



FINANCIAL STATEMENTS 2010

ESSENT N.V.

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EXECUTIVE BOARD REPORT

Major developments

The year 2010 was (again) for Essent a turbulent period. Following the sale of the Essent shares in 2009, the focus of 2010 was on integrating operationally into RWE. An integration aimed to combine the core competences of both organizations and capturing the significant synergy opportunities. Synergies realised in 2010 are EUR 17 million, EUR 4 million above budget. Thorough analyses show that we can outperform the initial identified savings (EUR 100 million) and expect to realize approximately EUR 135 million of annual savings in 2013. Part of these integration and synergy savings programs is the alignment and clustering of business activities to realize a 'perfect fit'. This resulted in several group companies being sold to RWE AG group companies in Germany. Within the Dutch group of companies we have restructured our commercial activities in less legal entities. The integration of RWE Energy Netherlands ('REN') into the Essent group was nearly completed at the end of 2010 and has proven to be successful.

Next to the integration and synergy savings program, also various business programs were initiated to further improve the commercial excellence, further develop our installed capacity, improve our carbon footprint and maintain our position as an attractive employer. All these initiatives will add sustainable value to the company and its stakeholders in the future. The campaign "Essent levert" started as of September. Next to a marketing campaign, "Essent levert" is presenting the way of working within Essent.

The staff of Essent continued to show tremendous commitment and endurance to make all these changes possible. They have done so in parallel with a clear focus on the current business, which lead again to growth in terms of financial and business performance. We spent considerable effort on creating a new customer relationship management system. Per June all household customers in various shifts are successfully transferred to this new system. In the next phase Small and Medium Enterprise customers were transferred. We also continued our major construction projects, such as the gas-fired power stations Claus C (1,304 MW) and Moerdijk II (426 MW) and all these major projects are on schedule and on budget. Our high ambitions on sustainability were translated into concrete successful actions, like a pilot on co-firing more than 50% biomass in one of our major coal-fired units and initiatives on electric transportation.

The composition of the Executive Board of Essent has changed in 2010. Mrs. Nina Skorupska, formerly Head of Performance Improvement & Participation Management of RWE AG, was appointed per 1 April as Chief Technology Officer. Mr. Rinse de Jong stepped down as Chief Financial Officer (CFO) per 30 April, after having considerably contributed for a period of almost 8 years to the transformation of Essent into an efficient, robust and transparent organisation, unbundled and prepared for integration in RWE AG. Mr. Arjan Blok, former Director Finance of Essent NV, has been appointed per 1 May as CFO.

Financials

Profit and loss

Total revenue for 2010 increased by 8% to reach EUR 6.1 billion (2009: EUR 5.6 billion). The increase is mainly the result of higher sales volumes driven by colder

weather in 2010, and increased customer accounts in the Commercial segment mainly driven by the transfer of the former RWE entities REN and Powerhouse to Essent. The higher sales are partly offset by the sale of the former Essent Wind entities and the international Trading entities which were transferred to other RWE Group companies.

Gross profit for 2010 increased to EUR 1,528 million, and is almost 12% higher than last year (2009: EUR 1,368 million). The value driven approach of our Commercial and Trading segment in combination with optimization and sourcing activities strongly supported by relative cold weather is the main driver of the higher gross margin for 2010. The gross margin is also impacted by the transfers in 2010 of several entities, declining spreads, and certain one-off charges in 2009. The remaining high level of availability of our power stations also contributed to the higher gross margin, although the availability was slightly lower than the level of 2009. The financial impact of the lower availability was limited as this occurred during a period with low spreads (summertime).

The lower other operating income in 2010 is mainly due to the book profit on the sale of the HV Grid in 2009 which was initiated by the unbundling of Enexis in 2009.

Compared to 2009, the operating expenses in 2010 are 5% lower and amount up to EUR 1,247 million (2009: 1,312 million). This decrease is mainly the result of the lower non-recurring costs for 2010. The year 2009 contained many non-recurring items such as costs for termination of cross border leases, costs for unbundling of Enexis and the carve out of Essent Waste Management to the former shareholders of Essent. Furthermore the operating expenses are impacted by the consolidation/deconsolidation of several entities and costs with respect to the integration with RWE AG.

Operating Profit for 2010 amounts to EUR 368 million (2009: EUR 328 million), an increase of 12%. The increase is mainly the result of the higher gross profit, and less negative impact of non-recurring items in 2010. This is partly offset by the impact of the consolidation/deconsolidation of several entities, and integration costs.

The share of the results of joint ventures and associates for 2010 is significantly lower than last year, which is mainly attributable to the large non-recurring book profit in 2009 on the divestment of the interest in N.V. Elektriciteit Productiemaatschappij Zuid-Nederland ('EPZ') of EUR 897 million. The 2010 result on the sale of group companies include the book profit on the divestment of the interest in former Essent Wind entities EUR 130 million, and the international Trading entities EUR 231 million.

The net finance expense in 2009 has turned around to a net finance income in 2010. Interest expenses reduced because of the sale of Deutsche Essent, which reduced the non-current interest-bearing liabilities. Interest income has increased as a result of the revenues from the sale of Deutsche Essent, RWEST SA and RWE Innogy Windpower Netherlands, which resulted in a receivable from RWE group companies. Currency results show a net gain of EUR 4 million compared to a net loss of EUR 12 million in 2009.

The reported effective tax rate for 2010 is 19.2% (2009: 0.9%). The higher effective tax rate is mainly due to higher non-taxable income in 2009 (mainly resulting from the sale of EPZ), and one-off adjustments for prior years in 2010 which increased taxes in 2010.

Due to the major changes in the structure of the group in 2009 (e.g. unbundling Enexis, carve out Essent Milieu), the result from discontinued operations for 2010 is

EUR 3.1 billion lower than last year. The result from discontinued operations of 2010 reflects only the regular result and profit on sale of Deutsche Essent.

Balance sheet

The balance sheet is impacted by the restructuring of Essent NV, initiated by RWE AG, resulting in all activities outside of the Netherlands and Belgium being transferred to other RWE group companies.

Property, plant and equipment are impacted mainly by the sale of Deutsche Essent GmbH and RWE Innogy Windpower Netherlands B.V. Next to that the continuing projects of Claus C and Moerdijk II have added to the carrying value of construction projects.

The sale of Deutsche Essent as well as the impairment of goodwill on the Westland activities explain the decrease in intangible assets from 2009 to 2010 year end. Where derivative financial instruments are concerned there are two major impacts on both assets and liabilities. First, the price developments have heavily impacted the balances of commodity contracts recognized on the balance sheet, which is also visible in the hedge reserve for financial instruments in equity. Secondly, the transfer of RWEST Switzerland SA to RWE AG has had an impact on the balance sheet, as RWEST Switzerland SA showed contracts concluded with third parties under hedge accounting as well as held for sale. Guarantee deposits decreased due to the impact of developments in the open positions with counterparties and due to the transfer of RWEST Switzerland SA.

Equity increased with EUR 573 million due to the retained result for the year of EUR 763 million and the movement in the reserve for financial instruments of EUR 338 million. Next to that the company distributed EUR 528 million dividend to RWE Benelux Holding BV. On the financing side, no other major impacts result from deconsolidation of the companies sold.

Operations

The continuing operations again show a solid performance. The availability of our power stations equals almost the high level of 2009. Essent's green energy production via co-firing of biomass in our power stations is very successful. The Amer 9 power plant realised it's highest percentage of green electricity production ever. We are continuous striving for higher percentages of biomass co-firing. A test in July proved that more than 50% biomass co-firing is feasible.

The upgrade of Claus B into a modern CCGT with a capacity of 1,304 MW is on track. The construction activities are completed for more than 95%. The project is within budget and time. The same applies for the building of a 2nd CCGT at Moerdijk with a capacity of 426 MW

On 1 January 2010, Essent lowered its tariff for electricity by 7% and the tariff for gas remained on the same level. On 1 July the tariff for gas increased 13.6% and the tariff for electricity decreased 0.5%; the impact for an average household is appr. EUR 6.25 per month. Per 1 January 2011 the energy tariffs decreased with 1%. Essent's energy prices for private and small business customers are among the lowest in the Netherlands.

Essent believes in the opportunities offered by electric transportation. We reached an agreement to exploit 7 charging points for electric cars of Greenwheels in the city of Amsterdam. The start was in February 2011. In 2011 the cities of Rotterdam, Den Haag and Utrecht will follow. A project for fast charging, i.e. charging within 30 minutes, of electric cars is started in Leeuwarden. Next to this we continued our

internal pilot for electric driving; 25 cars are delivered to employees and charging points are installed at all major Essent locations.

In 2010 we decided upon a new location policy for offices. The number of offices will be reduced to 5 and are located in Groningen, Zwolle, Utrecht, Den Bosch and Roermond. The location Den Bosch will be as of 2011 Essent's head office.

Risk Management

Essent pursues a proactive risk policy, meaning that existing risks are limited by the use of procedures, set boundaries and organisational measures. In setting policy, the risks to be hedged are assessed against the corresponding costs. The risk policy is embedded in an Internal Control and Risk Management system, and is regularly evaluated.

During 2010, the new setup of risk management was made operational in the new setup with RWE. Specific attention was given to the centralization of credit risk management and commodity risk management as well as full compliance with the overall RWE guidelines.

In light of the new organizational structure, strong focus has been given to crisis management and business continuity management to assure an optimal response in case of any major incidents.

Also, the changing risk profile of Essent has been taken into account as a result of the realignment of responsibilities within RWE Group, i.e. changing governance over the trading and wind activities.

Risk Management is continually seeking to align its practices with other staff departments inside Essent and within RWE, where best practices are actively being shared within RWE to make optimal use of the size and knowledge of the group.

CO2-Emission rights

Because of European regulations, the regime for CO2-emission rights is expected to change radically as from 2013. In order to comply, Essent may have to purchase substantially more CO2-emission rights via auctions or on the wholesale market. It is still unclear what this new regime will look like, which plants will be exempted, and how the price of CO2-emission rights will develop going forward.

In Control Statement

The Executive Board has reasonable assurance that the financial statements are free of material misstatement and the relevant controls have been effective.

Risks that could hamper the attainment of strategic and operational objectives have been identified and measures have been taken either to prevent these risks from occurring or to reduce their adverse impact to an acceptable level.

Changes relating to the relevant legislation and regulations were closely monitored and, if necessary, the implications were addressed in the form of new or modified controls.

Corporate Governance

Essent went through many changes in 2009, the most important being the sale of its shares to RWE AG, making Essent N.V. a subsidiary of that energy group. In all

material respects, the Company will continue to apply transparent and consistent principles of governance and comply with all aspects of Dutch law on corporate governance. During 2010 we also started to implement processes in order to comply with RWE governance principles and its Code of Conduct.

Divestments and acquisitions

In 2010 several companies were sold to German companies of the RWE AG group. First divestment was the German business of the Essent Group, which was bundled under Deutsche Essent GmbH. This mainly involves a gas storage site in Gronau-Epe (Dutch Epe Cluster and German Epe Cluster), as well as an extensive number of participating interests in wind companies. These activities are, as a part of the integration of Essent in RWE AG, transferred at 28 June to RWE AG. The development of the new Epe Cluster in the German project is still under supervision of our Projects team and will continue as such in 2011.

Next to that we sold all our shares in the Swiss trading company RWE Supply & Trading Switzerland SA to RWE Supply & Trading GmbH per 29 July 2010. All trading activities for the Benelux operations continue to be executed by RWE Supply & Trading Netherlands BV.

The Dutch wind activities, including Windpark Westereems, have been sold to RWE Innogy Benelux BV, a direct subsidiary of RWE Benelux Holding BV, per 1 October 2010. RWE Innogy Benelux BV will operate both onshore and offshore wind projects in Belgium and the Netherlands. Our sister company will continue the development of the Nordsee Ost project, an off shore wind farm.

RWE Energy Netherlands BV and Powerhouse BV have been transferred with effect of 31 December 2009 to Essent NV by way of an equity contribution at fair value. These two entities did not contribute to Essent's result in 2009 but have contributed for 100% in the 2010 operations. They represent the business to consumer and business to business activities of RWE in the Netherlands and Belgium and have been integrated with Essent's sales portfolio in these markets.

Health, safety and environment

Essent considers the safeguarding of health, safety and environment as essential for its operations. For many years, the Company has been pursuing a policy to reduce absence from work because of industrial and other accidents by at least 20% each year. Due to the changing structure and size of the organisation, it is becoming more susceptible to accidents, emphasising the need for prevention. Root cause analyses, training courses, safety walkthroughs and information are tools we employ to embed the awareness of safety in the organisation. Experience has taught us that constant vigilance is essential.

Focus in 2010 was put on HSE leadership, HSE external partners, HSE on location and HSE on the road.

Given the large construction projects under way with their large, multinational, multi-lingual and multi-cultural workforces in restricted work areas, a very strict and disciplined approach to HSE is applied, where, for the safety of many, we cannot and will not tolerate dangerous or slipshod behaviour of a few.

To compare our safety records with other companies in- and outside the RWE group, we track and publish LTIF (Lost Time Injury Frequency) data, calculated as a function of 1 million hours. The corresponding rate for the full year 2010 is 0.24 for Essent (full

year 2009: 2.00). In December 2010 we were faced with a fatal accident at the site of the German Epe Cluster project. The accident involved a contractor who was hired by our Projects company. The LTIF score for contractors resulted in a rate of 1.0.

Essent's operating activities alone show that the company is highly environmentally conscious. We not only constantly monitor compliance with the terms of licences, but also actively seek new ways to reduce the impact of our activities on the environment. One example is a policy of actively discouraging business travel if there is an alternative to a face-to-face meeting, such as a telephone or video conference. Flexible and distance working was started to be implemented during 2010 after a successful pilot in 2009. This implementation will be rolled out further in 2011 and is expected to produce further savings, not only in kilometres travelled, but also in business accommodation, causing attractive financial propositions to arise. Early 2010, we announced our intention to concentrate on fewer office accommodations. In January 2011 the Den Bosch office was "re-opened" together with the mayor of the city as corporate head quarters of Essent.

Outlook

In 2011, Essent continues to operate as a company within the RWE group, responsible for the Dutch and Belgian markets. It has its own asset base and serves approximately 4 million customer contracts in electricity, gas and heat. Deteriorating market circumstances will have a negative impact in 2011 on revenues and thus profit. Therefore we will continue with extra effort streamlining the organisation and reduce the number of legal entities. Furthermore synergies as a result of the acquisition by RWE will increase compared to 2010 and outperform the initial identified synergies.

The capital expenditure in 2011 will remain high as we continue the construction of the Claus C and Moerdijk II power plants which are expected to become operational by the end of 2011, earlier than originally planned and within budget.

In the area of HSE we will continue to focus on increasing HSE engagement of management and employees.

Den Bosch, 15 March 2011

Executive Board

Peter Terium, Chairman
Arjan Blok
Nina Skorupska
Erwin van Laethem

REPORT OF THE SUPERVISORY BOARD

Following the takeover of Essent by RWE AG in 2009, the year 2010 is characterised by a successful integration of Essent into RWE AG. These integration activities in 2010 have led to even higher synergies than originally forecasted. The organisation has streamlined its businesses by integrating activities of inter alia Westland, REN, Essent Energie Verkoop Nederland and Powerhouse.

The Supervisory Board met five times and supervised all matters with respect to internal control, risk management and financial reporting. In addition, the development of Essent's new customer information system was monitored, as well as the early termination of several Cross-Border Leases, the sale of the Wind activities to RWE Innogy, the sale of Deutsche Essent activities to RWE AG and the establishment of a sales portfolio management organisation (SPM) at Essent. The internal trading business of RWEST Switzerland SA has been transferred to RWEST GmbH. Next to that SPM has been established as interface of all Essent's business units to RWEST Netherlands BV.

As per 10 March 2010 Mr. H. Morelisse has relinquished his position as member of the Executive Board of Essent. The Supervisory Board extends its appreciation for the contributions he made to Essent.

As per 1 May 2010 Ms. N. Skorupska relinquished her position as member of the Supervisory Board and was appointed as per the same date as member of the Executive Board of Essent as Chief Technology Officer. The Supervisory Board extends its sincere appreciation for the contribution made by her as member of the Supervisory Board.

As per 30 April 2010 Mr. R. de Jong has relinquished his position as member of the Executive Board of Essent. The Supervisory board wishes to put on record its sincere appreciation for the contribution made by him to Essent and in particular for the efforts he was willing to undertake to bring about the transaction with RWE AG in 2009.

As per 1 May 2010 Mr. A. Blok was appointed member of the Executive Board of Essent as Chief Financial Officer.

As per 1 October 2010 Mr. F. Thon was appointed member of the Supervisory Board.

As per 31 December 2010 Mr. U. Jobs has resigned as member of the Supervisory Board. The Supervisory Board wishes to extend its sincere appreciation for the contribution made by him as member of the Supervisory Board.

As per 1 January 2011 Mr. R.M. Schmitz was appointed member of the Supervisory Board. As of 2 February 2011, the members of the Supervisory Board have appointed Mr Schmitz as vice-chairman of the Supervisory Board.

The chairman and the vice-chairman of the Supervisory Board being appointed to advise the Supervisory Board on the remuneration and selection of the Executive Board and the Supervisory Board did not meet separately. It was considered appropriate to involve the entire board in any of the discussions on remuneration and selection.

We discussed the consolidated financial statements extensively with the Executive Board in the presence of the external auditor. We endorse the proposal of the

Executive Board for the appropriation of profit.

We thank the Executive Board and all Essent staff for their contribution and commitment during the year 2010.

