



Nuon Energy results first half of 2009

Disclaimer

This report for the first half of 2009 is a translation of the Dutch report on the consolidated results for the first half of 2009 of N.V. Nuon Energy. Although this translation has been prepared with the utmost care, deviations from the Dutch report might nevertheless occur. In such case, the Dutch report on the results for the first half of 2009 prevails.

'We', 'Nuon Energy', 'the company', 'the group' or similar expressions are used in this report as a synonym for N.V. Nuon Energy and its subsidiaries. 'n.v. Nuon' and 'Nuon Group' refers to our former ultimate parent company and former group respectively. Nuon Energy was demerged from n.v. Nuon on 30 June 2009 and n.v. Nuon changed its name to Alliander in early July 2009. 'Vattenfall' and 'Vattenfall Group' refers to Vattenfall AB, which acquired 49% of the shares in Nuon Energy on 1 July 2009.

Parts of this report contain prospective information. These parts – without exceptions – may include unqualified statements on future operating results, government measures, the impact of other regulatory measures on all activities of Nuon Energy as a whole, Nuon Energy's shares and those of its subsidiaries and joint ventures in existing and new markets, industrial and macro-economic trends and Nuon Energy's

performance in these. Such statements are preceded or followed by or contain words such as 'believes', 'expects', 'anticipates' or similar expressions. These prospective statements are based on the current assumptions concerning future activities and are subject to known and unknown factors, and other uncertainties, many of which are beyond Nuon Energy's control, so that future actual results may differ significantly from these statements.

This report for the first half of 2009 has been prepared with due regard to the accounting policies applied in the preparation of the 2008 financial statements of n.v. Nuon, our ultimate parent company until 30 June 2009. This semi-annual report does not contain all information prescribed by IFRS for full financial statements. To obtain a complete picture this semi-annual report must therefore be seen in conjunction with the 2008 Annual Report of n.v. Nuon, which includes the financial information of N.V. Nuon Energy. The Annual Report of n.v. Nuon can be found on www.alliander.com.

All financial information shown throughout this report is unaudited.

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Profile

Nuon Energy is an energy company whose 6,000 employees serve around three million consumers, businesses and organisations in the Netherlands, Belgium and Germany. Its key commitment is to supply energy that is reliable, affordable and as clean as possible. Nuon Energy produces and supplies gas, electricity, heat and natural cooling and helps customers to reduce their energy use. The company operates as Vattenfall Business Group Benelux of the Vattenfall Group, with the exception of Energy Trade & Wholesale and Wind activities which are transferred from a managerial perspective to existing Vattenfall Business units Trading and Wind.

Nuon Energy was owned by n.v. Nuon until 30 June 2009. Before 30 June 2009 n.v. Nuon was the financial holding of a network company (Alliander) and a production and supply company (Nuon Energy). It was agreed that Nuon Energy will continue its operations under the name Nuon, whereas n.v. Nuon's network company will continue its operations under the name Alliander.

From 1 July 2008 until 30 June 2009, Nuon Energy operated as an independent entity with its own Board of Directors within the Nuon Group. The ultimate parent company n.v. Nuon was organisationally unbundled into a network company and a production and supply company. On 30 June 2009, Nuon Energy was demerged from n.v. Nuon, and the shares in Nuon Energy were transferred to the original shareholders of n.v. Nuon. On 1 July 2009, the original shareholders sold 49% of their shares in Nuon Energy to Vattenfall AB, a Swedish energy company, with Vattenfall gaining operational control over Nuon Energy. The remaining 51% of the shares in Nuon Energy will be transferred to Vattenfall in stages over the coming six years.

Key figures

Key figures

	1st half		
	2009	2008	%
Financial (€ million)			
Net turnover	2,985	2,727	9%
Gross margin	895	1,027	-13%
Operational expenses	545	467	17%
Operating profit (EBIT)	294	605	-51%
Profit after taxation attributable to Nuon Energy shareholders	226	497	-55%
Capital expenditures on property, plant and equipment	241	258	-7%
Cash flow from operating activities	1,464	309	
Cash flow used in investing activities	-226	-219	
Cash flow (used in)/from financing activities	-573	11	
Free cash flow ¹	1,229	62	
Total assets	8,538	9,447	-10%
Total shareholders' equity	4,102	4,346	-6%
(Net debt)/Net cash position ²	897	367	
Ratios			
ROIC ³	2.4%	26.9%	
Net debt/EBITDA (%) ⁴	n.a	n.a	
Interest cover ⁵	n.a	n.a	
Employees			
Number of own employees in FTEs per the end of the period ⁶	6,086	5,910	3%
Customers			
Customer satisfaction consumer market (%)	93	95	
Benchmark (%)	93	95	

- Free cash flow is defined as the cash flow from operating activities less the net investments in property, plant and equipment (gross investments in property, plant and equipment less construction contributions, investment premiums and government grants received), investments in intangible fixed assets and investments in associates and joint ventures.
- Net debt or net cash position is defined as interest-bearing debt less cash and cash equivalents. The restricted cash and cash equivalents, mainly amounts deposited at margin accounts and guarantee deposits relating to collateral, are not included in net debt or net cash position.
- ROIC (Return on Invested Capital) is defined as the 12-month operating profit adjusted for impairments on intangible fixed assets, profit after taxation from associates and joint ventures, taxation and profit after taxation attributable to minority interests, as a percentage of average invested capital.
- The net debt/EBITDA ratio concerns the net debt divided by the 12-months operating profit – adjusted for incidental items and fair value movements – plus depreciation on property, plant and equipment and intangible assets. As there is a net cash position as per the end of the first half of 2009 and per the end of 2008, the ratio is not presented.
- The interest cover concerns the 12-month funds from operations – adjusted for incidental items and fair-value movements – plus net financial income and expenses. As the net financial income and expenses represented a net income for the first half of 2009 and 2008 this ratio is not presented.
- FTE is the equivalent of the number of employees with a full working week.

Summary of significant events

Financial highlights

General

The first half of 2009 was of paramount importance for Nuon Energy. After the successful operational unbundling of n.v. Nuon in 2008 into a network company, Alliander, and a production and supply company, Nuon Energy, the sale of Nuon Energy to the Swedish energy company Vattenfall was announced. Early April, the Minister of Economic Affairs agreed under certain conditions to the unbundling plan which was submitted in October 2008 of n.v. Nuon into a network company, Alliander, and a production and supply company, Nuon Energy. The actual unbundling took effect on 30 June 2009, whereby Nuon Energy was demerged from its former parent company n.v. Nuon. During the second quarter of 2009, a lot of effort was put into the preparation for the integration of Nuon Energy in the Vattenfall Group. On 17 June 2009, the shareholders of n.v. Nuon approved the sale of Nuon Energy to Vattenfall, followed by the clearance from the European competition authorities on 22 June 2009, under the condition that the German retail activities are to be divested. During the unbundling, it was agreed that the network company would continue its operations under the name Alliander and the production and supply company would retain the name Nuon.

All these efforts took place against the background of an undisturbed supply of energy and services to our customers, whilst maintaining a high level of quality.

Our customer numbers and sales volumes increased slightly in the first half of 2009. The results were positively affected by the gas production activities that we acquired in June 2008. Our net result over the first six months of 2009, however, dropped significantly compared to last year. This decrease is mainly attributable to the fact that our trading results reached record levels in the first half of 2008, driven by the surge in electricity and fuel prices and volatility in the market in that period. Moreover lower commodity prices in 2009 reduced our other fair value movements on long term purchase contracts results. Operating expenses were higher, due in part to costs incurred for strategic projects such as the preparation of the acquisition and the unbundling, holding costs which were not included in the first half of 2008 as well as higher personnel expenses. Net income over the first half of 2009 amounted to € 226 million, compared to € 497 million in 2008.

