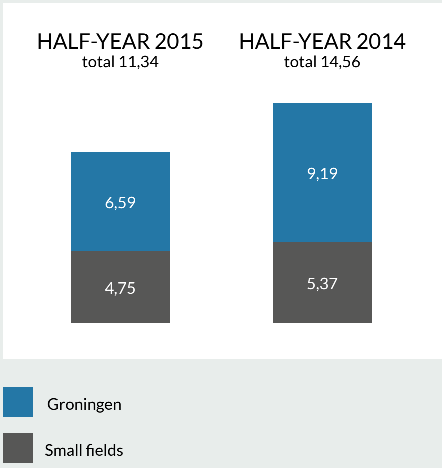
Half year report 2015

Sustaining value from Dutch oil and gas

Highlights

Sales of EBN amount to EUR 2,9 billion in the first half year of 2015 compared to EUR 3,6 billion in the first half year of 2014. The net profit of EBN in the first half year of 2015 amounts to EUR 696 million compared to EUR 982 million in the first half year of 2014. The negative effects of the production ceiling for the Groningen field resulting from the earth-quake risk and of lower sales prices, have been offset in the first half year of 2015 by subsequent (net) gains in respect of previous years.

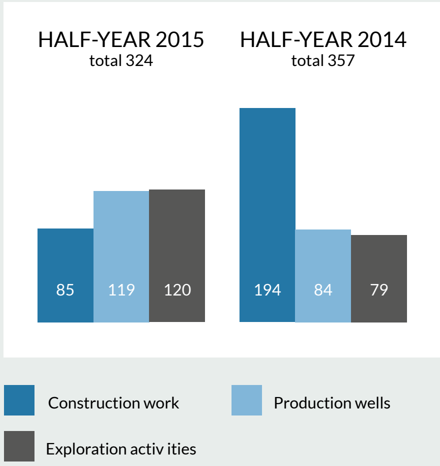
Production (in bcm EBN-share)



Operational costs increased from EUR 428 million in the first half year of 2014 to EUR 630 million in 2015, primarily due to higher costs for damage repair and preventive reinforcement of buildings as a result of earthquakes in the Groningen province.

Capital expenditure in the first half year of 2015 amount to EUR 324 million (2014: EUR 357 million). The largest investment projects are the A18-A, L5a-D and L6-B field developments and the Bergermeer and Norg gas storages.

Capital expenditure (in EUR mln)



In the first half year of 2015, 7 production wells have been drilled. All wells showed gas though 1 well showed amounts of natural gas that are not economically recoverable. In addition, 7 exploration and appraisal wells have been drilled, of which 3 showed gas and 1 showed oil.

EBN's partners applied for 5 exploration licenses and a draft was issued for 1 exploration license.
The number of joint ventures rose from 203 to 205 in the first half of 2015.

5 gas fields have been taken into production in the first half year of 2015, 2 of the 5 fields are located offshore and 3 onshore. These are the L10-O field, the L06-B gas, the Donkerbroek and Hemrik fields and the Eesveen field.

Key developments in the first half year

Gas production in Groningen

In the first half of 2015, a number of choices were made for the Groningen field in order to reduce the risks of earthquakes caused by the production of natural gas. With safety of the inhabitants of the Groningen province in mind, it was decided in December 2014 to reduce gas production from the Groningen field to 39.4 billion m^3 gas per year for the years 2015 and 2016. In February, the production ceiling for the first half of 2015 was set at 16.5 billion m^3. The government followed advice of the State Supervision of Mines (SodM) in order to reduce the risk of earthquakes in Groningen. On 23 June of this year, the government decided to further reduce the production of gas from the Groningen field in 2015 to a maximum of 30 billion m^3. Additionally, the government makes use of a one-time opportunity to extract 3 billion m^3 gas from the gas storage facility Norg. In this way, supply of natural gas is secured.

