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[redacted]

L.E.K. CONSULTING (INTERNATIONAL) LIMITED

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Directie Financieringen
Ministerie van Financiën
Prinses Beatrixlaan 512
Den Haag
Koninkrijk der Nederlanden

24 October, 2007

Dear [redacted]

Re: Advice on evaluation of an investment by a State-owned company

AUCKLAND
BANGKOK
BEIJING
BOSTON
CHICAGO
LONDON
LOS ANGELES
MELBOURNE
MILAN
MUMBAI
MUNICH
NEW YORK
PARIS
SAN FRANCISCO
SHANGHAI
SINGAPORE
SYDNEY
TOKYO

Following up on our recent conversation, I have set out below the details of our agreed fixed cost and scope of work, and the availability in the Netherlands of our team during the critical week of 29 October – 2 November.

Fixed Fee arrangement

We have agreed a fixed fee arrangement with you. This fee relates to the team allocation, timing and scope of work set out in our proposal presentation to you, dated 23 October. We have agreed that, within these parameters, we will not charge for professional fees in excess of [redacted] although we expect that our actual costs charged at our standard rates will significantly exceed this amount.

[redacted]

In addition, we have agreed to waive our standard charge for indirect expenses in recognition of the fact that our team will primarily be working alongside the Ministry team in the Netherlands and will not therefore be using L.E.K. office facilities. We have agreed this on the understanding that where we incur

L.E.K. CONSULTING
(INTERNATIONAL) LIMITED
REGISTERED IN ENGLAND
No. 2218120
VAT REG. 667819754

[redacted]

specific identifiable costs that would usually be treated within the indirect expense charge (e.g., mobile telephony, information services), these will be charged at cost as direct expenses. If any requests you make are likely to incur significant information costs, we will discuss these with you in the light of the agreed cap on expenses. We do not envisage facing such a problem as we would expect the relevant data to be provided through the offices of the State-owned company.

As per our proposal, this fixed fee relates specifically to the time period up to 8 November, with the Ministry team delivering its report internally on 5 November, and debriefing and handover occurring 6-8 November. Additional fees and expenses for work outside of this scope, team and timing would be charged at our daily rates or at a rate agreed separately with you; for the avoidance of doubt, we will not undertake any work that attracted additional costs without instruction from you.

Team Allocation

To confirm, during the critical week of 29 October – 2 November, the team will commit the following minimum amounts of time to this engagement:

		Minimum input in week of 29/10 (10 hour days)
[redacted]	Director	2.5
	Director	1.5
	Manager	2.5
	Consultant	2.5
	Associate Consultant	5
	Associate	5

Availability

In terms of existing diary commitments, we can commit (excepting *force majeure*) the following minimum availability of our team in the Netherlands:

[redacted]

Scope of work

We recognise that it is inherent to the nature of this project that the exact scope of work cannot be determined in detail in advance (noting especially that key documents are not yet available for review). Within this inherent uncertainty, we agree to undertake the scope of work set out in the proposal, jointly with the Ministry team, and to employ our best endeavours in the time available to assist you in your evaluation.

Contracts

We will separately contract with you with regards to confidentiality assurances and conditions of business, draft terms of which we are currently discussing.

I hope this is in line with your expectations.

kind regards,

[redacted]

Director
L.E.K. Consulting (International) Limited

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CONTRACT

The undersigned:

The State of the Netherlands, represented by the Ministry of Finance having its seat at **Princes Beatrixlaan 512, The Hague, The Netherlands** (the client)
and

L.E.K. Consulting (International) Limited (company number 2218120 registered in the United Kingdom), having its registered office at **40 Grosvenor Place, London, SW1X 7JL United Kingdom** (the contractor)

together referred to as 'the parties',

considering:

- that the Ministry of **Finance** requires **advisory** support **for the analysis of an investment decision of a state owned company** ;
- that a preliminary selection procedure has taken place in accordance with applicable regulations;
- that the Contractor selected on the basis of that procedure is willing to render the services described in a professional and ethical manner subject to the conditions set out below;

hereinafter referred to individually or jointly as 'party ' or 'parties'

agree as follows:

Article 1 (the engagement)

1. The Contractor will render **advisory** services in accordance with the enclosed tender and any subsequent correspondence as attached as from **25 ~~Oktober~~ October 2007.** In the event of a conflict between the tender + correspondence and this present contract, the articles of this present contract shall prevail.

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2. The Contractor is expected to work in close co-operation with other advisors to be appointed by the State in those areas where these advisors have specific expertise. The contractor does not accept any liability for the work or advice of these other advisors.

Article 2 (intellectual property)

1. The Client shall receive from the Contractor all copyrights and any other intellectual property rights relating to the reports, memoranda and other written documents produced during the conduct of the engagement, and thereby the exclusive right to reproduce, publish and use such documents. The Contractor shall use the material provided in such a way that it does not infringe any copyright on those works.
2. The Contractor indemnifies the Client against third-party claims regarding the Contractor's infringement of third-party intellectual property rights. No limitation of liability agreed between the parties shall apply to this paragraph.

Article 3 (payment and expenses)

The Contractor shall be paid on the basis of monthly invoices accompanied by and based on an itemised breakdown in the form of hours or other agreed cost units as set out in the tender. Costs that have not been agreed shall not qualify for reimbursement. The agreed cost units may be adjusted only with the Client's explicit agreement. If travelling expenses qualify for reimbursement, they shall be itemised; the Client is entitled to request evidence, or copies thereof, before reimbursing costs if, in the Client's opinion, the travelling expenses are excessive.

Article 4 (change in the work)

1. If, in the Client's or the Contractor's opinion, the work needs reconsidering or extending, the parties shall consult each other. Changes to the work and any financial consequences thereof shall be set out in writing if and in so far as applicable.
2. The Client shall not be obliged to pay additional costs if there is no written basis as referred to in paragraph 1.

Article 5 (duration of the contract)

1. The contract shall enter into force on the date of its signature by both parties unless another date is agreed.
2. Work performed before the date of the contract being signed by both parties will be deemed to have been performed pursuant to this contract in so far as such work is in full

accordance with the provisions of article 1 and the Client has explicitly ordered its performance.

3. The contract shall end:

- on its termination by the Client in accordance with article 7.1;
- on completion of the engagement following the Client's approval thereof;
- on its termination by the Contractor in accordance with article 7.2

4. Following the termination or ending of the contract, those provisions of the contract which, on account of their nature, purpose and/or substance are intended to remain applicable shall continue to apply between the parties.

Article 6 (performance)

1. The Contractor shall organise and carry out its work at its own discretion on the basis of expertise and experience and shall complete the agreed work in the best possible way. The Client and, where applicable, third parties designated by the Client shall receive all relevant information and shall be kept adequately informed by the Contractor. Since the Contractor is acting on behalf of the State of the Netherlands, the work shall be performed in an ethical manner and the promotion of conflicting interests is not permitted. If there is any doubt, the Contractor shall consult the Client before promoting such interests.
2. If it is agreed that specific persons will be deployed, they shall in any event carry out the work during the term of the engagement. If the Client has sound reason to request the replacement of one or more of such persons during the term of the engagement, the Contractor shall comply with the request in so far as possible.
3. If the Contractor does not carry out the work to the Client's satisfaction, the Client may ask the Contractor to carry out the work in a different way subject to the agreed limitations on time and resources allocated to the engagement.

Article 7 (termination of the contract)

1. The Client may at all times terminate this contract in whole or in part with notification of reasons. The Client shall then pay the Contractor for the work carried out up to the date of termination. The Client is entitled to terminate this contract with immediate effect if articles 6.1, 8, 9, 10, 11 and 12 are breached.
2. The Contractor may terminate this contract for compelling reasons only.
3. Termination shall be in writing.

Article 8 (exclusivity)

The Contractor shall carry out the aforementioned engagement for and on behalf of the Client only.

Article 9 (confidentiality)

1. The Contractor undertakes not to divulge the contents of this present contract (other than to seek advice on its terms or as required in the conduct of its business, for example when renewing professional indemnity insurance) or any material, information, opinions and views that come to its knowledge during its performance of the engagement and shall impose the same duty of confidentiality on the persons who perform this contract. Exempt from this clause is knowledge and information that is or will be known in the public domain not being the result of breach of any confidentiality obligation and knowledge and information the Contractor is required to reveal in the course of a legal procedure, at the request of a competent authority or by court order.
2. Should the Contractor breach the provisions of paragraph 1, the Contractor shall be liable to pay the Client an amount of €~~100~~ 50,000 without any warning or notice of default being required. This penalty shall not be open to mitigation or set-off and shall not prejudice the Client's other rights, including the right to damages.
3. The Contractor may use the fact that it has entered into this present contract for third-party publicity purposes provided it has the Client's prior written consent to do so. The Client may refuse its approval or attach conditions to such approval.

Article 10 (representation)

The Contractor may not represent the Client in any way or enter into any commitments with third parties on behalf of the Client. The recruitment of assistants requires the prior approval of the Client.

Article 11 (security)

1. Staff employed by the Contractor who are involved in the performance of the work shall observe the security procedures imposed by the Client.
2. The Client may require the staff deployed by the Contractor to submit certificates of good behaviour before working on the contract.

Article 12 (assignment of rights and obligations)

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The Contractor shall not assign in whole or in part any obligations arising from this contract to third parties without the prior written consent of the Client. Conditions may be attached to such consent.

Article 13 (Impediments to the performance of the engagement)
If circumstances during the performance of the engagement impede or threaten to impede the proper performance of the engagement or if one of the parties has obvious misgivings about the quality of the results that may reasonably be expected within the expected time period, that party shall inform the other party thereof immediately in writing.

Article 14 (liability)
The Client is liable for the payment of agreed costs only and does not accept any other form of liability. Should the Client be obliged by law to pay compensation, it shall reimburse direct costs only. No liability is accepted for any form of consequential damage. The compensation per incident shall be limited to 50% of the amount reimbursed on the basis of cost units by the Client up to the moment such liability arises.

The Contractor is liable for losses due to the non-performance of its obligations under the present contract and the law. The damages payable by the Contractor per incident shall be limited to an amount of **€ 250000**, unless gross negligence or wilful misconduct are applicable.

If the Contractor is a partnership, articles 404 and 407 (2), Book 7, of the Dutch Civil Code shall not apply to this present contract unless specifically agreed otherwise. The limitation of the Contractor's liability shall also apply to each partner.

Article 15 (method of payment)
Invoices may be sent to:
Ministry of Finance
Attn. P&F-Servicepunt
Postbus 20201
2500 EE Den Haag

Subject/reference: Contact [redacted] werkbudgetregel GT 4446 verplichtingnummer 3260

Article 16 (general terms and conditions)

Any general and special terms and conditions drawn up by the Contractor shall in no event apply, nor shall the general terms and conditions included in the tender or any other general and special terms and conditions.

Article 17 (disputes)

Any dispute relating to the formation, interpretation or performance of this contract or of further agreements that might arise herefrom, and any other dispute regarding or in connection with the contract, be it substantive or legal, with no exception, shall be settled by the competent court in The Hague.

Article 18 (applicable law)

This contract is governed by Dutch law.

Thus agreed and drawn up and signed in duplicate
at The Hague, on 25 Oktober 2007.

For the Client:

[redacted]

For the Contractor:

[redacted]

[redacted]

[name]
(company name)

L.E.K. CONSULTING (INTERNATIONAL) LIMITED

L.E.K.

Memorandum

To: Wouter Raab [redacted] (Ministerie van Financiën)

From: [redacted]

Date: 2 November 2007

Subject: Project Euston: Interim update on findings to date

COMMERCIALLY CONFIDENTIAL

NB. DRAFT STATUS

This note represents the interim findings of the Ministry-L.E.K. review team following four days with the Project Euston bid team and documentation. At this point in their process, the bid team has not yet finalised key aspects of their bid, including the proposed price, and revised versions of the documents and models that we have been reviewing are expected to be provided on Friday 2 November and Monday 5 November. This note is therefore a draft of our findings, which will be finalised (to the extent possible) for presentation at the meeting scheduled for 10am Monday 5 November.

Project Euston

The transaction being considered is the purchase, through a controlled auction-like process, of gas transmission assets in northern Germany. A State-owned company is in the final round of this competitive bidding process and will soon seek shareholder approval for its bid. The purpose of the review described in this memorandum is to establish a framework and a view on whether authority should be granted for the proposed bid.

Project Euston Review

Executive summary

A joint team from Ministerie van Financiën and L.E.K. Consulting has concluded four days working on-site with the company seeking to bid for the Euston assets. Within this limited time, the review team has enjoyed very good access to the bid team and the documentation of the sales process and the development of the bid. The bidding process is still underway, however, and fundamental aspects of the proposed bid remain subject to change.

Subject to confirmation, our key findings to date are:

- The proposed transaction appears to be reasonably justified in terms of the commercial and strategic objectives of the company and of government policy in relation to the energy sector. The principal question is therefore the appropriateness of the proposed price
- Commercial due diligence is lacking, but no more so than is typical on trade deals undertaken by companies in-house; this causes problems for external review, but the management team is able to describe the commercial aspects of the deal sufficiently well that this is not, in this instance, sufficiently concerning to prevent authorisation of the deal on these grounds
    - the commercial aspects of the proposed transaction have not been documented in detail and are represented in the valuation model only in a fairly crude manner. In addition, some conceptual issues with the formulation of the model have been identified and the bid team is considering ways to address them. The overall impact of these issues is to increase the uncertainty in the commercial valuation of the assets being bid for. It should be noted that a number of these issues potentially lead to the assets being undervalued by the company (and therefore to an unnecessary reduction in the likelihood of their success in acquiring them)
- Uncertainties in the future regulation of tariffs in Germany represent the biggest valuation risk we have identified
    - the largest identified uncertainty results from changes in the regulation of the German energy sector that are currently in progress and the allowable future tariff levels that could be set from 2010 onwards as a result; a separate note on this issue was prepared on Tuesday. These uncertainties are inherent to the timing of the transaction and cannot be mitigated significantly before final bids are submitted
- The price the company are currently considering bidding represents what it believes is necessary to win the bid. On a stand-alone commercial valuation, this is higher than their own assumptions can currently justify – but these assumptions do not describe all of the potential value of the deal
    - the valuation basis likely to underpin the proposed bid price does not take the regulatory uncertainties into account explicitly, although the

bid team is well aware of them. There is a material risk that the company may appear to have overpaid for the assets: if the company is successful in the acquisition, but the regulatory decision is less favourable than expected, it may need to write down the value of the assets in its accounts [ongoing work by the bid team is likely to show that this will not prevent the company from paying its anticipated dividends, although it will weaken its balance sheet and increase its leverage (and possibly its debt costs)]

- The acquisition may also bring strategic benefits to the company and the State that are not currently reflected in the price (see below). These benefits may justify proceeding with the proposed bid (or may even justify increasing it) – the required analysis to determine if this is true has not yet been carried out
  - the bid team has also identified a number of strategic benefits of the acquisition, which mostly benefit the State. It is claimed, qualitatively, that these benefits offset the potential risk of the commercial valuation. To date, these benefits have not been quantified, and the review team has encouraged the bid team to re-consider this if it is placing any reliance on such benefits in its rationale for the acquisition
- [The proposed financing structure for the acquisition remains to be finalised but does not appear to threaten the company's ability to pay the anticipated dividend for next year or to fund its other known investment projects]
- The process followed falls short of "best practice" but does not appear to cause significant worries beyond those specifically identified
  - the bid team has conducted a reasonably robust process, typical of what we would expect to see in an average trade buyer. There are a number of deficiencies relative to best-practice standards (e.g., what we would expect to see from a top-tier financial sponsor / private-equity bidder), which increase the uncertainties in the proposed bid, but we do not believe that these are sufficiently concerning to prevent authorisation of the bid (subject to comfort on other considerations)
- During the process of the review, the review team has made a number of recommendations of possible improvements in bid pricing and presentation that the bid team is taking into consideration to the extent it feels able in the time remaining

Introduction

This note summarises the findings to date by a joint team from the Ministerie van Financiën and L.E.K. Consulting after four days of work reviewing the proposed Project Euston transaction. We have focused on reviewing materials already prepared rather than conducting our own analysis and this note is based on these materials, informed by conversations with the bid team and the company's management.

We have reviewed the strategic and commercial rationale for the proposed bid, as well as considering the suitability of the due diligence process conducted to date, the potential impact of the proposed deal financing and the execution risk of the transaction.

The work of both the bid team and the review team is still ongoing and several key factors are still being clarified. Findings at this stage are therefore preliminary and subject to potential revision.

Review process

We have reviewed the key documentation made available to us, describing the sales process and the development of the proposed bid. These documents include:

- JPM Board Presentation, October 29th and accompanying databook
- S&P pre-ratings submission, October 23rd
- Blauwe Boek (demand / supply forecasts)
- Due Diligence Reports from:
  - PWC (accounting, tax)
  - Köhler Kett (technical, environmental)
  - Osborne Clarke (legal, regulation)
  - JP Morgan (financial)
- Output from internal capacity modelling exercises
- Several internal presentations prepared for us by Gasunie management based on existing materials

In addition we have met with and discussed the proposed transaction with:

- Henk Chin Sue, CFO
- [redacted] Project Manager
- [redacted] Treasurer
- Pieter Trienekens, Board Member: Business Development

The following key areas of the bid, in particular, are still subject to changes which could materially affect the initial findings presented here:

- Asset valuation
- Synergy valuation(s)
- Valuation of Strategic Rationale
- Impact of IFRS on Euston

Initial findings

Overview of current "comfort level"

The table below summarises qualitative judgements of our initial findings across each of the aspects of the decision that have been considered:

Decision aspect	Concerns with evidence	Assessment of level of risk	Assessment of materiality
Process: Robustness of due diligence	M	M	L
Process: Board scrutiny and approval	M	M	L
Strategy: Market context	H	L	L
Strategy: Competition	H	M	L
Strategy: Deal structure	M	L	L
Strategy: Timing	n/a	M	H
Finance: Value creation	M	M	M
Finance: Sensitivity	M	M	H
Finance: Leverage	L	[L]	M
Finance: Financing structure	L	L	L
Deliverability: Capability	M	M	L
Deliverability: Implementation planning	L	M	M
Policy: Energy policy	L	L	L

Policy: State participation	L	L	L
Policy: Ability to exit shareholding	n/k	L	L
Policy: Acceptability of State Support	[?]	[?]	[?]
Economy: Impact on national economy	[H]	M	L
Economy: Regulation (Netherlands)	n/k	L	L
Economy: Social benefits	[H]	M	L

Specific key findings continue to evolve with emerging evidence and new analyses provided by the bid team, sometimes in response to issues raised by the review team. The issues below are some of the key issues currently outstanding.

Strategic Rationale

Management has indicted that there are a number of strategic reasons why the transaction may be in the best interests of the Netherlands. Principally, these are that ownership of the target assets will – compared with the possible behaviour of one or more other possible acquirers – will more likely allow:

- The continuance of a market in northern Germany for "L-gas" (Groningen quality) for longer than might otherwise be the case after indigenous German gas supply has run out
- The operation of the company's existing gas-transmission assets in the Netherlands at higher utilisation (and hence higher profitability) as the production from the Groningen fields declines
- Additional subsequent investments that will promote the creation of a more liquid spot market for gas (centred in the Netherlands), increasing the security of gas supply into the Netherlands as it moves increasingly to being a major (net) importer

These benefits are currently not captured in the valuation analysis, which considers only the stand-alone asset value, or in the synergies, which are 'hard' synergies that consider only the benefits that a merged company could achieve rather than wider benefits to the Dutch economy.

There is a fundamental difficulty here: by not including these benefits in the valuation, they are effectively given zero value – but if they have zero value, they should not be part of the acquisition rationale. Valuation may be difficult, and more uncertain, but if it is to be argued that the value helps to explain (and justify) the acquisition decision, then it should be included in the valuation assessment. Conversely, if these benefits are real and significant, then not including them in the valuation and pricing assessment risks underbidding and potentially weakening the company's chances in the competition versus other bidders and therefore possibly missing out on an opportunity which would, in fact, create value for the Netherlands.

The review team suggested to the bid team that they should reconsider attempting to evaluate their views on these benefits. It appears likely that the Ministry will have to consider the value of these benefits in deciding on the merits of the proposed transaction at the price the company is likely to propose.

Valuation

The spreadsheet model which calculates the estimated value of the target assets operates at a very high level of aggregation. This simplification is common in models of financing, but is usually supported by more detailed modelling of commercial profitability. The absence of this commercially-focused analysis raises risks that the estimated cashflows do not accurately reflect the operational reality of the business over time.

The most concerning example apparent in the current models is that operational expenditure ("opex") is treated as only one line in the calculation, calculated as a percentage of revenue. This is unusually simplistic. Instead, we would have expected that distinct types of costs, which react different to growth in the business, such as third-party gas transmission costs, personnel, property, etc., would be estimated separately as they may change differently in future time periods. For example, depending on the regulatory regime that is envisioned, third-party transmission unit costs might be expected to decline over time, whereas other unit costs (such as total salaries) might be expected to rise.

Commercial due diligence

The process as we understand it has not included a commercial due diligence element. This is likely to be because the acquirer is very familiar with the industry and the target company and so did not feel the need to carry out a formal assessment of the commercial risks and opportunities. This is not an uncommon position for trade buyers to take, although we believe it falls short of what would be recognised as "best practice" and of the standards generally imposed by investment and private-equity funds on their own investment decisions. Such a process would not only have assisted greatly in communicating with external stakeholders (including the Ministry), but would have compelled a greater clarity of thinking concerning the commercial and strategic rationales for the transaction throughout the bidding process.

Timing of re-financing

The operating entities which are being bid for are to be restructured before ownership can be transferred. A bridging loan is required to cover the period until this restructuring can be completed, ie until mid-2008. It is not clear whether the likely timing of this bridging loan has been reflected in the financing assumptions

Execution risk

The practicalities of the "carve out" required to create an independent, sell-able, company out of the operations of the selling "parent" companies, requires that this process does not begin until after the bidding competition is successfully completed (e.g., before consulting works councils). This creates an inherent execution risk. The bid team appears to have considered this issue carefully, to have made specific proposals in their bid to increase their input and control over the transitionary period, and have retained well-regarded consultancy support to help drive this process. The risks, whilst real, appear to be as carefully mitigated as could be expected in the circumstances.

Board approvals

The briefing note prepared for the supervisory board of the company appeared to indicate that the regulatory risk has been factored into the pricing of the bid. This is not the current understanding of the review team.

