

# Presentation to Bond Investors

March 2006

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# Agenda

1. Introduction to Essent
2. Business Update
3. Ownership Unbundling
4. Financial Highlights
5. Key Credit Highlights

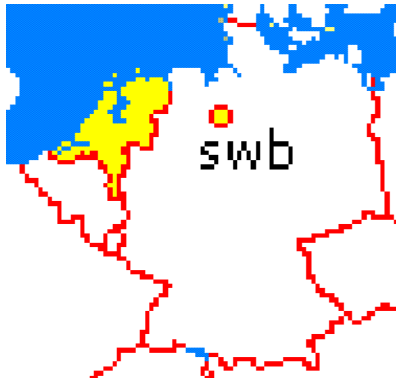
# 1. INTRODUCTION TO ESSENT

# Who is Essent?

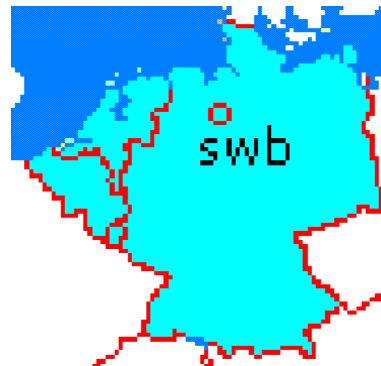
- Essent is a vertically integrated energy company, active across the entire energy chain
- We operate one-third of the Dutch market for generation and supply of electricity and gas
- We are also active in cablecom and waste management services
- Fully owned by regional and local government

