

Annual Report 2022
16 February 2023

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Disclaimer

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Foreword from the CEO

We have just been through a bizarre year. It was a year in which we could finally leave coronavirus behind, but it was also a year that brought another bolt from the blue. A devastating war in Ukraine causing, first and foremost, great suffering and distress in Ukraine. In addition it has major implications for the energy market which affects us all. The entire industry, including GasTerra, was suddenly faced with an extraordinary situation requiring us to trade in uncharted territory.

For GasTerra this meant that we were facing new challenges, despite knowing that in a couple of years' time we would be closing our doors and phasing out our activities. We were confronted by a market in which we had to deal with shortages, high price spikes, energy company bankruptcies and nationalisations, business failures, unprecedented EU intervention in the market and huge energy bills for consumers.

In 2022 we sold 39.2 billion cubic metres of natural gas and our turnover was €35.5 billion. The high prices mean that this is our highest ever turnover, but, on the other hand, purchasing costs rose correspondingly. Significant price fluctuations and extreme price levels brought particular challenges in terms of gas trade financing and filling underground gas storage facilities. We are proud that we succeeded in filling the storage facilities available to us to the desired level, meaning that the Netherlands and our neighbors were able to face the winter with peace of mind. At this point I would like to express my warm appreciation to my colleagues who have continued to do such an excellent job in this environment.

We also had to cope with infringements of contractual agreements by Gazprom. At the end of March the Russian government stated that, going forwards, Russian gas would have to be paid for in roubles. Regardless of existing contractual agreements Gazprom discontinued supply with effect from 31 May 2022.

Gas extraction from the Groningen field is at a turning point in gas year 2022/2023. The field is going on the 'back burner' and may only be used for limited back-up in exceptional cases. Unfortunately, local residents still have serious concerns about the reinforcement and damage repair. In 2022, the Parliamentary inquiry on natural gas extraction from Groningen was carried out, for which GasTerra provided a lot of information. Current and former directors of GasTerra were also heard by the committee. The committee's final report will be presented on 24 February 2023.

GasTerra has provided the Lower House with clarification twice during 2022 as a result of market turbulence. In March there was a 'Roundtable Discussion on Russian Gas' in which we shared our views on the discontinued supply of Russian gas. In December, we informed the Lower House about gas contracts and pricing in a technical briefing.

Despite extremely high prices, we have to acknowledge that the gas market has continued to function as a means of distributing a scarce resource. This comment, however, completely fails to do justice to the suffering and damage experienced by businesses and ordinary people as a result of the high gas prices.

It is impossible to predict what the coming year will look like. The price cap set for Dutch consumers and the wholesale market price cap set at European level, although agreed in 2022, will only become noticeable in 2023. We are particularly concerned about the effects of the European price cap on gas trading operations because it is not clear what the effect of these measures will be on Europe's main trading hub.

Meanwhile, despite the extraordinary market conditions and the continuing relevance of our company in the gas market, we are continuing to wind down GasTerra's activities. This means that we are regularly saying goodbye to colleagues who are continuing their careers elsewhere, but also that we succeed in attracting new employees, in a tight labour market, to guarantee continuity.

For 2023, it is my heartfelt wish that Russia brings the war in Ukraine to a speedy end and that energy markets return to calmer waters. But also that we take advantage of the lessons on security of supply, energy savings and energy transition that 2022 has taught us. I look forward to this new year with the GasTerra team with optimism and confidence.

Annie Krist
CEO

1. GasTerra

1.1. About GasTerra

GasTerra B.V. is a gas trading company that operates internationally and is based at Stationsweg 1 in Groningen. Our company has over fifty years' experience with, and a thorough knowledge of, the gas market. GasTerra is part of the Dutch 'Gasgebouw', a public-private partnership for the production and sale of natural gas, in which NAM, Shell, ExxonMobil, the Dutch State and EBN are also represented.

GasTerra is the purchaser of gas from the Groningen field. We also trade in high-calorific gas in addition to low-calorific Groningen gas. This gas comes mainly from the small Dutch gas fields in the North Sea and on land as well as imports from Norway. As well as these volumes, GasTerra buys a large proportion of its portfolio on the Dutch gas trading point, the TTF. We sell the gas we buy on the domestic market (including TTF) and to energy companies in neighbouring countries. The storage facilities we have under contract enable us to contribute to security of supply for L-gas users. This role also includes the tasks performed by GasTerra for the purpose of winding down Groningen production.

The cabinet has decided that Groningen production will be phased out and finished as soon as possible due to the problems caused by earthquakes in the region. GasTerra's core business and future prospects will no longer exist when production ceases. In 2020 a phasing-out plan was put together which is guiding us through the steps required to discontinue GasTerra's business activities on the planned date of 31 December 2024. A redundancy scheme has been agreed for employees. Meanwhile, this period of phasing-out has led to several employees leaving the organisation. The phasing-out plan takes into account that, on the final date, there may still be a number of current and long-term obligations and rights remaining. It will be determined in a timely manner how these will be met.

1.1.1. Mission, vision and strategy

Our mission is to maximise the value of the Dutch natural gas offered to GasTerra. The organisation stands for this mission while it is in the winding down phase and facing unprecedented market conditions. Our vision and objectives have been re-evaluated as a result of this situation and the stage reached by the phasing-out of gas extraction from the Groningen field. The vision is that GasTerra will phase out or transfer its activities in a controlled manner while remaining aware of the interests of its stakeholders and the smooth running of the gas market.

GasTerra's mission and vision fall into five objectives:

- **Volume:** GasTerra contributes to the security of supply of L-gas and fulfils its purchasing and sales obligations;
- **Price:** GasTerra aims to achieve a price in line with the market. GasTerra aims to protect the value of its portfolio through price risk management;
- **Costs:** GasTerra tries to achieve a correct balance between costs on the one hand and value and care on the other hand;
- **Anticipation:** GasTerra anticipates a changing environment and listens to its stakeholders;
- **Phasing-out:** GasTerra will phase out or transfer its activities in a controlled manner. GasTerra will do so while remaining aware of the interests of its stakeholders and the smooth running of the gas market.

Natural gas will have a different role in the future energy supply, and we believe it is important that it should preferably be used only where renewable sources are not yet a workable alternative. Even as our organisation is winding down, we will continue to work, albeit to a lesser extent, on decarbonising by encouraging the production of green gas, contributing to research into hydrogen and sharing the knowledge we have accumulated about our product, the market and the energy transition.

We practise corporate social responsibility (CSR) and have integrated it into our strategy and policies. We take stakeholder interests into account when making decisions. We have translated the principles of corporate social responsibility (CSR), which are People, Planet, Profit into Gas, Green, Groningen. In this, Gas represents our operating results, Green represents the energy transition and Groningen represents our involvement in the region.

1.2. The gas value chain

GasTerra is part of the entire gas value chain from extraction to use and will be active as a trader in this until the final date.

The liberalisation of European energy markets made free trade in gas possible and several marketplaces for gas have emerged. In the Netherlands this marketplace is called the Title Transfer Facility (TTF). The TTF allows traders to buy and sell gas. Trade is virtual, which means that only ownership of gas volumes changes, without any consequences for the physical streams in the transport system. In addition, the TTF does not take account of different qualities of gas, unlike the situation in physical reality. Market players simply buy and sell gas. The advantages of this include a lower threshold to entry, leading to an increase in the number of players that can operate on a single integrated market, strong competition, transparent trade and higher liquidity. Gasunie Transport Services (GTS) is formally required to ensure that the various qualities are physically in balance. As a seller of gas from Groningen, GasTerra contributes to this balancing.

A large number of standard products are traded on gas hubs. The delivery times of these products varies. The purpose of purchases and sales is to keep the total obligations of purchasers and sellers (the market) in balance. The products can be bought and sold for various periods: now (within-day) and tomorrow (day-ahead) on the spot market, and for the future on the futures market (for example, month-ahead and year-ahead). The spot market is relevant for market players as it allows them to keep their trading portfolio in balance, while the importance of the futures market for these parties lies in the security of supply provided by these products and the ability to manage price risks in trading portfolios.

GasTerra keeps its own portfolio in balance of course, but also takes account of the Northwest European market for low-calorific gas (L-gas). This is a difference between our company and other traders which only have to deal with their own portfolio and do not need to take account of gas quality and broader market demand. If it looks like the physical balance for L-gas might be disrupted, GTS can give instructions for more or less L-gas to be fed into the transmission system.

GTS uses a separate pipeline network to transport Groningen gas and other sources of L-gas, which exists alongside the gas network for the transport of high-calorific gas (H-gas). GTS has to ensure that both networks remain in balance by ensuring that the quantities of gas offered by the traders do not deviate too far from the volumes withdrawn from the network. In order to keep the system in balance, operators of a national transmission network (Transmission System Operators/TSOs), GTS in the Netherlands, can blend in gas of different qualities. This is called quality conversion.

1.3. Our environment - Gas

2022 started with much higher prices on the European gas market as Gazprom restricted its supplies to Europe. The Russian war against Ukraine, which started on 24 February 2022, caused unprecedented turmoil on the European gas market, leading to enormous price volatility and financing requirements for energy companies together with interventions by governments requiring, for example, storage filling targets to be met.

In response to Russia's aggression, the European Union declared several packages of sanctions against Russia during 2022 with the aim of damaging its economy. As a countermeasure, the Russian Federation, working closely with Gazprom, enacted a law requiring all European customers to pay in roubles through an account in Gazprombank in Moscow. This was an infringement of the contractual provisions and, in addition, there was ambiguity in the different countries as to whether this was an infringement of European sanctions legislation.

It is known that customers have reacted differently, some have agreed under protest and others are alleged to have refused. However, during the summer, regardless of the position taken by customers, Gazprom greatly reduced deliveries to Europe, first of all by unexpectedly claiming that it needed to carry out maintenance on the Nordstream 1 pipeline. Later, Gazprom dropped this argument altogether and gave no explanation for the underdeliveries.

As a result of these actions by the Russian state and Gazprom, shortages arose in Europe and prices shot up, which had two effects. Due to the high prices, as much LNG as possible was brought in and customers were encouraged to switch to other forms of energy or save as much as possible.

It became clear that there was insufficient LNG import capacity to Northwest Europe and the network for transporting gas within Europe is designed to allow large volumes to flow from North to South and East to West Europe. The situation in 2022 was that a lot of gas needed to flow from West to East and also from South to North.

The Netherlands and Germany were particularly affected. Germany was dependent on Russia for a very large percentage (~40%) of its gas. As the Dutch and German infrastructure is so closely interconnected, limitations in the system became apparent. In the Netherlands, Gasunie reacted to this by starting to build additional LNG import capacity immediately and the company brought the EemsEnergyTerminal into use in October. This has allowed additional capacity to be achieved quickly as a result of effective cooperation between government, TSO and market parties. Similar floating LNG import capacity is also being built in Germany.

The high prices also led to huge financing requirements for market players trading on the exchange. Margin calls from the clearing bank associated with the exchange have become very high, meaning that many market players have had to commit to an extraordinary amount of short-term funding. The OTC market (bilateral deals between market players) dried up almost completely as counterparty credit risk became too high.

Further price increases were caused by EU regulations imposing minimum gas storage filling obligations on member states. The aim is to ensure that the storage facilities are well stocked at the beginning of winter to guarantee security of supply. This led to high demand for gas in the summer pushing the gas price up to a new level of above €3/m³.

In the Netherlands we saw energy suppliers unilaterally breach contracts to implement price increases. We are also seeing the Dutch government attempting to compensate consumers to some extent for the great burden of increased energy bills. Uncertainties about security of supply also led to the question of whether additional gas extraction from the Groningen field was needed when it was at a turning point where the field would close completely or go on the 'back burner'.

Developments relevant to GasTerra's portfolio are discussed below.

1.3.1. Supply from Groningen and the small fields

Gas extraction from the Groningen field is being phased out due to the earthquake issues in Groningen. Since 2014 the government has determined how much gas NAM can extract from the field each year. This has been the responsibility of the State Secretary for Economic Affairs and Climate Policy with effect from 2022. The quantity of gas to be extracted that is needed for security of supply is laid down in a permitted production ruling.

Gas year 2021-2022

The level of extraction from the Groningen field for gas year 2021-2022 was set on 24 September 2021 in the Groningen permitted production ruling at an initial volume of 3.9 billion cubic metres assuming that the year would have average temperatures. A key assumption here was that GTS's new nitrogen plant in Zuidbroek, which can convert high-calorific gas into low-calorific gas, would be fully operational by 1 April 2022. Setbacks in the construction of the plant made it necessary to set gas extraction at a higher level on 1 April 2022. This was done through an amendment decision that set the level at 4.5 billion cubic metres for a year with average temperatures. This amendment decision also created scope to store low-calorific gas instead of high-calorific gas in the Grijpskerk storage facility. In mid-2022, construction of the nitrogen plant experienced further delays and a second amendment decision was required. This amendment decision maintained the level of 4.5 billion cubic metres but regardless of temperature. This amendment decision also ensured that sufficient low-calorific gas was available to fill gas storage facilities Norg and Grijpskerk, which was necessary in connection with significant uncertainties on the gas market resulting from the war in Ukraine.

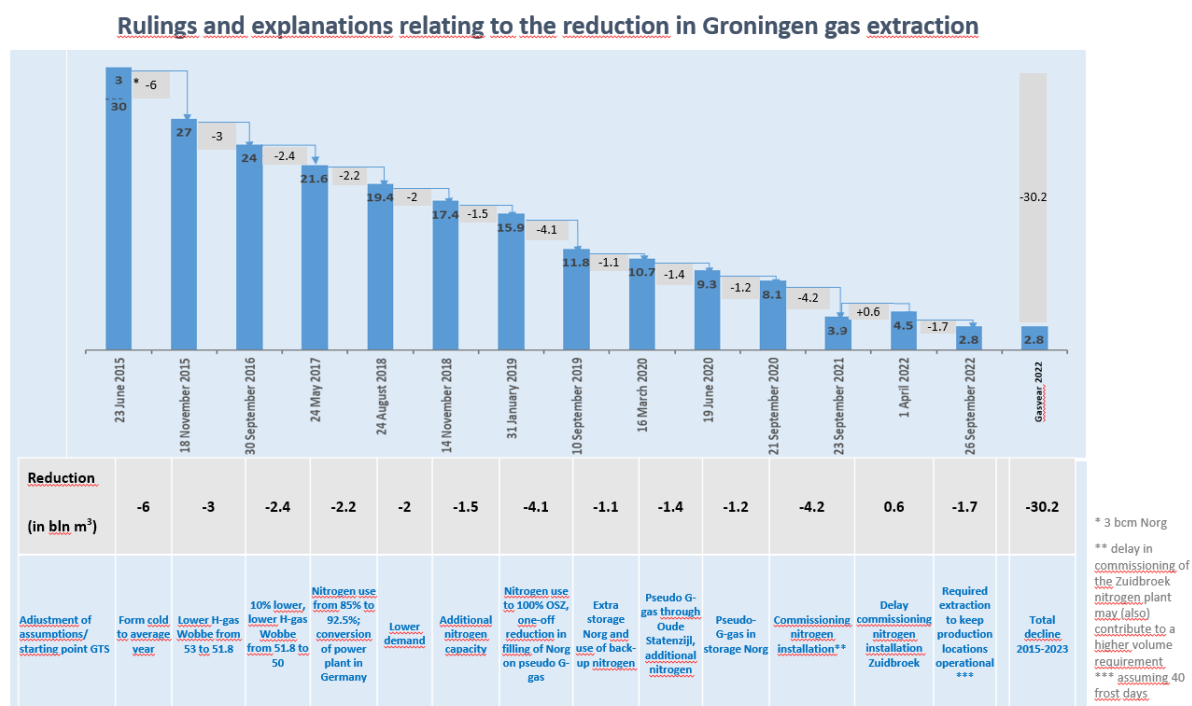
Gas extraction for gas year 2021-2022 ended up being the volume set of 4.5 billion cubic metres, which is lower than the 7.8 billion cubic metres extracted in the previous gas year.

Gas year 2022-2023

Gas year 2022-2023 marked a turning point for extraction from the Groningen field. On 26 September 2022, in the permitted production ruling, the State Secretary for Economic Affairs and Climate Policy set the extraction level at 2.8 billion cubic metres assuming 40 frost days. This extraction is intended to keep a number of production sites operational. The Groningen field may only be called on for limited back-up in exceptional situations, such as gas system disruptions, technical failures, breakdown of a low-calorific gas storage facility or very cold conditions.

The permitted production ruling assumes extraction will take place at eleven production sites to be deployed until March 2023; there will only be five left from April. The number of production sites that actually remain operational in gas year 2022-2023 depends on the capacity that the Groningen field has to supply. Before 1 April 2023, the State Secretary will decide whether the six production sites can be closed, based on the most recent insights. If the closures are not possible, then this will affect the level of extraction in this gas year.

