

# A chain of power



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Belief in the energy chain also brought success to Essent in the first half of 2006. It is no coincidence that Essent has such a strong presence in the four links of the chain: from the generating of energy through wholesaling and infrastructure to sales to end-users.

The successful integration of all sections defines Essent: a well-equipped organisation that feels at home everywhere in society, one that wants to give people the products and services they demand. Whether that is the energy itself, or the contribution Essent can make to solving current and future social issues. Indeed, Essent attaches great value to Corporate Social Responsibility.



That is why this interim statement also contains a section on Corporate Social Responsibility. In addition to *People, Planet* and *Profit*, the focus is also on a significant fourth P: *Power*. One that represents the added value of Essent as a dedicated energy supplier. As a company, too, seeking new opportunities to make energy generation sustainable. Sun? Wind? Coffee husks!

A typical example of the power of the chain, a chain of power.

Profile

**Essent is a Dutch energy company that supplies electricity, gas and heat to private and business customers. While regarding the Netherlands as its home market, the company has established a significant presence in the German market and is increasingly active in Belgium.**

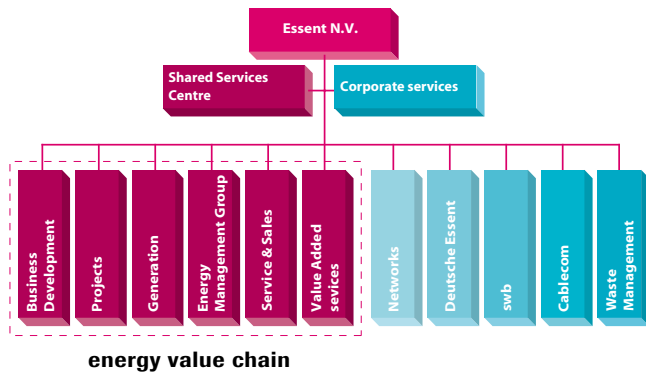
Essent is vertically integrated, meaning that its operations cover the full energy chain, from the generation of energy (excluding exploration and extraction), to the supply of products and services to the end-user.

Apart from energy and energy-related services, such as the maintenance of central heating and hot-water equipment, Essent supplies cable and telecom products, including radio and TV, broadband internet and telephony. The company is also engaged in three waste management activities: waste incineration, waste composting and landfill management.

In terms of revenue, Essent is the market leader in the Dutch energy market and in terms of number of customers, the second largest cable TV company and one of the largest internet providers in the Netherlands.

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**Essent N.V. organisation chart**



Essent is a non-listed public company with limited liability, incorporated in 1999. Its shareholders are Dutch provincial and municipal authorities. The company is structured as a holding company with 11 business units, 6 of them forming the energy value chain for the Netherlands and Belgium. The German activities of the Deutsche Essent and swb business units are structured in a similar way. The network operations – as prescribed by law – are financially, organisationally and legally separate from the other activities of the company. At mid-2006, the size of Essent’s workforce was approximately 10,600 FTEs.

## Essent N.V. 2006 half-year results

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### 2006 Half-year results: Essent on track

- All activities show higher profit
- Cable activities no longer included in continuing operations
- Revenue from continuing operations climbs EUR 534 million (18%) to EUR 3.56 billion
- Operating profit from continuing operations in first half of 2006 up EUR 182 million (49%) on profit for same period of 2005
- Profit attributable to equity holders of Essent climbs 32% to EUR 402 million

In the first six months of 2006, Essent achieved revenue of EUR 3.56 billion, an increase of 18% compared with the same period of 2005. Operating profit amounted to EUR 551 million (2005: EUR 369 million). The profit for the period attributable to equity holders climbed by 32% to EUR 402 million (2005: EUR 305 million). Essent remains firmly committed to operational excellence: customer satisfaction regarding services and the quality of the administrative processes both went up in the first half year. Safety, innovation and corporate social responsibility are spearheads of company policy. During the first six months, the proportion of sustainable energy generated increased by 4% to reach a total of 18%.

### 2006 results

On 2 June 2006, Essent announced its intention to investigate the possibilities of merging its cable activities with a larger unit or transferring them. This intention is in line with the strategy endorsed by the shareholders to focus on the energy operations. Consequently, the results of cable activities are no longer included in those from continuing operations. Instead, they are recognised separately under "Profit/(loss) from discontinued operations"<sup>1</sup>.

The significant growth in the operating profit from continuing operations was realised thanks to various factors. A major factor was the programme initiated several years ago to increase the effectiveness of the business processes, with the aim of improving customer

processes as well as efficiency. Other factors were price increases on the wholesale market for oil, and, as a result, for gas and electricity, as well as higher sales volumes to consumers.

Apart from the higher sales volumes and price increases on the wholesale as well as the retail market, the electricity revenue and the gas revenue both rose because of the higher values of contract positions, which in accordance with IFRS are measured at market value. These higher values represent an increase of EUR 112 million in wholesale activities on the comparable figure for 2005. With regard to price increases, Essent follows a restrained policy of only passing on the increases in the price of raw materials to private and small business customers.

The growth in heat revenue is mainly the result of higher volumes, whereas the higher revenue from waste management activities is largely explained by the increased equity interest in the waste company Vagron as from 1 July 2005.

Operating expenses went up by EUR 74 million to EUR 1.09 billion, EUR 47 million of the increase being due to the creation of a provision for shorter working hours of older employees and special-purpose leave. The cost of temporary staff also rose because of more project activities. Depreciation and amortisation together went up EUR 9 million to EUR 257 million. There were no significant impairment losses. As a percentage of revenue, operating expenses fell from 34% in 2005 to 31% the first half of this year. This reduction is also a result of the new programme mentioned above for improving effectiveness as well as efficiency.

The Group's share of the profit of joint ventures and associates was EUR 23 million in 2006, a decline of EUR 57 million compared with 2005. This was almost entirely the result of a non-recurring effect in 2005 from the net gain on the sale of the interest in Van Gansewinkel Groep B.V.

<sup>1</sup> In the consolidated balance sheet for the first six months of 2006, the assets and liabilities relating to the cable activities are classified as "Assets held for sale" and "Liabilities for assets held for sale" respectively. The comparative figures for the balance sheets for the first half-year 2005 and the full-year 2005 have not been restated to reflect this reclassification. The reclassification is reflected, though, in the comparative figures for the income statements for these periods

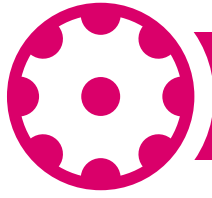
Net finance expense fell by 25% to EUR 24 million. Interest expense decreased in the first half of 2006 thanks to the reduction in interest-bearing debt.

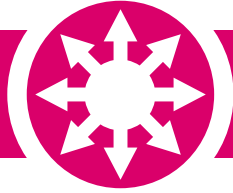
Profit before tax for the first six months of 2006 amounted to EUR 550 million, representing a rise of 32% on the same period of the previous year. The income tax on this profit was EUR 131 million, equivalent to an effective tax rate of 24%. This low rate is mainly the result of exemptions for investments in joint ventures and associates and tax-exempt income. The higher effective rate compared with the previous year's (22%) is due to the fewer exemptions for investments in joint ventures and associates during the first half of 2006.

