

A black and white photograph of two hands held out, palms facing up, against a black background. The hands are positioned in the center of the frame, with the fingers slightly spread. The lighting highlights the texture of the skin and the contours of the hands.

2004 Interim Statement

-essent 

Company profile

We are an energy company with its roots in the Netherlands.

We provide our customers, private as well as business, with energy plus a number of additional products and services.

Apart from electricity, gas and heat, they comprise maintenance of central heating and hot-water equipment, as well as a range of cablecom products, such as cable TV and radio, broadband internet access and telephony.

We are a vertically integrated energy company, which means we generate most of the energy we supply. To generate the energy, we use conventional methods, such as coal-fired plants, alongside waste incinerators and, to an increasing degree, sustainable sources such as wind energy and biomass.

While regarding the Netherlands as our home market, we also operate in the neighbouring countries of Germany and Belgium.

In the Netherlands, we are the market leader in the energy market measured by turnover and the number two cable TV company by number of customers.

2004 Interim Statement

Essent N.V. 2004 half-year results

- Unless otherwise stated, all amounts are in millions of euros.
- The half-year figures in this report have not been audited.
- Financial reporting is in accordance with accounting principles generally accepted in the Netherlands.

Essent's profit before tax of EUR 309 million for the first half of 2004 up 12% on same period last year.

- Operating profit increases 3.8% to EUR 370 million in comparison with first six months of 2003.
- Interest coverage ratio improves to 7.4 x from 6.9 x at the end of 2003.
- Net working capital decreases EUR 388 million over the last twelve months.
- Realisation deferred tax assets pushes net profit for the first six months of 2004 to EUR 217 million, up 34%.
- Due to a flat tax rate for the year as a whole, net profit for 2004 should show mid single digit growth.

The first half 2004 financial results

Essent's net turnover in the first half of 2004 stayed at the same level as reported for the first six months of 2003 with EUR 3.66 billion.

The total gross margin including other operating income rose 4.1% to EUR 1.60 billion compared to the same period last year. Operating profit increased 3.8% to EUR 370 million. All segments, except for Other, contributed to the operating profit improvement in the first half of 2004. The increase was mainly achieved by the segments Electricity and Cablecom. Operating profit in the Electricity segment increased, mainly due to higher grid revenues and better results of Stadtwerke Bremen. The Gas segment generated more profit than the same period last year as a result of a higher margin.

Operating profit for our Cablecom activities rose as a result of an improved CATV margin and more @Home broadband customers. Operating expenses were higher than in the first half of last year as a result of costs of preparing for liberalisation, asset impairment and provisions for environmental cleaning. Operating profit as a percentage of net turnover amounted to 10.1%, an increase of 0.4 percentage points compared with the same period in 2003 (2003: 9.7%).

The profit before tax climbed to EUR 309 million for the first half of 2004, representing a rise of 12.1% on the same period last year. The tax on this profit was EUR 70 million, equivalent to an effective tax burden of 22.7%. This relatively low tax burden reflects the gradual realisation of deferred tax assets.

The improvement in the result of Stadtwerke Bremen led to an increase in minority interests.

Net profit for the first half of 2004, amounted to EUR 217 million, compared with EUR 162 million for the same period last year, an increase of 34%.

Net working capital decreased EUR 388 million in the last twelve months. This improvement is the net result of better cash collection, improved invoicing and higher capital commitments. Over the first six months of 2004, the networking capital increased by EUR 232 million, mainly caused by the seasonal effect of the invoicing of household customers.

Capital expenditures went up by 17% compared to the same period last year. This increase was mainly the result of wind park investments in Germany and cable network investments in the Netherlands.

Over the last six months, we made further progress on the interest coverage ratio and on gearing. The interest coverage ratio improved to 7.4 x (December 2003: 6.9 x, target is 7.5 x). The gearing is with 50.6% almost at our target level of 50%.

