

Annual Report 2017



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Foreword

Since my appointment as CEO of GasTerra just over a year ago, I have often been asked why I wanted to go and work for a company 'that might no longer exist in a couple of years'. The subtext is clear: (natural) gas is a thing of the past; we need to move away from it quickly; there will soon no longer be any place for GasTerra as a purchaser and vendor of domestically-produced gas in particular. In short, what are you getting into?

This question is based on a misunderstanding, or more accurately, a number of misunderstandings. A survey recently conducted on behalf of the Ministry of Economic Affairs and Climate Policy found that most Dutch people have no idea of how much of the national energy mix is made up of renewable energy. Figures of 40 per cent and more were quoted, but in fact it is less than ten per cent. Everyone is aware that things have to improve. So the ambitions are high, but it is and remains a huge challenge. Good intentions alone are not enough. Pragmatic action is, *provided* that everything goes well. The current and future role of (natural) gas needs to be reassessed in the light of this.

Some people involved in the climate debate think that gas needs to be regarded purely and simply as a problem that can be resolved by closing down the complex gas network as quickly as possible and replacing it with heat networks and fully electric systems. This attitude also rests on a misunderstanding: that climate neutrality can only be achieved quickly by rapidly doing away with all fossil fuels. But we need smarter answers. The contribution of natural gas to the energy supply is so large that it will have to continue playing a key role in the energy transition for a long time to come. The figures speak for themselves: around 95 per cent of homes in the Netherlands are connected to the gas network. If they are all to be provided with an alternative, sustainable form of heat supply before 2050, then from now on more than 200.000 homes a year will have to be taken off gas.

Leaving aside the question of whether this is a feasible task, we must also realise that the built environment only accounts for a relatively small proportion of energy demand. Anyone who wants to make progress must first and foremost deal with CO₂ emissions by industry and transport. In that segment fossil fuels still have a major role to play as cost-efficient energy carriers.

I've said it: CO₂ emissions. The gas sector has for a long time been making the point that we have to focus on emission reduction. Sustainability must not be an end in itself: the important thing is to achieve the climate goals of the Paris Agreement without doing unacceptable socio-economic damage. *How we* achieve that is fundamentally a secondary issue. What this means is that you must not ignore any usable approach, including rapidly replacing the most polluting fossil fuels, especially coal, by relatively clean natural gas, and including the storage and possibly beneficial use of CO₂.

In itself, this is not a new message from the gas sector, but those who understand these matters will realise that there is a new element: the realisation that in a climate-neutral energy supply, natural gas will eventually no longer occupy the position in the energy mix that it now holds. We therefore believe that it is a good idea to stop connecting new-build homes to the gas network. For that reason we are also working actively on projects, programmes and trading activities to ensure that gas can itself become more sustainable; think in particular of biogas and renewable hydrogen. We support the efficient use of energy, for example by encouraging hybrid heat pumps, which can lead to a sharp reduction in demand for gas. This requires companies that produce, distribute and sell gas to anticipate the new circumstances and the broader wishes of society.

GasTerra is no exception to this. Our mission, to maximise the value of Dutch natural gas, has not changed since our foundation. But the way we achieve it has, partly as a result of the liberalisation of the gas market in recent years. Another factor is that we are part of a political and social environment that has different requirements and norms compared to the past. More than ever, this forces us to think about what exactly the term 'value' means, our role in the gas chain and our contribution to the energy transition. These aspects are fully taken into account in this annual report.

The problems in Groningen deserve special attention. Developments have accelerated after the earthquake in Zeerijp on 8 January. The National Mines Supervisory Body has recommended that gas extraction be reduced at a faster rate (to no more than 12 billion cubic metres a year), and Gasunie Transport Services has recommended a production range in a warm versus a cold year (of 14 to 27 billion cubic metres). The Minister for Economic Affairs and Climate will take account of these recommendations as he considers a new production decree. Leaving aside the issue of exactly how a reduction in gas extraction should be implemented, we see it as part of our social responsibility to make every effort in helping to resolve this issue.

In the light of the major changes in the national and international energy markets, the business climate for GasTerra has become rather tougher. Volumes bought and sold have remained fairly stable despite the falling demand for gas, but prices have been under pressure for some years. This is reflected in our earnings. In 2014 our turnover stood at 19.5 billion euro; a year later this figure had fallen to 14.7, in 2016 it was down to 9.9 billion and in 2017 the figure was 9.6 billion. Despite this sharp decline, I am satisfied with the result. After all, despite all the social and economic turbulence, our company has once again managed to successfully complete its mission.

Our staff work in an environment that is much less predictable than it was in the past, in an organisation that has responded to the worsening business climate by undertaking a thorough process of change. As a result of the associated restructuring, which has been taking place since 2015 and is set for completion before the end of 2018, the number of jobs in GasTerra has fallen substantially. With a single exception, no new employees have been or will be taken on.

We are now thinking about what happens next. How do we ensure that our company can continue to carry out its tasks for the decade to come? We do have considerable influence on this, leaving aside the external factors, provided that the knowledge and skills of our staff are a good match for the requirements that the market and society have of us. Consequently, we have launched a strategic HR management programme aimed at mapping competencies and the available functions and aligning our staff development policy to them in the best possible way. We expect to start implementing the outcomes of this in 2019.

I should like to end with a word of thanks. First of all to our staff. They *are* GasTerra, and so deserve appreciation for the good results. Then to all our other stakeholders for the confidence that they have placed in us and for the mutual dialogue that will help us remain relevant in the future.

Annie Krist,
Chief Executive Office



GasTerra

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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 serves part of the Dutch and European gas market. We have a customer-focused approach to our operations and promote the appropriate use of gas and the development of new applications in the field of gas and energy. The company supports the need for a responsible transition to a climate-neutral energy supply and initiates and facilitates projects in that context.

Mission, vision and strategy

GasTerra's mission is to maximise the value of Dutch natural gas. We fulfil a public role with regard to the implementation of the Dutch government's Small Fields Policy. This policy aims to promote natural gas production in the smaller gas fields in the Netherlands.

The economic value and social importance of gas determine GasTerra's role in the Dutch and European energy supply. GasTerra maximises the value of its product by aiming at four goals:

- 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 sell 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.

The company makes the best possible use of its position in the European market, specifically in those market segments where demand for natural gas goes hand in hand with demand for supplemental services, particularly flexibility. Gas from non-Dutch sources is procured if it fits into the overall supply and demand portfolio. GasTerra is continuously developing new products and services. In this context, we seek to be a reliable and competitive supplier to our customers.

The company attaches great importance to making the supply of energy sustainable and initiates projects in this area. Gas remains indispensable to this energy transition if we wish to both secure energy supplies and curb CO₂ emission levels. Although the share of natural gas in the total energy supply must fall, the Netherlands can continue to be a major producer of natural gas for decades to come. GasTerra seeks to achieve a responsible transition to sustainability, i.e. with a view to both economic and environmental interests. We are guided by the principles of corporate social responsibility (CSR): People, Planet, Profit. A focus on customers, a focus on results and a focus on improvement are GasTerra's three core values. These are the values that our staff adopt as a starting point for all their business dealings, working in conformity with a code of conduct in which integrity and respect serve as guiding principles. The company seeks to build long-lasting business relationships with market operators and to enter into agreements that reflect the value of natural gas and its associated services.

Our chain

We are part of a chain which includes all activities from extraction to use of natural gas. GasTerra is active as a trader of the gas. This brings us into contact with producers, suppliers and clients, but also with network operators, market regulators and authorities that draw up laws and regulations. We also deal with parties on trading points.

GasTerra is the sole buyer of Groningen gas. Considerable attention has been paid to Groningen gas extraction in recent years. The government has decided to restrict gas extraction from this field on safety grounds because of the earthquakes. As NAM produces the gas, NAM is responsible for implementing these decisions. GasTerra's role is to buy the gas offered to us by NAM.

In addition to Groningen gas, GasTerra also buys gas from small Dutch fields. This is also a statutory public task under the Gas Act. This Act means that we do not have a free choice of which producer we do or do not buy gas from in the Netherlands. We expect producers to comply with the legislation and environmental and safety rules in force in the Netherlands. On 7 September 2017 the Dutch gas sector signed the initial version of the "code of conduct on gas extraction from small fields". The code of conduct lays down general guidelines for protecting the environment in the context of oil and gas projects in small onshore fields. This code of conduct is the sector's way of fulfilling its wish to be an engaged, reliable and approachable player in the environment. GasTerra applauds initiatives that can lead to greater support for gas production and exploration in the Netherlands.

We also have long-term contracts for the purchase of gas from Germany, the United Kingdom, Norway and Russia. Production from these foreign sources is linked to the regulations in force in those countries.

We are members of various cooperative associations dealing with the use of gas. In this context, we present the role of gas in a climate-neutral energy supply, based on the "Gas by Design" vision developed by KGVN. We support clients in their efforts to make production processes more sustainable (we call this the Environmental Plan for Industry), share knowledge about energy and help to develop innovative gas applications. We also stimulate the production of renewable gas and innovation/research in this area.

Our market and environment

Groningen supply

We sell all the gas produced in the Netherlands that is offered to us. The Minister for Economic Affairs and Climate Policy determines the maximum amount of gas that can be extracted from the Groningen field. In the 2016/2017 gas year (1 October 2016 to 1 October 2017), NAM's total production of natural gas from the Groningen field was 23.98 billion cubic metres, in line with the production ceiling of 24 billion cubic metres.

The statement by the Council of State on 15 November 2017 revoked the decisions of the Minister of 30 September 2016 (5 years 24 billion cubic metres per gas year from 1 October 2016) and 24 May 2017 (reduction to 21.6 billion cubic metres from 1 October 2017). The minister has to reach a new decision on gas extraction. The Council of State has made a provisional ruling stating that gas extraction can take place according to the amended decision of 24 May 2017 (specifying 21.6 billion cubic metres with the option to extract more in a year that is colder than average) until the minister's new decision takes effect.

Social and political pressure to further reduce Groningen gas extraction is rising as a result of recent earthquakes. The desire to accelerate the reduction in production is due primarily to the safety issues in Groningen, but also to the need to cut the share of fossil fuels in energy supply.

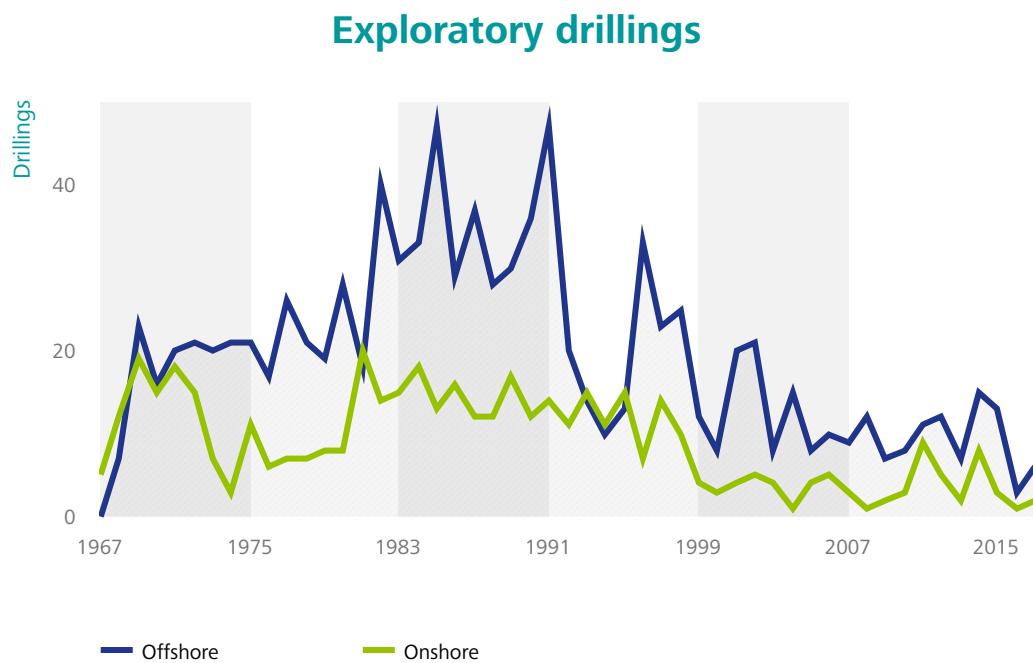
Discussions on the production and use of Groningen gas have accelerated following the recent earthquake in Zeerijp which took place on 8 January 2018 and measured 3.4 on the Richter scale. The new minister for Economic Affairs and Climate has agreed a new compensation protocol with the parties concerned. GasTerra does not play a role in this, but recognises the important of regulations that satisfy all parties involved. Another ministerial priority is the fall in demand for low-calorific Groningen gas. He is in discussions with large industries in the Netherlands about alternatives. He is also looking at options to reduce exports and whether the construction of a new nitrogen plant, converting high-calorific gas to low-calorific gas, can offer a solution. All these options are complex and time-consuming. There has been much public discussion of our long-term contracts with foreign clients. It is important to realise that demand for Groningen gas is determined not by the contracts but by physical use. Millions of households in north-west Europe rely on low-calorific gas, and they cannot switch overnight.