Den Bosch, 15 March 2011

R. Willems
Chairman

CONSOLIDATED

FINANCIAL STATEMENTS 2010

CONSOLIDATED INCOME STATEMENT

<i>in millions of euros</i>	NOTE	2010	2009 ¹
CONTINUING OPERATIONS			
Revenue from the supply of goods and services	2	6,131.3	5,658.6
Gains/losses from derivative financial instruments	3	(11.4)	(14.9)
Total revenue		<u>6,119.9</u>	<u>5,643.7</u>
Cost of energy, raw materials and consumables	4	4,591.7	4,275.9
GROSS PROFIT		<u>1,528.2</u>	<u>1,367.8</u>
Other operating income	5	86.6	272.5
GROSS PROFIT PLUS OTHER OPERATING INCOME		1,614.8	1,640.3
Employee benefit expenses	6	483.8	495.2
Depreciation, amortisation and impairments	7	218.9	272.7
Cost of work contracted out, materials and other external costs	8	420.7	445.4
Other operating expenses	9	123.7	99.0
TOTAL OPERATING EXPENSES		<u>1,247.1</u>	<u>1,312.3</u>
OPERATING PROFIT		367.7	328.0
Share of result of joint ventures and associates	16	38.4	925.1
Result from sale of group companies	13	360.7	--
Finance income		102.5	87.6
Finance expenses		(44.2)	(98.7)
Finance income and expenses	11	58.3	(11.1)
PROFIT BEFORE TAX		825.1	1,242.0
Tax	12	(158.6)	(11.6)
PROFIT FROM CONTINUING OPERATIONS		666.5	1,230.4
DISCONTINUED OPERATIONS			
Profit from discontinued operations	13	96.6	3,169.9
PROFIT FOR THE YEAR		<u>763.1</u>	<u>4,400.3</u>
Of which:			
Profit attributable to non-controlling interests		0.7	9.7
Profit attributable to share holders of Essent N.V.		762.4	4,390.6

¹ The comparative figures have been represented to reflect the discontinued operations

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>in millions of euros</i>	<i>NOTE</i>	2010	2009
Profit for the year		763.1	4,400.3
<i>Gains and losses from the revaluation of available-for-sale financial assets:</i>			
Gains and losses from the revaluation of available-for-sale financial assets before tax		--	3.2
Net gains and losses from the revaluation of available-for-sale financial assets		--	3.2
<i>Effective portion of gains and losses on hedging instruments:</i>			
Effective portion of gains and losses on hedging instruments before tax	28	445.0	29.0
(Deferred) tax	12	(106.5)	2.8
Net effective portion of gains and losses on hedging instruments		338.5	31.8
<i>Joint ventures and associates:</i>			
Share of other comprehensive income of joint ventures and associates		--	3.6
Total comprehensive income		1,101.6	4,438.9
<i>Of which:</i>			
Total comprehensive income attributable to non-controlling interests		0.7	5.1
Total comprehensive income attributable to shareholders of Essent N.V.		1,100.9	4,433.8

CONSOLIDATED BALANCE SHEET
in millions of euros

ASSETS	<i>NOTE</i>	31 December 2010	31 December 2009
Property, plant and equipment	14	2,066.0	2,247.4
Intangible assets	15	174.8	337.6
Joint ventures and associates	16	143.0	145.3
Deferred tax	12	11.9	133.4
Derivative financial instruments	28	589.1	991.8
Other financial assets	17	3,415.1	3,451.5
NON-CURRENT ASSETS		6,399.9	7,307.0
Inventories	18	159.7	201.4
Receivables	19	3,041.7	2,582.7
Income tax		36.6	16.8
Derivative financial instruments	28	828.4	1,571.5
Guarantee deposits	20	74.6	501.2
Cash and cash equivalents	21	64.5	196.4
CURRENT ASSETS		4,205.5	5,070.0
Assets held for sale		--	--
		4,205.5	5,070.0
TOTAL ASSETS		10,605.4	12,377.0

EQUITY AND LIABILITIES	<i>NOTE</i>	31 December 2010	31 December 2009
Equity attributable to shareholders of Essent N.V.	22	6,844.3	6,271.2
Non-controlling interests		2.6	2.4
TOTAL EQUITY		6,846.9	6,273.6
Interest-bearing liabilities	23	21.2	80.7
Provisions	24	403.3	416.8
Deferred tax	12	5.6	45.1
Derivative financial instruments	28	318.4	733.2
Other non-current liabilities	25	38.1	30.1
NON-CURRENT LIABILITIES		786.6	1,305.9
Interest-bearing liabilities	26	2.9	28.0
Guarantee deposits	20	147.3	419.3
Trade and other payables	27	2,172.7	2,735.0
Income tax		110.5	--
Derivative financial instruments	28	464.7	1,550.2
Provisions	24	73.8	65.0
CURRENT LIABILITIES		2,971.9	4,797.5
Liabilities for assets held for sale		--	--
		2,971.9	4,797.5
TOTAL EQUITY AND LIABILITIES		10,605.4	12,377.0

CONSOLIDATED CASH FLOW STATEMENT

<i>in millions of euros</i>	NOTE	2010	2009 ¹
Profit from continuing operations		666.5	1,230.4
<i>Adjustments for:</i>			
Depreciation, amortisation and impairments	7	218.9	272.7
Share of result of joint ventures and associates	29	(21.9)	(911.5)
Result from sale of group companies	13	(360.7)	--
Gain/loss on the sale of assets	5	1.2	(137.9)
Income tax expense recognised in profit or loss		158.6	11.6
Income tax paid		(89.6)	(33.4)
Interest income and expense recognised in profit or loss		(66.3)	(21.4)
Interest paid		(28.8)	(3.2)
Interest received		102.9	13.8
Changes in provisions, derivative financial instruments and other items		35.7	55.6
Change in operating working capital	29	(477.0)	395.6
<i>Cash flow from operating activities:</i>			
- continuing operations		139.5	872.3
- discontinued operations		13.0	(63.7)
Cash flow from operating activities		152.5	808.6
Additions to property, plant and equipment and intangible assets	29	(642.6)	(650.4)
Investments in group companies, joint ventures and associates		(0.4)	(27.4)
Proceeds from sale of property, plant and equipment and intangible assets	29	1.3	326.0
Proceeds from sale of investments in joint ventures and associates		11.4	(3.4)
Proceeds from sale of investments in subsidiaries ²	13	950.6	502.6
<i>Cash flow from investing activities</i>			
- continuing operations		320.3	147.4
- discontinued operations		(60.3)	(357.2)
Cash flow from investing activities		260.0	(209.8)
<i>Cash flow before financing activities</i>		412.5	598.8
Repayment of interest-bearing liabilities		(4.6)	(267.9)
Issuance of interest-bearing liabilities		2.7	0.1
Dividend paid to Non-controlling interests		(0.5)	(0.2)
Dividend paid and non-recurring distributions paid to shareholders of Essent N.V.		(527.8)	(593.3)
Cash flow from financing activities:			
- continuing operations		(530.2)	(861.3)
- discontinued operations		(11.1)	(140.0)
Cash flow from financing activities		(541.3)	(1,001.3)
TOTAL CASH FLOW		(128.8)	(402.5)

TOTAL CASH FLOW		(128.8)	(402.5)
Balance cash and cash equivalents at beginning of year		<u>190.4</u>	<u>592.9</u>
BALANCE CASH AND CASH EQUIVALENTS AT END OF YEAR³	29	61.6	190.4

¹ The comparative figures have been represented to reflect the discontinued operations

² Relates to proceeds net of cash at the date of deconsolidation

³ Relates to cash and cash equivalents net of current liabilities owed to banks

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Number of ordinary shares (x one share)	Share capital	Share premium ¹	Reserve for financial instruments ²	Other reserve ¹	Profit for the year ¹	Equity attributable to shareholders of Essent N.V.	Non- controlling interests	Total Equity
<i>in millions of euros</i>									
At 1 January 2009	149,682,196	149.7	1,362.6	45.1	2,594.6	887.0	5,039.0	213.6	5,252.6
Profit for the year	--	--	--	--	--	4,390.6	4,390.6	9.7	4,400.3
Gains and losses from the revaluation of available-for-sale financial assets	--	--	--	1.6	--	--	1.6	1.6	3.2
Effective portion of gains and losses on hedging instruments	--	--	--	38.0	--	--	38.0	(6.2)	31.8
Share of other comprehensive income of joint ventures and associates	--	--	--	--	3.6	--	3.6	--	3.6
Total comprehensive income for the period	--	--	--	39.6	3.6	4,390.6	4,433.8	5.1	4,438.9
Appropriated result 2008	--	--	--	--	887.0	(887.0)	--	--	--
Dividend paid	--	--	--	--	(443.5)	--	(443.5)	(20.3)	(463.8)
Dividend in kind ³	--	--	--	--	(2,887.3)	--	(2,887.3)	--	(2,887.3)
Non-stipulated share premium contribution ⁴	--	--	100.5	--	--	--	100.5	--	100.5
Investment	--	--	--	--	--	--	--	4.0	4.0
Deconsolidation ⁵	--	--	--	28.7	--	--	28.7	(200.0)	(171.3)
At 31 December 2009	149,682,196	149.7	1,463.1	113.4	154.4	4,390.6	6,271.2	2.4	6,273.6
Profit for the year	--	--	--	--	--	762.4	762.4	0.7	763.1
Effective portion of gains and losses on hedging instruments	--	--	--	338.5	--	--	338.5	--	338.5
Total comprehensive income for the period	--	--	--	338.5	--	762.4	1,100.9	0.7	1,101.6
Appropriated result 2009	--	--	--	--	4,390.6	(4,390.6)	--	--	--
Dividend paid	--	--	--	--	(527.8)	--	(527.8)	(0.5)	(528.3)
At 31 December 2010	149,682,196	149.7	1,463.1	451.9	4,017.2	762.4	6,844.3	2.6	6,846.9

¹ The share premium reserve, other reserve and the profit for the year are freely distributable

² The reserve for financial instruments is a revaluation reserve and accordingly is not freely distributable

³ Relates to a dividend distribution to shareholders in the form of a transfer of shares Enexis Holding B.V. and N.V. Elektriciteit Productiemaatschappij Zuid-Nederland EPZ

⁴ This relates to the non-stipulated share premium contribution of RWE Energy Nederland N.V.

⁵ Relates to the deconsolidation of swb AG, Essent Waste Management B.V. and Komstrom AG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

1.1 General

Essent N.V., based in Arnhem, is the holding company of a number of Group companies in the Netherlands and Belgium (collectively the 'Group') that generate, trade and supply energy (mainly gas and electricity) and various related products and services. The Group also has investments in a number of joint ventures and associates. RWE Benelux Holding B.V. is the parent company of Essent N.V. The ultimate parent company is RWE AG. RWE AG has its legal seat in Essen, Germany.

In 2010 Essent sold the shares in Deutsche Essent GmbH to RWE AG. The shares of RWE Supply and Trading Switzerland SA were sold to RWE Supply and Trading GmbH. Further as per 1 October 2010 the shares of RWE Innogy Windpower Netherlands B.V. were sold to RWE Benelux Holding B.V.

The 2010 financial statements are prepared by the Executive Board and authorised by the Supervisory Board on 15 March 2011 and will be submitted for adoption to the General Meeting of Shareholders.

The functional and presentation currency of Essent N.V is the Euro, and unless otherwise stated, all amounts are in millions of Euros.

The Group prepared the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

A condensed income statement of Essent N.V. is presented in accordance with Section 402 of Part 9 of Book 2 of the Dutch Civil Code.

New and/or amended IFRS applied as from 1 January 2010

The Group has made the following changes to its accounting policies, in the light of new and/or amended standards applied as from 1 January 2010:

- Revised IFRS 3 Business Combinations / Revised IAS 27 Consolidated and Separate Financial Statements; The amendments relate to the calculation of goodwill, step acquisition, sale of a part of an interest, contingent considerations, acquisition-related costs and losses attributed to non-controlling interests. The amendments are effective for annual periods beginning on or after 1 July 2009. Based on the transitional provisions IFRS 3 revised must be applied prospectively and IAS 27 revised must be applied retrospectively with some exceptions. This will have an impact on acquisitions and disposals of (a part of) equity interests as from the year 2010. The change has no impact on the 2010 result;
- IFRIC 18 Transfers of assets from customers; This interpretation provides guidance on how to account for items of property, plant and equipment received from customers or cash that is received and used to acquire or construct specific assets. It is only applicable to such assets that are used to connect the customer to a network or to provide ongoing access to a supply of goods or services or both. The Group used to recognise connection fees for heat as a deduction of the cost of the asset. Under IFRIC 18 these contributions will be recognised as deferred income. The interpretation is applied by Essent for transfers of assets from customers received on or after 1 July 2009. Based on the transitional provisions the interpretation must be

applied prospectively. The total connection fees that are deferred until 31 December 2010 amount to EUR 9.9 million.

All other changes in IFRS accounting policies do not have material impact on the financial statements of Essent N.V.

The IASB and the IFRS IC have adopted other standards and interpretations, which are not yet effective in the EU. These standards and interpretations are presented in the following. Some have not yet been endorsed by the EU. We are currently reviewing what effects they will have on the Essent Group's consolidated financial statements.

IFRS 9 "Financial Instruments" replaces the previous regulations of IAS 39 on the classification and measurement of financial assets. IFRS 9 (2010) becomes effective for the first time for fiscal years starting on or after 1 January 2013.

IAS 24 (2009) "Related Party Disclosures" essentially introduces reliefs in disclosures on related companies which are controlled or significantly influenced by the state. IAS 24 (2009) becomes effective for the first time for fiscal years starting on or after 1 January 2011.

Amendment to IAS 32 (2009) "Classification of Rights Issues" addresses the issuer's accounting treatment of certain rights, options or warrants denominated in a foreign currency. In the future, these instruments must be classified as equity capital. The new regulations become effective for the first time for fiscal years starting on or after 1 February 2010.

With regard to the following standards, which are not yet applicable in year 2010, it is already foreseeable that these will have no material impact on the Essent Group's consolidated financial statements:

- Improvements to IFRS (2010)
- Amendment to IFRS 1 (2010) – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- Amendment to IFRS 1 (2010) – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendment of IFRS 7 (2010) Financial Instruments – Disclosures
- Amendment to IAS 12 (2010) – Deferred Tax: Recovery of Underlying Assets
- Amendment to IFRIC 14 (2009) – Prepayments of a Minimum Funding Requirement
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

1.2 Basis of consolidation

Group companies are legal entities and companies where Essent N.V. can exercise control over the management and financial policy. Group companies are included in the consolidation from the date on which control is obtained. Group companies are excluded from the consolidation from the date on which control ceases. In determining whether control exists, potential voting rights that can be exercised immediately are taken into account.

Full consolidation is used. If the interest in a consolidated entity is less than 100%, a non-controlling interest is disclosed in the equity and in the appropriation of profit following the consolidated income statement. The Group recognises any non-controlling interest at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

In case of acquisitions companies are included in the consolidation on the date on which control is obtained. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group unless it is a transaction under common control. In case of acquisitions of subsidiaries from entities under common control the assets and liabilities of the acquired subsidiaries are initially included in the consolidated financial statements at their book values from the date of acquisition. The difference between the cost of acquisition and the share of the book value of net assets of the subsidiary acquired is recorded directly in equity. Goodwill is determined as the difference between the consideration transferred to acquire a group company or activities, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the previously held equity interest in the acquiree and on the other side its share in the fair value of the assets and liabilities, contingent and non-contingent, on the date of acquisition. If this is less than the fair value of the net assets of the company or activities acquired, the difference is recognised directly in the income statement. Goodwill is not amortised but is allocated to one or more cash generating units, with its carrying amount being tested each year for impairments.

For an additional interest acquired in a Group company over which the Group already has control, the difference between the acquisition price and the bookvalue is being taken directly in the shareholder's equity.

When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

1.3 Accounting policies

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange valid on the balance sheet date. Income and expenses denominated in foreign currencies are translated at the exchange rate valid on the transaction dates. Any resulting exchange differences are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate valid on the date the transactions were initially recognized.

The balance sheets of foreign Group companies with a different functional currency than Essent N.V. are translated in Euros using the exchange rate valid on the balance sheet date. Income and expenses are translated using annual average exchange rates. Exchange differences arising on the translations relating to foreign associates and Group companies with a different functional currency than the company's functional currency, are recognised in the statement of comprehensive income. On the sale of these entities, the exchange gains and losses are recognised in profit or loss. The Group has no material activities based in countries with hyperinflation.

Netting

The assets and liabilities relating to one counterparty are netted, provided there is a contractual right to net the amounts included and there is the intention to do so.

Revenue

Revenue represents the income from the supply of goods and services relating to the generation, trade and supply of energy and other energy related activities, less discounts and tax on this income, such as value-added tax and energy tax. The revenue from the generation and supply of energy is measured as the higher of sales to end-consumers and the generation of electricity.

Income from the supply of goods is recognised when the benefits of ownership and the risk of impairment is transferred to the purchaser. Income from services is recognised in proportion to the level of service provided (mainly work performed). Energy consumption is largely settled with private and small business consumers based on annual meter readings spread over the year. The annual revenue from energy is determined from the amount of energy invoiced, including standing charges, plus an estimate of the consumption still to be invoiced and less an estimate of the consumption still to be invoiced at the end of the previous financial year.

Cost of energy, raw materials and consumables

These are the purchase costs directly related to revenue. They include the costs of purchasing electricity, gas and other fuels, as well as other services.

Government grants

Government investment grants are recognised as deferred income and released to the other operating income in profit or loss on a straight line basis in the same manner as the depreciation of the related assets.

Government grants to encourage the generation of sustainable energy are set off against the cost of energy, raw materials and consumables in the period when the sustainable energy was generated.

Government grants in the form of operating grants are recognised in profit or loss in the period when the related operations took place.

Government grants are only recognised if the Group has complied with the conditions for the grant and if their receipt is reasonably certain.

Other operating income

Other operating income consists of income not directly related to the Group's core activities.

Operating expenses

Expenses are allocated to the financial year to which they relate.

The expenses directly attributable to the Group's investment projects (mainly relating to employee benefit expenses and cost of materials) are recognised according to the type of expense.

Finance income and expenses

Interest income and expenses are allocated to the period to which they relate, using the effective interest method.

Finance income and expenses also includes the realised and unrealised gains and losses from foreign exchange effects, realised and unrealised gains and losses on financial instruments not directly attributable to the supplying of goods, and the income from equity interests that qualify as investments.

Property, plant, equipment and investment property

Property, plant and equipment as well as investment property are carried at cost, less accumulated depreciation and any accumulated impairments.

The costs include an estimate of the liability for dismantling and removing the assets. This liability is based on the discounted value of the total expected dismantling costs.

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. For investment projects started before 2009 the transitional provisions are applied, therefore no interest is capitalised for these projects.

The costs of planned maintenance intended to preserve or recover the original performance of the asset are capitalised as a maintenance component of the asset and depreciated till the date of the next planned maintenance.

Individual components are depreciated on a straight-line basis. In determining the amount of depreciation, the expected useful life and the residual value of the asset is taken into account.

The useful lives and residual values are assessed each year, with any adjustments being applied prospectively.

Intangible assets

Intangible assets comprise concessions and licence fees, goodwill obtained on the acquisition of Group companies, the cost of application software and CO₂-emission rights.

Except for goodwill, all intangible assets are carried at cost less accumulated amortisation and impairments.

Amortisation is applied on a straight-line basis. When determining amortisation, the expected useful life is taken into account.

The useful lives are assessed each year, with any adjustments being applied prospectively.

Research costs are recognised as expenses in the profit and loss statement. Development costs are capitalised when future economic benefits are probable, costs can be measured reliable and the development is technically, commercially en financially achievable.

Business combinations are recognised according to the acquisition method.

Goodwill is determined as the difference between the consideration transferred to acquire a group company or activities, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the previously held equity interest in the acquiree and on the other side its share in the fair value of the assets and liabilities, contingent and non-contingent, on the date of acquisition. Goodwill is not amortised but is allocated to one or more cash generating units, with its carrying amount being tested each year for impairments.

Emission rights

General

In measuring CO₂-emission rights, the Group distinguishes between emission rights reserved for meeting its obligation to return rights in respect of actual emissions, and emission rights held for sale, for which the Group acts as a trader.

Emission rights related to own use

The CO₂-emission rights received from the government to cover the expected CO₂-emissions from the Group's plants are initially presented as intangible assets at cost in the balance sheet, i.e. measured at nil. The total emission rights are allocated to the four quarters based on the expected emission per quarter. Each quarter the allocated emission rights are compared to the actual CO₂-emissions. In case the actual CO₂-emissions exceed the number of emission rights held, a provision is recognised based on the fair value of remaining required emission rights. Changes in the fair value of emission rights are recognised in profit or loss.

CO₂-emission rights subsequently purchased to cover actual emissions are included as reimbursement rights under current assets. These rights are carried at fair value (initially valued at costs).

Emission rights held for trading

Any surplus arising because the Group received more emission rights than the expected number required to cover actual CO₂-emissions from its plants, is classified as inventory held for trading. This inventory is carried at fair value less costs to sell.

Clean Development Measures (cdm)

CDM emission rights can be obtained in countries outside the European Union by participating in projects for helping reduce CO₂-emissions. These rights can be used in the second trading period of the Kyoto Protocol from 2008 to 2012 and, subject to certain conditions, will be exchangeable for EU emission rights.

Purchased CDM emission rights are classified as inventory held for sale and carried at fair value less costs to sell.

Impairments of non-financial assets

At reporting date, the Group assesses whether there is any indication that a non-financial asset may be impaired. If there are such indications, an estimate is made of the recoverable amount of the asset. The recoverable amount of an asset is the greater of the fair value less costs to sell and the value in use. In general, the value in use is the present value of the expected future cash flows. If an asset does not generate cash flows independently and is dependent on other assets, the recoverable amount is taken as the recoverable amount of the smallest cash-generating unit to which the asset belongs.

For goodwill and intangible assets that are not yet ready for use, the recoverable amount is estimated if there are indications of impairment, in any event at least once a year. The goodwill is initially allocated to one or more cash-generating units.

An impairment is recognised if the carrying amount of an asset or of the cash-generating unit to which it belongs exceeds the recoverable amount of the asset concerned. Impairments are recognised in profit or loss.

Goodwill is assigned to a cash-generating unit because goodwill does not generate highly independent cash flows. If the impairment is higher than the carrying amount of the goodwill, the remaining impairment will be set off pro rata against the carrying amounts of the other

assets in the unit (or group of units). The assets concerned are never impaired below their individual recoverable amounts.

Impairments on other assets assigned to cash-generating units are first set off against the carrying amount of goodwill allocated to cash-generating units (or groups of such units), if any. Any remaining impairments are set off pro rata against the carrying amounts of the other assets in the unit (or group of units). The assets concerned are never impaired below their individual recoverable amounts.

An impairment can be reversed if assumptions used for determining the recoverable amount no longer hold. An impairment is only reversed to such an extent that the carrying amount after reversal does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment been recognised in prior years. Impairments on goodwill are not reversed.

Reversals of impairments are recognised in profit or loss.

Joint ventures and associates

Joint ventures and associates are recognised on the date of obtaining joint control or significant influence and derecognised on the date of losing joint control or significant influence. The carrying amounts of economic interests not part of the Group (joint ventures and associates) are determined using the equity method. With this method, the economic interest is initially measured at cost and subsequently adjusted for post-acquisition changes in the Group's share of the result of the joint venture or associate. Dividends received are set off against the carrying value of the interest.