The profit for the period from discontinued operations was EUR 12 million, relating entirely to the cable activities. Since the reclassification of these activities, there has been no depreciation of property, plant and equipment and no amortisation of non-current intangible assets. This had a positive effect of EUR 10 million on the operating profit of the cable activities for the first half of 2006.

After deduction of minority interests, the profit attributable for the first six months of 2006 to equity holders of Essent amounts to EUR 402 million, an increase of 32% on the first half of 2005. Earnings per share attributable to equity holders of Essent are EUR 2.68 (2005: EUR 2.04).

The cash flow before financing activities was EUR 142 million. A dividend of EUR 263 million was distributed in the first half of 2006. Capital employed amounted to EUR 7.11 billion at 30 June 2006, mainly the result of the increase in net working capital due to seasonal effects.





**Marga Edens**  
Essent Company Secretary and CSR manager

## “For us, CSR has four Ps. The last one stands for Power”

Being aware of the world, people and the environment. Focussing on today, but also on the future. Corporate Social Responsibility, or CSR, in other words. Something self-evident for Essent. Being accountable to your environment? Of course. Certainly as an energy supplier, which, by definition, means you depend on natural resources.

This calls for openness and transparency. For vision. For .... *Power*. In addition to the three Ps of *People*, *Planet* and *Profit*, this is Essent's fourth P in CSR. Supplying *Power* in the form of sustainable energy. And injecting *Power* into CSR - full of conviction and with passion.

This means that society can expect to see more CSR-related activities from Essent. Focussing on limiting climate change. On improving the quality of life in local communities. And on increasing safety.

In addition, Essent will strive to get its business partners to support the fundamental aspects of CSR, such as human rights, as well raising the quality of work within their own operation. Step by step, measures that highlight the role of Essent as a producer, dealer, employer and citizen. And from 2007 onwards, you can read about the progress we make in our annual CSR report.

## Competition in the first half of 2006

### Customers, service and debt assistance

Essent's customers can count on a reliable energy supply at a reasonable price with a high level of service and a solution-led approach should any problems arise. Problems either in the supply of energy by Essent or in the payment for energy by the customer.

6 Essent is increasingly better able to keep this promise to the customer in its day-to-day business: customer data are processed accurately, invoices are clear and call centres are readily accessible. The performance figures published regularly by DTe, the Dutch regulator for energy, show that the timeliness of the monitored administrative processes (provisional invoices and final invoices) is within the set limit. The customer service desks introduced by Essent in 2005 continue to be a great success: more than 90% of customers are pleased with this type of service.

With more than 2.5 million customers for electricity and/or gas spending an increasing proportion of their income on energy, the number experiencing payment problems is rising. Essent aims to reduce the arrears as much as possible by actively collecting bills, in the customer's interest as well as the company's. Prompted by its sense of corporate social responsibility, Essent took a number of initiatives in the first half of 2006 to make its collection policy even more customer-focused. For example, Essent has concluded an agreement with the Dutch Association for Customer Credit (*Nederlandse Vereniging voor Volkskrediet*), to which the municipal banks, among others, are affiliated. Debt assistance to customers with serious payment arrears can be better organised as a result. Essent has also opened a service line, intended for debt assistance agencies who wish to make payment arrangements for customers in danger of slipping into arrear. Together with the municipality of Venlo, Essent has also started a pilot scheme offering assistance to multiproblem families that have children and are at risk of having their energy cut off because of payment arrears. In essence, the scheme allows Essent, in strict confidence, to report situations threatening to result in supply disconnection to a central office of the local authority. This office then takes immediate action to find a guarantor for the electricity and gas payments, thus avoiding the need to cut off the supply. If the pilot proves successful, Essent will try to have the scheme extended throughout the Netherlands.

### Energy value chain

As a vertically integrated energy company, Essent covers the entire energy value chain: generation, trade, distribution and supply. This model, which has now proved itself on the Dutch market, is one that Essent is going to introduce on the two other geographical markets in which it operates: Germany and Belgium.

Essent is working on further improving the effectiveness of processes throughout the energy value chain, one objective being a reduction in operating expenses.

In the Netherlands, Essent has made investments in its existing generating capacity during the first six months of 2006 in accordance with its long-term programme. It has also decided to construct a DeNOx installation at its Amer power station to reduce nitrogen emissions even further. In addition, in June 2006, Essent announced it would investigate whether a second gas-fired power station of approximately 400 MW could be built at the Moerdijk industrial park in addition to its existing cogeneration plant of 323 MW. With an efficiency rating of 58%, this new plant would be one of the best performers in the Netherlands. The final investment decision will be taken in mid-2007, depending on the outcome of the investigation.

Essent will continue to work on making the energy supply more sustainable. By using renewable energy sources, such as wind and biomass, on an increasingly greater scale, the company is contributing to the protection of the climate and ensuring that energy generation becomes less dependent on fossil fuels. In the first half of 2006, the share of sustainable energy in the total Dutch production of Essent rose again to reach 18% (an increase of 4% on the whole of 2005).

Given that the Dutch government has substantially reduced the MEP subsidy schemes (for the environmentally responsible generation of electricity) for existing biomass projects from 1 July 2006, Essent will have to make a huge effort in 2006 to achieve at least the same result as in 2005.

Despite the declining incentive from the Dutch government, Essent nevertheless decided in May 2006 to include a new form of biomass in its cofiring programme. In the autumn of 2006, Essent will conduct a trial with fuel pellets made from coffee husks, a waste product of the coffee harvest, for which no good use has so far been found. However, to use coffee husks sustainably,

an improvement in the current subsidy scheme is needed, irrespective of whether the test results are favourable.

Nuclear energy, too, with a modest 8% share, continues to be part of Essent's fuel mix. The Borssele nuclear energy plant, of which Essent is a 50% owner via N.V. EPZ, operator of the plant, will remain in commission until 31 December 2033 at the latest. The covenant that Essent and co-shareholder Delta have concluded with the Dutch government was signed on 16 June 2006. Under the covenant, Essent and Delta will invest in additional innovative projects that facilitate a transition to a more sustainable form of energy management and will establish a fund to support these projects.

Other initiatives taken by Essent in the first half of 2006 to enable it to focus in a more structured way on innovations for products, processes and technology in the near future are the decisions to participate in a special international investment fund aimed at the development of new forms of clean energy technology and to become a partner in a strategic alliance in the field of gas research (together with Gasunie, Groningen University, the Energy Research Centre and TNO, the Netherlands organisation for applied scientific research). These activities will be led from Essent's recently established Knowledge and Coordination Centre for Innovation.

In Germany, too, Essent operates according to the principle of vertical integration. To strengthen its presence on the German market, Essent made preparations in the spring of 2006, along with Bayerngas GmbH, to set up a joint venture. Under the name novogate GmbH, the joint venture will be responsible for large-scale gas purchasing for the German municipal energy companies (Stadtwerke), among other activities. Moreover, Essent's 51% subsidiary, swb, will start work this year on the construction of a new waste incineration plant in Bremen. This plant fits in with the waste to energy concept of swb: the heat released during incineration will be used to generate electricity. The plant has a planned capacity of 226 ktonnes of waste.