The first half 2004 essentials

Deregulation

The first half of 2004 was largely dominated by the coming 1 July, the day on which the energy market would become fully deregulated. The market did indeed open fully on 1 July, which came and went without any particular problems worth mentioning. Having now operated in a totally free market for almost six weeks, the experiences of all players are still favourable for the most part. According to figures from the industry association EnergieNed, the number of Dutch customers who switched suppliers since 1 July was around 276,000, 3.5% of the total private and small-business market. EnergieNed expects this percentage to remain unchanged for some time. The number of customers who have switched to and from Essent is in line with the national trend. To date, the processing of these switchers by the different energy companies has gone well.

Processes and systems were ready well before the agreed date, a situation already confirmed by two reviews commissioned by the Minister of Economic Affairs. In March and April, two audits were conducted respectively by Lloyd's Register, an independent risk management organisation, and the Office of Energy Regulation, the Dutch Regulator. Lloyd's Register was asked by the Minister to investigate whether the energy companies had the invoicing for their large and medium-size-business customers properly organised. The Office for Energy Regulation checked whether the records and switching systems for private and small-business customers were in place, so that fully opening the market on 1 July would be feasible. The conclusions of both bodies left no doubt that the levels of quality agreed with the Minister had been achieved.

Energy

Electricity

<i>in millions of euros</i>	first half 2004	first half 2003	full year 2003
net turnover	1,595.0	1,550.5	3,156.4
operating profit	273.0	193.9	486.0

Gas

<i>in millions of euros</i>	first half 2004	first half 2003	full year 2003
net turnover	1,418.6	1,449.0	2,691.3
operating profit	93.2	88.8	163.7

The improvement in the results for this segment is largely attributable to the rationalisation of the B2B customer portfolio, which we initiated in 2003.

During the first half of 2004, Essent put effort into further strengthening its core activities: the generation, transport, trade and supply of energy. This resulted in application of a further tranche of the investment programme intended to extend the productive lives of our power stations from 25 to 40 years. The Amer9 power station, which had been out of operation for some time following an industrial accident during maintenance work, came on stream again at the end of May.

The construction of our gas storage facility in Epe (Germany) is proceeding according to plan, with the stocking of the caverns already underway. Once this facility goes into operation - a date early in 2005 is still within reach - it will provide Essent with additional flexibility to cope with fluctuations in demand, strengthening Essent's position as one of the Netherlands' largest suppliers of gas.

Essent's strategy includes activities in countries bordering the Netherlands. To this end, we acquired a majority interest in KOM-STROM AG, Leipzig, with effect from 1 January 2004 through our German subsidiary, Deutsche Essent GmbH. Our intention is to have KOM-STROM evolve into a trading platform supplying electricity and gas, as well as electricity-based and gas-based financial products, to German municipal energy companies. Our Belgium subsidiary, formerly Wattplus, was renamed Essent Belgium in May 2004. Its growth in market share meets our expectations.

We have also made progress in recent months on expanding our sustainable generation capacity. A good example is the approval given to our German wind-energy arm, Winkra-Energie GmbH, for the construction of a 62 MW wind farm near Berlin. This expansion represents one more approved project in addition to Winkra's existing project pipeline of 54 MW.

Essent remains focused on further increasing its sales of sustainable energy. Accordingly, we have decided to keep the price of sustainable (green) energy the same as the price of grey energy (i.e. conventionally generated). Essent can pursue this green=grey strategy, as we have considerable sustainable generation capacity of our own that, after the introduction of the new subsidy scheme in mid-2003, allows us to compete on equal terms again with non-Dutch suppliers. The scheme, designed to encourage environmentally responsible energy generation, provides a phased increase of the payment to producers of sustainable energy in the Netherlands. With total energy generated of 335 GWh in first half of 2004, Essent was once again a very large producer of sustainable energy in the Netherlands, demonstrating our contribution to reducing the emission of CO₂. In 2003, moreover, we began preparing for the trade in CO₂ emission rights. The first allocation by the Dutch government of these rights to the participating companies will be in October 2004.

