

PRESS RELEASE

ARNHEM, The Netherlands – 9 March 2006

FINANCIAL RESULTS 2005 ESSENT N.V.

- **2005 operating profit up 5% to EUR 782 million mainly the result of lower operating expenses.**
- **Net profit increases 26% to EUR 526 million. Apart from improved operating profit, this is the result of lower finance expenses and non-recurring effects, including the net gain on the sale of the interest in Van Gansewinkel Groep.**

2005 results

Starting with the 2005 financial year, Essent prepares its financial reports in accordance with International Financial Reporting Standards (IFRS). Comparative figures for 2004 have been included based on International Accounting Standards in force for 2005. These comparative figures differ from those previously published, as the latter were provisional in nature. In accordance with the exemptions allowed under IFRS, Essent has applied IAS 32 and IAS 39 with effect from 1 January 2005. The method for treating derivative financial instruments under these two standards is explained at the end of this press release.

Owing to the application of IAS 32 and IAS 39, and the corresponding reclassification of contracts, several major contracts previously treated as supply contracts are now classified as derivative financial instruments. The effect is that only the gain realised on these contracts is recognised as net revenue. The effect of the reclassification on net revenue for 2004 is EUR 1.46 billion. Fair value changes in 2005 from the adoption of IAS 32 and IAS 39 amounted to EUR 68.2 million negative. Taking both effects into account, net revenue for 2005 increased by 6% to EUR 6.33 billion.

The revenue from electricity increased as a result of a combination of higher volumes and higher prices. On the other hand, gas volumes decreased, but this was offset by price increases related to rising oil and gas prices on the world market. Revenue from cablecom activities rose, the result of a better tariff mix and an increase in the number of internet customers. The drop in revenue from waste management activities came from allowing two waste contracts to expire so that the margin on the volumes of waste processed would improve.

Gross margin declined slightly to EUR 3.05 billion, mainly due to the adoption of IAS 39, but also because the increased prices for oil and gas could not be passed on fully to customers.

Operating expenses decreased by EUR 152 million (6%) to EUR 2.27 billion. This was mainly the effect of lower outsourcing expenses because of lower ICT costs, reduced maintenance costs, lower costs for temporary staff and lower marketing costs resulting from the focus on rationalising the operating processes. The release from the healthcare provision for ex-employees, a result of the passing of the Dutch Health Insurance Act on 1 January 2006, produced non-recurring income of EUR 209 million. This one-off positive effect was partly neutralised by one-off expenses.

As a result of reduced operating expenses, operating profit climbed 5% to EUR 782 million. At 12%, operating profit as a percentage of net revenue is unchanged from 2004.

The share of profit of joint ventures and associates was EUR 111 million in 2005, an increase of EUR 31 million on 2004. This was primarily the effect of the gain on the sale of the interest in Van Gansewinkel Groep B.V., partly offset by lower non-recurring gains of N.V. Elektriciteit Productiemaatschappij Zuid-Nederland (EPZ).

Finance income and expense decreased by 43% to EUR 125 million. The interest expense in 2005 decreased as a result of the reduction in interest-bearing debt and lower non-recurring costs for early repayments in the year, and because of a number of non-recurring effects.

Profit before tax climbed to EUR 767 million for 2005, representing a rise of 26% on the previous year. The income tax expense on this profit was EUR 198 million, equivalent to an effective tax rate of 26% compared to a Dutch statutory rate of 31.5%. The lower effective tax rate is mainly the result of tax-exempt income and exemptions for investments in associates. The lower effective rate compared with the previous year's (27%) is the result of a reduction in the Dutch statutory rate.

After deduction of minority interests, the profit for 2005 attributable to shareholders of Essent N.V. is EUR 526 million, a rise of 26% on 2004. Earnings per share attributable to shareholders of Essent N.V. are EUR 3.51 (2004: EUR 2.78).

Cash flow before finance activities amounted to EUR 961 million. The remainder after payment of the dividend has been used to further strengthen the company's financial position. Invested capital of EUR 6.51 billion at 31 December 2005 showed a slight drop, mainly the effect of a reduction in net working capital.

Proposed dividend

The proposed dividend for 2005 represents a further step in fulfilling the agreement to provide our shareholders with a payout in line with the market. As in previous years, the proportion of profit for the year achieved in fully competitive markets increased further in 2005. It is proposed to distribute a cash dividend of 50% of the profit for the year attributable to equity holders of Essent N.V. If this proposal is adopted, a cash dividend of EUR 1.76 per share will be paid out (2004: EUR 1.14 per share), an increase of 54% on the previous year.

Outlook

Any statement on the 2006 financial results assumes unchanged business operations in an unchanged structure. Subject to these conditions, and barring unforeseen circumstances, Essent expects an increase in profit for 2006 compared with that achieved for 2005.