In the event of an equity deficit, losses of joint ventures and associates are only recognised if the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures or associates, or if loans are granted to the joint ventures or associates which in substance form part of the Group's net investment. In these cases a provision for the Group's share of the losses is formed.

Financial instruments

General

The Group classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial instruments were acquired. Financial instruments at fair value are financial assets held for trading. Derivatives are classified at fair value through profit or loss, unless they are designated in a hedging relationship. Management determines the treatment of the derivatives at initial recognition.

Financial instruments with a maturity below one year are presented as current assets or current liabilities.

Derivatives

Risks relating to energy prices, commodity prices, foreign exchange, interest rates and emission rights positions are part of normal business operations. Derivative financial instruments are used to reduce or eliminate these risks. The Group also holds these instruments for trading.

Contracts closed for supplying or receiving the underlying electricity, gas or other fuels in line with the Group's requirements qualify for own use, provided there is no intention to settle

them in cash or net and it is not standard practice to settle such contracts in cash or net, or realise gains on them from short-term price fluctuations, but to settle them through the actual supply or receipt of the underlying commodity. These contracts do not qualify as financial instruments with fair value recorded in the financial statements, but are accounted for when the contract settles.

A derivative is a financial instrument or other contract with the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or interest rates, credit rating or credit index, or other variable (sometimes called the 'underlying value'), provided in the case of a non-financial variable that the variable is not specific to a party to the contract, and
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors, and
- the date of settlement is in the future.

Derivative financial instruments are initially recognised at fair value on the date on which the group commits to purchase or sell the financial instrument (trade date). The unrealised gains/losses of instruments not in hedge relationship are included in the gains/losses from derivative financial instruments in the consolidated income statement, whereas those for hedge accounting purposes are recorded through the other comprehensive income. Further, realised gains/losses for all instruments are included in cost of energy/revenue based on purchase or delivery of goods.

A distinction is made between cash flow hedge accounting, which applies to the hedging of the exposure to variability in cash flows (attributable to a particular risk associated with an asset, liability or highly probable future transaction), and fair value hedge accounting, which applies to the hedging of the exposure to changes in fair value. The Group only uses cash flow hedge accounting.

The Group applies cash flow hedge accounting if the following conditions are met:

- at the inception of the hedge, there is formal designation and documentation of the hedging relationship and of the objective and strategy for the hedge. The documentation includes a description of the hedging instrument, the hedged item, the nature of the risk being hedged, and how the instrument's effectiveness will be assessed in offsetting the exposure to changes in the hedged item's fair value or in the cash flows attributable to the hedged risk, and
- the effectiveness of the hedging relationship can be reliably determined, and
- it is highly probable that the forecast transactions involved in the hedging relationship will take place, and
- it is established continuously that the hedging relationship is effective.

Changes in fair value of derivative financial instruments forming part of an effective hedge are recognised in the statement of other comprehensive income. Ineffective portions of changes in value (that is changes in the value of the hedge in excess of changes in the value of the hedged item) are recognised in profit or loss.

Unrealised gains/losses of derivative financial instruments directly related to the delivery of goods not designated in a hedge relationship are included as part of gains/losses from derivative financial instruments, whereas the unrealised gains/losses for hedging instruments are included as part of the reserve for financial instruments. Realised gains/losses of derivative financial instruments directly related to the purchase of goods held as speculative positions are

recognised under cost of energy, raw materials and consumables and revenue respectively, whereas the unrealised gains/losses for hedging instruments are included as part of the reserve for financial instruments.

If a derivative financial instrument expires or is sold, terminated or exercised, or if the Group 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 the statement of other comprehensive income 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.

Other financial assets

The Group distinguishes three categories for other financial assets:

- Financial assets available for sale;
- Loans and receivables;
- Securities.

All financial assets are recognised or derecognised on the date on which the group commits to purchase or sell the asset (trade date).

Financial assets available for sale

This category includes equity interests over which the Group has no significant influence. Such interests are recognised on acquisition at fair value and related transaction cost and subsequently at fair value. If a subsequent fair value cannot be measured reliably, the measurement is at cost.

Unrealised results due to changes in fair value are temporarily recognised in the statement of comprehensive income. On disposal of equity interests, the reserve is released to profit or loss. Impairment losses are recognised in profit or loss.

Loans and receivables

Loans to associates, joint ventures or external parties are initially recognised at fair value and subsequent measured at amortised cost less a provision for doubtful debts, if necessary.

Receivables

Receivables (including trade receivables) are initially valued at fair value, usually at face value and subsequently at amortised costs, if necessary net of a provision for doubtful debts. For determining the provision, various customer-risk profiles are used. A separate provision is recognised for trade receivables. When it is firmly established that the receivable is uncollectible, it and the corresponding provision are both written off.

Netting and presentation of positions from private and small business customers is based on invoice groups. Customers are grouped according to the period in which their meters are read for the purpose of providing the final energy consumption invoice. Positions from customers within the same invoice group are netted.

Other receivables are initially valued at fair value, thereafter usually carried at face value and if necessary subsequently at amortised costs, net of a provision for doubtful debts, which is deducted directly from the carrying amount.

Prepayments and accrued income are valued at face value.

Guarantee deposits

To cover the collection risks on receivables, the Group and its trading partners place guarantee deposits with each other under the terms of framework agreements. Guarantee deposits granted and received are presented separately in the balance sheet under current assets and current liabilities respectively. Guarantee deposits are carried at amortised cost.

Deferred income

Deferred income comprises government investment grants and customer contributions for the connection to heat grids. Deferred income is released to other operating income in profit and loss on a straight line basis in the same manner as the depreciation of the related assets.

Interest-bearing liabilities

Interest-bearing liabilities are initially recognised at fair value net of transaction costs and subsequent carried at amortised cost, based on the effective interest method. Repayment obligations due within one year on non-current liabilities are presented separately under current interest-bearing liabilities. Gains and losses on the settlement of the liabilities are recognised under finance expenses.

Trade and other payables

Trade and other payables are initially carried at fair value and subsequent at amortised costs.

Impairments of financial assets

At the end of each reporting period, the Group assesses whether there is any objective evidence that a financial asset or group of assets measured at amortised cost is impaired. If there are such indications, an estimate is made of the recoverable amount of the asset. The recoverable amount of an asset is the present value of the expected future cash flows, discounted at the financial asset's original effective interest rate.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets have to be impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the statement of comprehensive income.

An impairment can be reversed if assumptions used for determining the recoverable amount no longer hold. An impairment is only reversed to such an extent that the carrying amount after reversal does not exceed the carrying amount that would have been determined had no impairment been recognised in prior years. Reversals of impairments are recognised in profit or loss. Impairment losses recognised in the statement of comprehensive income on account of available for sale-equity instruments are not reversed.

Inventories

Raw materials and consumables and work in progress are carried at the lower of cost and net realisable value (the estimated selling price in the normal course of business less costs to sell).

Inventories classified as held for trade at the balance sheet date are carried at fair value less costs to sell. Changes in the fair value less costs to sell are recognised in profit or loss for the period in which the changes occur.

Cost is calculated using the weighted average cost method. Cost includes the expenses and direct costs of bringing inventories to their present location and condition.

Cash and cash equivalents

Cash and cash equivalents are carried at fair value.

Provisions

Provisions are recognised for legal or constructive obligations of uncertain timing or amount that arise because of prior events. If there is a material effect of discounting, the provision is calculated as the present value of the future cash flows concerned, with discounting at the current rate, taking into account the specific risks inherent to the obligation and the timing of the expected cash flows.

The yearly increase of provisions in relation to discounting is included in the financial expenses of the profit and loss statement.

The expected cash flows to be incurred within a year of the balance sheet date are included as a separate item under current liabilities.

Provisions for onerous contracts are formed if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Additions to and releases of this provision are recognised in cost of energy, raw materials and consumables.

Power plant provisions (dismantling) are formed immediately when a plant comes on stream, based on an estimate of the total expected dismantling costs. The provision is calculated as the present value of the total expected dismantling costs. Changes in the provision as a result of the re-measurement of future costs are added to, or deducted from the cost of the related asset. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss. The periodic unwinding of the discount is recognised as finance expense as it occurs.

Employee benefits

Post-employment benefits

The Group operates a number of pension plans, some of which are administered by external pension funds and insurance companies. There are also plans that provide post-employment healthcare benefits.

The plans that are administered by external pension funds qualify as defined benefit plans. However, the pension and early-retirement benefits for Dutch employees are treated as defined contribution plans since there is no sufficient information available and the pension funds in question state that there is no consistent and reliable method for allocating the liability, plan assets and expenses to the participants in the plans. The contributions made during a financial year are recognised in profit or loss for that year.

Other long-term employee benefits

Other long-term employee benefits, including service-related benefits, are carried at the present value of the entitlements existing at the balance sheet date. The present value is calculated by the projected unit credit method. Any resulting actuarial gains and losses are recognised in profit or loss.

Share-based payment

In the year under review RWE AG invited Essent executives for the first time to participate in a stock option plan relating to RWE shares. This stock option plan, called BEAT, is accounted for as a share-based plan. At the balance-sheet date, a provision is recognised in the amount of

the prorated fair value of the payment obligation. Changes in the fair value are recognised with an effect on income. The fair value of options is determined using generally accepted valuation methodologies.

Income tax

The Group's activities are subject to income tax in the Netherlands and Belgium with different statutory tax rates.

Income tax is calculated by applying the current standard tax rate to the result before tax disclosed in the financial statements, taking into account permanent differences between this result and the result for tax purposes based on applicable tax rates (and tax laws).

Income tax expenses are recognised in profit or loss except to the extent that they relate to items recognised directly in other comprehensive income.

The amount of tax calculated in this way is added to the existing account balance with the taxation authorities, which includes the tax on temporary differences between the tax bases of net assets determined in accordance with tax accounting policies and the value calculated in accordance with the accounting policies for financial reporting purposes used in the preparation of the Group's financial statements.

Deferred tax assets and liabilities are recognised at non-discounted value for temporary differences between the tax bases and the carrying amounts of assets and liabilities. Deferred tax items are calculated using the tax rates that are expected to apply to the period when the asset will be realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the balance sheet date. The effects of changes in income tax rates are recognised directly in profit or loss, unless the effects relate to items recognised directly in equity.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses carried forward, to the extent that it is probable that taxable profit will be available in the foreseeable future against which these deductible temporary differences and unused tax losses carried forward can be realised.

Deferred tax assets and deferred tax liabilities are set off if a legally enforceable right exists to set them off and they all relate to the same taxable entity and the same taxation authority.

Leases

Leases-General

Leases, including contracts containing a lease, that involve the transfer to the Group of substantially all the risks and benefits of ownership are classified as finance leases and recognised as additions to property, plant and equipment or to intangible assets, with recognition of a corresponding non-current liability. At inception of the lease, the carrying amount of the asset and the liability is the fair value of the leased asset or, if lower, the present value of the lease payments. Lease payments are split into a finance charge and a reduction of the lease liability, in order to achieve a constant rate of interest on the remaining balance of the liability. The asset is depreciated over the asset's useful life or the outstanding term of the lease term if shorter.

If the lease does not provide for the transfer of substantially all the risks and benefits of ownership (i.e. it is an operating lease), the lease payments are recognised evenly in profit or loss over the term of the lease.

Cross-Border Leases (CBLs)

The CBLs are subject to conditional and unconditional contractual rights and obligations.

CBLs are long term leasing transactions under which the use of, or similar rights with respect to, assets were transferred to investors (or special trusts established for the benefit of such investors) for extended periods of time and subsequently leased back from the investors (or trusts) for shorter periods of time. The investors' (or trusts') interests in the assets were pledged or assigned to various financial institutions that provided loans to the investors (or trusts) to fund the acquisition of such interests. At the end of the respective lease back periods, the relevant lessee entities have the right (subject to certain conditions) to purchase the interests of the investors (or trusts) in the relevant assets by payment of an agreed amount (established at the closing of the transactions and sufficient to repay all equity and debt amounts) pursuant to a fixed price purchase option. If the fixed price purchase options are exercised, it is expected that amounts payable in connection therewith would (i) be funded from the proceeds of financial instruments purchased at the time the transactions were entered into and/or separately established reserves (or any replacements thereof from time to time) (collectively, the "Financial Instruments") or (ii) result in payments to an Essent subsidiary that presently holds certain debt issued in connection with the CBLs.

As in previous years, the structure of the transactions does not require that the rights and obligations under the CBLs be included in Essent N.V.'s balance sheet, nor in that of any other Essent subsidiary.

Cash flow statement

The cash flow statement is prepared using the indirect method, with the change in net cash and cash equivalents being reconciled from the profit for the year from continuing operations. The net cash and cash equivalents in the cash flow statement is the cash and cash equivalents item shown in the balance sheet, less current liabilities owed to banks.

Changes in presentation

All changes in presentation and estimates as described below are recognised in accordance with IFRS.

Discontinued operations

The activities of Deutsche Essent GmbH have been classified as discontinued operations, because of the sale to RWE AG in June 2010. Consequently, the profit for the period from these activities is included in the consolidated income statement as profit from discontinued operations. The comparative income statement for the full year 2009 has been represented to reflect this.

The cash flow statement shows the cash flows from discontinued operations separately. The comparative figures for the full year of 2009 have been represented to reflect the sale of the activities of Deutsche Essent GmbH.

For more details about the discontinued operations of Deutsche Essent GmbH, see note 13.

Deferred income

Essent used to recognise government investment grants as reductions in the carrying amount of the asset concerned and released to profit and loss on a straight line basis in the same manner as the depreciation of the related assets. In order to align with the RWE accounting principles, as from 2010 Essent has decided to recognise the grants as deferred income (resulting in a shift from property, plant and equipment to non-current liabilities of EUR 23.7 million for year end 2009) and to release the grants to other operating expenses in profit and loss (resulting in a shift from depreciation to other operating income of EUR 1.3 million for

2010) on a straight line basis in the same manner as the depreciation of the related assets. This change in accounting policy is applied retrospectively. The effect on the opening balance of the comparative period is EUR 27.8 million.

1.4 Assumptions and estimates

The preparation of the financial statements involves making certain estimates and assumptions, which have an impact on the recognised value of the assets and liabilities carried on the balance sheet, on income and expenses and on the disclosure of contingent liabilities. Differences between the actual results and these estimates and assumptions affect the amounts recognised in future periods.

The assumptions and estimates used by management particularly affect the measurement of property, plant and equipment (useful lives and residual values) and the need to recognise impairments of goodwill, property, plant and equipment, and intangible assets. Annually, the Group tests whether goodwill has suffered any impairment. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. The assumptions made and the sensitivity analyses are disclosed in note 15.

At year-end 2010, there are not expected to be any changes in the assumptions which would cause the recoverable amounts to fall below the carrying amounts of the cash generating units.

Measurement of deferred tax assets is based on the probability of realisation of future tax benefits. Actual future income for tax purposes and hence the actual realizability of deferred tax assets, however, may deviate from the estimation made when the deferred taxes are capitalised. The group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Assumptions and estimates also affect receivables (the need for write downs), dismantling provisions (timing and amounts of cash flows, see accounting policies on property, plant and equipment) and other provisions and the recognition of revenue (because of meter readings spread throughout the year, see accounting policies on revenue).

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Assumptions and valuations models used for determining the value of derivatives and for sensitivity analyses for derivatives are disclosed in note 28.

For detailed information, the general accounting policies of this section should be consulted, as well as the separate notes on the items in question.

Any effect of a change in an estimate is recognised prospectively in profit or loss. Insofar as a change in an estimate requires an adjustment to assets and liabilities or a component of equity, the effect of the change is applied to the period in which the change occurred, by adjusting the carrying amount of the relevant asset, liability or component of equity.

Given the diversity of activities, the classification used for the presentation of the income statement is essentially by category, which provides a clearer picture of the Group's results.

Changes in estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that are material for the financial statements are addressed below.

As a result of changes in midterm and longterm planning of several assets, the estimation of the useful lives of these assets is adjusted. These changes are applied prospectively. The impact on the depreciation costs of the full year 2010 is EUR 30.4 million lower costs. The impact for future years changes each year as a result of the different remaining lifetimes of the assets concerned.

During a reassessment of the identification of a cash generating unit, the cash flows from most power plants were found not to be independent. As a result of the Group's business model, the total production of the power plants is optimized as a whole by way of central dispatching by our Trading unit. Trading optimises the generation capacity based on actual market developments (e.g spreads and availability of the plants). Therefore these power plants are now regarded as one single cash generating unit. The reassessment did not result in any (reversals of) impairments during 2010.

From 1 January to 31 December 2010 inclusive, there were no other material changes in presentation or estimates.

NOTE 2 REVENUE FROM THE SUPPLY OF GOODS AND SERVICES

	2010	2009
Electricity	2,019.4	2,583.4
Gas	3,679.7	2,451.0
Coal ¹	164.6	333.4
Heat	229.9	218.4
Other ²	37.7	72.4
Total	6,131.3	5,658.6

¹ The revenue on coal decreases as a result of the sale of RWE Supply & Trading Switzerland SA

² The 'Other' category includes revenue from the supply of services of EUR 30.0 million (2009: EUR 57.4 million)

NOTE 3 GAINS/LOSSES FROM DERIVATIVE FINANCIAL INSTRUMENTS

	2010	2009
Electricity	27.4	(1.2)
Gas	(11.3)	(13.7)
Other	(27.5)	--
Total	(11.4)	(14.9)

The gains/losses from derivative financial instruments relate to unrealised changes in the fair value of derivative financial instruments that were not hedged or did not qualify for hedge accounting. At the time a position in derivative financial instruments is settled, any realised gains or losses are recognised under revenue or cost of energy, raw materials and consumables respectively (note 28).

NOTE 4 COST OF ENERGY, RAW MATERIALS AND CONSUMABLES

	2010	2009
Electricity	1,218.2	1,477.6
Gas	2,947.1	2,017.8
Coal	320.7	524.4
Heat	133.1	158.7
Other	(27.4)	97.4
Total	4,591.7	4,275.9

Cost of energy, raw materials and consumables include a deduction of EUR 129.5 million (2009: EUR 166.2 million) for government operating grants, mainly under the ministerial scheme 'Milieukwaliteit Energie Productie' (MEP). MEP grants are received for the generation of sustainable energy.

NOTE 5 OTHER OPERATING INCOME

	2010	2009
Result on divestments property, plant and equipment	(1.2)	143.0
Income service level agreements	54.1	79.7
Government grants	1.2	2.8
Connection fees	9.9	8.7
Other	22.6	38.3
Total	86.6	272.5

Other operating income includes losses totalling EUR 1.2 million (2009: EUR 143.0 million gain) from the sale of property, plant and equipment. The sale proceeds amounted to EUR 1.3 million (2009: EUR 339 million) compared with a carrying amount of EUR 2.5 million (2009: EUR 196 million) and is for 2009 mainly caused by the sale of the 110 kV and 150 kV high-voltage grids to TenneT.

NOTE 6 EMPLOYEE BENEFIT EXPENSES

	2010	2009
Salaries	275.7	291.9
Social security charges	19.5	19.1
Pension costs	37.2	36.4
Temporary staff	130.7	100.0
Addition/release of provisions for employee benefits	17.4	29.7
Other	21.9	37.7
Less: own production capitalised	(18.6)	(19.6)
Total	483.8	495.2

The number of employees at 31 December 2010 was 3,867 (2009: 4,670).

NOTE 7 DEPRECIATION, AMORTISATION AND IMPAIRMENTS

	2010	2009
Depreciation of property, plant and equipment	106.2	145.2
Amortisation of intangible assets	43.4	29.7
Impairments ¹	69.3	97.8
Total	218.9	272.7

¹ Impairments mainly relate to goodwill (EUR 49.6 million, 2009: nil), customer relationships (EUR 13.1 million), power plants (EUR 5.5 million, 2009: 88.3 million) and wind parks (nil, 2009: 35.7 million). For further information we refer to note 14 and 15

NOTE 8 COST OF WORK CONTRACTED OUT, MATERIALS AND OTHER EXTERNAL COSTS

	2010	2009
Work contracted out	207.0	162.7
Materials	8.7	13.2
Other external costs	205.0	269.5
Total	420.7	445.4

NOTE 9 OTHER OPERATING EXPENSES

		2010	2009
Addition/release of other provisions ¹	note	25.2	24.1
Addition/release of bad debt provision concerning 'Loans and receivables'	19	34.9	37.5
Other		63.6	37.4
Total		123.7	99.0

¹ The item 'Addition/release of other provisions' includes the release of EUR 8.8 million onerous contracts (2009: EUR nil) and the release of other provisions of EUR 19.8 (2009: EUR nil) and EUR nil million (2009: EUR 17.3 million) from the energy restructuring provision

NOTE 10 AUDITORS' FEES

The auditors' fees are disclosed in the consolidated financial statements of RWE AG. Based on article 2:382a lid 3 of the Dutch law (Title 9 BW 2) auditors' fees do not have to be disclosed if the financial statements are incorporated in another consolidated financial statement of a company that reports based on European law and regulations.