The diagram below shows the decline in Groningen production in recent years and the corresponding adjustments and assumptions.



1.3.1.1. Rulings and explanations relating to the reduction in Groningen gas extraction

Explanatory notes to the diagram¹:

From cold to average year: This means that the volume required for the following year for security of supply is based on a year with average temperatures instead of a bitterly cold year; that ruling therefore included the option of producing more than the ceiling figure if the weather was unexpectedly cold.

Lower H-gas Wobbe: the Wobbe index is a measurement of gas quality. A lower H-gas quality means that more gas of Groningen quality can be made with the same amount of nitrogen. This figure has been revised downwards several times since 2015. This was done because measurements showed that the H-gas quality was in fact lower than estimated.

Lower demand: this is the expected size of the market in the following year. This turned out to be smaller than anticipated, which explains the reduction.

Additional nitrogen capacity: this is the additional quantity of nitrogen which GTS can buy in order to convert H-gas into Groningen-quality gas ('pseudo-Groningen gas').

Closure of the Groningen field

With the continuation of the measures to reduce demand for Groningen gas, the final closure of the Groningen field is coming closer. The Minister for Economic Affairs and Climate Policy expects it to close in 2023 or 2024. According to the Minister, the exact date depends on a number of uncertainties such as gas supplies to Europe as a result of the war in Ukraine, the operation of the new nitrogen plant in Zuidbroek, how the gas storage facility at Grijpskerk will function for storing low-calorific gas, progress made in reducing demand for low-calorific gas and the availability of H-gas.

¹ The data and figures on which this diagram is based are in the public domain. GasTerra is responsible for the explanation below the x-axis of the gas volumes shown in the columns.
 'Norg' refers to the gas storage facility in Norg.

Meanwhile, NAM has indicated that the Grijpskerk gas storage facility will be available as a low-calorific capacity resource from 1 October 2023, bringing the final closure of the Groningen gas field in 2023 within reach.

In order to create the legal framework for closing the Groningen field, a bill is being prepared (Act on the termination of gas extraction – What comes after zero (in Dutch: Wet beëindiging gaswinning – Wat na nul)).

Parliamentary Inquiry on Natural Gas Extraction from Groningen

On 9 February 2021 a parliamentary committee of inquiry was put in place to investigate natural gas extraction from Groningen. The purpose of this committee of inquiry is to establish the truth and acquire explanatory insight into the decision-making process on natural gas extraction, claims handling and the reinforcements in Groningen².

After the committee had requested written information and documents from organisations involved such as GasTerra in 2021, private preliminary discussions were held with experts and witnesses to obtain additional information and verify initial findings. The public hearings took place from late June to mid-October 2022, during which the committee interviewed sixty-eight witnesses and experts including former directors and supervisory board members of GasTerra. The committee's final report will be presented on 24 February 2023.

Supply from small fields

Production from small Dutch fields is expected to decline further in the coming years, despite higher gas prices, the desire to have a greater supply from our own region in order to become less dependent on Russian gas and on licences for new fields. This is due to the fact that, among other things, most small Dutch fields are at the final stage of their production cycle and the new fields do not compensate for this decline.

1.3.2. Dutch supply/demand balance

In 2022, gas demand in the Netherlands was 28.1 billion cubic metres³. This represents a drop of 22% compared to 2021. This decline in gas demand was mainly caused by high gas prices, but also because it was a year that was warmer than average.

According to the Netherlands Environmental Assessment Agency (PBL), the energy supply will see some significant shifts between now and 2030, but oil and natural gas will nevertheless remain dominant⁴. Having said this, natural gas consumption in the Netherlands will continue to fall in the coming decade because final use for heat and the use of natural gas in industry will continue to decline. The Agency also expects the declining trend in natural gas use in the built environment to continue due to climate change (warmer winters), new homes built without gas connections, demolition of old homes and improvements in the existing housing and building stock⁵. An expected increase in electricity generated from wind and solar power will also contribute towards the decrease of natural gas consumption by power plants in the future⁶.

² https://www.tweedekamer.nl/kamerleden_en_commissies/commissies/peag

³ Source: CBS Natural Gas Balance; supply and consumption – total consumption of natural gas (prov. figures)

⁴ Source PBL – Climate and Energy Study 2022 (in Dutch: Klimaat- en Energieverkenning 2022), page 88

⁵ Source PBL – Climate and Energy Study 2022 (in Dutch: Klimaat- en Energieverkenning 2022), page 81

⁶ Source PBL – Climate and Energy Study 2022 (in Dutch: Klimaat- en Energieverkenning 2022), page 88

The Netherlands has traditionally been a net exporter of gas thanks to production from the Groningen field and small fields. In recent years, the supply of gas has been falling faster than the demand for gas. The fall in the gas supply is due to rapidly declining domestic production, caused particularly by lower production from the Groningen field, but also to decreasing production from small fields. The new small fields are not sufficient to make up the shortfall. It is anticipated that we will still be extracting 7.9 billion cubic metres of natural gas from Dutch soil in 2030, which is expected to cover approximately 30% of domestic demand.⁷

The Netherlands is trying to increase the supply of natural gas by making it possible to import more LNG. Gasunie intends to double Dutch capacity for importing LNG by expanding Gate Terminal and the new EemsEnergyTerminal.

1.3.3. European supply/demand balance and gas prices

With the war in Ukraine resulting in the current energy crisis, there is considerable uncertainty about security of supply on the European gas market. In the summer, demand was higher in connection with filling the storage facilities. This coincided with the use of more gas in power plants driven by nuclear plant maintenance in France. To compensate for the lower supply from Russia, contracts are being concluded with other suppliers and construction of new infrastructure (LNG and pipelines) is being accelerated. For example, 25 new Floating Storage and Regassification Units (FSRUs) are expected in Europe in the coming years. European LNG imports increased by 60% in the first eight months of 2022 compared with the same period in 2021. A minimum storage filling target applies to gas storage facilities for the coming winters. However, it remains uncertain whether there will be sufficient supply to compensate for Russian gas.

Natural gas prices were already high in 2021 due to strong Asian demand and the easing of lockdowns. Due to the war in Ukraine and, as a result, lower supply from Russia, natural gas prices on the European gas market continued to rise sharply in 2022.

Higher prices dampen gas demand. Cost-cutting measures include insulation and tendering for natural gas savings in intensive industries. Businesses and consumers also turn down the heating to save energy.

Besides gas prices being high, their volatility is increased by uncertainty about the supply/demand balance in Europe and on the global market. In several countries, and at European level, schemes have been devised to make gas bills more bearable for businesses and consumers. In addition, the European Union and national governments have implemented plans, legislation and regulations to reduce the risk of gas shortages.

1.3.4. Market Correction Mechanism

Unprecedented and disruptive energy cost increases are creating problems for many consumers and businesses and causing great unrest across the Union. Governments nationwide are trying to ease the greatest pain for consumers with rebates on energy bills. Major forces are also working at European level to curb wholesale gas market prices. A package of measures is being prepared to mitigate the effects of the cuts in Russian supplies on the energy market.

The most highly developed measure so far, the Market Correction Mechanism (MCM), aims to limit extreme price spikes at wholesale level. The proposal had both supporters and opponents up to 20 December 2022, leading to a compromise being adopted following lengthy negotiations, with the Netherlands abstaining from the vote.

⁷ Source PBL – Climate and Energy Study 2022 (in Dutch: Klimaat- en Energieverkenning 2022), page 103

Over the past month the MCM has been assessed for pros and cons by a number of European authorities, including ACER, and came into force on 15 February 2023.

In essence, the MCM works as a cap on the most popular and most traded TTF hub products. The cap is triggered by the combination of two events: the TTF month-ahead price has been above €180/MWh for more than three days **and** the LNG price has been below €145/MWh for more than those same three days. As soon as this situation occurs, trading at prices above the cap is prohibited. The cap will be a dynamic 'LNG price' plus €35/MWh as soon as it comes into force. The cap will remain active for at least 20 days, including if the LNG price differs by less than €35 from the TTF month-ahead price during that period. The 'LNG price' will be a reference price for LNG, still to be modelled and published by ACER. There are still many ambiguities about the exact operation of the MCM and even more concerns about its impact on the market. Since the cap will only apply to trading on the exchange and not the OTC (bilateral deals between market players), it may also cause unforeseen shifts in the use of trading channels.

Reaching an agreement on the MCM also cleared the way for several other European measures. Joint gas purchasing, in particular to ensure that storage facilities can be filled, is a second radical measure alongside the MCM. Work is currently under way to determine the exact details and implementation. The obligatory joint purchasing of at least 15% of the working volumes of national storage facilities seems to be the aim at the moment. To prevent competition between buyers when purchasing third-party gas (purchases outside Europe), there is talk of an obligatory European tender procedure for all volumes greater than 5 TWh per company/authority per year.

Simplifying and accelerating the permit-issuing process has been listed as a third measure to boost the production of renewable energy. This measure too only exists on paper and in concept. As a fourth measure, the European Commission wants to develop a new LNG benchmark to limit the current sensitivity to price movements on the TTF. It is hoped that a new global LNG benchmark such as this will replace the TTF as the most commonly used price reference in contracts. Furthermore, enhancing energy solidarity between member states should lead to a fairer distribution of scarce resources. Again, this (fifth) measure is not yet concrete. Setting tough energy saving targets and enabling the provision of financial support to European consumers are the last two measures of the overall package. On 27 June 2022, the European Council adopted a regulation on gas storage. This regulation sets a filling target for member states of 90% for the winters of 2023 and beyond (to 2025 inclusive), including a filling trajectory setting out the timeframe by which this target should be achieved. The regulation also states that the filling target for an individual member state is to be reduced by the volume supplied to third countries during the reference period 2016 to 2021. For the Netherlands, this means a reduction in the filling target to 73% due to gas exports to the United Kingdom. The cabinet is committed to having the gas storage facilities filled to at least 90%⁸.

The Dutch government had already announced in mid-2022, and confirmed in the Speech from the Throne, that it would provide Dutch consumers with financial support for high energy bills. In the interests of finding a speedy solution, generic measures for all seven million households have been taken until the end of 2023: fixed discounts on energy bills of €190 per month have been promised for November and December 2022, and price caps up to an average consumption level for gas and electricity are in place for the whole of 2023, again for all households. Should energy prices remain high beyond 2023, more income-dependent support measures will be developed for that period.

⁸ [Kamerbrief over gasleveringszekerheid en gasopslagen | Kamerstuk | Rijksoverheid.nl](#)

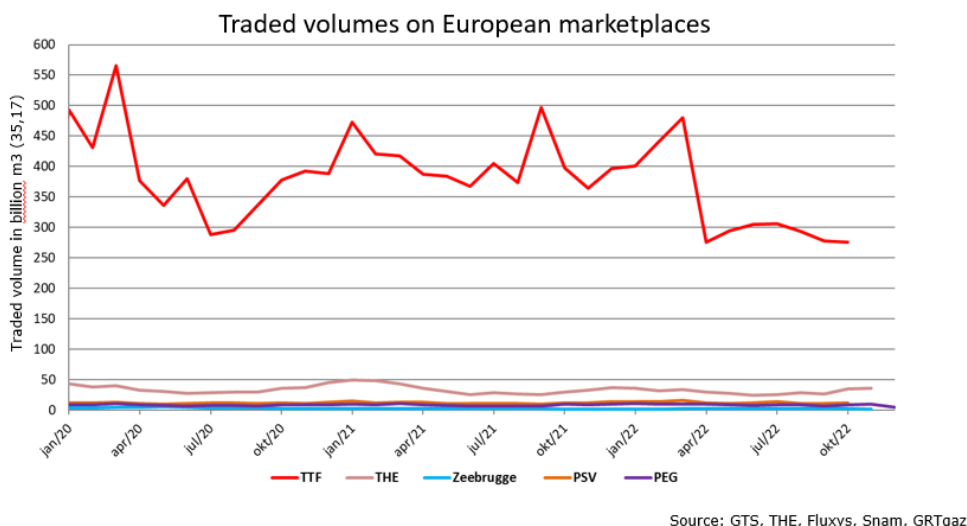
In addition to these direct compensatory measures, emergency funds have been set up to be drawn on by energy companies if, despite income support, consumers fall behind on payments. This also avoids having to disconnect non-paying consumers.

1.3.5. Development of gas trading hubs

Uncertainty in the gas market and high prices in 2022 led to lower liquidity on most European hubs. Trading through brokers in particular became more challenging due to increasingly stringent creditworthiness requirements. Trading via the exchange therefore became more popular.

The volume traded on the TTF, THE and PSV fell by 31%, 19% and 12% respectively. The volume traded on Zeebrugge and PEG rose slightly (by 2% and 4% respectively).

Despite traded volume on the TTF falling sharply in 2022, it was still well above the traded volume on the NBP.



1.3.5.1. Traded volumes on European marketplaces

1.3.6. Energy and climate policy

Energy and climate policy in 2022 was mainly dominated by the Russian invasion of Ukraine and the associated geopolitics. Gas prices were already high in early 2022. The invasion with the subsequent sanctions policy, discontinuation of Russian supplies and the Nordstream gas pipeline explosion caused even more uncertainty and drove prices up even further. The theme of the energy policy, both at European and national level, was preventing gas shortages and reducing gas prices.

Developments at European and international level

REPowerEU is a European initiative and covers various measures to reduce dependence on Russian fuels before 2030. The EU has been seeking to expand LNG deliveries and import capacity, granting subsidies via the recovery and resilience facility (RRF), joint natural gas purchasing, demand reduction and introduction of a gas price cap of no more than €180/MWh.

The 27th Conference of the Parties (COP27) of the United Nations Framework Convention on Climate Change (UNFCCC) took place in Sharm-el-Sheikh. The main outcome is the creation of a fund for developing countries that are damaged by the effects of climate change, such as drought or extreme weather. Unfortunately, no agreement has been reached on taking supplementary measures through which climate targets will be achieved by 2050.

Developments at national level

The new cabinet announced a substantial package of climate measures in the coalition agreement early this year. The Netherlands wants to lead the way in Europe in counteracting global warming. The Climate Act includes such measures as tightening the 2030 CO₂ reduction target to at least 55%, whilst aiming at 60%, in order to be climate-neutral by 2050 at the latest. A climate and transition fund of €35 billion has been made available and the supply of renewable energy sources is being boosted. In the built environment, measures include introduction of a long-term national insulation plan, promotion of hybrid heat pumps and an obligation to blend in green gas.

According to the Climate and Energy Study 2022 (in Dutch: Klimaat- en Energieverkenning 2022 (KEV)), quicker implementation of existing plans and formulation of supplementary policies is necessary to achieve Dutch climate targets by 2030.

1.3.7. Regulation

GasTerra faces regulation at national and European level that affects its business operations. We monitor developments and, where possible, make an active contribution to policy consultations. In the case of new regulations, the company does its best to ensure that it can comply with these obligations in good time.

GasTerra is subject to the *Regulation in Energy Markets Integrity and Transparency* (REMIT) and the *Market Abuse Regulation* (MAR). These regulations, which apply to wholesale energy products and financial instruments respectively, prohibit insider trading and market manipulation. In addition, market players have to comply with extensive reporting requirements in the context of REMIT. GasTerra has implemented the necessary procedures for this.

The revised *Markets in Financial Instruments Directive* (MiFID II) came into force for energy companies that trade in financial instruments in 2018. Trade in contracts is one of these financial instruments. New rules on the use of the exemption for secondary activities came into force in 2022. GasTerra can also make use of the secondary activities exemption under these new rules and no longer needs to comply with the obligation to notify the AFM.

The *Energy Market Infrastructure Regulation* (EMIR) also applies to GasTerra. EMIR aims to reduce systemic risk in financial markets. Under EMIR, GasTerra is required to report certain OTC derivatives and is monitored to check whether certain thresholds are exceeded, as specific clearing obligations will then apply.

Access to gas transmission networks such as that of GTS and the tariffs for their use are regulated. GTS's Method Decision forms the basis for the tariffs for 2022-2026. Important issues in this regulatory period are the decline in the use of the national grid and regulatory changes, under which costs payable in the future by the GTS grid will be brought forward as a result of accelerated depreciation and changes in GTS' capital regime.

Due to the major consequences of this decision, representative organisations VGN, Element NL, VLNG and Energie Nederland, in which GasTerra actively participates, have lodged an appeal against the Method Decision. Consideration of this appeal began in September 2022. It is expected that the Dutch Court of Appeal for Trade and Industry will give a ruling in 2023.

Through Eurogas and EFET we are involved in consultations on proposed European legislation and regulations. To prevent impending gas shortages, in 2022 the European Regulation concerning measures to safeguard the security of gas supply (Regulation (EU) 2017/1938) was revised and minimum filling targets for gas storage facilities were set (Implementing Regulation (EU) 2022/2301). Proposals were also made in 2022 for a European gas price cap on TTF trading and for compulsory joint gas purchasing. GasTerra has added its own thoughts to the responses provided by Eurogas and EFET to these proposals.

