Project EUSTON

Questions for the management presentation - Euston 1

Gasunie

A. Strategy

1. Please describe any business opportunities or any major acquisition or divestiture planned in the near term - in particular kindly focus on activities to maintain or increase the network utilisation.
2. What actions has BEB taken to connect BEB network to the Nord Stream pipeline (NEL, OPAL, NORDAL)? If no actions have been taken so far, what were your incentives for not planning any?
3. What impact does management expect from NordStream and the expected investments in LNG terminals in Northern Europe in terms of transit flows for BEB?
4. Kindly outline the expected effects of the ongoing process of market area collaboration and consolidation on BEB's business - in particular with respect to financial performance & business opportunities.

B. Regulation

Gasunie has a good understanding of the key drivers of the current regulatory debate. Nevertheless, we would appreciate the opportunity to cross-check Gasunie's views and get BEB's perspective on how these drivers might develop into actual regulation and the effect on BEB's business.

5. What have been the key arguments for the exemptions from regulation in the proposal BEB has made to the Bundesnetzagentur (BNetzA)? What result does BEB expect for itself and the other candidates? Can you confirm that no ruling has been published by the BNetzA regarding exemption from regulation? What does this mean for the tariff methodology and the absolute level of tariffs for the next regulatory period? Please provide a revenue forecast for the same period.
6. Where does BEB think it ranks as an efficient transmission network operator in comparison to its German competitors as defined by currently proposed legislation (incentive regulation scheme)?
7. Please describe the main results and any conclusions of engagements with the BNetzA over the past 2 years regarding the development of the regulatory regime including the possibility of exemption. Please include the names and positions of the contact persons and the context of the meetings.
8. How does the cooperation between BEB and other transmission network operators affect the position of BEB against the background of the planned reduction of the market areas by the Federal network agency?

C. Business operations

9. Please describe your expectations with regard to the depletion of indigenous gas supply. Does BEB plan for operational and infrastructure measures to substitute volumes from decreasing indigenous gas supply? What impact do you expect on utilisation? Please

outline the plans (including budgets) that have been (or have to be) prepared to secure future capacity contracts and accommodate for different supply sources.

10. Please elaborate on the peak utilisation rates. How much capacity is left at peak demand (last winter was relatively warm)?
11. What portion of revenues currently relates to transit flows? Please elaborate on your perspective on the growth of transit volumes. How much flexibility does the BEB network currently have to transport additional volumes?
12. Kindly elaborate why you have reduced opex and capex significantly in the recent past. Outline the investments (maintenance and expansion capex) in the years before 2005, ideally years 2000-2005. What kind of investments is thereby mandatory or appropriate for the future? Please provide an indication of maintenance and expansion capex in the budget going forward to guarantee sustainable business operations.
13. You describe in the Information Memorandum that BEB acquires "correlated capacity" from third parties to increase its own firm capacity available (page 34, paragraph 3.5.1). How do you value and mitigate the risks of using correlated capacity instead of investments in infrastructure.
14. Kindly outline roles & responsibilties of employees which will not be retained by BEB NewCo. In particular focus on senior and mid management functions. Please address possibilities of retaining staff.

D. Financial/liabilities

15. Please describe material purchase contracts (>€10mm) that management is aware of and that are not fully disclosed in the information provided to Gasunie?
16. Please describe the nature and timing of intended capex (>€10mm).
17. Confirm that there are no off-balance sheet vehicles/activities, or unusual accounting practices and provide details of any significant changes in accounting policies or accounting estimates.
18. Confirm that currently there is no material litigation, regulatory or other disputes or other proceedings. If there are, please provide estimates of likely settlement, likelihood of claim succeeding and provisions taken/insurance cover taken.
19. Please confirm that there are no material unhedged exposures, e.g. interest rate swaps or currency arrangements.
20. How has this changed since latest reported audited financials?

E. General

21. Are you aware of any material facts which impact the development and value of your business and that have not been disclosed in the information provided to Gasunie?
22. Are there any major risks with regards to your business that are not disclosed in the information provided to Gasunie?
23. Which key issues do you consider most critical with regard to the transition process of BEB to a new shareholder?

Project EUSTON

Questions for the management presentation - Euston 2

Gasunie

A. Strategy

1. Please describe any business opportunities or any major acquisition or divestiture planned in the near term - in particular kindly focus on activities to maintain or increase the network utilisation.
2. What is the forward production curve of the fields EMGTG is connected to?
3. How would you assess the possibility to convert the current gas field into storage facilities once depleted? What is your assessment of the financial, commercial and technical constraints?
4. What are the current plans regarding future ownership of the gas fields/potential storage facilities EMGTG is connected to?
5. Kindly outline the expected effects of the ongoing process of market area collaboration and consolidation on EMGTG's business - in particular with respect to financial performance & business opportunities.

B. Regulation

Gasunie has a good understanding of the key drivers of the current regulatory debate. Nevertheless, we would appreciate the opportunity to cross-check Gasunie's views and get EMGTG's perspective on how these drivers might develop into actual regulation and the effect on EMGTG's business.

6. What have been the key arguments for the exemptions from regulation in the proposal EMGTG has made to the Bundesnetzagentur (BNetzA)? What result does EMGTG expect for itself and the other candidates? Can you confirm that no ruling has been published by the BNetzA regarding exemption from regulation? What does this mean for the tariff methodology and the absolute level of tariffs for the next regulatory period? Please provide a revenue forecast for the same period.
7. Where does EMGTG think it ranks as an efficient transmission network operator in comparison to its German competitors as defined by currently proposed legislation (incentive regulation scheme)?
8. Please describe the main results and any conclusions of engagements with the BNetzA over the past 2 years regarding the development of the regulatory regime including the possibility of exemption. Please include the names and positions of the contact persons and the context of the meetings.
9. How does the cooperation between EMGTG and other transmission network operators affect the position of EMGTG against the background of the planned reduction of the market areas by the Federal network agency?

C. Business operations

10. Please describe your expectations with regard to the depletion of indigenous gas supply. Does EMGTG plan for operational and infrastructure measures to substitute volumes from

decreasing indigenous gas supply? What impact do you expect on utilisation? Please outline the plans (including budgets) that have been (or have to be) prepared to secure future capacity contracts and accommodate for different supply sources.

11. Please elaborate on the peak utilisation rates. How much capacity is left at peak demand (last winter was relatively warm)?
12. What portion of revenues currently relates to transit flows? Please elaborate on your perspective on the growth of transit volumes. How much flexibility does the EMGTG network currently have to transport additional volumes?
13. Outline the investments (maintenance and expansion capex) in the years before 2005, ideally years 2000-2005. What kind of investments is thereby mandatory or appropriate for the future? Please provide an indication of maintenance and expansion capex in the budget going forward to guarantee sustainable business operations.
14. Please elaborate on EMTGT's cost structure and margins for the last 3 years. What are your expectations going forward?

D. Financial/liabilities

15. Please describe material purchase contracts that management is aware of and that are not fully disclosed in the information provided to Gasunie?
16. Please describe the nature and timing of intended capex.
17. Confirm that there are no off-balance sheet vehicles/activities, or unusual accounting practices and provide details of any significant changes in accounting policies or accounting estimates.
18. Confirm that currently there is no material litigation, regulatory or other disputes or other proceedings. If there are, please provide estimates of likely settlement, likelihood of claim succeeding and provisions taken/insurance cover taken.
19. Please confirm that there are no material unhedged exposures, e.g. interest rate swaps or currency arrangements.
20. How has this changed since last reported audited accounts?

E. General

21. Are you aware of any material facts which impact the development and value of your business and that have not been disclosed in the information provided to Gasunie?
22. Are there any major risks with regards to your business that are not disclosed in the information provided to Gasunie?
23. Which key issues do you consider most critical with regard to the transition process of EMGTG to a new shareholder?

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ministerie van Financiën

Directie Financieringen [redacted] R 19/10

Notitie

Ter informatie
Vertrouwelijk

Auteur	[redacted] 16/10
Notitienummer	Fin 2007-00653
Datum	16 oktober 2007
Rubriek	A.74 Gasunie NV
Onderwerp	**Investering Gasunie in BEB/EMGTG**
Aan	Minister
Via	Secretaris-Generaal RA 17/10 Thesaurier Generaal 17/10 Directeur Financieringen R 17/10
Van	Governance & Deelnemingen

[redacted]

GEZIEN J/N OPBERGEN J/N

Aanleiding

Gasunie is momenteel één van de kandidaten om de Duitse gasnetwerken BEB en EMGTG over te nemen. De Staat in zijn rol als aandeelhouder moet op grond van de statuten goedkeuring verlenen aan een dergelijke overname. Dit schrijven is bedoeld om u in dit stadium te informeren over de voortgang.

Kernpunten

- Gasunie is half augustus jl. benaderd door Credit Suisse, die de verkopende partijen Shell en ExxonMobil vertegenwoordigt en adviseert, of het geïnteresseerd is in de overname van de Noord Duitse gasnetwerken BEB en EMGTG
- Gasunie heeft bij eerdere interne evaluaties deze netwerken als strategisch relevant voor haar stakeholders aangemerkt. In de visie van Gasunie draagt acquisitie van deze netwerken bij aan het beleidsvoornemen van EZ om van Nederland een gasrotonde te maken en om zich te verzekeren van een afzetmarkt voor Gronings gas in de komende 20 jaar. Derhalve heeft Gasunie begin september een niet bindend indicatief bod gedaan op grond waarvan het tot de 2e ronde van het biedproces is doorgedrongen.
- In deze fase vindt momenteel due diligence (boekenonderzoek) plaats waarna kandidaten tot 9 november een definitief bindend bod kunnen indienen. De winnaar van deze ronde gaat exclusief met de verkopende partijen over de verkoop onderhandelen.
- Financieringen is op hoofdlijnen en ~~op~~ in vertrouwen geïnformeerd, maar zal na due diligence nader geïnformeerd worden over de strategische overwegingen en de business case. Daarnaast wordt contact opgenomen met EZ om te praten over de beleidsmatige wenselijkheid van deze investering. Hierna zullen wij het advies en het goedkeuringsbesluit aan u voorleggen.

17/10

- We zullen in onze oordeelsvorming letten op de gevolgen voor het publieke belang (positie Nederlandse netwerk in de grote Europese markt), de financiële implicaties voor Gasunie en voor de financiële stromen richting Staat en de wijze waarop Gasunie de risico's beheerst die met deze investering gepaard gaan.

-0-

L.E.K.