NOTE 11 FINANCE INCOME AND EXPENSES

	2010	2009
Interest income from loans and receivables	93.1	83.2
Currency gains	8.1	--
Other finance income	1.3	4.4
Total finance income	102.5	87.6
Interest additions to provisions	(11.9)	(21.4)
Fair value changes on derivative financial instruments held for trade ¹	(0.1)	(0.2)
Non-recurring finance expenses relating to interest-bearing liabilities	--	(4.0)
Interest expenses relating to interest-bearing liabilities ²	(24.2)	(59.3)
Currency losses	(4.1)	(12.2)
Other finance expenses	(3.9)	(1.6)
Total finance expenses	(44.2)	(98.7)
Net finance income/expenses	58.3	(11.1)

¹ Excluding energy-related derivative financial instruments (see note 3)

² Measured at amortised cost

NOTE 12 INCOME TAX

The main components of income tax are:

	2010	2009
Consolidated income statement		
<i>Current tax:</i>		
Current income tax	111.6	78.9
Income tax adjustments for prior years	51.5	(4.6)
<i>Deferred tax:</i>		
Addition/release deferred tax assets and liabilities	(7.4)	(62.7)
Effect of tax rate change on carrying amounts of deferred tax	2.9	--
Income tax expense (reported in the consolidated income statement)	158.6	11.6
Consolidated statement of equity		
<i>Deferred tax relating to items recognised directly in equity:</i>		
Net revaluation of cash flow hedges	(109.5)	2.8
Effect of tax rate change on the carrying amounts of deferred tax assets and liabilities	3.0	--
Tax recognised directly in other comprehensive income	(106.5)	2.8

The Group's activities are subject to income tax in several countries with different statutory tax rates.

The reconciliation between the weighted average of the statutory income tax rates expressed as a percentage of profit before tax and the effective tax rate is as follows:

	2010	2009
	As a percentage	As a percentage
Standard statutory income tax rate in the Netherlands	25.5	25.5
Difference from the standard statutory income tax rates in foreign countries	(0.5)	(0.8)
Weighted average of standard statutory income tax rates	25.0	24.7
Tax effect of:		
Non-deductible expenses	0.8	0.2
Set-off of losses for which no deferred tax assets had been recognised	(0.6)	(0.1)
New losses for which no deferred tax assets had been recognised	--	0.5
Tax incentives	(0.2)	--
Tax-exempt share of result of associates	(8.3)	(18.6)
Tax-exempt profits	--	(0.3)
Changes in deferred tax assets and liabilities	(0.6)	(5.1)
Effect of tax rate change on the carrying amounts of deferred tax assets and liabilities	0.3	--
Adjustments for prior years	2.8	(0.4)
Effective tax rate	19.2	0.9

Deferred tax

Deferred tax at 31 December 2010 and 2009 can be broken down as follows:

	Consolidated Balance sheet		Consolidated Income statement	
	2010	2009	2010	2009
<i>Deferred tax liabilities</i>				
Property, plant and equipment	(110.0)	45.1	1,0	2.9
Provisions	(41.7)	--	--	(0.4)
Derivative financial instruments	150.6	--	--	--
Other	6.7	--	(9.2)	0.1
Total deferred tax liabilities	5.6	45.1	(8.2)	2.6
<i>Deferred tax assets</i>				
Property, plant and equipment	8.1	127.6	(5.5)	94.3
Provisions	--	34.6	4.9	(4.3)
Derivative financial instruments	--	(44.3)	(4.2)	(42.1)
Losses available for carry-forward	3.8	8.5	(2.0)	(1.4)
Other	--	7.0	3.1	(34.3)
Total deferred tax assets	11.9	133.4	(3.7)	12.2

Deferred tax

Deferred tax assets and liabilities are recognised if set-off in future years is expected.

Deferred tax assets for losses available for carry-forward are only recognised if it is probable that they can be set off against taxable income in the future. The situation regarding losses available for set-off is reviewed each year.

At year-end 2010, the Group had carry-forward losses amounting to EUR 108.7 million (2009: EUR 203.4 million). Of these, EUR 13.2 million (2009: EUR 79.7 million) is available for carry-forward up to and including the 2011 financial year. Other losses carry forward are not limited in time. Of the available carry-forward losses of EUR 108.7 million an amount of EUR 11.1 million has been recognised in deferred tax asset.

	Loss available for set-off		Deferred tax recognized	
	2010	2009	2010	2009
Netherlands	14.4	80.9	--	0.2
Belgium	94.3	99.3	3.7	5.8
Other countries	--	23.2	--	2.7
Total	108.7	203.4	3.7	8.7

The payment of dividend to shareholders of the Group has no effect on income tax.

Group companies enter into a wide variety of transactions with each other. In the opinion of the Group, these transactions are at arm's length. In the Netherlands and Belgium the Group has adopted a well-defensible standpoint regarding its tax position. As it is possible that laws and regulations can be differently interpreted, it cannot be completely ruled out that the tax

authorities in a particular country adopt a standpoint different from the Group's. This could result in a higher tax burden.

NOTE 13 DISCONTINUED OPERATIONS

Total profit from discontinued operations

The profit from discontinued operations can be broken down as follows:

<i>in millions of euros</i>	2010	2009
Ordinary result from Enexis Holding B.V.	--	193.2
Ordinary result from Essent Waste Management B.V.	--	34.8
Ordinary result from swb AG	--	21.0
Ordinary result Deutsche Essent GmbH	11.2	(5.5)
Total ordinary result after tax	11.2	243.5
Gain on the transfer of Enexis Holding B.V.	--	2,494.0
Gain on the transfer of Waste Management B.V.	--	274.2
Gain on the transfer of swb AG	--	471.8
Gain on the transfer of Deutsche Essent GmbH	85.4	--
Allocated termination payments on Cross-Border leases	--	(186.5) ¹
Tax and deferred tax items	--	(127.1)
Total profit from discontinued operations	96.6	3,169.9

¹ Relates to non-recurring payments in connection with the termination of Cross-Border Leases connected with network and waste management activities

Deutsche Essent GmbH

On 28 June 2010, Essent sold the shares in Deutsche Essent GmbH to RWE AG against fair value of EUR 606.3 million. This resulted in a gain on the transfer of EUR 85.4 million. The results of Deutsche Essent GmbH were consolidated with those of the Group up to and including 28 June 2010.

The results of Deutsche Essent GmbH are as follows:

<i>in millions of euros</i>	2010 ¹	2009 ¹
Revenue	26.1	66.1
Expenses	(13.3)	(70.2)
Operating profit	12.8	(4.1)
Finance income and expenses	0.6	10.6
Profit before tax	13.4	6.5
Income tax expense	(2.2)	(12.0)
Total result from Deutsche Essent GmbH (excluding sale swb AG)	11.2	(5.5)

¹ Includes intra group supplies

Finance income and expenses include interest income and expenses relating to receivables from and amounts owed to group companies. For 2010, the net interest expense is EUR 0.2 million (2009: EUR 11.3 million).

The selling price is settled in the intercompany accounts with RWE group companies.

To clarify the effect of the sale of group companies on the balance sheet of Essent N.V., a condensed balance sheet for Deutsche Essent GmbH and the other sold group companies (RWEST Supply and Trading Switzerland SA and RWE Innogy Windpower Netherlands B.V., see information below) as at the date of the transfers is provided in the table below.

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment during 2010 were as follows:

2010	Land and buildings	Cables, pipelines and equipment	Other property, plant and equipment	Work in progress	Total
Cost at 1 January	399.0	4,431.0	139.1	836.9	5,806.0
Accumulated depreciation and impairments at 1 January	(332.9)	(3,122.1)	(103.6)	--	(3,558.6)
Carrying amount at 1 January	66.1	1,308.9	35.5	836.9	2,247.4
Reclassification	0.1	87.5	12.0	(97.1)	2.5
Consolidation	--	3.3	--	--	3.3
Deconsolidation	(15.6)	(638.5)	(1.2)	(95.2)	(750.5)
Additions	0.2	16.6	1.1	662.3	680.2
Disposals	--	(0.9)	(0.9)	--	(1.8)
Impairments	(0.1)	(3.7)	(1.7)	--	(5.5)
Reversal of impairments	--	0.2	--	--	0.2
Depreciation	(2.1)	(100.6)	(19.4)	--	(122.1)
Other	--	13.8	(0.6)	(0.9)	12.3
Carrying amount at 31 December	48.6	686.6	24.8	1,306.0	2,066.0
Accumulated depreciation and impairments at 31 December	336.5	2,977.4	110.4	--	3,424.3
Cost at 31 December	385.1	3,664.0	135.2	1,306.0	5,490.3

Reclassifications relate to (in)tangible assets previously presented under work in process and IT-hardware.

Consolidation relates to the consolidation of Warmtedistributiemaatschappij Oost-Brabant N.V. This former joint venture was owned by Essent N.V. and RWE Energy Nederland N.V.

Deconsolidation relates in particular to the sale of Deutsche Essent GmbH, RWE Supply & Trading Switzerland SA and RWE Innogy Windpower Netherlands B.V.

Additions mainly relate to investments in power plants.

The disposals concern several minor assets.

The decrease of costs of depreciation is caused by the reassessment of the remaining useful life of property, plant and equipment in 2010, the deconsolidation of several entities during 2009 and 2010 and the impairments during 2009.

The impairments mainly relate to a power plant (Donges) and software. Power plant Donges is impaired with an amount of EUR 3.8 million as a result of a permanent break down during

2010. The recoverable amount of this power plant has been determined based on the expected future cash flows until the original decommissioning date (2012) and a pre-tax WACC of 9.5%.

The other movements mainly relate to the recalculation of dismantling provisions.

Work in progress concerns among others the Moerdijk II and Claus C power plants.

The comparative changes in property, plant and equipment during 2009 were as follows:

2009	Land and buildings	Cables, pipelines and equipment	Other property, plant and equipment	Work in progress	Total
Cost at 1 January	1,381.9	12,529.8	481.4	862.4	15,255.5
Accumulated depreciation and impairments at 1 January	(983.1)	(8,706.5)	(341.6)	--	(10,031.2)
Carrying amount at 1 January	398.8	3,823.3	139.8	862.4	5,224.3
Reclassification	6.7	333.8	10.2	(351.3)	(0.6)
Consolidation	4.8	43.0	2.4	--	50.2
Deconsolidation	(334.9)	(2,694.1)	(91.3)	(423.2)	(3,543.5)
Additions	6.9	145.6	6.0	756.3	914.8
Disposals	(0.2)	(4.4)	(1.1)	--	(5.7)
Impairments	--	(100.1)	(1.3)	(7.6)	(109.0)
Reversal of impairments	0.2	--	--	--	0.2
Classified as held for sale	--	--	--	--	--
Depreciation	(16.2)	(265.4)	(27.6)	--	(309.2)
Other	--	27.2	(1.6)	0.3	25.9
Carrying amount at 31 December	66.1	1,308.9	35.5	836.9	2,247.4
Accumulated depreciation and impairments at 31 December	332.9	3,122.1	103.6	--	3,558.6
Cost at 31 December	399.0	4,431.0	139.1	836.9	5,806.0

Reclassifications relate to (in)tangible assets previously presented under work in progress.

Consolidation relates to the acquisition of Windfarm Märkisch Linden GmbH & Co.KG by swb AG and to the acquisition of RWE Energy Nederland N.V.

Deconsolidation relates in particular to the transfer of the shares of Enexis Holding B.V., Essent Waste Management B.V., swb AG and KomStrom AG.

Additions relate mainly to investments in power plants and to wind parks.

The disposals mainly concern dismantling of wind turbines.

The impairments in 2009 mainly relate to power plants and wind parks. Impairments were calculated on the basis of discounted cash flows.

Power plant Claus A is impaired with an amount of EUR 36.5 million as a result of a shorter remaining useful life due to the construction of a new more efficient power plant. Power plant Ineos and Swentibold are impaired with an amount of 24.8 and 13.0 million because of lower expected future cash flows.

The recoverable amount of these power plants has been determined based on their value in use. The value in use is based on the following assumptions;

- the expected decommissioning dates at year end 2009;
- WACC (pre tax) of 9.5% (based on benchmark data).

Power plant Cuijk is impaired with 9.4 million because of lower expected cash flows.

For work in progress an option for the use of an installation vessel for offshore wind turbines with an amount of 7.5 million was impaired because this option will not be executed.

If the gross margin used in the value-in-use calculation had been 10% lower than management's estimates at 31 December 2009, the Group would also not have recognised an impairment of the assets that not have been impaired.

Further if the estimated cost of capital used in determining the pre-tax discount rate had been 1% higher than management's estimates, the Group would also not have recognised an impairment.

The other movements relate to cushion gas for gas storages that was previously recognised as inventories (15.8 million) and recalculation of dismantling provisions (11.4 million).

The expected total useful lives of the main categories of assets are as follows:

- | | |
|---|---------------------------------|
| • Buildings | 25-50 years (2009: 25-50 years) |
| • Hydro-power stations | 57 years (2009: 30-40 years) |
| • Conventional generation units and large-scale cogeneration power plants | 23-39 years (2009: 15-25 years) |
| • Bio-energy power stations | 10-31 years (2009: 10-20 years) |
| • Small-scale cogeneration plants | 10-15 years (2009: 10-15 years) |

Cross-Border leases

Commencing in 1994, group companies and their predecessors have entered into Cross-Border Leases (CBLs) on various assets in the Netherlands. Detailed information on the Cross-Border Leases is given in note 31.

NOTE 15 INTANGIBLE ASSETS

Changes in intangible assets during 2010 were as follows:

2010	Software	Concessions and licences and other	Goodwill	Total
Cost at 1 January	319.4	167.5	120.5	607.4
Accumulated amortisation and impairments at 1 January	(235.8)	(32.4)	(1.6)	(269.8)
Carrying amount at 1 January	83.6	135.1	118.9	337.6
Reclassification	(10.9)	8.4	--	(2.5)
Additions	15.8	6.9	--	22.7
Disposals	(0.6)	--	--	(0.6)
Deconsolidation	(0.4)	(76.1)	(0.3)	(76.8)
Impairments	(0.9)	(13.4)	(49.6)	(63.9)
Amortisation	(30.3)	(13.5)	--	(43.8)
Other	(0.2)	2.3	--	2.1
Carrying amount at 31 December	56.1	49.7	69.0	174.8
Accumulated amortisation and impairments at 31 December	242.2	55.6	51.2	349.0
Cost at 31 December	298.3	105.3	120.2	523.8

Reclassifications relate to (in)tangible assets previously presented under work in process and IT-hardware.

Deconsolidation relates in particular to the sale of Deutsche Essent GmbH.

Impairments include the goodwill and customer relationships relating to Westland Energie Services B.V., assigned as an independent cash generating unit. The main reasons for this impairment are the fact that customer growth has not materialized as foreseen when the company was bought and the fact that starting January 2011 the business model of Westland will be discontinued by the Essent N.V. group giving no more possibility to realize the growth and profitability as calculated in 2007 upon acquisition of the company.

The goodwill relating to RWE Energy Nederland N.V. (REN) amounts to EUR 69.0 million (2009: EUR 69.0 million). The goodwill is assigned to cash generating units B2C and Powerhouse.

Assessing goodwill for possible impairment is based on the following assumptions:

- the strategic plan for assessing goodwill for possible impairment is based on the the period until the end of 2015;
- stable cash flows not taking into account growth for the long-term;
- WACC (pre tax) of 8.5% (based on benchmark data).

Based on the impairment analyses no impairment has to be accounted for.

If the gross margin used in the value-in-use calculation for the cash generating unit REN had been 10% lower than management's estimates at 31 December 2010, the Group would also not have recognised an impairment of goodwill.

Further if the estimated cost of capital used in determining the pre-tax discount rate for the cash generating unit REN had been 1% higher than management's estimates, the Group would also not have recognised an impairment.

The increase of the costs of amortisation is caused by the purchase of REN at the end of 2009.

The comparative changes in intangible assets during 2009 were as follows:

2009	Software	Concessions and licences and other	Goodwill	Total
Cost at 1 January	431.5	154.5	111.9	697.9
Accumulated amortisation and impairments at 1 January	(293.2)	(43.2)	(24.0)	(360.4)
Carrying amount at 1 January	138.3	111.3	87.9	337.5
Reclassification	0.6	--	--	0.6
Additions	35.3	47.5	0.7	83.5
Disposals	--	--	(6.1)	(6.1)
Consolidation	12.9	24.7	69.0	106.6
Deconsolidation	(59.2)	(27.6)	(16.9)	(103.7)
Impairments	(6.8)	(17.5)	(15.7)	(40.0)
Amortisation	(37.5)	(3.3)	--	(40.8)
Carrying amount at 31 December	83.6	135.1	118.9	337.6
Accumulated amortisation and impairments at 31 December	235.8	32.4	1.6	269.8
Cost at 31 December	319.4	167.5	120.5	607.4

The goodwill relating to Westland Energie Services B.V., assigned as an independent cash generating unit, amounts to EUR 49.6 million. Assessing goodwill for possible impairment is based on the following assumptions:

- the strategic plan for assessing goodwill for possible impairment is based on the period until the end of 2014;
- long-term growth of 2% a year (based on the long-term inflation forecast);
- WACC (pre tax) of 9.5% (based on benchmark data).

Based on the impairment analyses no impairment has to be accounted for.

If the gross margin used in the value-in-use calculation for the cash generating unit Westland Energie Services B.V. had been 5% lower than management's estimates at 31 December 2009, the Group would also not have recognised an impairment of goodwill.

Further if the estimated cost of capital used in determining the pre-tax discount rate for the Cash generating unit Westland Energie Services B.V. had been 1% higher than management's estimates, the Group would also not have recognised an impairment.

The goodwill as previously recognised at RWE AG relating to RWE Energy Nederland N.V. (REN) amounts to EUR 69.0 million. The goodwill is assigned to cash generating unit REN and Powerhouse.

Assessing goodwill for possible impairment is based on the following assumptions:

- the strategic plan for assessing goodwill for possible impairment is based on the period until the end of 2014;
- WACC (pre tax) of 9.5% (based on benchmark data).

Based on the impairment analyses no impairment has to be accounted for.

If the gross margin used in the value-in-use calculation for the cash generating unit REN had been 10% lower than management's estimates at 31 December 2009, the Group would also not have recognised an impairment of goodwill.

Further if the estimated cost of capital used in determining the pre-tax discount rate for the cash generating unit REN had been 1% higher than management's estimates, the Group would also not have recognised an impairment.

The expected useful life of software is 3 to 5 years.

The concessions and licences include rights acquired for the use of gas pipelines. Concessions and licences are amortised over 25 to 60 years.

Emission rights

The Group received CO₂-emission rights as a result of the introduction of the EU emissions trading system. Phase II will last five years, from 2008 to 2012, as laid down in the Kyoto Protocol.

Member states grant CO₂-emission rights to the plants at the beginning of the year and monitor that the plant managers return the number of emission rights equivalent to the actual CO₂-emissions of the year before.

The permitted emissions total is specified in tonnes of CO₂ equivalents per plant and year.

	2010		2009	
	CO ₂ ktonne equivalents	EUR (in millions)	CO ₂ ktonne equivalents	EUR (in millions)
Emission rights granted during the year	8,524.5	117.2	10,012	123.4
Emission rights to be returned for actual emissions	8,337.8	114.6	10,704	132.0

NOTE 16 JOINT VENTURES AND ASSOCIATES

Joint ventures and associates can be broken down as follows:

	2010	2009
Joint ventures	69.9	89.0
Associates	73.1	56.3
Total	143.0	145.3
<i>Joint ventures</i>		
	2010	2009
Delesto V.o.f.	27.5	26.3
Edea V.o.f.	21.5	21.3
Other joint ventures	20.9	41.4
Total	69.9	89.0
<i>Associates</i>		
	2010	2009
N.V. KEMA	32.4	17.3
Kemkens B.V.	23.2	22.7
Other associates	17.5	16.3
Total	73.1	56.3

Summarised information for 2010 on the Group's investments in joint ventures and associates is given below:

	Joint ventures	Associates	Total 2010
Non-current assets	161.6	58.0	219.6
Current assets	48.8	45.6	94.4
Non-current liabilities	(70.4)	(5.6)	(76.0)
Current liabilities	(70.1)	(24.9)	(95.0)
Carrying amount at 31 December 2010	69.9	73.1	143.0

The Group is not severally liable for liabilities of joint ventures and associates.

