

unaudited Financial report
for the six-month period ending
30 June 2011

RWE Finance B.V.

's-Hertogenbosch, the Netherlands

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Interim report of the directors

Interim report of the directors

During the period under review no new bonds have been issued and no bonds have been repaid. Furthermore the exchange rate for GBP-EUR decreased from 1.162 at year end 2010 to 1.10797 as per end of June 2011.

The balance sheet total decreased from EUR EUR 15,987,594,000 to EUR 15,795,544,000 and the net result decreased with 5.4% to EUR 1,235,000 compared to the same period in 2010.

During the period under review no (interim) dividend has been paid.

During the remaining period of the year 2011 EUR 1,500 million is due and has to be repaid. During 2012 EUR 1,808 million is due and during 2013 EUR 1,000 million, GBP 630 million and USD 250 million is due. No refinancing is planned.

All bonds have been issued under guarantee of RWE AG.

The Company intends to continue its operations as an inter group finance company for the foreseeable future.

Risk management and use of financial instruments

As the proceeds of all the bonds are one on one lent to the parent company RWE AG and RWE Benelux Holding B.V., a 100% group company, the ability of the company to meet its obligations under the bonds depends upon the payment of the principal and interest due from the above mentioned group companies. No liquidity risk is present, due to the fact that the maturity mismatch between the assets and liabilities is limited to the equity of the company. The interest rate on the loans, which were issued to the parent company before 2008, is 0.0237% higher than the interest rate on the relating bonds. The loans issued in 2008 and thereafter have an interest rate of 0.0225% higher than the interest rate on the relating bonds. We furthermore refer to the disclosures in paragraph 4 of the notes.

Currency risk

The company's currency exposure mainly relates to positions and future transactions in British Pounds and US Dollars. However, as the bonds issued in foreign currencies have been one on one used to finance the loans to group companies a natural hedge has been obtained and therefore currency risk is eliminated.

Interest rate risk

The company's exposure to interest rate risk on interest-bearing receivables and interest-bearing long-term and current liabilities is limited as the bonds and loans issued all have fixed interest rates. The spread on loans amounts to 0.0237% for loans issued before 2008 and 0.0225% for loans issued thereafter.

Credit risk

The loans to group companies have been granted to RWE AG and RWE Benelux Holding B.V., being a 100% group company. Although the rating for the group decreased from A outlook negative to A- outlook negative (S&P), the solvency is still to be mentioned good.

Responsibility Statement

“The Managing Directors of the Company hereby declare that to the best of their knowledge and in accordance with the applicable reporting principles for the financial reporting, the interim financial statements for the period ending 30 June 2011 give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and that the Director’s report referred to above gives a true and fair view concerning the position as per the balance sheet date, the development and performance of the business during the financial year of the Company together with a description of the principal risks that it faces.”

’s-Hertogenbosch, the Netherlands, 22 July 2011

The managing directors,

M.E.G. Coenen

M.R.H.B. Hoogeweegen

A. Blok

R. Ton

Interim Financial report for the six-month period ending 30 June 2011

Balance sheet
(before appropriation of result)

	Ref.	30 June 2011		31 December 2010	
		EUR'000	EUR'000	EUR'000	EUR'000
<i>Assets</i>					
Non-current assets					
Financial assets	5.1		13,714,686		13,941,224
Current assets					
Receivables	5.2	2,071,237		2,037,616	
Cash and cash equivalents	5.3	9,621		8,754	
			2,080,858		2,046,370
			15,795,544		15,987,594
<i>Equity and liabilities</i>					
Equity attributable to equity holders of the parent					
Share capital	5.4	2,000		2,000	
Retained earnings		7,829		5,249	
Profit for the year		1,235		2,580	
			11,064		9,829
Non-current liabilities	5.5		13,714,686		13,941,224
Current liabilities	5.6		2,069,794		2,036,541
			15,795,544		15,987,594