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Singapore
Sydney
Tokyo

ministerie van Financiën

Proposal for Investment Evaluation Framework and Assessment

23 October 2007

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United Kingdom

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Introduction

- The Financing Directorate of the Ministry of Finance ("the Ministry") is seeking external advice as to how best to codify a process for the evaluation of investment proposals from state-owned companies, with two objectives:
  - to ensure the highest standards of government decision making through the use of the most appropriate conceptual frameworks
  - to use the frameworks to evaluate a significant transaction on which they expect to receive imminent request for approval in a timeframe of only 2-3 weeks

- This document represents L.E.K. Consulting's ("L.E.K.") response to the invitation to tender letter, for presentation and discussion in Den Haag on 23 October

- For reasons of confidentiality, this document has been prepared from a basis of very little knowledge of the proposed transaction, some assumptions may therefore require revision, and we have allowed for this in our proposed approach and plan

- L.E.K. greatly appreciate the opportunity to propose how we can assist the Ministry on this important issue, and we are keen to be able to demonstrate the significant value we believe we can add to this and similar situations. We would be happy to discuss any alternative approaches that might better fit the Ministry's objectives

L.E.K. has extensive experience in helping organisations make major investment decisions in short timeframes. We have drawn on this experience to propose the most practical approach to meeting the challenge faced by the Ministry team

The Challenge

- The Ministry expects in future to have to reach a decision on whether to approve a major investment by a State-owned company, and to have to do so in a relatively short timeframe of approximately two weeks
- The most recent framework for determining the appropriateness of State investments was established in the 2001 Nota deelnemingenbeleid Rijksoverheid, although the principles established are qualitative and high-level
- The Ministry team therefore do not have an established framework or process that provides in detail the necessary elements and steps required to reach a decision on approving the investment
- The Ministry team expect to receive limited documentation in relation to the investment, possibly limited to an Information Memorandum, Due Diligence reports (sell-side and buy-side) and the internal paper presented to the Board of the State-owned company
- The Ministry team is, in effect, in a highly analogous position to that of the investment committees who are typically responsible for authorising investment decisions in major investment funds, but without the same access to information, established review processes, and hierarchical management control over those proposing the investment
- The timeframe and availability of information point to a need for a pragmatic approach to assessing the investment, yet its scale necessitates that the assessment should also be thorough and focused
- The Ministry is also keen to ensure that it provides the best opportunities for the professional development of its staff through experience of best practices in commercial transactions

Proposed Approach

- With only two weeks, and with a formal Due Diligence and Board approval process already complete, the approach should fundamentally be one of review, with the minimum necessary original work
- Pragmatism calls for a tight and flexible project management approach focused on addressing established key issues and 'deal-breakers', and adjusting during the review period in response to emerging findings
- In its 'investment committee' role, the Ministry team will need to assess whether appropriate corporate governance underpins the recommended investment and that in commercial terms it is value creating/maximising (i.e., that the analysis supporting the recommendation is both robust and sound)
- In addition to the appropriate assessment of the commercial and governance issues, the Ministry must also assess the unique requirements of State investment: that it is consistent with established public policy, it minimises adverse impacts on the economy and that any distortions of competition are adequately mitigated
- It will be important to assess the implications of both making and not making the investment, and of any credible options to do so or to differently structure the investment. The established framework for such comparisons is a cost-benefit analysis (with careful choice of discount rate)
- In similar situations in the private sector, we would expect to be able to meet with the management team proposing the investment and to have ready access to put questions to them subsequently. Unless the investment is a hostile acquisition, we would also expect similar access to the management team of the target. We would strongly recommend that the Ministry seek such access as early in the process as possible

Vision for the assessment framework – good principles for government investment in commercial enterprises

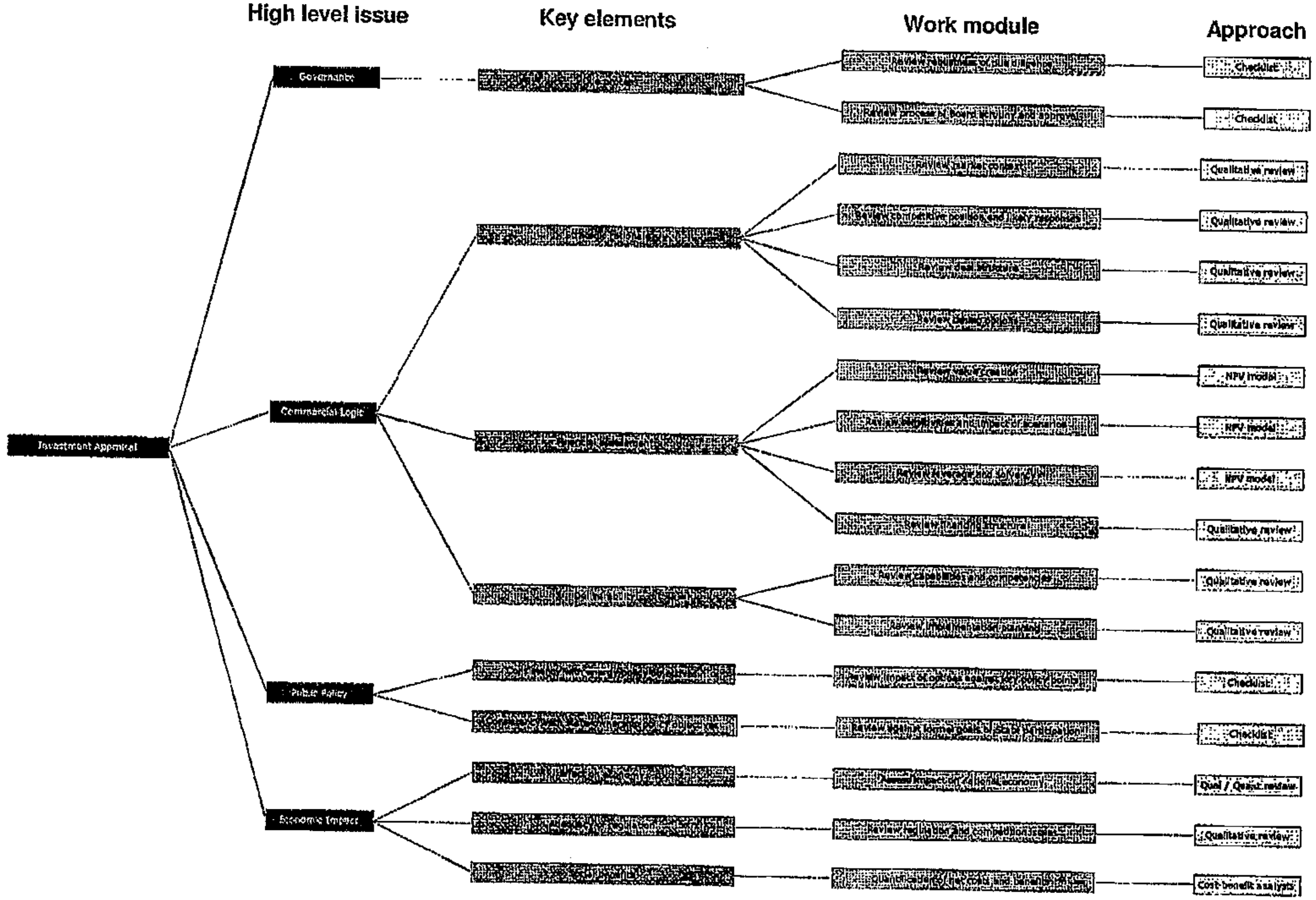
Current Government Guidelines

- The 2001 Nota deelnemingenbeleid Rijksoverheid sets out clear principles for government participation in commercial enterprise:
  - well-described goal
  - explicit public need
  - necessity for government involvement
  - desirability of State influence
  - sound financial and business basis
  - temporary arrangement allowing exit
  - impact on competition in the public interest
- The Ministry has also stated a set of goals for State participation consistent with these principles
  - adherence to the Code Tabaksblat
  - an effective partnership to which the State brings unique advantages
  - absence of exit barriers
  - clear strategy and business-oriented investment policy
  - clear benefits
  - efficient financing arrangements in line with market practices

Additional and Detailed Considerations

- The overall framework for combining individual elements of the analysis should be a cost benefit analysis (CBA)
  - undertaking the investment needs to be compared with the consequences of not doing so, delaying doing so, or doing so with a different structure (where realistic alternatives exist)
- For quantitative assessments, the appropriate discount rate to use must be established
  - the commercial aspects of the investment should be evaluated using an appropriate commercial cost of capital
  - only social and intergenerational benefits should be assessed using government discount rates
- The strategic rationale for the investment must be clear and explained in the context of the appropriate markets and competitive environment
- Robustness of plan to market movements
  - impact of price volatility
  - outcomes under a selected set of scenarios (note that scenario planning is widely credited as an innovation of the strategy department of Royal Dutch Shell)
- Deliverability – can the company deliver the benefits outlined in the plan
  - does it have a clear implementation plan
  - is it ready and able to execute that plan

Our proposed approach is for a joint Ministry-L.E.K. team to undertake a series of work modules which together address all of the key elements of the investment appraisal



Proposed structure and timeline of activities [draft]

Number	Task	w/b 22 October	w/b 29 October	w/b 5 November
1	Project kick-off and first-draft workplan			
1.1	Diarise project team and steering group meetings			
1.2	Confirm workplan for first few days			
2	Review available deal information			
2.1	Draw up list of key issues and deal breakers ("living document")			
2.2	Determine any realistic alternative options			
3	Checklists			
3.1	Meet with MEZ GD ET			
3.2	Develop checklists			
4	Qualitative reviews			
4.1	Review due diligence reports and Board papers			
4.2	Meet with acquiring company management			
4.3	Meet with target company management			
4.4	Complete qualitative assessments and checklists			
4.5	Identify (and conduct) key areas of research and analysis required			
5	CBA model			
5.1	Structure and prepare model			
5.2	Determine appropriate discount rate			
5.3	Assess any social / public benefits			
5.4	Identify (and conduct) key areas of research and analysis required			
5.5	Assess net costs and benefits of available options			
6	Financial model			
6.1	Determine extent of existing modeling that can be reused			
6.2	Determine key sensitivities and scenarios to test			
6.3	Prepare high-level model of investment financials			
6.4	Identify (and conduct) key areas of research and analysis required			
6.5	Test sensitivities and scenarios			
7	Synthesis of findings			
7.1	Interim assessment, re-focusing where necessary			
7.2	Determination of conclusions and recommendations			
8	DELIVERABLES			
8.1	Report			
8.2	Debrief and lessons learned			
8.3	Transfer of knowledge and materials			

Our proposed working arrangements reflect our experience of delivering investment appraisals in 2-3 weeks and the Ministry's objectives of providing professional development opportunities for its staff

