

Essent and RWE

A perfect duo for the European energy market

Press conference, 12 January 2009



1. Essent's partnership with RWE

Michiel Boersma, CEO Essent

2. Transaction is driven by strong strategic rationale
3. All Essent's stakeholders benefit from transaction
4. Transaction highlights
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6. Attractive business combination
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8. Summary

New future for Essent through partnership with RWE

- Essent's ambition has been to play a key role in the North West European energy markets. The alliance with RWE helps Essent to fulfill this ambition and is consistent with its longstanding objectives
- Essent is to become part of a top-4 European energy company which in a context of rapidly changing markets, will ensure the long-term continuity of Essent and will provide a major impulse to Essent's ambition to secure a reliable, sustainable and affordable energy supply in The Netherlands
- The transaction follows the decision by the shareholders in June 2008 to reach the required scale for the commercial business by joining or merging with a partner by transfer of shares
- The decision was also motivated by the enforced unbundling of the network activities and the need to address the issue of a public shareholding of purely commercial operations
- The choice of RWE by Essent is the outcome of a competitive process and was made after careful consideration by Essent's stakeholders:
 - tariffs and supply security to its customers
 - employment and career prospects for its employees
 - the future status and achievement of Essent's aspirations
 - energy availability and investment in production capacity and sustainable energy

Position of Essent in the combined company

- The transaction only concerns the commercial energy activities of Essent: its network business will be fully unbundled by Q2 2009 and its waste management business will not be part of the transaction
- Essent will become an independent business unit with its own Supervisory Board reporting directly to the Management Board of RWE and serve as the group's platform for growth in the Benelux region
- Essent's business units will continue to exist
- RWE's current businesses in the Benelux region will be integrated into those of Essent, including:
 - Portfolio of business and retail customers
 - RWE's Powerhouse including a pipeline of large new projects such as a 1,600 MW power plant project in Eemshaven and a 2,000 MW pipeline of off-shore wind projects in The Netherlands
- Only Essent Trading and Essent's renewables activities in Germany will be integrated into RWE's operations
- Essent's main locations such as Arnhem, Den Bosch, Zwolle and Geneva will continue in their current roles

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Decision by shareholders to sell is the result of three main drivers

Risk profile of commercial business

- As a consequence of unbundling, remaining commercial business has volatile profile
- Public shareholding no longer aligned with objectives and financial risks of the commercial business

External market developments

- Scale is essential to operate successfully in European markets
- In the context of European consolidation Essent has become a relatively small player

EU and Dutch energy policies

- High level of investment required especially in renewable energy and CO₂ reduction

On 27 June 2008, Essent's shareholders agreed that the strategy to reach the necessary scale for its commercial business would require a merger with a (foreign) partner by transfer of shares

Scale is essential to ensure available, reliable, affordable and sustainable energy supplies in the long term

Market liberalisation

- Competition from foreign players entering the Dutch market
- Market coupling in North West Europe
- Globalisation of purchasing and trading in coal, gas, biomass, oil and emission allowances

Market consolidation

- Strong consolidation trends across European markets (cf. Recent wave of mergers and acquisitions)
- Concentrated sub-contractor and OEM markets

Regulatory pressure

- Increased transparency and competition stand high on the European political agenda
- Final objective to reduce consumer prices

Energy transition policies

- The EU has ambitious targets:
- Renewable energy (20% by 2020)
- Greenhouse gases reduction (20% by 2020)
- Energy savings (20% by 2020)

Unbundling law

- In the Netherlands, full ownership unbundling has to be implemented by 01/01/2011

Now is the right timing for the transaction

- Market conditions will change quickly after unbundling which can potentially challenge Essent's leading position in The Netherlands in particular given:
 - The relatively small size of Dutch utilities in the context of the European energy markets
 - The increased competition from large and financially strong foreign new entrants in the liberalised Dutch market
- In the next few years, considerable investments are necessary to realise Essent's current strategy (wind energy, CO₂ storage, replacement and expansion of electricity generation). A strong partner will provide not only the financial resources but also the expertise to undertake all investments necessary.
- RWE has appreciated Essent's true value. The terms of the transaction represents a value that has been unaffected by the current economic environment

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Essent's customers will benefit from a stronger and more competitive energy supplier