Income statement for the period

	Ref.	Jan - Jun 2011		Jan - Jun 2010	
		EUR'000	EUR'000	EUR'000	EUR'000
Finance costs					
Interest income	6.1	429,106		448,773	
Interest expenses	6.2	(427,331)		(446,858)	
Gross margin on interest			1,775		1,915
General and administrative expenses	6.3		(128)		(99)
Operating income			1,647		1,816
Income tax expense	6.4		(412)		(511)
Net result after taxation			1,235		1,305

Cash flow statement

	Jan - Jun 2011	Jan - Dec 2010
	EUR'000	EUR'000
Cash flows from operating activities		
Cash generated from operations:		
Interest received	362,486	888,652
Interest paid	(361,012)	(884,891)
Expenses paid	(215)	(127)
Income tax expense	(411)	(585)
Net cash from operating activities	<u>848</u>	<u>3,049</u>
Cash flows from investment activities	-	-
Cash flows from financing activities		
Issuance of long-term bonds	-	182,961
Issuance of long-term loans	-	(182,961)
Repayment of long-term bonds	-	(605,181)
Repayment of long-term loans	-	605,181
Dividends paid	-	(2,500)
Net cash used in financing activities	<u>-</u>	<u>(2,500)</u>
Net cash flows	848	549
Exchange and translation differences on cash and cash equivalents	19	32
Net increase/(decrease) in cash and cash equivalents	<u>867</u>	<u>581</u>
Cash and cash equivalents		
Opening balance	8,754	8,173
Closing balance	9,621	8,754
Net increase/(decrease) in cash and cash equivalents	<u>867</u>	<u>581</u>

Notes to the financial statements

1 *General*

1.1 *Activities*

The activities of RWE Finance B.V. are to facilitate the financing of RWE AG and group companies.

1.2 *Group structure*

RWE Finance B.V., incorporated on 14 February 2001, is a private limited liability company. As per 27 September 2010 the statutory seat of the company has changed from Hoofddorp to 's-Hertogenbosch, the Netherlands.

The parent company of RWE Finance B.V. is RWE AG in Essen, Germany. The financial statements of RWE Finance B.V. are included in the consolidated financial statements of RWE AG.

1.3 *Accounting policies*

The financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

1.4 *Notes to the cash flow statement*

The cash flow statement has been prepared applying the direct method. The cash and cash equivalents in the cash flow statement comprise the balance sheet item cash at banks.

Cash flows in foreign currencies have been translated at estimated average exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Receipts and payments of interest and corporate income tax are included in the cash flow from operating activities. Dividends paid have been included in the cash flow from financing activities.

1.5 *Estimates*

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Netherlands Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statement items in question.

2 Accounting policies for the balance sheet

2.1 General

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred. The balance sheet and income statement include references to the notes. The financial statements are expressed in EUR'000.

2.2 Foreign currencies

Transactions, receivables and payables

Transactions denominated in foreign currencies during the reporting period are recognised in the financial statements at the exchange rate ruling at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date. Exchange differences resulting from settlement and translation are charged or credited to the income statement.

2.3 Financial assets

Loans to group companies

Loans to group companies included in financial assets are stated at amortised cost.

Deferred premiums and discounts on loans to group companies are amortised over the term of the loans. The deferred part of the premiums and discounts is included under the receivables and current liabilities.

The interest rate charged on loans to group companies has been set in conformity with the tax ruling obtained from the local tax authorities.

2.4 Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. When a trade receivable is not collectible, it is written off against the allowance account for trade receivables.

2.5 Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and deposits with a maturity of less than twelve months. Current account liabilities at banks are recognised under bank overdrafts forming part of current liabilities.

2.6 Non-current liabilities

Bonds included in non-current liabilities are stated at amortised cost.

Deferred premiums and discounts on bonds are amortised over the term of the bonds. The deferred part of the premiums and discounts is included under the receivables and current liabilities.

3 Accounting policies for the income statement

3.1 General

Results on transactions are recognised in the year in which they are realised; losses are accrued as soon as they are foreseeable.