- The tight timeframe requires a light and flexible project management style
  - free and open communication within the team, built around a work plan that is a "living document" (i.e., constantly updated to reflect emerging findings)
  - we can provide an on-line collaborative project management environment if this is helpful (and permitted), although we typically find that bullet-pointed Word tables are often the most efficient method of tracking work and progress
- Clear and agreed responsibilities between Ministry staff and L.E.K., but with a joint team atmosphere
  - subject to agreement, we would expect to lead key elements of the commercial review and financial modelling, the identified supportive research and analysis, and give senior input into the steering group
  - we would expect that the Ministry would want to retain control of the CBA and public policy assessments and would draft the final recommendations paper
- We would expect to have a (possibly rotating) presence in Den Haag on most days (subject to working space availability)
- We have also addressed the goal of providing professional development opportunities for Ministry staff
  - joint staffing of the key modules (qualitative review, CBA and financial modelling) will help to facilitate skills and knowledge transfer from our experienced staff who have undertaken many similar engagements
  - we propose to conclude the project with a debriefing session to gather lessons learned and to ensure capture and transfer of all materials and knowledge

Proposed resourcing

- The L.E.K. team would be led by [redacted] and [redacted] both Directors in the London office

- [redacted] and [redacted] would be supported by an experienced project manager [redacted] who would provide day-to-day leadership to the team (including Ministry colleagues if appropriate). Mark would work half-time on this engagement, including spending time with the team in Den Haag as required

- This senior team would be supported by an experienced Consultant, also working half time, who would guide a key module (e.g., the financial model), and two full-time (or equivalent) Associates who would provide research and analytical support

- Assuming L.E.K.'s standard 10-hour day, the cost of this team in professional fees would be [redacted] We also charge for expenses at cost (travel, accommodation, etc.) and for indirect expenses (those not tracked to projects) at 6% of professional fees. VAT is in addition

- This is significantly less than would typically be required for a commercial due diligence on an investment of this type, reflecting the pragmatic approach outlined and joint working with the Ministry team. In reality, projects of this nature often require greater efforts to meet the deadline, but we are prepared to cap our fees at this level for the team and timeframe outlined here; we expect that this will represent a significant investment

- In all other respects, our standard terms and conditions would apply

Staff profiles

[redacted]

- L.E.K. since 1996 (Director 2005)
- Project managed L.E.K.'s work for project organisation HSL-Zuid including developing the assessment criteria for the franchise bids, evaluating the bids, supporting negotiations with French, Belgian and EU counterparts, and developing the financial model for the business
- Conducted a business plan validation for the non-exec board of a leading provider of services to the oil and gas industry
- Advised the UK Strategic Rail Authority on the economic case for public subsidy of rail freight as part of its submission to the European Commission for permission to approve State Aid
- Advised the leading private sector integrated transport group in Europe on its cost of capital for each division as part of the evaluation of a major overseas acquisition
- Conducted commercial due diligence investigations in various sectors including petro-chemicals, financial services, construction materials, media, food, transport – and of a leading catering business in the Netherlands
- Undertaken a number of projects co-working with fast-track junior client staff – including a recent preparation of a document and new pricing [illegible]

[redacted]

- L.E.K. since 1994 (Director 2001)
- Working with the Carbon Trust to develop a framework within which the organisation can evaluate and prioritise investment opportunities in low carbon technologies and providing analytical and commercial support for Government policy papers
- Co-ordinated a pan-European market review for one of the leading US energy companies to help them understand the dynamics of the industry and the differences from the US market
- Strategic advice to a leading global oil services provider on the development of strategic partnerships and relationships
- Due diligence on a third-party operations service provider active in North Sea production
- Acquisition due diligence of a global provider of oil well services
- Assessed the potential value impact of carbon to support the sales process of an Australian electricity generator
- Jeremy previously worked in the upstream oil and gas industry for Total Oil Marine and BOC. At Total Jeremy was responsible for the commercial arrangements of key joint ventures including the St Fergus gas terminal and the UK and Norwegian Frigg gas pipelines

[redacted]

- Project managed commercial and strategic due diligence on a high-profile acquisition of major (£[illegible] revenue) UK retailer
- Led DCF modelling for a series of [illegible] acquisitions in the telecoms sector, working as an integral part of the client team based in Amsterdam
- Advised the UK Department for Transport on the level of competition in the UK Rolling Stock market as part of a competition investigation
- Designed investment assessment process for a global mining company looking to expand into value-added services
- [illegible] will act as project manager for the team

Other team members

- 2 full-time Consultants/Associates will undertake supportive research and analysis, including [redacted], a recent Erasmus graduate who helped to prepare this proposal. We can also provide German-language capability if required
- If current client commitments allow, we hope to allocate [redacted], an experienced Consultant and Erasmus graduate, half time to the team (if not, we will allocate a Consultant of comparable experience)

L.E.K. has considerable experience in the specific areas relevant to the required appraisal (selected examples)

Energy Sector

- Commercial due diligence on acquisition of a leading provider of natural gas compression services
- Calculation of the cost of capital for one of the leading oil majors
- Extensive due diligence and business plan development targeting one of Europe's leading integrated energy suppliers
- Valuation of leading natural gas utility
- Advisory role in market positioning of one of Europe's largest gas distribution companies
- [redacted]
- Development of a formal company-wide analytical structure for reporting and decision making for a leading energy provider in Germany

Investment Appraisal Frameworks

- Development of a framework for assessing investments in rail-freight subsidy that maximised the value for State money and minimised distortions to market competition
- Review of a corporate planning model for an international electric power supplier
- Development and implementation of a decision-making framework for the management committee of one of the world's leading airlines that provided transparency and economic rigour to investment planning and operational decisions
- Development of a economic model framework to review strategic and operational decisions for an international restaurant chain
- Development of the assessment frameworks [redacted]

Engagements in the Netherlands

- 4 year engagement providing commercial and strategic support to [redacted]
- Commercial due diligence on sale of Connexxion for winning bidder
- Other commercial due diligence and investment appraisals covering many sectors of the Dutch economy including:
  - building and construction
  - financial services
  - recruitment services
  - publishing
  - vacation homes

We believe that L.E.K. offers a unique combination of skills and experience to assist the Ministry with this important project

- World-class transaction support expertise from a recognised industry leader: L.E.K. have advised on more successful transactions in Europe in the last five years than any other strategy consultancy (source: mergermarket)
- Depth and rigour of a genuinely evidence-driven strategy consulting firm
- Extensive experience advising public and private companies, investment funds and governments on high-value strategic decisions
- Familiarity with delivering high-quality work to tight transaction timeframes with a "do whatever it takes" culture: we have allocated resources to be able to begin work immediately on appointment (today, if required)
- Highly experienced and "hands on" senior team
- Energy sector expertise coupled with a breadth of experience drawn from all major industries
- Able to work collaboratively alongside Ministry staff, transferring skills and experience

ACQUISITIONS MONTHLY awards 2006

Due Diligence Advisor of the Year

ACQ ACQUISITION FINANCE AWARDS 2006

Specialist Advisor of the Year

THE QUEEN'S AWARDS FOR ENTERPRISE: INTERNATIONAL TRADE 2007

Gasunie

Meeting with Standard & Poor's

Rating Evaluation Service

October 23, 2007

<u>Strictly confidential</u>

Contents

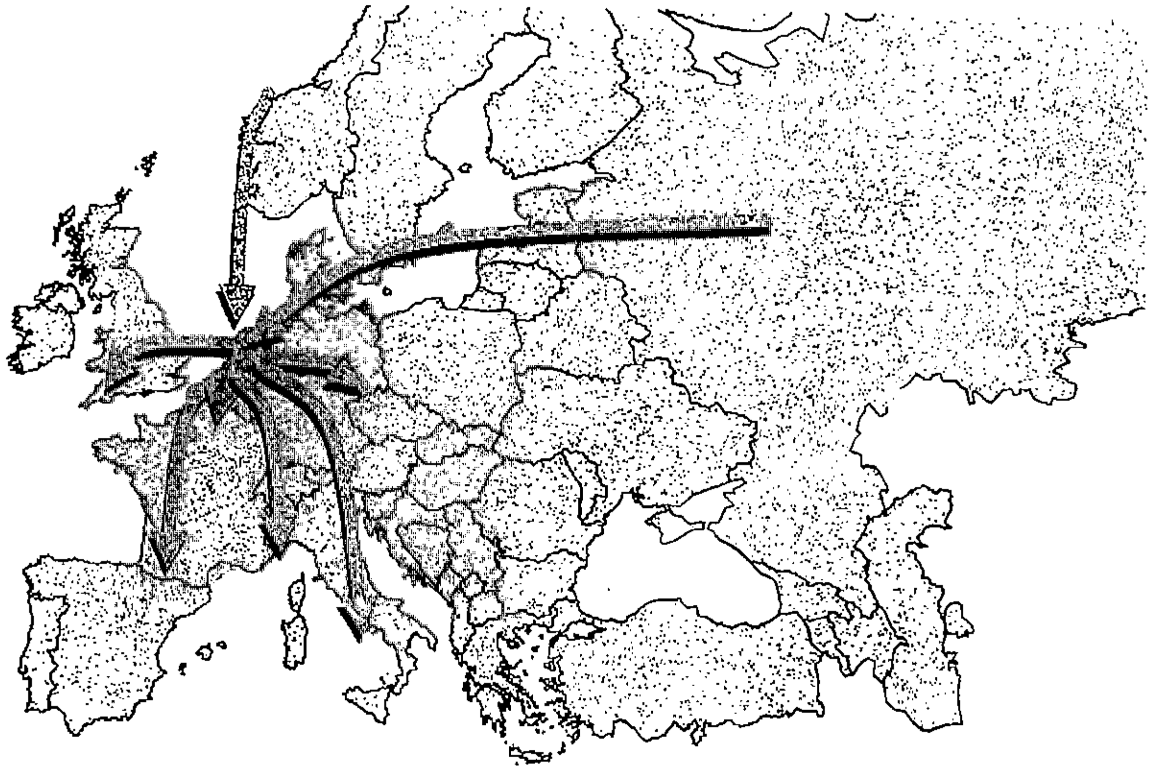
Executive Summary

- Gasunie is participating in the bidding process for two gas transmission companies, Euston 1 and Euston 2
- The acquisition of the two companies will enable Gasunie to further persue its strategy to expand its transmission network
- Both companies are a very good strategic fit and allow Gasunie to connect to strategically important markets in Germany and Northern Europe
- The acquisition will have an effect on Gasunie's credit ratios
- Gasunie would like to know the impact of the transaction on its current rating
- The document presents four different scenarios with regard to the transaction structure and financing consideration
- For each scenarlo, the ratings outcome would be of interest to Gasunie by November 1, 2007