In other respects, the management board's instructions to the bid team appear to represent an engaged and diligent consideration of the transaction.

Next steps

Some key steps need to be completed, as far as possible, before finalising our findings:

- Assess the proposed price (and/or range), and supporting arguments, that will be presented to the supervisory board today
- Understand and assess any feedback from the supervisory board meeting
- Assess the changes made to the valuation model in response to our feedback
- Assess the reports due from Standard & Poors in relation to credit risk and from the bid team's "what if" analysis of regulatory risk to determine the risks to the company's balance sheet and financing costs
- Engage with appropriate experts to determine the likelihood of State support issues in relation to the transaction and any steps required to address these

Recommendations

At this stage in the process it appears most likely that the Ministry will need to consider the implications of the uncertainty in future regulated German tariff levels. The company appears to argue that to correctly "price in" this risk into its bid would jeopardise its chance of success as it believes that other bidders will not do so. However, to follow this approach rationally, the Ministry must be convinced that the strategic benefits of the transaction outweigh the risk that the regulatory determination will be more onerous than expected. We would recommend, therefore, that the Ministry gives urgent consideration to the value it would be willing to place on the potential strategic benefits of the transaction (noting carefully the next-best options available in the event of the company not succeeding in the transaction).

The company believes it is constrained in its decisions over the appropriate capital structure for the transaction by the dividend expectations of its shareholder. The Ministry may need to give clear guidance as to its wishes in this regard to allow the company to finalise its plans appropriately.

A separate "debrief" meeting will address the process issues and the lessons learned from this review that can be applied to similar subsequent investment decisions by State-owned companies

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Geheim

BUSINESS CASE PROJECT EUSTON

INTRODUCTION AND STRATEGIC RATIONALE

With effect of August, 1st Gasunie has been invited by Shell & Exxon to participate in an auction to bid for their gas transport assets in Northern Germany. The deal comprises of the acquisition of the transport assets of BEB Transport GmbH (BEB), jointly owned by the sellers and ExxonMobil Gas Transport Gesellschaft mbH (EMGTG), solely owned by ExxonMobil. The underground storage assets of the sellers are not part of the transaction.
Indicative and non-binding bids for the assets have been forwarded to the sellers on September, 7th. Out of ca. 40 competitors the sellers selected 7 parties, among which Gasunie, to carry out a due diligence with the objective to prepare binding bids for the targets by November, 9th.
It is expected that the sellers will invite one or two preferred buyers to enter into final negotiations shortly after the binding bids have been evaluated. The sellers likely aspire to sign a Sales and Purchase Agreement (SPA) by year end. The formal engagement processes with the sellers have given rise to the assumption that a closure of the deal will not take place before mid year 2008.

The acquisition of the BEB & EMGTG assets is a unique opportunity to transform Gasunie into a leading North West European infra structure player. This move from a national to a truly European player lifts Gasunie into a level playing field of larger European companies like E.On transport, Gaz de France and National Grid with the clear objectives to enforce the Dutch gas-roundabout and to enhance security of supply for customers in The Netherlands. This holds already true for Norwegian gas which enters the BEB network in larger volume at Emden, close to the Dutch border. In particular Gasunie will have the opportunity to realize a physical connection between the landing of Russian gas at Greifswald, Germany (the NordStream project) and The Netherlands, creating additional export options of this gas to the UK.
In addition, the acquisition will boost a number of important strategic rationales for Gasunie and its shareholder under which support of both the development of a free market and competition as envisaged in the "3rd package" of the EU commission and the "pentalateral" consultation of the Dutch government. The prolongation of the L-gas lifecycle (Groningen gas quality) supported by relevant services, not only safeguards a cost efficient transition from L-gas to H-gas it also strengthens the ability of Gasunie to act as a key agent for the L-gas market in which the Dutch State is a major stakeholder. In addition it will provide a broader framework for judging the needs for quality-conversion in North West Europe. Consequently, related flexibility services will arise and add value to both shareholder and customers. Notwithstanding the current regulatory uncertainties, the German market served by BEB and EMGTG offers a stable cash flow and return profile, which in turn will have a strong positive impact on Gasunie's financial position. From an operational point of view one may speak about the merger of two "twin-sisters". The target's network, although smaller in size, is a Gasunie replica.
A sale of such an asset in the current European gas industry is uncommon and it has to be stressed that the chances to acquire a similar asset of such strategic value for Gasunie and its shareholders in the near future are scarce.

DESCRIPTION OF THE BUSINESS

Due to the geographical and operational connection of the BEB network and the EMGTG network and the fact that BEB and EMGTG are currently technically both serviced by ExxonMobil, there is a strong rationale to sell both businesses in a package deal. In essence, the networks have always been considered as one, albeit with different owners.

Overview

BEB and EMGTG pipeline networks, controlled from a central dispatching centre, consist of ca. 3640 km total pipeline length, of which approximately 54% are dedicated to the transport of natural gas of high calorific value (H-gas) and the remainder to the transport of gas of low calorific value (L-gas). A peculiar characteristic of the BEB network is that parts of the network are co-owned through so called "Bruchteilgemeinschaften" (BTG's) by local distribution companies, which own parts of the capacities in those pipes, which carry in average limited capacities. BEB and EMGTG are responsible for the operation of these pipelines. With respect to the target's participation in the transit pipelines Deudan and Netra, the relevant partners are amongst others Dong, Statoil, GdF and E.on/Ruhrgas transport. The network comprises 32+6[1] entry points for the injection of gas into the network and 173+32[2] exit points for the delivery of gas into adjacent pipeline systems or to directly connected end consumers. 8 Compressor stations with 23 compressure units pressurize the network.

BEB and EMGTG's networks are connected to indigenous gas production facilities ultimately owned by ExxonMobil and Shell as well as to certain gas production facilities of other producers, e.g. RWE Dea and Gaz de France. Via its five cross-border stations, the network is also connected to international gas pipelines from Denmark, Norway and The Netherlands. Furthermore, the network is connected to five third party-owned storage facilities.

In 2006, BEB established the Market Area Northern Germany (MANG) for H-gas together with a number of shippers active in the area as well as the MANG for L-gas together with EMGTG, enabling customers to transport gas across the networks of participating transmission system operators based on the entry / exit model stipulated by relevant German law.

Based on the combined networks the companies offer gas transport capacity and balancing services as well as a number of additional value added services to their customers. BEB's largest customers are the merchant affiliates of Shell and ExxonMobil, together accounting for capacity booking in the gas year 2006/07 of approximately 78% of total H-gas entry capacity bookings and 97% of total L-gas entry capacity bookings. The remainder is accounted for by a growing number of non-affiliated shippers. EMGTG's largest customer is a merchant affiliate of ExxonMobil, which accounts for the majority of capacity bookings in the L-gas and H-gas systems.

Market Environment and Regulation

Germany, covering approximately 23% of its primary energy demand through natural gas, is the second largest market for natural gas in Europe. Natural gas consumption in Germany grew at a compound annual growth rate (CAGR) of 2.6% between 1992 and 2005. Energy supplies into the German market are highly demand driven.

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[1] The total number of entry / exit point is lower than the sum shown because BEB and EMGTG share some entry / exit points

[2] Idem dito

The German gas transportation system is organized on a three-tier structure: supra-regional transmission system operators (including BEB and EMGTG), regional transport network operators and local distributors.
The German market is governed by the Energy Industry Act (EnWG), which implements the 2nd EU Gas Directive, and by other complementary national directives. Under the EnWG, the Federal Network Agency (Bundesnetzagentur, BNetzA) is responsible for monitoring network access and approving tariffs.
In accordance with the 2nd EU Gas Directive and the EnWG, network operators are legally, operationally and for accounting purposes unbundled from other business operations in the gas value chain. Network access to third parties is to be granted on an economically reasonable non-discriminatory and transparent basis. Network access tariff regulation provides for a cost base system as the base case applicable to the vast majority of market participants, namely local distribution companies. However, subject to certain conditions, an exemption option can allow for competition-based tariff settings for supra-regional transport system operators. BEB and EMGTG have applied for such exemption and currently set competition-based tariffs.

Development of the German regulation regime

The impact of the introduction of the German regulation on the value of BEB and EMGTG has been identified from the outset of the valuation process as the most critical issue. Currently the German parliament is in the final stage of passing the bill, which will govern gas transportation tariffs. Although this law does not provide for discrimination between supra-regional TSO's and local distribution companies, Gasunie has been given clear indications that supra-regional TSO's will be treated very much differently.
Contrary to developments in The Netherlands and the UK, security of supply has always been a major concern of German politics, mainly triggered by the almost total lack of indigenous production and dependency of gas imports from Russia, Norway and The Netherlands. It is thus not surprising that in the eyes of the BNetzA supra-regional TSO's are earmarked as gatekeepers of this issue. The BNetzA has sketched the following regulatory regime for supra-regional TSO's during our meeting on October, 25th.

- Current published draft law will not be applicable to supra-regional TSO's.
- The BNetzA envisages that no exemption will be granted for any of the supra-regional TSO's that applied for exemption.
- Risk profile of supra-regional TSO's is considered different than local distribution companies: hence allowed returns will be higher, but no general permanent exemption can be expected. Vice versa, new investments will likely be stimulated.
- Implementation of a cost-based tariff regime is unlikely.
- Tariffs will be frozen until introduction of the incentive-based system, likely to start as of 2010.
- The incentive-based regulation regime for supra-regional TSO will be based on the concept of an efficient frontrunner, which will be allowed to maintain existing tariffs, likely to be indexed by CPI minus X, where X will be chosen such that tariffs may be increased by ca 0.2% to 0.3% per year.
- Any "bow wave" of costs, for example born by earlier cost cutting measures – i.e. "sweating the assets" before sales – may be recovered if it can be demonstrated that these costs are efficient – in essence this forms an attractive cost "claw back" clause.

Above regulation framework has been modelled accordingly and implemented in the economic model.

DUE DILIGENCE

Process

Gasunie has structured the due diligence process through 10 work streams and has employed financial, legal & environmental, tax & accountancy, and insurance advisors, from Germany, The Netherlands and The UK. At peak times the entire due diligence team including Gasunie employees accounted for more than 50 people. To ensure ownership of results, Senior Gasunie employees managed each work stream with the objectives to review the information provided by the sellers and flag, by means of a comprehensive due diligence report, risks and issues.

All teams had delivered an intermediate report by October 26th. These reports form the basis of the current business case. It should be noted that experience shows that sellers often disclose important documents very late in the due diligence process. The entire due diligence team will continue to monitor and analyze the information provided by the sellers until the data room will be closed.

The identified key risks and the appropriate mitigation measures are described in Appendix 1.

VALUATION

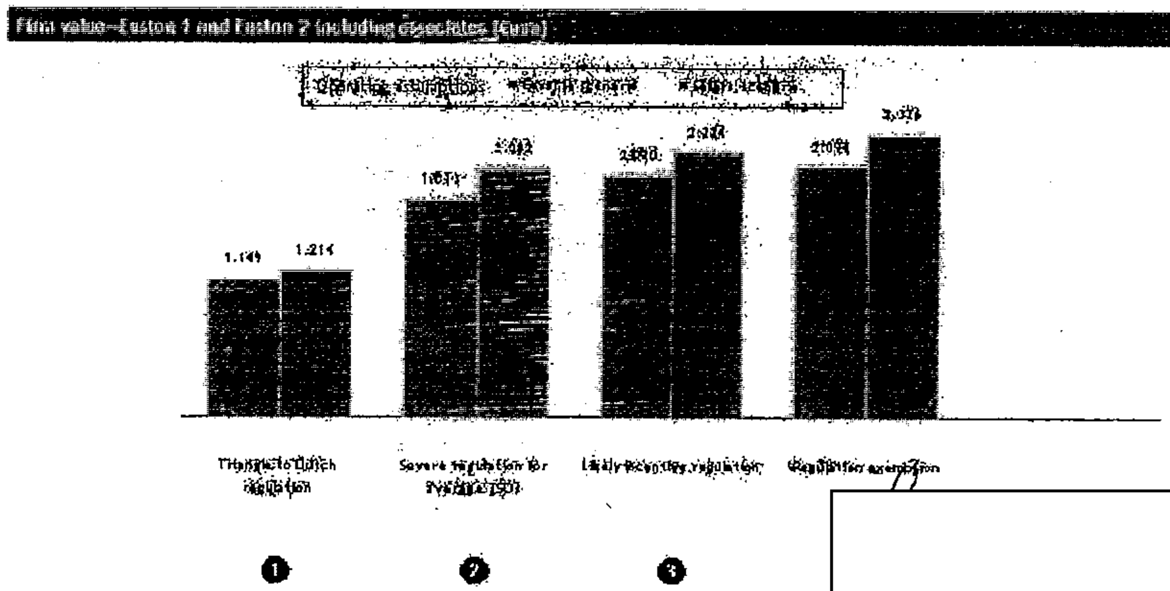


Figure 1: Comparison of Firm Values

FINANCING & RATING CONSIDERATIONS

CORPORATE STRUCTURE & PARTNERING STRATEGY

In close co-operation with Gasunie's tax advisors a corporate structure has been proposed that will allow for both an appropriate tax shield for dividends transferred from Germany to The Netherlands and an acceptable structure to ease participation of financial investors and/or strategic partners at a later stage of the project. This partnering strategy has been explicitly taken into account to guarantee the most the highest flexibility

DIVIDENDS

The estimated forward dividends (based on a 100% pay-out ratio) to the shareholder from Gasunie will not be negatively affected by this transaction. The cash flows of the targets provide, based on the assumption of 100% leverage at Gasunie level, for additional average dividends in the order of n. Even if a rating change to AA-/Aa3 occurs, the total dividends of the combined entities will provide for a higher absolute dividend payment than Gasunie standalone.

APPENDICES

APPENDIX 1

MAIN DUE DILIGENCE RESULTS IN DETAIL

Risk mitigation through bid documents

The final bid documents will comprise of a bid letter and a marked-up version of the sales and purchase agreement provided by the sellers. In addition risks flagged by the due diligence teams will be treated by means of the following decision tree:

Risk acceptable	Risk not acceptable
Monitor risk after closure.	Preferable: SPA mark-up If contractual shield cannot be safeguarded: Price the risk in bid price
The bid letter will contain those risks which cannot be marked-up in the SPA and/or sufficiently priced.	

The following risks that are not acceptable and the according mitigations have been identified:

De-Merger

We have not been provided with sufficient information about the content, structure and timing of the envisaged de-merger. This provides a lack of clarity and therefore a reference will be made in the SPA to the necessity of a clear de-merger concept. Furthermore Gasunie will ask the sellers to guarantee the result of the de-merger and demand full cooperation of the sellers in case of deviation of the concept.

Management of business until closing

According to the draft SPA, the management of the business until closing of the transaction remains with the sellers and is therefore at their sole discretion. In the SPA mark up Gasunie will demand more information rights and as soon as regulatory clearance has been given, additional cooperation rights.

Deposit

The sellers have asked for a deposit of 10% of the purchase price at signing of the SPA. Gasunie will not except this deposit demand and will amend the SPA accordingly. As a fallback scenario, Gasunie is willing to discuss the possibility of setting up an escrow account, which will be immediately refunded in case closing fails.

Representations and warranties

The representations and warranties in the SPA have not been adapted enough to capture the necessary scope of the de-merger. These will be amended so they will secure the transfer of BEB transport including adequate employees.

Regulation

Sellers maintain that their application for exemption from regulation will be granted. As described above the BNetzA envisages a very much different regime. The latter has been taken as the basis for our valuation and the regulation risk is hence reflected in the bid price.

Opex/capex spending

Compared to the information from the sellers, the technical team expects an increase in maintenance costs due to aging of the network. In addition higher investments are envisaged in, among others, IT infrastructure and 60 MW of compression. This risk will also be reflected in the bid price.

Soil pollution

Soil pollution is expected on several locations. The due diligence teams have found no results of soil surveys in the data room, though it is known that one location (Steimbke) will be cleaned up by the sellers. It will be mentioned in the SPA that all costs related to cleaning up of existing both known and unknown pollution have to be taken by the sellers.

Pension costs

The current pension provisions are based on German GAAP calculations. Under IFRS calculations these provisions will not suffice and will need to be increased from € 13.1 m to € 24.1 m. This will be incorporated in the bid letter in the explanation of the enterprise value adjustments.

Possible step up

The purchaser of the assets is to compensate the sellers for a possible higher basis of tax depreciation. This can have a significant financial risk. The compensation clauses in the SPA will be redrafted and further due diligence will be carried out after signing to mitigate this risk.

Carve-out (IT/HR)

These carve out due diligence issues have not been completed yet due to a lack of detailed information in the data room, especially with regards to the transition strategy. Transmission Services Agreements (TSA's) will have to be developed prior to closing of the transaction. This will be provided for in the SPA. The integration plan, currently being drafted by a Gasunie team supported by McKinsey as advisor, will define the relevant workstreams and safeguard not only participation in the carve-out process but will ensure access to the employees and operational sites between signing and closing of the transaction.

Comparability of reference accounts

For the calculation of the final purchase price, the Final accounts pre- and post de-merger will have to be investigated further. This is not possible at the moment because the accounts have not been finalised and audited yet. A provision will be made in the SPA.

Insurance

The existing insurance policies and according coverage will expire at the closing date of the transaction. Any damage occurring before closing, but discovered after, is at the risk of the purchaser of the assets. Any remaining risk will therefore have to be covered in future insurance policies. The mitigation is subject to receipt of adequate information and will be mentioned in the SPA.

Shareholder approval

Final approval from the shareholder will not be given prior to the final offer. This will be mentioned in the bid letter.

Gasunie has been selected to the final round of the sale process in a highly competitive auction process

Progress to date

Credit Suisse advises ExxonMobil and Shell on the sale of Euston 1 and 2

Timing		No. of parties
Aug-07	Release of Info Memo	~30
Sep-07	Submission of indicative offers	~20
Oct-07	Selection of shortlist	7
Nov-9-07	Submission of Final offer	?
Mid-Nov-07	Selection of preferred bidder(s)	1-2

Overview of workstreams

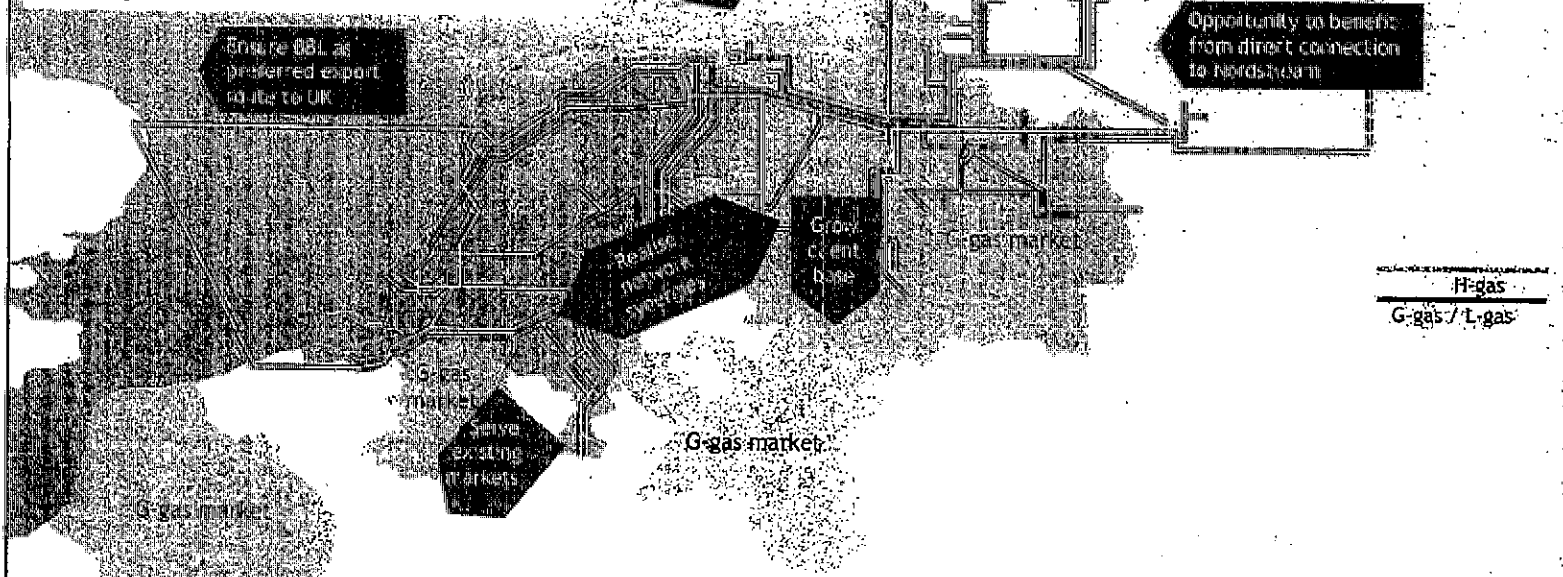
Workstream	Supported by
Legal	Osborne Clarke Ploum Lodder Princen
Regulation	Osborne Clarke Sal Oppenheim, Wibera
Antitrust	Osborne Clarke
Technical/Environmental	Gasunie and Köhler Klett
Business operations	Gasunie
Accounting, tax and IT	PWC
Finance/rating	JPMorgan
Insurance	Funk International
HR	Gasunie
Business opportunities	Sal Oppenheim

- JPMorgan coordinates all workstreams
- Each workstream and advisor have submitted a due diligence report by October 26, 2007

Euston is a unique opportunity to transform Gasunie to a leading North Western European gas player

Gasunie and Euston combined

- Supra-national transmission system in North West Europe (2006)
  - 15,640km of pipeline with H and L gas capacity
  - Direct connection to Dutch and German gas production facilities and international pipelines to and from Belgium, UK, Denmark and Norway
  - 100 entry points/1,310 exit points
  - Transported volumes: c. 116 BCM
- Trading Hubs: TTF & MANG



- The Euston grid is strategically positioned and adds connectivity to the Dutch gas-roundabout
- Gasunie will remain committed to invest in and operate the Dutch national gas infrastructure
- Careful execution of the public tasks of Gasunie will be guaranteed

Strong rationale to acquire Euston

We have identified the following priority arguments

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 Norwegian and 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 Economic Affairs (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	Prolongues 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 ■ [No government capital required]
7	Twin sister	■ Gasunie has great understanding of the Euston networks The Euston network is a Gasunie replica

Gasunie can control its ambition and become a major player in future consolidation in the European gas transmission sector