# Strong regional roots with further ambitions in North-West Europe

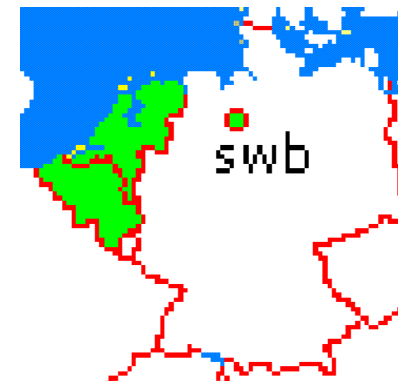
Grid & Transmission: NL+GE



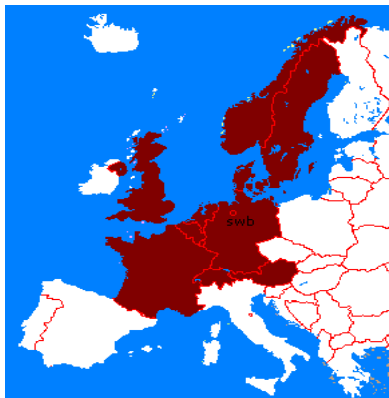
Supply: BeNeLux+GE



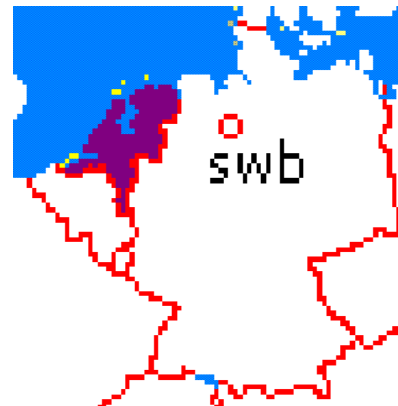
Generation: NL+BE+GE



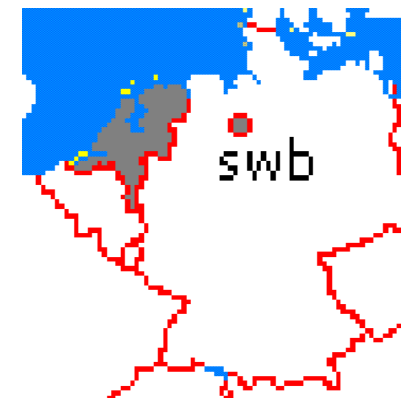
Wholesale: western Europe



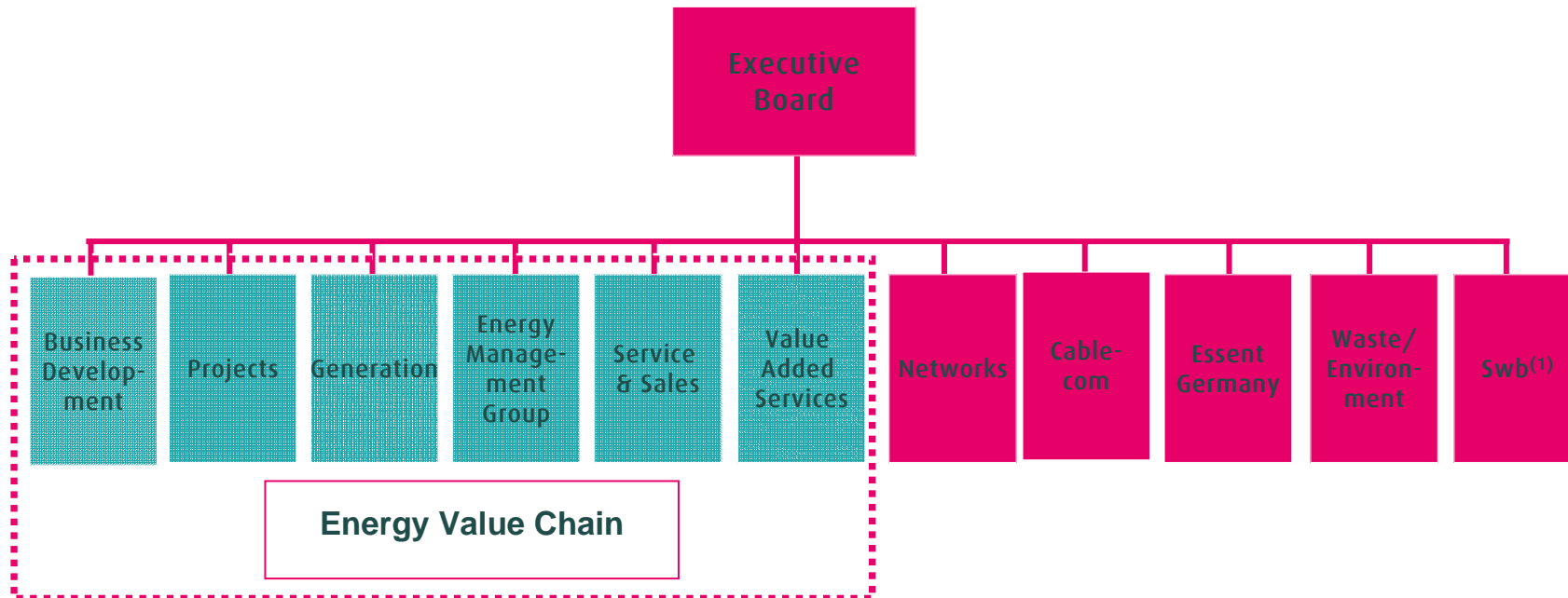
Cable: NL



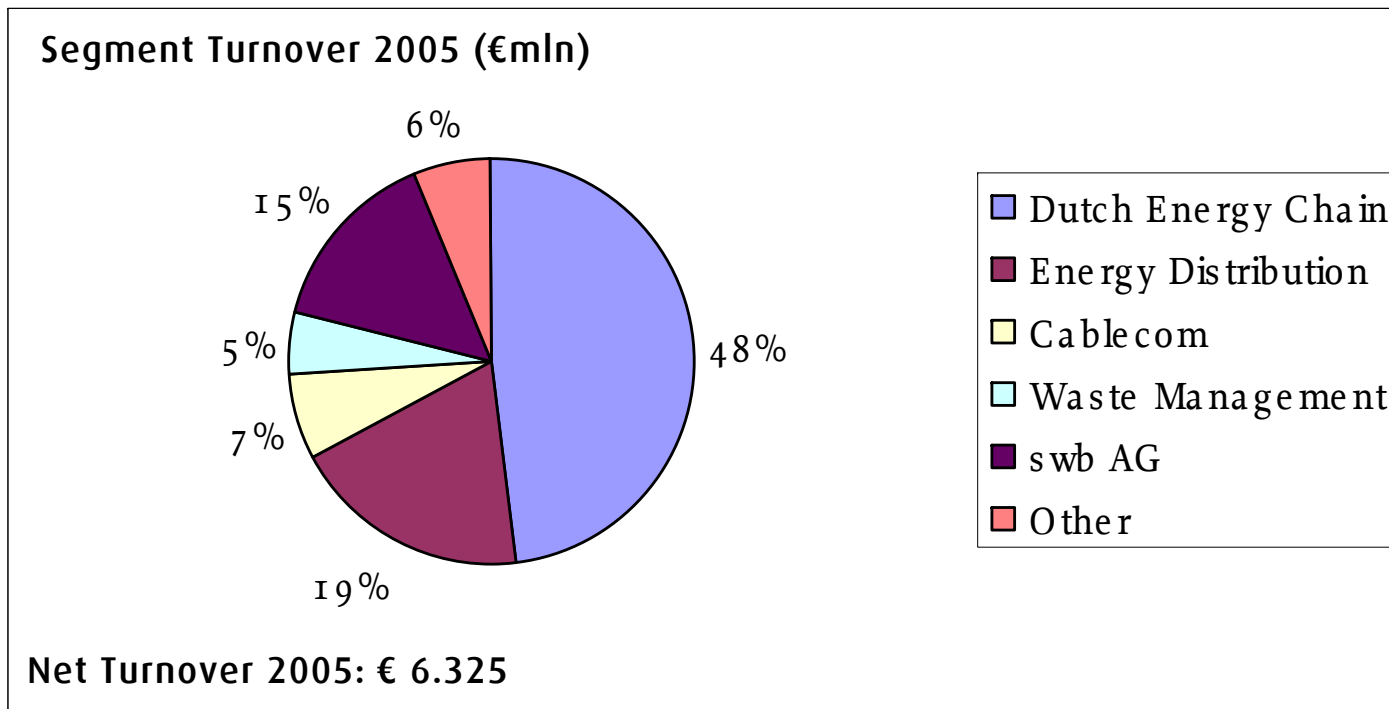
Waste management: NL+GE