Security of supply

- The new company will have a much larger and more diversified generation mix as well as a presence in upstream gas
- Belonging to a larger entity improves Essent's ability to invest in new production capacity and secure long term supply contracts

Competitive pricing

- Essent will have a greater purchasing power on the wholesale market therefore improving its competitive position
- Sharing "best practices" between Essent and RWE will contribute to a more efficient organisation

Attractive products and services

- A broader range of products and services will be made available:
 - Gas, electricity and heat at fixed price or long-term contracts
 - Green energy and other sustainable products
 - Multi-energy offerings (gas, electricity, heat)
 - New technologies and services (e.g. micro-CHP, solar PV, energy savings...)

Corporate Social Responsibility

- RWE shares Essent's values and attributes great importance to corporate social responsibility and social matters

Employees will enjoy better development prospects

Improved career development potential

- A stronger and larger company creates more career perspectives for employees:
 - Focus on personal development
 - Opportunities to work abroad and gain international experience
- Investment policy and focus on growth creates opportunities in a high-quality, dynamic and stimulating environment

High-quality employment

- Retention of key functions in The Netherlands
- The head office function and main locations remain
- Support for research at universities
- Strengthen service providers and top-line institutions such as KEMA and ECN

Social responsibility

- Essent and RWE share the vision that their employees are a key asset of a company

Responsible integration process

- Essent's Central Works Council supports the employment paragraph, as this results in employment levels that are not materially different from Essent's own strategic plan
- The Essent social plan will be preserved

Overall society will benefit from a strong and environmentally aware energy company

Security of supply

- Access to better financing conditions will enable Essent to develop further necessary large-scale power generation and gas infrastructure
- This will improve the security of supply in Essent's core markets

Environment

- The new company aims to become a leader in wind energy and other sustainable energies and solutions (e.g. biomass co-firing, CCS, energy savings, electric transportation...)

Social responsibility

- Essent has its business anchored in The Netherlands and Belgium and can provide local employment, education and training opportunities
- Essent's long standing record of cooperation initiatives with local governments (e.g. heat-cold solutions, CHP, but also cultural and CSR) will be continued

Preservation of Knowledge and Employment

- Essent's reinforced market position will ensure that vital knowledge, innovation and high quality employment stays in The Netherlands and Belgium:
 - Subcontractors and high-quality institutes (e.g. KEMA, ECN, universities)
 - Investments in research and development
 - Consultants and subcontractors (e.g. legal, financial, technical staff)

Shareholders will mitigate the risk of owning shares in pure commercial operations

Transfer of commercial risk

- The transfer of Essent PLB shares to RWE, post ownership unbundling, allows shareholders to eliminate the risk associated with the ownership of a purely commercial company, which largely protects them from the impact of the deteriorated economic environment
- Furthermore, the transaction complies with the FIDO law

Possibilities to invest in adequate activities

- Shareholders will have the possibility to invest the realised value in activities in line with their role and mission
- They will be able to do so at a time when it is most needed given the current economic climate

Possibility for Essent to develop further

- The transaction gives Essent's current shareholders the opportunity to let Essent develop further its commercial operations
- This would have been a challenge had Essent remained independent

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Value

- Agreed takeover value for Essent PLB represents an amount of EUR 9.3 bn for 100% of the shares (not including network and waste management activities)
- All cash transaction
- All terms agreed; no additional price adjustments

Timetable

- Closing of the sale process is expected by Q3 2009
- Transaction requires the following approvals:
 - Essent shareholders
 - European competition authorities and possibly the relevant national authorities (NMa, Bundeskartellamt)
- European Works Council, the Essent Central Works Council, the trade unions and the SER have all been informed
- A submission will be made shortly to the Central Works Council for their advice

Governance

- RWE will adopt the *Mitigated Structure Regime*
- Executive Board of four members will lead the new organisation
 - Two members from RWE
 - Two members from the senior management of Essent
- Supervisory Board will have five members
 - Three members appointed by RWE
 - One member appointed will be nominated by the Central Works Council
 - The position of chairman will be filled by an independent Dutch national

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A compelling transaction for all