In 2009, Nuon's retail and industry park activities in Germany were contributed to Nuon Energy by n.v. Nuon, with an effective date of 1 January 2009. From a legal perspective, the entities which perform these activities were not part of the Nuon Energy group at 31 December 2008 and are therefore not included in Nuon Energy's comparable figures for the first half of 2008.

The number of electricity and gas supply contracts in the Dutch consumer market increased but, in rounded figures, remained at 2.3 million and 1.9 million respectively. The number of electricity customers in Belgium increased in the first half of 2009 by about 10,000 to 285,000.

Our customer satisfaction rating in the consumer market remained stable, the satisfaction rating in the business market decreased. The results are based on a survey commissioned by Nuon Energy.

Financial results for the first half of 2009

Net turnover increased to € 2,985 million (H1/2008: € 2,727 million) in the first half of 2009, due to higher rates for gas and electricity as from 1 January 2009. Furthermore the turnover was positively influenced as result of the gas production activities that we acquired mid-2008, newly acquired customers and higher volumes supplied. Also the consolidation of Nuon Germany as of the beginning of the year led to an increase of the net turnover. The increase in turnover was partly offset by a decrease in trading results and other fair value movements which are reported in net turnover.

The total volume of electricity and gas supplied in the first half of 2009 increased by 1 % and 11% respectively compared to last year. The electricity and gas rates in the consumer market in the first six months of 2009 were higher compared to the rates in the first half of last year. The increased rates reflect the lagging effect of the high raw material prices in 2008. In addition, our gas production activities and the new customers made a positive contribution to the increase in gas turnover and volumes.

Gross margin in the first six months of 2009 decreased to € 895 million (H1/2008: € 1,027 million). This decrease was mainly attributable to the fall in trade margin and other fair value movements. Trading income reached record levels in the first half of 2008 compared to the more than satisfying trade results we achieved in the period under review. The decrease in gross margin was partly offset by the results from our gas production activities, which were not yet included in the comparative figures for the first half of 2008, and the increased sales of electricity and gas in the consumer and business markets. These positive effects of the increased sales of electricity and gas were offset by relatively higher contracted purchasing prices and a lower margin on our production activities due to a lower production of electricity and a lower spark spread. In addition, the gross margin was affected by the negative effect of the Heat Act that was adopted by the Dutch Senate early 2009. The Heat Act requires the use of a 'not-more-than-otherwise' rate and will apply with retroactive force from 1 January 2007.

Operating expenses for the first six months of 2009 increased by 17% compared to 2008. The main causes of this increase were a higher level of activity, higher personnel expenses, higher costs of strategic processes, including the unbundling from our former parent company n.v. Nuon and the strategic partnering project for Nuon Energy and holding fee paid to n.v. Nuon. Furthermore the Board of Directors, Supervisory Board and shareholders agreed to grant a one-off gratuity to all employees with a fixed contract in Nuon Energy to thank them for contributing to the success of the company.

The above effects ultimately resulted in a decrease in profit after taxation in the first half of 2009 to € 226 million (H1/2008: € 497 million).

Our Return on Invested Capital declined from 26.9% for the 12-months period ended 30 June 2008 to 2.4% for the 12-months period ended 30 June 2009. The reason for the decrease of the ROIC ratio is two-way.

Firstly, Nuon Energy reported a negative operating profit in the last half of 2008 mainly as result of negative results from other fair value movements. Furthermore the reported results for the first half of 2009 were lower compared to the first half of 2008, as explained above. Both effects resulted in a lower operating profit for the 12-months period ended 30 June 2009 compared to the 12 months period ended 30 June 2008. Secondly, the average invested capital as at 30 June 2009 is higher compared to the amount as at 30 June 2008. The increase in average invested capital can be explained by the further investments in projects which are in a development stage, such as Nuon Magnum and Zuidwending after 30 June 2008. These projects did not contribute to the operating profit during the 12-months period ended 30 June 2009.

Financial position and cash flows

Our net cash position as at 30 June 2009 increased to € 897 million compared to 30 June 2008 (€ 367 million; 31 December 2008: € 115 million) due to the settlement of the outstanding current accounts with network group companies prior to the unbundling, and the relatively lower capital expenditures on significant projects in the first half of 2009, including the construction of the Nuon Magnum power station.

Cash flow from operating activities amounted to € 1,464 million in the first six months of 2009, compared to € 309 million last year. The settlement of the outstanding current accounts with the network group companies prior to the unbundling is the main driver behind this increase.

Capital expenditures on property, plant and equipment decreased in the first half to € 241 million compared to last year (H1/2008: € 258 million) due to a slower pace of investments in 2009 and delay in the permit-process for our multi-fuel power station Nuon Magnum.

Operational highlights

Partnership of Nuon Energy and Vattenfall and unbundling

On 23 February 2009, n.v. Nuon and the Swedish company Vattenfall announced their plans to join forces to form a leading European energy company. Vattenfall made an enterprise value bid of € 8.5 billion in cash for 100% of the shares in n.v. Nuon's production and supply company, Nuon Energy, thus putting Nuon Energy's equity value at € 9.9 billion after dividend for 2008. This amount is after adjustment for the reimbursement of share premium to n.v. Nuon, in accordance with the designations by the Dutch Minister of Economic Affairs in regard to the unbundling approval. The network group companies did not form part of the transaction. The parties have agreed that Vattenfall would initially acquire 49% of Nuon Energy shares. After this initial acquisition, Vattenfall will own 49% of the shares and will have operational control over Nuon Energy. The remaining 51% of the shares will be obtained during the coming six years under set conditions. The phased transfer of shares underlines the joint commitment of the original shareholders of n.v. Nuon and Vattenfall to safeguard the public interests and Nuon Energy's Dutch identity. A foundation will be set up to monitor and safeguard the public interests that Nuon Energy serves. During the extraordinary general meeting of shareholders held on 17 June 2009 over 90 per cent of the shareholders of n.v. Nuon approved the sale of the production and supply company, Nuon Energy, to Vattenfall. Eventually 100 % of the shareholders accepted the sale.

On 22 June 2009, the European competition authorities gave clearance on the proposed acquisition of Nuon Energy by Vattenfall, on the condition that Nuon Energy's German retail activities will be divested. The European Commission expected competition problems as the combination Vattenfall/Nuon Energy would have a relatively large retail market position in some parts of Germany. Vattenfall and Nuon Energy will seek to divest these German retail activities. The new owner needs to be approved by the European Commission.

In addition, work has been carried out to complete the unbundling of Alliander and Nuon Energy. Early April 2009, the Minister of Economic Affairs agreed under certain conditions to our unbundling plan, which was submitted in October 2008.

During the extraordinary general meeting of shareholders held on 17 June 2009 next to the approval of the sale of Nuon Energy the members of the Supervisory Board of Nuon Energy were announced consisting of four independent members and four members appointed by Vattenfall, the members of the Board are Mr. L.G. Josefsson (chairman), Mr J.H. Schraven, Mr D.J. Haank, Mr P. Bouw, Mrs L.M.T. Boeren, Mr D. Andresen, Mr T. Hatakka and Mr P. Goes.

On 30 June 2009, Nuon Energy was demerged from n.v. Nuon. On 1 July 2009, each of its original shareholders sold 49% of its respective shareholdings in Nuon Energy to Vattenfall AB.

General

On 10 February 2009, the draft bill for the Heat Act was adopted by the Senate. The next step is for the Ministry of Economic Affairs to draw up and attach an Order in Council, laying down the new 'not-more-than-otherwise' rate. In addition, rates (the so-called 'reasonable price') must be set with and by the Netherlands Competition Authority for each heating network. The Act will apply with retroactive force from 1 January 2007.