# Organisation chart



# Energy : Responsible for >80% of Turnover

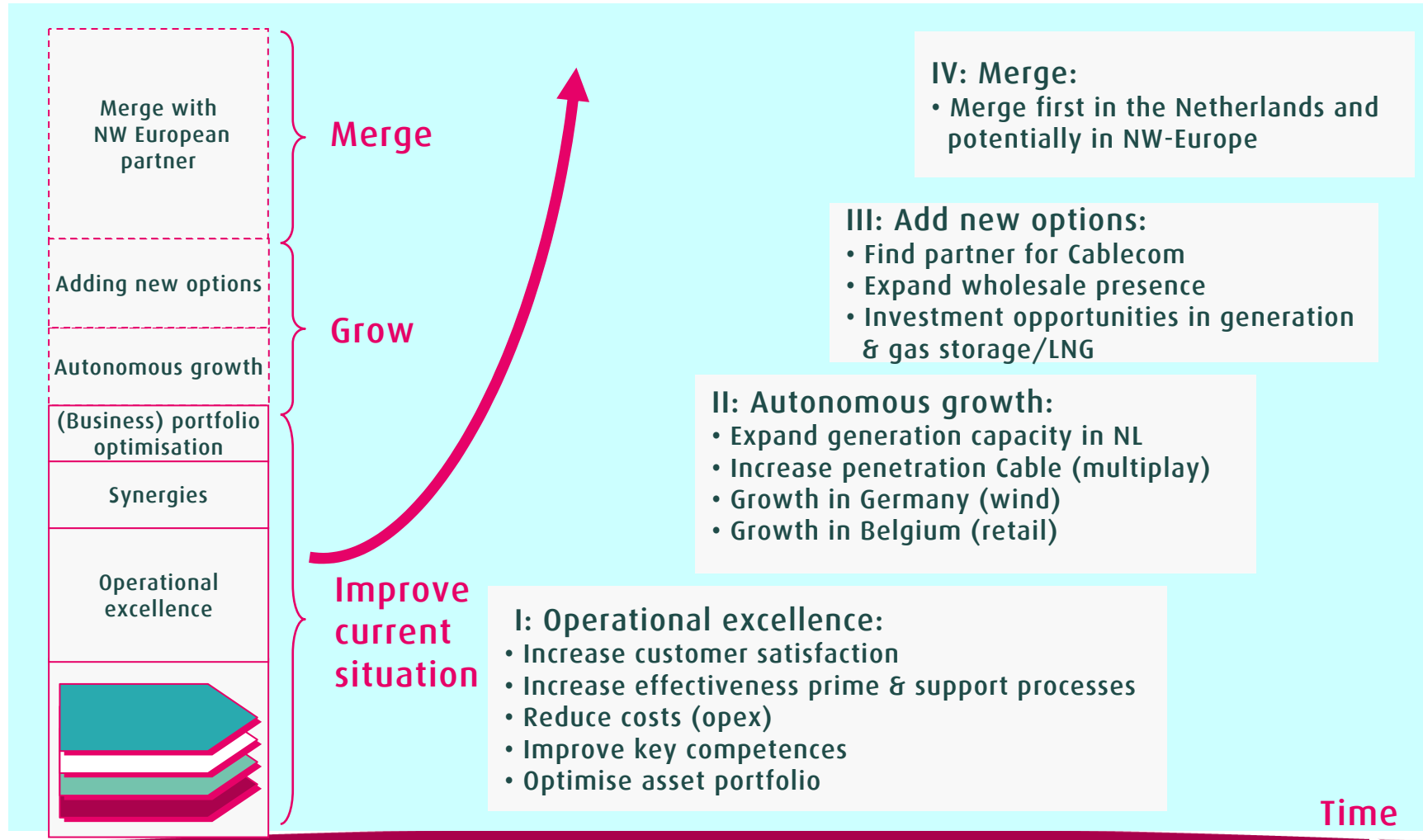


## 2005 Key figures

•Net turnover	€6,325 mln	( ↑ 6%)
•Operating profit	€ 782 mln	( ↑ 5%)
•Net profit	€ 526 mln	( ↑ 26%)
•Net debt	€1,406 mln	( ↓ 39%)
•Cash flow from operating activities	€1,382 mln	( ↑ 9%)
•Cash flow before financing	€ 961 mln	( ↑ 53%)
•Capital employed	€6,508 mln	( ↑ 2%)
•Proposed dividend pay-out	50%	( ↑ 10%)