First production minimum facility platform

Using a new platform concept, Wintershall has developed the L6-B gas field. The so-called 'minimum facility'-platform was built in just nine months and installed in its offshore location 40 km north of Terschelling in June 2014. Advantages of this new platform are that it is relatively light and can be installed using simple means. The costs for this platform are less than half of a conventional satellite platform. In this way, marginal fields can be developed economically. Suction piles anchor the platform in the seabed and the platform can be used for a maximum of two production wells.

The platform is located in a restricted military zone. In consultation with authorities, it was decided to keep the installation as small as possible.

The topside of the platform consists of little more than a transport-container sized facility. The platform can only be reached by boat. L06-B started to produce natural gas in June 2015.

First production of gas from operator Tulip Oil in the Netherlands

On 9 February of this year, the first production of natural gas started from the Hemrik field near Drachten. Operator Tulip Oil thus brought its first gas field in the Netherlands into production. Later on, two production wells in the Donkerbroek gas field, which is located near the Hemrik field, also started producing gas. The two Donkerbroek wells were connected to the Hemrik location by a 4 km long pipeline.

First production of gas in Eesveen

In 1986 a small gas field was discovered near Eesveen. In 2014, Vermilion begun developing the gas field. The first production of gas took place on 20 April this year.

Bergermeer

In cooperation with EBN, TAQA has completed its Gas Storage Bergermeer facility in the Netherlands, one of the largest free access gas storage facilities in Western Europe. It has a capacity of 46 terawatt hours or 4.1 billion m^3, which is enough to supply 2.5 million Dutch households with gas for a year. On 1 April, the Gas Storage Bergermeer was officially opened. The facility doubles the Netherlands' seasonal gas storage capacity. This project was completed safely, on schedule and within budget (total investment of EUR 900 million).

Production of oil in Schoonebeek

The production from the Schoonebeek field, which was taken into production again in 2011, is still lagging behind expectations due to the complex and challenging nature of this groundbreaking and large-scale project. The oil production was restricted in 2014 due to unforeseen production of a highly corrosive gas contaminant, hydrogen sulphide. This year, additional problems with the integrity of pipelines for the transportation of water from the Schoonebeek plant to a location for water injection in Twente caused several long-lasting interruptions. Initially, the Schoonebeek field was scheduled to be recommissioned in June 2015, but this was postponed until further notice given that identified problems have a larger impact than expected. These measures illustrate that both NAM and EBN have the environment and responsible operations as a primary focus.

Interim condensed consolidated financial statements for the six months ended 30 June 2015

Consolidated statement of comprehensive income

in EUR mln

	NOTE	HALF-YEAR 2015		HALF-YEAR 2014	
sales	1		**2.919**		3.584
levies	2	**1.112**		1.535	
operational costs	3	**630**		428	
impairments		**-**		-	
depreciation and amortisation	6	**281**		295	
operating expenses			**2.023**		2.258
operating profit			**896**		1.326
financial income	4		**275**		44
financial expense	4		**-268**		-85
share of profit from associates			**18**		18
pre-tax profit			**921**		1.303
taxes			**-225**		-321
net profit			**696**		982
other comprehensive income			**-**		-
total comprehensive income			**696**		982

Consolidated balance sheet

in EUR mln

ASSETS	NOTE	HALF-YEAR 2015	YEAR-END 2014	LIABILITIES	NOTE	HALF-YEAR 2015	YEAR-END 2014
non-current assets				**shareholder's equity**			
property, plant and equipment	6	**4.454**	4.324	share capital		**128**	128
associates		**102**	110	retained earnings		**103**	71
		4.556	4.434			**231**	199
				non-current liabilities			
				provisions	7	**2.799**	2.549
				deferred tax liabilities		**65**	76
				borrowings		**1.619**	1.408
				other		**17**	17
						4.500	4.050
current assets				**current liabilities**			
inventories		**22**	22	borrowings		**502**	644
receivables		**617**	997	tax		**2**	2
tax		**5**	1	trade accounts payable		**220**	230
derivatives		**295**	84	other	8	**1.021**	525
cash and cash equivalents		**981**	126	derivatives		**-**	14
		1.920	1.230			**1.745**	1.415
total		**6.476**	5.664	**total**		**6.476**	5.664