TRANSACTION RATIONALE

gasunie

Approach to valuation

Several tariff cases have been analysed

Case	2008	2009	2010–12	2013–17	2018+
1 "Triangle to Dutch regulation"	Tariff freeze	Tariff freeze	*Gradual decrease ("Triangle") to Dutch regulation until 2017*		Yardstick competition[1]
2 German regulation: "Severe regulation for average TSOs"	Tariff freeze	Tariff freeze	Tariff grows with (CPI-X)	Tariff decreases by 10%	Yardstick competition[1]
3 German regulation: "Likely incentive regulation"	Tariff freeze + capex clawback	Tariff freeze + capex clawback	Tariff grows with (CPI-X) +capex clawback	Tariff decreases by 10% +capex clawback	Yardstick competition[1] (incl. capex clawback)
4 "Regulation exemption"	Assumes Euston 1 and 2 are exempt from regulation and competitive based tariffs are set; 25% inflation pass-through until 2017; 100% inflation pass-through thereafter				

DCF valuation approach

- Detailed bottom up DCF valuation for Euston 1 and 2 separately
- Deal date assumed: 30/06/2007 in line with SPA purchase price adjustment mechanism
- Projection years: 60
  - No terminal value assumed
- Mid-year discount convention
- Tax rate
  - Euston 1: 28.2% (corporate of 15.8% and trade of 12.4%) as from 2008
  - Euston 2: 31.9% (corporate of 15.8% and trade of 16.10%) as from 2008

[1] Yardstick competition period: indexation by 100% of CPI is assumed

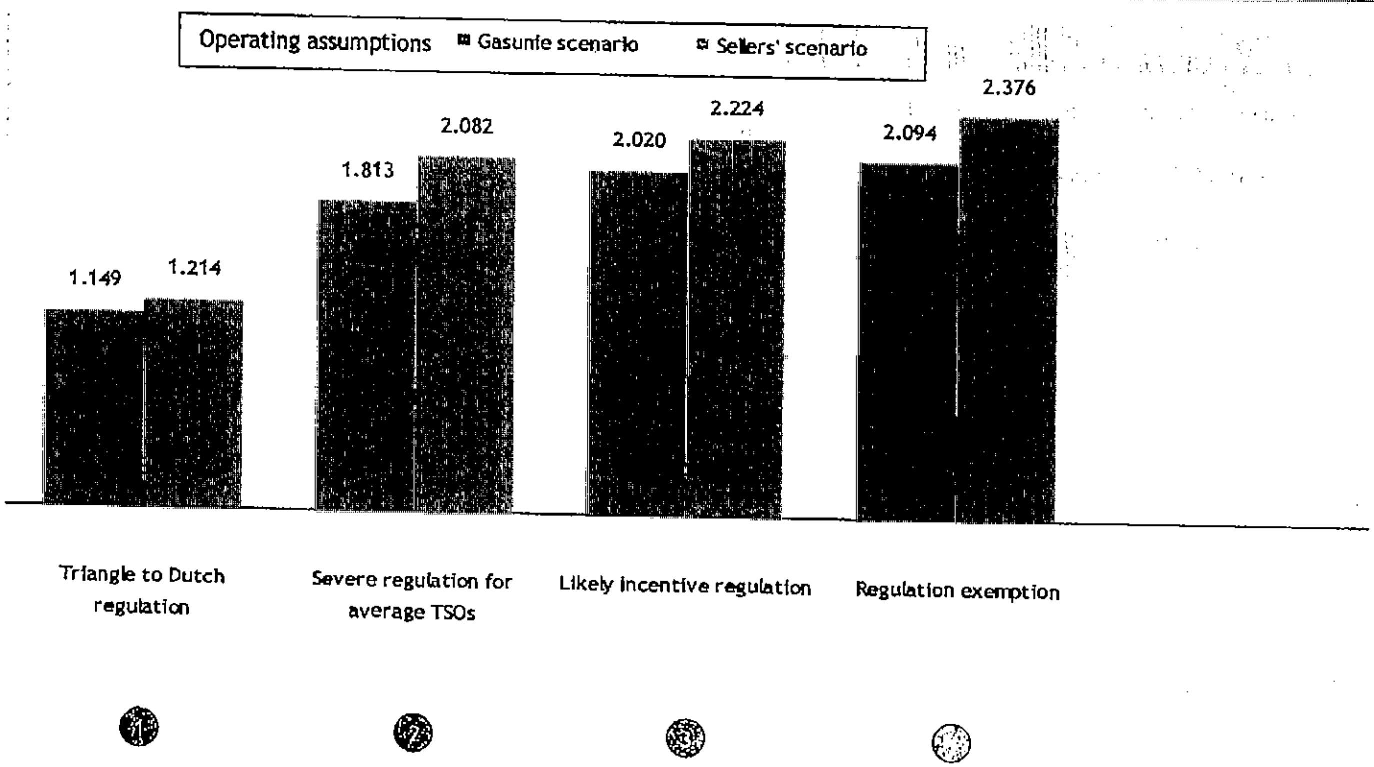
Opex/capex assumptions

- Regulated opex variation in line with tariff evolution (excluding effect of capex clawback)
  - Regulated EBITDA margin to stay flat at 2007 level in all cases
- Non-regulated opex to grow by CPI
  - 10% EBITDA margin assumed for non-regulated revenue stream
- Two opex/capex scenarios assumed
  - Scenario 1: Gasunie experts' guidance on opex and capex
  - Scenario 2: Seller's forecast based on historicals in Sellers' Information Memorandum and E&Y databook
- Capex clawback assumed only in case 3

Comparison of firm values in various cases—Euston 1 and 2

STANDALONE VALUATION

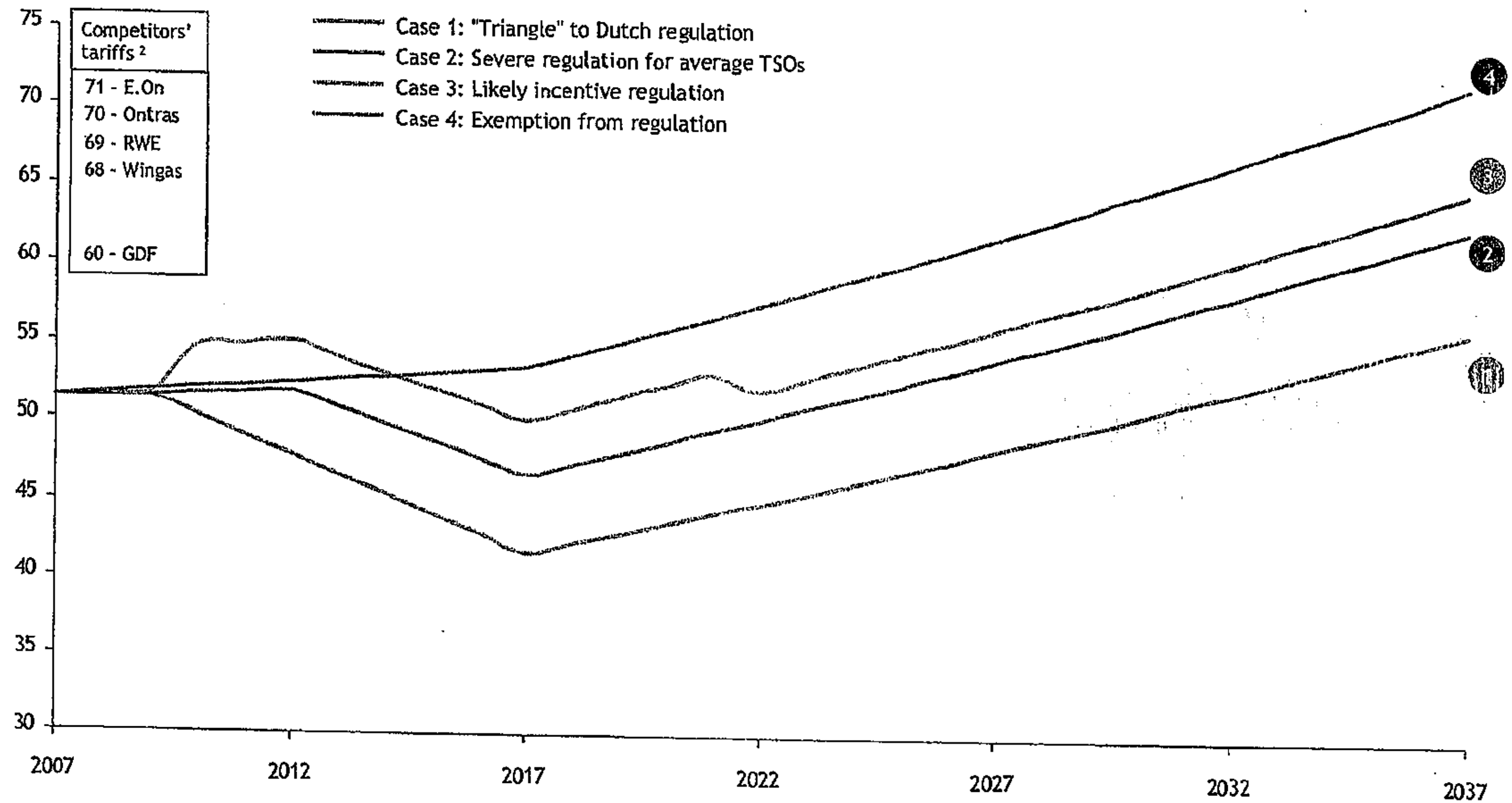
Firm value—Euston 1 and Euston 2 including associates (€mm)



Note: Case 3 include assumptions of higher bookings und capex clawback
[1] Based on total km of pipeline length of 3,680 km for Euston 1 & 2 of which 1,501 km fully owned and the rest partially owned via BTGs (comparable to trading and transaction multiples based on total km as often total km data are publicly available). Total firm value is adjusted to exclude the value of non-regulated activities
[2] Firm value is adjusted to exclude the value of associates (Deudan/Netra)

Several cases have been analysed—tariff comparison

Euston 1 average base tariff [1] (€/cm/h)



Note: Post 2037, all tariff curves are indexed by inflation; Cases 2 and 3 follow the same base tariff and in addition to the tariff base, Euston benefits from capex clawback in case 3

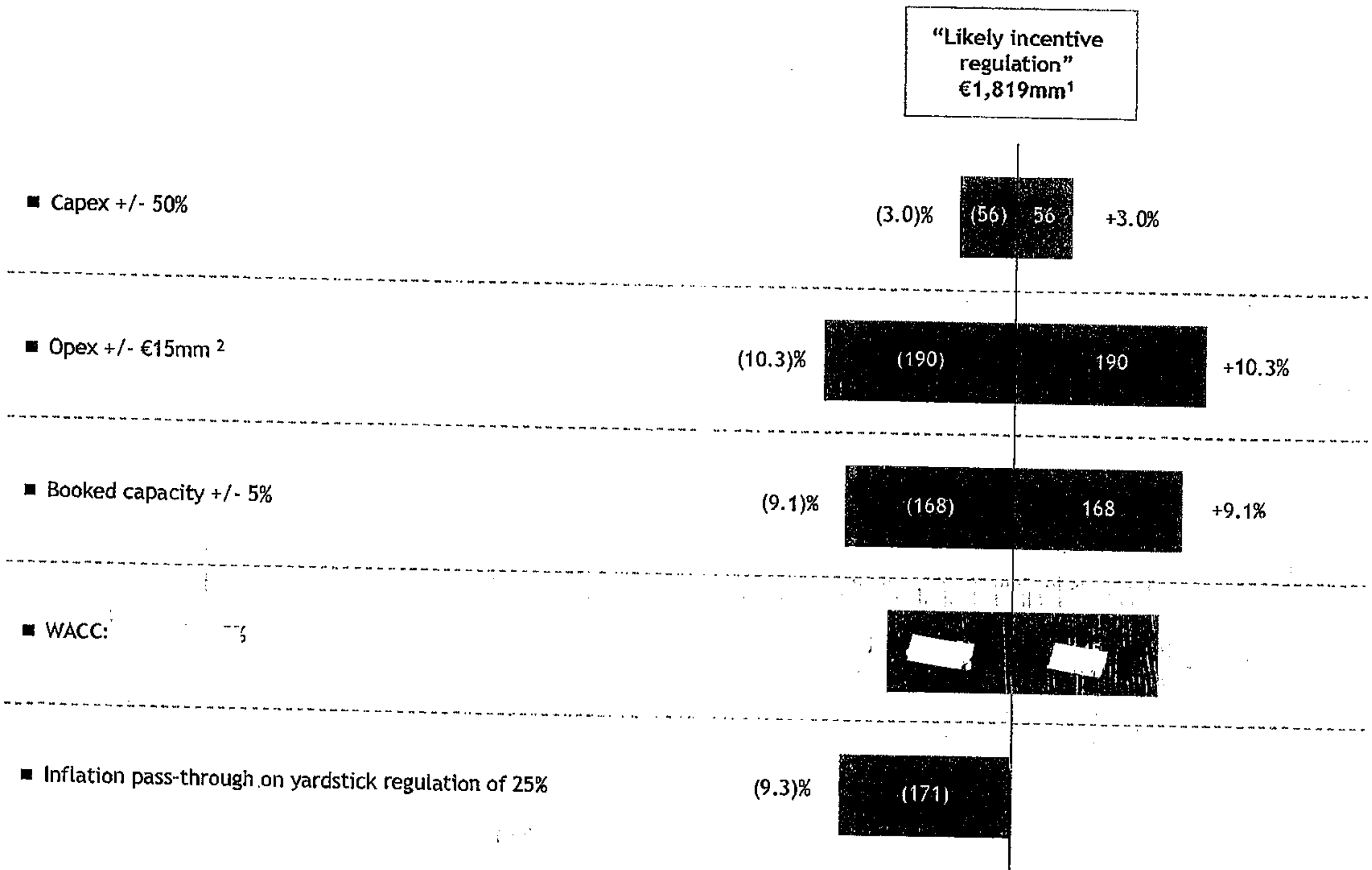
[1] Excluding exceptional items

[2] 2007 average tariff (Source: Arthur D Little, "West European gas transmission tariff comparisons", July 2007)

STANDALONE VALUATION

gasunie

Key valuation sensitivities Euston 1—Gasunie's operational assumptions



[1] Firm value of Euston 1 only excluding associates (€1,573mm) + Deudan & Netra (€246mm) in "Likely incentive regulation" case
[2] +/- €15mm on 2007 opex

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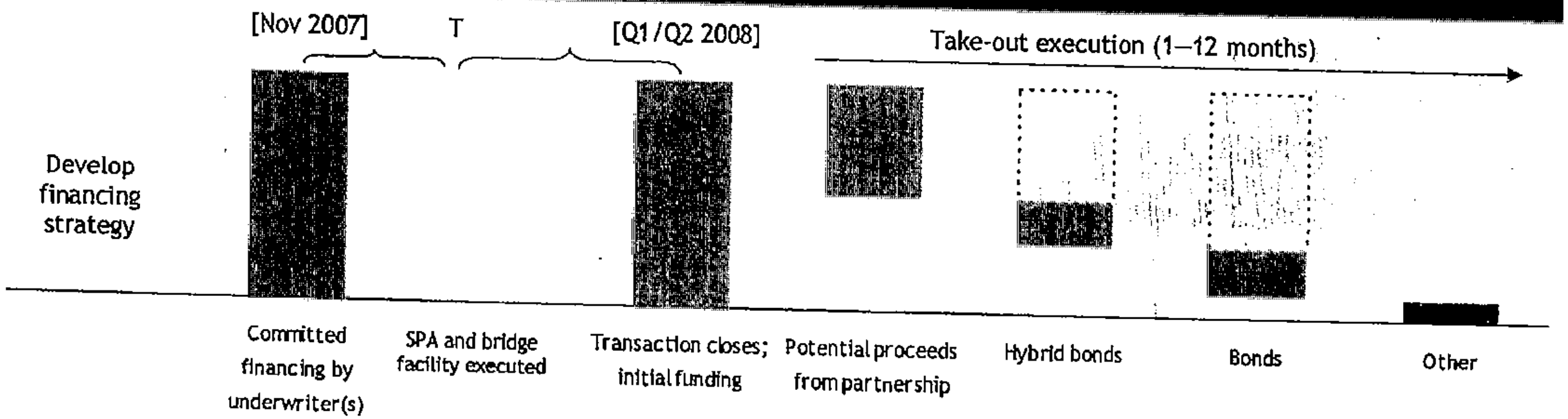
Ratings and financing considerations

Financing strategy



Ratings and financing considerations

Scenarios	Outcome
■ Competition-based business case, €2.2bn acquisition, fully debt financed ■ Competition-based business case, €2.2bn acquisition, debt financed including a €1.0bn hybrid bond1 ■ Competition-based business case, €2.2bn acquisition, involving a 50% partner implying a fully debt financed €1.1bn stake for Gasunie ■ Hard incentive regulation-based business case, €1.05bn acquisition, fully debt financed	TO COME

Overall comment from S&P to come

Timetable

Process overview

Gasunie RvB

- Oct 15, 07 — Progress & planning
- Oct 22, 07 — Progress & DD feedback, SPA's & bid letters
- Comprehensive implementation plan prepared by Gasunie and McKinsey
- Voorbereiding RvB 29 Oct
- Oct 27, 07 / Oct 29, 07 — Draft SIC/RvC presentations business plan & Bid letters, DD presentations per workstream
- Oct 31, 07 — Final SIC/RvC presentation
- Nov 5, 07 — Final MinFin documents
- Nov 8, 07 — Final bid decision

SIC / RvC

- RvC: Key rationale & planning partnering, finance
- Combined SIC/RvC presentation business case key DD findings Bid decision

Shareholder MinFin

- Oct 16, 07 — Key rationale, progress & planning !!! Agree on regular engagement with MinFin!
- Oct XX, 07 — Regular engagement & feedback
- Nov 6, 07 — Submit key bid document
- Nov 8, 07 — Final bid decision

Works Council

- Oct 18, 07 — Submit request for advice
- Nov 3, 07 — Delivery of advice

Nov 9, '07: Submission of bid

To be planned

Samoa Project

Seller Expert Session

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ExxonMobil
Gas & Power Marketing

27

EMGTG Disposition Structure

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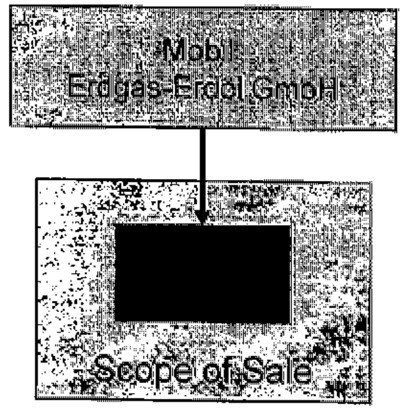
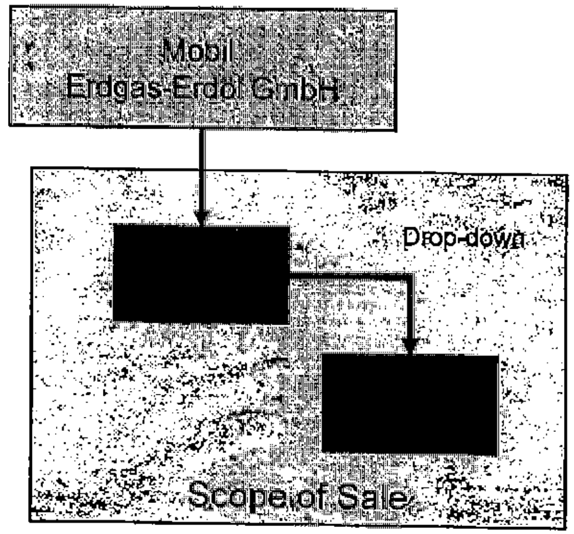
- **Pre-SPA signing restructuring of EMGTG planned**
- **Re-organization of EMGTG by drop-down of EMGTG business into EMGTG NewCo**
  - Step-up book value of EMGTG NewCo at EMGTG level to Fair Market Value in EMGTG's statutory books only
  - No impact on EMGTG tax balance sheet
  - SH loan equal to Fair Market Value to EMGTG
  - Potentially increased yearly depreciation in EMGTG NewCo's commercial balance sheet if assets in EMGTG NewCo have to be stepped up to FMV
- **At Closing MEEG to sell EMGTG including EMGTG NewCo**
  - SH loan acquired by Buyer through Loan Acquisition Agreement

Current Structure



Structure at SPA Signing



EMPG Pre-Closing Restructuring

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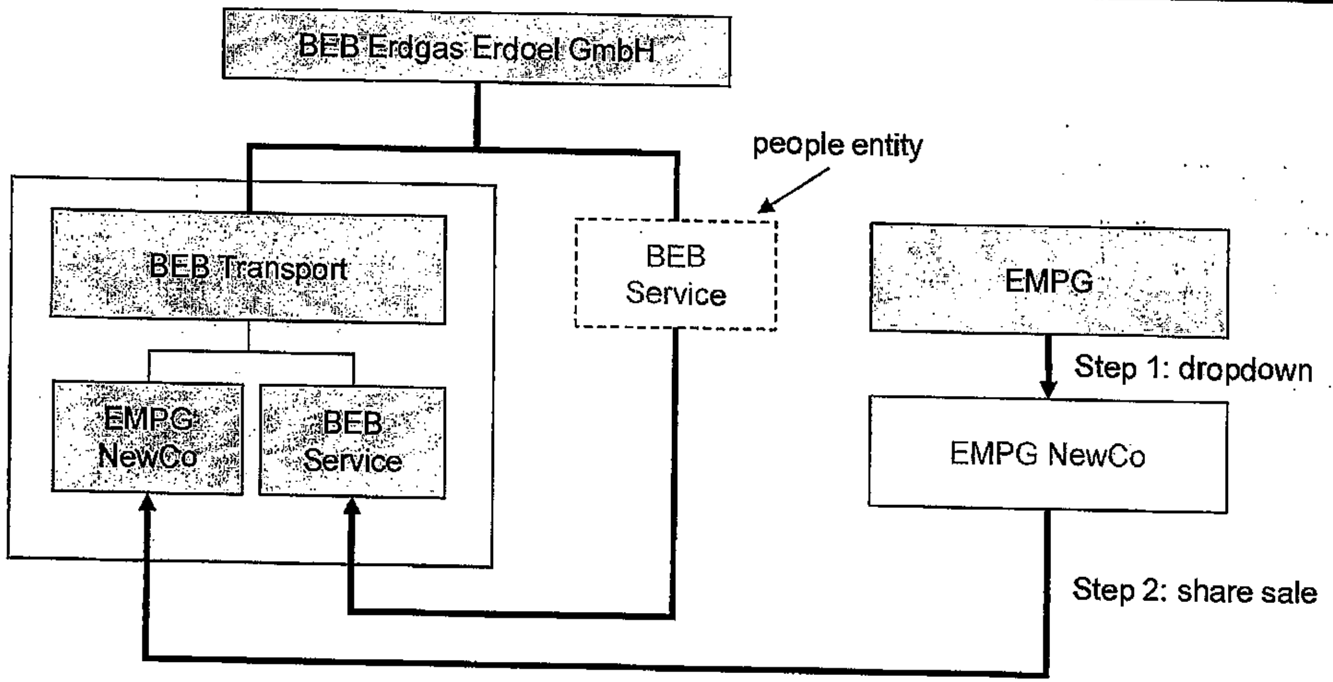