1.4. Our environment - Green

The 'Fit for 55' package published by the European Commission in July 2021 gave a boost to the Dutch green gas and hydrogen policy. The cabinet presented the green gas and hydrogen policy to the Lower House in the second quarter of 2022. In early December the Green Gas Programme, which elaborates on this policy and includes a green gas blending obligation, was also submitted to Parliament.

The government recognises the need for the ongoing development of innovative production techniques. Financial support for so-called 'early phase technologies' such as gasification are mentioned in the Green Gas Programme in that context.

The war in Ukraine and the aftermath of the coronavirus crisis are having a dual effect on the increase in production of sustainable gases. The desire to become less dependent on Russia and on other imports is boosting the transition. On the other hand, the acute scarcity of natural gas, raw materials, human resources and, finally, financial resources, is driving energy users to readily available alternatives such as LNG, oil, coal and wood. A difficult licensing procedure, exacerbated by the current nitrogen problems, is the last straw that holds back renewables projects.

For GasTerra, the transition to a sustainable energy supply has been a material topic for years, embedded in our CSR pillars Gas, Green, Groningen. It remains an important topic, but GasTerra's involvement in projects that accelerate the transition to a more sustainable energy supply is decreasing as the organisation winds down.

The projects we still support focus on the development of renewable gases (green gas and hydrogen), which tie in well not only with our expertise and our role as a gas trader but also with market requirements. This knowledge will also remain relevant when we have finished our trading activities in this area. Energy transition activities carried out include innovation projects and studies into biological methanisation, hydrogen production from biomass gasification and green gas production from waste streams in the printing industry. In addition to direct participation in energy transition projects, GasTerra will also continue to work in 2023 within KVGn, Energie Nederland and Eurogas on promoting the role of sustainable gases and the transition towards them.

1.4.1. Green Gas

In 2022, 211 million cubic metres of certified green gas was fed into the gas grid in the Netherlands. This slight decrease compared to previous years was caused, among other things, by the widely applied annual prices (established in 2021) in green gas contracts that remained far below the daily and monthly prices and their negative impact on the profitability of green gas production.

The cabinet plans to publish details of the blending obligation for supply to end users in the built environment in the first quarter of 2023. Details of how this new obligation will be synchronised with those in the fuel sector will also be included. The ambition is to ensure that, by 2030, the volume to be blended for the built environment has increased to 20% of the gas supplied (equal to 1.6 billion cubic metres by 2030). The cabinet also wants to increase the supply of sustainable biomass with a more detailed analysis of the sustainability framework for biofuels.

1.4.2. Hydrogen

Hydrogen is firmly on the agenda, in the Netherlands, Europe and worldwide.

During the year, Gasunie was given a mandate by the Minister to develop a hydrogen backbone. It started by developing a network that would connect seaports with industrial clusters. Existing gas infrastructure is to be used as much as possible for this purpose. Towards the end of the year it was announced that the cabinet also wants an offshore network in the North Sea to be developed by the infrastructure company. Through its subsidiary HyStock, Gasunie is also working to develop hydrogen storage in salt caverns.

The European Commission has also included a solid target for green hydrogen production in its 'Fit for 55' package. Of the current fossil industrial hydrogen demand, 50% is to be replaced by 'renewable fuels of non-biological origin', i.e. green hydrogen, by 2030. Achieving the necessary electrolysis capacity requires, first of all, technical innovations, but then also a considerable increase in electrolyser production capacity. Infrastructure construction then needs to start to match supply with demand. Finally, another factor that may hinder targets being met could be competition for green power from offshore wind.

Current regulations on green hydrogen production maintain the principle of additionality. This imposes requirements to link the time and place of hydrogen production and the green power used for it. This has a negative impact on the hydrogen production business case, i.e. the result is a de facto restriction of the electrolyser's running time. As a result, less hydrogen is produced than is possible and the capital-intensive investment in the electrolyser must therefore be written off over a lower production volume.

Alongside green hydrogen, blue hydrogen can also play a part in decarbonising the energy supply. This is hydrogen produced from natural gas following the capture of a large proportion of the released CO₂. The development of a shared vision of its role in the Netherlands may be at a turning point. After years of hesitation, there is now government support for the development of demonstration projects and several market players are openly speaking out in favour of blue hydrogen.

1.5. Our environment - Groningen

GasTerra is closely connected to various institutions, associations, foundations and clubs in Groningen and supports social, cultural and sports projects by providing funds, input from staff and knowledge. We also contribute to educational projects that aim to develop knowledge and we make every effort to help the North Netherlands develop into a leading energy (and energy transition) knowledge centre. For example, we support research and innovation at EnTranCe and via the New Energy Coalition. The company will consider whether there is still, in the context of GasTerra's phase-out, scope for such agreements; this will be done year by year and case by case.

Together with Gasunie, GasTerra provides the Groninger Museum with structural support. This started in 1994 with a substantial contribution from Gasunie to the municipality of Groningen to enable construction of the current museum building. When, in 2005, Gasunie was split into what is now Gasunie and GasTerra, both parties continued the sponsorship. Critical comments are sometimes made about this sponsorship. Action groups are demanding that the museum cuts ties with energy companies still working with fossil fuels, and accept the related loss in income, because it could be seen as 'green washing'. GasTerra sees its involvement with the Groninger Museum as being, first and foremost, for historical reasons. We also consider ourselves to be a Groningen company and therefore place a very high value on the social and cultural values in our city. Our connection with the museum is a logical consequence of this.

1.5.1. Sponsorship

After two years of coronavirus and the related effects, we were pleased to see that several events and activities took place again in 2022. GasTerra supported a number of projects.

Kids United, the foundation that enables disability football in Groningen, received a contribution for fittings and furnishings for their new stadium. Elker Youth Aid (in Dutch: Elker Jeugdhulp) in Groningen has been financially supported by GasTerra to purchase mountain bikes for sports activities. A scheme run by Hanze University's Dental Hygiene department and the health service to provide Groningen clothing bank customers with oral health care guidance also received a contribution from GasTerra in both 2022 and 2023.

The Beatrix Children's Hospital and the Quiet Groningen foundation both received an amount of €10,000. The children's hospital will use this amount to equip the incubators in the newly refurbished neonatology department. Quiet Groningen connects people in poverty (Members), businesses (Sponsors) and private individuals (Supporters) in the region. The foundation has bought energy-saving packages and Christmas parcels for their Members.

In 2022, GasTerra spent a total of more than €246,000 on sponsorship and donations (in 2021: €210,000).

In addition to providing sponsorship, GasTerra has set up a volunteers' fund, which provides a financial contribution to associations, institutions, foundations or other organisations in which GasTerra's employees actively volunteer. This fund was used to contribute towards the purchase of solar panels for Grijskerk football club and towards the purchase of LED lights for the tennis club in Uithuizen. A request from the Groningen Hockey Club to support the wheelchair hockey team was also honoured.

1.5.2. Education

We supported several educational projects in 2022. We have been associated with a number of projects for multiple years, such as the travelling classroom 'Your Energy of Tomorrow' (in Dutch: 'Jouw Energie van Morgen'), IVN technology boxes and the Communication Course at Hanze University (Communication & Campaigns Minor) for which GasTerra sets the students assignments on green gas and hydrogen which they can get to work on and broaden their knowledge about the transition to a climate-neutral energy supply.

A new project was the development and construction of the updated Hanze Hydrogen Table (in Dutch: Hanze Waterstofafel), for education and demonstration purposes, by students taking HBO Bachelor's degree courses in Mechanical Engineering, Mechatronics and Law at the Hanze University of Applied Sciences in Groningen. This project was carried out on behalf of the Green Hydrogen Booster and co-financed by GasTerra. GasTerra is also involved in various projects in the Groninger Forum including 'Got it!' This is an invention competition for secondary school students in Groningen with the aim of boosting students' digital literacy, such as information skills, media literacy and computational thinking. From March to June 2022, the Forum in Groningen was dedicated to Green House Forum, which looked at the gulf between humans and nature. Thanks in part to GasTerra's contribution, schools received a teaching pack to get students thinking creatively about the relationship between humans and nature and how we might improve it in the future. A listening unit and story box on this theme were developed for the children's section in the Forum, Wonderland.

Another new project is the sustainable calendar for primary schools, in which every month there is the 'tip of the month' relating to energy or energy savings and featuring meaningful illustrations, matching the theme and aimed at the target group. GasTerra supplies the energy-saving tips and gets the calendar printed. Forum Groningen is responsible for copying and distributing the calendar meaning that children can put the tips into practice at school and at home.

1.5.3. Local buying

When purchasing non-gas-related products and services, we prefer to work with local suppliers to stimulate the Groningen economy. When making a choice from the available suppliers, location is a fixed criterion in addition to sustainability, price and quality. In 2022 the total commitments entered into for this type of purchase came to € 28.1 million. Of this, more than €9.9 million was spent with local suppliers (2021: total €17.8 million, of which €9.7 million was spent locally).

1.6. In dialogue with our environment

GasTerra regards it as important to be transparent about its activities and to obtain an insight into the views of stakeholders with regard to the impact of our organisation. We have regular discussions with stakeholders in order to obtain this information. We have categorised our stakeholders according to the following groups:



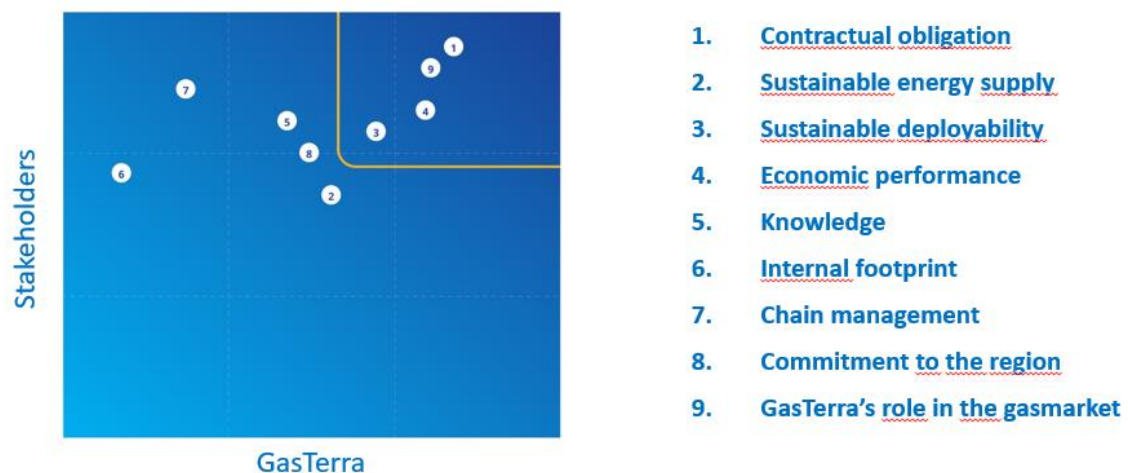
1.6.1.1. Stakeholder groups

In addition to the regular discussions that we have with our stakeholders, we carry out a stakeholder dialogue every year. The intensity of these dialogues alternates between an extensive stakeholder dialogue one year, with the following year a scaled-down version being carried out, in which we simply look at the extent to which developments have taken place that require an update on certain points. The findings from the stakeholder dialogue provide important information that is used in producing the materiality matrix. The materiality matrix is incorporated into the Business Plan and used to reflect policy choices. The annual report gives stakeholders information about the targets for the material topics that have been achieved.

An in-depth version of the stakeholder dialogue was carried out in 2022. A survey was conducted which enabled stakeholders to indicate the importance they attach to the selected topics in terms of economic, ecological or social impact. Stakeholders were also given the opportunity to reflect on how matters are progressing with GasTerra's phase-out. The survey also asked about the impact of the global energy crisis. In order to be able to interpret the outcomes of the survey correctly, interviews were held with various stakeholders in addition to the survey.

GasTerra's management compared the importance that stakeholders attach to the issues with the importance that GasTerra itself attaches to them. The result is the materiality matrix for 2022, which is a key factor in determining policy choices for and reporting on 2023.

The material topics for 2023 are: contractual obligation, economic performance, role of GasTerra in the gas market and sustainable deployability. This means they are unchanged with regard to 2022.



1.6.1.2. Materiality matrix

Sub-objectives for 2023 have been determined for the material topics within the strategic targets of volume, price, costs and anticipation. The phasing out of GasTerra is a general theme that plays a part within all the targets and activities.

Material topic 2023	Strategic targets	Target for 2023
Contractual obligation	Volume Price	Full compliance with contractual obligations.
Economic performance	Volume Price Costs Anticipation	Best possible negotiation of commercial contracts. Managing the price risks arising from our purchasing and sales obligations as effectively as possible. Making the best possible use of the contracts in our portfolio. Using the market potential for optimisation. Making a margin on purchases and sales.
GasTerra's role in the gas market	Anticipation	Enable NAM to implement the operational strategy established by the Minister for Economic Affairs and Climate Policy. GasTerra will make every effort to sell the annual volume of Groningen gas offered by NAM based on the gas production decree.
Sustainable deployability	Anticipation	Percentage of sickness absence in calendar year 2023 <2.5% and 0 accidents leading to time off work. At least 20% of employees are investing in their own personal development through a specific course or training, aimed at securing a job after GasTerra.

1.6.2. Value creation model

The value creation model shows how we use our resources to achieve the targets. Our mission, vision and strategy are the basic principles of our business operations.

Phasing out gas production from the Groningen field at an accelerated pace means that GasTerra's core business will cease to exist. In 2020 a phasing-out plan was produced which works gradually towards discontinuation of the company's business activities. This wind-down will be finished by 31 December 2024, but the importance of gas for the energy supply and the climate policy will not disappear when GasTerra has been phased out completely. We will use the next few years to leave the gas market in a good position and to share our accumulated knowledge of our product, the market and the energy transition. The value that we are currently adding will therefore remain relevant after the final date.

We have always paid considerable attention to projects that advance the transition to a more sustainable energy supply and we actively sponsor social, cultural and sports institutions and activities, particularly in and around Groningen. As the phase-out progresses, this attention will inevitably decline and the company will consider whether there is still scope for such agreements in this context; this will be done year by year and case by case.

In the later stages of GasTerra's phase-out, the value creation model will be updated, if necessary.

Inputs

Gas

- Total volume 45.7 bln m³
- Groningen
- Small fields
- Virtual trading points
- Import
- Green gas

Gas market

- Fluctuating gas price
- Gas contracts
- Licences
- Trading partners
- Storage facilities

Organisation

- 101.0 Fte
- 108 employees
- Diversity
- Working conditions
- Headoffice Groningen

Knowledge and systems

- Knowledge of the gas market
- IT systems

Finances

- Shareholders' equity €216 mln
- Investments €1.2 mln

Society

- Stakeholders
- Image of gas

Business Model

Volume

GasTerra contributes to the security of supply of L-gas and fulfils its purchasing and sales obligations.

Price

GasTerra aims to achieve a price in line with the market. GasTerra aims to protect the value of its portfolio through price risk management.

Costs

GasTerra tries to achieve a correct balance between costs on the one hand and value and care on the other hand.

Anticipation

GasTerra anticipates a changing environment and listens to its stakeholders.

Phasing-out

GasTerra will phase out or transfer its activities in a controlled manner. GasTerra will do so while remaining aware of the interests of its stakeholders and the smooth running of the gas market.

Governance
Risk Management
Public Affairs
Public Relations

Outputs

Gas

- Total volume 39.2 bln m³
- Virtual trading points
- Client connections
- Border points

Gas market

- 100% compliance with contractual obligations
- 13 billion m³ NL gas purchased (Groningen & Small fields)

Organisation

- 75 men, 33 women
- 2.98% sickness absence
- Safety/accidents

Knowledge and systems

- Training costs: 0.69% of total staff costs
- Training and career opportunities
- 99.97% availability of highly critical systems

Finances

- Turnover €35.501 mln
- Net profit €36 mln
- Working capital €241.8 mln
- S&P credit rating AA+ (Negative Outlook)

Society

- 69 points on the transparency benchmark
- Sharing and developing knowledge about energy (transition)
- Supporting energy transition projects
- Commitment to the region
- Local procurement of facilities worth 9.9 million euros

Material issues

Contractual obligation Economic performance GasTerra's role in the gas market Sustainable deployability

Outcomes

Gas

- Security of supply of the company's own portfolio
- Good relations with clients and suppliers
- Benefits of natural gas

Green

- Sharing and developing knowledge about the role of gas in the energy supply in R&D, education and public debate
- Contributing to the rational transition to a climate-neutral energy supply

Groningen

- High-quality job opportunities in the region
- Making a valuable contribution to the local community

1.7. Summary of results

	2022	2021
Income and expenditure in millions of euros		
Revenue	35,501	13,144
Gas purchases	35,138	12,816
Transmission costs	214	235
Profits in millions of euros		
Profit before tax	48	48
Net income	36	36
Dividend	36	36
Other financial information		
Investments (in millions of euros)	1.2	0.7
Liquidity ratio	1.0	1.1
Balance sheet data at year-end, in millions of euros		
Total assets	16,034.3	4,528
Shareholders' equity (before profit appropriation)	216	216
Current liabilities	15,788.5	4,286
Volumes sold in billions of cubic metres		
Total sales	39.2	44.2
-The Netherlands	24.7	24.0
-Rest of Europe	14.5	20.2
Company staff at year-end, in full-time equivalents	101.0	109.7
Health and safety		
Sickness absence (in %)	2.98	1.89
Average absenteeism rate	0.99	0.56

The solvency ratio of GasTerra is not included because it is not representative as a result of the agreements among the various entities in the Dutch 'Gasgebouw' (see the financial statements, chapter 4). One of them relates to the transfer price for Groningen gas, as a result of which GasTerra makes a fixed profit of €36 million after tax. As lower amounts of Groningen gas are being extracted and production is expected to be terminated in the near future, it is increasingly difficult to set a price for Groningen gas which would leave a fixed profit of €36 million for GasTerra. However, GasTerra still has obligations that must be met. To ensure this, the Transfer Price Agreement has been amended. The amendment means that GasTerra's fixed profit of €36 million is achieved by no longer setting a price per unit (cubic metre of Groningen gas) but an amount. From 1 January 2022, the transfer price for Groningen natural gas supplied by NAM to GasTerra will consist of a volume-dependent commodity price, based on the TTF month-ahead-prices, and a volume-independent payment.