For us, these recent developments mean that the quantity of Groningen gas in our portfolio will remain uncertain in the years to come. Our Business Risk Analysis shows that this has already been defined as one of the major risks (see [risk section](#)). Over the past few years we have learned to deal with this uncertainty.

Supply from small fields

Most small fields are coming to the end of their production cycle. Gas production from small Dutch gas fields has fallen considerably in recent years, mainly because of the high depletion of existing fields. Investment in drilling new small fields has also been very limited as a result of the relatively low level of gas

prices, the relatively high costs of production from new fields and a decline in social acceptance. This has led to a fall in supply among existing contracts. It is also shown by the number of exploratory drillings in 2017: the lowest figure in 50 years.



There have also been positive developments. The gas price recovered somewhat last year, and a gas field to the north of Schiermonnikoog was discovered by Hansa Hydrocarbons.

Gas demand and conversion

European gas demand

Gas demand in Europe^[1] was approximately 587 billion cubic metres in 2017; the highest level since 2011 (Source: Wood Mackenzie publication “Europe gas supply 2017 in review”). Demand for gas rose in the electricity sector in particular as a result of a fall in hydropower and nuclear energy generation and high coal prices. The rise is also due to cold weather at the start of the year and a higher demand for gas from industry.

Russian and Norwegian gas supplies to the European Union reached record highs in 2017. Member States are becoming increasingly dependent on gas produced outside the Union because their own production is declining. This is certainly also true for the Netherlands because of falls in production from the Groningen field and small fields.

During the climate summit in Paris in 2015 agreements were reached on a number of issues, including the desired reduction in emissions of greenhouse gases such as CO₂. They relate to the reduction in energy consumption, the use of sustainable alternatives, and less polluting choices for fossil energy. At the climate summit in Bonn several European countries, including the Netherlands, presented an initiative to end electricity production from coal before 2030. This could lead to an increased demand for gas in the electricity sector. For the Netherlands, the European agreements will be integrated into a climate law that should be ready in broad outlines in 2018.

Development of demand for gas in the Netherlands

Gas is used for various energy functions in the Netherlands: low-temperature heat, high-temperature heat, power and light, mobility and as a raw material. It is clear that natural gas continues to play a significant role in a number of these energy functions (in 2017 approximately 38 bln. m³) (Source: NEV 2017, m3 (35,17)), but this will decline in future. The climate policy target of an 80-95% CO₂ reduction in 2050 puts a great deal of pressure on natural gas in the energy mix. Savings and replacement by renewable energy will cut demand for natural gas. In a climate-neutral energy supply, natural gas can still play an important part in combination with CCS (capture and storage of CO₂).

In the low-temperature heat function, gas is an important source of energy for heating homes and various other buildings such as shops, schools and office premises, greenhouses and for industrial processes. It is expected that the use of gas for these applications will fall in the future thanks to the application of insulating measures and increased sustainability. This increase in sustainability can come about through 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 sources and biomass) in heat networks.

As well as being an important energy source in the form of high-temperature heat for industrial processes, gas is also used as a raw material especially for the production of artificial fertiliser. The use of CCS can also offer a solution here, in addition to electrification and the use of biomass as a sustainable raw material and fuel. CCS can be applied after combustion by filtering the CO₂ out from the exhaust gases. But application before combustion is more efficient. Converting gas into hydrogen and CO₂ allows the CO₂ to be captured quite easily. The remaining hydrogen can take on the role of natural gas as a fuel and raw material. Hydrogen from electrification of surplus sustainable electricity can also be used here.

The power and light energy function relies on the production of electricity. Electricity generation will have to be stepped up to meet the rising demand for electricity as a result of electrification of mobility and heat. Gas still plays a role here, but sustainable energy from wind and solar sources will play an increasingly important role. The role of gas may rise temporarily to some extent depending on when the production of electricity from coal comes to an end. Gas may retain a longer-term role in highly efficient energy production (CHP) and as back-up. This is partly due to the development of alternative technologies for the storage of electricity, opportunities of demand response or the opportunity to increase flexibility of supply from other countries following the expansion of international electricity connections.

Finally, gas still plays a minor role in the mobility energy function: as CNG in buses and cars and as LNG in freight vehicles and ships. The proposals in the government agreement for emission-free new cars from 2030 onwards mean that CNG probably has no future in cars. (Bio)LNG in freight vehicles and ships could

certainly contribute to cutting emissions in the mobility function and could therefore bring about a limited increase in demand for (bio)LNG.

Conversion (from L-gas and to H-gas)

As a result of the fall in production of Groningen gas, plans are being developed in Germany, Belgium and France to convert gas equipment from Groningen low-calorific gas (L-gas) to high-calorific gas (H-gas).

Almost 100,000 items of gas equipment were converted from L-gas to H-gas in Germany in 2017. The latest report from the German network operators states that this number will rise to 200,000 in 2018, 300,000 in 2019, 400,000 in 2020 and over 500,000 a year in 2021 and beyond. Exports of L-gas to Germany will therefore start to decline year on year from winter 2019/2020.

Belgium and France are launching their first conversion projects, regarded as pilots, in 2018. Conversion will gradually build up in both countries from 2020 onwards, and so exports of L-gas will decrease year on year. As a result, exports of L-gas will steadily decline between 2020 and 2029. Exports of L-gas are expected to cease in 2030.

Until recently, conversion in the Netherlands was not thought to be likely. In the 2016 energy agenda, the Ministry of Economic Affairs and Climate Policy still stated that conversion was not necessary in principle. However, the government agreement does refer to some conversion in the industry. Recent developments following the earthquake in Zeerijp have accelerated this debate.

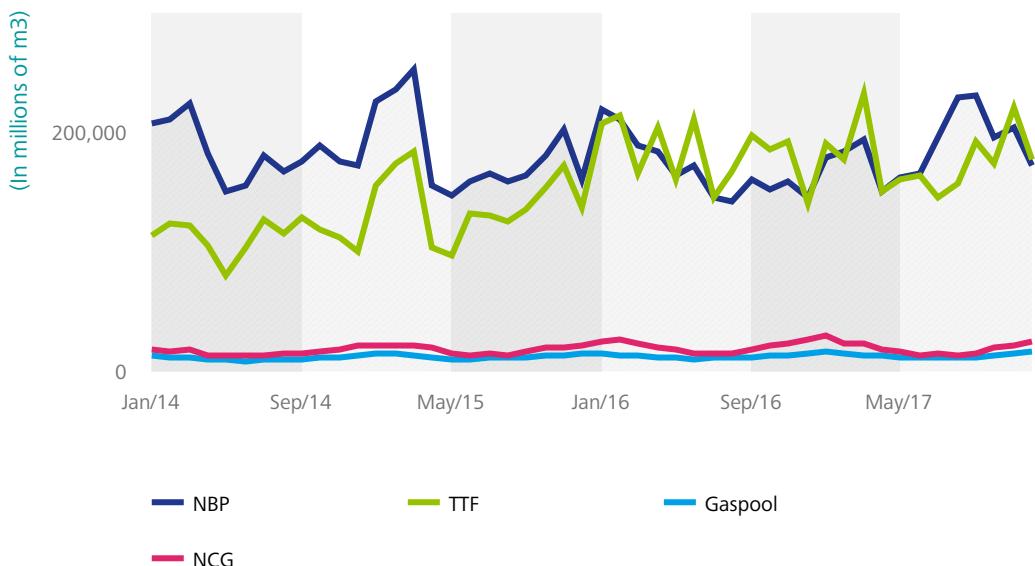
[1] Europe consists here of the following countries: Albania, Belgium, Bosnia and Herzegovina, Bulgaria, Cyprus, Denmark, Germany, Estonia, Finland, France, Greece, Hungary, Ireland, Italy, Croatia, Latvia, Lithuania, Luxembourg, Macedonia, Malta, the Netherlands, Norway, Austria, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, the Czech Republic, Turkey, the United Kingdom, Sweden and Switzerland.

Trading points

Volume of trade

Much of the trade in natural gas takes place on trading points, called hubs, via exchanges or via brokers. The largest gas hubs in Europe are the Title Transfer Facility (TTF) in the Netherlands and the National Balancing Point (NBP) in the United Kingdom. After the TTF, the most liquid are the German trading points NetConnect Germany (NCG) and Gaspool.

Volume of trade



Sources: GTS, National Grid, ICE NetConnect Germany, Gaspool

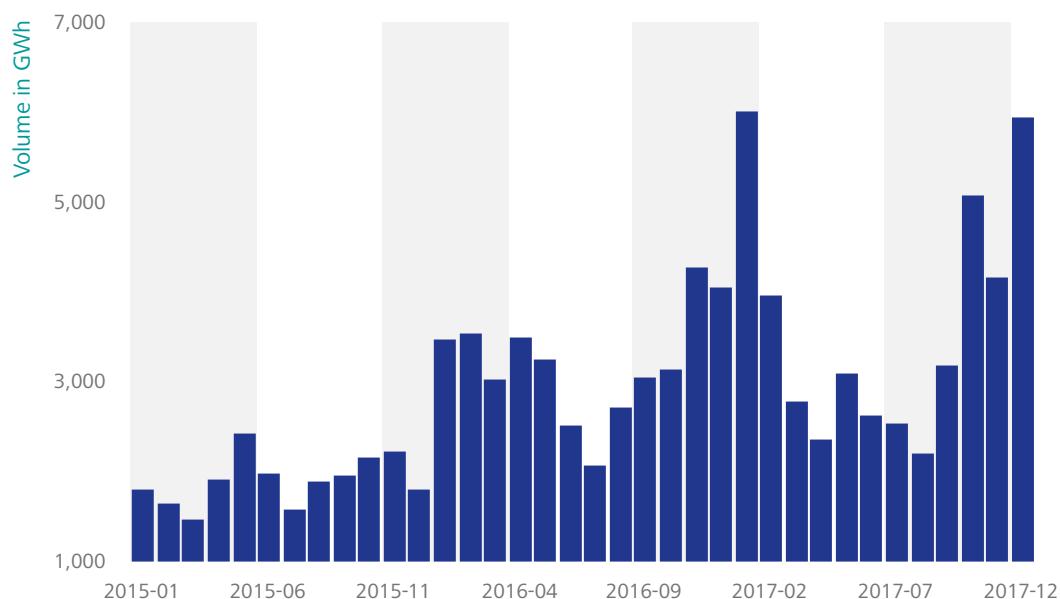
The volume of trade on the TTF was stable in 2017, while the figure on the NBP rose slightly. The volume of trade on the TTF in 2017 was 2,146 billion cubic metres (2016: 2,197 billion cubic metres). The volume of trade on the NBP rose to 2,268 billion cubic metres. The volume of trade on the TTF was higher than on the NBP since the start of 2016, but it was overtaken by the NBP between April and October 2017. TTF regained its lead over NBP in November 2017.