- **Dropdown of transport service business into EMPG NewCo ("*Ausgliederung zur Aufnahme*"), including**
  - 60 employees – see org chart
  - IT hardware: ~70 desktops with monitors, ~15 laptops with Docking stations, ~25 printer, ~5 Scanner
  - Warehouse - consisting of some spare parts for pipelines and compressors, WAN cables, screws etc.
    - Total value assessed to be ~ €2.1M
  - Documentation incl. M/S Mgmt Plan, SLAs (incl. "Deeds of Assignment"), Job Descriptions, Ops Plan 2007
  - Dropdown agreement to be notarized / filed with commercial register
    - Agreement specifies assets/liabilities / people - balance sheet attached

ExxonMobil
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Alaska / Samoa Project

Sellers Expert Session

- Human Resources -

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Shell Energy Europe

ExxonMobil
Gas & Power Marketing

Background

- **Alteration**
  - Major changes of a business unit which may result in significant disadvantages for employees
    - E.g. split of one established operating unit into two or more new units, major staff cutbacks
  - Leads to mandatory negotiations with works council
    - Negotiations about implementation (if/when/how) of planned alteration ("balance of interest")
    - Full codetermination; compensation settlements in case of financial disadvantages for employees ("social plan")

- **Transfer of undertaking according to § 613 a German Civil Code (BGB)**
  - Transfer one operating unit or entity into a new (or already existing) entity
  - Transfer of Undertaking can be triggered by:
    - Asset transfer in asset rich business
    - Individual transfers of senior/experienced staff in asset poor business
    - Corporate Restructuring (pursuant to § 324 German Restructuring Act (*Umwandlungsgesetz*))
  - Employment law implications of § 613 a BEB
    - All conditions of employment stay unchanged for at least 12 months by law
    - No staff cutbacks due to transfer of undertaking possible
    - Each employee to be fully informed of Transfer of Undertaking
      - Employee entitled to object to transfer within one month after information

- **Share sale**
  - Transfer one legal entity to a new owner
  - Change of ownership – not a change of employer (company stays unchanged and intact)
  - Share sale without other changes has no implications regarding employees or WC

Pre-Closing Restructuring

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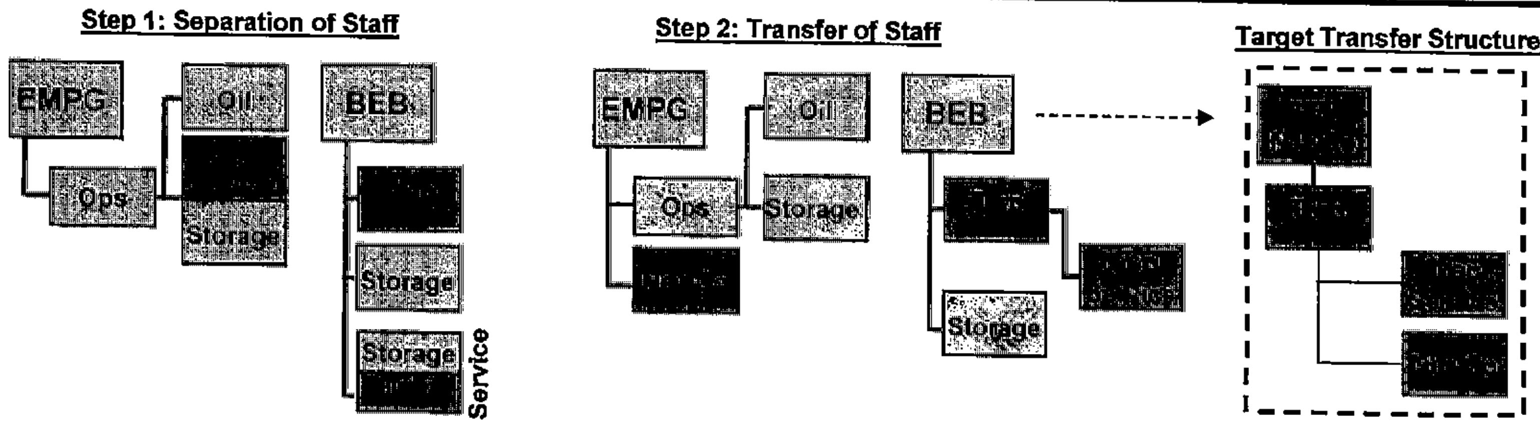

- **Complex HR restructurings of BEB / EMPG required to achieve target structure**
  - Step 1: Separation of staff in respective entities – "Alteration" (BEB/EMPG)
  - Step 2: Transfer staff into target entities – "Transfer of Undertaking"
    - EMPG employees first transferred to NewCo (dropdown), then entity transfer to BEB Trsp
    - BEB storage employees transferred to BEB, Trsp Service transferred to BEB Trsp
  - Work Council process
    - WC agreement required - separate for BEB and EMPG - reconciliation of interest / Social Plan
    - Target to finalize WCs negotiations within ~4 months after SPA
  - Spin off BEB NewCo (target company) from BEB parent - Shareholders as Sellers

- **Status**
  - Organizational design for EMPG NewCo and BEB Services completed
    - Combined organization designed to provide all services required by stand-alone TSO - no individuals assigned so far
  - Consultation plan in place jointly developed between SH and BEB HR
    - Inform Economic Committee 1 day before SPA execution latest; earlier if intend to sale has substantiated
    - Start WC process and announce formally at the day of SPA execution

Works Council Process

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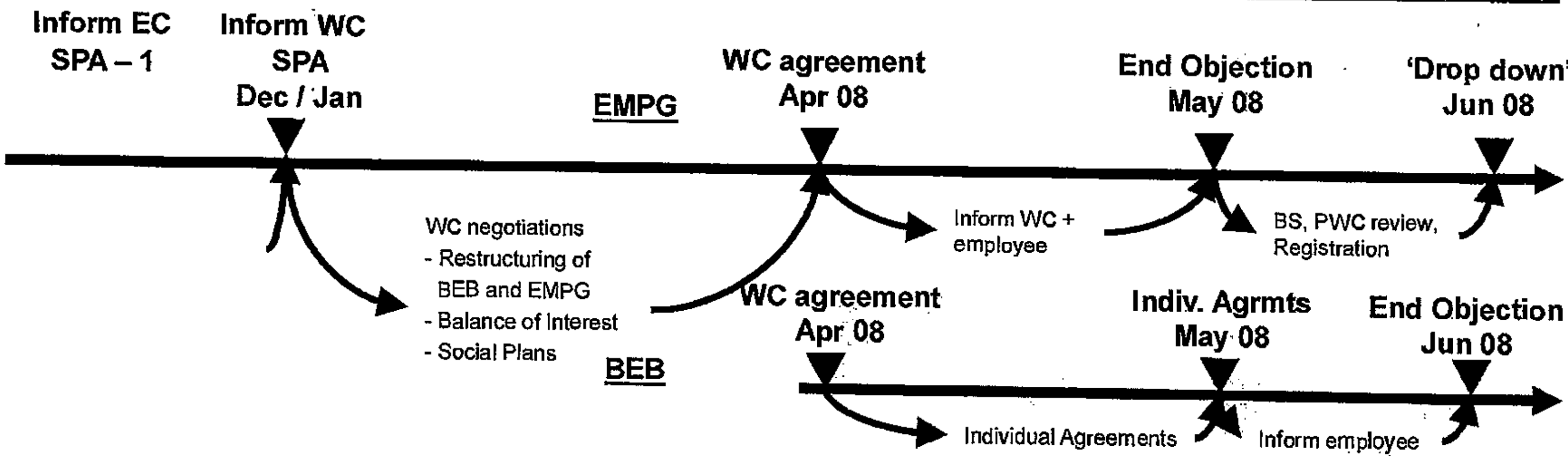

- **Timing aspects**
  - Finalize WC negotiations within ~4 months – cooperation with Buyer as required
    - Past experience: Trustful information/cooperation with WC as main success factor

- **Steps after WC agreement / no employee objection**
  - Transfer BEB Storage employees to BEB Erdgas und Erdoel
  - Sale and transfer of BEB Services GmbH to BEB Transport
  - Notarize and file 'dropdown' EMPG NewCo from EMPG; transfer EM Transport Employees to EMPG NewCo
  - Notarize and file 'spin-off' BEB NewCo from BEB Erdgas und Erdoel
  - Sale and transfer of EMPG NewCo shares to BEB Transport - effective as of closing

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Alaska / Samoa Project

Sellers Expert Session

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Shell Energy Europe

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Alaska / Samoa Project –Timeline

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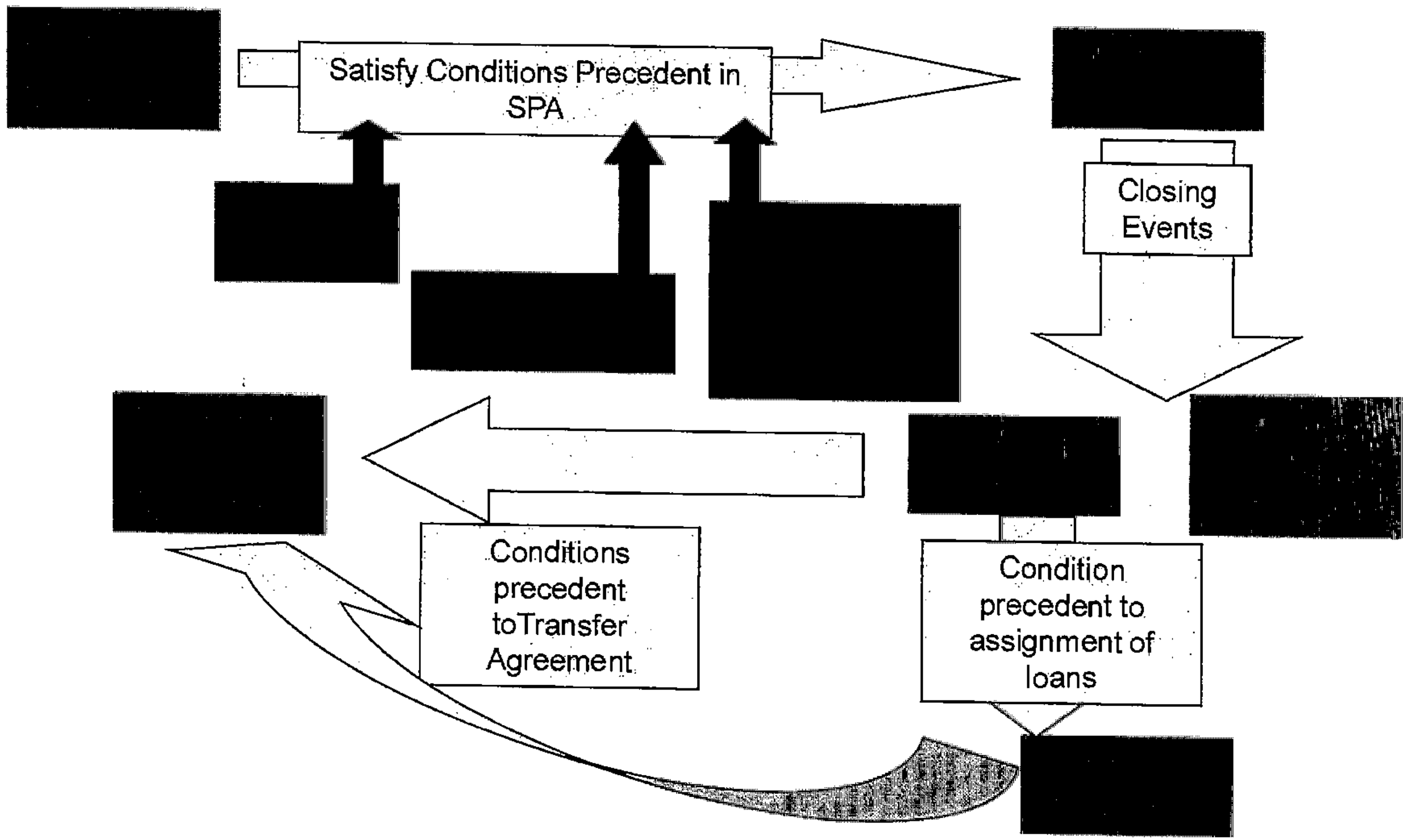

BEB/EMGTG Transaction Steps

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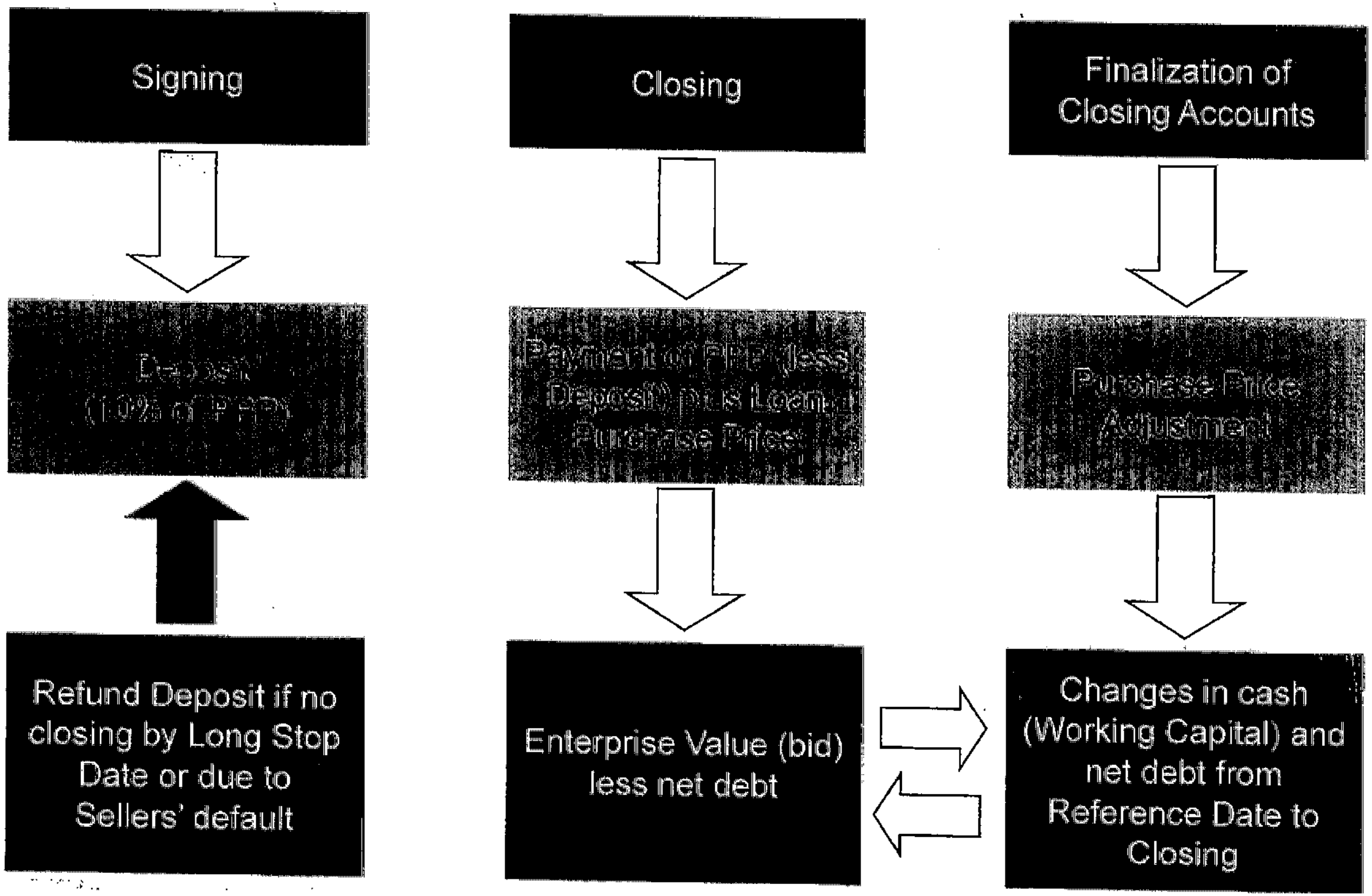

Project Implementation

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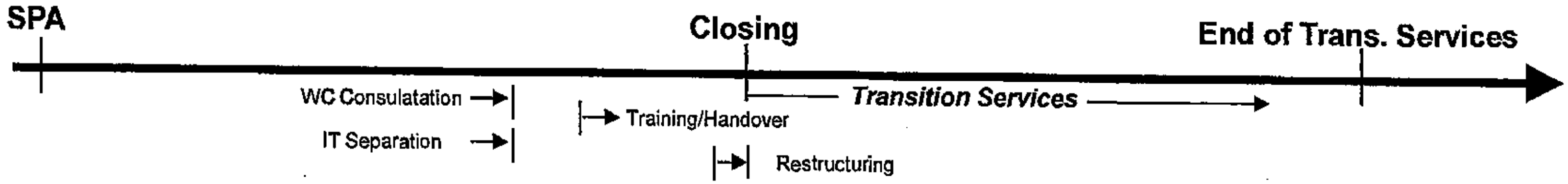
Implementation

Principle: Estimate 4-6 months timeframe

Transition

Principle: Minimize in Scope and Time (estimate 3-6 months)

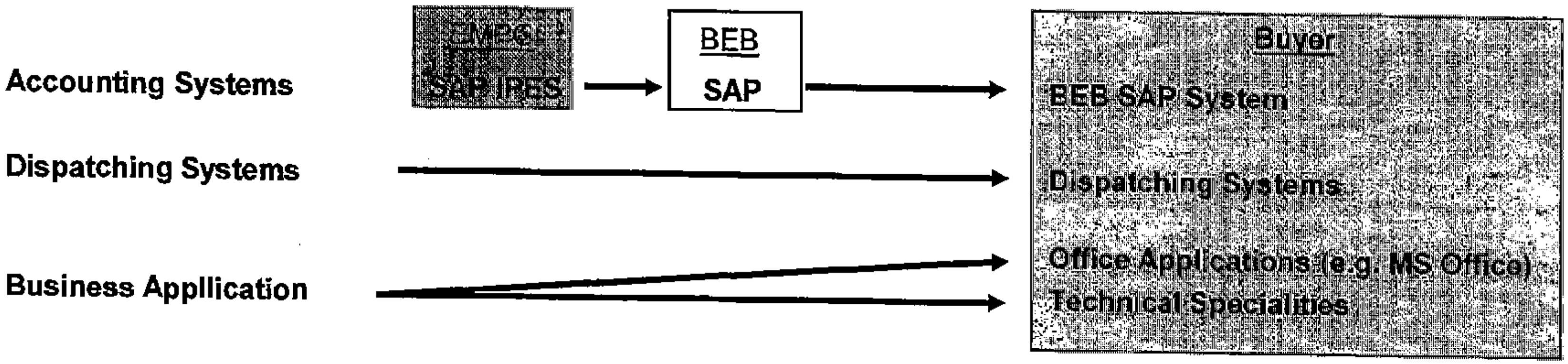


- **Sellers – operate / full in charge**
  - WC Consultation (4 m after SPA)
  - IT separation / set-up (4m after SPA)
  - Training / Hand-over (1m Closing)
    - Shadow working
    - Assignment of contracts as required
    - Hand-over of documents
  - Pre-Closure Restructuring (48h Closing)
    - De-merger, set-up company structure
    - Staff transfer
- **Buyer**
  - Merger Control
  - Preparation of Take-over
    - Integration into own business structure
    - Hiring new staff

- **Sellers**
  - Potential transitional services
    - Co-location, (Hanover, Dötlingen)
    - Facility Services
    - Business Services / IT
      - Procurement / Controlling
    - HR / Statutory reporting
    - Occupational health
  - Hand-over of transition service activities
- **Buyer - operates / full in charge**
  - Prepare for end of transition services
  - Takes over transition service activities

IT Assumptions

CONFIDENTIAL



- **BEB**
  - Current BEB systems as basis
    - Unless Buyer provides target system
  - BEB to integrate EMPG applications
    - Infrastructure upgrade as required
  - Functionality for Storage Business copied / removed

- **EMPG**
  - Transport-only applications to be transferred
    - Limited additional software licenses
  - Data Migration required for shared local and global systems (e.g. IPES, SAP HR)
  - Dedicated office infrastructure assets at Transport sites to be transferred