At the end of February, Nuon Energy, BAM and Gasunie signed an agreement for the construction of the gas installations for the Zuidwending gas storage project. The gas installations ensure that the gas can be pumped in and out of the gas storage caverns (underground cavities). Nuon Energy is building an underground gas storage facility in salt caverns in Zuidwending in the province of Groningen. This concerns the construction of a natural gas buffer with a total storage capacity of 180 million m³ of natural gas. This storage facility will enable Nuon Energy to absorb sudden fluctuations in supply and demand. In addition, this storage facility is also favourably situated in relation to the existing natural gas transportation network and the gas field at Slochteren. This second natural gas buffer marks a further expansion of Nuon Energy's position in the gas market. Nuon Energy already owns a natural gas buffer in the German town of Epe, which is currently being expanded.

In March, the shareholders of n.v. Nuon approved an extra investment of € 300 million in the Nuon Magnum power station (phase 1). The additional investment is necessary to finance the extra costs resulting from the temporary suspension of the construction work due to a delay in permitting procedures.

At the end of March, Nuon Energy sold its interest in Green Mountain Energy at a modest book profit. The sale of this interest largely completes the divestiture of non-core activities which started in 2005.

In May, Nuon Energy announced its intention to bid for the licence to build a wind farm in the North Sea. This plan fits the ambition, together with Vattenfall, to be Europe's number one in sea wind. Wind energy is one of the major goals next to energy-saving and cleaner energy production from fossil fuels. The wind farm has a capacity of approximately 340 MW and will be named Beaufort. Nuon Energy expects to receive the permit to build this wind farm on short notice from the Ministry of Transportation, Public works and Water Management.

Early June, the German Epe gas connection became operational. As a result of this connection Nuon Energy has

more flexibility regarding fluctuations of the gas supply to Germany, via storage of gas during base periods and deliverance of gas during peak periods.

In June, Nuon Energy signed two purchase agreements. One acquisition relates to the purchase of interests in British gas fields in various stages of exploration and production from Venture Production plc. The other acquisition relates to the purchase of interests in a number of Dutch gas fields from TOTAL Gas Nederland B.V. Nuon Energy already participates in those latter fields through its acquisition of Burlington Resources Nederland Petroleum B.V. that was concluded in 2008. These acquisitions are subject to certain conditions precedent. The formal completion of both transactions and delivery of assets are therefore expected to take place in July and August. Both acquisitions fit in Nuon Energy's strategy to strengthen its position in the gas market. Including these acquisitions, Nuon Energy will have interests in 36 producing gas fields in the North Sea.

Events after balance sheet date

On 1 July 2009, the original shareholders sold 49% of their shares in Nuon Energy to Vattenfall AB, with Vattenfall gaining operational control over Nuon Energy. The remaining 51% of the shares in Nuon Energy will be transferred to Vattenfall in stages over the coming six years.

At the end of July all conditions with respect to the acquisition of the Dutch gas fields from TOTAL Gas were fulfilled.

Market position and sustainability

The total volume of electricity and gas supplied increased by 1% and 11% respectively in the first half of 2009 compared to the first half of last year. The number of electricity and gas supply contracts in the Dutch consumer market increased slightly but remained in rounded figures at 2.3 million and 1.9 million respectively. The total volume of electricity supplied by Nuon Energy to Dutch customers increased by about 3% in the first half of 2009 compared to the first half of 2008. The gas volumes supplied to the Dutch consumer market increased by 6% mainly due to new business customers. Customer satisfaction ratings remained stable in the first half of 2009 compared to the first period. We rank first in the consumer market (end Q2/2008: first place; end Q4/2008: first place) and third in the business market (end Q2/2008: third place; end Q4/2008: second place). The customer numbers in Belgium increased compared to the first half of 2008 by about 25,000 (electricity) and 10,000 (gas).

Nuon Energy will decrease its gas and electricity rates for the Dutch consumer market as from 1 July 2009. The drop in gas rates is due to the falling prices of raw materials (such as oil) since the autumn of 2008. As gas and oil prices are interlinked, the decrease in oil prices has affected gas prices. In practice, the decrease in the variable rate is approximately 36% for gas and 4.5% for electricity.

This is expected to yield a household with an average consumption level an annual saving on the energy bill of about € 330 on the energy bill.

Sustainability

On 18 March 2009 Nuon Energy signed, together with 60 other European energy companies, a statement which gives a clear commitment in regard to the way these companies want to achieve a CO₂ neutral production of energy in 2050. Furthermore via this statement the companies have committed themselves to stimulate an integrated European electricity market, which provides reliable energy in an efficient way. In the statement the stimulation of energy efficiency is acknowledged as a major part of the solution of the climate-dilemma.

Nuon Energy will build an innovative test installation for CO₂-capture; this installation will be placed in our Buggenum power plant. Nuon Energy signed the construction contract early April and all required permits have been received. The installation to capture CO₂ is expected to be operational in the second half of 2010.

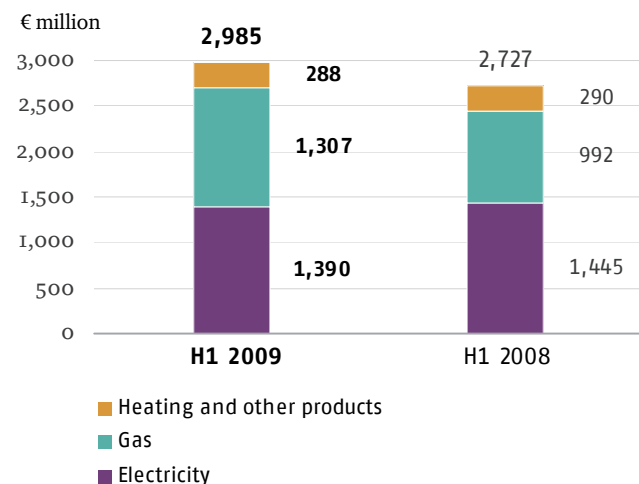
At the end of May Nuon Energy commissioned the first charger and six electric cars in Amsterdam. During the coming two years Nuon Energy and Alliander will construct a network grid of 200 public chargers in Amsterdam. The chargers will be located on strategic points in the city and the cars can be charged and temporarily parked free of charge. The chargers will be located on P+R locations, car parks, carpool places and quays for electronic vessels.

On 24 June 2009 Nuon Energy opened the first pilot plant for flexible solar cell foil in the Netherlands, Helianthos. In the pilot plant a production method will be developed to produce the solar cell foil via an assembly belt. As result of the more efficient production, solar cell foil will decrease in price and solar energy is expected to become more competitive to regular electricity.

Results first half of 2009

Net turnover

Net turnover



Net turnover increased to € 2,985 million in the first half of 2009 (H1/2008: € 2,727 million). Trading results and other fair value movements included in net turnover amounted to € 185 million (H1/2008: € 440 million).

Net **electricity** turnover decreased by 4 % in the first half of 2009 to € 1,390 million (H1/2008: € 1,445 million). This decrease is mainly due to the decrease in trading results and other fair value movements. Despite a more than satisfying trading income in the first six months of 2009, trading income reached record levels in the first half of 2008 resulting from the surge in fuel prices in that period. Net turnover in 2009 included an increase in electricity rates on 1 January 2009. The higher rates reflect the lagging effect of the high electricity and raw materials prices in 2008. As already announced, the electricity rates will be reduced in the second half of 2009 by approximately 4.5%. The total volume of supplied electricity increased in the first half compared to last year by 1%. In addition, the increase in the number of customers made a positive contribution to the increase in turnover, as well as the consolidation of Nuon Germany as of 1 January 2009.