Key benefits to RWE shareholders and the Netherlands

Excellent strategic rationale and fit with RWE's operations

- > Creation of a leading position in the attractive Dutch energy market and entry into the Belgian market
- > Benefits RWE with a low CO₂ intense generation portfolio and an attractive trading platform in contiguous markets
- > Accelerates achievement of RWE's long term strategic roadmap

Securing energy needs of the Netherlands

- > Essent will obtain access to RWE's commodity supply network as well as pan-European activities such as fuel sourcing, procurement, engineering and other skills
- > RWE commits to continuous investments in power generation ensuring security of supply

¹ Depending on final purchase price allocation

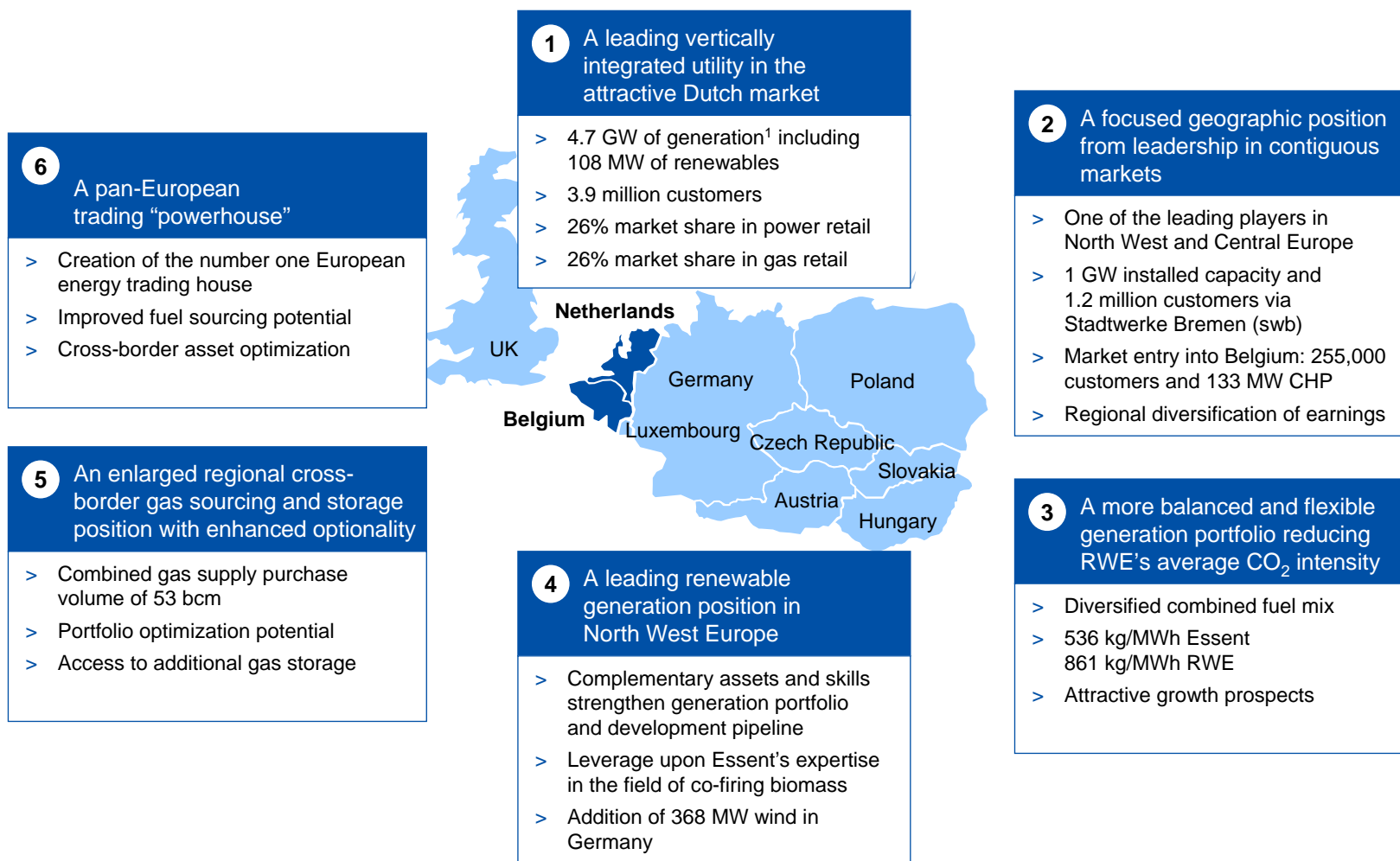
A compelling transaction for all

Key benefits to RWE shareholders and the Netherlands

- > The energy market is undergoing dynamic and drastic changes – RWE takes the lead with Essent, the two joining forces to strengthen their joint position on the European market.
- > With Essent on board, RWE will be one of the leading energy suppliers in North West and Central Europe.
- > Our core markets will now reach from the UK in the northwest to Hungary in the southwest – we will add an important piece to complete the jigsaw.
- > Essent and RWE – quality is our top priority! And that's vital in these uncertain times.
- > The combination of both partners' renewable energies makes us No. 1 in the field of onshore wind power in Germany. Together we have a renewables pipeline of 15,000 MW in wind capacity onshore and offshore.
- > More growth, less CO₂: by integrating Essent's generation mix, RWE improves its CO₂ profile.
- > Essent will expand our gas business. This is based on a joint supply portfolio of 53 billion cubic metres a year.
- > Together, we constitute what is by far Europe's largest trading house.