The volume of trade on the German hubs was still limited compared to the figures for TTF and NBP. In 2017, 236 billion cubic metres was traded on NCG and 160 billion cubic metres on Gaspool.

TTF is the most liquid of all the European hubs with regard to trade in products that lie further in the future, such as calendar years and seasons. This means that TTF is an important trading point for GasTerra. The TTF is the main price marker in continental Europe for long-term contracts and for gas on the other trading points.

The Within Day market on TTF has developed further in recent years. The volume of trade in 2016 was 38 TWh. In 2017 this rose to 44 TWh, an increase of 14%. The present size of the Within Day market offers GasTerra the opportunity to use this market to balance its portfolio. GasTerra has been making active use of this market since the end of 2016.

Development of TTF Within Day trading per month



Source: Trayport

Prices

On average, prices on the TTF were higher than in 2016. The annually averaged day-ahead price was 3.2 eurocent/cubic metre higher than in 2016, while the annually averaged month-ahead price was 3.1 eurocent/metre higher.

This recovery is due to a number of factors, including the higher oil price, good economic performance, higher than expected demand in Asia and greater use of gas-fired power stations than of coal-fired power stations in the electricity sector.

The rise in worldwide LNG production has not yet led to an increase in shipping of LNG to Europe, because demand for gas in Asia has risen more strongly than expected. This has meant that the expected downward pressure on European gas prices has not yet taken place.

Development of monthly average TTF prices



Source: ICIS Heren

Clients

The creditworthiness of major energy companies has fallen in recent years, but now seems to be stabilising. The difficult situation in the electricity market and Germany's decision to abandon the use of nuclear energy are among the causes of this fall. Energy firms have engaged in an efficiency drive to survive this. The switch from fossil to sustainable sources is a recent new factor. For example, E.ON and RWE have split sustainable and fossil, and Engie has formulated a new strategy based on restructuring the company and investing in technologies of the future.

GasTerra is facing a change in clients' strategies on the Dutch market as well. New, small, efficient parties have been created, and existing parties are up for sale or have already been sold (Eneco, Delta and PZEM). GasTerra is also having to deal with shifts in customer wishes. For example, customers are asking for green gas.

Regulation

GasTerra faces regulation at national and European level that impacts its business operations. We monitor regulatory developments at European and national level, and try to influence policy decisions where this is possible and rational. When new regulations are introduced, the company does its best to ensure that it can comply with these obligations in a timely fashion.

The European Parliament adopted the Regulation in Energy Markets Integrity and Transparency (REMIT) for the energy sector in 2011. This sector-specific regulation prohibits insider trading and market manipulation. There is also a European regulation which contains the same prohibitions, but focusing mainly on financial instruments (Market Abuse Regulation/MAR), and this regulation also applies to part of GasTerra's activities. REMIT also requires market operators to comply with extensive reporting obligations, and GasTerra has set up 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. GasTerra makes use of the 'ancillary activity exemption', because trade in contracts that qualify as financial instruments under MiFID II is an ancillary activity of GasTerra's main business.

In mid-2017, the Authority for Consumers and Markets (ACM) established the method to be used to set the tariffs for Gasunie Transport Services (GTS) for the period from 2017 to 2021. A new feature in the 2017-2021 Method Decision (MB2017-2021) was the introduction of an efficiency benchmark, comparing the operation of GTS with that of various European TSOs. In early 2017 GTS and ACM came to an agreement on the application of the benchmark and a number of other unresolved disputes.

The agreement provides for around € 600 million to be returned to the market between 2017 and 2021, and for relative security and stability in GTS tariffs until 2021. GasTerra supported this agreement via the sectoral organisation Energie-Nederland. This resulted in much lower tariffs in 2017, which recovered in 2018.

In April 2017, ACM and GTS started a trajectory to implement the European Netcode Tariffs (NC TAR) in the Netherlands. One of the proposed changes is to switch to a different distribution of income from entry points and exit points, and to move to a single postage stamp tariff for all GTS network points. The ACM's final proposal will be put out to the market for consultation in early 2018. GasTerra is closely involved in this topic. The network code will be fully operational in the Netherlands from 1 January 2020.

From 1 November 2018, the Network Code CAM will require the introduction of Virtual Interconnection Points. This means that various border points will be grouped together in a new virtual point. Making border points virtual should encourage trade among gas markets. GTS planned to implement this in October 2018, but this has been put on hold for the time being due to lack of clarity as to how implementation is to take place. It is not yet clear how and when VIPs will be implemented in the Netherlands.

In dialogue with our stakeholders

We regularly hold discussions with our stakeholders in order to know what society expects of GasTerra.

We have identified the following stakeholders:



In addition to the regular discussions that we hold with stakeholders, we conducted a stakeholder dialogue this year. Surveys and follow-up interviews were carried out to log the opinions of stakeholders on a number of issues. The stakeholder dialogue enabled us to determine material themes that serve as input for our strategy. These material issues are described in this report.

Material issues



Contractual obligation	The extent to which GasTerra complies with its contractual obligations by having enough gas in the 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.

Within the strategic pillars of volume, price, costs and anticipation, the material issues are converted into aims for 2018. These are then connected to the risks arising from the Business Risk Analysis to produce the following connectivity matrix.

Material theme	Strategic pillar	Aim for 2018	Business risk
Contractual obligation	Volume	GasTerra will be fully in compliance with its contractual obligations.	Supply from the Groningen field
Economic performance	Volume	GasTerra will sell all the gas offered to GasTerra.	Supply from small fields
	Price		Creditworthiness
	Costs	We will make the maximum possible use of resources such as storage facilities in our portfolio.	Transmission costs
		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	Costs	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.	Organisation
	Anticipation	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	Anticipation	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.	Image
		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	Anticipation	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.	Image
		In 2018 we will continue our efforts to help the northern Netherlands develop into an energy (transition) knowledge centre.	

In 2018 we need to create a picture for ourselves of what GasTerra will look like in the future. The mission of our company, maximising the value of Dutch natural gas, has not changed. However, we must continue to reflect on our role in the gas chain and what our contribution to the energy transition is. The internal organisation is also important here. By means of strategic staff planning we want to determine what competencies we need in the organisation and what HR policy is required here.

GasTerra wants to use the energy-related knowledge and skills present in the business, as well as opportunities in the area of new gases. In this context, we focus particularly on green gas and hydrogen. The production of green gas offers a green future perspective for our product, while green gas production is limited. Hydrogen became an increasing focus of attention last year, especially in northern Netherlands. In 2018 we will investigate whether GasTerra's involvement in renewable gases offers a sufficient basis for a business case.

Value creation model



Summary of financial results

	2017	2016
Income and expenditure in millions of euros		
Net turnover	9,601	9,865
Gas purchases	9,227	9,263
Transmission costs	287	501
Profits in millions of euros		
Profit before tax	48	48
Net profit	36	36
Dividend	36	36
Other financial information		
Investments (in millions of euros)	1.8	1.2
Liquidity ratio	1.1	1.1
Balance sheet data, in millions of euros		
Total assets	1,802	1,995
Shareholders' equity	216	216
Current liabilities	1,586	1,779
Volumes sold in billions of cubic metres		
Total sales	56.6	63.9
-The Netherlands	23.5	23.1
-Rest of Europe	33.1	40.8
Personnel year-end, in full-time equivalents		
Company staff	152.4	165
Health & safety		
Sickness absence (in %)	1.6	3
Average absenteeism rate	1.03	0.89

The solvency of GasTerra is not representative because of the agreements among the various entities in the gas building (see the [financial statements](#)). 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.



Material Issues

The material issues for 2018 are 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 held in 2017 and are an input for our strategy. These material issues are described in more detail in this section.

Contractual obligation

Security of supply was one of the themes in the stakeholder dialogue. By this we mean the need to have enough gas in portfolio at every point in the year to be able to meet our contractual obligations. In the dialogue we noticed that the difference between security of supply in the market and GasTerra's contractual obligations is not always clear. GasTerra is not responsible for security of supply in the market as a whole, because we are only one of the parties buying and selling gas. To prevent confusion, in this report we use the term 'contractual obligation'.

GasTerra has adapted its strategy to the circumstances. Before the first production decision (in 2014), GasTerra worked according to a 10-year flexible purchase ceiling laid down by law. If the volume purchased in one year was below the annual average, this could be made up subsequently by higher purchase levels. The current production limits mean that GasTerra has to plan more accurately than in the past. GasTerra aims to buy all the Groningen gas offered by NAM. It is up to GasTerra to keep its sales obligations in line with the declining supply. This is done by matching the portfolio - the total sales obligations - as closely as possible to the supply of gas.

It was already clear that GasTerra would gradually reduce the volume of gas it sells before the maximum production level for Groningen gas was set. Both the Groningen field and most small fields are coming to the end of their production cycle.

Economic performance

It is obvious that the company regards economic performance as a material issue. Maximising the value of Dutch natural gas is after all GasTerra's mission. It attempts to do this efficiently while keeping a good balance between costs and care. It is an important issue for both GasTerra and its stakeholders, understandably mainly the shareholders. It is however noticeable that stakeholders set greater store by external safety and security of supply than by maximising income.

Product improvement

GasTerra works closely with its clients on the development of new products. The positive effects of continuous product development were reflected in the sales contracts for subsequent years. This year GasTerra reacted to the increasing need for flexible deliveries on the TTF. By offering market players a combination of various types of flexibilities, price concepts and volumes in 2017 we were able to react to the various needs of major international energy companies to purchase flexibility for their portfolio in a staggered fashion.

Purchasing

In 2017 GasTerra bought 56.6 billion cubic metres of gas (2016: 63.9 billion cubic metres). 22.6 billion cubic metres of this came from the Groningen system (including storage facilities) and 17.3 billion cubic metres came from small fields. 16.7 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 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 2017 GasTerra imported 9.3 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. GasTerra is not entering into any new long-term contracts.

Supply

GasTerra supplied 56.6 billion cubic metres of gas in 2017. Some of this 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 7.3 billion cubic metres lower than in 2016. The main reason for this is the limitation on production from the Groningen field. Prices were higher than in 2016. The average price paid per cubic metre in 2017 was 16.9 eurocents compared to 15.3 eurocents in 2016.

Several existing import and export contracts were renegotiated in 2017. Arbitration takes place where no agreement can be reached. GasTerra was involved in four cases of arbitration in 2017, and two of these had still not been concluded by the end of 2017. 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.

Transmission

In order to meet the obligations under our trading contracts we book transmission capacity with network operators, especially GTS.

In 2017, the cost of purchasing transmission capacity stood at 287 million euros. That is 214 million euros lower than in 2016. One important reason for this fall in transmission costs is that in 2017 GasTerra no longer had any supply obligations in the United Kingdom, and consequently no transmission was contracted in the BBL pipeline to England. GTS's transmission tariffs also fell in 2017 as a result of a decision by the regulator ACM.

The means by which the new European Network Code Tariffs will be implemented in the Netherlands are expected to become clear in 2018. ACM will come to a decision on this after consulting the market and receiving input from GTS. This decision will have consequences for the structure of the transmission tariffs from 2020 onwards, and is likely to be an important factor in determining the level of GasTerra's transmission costs in the future.

Sustainable deployability

Declining gas volumes and changing market conditions were behind the decision to start the 'GasTerra 2018' reorganisation trajectory in 2014. In 2017 GasTerra started to implement measures arising from this restructuring. A social charter has been agreed with the trade union, specifying that the outflow needed must be take place on a voluntary basis. The charter includes a package of measures, including secondment, careers advice, coaching, courses, training and a conditional return to employment guarantee.

It is expected that the target reduction in headcount from approximately 200 fte in 2015 to around 160 fte by the end of 2018 will be achieved. The next step is to keep the organisation future-ready for the period after 2018. By means of strategic staff planning we will determine what competencies are needed and what HR policy is required to that end. Some of the issues that arise in that context are encouraging progress within the organisation and career development for staff inside and outside GasTerra.