3.2 Foreign currencies

Exchange differences resulting from settlement and translation are charged or credited to the income statement.

3.3 General and administrative expenses

General and administrative expenses include the expenses of the board of directors and the administration services outsourced to Deutsche International Trust Company N.V.

3.4 Interest income and expense

Income from financing activities is determined as interest income received from inter-company financing activities. Interest income and expense are time apportioned.

3.5 Taxation

Corporate income tax is calculated on the profit/loss before taxation in the income statement, taking into account tax-exempt items and non-deductible expenses, and using current tax rates.

3.6 Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are recognised to provide for temporary differences between the tax bases of assets and liabilities, and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income taxes are recognised at face value.

4 Financial instruments

4.1 Market risk

Currency risk

The company's currency exposure mainly relates to positions and future transactions in British Pounds and US Dollars. However, as the bonds issued in foreign currencies have been one on one used to finance the loans to group companies a natural hedge has been obtained and therefore currency risk is eliminated.

Price risk

The company's price risk is limited as the bonds issued by the company have been one on one used to finance the loans to group companies. As a result a natural hedge has been obtained.

4.2 Interest rate risk

The company's exposure to interest rate risk on interest-bearing receivables and interest-bearing long-term and current liabilities is limited as the bonds and loans issued all have fixed interest rates. The spread on loans amounts to 0.0237% for loans issued before 2008 and 0.0225% for loans issued thereafter.

4.3 Credit risk

The loans to group companies have been granted to RWE AG and RWE Benelux Holding B.V., being a 100% group company. Although the rating for the group decreased from A outlook negative to A- outlook negative (S&P), the solvency is still to be mentioned good.

We furthermore refer to paragraph 5.1 of the notes to these financial statements.

5 Notes to the balance sheet

5.1 Financial assets

This item concerns loans to group companies and is specified as follows:

	2011	2010
	EUR'000	EUR'000
1 January		
Book value	13,941,224	15,112,885
Movements financial year		
Loans issued	-	182,962
Exchange differences	(226,538)	145,377
Short-term loans transferred to receivables	-	(1,500,000)
	(226,538)	(1,171,661)
30 June 2011 / 31 December 2010		
Book value	13,714,686	13,941,224

The loans are to be repaid in the period between 2012 and 2039. During the period under review no new loans have been issued. The loans which are to be repaid between 1 July 2012 and 30 June 2016 amount to EUR 6,886,021,000 (EUR 6,188,000,000 and GBP 630,000,000 and USD 250,000,000). One loan for an amount of EUR 1,500 million will be repaid during the remaining part of 2011.

Currency

The nominal amount of the loans to the parent company consists of nine loans contracted in EUR amounting to EUR 6,843,000,000 and nine loans to the parent company contracted in GBP to a total amount of GBP 3,947,500,000 (EUR 4,373,712,000) and one loan to the parent company contracted in USD to a total amount of USD 250,000,000 (EUR 172,974,000). Furthermore three loans for a total amount of EUR 3,825,000,000 have been lent on to RWE Benelux Holding B.V., a 100% group company.

Interest

The interest rates are fixed and vary as follows:

Loan	Amount	Interest rate
EUR	10,668,000,000	2.5225% - 6.6475%
GBP	3,947,500,000	5.5225% - 6.5237%
USD	250,000,000	2.0225%

5.2 *Receivables*

	30 June 2011		31 December 2010	
	Total	Term > 1 year	Total	Term > 1 year
	EUR'000	EUR'000	EUR'000	EUR'000
Short-term part of group loans	1,500,000	-	1,500,000	-
Interest receivable from group companies	475,365	-	428,795	-
Deferred premiums and discounts	95,872	75,464	108,821	86,799
	2,071,237	75,464	2,037,616	86,799

5.3 *Cash and cash equivalents*

The cash and cash equivalents are at the free disposal of the company.