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

2. Material topics

Contractual obligation, economic performance, sustainable deployability and the role of GasTerra in the gas market were the material topics for 2022. These topics were determined partly on the basis of the outcomes of the stakeholder dialogue conducted in 2021 and served as input for the policy choices in 2022. These topics remain material for 2023. In this chapter, we explain how the material topics are addressed and the targets achieved. We also look ahead to next year's activities and objectives.

2.1. Contractual obligation

Compliance with contractual obligations is the most important topic for both GasTerra and our stakeholders. We make sure that our company has enough gas in portfolio at every point in the year to be able to meet the supply obligations to our customers. To make this possible, GasTerra must ensure that its sales obligations are in balance with its supply. In the past it was possible to do this by adjusting the Groningen field upwards or downwards; now we balance this by purchases and sales on the market and the use of contracted storage facilities. In order to be able to meet our obligations and to manage the associated price risks, we use advanced planning models. In 2022 we complied with all our contractual obligations which means the target was achieved. We do not include specific details about our contracts in our annual report for reasons of commercial sensitivity.

This commercial sensitivity also came up when, as a result of the high gas prices, questions were raised both by consumers and members of the Lower House about the considerable price differences between different countries. Access to GasTerra's gas contracts was requested. In response, on 7 December 2022, in consultation with the Ministry of Economic Affairs and Climate Policy, GasTerra provided members of the Lower House with partially confidential information on gas contract types, pricing in the contracts and the way the natural gas market works. Contractual implications, competition law rules and commercial sensitivity requirements make it impossible to fully disclose the content of the contracts.

2.1.1. Renegotiations

Renegotiation clauses are included in existing import and export contracts. If the parties to these contracts fail to reach an agreement during renegotiation, arbitration may follow. In 2022, we conducted three cases of arbitration with regard to existing import and export contracts, none of which had been concluded by the end of the year. As the outcomes of renegotiations, or arbitration cases relating to these, that are still unresolved are uncertain, the possible outcomes of these proceedings are not reflected in the financial statements.

2.1.2. GasTerra is winding down

In 2020 we informed our business partners that a phasing-out plan had been put together that would work towards the discontinuation of GasTerra's business activities. The company will be fully phased out by 31 December 2024. In line with the phase-out, GasTerra will not enter into any more new gas sales contracts for supplies after 31 December 2023. We are also phasing-out the green gas contracts.

The phasing-out plan takes into account that, on the final date, there may still be a number of current and long-term obligations and rights remaining. It will be determined in a timely manner how these will be met.

2.1.3. Contract with Gazprom

On 31 March 2022, the Russian government stated that, from then on, Russian gas would have to be paid for in roubles. This meant that anyone wanting to buy gas would have to open both a euro and a rouble account with Gazprombank in Moscow. GasTerra did not go along with these one-sided payment demands, because to do so would risk breaching sanctions imposed by the European Union and also because there are too many financial and operational risks associated with the required payment route. Despite the fact that GasTerra repeatedly urged Gazprom to honour the contractually agreed payment structure and delivery obligations, Gazprom ceased supply with effect from 31 May 2022. As a result, approximately 2 billion cubic metres of contracted gas was not supplied between that date and 1 October 2022, the date to which Gazprom was supposed to supply gas to GasTerra.

2.2. Economic performance

It is obvious that the company regards economic performance as a material topic. If the economic performance is not good, this affects all stakeholders. In this context the company tries to achieve an efficient business operation with a good balance between costs and care.

2.2.1. Purchasing

In 2022 GasTerra bought 45.7 billion cubic metres of gas (2021: 44.2 billion cubic metres). Of this, 4.6 billion cubic metres came from the Groningen field and 8.4 billion cubic metres from small fields. GasTerra imported 3.9 billion cubic metres mainly from Norway and (to the end of May 2022) also Russia. An amount of 25.4 billion cubic metres was largely purchased on trading hubs and, to a lesser extent, via other channels. GasTerra also took over the working gas in the Norg and Grijpskerk storage facilities from Maatschap Groningen on 1 April 2022. Up to and including 1 April 2022 GasTerra purchased 3.4 billion cubic metres of gas from these storage facilities.

The volumes from the Groningen field are different from the production figures reported by NAM. This difference arises because GasTerra reports volumes per calendar year, while the extraction order issued to NAM applies for a gas year.

Over the past decade, the purchase of gas from small fields has declined. The reserves in the existing small fields are shrinking because gas is being produced from the fields. This also reduces the pressure in these fields (depletion) and causes production capacity to fall. Although new small fields are still being found frequently, this does not compensate for the decline in production. A further fall is expected in the years to come.

2.2.2. Supply

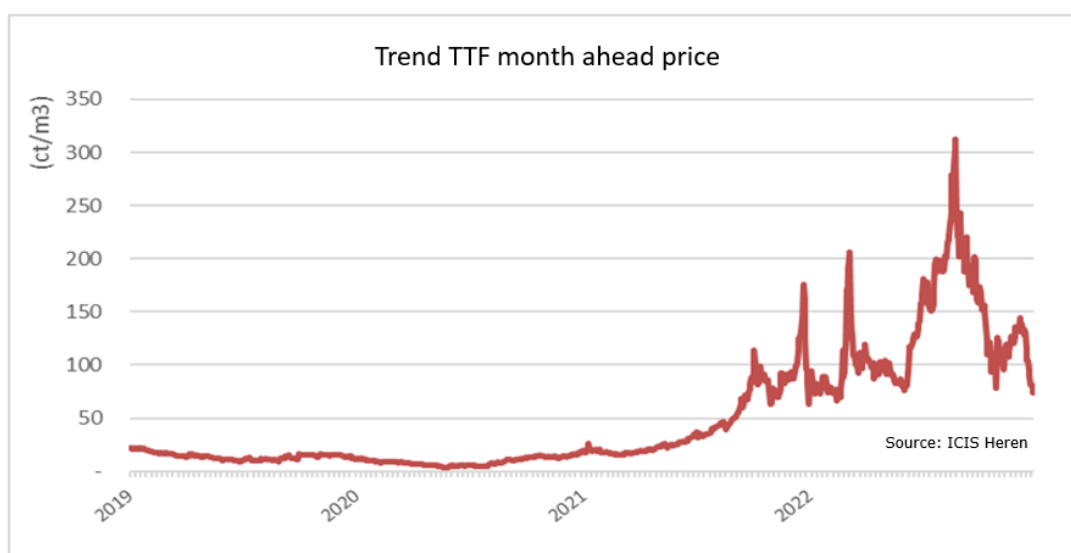
In 2022 GasTerra supplied 39.2 billion cubic metres of gas to customers (2021: 44.2 billion cubic metres). Some of the gas supplied was delivered to the traditional supply points such as connections and border points. We also supply much of our gas to our customers on the TTF, from where they can trade it on or transport it to their end users.

This means that the gas can change hands several times before finally reaching the end user. Gas contracted by foreign parties does not necessarily cross the border, and gas that we sell on the TTF may eventually leave the country.

The difference between 45.7 billion cubic metres of purchases and 39.2 billion cubic metres of supplies to customers is the stock movement in the Norg and Grijpskerk storage facilities due to ownership of the working gas being transferred. At the start of 2022 the working gas was still owned by Maatschap Groningen. At the end of the year it contained 6.5 billion cubic metres, now owned by GasTerra.

2.2.3. Pricing

GasTerra's supplies commanded higher prices than they did in 2021. In 2022 an average of 90.5 eurocents per cubic metre was paid as against 29.7 eurocents in 2021. These prices are related to prices on trading hubs. The high prices in 2021 were unprecedented but monthly average TTF prices in 2022 were even higher than in 2021. The TTF month-ahead price in 2022 was on average 181% higher than in 2021 (129.4 eurocents/cubic metre as against 46.1 eurocents/cubic metre in 2021). At the end of August 2022, prices reached a new high at more than 300 eurocents/cubic metre for two days in a row. In addition, the month-ahead price was higher than 200 eurocents/cubic metre on 26 days.



2.2.3.1. Trend in average monthly TTF prices (source: ICIS Heren)

As the volumes purchased from the Groningen field are gradually falling, and the volumes that GasTerra buys on the spot market are rising, it is increasingly important for price concepts of purchases and sales in the portfolio to be properly aligned.

2.2.4. Transport

In order to meet the obligations under our trading contracts we book transmission capacity with network operators, especially GTS. In 2022, the costs of purchasing transmission capacity stood at €214 million (2021: €235 million).

2.3. GasTerra's role in the gas market

GasTerra's role in the gas market, the announcement that the company is winding down and the current market situation take centre stage in discussions with our stakeholders. In particular, the liquidity of the TTF, gas production from the small fields and the role played by storage facilities in security of supply are frequently discussed in this context. Stakeholders also believe that, given the announced termination of GasTerra's activities, it is important for the transfer of knowledge to receive enough attention. This is consistent with GasTerra's aim to phase out and/or transfer its activities in a controlled manner while remaining aware of the interests of all its stakeholders and the smooth running of the gas market. This is important to us, because the importance of gas for the energy supply will remain undiminished even after GasTerra has wound down.

The decision to wind down the company results from the cabinet's announcement in March 2018 that gas extraction in Groningen would be terminated as soon as possible in connection with the earthquake problem. Our core business, the purchase and sale of Groningen gas, will cease to exist when this happens. As a result of the proposed closure of Groningen, our task to ensure that gas is purchased from the small fields no longer applies. This amendment to the Gas Act became final with effect from 1 January 2022. Small fields producers are endeavouring to find alternative buyers, but at the same time their plans are on hold due to the energy crisis.

2.3.1. Gas production from Groningen

Gas year 2022-2023 marked a turning point for extraction from the Groningen field. The Groningen field has been on the 'back burner' since 1 October 2022 with an associated extraction level of 2.8 billion cubic metres assuming 40 frost days. This means that gas extraction is entering its final phase. The State Secretary for Economic Affairs and Climate Policy set this extraction level on 26 September 2022 in the permitted production ruling. This extraction is intended to keep a number of production sites operational. The Groningen field may only be called on for limited back-up in exceptional situations, such as gas system disruptions, technical failures, breakdown of a low-calorific gas storage facility or very cold conditions.

The permitted production ruling assumes extraction will take place at eleven production sites to be deployed until March 2023; there will only be five left from April to 1 October. The number of production sites that actually remain operational in gas year 2022-2023 depends on the capacity that the Groningen field has to supply. Views on this have changed due to the effects on the gas market of the war in Ukraine as well as uncertainties about the completion and operation of the new nitrogen plant in Zuidbroek. The State Secretary will decide before 1 April 2023 whether the six production sites can be closed, based on the most recent insights. If the closures are not possible, then this will affect the level of extraction in this gas year.

It is GasTerra's role to enable NAM to implement the operational strategy established by the Minister for Economic Affairs and Climate Policy. GasTerra will make every effort to sell the annual volume of Groningen gas offered by NAM based on the gas production decree.

2.3.2. Use of storage facilities

In order to be able to finish gas production from the Groningen field sooner and at the same time guarantee the security of supply of L-gas, agreements have been made about the use of gas storage facility Norg. Where previously the storage facility was filled with gas from the Groningen field, this now done as much as possible with pseudo-Groningen gas.

GasTerra plays a part in this because we determine every day, in operational terms, when gas will be produced from or injected into the gas storage facilities. Agreements on the use of Norg are set out in the Norg Agreement (in Dutch: Norg Akkoord).

The cabinet also wants to use gas storage facility Grijpskerk so that the Groningen field can close earlier; this can be done by converting Grijpskerk from an H-gas to an L-gas storage facility. On 14 February 2022, the State Secretary for Economic Affairs and Climate Policy informed the Lower House that, subject to certain conditions, the amendment to the storage plan submitted by NAM for the underground gas storage facility in Grijpskerk would be approved⁹. This consent decree provides for a general storage plan for the Grijpskerk facility as far as gas type is concerned and allows either high-calorific or low-calorific gas to be stored. A gas storage facility contains both working gas and cushion gas. Working gas is produced in winter and replenished in summer. Cushion gas is permanently stored in the storage facility and is needed, in winter, to produce working gas with sufficient pressure. Both the cushion gas and the working gas in UGS Grijpskerk are high-calorific gas. NAM states in its storage plan that, to use UGS Grijpskerk as a storage facility for low-calorific gas, it is not necessary to produce the high-calorific cushion gas currently stored. In summer 2022, the gas storage facility was filled with low-calorific working gas which was then partially blended with the high-calorific cushion gas after which working gas will go into full production in winter 2022/2023. In summer 2023, the gas storage facility will be fully refilled with low-calorific working gas. NAM has informed the Ministry of Economic Affairs and Climate Policy that the gas storage facility can be used to store low-calorific gas from 1 October 2023.

As a result of the war in Ukraine, it was agreed this year at European level that all member states should have their gas storage facilities at least 80% filled by 1 November 2022. GasTerra has filled the gas storage facilities in Norg, Grijpskerk and Alkmaar to the agreed level. On 27 June 2022, the European Council adopted a regulation on gas storage. This regulation sets a filling target for member states of 90% for the winters of 2023 and beyond (to 2025 inclusive), including a filling trajectory setting out the timeframe by which this target should be achieved.

The regulation also states that the filling target for an individual member state is to be reduced by the volume supplied to third countries during the reference period 2016 to 2021. For the Netherlands, this means a reduction in the filling target to 73% due to gas exports to the United Kingdom. The cabinet is committed to having the gas storage facilities filled to at least 90%¹⁰.

2.3.3. Sharing knowledge

One aspect of leaving the gas market in a good position is sharing our knowledge about our product, the market and the energy transition. We do this by participating in various joint ventures and projects in the field of energy transition as well as via sectoral organisations and through our own publications, for example our brochure 'Future perspectives for gas in the Netherlands' (in Dutch: 'Toekomstperspectieven van gas in Nederland').

In March 2022, our CEO Annie Krist took part in a roundtable discussion on Russian gas with the Lower House Committee for Economic Affairs and Climate Policy. This roundtable discussion was prompted by the war initiated by Russia in Ukraine as well as dependence on Russian gas. To prepare for the discussion, GasTerra wrote a position paper in which we express our vision and interpretation of the crisis together with possible measures.

⁹ <https://www.rijksoverheid.nl/documenten/kamerstukken/2022/02/14/instemmingsbesluit-gasopslag-grijpskerk>

¹⁰ [Kamerbrief over gasleveringszekerheid en gasopslagen | Kamerstuk | Rijksoverheid.nl](#)

Furthermore, on 7 December 2022, in consultation with the Ministry of Economic Affairs and Climate Policy, GasTerra provided members of the Lower House with information on gas contract types, pricing in the contracts and the way the natural gas market works.

2.4. Sustainable deployability

Although it is widely known that GasTerra is closing its doors in the near future, the organisation is still the centre of attention. A strained gas market, discussions on the security of gas supply to the Netherlands, making new agreements with parties offering alternatives to Groningen gas; all this involves a lot of work for our employees. As an employer, the company therefore faces the challenge of enabling its employees to leave, because soon it will no longer exist, but at the same time ensuring that business continuity is not jeopardised. Ways to achieve this included carrying out changes to the organisational structure. Departments have been merged and employees given flexible roles; this has generated added value on many themes. We also welcomed several new colleagues, creating a fresh new dynamic in the organisation. Employee skills and motivation are critical and we pay continuous attention to this. All this contributes to staff wellbeing and sustainable deployability; a topic that is important for any organisation but has several dimensions for GasTerra.