## 2. BUSINESS UPDATE

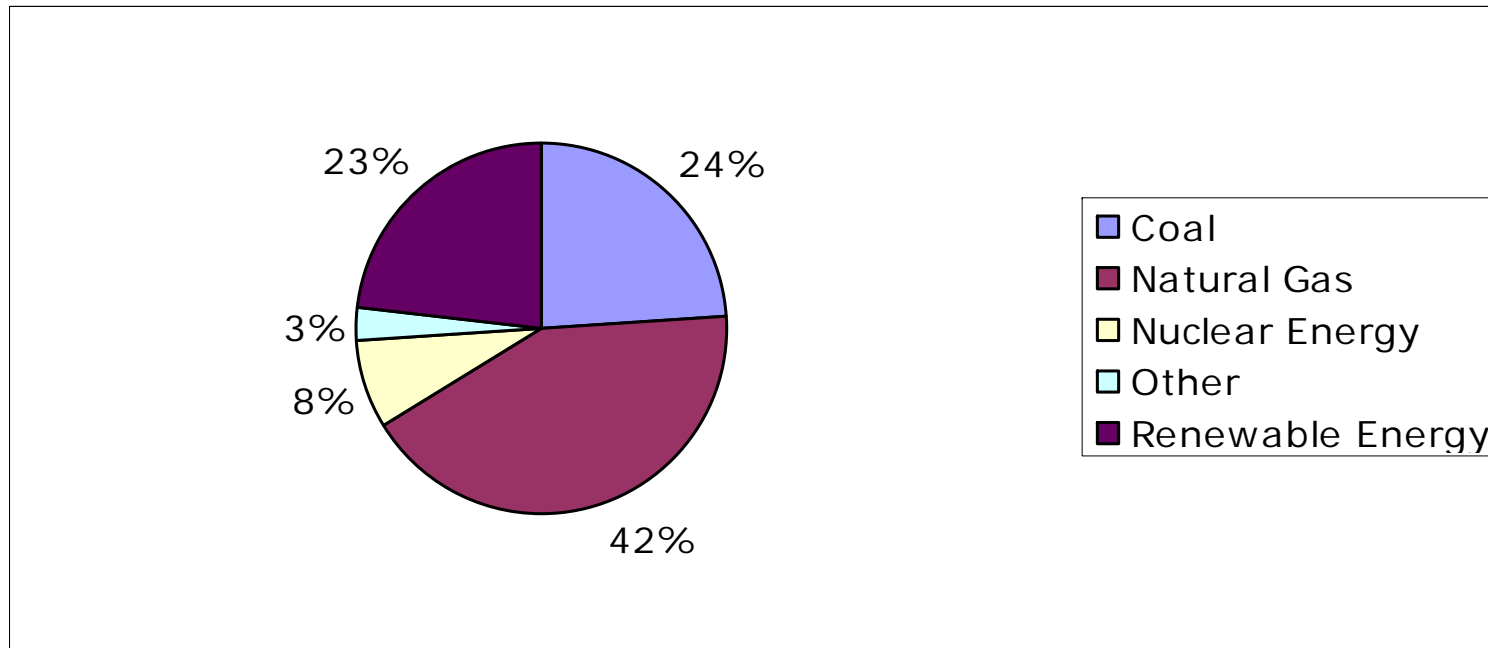
# Strategy : Become a leading utility in NW Europe



# Business update : progress on all fronts

- Energy:
  - Customer services high priority
  - Investment focus on sustainable generation
  - Wholesale teams successful
  - Vertically integrated business model
- Cablecom:
  - Following triple play strategy
- Waste Management:
  - Restructuring completed

# 2005 Supplied Electricity: Fuel mix



## Sustainable energy production : 79% increase

GWh	FY 2005	FY 2004	$\Delta\%$
Wind	672	511	32%
Water	29	31	(6%)
Solar	0,05	0,1	(50%)
Biogas/Landfill gas	65	104	(38%)
Biomass	2,984	1,450	106%
<b>Total</b>	<b>3,750</b>	<b>2,095</b>	<b>79%</b>

## 3. OWNERSHIP UNBUNDLING

# MEA's law proposal : Still on the table

On August 30, 2005 the Dutch Minister of Economic Affairs (MEA) sent a law proposal to 2nd Chamber of Parliament, containing various provisions :

- prohibiting grid managers to form a group with commercial energy activities, effectively forcing ownership unbundling
- transferring the economic ownership of networks to the network manager
- transferring the management of High Voltage grid (>110 KV) to TenneT, the Dutch Transmission System Operator (TSO)
- allowing the sale of a minority interest in network companies

The effective deadline of ownership unbundling in the current Proposal, 2 years after the law is enacted.

