

Financial report 2014

RWE Finance B.V.

's-Hertogenbosch, the Netherlands

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Directors' report

Directors' report

Main developments during the year

In February 2014 the outstanding 3.0% bond issued in 2013 and due in 2024 was tapped and increased by EUR 300 million from EUR 500 million to EUR 800 million. In July 2014 a bond in the amount of EUR 530 million fell due and was repaid. Despite this net redemption the balance sheet total increased from EUR 12,813.3 million to EUR 12,938.0 million due to the exchange rate for GBP-EUR increasing from 1.199 in 2013 to 1.283 at year end 2014.

The net result for the year 2014 slightly decreased to EUR 2.0 million (2013: EUR 2.2 million).

During the financial year 2014 RWE Finance B.V. (the "Company") declared an interim dividend in the amount of EUR 1.8 million.

The liquidity of the company expressed in the current ratio was largely unchanged decreasing marginally from 1.01 in 2013 to 1.004 at year end 2014. This ratio shows the ability of RWE Finance B.V. to fulfill its short term obligations. Due to the operations of the company, short term receivables and short term liabilities are almost equal as the main component therein are the interest accruals which have a small margin only for the interest spread.

The solvability ratio (equity / total equity and liabilities) shows a stable result of 0.08% in 2014 (2013: 0.08%). The equity is consistently at a level of EUR 11 million, based on the tax ruling. Given the significant amount of bonds payable, the ratio is low. However, the payment obligation towards bond holders is covered by the fact that all proceeds are used for loans to related parties and covered by a parent company guarantee.

Profitability of the company, expressed as return on shareholder's equity (net income/ equity), went down from 20.55% in 2013 to 18.87% in 2014. This is due to the fact that overall the nominal amount of bonds and loans outstanding decreased in the past two years resulting in lower interest spread for 2014.

Dividend declared in 2014 is less than result for the year, causing the equity to slightly increase.

In February 2015 one bond in the amount of EUR 2,000 million has been repaid. The next upcoming maturity will only be in April 2016 for one bond in the amount of EUR 850 million. All bonds have been issued under guarantee of RWE AG.

All bonds are listed on the Luxembourg Stock Exchange. As of October 2013 one bond (EUR 1bn due 2021) is also listed on the Frankfurt Stock Exchange, which means this bond is listed on two Stock Exchanges.

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, RWE Benelux Holding B.V. and npower plc, both 100% group companies, 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 until the end of 2011 have an interest rate of 0.0225% higher than the interest rate on the relating bonds. For 2012 and 2013 the spread was again set at 0.0237%. Effective 2014 the spread is set at 0.03%.

On the loan issued to npower plc an additional 0.6% is added to cover a guarantee fee payable to RWE AG. For the loan issued to RWE Benelux Holding B.V. in 2013 a guarantee fee of 0.3% is charged, payable to RWE AG. The loan issued in 2014 bears a guarantee fee of 0.35%. 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. However, as the bonds issued in foreign currencies have been one on one used to finance the loans to group companies in the same currency 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 corresponding tenors and fixed interest rates.

Credit risk

The loans to group companies have been granted to RWE AG, RWE Benelux Holding B.V. and npower plc, being 100% group companies. The actual long-term rating for the group provided by S&P is BBB+ with a stable outlook; Moody's rated the group on Baa1 with a stable outlook.

Financial Outlook

No further financing is currently planned for the remainder of the year 2015.

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

Board

During 2014 there was a change in the composition of the board of directors. As per July 31, 2014, Mr. Blok resigned as director of the Company. As per August 19, 2014 Mr. Dullens was appointed as director of the Company.

According to new legislation the company is required to include certain disclosures regarding the appointment of at least 30% female board members. Based on the changes in the board in 2014 this criterion has not been met. In the internal selection process priority was given to experience in Dutch tax legislation. Next to that the new director must have the Dutch nationality. These requirements were given preference over diversity.