The need to conduct a strategic staff policy is one reason why the board regards sustainable deployability as a material issue. Stakeholders also indicate that they consider this an important issue. They believe that GasTerra must ensure that the organisation continues to perform at a high level despite the contraction.

Health and safety

GasTerra believes that it is important to create a good working environment for its staff. The company's occupational health and safety policy lists traffic, stress, RSI and minor accidents as risks. GasTerra's emergency response team undergoes regular training. Evacuation exercises are also held for the entire workforce.

The rate of absence due to illness was considerably lower in 2017 than in 2016, at 1.6% (2016: 3%). This fall is due to the decline in non-work-related long-term absence.

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 therefore also a material theme, as it was in 2017.

We support our industrial clients in making production processes more sustainable via the Environmental Plan for Industry (EPI). The emphasis is on improving their energy efficiency and reducing their emissions. GasTerra's energy transition policy focuses on knowledge development on the one hand and on testing and demonstrating energy transition in practice, with a visible role for gas, on the other hand. The key points here are renewable gases, innovative gas applications and the systemic function of gas. Of these three points, more attention should be devoted to renewable gases as this allows us to offer a green alternative to natural gas.

GasTerra wants to make a contribution to the rise in production of renewable gases in the Netherlands. For this reason, in 2018 we will support parties that wish to produce (more) green gas and develop green technology that is not yet market-ready, such as high-pressure fermentation and gasification. Hydrogen also offers a green perspective for gas. Natural gas can be used to enable the transition to a hydrogen economy. We examine how the development of hydrogen (projects) in (northern) Netherlands is progressing, and see whether we can play a sensible role here.

One of the bodies carrying out research in the field of energy transition is EnTranCe (Energy Transition Centre). GasTerra is involved in various EnTranCe research projects, working with various partners. Ameland municipality is often a partner for the larger-scale testing of research projects. The Sustainable Ameland projects are conducted under the umbrella of a covenant. The aim of the participants is for Ameland to be 15 to 20 years ahead in the energy transition.

On the island, GasTerra is involved in rolling out hybrid heat pumps in homes and in the generation of green gas. We expect to be able to report in 2018 on the social, economic and technical experience gained with the 100 or so hybrid heat pumps installed in 2017.

GasTerra promotes the use of green gas on the island. It should be possible to produce this gas in various ways from local waste and waste water. EnTranCe has been testing an interesting option for this: the high-pressure fermentation technology developed by the SME Bureau. With the support of GasTerra, a consortium of companies is working on a plan for a trial plant on Ameland. A number of important steps have already been taken, involving bodies such as the local council, the Water Board and the Wadden fund.

In 2017 GasTerra set up the Green Gas department in order to make a more intensive and focused contribution to the growth of the production and use of green gas. The department is responsible not only for the production of green gas but also for helping carry out green gas projects, bringing together

relevant parties and supporting innovations. Our network of contacts appears to be useful in the implementation of green gas projects. The aim is to offer purchase contracts that meet the criteria of the SDE+ subsidy scheme.

In 2017, GasTerra entered into a gas contract with project developer Blue Sphere for the purchase of the gas produced from one of the biggest biogas plants in the Netherlands, which produces 24 million cubic metres a year. Over the next two years, this organisation will build a large fermenting plant in Brabant. GasTerra currently has a purchase portfolio of a total of 125 million cubic metres from Dutch green gas production installations. GasTerra expects to be able to further expand this portfolio in the years to come. In view of the projects that are at the planning or development stage, GasTerra considers that it is feasible for the Dutch production of green gas to rise from 100 million to 200 million cubic metres a year by 2020. 81 million cubic metres of green gas was certified by Vertogas in 2016. This is equivalent to 42 per cent of the total solar energy production in the Netherlands in 2016.

In 2017 we focused primarily on increasing production, but in the immediate future we will emphasise how we can better facilitate the increasing demand for green gas among GasTerra clients.

GasTerra will take part in projects under the Strategic Agenda of GILDE in 2018, as it did in 2017. These projects demonstrate the gas sector's contribution to the energy transition. GasTerra will coordinate the green gas project and contribute to the themes of hybrid heat pumps and hydrogen. A green gas route map will be drawn up with interested parties as part of the GILDE green gas project.

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 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 Europe. The reasons for this vary from region to region. In the Netherlands, the problems are due primarily to 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 extraction of natural gas, not only from the Groningen field but also from the small fields, is under pressure. In Europe, particularly eastern Europe, the product's reputation suffers primarily from dependence on gas imports from Russia.

The earthquakes in Groningen were and still are a factor that requires considerable attention. The Groningen residents affected have every right to this. Safe gas extraction and rapid repair of the damage caused must therefore be the top priorities. In addition, security of supply for the millions of households reliant on Groningen gas must be guaranteed.

Fossil fuels, and therefore also natural gas, are all in all part of a problem. At the same time, gas is also ideally placed to be part of the solution. Our product plays a vital role in the transition to a climate-neutral energy supply. The 'Gas-by-Design' concept is the gas sector's way of building a bridge between the desired CO₂ reduction and boosting stability and the necessary security of supply and cost-effectiveness of measures. In brief, the key element of this strategy is that in the energy transition natural gas should only be used where sustainable alternatives such as wind and solar power are less attractive or impracticable for any reason. We cannot do without gas now or in the immediate future; especially renewable gas can, as part of a climate-neutral energy balance, make a valuable contribution to the energy supply. In particular cases, combinations of gas and sustainable sources are the best solution. At the same time, green gas can bring about emission reductions in other sectors where improving sustainability is difficult. In other words: gas is becoming customised.

This proposition is the foundation of the gas promotion activities of the gas sector, represented by the umbrella organisation KVGN. In 2017 this group launched a campaign under the motto *Less CO₂, count us in*, which will continue in 2018. The federation argues for pragmatic, cost-effective solutions for the climate and energy issue via a website, advertisements, short films, social media and other communication tools. The most important factor is not the means but the (very) ambitious targets that flow from the Paris Climate Agreement. Opting for (cost-)effective CO₂ reduction is therefore the obvious choice. Where fossil or renewable gas offers the best environmental outcome at the lowest cost in the short and medium term, we must (continue) to use it. A climate-neutral energy supply is the eventual target.

Since its inception GasTerra has positioned itself as a Groningen company. In 2018 we will therefore continue our 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 set up in 2017 (a joint venture including the Energy Academy Europe, the Energy Delta Institute and Energy Valley), EnTranCe, ESTRAC and the long-term project Sustainable Ameland. We also work on various educational projects, often with other partners. Examples include the travelling classroom Your Energy of Tomorrow, the Battle intermediate vocational education provision and activities carried out by the Institute for Nature Education (INE).

Governance

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

Report of the Board of Supervisory Directors

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. (MEACP). 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 1 October 2017 Mr. C.W.M. Dessens LLM stood down as a member of the Board of Supervisory Directors and consequently also resigned the chair of the Board and the College of Delegate Supervisory Directors.

The Board would like to express its particular gratitude for the excellent way in which Mr. Dessens has devoted himself to the company since 2006 in his positions as supervisory director and chair of the Board and the College.

As of 1 October 2017 Mr. Dessens was succeeded in these positions by Mr. B.J. Bruins LLM. But he was appointed as a minister in the new government on 26 October 2017 and had to stand down as a supervisory director of GasTerra. He was discharged on 25 October 2017. This position has been vacant since.

As of 12 February 2018 Mr. B.C. Fortuyn MSc was appointed as chairperson of the Board of Supervisory Directors and the College of Delegate Supervisory Directors.

Name	Term of office	Capacity	Date of appointment
ir. B.C. Fortuyn	-	Delegate Supervisory Director	12 February 2018
Mr. R.M. de Jong MA	Re-electable in 2018	Delegate Supervisory Director	1 August 2016
Mr. R.G. de Jongh MA	Re-electable in 2021	Member of the Board of Supervisory Directors	1 April 2016
Mr. A.F. Gaastra LLM	Re-electable in 2018	Delegate Supervisory Director	15 September 2016
Mr. J.W. van Hoogstraten MSc	Re-electable in 2019	Delegate Supervisory Director	1 March 2016
Mr. T.W. Langejan LLM	Re-electable in 2020	Member of the Board of Supervisory Directors	15 February 2016
Mr. J.M.W.E. van Loon MSc	Re-electable in 2020	Delegate Supervisory Director	1 January 2016
Mr. F.A.E. Schittecatte MSc	Re-electable in 2019	Member of the Board of Supervisory Directors	15 February 2014
Mr. C.W.M. Dessens LLM Chairperson (until 1 October 2017)	-	Delegate Supervisory Director	1 January 2016

Meetings

The Board (including the College of Supervisory Directors) met 12 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 2016 were dealt with.

	Board of Supervisory Directors	College of Delegate Supervisory Directors	Audit Committee
Mr. C.W.M. Dessens, LLM	1/1	7/7	n.a.
Mr. J.M.W.E. van Loon MSc	2/2	10/10	n.a.
Mr. J.W. van Hoogstraten MSc	2/2	9/10	n.a.
Mr. A.F. Gaastra LLM	2/2	6/10	n.a.
Mr. R.M. de Jong MA	2/2	10/10	n.a.
Mr. R.G. de Jongh MA	2/2	n.a.	n.a.
Mr. F.A.E. Schittecatte MSc	2/2	n.a.	n.a.
Mr. T.W. Langejan LLM	2/2	n.a.	4/4
Mr. T.P.K. Huysinga	n.a.	n.a.	3/3
Mr. A.J. van der Linden MA	n.a.	n.a.	4/4
Mr. A.J. Boekelman MA	n.a.	n.a.	4/4
Mr. S.G. van Santbrink LLM	n.a.	n.a.	0/1

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.

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 gas remains our top priority. The Board noted and approved the updating of the process for the production of the Business Plan. It also discussed how far the objectives for 2017 had been achieved and set the objectives for 2018. GasTerra contributes actively to ensuring that natural gas continues to play 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 how the company is able to carry out its strategy.

The maximum production figure set in calendar year 2017 for the Groningen gas field for the 2016/2017 gas year was 24 billion m³. The corresponding figure for the 2017/2018 gas year is 21.6 billion m³. The respective production decisions taken leave room for a higher ceiling if the gas year is colder than average. In addition, 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 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.

Good progress was made in 2017 towards the goals set out within the GasTerra 2018 reorganisation project. The approach to and results of this project are discussed with the Board of Supervisory Directors at set times.

In 2017 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.

Staffing Matters

The post of CEO of GasTerra fell vacant on 1 January 2017.

Between 1 January and 1 April 2017 Mr. R.E. van Rede acted as interim CEO in addition to his role as Chief Commercial Officer. The Board would like to thank him for the excellent way in which he carried out this task and for the additional effort required.

At the proposal of the Board of Supervisory Directors, Ms. A.J. Krist was appointed CEO on 1 April 2017.

On 1 October 2017 Mr. M.W.J. de Wilde resigned as CFO of GasTerra to pursue his career elsewhere. The Board would like to thank him for his dedication to the company. With the agreement of the Board, a reorganisation of management roles took place and Mr. F.F. van Koten was appointed CFO. This reduces the size of the management team from 4 to 3 individuals.

Each year the Board of Supervisory Directors and the management together discuss potential successors present within the organisation who could fulfil management functions. Remuneration policy is approved by issuing a Collective Labour Agreement mandate.

Where necessary, the Board gets involved in updates relating to ancillary positions held by members of the Board of Management, and once a year discusses the complete overview of these ancillary positions. The overview of ancillary activities of members of the Board of Supervisory Directors is also reviewed once a year.

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.

On 23 November 2017 Mr. T.P.K. Huysinga left the Audit Committee and was succeeded by Mr. S.G. van Santbrink LLM. At year-end 2017 the composition of the Committee was as follows:

Mr. A.J. Boekelman MA (Chairperson)
Mr. T.W. Langejan LLM
Mr. A.J. van der Linden MA
Mr. S.G. van Santbrink LLM

Self-evaluation

In 2017 the Board of Supervisory Directors discussed its own performance, and in 2018 will ensure that the recommendations made during this process are implemented.