We supply sustainable energy to consumers under the brand name *Groene Stroom* and to companies under the brand name *Groen Zakelijk*. In the first six months of 2004, our market share of over 30% made us once again by far the leading supplier of sustainable energy in the Netherlands.

Cablecom

<i>in millions of euros</i>	first half 2004	first half 2003	full year 2003
net turnover	203.8	186.0	378.6
operating profit	46.5	35.7	66.7

Our cablecom products, CATV, internet access and telephony, are innovative, attractive and profitable. We even managed to enhance CATV, our most mature product, by supplying it in a full digital version, thereby meeting the growing demand of the consumer for high-quality sound and vision. The number of subscribers to our product TV Home Digital climbed 60% in the first half of 2004 to 27,000.

With a market share of almost 20%, or approximately 360,000 subscribers, Essent is the largest provider of broadband internet in the Netherlands. Our internet product @Home is available in several variations, differing in speed, price and service. This summer, we are launching @Home Family to better serve a key market segment in line with its requirements. We also started trials recently to achieve higher speeds over our existing cable network. Using a new technology known as Ethernet to the Home, we will be able to transport information at speeds up to 100 MB a second.

Since spring this year, we have been conducting tests in two midsize Dutch cities on the potential of telephony via broadband internet (Voice over IP). The initial results are encouraging. Around October 2004, we will decide whether to offer @Home Telephony on a larger scale.

Waste Management

<i>in millions of euros</i>	first half 2004	first half 2003	full year 2003
net turnover	212.6	210.1	411.4
operating profit	(7.6)	(8.4)	(22.0)

The restructuring of our Dutch waste management activities, announced back in 2003, is in full swing. A change in our waste management portfolio was essential, as divergent regulations between the Netherlands and several other EU member states were producing persistently unfavourable market conditions for us. We are now in the process of limiting our waste management activities to the incineration of waste and the management of landfills. All the other waste management activities have been or will be sold. The results of this segment include substantial one off items related to asset impairment and environmental cleaning.

Unbundling the energy companies

After the summer recess, the Minister of Economic Affairs will continue the debate with the Lower House of Dutch Parliament on the future structure of Dutch energy companies. The Minister published his plans for the first time on 31 March 2004. In a letter to the Lower House, he stated his preference for a full ownership unbundling with respect to the network operation by 1 January 2007 at the latest. According to the Minister, the unbundling would prevent unfair competition. In the Netherlands, an energy company's network operation is already financially, organisationally and legally separated from the other parts. Moreover, the network operation is under the independent supervision of the Office for Energy Regulation. The full ownership unbundling of assets presents severe disadvantages for the customers, the shareholders and the energy companies,

as energy costs would increase, shareholder value be destroyed and an important sector of the Dutch economy would lose scope for investment, growth potential and employment opportunities.

Essent is fighting to keep its integrated structure

Our aim is to continue running our company in its current form, as this gives the best guarantee of safe, cost-effective and sustainable generation, distribution and supply of energy. In addition, it keeps us on an equal footing in competition with energy companies on the European market. Shoulder to shoulder with the other Dutch energy companies, we will oppose the unbundling strategy of the Minister of Economic Affairs. In this struggle, we will use all legitimate means open to us.

Prospects

Barring unforeseen circumstances, the profit before tax for 2004 should rise by the same percentage as in the first six months of 2004. The effective tax rate for the remainder of the year will be higher when compared to the same period last year. Consequently, net profit for 2004 should show mid single digit growth compared to 2003.