# What has happened since August 2005?

- November 18, 2005: The MEA answered over 500 questions posed by MPs
- December 14, 2005 : Hearing 2nd Chamber of Parliament on
  - a) Cross Border Leases (CBLs)
  - b) Structuring of the sector and privatization
- January 12, 2006 : Essent plus advisors accepted invitation to meet MEA representatives regarding a CBL risk analysis
- February 2, 2006 : MEA sent a letter to Parliament, the contents of which were fiercely contested by Essent
- February 13, 2006 : Parliamentary hearing where MPs requested an independent validation of existing studies focused on the costs & benefits (incl. CBLs) and employment consequences
- March 20, 2006 : Report on validation to Parliament. Round table discussion on sector restructuring between Parliament and Shareholders

# Essent's position

- Justification for ownership unbundling remains weak:
  1. substantial costs & significant risks (CBLs); benefits neither substantiated nor quantified; questionable valuation analysis
  2. current regulatory framework is adequate
  3. consequences for reliable energy supply still to be investigated
  4. conscious disregard of risk of creating unfair competition
  5. not aligned with European energy policy
- Coalition of four largest energy companies remains resolute against the proposed ownership unbundling

# Essent's commitment to its bondholders

- In the event that ownership unbundling occurs, Essent will do its utmost to:
  - safeguard the interest of the bondholders and other financiers
  - mitigate any adverse impact that might arise;
- Essent's intention is then to approach financiers in a timely manner and ensure that the rated debt follows the network activities, whilst keeping the same rating level and avoiding structural subordination

# Revised timetable : Looking forward

Expected legislative procedure:

- March 20, 2006:
  - Presentation validation report
  - Round Table discussion (between stakeholders)
  - MEA drafted temporary provisions
- April 2006: Parliament (2nd Chamber) to vote on the proposed law
- Summer 2006: Ratification of proposed law by Senate (1st Chamber)

Companies allowed two years after enactment of law for ownership unbundling to be implemented, although a longer implementation period is contemplated

No legal certainty will exist before mid 2006

## 4. FINANCIAL HIGHLIGHTS

## Operations : Cost containment

€mln	FY 2005	FY 2004	Δ%
Net turnover	6.325	5.946	6%
Gross margin incl. other oper. inc. as % of net turnover	3.055 48%	3.169 53%	(4%)
Operating expenses as % of net turnover	2.273 36%	2.425 41%	(6%)
Operating profit as % of net turnover	782 12%	744 13%	5%

## Most segments contribute to operating profit 2005

€mln	FY 2005	FY 2004	Δ%
Dutch Energy chain	428	378	13%
Energy distribution	267	267	0%
Cable	87	76	14%
Waste	60	51	17%
Swb AG	74	63	17%
Other	(134)	(91)	(47%)
Total	782	744	5%

## Net profit : 26% increase

€mln	FY 2005	FY 2004	Δ%
Operating profit	782	744	5%
Net financial expenses	(126)	(217)	42%
Profit of non consolidated interests	111	80	39%
Profit before tax	767	607	26%
Tax	(197)	(163)	(21%)
Profit after tax	570	444	28%
Minority interest in result	(44)	(27)	(63%)
Net profit	526	417	26%
Per share (in euros)	3,51	2,78	

# Cash flow : Cash generation and debt reduction

€mln	FY 2005	FY 2004
Net profit	526	417
Minority interest in result	44	27
Depreciation and impairments	655	715
Working capital movement/other operating items	157	110
Cash flow from operating activities	1.382	1.269
Capital expenditure	(564)	(684)
Disposals and other	143	44
Cash flow from investing activities	(421)	(640)
Cash flow before financing	961	629

