

Essent Capital Market Day

Geertruidenberg,
2 June 2010

Forward Looking Statement

This presentation contains certain forward-looking statements within the meaning of the US federal securities laws. Especially all of the following statements:

- > Projections of revenues, income, earnings per share, capital expenditures, dividends, capital structure or other financial items;
- > Statements of plans or objectives for future operations or of future competitive position;
- > Expectations of future economic performance; and
- > Statements of assumptions underlying several of the foregoing types of statements

are forward-looking statements. Also words such as “anticipate”, “believe”, “estimate”, “intend”, “may”, “will”, “expect”, “plan”, “project” “should” and similar expressions are intended to identify forward-looking statements. The forward-looking statements reflect the judgement of RWE’s management based on factors currently known to it. No assurances can be given that these forward-looking statements will prove accurate and correct, or that anticipated, projected future results will be achieved. All forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. Such risks and uncertainties include, but are not limited to, changes in general economic and social environment, business, political and legal conditions, fluctuating currency exchange rates and interest rates, price and sales risks associated with a market environment in the throes of deregulation and subject to intense competition, changes in the price and availability of raw materials, risks associated with energy trading (e.g. risks of loss in the case of unexpected, extreme market price fluctuations and credit risks resulting in the event that trading partners do not meet their contractual obligations), actions by competitors, application of new or changed accounting standards or other government agency regulations, changes in, or the failure to comply with, laws or regulations, particularly those affecting the environment and water quality (e.g. introduction of a price regulation system for the use of power grid, creating a regulation agency for electricity and gas or introduction of trading in greenhouse gas emissions), changing governmental policies and regulatory actions with respect to the acquisition, disposal, depreciation and amortization of assets and facilities, operation and construction of plant facilities, production disruption or interruption due to accidents or other unforeseen events, delays in the construction of facilities, the inability to obtain or to obtain on acceptable terms necessary regulatory approvals regarding future transactions, the inability to integrate successfully new companies within the RWE Group to realise synergies from such integration and finally potential liability for remedial actions under existing or future environmental regulations and potential liability resulting from pending or future litigation. Any forward-looking statement speaks only as of the date on which it is made. RWE neither intends to nor assumes any obligation to update these forward-looking statements. For additional information regarding risks, investors are referred to RWE’s latest annual report and to other most recent reports filed with the Frankfurt Stock Exchange or SIX Swiss Exchange and to information available on the Internet at www.rwe.com.

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New Essent: An integral part of RWE's growth strategy

Peter Terium
Geertruidenberg, 2 June 2010

From small Dutch asset company to key part of RWE Group growth story

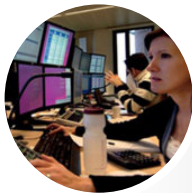
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2010

From
Dutch Asset
Manager

Through
North Western European
Asset-Backed Merchant

To
Pan-European
Energy Leader



Pan-European Partnerships

- > Create leading energy company
- > Part of RWE Group
- > Leverage Essent capabilities within RWE Group
- > Unbundling of grid and carve out of waste business

Organic Growth

- > Energy merchant growth
- > Asset investments, lifetime extension of power plants
- > Customer value growth

Operational Excellence

- > Improvement programmes for quality and for cost reduction
- > Customer satisfaction
- > Energy-chain integration

Foundation

- > Improvement programmes for quality and for cost reduction

Essent is RWE's dedicated operating company for the Dutch and Belgium energy markets

Key characteristics NL market

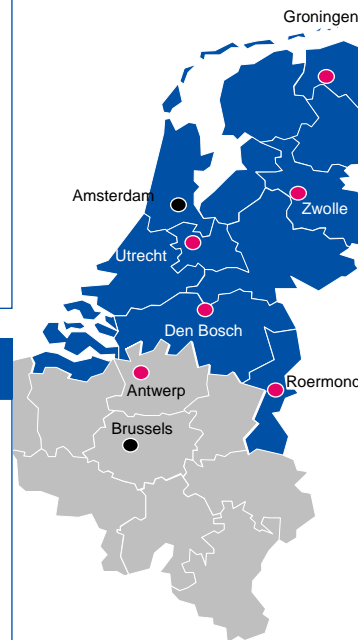


- > Inhabitants (2009): 16.6 million
- > Gas consumption (2009): 46.3 bcm
- > Power consumption (2009): 108.5 TWh
- > Installed generation capacity (2009): 22.5 GW
- > Imports power (2009): 15.5 TWh
- > Exports power (2009): 10.6 TWh

Key characteristics B market



- > Inhabitants (2009): 10.8 million
- > Gas consumption (2008): 18.0 bcm
- > Power consumption (2009): 83.2 TWh
- > Installed generation capacity (2008): 18.6 GW
- > Imports power (2009): 9.4 TWh
- > Exports power (2009): 11.3 TWh



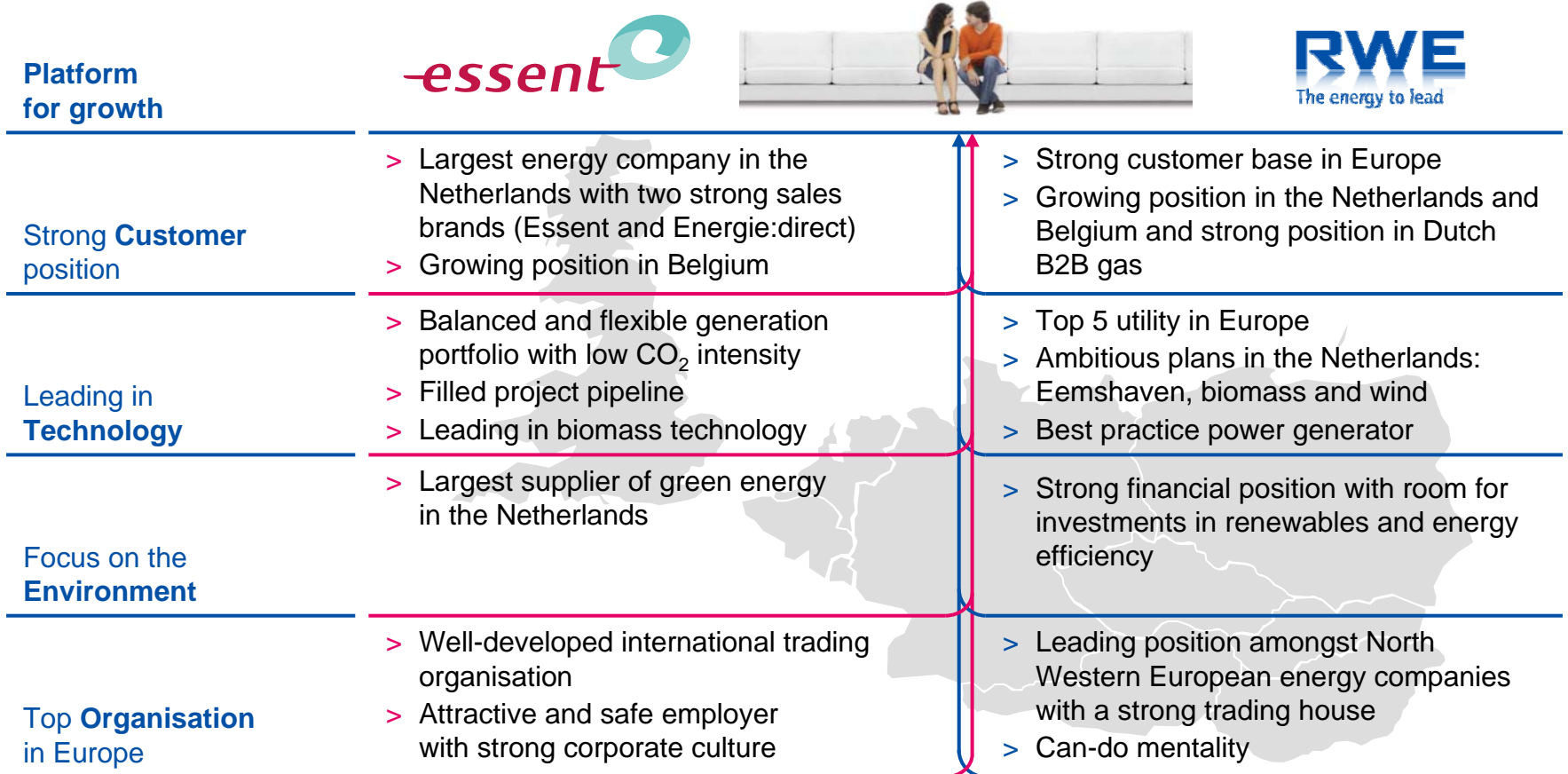
● The five future Essent locations in NL and Essent Belgium office in Antwerp

Key developments in Dutch market

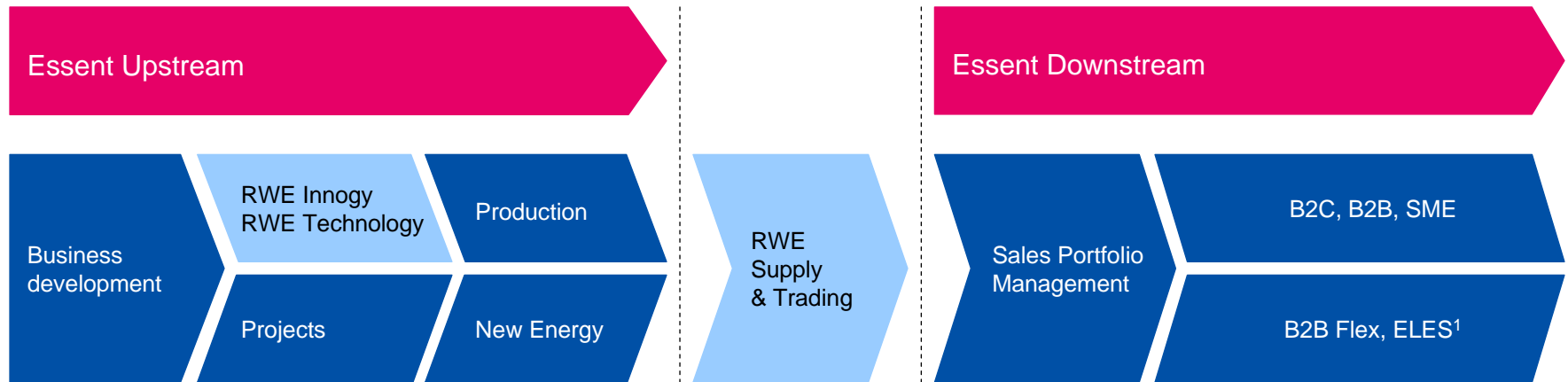
- > Unbundling of grid companies (TSO and DSO) by year-end 2010
- > Integration of remaining commercial business into European utilities (e.g. Essent and Nuon)
- > One of the most competitive and dynamic European energy supply markets
- > Modernisation and growth of Dutch generation portfolio – large amount of new builds
- > Substantial wind project pipeline in place
- > Nuclear future is still unclear but seems promising

Sources: Eurostat; EnergieNed; CBS; ENTSO-E; Elia; FOD Economie

Perfect fit: Essent complements RWE's asset portfolio



Our well prepared integration led to a New Essent structure enabling us to maximise value



Developments to New Essent

- > In the New Essent business model the value of “old” Essent remains in place
- > Trading is integrated into RWE Supply & Trading
- > Wind activities are integrated into RWE Innogy
- > RWE Energy Netherlands is integrated into the Essent organisation
- > Sales Portfolio Management is a new business unit linking trading to the Essent sales channels
- > Realise synergies and knowledge transfer within RWE Group in the areas of technology, renewables, trading, etc.