Contacts with the 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 2017. One of the topics on the agenda of these meetings was 'GasTerra 2018'.

Annual accounts

The recommendations from the Board of Supervisory Directors to the General Meeting of Shareholders, to be held in Groningen on 22 February 2018, are as follows

We have examined the [financial statements for 2017](#), prepared by the Chief Executive Officer in accordance with Article 23 of the Articles of Association. We concur with these Annual Accounts and recommend that:

- the net profit for 2017 - set at €36 million - be entirely appropriated for payment to the shareholders;
- the 2017 Annual Accounts be adopted without alteration.

The Board of Supervisory Directors wishes to express its appreciation for the results attained in 2017 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 2018.

The Board of Supervisory Directors,

Mr. B.C. Fortuyn MSc, chairperson
Mr. A.F. Gaastra LLM
Mr. J.W. van Hoogstraten MSc
Mr. R.M. de MS
Mr. R.G. de Jongh MA

Mr. T.W. Langejan LLM

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

Mr. F.A.E. Schittecatte MSc

Management information

The Board of Management of GasTerra consists of a Managing Director (CEO). As from 1 April 2017 this was Ms. A.J. Krist. In addition to Ms. Krist, the Board of Management also consists of a financial director (CFO), Mr. F.F. van Koten and a commercial director (CCO), Mr. R.E. van Rede. Mr. Van Rede held the position of Managing Director from 1 January to 1 April 2017 as temporary CEO.

Until 1 October 2017 Mr. M.W.J. de Wilde RC held the position of financial director (CFO). Until that time the organisational structure of GasTerra consists of the Commercial, Portfolio and Financial units. Following Mr. De Wilde's decision to pursue his career elsewhere, the change in the organisational structure of GasTerra from three units to two, which had already been planned in the reorganisation trajectory GasTerra 2018, was implemented. Mr. Van Koten was appointed financial director and the activities of the Portfolio unit were transferred to the Commercial and Financial units.

In addition to the Board of Management there are also three heads of department responsible for Legal Affairs, Regulation and Secretariat, Staff & Organisation and Communications & Public Affairs.



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.



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 (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 a Managing Director, 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, which 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 Supervisory Board 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 2017.

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, 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 governance 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.

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 operations 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. In 2017 the risks and measures were tightened up for a certain number of business processes in order to improve the relationship between risk profile, procedures and key controls.

GasTerra's risk tolerance is low, and so in most situations it has a risk-avoiding approach. 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.

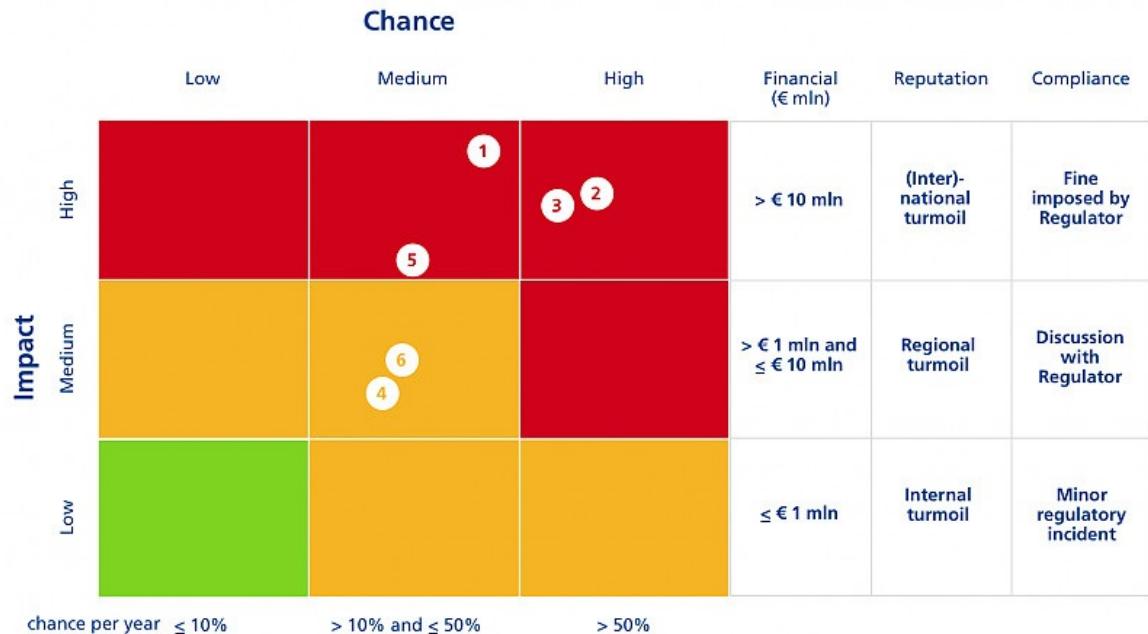
The major risks and uncertainties are identified by means of regular risk analyses. Strategic and tactical risks are determined twice a year. The frequency of risks at operational level is determined on the basis of the risk profile of the business process concerned. In any event, each process is subjected 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 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 identified in 2017 and the measures taken.



Supply from the Groningen field

Supply from small fields

Image of natural gas

Organisation

Credit-worthiness

Transmission costs

The various risks, classified according to the volume, anticipation and costs targets, are described below along with the measures taken by GasTerra. No business risk was identified under the price target.

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 selling 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.

24 billion cubic metres of natural gas was produced and sold from the Groningen field for the 2016/2017 gas year. The maximum production level for the 2017/2018 gas year has been set at 21.6 billion cubic metres of natural gas from the Groningen field, with scope for more extraction if the year is colder than average. This is unchanged following the statement made by the Council of State on 15 November 2017, but the impact of the earthquake in Zeerijp in the short term is unclear. The Minister of Economic Affairs and Climate Policy will have to make a new decision on this in 2018.

Measures

Decisions that might be taken by the minister are anticipated in the context of sale of volume and flexibility, to avoid entering into obligations that cannot be met. GasTerra does this by using its own resources or going to the gas market.

Trend

We expect the likelihood of the risk occurring remains as high as in 2016. Nevertheless, GasTerra has shown that it can respond appropriately to the decisions taken.

2. Supply from small fields

Description

Gas extraction from small fields is also under pressure. Relatively low gas prices, difficult permit trajectories and a decline in social and political support for natural gas stand in the way of the realisation and profitability of new projects in particular. Existing gas production is faced with relatively high unit costs as volumes decline, but operator cost management has improved and the gas price is higher than in 2016. This might eventually mean that supply from small fields declines less rapidly than is allowed for in the current forecast.

Explanation

GasTerra buys gas from small Dutch fields as well as from the Groningen field. GasTerra encourages the production of this gas by guaranteeing that small field producers are always able to sell their gas to GasTerra at normal market conditions. By doing this, GasTerra is implementing the government's small field policy.

However, the developments referred to above stand in the way of opening up new fields for production. The absence of new gas extraction cannot reduce the unit costs of existing 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

GasTerra offers 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

This risk is somewhat down on the 2016 level thanks to higher prices. GasTerra expects to have sufficient resources within its portfolio and on the market to allow it to meet its obligations.

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. Society is looking for ways of achieving the ambitious targets for reducing CO₂ emissions. The position of gas in this respect has been damaged as a result of the earthquakes in Groningen, concern over dependence on Russian gas, discussions on CO₂ emissions from fossil fuels and methane. 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 ambitious targets for this, and plans have been or are being drawn up to achieve them. The presence of fossil fuels is often seen as a drawback in this regard, 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 has set itself the task of increasing understanding of the energy issue and the importance of gas. Under the umbrella of the Dutch gas association KVGN, GasTerra has been working with other companies that are active in the gas sector in order to produce a new, clear, positive vision of the function of gas in the energy transition. Gas can certainly continue to play an essential albeit changed role, acting more often in smart cooperation with other forms of energy. In other words: the use of gas will increasingly be customised ('Gas to Order'). In this context the gas sector is supporting the government in its efforts to focus primarily on reducing CO₂ emissions in the transition towards a climate-neutral energy supply in 2050. The national campaign 'Less CO₂, count us in' was launched against this background. This is because climate change is caused by emissions of greenhouse gases. We therefore focus primarily on emission reduction. The means by which this is achieved are secondary. The best way of achieving this is to set priorities for the use of energy sources and energy carriers. Saving energy is the main priority here. The second priority is that, where possible and rational, renewable energy, including renewable (green) gas should be used. Next come the fossil fuels, with natural gas as the first choice because of the three forms of fossil fuel - natural gas, oil and coal - it produces the fewest CO₂ emissions.

National elections were held in 2017. The coalition agreement indicates that emission reduction is a central issue. In order to bring this about, a National Climate and Energy Agreement will be developed in 2018, focused on achieving an emission reduction target for 2030. GasTerra will argue in favour of a suitable role for gas in the energy mix via a number of platforms, in particular KVGN and Energie Nederland.

GasTerra itself is proactive in contributing to the development and deployment of renewable gases.

The emission reduction targets will be set in Europe in 2018, and in the opinion of European policymakers the role of natural gas is not self-evident.

Trend

There is increasing attention being paid to the role that renewable gases can play in the transition to a climate-neutral energy supply. The risk is therefore slightly lower.

4. Organisation

Description

Contraction and the changing external environment means that GasTerra's organisation may no longer be fit for purpose, and therefore a mismatch between current staff skills and those that are desirable may arise. This may lead to failure to achieve targets and use opportunities.

Explanation

Developments in the market and our portfolio have placed the organisation in a contraction situation. A reorganisation will reduce the number of fte over three years, from 200 to 160 by the end of 2018. So far GasTerra has successfully managed this transition, but sees a challenge in ensuring that the organisation's skills in the future remain suitable for the (future) challenges and resulting activities of the organisation.

Measures

A new Strategic Staff Plan and related HR policy will be devised in 2018 to match the future organisation.

Trend

The aforementioned risk was introduced for the first time in 2017 with a related classification in the risk matrix.

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

The risk is somewhat lower than it was in 2016. The credit-worthiness of a number of large clients has stabilised, and where necessary additional agreements have been made with a number of clients. In 2017, no clients were unable to meet their payment obligations because of their financial position. GasTerra has sufficient resources to mitigate this risk.

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

Through its public affairs activities, GasTerra attempts to keep informed about and make a constructive contribution to the implementation of the Network Code Tariffs (NC TAR) in the Netherlands.

Trend

This risk was introduced for the first time in 2017 with a related classification in the risk matrix.

A scenic view of a canal in a European city. In the foreground, a canal with a wooden pier and a stone lock structure. The water reflects the surrounding autumn-colored trees. In the background, a church tower with a green spire rises above the trees, and a modern white apartment building with orange flags on its roof is visible. The sky is clear and blue.

Miscellaneous/appendices

About this report

The principal objective of this Annual Report is to inform stakeholders (interested parties) about GasTerra's vision and activities. As corporate social responsibility is embedded in the conduct of GasTerra, the company reports on the financial and social elements in a single annual report.

In addition to the financial statements and the combined audit declaration, the 2017 GasTerra Annual Report contains other information, i.e.:

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

Scope

The scope of the report is GasTerra B.V., which has its registered office in Groningen. This annual report covers the 2017 calendar year. The report on the 2016 calendar year was published on 16 February 2017.

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).

Transparency

We consider it important to be transparent about our activities. We therefore apply the best practices from the Corporate Governance Code and participate in the Transparency Benchmark scheme of the Ministry of Economic Affairs. Our 2016 annual report scored 168 points on this benchmark (2015: 163 points).

Determination of the content (materiality)

The material issues, which are partly determined by the outcomes of the stakeholder dialogue, largely determine the content and limits of our reporting.