Consolidated statement of changes in shareholder's equity

in EUR mln	**2015**	**2014**
balance at 1 January	**199**	**219**
net profit	696	982
other comprehensive income	-	-
total comprehensive income	696	982
final dividend	-	-91
interim dividend	-664	-944
balance at 30 June	**231**	**166**

Consolidated statement of cash flows

in EUR mln		HALF-YEAR 2015		HALF-YEAR 2014	
Operating activities					
net profit form continuing activities			696		982
conversion to net cash form operating activities					
- income from participations		-18		-18	
- depreciation and impairment		281		295	
- writing off dry wells		48		18	
- change in provisions		186		30	
- capitalised financing costs		-		-3	
- change fair value CCIRS		-252		-14	
- revaluation of borrowings		211		14	
- other financial income and expense	- charged to comprehensive income	30		1	
- taxes	- charged to comprehensive income	225		321	
- change in working capital	- inventories	-		7	
	- receivables	380		700	
	- other liabilities (excluding loans, debts to credit institutions and profit distribution)	517		627	
- withdrawal from provisions		-71		-4	
- interest	- received	15		15	
	- paid	-16		-16	
- value added tax	- paid	-		-	
- corporate tax	- received	433		-	
	- paid	-675		-629	
			1.294		1.344
Net cash from operating activities			1.990		2.326
Investing activities					
property, plant and equipment		-324		-357	
dividend received		26		26	
Net cash used in investing activities			-298		-331
Financing activities					
profit distribution		-695		-1.177	
loans taken up		-		-	
loans repaid		-		-	
cash flow at expiration CCIRS		-		-	
change in debts to credit institutions		-142		259	
Net cash form financing activities			-837		-918
Change in cash and cash equivalents			855		1.077
Balance cash and cash equivalents at 1 January			126		61
Balance cash and cash equivalents at 30 June			981		1.138

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2015

General

EBN B.V. ('EBN'), having its registered office in Utrecht, the Netherlands, was incorporated on 2 January 1973 in Maastricht. All shares in EBN are held by the Dutch State.

EBN focuses on oil and gas exploration and production activities in the Netherlands and the Dutch Continental Shelf. In addition, EBN participates in underground gas storages and in transport and gas processing facilities.

The interim condensed consolidated financial statements for the six months ended 30 June 2015 (including comparative figures) are unaudited but a review report thereon has been issued.

The 2014 consolidated financial statements of EBN are available on www.ebn.nl

The accounting policies followed in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2014. The interim condensed consolidated financial statements are presented in accordance with IAS 34 'Interim Financial Reporting', as endorsed by the European Union. It does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2014.

Please note that this is a copy of the Dutch version of the interim condensed consolidated financial statements. The Dutch version prevails.

Key accounting estimates and judgements

Estimates and judgements are made in the preparation of the interim condensed consolidated financial statements. These have consequences for the amounts reported for assets and liabilities, income and expenditure items and the related reporting of contingent assets and liabilities at the date of the interim condensed consolidated financial statements. Results can be influenced by such estimates and judgements. Matters that management considers most important, among others due to intrinsic uncertainties, are the same as those used In the consolidated financial statements for the year ended 31 December 2014.

(1) Sales

EBN performs one main activity: the exploration for and production of natural gas and oil. All sales are realised in the Netherlands. The assets in which EBN participates are also located in the Netherlands.

The decline in sales was caused by both lower volumes (17%) as a result of the production ceiling of the Groningen field and lower prices for the small fields (7%). Oil and condensate sale prices were also lower than in the first half year of 2014.

The negative effects of the production ceiling for the Groningen field resulting from the earthquakes risk and of lower sales prices have been offset in the first half year of 2015 by subsequent (net) gains in respect of previous years.

(2 and 3) Levies and operational costs

Levies mainly comprise the special payments made to the Dutch State in respect of production from the Groningen field in 2015, i.e. the MOR (yield increase regulations) payments and the State's share. The decrease in payments in the first half year of 2015 is the result of lower volumes sold from the Groningen field.