Net **gas** turnover increased in the first half of 2009 by 31% to € 1,307 million (H1/2008: € 992 million). The increase in gas rates in the consumer market on 1 January 2009, due to the lagging effect of the high raw material prices as explained above, made an important contribution to the increase in gas turnover. As announced, the gas rates will be reduced in the second half of 2009 by approximately 36%. The number of gas supply contracts increased slightly but in rounded figures remained at 1.9 million in the Dutch consumer market. The total volume of gas sold increased in the first half of 2009 compared to the previous year, mainly due to the increase in the number of newly acquired customers. The increase in gas

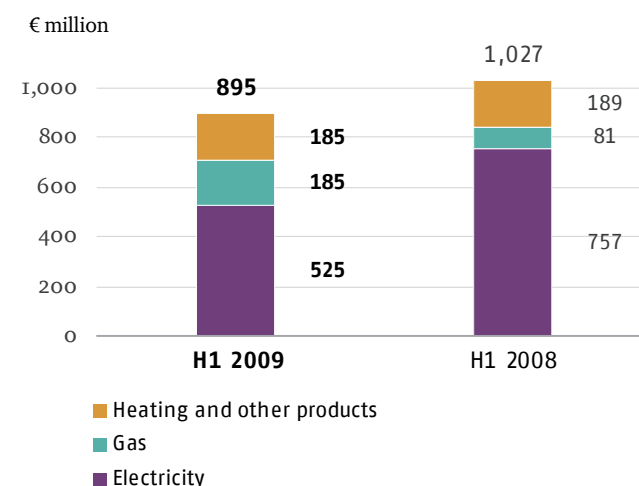
supply to retail customers, due to the relatively cold weather in the first quarter of 2009, was partly offset by the relatively warm spring. Also in Belgium the volume of gas supplied increased. The total increase in gas sales in the first six months of 2009 amounted to 11% compared to the previous year. Our gas exploration and production activities – acquired in the second quarter of 2008 – also contributed to the increase in our gas turnover and volumes.

Net turnover from **heating and other products** decreased slightly in the first half of 2009 to € 288 million (H1/2008: € 290 million). In addition to the supply of heat, turnover includes our activities in the field of installation (Feenstra), insulation (Rogro), security, energy shops and industry park management. Mainly our value added services such as insulation and installation activities contributed to an increase in the turnover, partly due to the influence of the colder weather. The insulation activities were acquired in the second quarter of 2008. Turnover from our industry parks decreased by € 25 million to € 59 million in the first half of 2009 (H1/2008: € 84 million) as a result of reduced demand from customers following the economic downturn.

Gross margin

Gross margin decreased to € 895 million in the first half of 2009 compared to € 1,027 million in the first six months of 2008. Gross margin, as a percentage of net turnover, decreased to 30% in the first half of 2009 compared to 38% in 2008.

Gross margin



Gross margin on **electricity** amounted to € 525 million in the first half of 2009 (H1/2008: € 757 million). The contribution of trading results and other fair value movements decreased by € 255 million compared to the first half of 2008. This decrease is mainly due to the fact that our trading results reached record levels in the first half of 2008, driven by the surge in fuel prices

in that period. Gross margin on the supply to consumers and business customers increased in the first half, partly due to an increase in the volume of electricity supplied. The gross margin of Nuon Belgium increased compared to the first half of the previous year. This increase was partly offset by an increase in the contracted purchasing prices in the Midstream segment and a decrease in the margin on the production of electricity in the first half of 2009 due to a lower production of our power stations. In addition, market conditions were such that no additional margin could be generated through the extra deployment of power stations.

Gross margin on **gas** increased from € 81 million in the first half of 2008 to € 185 million in the first half of 2009. Gross margin on gas increased particularly in the Midstream segment, partly due to a positive margin on our new gas production activities and partly due to a higher margin on our gas storage activities. The gross margin on the supply of gas consumers and business customers in the Netherlands (Downstream) decreased, despite higher gas rates and higher volumes supplied. Against this, the gross margin on gas in Belgium improved compared to the same period last year.

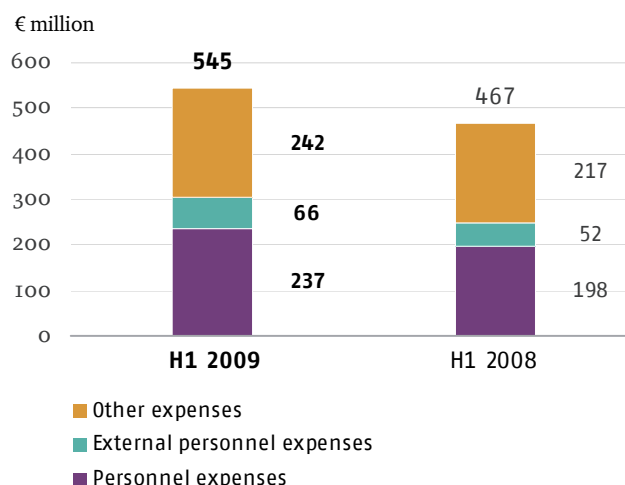
Gross margin on **heating and other products** in the first half of 2009 came to € 185 million and was lower compared to the first half of 2008 (H1/2008: € 189 million). The decrease in gross margin was mainly caused by a charge of € 18 million related to the adopted draft bill for the Heat Act - which requires the use of a 'not-more-than-otherwise' rate and will apply with retroactive force from 1 January 2007- and a decrease of the gross margin of our Industry Parks, following the economic downturn. In contrast, the gross margin on our value added services increased as a result of the higher turnover from the insulation and installation activities.

Operating expenses

Operating expenses amounted to € 545 million in the first six months of 2009 compared to € 467 million in the first half of 2008.

Personnel expenses increased to € 237 million (H1/2008: € 198 million). This increase was mainly attributable to the amounts accrued for the one-off gratuity to our employees with a fixed contract to thank them for contributing to the success of Nuon Energy. In addition there was a general salary rise mid-2008 on the grounds of the collective labour agreement. Personnel expenses also increased due to a higher level of activity in the Downstream segment (mainly Value added services) and other work relating to the unbundling.

Operating expenses



The costs of external personnel increased and amounted to € 66 million in the first half of 2009 (H1/2008: € 52 million). The increase was mainly due to the higher number of external personnel working on ICT activities in connection with the separation of systems as part of the unbundling of n.v. Nuon.

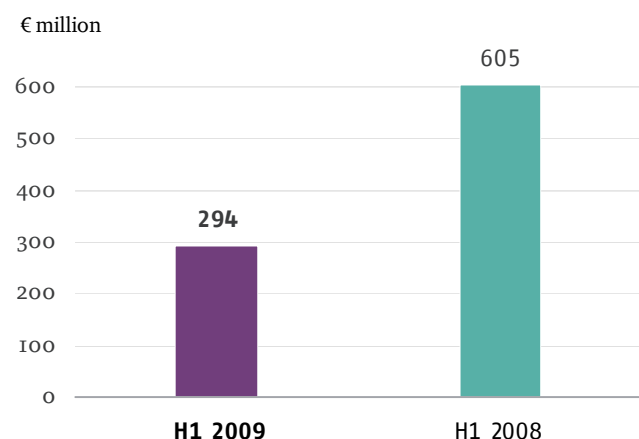
Other expenses increased to € 242 million (H1/2008: € 217 million). This increase was mainly caused by expenses relating to the strategic partnering process, higher R&D expenses in our Midstream segment, the holding cost charges of our former holding company (H1/2008: no charges) and the inclusion of operating expenses of new group companies, mainly our gas production activities.

Depreciation, amortisation and impairments

The amount of depreciation, amortisation and impairments increased by € 76 million to € 133 million in the first half of 2009 (H1/2008: € 57 million). This increase can be mainly explained by depreciation expenses relating to our gas production activities that were acquired in the second quarter of 2008.