	Joint ventures	Associates	Total 2010
Revenue	224.8	128.7	353.5
Net expenses (including finance income and expenses)	216.8	117.3	334.1
Profit before tax	8.0	11.4	19.4
Tax	(0.6)	(0.7)	(1.3)
	7.4	10.7	18.1
Sale Warmtekracht Maastricht mill V.o.f.	6.1	--	6.1
Result 2009 KEMA	--	14.2	14.2
Profit for the year	13.5	24.9	38.4

Comparative figures for 2009 are given below:

	Joint ventures	Associates	Total 2009
Non-current assets	169.1	90.6	259.7
Current assets	62.8	36.0	98.8
Non-current liabilities	(70.5)	(49.0)	(119.5)
Current liabilities	(72.4)	(21.3)	(93.7)
Carrying amount at 31 December 2009	89.0	56.3	145.3

	Joint ventures	Associates	Total 2009
Revenue	267.6	65.4	333.0
Net expenses (including finance income and expenses)	238.2	50.8	289.0
Profit before tax	29.4	14.6	44.0
Tax	(3.5)	(2.1)	(5.6)
	25.9	12.5	38.4
Gain from sale ¹	897.4	--	897.4
Transfer of receivable NEA dividend	(10.7)	--	(10.7)
Profit for the year	912.6	12.5	925.1

¹ Gain as a result of the transfer of the shares of N.V. Elektriciteit Productiemaatschappij Zuid-Nederland EPZ to the former shareholders of Essent N.V. (before sale of shares to RWE)

The gain from the sale of the shares of N.V. Elektriciteit Productiemaatschappij Zuid-Nederland EPZ to the former shareholders of Essent N.V. (before sale of shares to RWE) is included in the result of joint ventures and associates.

A list of the principal joint ventures and associates is included in note 30. None of the joint ventures or associates is a listed company.

The cumulative unrecognised share of losses of associates amounts to nil. The unrecognised losses for the period amount to nil.

NOTE 17 OTHER FINANCIAL ASSETS

Other financial assets can be broken down as follows:

	2010	2009
Investments	3.9	14.9
Available for sale	3.9	14.9
Receivables from joint ventures and associates	148.4	143.9
Receivables from related parties (RWE)	3,255.0	3,255.0
Loans	6.1	9.5
Blocked deposits at banks and deposit accounts	--	24.9
Other	1.7	3.3
Loans and receivables	3,411.2	3,436.6
Total	3,415.1	3,451.5

The investments are cash calls which are valued at cost, because no reliable method exists to measure their fair value. These investments are unlisted and no other external information is available. During the year 2010 there were no impairments of investments (2009: EUR 0.4 million).

The investments can be classified as level III financial assets because the valuation is derived from unobservable market data (note 28).

Receivables from joint ventures and associates include a loan in the form of a current account overdraft at 31 December 2010 of EUR 145.2 million (2009: EUR 140.3 million). The joint venture partner concerned has provided a guarantee of approximately EUR 72.6 million (2009: EUR 70.2 million), which is 50% of the balance outstanding at the end of the financial year. The partner has also signed a positive mortgage covenant with negative pledge clause for the immovable property, with the receivable from the joint venture being subject to a pledge under the terms of the supply agreements.

Receivables from related parties (RWE) includes loans to the direct parent company RWE Benelux Holding B.V. as part of the acquisition structure which is provided as per 1 October 2009. The interest rate is 3-months EURIBOR plus 0.6%. In 2010 this was an average percentage of 1.40% (2009: 1.32%). In accordance with the contract no repayment took place in 2010. Repayment takes place by lump sum on 30 September 2012. RWE AG guarantees the repayment of the loans.

No collateral has been provided for the loans. Loans were not impaired during the year (2009: nil). The effective weighted average interest rate on loans and receivables from joint ventures and associates was 1.6% (2009: 1.4%).

The blocked deposits at banks are related to Deutsche Essent GmbH which has been sold in 2010.

The fair value of loans and receivables is substantially the same as their carrying amount.

NOTE 18 INVENTORIES

	2010	2009
Raw materials and consumables	123.0	155.3
Work in progress	0.7	3.1
Finished goods and goods held for trade	36.0	43.0
Total	159.7	201.4

The decrease of EUR 41.7 million in inventories is mainly caused by the sale of the shares of RWEST Switzerland SA.

The value of inventories at fair value net of costs to sell which are included in the carrying amount is EUR 34.6 million (2009: EUR 17.0 million).

NOTE 19 RECEIVABLES

	2010	2009
Trade receivables	1,245.8	1,585.9
Joint ventures and associates	0.2	2.8
Other related parties (RWE)	1,403.0	204,8
Loans	0.5	--
Loans and receivables	2,649.5	1,793.5
Prepaid expenses	12.5	221.6
Other taxes	8.9	7.4
Government grants	11.6	13.8
E-depot networks	346.3	361.1
Other receivables related parties (RWE)	0.4	135.0
Other receivables	12.5	50.3
Other receivables, prepayment and accrued income	392.2	789.2
Total	3,041.7	2,582.7

The fair value of the receivables is in line with their carrying amount. The government grants receivable consists mainly of funds to be received under the ministerial scheme 'Milieukwaliteit van de Elektriciteitsproductie' (MEP).

The receivable on related parties concern an interest-bearing cash pool arrangement.

The assessment of the collectability of loans and receivables is conducted on a collective basis. Depending on the profile of the client, as well as the age and nature of the receivables, they are grouped, and provisions are formed for each group based on historical figures. A number of loans and receivables, from large business clients in particular, are individually assessed and the provision established on the basis of the knowledge of the client and management's risk assessment. Of the value adjustment recognised at year-end 2010, an amount of EUR 5.4 million (2009: EUR 4.2 million) relates to individual assessments. The aging of loans and receivables, taking into account provisions for doubtful debts, at 31 December 2010 can be broken down as follows:

	2010	2009
Not past due	2,467.6	1,209.2
0 – 30 days past due	57.6	176.8
31 – 60 days past due	(3.0)	42.9
61 – 90 days past due	45.6	46.8
Over 90 days past due	81.7	317.8
Total at 31 December	2,649.5	1,793.5

Changes in provisions for doubtful debts on loans and receivables can be broken down as follows:

	2010	2009
Total at 1 January	96.2	101.7
Addition recognised in profit or loss	43.0	45.6
Consolidation	--	20.0
Deconsolidation	(6.5)	(35.3)
Write-offs	(49.2)	(27.3)
Releases	(8.1)	(6.4)
Reversal of prior write-offs	0.2	(2.1)
Total at 31 December	75.6	96.2

Other loans and receivables are individually assessed for collectability, with a potentially uncollectible portion of the receivable being deducted directly from the carrying amount.

NOTE 20 GUARANTEE DEPOSITS

This includes the guarantee deposits the Group and its trading partners place with each other under the terms of framework agreements to cover the collection risks of receivables. Guarantee deposits are classified as receivables (asset) and liabilities. Deposits are placed during the term of a contract if a change in its fair value indicates a deposit is necessary. Interest is paid on outstanding balances at a rate based on the short-term market rates (LIBOR and EURO). The expiry dates of the guarantee deposits vary according to the underlying commitments and agreed contract durations.

NOTE 21 CASH AND CASH EQUIVALENTS

Cash and cash equivalents can be broken down as follows:

	2010	2009
Cash at bank and cash balances	64.5	196.4
Total	64.5	196.4

Of the bank and cash balances, EUR 11.8 million (2009: EUR 32.8 million) is not freely available. This amount mainly concerns funds deposited at commodity exchanges. Interest received on bank and cash balances is at variable rates.

NOTE 22 EQUITY

The changes in equity are shown in the consolidated statement of changes in equity.

The company's authorised share capital amounts to EUR 300 million (divided into 300 million shares with a nominal value of EUR 1.00 each). At year-end 2010, 149,682,196 shares had been issued and paid up in full. The paid in capital is fiscal recognised.

The share premium came into existence as a result of the contribution in kind made to pay on the shares of Essent N.V. at the foundation in 1999 by N.V. EDON Groep and PNEM/MEGA N.V. In 2009 there was a non-stipulated share premium contribution by RWE Benelux Holding B.V., relating to the transfer of RWE Energy Nederland N.V.

The reserve for financial instruments is formed for unrealised fair value changes in financial instruments resulting from the application of cash flow hedge accounting and for unrealised changes in the fair value of available-for-sale financial assets. These unrealised fair value changes comprise a gross effect of EUR 602.4 million (2009: EUR 158.7 million) and a deferred tax effect of EUR 150.5 million (2009: EUR 45.3 million).

The reserve for financial instruments at 31 December 2010 can be broken down as follows:

	2010	2009
Unrealised fair value changes in financial instruments from application of cash flow hedge accounting (note 28)	451.9	113.4
Total	451.9	113.4

In the balance sheet, the reserve for financial instruments mainly reflects the changes in fair value of the derivative financial instruments for which cash flow hedge accounting is applied. On the future settlement of the transactions underlying these instruments, their fair value is recognised in profit or loss as well as the opposite changes in the reserve for financial instruments, so that the effects on the result offset each other. Hence, each underlying transaction is effectively recognised in profit or loss at its hedged price.

The increase of the financial instruments reserve in 2010 for EUR 338.5 million is caused by increases of forward prices for in particular gas during the year. The change in 2009 (EUR 68.3 million) was caused by new valuation-method which was implemented after the acquisition by RWE.

In the following table the reserve for financial instruments is allocated to the period when we expect the reserve to impact the profit and loss statement;

	< 1 year	1 - 5 years	> 5 years	Total 2010
Expected future impact on profit and loss	260.0	194.3	(2.4)	451.9

The other reserve represents retained earnings and is freely distributable at year-end 2010, as in 2009.

NOTE 23 NON-CURRENT INTEREST-BEARING LIABILITIES

Interest-bearing liabilities include private loans and can be specified as follows:

	Interest rate range	Effective interest rate	Repayment obligation 2011	2010	2009
Private loans	5.25%	5.25%	--	21.2	80.7

The decrease of the private loans is caused by the sale of the shares of RWE Innogy Windpower Netherlands B.V.

The breakdown of the non-current repayment obligation is given below:

	1 - 5 years	> 5 years	Total 2010
Private loans	--	21.2	21.2
Total	--	21.2	21.2

	1 - 5 years	> 5 years	Total 2009
Previous financial year's comparative figure	37.3	43.4	80.7

Non-current interest-bearing liabilities include a borrowing with outstanding term of 5.5 years (2009: average 4.7 years). The rate of interest is fixed.

Fair value

The estimated market value (i.e. fair value) of the non-current interest-bearing liabilities at 31 December 2010 was EUR 24.5 million (2009: EUR 116.5 million). This estimate is based on the present value of the future cash flows. The discount rates used are based on the interest rates the Group would have to pay for similar types of financing with comparable conditions and terms to maturity. This item can be broken down as follows:

	Carrying amount		Fair value	
	2010	2009	2010	2009
Private loans	21.2	102.2	24.5	116.5

NOTE 24 PROVISIONS

Provisions can be broken down as follows:

	NOTE	2010	2009
Employee benefits	24.1	51.3	57.6
Other provisions	24.2	352.0	359.2
Total		403.3	416.8

The current portion, EUR 73.8 million (2009: EUR 65.0 million), is included separately under current liabilities.

NOTE 24.1 EMPLOYEE BENEFIT PROVISIONS

	2010	2009
Health insurance costs for (former) employees	6.4	7.8
Long-service benefits	15.1	15.5
Shorter working hours	13.7	14.9
Special-purpose leave and other long-term employee benefits	15.8	19.4
Share-based payments	0.3	--
Total	51.3	57.6

The provision for health insurance costs for (former) employees qualifies as defined benefit plan. This provision was formed because of the Group's obligation to continue reimbursing Dutch employees for part of their health insurance premiums after their employment with the Group ends. In calculating the provision, no plan assets have been recognised during the past five years, as the provision is for an unfunded plan.

Part of the pension and early retirement benefits granted to Dutch employees is treated as a defined contribution plan, even though according to the regulations it qualifies as a defined benefit plan. The pension fund concerned has stated that there is insufficient information and no consistent and reliable method for allocating the liability, plan assets and expenses individually to the participating employers. The pension plan for employees in the Netherlands is administered by Stichting Pensioenfonds ABP, under a fully funded system.

Health insurance costs for (former) employees

Changes in the provision can be broken down as follows:

	2010	2009
Benefit obligations at beginning of financial year	9.6	11.4
Interest	0.4	0.6
Benefits paid	(1.8)	(1.8)
Release	--	(0.6)
Total	8.2	9.6
Current portion of benefits	(1.8)	(1.8)
Total non-current portion	6.4	7.8

This concerns the employer's obligation to pay an annual contribution for each pensioner, for a period of ten years commencing 1 January 2006. The discount rate used to calculate the present value of the provision at 31 December 2010 was 2.5% – 3.75% (2009: 2.75% – 4.25%).

Long-service benefits

In accordance with the terms of collective labour agreements, the Group grants long-service benefits to employees. A provision is formed for these benefits from the date an employee joins the company. The provision is based on the number of years of service, expected price and salary increases, and mortality, invalidity and attrition rates.

	2010	2009
Obligations at beginning of year	17.0	47.2
Interest	0.7	2.5
Benefits granted	1.4	1.3
Release	--	--
Benefits paid	(1.0)	(2.0)
Deconsolidation	(1.5)	(32.0)
Total	16.6	17.0
Current portion of benefits	(1.5)	(1.5)
Total non-current portion	15.1	15.5

The main parameters used in calculating the long-service benefit provision are:

	2010	2009
Discount rate	4.5%	4.5%
Estimated rate of future salary increases	2.5%	2.5%

Shorter working hours

This item concerns liabilities arising from the transition scheme for shorter working hours for older employees and from special-purpose leave schemes under collective labour agreements.

	2010	2009
Benefit obligations at beginning of year	16.2	37.3
Benefits granted	0.9	1.3
Interest	1.1	2.5
Benefits paid	(1.2)	(1.7)
Release	--	(0.4)
Deconsolidation	(1.7)	(22.8)
Total	15.3	16.2
Current portion of benefits	(1.6)	(1.3)
Total non-current portion	13.7	14.9

The main parameters used in calculating the shorter working hours provision are:

	2010	2009
Discount rate	2.5%- 3.75%	2.75%- 4.25%

Special-purpose leave and other long-term employee benefits

The special-purpose leave provision contains liabilities arising from special-purpose leave schemes under collective labour agreements. The discount rate used to calculate the special-purpose leave provision is 2.5%-3.75% (2009: 2.75%-4.25%). Other employee benefits include benefits to employees leaving the company before their retirement age.

Share-based payment

In the year under review, the share-based payment system for executives consisted of the BEAT 2010 programme (2009: not applicable). The expenses associated with the exercise of the options are borne by the company.

	2010 tranche 3 years	2010 tranche 4 years
Grant date	Jan 1, 2010	Jan 1, 2010
Number of conditionally granted performance shares	33,506	37,172
Term	3 years	4 years

Pay-out conditions

2010 Tranche, waiting period 3 years: automatic pay-out if following a waiting period of three years (valuation date: Dec 31 of the third year) an outperformance compared to at least 25% of the peer group of the Dow Jones STOXX Utilities Index has been achieved, measured in terms of their index weighting as of the issue of the tranche. Measurement of outperformance is carried out using Total Shareholder Return (TSR), which takes into account both the development of the share price and reinvested dividends.

2010 Tranche, waiting period 4 years: possible pay-out on three exercise dates (valuation dates: Dec 31 of the fourth year, June 30 and Dec 31 of the fifth year) if – as of the valuation date – an outperformance compared to at least 25% of the peer group of the Dow Jones STOXX Utilities Index has been achieved, measured in terms of their index weighting as of the issue of the tranche. Measurement of outperformance is carried out using Total Shareholder Return (TSR), which takes into account both the development of the share price together with reinvested dividends. Automatic pay-out occurs on the third valuation date; the number of performance shares can be freely chosen on the first and second valuation dates.

Determination of payment

1. Determination of the index weighting of the peer group companies which exhibit a lower TSR than RWE at the end of the term.
2. The total number of performance shares which can be paid out is determined on the basis of a linear payment curve. If the index weighting is outperformed by 25%, 7.5% of the performance shares can be paid out. Another 1.5% of the performance shares granted can be paid out for each further percentage point above and beyond the index weighting of 25%.
3. Payment corresponds to the number of payable performance shares valued at the average RWE share price during the last 60 exchange trading days prior to the valuation date. The payment is limited to twice the value of the performance shares as of the grant date.

Change in corporate control/merger

If during the waiting period there is a change in corporate control, a compensation payment is made. This is calculated by multiplying the price paid in the acquisition of the RWE shares by the final number of performance shares which have not been used. The latter shall be determined as per the plan conditions with regard to the time when the bid for corporate control is submitted.

In the event of merger of RWE AG with another company, the performance shares shall expire and a compensation payment shall be made. First, the fair value of the performance shares as of the time of merger shall be calculated. This fair value is then multiplied by the number of

performance shares granted, reduced pro-rata. The reduction factor is calculated as the ratio of the time from the creation of the total waiting period until the merger takes place to the entire waiting period of the programme, multiplied by the ratio of the performance shares not yet used as of the time of the merger to the total number of performance shares granted at the beginning of the programme.

Personal investment

As a prerequisite for participation, plan participants must demonstrably invest one sixth of the gross grant value of the Performance Shares in RWE common shares.

Form of settlement

The stock option plan is accounted for as a cash settled share-based payment.

The fair value of the performance shares conditionally granted in the BEAT programme amounted to €25.96 per share as of the grant date for the 2010 tranche (four-year waiting period) and €28.80 per share for the 2010 tranche (three-year waiting period). These values were calculated externally using a stochastic, multivariate Black-Scholes standard model via Monte Carlo simulations on the basis of one million scenarios each. In the calculations, due consideration was taken of the maximum payment stipulated in the programme's conditions for each conditionally granted performance share, the discount rates for the remaining term, the volatilities and the expected dividends of RWE AG and of peer companies.

In the year under review, the number of performance shares developed as follows:

	2010 tranche 3 years	2010 tranche 4 years
Outstanding at the start of the fiscal year	--	--
Granted	33,506	37,172
Change in grant/expired	--	--
Paid out	--	--
Outstanding at the end of the fiscal year	33,506	37,172
Payable at the end of the fiscal year	--	--

The remaining contractual term amounted to three years for the 2010 tranche with four-year waiting period and two years for the 2010 tranche with three-year waiting period.

The total expense for the share-based payment system amounted to EUR 0.3 million in 2010 (2009: not applicable). As of the balance-sheet date, a provision in the amount of EUR 0.3 million has been recognised for the BEAT programme.

NOTE 24.2 OTHER PROVISIONS

Changes in other provisions can be broken down as follows:

	2009 ¹	Addition ²	Release	Usage	Decon- solidation	Reclassi- fication ³	Current portion	2010
Power plant dismantling	123.9	20.9	(4.5)	(0.2)	(23.9)	--	(5.0)	111.2
Onerous contracts	71.1	7.3	(8.8)	(1.5)	--	10.8	(1.0)	77.9
Restructuring	8.4	31.6	(2.4)	(2.4)	--	--	(14.2)	21.0
Other	196.5	79.1	(19.8)	(32.3)	(0.3)	(46.3)	(35.0)	141.9
Total	399.9	138.9	(35.5)	(36.4)	(24.2)	(35.5)	(55.2)	352.0

¹ Including current portion EUR 40.7 million

² The addition includes EUR 8.8 million (2009: EUR 30.4 million) relating to interest

³ The total reclassification relates to current taxes

Power plant dismantling

The dismantling provision is formed immediately when a plant comes on stream, based on an estimate of the total expected dismantling costs.

The discount rate used to calculate the present value of the provision at 31 December 2010 was 2.5% - 3.75% (2009: 2.75% - 4.25%).

Onerous contracts

Items to which the provision for onerous contracts relates include unavoidable future losses on heat sales contracts with horticulture businesses and wind contracts concluded in the past. The remaining period of these contracts varies from two to eight years.