# Financial ratios : Improving and inside targets

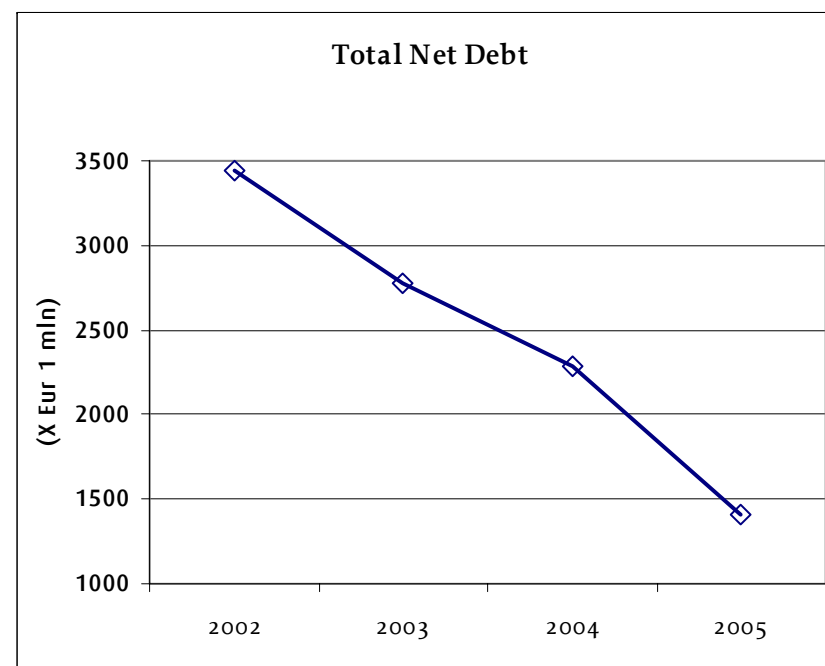
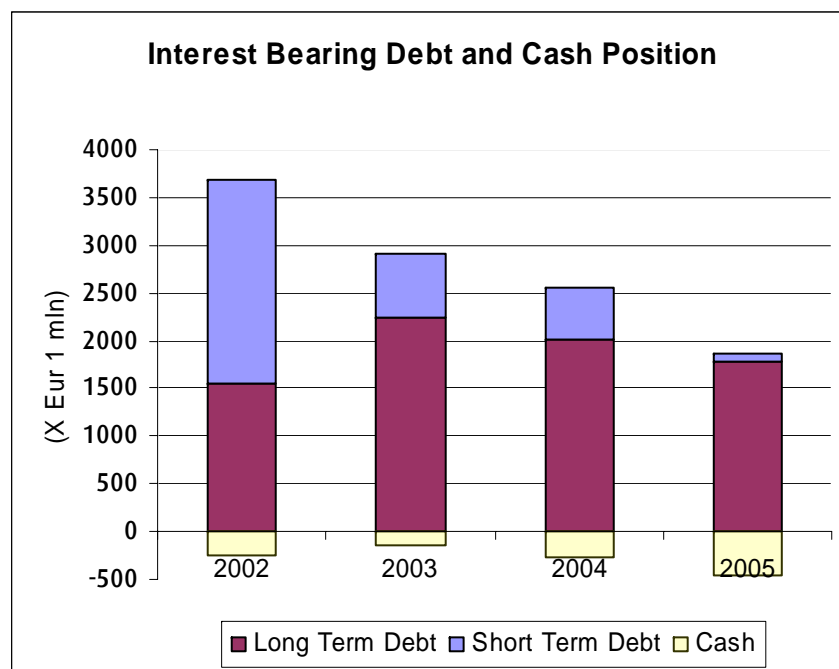
	FY 2005	IFRS 2004	Target
Leverage <sup>(1)</sup>	43%	48%	<50%
Net debt / EBITDA	0.9 x	1.4 x	
Interest cover	21.5 x	11.6 x	>7.5 x
Long term interest bearing debt/ total interest bearing debt <sup>(1)</sup>	69%	78%	>75%

# Strong financial profile

- Strong credit ratings, targeting a solid single A rating:
  - Moody's :A2 / Stable  
*Moody's recently changed the outlook from Negative to Stable, reflecting the strong improvement in Essent's financial profile*
  - S&P : A+ / Negative  
*S&P continue to have a Negative outlook reflecting uncertainty regarding possible ownership unbundling , but note that the financial profile has improved and is strong*
- Large undrawn bank facility (€ 2 bn, 2004-2009, 13 participating banks)