- > With over four million new customers in the Netherlands and Belgium, RWE now supplies more than 35 million people Europe-wide with electricity, gas and water.
- > Essent's strength is its generation capacity – at 6.2 GW







¹ Depending on purchase price allocation

Strategic rationale: complementary portfolios of regions, assets and skills



¹ Corresponds to installed capacity in the Netherlands only, excluding swb, 368 MW of wind in Germany and 133 MW CHP in Belgium

The intended transaction accelerates the delivery of RWE's strategic roadmap

What we aim to do	Target for 2012	Essent impact
 Defend and expand existing margins in RWE key markets Germany and UK	GER: defend/grow margins on current volumes UK: defend/grow volumes and profitability	
 Increase level of regional diversification	Share of non-German operating result grows from 36% (2007) to 40 – 50%	5 - 10% absolute increase by 2012
 Boost proportion of renewables in our generation portfolio while creating value	More than tripling of installed base to 4,500 MW	More than 1 GW by 2012
 Reduce carbon exposure	Reduction by 20% (compared to 2006 emissions)	CO₂ intensity 40% below RWE's
 Strengthen gas midstream activities	Profitably increase contracted European gas supply purchase volume from 40 to 60 bcm p.a.	13 bcm increase
 Grow equity gas business organically	Doubling of hydrocarbon production by 2012/2013 to 12 bcm p.a.	

A significant investment in the energy needs of the Netherlands

- > Essent and RWE will invest several billion Euros between 2008 and 2012 to guarantee the development and construction of new electricity generation to replace and expand the current generation capacity.
- > Commitment to develop renewable energies in the Netherlands
- > Major energy research and development programme, including CCS technology
- > Access to RWE's diversified gas sourcing portfolio of 40 bcm
- > Access to RWE's pan-European activities such as fuel sourcing, procurement, engineering and other skills