	30 June 2011	31 December 2010
	EUR'000	EUR'000
Current account group companies	9,557	8,731
Cash	64	23
Total cash and cash equivalents	9,621	8,754

As per 30 June 2011 the deposit with the parent company amounted to EUR 9,556,926 (2010: EUR 8,730,882). The deposit matured at 6 July 2011 and bears interest at 1.21% (2010: 0.76%).

5.4 *Equity attributable to equity holders of the parent*

Share capital

The authorised share capital as at 30 June 2011 amounts to EUR 10,000,000 of which 20,000 shares of EUR 100 each have been issued and fully paid up. The breakdown of the share capital can be specified as follows:

	2011		2010	
	Shares	Share capital	Shares	Share capital
		EUR'000		EUR'000
1 January				
Issued and fully paid-up	20,000	2,000	20,000	2,000
Movements financial year				
Additionally paid-in capital	-	-	-	-
30 June 2011 / 31 December 2010				
Issued and fully paid-up	20,000	2,000	20,000	2,000

Retained earnings

	2011	2010
	EUR'000	EUR'000
Balance as at 1 January	5,249	5,308
Additions from profit previous year	2,580	2,441
Dividends paid	-	(2,500)
Balance as at 30 June 2011 / 31 December 2010	7,829	5,249

Profit for the year

	2011	2010
	EUR'000	EUR'000
Balance as at 1 January		
Profit for the financial year	1,235	2,580
Balance as at 30 June 2011 / 31 December 2010	1,235	2,580

5.5 Non-current liabilities

This item relates to the issued bonds and is specified as follows:

	2011	2010
	EUR'000	EUR'000
1 January		
Book value	13,941,224	15,112,885
Movements financial year		
Bonds issued	-	182,962
Exchange differences	(226,538)	145,377
Short-term part of bonds transferred to current liabilities	-	(1,500,000)
	(226,538)	(1,171,661)
Balance as at 30 June 2011 / 31 December 2010		
Book value	13,714,686	13,941,224

The bonds are to be repaid in the period between 2012 and 2039. Repayment of the principals of the bonds is guaranteed by RWE AG. In 2011 EUR 1,500,000,000 has to be repaid.

The bonds which are to be repaid between 1 July 2012 and 30 June 2016 amount to EUR 6,886,021,000 (EUR 6,188,000,000, GBP 630,000,000 and USD 250,000,000).

Currency

The nominal amount of the bonds consists of eleven bonds contracted in EUR amounting to EUR 10,668,000,000 and eight bonds contracted in GBP to a total amount of GBP 3,947,500,000 (EUR 4,373,712,000) and USD 250,000,000 (EUR 172,974,000).

Interest

The interest rates are fixed and vary as follows:

Bond	Amount	Interest rate	
EUR	10,668,000,000	2.50% -	6.625%
GBP	3,947,500,000	5.50% -	6.50%
USD	250,000,000		2%

5.6 Current liabilities

	30 June 2011		31 December 2010	
	Total	Term > 1 year	Total	Term > 1 year
	EUR'000	EUR'000	EUR'000	EUR'000
Short-term part of bonds	1,500,000	-	1,500,000	-
Interest payable	473,322	-	427,033	-
Corporate income tax	137	-	88	-
Accrued liabilities	55	-	142	-
Deferred tax liability	408	347	457	395
Deferred premiums and discounts	95,872	75,464	108,821	86,799
	<u>2,069,794</u>	<u>75,811</u>	<u>2,036,541</u>	<u>87,194</u>

Deferred tax liability

	2011	2010
	EUR'000	EUR'000
Balance at 1 January	457	519
Added	-	-
	<u>457</u>	<u>519</u>
Movements	(49)	(62)
Balance at 30 June 2011 / 31 December 2010	<u>408</u>	<u>457</u>

During the coming year EUR 60,968 will be amortized to the Profit and Loss account.

Financial instruments

Financial instruments valued at cost

The table below shows financial instruments whose market value differs from cost.