In the highly concentrated Belgian energy market, Essent has built up a modest position supplying energy to end-users in both the private and business segments, a position that it is gradually expanding.

The 135-MW power generation plant that Essent is building in Antwerp in cooperation with Ineos is expected to come on stream at the end of 2006/early 2007.

In Belgium, too, Essent has taken the first steps on the road to a vertically integrated position.

### Energy value chain results

(in millions of euros)

	first half 2006	first half 2005	full year 2005
Revenue <sup>1</sup>	2,198.6	1,640.5	3,192.8
Segment profit	350.2	234.1	427.9

<sup>1</sup> Including intragroup supplies

### Energy distribution

Essent Networks, responsible for the management of the gas and electricity distribution and transport networks, performed well in the first half of 2006. The scores published regularly by the regulator, DTe, show that Essent Networks is getting closer and closer to its goal of becoming an excellent network manager.

In terms of working procedures in practice, as well as the condition of the networks themselves, Essent Networks aims to be a beacon of safety. The company operates according to an advanced network management system based on full risk assessment with special attention to safety and reliability risks. Based on this asset management system, the company prepares an annual investment programme in line with legal requirements and its own operating parameters.

In recognition of this approach, Essent Networks received two major international certificates of quality at the beginning of 2006: ISO 9001 and PAS 55. Essent Networks is therefore the first company in the world ever to receive both certificates and only the second to receive PAS 55 certification.

In terms of the annual number of outage minutes per customer, the Dutch network is among the most reliable in Europe. The average outage for Dutch customers was 27 minutes for the whole of 2005. Essent Networks aims for its five-year average outage per customer to be no higher than 26 minutes a year. The reliability of the Essent network has remained stable over the past six months at the level necessary to achieve this goal.

At the end of 2005, the safety indicator developed by Essent for its gas network was launched nationwide by EnergieNed. In early 2006, the Dutch network managers started a pilot scheme. The results so far point to a valuable addition to the existing reports and form a good basis for prioritising replacement investments over the next few years. Together with EnergieNed, Essent Networks intends to bring its safety indicator to the attention of the international community.

### Energy distribution results

(in millions of euros)

	first half 2006	first half 2005	full year 2005
Revenue <sup>1</sup>	640.8	647.6	1,276.2
Segment profit	98.8	97.8	266.9

<sup>1</sup> Including intragroup supplies

### Essent Waste Management

After a period of restructuring, Essent Waste Management is focusing on further improving the efficiency and profitability of its operations.

In May 2006, a start was made on Essent Waste Management TopFit, an operational excellence programme that should provide Essent Waste Management with the right platform from which to grow and reinforce its position on the Dutch market. The programme aims to improve waste processing methods and the working procedures of support departments.

Following the streamlining of its organisation, Essent Waste Management will be able to exploit its strengths even better: size, relatively modern plants with a high energy yield, and a geographically favourable network of storage and transfer sites in the Netherlands.

In the first six months of 2006, Essent Waste Management processed nearly 700 ktonnes of waste at its plants in Wijster, Moerdijk and Groningen. Most of the waste was incinerated and fermented to generate energy. As there was limited capacity at the plants in Wijster and Moerdijk owing to planned shutdowns for maintenance in the first half of 2006, the quantity processed was approximately 4% below the level in the first half of 2005. For the last six months of 2006, however, Essent Waste Management expects an increase on the corresponding period of the previous year. The total quantity of waste processed by Essent Waste Management in the first half of 2006 was

just over 1.2 million tonnes, which is 2% more than in the first half of 2005.

Partly owing to the ban on the dumping of combustible waste in Germany in 2005, a shortage of incineration capacity is now noticeable in the Netherlands. As part of the TopFit programme, Essent Waste Management has now started on the optimisation of the processing capacity of both its incineration plants: GAVI (Wijster) and AZN (Moerdijk). It is also investigating the economic consequences of expanding the capacity of AZN to include a fourth line. This investigation is expected to be completed at the end of 2006.

### Essent Waste Management results

(in millions of euros)

	first half 2006	first half 2005	full year 2005
Revenue <sup>1</sup>	184.0	176.3	362.4
Segment profit	30.8	15.4	59.7

<sup>1</sup> Including intragroup supplies

### Essent Cablecom segment

Since 9 March 2006, Essent Cablecom has been supplying all its products and services under the brand name @Home, encompassing radio and TV, broadband internet and telephony.

Essent Cablecom offers its 1.8 million subscribers analogue as well as digital versions of radio and TV. The company also provides internet access to a fast-growing number of subscribers. In mid-2006, there were just over 600,000 subscribers, making Essent Cablecom one of the Netherlands' largest internet providers, yet with an infrastructure covering scarcely a quarter of the country.

Telephony is also a rapidly growing service. To supplement the traditional analogue telephony, in 2005, Essent Cablecom started rolling out telephony via broadband internet (Voice over Internet Protocol/VoIP) throughout its network. Owing to the overwhelming interest in this new product, Essent Cablecom has had some start up problems. By deploying extra staff and resources, the company expects to solve the remaining technical and administrative problems soon and be able to provide its customers with a high-quality telephony product.

An increase in scale is key to Essent Cablecom's strategy. Sufficient upscaling is a condition for staying in the nationwide competitive race and keeping abreast of technological developments. Although Essent Cablecom clearly managed to expand its position and services in recent periods, it has to be concluded nevertheless that – partly in view of the continued consolidation of the telecoms industry – the time is now ripe to take specific steps in the direction of an increase in scale. Essent therefore announced on 2 June 2006 that it intended to investigate the possibility of incorporating its cable operations into a larger organisation or having them acquired by a larger organisation. This move fits in with Essent's strategy of concentrating on its energy activities. Essent invited a limited number of parties to submit a bid for the Essent Cablecom business unit. After the balance sheet date, Essent reached agreement in principle on the sale of its cable operations (see Other disclosures on page 26 of this interim statement).

### Essent Cablecom results

(in millions of euros)

	first half 2006	first half 2005	full year 2005
Revenue <sup>1</sup>	237.6	221.7	450.6
Segment profit	51.8	41.4	86.6

<sup>1</sup> Including intragroup supplies

### Proposed unbundling of energy companies

On 27 April 2006, the Lower House of the Dutch Parliament approved the bill for the total separation (i.e. ownership unbundling) of the integrated energy companies' network operations from their sales and marketing activities, such as electricity generation, and gas and electricity trading and selling. It is not clear when the bill will be debated by the Upper House, but a possible timeframe is the autumn of 2006.

Essent still believes that ownership unbundling is unnecessary and irresponsible interference. The network operations of the Dutch energy companies, in accordance with EU regulations, are already financially, organisationally and legally separated from the other activities. The conduct of affairs of each network operator is under the supervision of its Supervisory Board, most of whose members are independent of the company. Moreover, these companies' operations are under the scrutiny of DTe, the regulator. Ownership unbundling of the energy companies will lead

to substantial social costs due to the dismemberment of the energy sector and the potential dissolution of the Cross Border Leases. Essent wants to continue its business in its current integrated form because this offers the best guarantee for a reliable, cost-effective and sustainable energy supply. With the support of its shareholders, Essent is therefore continuing to resist the proposed unbundling.