¹ ELES = Essent Local Energy Solutions

New Essent is well on track

- New Essent organisation including the Management Board now fully in place with nomination of Arjan Blok (CFO) and Nina Skorupska (CTO)

- Post-merger integration successful with now handing over responsibility to operating companies and individual business units

- Financials are fully in line with business plan targets

- Synergy capturing to meet the €100 million target well on track – additional synergies identified



Synergies are materialising and adding value

Biomass co-firing expertise



Plant maintenance “know how” exchange



- > Recent RWE investment in a US biomass production facility will secure the biomass sourcing of Essent plants
- > Maintenance facility of RWE gives Essent an alternative and a reference for the big suppliers like Siemens, Alstom and General Electric
- > RWE Group wide maintenance of gas turbines
- > Re-use existing pipeline (EPE3) for midstream gas, due to new possibilities within the RWE Group
- > RWE and Essent share expertise and best practices – thus preventing damages and unplanned outages in generation

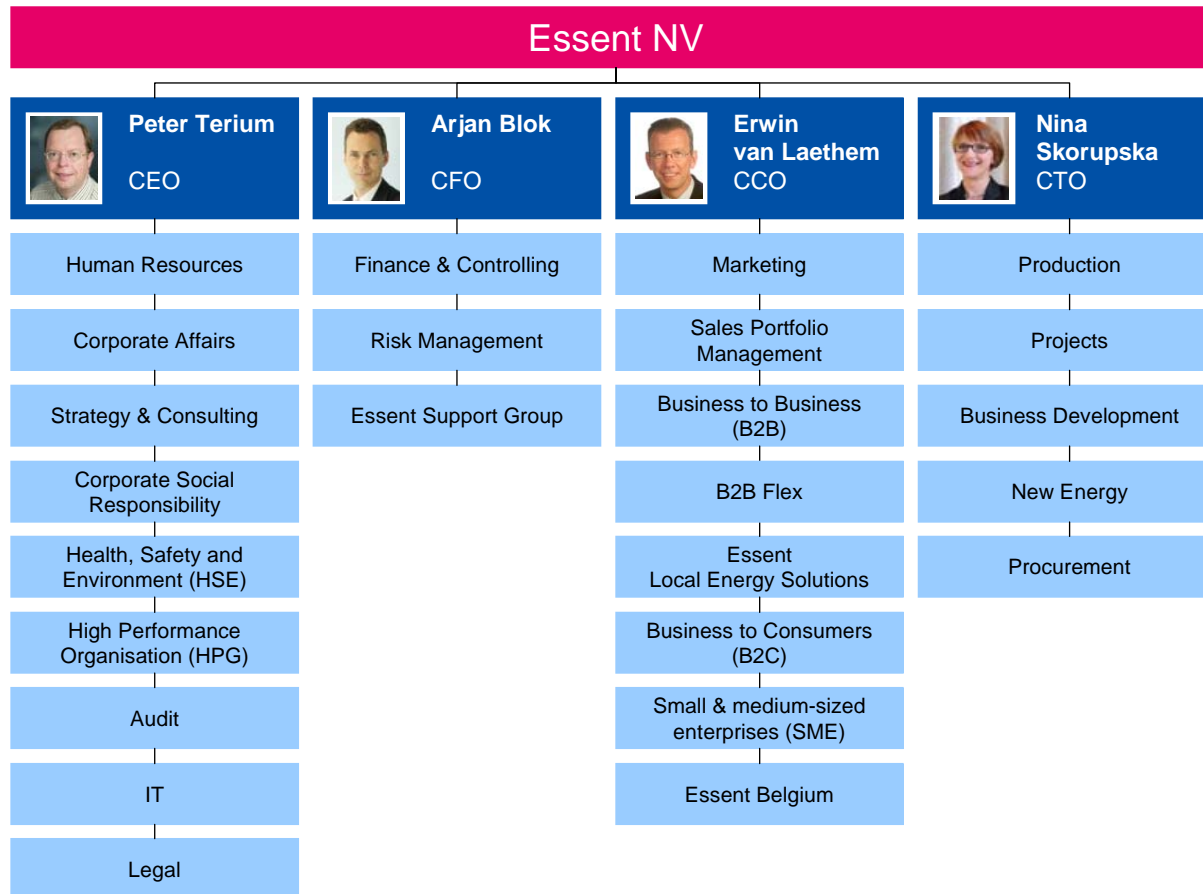
Re-use EPE pipeline



Exchanging best practices



New Essent: Organisation and key figures



Essent key figures 2009¹

- > EBITDA: € 760 m
- > Operating Result: € 500 m
- > Installed capacity: 3,634 MW
- > FTEs²: 4,288
- > Sales Electricity: 23.7 TWh
- > Customers Electricity: 2,316,000
- > Sales Gas: 118.3 TWh
- > Customers Gas: 1,979,000

¹ Pro-forma FY 2009 including REN except EBITDA and operating result which exclude contribution from REN

² FTEs as at 31 March 2010

Essent's long-term vision is highly ambitious and covers the areas of customers, technology, environment and company

Customers
Be the undisputed market leader with the most valuable customer portfolio

Technology
Double generation capacity

Environment
Halve CO₂ emissions

Company
Become the most successful and attractive employer in the sector

essent
Best performing utility

Essent has determined 8 business priorities for 2010 to set first important steps to reach these strategic goals

Priorities		Description of priorities
1	Realising business plan 2010	Achieving our ambitious business plan 2010 including RWE Energy Nederland integration
2	Positioning / customer focus	Internal and external positioning of New Essent, determine “customer value propositions” per customer/market segment
3	Speed up on-line activities	Speed up on-line activities; positioning of Essent vs. Energy:direct
4	“Greenfield”	Improved sales IT: lean customer service, restructure customer service processes, e.g. define call centre procedures, 24/7 availability
5	Speedboats	Define and start implementing new business models B2B Flex and ELES
6	Portfolio transition plan	Develop and further tune asset strategy to increase production capacity and reduce CO ₂ emissions
7	Production Excellence Programme	Stimulate a culture in generation business that enables permanent and structural improvement (availability, flexibility, fuel use, cost)
8	Essent Way of Working	Create a high performance organisation in order to become the best performing energy company. Develop a leadership programme, realise change in behaviour, improve customer focus and performance management

Essent will support RWE ambitions to be ...

... more sustainable

- > High CO₂ awareness
- > Develop and improve the biomass value chain
- > Innovative greener market approaches like ELES

... more international

- > Adding Essent's know how to knowledge of other RWE operating companies
- > Strengthening business in NL and growing activities in Belgium

... more robust

- > Strengthening generation asset base with new builds
- > Developing innovative market approaches
- > Reducing risks of different markets and regulators by diversifying the RWE portfolio geographically

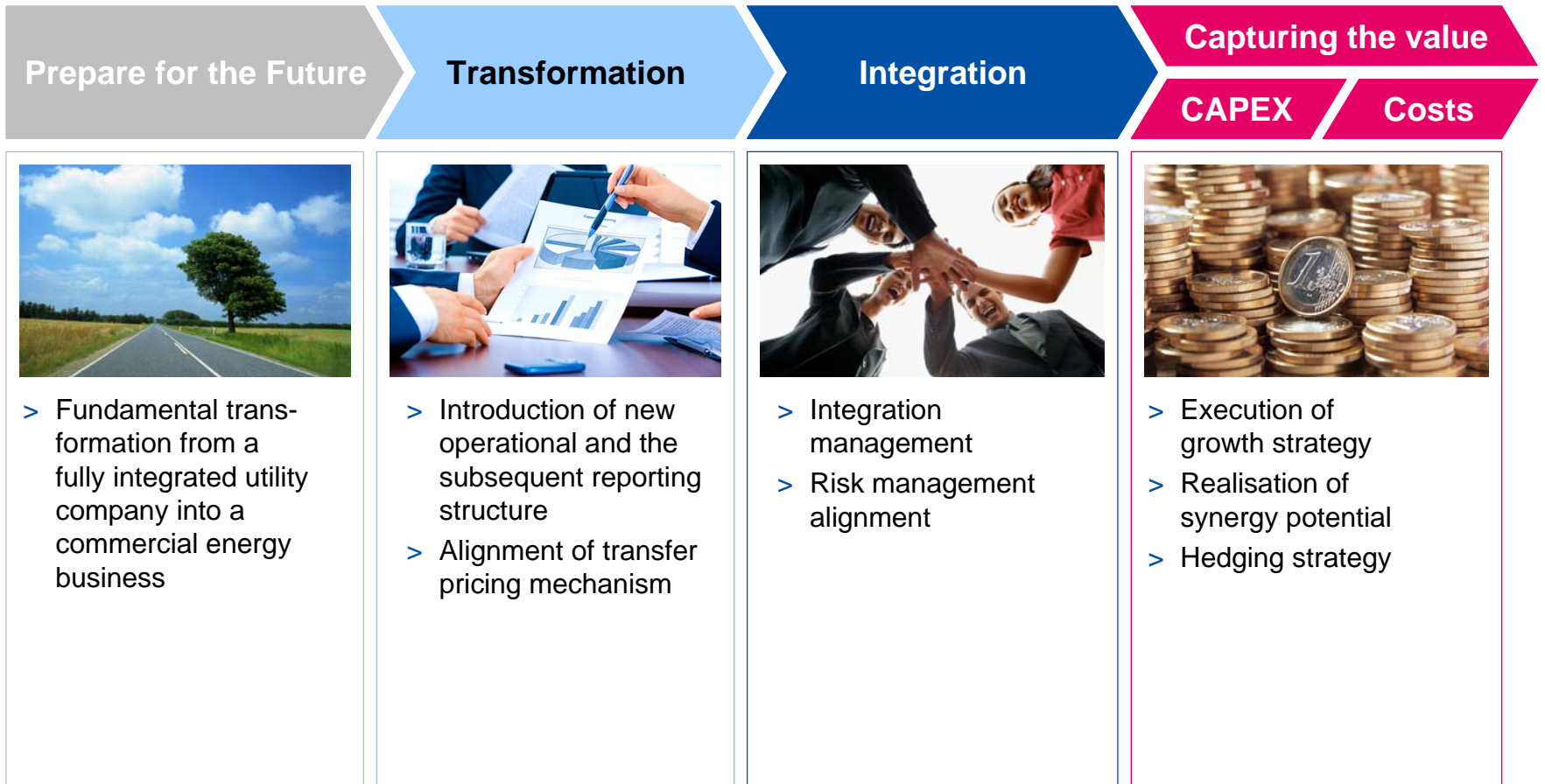


... ultimately adding value – despite great challenges!

Capturing the value

Arjan Blok
Geertruidenberg, 2 June 2010

The journey to an integral part of RWE



A fundamental transformation from a fully integrated utility company into a commercial energy business

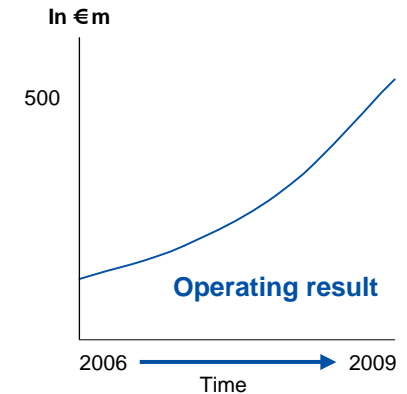


Sustainable organic growth

- > Realisation of sustainable organic growth
 - Operational excellence programmes (e.g. Fit for Production, LEAN)
 - Asset-backed merchant trading
 - Efficiency enhancements (operating costs savings programmes and cost to serve reduction programme)
- > Created a well-filled asset development pipeline for future growth

Results



- > Meeting of ongoing ambitious business and financial targets during this period
- > Substantial growth in operating result
- > Essent is ready to deliver future growth



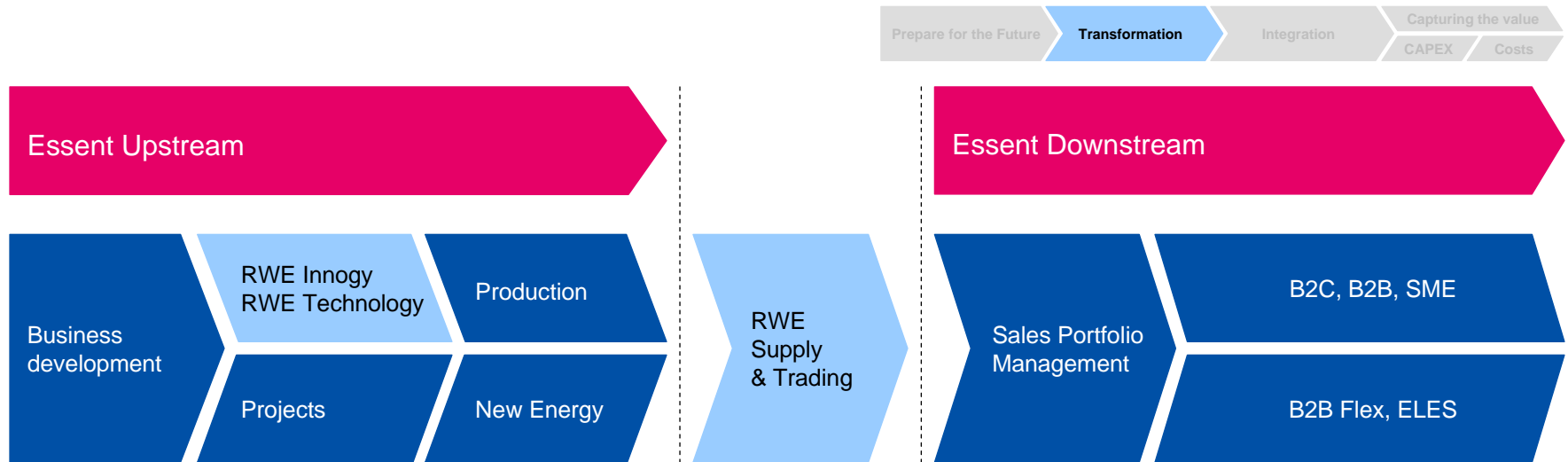
Prepare for the future

- > Preparation for the sales process
- > Prepare and execute ownership unbundling of networks
- > Spin-off of waste business Essent Milieu

Results

- > Successful entry into a strong pan-European partnership with RWE
- > Foundation of separate network company and renamed to 
- > Establishment of Essent Milieu stand alone and renamed to 