For the past few years, an internal methodology has been used for the stakeholder dialogue. In this approach, GasTerra employees, known as 'relationship managers', represent one or more stakeholders. They monitor the opinions and preferences of these stakeholders. In 2017 we evaluated this methodology and decided to take a different approach, asking stakeholders for their views directly through a survey. We

also held interviews with various stakeholder groups to delve into the key issues in more detail.

The stakeholder groups were redefined this year. Some groups have been renamed, while others have been combined. The media group has been dropped. There are now nine groups in total.

Stakeholder groups 2016	Stakeholder groups 2017
Clients	Clients
Staff	Employees
Shareholders	Shareholders
Producers and suppliers	Producers and transport
Management and political	National government and market regulators
Knowledge institutions	Knowledge and educational institutions
Sectoral organisation	Sectoral organisations
NGO's	Social organisations
Neighbours and environment	Regional groups
Authority for Consumers and Markets	Dropped as separate group
Media	Dropped

When we conducted the previous stakeholder dialogue we noticed that the definitions of the issues was not clear. For that reason we have revised the list. All the issues from last year's list have been included in the new version, with the exception of the issue of Transparency. This issue is part of all the themes and is regarded as a fundamental value. GasTerra wishes always to communicate as clearly and openly as possible about its activities and objectives, without however undermining commercial interests and the privacy of employees.

The following issues were presented to the stakeholders in 2017.

Stakeholder dialogue	
Contractual obligation	The extent to which GasTerra complies with its contractual obligations by having enough gas in the 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

The new quantitative and qualitative approach to the stakeholder dialogue brings up a number of issues which the stakeholders regard as material for GasTerra because of their economic, ecological or social impact.

GasTerra management has compared the interest which stakeholders attach to the issues with the interest that GasTerra attaches to them. This results in five material issues: contractual obligation, economic performance, support for activities, sustainable deployment and sustainable energy supply. These issues form the basis of the management report. The report is structured so as to contain reports from us on developments in 2017 for each material issue and targets for 2018.

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, 2017 stakeholder dialogue
Staff	Works council, trade union	Regular consultation, Intranet, internal presentations, meetings between the works council and management, 2017 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, 2017 stakeholder dialogue
Producers and Transport	Gas suppliers, GTS	Consultation with account managers, relationship event, 2017 stakeholder dialogue,
National government and market regulators	Authority for Consumers and Markets (ACM)	Via Energie Nederland, ad hoc consultation, 2017 stakeholder dialogue
Knowledge and education institutions	Hanze College, University of Groningen, New Energy Coalition, Clingendael, CE Delft	Internships, guest lectures, project contributions, stakeholder dialogue 2017
Sectoral organisations	Energie Nederland federation, KVGN, Eurogas, VEMW, Nogepa, EFET, EASEE Gas	Periodic consultation, participation in working groups, board membership, Energy podium dinners*, 2017 stakeholder dialogue
Social organisations	NBR/Save the Climate, Greenpeace, Nature and Environment Foundation	Energy podium dinners, 2017 stakeholder dialogue
Regional parties	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 material issues in 2017 were: position of gas, health & safety, transparency, sustainable or more sustainable products, short-term security of supply and the future of GasTerra. These were used as a basis for formulating targets for 2017. The material issues for 2018 include the aspects which stakeholders and GasTerra considered important among these subjects.

The table below shows the targets for material issues in 2017 and the results achieved.

Material issue	2017 target	Result
Position of gas	<p>GasTerra will carry out the 'Gas by Design' proposal of the gas sector.</p> <p>GasTerra will contribute to the rational transition towards a climate-neutral energy supply:</p> <p>In 2017 hybrid heat pumps will be installed in more than 100 homes on Ameland, and initial experience with the social, economic and technical aspects of this heating technology will be reported.</p> <p>In 2017 preparations will be made for installing a fermenter in the Ameland sewage plant.</p>	<p>GasTerra highlighted the proposal during meetings and in news reports.</p> <p>In 2017 approximately 100 hybrid heat pumps were installed on Ameland. Experience with the social, economic and technical aspects will be reported in 2018.</p> <p>With the support of GasTerra, a consortium of companies is working on a plan for a trial plant on Ameland.</p>
Sustainable or more sustainable products	<p>GasTerra will produce a plan of action to describe how green gas production can be further encouraged, and will together with Gasunie head up a green gas project in the context of 'Gas as part of long-term sustainable energy management' (GILDE).</p> <p>GasTerra expects to buy 70 million cubic metres of green gas for 2017.</p>	<p>In 2017 GasTerra set up the Green Gas department in order to make a more intensive and focused contribution to the growth of the production and use of green gas.</p> <p>The GILDE green gas project is still ongoing</p> <p>GasTerra bought 46 million cubic metres of green gas in 2017.</p>
Short-term security of supply	GasTerra will comply fully with its contractual obligations and will apply a failure standard of one hour's failure in 20 years for the security of supply of its portfolio.	GasTerra complied with its contractual obligations.
Transparency	GasTerra will aim to achieve a score of between 150 and 170 points on the transparency benchmark when drawing up its annual report.	GasTerra received a score of 168 on the transparency benchmark in 2017.
Future of GasTerra	<p>In GasTerra 2018, GasTerra committed to cutting its running costs and FTE headcount. Running costs will remain within (the lower) budget.</p> <p>GasTerra will meet its financial targets.</p>	<p>The promised cut in running costs and the number of ftes, as well as the financial obligations, were achieved.</p>

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.

Accounting 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 consumption	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 energy supplier.
Paper consumption	The paper consumption according to the readings from the supplier of the copy machines.

Facts and figures

Staff trends

As of 31 December 2017, 165 (152.4 fte) people were permanent employees of GasTerra, compared with 177 (165 fte) at the end of 2016. 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 VPG². The collective labour agreement ran out on 1 January 2016. A new collective labour agreement took effect at the start of 2018, and the parties agreed that the previous collective labour agreement remained in force for 2016 and 2017.

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. An explanation of this scheme is contained in the financial statements.

	2017	2016
Fte (year end)	152.4	165*
Number (year end)	165 (121 men and 44 women)	177 (130 men and 47 women)**
Fixed-term contract of employment (year end)	-	-
Permanent contract of employment (year end)	165	177
Staff covered by a collective labour agreement (year end)	141	152
Staff employed under payrolling (year end)	13	15
Participation Act (year end)	3	3
Secondments (year end)	8	6
Interns (year end)	5	4
Degree of organisation	>80%	>80%
Outflow	13	7
Inflow	1	-
Absence due to illness	1.6%	3.0%
Average absenteeism rate	1.03	0.89
Accidents leading to time off work	-	1

* The method used to determine numbers for the 2017 report is different from that used in 2016. The comparison figures for 2016 have been adjusted in line with this new definition.

** In the annual report for 2016, incorrect numbers for the male/female distribution are shown. These are the correct numbers.

GasTerra's footprint

We believe that it is important for sustainability to be enshrined inside and outside our organisation. GasTerra helps its clients in this regard, but we are also aware of the impact of our own business operation. When purchasing non-gas related products and services, we take sustainability into account as a criterion in the decision-making process alongside price and quality. We also consider the suppliers' locations. We prefer to work with local suppliers in order to stimulate the Groningen economy.

The nature of our activities mean that our company has a small footprint. But we still try to minimise it further where possible. We do this, for example, by monitoring our own energy use but also by encouraging staff to travel by public transport or bicycle. We enable working from home by flexiplaces and digital facilities.

GasTerra offsets the CO₂ emissions caused by flights and car leasing. We also offset the CO₂ 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.

Footprint GasTerra	2017	2016
Gas consumption	38,743 cubic metres	27,174 cubic metres
Electricity consumption	377,265 kWh	348,619 kWh
Water consumption	1,163 cubic metres	1,270 cubic metres
Paper consumption	319,416 sheets	333,336 sheets
Regional purchase of non-gas related goods and services	7.5 million euros (total expenditure 18.1 million euros)	26.4 million euros (total procurement expenditure 36.8 million euros)

Involvement in the region

As a Groningen company, we focus our sponsorship 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 2017 we spent 326,000 euros on sponsorship and donations (in 2016: 500,000 euros). Our sponsorship and donations budget has shrunk in line with the changing market circumstances and the associated need to drive down costs. We continue to receive many requests for sponsorship. In response, we spend less money on each individual sponsorship so that we can continue to support social partners. Sponsorship contracts are normally taken out for a definite period so that new parties can also become eligible for funding.

The aim of the 'GasTerra for Groningen' project, launched in 2015, is to contribute to improving the structure of the Groningen economy. We also see this as a way of boosting the image of gas and the role of GasTerra in the province of Groningen. We do this by offering financial support, knowledge and resources to the 'De Uitdaging' project and via 'The GasTerra Energy Saving fund' set up in 2017. The aim of this fund is to encourage energy saving among social institutions in which GasTerra staff are involved.

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. The first project was conducted at Semslanden golf club in Gasselte in 2017.

Standards and norms

GasTerra attaches a great deal of importance to safeguarding the quality and integrity of the staff's actions. One of the tools that the company uses for this is 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 Compliance Officer has been appointed who is responsible for implementing this programme among other duties. The objective of this is to make staff aware of the importance of the duty to adhere to legislative and other regulatory requirements applicable to GasTerra. This programme is obligatory for all employees.

An internal auditor regularly vets each department to check on 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. No employees were reported in 2017 for failure to comply with the code of conduct and supplementary procedures. We also continually assess whether the code of conduct and procedures need to be adapted 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 and procedures. 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 2017, no-one filed a complaint with the complaints committee and no-one made use of the whistle blowing arrangements.

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. Legal and 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.

Memberships

We belong to various cooperation organisations within the chain, in pursuit of goals such as supporting clients in making production processes more sustainable (the Environmental Plan for Industry), knowledge-exchange, the development of innovative gas applications, publicising the benefits 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 \(IGU\)](#)

[Project Delta Group](#)

[Eurogas](#)

[European Federation of Energy Traders \(EFET\)](#)

EASEE GAS

Clingendael

Energie Nederland

KVGN

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

Financial statements

The financial statements 2017 comprise the following:

- Balance sheet
- Income Statement
- Cash flow statement
- 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

in millions of euros

Assets	Note	2017	2016
Fixed assets			
- intangible fixed assets	(1)	9.3	13.8
- tangible fixed assets	(2)	3.8	4.7
Current assets			
- receivables	(3)	1,678.2	1,612.7
- Cash and cash equivalents	(4)	111.1	363.4
Total		1,802.4	1,994.6
		=====	=====
Liabilities and Equity			
Shareholders' equity			
- paid in share capital	(5)	180.0	180.0
- result for the year	(5)	36.0	36.0
Current liabilities	(6)	1,586.4	1,778.6
Total		1,802.4	1,994.6
		=====	=====

Income statement

in millions of euros

	note	2017	2016
Revenue	(7)	9,601.3	9,864.8
Cost of sales	(8)	-9,514.1	-9,763.9
		————	————
Gross margin		87.2	100.9
Operating expenses	(9)	-49.8	-52.4
		————	————
Operating profit		37.4	48.5
Financial income	(10)	11.3	-0.5
Financial expenses	(10)	-0.7	0.0
		————	————
Net financial income and expenses		10.6	-0.5
Profit before tax		48.0	48.0
Income tax expenses	(11)	-12.0	-12.0
		————	————
Net income		36.0	36.0
		=====	=====

Cash flow statement

in millions of euros

	2017	2016
<i>Cash flow from operating activities</i>		
Operating profit	37.4	48.5
Adjustments for:		
- depreciation and impairment	7.2	9.5
- change in receivables	-65.5	382.9
- change in current liabilities	-192.2	-358.2
	<hr/>	<hr/>
Cash flow from operations	-213.1	82.7
Financial income (received)	11.3	-0.5
Financial expenses (paid)	-0.7	0.0
Income taxes paid	-12.0	-12.0
	<hr/>	<hr/>
	-1.4	-12.5
<i>Cash flow from operating activities</i>	-214.5	70.2
<i>Cash flow from investing activities</i>		
Investments in fixed assets	-1.8	-1.2
<i>Cash flow from investing activities</i>	-1.8	-1.2
<i>Cash flow from financing activities</i>		
Dividends paid	-36.0	-36.0
<i>Cash flow from financing activities</i>	-36.0	-36.0
<i>Change in cash and cash equivalents</i>	-252.3	33.0
	<hr/>	<hr/>
Cash and cash equivalents at year end	111.1	363.4
Cash and cash equivalents at preceding year end	363.4	330.4
<i>Change in cash and cash equivalents</i>	-252.3	33.0
	<hr/>	<hr/>

Notes to the financial statement

General information

GasTerra B.V., Groningen.