Arnhem, 8 March 2006

The Executive Board

CONSOLIDATED INCOME STATEMENT

in millions of euros

	2005	2004 ¹
Revenue from the supply of goods and services and profit on optimisation contracts	6,393.3	5,946.4
Cost of optimisation contracts	--	1,457.0
	<u>6,393.3</u>	<u>7,403.4</u>
Fair value changes due to application of IAS 32 and IAS 39	- 68.2	--
Revenue	<u>6,325.1</u>	<u>7,403.4</u>
Cost of sales ²	3,350.3	2,897.1
Cost of optimisation contracts	--	1,457.0
Cost of sales	<u>3,350.3</u>	<u>4,354.1</u>
GROSS PROFIT	2,974.8	3,049.3
Other operating income	<u>80.0</u>	<u>119.9</u>
GROSS PROFIT PLUS OTHER INCOME	3,054.8	3,169.2
Employee benefits expense	651.3	846.2
Depreciation, amortisation and impairment	655.3	715.0
Cost of work contracted out, materials and other external costs	714.9	816.1
Other operating expense	<u>251.8</u>	<u>47.6</u>
TOTAL OPERATING EXPENSE	2,273.3	2,424.9
OPERATING PROFIT	781.5	744.3
Share of result of joint ventures and associates	110.9	80.0
Finance income and expense	<u>-125.2</u>	<u>-217.7</u>
PROFIT BEFORE TAX	767.2	606.6
Income tax expense	<u>-197.5</u>	<u>-162.6</u>
PROFIT FOR THE YEAR	569.7	444.0
Profit attributable to minority interests	<u>43.9</u>	<u>27.4</u>
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF ESSENT N.V.	525.8	416.6
EARNINGS PER SHARE³		
Earnings per share attributable to equity holders of Essent N.V. (in euros)	3.51	2.78

¹ Excluding effects of IAS 32 and IAS 39

² Excluding cost of optimisation contracts

³ Basic and diluted earnings per share

CONSOLIDATED BALANCE SHEET

(before proposed profit appropriation)

in millions of euros

	31 December 2005	1 January 2005 ¹	31 December 2004 ²
Property, plant and equipment	5,272.3	5,340.9	5,340.9
Intangible assets	206.1	187.9	187.9
Financial assets	1,665.2	1,303.3	955.0
NON-CURRENT ASSETS	7,143.6	6,832.1	6,483.8
Inventories	181.2	136.8	136.8
Receivables	3,086.0	1,919.3	1,351.3
Current non-interest-bearing liabilities	-3,903.3	-2,270.5	-1,605.0
NET WORKING CAPITAL	-636.1	-214.4	-116.9
CAPITAL EMPLOYED	6,507.5	6,617.7	6,366.9
Equity attributable to equity holders of Essent N.V.	3,163.1	2,513.6	2,525.1
Minority interests	233.0	203.1	212.7
EQUITY	3,396.1	2,716.7	2,737.8
Provisions	1,520.4	1,627.1	1,413.9
Non-current interest-bearing and other liabilities	1,961.6	2,078.1	2,019.4
Current interest-bearing liabilities	89.5	469.3	469.3
Net cash and cash equivalents ³	-460.1	-273.5	-273.5
FINANCING	6,507.5	6,617.7	6,366.9

¹ Including effects of IAS 32 and IAS 39

² Excluding effects of IAS 32 and IAS 39

³ Cash and cash equivalents less current liabilities to banks (EUR 716.5 million)
(2004: cash and cash equivalents less current liabilities to banks (EUR 83.7 million))

CONSOLIDATED CASH FLOW STATEMENT

in millions of euros

	2005	2004 ¹
Profit for the year	569.7	444.0
Depreciation, amortisation and impairment	655.3	715.0
Changes in provisions, operating working capital, derivative financial instruments and other	157.1	110.0
CASH FLOW FROM OPERATING ACTIVITIES	1,382.1	1,269.0
Additions to property, plant, equipment and intangible assets	-564.1	-684.2
Gain on sale of interests in joint ventures and associates	92.0	11.8
Other changes	50.8	32.1
CASH FLOW FROM INVESTING ACTIVITIES	-421.3	-640.3
CASH FLOW BEFORE FINANCING ACTIVITIES	960.8	628.7
Repayment of interest-bearing liabilities	-620.3	-473.2
Dividend paid	-170.5	-155.5
Dividend paid to minority interests, increase and decrease in minority interests and increase in interest-bearing liabilities	4.9	98.8
CASH FLOW FROM FINANCING ACTIVITIES	-785.9	-529.9
CASH FLOW FROM CONTINUING OPERATIONS	174.9	98.8
<i>Effect of consolidation changes on cash positions</i>	11.7	17.8
<i>Balance of cash and cash equivalents at beginning of year</i>	273.5	156.9
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF YEAR²	460.1	273.5

¹ Excluding effects of IAS 32 and IAS 39

² Cash and cash equivalents less current liabilities to banks (EUR 716.5 million)
(2004: cash and cash equivalents less current liabilities to banks (EUR 83.7 million))