Thankfully, in March 2022, after two years, we no longer had to follow working-from-home advice in connection with the coronavirus pandemic and we could meet again in the office. With the positive experiences gained from working from home and an office once again serving as a meeting point, a hybrid form of working has emerged that each employee can tailor to their own work situation. GasTerra will continue to invest in harmonious working relationships, both with and between its employees. In 2022, for instance, various theme meetings were organised, aiming to increase knowledge or competences, in addition to social events to enhance job satisfaction and strengthen team spirit. This will also continue in 2023.

We are continuing to focus on our employees' future plans. We are doing this by considering how opportunities within the organisation can contribute to specific experience that may be useful for their future goals. After all, it is definitely the case that all employees will eventually lose their jobs when GasTerra is phased out. It is important for colleagues to prepare for this now and use this time to retrain or upskill, gain additional experience or take a structured look at their careers. The target for 2023 is for at least 20% of employees to invest in their own personal development through a specific course or training, aimed at securing a job after GasTerra.

GasTerra feels connected to the region, its industry and the energy industry. We will gladly use our networks for future opportunities for our employees. For example, we are partners in Noorderlink, which gives access to more than forty major employers in North Netherlands. We are also involved in energy and energy transition collaborations such as New Energy Coalition.

GasTerra has had a low rate of sickness absence for many years (<2,5%). Unfortunately the sickness absence rate was higher in 2022. Although this is a national trend with the aftereffects of the coronavirus, both in a literal sense and as a result of that particular period, in our case it is mainly due to a number of long-term illnesses not related to COVID-19. Fortunately, by late 2022, a recovery was underway and the more familiar rates for sickness absence were returning. In 2022, colleagues were also offered a voluntary medical check-up by the occupational health, safety and welfare service to examine their physical and mental health. Another Risk Inventory and Evaluation (RI&E) will be performed in 2023, which will also cover psycho-social aspects.

3. Governance

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

3.1. Report of the Supervisory Board

3.1.1. Composition

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

The Supervisory Board appoints from among its midst a College of Delegate Supervisory Directors, comprising five members, one of whom is the supervisory director appointed by the Minister for 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 Supervisory Board.

The company's Articles of Association lay down that two members of the Supervisory Board 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. New members of the Supervisory Board take the place of their predecessors on the rotation schedule.

Mr Gaastra stepped down as a member of the Supervisory Board in 2022 and the Minister for Economic Affairs and Climate Policy appointed Ms Pijs as a member of the Supervisory Board on 8 April 2022. Ms Pijs will replace Mr Gaastra in the schedule of rotation for stepping down.

Name	Term of office	Capacity	Date of appointment
B.C. Fortuyn MSc	Re-electable in 2025	Delegate Supervisory Director	12 February 2018
R.M. de Jong MA	Re-electable in 2026	Delegate Supervisory Director	1 August 2016
R.G. de Jongh MA	Re-electable in 2025	Member of Supervisory Board	1 April 2016

Name	Term of office	Capacity	Date of appointment
A.F. Gaastra LLM (to 8 April 2022)	-	Delegate Supervisory Director	15 September 2016
J.W. van Hoogstraten MSc	Re-electable in 2023	Delegate Supervisory Director	1 March 2016
T.W. Langejan LLM MA	Re-electable in 2024	Member of Supervisory Board	15 February 2016
J.M.W.E. van Loon MSc	Re-electable in 2024	Delegate Supervisory Director	1 January 2016
E.W.E. Pijs MA	Eligible for reappointment in 2026	Delegate Supervisory Director	8 April 2022
L. Zirar MA	Re-electable in 2023	Member of Supervisory Board	1 April 2019

3.1.2. Meetings

The Board (including the College of Delegate Supervisory Directors) met seven 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 2021 were discussed and approved.

	Supervisory Board	College of Delegate Supervisory Directors	Audit Committee
B.C. Fortuyn MSc	2/2	5/5	n.a.
J.M.W.E. van Loon MSc	2/2	5/5	n.a.
J.W. van Hoogstraten MSc	1/2	4/5	n.a.
A.F. Gaastra LLM	1/1	1/1	n.a.

	Supervisory Board	College of Delegate Supervisory Directors	Audit Committee
E.W.E. Pijs MA	1/1	3/4	n.a.
R.M. de Jong MA	2/2	5/5	n.a.
R.G. de Jongh MA	2/2	n.a.	n.a.
L. Zirar MA	2/2	n.a.	n.a.
T.W. Langejan LLM MA	2/2	n.a.	6/6
P.G.W. Gerssen MA	n.a.	n.a.	6/6
A. Roeland LLM MA	n.a.	n.a.	6/6
P. J. de Vries RA MA	n.a.	n.a.	6/6

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.

Mr van Hoogstraten was unable to attend one of the Board meetings and one of the College meetings. He was represented by Mr Fortuyn in both meetings. Ms Pijs was unable to attend one of the College meetings and was represented at that meeting by Mr van Hoogstraten.

3.1.3. Objectives and strategy

2022 has been an unusual year in many ways for GasTerra and its employees. Following the outbreak of coronavirus in 2020, GasTerra was faced with the further measures required in 2021 and 2022 to combat the virus, also with a view to returning to the office in 2022. The Supervisory Board believes that the GasTerra organisation has reacted to this situation in an appropriate and dynamic manner. The wellbeing of all those involved and continuity of business operations have been the main priorities. The Board expresses its appreciation for the way in which the GasTerra organisation has implemented and continues to implement this.

GasTerra has also taken further steps in 2022 in phasing-out its business activities. The decisions taken since the beginning of 2014 by the minister for Economic Affairs and Climate Policy on the deployability of the Groningen field, as a consequence of the developments in the Groningen earthquakes dossier, have had a major influence on GasTerra's business operations. In 2018, the cabinet decided that extraction of Groningen gas should be significantly reduced in the years to come and then finished completely. As a consequence, GasTerra's shareholders have discussed the future of GasTerra, which was set up in order to sell Groningen gas.

In October 2019, the shareholders asked GasTerra management to produce a phasing-out plan for the company. The management complied with this request in 2019 and 2020 in consultation with the Board. At the end of 2019 a redundancy scheme was established for GasTerra's employees. In 2020 a phasing-out plan was set up to implement the gradual winding down of GasTerra's activities. This was implemented in 2021 and 2022 and further steps in that area will be taken in the future. Top priorities here are to achieve a satisfactory process with the Works Council, keep the organisation operating effectively and ensure compliance with existing contractual obligations. The Supervisory Board has had various opportunities to contribute to the decision-making process, and will continue to be closely involved with this issue in view of its importance to the GasTerra organisation, its employees and other stakeholders.

The Supervisory Board discussed with management the company's strategy and how this was to be translated into the objectives for the coming years. GasTerra will phase out its activities in a controlled manner while remaining aware of the interests of its stakeholders. Where necessary, the strategy will be reassessed in the interim.

2022 has also been an unusual year for GasTerra in terms of the supply of natural gas and fluctuations in its prices on wholesale markets. The war in Ukraine has led to significant changes in gas supply and demand worldwide. The related volatility and exceptional gas price levels brought new challenges for the organisation. In the view of the Supervisory Board, GasTerra handled the challenges properly and appropriately under these particular circumstances.

The Supervisory Board discussed with management the extent to which the objectives for 2022 had been achieved and set the objectives for 2023.

In 2022 the Supervisory Board discussed the risks associated with the 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, by discussing the *document of representation* among other things. 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.

3.1.4. Staffing matters

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

3.1.5. Audit Committee

The Supervisory Board 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 six occasions during the reporting year.

At the end of 2022, the composition of the Committee was as follows:

P.G.W. Gerssen MA (Chairman)
T.W. Langejan LL.M. MA
A. Roeland LL.M. MA
P.J. de Vries RA MA

3.1.6. Self-evaluation

The Supervisory Board evaluates its own performance periodically and carried out a self-evaluation in 2022.

3.1.7. Contacts with employees

In principle, 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 2022. The topics discussed included developments in GasTerra's environment and the future of GasTerra.

3.1.8. Financial statements

The recommendations from the Supervisory Board to the General Meeting of Shareholders, to be held in Groningen on 16 February 2023, are as follows:

We have examined the financial statements for 2022, prepared by the Chief Executive Officer in accordance with Article 23 of the Articles of Association. We concur with these Financial Statements and recommend that:

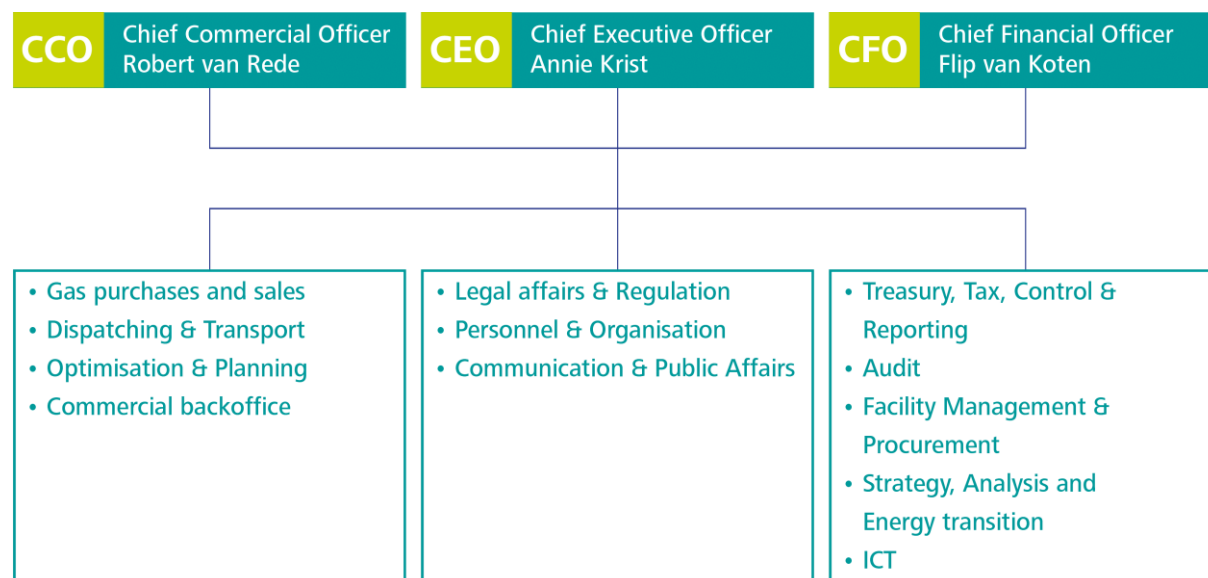
- the net profit for 2022 – set at €36 million – be entirely appropriated for payment to the shareholders;
- the 2022 financial statements be adopted without alteration.

The Supervisory Board wishes to express its appreciation 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 2023.

The Supervisory Board,
B.C. Fortuyn MSc, chairman
J.W. van Hoogstraten MSc
R.M. de Jong MA
R.G. de Jongh MA
T.W. Langejan LL.M. MA
J.M.W.E. van Loon MSc
E.W.E. Pijs MA
L. Zirar MA

3.2. Management information

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



3.2.1.1. Structural diagram

3.3. Corporate Governance

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

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

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 tasks and manner of working of the Board of Management. The tools that the Board of Management uses for this consist specifically of the annual activity plan, the budget, monthly and quarterly reports and the Business Risk Analysis (BRA) tailored to the organisation. The structure and operation of risk management at GasTerra are described in these documents among other things (see also the risk chapter, which contains a description of the most important risks).

Risk management has been delegated to the line management. Reports are made to the Board of Management concerning implementation. The Board of Management reports at least once a year to the Audit Committee via the BRA. The external auditor assesses the compliance of this system to the extent relevant in the context of the audit of the financial statements.

The Board of Management of GasTerra consists of one Managing Director (CEO), appointed on the recommendation of the Supervisory Board and approved by the Minister for Economic Affairs and Climate Policy. The Managing Director is appointed for an indefinite period. In addition to the Managing Director, the 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 Supervisory Board and, in addition to a fixed remuneration, it also has a variable component that is dependent on the financial and non-financial performance of the organisation. The Supervisory Board 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 twenty percent 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 Supervisory Board. The Supervisory Board consists of eight members. One member is appointed directly by the Minister for Economic Affairs and Climate Policy, the remaining members are appointed by the Annual General Meeting of Shareholders on the recommendation of the individual shareholders. To prevent conflicts of interest, shareholder companies have internal firewalls. 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 Corporate Governance Code contains provisions regarding a balanced allocation of seats between men and women on the Board of Management and the Supervisory Board and these provisions have, moreover, applied to GasTerra, as a "large legal entity", since 1 January 2022.

GasTerra's Board of Management has consisted of one person since 2017, Ms A.J. Krist, CEO and Managing Director. Management also consists of two directors (both men) who hold a general power of attorney. The proportion of women on the Board of Management is therefore one hundred percent and within management as a whole this proportion is one-third or thirty-three percent. The Supervisory Board consists of eight people, six men and two women, the proportion of women on the Supervisory Board is therefore twenty-five percent. The number of management positions at GasTerra came to fifteen at the end of 2022 (2021: nineteen), of which three were held by women and twelve by men (2021: three women and sixteen men). This brings the proportion of women in management to twenty percent.

GasTerra will scale back its portfolio and organisation even more in the coming years and it is expected that some management positions will be discontinued or combined. Insofar as new appointments are made, GasTerra strives for a more balanced gender distribution and the company considers that at least one-third of such positions should be held by women.

The tasks 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, the Supervisory Board discusses its own performance (and desired competencies) as well as that of the individual members of the Supervisory Board at least once every two years without the Board of Management being present; the performance of the Board of Management is discussed every year.

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 for 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 meets at least three times a year.

The tasks and method of working of the Audit Committee are set out in regulations that essentially follow best practice provisions mentioned in the Code. Thus, the duties of the Audit Committee include supervision regarding the financing of the company, operating expenses and capital expenditures in relation to the agreed budgets, the provision of financial information, the operation of the internal risk management and control systems, compliance with recommendations and observations of internal and external auditors, the role and functioning of the internal audit department, the operation of information and communication technology 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 Supervisory Board 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.

The Annual General Meeting of Shareholders appoints the external auditor. It is standard procedure for the Audit Commission to question 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 performance of the external auditor periodically, at least once every four years. EY (Ernst & Young) has been GasTerra's auditor since the 2015 financial year. In 2020, the contract was extended to cover audits up to and including financial year 2024.

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 audit checks.

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 Supervisory Board, the governing body with the highest degree of responsibility. Monitoring of progress is included in the regular reporting cycle. The quarterly reports are discussed by the College of Delegate Supervisory Directors and the Audit Committee.

3.4. Risk section

A robust risk policy is vital to GasTerra in order to allow it to achieve its targets. 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 how these are managed. Reports on this issue are also submitted to the Supervisory Board and the Audit Committee. In addition, each process owner is responsible for managing the operational risks associated with his business processes.

Risk management is an integral part of the business activities. All employees are from time to time involved in parts of the Management Control System. They are expected to comply with the policy rules, procedures, work instructions and guidelines in force. GasTerra has set up a risk and control register, containing a central summary of all risks and management measures for each business process on the basis of operational risk analyses.

GasTerra's risk tolerance is low. Risks are mitigated by specific measures. If a residual risk exists, an assessment will be made regarding whether it is acceptable. GasTerra's focus lies on the effectiveness and efficiency of existing measures so that balanced measures appropriate to the level of the risk are taken.

Strategic and tactical risks are determined twice a year. The frequency of risks at operational level is determined on the basis of the risk profile of the business process concerned. In any event, each process is subjected to a risk analysis once every three years.

The management measures that cover high risks, known as key controls, are tested periodically via self-assessments carried out by the process owner. The results are reported internally and compliance with 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. The operation of the internal audit function is periodically subjected to peer review by auditors of shareholders, who report back their findings to the Board of Management and the Audit Committee. 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 can use financial instruments that expose the company to market risk, including exchange rate risk, interest rate risk, credit risk and liquidity risk. The way these are used is described in the 'financial instruments' section of the financial statements.

Business risks

GasTerra's business risk analysis (BRA) identifies the main strategic and tactical risks that could impede the fulfilment of the company's mission, vision and objectives.

For each risk, GasTerra determines the likelihood of the risk occurring and the impact on GasTerra if it does occur. The BRA is carried out twice a year, in the autumn when the business plan is being drawn up and in the spring as a half-yearly update. The risks are comparable to 2021. Having said this, extreme market conditions and associated market price volatility did have an effect on the risk classification.

Some of the risks are described below.

Employees and the phase-out

GasTerra has drawn up a staff schedule, based on the phasing-out plan, to ensure that the necessary competencies are available in the company so that business continuity is not at risk. At the same time, the company wants to help its employees move to new jobs and it is important for GasTerra to support employees who are leaving. As a result of the phasing-out and possibly helped along by external factors such as a tighter labour market, there is a risk that too many of GasTerra's employees will leave (at the same time). This can lead to a lot of knowledge and experience being lost, also greater dependence on external parties. In addition, as 31 December 2024 approaches, employees will be more focused on their future after GasTerra. This could lead to reduced focus on work within GasTerra.