Operating profit

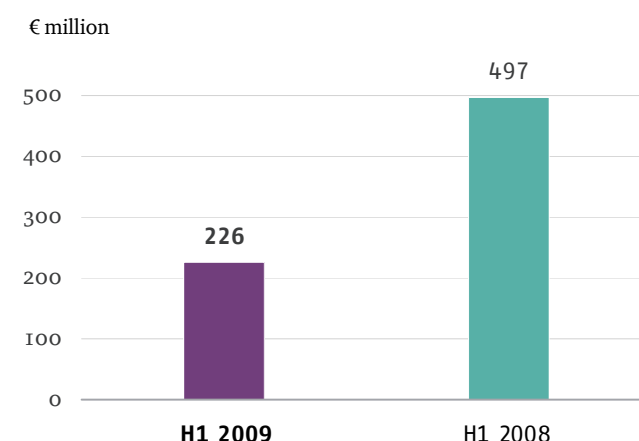
Operating profit



Operating profit decreased in the first half of 2009 to € 294 million (H1/2008: € 605 million), largely due to the effects of the decrease in gross margin in combination with higher operating expenses and depreciation and amortisation charges. Furthermore we realized a modest book profit on the sale of our interest in Green Mountain Energy.

Profit after taxation

Profit after taxation



Profit after taxation for the first half of 2009 amounted to € 226 million (H1/2008: € 497 million).

Financial income and expenses

In the first half of 2009, the balance of financial income and expenses amounted to a net income of € 12 million (H1/2008: net income of € 50 million). The decrease in the financial income compared to the same period last year was caused by lower interest rates on deposits, lower interest income from current accounts with the network group companies prior to the unbundling and interest charges on outstanding corporation tax from earlier years.

Taxation

The effective tax rate (the tax charge expressed as a percentage of the profit before taxation from continuing operations excluding results from associates and joint ventures) amounted to 28.1 % in the first half of 2009 compared to 25.6% in 2008. The higher tax rate was mainly attributable to the higher tax rate that is levied on exploration and production activities.

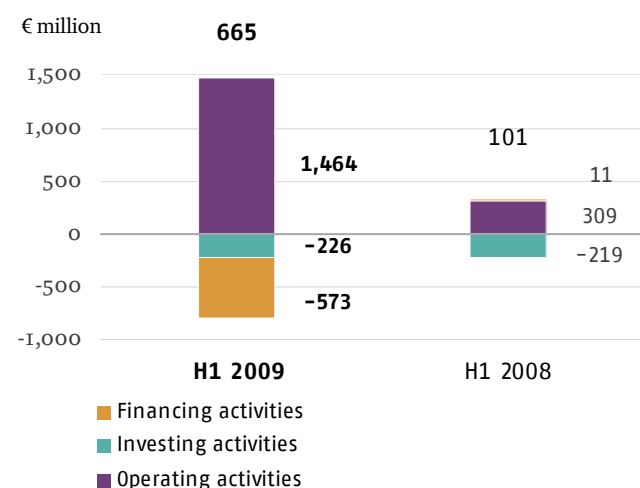
Associates and joint ventures

The result from associates and joint ventures amounted to € 6 million in the first half of 2009 (H1/2008: € 10 million). The decrease is mainly attributable to the bad wind conditions compared to last year for NoordzeeWind, the offshore wind farm at Egmond aan Zee that is owned by Nuon Energy and Shell.

Financial position and cash flows

Cash flows and investments

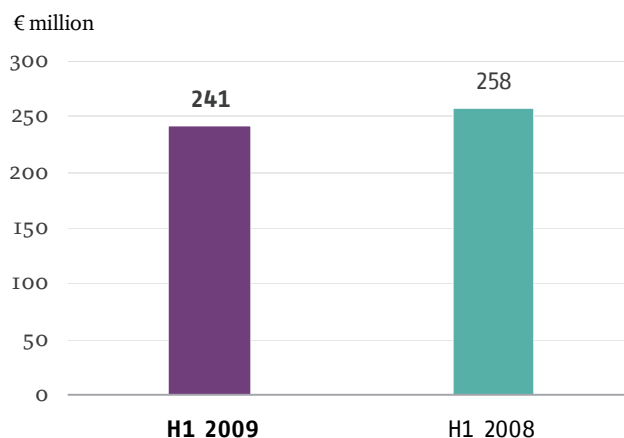
Cash flows



Cash flow from operating activities amounted to € 1,464 million in the first half of 2009 compared to € 309 million last year. This increase mainly related to the redemption of the current account with former group companies of approximately € 1.5 billion. Net working capital increased mainly through the decrease of accounts payable balances on trading activities and a modest increase in receivables from customers, following higher gas and electricity rates.

Cash flow used in investing activities for the first half of 2009 increased slightly to a cash outflow of € 226 million (H1/2008: € 219 million). In addition to regular investments in our existing production capacity and heat networks, investments were made in Nuon Magnum, despite the delay in the grant of the permit, the new gas storage facility in Zuidwending and Helianthos, the developer of solar cell foil and the investment in the connection of our gas storage facilities in Epe (Germany) to the German gas grid.

Capital expenditures on property, plant and equipment



The outgoing financing cash flow in the first half of 2009 amounted to € 573 million (H1/2008: € 11 million incoming). The outgoing financing cash flow mainly relates to dividends paid to our former shareholder n.v. Nuon of € 211 million and the reimbursement of share premium to n.v. Nuon of € 405 million in accordance with the designations by the Dutch Minister of Economic Affairs in regard to the unbundling approval.

The free cash flow – the cash flow from operating activities less the net investments in property, plant and equipment (gross investments in property, plant and equipment less construction contributions received, investment premiums and government grants), intangible fixed assets and investments in associates and joint ventures – increased to € 1,229 million in the first half of 2009 (H1/2008: € 62 million). This increase is caused mainly by the settlement of the current account with former group companies.

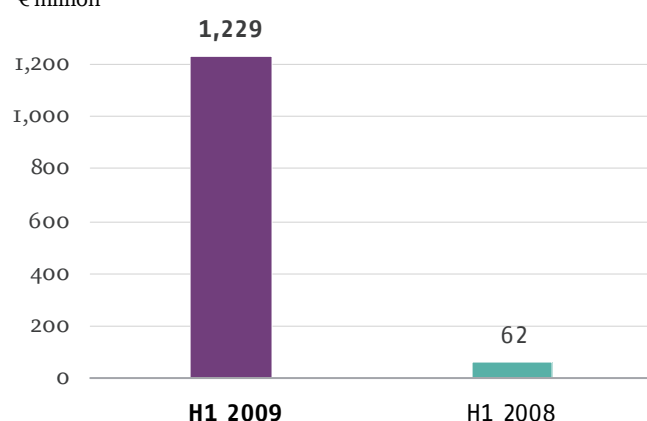
Reconciliation free cash flow

€ million

	1st half	
	2009	2008
Cash flow from operating activities	1,464	309
Investments in non-current assets	-248	-258
Construction contributions received from third parties	13	11
Free cash flow	1,229	62

Free cash flow

€ million



Net debt and financing

The net cash position at 30 June 2009 amounts to € 897 million, compared to a net cash position of € 115 million as at 31 December 2008. This increase in the net cash position was mainly the consequence of the positive free cash flow for the first half of 2009 amounting to € 1,277 million which was mainly related to the redemption of the current account with former group companies, partly offset by the reimbursement of share premium and a dividend distribution to n.v. Nuon. The collateral position of margin account which is included in the restricted cash balance decreased by € 185 million reflecting the decreased derivatives position as at 30 June 2009 compared to 30 June 2008.

Financial position

The financial ratios are calculated on the basis of the results of the past 12 months, adjusted for incidental items.

