with the code of conduct or additional procedures. We also regularly assess whether the codes and procedures of conduct need to be adjusted or supplemented.

GasTerra has two confidential advisers, one of whom is responsible for unwanted intimacy. The company also has a complaints procedure and whistle-blower policy. If employees have objections or complaints or if they detect abuses and solutions cannot be found with colleagues and managers, they can make use of these procedures. There were no reports of abuses or discrimination in 2018, no-one filed a complaint with the complaints committee and no-one made use of the whistle blowing policy.

Information security is vitally important for the operations of a trading company such as GasTerra. Continuous attention to information security is essential because of the increasing threats and the professionalisation of cybercriminality. The best practices of the ISO27001 standards are the starting point for the processes associated with the management of information security. Social hacks are carried out to test the adequacy of information security. Staff awareness in this area is vital, which is why the issue is regularly highlighted.

6.2.4. Memberships

We belong to various cooperation organisations, in pursuit of goals such as knowledge exchange, the development of innovative gas applications, publicising the benefits of the use of gas in the transition toward a sustainable energy supply and improving regulations. At an organisational level, GasTerra is a member of the following organisations and associations:

International Gas Union (IGU)
Eurogas
European Federation of Energy Traders (EFET)
EASEE GAS
Clingendael
Energie Nederland
Groen Gas Nederland

GasTerra also takes part in regional, local or function-related associations and initiatives.

6.2.5. Profiles

Ms. A.J. Krist MA - Managing Director (CEO)

Annie Krist (1960) studied geography at the University of Groningen. She started her career at N.V. Nederlandse Gasunie in 1987, working in the marketing department. After this she held various roles in the sales department and headed up various account management teams. In the late 1990s Annie was a member of the Gasunie team that was responsible for the commercial, technical and IT changes resulting from the liberalisation of the gas market.

She joined the GTS management team in 2005. She was Director of Strategy and Holdings from 2008 to 2011. Annie Krist was appointed General Manager of Gasunie Transport Services on 1 July 2011. From 1 May 2016 to 1 April 2017 she was also a member of the Executive Board of N.V. Nederlandse Gasunie. Annie Krist became the Managing Director (CEO) of GasTerra on 1 April 2017.

Ancillary roles (unpaid)
Member Advisory Board Clingendael International Energy Programme
Chair Foundation Council New Energy Coalition

Member of the International Supervisory Board for Executive Education EDI
Member Governing Board and Executive Committee Eurogas
Associate member International Gas Union
Chair Advisory Committee 'Groningen Bereikbaar'
Board Member Spatial Sciences Promotion Foundation
Board Member Energie-Nederland

Ancillary roles (paid)
Supervisory Board Member 'Stichting Kinderopvang Stad Groningen' (Groningen Child Support Foundation) (payment waived)
Member of Stedin Supervisory Board and Audit Committee

Mr. R.E. Van Rede MSc - Commercial Director (CCO)
Robert van Rede (1964) studied Petroleum Engineering at Delft Technical University. From 1990 to 1994 he worked at Petroleum Development Oman. In 1994 he joined the NAM where he held a number of positions. Subsequently, from 2003 to 2008 he worked for what was then Gasunie Trade & Supply as Area Manager Norway/Russia and UK, later returning to the NAM, first as Asset Commercial Manager Onshore, adding the role of Sales Manager in 2010. Robert van Rede joined the management team of GasTerra as Commercial Director (CCO) on 1 October 2013.

Ancillary roles (unpaid)
Member Emmalaan Commission Haren
Chair Empower Yourself Foundation

Mr. F.F. van Koten MA – Financial Director (CFO)
Flip van Koten (1970) studied Econometrics at Groningen University. Since 1994 he has held various commercial and financial positions with ExxonMobil in the Netherlands, England, America and Qatar. From 2007 to 2011 he was a member of GasTerra's Supervisory Board and Shareholders' Advisory Committee. He was appointed Chief Operational Officer on 1 April 2016. He has been the Financial Director (CFO) of GasTerra since 1 October 2017.