Timeline

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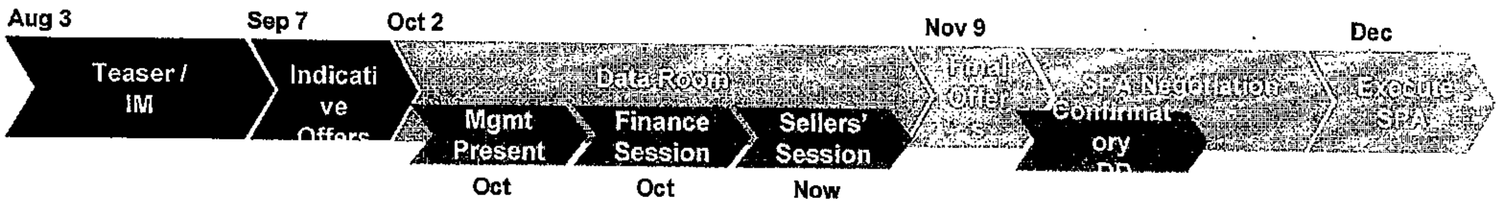
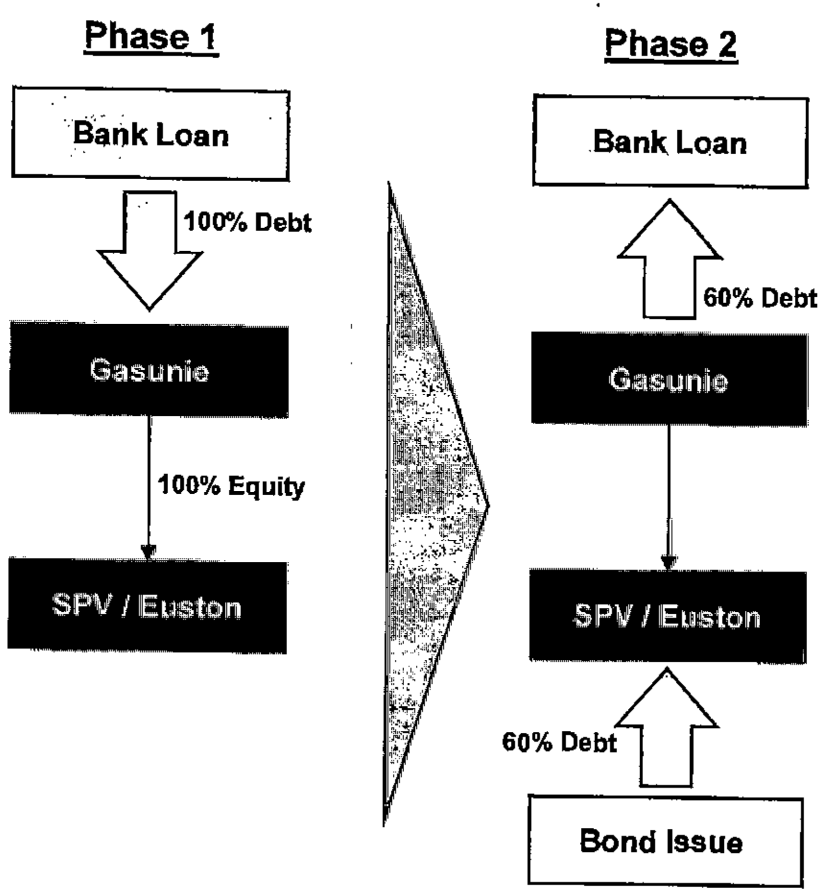


• **Sellers' Sessions**	**Now**
• **Request Transitional Services by**	**Oct 22 / Nov 9**
• **Final Offer**	**Nov 9**
• **Confirmatory DD**	**2nd half Nov**

Agenda

- **Financing Summary**

The purchase of Euston would be financed through a bank loan to Gasunie resulting in the SPV obtaining 100% equity. A second phase involves repayment of 60% of the loan through bond issue



- The purchase of Euston is to be 100% financed through a bank loan to Gasunie
- This is passed through to an SPV to obtain 100% equity in Euston
- At a later date, depending on market rates and Euston's situation, the SPV aims to issue a bond of 60% of the purchase value in order for Gasunie to reduce their debt to 40%
- The S & P analysis is being completed assuming only phase 1
- The financial model is assumes 40% leverage to assess the commercial opportunity

Source : Gasunie management discussions

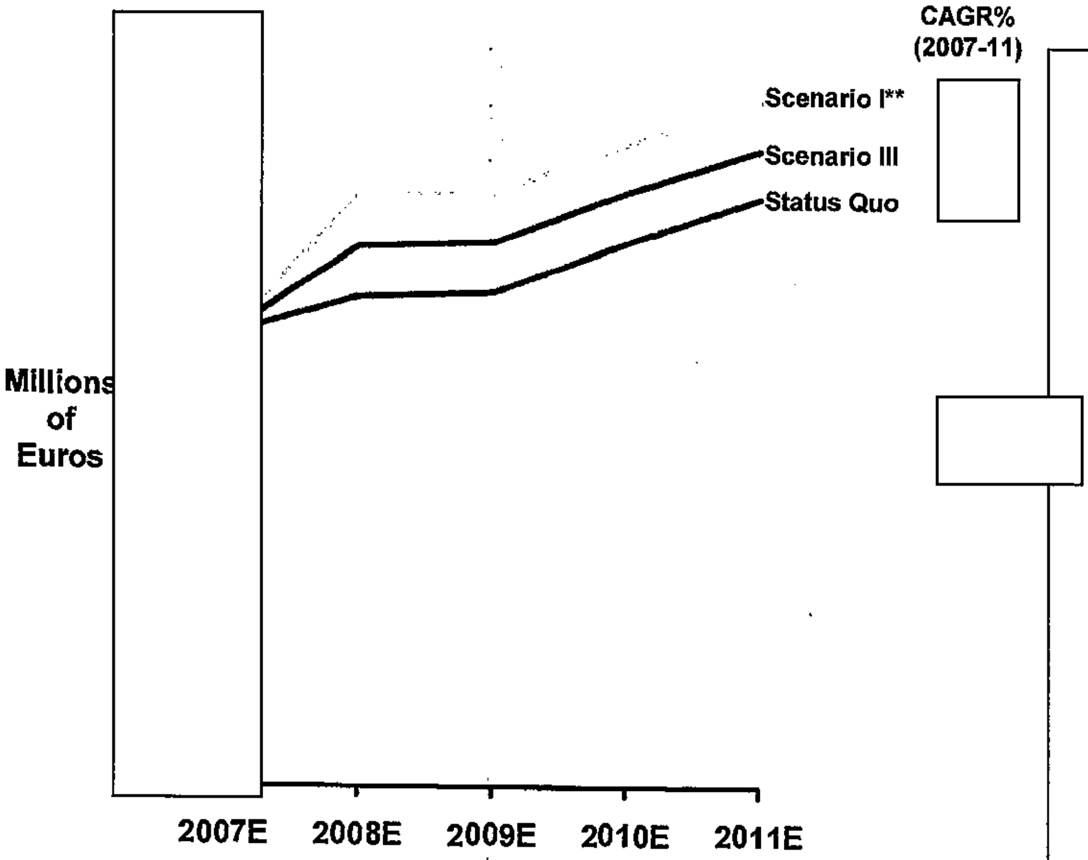
Overview of pro forma analysis conducted

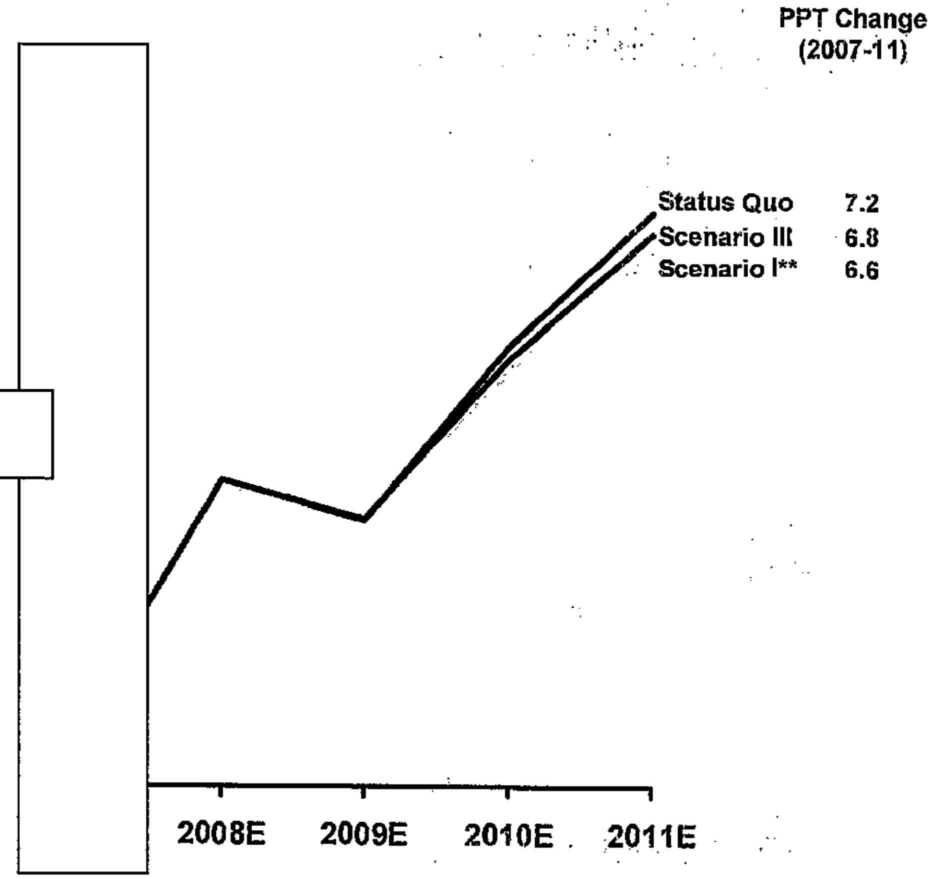
- Gasunie has prepared a document including a post-transaction pro forma P&L, cash flow statement and balance sheet for credit rating agency Standard & Poor's (S&P). On the basis of this document, S&P will provide an indication of post-transaction credit

- 6 scenarios have been modelled for the operations of Euston dependent on tariff charge variations due to imposed regulation
  - these have been used to determine a preliminary purchase price (after accounting for reference net debt) of €1.9bn and €726m on an enterprise value of €2.2bn and €1.05bn
  - the pro forma analysis completed for S&P assumes scenario 3: triangle to hard incentive regulation. Although this is not the worse case it has a firm value of €904m

- The pro forma analysis has assessed four scenarios for financing the purchase of Euston. The "light incentive regulation" tariff scenario has been used in this analysis
  1. Purchase price of €2.2bn, fully debt financed (BASE CASE)
  2. Purchase price of €2.2bn, €1.0bn hybrid financed, rest senior debt
  3. Purchase price of €2.2bn, 50% acquisition of €1.1bn
  4. Purchase price of €1.05bn, fully debt financed

The acquisition of Euston drives significant growth in revenue with little effect on EBITDA margin

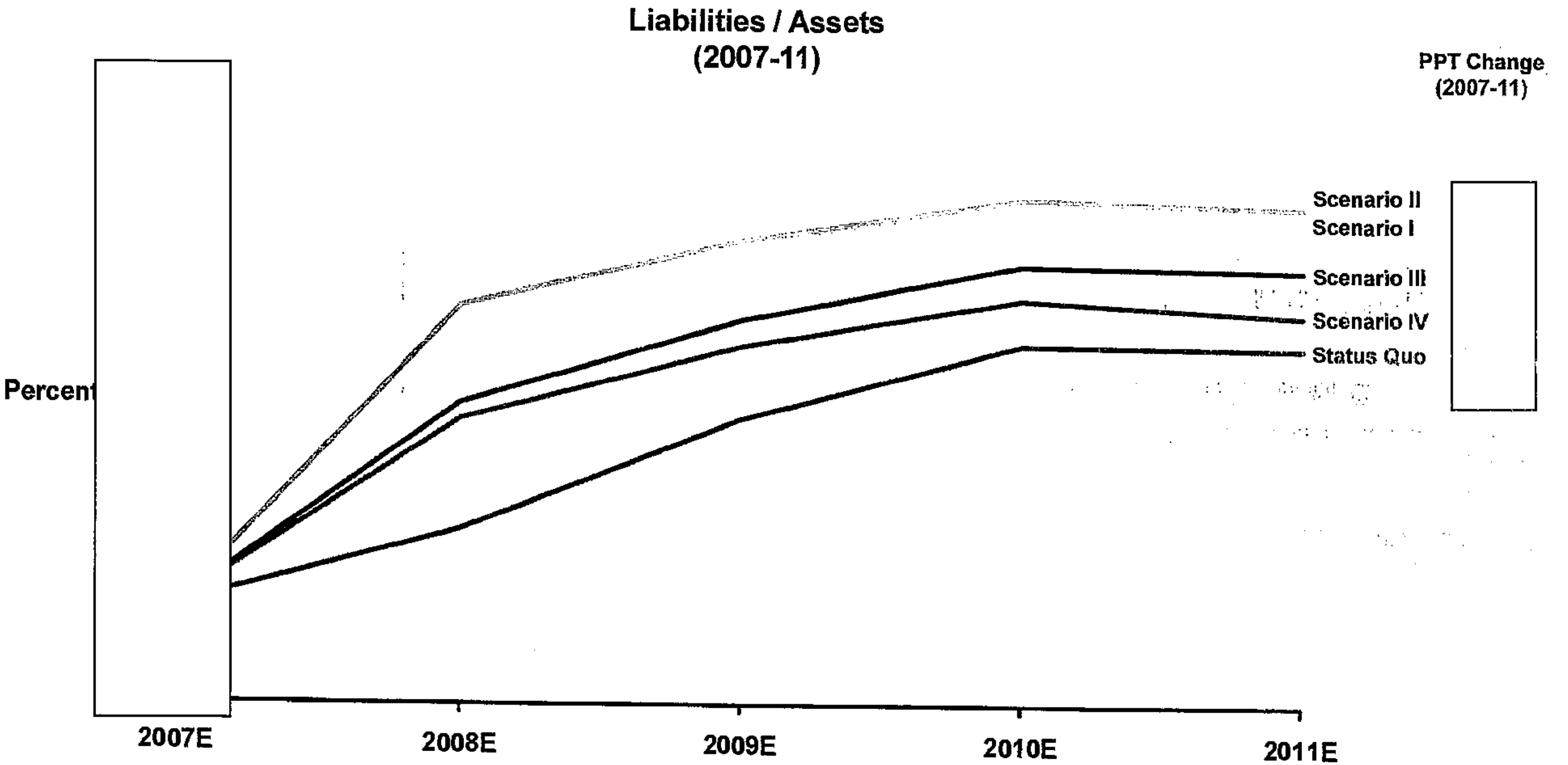




Note : * Excluding associates; ** Revenue forecast and EBIDTA margin under scenario I is equal to forecast of scenarios II & IV
Source : Gasunie, S & P Presentation, October 23 2007

L.E.K.

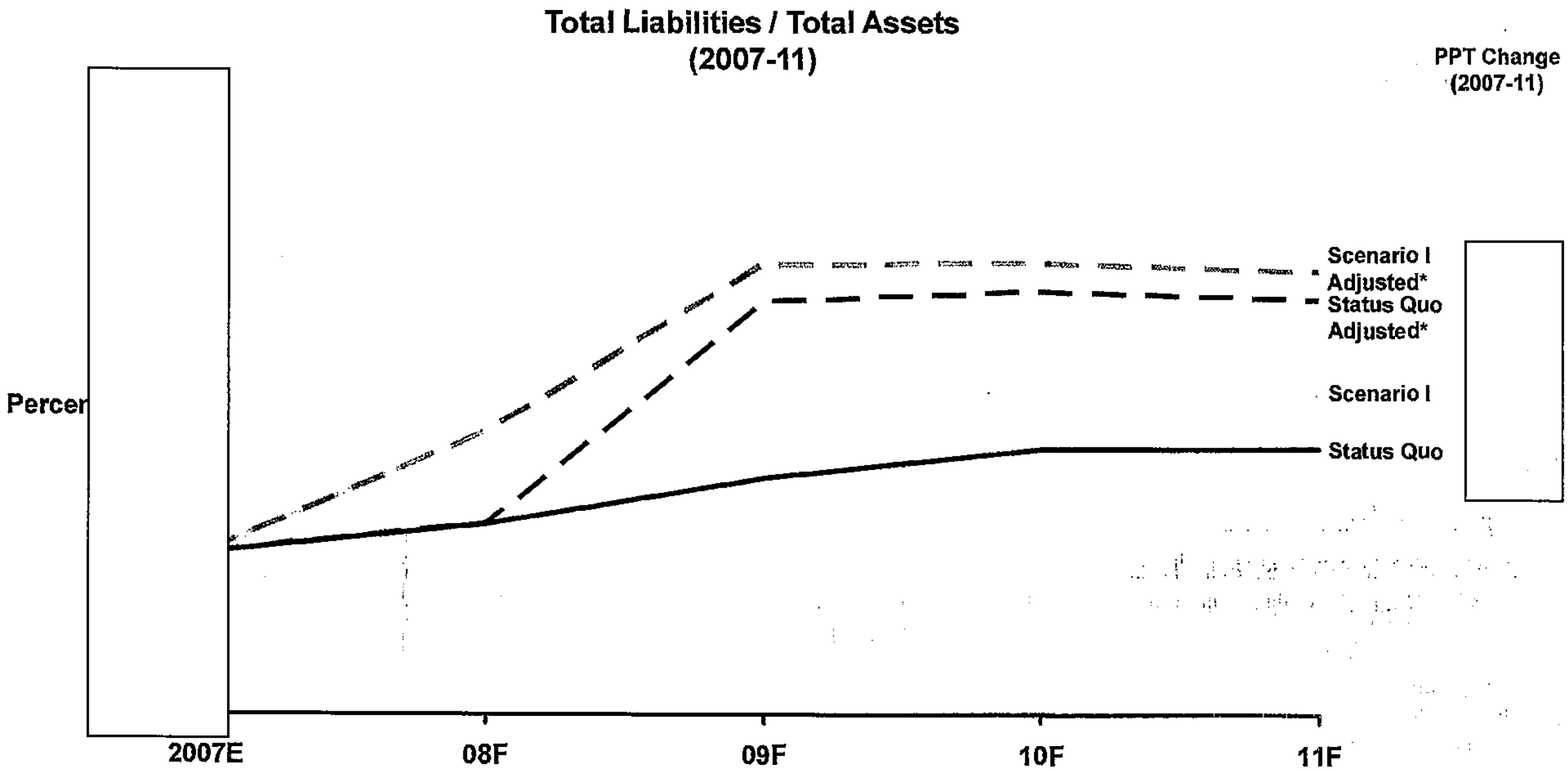
The gearing ratio is set to increase significantly to 2011, even under the status quo. As expected, acquisition in 2008 drives a further increase



Source : Gasunie, S & P Presentation, October 23 2007

L.E.K.

A one-off 'super dividend' in 2009, funded by a simultaneous debt issuance of the same amount, would significantly increase gearing levels

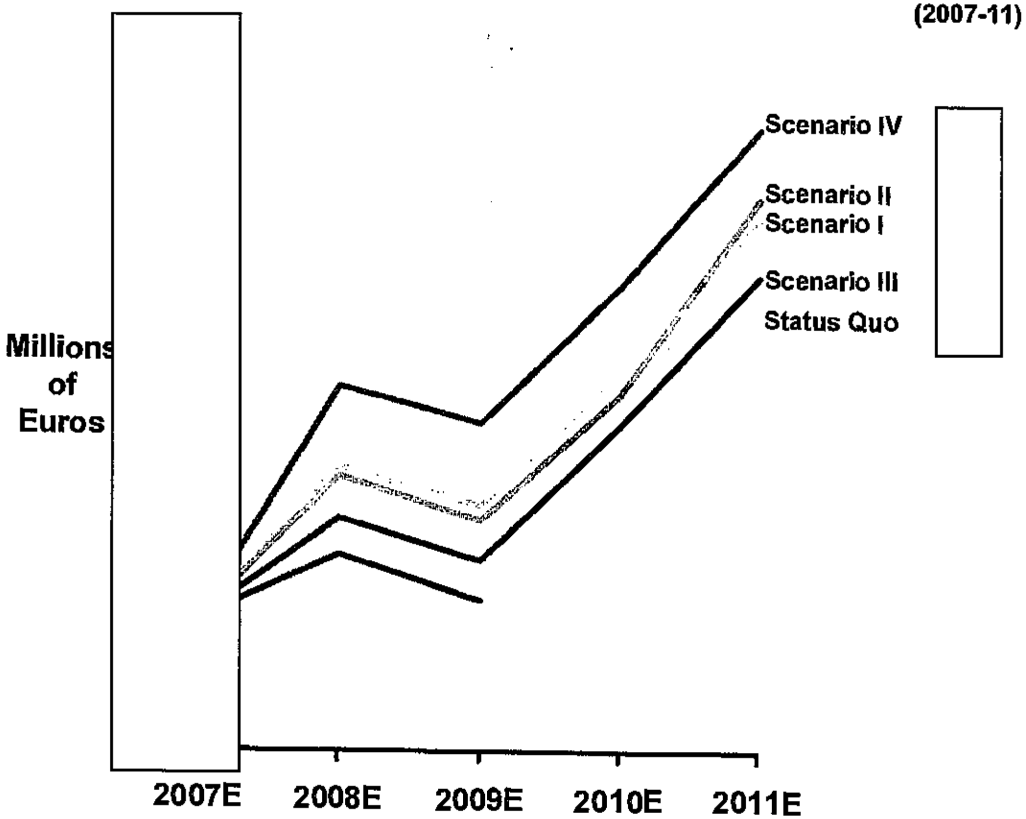


Note : * Adjusted to include additional €2.5bn perpetuity debt in 2009 with interest of 4.425%. Assuming no effect on tax payments and credit rating

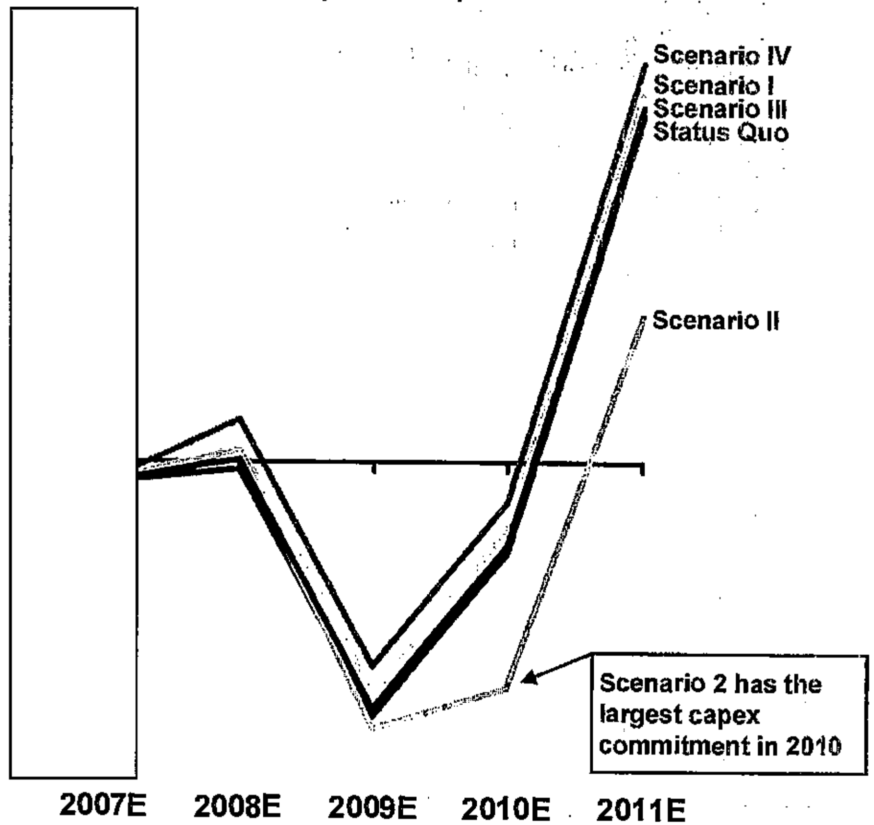
Source : Gasunie, S & P Presentation, October 23 2007