Monitoring of staff levels is a continuous process and action is taken where necessary. The rate of staff members leaving is slower than it was a little while ago, but the situation is still uncertain. At the same time, partly due to changing market conditions, the workload is not declining as quickly as allowed for in the phasing-out plan. To cope with this, some departments have taken on extra staff and the organisational structure has been adapted. Departments have been merged, making cooperation between teams more spontaneous. As the organisation shrinks, it becomes more important to deploy staff members flexibly.

We are also continuing to focus on our employees' future plans. Firstly, by encouraging employees not to take action only after GasTerra has ceased to operate, secondly by getting them to consider how opportunities within the organisation can contribute to specific experience that may be useful for their future goals. The current new market situation is also producing interesting work.

Financial risks

Gas price trends in 2022 had a significant impact on GasTerra's mark-to-market risk, credit risk and liquidity risk.

Due to high, volatile prices, there is a risk that customers and other counterparties become insolvent, resulting in GasTerra losing revenue and/or mark-to-market risks materialising. To minimise this risk, the creditworthiness of our customers and counterparties is constantly monitored and additional security is requested where necessary.

Margin calls for stock exchange trading have grown significantly in size due to the high, volatile prices. GasTerra has also become the owner of all the working gas in the Norg and Grijskerk storage facilities. Both developments have led to sharply increased financing requirements. If financing options are insufficient, this can lead to liquidity problems. The risk has been mitigated by additional financing obtained from the parties in Maatschap Groningen and increased financing packages from banks. Among other things, insufficient financing means that GasTerra's trading opportunities on the stock exchange are limited and it could also be difficult to achieve the storage facility buffer capacity agreed with shareholders.

ICT

Information security is vitally important for the operations of a trading company such as GasTerra. The global increase in ICT threats such as hacking and ransomware also poses a threat to GasTerra, possibly leading to digital business information being stolen, destroyed or rendered inaccessible. Continuous attention to information security is therefore crucial and various procedures have been put in place to minimise this risk. The best practices of the ISO27001 standards are the starting point for information security. Legal and social hacks are carried out to test the adequacy of information security. The need to keep information secure where there is a hybrid approach to work has also been pointed out regularly to staff. Staff awareness in this area is vital.

Portfolio

As a trader, GasTerra keeps its own portfolio in balance of course, whilst also taking account of the Northwest European market for low-calorific gas (L-gas). This is a difference between our company and other traders which only have to deal with their own portfolio and do not need to take account of gas quality and broader market demand. Due to current extreme market conditions and heavy reliance on nitrogen, shortages in H-gas and/or nitrogen (due to breakdown of existing plants or further delay in the completion of Zuidbroek) may lead to the flexible L-gas resources in GasTerra's portfolio being used to guarantee security of supply. This then limits GasTerra's commercial options and may therefore have major financial implications.

GasTerra is following the developments described above closely in order to anticipate them where necessary.

Chance and impact

The likelihood of a risk occurring and its financial impact or the way it affects reputation or compliance is shown in the matrix below. This assessment was carried out taking into account existing measures.

		Chance			Financial (mln euro)	Reputation	Compliance
		Low	Medium	High			
Impact	High	3	4 6	1	> 50 mln euro	(Inter)national turmoil	Fine imposed by Regulator
	Medium		2 5		> 1 mln and ≤ 50 mln euro	Regional turmoil	Discussion with Regulator
	Low				≤ 1 mln euro	Internal turmoil	Minor regulatory incident
Chance per year		≤ 10%	> 10% and ≤ 50%	> 50%			

- 1) Insufficient knowledge due to simultaneous outflow
- 2) Staff less focused
- 3) Insolvency of counterparts
- 4) Liquidity problems
- 5) ICT threats
- 6) Use of flexibility resources

3.4.1.1. Risk matrix

4. Financial statements

The composition of the 2022 financial statements is as follows:

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

Balance sheet as at 31 December (before profit appropriation)*in millions of euros*

Assets	Note	2022	2021
Fixed assets			
- intangible fixed assets	(1)	2.6	3.1
- tangible fixed assets	(2)	1.4	1.2
Current assets			
- stocks	(3)	4,981.3	96.5
- receivables	(4)	10,549.2	2,965.3
- cash and cash equivalents	(5)	499.8	1,462.1
Total		<hr/> 16,034.3 =====	<hr/> 4,528.2 =====
Liabilities and Equity			
Shareholder's equity			
- paid in share capital	(6)	180.0	180.0
- result for the year	(6)	36.0	36.0
Provisions	(7)	29.8	26.4
Current liabilities	(8)	15,788.5	4,285.8
Total		<hr/> 16,034.3 =====	<hr/> 4,528.2 =====

Income Statement

in millions of euros

	Note	2022	2021
Net turnover	(9)	35.500,6	13.143,9
Cost of sales	(10)	-35.352,7	-13.050,8
Gross margin		147,9	93,1
General management expenses	(11)	-45,2	-39,1
Operating profit		102,7	54,0
Financial income	(12)	-6,9	-6,2
Financial Expenses	(12)	-47,3	0,2
Net financial income and expenses		-54,2	-6,0
Profit before income taxes		48,5	48,0
Income tax expenses	(13)	-12,5	-12,0
Net income		36,0	36,0
		====	====

Cash flow statement

in millions of euros

	2022	2021
<i>Cash flow from operating activities</i>		
Operating profit	102.7	54.0
Adjustments for:		
- depreciation and impairment	1.5	1.6
- change in stocks	-4,884.8	-66.5
- change in receivables	-7,583.9	-2,122.6
- change in provisions	3.4	-3.0
- change in current liabilities	11,502.7	3,284.4
Cash flow from operations	<u>-858.4</u>	<u>1,147.9</u>
Financial income (received)	-6.9	-6.2
Financial expenses (paid)	-47.3	0.2
Income taxes paid	-12.5	-12.0
	<u>-66.7</u>	<u>-18.0</u>
<i>Cash flow from operating activities</i>	<u>-925.1</u>	<u>1,129.9</u>
<i>Cash flow from investing activities</i>		
Investments in fixed assets	<u>-1.2</u>	<u>-0.7</u>
<i>Cash flow from investing activities</i>	<u>-1.2</u>	<u>-0.7</u>
<i>Cash flow from financing activities</i>		
Dividends paid	<u>-36.0</u>	<u>-36.0</u>
<i>Cash flow from financing activities</i>	<u>-36.0</u>	<u>-36.0</u>
<i>Change in cash and cash equivalents</i>	<u>-962.3</u>	<u>1,093.2</u>
	====	====
Cash and cash equivalents at year end	499.8	1,462.1
Cash and cash equivalents at preceding year end	<u>1,462.1</u>	<u>368.9</u>
<i>Change in cash and cash equivalents</i>	<u>-962.3</u>	<u>1,093.2</u>
	====	====

4.1. Explanatory notes to the financial statements

General information

GasTerra B.V., Groningen.

Chamber of Commerce number 02089290

1. ACCOUNTING PRINCIPLES

General

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

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

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

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

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

Income is allocated to the period to which it relates. Income is recognized 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 recognized under financial income, as well as the interest income for correction invoices gas purchase and gas sales.

(Positive and negative) interest results relating to the liquid assets borrowed are recognized under financial expenses, as well as the interest income for correction invoices gas purchase and gas sales.

Continuity

At the General Meeting of Shareholders dated 4 October 2019, the shareholders decided to request management to prepare a reduction plan for the organization. A phasing-out plan was put together which sets out how GasTerra's business activities will be discontinued. The phase-out will be complete by 31 December 2024. In the phasing-out plan it is acknowledged that a number of (long-term) obligations and rights may remain on the set date of 31 December 2024. A timely determination on how these will be fulfilled will be made. Taking into account the agreement regarding the profit after tax determined by the shareholders, management expects that GasTerra will be able to meet its current and future obligations, which means that – with effect from the aforementioned decision dated 4 October 2019 – there is voluntary discontinuity. The principles for valuation and result determination used in the preparation of the annual accounts are therefore the same as those used in previous years.

Developments in the environment

The war in Ukraine had a major impact on the energy market in the past year. Gazprom limited its gas supplies to Europe and the EY regulated a minimum filling obligation for gas storage facilities. All of this led to a relatively high price level on the European gas market and also caused a lot of price volatility. The high gas prices of the past year are mainly reflected in GasTerra's annual accounts in an increase in net turnover, the cost of sales and the value of the stocks. In the course of 2022 Gazprom imposed unilateral payment requirements on her customers. GasTerra did not comply with these demands. The resulting outstanding obligation is recorded under current liabilities.

Covid

Since the beginning of the Corona pandemic outbreak GasTerra has continued to focus on the core activities. So far the Corona pandemic has had a minor impact on GasTerra's processes and activities.

Additional requirements RJ270

The new Dutch financial statement Guidelines (Guidelines) provide additional requirements in RJ270 for dividing a contract into components in order to properly reflect the economic reality. This refers to identifying performance obligations instead of components. These new Guidelines are effective as of 1 January 2022.

GasTerra has identified contracts with similar characteristics for the various revenue streams. The provision of flexibility respectively transport of natural gas, is seen as inseparable from the supply of gas. Therefore these obligations are treated as a single performance obligation. Subsequent price corrections and settlement of more/less delivery can be considered as a variable component but are not processed differently according to RJ270. The supply of natural gas is characterized by transfers at specific moments. Therefore the income from gas sales is accounted for at the time of delivery to the buyer.

The new RJ270 has been applied from 1 January 2022. The transition has no numerical impact on the result and/or balance sheet value and the comparative figures for 2021 have not been adjusted.

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 recognized 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, 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. 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 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 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 realizable 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 general management expenses.

Current assets

Stocks

Stocks of natural gas are valued at cost price according to the FIFO (first-in first-out) principle or lower realizable value, being the TTF Price assessment 30 December 2022 Heren for Q1 2023.

Receivables

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

Pensions

The pension plan for employees of GasTerra is a defined contribution pension plan. This means that the company has committed itself to paying a fixed, predetermined contribution. This contribution is based on a conditional average-salary pension plan in line with prevailing tax and pension legislation. Pension accrual in a conditional average-salary pension plan is variable from 2022 and has been capped at 1.875% per annum of average pensionable earnings up to the statutory maximum pensionable salary. The premiums payable in respect of employees' pension entitlements are paid to Stichting Pensioenfonds Gasunie, which administers the pension plan.

The coverage ratio of Stichting Pensioenfonds Gasunie was 151% at year-end 2022. GasTerra has no additional payment obligations.

The employer's premium over the last year is 25.6% of maximum pensionable annual salary. There is no chance that GasTerra will be obliged to pay a higher contribution.

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 recognized.

Provisions

Provisions are created for legally enforceable or actual obligations that exist on the balance sheet date, whereby it is probable that an outflow of resources is necessary and the extent of which can be reliably estimated.

Provisions are valued using the best estimates of the amounts required to settle the obligations on the balance sheet date.

A provision is formed for an announced restructuring, when it contains a detailed plan. The costs of this provision is estimated on the basis of the number of possible redundant employees and the associated redundancy costs per employee based on the number of years of service and salary scale.

Provisions are stated at the present value provided the time value of money is material.

Current liabilities

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

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

Financial instruments

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

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

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

Financial instruments (derivatives) embedded in contracts that are not separated from the host contract, because the above-mentioned conditions are not met, are recognized 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.

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).

Equity classification

Equity is classified in accordance with the legal form.

Pricing of gas sales and gas purchases

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. At the end of 2021 this agreement has been adjusted in such a way that as of January 1st 2022, GasTerra will, by means of a volume independent compensation, still annually retain the after-tax profits determined for that year, even when natural gas from Groningen is no longer sold by NAM to GasTerra.

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. These 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 sales costs.

Net financial income and expenses

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

Corporate tax

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

Cash flow statement

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

2. Notes to the balance sheet

Intangible fixed assets (1)

in millions of euros

	Intangible fixed assets	Intangible fixed assets under construction	Total 2022
Balance as at 1 january:			
Cost	59,4	0,5	59,9
Cumulative depreciations and impairments	-56,8	0,0	-56,8
Net book value	2,6	0,5	3,1
Change in the net book value			
Capital expenditure	0,0	0,5	0,5
Depreciation	-1,0	0,0	-1,0
Disposal	0,0	0,0	0,0
Net book value as at 31 december	1,6	1,0	2,6
	===	===	===
Balance as at 31 december			
Cost	59,4	1,0	60,4
Cumulative depreciations and impairments	-57,8	0,0	-57,8
Net book value	1,6	1,0	2,6
	===	===	===

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

Tangible fixed assets (2)

in millions of euros

	Tangible fixed assets	Tangible fixed assets under construction	Total 2022
Balance as at 1 january:			
Cost	9,2	0,1	9,3
Cumulative depreciations and impairments	-8,1	0,0	-8,1
Net book value	1,1	0,1	1,2
Change in the net book value			
Capital expenditure	0,0	0,7	0,7
Depreciation	-0,5	0,0	-0,5
Disposal	0,0	0,0	0,0
Net book value as at 31 december	0,6	0,8	1,4
	===	===	===
Balance as at 31 december			
Cost	9,2	0,8	10,0
Cumulative depreciations and impairments	-8,6	0,0	-8,6
Net book value	0,6	0,8	1,4
	===	===	===

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

Stocks (3)	31 dec. 2022	31 dec. 2021
<i>in millions of euros</i>		
Stocks	4.981,3	96,5
Total	4.981,3	96,5
	=====	=====

As of April 1st 2022, GasTerra is the owner of the working gas in UGS Norg and in UGS Grijskerk. As a result the value of the stock at 31 December 2022 has highly increased compared to 31 December 2021. An amount of € 1,706.9 million was written off from the inventory and recognized in the income statement at 31 December 2022 (there were no write-offs from the inventory as of 31 December 2021).

Receivables (4)	31 dec. 2022	31 dec. 2021
<i>in millions of euros</i>		
Trade receivables	10,548.6	2,956.4
Taxes	0.0	0.0
Receivables from shareholder	0.0	0.0
Other receivables	0.6	8.9
Total	10,549.2	2,965.3
	=====	=====

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

A provision for bad debts to the amount of € 1.0 million (2021: € 1.0 million) is reserved as at the balance sheet date.

Cash and cash equivalents (5)	31 dec. 2022	31 dec. 2021
<i>in millions of euros</i>		
Deposits	0,0	935,0
Other cash and cash equivalents	499,8	527,1
Total	499,8	1.462,1
	=====	=====

Deposits presented under 'cash and cash equivalents' are payable on demand.

Shareholder's equity (6)

Issued capital

The authorised and issued capital in 2021 and 2022 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 2022	36.0
Appropriation of the results for the financial year 2021 in accordance with the resolution of the General Meeting of Shareholders	-/-36.0
Unappropriated profit for the financial year 2022	36.0
Balance at 31 December 2022	36.0

Proposal for profit appropriation

It is proposed by the board that the full year result 2022 of € 36.0 million will be paid to shareholders as dividend.

Provisions (7)	31 dec. 2021	Addition	Release	Withdrawal	31 dec. 2022
<i>in millions of euros</i>					
Reorganization provision	26,4	5,2	0,0	-1,8	29,8
Total	26,4	5,2	0,0	-1,8	29,8
	=====	=====	=====	=====	=====

The reorganization provision was formed in response to the social plan agreed with the union on 23 December 2019. This social plan was drawn up in response to the request from shareholders in 2019 for a joint reduction plan to be drawn up.

The time value of money is not material, therefore provisions are stated at the nominal value

An amount of € 2.3 million (2021: € 2.8 million) of the provision is expected to be utilized within one year.

Current liabilities (8)	31 dec. 2022	31 dec. 2021
<i>in millions of euros</i>		
Amounts payable	5,009.8	3,715.5
Amounts payable - to shareholders	4,106.1	341.6
Other amounts payable	5,615.6	5.9
Taxation and social security contributions	4.5	10.0
Amounts received in advance	1,052.5	212.8
Accrued and deferred income	0.0	0.0
Total	15,788.5	4,285.8
	=====	=====

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 2022 (or 2021).

Credit risk

The credit risk is limited to receivables and cash and cash equivalents and 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. If customers or counterparties fail to comply with these guidelines, they will be asked to furnish additional security such as bank guarantees. As a result the company runs an acceptable credit risk in respect of any individual customer or counterparty. Long-term relations have been built with the majority of customers and counterparties. They nearly fulfilled their payment obligations in 2022. Due to the relatively high price level in 2022 the exposure on customers and counterparties has increased considerably. To limit this increase more transactions have been closed through the gas exchange.

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 limited duration of the deposits the interest rate risk for the year 2022 did not exceed € 2.5 million (2021: € 0.3 million).