Ancillary roles (unpaid)
Board member KVGN (Treasurer)
Member Executive Board Energy Delta Institute (stood down in January 2018)
International Supervisory Board for Executive Education Foundation EDI
Board member Gasunie Pension Fund Foundation

Mr. B.C. Fortuyn MSc
Bernard Fortuyn (April 1954) studied Engineering at Delft Technical University (graduated in 1981). On 12 February 2018 Mr. Fortuyn was appointed chairman of the Board of Supervisory Directors and the College of Delegate Supervisory Directors.

After leaving university Mr. Fortuyn held various positions with SHV Holdings N.V, Air Liquide and was CEO of N.V. Hoekloos. In 2005 he joined the Executive Board of Siemens. From 2010 until his retirement in mid-2017 he was in charge of all Siemens' energy activities in the Netherlands as a member of the Executive Board of Siemens Nederland.

Ancillary roles
Chairman of the Supervisory Board of NEMO Science Museum
Trustee of Tauw Group B.V.
Trustee of Hygear B.V.
Trustee of ECN/NRG (from mid-2018)
Chairman of the Advisory & Evaluation Team of TKI Urban Energy
Member of the Topsector Energie management team
Member of the Advisory Board of the Aerospace Technology Faculty at Delft Technical University
Planning officer/Advisor to ECN (part of TNO) (until 1 May 2018)

Mr. A.F. Gaastra LLM
Sandor Gaastra (19 October 1962) studied Law at Utrecht University, specialising in Constitutional and Administrative Law (graduated in 1986). He is a member of the Board of Supervisory Directors and the College of Delegate Supervisory Directors of GasTerra.
After graduating he was initially employed as a scientist in the unit in which he completed his studies. He then moved to the Ministry of the Interior and Kingdom Relations, initially on the policy staff. He later moved to various other posts within the same ministry, acting as Head of the Secretariat-General Bureau and Director of National Personnel, Organisation and Information. In the latter role he was responsible for the government's overall HRM and informatisation policy. In 2008 he became Deputy Director-General at the Directorate-General for Public Order and Safety, with responsibility for Police and Security Regions. In 2010 this directorate was transferred to the new Ministry of Security and Justice. From 2013 until September 2016 he was Director-General for the Police at the Ministry of Security and Justice. Within the ministry he was responsible for the good operation of the police system as a whole and of the police organisation within that system. In September 2016 he moved to the Ministry of Economic Affairs and Climate Policy, working as Director-General of Climate and Energy, with responsibility for international and national policy in those areas.

Ancillary roles
Member of the Supervisory Board of the 'Stichting Waardering en Erkenning Politie' (Police Appreciation and Recognition Foundation)

Mr. J.W. van Hoogstraten MSc

Jan Willem van Hoogstraten (14 August 1964) studied petroleum extraction (graduated in 1989) at Delft Technical University. He is a member of the Board of Supervisory Directors and the College of Delegate Supervisory Directors of GasTerra.

After studying Mining and Petroleum Extraction at Delft Technical University, he started working for Shell, where he held various Well Engineering positions in Scotland, Nigeria, Indonesia and England. He then moved to Wintershall where he held various operational and commercial management positions. At TAQA Energy he was initially employed as Project Director and later as Managing Director, responsible for various initiatives including the creation of one of Europe's largest commercial gas storage facilities at Bergermeer. He was appointed CEO of EBN by the minister of Economic Affairs and Climate Policy at the start of 2016.

Ancillary roles
Member of the Advisory Board for the Clingendael International Energy Programme (CIEP)
Member of the TNO Strategic Advisory Board on Energy
Member of the Supervisory Board of New Energy Coalition (NEC)
Chairman of the Board of Supervisory Directors of NEXSTEP

Mr. R.M. de Jong MA

Rolf de Jong (5 November 1962) studied business economics (graduated in 1990) at the University of Amsterdam. He is a member of the Board of Supervisory Directors and the College of Delegate Supervisory Directors of GasTerra.