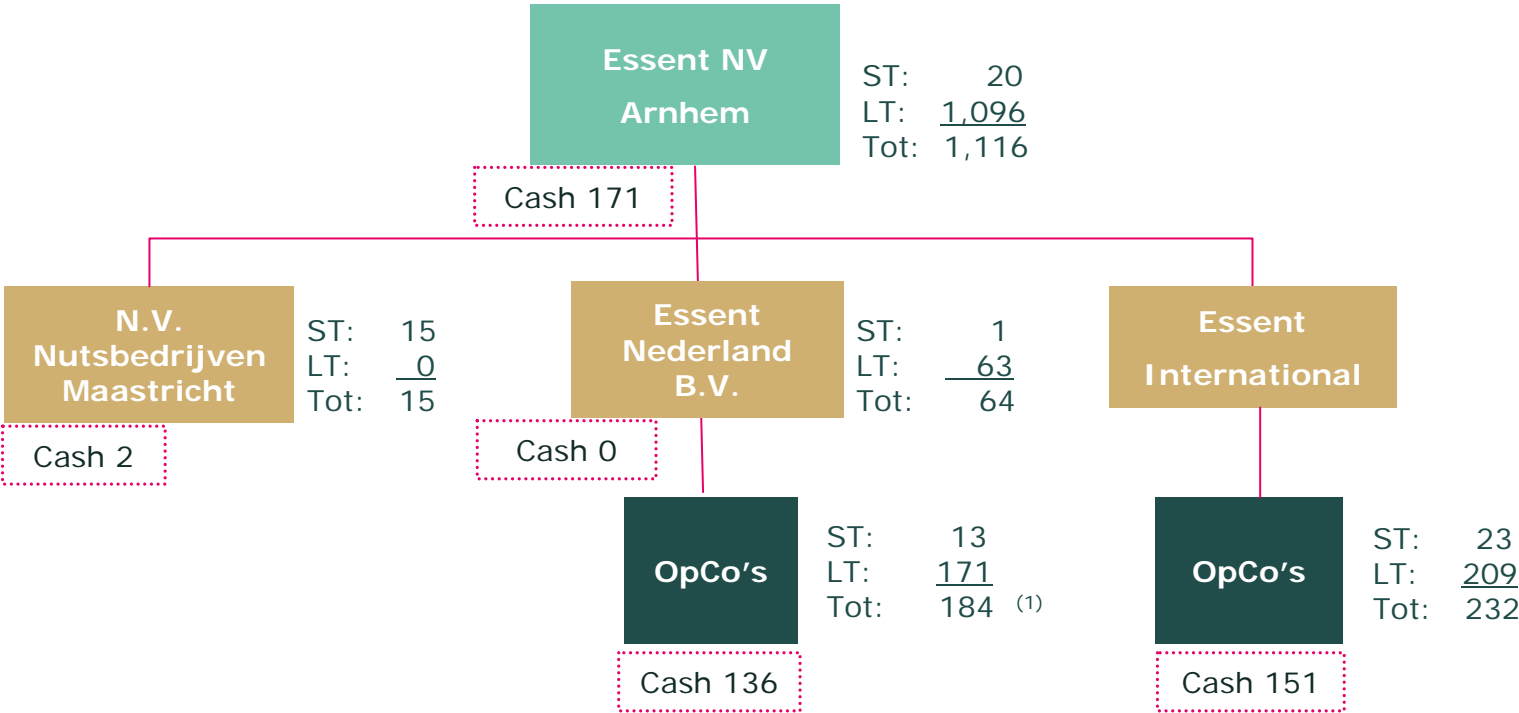
# Decreasing debt – increasing cash

As at year end (€mln)



# Debt breakdown as at December 31, 2005

Debt as at year end (€mln)



Total gross debt 1,611 <sup>(1)(2)</sup>

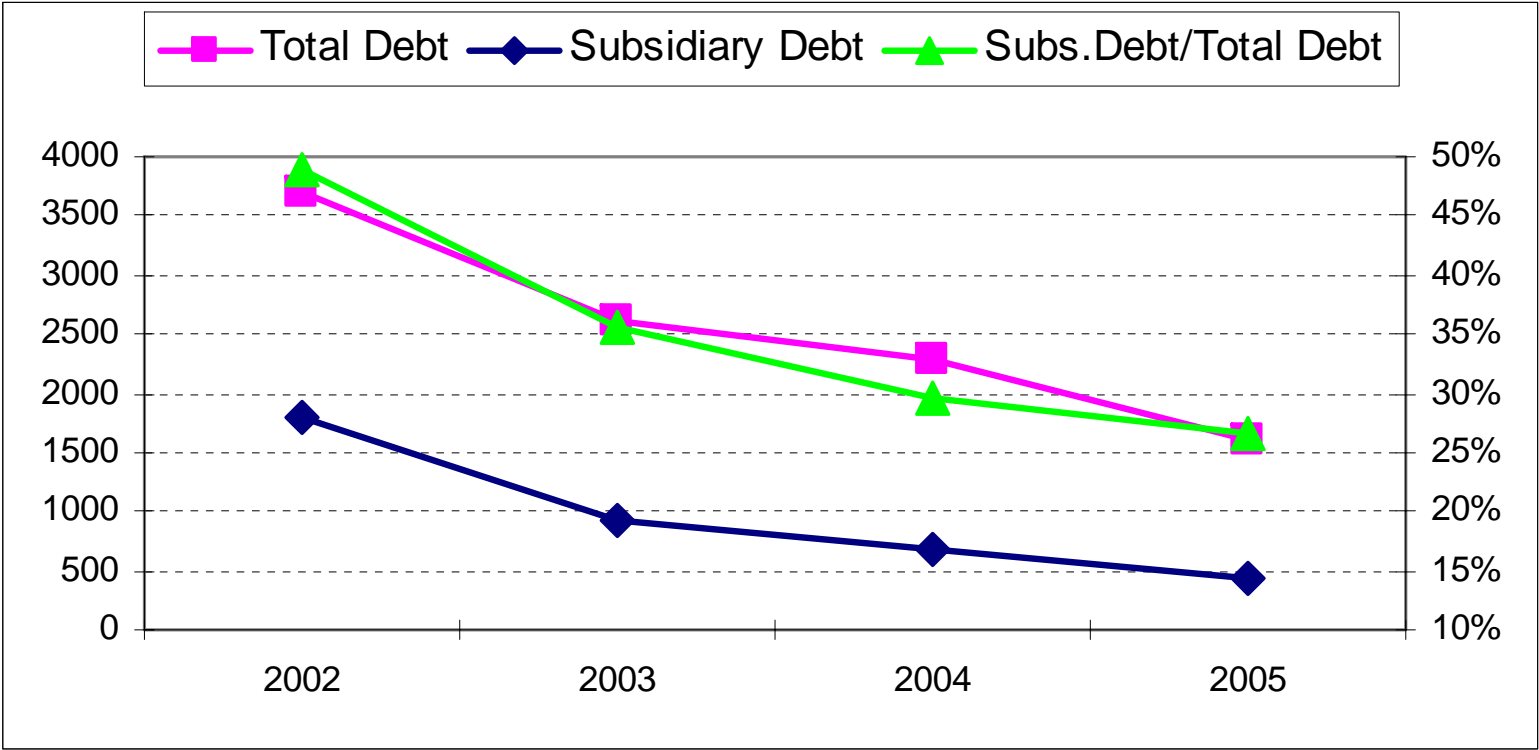
Total cash 460 <sup>(2)</sup>

<sup>(1)</sup> Excluding project finance by AZN (255)