The operational costs include EUR 185 million for costs related to the consequences of earthquakes in the province of Groningen (claims, preventive reinforcement of buildings and other costs)

(4) Financial income and expense

in EUR mln	**HALF-YEAR 2015**	**HALF-YEAR 2014**
interest income from cash and cash equivalents	1	2
interest income on derivatives	10	15
revaluation income on derivatives	258	16
other financial income	6	11
toal financial income	**275**	**44**
interest expenses on borrowings	-10	-15
interest expenses on derivatives	-14	-21
revaluation expenses on other financial instruments	-217	-20
interest expenses on discounted provisions	-26	-28
other financial expense	-1	-1
total financial expense	**-268**	**-85**

The interest charges on derivatives were EUR 7 million lower than in the first half year of 2014, due to the repayment of loans and their refinancing at lower interest rates.

The balance of the revaluations on derivatives and other financial instruments primarily comprises the revaluation results on the non-current borrowings and the directly related derivatives. In the first half year of 2015, on balance, this produced a positive result of EUR 41 million in comparison with a negative result of EUR 4 million in the first half year of 2014. This is largely due to the developments and mutual effects of the interest rate curves of CHF, JPY, and EUR.

(5) Risk management

In common with previous years, in 2014 EBN carried out a strategic risk analysis of both the opportunities and the risks for achieving EBN's strategic objectives for the short term and the long term. Naturally, it is inevitable that risks and uncertainties occur that affect the actual execution of these plans to some degree or other. The current most important strategic risks are as follows:

- Disasters and other undesirable effects on health, safety, nature and the living environment
- Long-term low prices, insufficient potential resources in the Netherlands or an unfavourable investment climate
- A poor competitive position for gas.

In addition to the strategic risks, financial risks exist. The most important financial risks for EBN are the liquidity risk, the credit risk and the market risk (consisting of interest rate risk and currency risk). EBN's financial policy focuses on limiting the effects of currency and interest rate fluctuations on assets and liabilities. EBN uses financial derivatives to manage interest and currency risks, specifically those relating to the funding of its operations. The company does not take any speculative positions with financial derivatives.

Currency risk on current borrowings in foreign currencies (USD 450 million) are hedged with forward exchange contracts. Currency risk on non-current borrowing in foreign currencies (CHF 1,610 million and JPY 10 billion) are hedged with cross currency interest rate swaps.

Current and non-current borrowing are recognised at amortised cost. Derivatives are recognised at fair value. The fair value of non-current borrowing amounts to EUR 1,733 million (the book value amounts to EUR 1,619 million). Fair values of listed non-current borrowings are based on published rate (level 1 according to IFRS), while the other fair values are calculated on the basis of the market information available (level 2 according to IFRS). All financial assets and liabilities at fair values with changes in value recognised in comprehensive income of profit are classified at level 2.

(6) Property, plant and equipment

in EUR mln	**2015**	**2014**
balance at 1 January		
cost	14.673	13.796
depreciation and amortisation	10.349	9.757
carrying amount	**4.324**	**4.039**
- capital expenditure	324	357
- commissioning	-	-
- capitalisation of borrowing costs	-	3
- capitalisation of decommissioning and storage costs	135	95
- decommissioning	-	-
- writing off dry wells	-48	-18
- depreciation and amortisation	-281	-295
- impairments	-	-
- decommissioning	-	-
	130	142
balance at 30 June		
cost	15.084	14.233
depreciation and amortisation	10.630	10.052
carrying amount	**4.454**	**4.181**

(7) Provisions

Provisions for decommissioning and restoration costs cover obligations with terms of 1 to 60 years. Provisions for ground subsidence also cover obligations with terms of 1 to 60 years. The term of the provision for claims resulting from earthquakes depends on the speed at which claims are submitted and settled.

The provision for decommissioning and restoration costs is based on 31 December 2014 information from the operators and EBN's own analysis and is determined by estimating the costs on the basis of the current price level, without allowing for inflation, and stated at the present value with a real interest rate level of 0.09% (2014: 0.3%). The equivalent of the provision stated at the present value is recognised under property, plant and equipment and depreciated on the basis of the UOP method. Nominal interest is added to the provision at 2.2% (2014: 2.7%).