He started working for ExxonMobil in 1991 and has held various positions in the Netherlands and abroad. He was closely involved in the break-up of Gasunie in 2004-2005. After that he worked in Houston, Texas (USA) from 2006 to 2013, holding various positions including Manager New Business Development Natural Gas and Manager Planning & Analysis Upstream Ventures. In 2013 he was appointed Managing Director ExxonMobil Tanzania in Dar es Salaam. In 2016 he was appointed Director Upstream for Esso Nederland B.V. and ExxonMobil Holding Company Holland LLC.

Ancillary roles
Member of the Supervisory Board of NAM B.V. (Dutch Petroleum Company)
President XTO Netherlands, Ltd.

Mr. R.G. de Jongh MA

Ruud de Jongh (12 August 1961) studied geology (graduated in 1987) at Utrecht University and later studied for an MBA at Henley Business School (1997). He is a member of the GasTerra Supervisory Board.

He started working for Shell in 1988 as a geologist, and since then has held various positions in the Netherlands and abroad. From 1997 to 2001 he worked for the Shell Production and Development Company in Nigeria. From 2001 to 2008 he was employed as Global LNG Manager at Shell Gas and Power International, later moving to take up the position of General Manager Marketing Persian LNG. Between 2010 and 2016 he moved back to Nigeria to represent Shell's interests in gas and LNG exports. In 2016 he was appointed General Manager Joint Venture Governance Netherlands.

Ancillary roles
Chairman of the Board of Supervisory Directors of NAM B.V.
Chairman of the Supervisory Board of NoordzeeWind
Non-Executive Director Attiki Gas Supply Company (Greece)
Supervisory Board member Energy Delta Institute

Mr. T.W. Langejan MA
Theo Langejan (15 June 1957) studied law (graduated in 1981) at the University of Leiden and business studies (graduated in 1982) at Delft Technical University. He is a member of the GasTerra Supervisory Board.

In 1983 he took up employment at the Ministry of Finance. Since then his roles have included various positions at the Ministry of Finance, the Ministry of Welfare, Health and Culture, the Ministry of the Interior and the Ministry of Social Affairs and Employment. From 2010 to 2014 Mr Langejan was chairman of the Board of Management of the Dutch Healthcare Authority. Since 2015 Mr. Langejan has been executive adviser to Twynstra Gudde, and since 2017 he has also been a special administration advisor to the Pension Federation.

Ancillary roles
Member of the Pension Administration and Management Advisory Board

Ms. J.M.W.E van Loon MSc
Marjan van Loon (25 December 1965) studied chemical engineering (graduated 1989) at Eindhoven Technical University. She is a member of the Board of Supervisory Directors and the College of Delegate Supervisory Directors of GasTerra.

In 1989, she took up a post of chemical technician at Shell. Since then she has held a number of positions at home and abroad. In the period 1997-2007, she was working in Australia as Technical Manager at the Karratha Gas Plant and in Malaysia as Regional Manager for LNG & Gas Processing. In 2007, she was appointed Global Manager for LNG and Gas Processing and from 2009 she was Vice President Integrated Gas and LNG. On 1 January 2016, she was appointed CEO of Shell Netherlands.

Ancillary roles
Member of the Executive Committee of the Confederation of Netherlands Industry and Employers (VNO-NCW)
Member of the Board of Directors of the Association of the Dutch Petroleum Industry (VNPI)
Chairman of the Dutch Board of Directors of the World Petroleum Congress
Chairman of the Christiaan Huygens Prize Foundation
Member of the Board of the Avond van Wetenschap en Maatschappij (Evening of Science and Society)
Member of the Board of the Apeldoorn British-Dutch Dialogue Conference
Member of the Advisory Board for the Clingendael Energy Programme (CIEP)
Member of The Hague Economic Board

Mr. F.A.E. Schittecatte MSc
Filip Schittecatte (26 January 1978) studied electrical and mechanical engineering (graduated in 2001) at Ghent University and obtained an MBA from Vlerick Leuven-Gent Management School in 2011. He is a member of the GasTerra Supervisory Board.

Since 2001, he has held various positions at ExxonMobil, both in upstream and downstream, including in London. In his current post as Gas Marketing Manager he represents ExxonMobil in the Dutch 'Gasgebouw'.

Ancillary roles
Mr. Schittecatte has no ancillary roles.