Restructuring

The restructuring provision relates to restructuring of the activities of RWE Energy Nederland and Westland. The remaining period for this provision is two to five years.

Other

The other provisions contain a provision for a legal claim and a provision for heat law. In February 2009 the heat law is approved by the Senate (Eerste Kamer) but not implemented yet. There is no agreement on the policy which is further worked out in a separate memorandum. However the heat law will have when implemented, a retroactive effect.

The remaining part of the other provisions mainly relates to provisions for tax related costs, legal and decontamination costs and provisions for joint ventures and associates. The period for these provisions varies from two to five years.

NOTE 25 OTHER NON-CURRENT LIABILITIES

The other non-current liabilities can be broken down as follows:

	2010	2009
Deferred income government grants	22.5	23.7
Deferred income customer contributions heat grids	9.3	--
Other	6.3	6.4
Total	38.1	30.1

NOTE 26 CURRENT INTEREST-BEARING LIABILITIES

The current interest bearing liabilities are financial liabilities and can be broken down as follows:

	2010	2009
Bank overdraft	2.9	6.0
Repayment obligations on non-current liabilities	--	22.0
Total	2.9	28.0

NOTE 27 TRADE AND OTHER PAYABLES

The trade and other payables contain financial and non-financial liabilities and can be broken down as follows:

	2010	2009
Financial payables		
Suppliers	1,530.6	1,949.9
Liabilities relating to joint ventures and associates	--	7.5
Liabilities related parties (RWE)	224.3	289.9
Interest payable	1.4	2.2
Insurance liabilities	14.3	10.7
Other	86.5	132.9
Total financial payables	1,857.1	2,393.1
Non financial payables		
Received in advance	16.6	7.1
Deferred income	3.0	1.3
Tax and social security contributions	239.4	253.9
Payments to employees	56.6	79.6
Total non financial payables	315.6	341.9
Total	2,172.7	2,735.0

Unless otherwise stated, all items are normally settled within one year. Information on liabilities relating to joint ventures and associates is provided in note 30.

NOTE 28 FINANCIAL INSTRUMENTS

Introduction

The Group pursues a proactive risk policy, meaning that existing risks are limited by the use of procedures, set boundaries and organisational measures. In setting policy, the risks to be hedged are assessed against the corresponding costs. Risk policy is regularly evaluated.

Exchange and interest rates, and the Group's liquidity position are monitored by Corporate Treasury based on boundaries set by the Executive Board. This unit is also responsible for monitoring the Group's credit rating and managing the costs of capital.

To manage the impact of future changes in interest rates, exchange rates and gas, fuel and electricity prices, the Group uses derivative financial instruments such as forward commodity contracts, futures contracts, options and swaps. In the main, the financial instruments mentioned are used to hedge the existing risks of physical positions. To a lesser extent, and within preset limits, derivative financial instruments are used for taking speculative positions.

Market risks

Commodity risks are largely related to Essent's power plants and its supply commitments for electricity and gas to end-users.

The positions are optimised by the Energy Trading (ET) business unit, in which the wholesale market portfolio management activities of the energy value chain are centralised. ET hedges the positions with a variety of instruments such as purchase contracts and transactions on the wholesale markets for electricity, gas, oil, coal, biomass, CO₂ and foreign currencies. ET has a team specifically for managing the portfolio risks associated with the buying and selling of fuel, electricity and its derivative products. Corporate Risk & Insurance Management (CRIM) coordinates Group risk management, as well as monitoring its objectives and quality. All the activities fall under the responsibility of the Risk Management Committee (RMC), chaired by the chief Executive Officer (CEO), who sets policy and risk tolerance limits. The Group uses Value at Risk (VaR) techniques to assess the market risks of its open positions relating to forward commodity contracts. At the Group, VaR is defined as the maximum expected loss that could arise owing to a change in risk factors under normal operating conditions, during a one-month period and at a 95% confidence level. The RMC has set VaR limits for Essent Trading in managing the risk positions. The aggregate Group-level VaR is set by the Executive Board.

The VaR at 31 December 2010 and 31 December 2009 are shown in the following table:

	2010	2009
Electricity & CO ₂ contracts – hedge accounting	1.3	9.6
Fuels (Gas/ Oil /Coal) Contracts – hedge accounting	11.0	17.5
FX contracts – hedge accounting	10.3	17.6
Diversification effect	(17.7)	(33.8)
Total	4.9	10.9

VaR calculations are based on a Monte Carlo simulation method, which allows simulation of complex risk positions and market price trends and is widely used in the industry.

Although the Monte Carlo method allows more exact risk assessments to be made, VaR assessments are always based on assumed normal market trends, with extreme situations potentially being outside their scope.

VaR is calculated using the following assumptions:

- a confidence interval of 95%;
- assumed price changes occur within a period of one day;
- volatilities and correlations based on prices in the previous year;
- market prices and positions are based on the last trading day of the year;
- the position consists only of contracts expected to be settled within a year.

These assumptions differ from last year and the comparative figures are changed based on the new assumptions. Lower prices on the market and lower volatility on the commodity market has reduced VaR numbers however the main driven has been restructuring of the Organisation which reduced trading activity. This restructuring included the carve out of the Downstream/ Retail management business (referred to as Sales Portfolio Management), the sale of the shares of RWE Supply and Trading Switzerland SA, the Structured Gas Trading activity transfer to the London RWEST GmbH, and the transfer of CO₂ free National Allocation Plan to the Investment book.

The VaR includes positions in derivative financial contracts as well as contracts for the Group's own use. It relates to contract positions for the trading activity for RWEST Netherlands B.V. The company's VaR limit for a 60-month horizon (Except for Investment where only current year is considered and CO2 where values are taken up until December 14) has been set to EUR 20 million (2009: EUR 40 million). The Risk Management Committee has reviewed these VaR limits following the organisational restructuring. Numbers are monitored in a similar way. Transactions affected for periods with diminished liquidity are subject to a separate approval process. The actual total VaR fluctuated during 2010 and 2009, but always remained below the limits set.

Breakdown of derivative financial instruments

The derivative financial instruments in the balance sheet at 31 December 2010 and explained in this note can be broken down as follows:

Balance sheet	2010	2009	Notes	2010	2009
Derivative financial instruments under non-current assets	589.1	991.8	Level I derivative financial instruments		--
Derivative financial instruments under current assets	828.4	1,571.5	Level II derivative financial instruments	351.7	112.5
Derivative financial instruments under non-current liabilities	(318.4)	(733.2)	Level III derivative financial instruments	282.7	167.4
Derivative financial instruments under current liabilities	(464.7)	(1,550.2)			
	634.4	279.9		634.4	279.9

On 29 July 2010, Essent sold the shares in RWE Supply and Trading Switzerland SA to RWE Supply and Trading GmbH.

Forward commodity contracts

Given its dependence on commodities, combined with their price fluctuations, the Group concludes purchase and sales contracts on the international commodity markets to mitigate the associated risks. In addition, the Group makes increasing use of dual-fuel power plants able to generate electricity from a combination of fuels, thus reducing its dependence on a particular commodity.

The power plants' risk profiles depend on the extent to which their capacity is expected to be utilised. An effective way to mitigate the risk in this context is to apply a lock-in strategy, whereby part of the electricity expected to be generated is sold in advance to Essent customers or on the wholesale market and fuels required are purchased. The aim of the strategy is to hedge the spark spread in advance for a specific period by using forward commodity contracts. 'Spark spread' refers to the difference between the selling price of

electricity and the purchase price of the fuels needed to generate it. As a general policy principle, the shorter the period in which the electricity has to be supplied to the market, the higher lock-in percentage required to minimise the short-term market risk. Risk Management receives regular reports on the lock-in percentages for review.

The table below shows purchase and sale transactions. Transactions are concluded as forward commodity contracts that qualify as financial instruments. The table shows not only financial instruments involved in hedging relationships, but also those classified as held for trade.

The fair values of the instruments are determined following the 3 valuation categories stated below:

- I) Measurement using (unadjusted) prices if identical financial instruments are quoted on active markets;
- II) Measurement on the basis of input parameters which are not the quoted prices from Level 1, but which can be observed directly or indirectly;
- III) Measurement on the basis of models using input parameters which cannot be observed on the market.

	Notional amount			Total 2010
	< 1 year	1- 5 years	> 5 years	
Level I	--	--	--	--
Level II	(977.2)	(195.8)	(10.6)	(1,183.6)
Level III	--	(2.2)	--	(2.2)
Total	(977.2)	(198.0)	(10.6)	(1,185.8)

¹ Notional amount refers to the gross underlying value, which is recognised in profit or loss for the year of the cash flow concerned

	Fair value			Total 2010
	< 1 year	1- 5 years	> 5 years	
Level I	--	--	--	--
Level II	327.6	(23.1)	2.3	306.8
Level III	--	282.7	--	282.7
Total	327.6	259.6	2.3	589.5

The comparative amounts for 2009 were as follows. The tables have been adjusted to reflect the separate valuation categories.

	Notional amount			Total 2009
	< 1 year	1- 5 years	> 5 years	
Level I	0	0	0	0
Level II	(83.7)	115.1	(341.1)	(309.7)
Level III	(160.9)	(86.1)	(303.3)	(550.3)
Total	(244.6)	29.0	(644.4)	(860.0)

¹ Notional amount refers to the gross underlying value, which is recognised in profit or loss for the year of the cash flow concerned

	Fair value			Total 2009
	< 1 year	1- 5 years	> 5 years	
Level I	0	0	0	0
Level II	(67.7)	279.0	(26.7)	184.6
Level III	63.3	134.9	(30.8)	167.4
Total	(4.4)	413.9	(57.5)	352.0

The reconciliation from opening to closing balance for contracts in valuation category III can be broken down as follows:

	2010	2009
Balance at 1 January 2010	167.4	87.8
Contracts settled during the year	(3.2)	(1.8)
Cash effect	--	(25.1)
Movement in profit and loss	(50.9)	(17.2)
Movement in hedge reserve	93.4	123.7
Deconsolidation ¹	76.0	--
Balance at 31 December 2010	282.7	167.4

¹ On July 29th the level III financial instruments of RWE Supply and Trading Switzerland SA are deconsolidated, because Essent sold the shares of RWE Supply and Trading Switzerland SA to RWE Supply and Trading GmbH.

The gains/losses from derivative financial instruments that relate to unrealised changes in the fair value of derivative financial instruments that were not hedged or did not qualify for hedge accounting are recognised in the profit and loss under gains and losses of derivative financial instruments as a separate part under revenue. At the time a position in derivative financial instruments is settled any realised gains or losses regarding to electricity hedges are recognised under revenue and in the case of gas and other fuels under the cost of energy, raw materials and consumables respectively

The profit recognised in de profit and loss statement related to derivative financial instruments in valuation category III which are still on the balance sheet per 31 December 2010 amounts to EUR (6.8) million.

Hedge transactions – cash flow hedges

As part of its business activities, the Group has to contend with fluctuations in the forward commodity prices of electricity, gas and other fuels.

To mitigate these effects, the Group concludes derivative contracts whose values move in the opposite direction to the positions the Group has taken on the forward commodity markets in connection with generating and supplying electricity and heat, as well as the supplying of gas. The Group adopts an approach that group together positions and contracts with similar risk exposures. Two main categories can be distinguished:

- positions and contracts relating to the generation, purchase and sale of electricity;
- positions and contracts relating to the purchase and sale of gas and other fuels.

Foreign currencies effects of cash flow hedges of Gas and Electricity are included separately in Foreign exchange risks.

The following financial instruments are classified as hedge instruments:

	Fair value			Total 2010
	< 1 year	1- 5 years	> 5 years	
Futures / Forwards	215.3	168.7	(2.4)	381.6
Swaps	131.4	99.6	(0.8)	230.2
Others	--	(9.2)	-	(9.2)
Total	346.7	259.1	(3.2)	602.6

The settlement of the derivative financial instruments resulted in an increase of EUR 168.7 million in the Reserve for financial instruments during the financial year (2009: increase of EUR 218.3 million). The change in the Reserve for financial instruments attributable to fair value changes in effective cash flow hedges was an increase of EUR 229.0 million before tax during the financial year (2009: decrease of EUR 196.1 million).

On the future settlement of the transactions underlying these instruments, their fair values is recognised in profit or loss as well as the opposite changes in the Reserve for financial instruments, so that the effects on the result fully offset each other. Hence, each underlying transaction is effectively recognised at its hedged price in profit or loss.

The amounts for 2009 were as follows:

	Fair value			Total 2009
	< 1 year	1- 5 years	> 5 years	
Futures / Forwards	18.5	197.9	(54.3)	162.1
Swaps	(73.2)	89.2	0.4	16.4
Others	56.9	(1.0)	14.0	69.9
Total	2.2	286.1	(39.9)	248.4

Summary of effects on equity from the application of cash hedge flow accounting

Unrealised fair value changes in financial instruments due to the application of cash flow hedge accounting during the financial year (see note 22) can be broken down as follows:

	Electricity	Gas and other fuels	Total before tax	Total after tax
Balance at 1 January 2010	258.8	(100.1)	158.7	113.4
Change during the year recognised in profit or loss	1.1	167.6	168.7	126.9
Fair value changes ¹	68.0	161.0	229.0	168.0
Settlement of transactions relating to future financial years	--	--	--	--
Effect of tax rate change	--	--	--	2.9
Deconsolidation ²	(8.2)	54.2	46.0	40.7
Balance at 31 December 2010	319.7	282.7	602.4	451.9

¹ In the balance sheet, the reserve for financial instruments also reflects the fair value of the derivative financial instruments to which cash flow hedge accounting is applied. On the future settlement of the hedged transactions underlying these instruments, the fair values of the instruments are recognised in profit or loss as well as the opposite changes in the Reserve for financial instruments, so that the result effects compensate each other. Therefore, the amount of the underlying transaction is effectively accounted for at the hedged price

² On July 29th the reserve for financial instruments of RWE Supply and Trading Switzerland SA is deconsolidated, because Essent sold the shares of RWE Supply and Trading Switzerland SA to RWE Supply and Trading GmbH.

At the time a position in derivative financial instruments is settled any realised gains or losses regarding to electricity hedges are recognised under revenue and in the case of gas and other fuels under the cost of energy, raw materials and consumables respectively

Changes in the reserve for financial instruments excluding changes from deconsolidation are recognised in the statement of comprehensive income under effective portion of gains and losses on hedging instruments. The increase after tax of EUR 297.8 million in 2010 is largely the effect of increasing gas prices on a long position.

The settled transactions relating to future financial years amount to EUR 0 million. In 2009 the settled transactions relating to future financial years amounted to EUR 18.0 million. This concerned positions in derivative financial instruments that were taken to hedge the gross margin on gas supplies, as well as the early settlement of an electricity contract for which the reserve will be released to profit or loss over the coming years.

During 2010 the large majority of cash flow hedges relationships were effective. At 31 December 2010, one hedge relationship contained an ineffective portion.

Broken down by commodity type, the loss from the ineffective portion in electricity contracts was EUR 0 million (2009: loss of EUR 6.9 million) and EUR 12.2 million in gas contracts (2009: loss EUR 0.2 million). In the income statement, the ineffective portion is recognised under gains/losses from derivative financial instruments (note 3).

The comparative changes in the reserve for financial instruments during 2009 is broken down in the following table. The table has been adjusted to reflect the breakdown by commodity type as used in management reports.

	Electricity	Gas and other fuels	Total before tax	Total after tax
Balance at 1 January 2009	145.0	(64.2)	80.8	44.6
Change during the year recognised in profit or loss	(101.5)	319.8	218.3	167.5
Fair value changes ¹	170.2	(366.3)	(196.1)	(140.8)
Settlement of transactions relating to future financial years	7.4	10.6	18.0	13.4
Deconsolidation	37.7	--	37.7	28.7
Balance at 31 December 2009	258.8	(100.1)	158.7	113.4

¹ In the balance sheet, the Reserve for financial instruments also reflects the fair value of the derivative financial instruments to which cash flow hedge accounting is applied. On the future settlement of the hedged transactions underlying these instruments, their fair values are recognised in profit or loss as well as the opposite changes in the Reserve for financial instruments, so that the effects on the result offset each other. Hence, each underlying transaction is effectively recognised in profit or loss at its hedged price

Foreign currency risks

Given the international dimension of its operations and its strong presence in commodity trading, the Group is exposed to the risks of exchange rate fluctuations in several currencies, the US dollar and Pound sterling in particular.

The objective of the foreign currency risk policy is to hedge against the foreign currency risks on positions taken in foreign-currency forward contracts, both short term and long term. The Group uses financial instruments, such as cross currency swaps and forward currency contracts, to mitigate fluctuations in expected cash flows as much as possible. These fluctuations stem from the risk exposures of forward currency positions that arise in the normal course of business. It is no group policy to take speculative positions in foreign exchange.

The table below shows purchase and sale transactions. Transactions are concluded as forward currency contracts that qualify as financial instruments.

	< 1 year	Notional amount ¹		Total 2010
		1-5 years	> 5 years	
Forward currency contracts purchased	(2,337.7)	(3,092.3)	(94.7)	(5,524.7)
Forward currency contracts sale	2,078.8	2,707.7	57.9	4,844.4

¹ Notional amount refers to the gross underlying value

	Fair value			Total 2010
	< 1 year	1-5 years	> 5 years	
Forward currency contracts purchased	77.0	143.1	4.9	225.0
Forward currency contracts sale	(59.3)	(118.4)	(2.4)	(180.1)

All currency contracts are level II instruments.

The fair values of the forward currency contracts are estimated using discounted cash flows, taking into account terms, as well as currency and interest rate movements. Information from external sources is used in the calculations: Euribor's website for yields in the Euro, and Bloomberg data for yields in other currencies.

Further there are receivables and payables in foreign currencies. The total accumulated USD positions ultimo 2010 amount to a receivable of 12.9 million (2009: USD 81 million) which is valued at 9.4 million (2009: EUR 56 million). Total accumulated GBP positions ultimo 2010 amount to a liability of 5.2 million (2009: GBP 18 million) which is valued at 6.1 million (2009: EUR 20 million). A rise or fall of 0.5% in the yield has no material effect on the foreign exchange gains and losses in profit or loss.

The comparative amounts for 2009 were as follows. The table has been adjusted in order to reflect the total amounts for all forward currency sales and purchase contracts.

	Notional amount ¹			Total 2009
	< 1 year	1-5 years	> 5 years	
Forward currency contracts purchased	(1,855.9)	(2,351.0)	(139.4)	(4,346.3)
Forward currency contracts sale	1,295.2	1,782.5	75.8	3,153.5

¹ Notional amount refers to the gross underlying value

	Fair value			Total 2009
	< 1 year	1-5 years	> 5 years	
Forward currency contracts purchased	(49.9)	(63.7)	(3.1)	(116.7)
Forward currency contracts sale	25.7	18.2	0.7	44.6

Credit risks

The credit risks in deregulated markets are greater than those in regulated markets. In view of the economic slowdown following the credit crisis, numerous steps were taken during the year under review to bring the credit risks further under control. As in 2009, Service & Sales purchased credit insurance for the B2B channel covering the 2010 supply year.

Because of the Group's activities on the wholesale market, it is exposed to credit risks, the most significant component being the mark-to-market (MtM) risk exposure of in-the-money contracts and account-receivable exposure of supplies made.

The Group uses a variety of instruments to manage credit risks, including Master Agreements and Margining Agreements, as well as various credit support instruments, such as guarantee deposits and bank guarantees. Credit limits are allocated to all counterparties and monitored on a daily basis. Credit limits are allocated on the basis of economic capital, which is customary market practice.

Following the advent of the credit crisis, Essent Trading took various measures aimed at reducing credit risks in its dealings with trading partners. Thresholds under the margining agreements concluded with financial institutions were lowered, mostly to zero, to reduce its MtM exposure. In many cases, internal credit limits were lowered and dealings with a number of trading partners ceased.

Maximum credit risk

The maximum credit risk generally equals the carrying amount of all financial assets recognised in the balance sheet. The only exception to this rule are financial assets held under trading operations, notably trade receivables and derivative financial instruments relating to forward commodity and forward currency contracts. At 31 December 2010, the carrying amounts and maximum credit risks for these items were:

	31 December 2010	31 December 2009
Derivate financial instruments under non-current assets	589.1	991.8
Derivate financial instruments under current assets	828.4	1,571.5
Trade receivables under current assets	1,270.3	1,298.2
Total carrying amount	2,687.8	3,861.5
Maximum credit risk	1,712.8	1,549.7

The assets' carrying amounts do not equal the maximum credit risk arising on the trading operations. This is because the total position in receivables and liabilities is determined per trading partner and includes contracts classified as "own use". These are not recognised in the balance sheet. The Essent Trading business unit is the Group's largest trading entity. Accordingly, the carrying amount and maximum credit risk are largely allocated to this business unit. The credit risk is not concentrated to a few trading partners, but is divided over many trading partners. In assessing trading partners' credit positions, Essent Trading prefers a minimum required credit rating of BBB-. At 31 December 2010, 99.98 % of Essent Trading's positions outstanding met this requirement (31 December 2009: 95%). To hedge against its credit risk, Essent Trading received guarantee deposits worth EUR 147.3 million (2009: EUR

419.3 million). In addition, trading partners also issued guarantees. Detailed information on these securities can be found in notes 22 and 35.