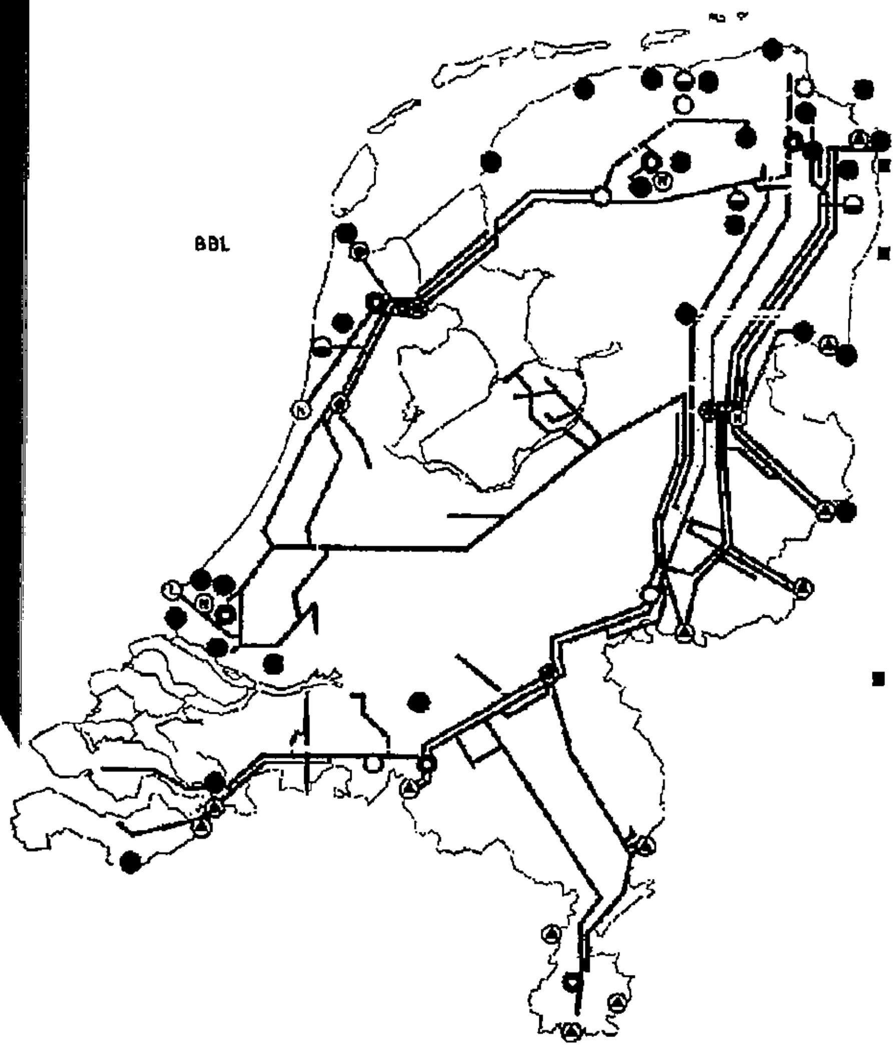
Strategy

Gasunie's mission

To provide safe and reliable transport of natural gas in the Netherlands and Europe.
Efficient, profitable and sustainable.



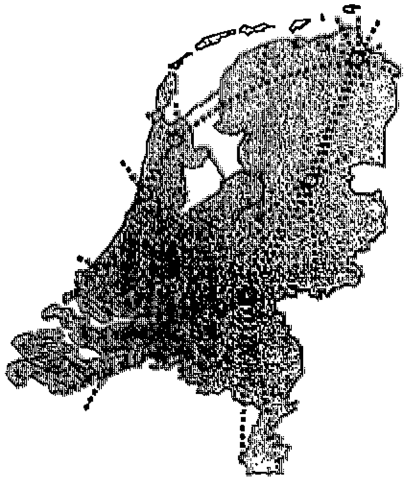
Facts and figures 2006



- **Transported volume**
  - 96.4 billion m³
- **Employees: 1,444 full time equivalents**
- **Gas infrastructure**
  - Over 12,000 km pipelines
  - 1.100 gas delivery stations
  - 10 export stations
  - 9 compressor stations
  - 1 LNG peak shaver
- **Customer portfolio (GTS)**
  - ~ 40 shippers
  - 10 local distribution companies
  - ~ 350 industrial customers/electricity producers

Gasunie's standalone strategy focuses on three strategic thrusts aligned with the mission

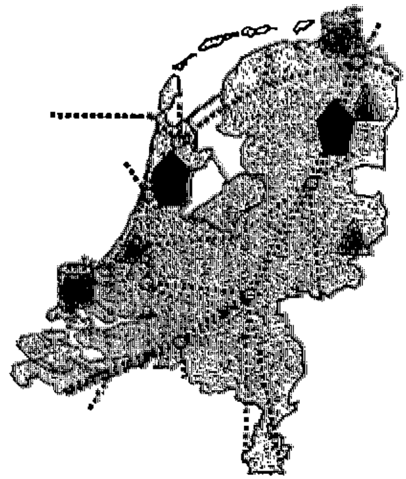
Secure operational excellence



Ensure transmission
- **safety**
- **reliability**
- cost **efficiency**
- **sustainability**

as a basis for continued public, regulatory and political support for expansion

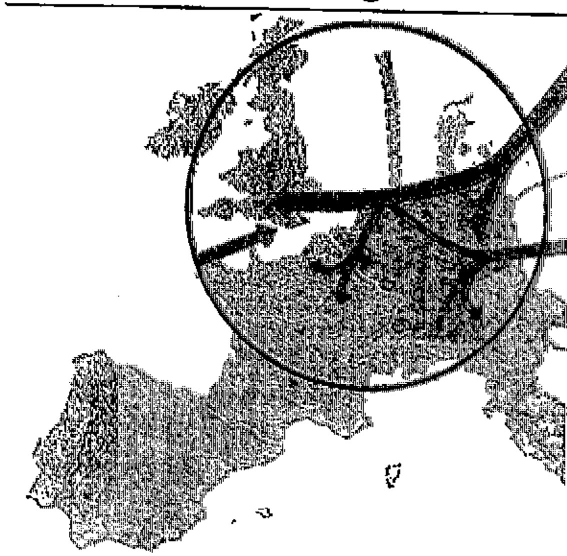
Expand transmission activities



Provide **sufficient** transmission capacity and international **access**

Offer additional services (and make contracts/tariffs market based) to make Dutch gas **market attractive** 'Gas roundabout' in Europe

Capturing of new gas flows

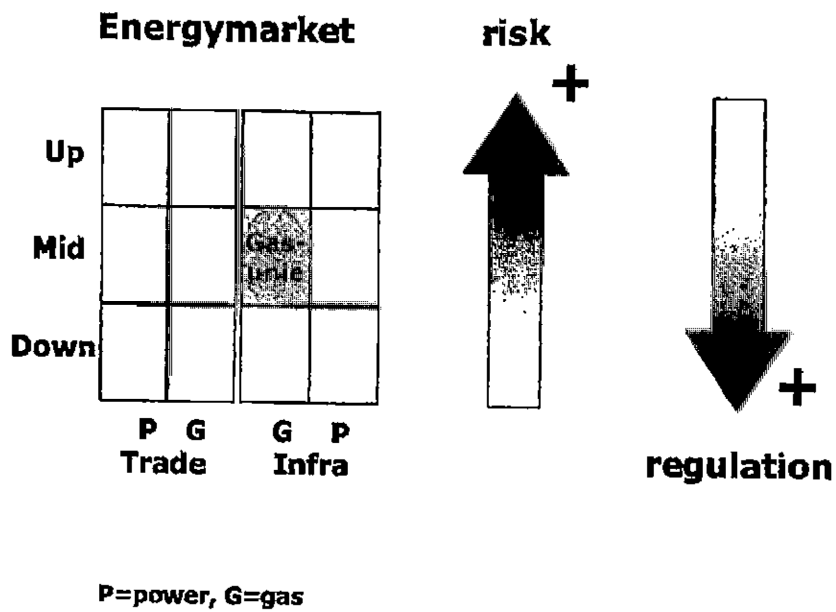


Facilitate **access** to gas resources of the **future** & enable gas resources to reach market

Attract transit through Dutch grid to ensure **central position** in future (consolidating) EU transmission landscape

Gasunie's position

- Regulated transport: Low Risk-Low Return; High Regulation
- Gas-roundabout concept widely accepted (Netherlands, EU, gasmarket)
- Competitive advantages of an independent gasinfrastructure player is appreciated in the market
- Positioning as a coordinating gasinfrastructure player: link between up- and downstream
- Core activities concerning the transport network
- New activities complementary to transport: strengthening the transportbusiness
- Open access concept is accepted (LNG)
- New infra opportunities (LNG, Cavernes, Seasonal Storage en services) : Mid Risk – Mid Return; Mid Regulation.



Relationship with the Dutch State

- Dutch state has 100% ownership through the Ministry of Finance
- State has supportive role but no active role in management
- Gasunie retains full control over operational management decisions
- Major strategic plans must be approved by the shareholder
- Regulatory policy is the responsibility of the Ministry of Economic Affairs through the DTe (Directie Toezicht Energie))

State Participation Policy and Gasunie's current position

- Target debt/equity ratio dependent on the risk profile of the company and will be compared to the 'peer group'
- Shareholder's policy is aiming for value creation
- In normal circumstances participations will have a dividend payout ratio of at least 40%
- The Ministry strives for normal shareholder rights in comparison to private shareholders in equivalent circumstances
- Gasunie's dividend payout ratio is targeted at 50%
    - This decision is taken annually
    - The ratio is dependent on investment and financing policy

Gasunie compares favourably with leading European transmission companies

- The peer group of Gasunie are other leading European transmission companies in the gas (and electricity) sector

- The key business characteristics of leading transmission companies are
  - Monopolistic, dominant position in the national (electricity or gas) sector
  - Strategic importance to the Government
  - Substantial portion of regulated revenues

- In general all these companies of substantial investment programs for the coming years

Regulatory Overview

Elements of new Dutch regulatory framework

- Cost oriented tariff regulation
  - (If necessary, in case of a "Jepma" effect, higher tariffs)
- Long term fixed tariff agreements possible
- Assumptions for tariff calculation:
  - New investments:
    - 7% return (real, before taxes)
    - Depreciation period 20 years (no residual value)
- Existing Grid:
  - 5,5% return (real, before taxes)
  - Asset base € 6,4 bln
  - Depreciation period 55 years
- New tariffs will apply for the period 2008-2012
- In 2012 revalidation of the assumptions
- Set new tariffs for the next 5-year period
  - With exception of already agreed long term tariffs
- Ministerial order in preparation; Discussions going on, expected to be finalized by the end of 2007

Transaction Overview and Structure (Project Euston 1 and Euston 2)