<sup>(2)</sup> Cash pooling shown on a net basis

# Structural subordination ratio improving

Debt as at year end (€mln)

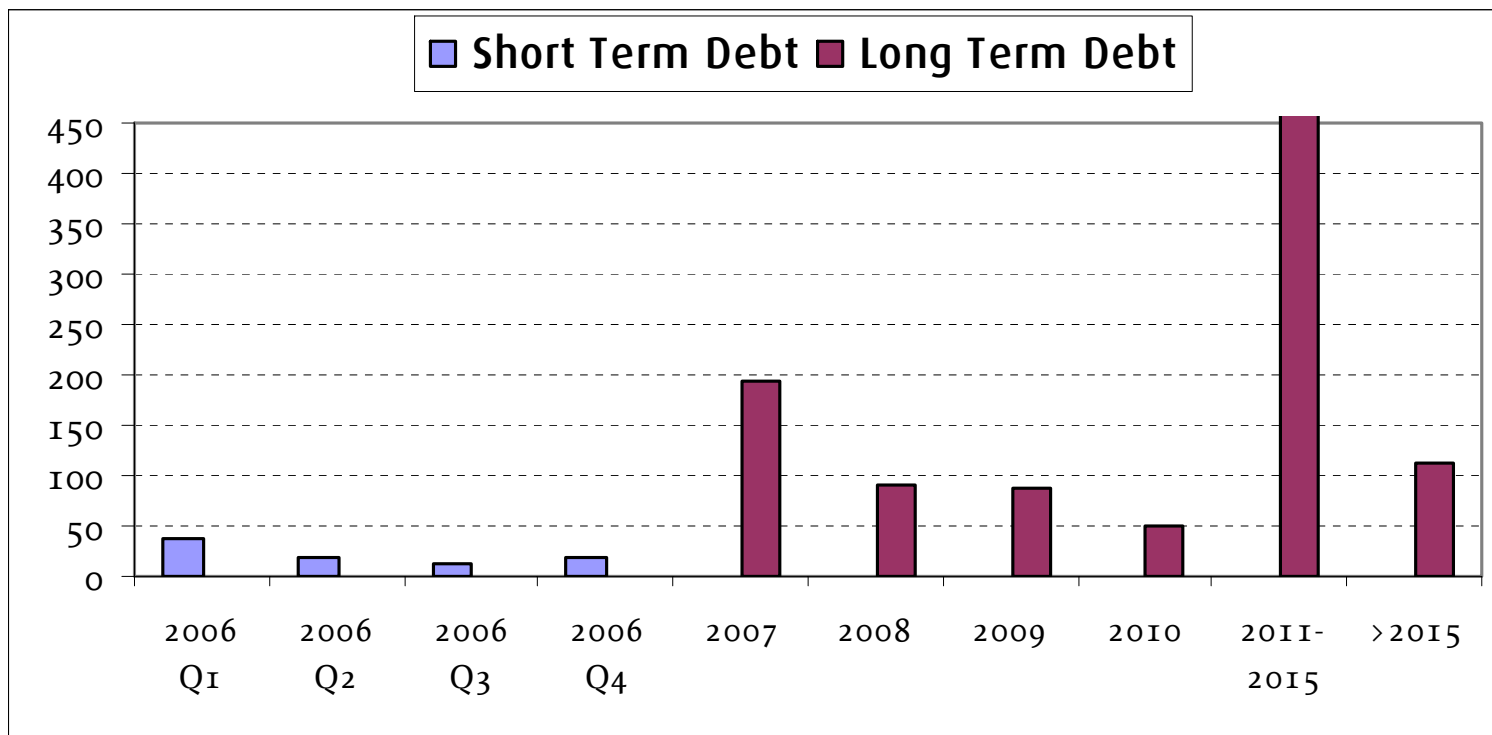


(1) Excluding project finance by AZN (255)

(2) Cash pooling shown on a net basis

# Debt maturity profile

Debt as at year end (€mln)



## 5. KEY CREDIT HIGHLIGHTS

# Highlights

- Market leader in the Netherlands
- Integrated, risk diversified product portfolio
- Strong financial profile and performance
- Capable and experienced management team
- Strong brand
- Stable cash flow generative asset base

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