6.2.6. Glossary

Authority for Consumers & Markets (ACM)	Dutch regulator that implements market rules and ensures that the market operates well and fairly.
Balancing	Maintaining the gas transmission network in a state of equilibrium.
Biogas	Biogas is a mixture of gas produced as a result of biological enzymatic processes. The main components of biogas are methane and carbon dioxide.
CCS	Carbon Capture and Storage, the capture and underground storage of CO_2.
CO_2	CO_2 is a scientific abbreviation for carbon dioxide. CO_2 is a greenhouse gas that holds heat in the atmosphere, causing the temperature of the earth to rise (the greenhouse effect). CO_2 is released during the combustion of biomass such as wood and plant waste and fossil fuels: oil, gas and coal. Much less CO_2 is released by the combustion of natural gas than by the combustion of oil and coal: 30% less CO_2 is released compared to oil, and 50% less CO_2 compared to coal.
G-gas	Groningen gas, natural gas obtained from the largest Dutch gas field in the province of Groningen. G-gas is a low-calorific gas (L-gas).
Gas year	A gas year runs from 1 October to 1 October.

Governance	The method of administration and supervision.
GRI	Global Reporting Initiative, worldwide guidelines for reporting on sustainability.
Green gas	Biogas produced with the same quality properties as conventional natural gas.
Trading points	Virtual trading exchanges for gas.
Renewable gases	Gaseous energy carriers of non-fossil origin.
H-gas	High-calorific gas, or gas with a high calorific value. This gas contains relatively higher levels of hydrocarbons and so contains more energy than low-calorific gas.
Small fields policy	Government policy aimed at promoting the production of natural gas from the smaller gas fields in the Netherlands. Small fields are fields other than the Groningen field.
L-gas	Low-calorific gas, or gas with a low calorific value. Groningen gas, natural gas obtained from the largest Dutch gas field in the province of Groningen, is low-calorific gas.
LNG	Liquefied Natural Gas
Environmental Plan for Industry (MPI)	Programme that GasTerra offers to its industrial clients to help them gain insight into their energy consumption, supplemented with technical support on improving energy-efficiency, process optimisation and making their processes more sustainable.
MiFID	Markets in Financial Instruments Directive, European investment directive to protect investors and the integrity of the financial markets, to promote fair, transparent, efficient and integrated financial markets and to further harmonise the European trading and investment market.
TSO	Transmission System Operator, operator of a national gas transmission network.
TTF	Title Transfer Facility, virtual trading point for gas in the Netherlands.

6.2.7. GRI Index

GRI Content Index – GRI 101: Foundation 2016 – Core Level		
GRI Standard	**Description**	**Chapter**
GRI 102 General Disclosures 2016	102-01 Name of the organisation	Chapter 1
	102-02 Activities, brands, products and services	Chapter 1
	102-03 Location of headquarters	Chapter 1
	102-04 Countries in which the organization is active	Chapter 1
	102-05 Ownership structure and management form	Chapter 3
	102-06 Markets served (geographical breakdown, sectors served and types of clients/beneficiaries)	Chapters 1 and 2
	102-07 Size of the organisation	Chapter 6
	102-08 Information on employees	Chapter 6
	102-09 Description of the organisation's supply chain	Chapter 1
	102-10 Significant changes in the size of the organisation and its supply chain	Chapter 6
	102-11 Explanation of the application of the precautionary principle	Chapter 3
	102-12 Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes.	Chapter 1
	102-13 Memberships of associations (such as sectoral associations) and national and international interest groups.	Chapter 6

	102-14 A statement from the senior decision-maker in the organisation	Foreword
	102-16 A description of the standards and norms applied in the organisation and of the code of conduct.	Chapter 6
	102-18 Governance structure	Chapter 3
	102-40 List of stakeholder groups	Chapters 1 and 6
	102-41 Number of employees covered by a collective bargaining agreement	Chapter 6
	102-42 Basis for inventorising and selecting interested parties that must be involved	Chapter 6
	102-43 Approach to involving interested parties	Chapter 6
	102-44 The key topics and issues arising from consultation with interested parties	Chapters 1 and 6
	102-45 Summary of all companies included in the consolidated financial statements or similar documents	Chapter 4
	102-46 Process used to determine the content and specific boundaries of the report and explanation of the principles used by the organisation to determine the content of the report.	Chapter 6
	102-47 Summary of material issues	Chapter 1
	102-48 Consequences of any reformulation of information provided in a previous report and the reasons for this reformulation.	Chapter 6
	102-49 Significant changes compared to previous reporting periods with regard to scope and boundaries.	Chapter 6
	102-50 Reporting period to which the information provided relates	Chapter 6
	102-51 Date of the most recent previous report	Chapter 6