The acquisition of Euston significantly increases operating cash flow. However, large capex commitments in the period drive down free cash flow (pre-dividend)

Operating Cash Flow (2007-11)



Free Cash Flow, Pre-Dividend (2007-11)

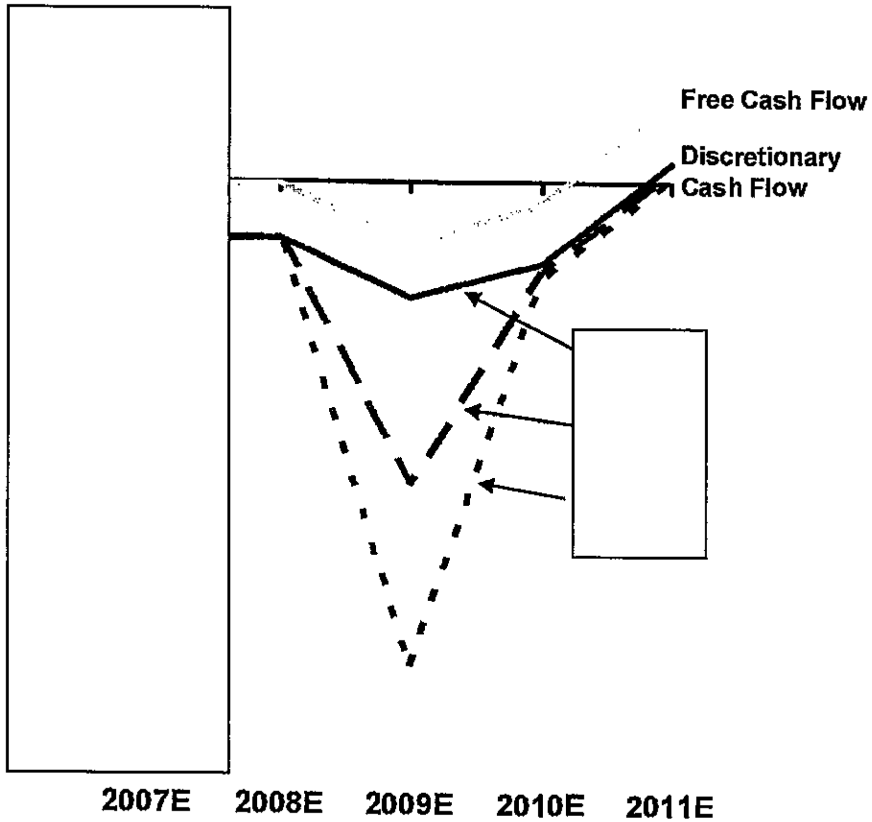


Source : Gasunie, S & P Presentation, October 23 2007

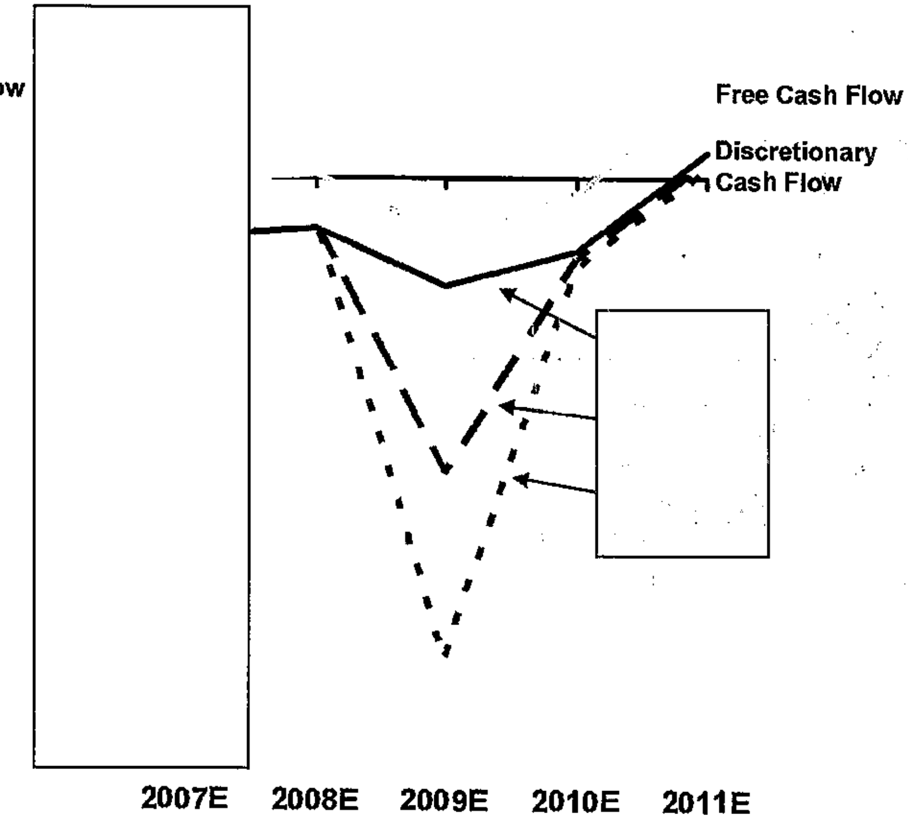
The acquisition of Euston significantly increases operating cash flow. However, large capex commitments in the period drive down free cash flow (pre-dividend)

Cash Flow Forecast, Pre- and Post-Dividend (2007-11)

Status Quo, 100% Dividend



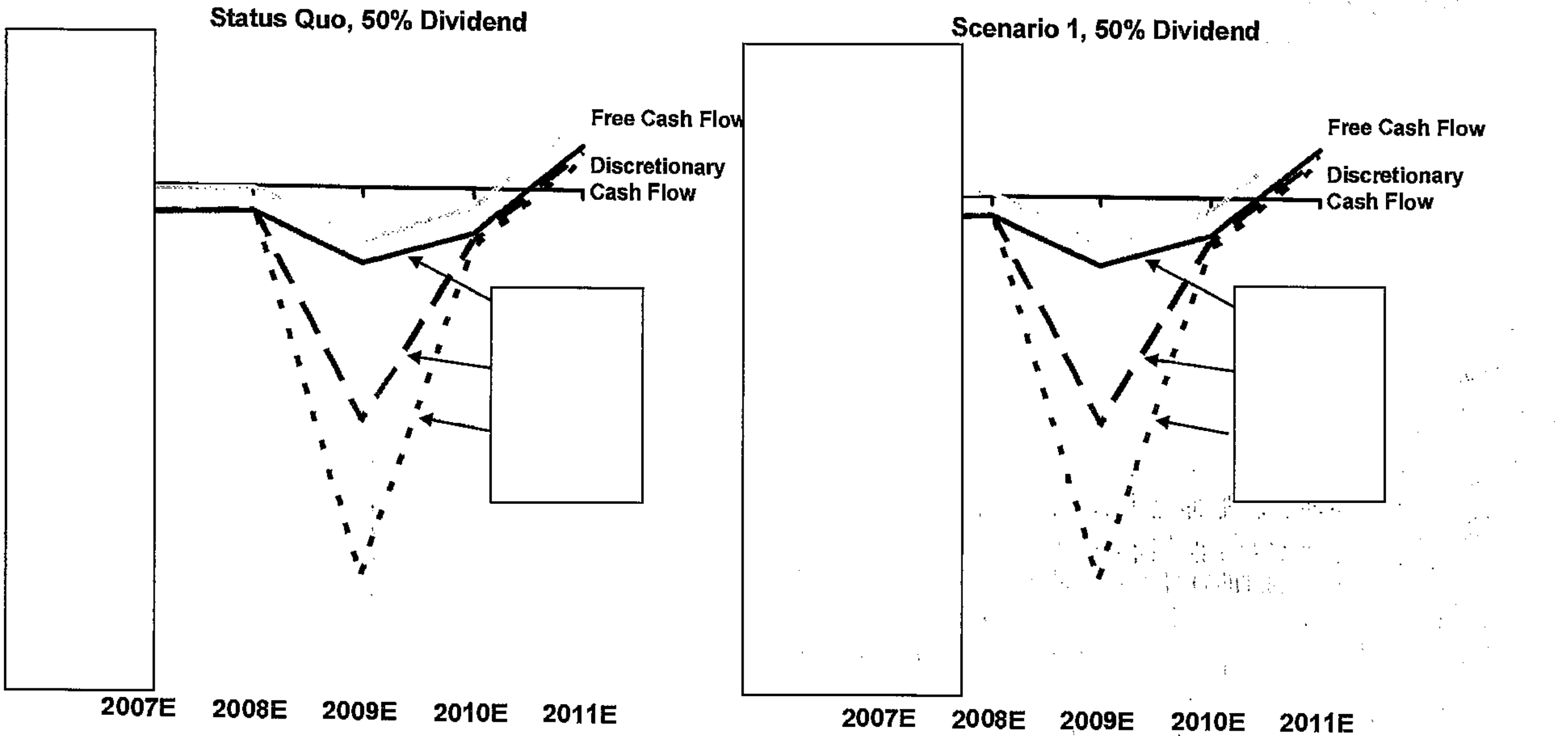
Scenario 1, 100% Dividend



Source : Gasunie, S & P Presentation, October 23 2007

The acquisition of Euston significantly increases operating cash flow. However, large capex commitments in the period drive down free cash flow (pre-dividend)

**Cash Flow Forecast, Pre- and Post-Dividend
(2007-11)**

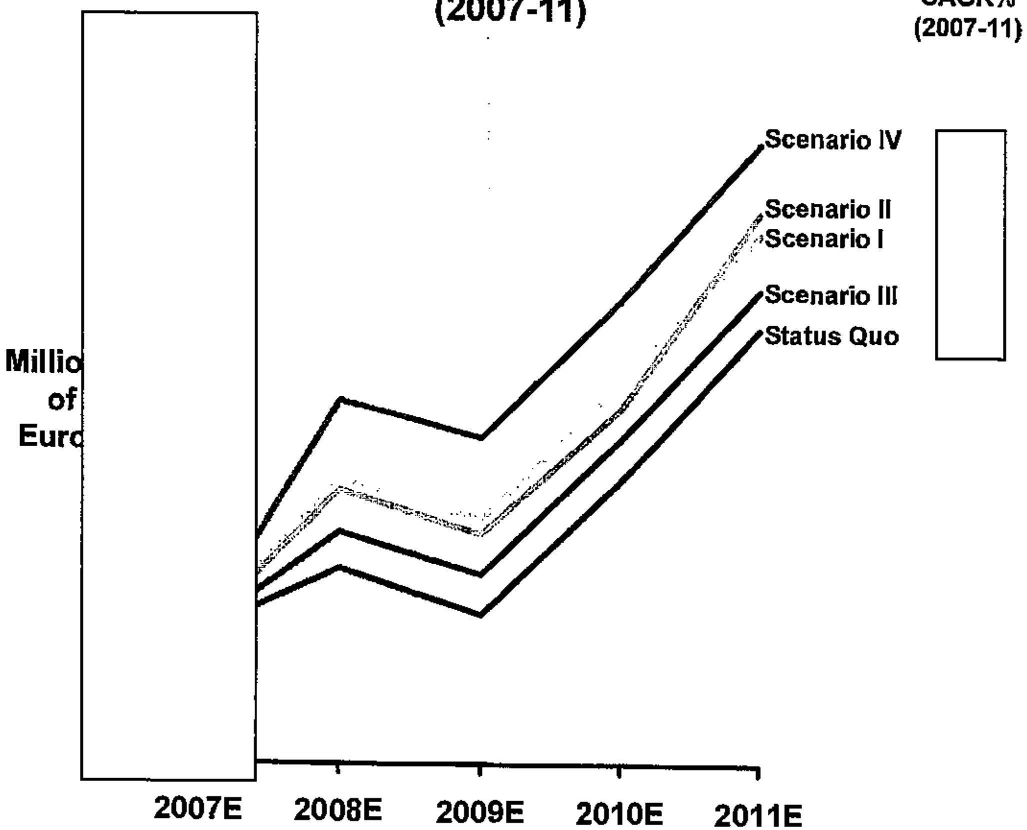


Source : Gasunie, S & P Presentation, October 23 2007

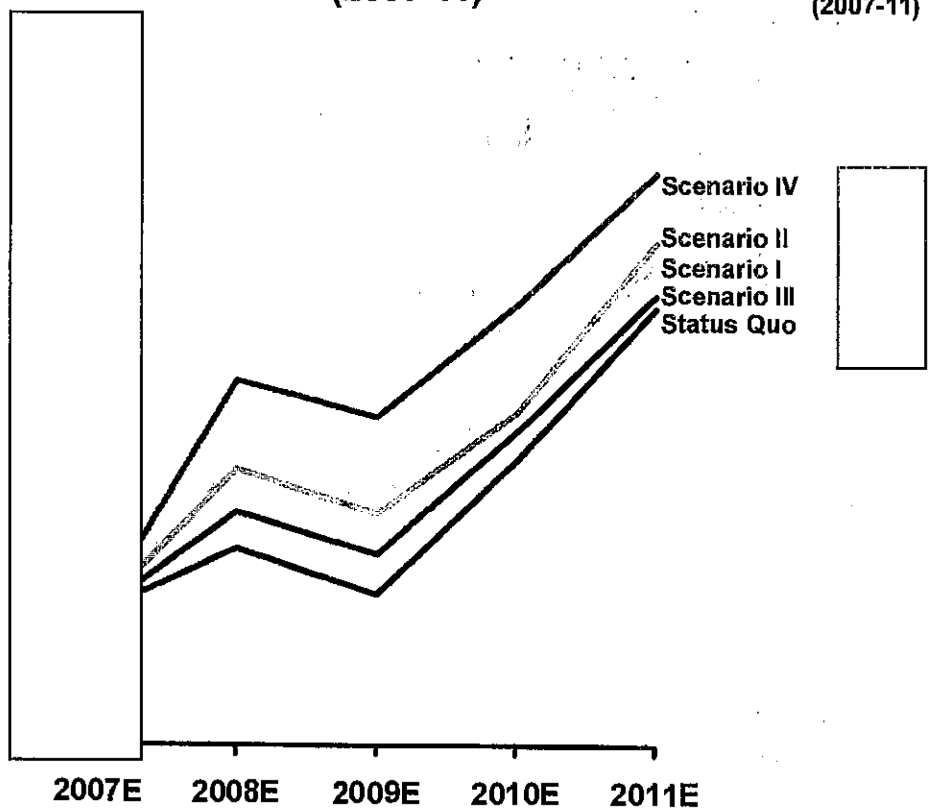
L.E.K.

In the event that the triangle to hard incentive regulation is correct, operating cash flows for all scenarios still remain greater than the status quo

Operating Cash Flow Unadjusted (2007-11)



Operating Cash Flow Adjusted* (2007-11)



Note : Financial model revenue delta between "light incentive regulation" and "triangle to hard incentive regulation" cases has been subtracted from the operating cash flow, assumes no effect on costs or finance charges. 50% of revenue delta applied to scenario III due to partnership

Source : Gasunie, S & P Presentation, October 23 2007

Other issues

- Under normal circumstances, dividend payout ratio is approximately 40%. The target dividend is currently set at 50% and is reviewed every year based on investment and financial policy
- Synergies potential
  - significant revenue synergies potential: larger player in European market, additional business opportunities (quantify!)
  - sharing of best practice in opex
  - sharing of best practice in capex (CFO: BEB replacement capex is lower than Gasunie, expected improvement in 'old Gasunie' of however on the BEB side, clarify!)
  - optimisation of gas flows, net balancing (quantify!)

Source :

Groningen, 5 november 2007

Financiering Euston

Samenvatting

- In dit rapport is onderzoek gedaan naar de financierbaarheid van het project Euston binnen de gestelde target rating range
- De financierbaarheid van Euston is getoetst aan de hand van de ontwikkeling van de credit rating van de onderneming
- Uitgaande van een transactiewaarde van 2,2 mrd zijn door door Standard & Poor's twee gevoeligheidsanalyses uitgevoerd:
  - Scenario I : GU stand alone inclusief de reguliere capex van Euston, 100% dividend pay-out en geheel gefinancierd met regulier vreemd vermogen
  - Scenario II: idem scenario 1 doch 1,2 mrd gefinancierd met regulier vreemd vermogen en 1 mrd middels hybride leningen (langlopend achtergesteld vermogen)
- S&P heeft bevestigd dat in scenario I de rating drukt naar de ondergrens van de targetrange (AA-), en in het geval van scenario II door gebruik te maken van hybride leningen, de rating uitkomt op de gewenste middenlijn van de AA-targetrange (S&P : AA)
- De financiering van de aankoop Euston is middels een bridge financiering van 2.2 mrd gegarandeerd door de banken JPMorgan en ING

Uitgangspunten (1)

Algemeen

- 100% staatsdeelneming
- Geen superdividend, 100% pay-out ratio
- Geen claw back
- Huidige tarief niveau, huidige omzet niveau
- Huidig GU capex-programma
- Entry tarief - exit Zuid-Limburg : Eur 53,50 /// (conform brief Ministerie van Economische Zaken aan Tweede Kamer dd. 29 maart 2007)
- Geen synergie voordelen Euston

Uitgangspunten (2)

Capex-programma Gasunie (Euro's)

- Gereguleerde projecten
  - Gasrotonde noord-Zuid fase 1 — 1.100 mln
  - Aansluiting LNG Terminals — 200 mln
  - N2 Caverne — 110 mln
  - Aansluiting Etzel — 50 mln

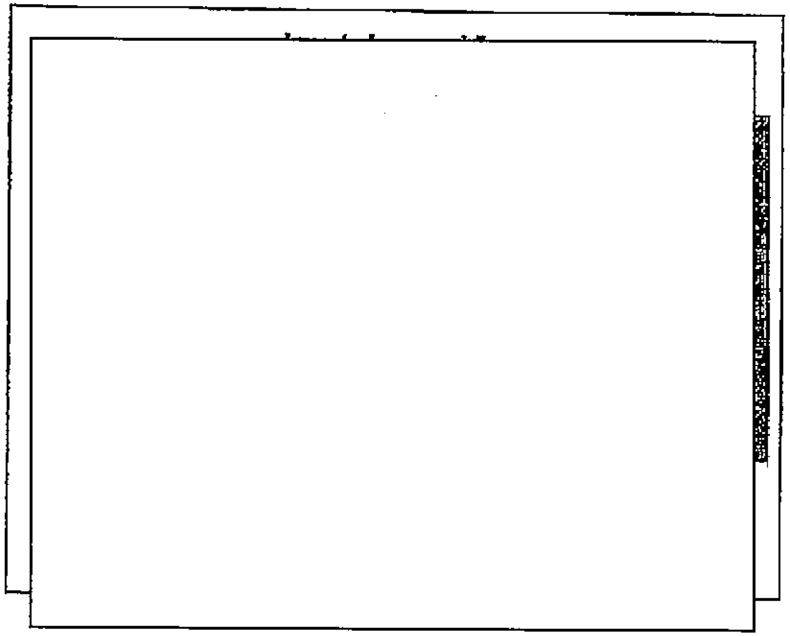
- Jaarlijkse vervangingsinvesteringen GU — 150 mln

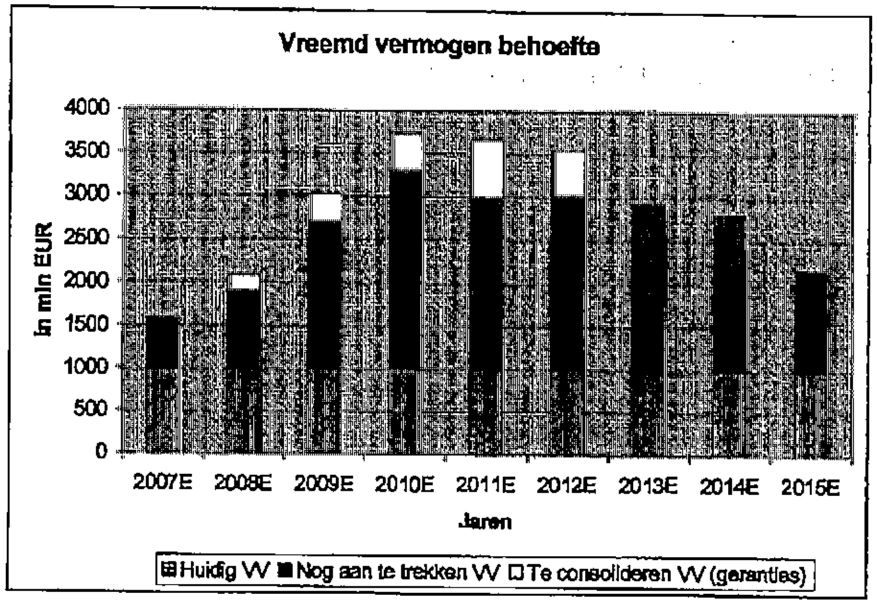
- Niet-gereguleerde projecten
  - BBL 4e compressor
  - Zuidwending 3 cavernes
  - Gate LNG (40% stake, projectfinanciering)
  - Nordstream (9% stake, projectfinanciering)

NB : stake in Gate en Nordstream worden voor het bepalen van de ratingimpact volledig meegenomen (Nordstream alleen gedurende de constructieperiode)

Investeringsuitgaven en vreemd vermogen behoefte (excl Euston)

Capex projecten :
Investeringsspreiding en vreemd vermogen behoefte (stand-alone)





Target rating (1)

Target rating: GU streeft naar een stabiele rating rond de mid AA/Aa categorie **(huidige rating AA+/Aaa)**

Motieven om naar ratingcategorie AA/Aa te streven

- Geloofwaardigheid:
  - Uit de missie/strategie kan de doelstelling van het hebben van sterke en stabiele credit ratings worden afgeleid
  - In het verleden is meermalen uitgesproken in deze categorie te blijven
- Imago:
  - Daling naar lager niveau dan AA/Aa in kort tijdsbestek tast imago van solide en betrouwbare onderneming aan
- Relatie overheid:
  - In geval van een lagere rating is sprake van onevenwichtigheid tussen enerzijds de strategische importantie van Gasunie voor de Staat en de uiteindelijke rating