Acquisition of Euston 1 and Euston 2

- Gasunie is currently engaged in a bidding process for two supra-regional gas transportation networks in North Germany: Euston 1 and Euston 2
  - Acquisition of 100% of the shares of both companies
  - Combined network of over 3,500km
  - Connection to Germany's gas production facilities and international pipelines from Denmark, Norway and The Netherlands
  - Both networks are geographically and operationally connected

- The process is now in phase 2, and Gasunie is working towards submission of a binding offer on November 9
  - Due-diligence started on October 2nd

Two simultaneous sales processes are in place for Euston 1 and Euston 2

Overview of assets

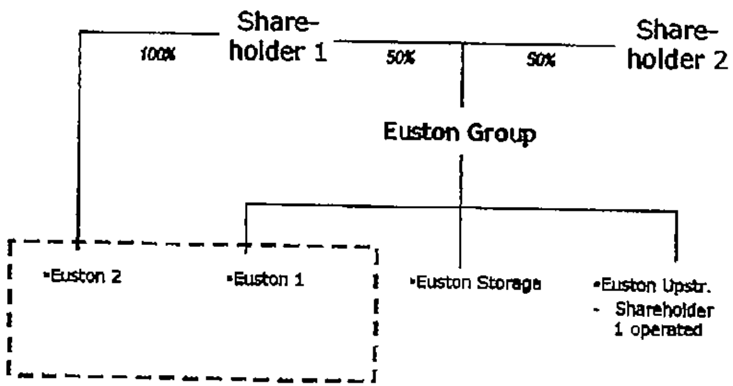
[illegible]

- Euston 1 is the transportation division of Euston Group
- Supra-regional transmission system (North Germany)
  - Over 3,000km of pipeline with H and L gas capacity
  - Connection to Germany's gas production facilities and international pipelines from Denmark, Norway and The Netherlands
  - Over 30 entry points/over 170 exit points
- Over 85% capacity utilisation in Gas Year 2005/06
- 2 core clients representing >85% of capacity bookings
- Market Area Coordinator for Markets Areas Northern Germany

Euston 2

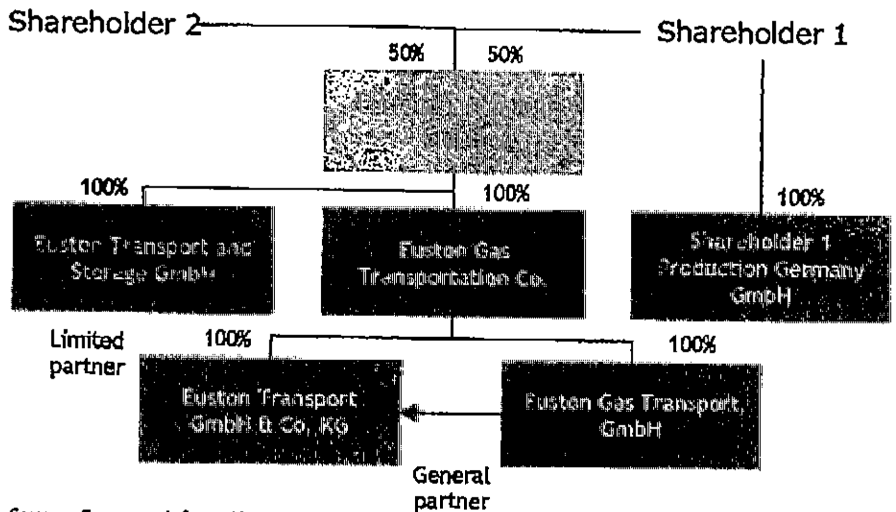
- Euston 2 is a supra-regional transmission asset geographically and operationally connected with Euston 1
  - Over 500km of pipeline
  - Connection to Germany's gas production facilities and international pipelines from Denmark, Norway and The Netherlands
  - 6 entry points/Over 30 exit points
- The scope of the transaction only includes the transportation asset—no personnel will be transferred as part of the transaction
  - Technical, marketing, dispatching provided by Euston 1 and sister companies via a service agreement
  - Shareholder 1 will only allow the divestiture of Euston 2 if Euston 1 is sold at the same time

Organisational structure



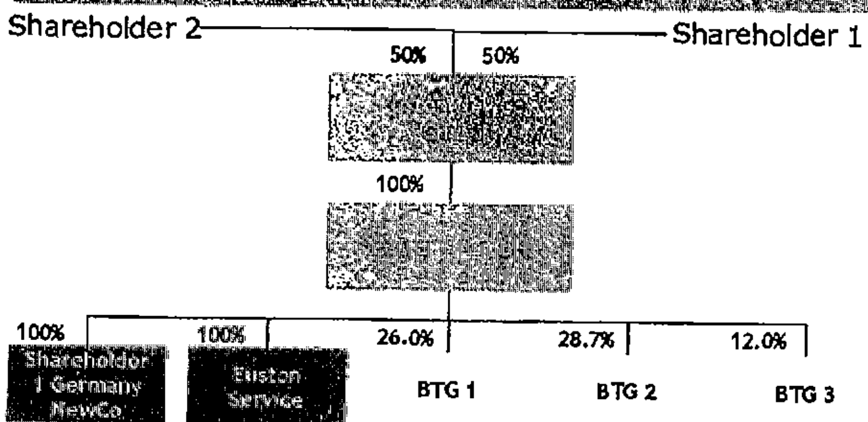
Source: Information Memorandum
[1] Excluding income from associates and standalone additional costs o

Euston 1 comprises assets and employees of the transportation business



Source: Company information

- The natural gas and transportation assets are currently held by Euston Transport GmbH & Co. KG to which they were de-merged from Euston in 2004
- Technical services for pipelines operated by Euston Transport are currently provided by Shareholder 1 Production Germany GmbH is employer of the technical service staff, commercial operation
- Development of the asset base, dispatching and information services are provided by Euston Transport and Storage GmbH
- Euston Gas Transport GmbH will be merged into its parent company Euston Gas Transportation Co. and will cease to exist
- All assets will collapse into Euston Gas Transportation Co. which will be renamed to Euston 1



Source: Company information

- The Euston transport business will be de-merged from Euston to a new company ("Euston NewCo") holding all shares in Euston 1
- "Euston NewCo" will comprise both the assets and the employees responsible for the commercial and technical operations of the transport business
- "Euston NewCo" does not hold any gas production or storage assets
- Shareholder 1 and Shareholder 2 will be the shareholders of this company
- The commercial services entity consisting of non-transport related employees is referred to as "Euston Services"
- Over 140 employees from technical, commercial and administrative areas will be part of Euston Transport

Strong rationale to acquire Euston

1 **Enforce the gas-roundabout**
- Enlarge the gas-roundabout with a smaller twin-sister of Gasunie
- Secure the position of The Netherlands in Europe even after Dutch supplies will be depleted

2 **Enhance Security of Supply**
- Create the conditions to attract Russian gas volumes

3 **Promotes market forces and supports unbundling initiatives**
- Liberalisation will support development of a free market and enhances competition
- Fits the "pentalateral" consultation of the Ministry of Economics (MinEZ) of The Netherlands
- Subscribes to the ideas of the "3rd package" to promote independent infrastructure in EU

4 **Boosts market liquidity**
- Euston possesses the fastest growing trading hub in Germany
- Integration with the Dutch TTF will attract liquidity and, as a consequence, ensure stable prices

5 **Prolongs L-gas lifecycle and relevant services**
- Safeguard cost efficient transition from L-gas to H-gas
- Secure additional quality conversion and flexibility services

6 **Positive financial impact**
- Potential operating synergies on capex and opex through best practice sharing
- Secure access to capital for investment through stable cash flow and return profile

7 **Twin sister**
- Gasunie has great understanding of the Euston networks
  - The Euston network is a Gasunie replica

Euston 1's network is connected to international gas pipelines

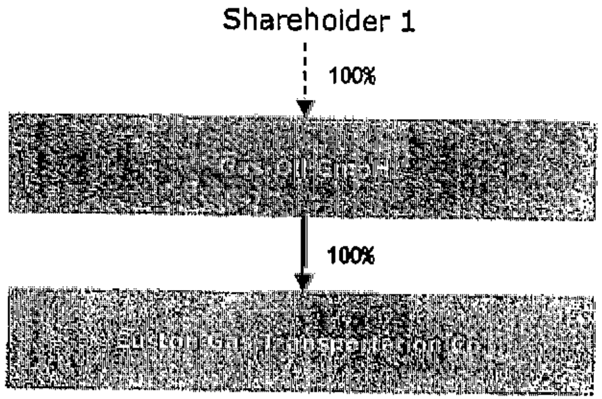
Overview of Euston 1's Network

- More than 3,000km total pipeline length and one of the largest network in Germany
- Over 30 entry points (thereof five cross-boarder stations)
- Over 170 exit points
- 8 compressor stations with 23 compressor units strategically along the network provide flexibility to maintain booking capacities under varying flow and pressure conditions
- International natural gas pipelines from Denmark, Norway and Netherlands connect into the network covered by Euston 1's pipeline network
- The network is directly connected to the important pipelines Norpipe, Europipe 1 and Europipe 2 from Norway, the Energinet.dk system from Denmark and GTS' system from the Netherlands
- The network is connected to 5 storage facilities and is directly connected to 14 large consumers
- In addition to the pipeline network, Euston 1 holds an ownership stake in more than 2,880km of copper cable and more than 475km fibre optic cable running along pipelines
- Euston offers firm and interruptible transport capacity and customers can book capacities independently at entry as well as exit points
- Shareholder 1's and Shareholder 2's merchant affiliates are Euston 1's largest customers with 78% and 97% respectively of total entry capacity bookings
- Euston 1 enjoys a high degree of visibility on medium-term capacity bookings as capacity is booked well in advance to ensure supply security to the ultimate consumer
- Booked capacity utilization grew to 86% in FY 2006
- Virtual trading points

Source: Company information

Euston 2's network is sold together with Euston 1

Group Structure as of August 2007



Source: Company information

- Euston 2 is a 100% subsidiary of Shareholder 1 Central Europe Holding GmbH and is the asset holder of a pipeline system
- Euston 2 does not own any participations, nor does it have subsidiaries
- Euston 2 does not have any personnel
- Operations are currently conducted through service agreements with Shareholder 1 affiliates and Euston 1
- Main commercial activities such as capacity sales, regulatory management and asset management are handled by Shareholder 1 International Ltd.
- Technical services are contracted under a Technical and Operational Services Agreement between Euston 2 and Euston Group