Impact of operational transformation into a RWE OpCo



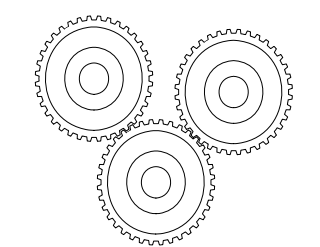


Key changes to operating result and capex

- > Transfer of trading to RWE Supply & Trading
- > Replacement of cost-based transfer pricing with wholesale market forward prices between RWE Supply & Trading and Essent production units
- > Profit transfer of short-term position management from RWE Supply & Trading to Essent
- > Transfer of wind activities to RWE Innogy, including the future investment projects
- > Integration of RWE Energy Netherlands (REN) into Essent

Well-managed integration risks to capture the value



Identified risks		<ul style="list-style-type: none">> Damage to Essent and/or RWE (corporate) image> Potential disruption of operational processes after Day-1> Loss of skilled and experienced personnel during integration> Unclear governance and control during integration> Inaccurate or late delivery of financial figures
Integration management		<ul style="list-style-type: none">> Installed a Post Merger Integration (PMI) project team to oversee the integration> Detailed checklist and risk log worked out> Extensive communication with all stakeholders> Detailed integration roadmap, bi-weekly reported to the Board> Close cooperation between Essent and RWE to implement new business interfaces between OpCos
Results		<ul style="list-style-type: none">> Adequate and accurate reporting of all financial figures within the tight time frames> Harmonisation of product portfolios of Essent and RWE Energy Netherlands (REN)> Appointment of new management and staffing of teams> No disruption in operational processes

2009 full year pro-forma results



€ m	Pro-forma 2009
EBITDA	760
Operating result ¹	500
> New Essent	350
> Essent Wind	60
> Essent Trading	90
Capex on fixed assets	800

Comments

- > No audit on the earnings split for 2009
- > Simulation of arms length internal pricing to restate earnings of generation and trading units
- > Excluding RWE Energy Netherlands
- > Normalisations for
 - One-off costs related to the acquisition by RWE
 - Purchase price allocation in Q4 2009
 - EPZ related results

Business drivers for operating result in 2009

- > Steady high availability of generation assets and favourable spark spreads
- > Well-performing sourcing strategy of retail units
- > New-build Westereems wind park (156 MW) online and contributing to the operating result
- > OPEX savings programme on track

¹ As acquired, excluding RWE Energy Netherlands (REN)

Outlook for 2010



	Pro-forma 2009 € m	2010 outlook
EBITDA	760	In line with previous year
Operating result ¹	500	Below previous year
> New Essent	350	Below previous year
> Essent Wind	60	Below previous year
> Essent Trading	90	Above previous year
Capex on fixed assets	800	ca. € 1.0 billion
Context to performance	<ul style="list-style-type: none"> + High availability of generation assets + Favourable clean spark spreads 	<ul style="list-style-type: none"> + Fully effectuated cost savings programme + Continuously high availability of generation assets - Purchase Price Allocation (PPA) - Lower electricity supply margins

¹ As acquired, excluding RWE Energy Netherlands (REN)

Organic growth and efficiency enhancements are the main drivers for realising the ambitious 10% CAGR



	Pro-forma 2009 € m	2012 guidance
EBITDA	760	CAGR + ca. 10%
Operating result ¹	500	CAGR + ca. 10%
Capex on fixed assets	800	ca. € 1.0 billion p.a.

Key growth drivers

New Essent

- > New-build power plant projects
- > Efficiency enhancements
- > Customer segmentation and customer life cycle management
- > Defined growth segments (ELES and B2B flex)

Essent Wind

- > On- and offshore capacity additions
- > Repowering of onshore capacity

Essent Trading

- > Additional gas storage capacity
- > Expansion of biomass and origination operations

¹ As acquired, excluding RWE Energy Netherlands (REN)

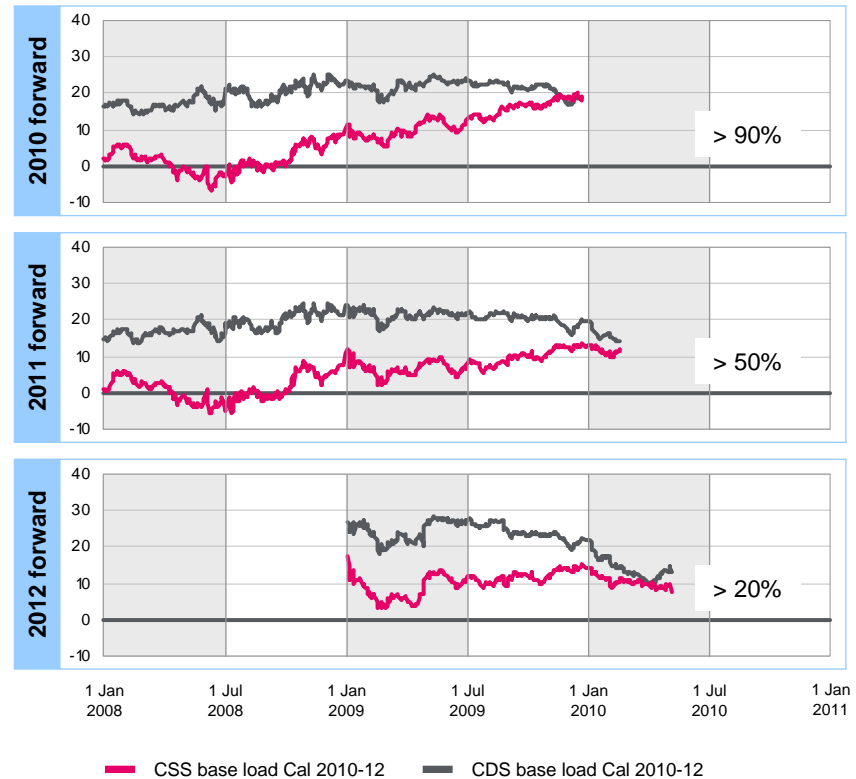
Prudent hedging provides visibility of future earnings



Comments

- > Essent follows hedging policy similar to RWE's
- > Aim to protect and secure future earnings
- > Similar hedging path for clean dark and clean spark spreads
- > Positions are hedged over a 3 year time horizon
- > The dynamic hedging policy is driven by market liquidity
- > The nearby positions are almost fully hedged
- > The forward selling is executed by RWE Supply & Trading

Clean dark and spark spread hedge positions



The foundation for future organic growth was laid in the past and continues in 2010



Day to day investments	117	Maintenance	117
Growth and overhaul projects	972	Overhaul	119
Electricity generation, thereof	529		
> Hard coal and lignite plants	4	Growth	853
> Gas plants	525		
Renewable projects, thereof	249		
> Wind offshore	194		
> Wind onshore	55		
Gas midstream	86		
Miscellaneous other smaller projects	108		
Total in €m	1,089		2010









Comments

- > Capex plan for 10% CAGR target:
 - Includes investments in wind assets and gas storage
 - Excludes investment in Eemshaven
- > In line with RWE commitment to invest €1 billion per year
- > Almost 80% of the CAPEX spending is related to growth projects
- > Continuous spending on maintenance and overhauls to secure continuously high availability rates of generation assets
- > Approximately 95% and 44% of the annual €1 billion spend has been committed for 2011 and 2012, respectively

Organic growth driven by highly efficient and flexible generation and gas storage



Current status of major organic growth projects¹

	Technology	Capex (€ bn)	2009	2010	2011	2012	2013
 Moerdijk 2	CCGT, 426 MW	0.4					
 Claus C	CCGT, 1,304 MW	1.1					
 Epe	Gas storage, 200m ³ working volume	0.2					
 Nordsee Ost	Offshore wind farm, 295 MW	1.0					

 Not part of the New Essent Group, but included in 10% CAGR guidance

Comments

- > All new-build projects based on business cases with IRR meeting internal hurdle rate requirements
- > We do not foresee budget overruns or delays in commissioning dates which would impact the operating result
- > The new builds support the key value drivers, availability and asset optimisation as a result of their highly efficient and flexible characteristics

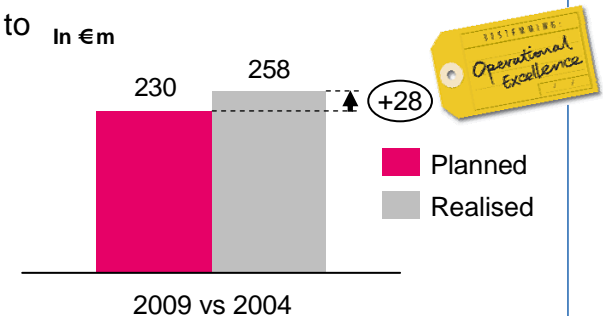
¹ Status as of 31 May 2010

Essent has a proven track record outperforming its cost control programmes



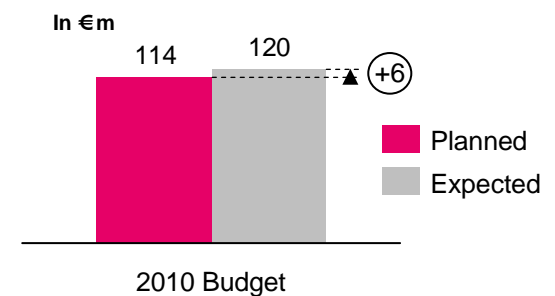
“Stroomlijnen” started to achieve its ambition to be part of the leading energy companies in NW Europe

- > “Stroomlijnen” started in 2004 as an operational Excellence programme in order to
 - improve operating result by a total of €230 million by the end of 2009
 - meet increasing expectations of shareholders of a ROCE of 15%
 - meet increasing expectations of customers
- > All measures of programme have been successfully implemented by 2008:
 - Financial targets have been achieved
 - Customer satisfaction increased by 40%



Overhead value analysis (OVA)

- > The saving programme was initiated in 2008 as a result of the various organisational changes such as unbundling and the spin-off of Essent Milieu
- > The overhead cost level had to be re-aligned to an acceptable level
- > The reduction of overhead costs was focused on headquarter departments costs, facility management costs and IT costs
- > By 2010 we estimate savings to amount to €120 million, €6 million above original target



Efficiency enhancement by lowering cost to serve as second driver for organic growth until 2012

Prepare for the Future

Transformation

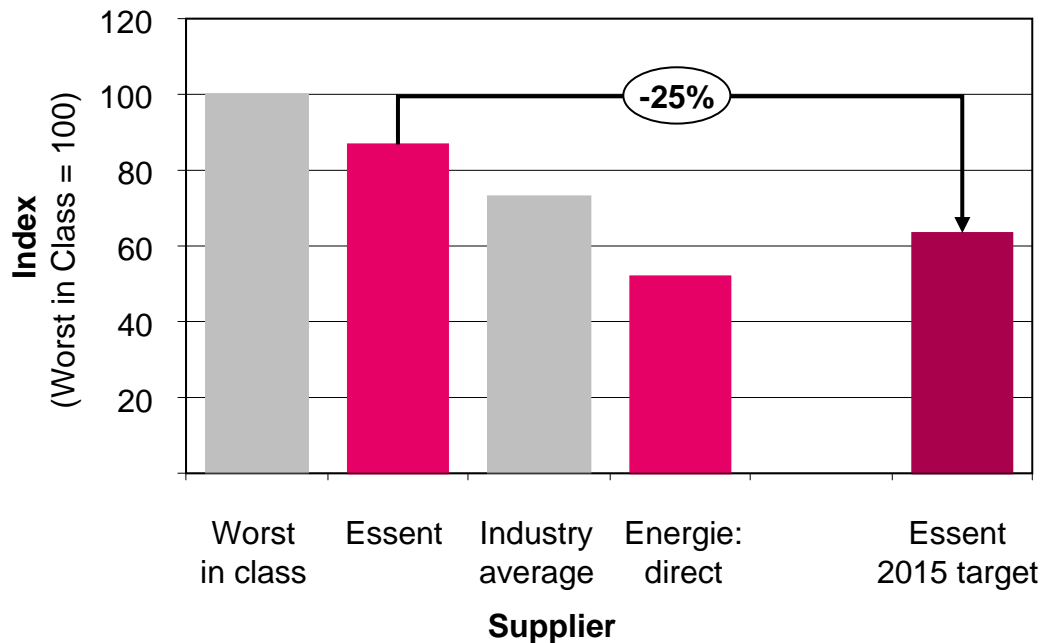
Integration

Capturing the value

CAPEX

Costs

Cost to serve per customer



Comments

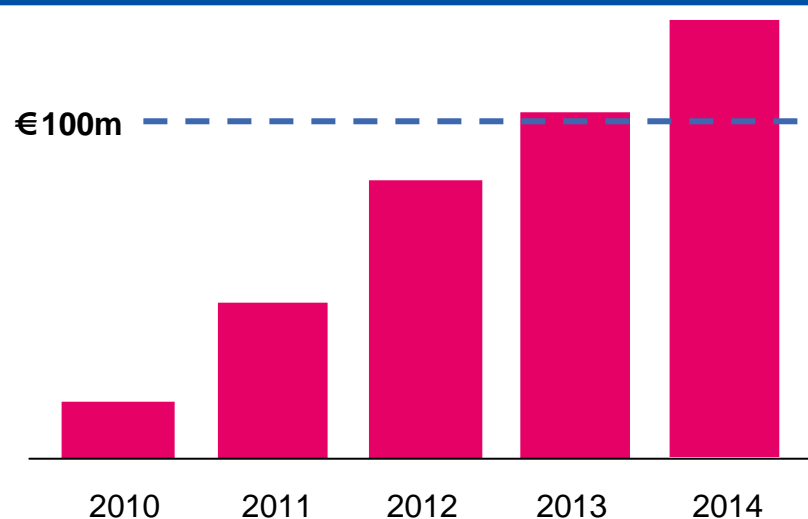
- > Essent is above industry average
- > Energie:direct is far below industry average
- > Cost to serve will decrease by 25% in the coming five years, mainly as a result of the implementation of a new IT system