Chamber of Commerce 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 has (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 are 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 are recognised under financial income.

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

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 premium is 22.6% of pensionable earnings. GasTerra cannot be obliged to pay a higher contribution and nor can the company set a lower level of contribution.

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 through profit or loss.

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).

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.

Statement of cash flows

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)

<i>in millions of euros</i>	Intangible fixed assets	Intangible fixed assets under construction	Total 2017	Total 2016
Balance as at 1 January:				
Cost	57.5	0.3	57.8	56.8
Cumulative depreciations and impairments	-44.0	0.0	-44.0	-35.8
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value	13.5	0.3	13.8	21.0
Change in the net book value:				
Capital expenditure	0.2	1.2	1.4	1
Commissioning	0.1	-0.1	0.0	0.1
Depreciation	-5.9	0.0	-5.9	-8.3
Disposal	0.0	0.0	0.0	0.0
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value as at 31 December:	7.9	1.4	9.3	13.8
	====	====	====	====
Stand per 31 december:				
Cost	57.7	1.4	59.1	57.8
Cumulative depreciations and impairments	-49.8	0.0	-49.8	-44.0
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value	7.9	1.4	9.3	13.8
	====	====	====	====

The intangible fixed assets primarily consist of capitalised costs for software developed in-house to support operational processes.

Tangible fixed assets (2)

<i>in millions of euros</i>	Tangible fixed assets	Tangible fixed assets under construction	Total 2017	Total 2016
Balance as at 1 January:				
Cost	10.9	0.1	11.0	11.6
Cumulative depreciations and impairments	-6.3	0.0	-6.3	-5.8
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value	4.6	0.1	4.7	5.8
Change in the net book value:				
Capital expenditure	0.0	0.4	0.4	0.2
Commissioning	0.0	0.0	0.0	-0.1
Depreciation	-1.2	0.0	-1.2	-1.2
Disposal	-0.1	0.0	-0.1	0.0
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value as at 31 December:	3.3	0.5	3.8	4.7
	====	====	====	====
Balance as at 31 December:				
Cost	9.8	0.5	10.3	11.0
Cumulative depreciations and impairments	-6.5	0.0	-6.5	-6.3
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value	3.3	0.5	3.8	4.7
	====	====	====	====

The tangible fixed assets primarily consist of machinery and equipment and computer supplies.

The tangible fixed assets are classified as other fixed business assets.

Receivables (3)*in millions of euros*

	31 Dec. 2017	31 Dec. 2016
Trade receivables	1,407.1	1,110.4
Taxes	0.0	1.0
Receivables from shareholders *)	108.0	200.0
Other receivables *)	163.1	301.3
 Total	1,678.2	1,612.7
	=====	=====

*) The amount mainly relates to deposits placed under the Deposit & Loan Agreements concluded with NAM B.V. and with EBN B.V. in 2014. These deposits have a maximum term of three months.

Good alignment between the payment and reception data of (a relatively small number of) gas purchase and gas sales invoices, the cash flows result in a positive liquidity position and no external financing has been used in recent years.

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

A provision for bad debts to the amount of € 1.1 million (2016: € 1.1 million) is reserved as at the balance sheet date.

Cash and cash equivalents(4)*in millions of euros*

	31 Dec. 2017	31 Dec. 2016
Deposits	108.7	345.0
Other cash and cash equivalents	2.4	18.4
 Total	111.1	363.4
	=====	=====

Shareholders' equity (5)*Issued capital*

The authorised and issued capital in 2016 and 2017 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 2017	36.0
Appropriation of the results for the financial year 2016 in accordance with the resolution of the General Meeting of Shareholders	-/36.0
 Unappropriated profit for the financial year 2017	36.0
 Balance at 31 December 2017	36.0

Proposal for profit appropriation

It is proposed by the board that the full year result 2017 of € 36.0 million will be paid to the shareholders as dividend.

Current liabilities (6)	31 Dec. 2017	31 Dec. 2016
<i>in millions of euros</i>		
Amounts payable - for gas purchases	1,334.4	1,276.1
Amounts payable - to shareholders	104.8	112.7
Other trade amounts payable	7.9	121.3
Taxation and social security contributions	9.1	2.4
Amounts received in advance	128.4	263.7
Accrued and deferred income	1.8	2.4
 Total	1,586.4	1,778.6
	=====	=====

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 2017 (or 2016).

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 2017. 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 2017.

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 2017 did not exceed € 0.1 mln. (2016: € 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 to meet its commitments.

Foreign currency risk

GasTerra has a very low level of foreign currency 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 positive value of € 3.5 mln. (2016: positive value of € 17.9 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.

€ 1,338.3 million in bank guarantees (2016: € 1,066.1 million) have been issued to the benefit of GasTerra by third parties. GasTerra has issued € 0.0 million in bank guarantees (2016: € 18.2 million) to the benefit of third parties.

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 20). 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 (7)	2017	2016
<i>in millions of euros</i>		
Gas sales	9,556.6	9,804.9
Other net turnover	44.7	59.9
<hr/>	<hr/>	<hr/>
Total	9,601.3	9,864.8
	=====	=====

The following is a regional overview of gas sales.

	2017	2016
The Netherlands	3,923.7	3,554.7
Rest of Europe	5,632.9	6,250.2
<hr/>	<hr/>	<hr/>
Total	9,556.6	9,804.9
	=====	=====

The volumes decreased in 2017 compared to 2016 by 11.4%, from 63.9 billion m³ to 56.6 billion m³. The average selling price is 16.9 cent/m³ (15.3 cent/m³ in 2016) ¹.

Cost of sales (8)	2017	2016
<i>in millions of euros</i>		
Gas purchases	9,227.4	9,263.4
Transport costs	286.7	500.5
<hr/>	<hr/>	<hr/>
Total	9,514.1	9,763.90
	=====	=====

The average purchase price is 16.3 cent/m³ (14.5 cent/m³ in 2016²). 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 € 0.3 million exchange loss (2016: € 12 million exchange loss).

¹ By m³ is meant gas with a calorific value of 35.16912 MJ

² The average purchase price is calculated in a different way in these financial statements compared to 2016. The comparison figure for 2016 has been adjusted to reflect this new method.

General management expenses (9)	2017	2016
<i>in millions of euros</i>		
Wages and salaries	14.9	15.9
Social security expenses	1.5	1.6
Pension expenses	3.2	3.3
Costs of work subcontracted and other external expenses	14.0	11.0
Depreciation and impairments	7.2	9.5
Other	9.0	11.1
	————	————
Total	49.8	52.4
	=====	=====
Net financial income and expenses (10)	2017	2016
<i>in millions of euros</i>		
Interest income 1)	11.3	-0.5
	————	————
Financial income	11.3	-0.5
	————	————
Interest charges	-0.7	0.0
Financing costs	-	-
	————	————
Financial expenses	-0.7	0.0
	————	————
Net position	10.6	-0.5
	=====	=====

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

Tax on profit from ordinary activities (11)

The effective tax rate for 2017 was 25.0% (2016: 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 2017, the number of employees in full-time equivalent positions was 152.4 (2016: 165*). The average number of employees in full-time equivalent positions during the financial year was 157 (2016: 168*).

* A different method of determining figures from that applied in 2016 is used in this annual report. GasTerra employees seconded to other organisations are now also counted. The reference figures for 2016 have been adjusted to reflect this new definition.

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 (RJ390.301a).

Auditor's fees <i>in euros</i>	Ernst & Young Accountants LLP		Ernst & Young Accountants LLP 2016
	2017		
Audit of the financial statements	€ 206,000	€	215,000
Other audit engagements	€ 40,000	€	40,000
	€ 246,000	€	255,000
	=====	=====	=====

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 CEOs of the company, R. van Rede and A.J. Krist², is as follows:

Remuneration of the directors <i>in euros</i>	2017		2016
Periodic remuneration (excluding employer's social security expenses)**	€ 239,643	€	435,883
Employer's social security expenses	€ 7,113	€	9,291
Costs charged on relating to R. van Rede	€ 86,899	€	-
	=====	=====	=====
Periodic remuneration (including employer's social security expenses)	€ 333,655	€	445,174
Variable remuneration*	€ 35,444	€	66,872
Employer's pension premium contribution **	€ 19,093	€	22,600
	=====	=====	=====
Salary	€ 388,192	€	534,646
	=====	=====	=====

*The aforementioned bonus payments are based on achieving the agreed objectives during the year under review (A. Krist).

**From 2017 the compensation for the employer's pension premium contribution above the fiscal threshold (€ 103,317 in 2017) has been part of the periodic remuneration. The comparative figures for 2016 have been adjusted accordingly.

² Ms. A.J. Krist has been the CEO of the company since 1 April 2017. Between 1 January 2017 and 31 March 2017 this position was temporarily held by Mr. R. van Rede.

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 2017 amounts to € 53,773 (2016: € 57,517).

Board of Management

Ms. A.J. Krist, Chief Executive Officer

Board of Supervisory Directors

Mr. B.C. Fortuyn

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

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

Mr. F.A.E. Schittecatte MSc

Groningen, 22 February 2018

Other information

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.

GRI Index

GRI Content Index – GRI 101: Foundation 2016 – Core Level

GRI Standard	Number	Description	Chapter
GRI 102	102-01	Name of the organisation	GasTerra
General Disclosures 2016	102-02	Activities, brands, products and services	GasTerra
	102-03	Location of headquarters	GasTerra
	102-04	Countries in which the organisation is active	GasTerra
	102-05	Ownership structure and management form	Governance
	102-06	Markets served (geographical breakdown, sectors served and types of clients/beneficiaries)	GasTerra, Material Issues
	102-07	Size of the organisation	Miscellaneous/appendices
	102-08	Information on employees	Miscellaneous/appendices
	102-09	Description of the organisation's supply chain	GasTerra
	102-10	Significant changes in the size of the organisation and its supply chain	Miscellaneous/appendices
	102-11	Explanation of the application of the precautionary principle	Governance
	102-12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes.	GasTerra
	102-13	Memberships of associations (such as sectoral associations) and national and international interest groups.	Miscellaneous/appendices
	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	Miscellaneous/appendices
	102-18	Governance structure	Governance
	102-40	List of stakeholder groups	GasTerra, Miscellaneous/appendices
	102-41	Number of employees covered by a collective bargaining agreement	Miscellaneous/appendices
	102-42	Basis for inventorising and selecting interested parties that must be involved	Miscellaneous/appendices

Involved		
102-43	Approach to involving interested parties	Miscellaneous/appendices
102-44	The key topics and issues arising from consultation with interested parties	GasTerra, Miscellaneous/appendices
102-45	Summary of all companies included in the consolidated annual accounts or similar documents	Financial Statements
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	Miscellaneous/appendices
102-47	Summary of material issues	GasTerra
102-48	Consequences of any reformulation of information provided in a previous report and the reasons for this reformulation	Miscellaneous/appendices
102-49	Significant changes compared to previous reporting periods with regard to scope and boundaries	Miscellaneous/appendices
102-50	Reporting period to which the information provided relates	Miscellaneous/appendices
102-51	Date of the most recent previous report	Miscellaneous/appendices
102-52	Reporting cycle	Miscellaneous/appendices
102-53	Contact for questions about the report	Miscellaneous/appendices
102-54	Option selected for reporting in accordance with GRI standards	Miscellaneous/appendices
102-55	GRI content index	Miscellaneous/appendices
102-56	Policy and current practice with regard to obtaining external verification about the report	Governance, Financial Statements, Miscellaneous/appendices