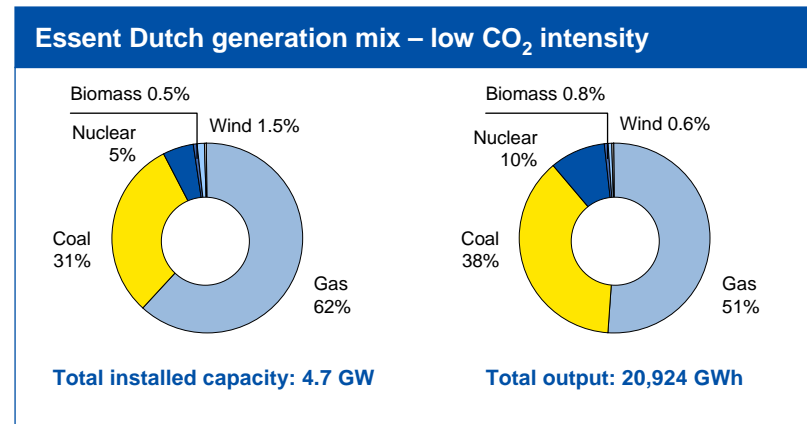
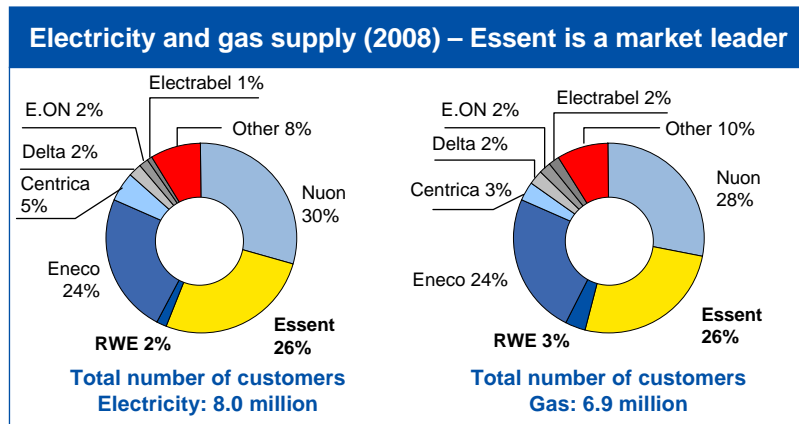
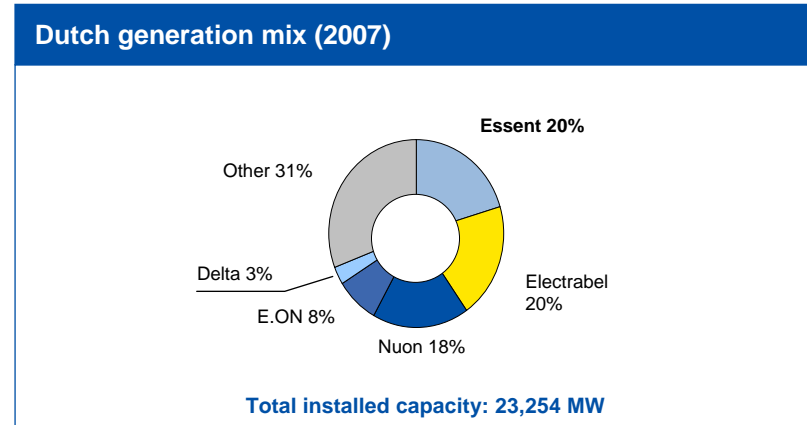
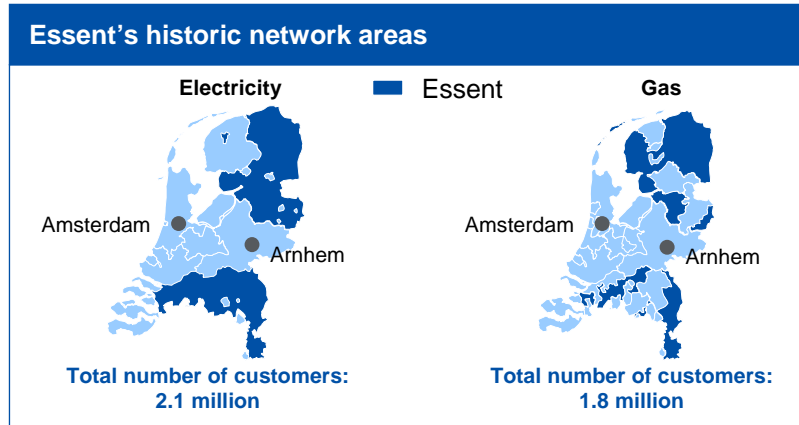
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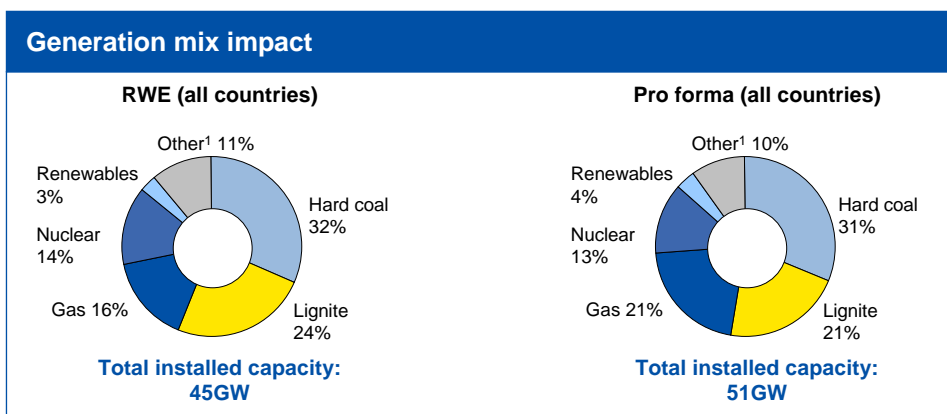
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A leading vertically integrated Dutch utility