Liquidity risks

Liquidity risk is the risk of the Group failing to meet its payment obligations. To assess whether the available credit facilities are adequate, Corporate Treasury draws up rolling liquidity forecasts.

In 2009, Essent Trading recognised a provision for liquidity risks relating to the commodity market. It reflects the potential loss incurred when open positions are immediately closed in an illiquid market. The loss is calculated on the basis of the difference between bid and ask price, which reflects the liquidity of the market. The provision covers the open position in financial instruments classified as held for trade. At 31 December 2009, the provision amounted to EUR 0.1 million. It formed part of the gains/losses from derivative financial instruments (note 3). In 2010 no provision is formed.

To illustrate the company's liquidity position over the coming years, the table below shows the contractual cash flows on undiscounted basis of present financial obligations. It does not show cash flows relating to contracts qualifying as financial instruments. For approximate cash flows on a net basis, i.e. purchase and sale combined, reference is made to the sections on forward commodity contracts and forward currency contracts in this note. These cash flows are on an undiscounted basis.

in million of euros	Carrying amount	Contractual cash flows			
		< 1 year	1 – 5 years	> 5 years	Total
At 31 December 2010					
<i>Loans taken out:</i>					
Principal amount	21.2	--	--	28.2	28.2
Financial lease commitments	0.9	0.2	0.7	--	0.9
Creditors	1,530.6	1,530.6	--	--	1,530.6
Other payables	722.3	722.3	--	--	722.3
<i>Contingent liabilities¹</i>					
Total	2,275.0	2,253.1	0.7	28.2	2,282.0

¹ For cash flows on an undiscounted basis of contingent liabilities we refer to note 34

The comparative amounts for 2009 were as follows:

in million of euros	Carrying amount	Contractual cash flows			
		< 1 year	1 – 5 years	> 5 years	Total
At 31 December 2009					
<i>Loans taken out:</i>					
Principal amount	102.2	21.5	45.4	35.3	102.2
Interest	25.2	4.6	10.2	10.4	25.2
Financial lease commitments	3.1	0.6	1.4	1.1	3.1
Creditors	1,949.9	1,949.9	--	--	1,949.9
Other payables	481.7	481.7	--	--	481.7
<i>Contingent liabilities¹</i>					
Total	2,562.1	2,458.3	57.0	46.8	2,562.1

¹ For cash flows on an undiscounted basis of contingent liabilities we refer to note 34

Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt (borrowings minus cash and cash equivalents).

	2010	2009
Equity	6,846.9	6,273.6
Non-current interest bearing liabilities	21.2	80.7
Current interest bearing liabilities	2.9	28.0
Cash and cash equivalents	(64.5)	(196.4)
Total	6,806.5	6,185.9

During 2010 the group's strategy was unchanged from 2009. One objective of the Group's financial policy is to maintain a stable credit rating. Apart from the available cash resources, the cash flow from continuing operations is the main source of finance for Essent. Finance the company raises on the capital market is restricted to borrowings. Besides that, the Group obtains funding from its shareholder.

Another objective of Treasury policy is to have a maximum of 40% of interest-bearing liabilities as current at the end of 2010, the current portion was nil (2009: 25.8%).

NOTE 29 NOTES TO THE CASH FLOW STATEMENT

In preparing the consolidated cash flow statement, the following were included under the item net cash and cash equivalents:

	2010	2009
Cash at bank and cash balances	64.5	196.4
Bank overdraft	(2.9)	(6.0)
Total	61.6	190.4
<i>Grants received:</i>		
Government grant/MEP funds included in profit for the year from continuing operations	129.5	166.2
<i>Share of result of joint ventures and associates:</i>		
Share of profit	(32.3)	(38.4)
Dividend received	16.5	13.6
Gain from the sale of associates	(6.1)	(886.7)
	(21.9)	(911.5)
<i>Change in operating working capital:</i>		
Increase in receivables and prepaid expenses	(559.3)	(1,161.4)
Increase/decrease in inventories	(26.2)	52.9
Increase/decrease in trade and other payables	108.5	1,504.1
	(477.0)	395.6
<i>Cash flow from investing activities:</i>		
Additions to property, plant and equipment	(626.6)	(625.3)
Additions to intangible assets	(16.0)	(25.1)
	(642.6)	(650.4)
<i>Proceeds from sale of property, plant, equipment and intangible assets:</i>		
Result on the sale of assets	(1.2)	143.1
Carrying amount of these assets	2.5	182.9
	1.3	326.0

NOTE 30 RELATED PARTIES

Transactions with related parties are at arm's length prices. Year-end receivable and liability positions are not retained, and usually settled in cash. No guarantees are received or given respectively for receivables and liabilities concerning related parties. The adjustment in 2010 for doubtful debts was nil (2009: nil).

The group distinguishes the following related parties: the ultimate parent company RWE AG, the indirect parent company GBV Zwanzigste Gesellschaft für Beteiligungsverwaltung mbH, the direct parent company RWE Benelux Holding B.V., other RWE group companies, joint ventures, associates and managers in key positions.

As part of the acquisition transaction structure, Essent N.V. provided a loan to the direct parent company. The nominal amount of the loan amounts to EUR 3,255 million. In accordance with the contract no repayment took place in 2010. Repayment takes place by lump sum on 30 September 2012. The interest rate is 3-months EURIBOR plus 0.6%. In 2010 this was an average percentage of 1.40%. The interest income 2010 amounts to EUR 46 million. In the normal course of business during 2010, transactions in financial assets for a total amount of EUR 116 million (2009: EUR 11 million) were concluded with RWE Benelux Holding B.V. next to the mentioned loan.

In 2010 Deutsche Essent GmbH, RWE Supply and Trading Switzerland SA and RWE Innogy Windpower Netherlands B.V. were sold to RWE companies. Detailed information on these sales is given in note 13.

There were no other transactions with the indirect parent company and the ultimate parent company.

In the normal course of business during 2010, transactions in financial assets and financial liabilities for a total amount of respectively EUR 160 million (2009: EUR 146 million) and EUR 91 million (2009: EUR 165 million) and sales and purchase transactions for a total amount of respectively EUR 35 million (2009: EUR 19 million) and EUR 188 million (2009: EUR 2 million) were concluded with RWE Supply & Trading GmbH.

In the normal course of business during 2010, transactions in current accounts for a total amount of EUR 849 million (2009: nil) were concluded with RWE Eemshaven Holding B.V. These transactions serve to finance the construction project at Eemshaven. With RWE Benelux Holding B.V. a management service agreement has been concluded that assigns management tasks and certain services with regard to RWE Eemshaven Holding B.V. to Essent N.V.

In the normal course of business during 2010 after the sale of RWE Supply & Trading Switzerland SA, transactions in financial assets and financial liabilities for a total amount of respectively EUR -106 million and EUR 28 million and sales and purchase transactions for a total amount of respectively EUR 56 million and EUR 161 million were concluded with RWE Supply and Trading Switzerland SA.

In the normal course of business during 2010 after the sale of RWE Innogy Windpower Netherlands B.V., transactions in financial assets for a total amount of EUR -11 million and sales and purchase transactions for a total amount of respectively EUR 0 million and EUR 5 million were concluded with RWE Innogy Windpower Netherlands B.V.

In the normal course of business during 2010, sales transactions amounting to EUR 213.7 million (2009: EUR 209.3 million) were concluded with joint ventures.

In the normal course of business during 2010, purchase transactions amounting to EUR 261.8 million (2009: EUR 461.0 million) were concluded with joint ventures.

In the normal course of business during 2010, sales transactions amounting to EUR 95.3 million (2009: EUR 85.1 million) were concluded with associates.

In the normal course of business during 2010, purchase transactions amounting to EUR 108.6 million (2009: EUR 110.6 million) were concluded with associates.

The receivable and liability positions with joint ventures, associates and other related parties are disclosed separately in the notes to the balance sheet.

Information on transactions with managers in key positions is given in note 32.

NOTE 30.1 GROUP COMPANIES

	Location	Interest held by Essent Group 31 December 2010	Interest held by Essent Group 31 December 2009	Section 403 declaration
Deutsche Essent GmbH ¹	Düsseldorf	0.0%	100.0%	No
Eemspolder LP B.V. ¹	Groningen	0.0%	100.0%	No
Energiedirect B.V.	Waalre	100.0%	100.0%	Yes
Enerservice Maastricht B.V.	Maastricht	100.0%	100.0%	Yes
Essent Belgium N.V.	Antwerp	100.0%	100.0%	No
Essent Energie Gasspeicher GmbH ²	Düsseldorf	0.0%	100.0%	No
Essent Energie Productie B.V.	's-Hertogenbosch	100.0%	100.0%	No
Essent Energie Systemen B.V.	Arnhem	100.0%	100.0%	Yes
Essent Energy Group B.V.	Arnhem	100.0%	100.0%	Yes
Essent Energy Systems Noord B.V.	Zwolle	100.0%	100.0%	Yes
Essent Energie Verkoop Nederland B.V.	's-Hertogenbosch	100.0%	100.0%	Yes
RWE Supply & Trading Netherlands B.V. ³	Eindhoven	100.0%	100.0%	Yes
Essent IT B.V.	Arnhem	100.0%	100.0%	Yes
Essent Nederland B.V.	Arnhem	100.0%	100.0%	Yes
Essent Peelland B.V.	Arnhem	100.0%	100.0%	Yes
Essent Personeel Service B.V.	Arnhem	100.0%	100.0%	Yes
Essent Projects B.V.	's-Hertogenbosch	100.0%	100.0%	Yes
Essent Retail Bedrijven B.V.	Arnhem	100.0%	100.0%	Yes
Essent Retail Energie B.V.	's-Hertogenbosch	100.0%	100.0%	Yes
Essent Sales Portfolio Management B.V. ²	's-Hertogenbosch	100.0%	0.0%	Yes
Essent Shared Service Center B.V.	's-Hertogenbosch	100.0%	100.0%	Yes
Essent Support Group B.V.	Arnhem	100.0%	100.0%	Yes
Essent Toegevoegde Waarde Diensten B.V. ⁴	Arnhem	0.0%	100.0%	No
RWE Supply & Trading Switzerland S.A. ^{1,3}	Geneva	0.0%	100.0%	No
Essent Local Energy Solutions B.V. ³	Arnhem	100.0%	100.0%	Yes
Essent Zuid B.V.	Waalre	100.0%	100.0%	Yes
Hortimax B.V.	Pijnacker	100.0%	100.0%	Yes
Hortimax Holding B.V.	Pijnacker	100.0%	100.0%	Yes
RWE Innogy Windpower Hannover GmbH ^{1,3}	Hannover	0.0%	100.0%	No
KW Eemsmond B.V. ¹	Zwolle	0.0%	100.0%	No
Montera Techniek B.V.	Pijnacker	100.0%	100.0%	Yes
N.V. PNEM	's-Hertogenbosch	100.0%	100.0%	Yes
Powerhouse B.V.	Almere	100.0%	100.0%	Yes
Westland Energie Services B.V.	Poeldijk	100.0%	100.0%	Yes
Warmtedistributiemaatschappij Oost-Brabant N.V. ⁴	Helmond	0.0%	100.0%	No
RWE Energy Nederland N.V.	Hoofddorp	100.0%	100.0%	Yes

¹ Sold in 2010

² Contributed in 2010

³ Name change in 2010

⁴ Activities transferred to other group companies

NOTE 30.2 JOINT VENTURES AND ASSOCIATES

The significant joint ventures and associates are:

	Location	Interest held by Essent Group 31 December 2010	Interest held by Essent Group 31 December 2009
Joint ventures			
Delesto B.V.	Delfzijl	50.0%	50.0%
EdeA V.O.F.	Geleen	50.0%	50.0%
N.V. Energie Wacht Groep	Zwolle	50.0%	50.0%
V.O.F. Dobbestroom	Veendam	50.0%	50.0%
V.O.F. Hunzestroom	Veendam	50.0%	50.0%
V.O.F. Warmte/Kracht Maastricht Mill ¹	Maastricht	0.0%	50.0%
Windpark Zuidermeerdijk C.V. ¹	Soest	0.0%	50.0%
Kemkens B.V.	Oss	49.0%	49.0%
Associates			
Desco B.V.	Dordrecht	33.3%	33.3%
Desco C.V.	Dordrecht	33.3%	33.3%
Electrorisk Verzekeringsmaatschappij N.V.	Arnhem	26.7%	26.7%
Elsta B.V.	Middelburg	25.0%	25.0%
Elsta B.V. & CO C.V.	Middelburg	24.8%	24.8%
Energiewacht B.V.	Veendam	50.0%	50.0%
NV KEMA	Arnhem	25.3%	25.3%
Vliegasonie B.V.	De Bilt	36.8%	36.8%

¹ Sold in 2010

A complete list of consolidated Group companies, joint ventures and associates is filed at the 'Chamber of Commerce for Central Gelderland' in Arnhem.

NOTE 31 COMMITMENTS AND CONTINGENCIES

CROSS-BORDER LEASES (US AND GERMAN)

Commencing in 1994, Essent NV ("Essent") group companies, former group companies and/or their respective predecessors entered into various US-Dutch cross-border lease transactions in respect of both commercial and network assets ("CBLs"). A substantial number of these transactions have been terminated on a consensual basis since the original closings and, except as otherwise specifically noted herein, the description below relates only to those CBLs that remain in effect as at 31 December 2010.

In 1996, four (4) German-Dutch leases were concluded on the gas and steam turbines at the Moerdijk combined heat and power plant. These leases generally do not form part of the description following hereafter since the last one of these leases was terminated in June 2010.

The CBLs

The CBLs were entered into with US investors and Dutch and foreign lenders and collateral support providers. When entering into the CBLs, the US investors often established separate legal entities, some in the form of trusts.

Ownership unbundling

Prior to the implementation of ownership unbundling, Essent N.V. had delivered guarantees in respect of the CBLs relating to both network and commercial assets. Upon ownership unbundling, Enexis B.V. (the network operator of the separated regulated group) also delivered guarantees in respect of all CBLs that had not previously been terminated, again including with respect to the CBLs relating to network as well as commercial assets.

Although the CBLs with respect to network assets are now administered by entities in the Enexis group, certain matters relating to such CBLs are addressed in the descriptions below by reason of *inter alia* the continuing Essent N.V. guarantees with respect thereto.

Consensual Termination of CBLs

As a way of managing the inherent risk associated with the CBLs, Essent has consummated a substantial number of consensual early terminations with respect to the CBLs (the "Consummated Terminations").

The terminations consummated in 2010 at Enexis are the primary cause of the decrease in financial exposures and collateral values referenced in this report for the CBLs as at 31 December 2010 in comparison to 31 December 2009.

CBLs – General

The CBLs are subject to conditional and unconditional contractual rights and obligations.

CBLs are long term leasing transactions under which the use of, or similar rights with respect to, assets were transferred to investors (or special trusts established for the benefit of such investors) for extended periods of time and subsequently leased back from the investors (or trusts) for shorter periods of time. The investors' (or trusts') interests in the assets were pledged or assigned to various financial institutions that provided loans to the investors (or trusts) to fund the acquisition of such interests. At the end of the respective lease back periods, the relevant lessee entities have the right (subject to certain conditions) to purchase the interests of the investors (or trusts) in the relevant assets by payment of an agreed amount (established at the closing of the transactions and sufficient to repay all equity and debt amounts) pursuant to a fixed price purchase option. If the fixed price purchase options are exercised, it is expected that amounts payable in connection therewith would (i) be funded

from the proceeds of financial instruments purchased at the time the transactions were entered into and/or separately established reserves (or any replacements thereof from time to time) (collectively, the "Financial Instruments") or (ii) result in payments to Essent Energie Productie B.V. that presently holds certain debt issued in connection with the CBLs.

As in previous years, the structure of the transactions does not require that the rights and obligations under the CBLs be included in Essent N.V.'s balance sheet, nor in that of any other Essent subsidiary.

Other disclosures

Certain aspects of the CBLs that remained in place as at 31 December 2010 can be summarised as follows:

	Year of contractual termination option ¹	Net book-value at 31-12-2010 ¹	Transaction value at inception of CBL ¹	Equity Termination Value at 31-12-2010 ²	Equity Termination Value at 31-12-2009 (For CBLs that remain in effect at 31 December 2010) ²
<i>Amounts in millions</i>		EUR	USD	USD	USD
Generating facilities	2016-2017	120	744	237	239
		EUR	EUR	EUR	EUR
Total US CBL's		120	558	178	166

¹ This column shows information for the CBLs that remain in effect as at 31 December 2010

² Excluding the debt portion of the "Termination Values" in respect of which (i) financial instruments, other collateral or internal reserves have been established and/or (ii) the relevant lender is a member of the Essent group

The CBLs are subject to early termination if certain events (as defined in the contracts) occur. Early termination events may include (but are not limited to) events of default and events of loss.

If an early termination event were to occur, the relevant lessees (and thus Essent N.V. also) could be liable for considerable Termination Value payments (and other related damages, indemnities and financing costs) to the US investors and/or other parties involved in the CBLs. If an event of default occurs, the CBL parties will also have other (amongst other possessory) remedies.

As at 31 December 2010, the aggregate net financial exposure for the remaining commercial and network asset CBLs, which would be payable to and/or at the direction of the US investors (or their trusts) were an early termination event to occur and financial damages were to be claimed, was estimated at approximately USD140 million (allocated USD130 million to the generating facility CBLs of Essent and USD10 million to the energy network CBLs of ENEXIS).

The estimated net financial exposure referenced above is calculated as the difference between (i) the aggregate Termination Value of USD1,045 million under all CBLs (inclusive of all equity and debt related portions of Termination Value, other than the Termination Values attributable to the debt held by a member of the Essent group in the generating facility CBLs) and (ii) the estimated valuations of the Financial Instruments and/or other relevant arrangements and reserves, plus incremental (swap and other) breakage and similar or related costs and other liabilities under the CBLs that Essent believes, based on its business judgment, may be payable in connection with an early termination of the CBLs.

Such exposure is sensitive to inter alia the value of the Financial Instruments, which may be affected by movements in interest rates and credit spreads). The portion of the net financial exposure not covered by the Financial Instruments is from Essent's perspective also sensitive to movements in the USD/EUR exchange rate.

CBL Rentals

The contractual CBL-rental obligations for the next five years in respect of all commercial CBLs that remain in effect are shown in the following table:

<i>in millions of USD</i>	2011	2012	2013	2014	2015	>2016	Total
Commercial CBLs	56	55	55	55	55	82	358

CBL Related mortgages and similar items

Under the terms of some CBLs, mortgages, pledges or other security rights have been placed on the underlying assets. For generating facility CBLs the net book value of the assets concerned as at 31 December 2010 is approximately EUR 120 million.

Letters of credit and other collateral on cross-border lease transactions

Under the terms of the remaining generating facility CBLs, letters of credit ("LCs") and/or other collateral instruments are required to be delivered and maintained (subject to minimum rating standards) in certain circumstances (including as a result of (i) the failure to satisfy specified credit rating tests, (ii) certain changes in respect of the identity of Essent's shareholders, (iii) breaches of financial covenants and/or (iv) the occurrence of certain adverse Dutch legislative or regulatory changes).

Essent has entered into a facility with a consortium of banks for the delivery of letters of credit and/or bank guarantees with respect to the generating facility CBLs and, as at 31 December 2010, the relevant coverage amounts for LCs issued there under was equal to approximately USD 72 million (USD 54 million as from 2 January 2011). Such facility provides coverage for USD 100 million of LCs (at 31 December 2009 USD 175 million, prior to a reduction initiated by Essent to bring the same in line with estimated future requirements).

The above mentioned LC coverage amounts apply as at 31 December 2010 and are sensitive to changes in the values of the relevant underlying Financial Instruments and to the level of US interest rates.

Essent understands that LCs are presently in place for CBLs relating to network assets.