	102-52 Reporting cycle	Chapter 6
	102-53 Contact for questions about the report	Chapter 6
	102-54 Option selected for reporting in accordance with GRI standards	Chapter 6
	102-55 GRI content index	Chapter 6
	102-56 Policy and current practice with regard to obtaining external verification about the report	Chapters 3, 5 and 6
Material issues (summary of material issues in the report as reported under disclosure 102-47)		
Contractual obligation		
GRI 103 Management approach	103-1 Explanation of and boundaries to the material issue	Sections 1.4 and 2.1
	103-2 Explanation of how the organization deals with the material issue and its impact	Sections 1.4 and 2.1
	103-3 Evaluation of the management approach	Sections 1.4 and 2.1
GRI 200 Economic	Economic 201-1 Direct economic value generated and distributed	Sections 1.4 and 2.1
Economic performance		
GRI 103 Management approach	103-1 Explanation of and boundaries to the material issue	Sections 1.4 and 2.2
	103-2 Explanation of how the organization deals with the material issue and its impact	Sections 1.4 and 2.2
	103-3 Evaluation of the management approach	Sections 1.4 and 2.2
GRI 200 Economic	Economic 201-1 Direct economic value generated and distributed	Sections 1.4 and 2.2

Support for activities		
GRI 103 Management approach	103-1 Explanation of and boundaries to the material issue	Sections 1.4 and 2.5
	103-2 Explanation of how the organization deals with the material issue and its impact	Sections 1.4 and 2.5
	103-3 Evaluation of the management approach	Sections 1.4 and 2.5
GRI 200 Economic	203-2 Indirect economic impact	Sections 1.4 and 2.5
Sustainable deployability		
GRI 103 Management approach	103-1 Explanation of and boundaries to the material issue	Sections 1.4 and 2.3
	103-2 Explanation of how the organization deals with the material issue and its impact	Sections 1.4 and 2.3
	103-3 Evaluation of the management approach	Sections 1.4 and 2.3
GRI 400 Social	401 Job opportunities	Sections 1.4 and 2.3
Sustainable energy supply		
GRI 103 Management approach	103-1 Explanation of and boundaries to the material issue	Sections 1.4 and 2.4
	103-2 Explanation of how the organization deals with the material issue and its impact	Sections 1.4 and 2.4
	103-3 Evaluation of the management approach	Sections 1.4 and 2.4
GRI 200 Economic	203-2 Indirect economic impact	Sections 1.4 and 2.4

Role of GasTerra in the gas market		
GRI 103 Management approach	103-1 Explanation of and boundaries to the material issue	This issue will become material in 2019. This report only covers the material issues for 2018. See section 1.4 for clarification.
	103-2 Explanation of how the organization deals with the material issue and its impact	-
	103-3 Evaluation of the management approach	-
GRI 200 Economic	203-2 Indirect economic impact	-

6.2.8. Colophon

Published by:
GasTerra B.V.
P.O Box 477
9700 AL GRONINGEN

The annual report is available online via our website: http://jaarverslag2018.gasterra.nl/

If you have any questions about this annual report or suggestions for improvement you can contact the Communication Department via email or phone.

Email: communicatie@gasterra.nl
Telephone number: + 31 50 364 8377

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This English version of the Annual Report is a translation of the original Dutch Annual Report. The Dutch Annual Report is adopted and approved by the General Meeting of shareholders at 14 February 2019. This translation is for information purposes only and no rights can be derived from its content. In the case of any discrepancies between the English and the Dutch text, the latter will prevail.

February 2019

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