Overview Euston 2's Pipeline Network

- Euston 2's network predominantly consists of a system which is mainly owned 1/3 by Euston 2 and the remaining 2/3 by Euston 1
- The overall pipeline incorporates 6 entry points and over 30 exit points
- It is over 500km long, stretching between Cuxhaven and Paderborn in Germany
- The network is indirectly connected to the Gas Transport Services' (GTS) system from the Netherlands
- The network currently supplies 8 local/regional distributors, 4 directly connected large customers and 2 adjacent market areas
- Euston 2 jointly owns a BTG share in over 500km of copper cable running along pipelines

Source: Company information

Synergy potential

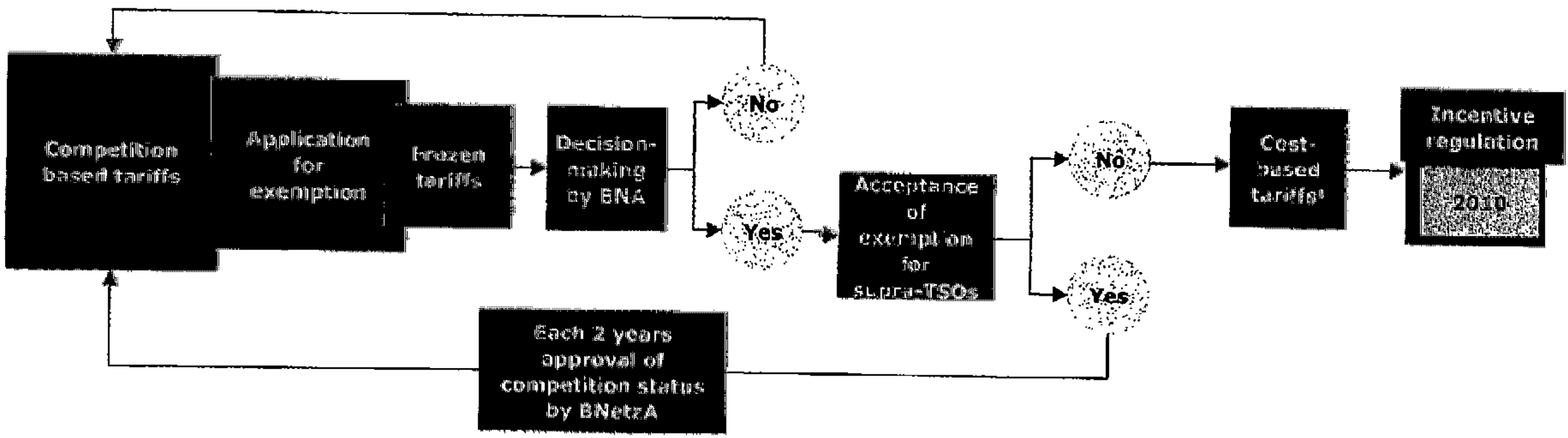
- Significant revenue synergies potential
  - Favourable positioning of the group in the dynamic European gas transmission market
  - Additional business opportunities (e.g. additional network connections, development of service offering)

- Sharing of best practice in Opex
  - scheduling, maintenance, staff management, corporate overhead and regulatory management

- Sharing of best practice in Capex
  - Better planning and coordination of maintenance projects, bulk purchasing power in acquiring compressors and sharing of parts

- Optimisation of gas flows

Regulatory procedure in Germany



[1] The final implementation (start and form) of cost-based-tariffs after a rejection of the application for exemption is up to BNetzA

→ More likely

→ Less likely

Timeframe regulatory framework

Regulatory scenario overview

	2008	2009	2010–2012	2013–2017	2018 ...
Regulatory scenario	**Competitive = 2007 tariff**	**Freeze = 2008 tariff**	**Incentive Reg. period 1**	**Incentive Reg. period 2**	**Yard stick competition**

Comments

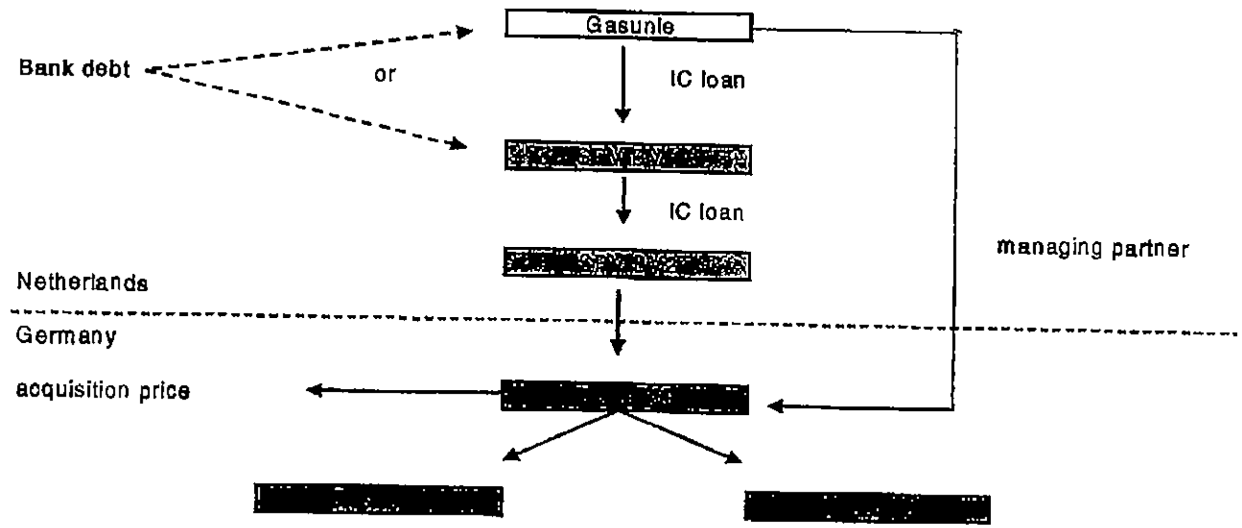
- Euston has requested an exemption from regulation for supra-TSOs
  - Only one requested exemption rejected so far. If exemption request is rejected: incentive regulation to kick in on January 1, 2010
- Incentive regulation parameters
  - Two regulatory periods of three and five years
  - X-gen as per draft law: 1.25% in period one and 1.5% in period two
  - Euston considered the one of most effective companies in the industry; 0% inefficient costs assumed
- Uncertainty on the details of yard stick competition regime

Key transaction considerations

- Offer value & consideration
  - Enterprise value of €2.2bn (in competition based scenario) and €1.050bn (regulatory based scenario)
  - Assumption of reference net debt of €323.5mm as of 30 June 2007 by the Purchaser
  - Results in preliminary purchase price of €1.9bn and €726mm respectively calculated as enterprise value minus reference net debt
- Synergies
  - Favourable positioning of the group in the dynamic European gas transmission market ⇨ significant revenue synergies potential due to additional business opportunities
- Funding
  - Committed[1] bridge loan financing to bond take-out and/or to re-sale of partial stake to partner
  - Possibly issue a new hybrid bond and/or possibly involve a partner post-closing
- Possible transaction structures
  - Dutch SPV BV's
  - KG structure (German partnership)
  - German BidCo GmbH

Note: [1] Committed by the time of final bid on 9 November 2007, currently work in progress

Possible structure



- Structure gives flexibility for entering potential partners
- Bank debt can be at Gasunie- or SPV-level
- Target operations can be managed on a stand alone basis

Partnering Considerations

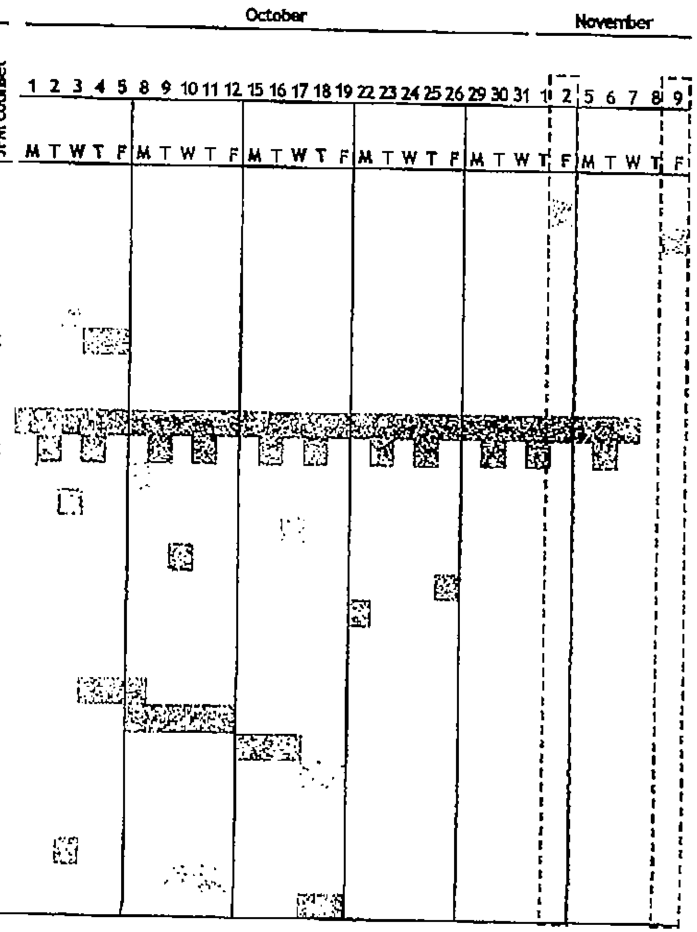
Partnering considerations

- Reduce the equity cheque for Gasunie
  - Reduce burden on Gasunie's debt capacity
- Potential for increase in security of supply if partner owns assets which connect the Euston network to the Nord Stream pipeline
  - Direct access to Russian gas
- Partner might help to convince relevant stakeholders in Germany and the Netherlands
  - Partner might have German angle and strong ties to relevant decision makers in Germany
  - Partner might have connections to relevant Dutch stakeholders
- Partnership with strategic partner could create revenue and cost synergies
  - Sharing of best practice
  - Optimisation of gas flows