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in millions of euros

	Share capital	Share premium	IAS 39 reserve ¹	Other reserve ²	Equity attributable to equity holders of Essent N.V.	Minority interests	Equity
At 31 December 2003 under Dutch GAAP	149.7	1,512.6	--	893.3	2,555.6	171.6	2,727.2
Effect of first-time adoption of IFRS on 1 January 2004	--	--	--	-288.5	-288.5	12.2	-276.3
At 1 January 2004 under IFRS	149.7	1,512.6	--	604.8	2,267.1	183.8	2,450.9
Other changes	--	--	--	-3.1	-3.1	1.5	-1.6
Dividend paid during the year	--	--	--	-155.5	-155.5	--	-155.5
Profit before appropriation of profit	--	--	--	416.6	416.6	27.4	444.0
At 31 December 2004	149.7	1,512.6	--	862.8	2,525.1	212.7	2,737.8
Effect of first-time adoption of IFRS on 1 January 2005	--	--	22.3	-33.8	-11.5	-9.6	-21.1
At 1 January 2005	149.7	1,512.6	22.3	829.0	2,513.6	203.1	2,716.7
Cancelled shares	--	--	--	--	--	--	--
Fair value changes and/or adjustments	--	--	294.2	--	294.2	-3.1	291.1
Profit before appropriation of profit	--	--	--	525.8	525.8	43.9	569.7
Dividend paid during the year	--	--	--	-170.5	-170.5	-10.9	-181.4
At 31 December 2005	149.7	1,512.6	316.5	1,184.3	3,163.1	233.0	3,396.1

¹ The IAS 39 reserve is a revaluation reserve and accordingly is not freely distributable

² Other reserve is freely distributable

FIVE-YEAR FINANCIAL SUMMARY 2001-2005¹

	IFRS 2005	IFRS ² 2004	Dutch GAAP 2004	Dutch GAAP 2003	Dutch GAAP 2002	Dutch GAAP 2001
FINANCIAL RATIOS						
Leverage %	43.2	48.3	44.7	51.6	60.3	56.8
Net interest-bearing liabilities/EBITDA	0.9	1.4	1.5	1.9	2.7	2.3
Interest cover	21.5	11.6	11.5	10.9	8.2	8.3
Non-current interest-bearing liabilities as % of total interest-bearing debt	68.8	78.4	78.2	77.3	42.2	50.4

¹ For the calculation of the figures in the five-year financial summary for 2001 to 2005, reference should be made to the non-condensed financial statements on our website www.essent.nl

² Excluding effects of IAS 32 and IAS 39

DEFINITION OF FINANCIAL RATIOS AND GLOSSARY OF ABBREVIATIONS

Leverage

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

Net interest-bearing liabilities

Total interest-bearing liabilities less cash and cash equivalents

EBITDA

Operating result plus depreciation, amortisation and impairment plus the Group's share of the results of joint ventures and associates

Interest cover

EBITDA divided by net interest expense. This definition was amended with effect from 2005. Net finance expense was previously used in calculating interest cover. Net interest expense is now used to calculate this ratio

Net interest expense

Interest income less finance expenses -excluding interest additions to provisions and any other finance income and expense items

TREATMENT OF FINANCIAL DERIVATIVE INSTRUMENTS FOLLOWING ADOPTION OF IAS 32 AND IAS 39

Risks relating to commodity positions, foreign exchange and interest rates are part of normal business operations. Derivative financial instruments are used to reduce or eliminate these risks. Essent also holds these instruments for sale, but subject to set policy frameworks.

In principle, the application of IAS 32 and IAS 39 means that all derivative financial instruments are recognised on the balance sheet at their fair value at the balance sheet date. This applies not only to the instruments used for taking trading positions, but mainly to those instruments used to hedge the existing risks of physical positions.

Under Dutch GAAP, only the derivative financial instruments used for taking trading positions were carried at fair value.

Derivative financial instruments are initially recognised at fair value, with changes in fair value being recognised in profit or loss unless hedge accounting is applied. Changes in the fair value of derivative financial instruments directly related to the delivery of goods and not treated in accordance with hedge accounting are recognised under revenue.

Realised gains and losses on derivative financial instruments treated in accordance with cash flow hedge accounting and realised gains and losses on speculative positions taken with these instruments are recognised under revenue. If these instruments are used for hedging purchasing positions, any realised gains or losses are recognised under cost of sales.

Cash flow hedge accounting

Changes in fair value of derivative financial instruments forming part of an effective hedge are recognised in equity in a separate IAS 39 reserve. Potentially ineffective portions of changes in fair value are recognised in profit or loss.

If a derivative financial instrument expires or is sold, terminated or exercised, or if Essent revokes the designation of the hedging relationship but the underlying forecast transaction still has to take place, the cumulative changes in fair value at the time remain recognised in equity until the forecast transaction does take place.

If the underlying forecast transaction is no longer expected to take place, the cumulative changes are recognised in profit or loss.