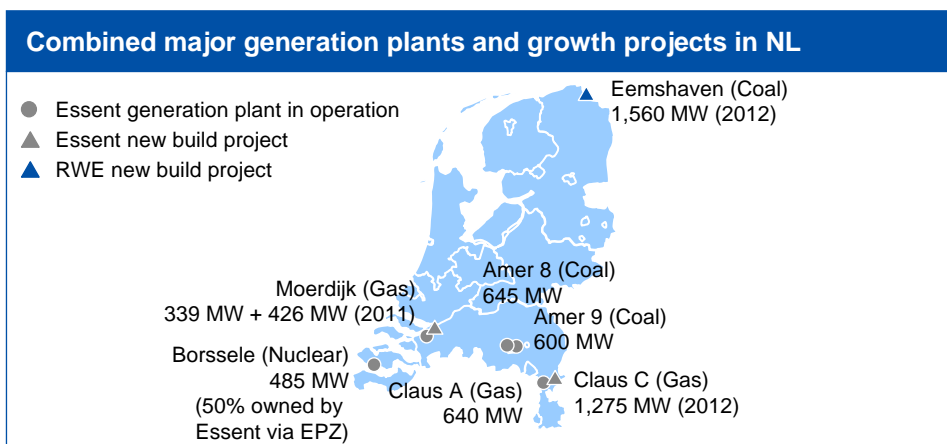


Source: Essent, EnergieNed, GfK

A more balanced and flexible generation portfolio reducing RWE's average CO₂ intensity



- > More balanced generation portfolio along the merit order
- > Increased flexibility of the combined generation portfolio provides additional potential for short term position management
- > Reduction of CO₂ intensity (2007):
 - Essent – 536 kg/MWh
 - RWE – 861 kg/MWh



- > Capacity for biomass co-firing of between 20% to 30% at Essent's Amer 8 and Amer 9 power plants
- > Combined new build projects provide attractive growth potential: 40% additional capacity by 2012

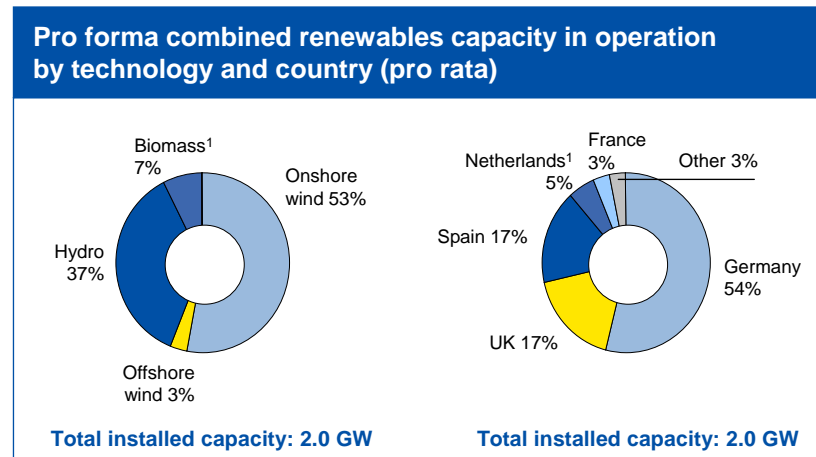
Source: Company information

¹ Pumped storage, oil and other

² Thereof 50% owned by Essent via EPZ

A leading renewable generation position in North West Europe

- > Essent brings 476 MW of renewable generation assets in operation (108 MW Netherlands, 368 MW Germany) and 198 MW under construction to RWE's existing portfolio
- > Essent contributes a 3,000 MW project pipeline
- > Improved diversified regional generation mix
 - Significant increase in Dutch and German onshore wind capacity
- > Strengthened combined project pipeline of 15 GW