Source: CtS benchmark Dutch utilities – Accenture Nederland

In addition to the efficiency enhancement, Essent is on its way to realise the targeted synergies of €100 m already in 2013



Gross synergies (€m recurring synergies)



Synergies explained

- > Integration of trading activities in RWEST
- > Increased revenues thanks to improved gas and power portfolio management
- > Cross selling between Essent and RWE NL
- > Extra revenues at B2B Flex through expansion of scope of gas business
- > Personnel alignment between RWE NL and Essent
- > Location synergies
- > Rationalisation of IT landscape
- > Synergies scale up more quickly than anticipated with the €100 million target already realised in 2013 and total synergies expected to reach €135 million in 2014

Well established and effective synergy management by

- > Enhanced implementation plans
- > Robust tools and processes
- > Strong tracking and tracing of measuring results

Highlights

 **10% CAGR** of EBITDA and operating result until 2012

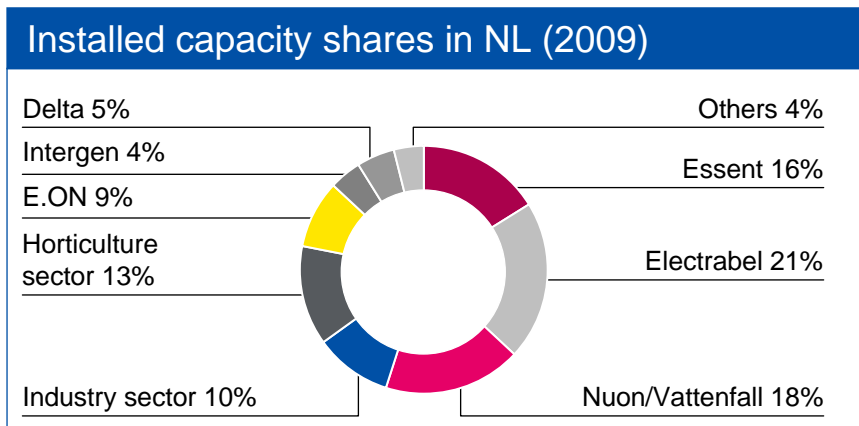
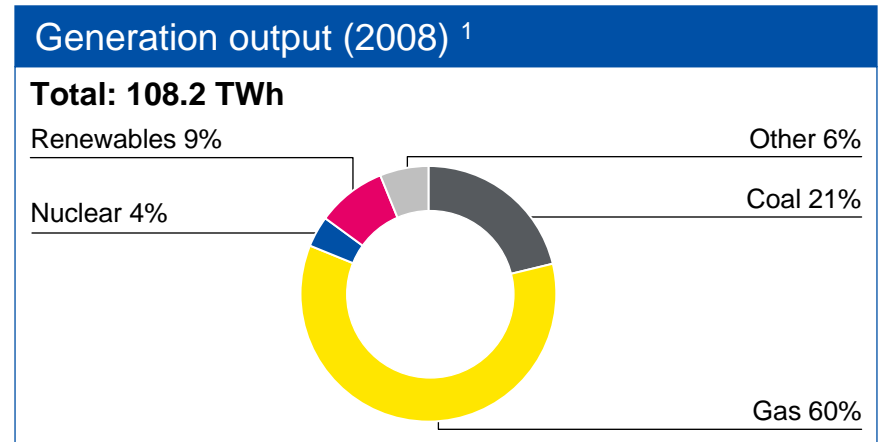
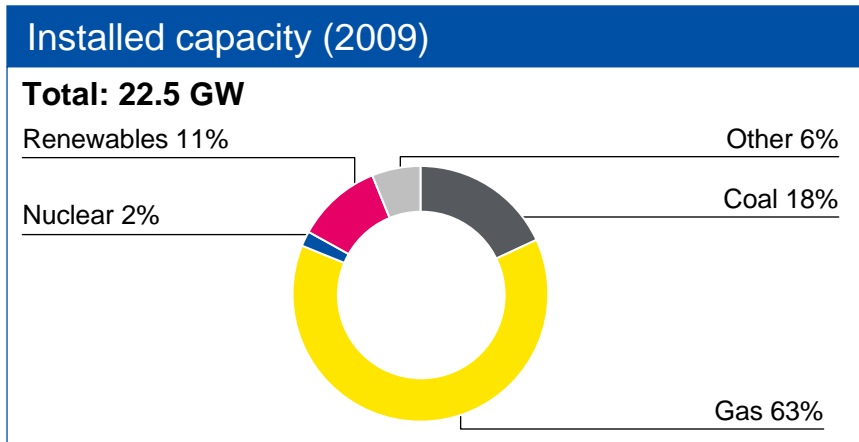
 **€135 million** of synergies by 2014

 **9.5% ROCE** by 2012

Opportunities in the Dutch generation market

Nina Skorupska
Geertruidenberg, 2 June 2010

Dutch generation market is dominated by gas

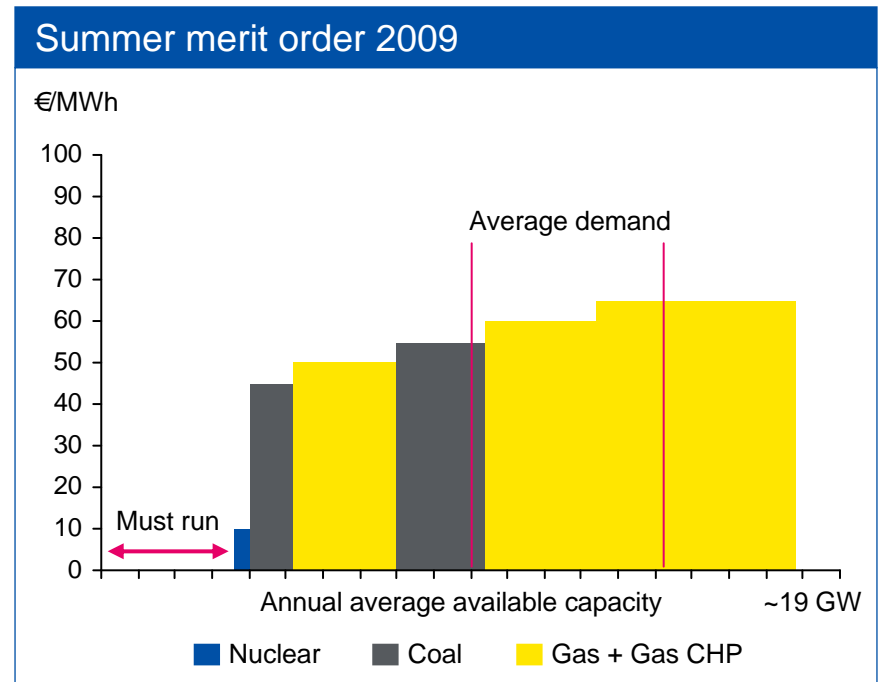
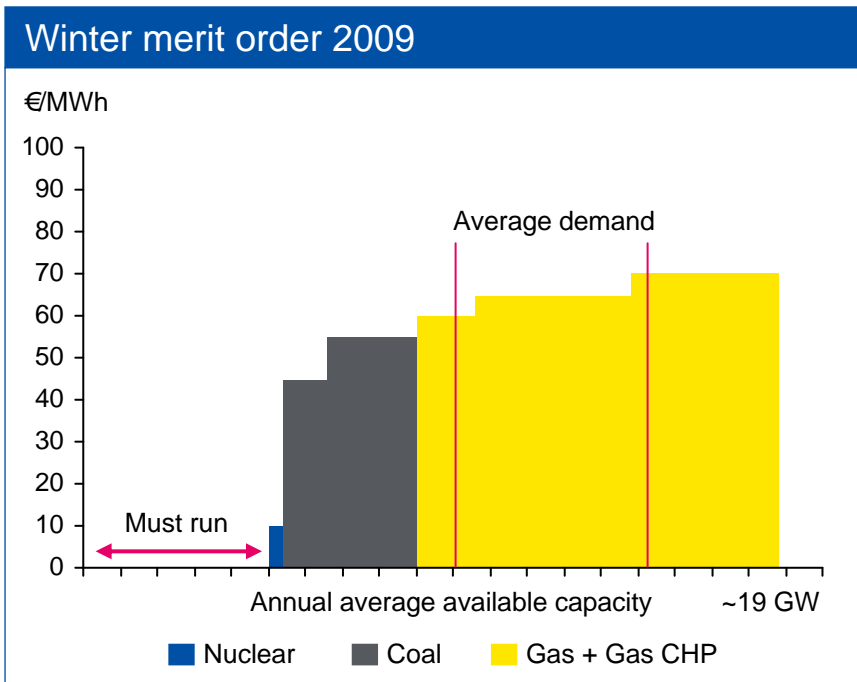


- > Nearly two thirds of installed capacity and 60% of generation output is based on gas ...
- > ... but must-run hard coal and gas-fired CHP plants represent up to 30% of capacities
- > Essent is one of the major power generators in the Netherlands
- > Our new-build projects will consolidate our position to become market leader

Sources: Essent; CBS

¹ In 2009 total generation output amounted to 112.2 TWh. Split by fuel not yet available for 2009.

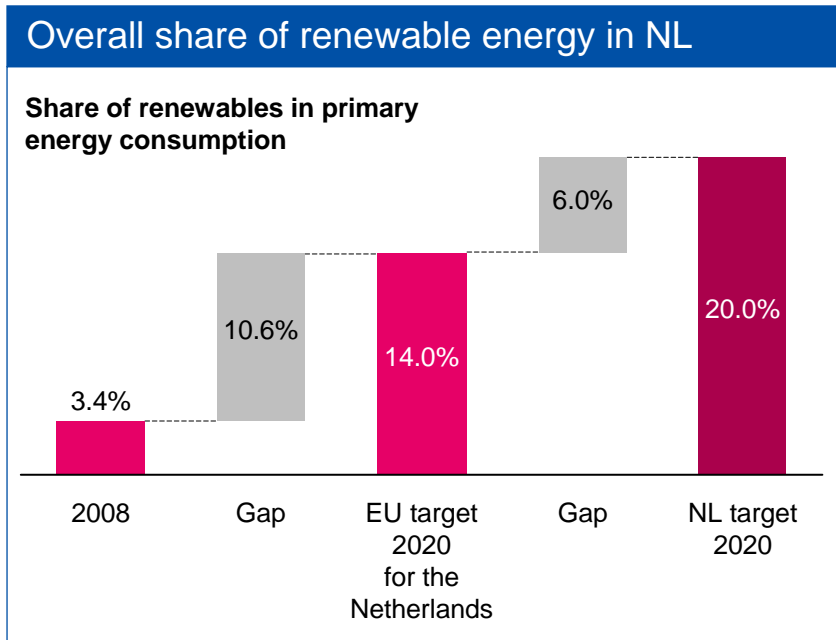
The Dutch merit order is characterised by a significant share of must-run capacity