### Outlook

Any statement on the 2006 financial results assumes unchanged business operations in an unchanged structure. Subject to these conditions, and barring unforeseen circumstances, it is reasonable to expect a further increase in Essent's profit for 2006 compared with that for 2005.

Arnhem, 2 August 2006

The Executive Board



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## Consolidated income statement

<i>in millions of euros</i>	first half 2006 <sup>1</sup>	first half 2005 <sup>1,2</sup>	full year 2005
<b>Continuing operations</b>			
Revenue from the supply of goods and services	3,526.6	3,104.9	5,974.7
Fair value changes due to application of IAS 32 and IAS 39	30.1	(82.0)	(68.2)
Revenue	3,556.7	3,022.9	5,906.5
Cost of energy, raw materials and consumables	1,969.6	1,693.3	3,308.9
<b>Gross profit</b>	<b>1,587.1</b>	<b>1,329.6</b>	<b>2,597.6</b>
Other operating income	50.9	52.6	100.4
<b>Gross profit plus other operating income</b>	<b>1,638.0</b>	<b>1,382.2</b>	<b>2,698.0</b>
Employee benefit expenses	438.8	374.2	568.9
Depreciation, amortisation and impairments	256.6	247.3	530.1
Cost of work contracted out, materials and other external costs	305.7	302.3	648.0
Other operating expenses	85.6	88.9	241.0
<b>Total operating expenses</b>	<b>1,086.7</b>	<b>1,012.7</b>	<b>1,988.0</b>
<b>Operating profit</b>	<b>551.3</b>	<b>369.5</b>	<b>710.0</b>
Share of result of joint ventures and associates	22.9	80.3	108.2
Finance income and expenses	(24.3)	(32.6)	(47.6)
<b>Profit before tax</b>	<b>549.9</b>	<b>417.2</b>	<b>770.6</b>
Income tax expenses	(131.4)	(91.3)	(198.7)
<b>Profit from continuing operations</b>	<b>418.5</b>	<b>325.9</b>	<b>571.9</b>
<b>Discontinued operations</b>			
Profit/(loss) from discontinued operations	12.2	3.1	(2.2)
<b>Profit for the period</b>	<b>430.7</b>	<b>329.0</b>	<b>569.7</b>
Profit attributable to minority interests	(29.0)	(23.8)	(43.9)
<b>Profit attributable to equity holders of Essent N.V.</b>	<b>401.7</b>	<b>305.2</b>	<b>525.8</b>
<b>Earnings per share<sup>3</sup></b>			
Earnings per share attributable to equity holders of Essent N.V. (in euros/per share)	<b>2.68</b>	2.04	3.51

<sup>1</sup> Unaudited figures

<sup>2</sup> Figures restated for presentation purposes and IFRS changes

<sup>3</sup> Basic and diluted earnings per share

# Consolidated balance sheet

(before profit appropriation)

<i>in millions of euros</i>	30 June 2006 <sup>1</sup>	31 December 2005	30 June 2005 <sup>1,2</sup>
<b>Assets</b>			
Property, plant and equipment	4,489.1	5,261.2	5,249.2
Investment property	11.1	11.1	11.1
Intangible assets	200.3	206.1	203.8
Joint ventures and associates	373.7	382.1	361.2
Deferred tax	109.9	199.0	287.0
Derivative financial instruments	780.2	594.1	539.4
Other financial assets	454.7	490.0	344.8
<b>Non-current assets</b>	<b>6,419.0</b>	<b>7,143.6</b>	<b>6,996.5</b>
Inventories	249.4	181.2	150.9
Receivables	1,422.7	1,377.5	1,499.3
Derivative financial instruments	1,895.8	1,691.2	1,801.7
Collaterals	153.6	15.3	32.8
Assets held for sale	804.5	2.0	12.4
Cash and cash equivalents	506.2	1,176.6	1,209.5
<b>Current assets</b>	<b>5,032.2</b>	<b>4,443.8</b>	<b>4,706.6</b>
<b>Total assets</b>	<b>11,451.2</b>	<b>11,587.4</b>	<b>11,703.1</b>
<b>Equity and liabilities</b>			
Equity attributable to equity holders of Essent N.V.	3,384.2	3,163.1	2,683.2
Minority interests	238.8	233.0	214.5
<b>Equity</b>	<b>3,623.0</b>	<b>3,396.1</b>	<b>2,897.7</b>
Interest-bearing liabilities	1,705.3	1,776.3	1,945.3
Provisions	1,496.6	1,452.9	1,574.1
Deferred tax	68.5	67.5	61.0
Derivative financial instruments	308.6	151.6	146.3
Other non-current liabilities	41.4	33.7	34.7
<b>Non-current liabilities</b>	<b>3,620.4</b>	<b>3,482.0</b>	<b>3,761.4</b>
Interest-bearing liabilities	371.5	806.0	1,431.0
Collaterals	409.3	181.0	56.6
Trade and other payables	1,276.3	1,790.1	1,322.9
Income tax	198.5	143.4	121.4
Derivative financial instruments	1,744.0	1,681.6	2,009.9
Provisions	117.5	107.2	102.2
Liabilities for assets held for sale	90.7	--	--
<b>Current liabilities</b>	<b>4,207.8</b>	<b>4,709.3</b>	<b>5,044.0</b>
<b>Total equity and liabilities</b>	<b>11,451.2</b>	<b>11,587.4</b>	<b>11,703.1</b>

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<sup>1</sup> Unaudited figures

<sup>2</sup> Figures restated for presentation purposes and IFRS changes

## Consolidated cash flow statement<sup>1</sup>

<i>in millions of euros</i>	first half 2006 <sup>2</sup>	first half 2005 <sup>2,3</sup>	full year 2005
Profit for the period	430.7	329.0	569.7
Depreciation, amortisation and impairments	301.8	316.1	655.3
Changes in provisions, operating working capital, derivative financial instruments and other	(364.7)	(253.0)	157.1
<b>Cash flow from operating activities</b>	<b>367.8</b>	<b>392.1</b>	<b>1,382.1</b>
Additions to property, plant, equipment and intangible assets	(270.3)	(260.7)	(564.1)
Proceeds on sale of investments in joint ventures and associates	--	92.0	92.0
Other changes	44.3	(22.0)	50.8
<b>Cash flow from investing activities</b>	<b>(226.0)</b>	<b>(190.7)</b>	<b>(421.3)</b>
<b>Cash flow before financing activities</b>	<b>141.8</b>	<b>201.4</b>	<b>960.8</b>
Repayment of interest-bearing liabilities	(50.4)	(152.6)	(620.3)
Dividend paid	(262.9)	(170.5)	(170.5)
Dividend paid to minority interests, increase and decrease in minority interests and increase in interest-bearing liabilities	39.9	15.6	4.9
<b>Cash flow from financing activities</b>	<b>(273.4)</b>	<b>(307.5)</b>	<b>(785.9)</b>
<b>Cash flow from continuing operations</b>	<b>(131.6)</b>	<b>(106.1)</b>	<b>174.9</b>
Effect of exchange and consolidation changes on cash positions	--	--	11.7
Balance of cash and cash equivalents at beginning of period <sup>4</sup>	460.1	273.5	273.5
<b>Balance of cash and cash equivalents at end of period<sup>4</sup></b>	<b>328.5</b>	<b>167.4</b>	<b>460.1</b>