Indicative timetable up to submission of offer

Acquisition financing process up to final bid

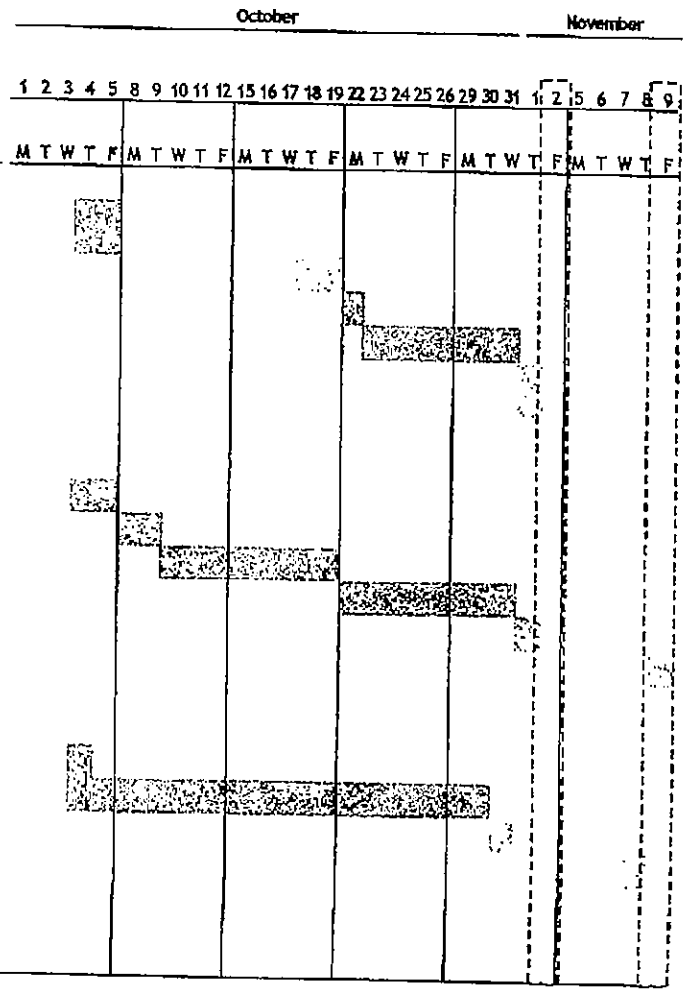
	Responsible parties						
	Client	Client counsel	Client auditor	JPM M&A	JPM Debt	JPM Ratings	JPM counsel
M&A process key dates							
Board meeting	C						
Submission of final bid	C	CC					
Acquisition financing project management							
Kick-off meeting/call with client to go through process	C			JM	JD	JR	
Working party list and transaction timetable updated and distributed	C	CC	CA	JM	JD	JR	JC
Due diligence ("DD")							
Data room	C	CC	CA	JM	JD	JR	JC
DD wrap-up calls	C	CC	CA	JM	JD	JR	JC
Management presentation	C	CC	CA	JM	JD	JR	JC
Submission of questions for management presentation				JM	JD	JR	
Expert session on financial matters	C	CC	CA	JM	JD	JR	JC
Submission of questions for expert session				JM	JD	JR	
Submission of DD reports	C	CC	CA				
Submission of transitional services required	C	CC	CA				
Acquisition financing modelling							
Obtain business plan from Gasunie	C			JM	JD	JR	
Prepare first draft acquisition financing model	C			JM	JD	JR	
Refine acquisition financing model in line with ongoing DD	C			JM	JD	JR	
Finalise acquisition financing model	C			JM	JD	JR	
Acquisition financing structuring							
Discuss credit positioning and possible capital structures	C			JM	JD	JR	
Finalise credit positioning and capital structure	C			JM	JD	JR	
Review and confirm/adjust credit positioning and capital structure	C			JM	JD	JR	



Indicative timetable up to submission of offer (cont'd)

Acquisition financing process up to final bid (cont'd)

	Client	Client counsel	Client auditor	JPM M&A	JPM Debt	JPM Ratings	JPM counsel
Rating							
JPMorgan to contact rating agencies and agree on dates, timing and fees for RES/RAS meeting						JR	
Rating agencies presentation finalised	C					JR	
Rehearsal with management for rating agencies presentation	C					JR	
Rating agency meetings and follow-up	C					JR	
Rating outcome from rating agencies at the end of the week for each scenario	C					JR	
Financing documentation							
Check for conflicting counsels	C				JD		
Gasunie and JPMorgan appoint respective financing counsels	C				JD		
Draft commitment documents	C	CC			JD		JC
Review commitment documents and circulate comments (iterative)	C	CC			JD		JC
Commitment documents in final form	C	CC			JD		JC
Sign commitment documents	C	CC			JD		JC
JPMorgan-internal approval processes							
Initiate JPMorgan-internal approval processes					JD		
Develop JPMorgan-internal approval processes in line with ongoing DD					JD		
Final credit and balance sheet approvals					JD		
Final underwriting approval					JD		
Hedging							
[to be determined]							



Gasunie's track record of managing execution risk

- Long track record of operating a comparable network in the Netherlands
- Operation of Euston's network (market, technical, standardisation and usage) is identical
- Because Euston's network is next to Gasunie's network, investment decisions can be easily combined
- Gasunie has long experience to comply with all safety programs and policies on a national level as well as on a EU-level
- Experience to operate or set up simular operations (allocation of employees, management etc.)

Historical Financial Overview Gasunie

Financing policies

- No changes in financial policies since last meeting with S&P
- In principle interest and currency exposure will be hedged
- Matched funding is applied where possible
- Maintain a broad access to money-and capital markets
  - Professional relationships with banks and other institutions

Historical Income Statement Gasunie

€mm

	2004A	2005A	2006A
Revenues	1,418.4	1,277.3	1,250.9
Operating expenses	515.0	426.1	487.0
EBITDA	**903.4**	**851.2**	**763.9**
D&A	187.4	200.5	190.1
EBIT	**716.0**	**650.7**	**573.8**
Interest income	6.7	3.0	12.0
Interest expense	34.2	24.4	42.7
Taxes	239.3	198.2	161.2
Earnings of affiliates	(1.8)	0.1	0.9
Net income	**447.4**	**431.2**	**382.8**

Comments

- Revenues have decreased in the last years due to regulatory environment
- Operational expenses where higher in 2006 due to an increase in staff costs
- The rise of interest expenses in 2006 was the result of the increase of the external funding requirements (i.e. a bond issue of €1.0bn had taken place in 2006)

Historical Balance Sheet Gasunie

Cmm

	2004A	2005A	2006A
Cash and cash equivalents	319.4	35.0	97.2
Accounts receivable	117.7	243.4	204.3
Inventory	17.6	18.2	19.8
Other current assets	–		0.0
Total current assets	454.7	296.6	321.3
PP&E	5,035.6	5,087.9	5,425.6
Goodwill	–	–	0.0
Other long-term assets	1.3	1,264.5	1,069.5
Long-term assets	5,036.9	6,352.4	6,495.1
Total assets	5,491.6	6,649.0	6,816.4
Short-term debt	1,057.3	718.4	183.6
Accounts payable	88.4	248.1	236.5
Other current liabilities	0.1	56.9	14.0
Current liabilities	1,145.8	1,023.4	434.1
Deferred tax liabilities	1,203.0	-	-
Provisions	156.3	27.6	16.1
Long-term debt	181.6	90.8	1,000.0
~~Long-term liabilities~~ TOTAL	1,540.9	118.4	1,450.2
Total shareholders equity	2,804.9	5,507.2	5,366.2
Total liabilities and shareholders equity	5,491.6	6,649.0	6,816.4

Comments

- Due to the bond issue of 1.0 billion EUR in 2006, the long-term debt has risen substantially. And in the same time the short-term debt decreased.
- Shareholders equity increase is due to the split in 2005

Historical Cash Flow Statement Gasunie

€mm

	2004A	2005A	2006A
Net income	447.4	431.2	382.8
Depreciation	187.0	183.8	189.0
Earnings from affiliates	–	–	0.0
Other non-cash items	–	48.8[1]	48.7[1]
Funds from operation (FFO)	634.4	663.8	**620.5**
Changes in NWC	(9.9)	(126.2)	(30.6)
Operating cash flow	**624.5**	**537.6**	589.9
CAPEX	(113.9)	(256.8)	(528.8)
Free operating cash flow	**510.6**	280.8	61.1
Dividends paid	(491.4)	(155.0)	(365.3)
Discretionary cash flow	19.2	125.8	(304.2)

[1] Difference between P&L and Cash Flow Statement taxes

Comments

- The low dividend payment in 2005 is due to the split. Therefore in 2004 the dividend paid was higher than in normal circumstances

Financial Projections Gasunie

Expected CAPEX plan for the period 2007-2011 (EUR)

- ## Regulated projects

- Gasroundabout phase 1 (North-South)	1.100 mln
? - Connection to LNG Terminal	200 mln
? - N2 Cavern	110 mln

- ## Annual replacement investments — 150 mln

- ## Exempted projects

✓ – Zuidwending 3 caverns (100%)	mln
? – LNG Gate 9 bcm (40%)	mln
? – Nordstream (9%)	mln

Modelling assumptions

Status Quo Gasunie
Income Statement Projections 2007-2011

€mm

	2007E	2008E	2009E	2010E	2011E
Revenues					
Operating expenses					
EBITDA					
D&A					
EBIT					
Net interest expense					
Taxes					
Earnings of affiliates					
Net income					

Status Quo Gasunie
Balance Sheet Projections 2007-2011

Cmm

	2007E	2008E	2009E	2010E	2011E
Cash and cash equivalents					
Accounts receivable					
Inventory					
Other current assets					
Total current assets					
PP&E					
Goodwill					
Other long-term assets					
Long-term assets					
Total assets					
Short-term debt					
Accounts payable					
Other current liabilities					
Current liabilities					
Provisions					
Long-term debt					
[redacted] liabilities					
Total shareholders equity					
Total liabilities and shareholders equity					

Status Quo Gasunie
Cash Flow Statement Projections 2007-2011

€mm	2007E	2008E	2009E	2010E	2011E
Net income					
Depreciation					
Earnings from affiliates					
Funds from operation (FFO)					
Changes in NWC					
Operating cash flow					
CAPEX					
Free operating cash flow					
Dividends paid					
Discretionary cash flow					

Status Quo Gasunie
Key Credit Ratios Projections 2007-2011

Status Quo

S&P Adjusted credit ratios	2007E	2008PF	2009PF	2010PF	2011PF
(FFO + gross interest)/Gross interest					
(FFO + Net interest)/Net interest					
FFO/Total debt					
FFO/Net debt					
Total debt/EBITDA					
Net debt/EBITDA					

Scenario Analysis

4 Scenarios to be assessed by S&P

I. Base case = 100% acquisition of the target for €2.2bn, fully debt funded

II. 100% acquisition of the target for €2.2bn, €1.0 bn hybrid financed (50% equity credit), rest senior debt

III. 50% acquisition of the target for €1.1bn, fully debt funded, proportional consolidation of the target

IV. Regulation case = 100% acquisition of the target for €1.05bn, fully debt funded

Base Case: Acquisition price €2.2bn, fully debt funded
Income Statement Projections 2007-2011

€mm	2007E	2008PF	2009PF	2010PF	2011PF
Revenues					
Operating expenses					
EBITDA					
D&A					
EBIT					
Net interest expense					
Taxes					
Earnings of affiliates					
Net income					

Base Case: Acquisition price €2.2bn, fully debt funded
Balance Sheet Projections 2007-2011