Purchase commitments

The Group uses gas and other fuels to generate electricity and has entered into long-term contracts with expiry dates ranging from 2011 to 2022. At year-end 2010, the purchase commitments amounted to EUR 2,221.8 million (2009: EUR 3,733.1 million, expiry dates from 2010 to 2022).

	< 1 year	1-5 years	> 5 years	Total 2010	Total 2009
Electricity	360.0	488.8	55.3	904.1	713.8
Gas	367.4	390.3	37.8	795.5	2,232.4
Other fuels	45.7	94.0	--	139.7	408.1
Other contracts	26.6	151.2	204.7	382.5	378.8
Total	799.7	1,124.3	297.8	2,221.8	3,733.1

Capital commitments

At year-end 2010, the Group had outstanding capital commitments for additions to intangible assets and property, plant and equipment amounting to EUR 281.1 million (2009: EUR 675.3 million).

Sale commitments

The Group enters into long-term sales contracts with variable terms and different contractual conditions for supplying electricity and gas. At year-end 2010, the sale commitments undertaken amounted to EUR 6,508.4 million (2009: EUR 5,902.5 million).

Guarantees provided

The Group has provided guarantees to third parties for contractual commitments relating to underlying business activities. Section 403 statements have been issued for most of the Dutch group companies, making Essent N.V. liable for their debts.

Excluding guarantees it had given relating to the Cross-Border Leases, guarantees issued by the Group for third parties amounted to EUR 2,002.9 million at year-end 2010 (2009: EUR 2,523.1 million).

	Term in years			2010	2009
	< 1 year	1-5 years	> 5 years		
Guarantees on behalf of group companies	24.3	31.9	8.7	64.9	2,464.3
Guarantees on behalf of RWE group companies	82.8	41.8	1,765.0	1,889.6	--
Other guarantees	--	--	48.4	48.4	58.8
Total	107.1	73.7	1,822.1	2,002.9	2,523.1

The guarantees for CBLs are explained in the first section of this note.

In respect of trading activities for its positions in derivative financial instruments, the Group has made guarantee deposits, which are disclosed separately in the balance sheet (see note 20).

Guarantees received

At year-end 2010, the Group had received guarantees amounting to EUR 894.7 million from third parties (2009: EUR 1,807.4 million).

	Term in years			2010	2009
	< 1 year	1-5 years	> 5 years		
Derivate financial instruments	146.7	26.5	188.5	361.7	594.0
Receivables from joint ventures and associates	--	--	91.0	91.0	91.0
Other guarantees	361.0	79.4	1.6	442.0	1,122.4
Total	507.7	105.9	281.1	894.7	1,807.4

The guarantees relating to the trading in derivative financial instruments are intended to mitigate the credit risks on these instruments. Most of them are bank guarantees. In connection with these trading activities, the Group has also received guarantee deposits, disclosed separately in the balance sheet (see note 20).

Information on the guarantees for receivables from joint ventures and associates is provided in note 17, Other financial assets.

The rest of the guarantees received mainly relate to the quality of certain ongoing investment projects.

Operating leases: Group as lessee

The Group has entered into rental and lease contracts for vehicles, buildings, plants, inventory, etc. The Group assumes for its day-to-day operations that when a contract expires it will be renewed or replaced. The operating lease expenses recognised in profit or loss came to EUR 34.7 million (2009: EUR 33.8 million).

Based on current contracts, the total liability at year-end 2010 amounted to EUR 95.2 million (2009: EUR 253.8 million).

	Term in years			2010
	< 1 year	1-5 years	> 5 years	
Rental and lease	18.0	51.4	25.8	95.2

The comparative operating lease commitments were as follows:

	Term in years			2009
	< 1 year	1-5 years	> 5 years	
Rental and lease	27.2	83.8	142.8	253.8

'Sale and leaseback' transactions

In 2010 no sale and leaseback transactions were effected.

In the past, the Group entered into sale and leaseback transactions in connection with a number of small and midsize cogenerating power plants. The assets were leased back under finance leases and included under property, plant and equipment. Effective 2008, the commitments under the sale and leaseback transactions have been included under operating lease commitments.

Legal proceedings and disputes

At 31 December 2010, a number of group companies were involved in various legal proceedings and disputes. Provisions have been formed for them as necessary, based on estimates of the financial risk.

Borssele nuclear power plant covenant

On 16 June 2006, Energy Resources Holding B.V. (at that time called: Essent Energie B.V.) ("ERH") entered into the Borssele Nuclear Power Plant Covenant ("Covenant") with the State secretary for Housing, Spatial planning and the Environment, the Minister of Economic Affairs, also acting on behalf of the State secretary of Social Affairs and employment, N.V. Elektriciteits Produktiemaatschappij Zuid-Nederland EPZ ("EPZ") and Delta Energy B.V. ("Delta").

The Covenant provides for the Borssele nuclear power plant to continue operating until 31 December 2033 at the latest. In exchange for such extension of the lifetime of the nuclear power plant, ERH and Delta entered into certain undertakings in relation to CO2 emission reductions, including commitments ("AIP Obligations") to realise additional CO2 emission reductions (in addition to the statutory allocation of emission allowances) of 0.235 million tonnes per year ("Tonnage to be Realised") by means of each realising "additional innovative projects" ("AIP") with a minimum investment value of in total euro 100 million. At the time that the AIP Obligations were entered into by ERH, it did so in its capacity as shareholder in EPZ and group company of Essent. At that time it was the intention of ERH and Essent that the AIP would be developed and would be realised not by ERH itself, but by other companies forming a part of the Essent group.

On 20 February 2009, Essent and RWE AG ("RWE") entered into an Offer, Sale and Purchase agreement for the sale and purchase of Essent ("RWE Transaction"), which has subsequently been amended and restated on a number of occasions. On 10 July 2009, the Arnhem District Court in injunctive proceedings (provisionally) ruled to the effect that Essent's shareholding in ERH and ERH's participation in EPZ were not permitted to be transferred to RWE as a part of the RWE Transaction (which provisional decision has subsequently been confirmed in essence by both the Arnhem Court of Appeal and the Supreme Court; the proceedings on the merits are still pending). As a consequence of such decision, the parties to the RWE Transaction were forced to amend the RWE Transaction with the effect that at the completion of the RWE

Transaction (which took place on 30 September 2009) the entire issued share capital of ERH became (indirectly) held by public shareholders. As a result, ERH no longer forms part of the Essent group of companies.

At the time that the Covenant was entered into, it was not foreseen by the parties thereto that in the future ERH would at some point no longer form part of the Essent group of companies. ERH and Essent have therefore entered into an agreement in order to regulate their legal relationship in respect of the AIP Obligations after completion of the RWE Transaction and after the carve-out of ERH from the Essent group of companies. This agreement stipulates, amongst other things, that (i) the parties thereto shall cooperate in respect of the AIP Obligations, (ii) Essent shall procure that the AIP Obligations of ERH shall be performed as if it were its own obligations under the Covenant and (iii) the costs of the development and realisation of the AIP shall be borne by Essent. In no event shall the sum of the liability of Essent and any and all group companies involved in the AIP in connection with the agreement in the aggregate exceed the amount of euro 100 million.

NOTE 32 REMUNERATION OF THE EXECUTIVE AND SUPERVISORY BOARDS

Remuneration of Executive Board members

The amounts for 2009 contain the remuneration of the former Executive Board members (before transfer of shares to RWE Benelux holding B.V.) and the remuneration of the current Executive Board members.

The share-based payments made to Executive Board members amount to EUR 76,653 (2009: nil). The number of shares granted is 10,215 for the three-year vesting period and 11,332 for the four-year vesting period. For a further description of the share-based payment programme we refer to the notes to the employee benefits provision.

<i>in thousands of Euros</i>	2010	2009 ¹
Short term employee benefits	3,232.7	2,385.5
Post-employment benefits	1,367.2	1,966.0
Other long-term benefits	--	--
Termination benefits	--	--
Share-based payment	76.7	--
Executive Board members total	4,676.6	4,351.5

¹ Comparative figures have been adjusted to present the correct allocation of charges over the years

Remuneration of Supervisory Board members

The remuneration for members of the Supervisory Board on behalf of RWE AG was set at nil. Other Supervisory Board members receive a fixed cost allowance. The total remuneration paid to Supervisory members amounts to EUR 67.000 (2009: EUR 373.452).

NOTE 33 EVENTS AFTER THE BALANCE SHEET DATE

No subsequent events occurred that could have a significant impact on these financial statements.

COMPANY

FINANCIAL STATEMENTS 2010

COMPANY INCOME STATEMENT

in millions of euros

	<i>NOTE</i>	2010	2009
Share of result of subsidiaries, joint ventures and associates, after tax		681.8	3,332.5
Balance of other income and expenses, after tax	2	80.6	1,058.1
PROFIT FOR THE YEAR		762.4	4,390.6

COMPANY BALANCE SHEET
(before proposed profit appropriation)

in millions of euros

ASSETS	<i>NOTE</i>	31 December 2010	31 December 2009
Financial assets	3	4,490.2	8,980.3
NON-CURRENT ASSETS		4,490.2	8,980.3
Receivables	4	2,626.1	196.2
Cash and cash equivalents	5	0.9	1.0
CURRENT ASSETS		2,627.0	197.2
TOTAL ASSETS		7,117.2	9,177.5

EQUITY AND LIABILITIES	<i>NOTE</i>	31 December 2010	31 December 2009
Issued and paid-up share capital		149.7	149.7
Share premium		1,463.1	1,463.1
Legal reserve		451.9	113.4
Other reserve		4,017.2	154.4
Profit for the year		762.4	4,390.6
EQUITY	6	6,844.3	6,271.2
Provisions	7	68.7	122.7
Deferred tax	8	--	1.9
TOTAL PROVISIONS		68.7	124.6
NON-CURRENT LIABILITIES	9	21.2	20.2
Current interest-bearing liabilities	10	6.8	2,752.1
Current non-interest-bearing liabilities	11	176.2	9.4
CURRENT LIABILITIES		183.0	2,761.5
TOTAL EQUITY AND LIABILITIES		7,117.2	9,177.5

NOTES TO THE COMPANY FINANCIAL STATEMENTS

NOTE 1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Essent N.V. is the holding company of a number of group companies, in the Netherlands and Belgium, that generate, trade and supply energy and various related products and services.

The functional currency of Essent N.V. is the Euro, and, unless otherwise stated, all amounts are in millions of Euros.

The company financial statements of Essent N.V. have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. The accounting policies are the same as those used for the consolidated financial statements in accordance with Section 362(8) of Part 9 of Book 2 of the Dutch Civil Code. Additionally, investments in subsidiaries are recognised at net asset value by the equity method. For the determination of the net asset value of the subsidiaries, the policies of the consolidated financial statements are used. A condensed income statement of Essent N.V. is presented in accordance with Section 402 of Part 9 of Book 2 of the Dutch Civil Code.

Apart from the differences explained below, the same accounting policies are applied as in the consolidated financial statements.

NOTE 2 BALANCE OF OTHER INCOME AND EXPENSES

The balance of other income and expense includes an amount for the remuneration of Executive Board members.

The fixed and variable remuneration items for members of the Executive Board recognised in profit or loss for 2010 and 2009 are explained in note 32 to the consolidated financial statements.

NOTE 3 FINANCIAL ASSETS

Financial assets can be broken down as follows:

	2010	2009
Investments in group companies	1,231.0	5,720.5
Loans to third parties and group companies	3,259.1	3,259.8
Deferred tax	0.1	--
Total	4,490.2	8,980.3

Investments in group companies	2010	2009
At 1 January	5,720.5	6,918.5
Changes of other items recognised through legal reserve	338.5	68.3
Increase of investment	--	100.5
Share of result of subsidiaries, joint ventures and associates	681.8	3,332.5
Share premium repayment	(546.3)	--
Sale of shares investments	(520.9)	(2,899.3)
Dividend received	(4,442.6)	(1,800.0)
At 31 December	1,231.0	5,720.5

Lists of the significant group companies and other related parties are included in note 30 to the consolidated financial statements.

	Loans to related parties (RWE)	Loans to third parties	2010	2009
At 1 January	3,255.0	4.8	3,259.8	41.8
New loans	--	0.2	0.2	3,255.2
Repayments	--	(0.9)	(0.9)	(37.2)
At 31 December	3,255.0	4.1	3,259.1	3,259.8

Loans to related parties (RWE) includes loans to the direct parent company RWE Benelux Holding B.V. as part of the acquisition structure which is provided as per 1 October 2009. The interest rate is 3-months EURIBOR plus 0.6%. In 2010 this was an average percentage of 1.40% (2009: 1.32%). In accordance with the contract no repayment took place in 2010. Repayment takes place by lump sum on 30 September 2012. RWE AG guarantees the repayment of the loans.

NOTE 4 RECEIVABLES

Receivables can be broken down as follows:

	2010	2009
Group companies	2,587.8	12.7
Related parties	--	135.1
Tax and social security contributions	36.8	44.6
Other receivables, prepayments and accrued income	1.5	3.8
Total	2,626.1	196.2

The receivable on group companies mainly increased as a result of received dividend.

NOTE 5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all cash balances. All cash and cash equivalents are freely available. Detailed information on cash and cash equivalents can be found in note 21 to the consolidated financial statements.

NOTE 6 EQUITY

The changes in equity are shown in the statement below:

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium ¹	Legal reserve	Other reserve ²	Profit for the year ²	Equity attributable to shareholders of Essent N.V.
<i>in millions of euros</i>						
At 1 January 2009	149.7	1,362.6	45.1	2,594.6	887.0	5,039.0
Profit for the year	--	--	--	--	4,390.6	4,390.6
Changes legal reserve relating to hedging instruments of subsidiaries	--	--	68.3	--	--	1.6
Changes other reserve relating to joint ventures and associates	--	--	--	3.6	--	3.6
Appropriated result 2008	--	--	--	887.0	(887.0)	--
Dividend paid	--	--	--	(443.5)	--	(443.5)
Dividend in kind ³	--	--	--	(2,887.3)	--	(2,887.3)
Non-stipulated share premium contribution ⁴	--	100.5	--	--	--	100.5
At 31 December 2009	149.7	1,463.1	113.4	154.4	4,390.6	6,271.2
Profit for the year	--	--	--	--	762.4	762.4
Changes legal reserve relating to hedging instruments of subsidiaries	--	--	338.5	--	--	338.5
Appropriated result 2009	--	--	--	4,390.6	(4,390.6)	--
Dividend paid	--	--	--	(527.8)	--	(527.8)
At 31 December 2010	149.7	1,463.1	451.9	4,017.2	762.4	6,844.3

¹ The share premium reserve, other reserve and the profit for the year are freely distributable

² The legal reserve was formed solely for changes in investments for which a reserve for financial instruments was formed at subsidiaries. The legal reserve relates only to fair value changes in derivative financial instruments to which the Group applies cash flow hedge accounting and increases or decreases in the value of investments that the Group classifies as available for sale. The legal reserve is not freely distributable.

³ Relates to a dividend distribution to shareholders in the form of a transfer of shares Enexis Holding B.V. and N.V. Elektriciteit Productiemaatschappij Zuid-Nederland EPZ

⁴ This relates to the non-stipulated share premium contribution of RWE Energy Nederland N.V.

NOTE 7 PROVISIONS

Changes in general provisions can be broken down as follows:

	2009	Addition	Release	With- drawal	Reclassifi- cation	2010
Health insurance costs for (former) employees	9.6	0.4	--	(1.8)	--	8.2
Long-service benefits	0.2	--	--	(0.2)	--	--
Cross-Border Leases	5.4	--	--	(2.1)	--	3.3
Other	107.5	10.3	(8.4)	(19.4)	(32.8)	57.2
Total	122.7	10.7	(8.4)	(23.5)	(32.8)	68.7

Of the total EUR 14.6 million (2009: EUR 29.6 million) can be considered as current. Detailed information on provisions can be found in note 24 to the consolidated financial statements.

None of the other individual provisions under this heading are over EUR 50.0 million. These are mainly provisions for tax related costs and legal and decontamination costs.

NOTE 8 DEFERRED TAX

Deferred tax can be broken down as follows:

	2010	2009
Deferred tax	--	1.9
Total	--	1.9

NOTE 9 NON-CURRENT LIABILITIES

	2010	2009
Private loans	21.2	20.2
Total	21.2	20.2

Information on non-current liabilities can be found in note 23 to the consolidated financial statements.

The future repayment obligations can be broken down as follows:

	2010
< 1 year	--
1-5 years	--
> 5 years	21.2
Total	21.2

NOTE 10 CURRENT INTEREST-BEARING LIABILITIES

	2010	2009
Amounts owed to group companies	6.8	2,752.1
Total	6.8	2,752.1

The amounts owed to group companies mainly decreased as a result of received dividend; refer to note 4.

NOTE 11 CURRENT NON-INTEREST-BEARING LIABILITIES

	2010	2009
Suppliers	5.2	8.8
Liabilities related parties	164.4	--
Interest payable	0.1	0.1
Tax and social security contributions	5.0	0.2
Other liabilities, accruals and deferred income	1.5	0.3
Total	176.2	9.4

The liabilities related parties concern an interest-bearing cash pool arrangement.

NOTE 12 COMMITMENTS AND CONTINGENCIES

Legal proceedings and disputes

At 31 December 2010, a number of group companies were involved in various legal proceedings and disputes. Provisions have been formed for them as necessary, based on estimates of the financial risk.

Guarantees

Essent N.V. has provided guarantees for third parties totalling EUR 1,974.0 million (2009: 2,464.3 million).

	Term in years			2010	2009
	< 1 year	1-5 years	> 5 years		
Guarantees on behalf of group companies	6.6	28.2	1.2	36.0	2,436.6
Guarantees on behalf of RWE group companies	82.8	41.8	1,765.0	1,889.6	--
Other guarantees	--	--	48.4	48.4	27.7
Total	89.4	70.0	1,814.6	1,974.0	2,464.3

NOTE 13 RELATED PARTIES

Information on related parties can be found in note 30 to the consolidated financial statements.

NOTE 14 EMPLOYEES

The number of employees at 31 December 2010 was 54 (2009: 53).

**NOTE 15 SIGNATURES EXECUTIVE BOARD AND SUPERVISORY BOARD
ESSENT N.V.**

Executive Board Essent N.V.

Name : Mr P. Terium

Title : chairman

Date :

Name : Mr A. Blok

Title : Chief Financial Officer

Date :

Name : Mr E. van Laethem

Title : Chief Commercial Officer

Date :

Name : Ms N. Skorupska

Title : Chief Technology Officer

Date :

Supervisory Board Essent N.V.

Name : Mr R. Willems

Title : chairman

Date :

Name : Mr R.M. Schmitz

Title : vice-chairman

Date :

Name : Mr R. Pohlig

Title : member

Date :

Name : Mr E. van Amerongen

Title : member

Date :

Name : Mr F. Thon

Title : member

Date :

OTHER INFORMATION

Independent auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2010 of Essent N.V., Arnhem as set out on pages 12 to 98. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2010, the consolidated income statement, the statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise the company balance sheet as at 31 December 2010, the company income statement for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Executive Board's responsibility

The Executive Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Executive Board Report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Essent N.V. as at 31 December 2010, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Essent N.V. as at 31 December 2010, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Executive Board Report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the Executive Board Report, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

The Hague, 15 March 2011

PricewaterhouseCoopers Accountants N.V.

Original has been signed by drs. W.H. Jansen RA

EVENTS AFTER THE BALANCE SHEET DATE

Information on events after the balance sheet date can be found in note 33 to the consolidated financial statements.

PROPOSED PROFIT APPROPRIATION

Articles of Association provisions governing profit appropriation

In accordance with Article 38 of the Company's Articles of Association, the profit, insofar as such profit is not added to reserves or distributed in accordance with profit rights granted by the Company, shall be at the disposal of the General Meeting of Shareholders. Each share carries identical profit rights.

Proposed profit appropriation of 2010

The 2010 financial statements were prepared by the Executive Board on March 15 2011 and will be submitted for adoption to the General Meeting of Shareholders.

The income statement shows that EUR 762.4 million (2009: EUR 4,390.6 million) of the profit for the year is attributable to the shareholder of Essent N.V. During 2010 an amount of EUR 210.0 million has been distributed as interim-dividend. The proposed appropriation of this portion of the profit for the year is as follows:

	2010	2009
Proposed dividend	552.4	317,8
Distributed interim-dividend	210.0	--
Addition to Other reserve	--	4,072.8
Total	762.4	4,390.6

The above proposed appropriation of profit is not recognised in the balance sheet at 31 December 2010.