<sup>1</sup> In this statement cash flows from both continuing and discontinued operations are added

<sup>2</sup> Unaudited figures

<sup>3</sup> Figures restated for presentation purposes and IFRS changes

<sup>4</sup> Cash and cash equivalents less current liabilities owed to banks

# Consolidated statement of changes in equity<sup>1</sup>

	Number of ordinary shares	Share capital	Share premium	IAS 39- reserve <sup>2</sup>	Other reserve <sup>3</sup>	Equity attributable to equity holders of Essent N.V.	Minority interests	Equity
<i>in millions of euros</i>								
<b>At 1 January 2005</b>	<b>149,732,196</b>	<b>149.7</b>	<b>1,512.6</b>	<b>22.3</b>	<b>829.0</b>	<b>2,513.6</b>	<b>203.1</b>	<b>2,716.7</b>
Cancelled shares	(50,000)	--	--	--	--	--	--	--
Fair value changes and/or adjustments	--	--	--	52.3	--	52.3	(1.5)	50.8
Premium paid on financial instruments	--	--	--	(17.4)	--	(17.4)	--	(17.4)
Profit for the period	--	--	--	--	305.2	305.2	23.8	329.0
Dividend paid	--	--	--	--	(170.5)	(170.5)	(10.9)	(181.4)
<b>At 30 June 2005</b>	<b>149,682,196</b>	<b>149.7</b>	<b>1,512.6</b>	<b>57.2</b>	<b>963.7</b>	<b>2,683.2</b>	<b>214.5</b>	<b>2,897.7</b>
Fair value changes and/or adjustments	--	--	--	321.0	--	321.0	(1.6)	319.4
Premium paid on financial instruments	--	--	--	(61.7)	--	(61.7)	--	(61.7)
Profit for the period	--	--	--	--	220.6	220.6	20.1	240.7
<b>At 31 December 2005</b>	<b>149,682,196</b>	<b>149.7</b>	<b>1,512.6</b>	<b>316.5</b>	<b>1,184.3</b>	<b>3,163.1</b>	<b>233.0</b>	<b>3,396.1</b>
Fair value changes and/or adjustments	--	--	--	134.4	(0.9)	133.5	(0.7)	132.8
Premium paid on financial instruments	--	--	--	(34.5)	--	(34.5)	--	(34.5)
Other changes	--	--	--	--	(16.7) <sup>4</sup>	(16.7)	16.4 <sup>4</sup>	(0.3)
Profit for the period	--	--	--	--	401.7	401.7	29.0	430.7
Dividend paid	--	--	--	--	(262.9)	(262.9)	(38.9)	(301.8)
<b>At 30 June 2006</b>	<b>149,682,196</b>	<b>149.7</b>	<b>1,512.6</b>	<b>416.4</b>	<b>1,305.5</b>	<b>3,384.2</b>	<b>238.8</b>	<b>3,623.0</b>

<sup>1</sup> Unaudited figures

<sup>2</sup> The IAS 39 reserve is a revaluation reserve and accordingly is not freely distributable. The amounts are net after deduction of income tax of EUR 175.1 million (30 June 2005: EUR 26.3 million). The IAS 39 reserve includes an amount of EUR 413.6 million relating to the application of cash flow hedge accounting (30 June 2005: EUR 50.2 million) and an amount of EUR 2.8 million due to unrealised changes/adjustments in the fair values of assets held for sale (30 June 2005: EUR 7.0 million)

<sup>3</sup> The Other reserve is freely distributable

<sup>4</sup> This amount mainly relates to the difference between the purchase price and the book value regarding the additionally acquired 30% interest in N.V. Afvalverbranding Zuid-Nederland (AZN)

## Notes

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### Accounting policies

Essent N.V. is the holding company of a number of group companies in the Netherlands, Germany and Belgium (collectively the "Group") that generate, transport and supply energy, and provide waste management and cablecom services. The Group also has investments in a number of joint ventures and associates.

The functional currency of Essent N.V is the euro, and unless otherwise stated, all amounts are in millions of euros. As from 1 January 2005, the Group has based its accounting policies on International Financial Reporting Standards (IFRS) as adopted within the European Union. In the preparation of this interim statement, the same accounting policies were used as for the 2005 financial statements. The 2005 financial statements including the complete set of accounting policies can be found on the website [www.essent.nl](http://www.essent.nl). The 2006 interim statement was prepared in accordance with IAS 34 Interim Financial Reporting.

The main effects of the adoption of IFRS were explained in the 2005 interim statement, based on the understanding and interpretations existing at the time of preparation. It should be noted that the IFRS figures presented then were provisional. For this reason, the information presented here might differ from figures previously published.

### New and/or amended IFRS standards 2006

The following IFRS standards apply to financial years commencing on or after 1 January 2006. The consequences for Essent are set out below:

- IFRS 6 Exploration for and Evaluation of Mineral Resources. This standard has not affected the results or equity of the Group
- Amendments to IAS 19 Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures. The Group does not use the additional possibilities offered by these amendments for the treatment of actuarial gains and losses in the financial statements
- Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates: Net Investment in a Foreign Operation. This relates to the treatment of foreign exchange differences. As the Group operates almost entirely in the Euro zone, this amendment has not affected the results or equity of the Group
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Cash Flow Hedge Accounting of Forecast Intragroup Transactions. This amendment came into effect on 1 January 2006. It concerns mainly foreign currency risks on intercompany transactions to which cash flow hedge accounting is applied. As intercompany

transactions within the Group are concluded only in euros, this amendment has no effect on the results or equity of the Group

- Amendment to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 4 Insurance Contracts: Financial Guarantee Contracts. The Group identified no contracts to which IFRS 4 would apply. The adoption of this amendment to IAS 39 with effect from 1 January 2006 has no impact on the results or equity of the Group
- IFRIC 4 Determining whether an Arrangement contains a Lease. This interpretation came into effect on 1 January 2006. It has no effect on the results or equity of the Group
- IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds. This interpretation came into effect on 1 January 2006. It has not effected the results or equity of the Group
- IFRIC 6 Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment. This interpretation has not effected the results or equity of the Group

### Changes in presentation and estimates

To cover collection risks on receivables and liabilities between the Group and its trading partners, the parties each make guarantee deposits (collaterals) under the terms of framework agreements, with interest paid on the open balances. For improving the insight into these collaterals, they are presented separately in the balance sheet from 2006 onwards. Previously, these amounts were included under receivables or trade and other payables.

No significant changes in estimates were made during the first half of 2006.