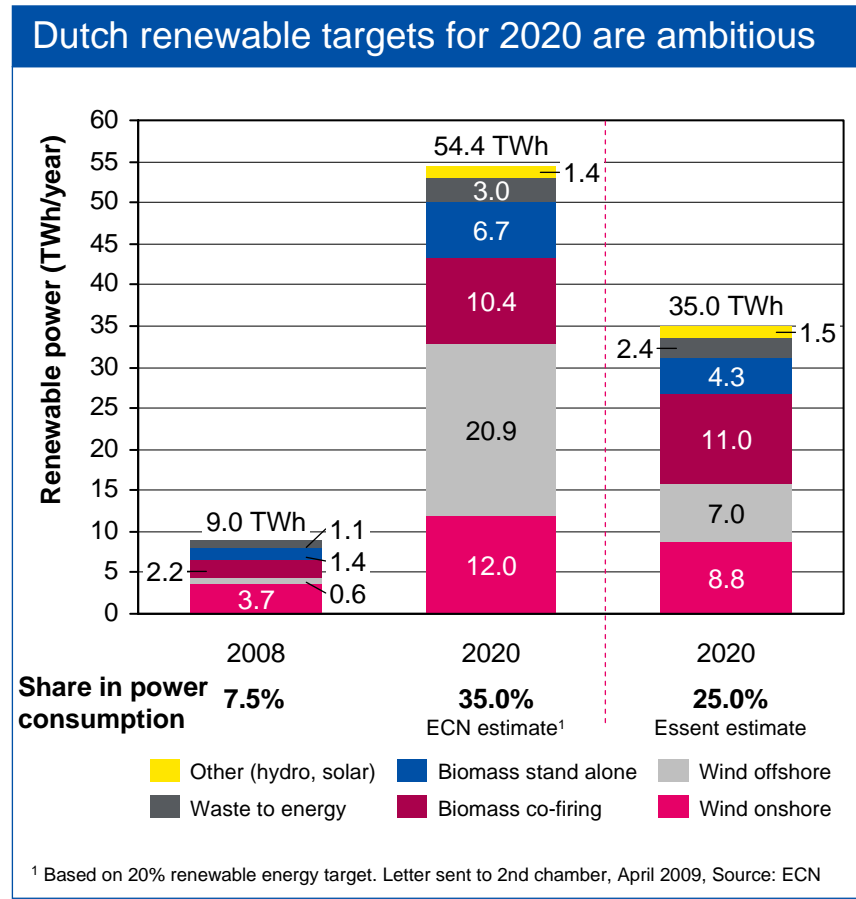
- > Close to 1/3 of generation capacity is must run due to high portion of CHP capacity:
 - Higher must-run capacity during winter months due to increased heat demand
- > Gas is historically the marginal plant in the majority of the hours
 - However, over the last years a fuel switch between winter and summer can be observed
- > Installed wind capacity equalled 2.2 GW in 2009 (not represented in graphs)

Sources: Essent, Platts, EnergieNed

Dutch government sets ambitious targets for renewable energy

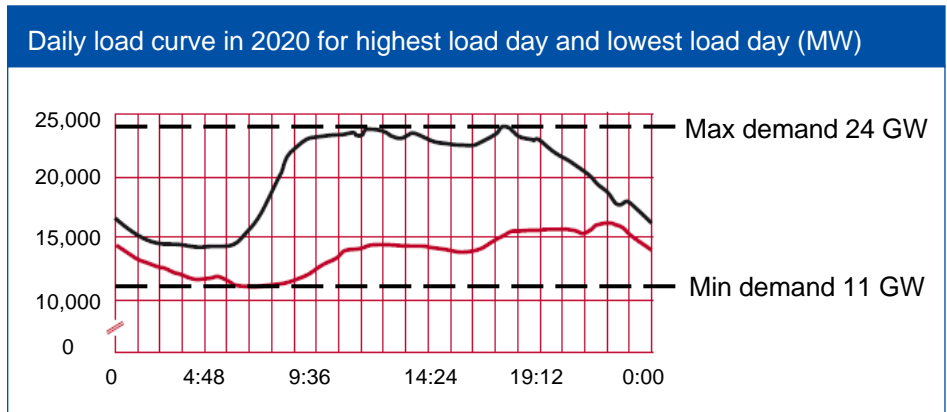
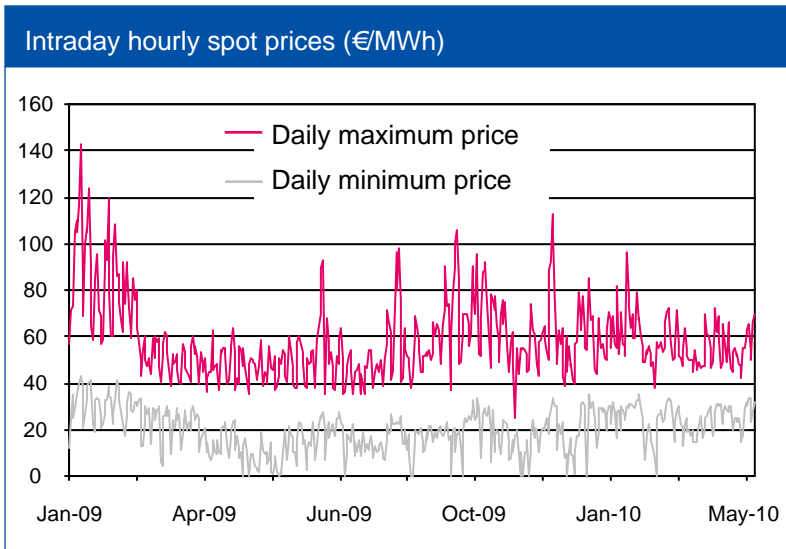


- > Dutch government targets 20% share of renewables in overall energy consumption by 2020, clearly surpassing the EU target
- > This translates into a ~35% share in electricity consumption by 2020, which is ambitious and requires a prominent share of biomass co-firing



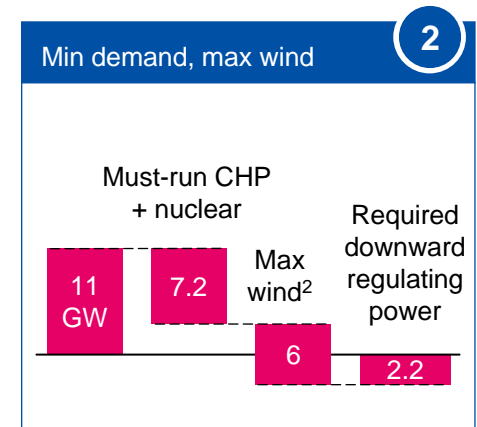
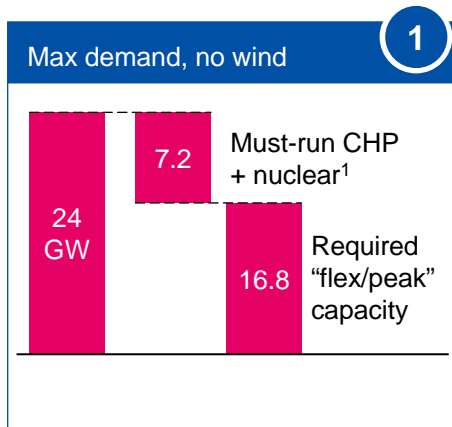
Source: CBS; EU Commission, 2008. Proposal for a directive of the European Parliament and of the Council on the promotion of the use of energy from renewable sources

More wind results in higher volatility: The Dutch market needs additional flexible ramp capacity



Source: APX

- > Growing proportion of renewables leads to higher load swings and price volatility
- > High proportion of must-run CHP capacity results in lower flexibility during winter months
- > Significant flex/peak capacity is required to cope with expected future share of wind capacity in the system

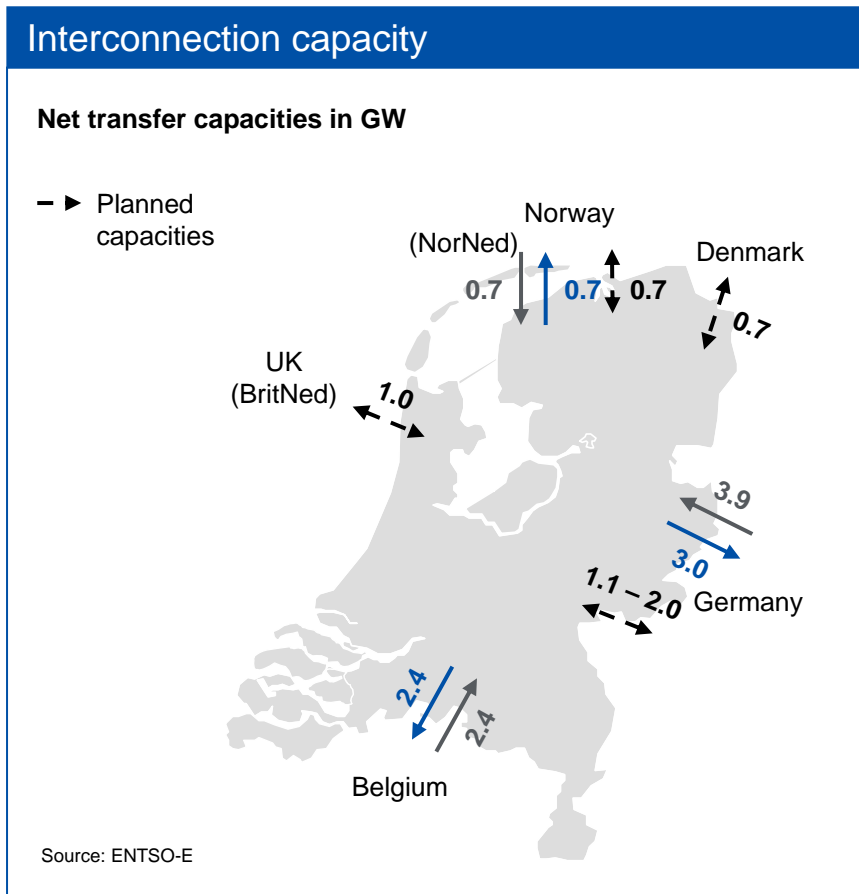


¹ 2008 figures; expected to increase due to growth in coal-fired capacity

² 4 GW onshore, 2 GW offshore wind

Source: EnergieRaad, "brandstofmix in beweging"

Increasing interconnection capacity enables further integration of the Netherlands into NW European power market

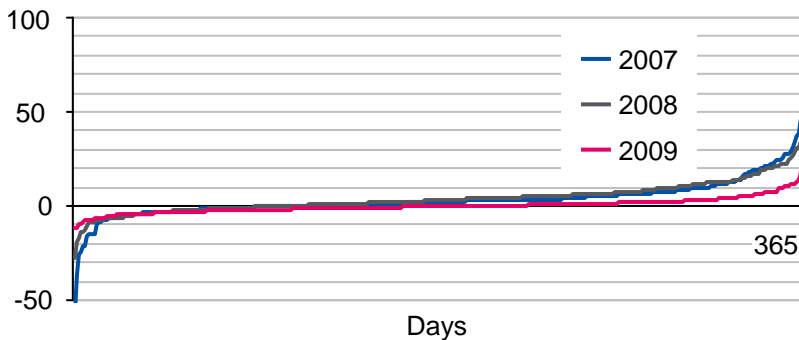


- > The Netherlands currently have the highest ratio interconnector capacity / total domestic demand in Europe (30% vs 15% average)
- > The Dutch market is increasingly well interconnected with its neighbouring countries
 - BritNed interconnector (1.0 GW) with the UK is expected to be completed by late 2010
 - RWE and TenneT's planned extension (1.1 – 2.0 GW) of German-Dutch interconnector envisaged to be operational by 2012/2013
- > Through increasing integration of power markets capacity requirements / additions can be evaluated in a NW European rather than national context, whereby NL offers attractive locations for new builds
 - Excellent supply routes for fuels
 - Good access to cooling water
 - Substantial gas reserves

Market coupling leads to strong price convergence enabling the Netherlands to become a swing market for NW Europe

Price convergence between NL and GER

Price differential¹ of average daily spot prices (€/MWh)



1 year forward base-load prices (€/MWh)



Source: APX, EEX

¹ Dutch average daily spot price minus German average daily spot price

- > Trilateral coupling (FR-BEL-NL) has already led to price convergence through implicit auctioning²
 - Market coupling effective since November 2006
 - Implicit auctioning has led to a better use of existing interconnection capacity
 - Spot / day-ahead prices are identical in 70% to 80% of all hours, peak or off-peak
- > Trend towards further market coupling
 - Market coupling of German and Dutch power market envisaged by year end 2010
 - Planned coupling of cross-border intraday and balancing trade
- > Possibility to deploy generation portfolio across NW Europe
 - Short-term optimisation of combined generation portfolios of RWE and Essent

² Market coupling is a method for an efficient allocation of cross-border capacity. By way of implicit auctions, capacity allocation is calculated automatically in the course of the day-ahead market power auction.

Implications for future market design

- Achievement of national renewable target would require ca. 12 GW of onshore and offshore wind
- With currently only 6 GW wind capacity by 2020¹ regarded as being realistic, biomass co-firing represents a crucial factor to achieve the national targets
- Massive expansion of renewables increases volatility requiring additional ramp-flexibility
- Convergence of markets allows assessment of new-build projects on regional rather than national level

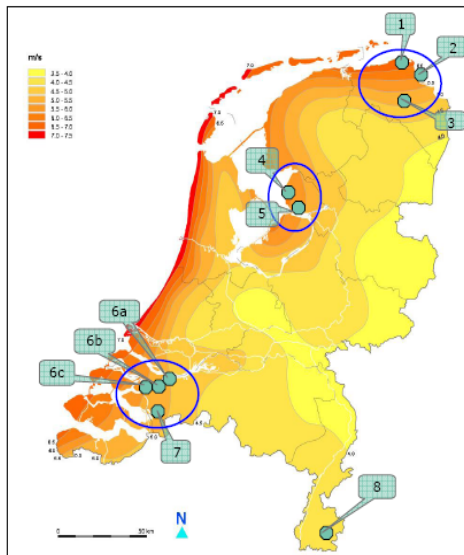


Essent is well positioned to benefit.