The net debt/EBITDA ratio concerns the net debt divided by the operating profit – adjusted for incidental items and fair value movements – plus depreciation on property, plant and equipment and intangible assets. As there was a net cash position both at 30 June 2009 and the end of June and December 2008 this ratio is not presented. Nuon Energy's financial policy stipulates that this ratio may not exceed a maximum of 3.

The interest coverage concerns the 12-months funds from operations – adjusted for incidental items and fair-value movements – plus net financial income and expenses divided by the financial income and expenses. As the financial income and expenses represented a net income for the first half of 2009 and 2008, this ratio is not presented. Nuon Energy's financial policy stipulates that this ratio must be at least 4.5.

Reconciliation net cash position

€ million

	30 June 2009	31 December 2008
Non-current interest-bearing debt	204	159
Current interest-bearing debt	32	27
Finance lease payables	23	29
Gross debt	259	215
Cash and cash equivalents	1,388	723
Less: Restricted cash and cash equivalents (notably amounts deposited on margin accounts and guarantee deposits relating to collateral)	-232	-393
Total cash and cash equivalents	1,156	330
Net cash position	897	115

Restricted cash is excluded from net debt as this relate to funds that are not at the free disposal of Nuon Energy. Nuon Energy is of the opinion that this treatment better reflects its net debt at the balance sheet date. Cash received or paid in relation to margin calls in the ordinary course of our trading business is reflected in net debt as follows: Cash received from margin calls leads to a reduction of net debt as this cash is not restricted. Cash paid in relation to margin calls can either be deposited on guarantee accounts, forming part of Nuon Energy's restricted cash balance, or paid to the counterparty's bank account. In both instances, net debt increases, either through a reduced cash balance or through the exclusion of restricted cash in our net debt calculation. The opposite movements in accounts payable/receivable from margin calls paid or received are presented in the cash flow from operations under movements in working capital.

Credit rating

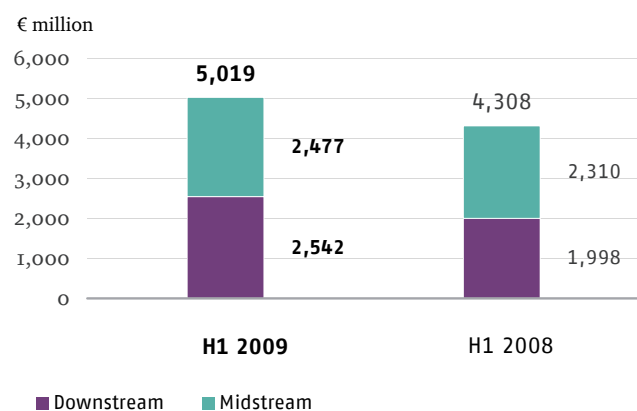
After the unbundling from n.v. Nuon, Nuon Energy does not have its own published credit rating. The credit rating of group company Nuon Power Generation remained unchanged at the end of June 2009 compared to the published credit rating in the first quarter 2009-report of n.v. Nuon, as presented below:

Credit ratings

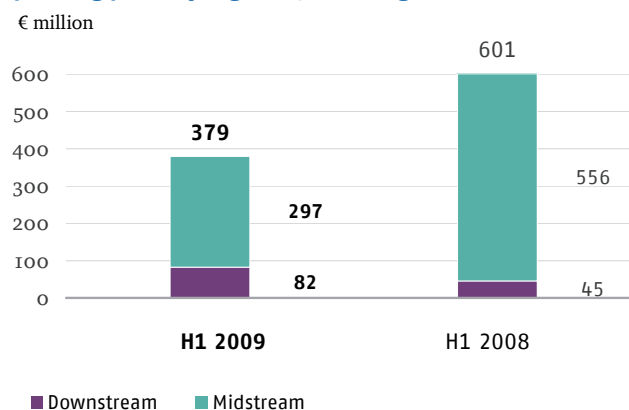
	Standard & Poor's	Moody's
Nuon Power Generation B.V.	BBB+ (Positive outlook)	A3 (under review for possible downgrade)

Analysis by segment

Net turnover by segment, including internal sales



Operating profit by segment, including internal results



Downstream

The Downstream segment supplies electricity and gas to the Dutch, Belgian and German markets. In addition, this segment provides value added services and products, such as energy advice, and sells and installs central heating boilers, insulation and security installations as well as small energy-saving products to both the business market and the consumer market. Downstream is also responsible for the invoicing of supplied products and services, the modification of customer data and the handling of customer queries.

Net turnover for the first half of 2009 of the Downstream segment increased to € 2,542 million (H1/2008: € 1,998 million), primarily due to higher gas and electricity rates and the consolidation of Nuon Germany as of 1 January 2009. The increase in supplied volumes to retail customers due to the relatively cold weather in the first quarter of this year was partly offset by the relatively warm spring. The gas and electricity turnover in Belgium increased compared to the first half of 2008, due to the cold weather and the increase in the number of customers.

Operating profit increased in the first half of 2009 to € 82 million (H1/2008: € 45 million). This was partly caused by an increase in the gross margin and a decrease in the operating expenses owing to a shift in activities from the Downstream segment (Customer Care Center) to our former group company Alliander. This shift was partly offset by an increase in the level of activity (mainly value added services) and general wage increases.

Midstream

The Midstream segment is responsible for the purchase of fuels, the production of (renewable) electricity in gas, coal and biomass-fired power stations, and by means of wind turbines, solar cells, hydropower and combined heat and power plants. The segment manages and operates energy-intensive industrial estates and carries out gas exploration and production activities. Midstream also trades in electricity, gas, oil, coal and CO₂ emission rights and also engages in limiting the market risks to which Nuon Energy is exposed, and also engages in gas storage activities. It prepares and executes projects for new energy production and gas storage assets. Finally, Midstream supplies heat and natural cooling to the Dutch market.

Net turnover for the first half of 2009 increased to € 2,477 million (H1/2008: € 2,310 million) as a result of higher average energy rates. The first half of 2009 also includes the results of our gas production activities, acquired mid-2008. The considerable decrease in trade margin and other fair value movements offset the increase in sales as our trading results reached record levels in the first half of 2008.

Operating profit for the first half of 2009 decreased to € 297 million (H1/2008: € 556 million). The main causes for this decrease were the decrease in trade margin and other fair value movements. In addition, due to the less favourable market conditions a lower result was realised on the extra deployment of the power stations compared to last year. Against this, our gas production activities made a positive contribution to the gross margin. Operating expenses were on the same level as last year. The decrease in personnel cost was offset by an increase in operating expenses in connection with R&D expenditures on our wind farm projects in the United Kingdom, unbundling costs and operating expenses of our gas exploration- and production activities. Depreciation and amortisation increased compared to last year mainly because of the inclusion of our gas production activities.