Material issues

Summary of material issues in the report as reported under disclosure 102-47

GRI Standard	Number	Description	Chapter
Contractual obligation			
GRI 103 Management approach	103-1	Explanation of and boundaries to the material issue	GasTerra, Material Issues
	103-2	Explanation of how the organisation deals with the material issue and its impact	"
	103-3	Evaluation of the management approach	"
GRI 200 Economic	201-1	Direct economic value generated and distributed	"
Economic performance			
GRI 103 Management approach	103-1	Explanation of and boundaries to the material issue	GasTerra, Material Issues
	103-2	Explanation of how the organisation deals with the material issue and its impact	"
	103-3	Evaluation of the management approach	"
GRI 200 Economic	201-1	Direct economic value generated and distributed	"
Support for activities			
GRI 103 Management approach	103-1	Explanation of and boundaries to the material issue	GasTerra, Material Issues
	103-2	Explanation of how the organisation deals with the material issue and its impact	"
	103-3	Evaluation of the management approach	"
GRI 200 Economic	203-2	Indirect economic impact	"
Sustainable deployability			
GRI 103 Management approach	103-1	Explanation of and boundaries to the material issue	GasTerra, Material Issues
	103-2	Explanation of how the organisation deals with the material issue and its impact	"
	103-3	Evaluation of the management approach	"
GRI 400 Social	401	Job opportunities	"
Sustainable energy supply			
GRI 103 Management approach	103-1	Explanation of and boundaries to the material issue	GasTerra, Material Issues

	Material issue	Issues
GRI 200 Economic	103-2 Explanation of how the organisation deals with the material issue and its impact	"
	103-3 Evaluation of the management approach	"
	203-2 Indirect economic impact	"

Glossary

Authority for Consumers & Markets (ACM)

Dutch regulator that implements market rules and ensures that the market operates well and efficiently.

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 CO₂.

CNG

Compressed Natural Gas, natural gas that after compression is made suitable for use as engine fuel.

CO2

CO₂ is a scientific abbreviation for carbon dioxide. CO₂ is a greenhouse gas that holds heat in the atmosphere, causing the temperature of the earth to rise (the greenhouse effect).

CO₂ is released during the combustion of biomass such as wood and plant waste and fossil fuels: oil, gas and coal. Much less CO₂ is released by the combustion of natural gas than by the combustion of oil and coal: 30% less CO₂ is released compared to oil, and 50% less CO₂ compared to coal.

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.

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.

Gaspool

Virtual trading point for gas in Germany.

Governance

The method of administration and supervision.

Green gas

Biogas produced with the same quality properties as conventional natural gas.

GRI

Global Reporting Initiative, worldwide guidelines for reporting on sustainability.

Groningen production ceiling

Limit set by the government for the production of natural gas from the Groningen field. NAM is responsible for the implementation.

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.

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, ('vloeibaar aardgas' in Dutch).

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.

NBP

National Balancing Point, virtual trading point for gas in the United Kingdom.

NCG

NetConnect Germany, virtual trading point for gas in Germany.

Renewable gases

Gaseous energy carriers of non-fossil origin.

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.

Trading points

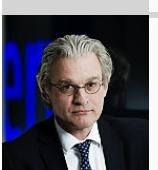
Virtual trading exchanges for gas.

TSO

Transmission System Operators, operators of the national gas transmission network.

TTF

Title Transfer Facility, virtual trading point for gas in the Netherlands.

	<p>Mr. R.E. van Rede MSc Commercial Director (CCO)</p>		<p>Ms. A.J. Krist MA Managing director (CEO)</p>
	<p>Mr. B.C. Fortuyn MSc Delegate Supervisory Director</p>		<p>Mr. F.F. van Koten MA Financial Director (CFO)</p>
	<p>Mr. J.W. van Hoogstraten MSc Delegate Supervisory Director</p>		<p>Mr. A.F. Gaastra, LLM Delegate Supervisory Director</p>
	<p>Mr. R.G. de Jongh MA Member of the Board of Supervisory Directors</p>		<p>Mr. R.M. de Jong, MA Delegate Supervisory Director</p>
	<p>Ms. J.M.W.E van Loon, MSc Delegate Supervisory Director</p>		<p>Mr. T.W. Langejan, LLM Member of the Board of Supervisory Directors</p>
	<p>Mr. M.W.J. de Wilde RC MA Former Financial Director (CFO)</p>		<p>Mr. F.A.E. Schittecatte, MSc Member of the Board of Supervisory Directors</p>
			<p>Mr. C.W.M. Dessens, LLM Former Delegate Supervisory Director</p>



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
- Member Strategic Partnership Board 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 Accessible Groningen
- Board Member Spatial Sciences Promotion Foundation
- Board Member Energie-Nederland
- Supervisory Board Member Groningen Child Support Foundation (payment waived)



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 positions (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 the University of Groningen. 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 positions

- Board Member KVGN
- Member Executive Board Energy Delta Institute (stood down in January 2018)
- International Supervisory Board for Executive Education Foundation EDI



Mr. B.C. Fortuyn MSc

Delegate Supervisory Director

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 July 2017 he was in charge of all energy activities.

Ancillary roles

- Chairman of the Supervisory Board of NEMO Science Museum
- Trustee of Tauw Group B.V.
- Trustee of Hygear B.V.
- 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)



Mr. A.F. Gaastra, LLM

Delegate Supervisory Director

Sandor Gaastra (19 October 1962) studied Law at Utrecht University, specialising in Constitutional and Administrative Law (graduated in 1986). He is a Delegate Supervisory Director 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 HRM and informatisation policy of the whole of the national government. In 2008 he became Deputy Director-General at the Directorate-General for Public Order and Safety, with responsible 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, working as Director-General of Energy, Telecommunications and Competition. In that capacity he is responsible for the energy transition, for information networks policy and for competition and consumer policy. He has also been responsible for climate policy since the creation of the new Ministry of Economic Affairs and Climate Policy.

Main and ancillary positions

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



Mr. J.W. van Hoogstraten MSc

Delegate Supervisory Director

Jan Willem van Hoogstraten (14 August 1964) studied petroleum extraction (graduated in 1989) at Delft Technical University. He is a Delegate Supervisory Director 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 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, Energy Academy Europe



Mr. R.M. de Jong, MA

Delegate Supervisory Director

Rolf de Jong (5 November 1962) studied business economics (graduated in 1990) at the University of Amsterdam. He is a Delegate Supervisory Director 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 positions

- Member of the Supervisory Board of the Dutch Petroleum Company (Nederlandse Aardolie Maatschappij B.V.)
- President XTO Netherlands, Ltd.



Mr. R.G. de Jongh MA

Member of the Board of Supervisory Directors

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 positions

- Chairman of the Board of Supervisory Directors of NAM
- 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, LLM

Member of the Board of Supervisory Directors

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 and the Ministry of the Interior. 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

Delegate Supervisory Director

Marjan van Loon (25 December 1965) studied chemical engineering (graduated in 1989) at Eindhoven Technical University. She is a Delegate Supervisory Director 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)



Mr. F.A.E. Schittecatte, MSc

Member of the Board of Supervisory Directors

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.

Mr. M.W.J. de Wilde RC MA

Former Financial Director (CFO)

Maurice de Wilde (1971) studied business economics at Erasmus University in Rotterdam. After working for PricewaterhouseCoopers and Lyondell Chemical, he joined Shell in 2000, where he held various positions. He has acted as Finance Manager in Oman and Asset Finance Manager with the Dutch Petroleum Company. From 2009 he held the position of financial director in Gabon.

From 15 January 2013 to 1 October 2017 Maurice de Wilde was Financial Manager (CFO) of GasTerra.

Ancillary positions (unpaid)

- Member of Governance and Investment Committee, Gasunie Pension Fund Foundation
- Member of the Supervisory Board, North Netherlands Theatre
- Member of the Audit Committee, North Netherlands Golf & Country Club

Mr. C.W.M. Dessens, LLM

Former Delegate Supervisory Director

Stan Dessens (30 October 1947) studied Physics (graduating in 1972) and Law (graduating in 1974) at the University of Leiden. He was Chairman of the Board of Supervisory Directors and the College of Delegate Supervisory Directors until 1 October 2017.

From 1974, he worked at the Ministry of Economic Affairs in the Directorate-General for Industry and Energy. From 1988 to 1999, he was Director-General for Energy. In 1999, he was appointed Director-General of Law Enforcement at the Ministry of Justice. Since 2005, he has been self-employed.

Ancillary roles

- Member of the Supervisory Board of NL-Confidential
- Chairman of the Committee for Additional Innovative Projects (Borssele covenant)
- Member of the Supervisory Board of the National Aeronautics and Space Laboratory (NLR)
- Chairman of the Association for the Preservation of Antiquities, Greenery and Liveability, Voorschoten
- Board member of the Foundation for the Preservation of Cultural Historic Country Estates

Press release

GasTerra's turnover fell slightly in 2017

GRONINGEN, 9 March 2018 - The gas trading company GasTerra published its 2017 results today. The quantity of gas supplied fell, as it had done in 2016; turnover was slightly down. The volume in 2017 was 56.6 billion cubic metres (2016: 63.9); turnover stood at 9.6 billion euros (2016: 9.9). The main reason for the volume reduction is the restriction on production from the Groningen field. Turnover remained reasonably stable because prices were on average higher than in 2016.

In addition to the business results, the future role of (natural) gas and therefore of GasTerra are a central part of the report. CEO Annie Krist comments on this in her foreword: GasTerra's mission, to maximise the value of Dutch natural gas, has not changed. But the way we achieve it has. More than ever, we have to think about what exactly the term 'value' means, our role in the gas chain and our contribution to the energy transition.

The energy supply must be made more sustainable as quickly as possible in order to counter climate change. This means that demand for natural gas eventually will fall significantly. At the same time, the share of renewable gas - for the time being still primarily green gas - must increase. Gas can remain a vital and cost-efficient part of a climate-neutral energy supply. GasTerra contributes to this by buying and selling certified renewable gas and by funding research and innovation in the field of the energy transition.

Developments relating to gas extraction in the province of Groningen have accelerated in the Netherlands since the earthquake in the village of Zeerijp on 8 January. The Minister for Economic Affairs and Climate has stated that he will follow the recommendation of the national mining authority to cut extraction to no more than 12 billion cubic metres a year as quickly as possible on safety grounds. He has asked the companies concerned, including GasTerra, to help in meeting this ambitious target. The gas transporter, Gasunie Transport Services, has calculated that the volume needed lies between 14 and 27 billion cubic metres a year. The exact figure depends mainly on temperatures which are impossible to predict. Every day GasTerra determines how much gas it needs to take off to be able to provide its customers with enough gas. GasTerra and the producer of Groningen gas, NAM, work closely together to even out volumes from the Groningen field over the year, as required by a recommendation from the mining authority.

GasTerra's mission remains unchanged: to add as much value as possible to Dutch natural gas, in the framework of the decisions taken by the Dutch Minister for Economic Affairs and Climate. Of the total volume purchased and subsequently supplied (56.6 billion cubic metres), 22.6 billion cubic metres came from the Groningen system, 17.3 billion cubic metres from the small fields, 9.3 billion cubic metres from imports and 7.4 billion cubic metres from purchases made on gas trading hubs.

The recent developments have also affected GasTerra's organisation. The number of jobs in GasTerra has fallen significantly since 2015. The company is now considering how the knowledge and skills of its employees can best be aligned to future requirements.

Previous reports

Contact

Do you have any questions about this annual report or suggestions for improvement? If so, you can contact the Communication Department via email or Phone.

Email: communicatie@gasterra.nl

Telephone number: + 31 50-364 8377

The annual report is available online via our website: <http://jaarverslag2017.gasterra.nl/>

The English translation of the annual report is available at <http://jaarverslag2017.gasterra.nl/en>

The Dutch version takes precedence.

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Disclaimer

This 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 22 February 2018. 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.