Target rating (2)

- Toegang financiële markten:
  - Lagere ratings zal leiden tot een hogere pricing van de funding
  - Beschikbaarheid funding zal afnemen hetgeen gezien de toekomstige substantiële financieringsbehoefte niet wenselijk is

- Tegenpartij in projecten:
  - Projecten hebben vaak een langdurig karakter waarbij intensief wordt samengewerkt en vertrouwen van groot belang is
  - Om als interessante projectpartij te worden beschouwd is een solide en betrouwbare uitstraling een 'must'
  - Sterke en <u>stabiele</u> creditratings dragen bij aan deze uitstraling

- Peergroup-analyse:
  - Gemiddelde rating van soortgelijke netwerkondernemingen (o.a. het Deense Energinet en het Noorse Statnett) is AA-
  - Naast dezelfde kenmerken als Gasunie (groot deel opbrengsten gereguleerd e.d.) kennen ook deze ondernemingen substantiële investeringsprogramma's

Scenario's

Door Standard & Poor's is een pre-rating vastgesteld aan de hand van de volgende 2 scenario's:

- Scenario I :
  - Huidig GU-capex programma
  - Acquisitieprijs BEB : Eur 2,2 miljard
  - Jaarlijkse vervangingsinvesteringen BEB : Eur 30 mln
  - Financiering geheel met regulier vreemd vermogen
- Scenario II :
  - Scenario I met gedeeltelijke financiering door middel van achtergestelde hybride leningen (Eur 1,0 mrd)

Resultaten rating: scenario 1 (1)

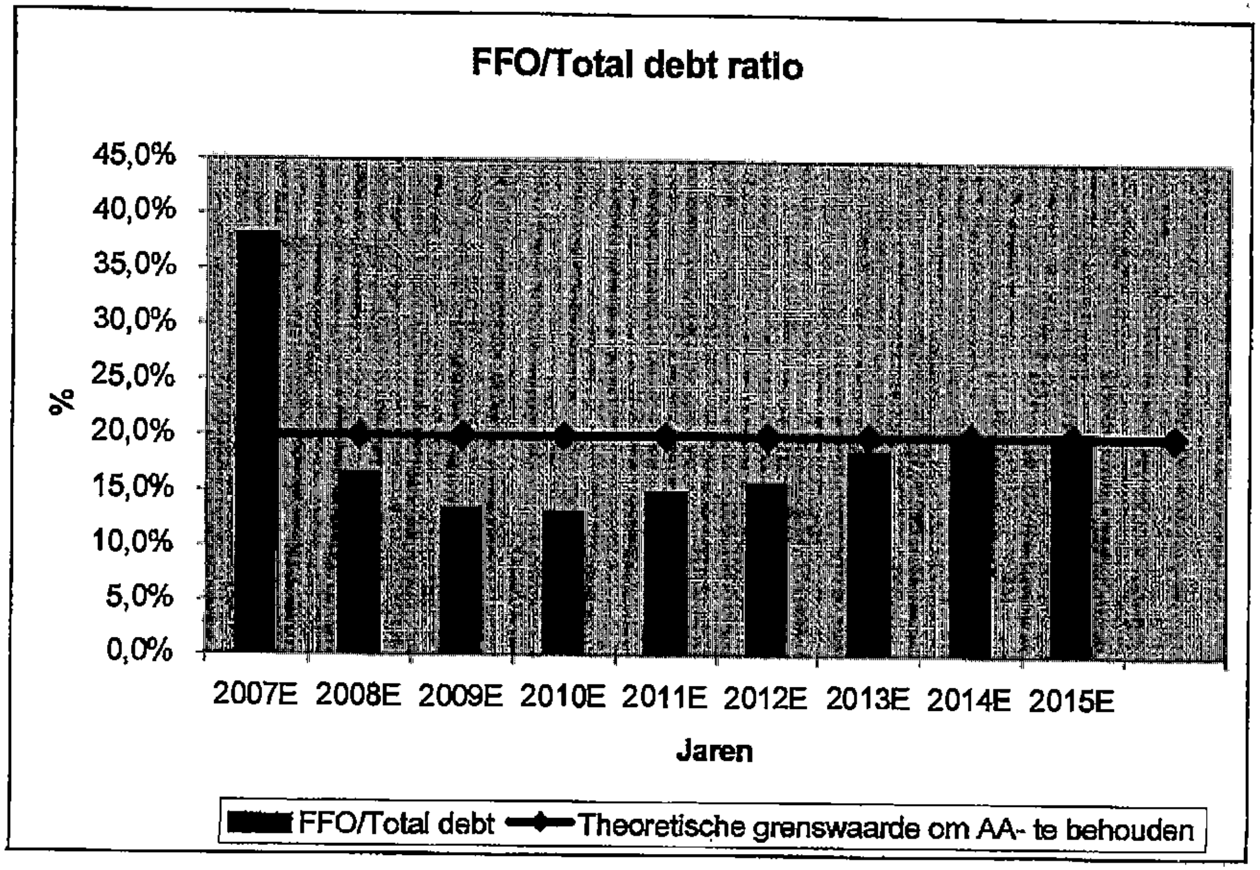
€2.2bn acquisition case, fully debt financed, 100% dividend payout ratio

Guarantees included in debt

			Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj
	dec 2005	dec 2006	dec 2007	dec 2008	dec 2009	dec 2010	dec 2011	dec 2012	dec 2013	dec 2014	dec 2015
S&P											
(FFO + Gross Interest)/Gross Interest	**29,1x**	**16,0x**	**11,1x**	**4,7x**	**4,2x**	**4,1x**	**4,3x**	**4,6x**	**4,8x**	**4,9x**	**5,1x**
(FFO + Net Interest)/Net interest	33,1x	22,2x	11,9x	4,7x	4,2x	4,1x	4,3x	4,6x	4,8x	4,9x	5,1x
FFO/Total debt	**84,2%**	**53,9%**	**38,2%**	**16,7%**	**13,5%**	**13,2%**	**14,9%**	**15,8%**	**18,7%**	**19,6%**	**20,4%**
FFO/Net Debt	87,9%	58,5%	39,3%	16,9%	13,6%	13,3%	15,1%	16,0%	18,9%	19,8%	20,7%
Total debt/EBITDA	1,1x	1,6x	2,3x	4,5x	5,4x	5,5x	4,9x	4,6x	4,0x	3,8x	3,7x
Net Debt/EBITDA	1,0x	1,5x	2,3x	4,5x	5,4x	5,4x	4,8x	4,6x	3,9x	3,7x	3,6x

FFO (Funds From Operations): Netto winst uit gewone bedrijfsvoering vermeerderd met afschrijvingen, amortisatie, latente belastingverplichtingen, overige niet-kasposten. Verschil EBITDA en FFO is gelijk aan (niet latente) belastingverplichtingen en rentelasten

Resultaten rating: scenario 1 (2)



Resultaten rating: scenario 1 (3)

- Conclusie :
  - De voor de rating kritische financiele ratio is voor GU de FFO/Total debt ratio
  - FFO/Total debt ligt in periode 2008-2013 onder het door S&P gehanteerde minimum voor de AA-categorie
  - Stand-alone rating is door S&P vastgesteld op A+. De recovery tijd acht S&P onvoldoende voor een stand-alone rating in de AA-categorie
  - S&P beoordeelt toch met AA- rating omdat zij thans de relatie met de Staat meeweegt (geen privatiseringsplannen).
  - Geen ruimte voor superdividend bij AA target rating (theoretische grenswaarde wordt al geraakt/doorbroken)
  - De uitkomst van de rating van S&P veronderstelt wel een aanpassing van de pay-out ratio
  - Additionele investeringen dienen deels gefinancierd te worden middels ingehouden winst en hybride leningen

Scenario II

€2.2bn acquisition case, incl. €1.0bn hybrid, 100% dividend payout ratio

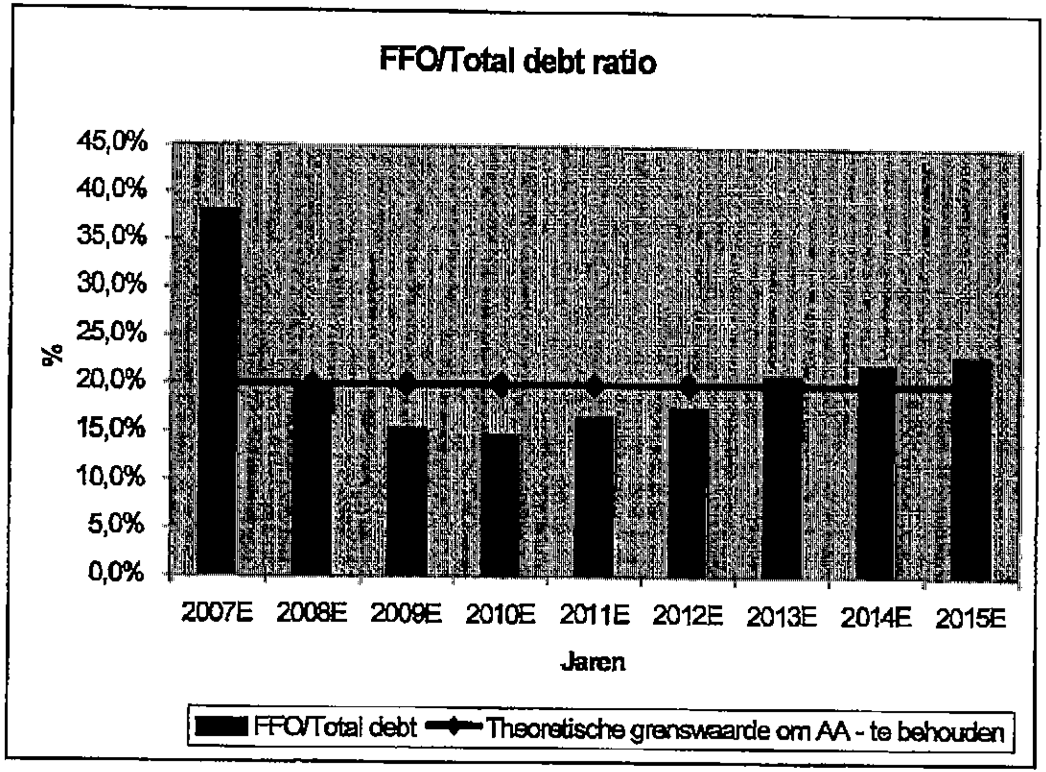
Guarantees included in debt

[redacted]

				Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj
		dec-2005	dec-2006	dec-2007	dec-2008	dec 2009	dec 2010	dec 2011	dec 2012	dec 2013	dec 2014	dec 2015
S&P												
(FFO + Gross Interest)/Gross interest		**29,1x**	**16,0x**	**11,1x**	**5,3x**	**4,6x**	**4,4x**	**4,7x**	**5,0x**	**5,2x**	**5,3x**	**5,5x**
(FFO + Net Interest)/Net interest		33,1x	22,2x	11,9x	5,3x	4,6x	4,4x	4,7x	5,0x	5,2x	5,3x	5,5x
FFO/Total debt		**84,2%**	**53,9%**	**38,2%**	**19,4%**	**15,4%**	**14,8%**	**15,7%**	**17,7%**	**21,1%**	**22,1%**	**23,1%**
FFO/Net Debt		87,9%	58,5%	39,3%	19,7%	15,5%	14,9%	16,9%	17,9%	21,4%	22,4%	23,4%
Total debt/EBITOA		1,1x	1,6x	2,3x	4,0x	4,9x	5,0x	4,5x	4,3x	3,6x	3,4x	3,3x
Net Debt/EBITOA		1,0x	1,5x	2,3x	4,0x	4,9x	5,0x	4,4x	4,2x	3,5x	3,4x	3,3x

FFO (Funds From Operations): Netto winst uit gewone bedrijfsvoering vermeerderd met afschrijvingen, amortisatie, latente belastingverplichtingen, overige niet-kasposten. Verschil EBITDA en FFO is gelijk aan (niet latente) belastingverplichtingen en rentelasten

Scenario II


FFO/Total debt ratio
45,0%
40,0%
35,0%
30,0%
25,0%
20,0%
15,0%
10,0%
5,0%
0,0%
%
2007E 2008E 2009E 2010E 2011E 2012E 2013E 2014E 2015E
Jaren
FFO/Total debt
Theoretische grenswaarde om AA - te behouden

Scenario II

- Conclusie :
  - FFO/total debt ligt in periode 2009-2012 onder het door S&P gehanteerde minimum voor de AA categorie. Op basis hiervan heeft S&P de stand-alone rating vastgesteld op AA-.
  - Met meeweging van de relatie met de Staat heeft S&P de GU-rating vastgesteld op AA rating.
  - Geen ruimte voor superdividend bij AA target rating (theoretische grenswaarde wordt al geraakt/doorbroken)
  - De uitkomst van de rating van S&P veronderstelt wel een aanpassing van de pay-out ratio
  - Additionele investeringen dienen deels gefinancierd te worden middels ingehouden winst en hybride leningen

Euston : financiering

Financiering van de aankoop Euston is gegarandeerd middels een bridge faciliteit verleend door de JP Morgan en ING

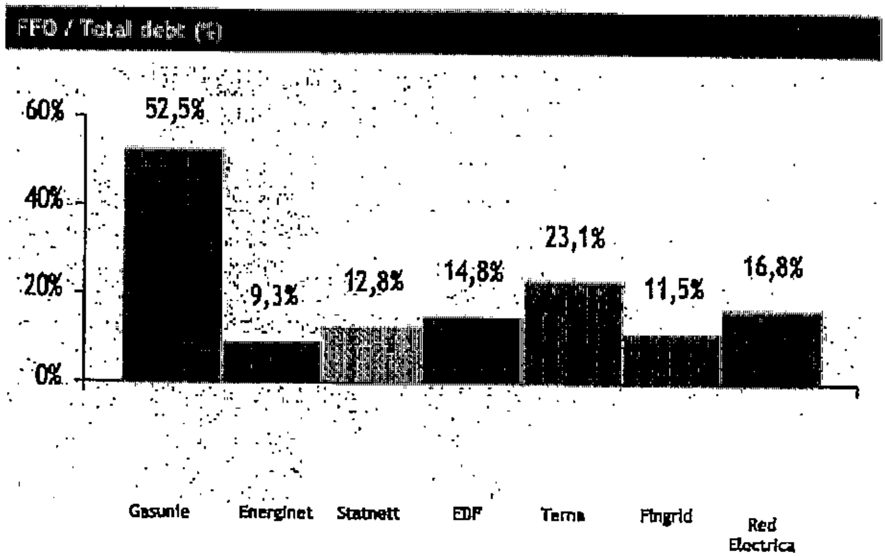
Financieringstrategie:

- Gecommitteerde bridge faciliteit
  - Bedrag : Eur 2,5 mrd
  - Beschikbaarheid : tot eind 2008
  - Beschikbaar gesteld door JP Morgan en ING Bank (plus evt. ABN Amro Bank)
  - Trekking bij tekenen Share Purchase Agreement : 10% van bid

- Zogenaamde "take-out financiering" bij closing transactie :
  1. Achtergestelde hybride obligatielening : geldt voor rating agencies gedeeltelijk als eigen vermogen, geldt fiscaal als vreemd vermogen
     - Bedrag : Eur 1 mrd
     - Looptijd : 60 jaar
     - Herfinancieringsoptie Gasunie : na 10 jaar
  2. Reguliere obligatielening
     - Bedrag : Eur 1,2 mrd
     - Looptijd : 10 jaar

Bijlage 1 : Peer group European transmission companies

	Gasunie	Energinet.dk	Statnett	EDF	Terna		Red Eléctrica de España
S&P	AA+/Stable	AA+/Stable	AA/Stable	AA-/Stable	AA-/Stable	AA-/Stable	AA-/Stable
Moody's	Aaa/Stable	NR	Aa3/Stable	Aa1/Stable	Aa3/Stable	Aa3/Stable	A2/Stable
Financial policy (S&P)	Moderate	Aggressive	Aggressive	Moderate	Moderate	Aggressive	Moderate
Business risk profile (S&P)	1	2	2	4	3	1	2



Source: S&P, Moody's
Note: Ratings as of October 1, 2007; Data relates to YE December 2006 for all

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STANDARD
&POOR'S

Gasunie Debt investering

Ratings Services
20 Canada Square
Canary Wharf
London E14 5LH
+44 (0)20 7176 3800 Tel
+44 (0)20 7176 7007 Fax

6th November 2007

Henk Chin Sue
N.V. Nederlandse Gasunie
P.O. Box 19
9700 MA Groningen
The Netherlands
Concourslaan 17

Dear Mr. Chin Sue

Thank you for requesting Standard & Poor's Rating Evaluation Service (RES) to provide you with feedback on the potential ratings impact for N.V. Nederlandse Gasunie of a potential acquisition of Euston 1 and Euston 2, using two different financing scenarios. Standard & Poor's has reviewed the specific scenarios you have provided and the following is a summary analysis reflecting our Rating Evaluation committee response.

N.V. Nederlandse Gasunie Existing Ratings

Corporate Credit Rating:	AA+/Stable/A-1+ *(Stand-Alone of AA plus one notch for extraordinary support)*
Senior Unsecured:	AA+
Senior Secured:	N/A

RES Outcome

Base case CCR: AA- (Stand-alone A+ plus one notch for extraordinary support)
Scenario 1 CCR: AA (Stand-alone AA- plus one notch for extraordinary support)

Upon N.V. Nederlandse Gasunie's announcement that it has signed a definitive agreement to acquire Euston 1 and 2, Standard & Poor's would expect to respond with a public research update indicating, to the extent possible, the implications for the existing corporate credit and issue ratings. The specificity of our comments regarding the ratings would depend on the availability of definitive information regarding the acquisition and financing plan. Assuming that N.V. Nederlandse Gasunie had made a final decision regarding the proposed financing plan, and that plan was consistent with one of the scenarios below, we would indicate the rating conclusions as detailed above in our external communication.

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General Perspective:
Factors supporting Gasunie's credit quality and ratings are:

- The low-risk, regulated natural gas transmission operations are expected to continue to produce a steady revenue stream. While Gasunie has had to make tariff cuts over the past three years, it is expected that from 2008 tariffs will marginally increase.
- Gasunie's financial profile is underpinned by solid cash flows from the regulated transmission business. Funds from operations (FFO) to total debt and FFO total interest coverage are expected to remain relatively strong, and to stay above 20% and 6x, respectively.
- The ownership structure, with N.V. Nederlandse Gasunie 100% owned by the State of Netherlands and the fairly remote likelihood of privatization, which was confirmed in a conference call with a representative of the Dutch Ministry of Finance on 29 October 2007
- The ratings incorporate a one-notch uplift for support from the State of the Netherlands (AAA/Stable/A-1+) in view of the low privatization risk, allied with the assumed high level of strategic importance of the gas grid to the Dutch state.

These strengths are slightly offset by Gasunie's expanding geographic focus. Standard & Poor's also note that Gasunie has several large ongoing and planned projects within the Gasroundabout concept and is expected to spend about EUR 1.1 billion on pipelines and installations over the next five years. Focus on security of supply will also result in investments in LNG terminals and gas storage, as well as in the Nordstream pipeline. Due to the large capital expenditure program, Gasunie's debt is projected to increase, whereby credit metrics will weaken. While state support is a positive factor for Gasunie, Standard & Poor's also note that the Dutch state sees Gasunie as underleveraged. While dividend policy and shareholder expectations are expected to be governed, to some extent, by increasing capital expenditures, we expect the dividend payout to be adjusted to accommodate investments and ensure that FFO to debt do not decline below 20%.

RES - Prospective Acquisition of Euston 1 and Euston 2 With Two Different Financing Scenarios
Base case:
100% acquisition of the targets for €2.2bn, fully debt funded. The acquisition would be financed with a 1-year committed bridge loan (committed by the time of final bid on 9 November 2007), which would be taken-out through a senior unsecured debt capital markets issue.
Scenario 1:
100% acquisition of the targets for €2.2bn, €1.0 bn hybrid financed (50% equity credit), €1.2bn senior debt. The acquisition would be financed with a 1-year committed bridge loan (committed by the time of final bid on 9 November 2007), and issue of new hybrid bond as well as senior debt.

Key assumptions:
The JP Morgan model and its assumptions have not been reviewed by Standard & Poor's. Standard & Poor's has received the model outputs and have based our decisions on this output. If any of the model outputs turn out to be inaccurate and Standard & Poor's deems this or these inaccuracies to be material, this could impact our decisions.

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As per the guidance from JPM and Gasunie we have assumed that for scenario 1 the presented hybrid instrument would meet Standard & Poor's criteria for hybrid instruments and would receive 50% equity credit.

We have assumed that the Dutch State will continue to be supportive of Gasunie and that the acquisition if it were to proceed will not weaken the commitment of the Dutch State to Gasunie nor will it increase the risk of privatisation of Gasunie. We also assume no special dividends or any other extraordinary return of capital to shareholders.

We have assumed that the new regulatory framework is as presented in summary form to Standard & Poor's in Slide 13 of the presentation dated October 23rd 2007.

Acquisition rationale:
In view of the depletion of gas reserves across the EU, allied with the increasing share of gas in the EU energy mix, gas import dependency and security of supply have assumed increasing importance. Many European gas transmission and system operators are investing in interconnections, gas storage facilities and LNG terminals to increase system flexibility, capacity and pan EU interconnections. For Gasunie, it is also of high importance to maintain a strong position in the Netherlands and in the wider European gas markets. In addition to large investments in interconnections and gas storage, the company is therefore looking to expand its transmission network across the borders and is currently participating in the bidding process for two gas transmission companies, Euston 1 and Euston 2 in Germany. Both companies are a good strategic fit to Gasunie, and geographically placed next to Gasunie's existing transmission network, on the other side of the German border. These transmission lines (connected geographically as well as operationally) would connect Gasunie to Germany's gas production facilities and to the international pipelines from Denmark, Norway and the Netherlands.