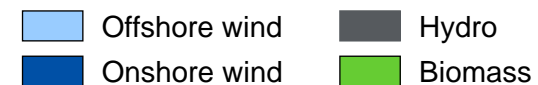
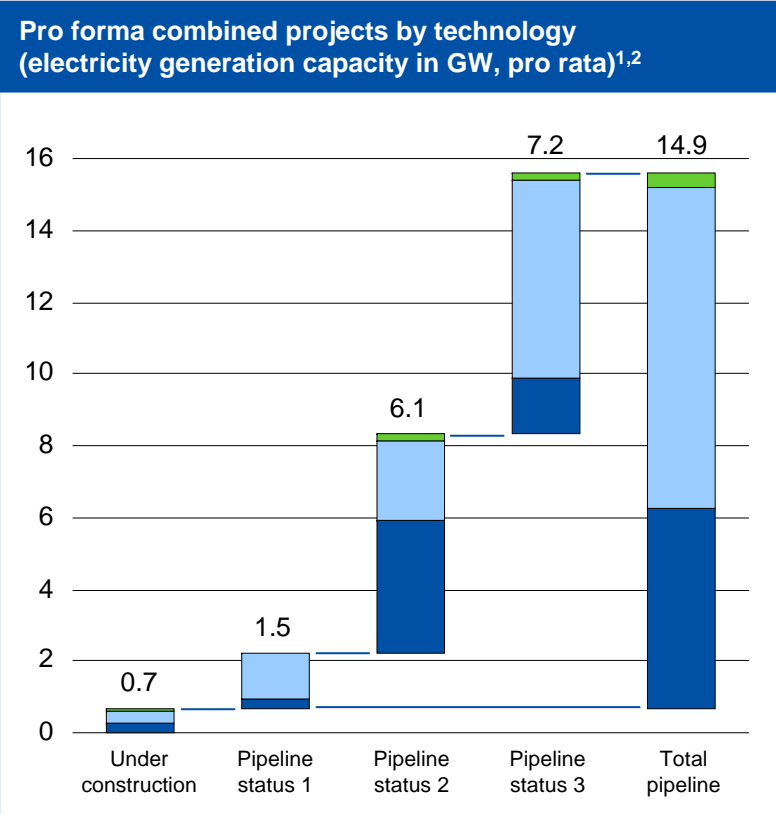
¹ Excluding hydro storage with natural inflow projects of RWE Power

² Definition of pipeline status:

Pipeline status 1 – Project consented, not yet under construction

Pipeline status 2 – Prospects (not consented) – land agreements in place, environmental impact studies commenced

Pipeline status 3 – Identified opportunities – sites identified, but no land agreements – initial discussion on agreements



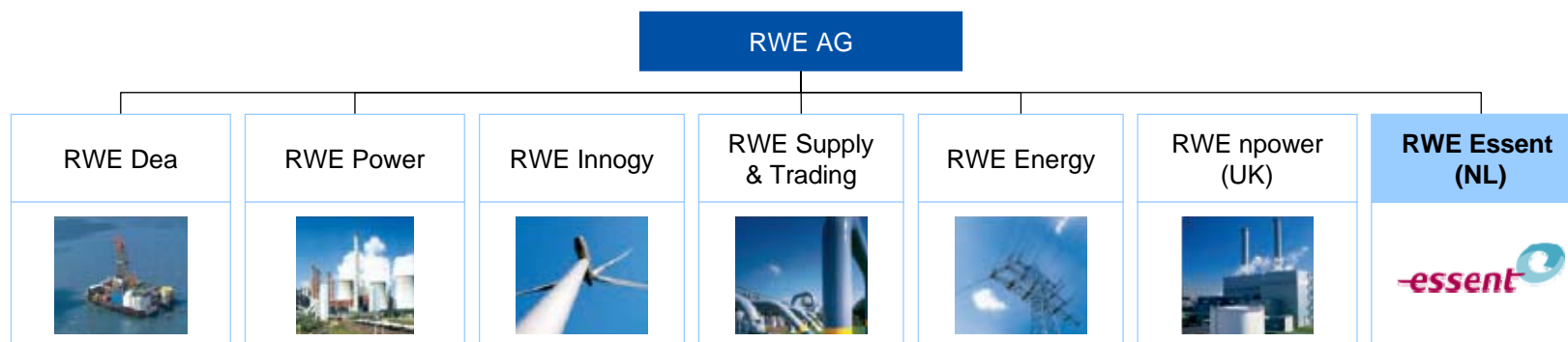
A pan-European trading “powerhouse”

Combination creates ...