Liquidity risk

The company monitors its liquidity position through liquidity forecasts. The management ensures that the company always has sufficient liquidity available via its credit facilities to meet its commitments. In 2022 volatile and high prices have led to a considerable increase in the amount of clearing obligations. This has had a considerable impact on the liquidity position of GasTerra. GasTerra has solved this by, among other things, expanding existing credit facilities.

Foreign exchange rate risk

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

Market value

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

Off-balance sheet assets and liabilities

Procurement, supply and transport commitments

GasTerra has long-term procurement, supply and transport commitments pursuant to gas purchase, gas sales, gas storage 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.

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.

At the end of 2022 third parties have issued an amount of € 323.7 million in bank guarantees (2021: € 117.6 million) to the benefit of GasTerra. At the end of 2022 GasTerra has issued € 0.0 million in bank guarantees (2021: € 0.0 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.

The shareholders of GasTerra 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. At the end of 2021 this agreement has been adjusted in such a way that as of January 1st 2022, GasTerra will, by means of a volume independent compensation, still annually retain the after-tax profits determined for that year, even when natural gas from Groningen is no longer sold by NAM to GasTerra. 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 Annual Report section 2.1). It is not possible to arrive at a reliable estimate of the outcomes of these renegotiations or claims related to these contracts.

3. Notes to the income statement

Net turnover (9)	2022	2021
<i>in millions of euros</i>		
Gas sales	35.472,2	13.108,5
Other net turnover	28,4	35,4
Total	35.500,6	13.143,9
	=====	=====

The following is a regional overview of gas sales:

	2022	2021
The Netherlands	22.863,4	7.629,9
Rest of Europe	12.608,8	5.478,6
Total	35.472,2	13.108,5
	=====	=====

The volumes were 11 percent lower in 2022 than in 2021, decreasing from 44.2 billion m³ to 39.2 billion m³. The average selling price is 90.5 cent/m³ (29.7 cent/m³ in 2021)¹¹.

Cost of sales (10)	2022	2021
<i>in millions of euros</i>		
Gas purchases	35.138,2	12.815,5
Transport cost	214,5	235,3
Total	35.352,7	13.050,8
	=====	=====

The average purchase price is 87.7 cent/m³ (29.0 cent/m³ in 2021). The gas purchase costs also include the costs of underground gas storage.

The movements in foreign exchange rates recognized in the income statement under the cost of sales amount to € 0.0 million exchange profit (2021: € 0.0 million exchange profit).

¹¹ by m³ is meant gas with a calorific value of 35.16912 MJ

General management expenses (11)	2022	2021
<i>in millions of euros</i>		
Wages and salaries	11,3	12,3
Reorganization provision	5,2	0,8
Social security expenses	1,1	1,1
Pension expenses	2,7	2,8
Costs of work subcontracted and other external expenses	15,5	12,7
Depreciation and impairments	1,5	1,6
Other	7,9	7,8

Total	45,2	39,1
	=====	=====

Net financial income and expenses (12)	2022	2021
<i>in millions of euros</i>		
Interest income	-6,9	-6,2
Financial income	-6,9	-6,2
Interest charges	-41,0	0,2
Financing costs	-6,3	0,0
Financial expenses	-47,3	0,2
Net position	-54,2	-6,0
	=====	=====

Tax on profit from ordinary activities (13)

The average effective tax rate for 2022 is 25.7% (2021: 25.0%). The applicable rate for 2022 is 15% (taxable amount up to and including € 395,000) and 25.8% (taxable amount from € 395,000).

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 2022, the number of employees in full-time equivalent positions was 101.0 (2021: 109.7). The average number of employees in full-time equivalent positions during the financial year was 103.6 (2021: 112.9). They all work in the Netherlands.

Auditor's fees

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

Auditor's fees	Ernst & Young Accountants LLP		Ernst & Young Accountants LLP	
<i>in euros</i>	2022		2021	
Audit of the financial statements	€	277,400	€	257,400
Other audit engagements	€	44,100	€	37,600
	€	321,500	€	295,000
		=====		=====

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 with regard to the company's Supervisory Directors is one of restraint.

Directors of the company

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

Remuneration of directors	2022		2021	
<i>in euros</i>				
Periodic remuneration (excluding social security expenses)	€	374,885	€	354,345
Employer's social security expenses	€	10,377	€	9,724
Periodic remuneration (including employer's social security expenses)	€	385,262	€	364,069
Variable remuneration*	€	46,102	€	43,221
Employer's pension premium contribution	€	32,351	€	30,590
Salary	€	463,715	€	437,880
		=====		=====

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

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

Supervisory directors of the company

Total remuneration for the current and former members of the Board of Supervisory Directors for the financial year 2022 amounts to € 58,084 (2021: € 58,084).

Board of Management

Ms A.J. Krist MA, Chief Executive Officer

Board of Supervisory Directors

Mr B.C. Fortuyn MSc

Mr J.W. van Hoogstraten MSc

Mr R.M. de Jong MA

Mr R.G. de Jongh MA

Mr T.W. Langejan LL.M. MA

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

Ms E.W.E. Pijs MA

Mr L. Zirar MA

Groningen, 16 February 2023

5. Other information

5.1. Statutory provisions regarding profit appropriation

Pursuant to Article 24 of the articles of association of GasTerra, the profit is at the disposal of the General Meeting of Shareholders, having regard to the provision that from the profit available for distribution such amounts are set aside as specified by the Supervisory Board.

6. Background information

6.1. About this report

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

6.1.1. Integrated report

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

- Financial accountability is in accordance with the provisions of Part 9 of Book 2 of the Dutch Civil Code.
- Non-financial accountability is in accordance with the guidelines of the Global Reporting Initiative (GRI) (GRI Standards – 'with reference to' option).
- The sector-specific GRI guidelines for oil and gas are relevant to GasTerra and applied where possible. Due to the nature of the organisation (office organisation), not all disclosures are applicable.

In addition to the financial statements and the combined audit declaration, the 2022 GasTerra Annual Report contains other information, i.e.:

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

6.1.2. Scope

The scope of the annual report is GasTerra B.V., which has its registered office in Groningen. This annual report covers the 2022 calendar year. The report for the 2021 calendar year was adopted and published on 18 February 2022.

6.1.3. Transparency

We consider it to be important to be transparent about our activities. Therefore, as an unlisted company we try as far as possible to apply the best practices from the Corporate Governance Code. We are also part of the group benchmarked under the Transparency Benchmark scheme conducted by the Ministry of Economic Affairs and Climate Policy. This is a two-yearly survey to assess how the 500 largest companies in the Netherlands have developed the content and quality of their social reporting. GasTerra's 2020 annual report scored 69 points out of a maximum possible one hundred points (the 2018 annual report scored 64 points). This score puts us in 40th place in the ranking and in the top ten in the energy, oil and gas sector.

6.1.4. Stakeholder management

We have regular contact with our stakeholders, for example our account managers often speak to customers, producers and suppliers. There is interaction with employees in the office, but they are also represented by the Works Council with which the Managing Director has regular meetings. Formal and informal meetings are also held periodically with the various shareholder groups. We can gain and contribute knowledge by participating in working groups and projects at research institutes, educational centres and sectoral organisations. Also, by organising and attending client events, we stay in touch with each other.

We carry out a stakeholder dialogue every year, in addition to these regular discussions and meetings. The outcomes of this dialogue are used in part to determine the material topics. These are issues that both stakeholders and we ourselves believe are important for GasTerra and that the organisation can influence. We set targets on these topics and the way we report on them forms an important part of our annual report.

The way the stakeholder dialogue is performed is such that one year we conduct an in-depth version, in which all groups are asked for their views on all topics relevant to GasTerra. The form of the dialogue can vary according to year, topic and stakeholder. The following year a scaled-down version is performed in order to test the results of the previous stakeholder dialogue and to focus on existing or new topics and/or stakeholders.

Several years ago, GasTerra defined nine stakeholder groups: clients, shareholders, producers and transporters, national government and market regulators, employees, sectoral organisations, knowledge and educational institutions, social organisations and regional groups. These groups were approached to take part in the stakeholder dialogue, but this revealed that there is little or no contact with a number of stakeholders and input from these groups is difficult to obtain. For that reason, the groups were evaluated and, for each group, GasTerra redefined the extent of their influence and significance and the way in which they were involved and informed.

During this evaluation, it emerged that the interests and influences of stakeholders within the 'regional parties' group differ significantly from each other. This group has therefore been split into three different stakeholder groups, i.e. local/regional government, sponsoring parties and non-gas suppliers.

Based on the analysis, GasTerra has defined the following stakeholder groups:

- Shareholders
- Producers and transport
- Clients (industrial customers, energy companies and export customers)
- National government and market regulators
- Social organisations
- Employees
- Sectoral organisations
- Knowledge and educational institutions
- Non-gas suppliers
- Local/regional government
- Sponsoring parties

We then divided these groups into four types of stakeholder, i.e. influencer, key player, observer and interested party. This forms the basis for conducting the stakeholder dialogue.

The topics we present in the stakeholder dialogue have also been evaluated. This was done partly in relation to the phasing-out, but also in connection with new Global Reporting Initiative (GRI) guidelines, which include a specific standard for the oil and gas sector. GasTerra applies these guidelines in those sections of the annual report not dealing with financial accountability. As a result of the evaluation, and in connection with the phasing-out, there has been a shift in emphasis towards transfer and termination in the topics 'role of GasTerra in the gas market' and 'knowledge'. The new GRI guidelines have not lead to any adjustments. The elements from this directive are already addressed in current topics or are not applicable to GasTerra due to the nature of the business.

The topics we discuss with our stakeholders are:

Contractual obligation
<i>The extent to which GasTerra complies with its current contractual obligations.</i>
GasTerra's role in the gas market
<i>The extent to which GasTerra performs and transfers/terminates its role in the gas market. For example: is there still potential for entering into short-term obligations, contributing to the phasing-out of gas extraction in Groningen, maintaining a quality-free TTF, facilitating the intake of gas from small Dutch fields, efficient use of storage facilities.</i>
Economic performance
<i>The extent to which GasTerra contributes to the financial result of its shareholders and society. For example: maximising the value of the gas offered to GasTerra, efficient implementation with a balance between costs and care.</i>
Sustainable deployability
<i>The extent to which GasTerra creates a good working environment, with a suitable culture and structure and encourages employees to develop. For example: ensuring a safe and healthy working environment, the development of employees inside and outside GasTerra, diversity in the workforce.</i>
Knowledge
<i>The extent to which GasTerra acquires, develops, shares and transfers knowledge. For example: sharing/transferring energy-related knowledge, participating in sectoral organisations, initiating and stimulating research in order to acquire knowledge.</i>
Sustainable energy supply
<i>The extent to which GasTerra contributes to the sustainable energy supply. For example: stimulating the production of green gas, stimulating the hydrogen market, contributing to development and the introduction of new energy technologies.</i>
Internal footprint
<i>The extent to which GasTerra minimises its own environmental footprint. For example: GasTerra's energy-efficient office building, limited use of cars for commuting, paperless working, hybrid working.</i>
Chain management
<i>The extent to which GasTerra is aware of its role in the chain. For example: awareness of the earthquakes and environmental damage caused by gas extraction, social aspects relating to imported natural gas and methane emissions.</i>
Commitment to the region
<i>The extent to which GasTerra is committed to the North Netherlands region. For example: sponsorship in the region, entering into joint ventures in the region, making regional non-gas-related purchases as far as possible.</i>

A survey was conducted which enabled stakeholders to indicate the importance they attach to the selected topics in terms of economic, ecological or social impact. Stakeholders were also given the opportunity to reflect on how matters are progressing with GasTerra's phase-out. The survey also asked about the impact of the global energy crisis.

It emerged from the survey that, as in previous years, 'contractual obligations' remains the most important theme for stakeholders followed by 'chain management', 'economic performance' and the 'role of GasTerra in the gas market'. With regard to this last topic, stakeholders mention in particular facilitating the production of natural gas from the small Dutch fields and contributing towards the efficient use of storage facilities. The 'sustainable energy supply' theme is becoming less important as GasTerra gets closer to being phased out. In order to be able to interpret the outcomes of the survey correctly, interviews were held with various stakeholders in addition to the survey.

As far as the phasing-out is concerned, it is apparent that all stakeholder groups are aware that GasTerra is winding down. Every group is facing changes and will have to deal with its own challenges. It remains important to continue to communicate transparently about the phasing-out in order to support parties with the adjustments required as a result of this. Consultations on the phase-out take place with many stakeholders during regular discussions. A number of stakeholders have indicated that they would also like to receive formal notifications periodically about GasTerra's phase-out. The energy crisis resulting from the war in Ukraine affects all stakeholders and concerns have been shared.

The outcomes of the survey have been used to prepare the materiality matrix. The stakeholders form the y-axis of the graph. Taking into account the results of the stakeholder dialogue, GasTerra's management defined the position of the topics on the x-axis. This materiality analysis highlights four material topics for 2023 that are taken up in the Business Plan and annual report: contractual obligation, economic performance, GasTerra's role in the gas market and sustainable deployability. The material topics are therefore unchanged with respect to 2022. What is noticeable is that stakeholders attach greater importance to the topic of 'chain management' than GasTerra. The interviews have shown that, from a stakeholder perspective, GasTerra generally has an important role in the gas market. From GasTerra's perspective, that importance is represented more by the topics 'Contractual obligations' and 'Role in the gas market'.

Material topics form an important part of the annual report and, for each material topic, we report on developments in 2022 and targets for the coming year. The table below shows the targets we set for material topics in 2022. All targets were met apart from the sickness absence target within the material topic of sustainable deployability. Details of this are given in chapter 2 of this report.

Material topics 2022	Strategic targets	Target for 2022
Contractual obligation	Volume Price	Full compliance with contractual obligations.
Economic performance	Volume Price Costs Anticipation	Best possible negotiation of commercial contracts. Making the best possible use of the contracts in our portfolio. Using the market potential for optimisation. Making a margin on purchases and sales.
GasTerra's role in the gas market	Anticipation	Enable NAM to implement the operational strategy established by the Minister for Economic Affairs and Climate Policy. GasTerra will make every effort to sell the annual volume of Groningen gas offered by NAM. This annual volume is based on the degree-day formula laid down by the Minister for Economic Affairs and Climate Policy.
Sustainable deployability	Anticipation	Percentage of sickness absence in calendar year 2022 <2.5% and 0 accidents leading to time off work. Supporting employees to achieve a suitable future position.

6.1.5. Reporting principles

Information	Definition/calculation method
Sickness absence (in %)	The number of calendar days (including weekends) lost due to sickness in the observation period, divided by the number of staff (in full-time equivalents), multiplied by the number of calendar days in the observation period.
Average absenteeism rate	The average number of times that an employee reports sick per year.
Accidents leading to time of work	An accident where the person involved did not resume work within 24 hours and where no alternative work could be arranged. The company doctor's opinion will ultimately determine whether there has been an accident leading to time off work.
Annual compensation ratio	The annual salary of the highest paid officer (including holiday pay, 13 th month and target bonus) divided by the median for all employees (including holiday pay and the 13 th month).
Gas consumption	The gas consumption of the GasTerra offices at Stationsweg in Groningen according to the final bill from the energy supplier.
Electricity	The electricity consumption of the GasTerra offices at Stationsweg in Groningen according to the final bill from the energy supplier.
Water consumption	The water consumption of the GasTerra offices at Stationsweg in Groningen according to the final bill from the water supplier.
Paper consumption	The paper consumption according to the readings from the supplier of the photocopiers.
CO ₂ offsetting	Reduction in the footprint in tonnes of CO ₂ as a result of investment in programmes that contribute to reducing CO ₂ emissions.

6.2. Facts and figures

6.2.1. Staff trends

At the end of 2021, GasTerra had 117 employees (109.7 Fte). In 2022, eleven employees (9.4%) left the organisation and two new employees (1.7%) joined, meaning that GasTerra had 108 (101.0 Fte) employees as at 31 December 2022. The workforce consists of 75 men and 33 women, of which one employee (male) is younger than 30 years. 46 men and 17 women are aged between 30 and 50 years and 28 men and 16 women are older than 50 years. The employees who left in 2022 were all male (nine in the age group 30 to 50 years and two >50 years). Employees who joined the organisation are a man and a woman in the age group 30 to 50 years.

GasTerra also hires external employees. These employees work mainly in the ICT and facilities departments; there is a total of 53 external employees.

GasTerra has its own collective labour agreement and a large proportion of the company's staff are actively involved in the sectoral trade union, the VPG².

Together with N.V. Nederlandse Gasunie, GasTerra is affiliated with the Stichting Pensioenfonds Gasunie (Gasunie Pension Fund Foundation). GasTerra's employees have a pension scheme administered here. An explanation of this scheme is contained in the financial statements.

