

Essent N.V. 2005 Half-Year Results

Financial results for first half of 2005

Essent's half-year results for 2005 are the first to be prepared under International Financial Reporting Standards (IFRS). The results for the first half of 2004 and for the whole of 2004 have been restated accordingly, apart from the effect of International Accounting Standards (IAS) 32 and 39, which were adopted as of 1 January 2005. The effect of IAS 32 and IAS 39 is explained in detail at the end of this press release.

Notes on the results

Essent's net turnover fell by EUR 424 million to EUR 3.23 billion, largely owing to the application of IAS 39. This adverse effect, amounting to approximately EUR 500 million, was partly offset by higher gas and electricity prices, a slightly higher CATV unit charge and more @Home customers.

As turnover in the first half of 2005 was affected by IAS 39, the notes to the gross margin are based on absolute figures. The total gross margin, including other operating income, rose by 0.4% to EUR 1.56 billion compared with the same period of 2004. The gross margin on Electricity dropped slightly owing to the effect of the application of IAS 39, which was partly offset by higher sales volumes and prices. The gross margin on Gas declined by 6.5%, mainly due to increased purchasing costs and the application of IAS 39. The gross margin on Cablecom went up (9.8%), largely the result of slightly higher CATV unit charges and more @Home customers. The gross margin on Waste Management was slightly lower than the first half of 2004, owing to the loss of some contracts at year-end 2004 because of unfavourable legislation and regulations in Germany on the landfilling of waste.

Operating expenses fell by 3.7% to EUR 1.14 billion. Staff costs increased by 5.1% to EUR 411 million, mainly due to more staff at Cablecom, more staff for ICT support and a larger addition to the provision for healthcare costs. The costs of work contracted out and materials fell by EUR 48 million thanks to reduced maintenance and marketing costs, with other costs falling because of various cost savings. As a result of reduced operating expenses, operating profit climbed 13.5% to EUR 421 million. The operating profit in the first half of 2005 came to 13.0% of turnover, compared with 10.1% for the same period of 2004. The increase is largely the result of drop in turnover caused by the application of IAS 39.

Net financial expense decreased by 34.7% to EUR 66 million. Interest expense fell compared with the first half of 2004, owing to the costs incurred for the early repayment of long-term debt and other non-recurring costs in 2004.

The profit in the first six months of 2005 from non-consolidated participating interests amounted to EUR 80 million, a rise of EUR 44 million. This was mainly the result of the net gain (EUR 51 million) on the sale of the 45% interest in Van Gansewinkel Groep.

The profit on ordinary activities before taxation amounted to EUR 435 million. The tax on this profit amounted to EUR 98 million, which meant that the effective tax burden was 22.4%. This relatively low burden is mainly thanks to the participation exemptions and the gradual realisation of deferred tax assets.

After allowing for minority interests, net profit in the first six months of 2005 amounted to EUR 314 million, an increase of 45.5% on the first half of 2004.

The application of IAS 39 led to a significant increase in receivables (approximately EUR 1.7 billion) and current debt (approximately EUR 2.1 billion) compared with the balance

sheet at 31 December 2004. Of these amounts, EUR 0.5 billion and EUR 0.7 billion respectively were already included in the balance sheet at 1 January 2005 restated for the effect of IAS 32 and IAS 39. The net cash flow from operating activities improved by EUR 24 million. Net investment expenses fell by EUR 61 million owing to the sale of the 45% interest in Van Gansewinkel Groep. The level of additions to tangible and intangible fixed assets was unchanged compared to the first six months of 2004, amounting to EUR 261 million. The cash that became available was used for the further repayment of debt.

Arnhem, 4 August 2005