- > Number 1 European energy trading and origination house
- > Strong geographical presence throughout Europe (UK, Netherlands, Germany, Czech Republic, Switzerland)
- > Combination of Essent’s established pan-European well advanced origination activities with RWE’s comprehensive trading operations and balance sheet
- > Optimization of combined fuel sourcing
- > Cross-border short term position management
- > Essent and RWE share same asset-backed trading philosophy

Trading volumes (annual average)	RWE	Essent
Electricity	1,200 TWh	225 TWh
Gas	90 bcm	13 bcm
Coal	130 mt	100 mt

Similar business models and low integration risk



Transaction structure	<ul style="list-style-type: none"> > Essent will be a 100% subsidiary of RWE AG > Essent will have its own Executive Board reporting directly to the Executive Board of RWE. Two Executive Board positions to be held by current management; two additional persons to be named by RWE > Essent will maintain a Supervisory Board which will have five members, three of which will be nominated by RWE, one by the Works Council and one will be an independent Dutch national
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Envisaged integration	<ul style="list-style-type: none"> > Combination of the Dutch activities of RWE¹ and Essent > Combination of Essent's renewable portfolio and expertise with RWE Innogy > Integration of RWE's and Essent's trading organization > Essent's current headquarters and business locations will be maintained
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¹ see page 34 for information on RWE Energy Nederland

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Fair transaction multiple achieved

Transaction valuation	(€ million)	Comments
Enterprise value	9,300	<ul style="list-style-type: none"> > EV includes 51% of swb and proportional stakes in JVs > Final net debt and other purchase price adjustments to be determined at the earlier of the closing date or 30 June 2009 > Financials reflect transaction scope (refer to page 6) > Valuation reflects potential shortfalls of cross border lease funding
> Net debt and other adjustments¹	(1,170)	
Equity purchase price	8,130	
EV/EBITDA LTM E^{2,3}	10.2x	
EV/EBITDA 2009 E³	9.6x	

¹ Based on latest estimates, includes expected closing price adjustments (e.g. working capital adjustments)

² LTM (last twelve months) with a closing assumed for 30 June 2009

³ Includes 51% of swb's EBITDA, EBITDA from equity investments and JVs. Excludes synergies

Financial investment criteria met

Financial criteria	Description	Essent
IRR	Exceeds post tax project WACC of 7.0% ¹	✓
Return on capital employed	Exceeds pre tax project WACC of 9.5% after 3 years ¹	✓
Net income	Earnings accretive from 1 st year of full consolidation ²	✓
Balance sheet efficiency	Leverage factor of 2.8 – 3.4x EBITDA by 2010	✓
Dividend	Continue regular payout ratio of 50 – 60% ³	✓

¹ Project specific WACC reflecting business mix of Essent and the updated capital cost of RWE

² Depending on final purchase price allocation

³ Payout ratio for 2008 dividend of 70 – 80% of recurrent net income

Key timetable events

Timing	Event
12 January 2009	> Announcement
Post-announcement	<ul style="list-style-type: none">> Filing for EU anti-trust clearance> Obtain shareholder approval Essent> Obtain Work's Council advice> Finalisation of restructuring/unbundling
Q3 2009	> Expected completion

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Essent represents by far the most attractive opportunity for RWE and the Netherlands

For RWE:

A focused geographic position from a combination with a leading vertically integrated utility in the attractive Dutch market

An enhanced asset position in thermal and renewable generation, trading and gas

A strengthened position within the top league of European utilities with a balanced risk profile and stable earnings

Strong underlying financial performance to underpin the attractiveness of the combination

For the Netherlands:

Improved security of supply via a partnership with the financial and technical means to deliver a significant investment program

Improved sustainability from the creation of a leading renewable generator in NW Europe

Access to a commodity sourcing portfolio with the scale and optionality to meet the end customer's needs

A commitment to continue the successful development of Essent within the consolidating European utility sector