¹ Source: ECN Brandstofmix 2020, December 2009

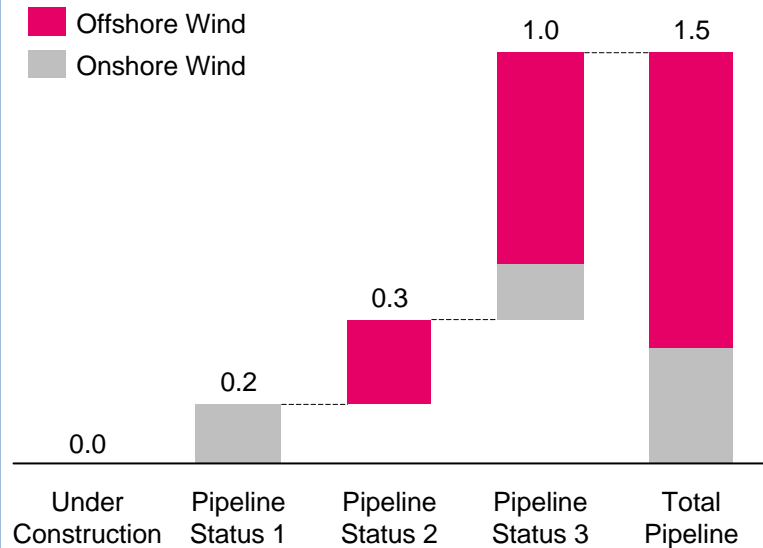
Strong existing wind portfolio and commitment to further expansion – but only if the system provides necessary return

Onshore wind assets in operation








Groningen	
1. Westereems	156.0 MW
2. Spijk/Pieterburen	1.0 MW
3. Scheemda	1.0 MW
Flevopolder	
4. Westermeerdijk	15.0 MW
5. Zuidermeerdijk	1.5 MW
West Brabant	
6. a) Volkerak	9.4 MW
b) Sabinapolder/Harkstede	7.0 MW
c) Karolinapolder	2.4 MW
7. Halsteren	6.8 MW
8. De Beitel	0.8 MW
Total capacity	200.9 MW
Yearly production	~ 500 GWh

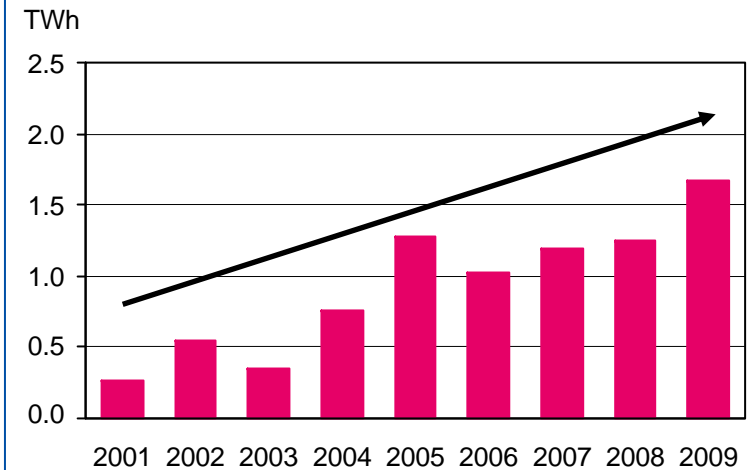
Dutch/Belgian on- and offshore wind pipeline (consolidated)



- > With 201 MW onshore wind capacities in operation and a 27% stake in the Belgian 30 MW offshore windpark Thornton Bank RWE Innogy belongs to the leading producers of wind energy in the Benelux region
- > Significant on- and offshore pipeline in place and continuous development of further options
- > While the support system for onshore wind seems sufficient, it is not for new offshore wind projects
- > Value creation beats additional megawatts: Achievement of IRR hurdle rates crucial for execution of pipeline

Essent has long track-record and unique expertise in co-firing of biomass

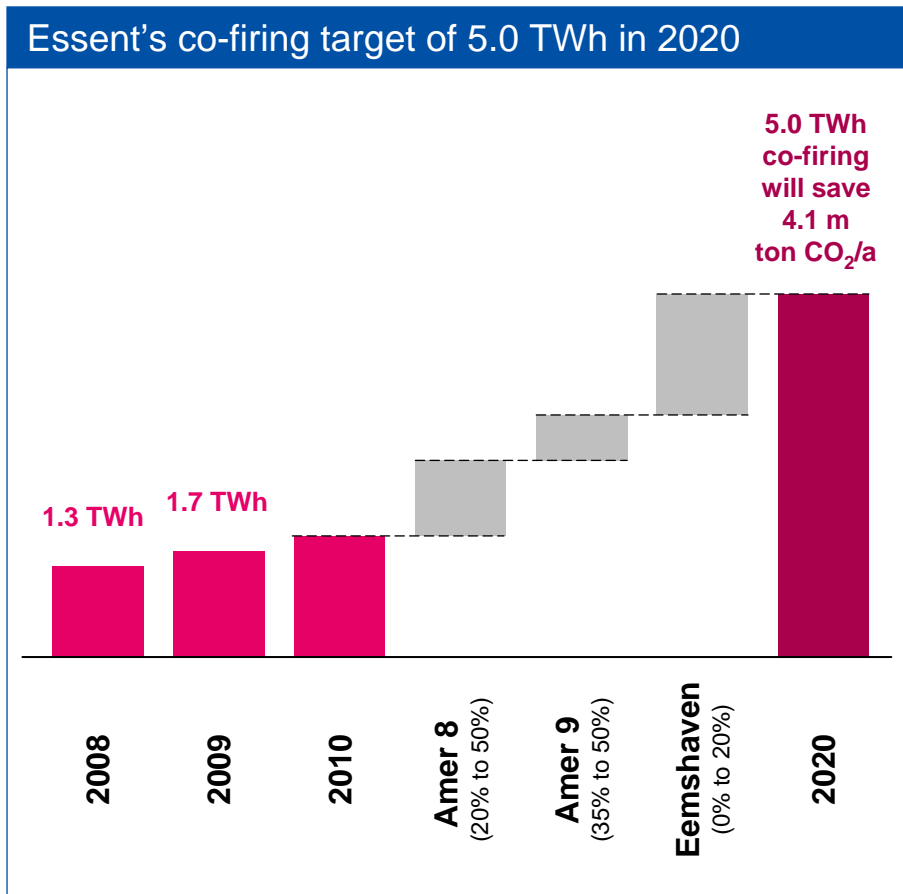
2005		2 nd biomass mill Amer 9
		Capacity: 83 MW
2004		Bio-oil Claus A (test 2002)
		Capacity: 92 MW
		Installation hammer mills Amer 8
2003		Logistical system
		Type: silo's, conveyors
		Unloading facilities
2000		Type: pneumatic discharger
		1 st biomass mill Amer 9
		Capacity: 83 MW
1999		Gasifier Amer 9
		Capacity: 33 MW
		Fuel type: waste wood
		Stand alone plant Cuijk
		Capacity: 25 MW
		Fuel type: forest residues
		Start design: 1995



Facts & Figures

- > €130 m of investments over the last 10 years
- > 1.5 TWh in 2009 from wood pellets alone
- > 750 ktons wood pellets out of 1.5 m tons biomass
- > Co-firing capacity Amer 9 of 35% on a mass basis (short-term ambition 50%)
- > Savings of 1.2 m tons of CO₂ p.a.

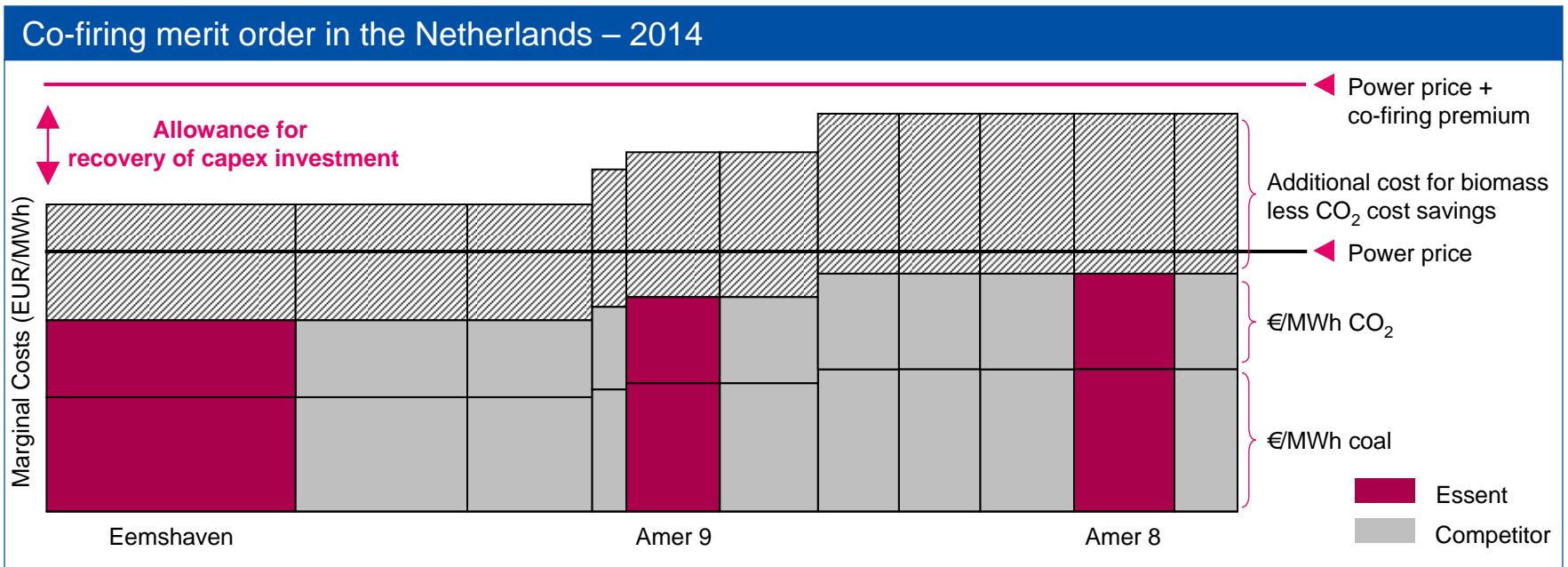
We have ambitious targets to expand our co-firing capabilities



Note: Co-firing percentages are on mass basis

- > Biomass co-firing represents a crucial factor to achieve the national Dutch renewable targets
- > Essent's three coal plants offer opportunities to increase co-firing percentage
- > Technological challenges in logistics of biomass, milling system and boiler conditions can be overcome
- > Investment decision will depend on future support mechanism
- > Current subsidy scheme provides sufficient remuneration for current biomass operations
 - Subsidy granted for 10 years
 - Premium of €61/MWh on top of wholesale price
- > Whilst the current support system is closed for new investments, there is a clear political will to introduce a subsequent incentive scheme

Co-firing is attractive – but a reasonable support mechanism needs to remain in place








- > Co-firing is financially attractive with current subsidy and relatively low risk due to dual fuel (fall-back option)
- > However, a subsidy is still required to recover investments



An attractive and stable support mechanism is needed to achieve biomass co-firing targets

RWE's presence in the entire value chain is key to successfully execute co-firing strategy

				
<h2>Forestry</h2>	<h2>Pelletisation</h2>	<h2>Pre-treatment</h2>	<h2>Logistics</h2>	<h2>Power Plant</h2>
<ul style="list-style-type: none"> > Optimised plantation management increases output > Modern harvesting technology > Fast growing trees and energy crops > Species optimised for energy purposes 	<ul style="list-style-type: none"> > Micro chipping → homogenous product facilitates further process > Using logging remains for drying purposes (avoid CO₂ emissions due to rotting) 	<ul style="list-style-type: none"> > Industrial scale continuous processes to facilitate <ul style="list-style-type: none"> – Improved grinding – Storable (hydrophobic, no biological activity) – Commodity capable 	<ul style="list-style-type: none"> > Special pellet vessels reduce cost and CO₂ > Large potential in storage and handling > Logistic chain is key to further cost reduction 	<ul style="list-style-type: none"> > Boiler behaviour with co-firing above 35% mass > Computed Fluid Dynamics (CFD) modelling > Reduce efficiency losses > Manage availability of mills

Attractive growth projects enhance flexibility and contribute to RWE's CO₂ mitigation strategy

New-build projects further diversify portfolio...