Interim financial report

Consolidated statement of financial position

Consolidated statement of financial position

€ million

Assets

	30 June 2009	31 December 2008
Non-current assets		
Property, plant and equipment	2,602	2,456
Intangible assets	287	289
Investments in associates and joint ventures	111	128
Financial assets	24	9
Derivatives	1,196	1,533
Deferred tax assets	140	140
	4,360	4,555
Current assets		
Inventories	72	91
Trade and other receivables	1,286	1,174
Derivatives	1,432	1,590
Current account network group companies before unbundling	-	1,467
Cash and cash equivalents	1,388	723
	4,178	5,045
Total assets	8,538	9,600

Shareholders' equity and liabilities

Shareholders' equity		
Share capital	500	500
Share premium	2,981	3,354
Hedge reserve	210	328
Currency translation reserve	-1	-2
Other reserves	184	-97
Profit after taxation	226	492
Total shareholders' equity attributable to Nuon Energy shareholders	4,100	4,575
Minority interests	2	2
Total shareholders' equity	4,102	4,577
Non-current liabilities		
Interest-bearing debt	204	159
Derivatives	775	1,035
Finance lease payables	23	29
Deferred income	150	139
Deferred tax liabilities	451	498
Provisions for employee benefits	37	29
Other provisions	152	120
	1,792	2,009
Current liabilities		
Trade and other payables	623	1,059
Tax liabilities	312	214
Interest-bearing debt	32	27
Derivatives	1,288	1,403
Provisions for employee benefits	79	97
Accrued liabilities	310	214
	2,644	3,014
Total liabilities	4,436	5,023
Total shareholders' equity and liabilities	8,538	9,600

Consolidated statement of income

Consolidated statement of income

€ million

	1st half	
	2009	2008
Net turnover from sales of goods and delivery of services	2,985	2,727
Other operating income	57	83
Costs of energy, raw materials and supplies	2,090	1,700
Operating expenses	545	467
Depreciation, amortisation and impairments	133	57
Less: Own work capitalised	-20	-19
Total operating expenses	2,748	2,205
Operating profit (EBIT)	294	605
Financial income	-12	-50
Profit after taxation from associates and joint ventures	6	10
Profit before taxation from continuing operations	312	665
Taxation	86	168
Profit after taxation from continuing operations	226	497
Profit after taxation from discontinued operations	-	-
Profit after taxation	226	497
Of which:		
Profit after taxation attributable to minority interests	-	-
Profit after taxation attributable to Nuon Energy shareholders	226	497
Earnings per share (€)		
Earnings per share	45.20	99.40

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income

€ million

	1st half	
	2009	2008
Profit after taxation	226	497
Other comprehensive income		
Changes in fair value of cashflow hedges	-175	44
Release to income	57	49
	-118	93
Exchange differences on translation foreign operations	1	-1
Total other comprehensive income	-117	92
Total comprehensive income	109	589
Of which:		
Total comprehensive income attributable to minority shareholders	-	-
Total comprehensive income attributable to Nuon Energy shareholders	109	589

Consolidated statement of cash flows

Consolidated statement of cash flows

€ million

	1st half	
	2009	2008
Cash flow from operating activities		
Profit after taxation	226	497
Adjustments for:		
Financial income	-12	-50
Income tax expenses	86	168
Profit after taxation from associates and joint ventures	-6	-10
Depreciation, amortisation and impairments	133	57
Changes in working capital:		
Inventories	18	-33
Trade and other receivables	-110	3
Current account with network group companies before the unbundling	1,467	357
Trade payables and other non-current liabilities	-323	-133
Total changes in working capital	1,052	194
Changes in deferred tax, provisions, derivatives and other	-30	-612
Cash flow from operations	1,449	244
Net interest paid and received	12	50
Dividends received from associates and joint ventures	26	15
Corporate income tax paid	-23	-
Total	15	65
Cash flow from operating activities	1,464	309
Cash flow used in investing activities		
Acquisitions net of cash acquired	-	1
Capital expenditures on property, plant and equipment	-241	-258
Construction contributions received	13	11
Investments in intangible fixed assets	-7	-
Proceeds from sale of subsidiaries	-	27
Proceeds from sale of financial fixed assets	9	-
Cash flow used in investing activities	-226	-219
Cash flow used in financing activities		
New/(repayment) of non-current interest-bearing liabilities and current part of non-current debt	2	-
New non-current debt	48.0	12
Repaid non-current debt	-7	-1
Reimbursement of share premium	-405	-
Dividends Paid	-211	-
Cash flow (used in)/ from financing activities	-573	11
Net cash flow	665	101
Cash and cash equivalents as at 1 January	723	752
Net cash flow	665	101
Cash and cash equivalents as at 30 June	1,388	853

Consolidated statement of changes in shareholders' equity

Consolidated statement of changes in shareholders' equity

€ million

	Equity attributable to Nuon shareholders							Sub total	Minority interests	Total
	Share capital	Share premium	Hedge reserve	Currency translation reserve	Other reserves	Profit for the period				
As at 1 January 2008	500	3,904	10	-1	-92	-5	4,316	1	4,317	
Profit after taxation 2008	-	-	-	-	-	492	492	1	493	
Other comprehensive income	-	-	318	-1	-	-	317	-	317	
Comprehensive income 2008	-	-	318	-1	-	492	809	1	810	
Reimbursement of share premium	-	-550	-	-	-	-	-550	-	-550	
Extra dividend	-	-	-	-	-5	5	-	-	-	
Profit appropriation 2007	-	-	-	-	-	-	-	-	-	
Shareholders' equity as at 31 December 2008	500	3,354	328	-2	-97	492	4,575	2	4,577	
Profit after taxation 1st half of 2009	-	-	-	-	-	226	226	-	226	
Other comprehensive income 1st half of 2009	-	-	-118	1	-	-	-117	-	-117	
Comprehensive income 1st half of 2009	-	-	-118	1	-	226	109	-	109	
Dividend payment to n.v. Nuon	-	-	-	-	-211	-	-211	-	-211	
Reimbursement of share premium	-	-405	-	-	-	-	-405	-	-405	
Contribution German activities	-	32	-	-	-	-	32	-	32	
Profit appropriation 2008	-	-	-	-	492	-492	-	-	-	
Shareholders' equity as at 30 June 2009	500	2,981	210	-1	184	226	4,100	2	4,102	

The hedge reserve and the currency translation reserve are and part of other reserves equal to the negative currency translation reserve is not distributable.

Selected notes

Accounting policies

With the exception of the changes in accounting policies referred to hereafter, the accounting policies applied in the preparation of the financial information for the first half of 2009 are the same as the accounting policies in the 2008 Annual Report of n.v. Nuon, Nuon Energy's ultimate holding company until 29 June 2009. This semi-annual report does not contain all information prescribed by IFRS for full financial statements. To obtain a complete picture this first half report must therefore be seen in conjunction with the 2008 Annual Report of n.v. Nuon, which can be found on www.alliander.com.

Due to the fact that Vattenfall gained operational control over Nuon Energy as of 1 July 2009, Nuon Energy is in the process of investigating the differences between the accounting policies used by Vattenfall and its current accounting policies. This might result in changes in accounting policies that will take effect in the second half of the year.

Changes in IFRS

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have issued new and/or changed standards up until the first half of 2009 that are applicable to Nuon Energy as of the financial year 2009. Nuon Energy can only apply these standards and interpretations after endorsement by the European Commission. The changes in reporting standards that have been endorsed by the European Commission and that are applicable for the financial year 2009 are disclosed below.

IFRS 8 '*Operating Segments*' is applicable from the financial year 2009 and prescribes the manner in which segments must be defined in the financial reporting. In addition, the standard requires disclosures on the goods and services that a company provides, the geographical areas in which the company operates and its principal customers. N.v. Nuon opted for the early adoption of this standard from the financial year 2008. The definition of the segments in accordance with IFRS 8 was effected from the third quarter of 2008. The comparative figures have also been adjusted in conformity with the provisions of the standard.

IFRS 1 '*First-time adoption of IFRS*' was amended to allow first-time adopters to recognise investments in subsidiaries, joint ventures and associates at deemed cost in their separate financial statements. This cost is either the fair value as at IFRS adoption date or the carrying amount on adoption date in accordance with the accounting policies applied before the IFRS adoption date. In addition, the structure of IFRS 1 has

been improved. As Nuon Energy already applies IFRS, these amendments have no effect on Nuon Energy.

In this connection the definition of the 'cost price method' has been removed from IAS 27 '*Consolidated and Separate Financial Statements*' and replaced with the requirement to present dividends as income in the separate financial statements of the investor. A further amendment prescribes that in the case of a reorganisation resulting in a new parent company, the new parent company must measure the cost of the investments in subsidiaries, joint ventures and associates in its separate financial statements at the carrying amount of the aforementioned investments in the separate financial statements of the original parent company at the date of the reorganisation. The provisions of this amendment have no effect on Nuon Energy.