Arnhem, 5 August 2004
Executive Board

Consolidated profit and loss account

<i>in millions of euros</i>	first half 2004 ¹	first half 2003 ^{1,2}	full year 2003
net turnover	3,657.1	3,672.3	7,130.6
cost of sales	(2,145.5)	(2,201.4)	(4,213.5)
gross margin	1,511.6	1,470.9	2,917.1
own production capitalised	40.8	35.6	74.1
other operating income	46.1	28.4	99.7
total gross margin including other operating income	1,598.5	1,534.9	3,090.9
staff costs	(362.0)	(353.1)	(716.9)
amortisation and depreciation and impairment of intangible and tangible fixed assets	(314.0)	(330.3)	(728.1)
cost of work contracted out, materials and other external charges	(453.3)	(428.9)	(888.1)
other operating expenses	(99.3)	(66.2)	(83.6)
total operating expenses	(1,228.6)	(1,178.5)	(2,416.7)
operating profit	369.9	356.4	674.2
financial income/(expense)	(97.4)	(105.1)	(210.1)
profit/(loss) of participating interests	36.9	24.8	38.7
profit before tax	309.4	276.1	502.8
tax	(70.2)	(93.7)	(86.1)
profit after tax	239.2	182.4	416.7
minority interests	(22.5)	(20.8)	(27.9)
net profit	216.7	161.6	388.8
net earnings per share (in euros)	1.45	1.08	2.60

¹ Not audited figures

² Figures adjusted for changes in the Group and in presentation of net turnover

Consolidated balance sheet

before profit appropriation

<i>in millions of euros</i>	30 June 2004 ¹	31 December 2003	30 June 2003 ^{1,2}
fixed assets			
intangible fixed assets	106.2	-	-
tangible fixed assets	5,849.9	5,989.3	5,974.5
financial fixed assets	982.3	984.1	914.7
total fixed assets	6,938.4	6,973.4	6,889.2
current assets			
stocks	131.9	126.6	132.2
receivables	1,333.0	1,284.0	1,751.4
total current assets	1,464.9	1,410.6	1,883.6
current non-interest-bearing debt	(1,421.4)	(1,598.6)	(1,451.9)
net working capital	43.5	(188.0)	431.7
capital employed	6,981.9	6,785.4	7,320.9
shareholders' equity	2,616.8	2,555.6	2,328.4
minority interests	195.9	171.6	172.6
group equity	2,812.7	2,727.2	2,501.0
provisions	1,394.7	1,288.1	1,474.6
long-term interest-bearing debt	2,070.4	2,251.5	2,291.8
current interest-bearing debt	814.1	659.7	1,208.9
cash and cash equivalents	(110.0)	(141.1)	(155.4)
financing	6,981.9	6,785.4	7,320.9

¹ Not audited figures

² Figures adjusted for changes in the Group

Consolidated cash flow statement

<i>in millions of euros</i>	first half 2004 ¹	first half 2003 ^{1,2}	full year 2003
cash flow from operating activities	401.0	260.8	1,141.0
cash flow from investing activities			
additions to tangible fixed assets	(234.4)	(200.2)	(474.6)
acquisition of participating interests	(19.5)	(7.5)	(41.7)
disposals	23.7	9.6	52.7
other	(21.9)	(20.3)	(38.3)
cash flow from investing activities	(252.1)	(218.4)	(501.9)
cash flow before financing activities	148.9	42.4	639.1
cash flow from financing activities	(180.0)	(154.5)	(766.9)
cash flow from continuing operations	(31.1)	(112.1)	(127.8)
impact of currency and consolidation changes	-	16.5	17.9
net cash flow	(31.1)	(95.6)	(109.9)

¹ Not audited figures

² Figures adjusted for changes in the Group

Key figures

financial ratios	30 June 2004 ¹	31 December 2003	30 June 2003 ^{1,2}
gearing	51%	52%	58%
solvency	33%	32%	28%
interest cover	7.4 x	6.9 x	6.8 x
long-term interest-bearing debt/total interest-bearing debt	72%	77%	65%

Definition of financial ratios

Gearing

Total interest-bearing debt divided by total interest-bearing debt plus group equity, as a percentage.

Solvency

Group equity divided by total assets, as a percentage.

Interest cover

EBITDA divided by financial income and expense, where EBITDA is defined as operating profit plus depreciation and amortisation and impairments of intangible and tangible fixed assets plus profit of participating interests.

Ratio of long-term interest-bearing debt to total interest-bearing debt

Long-term interest-bearing debt divided by total interest-bearing debt, as a percentage.

¹ Not audited figures

² Figures adjusted for changes in the Group

Colophon

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