### Acquisitions and disposals

In the first six months of 2006, the Group exercised the call option entitling it to acquire an additional 30.1% of the shares of N.V. Afvalverbranding Zuid-Nederland (AZN). As from the beginning of 2006, the Group has had an interest in AZN of 80%.

During the first half of 2006 no further significant acquisitions and divestments occurred.

### Discontinued operations

On 2 June 2006, the Group announced its intention to investigate the possibilities of merging its cable activities with a larger unit or transferring them. The Group requested a limited number of parties to bid for the Essent Cablecom business unit, a separate segment of the Group (see segment information). Essent Cablecom operates as

part of the Dutch cable industry on the radio, TV, internet and telephony market, serving private and business customers alike.

In the consolidated balance sheet, the assets and liabilities of Essent Cablecom are classified as "Assets held for sale" and "Liabilities for assets held for sale" respectively, with receivables and liabilities between Essent Cablecom and the Group being eliminated.

The assets and liabilities of Essent Cablecom can be specified as follows:

<b>Assets</b>	30 June 2006
Property, plant and equipment	726.9
Intangible assets	13.4
Financial assets	22.9
Inventories	13.4
Receivables	20.0
Cash and cash equivalents	5.9
<i>Subtotal</i>	<i>802.5</i>
Short term receivables from group companies	2.0
<b>Total assets</b>	<b>804.5</b>
<hr/>	
<b>Equity and liabilities</b>	
Equity and liabilities to group companies	713.8
Provisions	11.7
Trade and other payables	79.0
<i>Subtotal</i>	<i>90.7</i>
<b>Total equity and liabilities</b>	<b>804.5</b>

## Notes

## Results of Essent Cablecom:

	first half 2006	first half 2005	full year 2005
Revenue <sup>1</sup>	237.6	221.7	450.5
Costs	(185.8)	(180.3)	(376.4)
<i>Operating profit</i>	<i>51.8</i>	<i>41.4</i>	<i>74.1</i>
Finance income and expenses	(34.5)	(35.8)	(77.5)
<i>Profit before tax</i>	<i>17.3</i>	<i>5.6</i>	<i>(3.4)</i>
Income tax expenses	(5.1)	(2.5)	1.2
<b><i>Profit for the period</i></b>	<b><i>12.2</i></b>	<b><i>3.1</i></b>	<b><i>(2.2)</i></b>

<sup>1</sup> Including intragroup supplies

Since the reclassification of Essent Cablecom's activities as discontinued operations, there has been no depreciation of its property, plant and equipment and no amortisation of its intangible assets. This had a positive effect of EUR 9.6 million on the operating profit of Essent Cablecom's activities for the first half of 2006.

Finance income and expenses include interest expenses regarding liabilities to group companies. During the first half year 2006, these interest expenses amounted to EUR 34.1 million (first half 2005: EUR 35.8 million; full year 2005: EUR 70.5 million).

The cash flows from Essent Cablecom can be specified as follows:

	first half 2006	first half 2005	full year 2005
Cash flow from operating activities	50.8	48.3	145.1
Cash flow from investing activities	(52.2)	(63.7)	(117.7)
Cash flow from financing activities	(22.2)	12.2	(22.5)
<b><i>Total cash flow</i></b>	<b><i>(23.6)</i></b>	<b><i>(3.2)</i></b>	<b><i>4.9</i></b>

These cash flows include cash flows between Essent Cablecom and the Group.

### Assets held for sale

The assets held for sale can be specified as follows:

	30 June 2006
Assets discontinued operations Essent Cablecom	802.5
Investment property	2.0
<b>Total assets held for sale</b>	<b>804.5</b>

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### Notes to the cash flow statement

The cash flow statement has been prepared using the indirect method. Cash flows have been adjusted for the effects of consolidation and deconsolidation.

In preparing the consolidated cash flow statement, the following were included under the item cash and cash equivalents:

	first half 2006	first half 2005	full year 2005
Cash at bank and cash balances	496.2	1,209.5	1,169.0
Short-term deposits	15.9	--	7.6
Current bank debt	(183.6)	(1,042.1)	(716.5)
<b>Total</b>	<b>328.5</b>	<b>167.4</b>	<b>460.1</b>

### Related parties

During the first half of 2006, no significant changes concerning related parties occurred.

## Segment information<sup>1</sup>

The financial figures are segmented according to the operations of the Group, with the segmentation reflecting its management structure.

	Energy Value Chain		Energy Distribution		Waste Management		swb AG	
	first half 2006	first half 2005 <sup>2</sup>	first half 2006	first half 2005 <sup>2</sup>	first half 2006	first half 2005 <sup>2</sup>	first half 2006	first half 2005 <sup>2</sup>
<i>in millions of euros</i>								
<b>Income statement</b>								
Revenue <sup>3</sup>	2,198.6	1,640.5	640.8	647.6	184.0	176.3	590.8	512.5
Segment result	350.2	234.1	98.8	97.8	30.8	15.4	66.4	66.0
Unallocated expenses								
Operating profit								
Share of result of joint ventures and associates	6.1	15.8	0.4	0.4	0.3	51.8	16.1	7.8
Finance income and expenses								
Profit before tax								
Income tax expenses								
Profit for the period								

<sup>1</sup> Unaudited figures

<sup>2</sup> Due to changes in the organisational structure within the Group, the presentation of first half year 2005 figures has changed

<sup>3</sup> Including intragroup supplies

Other		Eliminations		Total continuing operations		Discontinued operations Essent Cablecom		Eliminations		Total	
first half 2006	first half 2005 <sup>2</sup>	first half 2006	first half 2005 <sup>2</sup>	first half 2006	first half 2005 <sup>2</sup>	first half 2006	first half 2005 <sup>2</sup>	first half 2006	first half 2005 <sup>2</sup>	first half 2006	first half 2005 <sup>2</sup>
187.1	194.2	(244.6)	(148.2)	3,556.7	3,022.9	237.6	221.7	(10.5)	(16.4)	3,783.8	3,228.2
46.8	17.1	--	--	593.0	430.4	51.8	41.4	--	--	644.8	471.8
				(41.7)	(60.9)					(41.7)	(60.9)
				551.3	369.5					603.1	410.9
--	4.5	--	--	22.9	80.3	--	--	--	--	22.9	80.3
										(58.8)	(68.4)
										567.2	422.8
										(136.5)	(93.8)
										430.7	329.0

## Other disclosures<sup>1</sup>

### Exceptional items

Exceptional items comprise income and expense items that, in the view of management, do not arise in the normal course of business and items that, because of their nature and size, should be presented separately to enable a better analysis of the results.