The total for provisions will be increased by EUR 250 million, which is the balance of the changes shown below:

in EUR mln	**2015**	**2014**
balance at 1 January	**2.549**	**2.225**
additions	295	97
withdrawals	-71	-4
revision	-	-
interest	26	28
balance at 30 June	**2.799**	**2.346**

The provision as per 30 June 2015 relates to decommissioning and restoration costs for EUR 2,493 billion, ground subsidence for EUR 104 million and costs resulting from earthquakes in the Groningen province for EUR 202 million. The addition to the provision of EUR 295 million is primarily caused by amending the discount rate to a real interest rate of 0.09% (2014: 0.3%) for the decommissioning and restoration costs (EUR 90 million), the new obligations resulting from 2015 investments (EUR 45 million) and the increased number of claims and agreed preventive reinforcement of buildings resulting from earthquakes in the Groningen province (EUR 158 million).

(8) Other current liabilities

in EUR mln	**HALF-YEAR 2015**	**YEAR-END 2014**
trade accountants payable	220	230
interest payments	26	22
levies	863	367
other liabilities	132	136
total	**1.241**	**755**

Due to the timing of the MOR payment terms, the current MOR liability increases from EUR 275 million to EUR 840 million at 30 June 2015.

(9) Contingencies

EBN's (in)direct share in proven and probable gas reserves in fields in which EBN participates amounts to 346 billion m^3.

As is usual in the industry, the pricing of sales contracts is constantly renegotiated. The results of these negotiations can have a significant positive or negative impact on EBN's results.

As a consequence of the Cabinet decision of 17 January 2014 regarding gas production in Groningen and the earthquakes caused hereby, future obligations have been created. These obligations primarily concern damage repair, preventive reinforcement of buildings and compensation measures to improve the safety and liveability of the earthquake area. The Minister of Economic Affairs has committed that a total amount of EUR 1.2 billion will be made available for the 2014 - 2018 period. A provision has been included for claims ensuing from earthquakes and committed preventive reinforcement of buildings (see note 7). The execution and costs of some of these measures cannot yet be reliably estimated. As a result no provision has been formed for these costs. The related total costs could be higher than estimated. Pursuant to its participation in the Groningen licence, EBN will contribute 40% of these costs.

(10) Related parties

GasTerra and EBN are related parties. EBN has 82 gas sales contracts with GasTerra.

Of the net sales of EUR 2,919 million, EUR 888 million was achieved through GasTerra. The receivables at 30 June 2015 include an amount of EUR 81 million for supplies to GasTerra.

Together with Nederlandse Aardolie Maatschappij BV (NAM), EBN has entered into a Deposit and Loan Facility Agreement with GasTerra. Under this agreement, GasTerra can propose to EBN and NAM (as joint parties) placing a sum of money with EBN and NAM for a period of from 3 days to 3 months as a fixed term deposit. GasTerra can also request a loan from EBN and NAM (as joint parties) for a similar term under this agreement.

The Dutch State, being the shareholder, can be regarded as an related party. All levies, corporation taxes and net profits are paid to the State.

(11) Post balance sheet events

There were no material events after the balance sheet date requiring further disclosure.

Utrecht, 13 August 2015

Executive Board
J.D. Bokhoven

Review report

To: the shareholder of EBN B.V.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of EBN B.V. ,Utrecht, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statements of comprehensive income, consolidated statement of changes in shareholder's equity and the consolidated statement of cash flows for the 6-month period then ended 30 June 2015, and the notes, comprising a summary of the significant accounting policies and other explanatory information.
Management is responsible for the preparation and presentation of this interim condensed consolidated financial statements in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim condensed consolidated financial statements based on our review.

Scope

We conducted our review of the interim condensed consolidated financial statements in accordance with Dutch law including standard 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 Dutch auditing standards 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 condensed consolidated financial statements for the 6-month period ended 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amsterdam, 13 August 2015

Ernst & Young Accountants LLP
Signed by J.J. Vernooij

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