	2022	2021
Fte (<i>year-end</i>)	101.0	109.7
Number of employees (<i>year-end</i>)	108 (75 men, 33 women)	117 (85 men, 32 women)
Fixed-term contract of employment (<i>year-end</i>)	5	4
Permanent contract of employment (<i>year-end</i>)	103	113
Staff covered by a collective labour agreement (<i>year-end</i>)	92	102
Participation Act (<i>year-end</i>)	1	1
Secondments (<i>year-end</i>)	0	0
Interns (<i>year-end</i>)	2	0
Degree of organisation	>80%	>70%
Outflow	11	17
Inflow	2	5
Annual compensation ratio	3,97	n.a.
Absence due to illness	2,98	1.89
Average absenteeism rate	0,99	0.56
Accidents leading to time off work	0	0

6.2.2. GasTerra's footprint

GasTerra's footprint is small thanks to the nature of its activities. Where possible we try to minimise it further in order to reduce the environmental impact of our operations.

Our office building is located in the centre of Groningen. The building, which dates back to the 1980s, has been completely renovated and modernised and has been awarded a high A+ energy rating, due to the installation of facilities such as solar panels, triple glazing, heat-cold storage and LED screens. By monitoring the energy flows and energy consumption of the building continuously we have a good insight into our energy balance, which enables us to use it more efficiently. We encourage staff to use public transport or bicycles for commuting. The number of parking spaces at the office is limited. Three of them have a charging point for electric cars. If employees have to travel for work, they also use public transport or our green-gas-fuelled company car wherever possible.

We offset the CO₂ emissions of the office building, flights and car leasing by buying carbon credits from the Climate Neutral Group (CNG). This enables the organisation to invest in climate projects in countries where this has a positive effect on the local economy, employment, incomes, the environment and the climate. In 2021, GasTerra offset 189 tonnes of CO₂ equivalents and contributed towards investment in the local production, distribution and sale of efficient cookstoves to make them widely accessible to households in Africa (2020: 174 tonnes).

After the working-from-home advice in connection with the coronavirus pandemic was lifted, many employees chose a hybrid form of working. As a result, office occupancy is sometimes low.

Hybrid working affected GasTerra's footprint in terms of the number of business trips, flights and water consumption but had less of an impact on our energy consumption. This is because the office is heated or cooled by means of a technique whereby the energy used for heating or cooling the building is stored in the ground in water-bearing rock layers. These are used to heat the office in winter and to keep it cool in summer. This heat/cold storage (HCS) system requires the temperature in the building to be kept at a certain minimum level because otherwise the source becomes unbalanced. This leads to insufficient hot or cold water available to be pumped up. In that case, the gas boilers would have to be fired up which would increase the energy consumption.

	2022	2021
Gas consumption	43,696 cubic metres	39,115 cubic metres
Electricity consumption	351,590 kWh	317,225 kWh
Water consumption	591 cubic metres	379 cubic metres
Paper consumption	63,734 sheets	88,041 sheets

6.2.3. Standards and norms

Being customer-oriented, result-oriented and improvement-oriented are GasTerra's three core values. Our employees use these concepts as a basis for their actions. Work is carried out in accordance with a code of conduct in which integrity and respect are the guiding principles. 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. GasTerra has implemented procedures and set up specific instructions for staff to ensure compliance with the General Data Protection Regulation.

An internal auditor inspects departments at set times to ascertain whether they are complying with all procedures and rules. The results of the audits are discussed with the Board of Management, the auditor and the Audit Committee. Rules and procedures of conduct are adapted or expanded if necessary or desirable. There were no reports in 2022 of employees failing to comply with the code of conduct and/or additional procedures.

GasTerra has two confidential advisers, one of whom is responsible for dealing with cases of sexual harassment. The company also has a complaints procedure and whistleblowing policy. If employees have objections or complaints or if they detect abuses and solutions cannot be found with colleagues and managers, they can make use of these procedures. There were no reports of abuses or discrimination in 2022, no-one filed a complaint with the complaints committee and no-one made use of the whistleblowing policy.

6.2.4. Memberships

We are actively involved in various cooperative partnerships, in pursuit of goals such as exchanging knowledge, helping to develop innovative gas applications, publicising the benefits of the use of gas in the transition toward a sustainable energy supply and improving regulations. GasTerra is a member of the following organisations and associations:

International Gas Union (IGU)
Eurogas
European Federation of Energy Traders (EFET)
EASEE GAS
CIEP
KVGN
Energie-Nederland
Platform Groen Gas

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

6.2.5. Board of Management and Supervisory Board profiles

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

Annie Krist (1960) studied geography at the University of Groningen and also worked for a short time at the University after her graduation. She started her career at N.V. Nederlandse Gasunie in 1987. She held various commercial roles within Gasunie and was, during the 1990s, closely involved with the changes that related to liberalisation of the gas market.

In 2005, she joined the management team of Gasunie Transport Services, the operator of the national gas grid. She was Director of Strategy and Participations at Gasunie from 2008 to 2011. Annie Krist was appointed as Managing Director of Gasunie Transport Services in 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)

Board Member of Energie Nederland
Vice-President, Member of Governing Board and Executive Committee of Eurogas
Associate Member of International Gas Union
Chair of Foundation Council of New Energy Coalition (to 1 January 2023)
Member of Advisory Board of Clingendael International Energy Programme
Board member of Platform Groen Gas
Board Member of Spatial Sciences Promotion Foundation
Board Member of Stichting Fondsbeheer Culturele Relatie-Evenementen Gasunie/GasTerra (Gasunie/GasTerra Foundation for Cultural Relations Events) of the Groninger Museum.

Ancillary roles (paid)

Chair of Supervisory Board 'Stichting Kinderopvang Stad Groningen' (Groningen Child Support Foundation)
Vice-chair, Member of Stedin Supervisory Board and Audit Committee

Mr R.E. van Rede MSc – Commercial Director (CCO)

Robert van Rede (1964) studied Petroleum Engineering at Delft Technical University. He worked from 1990 to 1994 at Petroleum Development Oman. In 1994 he joined Nederlandse Aardolie Maatschappij (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 NAM, first as Asset Commercial Manager Onshore, adding the role of Sales Manager in 2010. Robert van Rede joined the management team of GasTerra as commercial director (CCO) on 1 October 2013.

Ancillary roles (unpaid)

Chairman of Empower Yourself Foundation
Secretary of Rotary Belcampo

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 roles (unpaid)

Board member of KVG N (Treasurer) (to September 2022)

Board member of Gasunie Pension Fund Foundation (Chairman of the Investment Committee)

Mr B.C. Fortuyn MSc – Chairman of Supervisory Board and College of Delegate Supervisory Directors

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

After leaving university Mr Fortuyn held various positions with SHV Holdings N.V, Air Liquide S.A. and was CEO of N.V. Hoekloos. In 2004 and 2005 he acted as an independent expert in an arbitration case. In mid-2005 he joined the board of Siemens Nederland N.V. From 2010 until his retirement in mid-2017 Mr Fortuyn was in charge of all Siemens' energy activities in the Netherlands as a member of the Executive Board of Siemens Nederland.

Ancillary roles

Member of Maatschap Groningen's board of directors

Chairman of the Supervisory Board of NEMO Science Museum

Chairman of the Supervisory Board of NV Juva

Chairman of the Board of 'Stichting Schooldakrevolutie (SDR)'

Member of the Supervisory Board of NRG/Pallas (to 1 April 2022)

Member of the Supervisory Board of Oranjewoud NV (from 1 April 2022)

Mr J.W. van Hoogstraten MSc – Member of Supervisory Board and College of Delegate Supervisory Directors

Jan Willem van Hoogstraten (1964) studied petroleum extraction at Delft Technical University (graduated in 1989). He has been a member of the Supervisory Board and the College of Delegate Supervisory Directors of GasTerra since 1 March 2016.

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 Noordzee, where he held various operational and commercial management positions.

At TAQA Energy he was initially employed as Project Director then, from 2010, 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 for Economic Affairs and Climate Policy at the start of 2016.

Ancillary roles

Member of Maatschap Groningen's board of directors

Chairman of the Supervisory Board of NEXSTEP association

Chairman of Royal Dutch Gas Association (KVG N)

CEO of Bonaire Fuel Terminals B.V. (to 1 January 2023)

Member of Advisory Board of Clingendael International Energy Programme (CIEP)

Member of Strategic Advisory Board of TNO Energy

Member of Strategic Advisory Board of Geologische Dienst Nederland (Geological Service Netherlands)

Member of Foundation Council of New Energy Coalition

Mr R.M. de Jong MA – Member of Supervisory Board and College of Delegate Supervisory Directors

Rolf de Jong (1962) studied business economics at the University of Amsterdam (graduated in 1990). He has been a member of the Supervisory Board and the College of Delegate Supervisory Directors of GasTerra since 1 August 2016.

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 of ExxonMobil Tanzania in Dar es Salaam. In 2016 he was appointed Director Upstream for Esso Nederland B.V. and President of ExxonMobil Holding Company Holland LLC.

Ancillary roles

Chairman of Maatschap Groningen's board of directors

Member of Supervisory Board of Nederlandse Aardolie Maatschappij B.V. (NAM)

Director of ExxonMobil Producing Netherlands B.V.

Mr R.G. de Jongh MA – Member of Supervisory Board

Ruud de Jongh (1961) studied geology at Utrecht University (graduated in 1987) and later studied for an MBA at Henley Business School (1997). He has been a member of the Supervisory Board of GasTerra since 1 April 2016.

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 and later took up the post of General Manager Marketing Persian LNG. Between 2010 and 2016 he moved back to Nigeria to represent Shell's interests in gas exports and LNG. In 2016 he was appointed Vice President Gas and Hydrogen Partnerships of Shell Netherlands.

Ancillary roles

Chairman of the Supervisory Board of NAM

Director of Shell Geothermal B.V.

International Supervisory Board member of New Energy Coalition Business School

Mr T.W. Langejan LL.M. MA – Member of Supervisory Board

Theo Langejan (1957) studied law at the University of Leiden (graduated in 1981) and business studies at Delft Technical University (graduated in 1982). He has been a member of the Supervisory Board of GasTerra since 15 February 2016.

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, Public Health and Culture, the Ministry of the Interior and the Ministry of Social Affairs and Employment. From 2010 to 2014 Mr Langejan was chairman of the Board of Management of the Dutch Healthcare Authority. Mr Langejan was the executive adviser to Twynstra Gudde from 2015 to 2017. Since 2017 he has been a special executive adviser to the Federation of Dutch Pension Funds. On behalf of the Federation of Dutch Pension Funds, he was involved in the development of the pension agreement in 2019 and is assisting with its implementation in new legislation and regulations.

Ancillary roles

Chairman of the Advisory Board for Pension Administration and Management

Ms J.M.W.E. van Loon MSc – Member of Supervisory Board and College of Delegate Supervisory Directors

Marjan van Loon (1965) studied Chemical Engineering at Eindhoven Technical University (graduated 1989). She has been a member of the Supervisory Board and the College of Delegate Supervisory Directors of GasTerra since 1 January 2016.

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

Ancillary roles

Member of Maatschap Groningen's board of directors
Member of the Executive Committee of VNO-NCW
Board member of Vemobin
Chair of the Christiaan Huygens Prize Foundation
Member of The Hague Economic Board
Member of Economic Board South Holland
Member of Advisory Board for Dutch Army
Member of Advisory Group for Dutch Armed Forces
Supervisory Board member VDL

Ms E.W.E. Pijs – Member of Supervisory Board and College of Delegate Supervisory Directors

Esther Pijs (1973) studied History and International Relations at Utrecht University (graduated in 1997). She has been a member of the Supervisory Board and the College of Delegate Supervisory Directors of GasTerra since 8 April 2022.

Esther Pijs has been director-general for Groningen and Subsurface at the Ministry of Economic Affairs and Climate Policy since 1 April 2022. Before that, from 2020, she was the director for Heat and Subsurface at the Directorate-General for Climate and Energy at the same Ministry. Previously she was director of the Groningen Gas Transition project directorate at the Ministry of Economic Affairs and Climate Policy, and held various positions, including Regional Director, at the Ministry of Economic Affairs and Climate Policy and the Ministry of Agriculture, Nature and Food Quality.

Ancillary roles

Ms Pijs does not have any ancillary roles.

Mr L. Zirar MA – Member of Supervisory Board

Lahcen Zirar (1975) studied economics at Erasmus University in Rotterdam (graduated in 2000). He has been a member of the Supervisory Board of GasTerra since 1 April 2019.

From 2001 onwards he held various upstream and downstream economic and commercial positions with ExxonMobil in a number of countries, including the Netherlands, Belgium, Qatar and the United States. He is currently Commercial Manager Upstream Netherlands/UK SNS with ExxonMobil.

Ancillary roles

Mr Zirar does not have any ancillary roles.

6.2.6. Glossary

Balancing	Maintaining the gas streams in the gas transmission network in a state of equilibrium.
CO ₂	CO ₂ is a scientific abbreviation for carbon dioxide. CO ₂ is a greenhouse gas that holds heat in the atmosphere, causing the temperature of the earth to rise (the greenhouse effect). CO ₂ is released during the combustion of biomass such as wood and plant waste and fossil fuels: oil, gas and coal. Much less CO ₂ is released by the combustion of natural gas than by the combustion of oil and coal: 30% less CO ₂ is released compared to oil, and 50% less CO ₂ compared to coal.
G-gas	Groningen gas, natural gas obtained from the largest Dutch gas field in the province of Groningen. G-gas is a low-calorific gas (L-gas).
Gas year	A gas year runs from 1 October to 1 October.
Governance	The method of administration and supervision.
GRI	Global Reporting Initiative, worldwide guidelines for reporting on sustainability.
Green Gas	Biogas with the same quality and combustion properties as natural gas.
Trading points	Virtual trading exchanges for gas.
Renewable gases	Gaseous energy carriers of non-fossil origin.
H-gas	High-calorific natural gas, or gas with a high calorific value. This gas contains relatively higher levels of hydrocarbons and so contains more energy than low-calorific gas.
Small fields policy	Government policy aimed at promoting the production of natural gas from the smaller gas fields in the Netherlands. Small fields are fields other than the Groningen field.
L-gas	Low-calorific natural 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.
MiFID	Markets in Financial Instruments Directive, European investment directive to protect investors and the integrity of the financial markets, to promote fair, transparent, efficient and integrated financial markets and to further harmonise the European trading and investment market.
TSO	Transmission System Operator, operator of a national or international transmission network.
TTF	Title Transfer Facility, virtual trading point for gas in the Netherlands.

6.2.7. GRI Index

GRI content index

Statement of use	GasTerra has reported the information cited in this GRI content index for the period 1 January 2022 until 31 December 2022 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION
GRI 2: General Disclosures 2021	2-1 Organizational details	Chapter 1
	2-2 Entities included in the organization's sustainability reporting	Chapter 6
	2-3 Reporting period, frequency and contact point	Chapter 6
	2-4 Restatements of information	Chapter 6
	2-5 External assurance	Chapters 3, 5 and 6
	2-6 Activities, value chain and other business relationships	Chapters 1, 2 and 6
	2-7 Employees	Chapter 6
	2-8 Workers who are not employees	Chapter 6
	2-9 Governance structure and composition	Chapter 3
	2-10 Nomination and selection of the highest governance body	Chapter 3

	2-11 Chair of the highest governance body	Chapter 3
	2-12 Role of the highest governance body in overseeing the management of impacts	Chapter 3
	2-13 Delegation of responsibility for managing impacts	Chapter 3
	2-14 Role of the highest governance body in sustainability reporting	Chapter 3
	2-15 Conflicts of interest	Chapter 3
	2-16 Communication of critical concerns	Chapter 2
	2-17 Collective knowledge of the highest governance body	Chapter 3 Chapter 6
	2-18 Evaluation of the performance of the highest governance body	Chapter 3
	2-19 Remuneration policies	Chapter 3
	2-20 Process to determine remuneration	Chapter 3
	2-21 Annual total compensation ratio	Chapter 6
	2-22 Statement on sustainable development strategy	Foreword
	2-23 Policy commitments	Chapter 3 Chapter 6
	2-24 Embedding policy commitments	Chapter 3
	2-25 Processes to remediate negative impacts	Chapter 3
	2-26 Mechanisms for seeking advice and raising concerns	Chapter 3 Chapter 6

	2-27 Compliance with laws and regulations	Chapter 1 Chapter 6
	2-28 Membership associations	Chapter 6
	2-29 Approach to stakeholder engagement	Chapter 1 Chapter 6
	2-30 Collective bargaining agreements	Chapter 6
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Chapter 1 Chapter 6
	3-2 List of material topics	Chapter 1 Chapter 6
	3-3 Management of material topics	Chapter 2
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Chapter 2
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	Chapter 2
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Chapter 2 Chapter 6

6.2.8. Colophon

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<https://jaarverslag2022.gasterra.nl/>

The English translation of the annual report is available at:

<https://jaarverslag2022.gasterra.nl/english-version>

English translation: USP Translations

The Dutch version prevails.

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

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February 2023



www.gasterra.nl