Operating profit includes the exceptional items shown in the following reconciliation:

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	first half 2006	first half 2005	full year 2005
<b>Operating profit (excluding exceptional items)</b>	<b>568.4</b>	<b>471.5</b>	<b>743.1</b>
Release from the provision for health insurance costs for (former) employees (employee benefit expenses)	--	--	209.4
Fair value gains and losses on derivative financial instruments (revenue)	30.1	(82.0)	(68.2)
Addition to provision for landfill-sites (cost of energy, raw materials and consumables)	--	--	(18.2)
Addition to provision for onerous contracts (cost of energy, raw materials and consumables)	--	--	(69.4)
Addition to decontamination provision (other operating expenses)	--	(20.0)	(20.0)
Cost of early retirement and staff resignations (employee benefit expenses)	--	--	(22.7)
Addition to provision for shorter working hours of older employees and special-purpose leave (employee benefit expenses)	(47.2)	--	--
Impairments on property, plant, equipment and intangible assets (depreciation, amortisation and impairments)	--	--	(19.2)
Non-recurring legal costs (other operating expenses)	--	--	(24.8)
<b>Net total exceptional items in operating profit</b>	<b>(17.1)</b>	<b>(102.0)</b>	<b>(33.1)</b>
<b>Operating profit (including exceptional items)</b>	<b>551.3</b>	<b>369.5</b>	<b>710.0</b>

Profit for the period includes the exceptional items shown in the following reconciliation:

<b>Profit for the period (excluding exceptional items)</b>	<b>413.7</b>	<b>323.7</b>	<b>500.9</b>
Net total exceptional items (operating profit)	(17.1)	(102.0)	(33.1)
Income tax in respect of exceptional items	5.1	32.1	6.6
Gain on sale of investment in Van Gansewinkel Groep B.V. (share of result of joint ventures and associates)	--	51.4	51.4
<b>Profit for the period (including exceptional items)</b>	<b>401.7</b>	<b>305.2</b>	<b>525.8</b>

<sup>1</sup> Unaudited figures

## Commitments and contingencies

### Borssele nuclear power station covenant

On 16 June 2006, the Group signed the Borssele covenant together with the Dutch government and Delta Energy B.V. The covenant provides for the Borssele nuclear power station to continue operating until 31 December 2033 at the latest. Under its terms, the Group will invest in innovative types of sustainable energy and the reduction of CO<sub>2</sub> emissions. It will also contribute to a special fund supporting the development of new clean energy technologies. In this connection, the Group will invest at least EUR 100 million in new innovative projects between 2006 and 2014. In addition, by 31 December 2006 the Group and Delta Energy B.V. are to jointly establish the above-mentioned fund for financing innovative projects that further the aim of a more sustainable form of energy management. Immediately after the fund has been established, the Group will make an initial contribution of EUR 5 million to its financial resources. At the request of the fund's management and subject to the limit of the fund's financing needs, the Group will make further contributions to the fund up to a total of EUR 20 million until the end of 2033.

### Cross Border Lease transactions

Group operating companies and their predecessors entered into Cross Border Lease transactions (CBLs) on a number

of power generation plants in the Netherlands (GasEdon, Swentibold, Amer-9 and Moerdijk), the waste incineration plant in Wijster, gas networks in the provinces Drenthe, Friesland, Groningen, Limburg (including the gas network in the municipality of Maastricht), Noord-Brabant and Overijssel and on the electricity network of Maastricht. In 1996 a German Lease was also entered into on the turbines and generators of the Moerdijk power plant.

The group has entered into CBLs with, among others, US investors. Other parties involved in these leases include several Dutch and foreign lenders and collateral support providers. US Investors have generally established special trusts to hold their investments in the CBLs. The appraised aggregate value of the relevant assets at closing for CBLs with US investors was approximately US dollar 5.6 billion.

All CBLs are subject to conditional and unconditional contractual rights and obligations. Essent N.V. guarantees substantially all of these obligations. The coverage under the guarantees includes the US dollar 1.8 billion (EUR 1.4 billion) in "Equity Termination Value" as well as the other amounts referred to below.

Certain aspects of the CBLs can be summarised as follows:

	Year lease concluded	Year of contractual termination option	Net book value at 30 June 2006 <sup>1</sup>	Transaction value at inception of CBL	Equity Termination Value 30 June 2006 <sup>2</sup>	Equity Termination Value 31 December 2005 <sup>2</sup>
<i>amounts in millions</i>			EUR	US dollar	US dollar	US dollar
Energy Networks	1998-2000	2016-2029	400	3,078	1,083	1,055
Generating and waste incineration facilities	1994-1999	2016-2023	525	2,537	722	709
<b>Total of US CBLs</b>			<b>925</b>	<b>5,615</b>	<b>1,805</b>	<b>1,764</b>
				EUR	EUR	EUR
Total US CBLs			925	4,390	1,412	1,489
German lease on Moerdijk plant	1996	2009	--	168	31	31
<b>Total all CBLs</b>			<b>925</b>	<b>4,558</b>	<b>1,443</b>	<b>1,520</b>

<sup>1</sup> Book value of assets relating to the German lease on the Moerdijk plant is included in generating and waste incineration facilities

<sup>2</sup> Excluding the debt portion of the "Termination Values" in respect of which financial instruments, other collateral or internal reserves have been established

## Other disclosures

At the end of the respective lease periods, the Group operating companies have the right (subject to certain conditions) to purchase the interests of the US investors (and/or trusts) in the relevant assets by payment of an amount agreed in advance under the terms of a fixed price purchase option. In order to have sufficient funds to pay the relevant purchase prices, a portion of the funds received when the transactions were entered into was used to purchase financial instruments.

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The CBLs are subject to early termination if certain events occur. Early termination events may include (but are not limited to) certain changes in Dutch law that, within and subject to the exact provisions of the CBL documentation, adversely affect the relevant investors or other parties.

If an early termination event were to occur, the Group operating companies (and thus Essent) could be liable for substantial "Termination Value" payments and related indemnities, financing costs and other related amounts to US investors and/or other parties involved in the CBLs.

As at 30 June 2006, the aggregate equity portion of "Termination Value" exposure was approximately US dollar 1,805 million (see table on page 23). Part of this amount would be covered by the financial instruments intended to be available for payment of the relevant purchase prices if the above referenced purchase options were exercised. As at 30 June 2006, the aggregate value of these financial instruments was approximately US dollar 900 million. These financial instruments are sensitive to interest yield levels and US dollar/EUR exchange rates. An increase in

the US interest rate yield by 100 basis points would create a loss in market value for these financial instruments of approximately US dollar 150 million, and a loss in value of the euro relative to the US dollar by one dollar cent would cause a corresponding loss in value of approximately EUR 11 million.

If an early termination event were to occur, the Group operating companies (and thus Essent) would also be liable for, in addition to the above referenced equity portions of "Termination Value" payments, the balance of the other relevant "Termination Value" payments. These amounts, which are estimated to amount to approximately US dollar 6.0 billion as at 30 June 2006, are anticipated to be covered by the other financial instruments, other collateral or internal reserves referenced in footnote 2 to the table on page 23.

In the context of the possible termination of all CBLs, which would involve approximately 35 US and European investors, banks and other financial institutions as well as the relevant Group companies, it is estimated that the financing and termination costs could amount to as much as 1% of the original transaction value at signing (approximately US dollar 60 million). When added to the other costs of early termination (i.e., the portions of "Termination Value" payments not anticipated to be covered by the above referenced financial instruments, other collateral or internal reserves and other related items), it is estimated that the aggregate net cost of early termination would exceed EUR 1 billion.