	30 June 2011		31 December 2010	
	Market value	Book value	Market value	Book value
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Financial assets</i>				
Loans to group companies	16,750,814	15,214,686	17,340,270	15,441,224
<i>Non-current liabilities</i>				
Bonds issued	16,371,314	15,214,686	17,002,187	15,441,224

Financial assets

The market value of the loans to group companies is EUR 16,750,814 (2010: EUR 17,340,270).

The market value of the loans to group companies is higher than the book value because they carry interest at a rate that is higher than the market rate.

Non-current liabilities

The market value of the bonds issued is EUR 16,371,314 (2010: EUR 17,002,187).

6 Notes to the income statement

6.1 Interest income

	30 June 2011	30 June 2010
	<u>EUR'000</u>	<u>EUR'000</u>
Interest income group companies	417,294	437,208
Release deferred premiums and discounts	11,812	11,565
	<u>429,106</u>	<u>448,773</u>

6.2 Interest expenses

	30 June 2011	30 June 2010
	<u>EUR'000</u>	<u>EUR'000</u>
Interest expenses bonds issued	415,519	435,293
Release deferred premiums and discounts	11,812	11,565
	<u>427,331</u>	<u>446,858</u>

6.3 *General and administrative expenses*

	30 June 2011	30 June 2010
	EUR'000	EUR'000
Advisory fees	49	43
Legal expenses	32	-
Management and administrative expenses	31	50
Other	16	6
	<u>128</u>	<u>99</u>

Two board members received a total remuneration of EUR 4,300 for the year 2011 (2010: EUR 4,300)

PricewaterhouseCoopers Accountants N.V. was appointed as auditor of the financial statements of the Company. The composition of the fees paid to the auditor, as included in advisory fees, is as follows:

	30 June 2011	30 June 2010
	EUR'000	EUR'000
Audit of the Financial Statements	17	10
Professional services Debt Issuance Program	25	27
Total audit fees	<u>42</u>	<u>37</u>

6.4 *Income tax expense*

	30 June 2011	30 June 2010
	EUR'000	EUR'000
Result before taxation	1,647	1,816
Total permanent and timing differences	-	-
Taxable amount	<u>1,647</u>	<u>1,816</u>
Income tax charge	412	511
Effective tax rate	<u>25.0%</u>	<u>28.1%</u>

The average effective tax rate amounts to 25.0%.

The statutory rate is 25% for the year 2011 (25.5% for 2010).

6.5 *Employees*

During 2011 and 2010 the company did not employ any personnel.

6.6 *Related parties*

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control the company are considered a related party. In addition, statutory directors, other key management of RWE Finance B.V. or the ultimate parent company and close relatives are regarded as related parties.

The parent company RWE AG and RWE Benelux Holding B.V. qualify as related parties. We also refer to the notes 5.1, 5.2 and 5.3.

Transactions carried out by the company with related parties are all based on arm's length terms and conditions.

The related party positions within the balance sheet can be specified as follows:

	30 June 2011	31 December 2010
	EUR'000	EUR'000
Loans including deferred premium and discount	15,175,763	15,399,595
Interest receivable on the above loans	475,365	428,795
Deposit	9,557	8,731
	<hr/>	<hr/>
Total related parties in the balance sheet	15,660,685	15,837,121
	<hr/>	<hr/>

The related party positions within the income statement for the period ending 30 June can be specified as follows:

	30 June 2011	30 June 2010
	EUR'000	EUR'000
Interest on loans	417,250	437,184
Amortisation premium and discount	11,812	11,565
Interest on deposit	44	25
	<hr/>	<hr/>
Total related parties in the income statement	429,106	448,774
	<hr/>	<hr/>

's-Hertogenbosch, the Netherlands, 22 July 2011

Board of directors,

M.E.G. Coenen

M.R.H.B. Hoogeweegen

A. Blok

R. Ton

Other information

Proposed profit appropriation

According to article 27 of the Articles of Association the profit for the year is at the free disposal of the General Meeting of Shareholders.

Events after the balance sheet date

No events after the balance sheet date occurred, which should be included in these accounts.