€mm	2007E	2008PF	2009PF	2010PF	2011PF
Cash and cash equivalents					
Accounts receivable					
Inventory					
Other current assets					
Total current assets					
PP&E					
Goodwill					
Other long-term assets					
Long-term assets					
Total assets					
Short-term debt					
Accounts payable					
Other current liabilities					
Current liabilities					
Provisions					
Long-term debt					
Total liabilities					
Total shareholders equity					
Total liabilities and shareholders equity					

Base Case: Acquisition price €2.2bn, fully debt funded
Cash Flow Statement Projections 2007-2011

€mm

	2007E	2008PF	2009PF	2010PF	2011PF
Net income					
Depreciation					
Earnings from affiliates					
Funds from operation (FFO)					
Changes in NWC					
Operating cash flow					
CAPEX					
Free operating cash flow					
Dividends paid					
Discretionary cash flow					

Scenario Analysis – Key Credit Ratios (1)

I. Base case: 100% acquisition of the target for €2.2bn, fully debt funded

S&P adjusted credit ratios	2007E	2008PF	2009PF	2010PF	2011PF
(FFO + gross interest)/Gross interest					
(FFO + Net interest)/Net interest					
FFO/Total debt					
FFO/Net debt					
Total debt/EBITDA					
Net debt/EBITDA					

II. 100% acquisition of the target for €2.2bn, financed with €1.0bn hybrid and the rest with senior debt

S&P adjusted credit ratios	2007E	2008PF	2009PF	2010PF	2011PF
(FFO + gross interest)/Gross interest					
(FFO + Net interest)/Net interest					
FFO/Total debt					
FFO/Net debt					
Total debt/EBITDA					
Net debt/EBITDA					

III. 50% acquisition of the target for €1.1bn, fully debt funded

S&P adjusted credit ratios	2007E	2008PF	2009PF	2010PF	2011PF
(FFO + gross interest)/Gross interest					
(FFO + Net interest)/Net interest					
FFO/Total debt					
FFO/Net debt					
Total debt/EBITDA					
Net debt/EBITDA					

Scenario Analysis – Key Credit Ratios (2)

IV. Regulation case: 100% acquisition of the target for €1.05bn, fully debt funded

S&P adjusted credit ratios	2007E	2008PF	2009PF	2010PF	2011PF
(FFO + gross interest)/Gross interest					
(FFO + Net interest)/Net interest					
FFO/Total debt					
FFO/Net debt					
Total debt/EBITDA					
Net debt/EBITDA					

Appendix

Peer Group (1)

European transmission companies

Relative ranking table	Business profile characteristics	Financial policy
Energinet.dk AA+/Stable	■ Monopoly electrical and gas transmission company and system operator in Denmark ■ 100% owned by the Danish government **(two-notch rating uplift for government support)** ■ Stable revenue base ■ Favorable cost-cover regulatory regime	■ Weak financial profile with high leverage (63% debt/capital) and weak debt-servicing ratios (FFO/Interest of 3.2x) ■ Large capex needs of DKK3.37bn until 2012 funded through cash flow and loans ■ Target capital structure of the company is equity/total assets of 20% ■ Maximum of 50% of debt can be at floating rate with a max of 20% of indexed lined
Statnett AA/Stable	■ Monopoly electricity-transmission system operator in Norway ■ Government guarantee for all liabilities incurred before January 2003 ■ Full government ownership **(two-notch rating uplift for government support)** ■ Supervision and coordination of the entire Norwegian power system ■ Stable cash flows from the network business	■ Statnett's moderate financial policy is aimed at securing the necessary finance to realize its planned operational and investment programs at the lowest possible cost ■ Formal dividend policy includes a payout ratio of 50%, however, government dictates the actual payout ratio ■ Debt funding significantly decrease debt protection measures to FFO/Debt of 8% and FFO/interest of 2.5x ■ Historically, strong internal funding for Capex ■ Debt/capital is at 59% and increasing
Electricite de France AA-/Stable	■ French Electricity incumbent with governmental support **(one-notch rating uplift for government support)** ■ A significant amount of revenues is generated from regulated businesses ■ Leading market position in the electricity generation (60% of EBITDA) and supply market (40% of EBITDA) ■ Moderate activity in international markets (UK, Germany, and Italy) ■ 87.3% owned by the French government	■ Balanced financial policy ■ €26bn capex and growth investment programme ■ 50% dividend payout ratio ■ Capital increase to stabilize financial debt at no more than €18.6bn ■ Substantial increase of assets by €12.1bn between 2006 and 2011 covering nuclear liabilities ■ Investment program is sustainable within the ratings category but no major acquisitions are factored in ■ FFO/Net debt of 20% is the minimum for the current AA-

Source: S&P

Peer Group (2)

European transmission companies

Relative ranking table	Business profile characteristics	Financial policy
Terna AA-/Stable	■ Low-risk, regulated monopoly electricity transmission activities ■ Strategic importance for the Italian government's energy policy ■ Transparent and stable regulatory environment ■ Transmission operations in Brazil, albeit modest in size ■ Stable cash flow generation ■ Regulatory revenues accounted to 73% of total revenues in 2006 ■ 30% owned by state-controlled bank Cassa Depositi e Prestiti	■ Aggressive dividend policy has shifted from 100% of net income to a target increase of minimum 3% annually, representing 87% of the year's earnings ■ Target FFO/Debt is 20% ■ More than 60% of total debt needs to be held at fixed rates according to internal policies
Fingrid Oyi AA-/Stable	■ Monopoly electrical transmission grid company and system operator in Finland ■ Stable revenue base ■ Favorable cost-plus regulatory framework allows cost cover, a reasonable ROE and a high degree of flexibility in tariff setting and Capex ■ Prudent business strategy	■ Weak financial profile with high leverage (72% debt/capital) and weak debt-servicing ratios (FFO/Interest of 4.0x) ■ Prudent risk management ■ Diversified funding sources and a well-spread maturity profile ■ Dividend payout ratio of 30%
Red Electrica de Espana AA-/Stable	■ Electricity system operator and owner of the bulk of Spain's electricity transmission grid assets ■ Regulated cash flows ■ Supportive regulatory framework ■ Strategic importance to the Spanish government's energy and economic policy ■ Minimal business diversification ■ Remuneration on the basis of cost-plus ■ Spanish government holds a 20% stake in the company through its public industrial holding SEPI and can influence the appointment of senior management ■ Non-regulated activities have to be separated in subsidiaries	■ Moderate financial policy despite significant debt financed acquisitions ■ Leverage of 72% is high but in line with peers ■ Cash flow generation is strong with FFO/interest of 5.4x and FFO/Debt of 17% ■ Substantial investment program of €600mm annually between 2007—2011 ■ The company's dividend policy is to raise dividends in line with net income ■ Segregation of non-regulated activities in subsidiaries is credit protective

Source: S&P

II. 100% acquisition for €2.2bn, financed with €1.0bn hybrid Income Statement Projections 2007-2011

€mm	2007E	2008PF	2009PF	2010PF	2011PF
Revenues					
Operating expenses					
EBITDA					
D&A					
EBIT					
Net interest expense					
Taxes					
Earnings of affiliates					
Net income					

II. 100% acquisition for €2.2bn, financed with €1.0bn hybrid Balance Sheet Projections 2007-2011

€mm	2007E	2008PF	2009PF	2010PF	2011PF
Cash and cash equivalents					
Accounts receivable					
Inventory					
Other current assets					
Total current assets					
PP&E					
Goodwill					
Other long-term assets					
Long-term assets					
Total assets					
Short-term debt					
Accounts payable					
Other current liabilities					
Current liabilities					
Provisions					
Long-term debt					
Total liabilities					
Total shareholders equity					
Total liabilities and shareholders equity					

II. 100% acquisition for €2.2bn, financed with €1.0bn hybrid
Cash Flow Statement Projections 2007-2011

€mm

	2007E	2008PF	2009PF	2010PF	2011PF
Net income					
Depreciation					
Earnings from affiliates					
Funds from operation (FFO)					
Changes in NWC					
Operating cash flow					
CAPEX					
Free operating cash flow					
Dividends paid					
Discretionary cash flow					

III. 50% acquisition for €1.1bn, fully debt funded
Income Statement Projections 2007-2011

€mm	2007E	2008PF	2009PF	2010PF	2011PF
Revenues					
Operating expenses					
EBITDA					
D&A					
EBIT					
Net interest expense					
Taxes					
Earnings of affiliates					
Net income					

III. 50% acquisition for €1.1bn, fully debt funded
Balance Sheet Projections 2007-2011

€mm	2007E	2008PF	2009PF	2010PF	2011PF
Cash and cash equivalents					
Accounts receivable					
Inventory					
Other current assets					
Total current assets					
PP&E					
Goodwill					
Other long-term assets					
Long-term assets					
Total assets					
Short-term debt					
Accounts payable					
Other current liabilities					
Current liabilities					
Provisions					
Long-term debt					
Total liabilities					
Total shareholders equity					
Total liabilities and shareholders equity					

III. 50% acquisition for €1.1bn, fully debt funded
Cash Flow Statement Projections 2007-2011

€mm	2007E	2008PF	2009PF	2010PF	2011PF
Net income					
Depreciation					
Earnings from affiliates					
Funds from operation (FFO)					
Changes in NWC					
Operating cash flow					
CAPEX					
Free operating cash flow					
Dividends paid					
Discretionary cash flow					

IV. Regulation case: 100% acquisition for €1.05bn
Income Statement Projections 2007-2011

Comm

	2007E	2008PF	2009PF	2010PF	2011PF
Revenues					
Operating expenses					
EBITDA					
D&A					
EBIT					
Net interest expense					
Taxes					
Earnings of affiliates					
Net income					

IV. Regulation case: 100% acquisition for €1.05bn Balance Sheet Projections 2007-2011

€mm	2007E	2008PF	2009PF	2010PF	2011PF
Cash and cash equivalents					
Accounts receivable					
Inventory					
Other current assets					
Total current assets					
PP&E					
Goodwill					
Other long-term assets					
Long-term assets					
Total assets					
Short-term debt					
Accounts payable					
Other current liabilities					
Current liabilities					
Provisions					
Long-term debt					
Total liabilities					
Total shareholders equity					
Total liabilities and shareholders equity					

IV. Regulation case: 100% acquisition for €1.05bn
Cash Flow Statement Projections 2007-2011

Cmm

	2007E	2008PF	2009PF	2010PF	2011PF
Net income					
Depreciation					
Earnings from affiliates					
Funds from operation (FFO)					
Changes in NWC					
Operating cash flow					
CAPEX					
Free operating cash flow					
Dividends paid					
Discretionary cash flow					