The contractual scheduled rent obligations under the CBLs for the next five years (and beyond) can be summarised as follows:

<i>in millions of euros</i>	2006	2007	2008	2009	2010	2011>	Total
CBL lease obligations	115	283	284	335	370	3,462	4,849

Under the terms of some CBLs, mortgages, pledges or other security rights have been vested on all (or certain portions of) the underlying assets. For CBLs on energy networks, the assets to which these rights are applicable

have a net book value as at 30 June 2006 of approximately EUR 45 million. The net book value as at 30 June 2006 of the generation assets to which these rights are applicable is approximately EUR 525 million.

	Net book value at 30 June 2006	Net book value at 31 December 2005	Net book value of assets encumbered by mortgage, pledge or other security at 30 June 2006	Net book value of assets encumbered by mortgage, pledge or other security at 31 December 2005
<i>in million of euros</i>				
Energy networks	400	405	45	45
Generating and waste incineration facilities	525	563	525	563
Total all CBLs	925	968	570	608

#### **Letters of Credit and Other Collateral on Cross Border Lease Transactions**

Under the terms of the CBLs, letters of credit and/or other collateral instruments (in certain cases including the financial instruments referenced above) were required to be delivered at closing in favour of certain CBL parties. Certain CBLs require that additional letters of credit and/or other collateral be delivered (and/or that existing letters of credit and/or other collateral be replaced) if certain events occur. This can be the case if specified credit rating tests are no longer satisfied, certain ownership covenants or financial covenants are not met and/or certain adverse Dutch regulatory or other changes occur.

If analysed solely with reference to credit rating tests applicable to Essent's rating, if the credit rating of Essent decreases to A<sup>-</sup> (S&P), additional collateral will be required to be obtained of an amount equal to approximately US dollar 500 million. A further decrease to BBB<sup>+</sup> would require further collateral of an amount equal to approximately US dollar 60 million and a decrease to BBB would require further additional collateral of an amount equal to approximately US dollar 150 million. When interpreting these figures, the variables as mentioned in the paragraph above should be taken into consideration.

#### **Possible unbundling of the energy companies**

In spring 2004, the Minister of Economic Affairs put forward proposals for limiting the operations of energy companies to either network activities or generation and supply activities with effect from 1 January 2007. This date has been postponed for about two years. The Lower House passed the bill in April 2006 with a large majority. The Minister then submitted the bill to the Upper House for consideration. A preparatory study by the Economic Affairs Committee of the Upper House is planned for 12 September 2006. However, the cabinet crisis makes it uncertain whether the Upper House will still debate the bill

before the elections for the Lower House on 22 November 2006 and the subsequent forming of a new government.

Were these far-reaching proposals to come into effect, it would mean that the Group's operations in their present form could not continue after 2008. Unbundling of the Dutch activities may entail significant non-recurring costs for the renegotiation of finance and (Cross Border) lease contracts, as well as substantial expenses for possible early termination of (Cross Border) leases and for setting up new computerised data processing systems. Based on the proposals the unbundling itself would not be subject to tax. This implies that no tax would be levied on any gains. Fiscal losses arising from the unbundling would therefore not be available for set-off. Still unclear is the extent to which this approach might be designated as unlawful government support within the EU. Moreover, the threat of unbundling raises tax risks relating to the tax exemptions granted on some of the internal restructurings carried out in the past.

Based on estimates made by the Group, these potential non-recurring costs, expenses and risks could have a material negative impact on equity and profit for the year of the Group.

Moreover, should the unbundling go through, the total operating costs of the unbundled activities would probably exceed those of the current integrated operation, which could lead to higher costs for providing services to the Group's customers, upward pressure on energy prices, and hence to a weakening of the Group's competitive position.

In the fourth quarter of 2006, it should become clear whether and to what extent the proposals will be taken over by the new Minister of Economic Affairs and make it into law.

## Other disclosures

### Events after the balance sheet date

On 5 July 2006, Deutsche Essent GmbH, the Group's German subsidiary, and Bayerngas GmbH set up the joint venture novogate GmbH. Novogate will establish two facilities, in Munich and Düsseldorf, for supplying gas to public utility companies. The joint venture should commence operations in the third quarter of 2006.

On 2 August 2006, the Group reached agreement with Cinven and Warburg Pincus on the sale of Essent Cablecom. The sale price agreed is approximately EUR 2.6 billion, which should produce a net gain of some EUR 1.8 billion.

# Review report

## Introduction

We have reviewed the accompanying interim consolidated balance sheet of Essent N.V. (the 'Company'), Arnhem, as at 30 June 2006 and the related interim consolidated income statement, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Company's management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with International Financial Reporting Standards Union as adopted by the European Union ('IAS 34'). Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less

in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not give a true and fair view of (or do not present fairly, in all material respects) the financial position of Essent N.V. as at 30 June 2006 and of its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34.

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's-Hertogenbosch, 2 August 2006

for Ernst & Young Accountants

J. Niewold

M. Hartkoorn

## Significant financial ratios<sup>1</sup>

	first half 2006 <sup>2</sup>	first half 2005 <sup>2</sup>	full year 2005
Leverage (total debt basis)	36%	54%	43%
Solvency	32%	25%	29%
Net interest-bearing liabilities/EBITDA	0,9 <sup>3</sup>	1,3 <sup>3</sup>	0,9
Interest cover	20,5 x	16,2 x	21,5 x
Non-current interest-bearing liabilities as % of total interest-bearing liabilities	82%	58%	69%

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<sup>1</sup> In calculating the ratios the effect of discontinued operations is not taken into account and collaterals are included in net working capital

<sup>2</sup> Unaudited figures

<sup>3</sup> Calculated using net interest-bearing liabilities at the end of the period and EBITDA for the previous 12 months

### Calculation of financial ratios

#### **Leverage (total debt basis)**

Total interest-bearing liabilities divided by total interest-bearing liabilities plus equity, expressed as a percentage.

#### **Solvency**

Equity divided by total assets, expressed as a percentage.

#### **Net interest-bearing liabilities**

Total interest-bearing liabilities less cash and cash equivalents.

#### **EBITDA**

Operating profit plus depreciation, amortisation, impairments plus the share of the result of joint ventures and associates.

#### **Interest cover**

EBITDA divided by net interest expenses.

## Colophon

### **Essent N.V.**

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6800 AG Arnhem  
The Netherlands  
tel. +31 (0)38 851 8510 (General)  
tel. +31 (0)26 851 1436 (Investor Relations)  
www.essent-finance.nl

### **Coordination**

Investor Relations Essent

### **Production**

#### **text consultants for theme texts**

Wijvekatte Wervende Teksten o.a., Leiderdorp

#### **art direction & design**

Phasis Communication Works B.V., Eindhoven

#### **photography**

Paulien de Gaaij fotografie, Utrecht

#### **location for theme photos**

Theaterfestival Boulevard, Parade, Den Bosch

#### **translation**

Ernst & Young Translation Bureau, The Hague

#### **printing**

PlantijnCasparie Zwolle B.V., Zwolle