IFRS 2 '*Share-based Payment*' contains clarifications stating that vesting conditions are service conditions and performance conditions only, and that all cancellations, either by the entity itself or by other parties, must be accounted for in the same manner. As Nuon Energy has no payment arrangements falling within the scope of IFRS 2, these amendments have no effect on Nuon Energy.

IAS 1 '*Presentation of Financial Statements*' contains amendments aimed at providing a clearer presentation of financial information and, in particular, of income and expenses. Under the amended standard, all income and expenses are presented separately from changes in the equity arising from transactions with owners. The standard gives the option of presenting income and expenses and changes in the equity in a single comprehensive statement, in which subtotals are given, or in two separate statements. Nuon Energy decided to present the income and expenses and changes in the equity in two separate statements. In addition, the amended standard prescribes the presentation of the opening balance sheet at the start of the comparative period, except for interim reporting.

IAS 23 '*Borrowing Costs*' has been amended and prescribes capitalisation of interest costs insofar as these can be directly attributed to the acquisition, production or construction of a qualifying asset. The option of charging interest costs to the income statement has thus been removed. For Nuon Energy this entails the obligatory capitalisation of interest costs for all qualifying assets whose initial capitalisation date falls on or after 1 January 2009. Nuon Energy has opted to apply IAS 23 with retroactive effect from 1 November 2007, being the date at which the construction work on significant investment projects that are currently in progress commenced. As Nuon Energy had net interest income during 2008 and year-to-date 2009, no interest cost were capitalised and, as a result, no restatement of prior years is necessary.

IAS 32 *'Financial Instruments: Presentation'* has been amended in combination with IAS 1 *'Presentation of Financial Statements'* and prescribes that the following financial instruments that were formerly classified as financial liabilities are now classified as equity instruments: puttable financial instruments, such as certain shares issued by cooperative entities, and instruments or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation. Nuon Energy currently has no instruments falling within the above-mentioned classifications.

IFRIC 12 *'Service Concession Arrangements'* deals with the manner in which operators must account for services provided under public-private concession arrangements. Though the amended interpretation is applicable as of the financial year 2008, it has not yet been endorsed by the EU. As Nuon Energy has no arrangements falling within the scope of IFRIC 12, this interpretation has no effect on Nuon Energy.

IFRIC 13 *'Customer Loyalty Programmes'* addresses the accounting for loyalty award credits that entities grant to customers who buy goods or services. The interpretation prescribes that the fair value of the loyalty award credits must be accounted for as deferred income. As Nuon Energy has no loyalty programmes as intended in the interpretation, this interpretation will have no effect on Nuon Energy.

IFRIC 16 *'Hedges of a Net Investment in A Foreign Operation'* provides guidance on several items: identifying foreign currency risks that qualify for classification as a hedged risk in the hedge of a net investment in a foreign operation, where hedging instruments that are hedges of a net investment in a foreign operation within a group can be held to qualify for hedge accounting, and how an entity should determine the amounts to be reclassified from equity to the profit or loss for both the hedging instrument and the hedged item. This interpretation does not currently affect Nuon Energy, as it does not currently use hedge accounting for hedged risks of net investments in foreign entities.

The IASB *'Annual Improvements Process 2007'* resulted in corrections and small adjustments to a number of IFRS standards. These have (or will have) no material impact on Nuon Energy and are therefore not disclosed separately here.

Acquisitions

In June 2009, Nuon Energy signed two sale and purchase agreements for the acquisition of gas fields. One acquisition relates to the purchase of interests in British gas fields in various stages of exploration and production from Venture Production plc. The other acquisition relates to the purchase of interests in a number of Dutch gas fields from TOTAL Gas Nederland B.V. Nuon Energy already participates in those latter fields through the acquisition of Burlington Resources Nederland Petroleum B.V. that was concluded in 2008. Both

acquisitions fit in Nuon Energy's strategy to strengthen its position in the gas market. Including these acquisitions, Nuon Energy will have interests in 36 operating gas fields.

Both acquisitions are subject to certain conditions precedent, including for example the approval of competition authorities and approval from shareholders. At the end of July all conditions with respect to the acquisition of the Dutch gas fields from TOTAL Gas were fulfilled. The formal completion of both transactions and delivery of the assets are expected to take place in July and August. The final determination of the purchase price will take place upon completion and the newly acquired assets will be recognised in the financial statements in the second half of 2009.

Incidental items and fair value movements included in the results

Nuon Energy's results can be strongly affected by incidental items and fair value movements of financial instruments (hereinafter referred to as fair value movements), particularly energy commodity contracts.

Nuon Energy defines incidental items as items, which, in the opinion of the management, do not stem directly from the ordinary operating activities and/or whose nature and size are so significant that these must be considered separately to permit proper analysis of the underlying results. Nuon Energy applies as a guideline a threshold of € 20 million in this regard. For (reversals of) impairments and fair value movements of energy commodity contracts, no threshold is applied as these items occur frequently and the total amount of these items over the whole year may exceed the threshold of € 20 million. The annex to this report provides further information on the treatment of fair value movements.

Incidental items and fair value movements in first half 2009

The incidental items and fair value movements in the first half of 2009 came to a net gain of € 50 million after taxation (H1/2008: a gain of € 243 million).

Overview of incidental items and fair value movements included in the results

€ million

	1st half	
	2009	2008
Fair value movements financial instruments and derivatives	115	317
(Release provision for) costs from prior years relating mainly to renewable energy	-	10
Personnel gratuity	-30	-
Start-up costs construction new power station	-	-1
Effect related to Heat Act	-18	-
Total impact on operating profit	67	326
Tax impact on incidental items	-17	-83
Total impact on profit after taxation	50	243

Annex: Treatment of commodity contracts

Under IAS 39 financial instruments and derivatives, including energy commodity contracts, must be recognised at fair value and value increases and decreases must in principle be recognised in income. Strong fluctuations in the prices for raw materials and electricity have a strong influence on (the volatility of) the results and the derivative positions on the balance sheet.

As part of its normal operations, Nuon Energy trades in energy commodity contracts. These activities take place under strict conditions, policies and limits that are set by the Management Board and, among other things, demarcate the maximum risk Nuon Energy may be exposed to. The monitoring of risks and positions and verification of compliance with the internal procedures and controls on limits take place continuously on behalf of the Management Board. Under IAS 39 these energy commodity contracts (e.g. oil, coal, gas, electricity and CO₂ emission rights and related exposures in foreign currency) are classified as derivatives and recognised at fair value with the movements in the fair value of these contracts being recognised in income.

In addition to trading activities, Nuon Energy also enters into energy commodity contracts to cover its demand for energy to supply customers and to produce electricity at the power stations. These contracts are not measured at fair value, but at cost because they are intended for the company's own use. However, continuous optimisation takes place in view of the uncertainties surrounding the future production. As a result, the expected and covered purchase, sale and production differ from the actual purchase, sale and production. On these grounds, despite the fact that the position is fully hedged from an economic point of view, part of the energy commodity contracts that are intended for the company's own use are recognised for IFRS reporting purposes at fair value and the fair value movements of these contracts are recognised in income.

The value movements of energy commodity contracts are partly beyond Nuon Energy's control, mainly with respect to the aforementioned own use contracts that are recognised at fair value. Moreover, the fair value movements concern unrealised (unsettled) results. The difference between the result including (unrealised) fair value movements and the result based on settled transactions taking into account hedge accounting, is included in the overview of incidental items in 'Fair value movements financial instruments and derivatives'.

Colophon

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