CCGT Moerdijk 2



- > Capacity: 426 MW
- > Efficiency ~58%
- > Min. capacity: 205 MW
- > Max. gradient: +/-19 MW/min
- > Expected COD: Q4 2011

CCGT Claus C



- > Capacity: 1,304 MW
- > Efficiency ~59%
- > Min. capacity: 270 MW
- > Max. gradient: +/-57 MW/min
- > Expected COD: Q2 2012

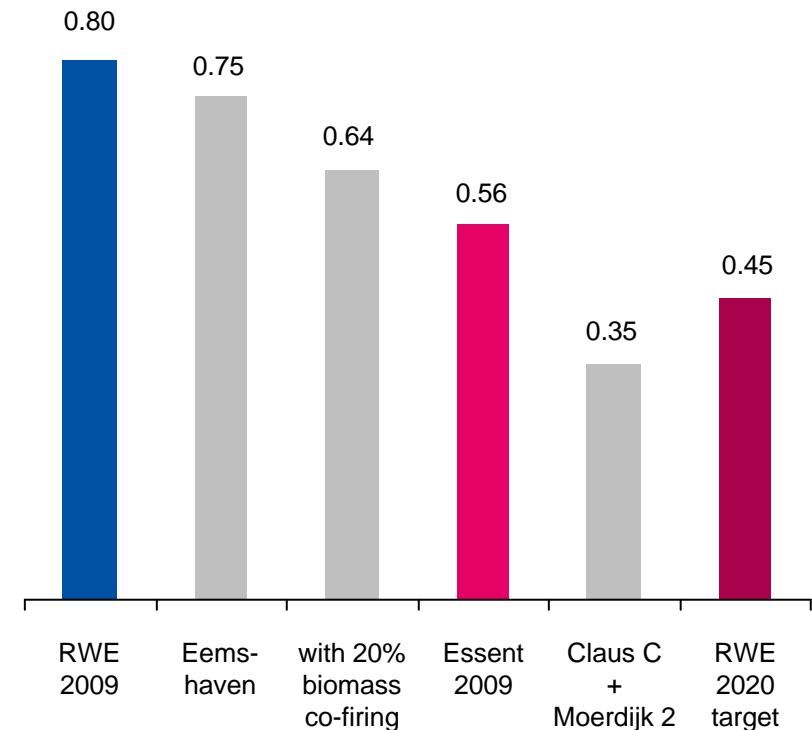
Hard coal Eemshaven



- > Capacity: 1,560 MW
- > Efficiency >46%
- > Min. capacity: 400 MW
- > Max. gradient: +/-54 MW/min
- > Expected COD: 2013

...and reduce RWE's CO₂ intensity

Specific CO₂ emissions (t/MWh)





Becoming the undisputed commercial leader

Erwin van Laethem
Geertruidenberg, 2 June 2010

Dutch energy market: Market and regulatory characteristics

Main regulatory characteristics

- > The development and operation of power plants in the Netherlands have been deregulated since 1999, followed by sales to B2B customers in 2002
- > Since 2004 the Dutch energy market is fully liberalised
- > Energy distribution networks ownership will be unbundled latest by end of 2010
- > The electricity transmission grid operator (TenneT) as well as the gas grid operator (GTS) are 100% state owned
- > The Dutch regulator (Energiekamer) has the authority to monitor pricing mechanisms and impose measures on the market system (price control)
- > Increased regulation in customer acquisition process set by regulator

Main market characteristics

- > Nuon, Essent and Eneco remain the largest players in the market with a combined market share of approx. 75% of the electricity and natural gas end customer market
- > Churn rates increasing from 9% to 12% in 2009, likely to increase further
- > New entrants such as NEM, Greenchoice, Oxxio have penetrated the B2C (approx. 20% market share) and B2B (approx. 29% market share) segments using differentiated value propositions
- > Approx. 75% of B2C customers have combined contracts for electricity and natural gas

Dutch energy customer market: Outlook 2010 – 2015


“More for Less”

- > Customers finding their way through intransparent offerings & pricing
- > Channel landscape drastically changing to online (away from tele and door to door)
- > Energy efficiency market in motion and offering opportunities to add value

“Increased Competition”

- > High-value customers become future target of all players, increasing cost to acquire
- > Competitive cost focus is key success factor
- > New entrants differentiate on price (NEM, ...) or on niche market (Greenchoice, ...)
- > International energy conglomerates have entered the Dutch market through acquisition post consolidation
- > Companies claim unique brand positions to differentiate themselves (e.g. Greenchoice fully, NEM and Energie:direct partly, incumbents to follow suit)
- > Incumbents have unbundled or are in the process to unbundle shared services and IT systems

Essent: Commercial leadership & unlocking value

Committed to:	Description of initiatives	
<ul style="list-style-type: none"> > The undisputed commercial leader > Driving sustainable growth > Putting all our energy in people 	Customer centricity	<ul style="list-style-type: none"> > Brand positioning > Customer value proposition (unique – relevant – credible) > Customer life cycle management (focus on value)
	@ccelerating online	<ul style="list-style-type: none"> > Drive online marketing & sales – teleweb > Focus on “activation” & self service > 24 / 7 availability
	Operational excellence	<ul style="list-style-type: none"> > Customer Life Time Value focus > Cost to serve / Cost to acquire > Continuous improvement > Simple & Fit for Purpose processes / systems > Empowerment and accountability of quality staff
	Driving sustainable growth	<ul style="list-style-type: none"> > B2B Flex: Flexibility @ premium > Local energy solutions > B2B TransEnergy: automotive biogas

Focus on strategic market segments through business lines

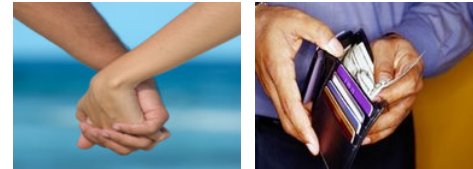
	B2C	SME	B2B	B2B Flex	Energy Solutions
Promise	The Energy Partner	Personal and reliable energy with innovative sustainable solutions	Energy supply to medium and large enterprises	Full Flex direct access to energy markets	Lowest energy costs by shared innovative solutions
Value Drivers	<ul style="list-style-type: none"> > Economies of scale (large) > Differentiation > Acquisition and retention costs > Low cost to serve 		<ul style="list-style-type: none"> > Economies of scale (medium) > Product innovation > Administrative flawless transacting > Risk management and trading 		
Business Model	<ul style="list-style-type: none"> > Focus on customer (lifetime) value > Driven by low cost to serve and high service requirements > Increased self-service and online usage 			<ul style="list-style-type: none"> > Fast growth > Premium margins > Continuous innovation > Market leading > Additional income streams 	
Power sales – GWh	2,011	743	1,651	1,118	-
Gas sales – m³	1,579	356	1,258	972	-
Heat sales – TJ	-	-	-	-	3
Contracts	3,647	363	68	77	61
Employees	1,848	279	227	129	562

Note: All figures for 1Q 2010

B2C: Dual branding strategy – Essent & Energie:direct



Target segments



Product characteristics

- > Offers total package
- > Good value for price
- > Offers green electricity
- > Clear product offerings
- > Transparent annual invoice

- > Smart tariff structure
- > Lowest price (of “attractive price”)
- > Affordable energy
- > Sharp price
- > Supplier of energy only

Service

- > Good service
- > Reliable invoicing

- > Several ways to contact supplier
- > Approaches customers and discusses with customers

Social image

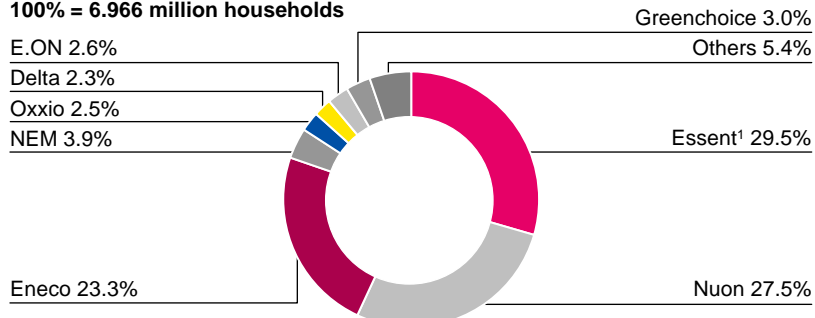
- > Familiar, established
- > “Energiebewust” (Conscious)
- > Professional (SME segment)

- > Young and modern
- > “Kostenbeheersers” (Cost focused)
- > Simple / no nonsense
- > Trendsetter

B2C: The Energy Partner

Gas market shares households in NL (2009)

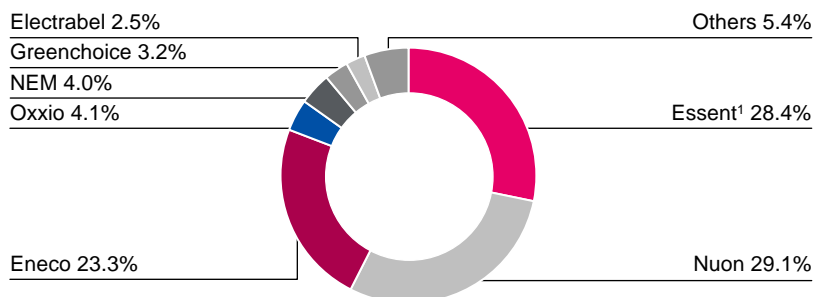
100% = 6.966 million households



¹ Includes Energie:direct (1.6%) RWE Netherlands (3.0%) and Westland (0.9%)

Power market shares households in NL (2009)

100% = 7.312 million households



¹ Includes Energie:direct (1.9%) RWE Netherlands (1.5%) and Westland (0.5%)

Market position

- > Essent continues to lead in gas
- > Essent churn rates are lower than market average
- > Changing channel landscape (online, tele, door to door)
- > Price perception is dominant factor for active switchers

Market strategy

- > Retain market share & unlock value
- > Focus on high value customers and customer lifecycle management
- > ROI on acquisition campaigns control cost to acquire
- > Drive down cost to serve (CtS)

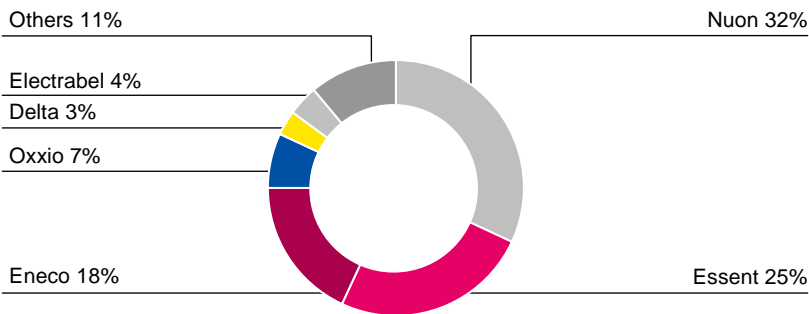
Market differentiators

- > Differentiated offerings in value and price
- > Establish energy solutions with premium margins
- > Become the preferred online supplier
- > Newly implemented invoicing and CRM system enables further cost reduction and increases commercial potential
- > Attract, retain & develop commercial talent and transform from service to commercial organisation

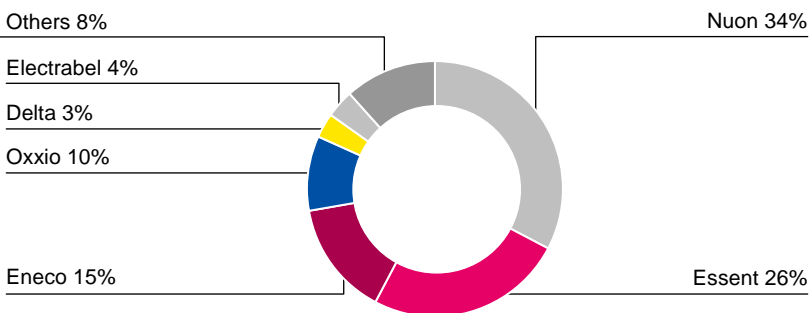
Sources: GFK Energie Markt Monitor Marktaandeelen & Switchgedrag 2009

SME: Personal & reliable energy with innovative sustainable solutions

Gas market shares SME in NL (2009)



Power market shares SME in NL (2009)



Market position

- > Margins in SME are higher than in the household segment
- > Competition has intensified over the past few years and will continue to do so, mainly focusing on price, and competitors entering this market segment (e.g. NEM)
- > The SME market consists of a range of customers with widely varying energy requirements

Market strategy

- > Maintain market by improvement of our retention capabilities and intensifying the commercial activities
- > Increase value share of market by focusing on high value customer segments
- > Improve profitability by reducing cost to serve

Market differentiators

- > To be the preferred energy partner of the SME customer
- > Investing in online applications, decreasing the CtS and improving customer service
- > Build knowledge of customer needs and commercial skills
- > Essent is developing new value propositions that will help reduce energy consumption for the customer
- > Exclusive 3 years partnership with "MKB Nederland"