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Description of the target:

Overview of assets

Euston 1

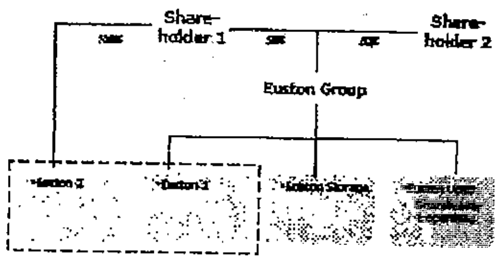
- Euston 1 is the transportation division of Euston Group
- Supra-regional transmission system (North Germany)
  - Over 3,000km of pipeline with H and L gas capacity
  - Connection to Germany's gas production facilities and international pipelines from Denmark, Norway and The Netherlands
  - Over 30 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

[illegible]

- 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
* Excluding income from associates and standalone additional costs of €5.5–7.0mn as per Information Memorandum

Impact of Acquisition on Business Risk and Financial Risk (through higher debt and leverage and weaker earnings mix) Profile

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

Credit Metrics

	Dec-2006	Dec-2007	Dec-2008	Dec-2009	Dec-2010	Dec-2011
(FFO + Gross Interest)/Gross interest	**16.0x**	**11.1x**	**4.7x**	**4.2x**	**4.1x**	4.3x
(FFO + Net Interest)/Net interest	22.2x	11.9x	4.7x	4.2x	4.1x	4.3x
FFO/Total debt	**53.9%**	**38.2%**	**17.5%**	**14.4%**	**14.3%**	**17.0%**
FFO/Net Debt	58.5%	39.3%	17.7%	14.6%	14.4%	17.2%
Total debt/EBITDA	1.6x	2.3x	4.3x	5.1x	5.0x	4.3x
Net Debt/EBITDA	1.5x	2.3x	4.3x	5.0x	5.0x	4.2x

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Scenario 1: 100% acquisition of the target for €2.2bn, financed with €1.0bn hybrid and €1.2bn senior debt

Credit Metrics

	Dec-2006	Dec-2007	Dec-2008	Dec-2009	Dec-2010	Dec-2011
(FFO + Gross Interest)/Gross interest	**16.0x**	**11.1x**	**5.3x**	**4.6x**	**4.4x**	**4.7x**
(FFO + Net Interest)/Net interest	22.2x	11.9x	5.3x	4.6x	4.4x	4.7x
FFO/Total debt	**53.9%**	**38.2%**	**20.5%**	**16.6%**	**16.1%**	**19.2%**
FFO/Net Debt	58.5%	39.3%	20.7%	16.7%	16.3%	19.4%
Total debt/EBITDA	1.6x	2.3x	3.8x	4.6x	4.6x	3.9x
Net Debt/EBITDA	1.5x	2.3x	3.8x	4.5x	4.5x	3.8x

We believe that the acquisition would increase both business risk and financial risk and consider that the corporate credit rating should be lowered by two notches to AA- in the Base Case (being a stand-alone rating of A+ and a one notch uplift for assumed extraordinary state support) and by one notch to AA in Scenario 1 (being a stand-alone rating of AA- and a one notch uplift for assumed extraordinary state support). In the Base Case, we would require that a minimum level of FFO: Total Debt of about 13% be maintained, assuming no change in Gasunie's business risk profile. In Scenario 1, we would require that a minimum level of FFO: Total Debt of 15% be maintained, assuming no change in Gasunie's business risk profile.

The lower ratings in the RES base case and Scenario 1 – compared to Gasunie's current ratings - would reflect in general the higher financial risk due to the debt funding of the acquisition. The differential outcome between the base case and Scenario 1 reflects the fact that the Eur 2.2 billion deal would be 100% debt financed (in the Base Case) or financed with a combination of senior debt and a hybrid issue and as a consequence Gasunie's absolute level of senior debt, leverage and credit protection measures would be weaker in the Base Case than Scenario 1.

While we feel that the acquisition makes strategic sense and would have relatively low integration risk for Gasunie, we believe that the consolidated business risk of Gasunie would marginally weaken if it were to acquire Euston as the potential to generate synergies may be limited by the legal and regulatory requirement to maintain separate network companies - it is assumed that no synergies can be generated – while Euston is a smaller and less diversified company than current Gasunie. Gasunie would however generate some business benefit through diversification and the overall impact on business risk is not deemed to be significant. As such, the main driver of the lower assumed ratings outcomes is the increased financial risk.

While the acquisition of Euston could at the margin reduce the incentive for the Dutch State to provide extraordinary support for Gasunie in case of financial need – given the lesser strategic importance and hence lower incentive for the Dutch State to support non-Dutch rather than Dutch assets – we believe that it would still be appropriate to factor in one notch uplift for extraordinary support as Gasunie would still remain a strategically important company for the Dutch State and one whose earning and assets would continue to be predominantly domestic.

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Should you have questions, please do not hesitate to contact either r or myself.

Yours sincerely,

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RATINGSDIRECT®

Research Update:

Gas Company N.V. Nederlandse Gasunie 'AA+/A-1+' Ratings Affirmed; Outlook Stable

Primary Credit Analyst:

Secondary Credit Analysts:

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Research Update:

Gas Company N.V. Nederlandse Gasunie 'AA+/A-1+' Ratings Affirmed; Outlook Stable

Rationale

On Nov. 6, 2007, Standard & Poor's Ratings Services affirmed its 'AA+' long-term and 'A-1+' short-term corporate credit ratings on Netherlands-based gas company N.V. Nederlandse Gasunie (Gasunie). The outlook is stable.

The affirmation reflects both weaker stand-alone credit quality and the incorporation of a one-notch uplift for state support. A heavy capital investment program in the domestic "Gasroundabout" project will result in a weakening of Gasunie's stand-alone credit quality, which we now deem to be at the 'AA' rating level. Nevertheless, the ratings now incorporate a one-notch uplift for support from the State of The Netherlands (AAA/Stable/A-1+) in view of a substantially reduced risk of privatization, allied with the gas grid's continued assumed high level of strategic importance to the Dutch state.

The stand-alone ratings on Gasunie continue to reflect the company's highly predictable cash flows derived from low-risk, regulated gas transmission operations. Although Gasunie has had to make tariff cuts over the past three years, under the proposed new regulatory framework we expect that tariffs will marginally increase from 2008. These strengths are offset by Gasunie's expanding geographic focus, through its involvement in the Balgzand-Bacton Line and Nordstream pipelines for example, and its significant medium-term capital expenditure program. Investments in nonregulated activities such as liquefied natural gas terminals, gas storage facilities, and international pipelines are expected to result in a marginally weaker business risk profile, while the size of the investment program over the next three years will materially weaken the company's financial risk profile.

Gasunie owns The Netherlands' gas transmission grid. Nearly all its cash flows come from regulated network operations. The capital expenditure program aims to increase throughput revenues for the company's main network, and capitalize on its strategic proximity to northwest European gas production facilities and gas-consuming markets.

Gasunie's financial profile is underpinned by solid cash flows from the regulated transmission business. Capital expenditures will be significant in the short to medium term, however, resulting in increasing debt and weakening credit metrics. Although no longer commensurate with a 'AA+' stand-alone rating, funds from operations (FFO) to total debt and FFO total interest coverage are expected to remain relatively strong, and are expected to stay above 20% and 6x, respectively. Dividend policy and shareholder expectations will be governed, to some extent, by increasing capital expenditures, but we expect the dividend payout to be adjusted to accommodate investments and ensure that FFO to debt does not decline below 20%.

Liquidity

Gasunie should maintain adequate liquidity over the short term, reflecting stable, predictable net cash flows (FFO less dividends); its very strong credit quality (and that of its shareholder, the Dutch state); and modest short-term debt maturities. We expect Gasunie to fund its capital expenditure needs and to cover potential negative free operating cash flow with external borrowings. The company has €250 million in undrawn committed bank lines until March 2008, which is expected to roll over annually. It also has the option to draw up to €100 million on current account overdraft facilities.

Outlook

The stable outlook reflects Gasunie's relatively strong risk profile and its strategic importance to the Dutch state, as well as our expectations that the new regulatory framework will be more favorable. The ratings on Gasunie could be raised if its business profile remains focused on regulated operations and its financial risk profile strengthens. Conversely, the ratings could be lowered if the company's credit ratios weaken significantly beyond our current expectations, or if its business risk profile weakens due to investments in nonregulated activities. The ratings could also be lowered if Gasunie is deemed to be of less strategic importance to the Dutch state, or if privatization risk increases.

Ratings List

Corporate credit rating   AA+/Stable/A-1+

NB: This list does not include all ratings affected.

Additional Contact:
Infrastructure Finance Ratings Europe;InfrastructureEurope@standardandpoors.com

Ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. It can also be found on Standard & Poor's public Web site at www.standardandpoors.com; select your preferred country or region, then Ratings in the left navigation bar, followed by Credit Ratings Search. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office Hotline (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4017. Members of the media may also contact the European Press Office via e-mail on: media_europe@standardandpoors.com.

Case Notes

NMF1
6-11-2007
Summary presentation storyline for NMF

- Executive summary

- Introduction
  - Introduction to the case
  - Documents reviewed / management people met
  - Findings are subject to significant uncertainties

- Review of process
  - Framework for approaching the case
  - Summary of decision aspects (e.g. process, strategy, finance, deliverability. policy, economy) 2 pages
  - Absence of commercial due diligence process
  - Level of iteration in the period close to submission
  - Deliverability risks

- Rationale for the transaction
  - Alignment with current strategy:
    - Gasunie's current strategy
    - Fit of proposed transaction process with the above
  - Commercial value
    - Structure of NPV Model
    - Issues with NPV model
    - Uncertainties regarding the likely tariff regime
    - Euston cost base - lowest costs in Germany
    - NPV Model – Key Drivers and Assumptions
    - WACC assumptions
    - Bid Value
    - Sensitivities
    - Asset pricing
    - Synergies
  - Strategic benefits:
    - Strategic rationales for acquiring Euston
    - Enabling of "Gas Roundabout"
    - Pipeline Utilisation
    - Low Calorie Gas Demand
    - Estimates of Strategic benefits to the Company
    - Estimates of Strategic benefits to the State
    - Concerns that the benefits of this transaction have not been assessed in detail or considered as an integral part of the bidding process

    - Valuation – explanation of how various elements (asset value, synergies, strategic rationale) build up

- Financing structure
    - Deal structure
    - Post-merger credit rating
    - Existing capex commitments
    - Financial impact of dividend payment
    - Impact of harder than expected regulation

- Summary

Bijlage 3

ministerie van Financiën

Directie Financieringen

Heden

ter beslissing

SPOED J/N

OPENBAAR J/N

Notitie

Auteur	7/11
Notitienummer	Fin 2007-00700
Datum	7 november 2007
Rubriek	A.74 Gasunie NV
Onderwerp	**Overname BEB/EMGTG door Gasunie**
Bijlage(n)	Fin 2007- 00653, Fin 2007- 00586, reguleringsheet, waarderingsheet, voorstel dividend
Aan	Minister
Via	Secretaris-Generaal 7/11 Thesaurier Generaal Dir. Financieringen 7/11
Van	Governance en Deelnemingen 7/11

Aanleiding

U bent in een eerder stadium geïnformeerd over een mogelijke overname van BEB/EMGTG (BEB) door Gasunie (zie bijgevoegde notitie 653). Indien voor de overname toestemming wordt gegeven door de aandeelhouder, zal Gasunie op 9 november een bindend bod uitbrengen.

Advies

Wij adviseren u om in te stemmen met een maximum overnamebod van € 2.225 miljoen. Bij dit bedrag is er o.i. een acceptabele verhouding tussen risico's en strategische baten. Enerzijds is er het risico dat het Duitse reguleringsregime tegen zal vallen waardoor toekomstige tarieven lager zullen uitvallen en er gegeven het huidige bod van Gasunie dus overbetaald zal gaan worden. Anderzijds zijn de strategische voordelen die Gasunie en de "B.V. Nederland" door deze acquisitie genieten. Naast de strategische voordelen die Gasunie en Nederland beide genieten, zoals marktkoppeling, leveringszekerheid en extra aanvoerlijnen van gas, is voor de "B.V. Nederland" van belang dat de afzetmarkt voor het Nederlandse gas (dat in calorische waarde afwijkt van Russisch en Noors gas) in stand wordt gehouden. Het is overigens niet zeker dat indien Gasunie het netwerk niet in handen krijgt deze voordelen niet zullen optreden, maar eigendom van BEB en daarbij horende vervolginvesteringen verzekeren Gasunie wel van deze voordelen. Overigens zij het opgemerkt dat de kans gering is dat er binnen afzienbare tijd een netwerk van vergelijkbare aard (qua geografie en techniek) te koop wordt aangeboden. Alhoewel de risico's in dit bod zeker niet afwezig zijn, is de overnamesom niet agressief. We hebben aangegeven te verwachten dat de RvB zal aftreden als de overname zijn strategische waarden niet zal weten te realiseren.

Beslispunt

Gaat u hiermee akkoord?

Toelichting

Inleiding

Het Duitse gasnetwerk BEB is gelegen in Noordwest Duitsland en sluit direct aan op het Nederlandse Gasunie netwerk. Het netwerk bestaat uit 3000 km pijpleiding (een kwart van Gasunienetwerk) en het lijkt qua lay-out sterk op het Nederlandse net. Dit komt doordat de bouwers en huidige eigenaren Shell en Exxon/Mobil zowel aan het Nederlandse gasnetwerk als aan het BEB netwerk hebben meegebouwd.

Stand van zaken

Gasunie heeft in de eerste ronde een indicatief bod gedaan op grond waarvan het tot de tweede ronde is doorgedrongen. In de tweede ronde zal Gasunie een bindend bod doen waarmee het tracht om tot de finale ronde door te dringen waarna Gasunie exclusieve onderhandelingen met de verkopende partijen kan gaan voeren. De kans dat zo'n soort netwerk nogmaals te koop wordt aangeboden is vrij klein.

Strategische ratio

De overname is in lijn met de strategische doelen die Gasunie heeft gesteld, nl. leveringszekerheid, uitbreiden van transmissieactiviteiten en het aantrekken van nieuwe gasstromen. Daarnaast past de acquisitie binnen het beleid van EZ m.b.t. de gasrotonde. De acquisitie kan op steun rekenen van EZ aangezien deze zal bijdragen aan meer leveringszekerheid door directe aansluiting van Gasunie op de Noorse aanvoerlijn. Voorts zijn er meer mogelijkheden om in de toekomst meer gasstromen aan te trekken. Overigens heeft Noorwegen onlangs besloten om geen gaspijpleiding naar Nederland aan te leggen, waardoor er nu nog slechts een aanvoerlijn loopt. Verder komt Nordstream, de pijpleiding van Rusland naar Duitsland waar Gasunie voor 9 % in gaat deelnemen, binnen de invloedsferen van Gasunie te liggen. Voor directe aansluiting zijn echter nog vervolginvesteringen vereist. Daarnaast is de verwachting dat Gasunie wanneer het eigenaar wordt van BEB de huidige "bottlenecks" in marktkoppeling tussen Nederland en Noordwest Duitsland eenvoudiger kan oplossen. Concluderend: de aansluitingen zullen zorgen voor een grotere liquiditeit van de gasmarkt en kunnen dus een drukkend effect op de gasprijzen hebben. Door meer liquiditeit kan de gebruikte capaciteit van het Gasunie netwerk hoger liggen en dit heeft meer inkomsten tot gevolg.
Verder zou door een overname van BEB door Gasunie de eerste eigendomsplitsing voor een Duits energiebedrijf een feit zijn. Dit kan mogelijk een nieuwe impuls betekenen voor de huidige impasse m.b.t. splitsing energiebedrijven in Europa. Nederland steunt de eigendomssplitsing van energiebedrijven binnen Europa.

Een van belangrijke motieven voor de "B.V. Nederland" is dat met acquisitie van BEB door Gasunie de afzetmarkt voor zogenaamd Groninger gas (Laagcalorisch-gas), dat in calorische waarde afwijkt van het gas dat uit Noorwegen en Rusland (Hoogcalorisch-gas) wordt geïmporteerd, langer in stand houdt. Het BEB netwerk bestaat uit L-gas en H-gas pijpleidingen. De huidige aandeelhouders Shell en Exxon/Mobil produceren momenteel L-gas uit kleine aardgasvelden in Duitsland. Deze productie loopt de komende jaren terug en dus kan er een afzetmarkt voor het Groninger gas ontstaan. Op korte termijn is het ook in het belang van Shell en Exxon/Mobil om de L-gas afzetmarkt in Duitsland in stand te houden. Ook op middenlange termijn is het in het belang van Shell en Exxon/Mobil om de L-gas markt in stand te houden, aangezien beide partijen samen met de Nederlandse Staat aandeelhouder zijn in GasTerra dat inkomsten genereert uit de Groninger gasbel en de kleinere velden in Nederland. Er is een risico dat eventuele andere kopers het netwerk zullen ombouwen naar een volledig H-gas netwerk en dat zou het Nederlandse gas minder courant maken en dus een waardevermindering van de gasvoorraden tot gevolg hebben.

Een ander aspect is dat BEB volgens Gasunie momenteel het meest efficiënt opererende supra regionale netwerk in Duitsland is. Gasunie denkt van de operationele efficiëntie van BEB te kunnen leren en dit te kunnen vertalen naar het Nederlandse net. Dit kan kostenbesparingen voor Gasunie opleveren.

<u>Opbouw van het bod (zie bijlage waardering)</u>

Gasunie zal een bod uitbrengen op BEB ter waarde van € 2.225 miljoen. De zogenaamde stand alone prijs van BEB bedraagt € 2.000 miljoen. Dit is de huidige contante waarde (NPV) van de toekomstige kasstromen van BEB. De combinatie van Gasunie en BEB zal naar verwachting significante synergievoordelen opleveren voor beide partijen, aangezien de technische karakteristieken van beide netwerken grote overlap vertonen en BEB gezien wordt als de meest efficiënte onderneming binnen deze bedrijfstak. De waarde van deze synergieën wordt conservatief ingeschat op € 100 miljoen waarbij er van wordt uitgegaan dat de Nederlandse en Duitse regulator een deel van de potentiële synergieën zal afromen. Andere potentiële upsides, zoals meer grensoverschrijdend transport van L en H gas, het verkrijgen van toegang tot mogelijke gasopslaglocaties in Duitsland en de betere positionering wanneer op Europese schaal reguleringen worden doorgevoerd, zijn gewaardeerd op circa € 100 miljoen.

<u>Grootste risico's (zie bijlage regulering)</u>

Het grootste risico vormt het toekomstige reguleringsregime in Duitsland. De Duitse regulator is bezig met een herziening van het reguleringskader. Er zijn door Gasunie verschillende reguleringsscenario's uitgewerkt. Hieruit is het meest aannemelijke scenario genomen waarop de zogenaamde stand alone basis van de activa gebaseerd is. Ondanks dat onzekerheden over het toekomstige reguleringsregime niet volledig kunnen worden uitgesloten, en de waarde van de activa in een low case scenario ongeveer € 800 miljoen lager kan uitkomen, is het realistisch om uit te gaan van dit nog "conservatieve" scenario.

Het gekozen scenario gaat uit van een daling in de tariefstelling tussen 2012-2017 van 10 %, terwijl de regulator uitgaat van stabiele prijzen. Uit informele gesprekken met de Duitse regulator (Bundesnetzagentur) is gebleken dat het onwaarschijnlijk wordt geacht dat het strengste reguleringsregime zal worden geïmplementeerd. Een schriftelijke bevestiging hiervan wil de Bundesnetzagentur niet verstrekken.

Het risico van de Duitse regulering is niet verdisconteerd in de standalone value van BEB (€ 2.000 miljoen). Daar staat tegenover dat synergieën en business opportunities conservatief worden ingeschat, hoewel de berekeningen hiervan summier zijn onderbouwd.

Financiering

Gasunie gaat de overname volledig met vreemd vermogen financieren. Het zal de overnamesom op de kapitaalmarkt aantrekken in de vorm van bankleningen. Vooralsnog zal Gasunie geen partner zoeken, maar indien dit op in een later stadium alsnog wordt overwogen is het uitgangspunt dat Gasunie een meerderheidsbelang nastreeft.

Gevolgen voor (super)dividend

Gasunie staat op de lijst van deelnemingen die in aanmerking komen voor herfinanciering. In de meest recente update (zie notitie 586) over herfinanciering van deelnemingen werd reeds aangegeven dat de investeringsplannen van Gasunie de mogelijkheid tot uitkering van superdividend kunnen beperken. Naast de potentiële acquisitie van BEB/EMGTG staan investeringsprojecten in LNG, Nordstream, Zuidwending en in het Nederlandse netwerk op stapel.

Deze projecten worden vooralsnog gefinancierd door middel van bankleningen. Gecombineerd leiden deze projecten tot een sterke stijging van de gearing (schulden als deel van de balanswaarde) van Gasunie en een verslechterde verhouding van free cash flows en renteverplichtingen. Gasunie zal op indicatie van Standard and Poor's een aantal 'notches' dalen wat betreft credit rating van AAA tot AA-. Voorwaarde daarbij is dat de dividend pay-out ratio lager dan de huidige 100% wordt en dat een superdividend in de jaren van zware investeringen uitblijft.

Indien toch wordt vastgehouden aan een 100% dividend payout ratio kan dit leiden tot een lagere rating dan AA- als nagestreefd door Gasunie management. Gezien de target rating van Directie Financieringen voor niet-financiële staatsdeelnemingen van single A, is een verdere daling van de credit rating niet onoverkomelijk. Bij het stellen van dividendseisen moet wel in het achterhoofd gehouden worden dat een te snelle daling van de credit rating de reputatie van Gasunie als betrouwbare investeringspartner in het geding kan brengen. Een superdividend uitkering door Gasunie tijdens de jaren van omvangrijke en deels reeds goedgekeurde investeringen (met name 2008-2011), zou de credit rating naar verwachting zwaar onder druk zetten. In de bijlage vindt u een voorstel van de dividendramingen van Gasunie. We zullen hierover nog in overleg met Gasunie treden.

Acquisitie van BEB/EMGTG verhoogt de gearing van Gesunie aanzienlijk, maar levert op relatief korte termijn een positief net income op (€26m in 2010 stijgend tot €65m in 2017), dat direct te vertalen is in een extra dividendbijdrage.

Accountability van management

Financiën houdt management verantwoordelijkheid voor de financiële resultaten van de acquisitie en het maximaal bewerkstelligen van de aangegeven synergieën. Deze "accountabilityclausule" zal z.s.m. worden uitgewerkt indien de deal doorgaat. Dit betekent natuurlijk geen financiële garantie of achtervang door de Staat, maar betekent wel dat wij nu vooraf reeds aangeven dat wij niet zullen schromen het bestuur aan te spreken op eventuele verkeerde inschattingen en/of matige implementatie van de plannen. Mogelijk zullen we dan aandringen op het aftreden van de raad van bestuur.

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