Sources: GFK Energie Markt Monitor Marktaandeelen & Switchgedrag 2009

B2C & SME: Customer value and cost to serve

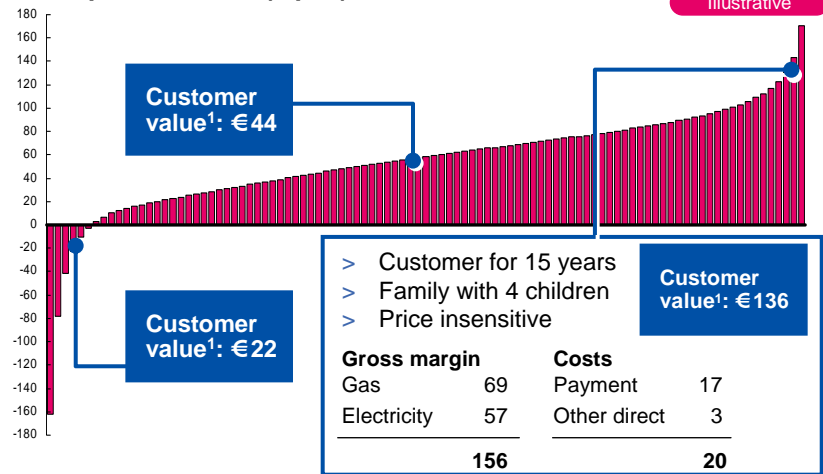
Customer lifecycle value

- > Consumer market can be segmented by archetypes (new customer, customer for 10 years, long term customers)
- > Focus on key drivers for retention & acquisition
- > Value is determined by consumption, cost to serve, switching & payment behaviour (real and predicted)

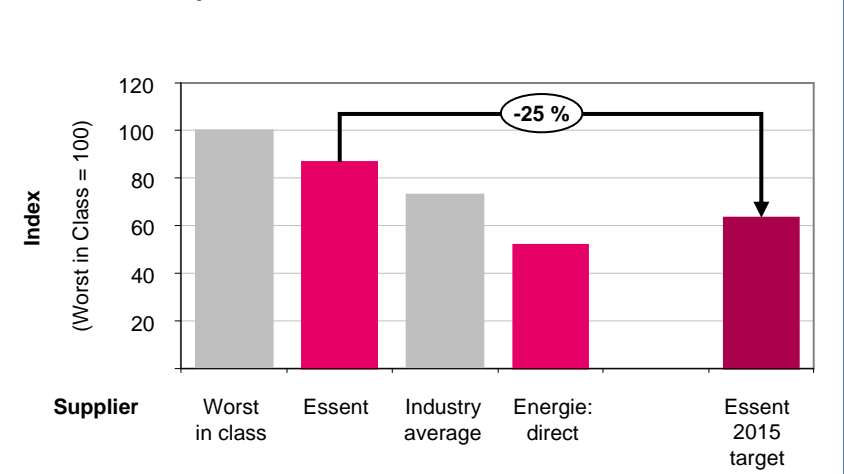
Cost to serve

- > Essent currently above industry average
- > Operational excellence and new IT platform will deliver 25% reduction in direct costs by 2015
- > Online acquisition & self service portal
- > Smart ROI & fact based marketing

Value per customer (€/p.a.)



Cost to Serve per Customer



Sources: McKinsey

¹ Annual customer value based on gross margin minus cost to serve

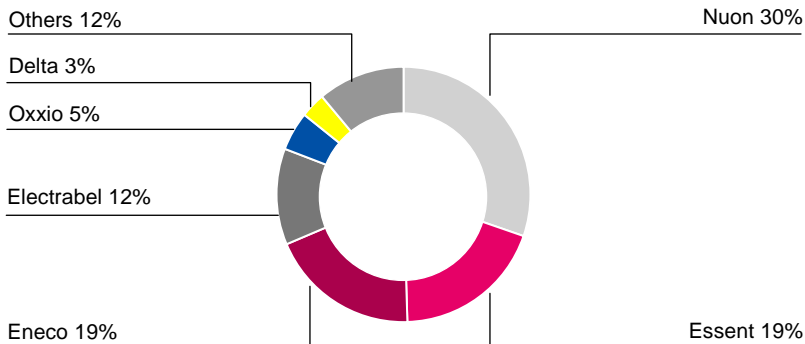
Sources: CtS benchmark Dutch utilities – Accenture Nederland

B2B: Channels and value proposition

	Large-sized customer	Medium-sized customer	New product development
Channel	<ul style="list-style-type: none"> > High volumes > Low margins > Key account management 	<ul style="list-style-type: none"> > Medium volumes > Slightly higher margins > Account management > Telesales service 	<ul style="list-style-type: none"> > Slightly higher margins > Multi-channel approach
Value proposition	<ul style="list-style-type: none"> > Customised energy services that suit individual needs > The best asset-based sustainable energy solutions with high energy cost savings > Long-term value that suits customer risk profile > Strong gas portfolio due to access to large trading floor, resulting in competitive tools > Risk management and trading tools 	<ul style="list-style-type: none"> > Quick and reliable service > Standardised product propositions; develop customised services that best suit the customer needs > B2B can offer complete solutions to customers by cooperation with other business units like ELES, B2B Flex etc. > Risk management 	<ul style="list-style-type: none"> > Green gas production together with our industrial partners (e.g. ELES) > TransEnergy: solutions for transport > Growing demand for sustainable products > Niche markets

B2B: Energy supply to medium and large enterprises

Power market shares B2B in NL (2009)



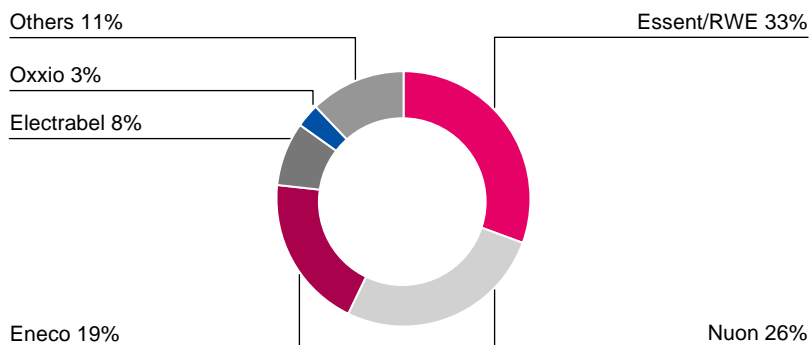
Market position

- > Market leader in gas
- > Commodity and price-driven products
- > Main competitors: Nuon, Eneco, and Electrabel
- > Key account management is value driver

Market strategy

- > Keep market share by increasing acquisition/sales
- > Fit-for-purpose price / risk management
- > Sophistication of value proposition per customer segment

Gas market shares B2B in NL (2009)



Market differentiators

- > Access to RWE Supply & Trading
- > Professional price / risk management
- > Cost to serve on industry benchmark
- > Market leader in sustainable transport solutions
- > Attract, retain & develop commercial talent and transform from service to commercial organisation

Sources: GFK Energie Markt Monitor Marktaandeelen & Switchgedrag 2009

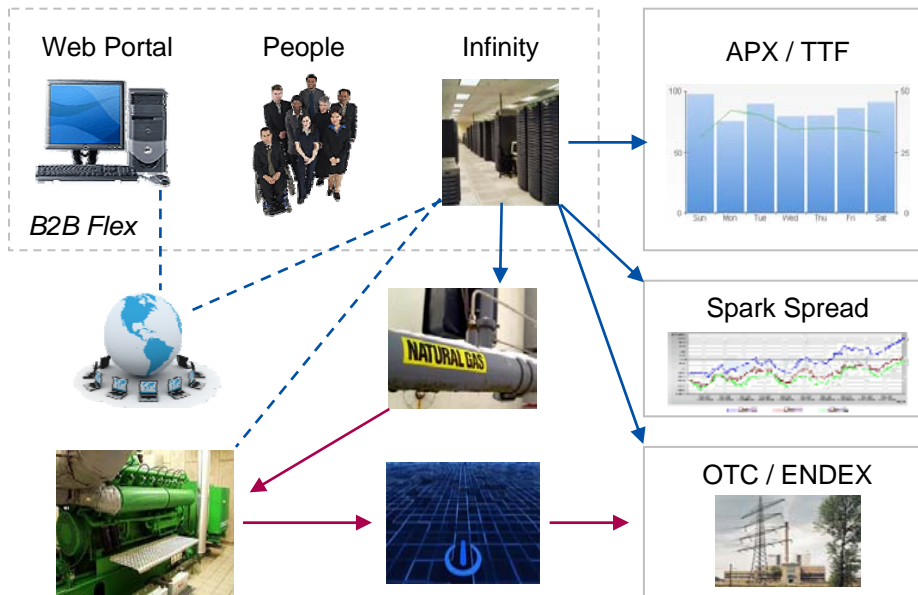
B2B Flex: Markets – customers – business model – value drivers

Characteristics horticultural market

- > 3 GW installed capacity (= 13% of total Dutch capacity)
- > CHP installation for flexible energy consumption and generation
- > High proportion of energy costs (30% of total cost)
- > Focus on energy management and awareness of energy market

External value drivers (horticultural market)

- > Advanced, integrated trading platform
- > Optimal energy costs based on customer preferences
- > Optimal energy revenue generation during peak hrs
- > Ability to trade (buy/sell) energy for future years
- > Ability to lock in spark spread for future years
- > Highest liquidity in energy trading given any size of business
- > Ability to match non-standard energy blocks (supplier side / energy producers)
- > Dispatch flexibility to maximise imbalance revenues



Internal value drivers (B2B Flex)

- > Highly automated trading platform
- > Very low overheads
- > Multi-sourcing ensures best prices and lowest spread
- > In-house matching generates arbitration opportunities
- > High licence fee ensures continuous revenue stream
- > Agile product development, IT staffing flexible
- > Entrepreneurial culture, margin driven

B2B Flex: Competitive field – outlook 2011 – 2014

	Horticultural market	B2B market
Competitors	<ul style="list-style-type: none"> > AgroEnergy (part of ENECO, full portfolio) > Endon (independent, electricity redelivery only) > DVEP (independent , full portfolio) > NUON (part of Vattenfall, full portfolio) 	<ul style="list-style-type: none"> > NUON (part of Vattenfall, semi flexible portfolio) > ENECO (state owned, semi flexible portfolio) > Scholt Energy Group (independent, electricity only) > DVEP (independent, full portfolio)
Market trends	<ul style="list-style-type: none"> > Focus on energy cost and trading opportunities > Economy drives customer consolidation > Horticultural landmass occupation stable > Frequency of energy transactions increasing <p>Market trends forcing strategy rethink</p>	<ul style="list-style-type: none"> > Focus on energy costs and carbon footprint > Increasing awareness of energy products > Increasing energy demand drives up prices > Increasing volatility within energy markets <p>Market trends allow for flexible energy products</p>

Essent Local Energy Solutions (ELES): Market position and strategy

	B2C	SME	B2B	B2B Flex	Energy Solutions
Promise	The Energy Partner	Personal and reliable energy with innovative sustainable solutions	Energy supply to medium and large enterprises	Full Flex direct access to energy markets	Lowest energy costs by shared innovative solutions
Value drivers	<ul style="list-style-type: none"> > Smart metering > Boilers and micro-CHP's > PV-panels (solar) > Insulation > CO₂ reduction 		<ul style="list-style-type: none"> > Energy advise > Asset renewal > Product innovation > Heat contracts > CO₂ reduction 		
Business model	<ul style="list-style-type: none"> > Vendor lock-in > Utilisation of shared assets > Partnering and franchising 		<ul style="list-style-type: none"> > Vendor lock-in > Utilisation of shared assets > Partnering and franchise > Power redelivery > "Flexing overcapacity" 		

ELES: Examples of solutions

Biogas production from cow dung

- > Combined heat and power installation fuelled by biogas
- > Heat delivery to 3,000 houses (under construction)
- > 50% reduction in CO₂ emissions
- > Generates 8 GWh in electricity per annum and equivalent of 600,000 m³ of natural gas



Council heating from plant waste

- > Bio energy power plant using locally collected biomass waste
- > Heat delivery to 1,100 houses, school and health care centre
- > 2,900 tonne reduction in CO₂ emissions
- > Generation capacity of 1.2 MW in electricity and 6.8 MW in heat equivalent
- > Operational since 2005



Conclusions

Essent is committed to be the undisputed commercial leader by 2012:

- > #1 in all relevant market sectors
- > Unlock customer value >€100 million additional customer life time value
- > On its way to reduce cost to serve by 25%
- > Sustainable growth initiatives resulting in additional >€50 million earnings per annum

by

- > Focus on high value customers
- > Lead emerging segments with premium margins
- > Smart revenue generating innovation in local energy solutions, automotive biogas, B2B
- > High performance commercial organisation

and

Knowledge, expertise and best practice transfer to and from other markets where RWE is active

Closing remarks

Rolf Pohlig
Geertruidenberg, 2 June 2010

Highlights



More international:

- > Increase in share of non-German operating result
- > Diversification of regulatory and political risk



More sustainable:

- > 616 MW of additional operating wind assets
- > Leverage on enlarged renewables pipeline to achieve 4,500 MW in operation or under construction by 2012



More robust:

- > Diversification of power plant portfolio
- > Additional flexibility in gas sourcing portfolio