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 financial statements for the year ending 31 December 2014 give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and that the Directors’ 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, 24 March 2015

Board of directors,

M. Coenen

V. Heischkamp

J. Stollenga

H. Dullens

Financial statements

Balance sheet (before appropriation of result)

	Ref.	31 December 2014		31 December 2013	
		EUR'000	EUR'000	EUR'000	EUR'000
Assets					
Non-current assets					
Financial assets	5.1		10,409,529		11,778,932
Current assets					
Receivables	5.2	2,516,103		1,023,190	
Cash and cash equivalents	5.3	12,342		11,206	
			2,528,445		1,034,396
			12,937,974		12,813,328
Equity and liabilities					
Equity attributable to equity holders of the parent					
Share capital	5.4	2,000		2,000	
Retained earnings		6,806		6,426	
Profit for the year		2,049		2,180	
			10,855		10,606
Non-current liabilities	5.5		10,409,529		11,778,932
Current liabilities	5.6		2,517,590		1,023,790
			12,937,974		12,813,328

Income statement

	<u>Ref.</u>	<u>2014</u>		<u>2013</u>	
		EUR'000	EUR'000	EUR'000	EUR'000
Interest and similar income	6.1	696.770		735.903	
Interest and similar expenses	6.2	(684.400)		(726.252)	
Total financial result			12.370		9.651
General and administrative expenses	6.3		(9.651)		(6.758)
Operating income			2.719		2.893
Income tax expense	6.4		(670)		(713)
Net result after taxation			2.049		2.180

Cash flow statement

	Ref.	2014	2013
		EUR'000	EUR'000
Cash flows from operating activities			
Cash generated from operations:			
Interest received		671.156	751.373
Interest paid		(658.849)	(744.081)
Expenses paid		(237)	(332)
Income tax expense		(621)	(885)
Guarantee fee paid		(6.456)	(4.222)
Net cash from operating activities		<u>4.993</u>	<u>1.853</u>
Cash flows from investment activities			
		-	-
Cash flows from financing activities			
Issuance of long-term bonds	5.5	300.000	1.250.000
Issuance of long-term loans	5.1	(300.000)	(1.250.000)
Repayment of long-term bonds	5.6	530.000	(1.931.547)
Repayment of long-term loans	5.2	(530.000)	1.931.547
Dividends paid	5.4	(3.600)	(2.350)
Net cash used in financing activities		<u>(3.600)</u>	<u>(2.350)</u>
Net cash flows		1.393	(497)
Exchange and translation differences on cash and cash equivalents		(33)	34
Net increase/(decrease) in cash and cash equivalents		<u>1.360</u>	<u>(463)</u>
Cash and cash equivalents			
Opening balance		10.899	11.362
Closing balance	5.3	12.259	10.899
Net increase/(decrease) in cash and cash equivalents		<u>1.360</u>	<u>(463)</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. 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, available via www.rwe.com.

RWE Finance B.V. is seated at Willemsplein 4, 's-Hertogenbosch, the Netherlands.

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 Comparison previous year

The valuation principles and method of determining the result are the same as those used in the previous year.

1.5 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 and current liability group companies.

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.

1.6 *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 judgment 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.

Functional currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates (the functional currency). The financial statements are presented in euro, which is the functional and presentation currency of RWE Finance BV.

2.3 *Financial assets*

Loans to group companies

Loans to group companies included in financial assets are initially recognized at fair value, and subsequently carried at amortized cost.

Deferred premiums and discounts on loans to group companies are amortized over the term of the loans using the effective interest method. 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.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognized in the income statement.

The amount of an impairment loss incurred on financial assets stated at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized through profit or loss.

2.4 Receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized 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 recognized under bank overdrafts forming part of current liabilities. Cash and cash equivalents are stated at face value.

2.6 Non-current liabilities

Bonds included in non-current liabilities are initially recognized at fair value, net of transaction costs incurred. Bonds are subsequently carried at amortized cost.

Deferred premiums and discounts on bonds are amortized over the term of the loans using the effective interest method. The deferred part of the premiums and discounts is included under the receivables and current liabilities.

2.7 *Current liabilities*

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, being the amount received taking account of any premium or discount, less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized as interest in the income statement over the period of the borrowings using the effective interest method.

3 **Accounting policies for the income statement**

3.1 *General*

Results on transactions are recognized in the year in which they are realized; 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 Essent entities, starting 2012.

The guarantee fee that is due by RWE Benelux Holding B.V. and RWE npower plc. is received by the Company as part of their interest payments and accounted for and paid to RWE AG as an operating expense by the Company.

3.4 *Interest income and expense*

Income from financing activities is determined as interest income received from inter-company financing activities. Interest paid and received is recognized on a time-weighted basis, taking account of the effective interest rate of the assets and liabilities concerned. When recognizing interest paid, allowance is made for the transaction costs on loans received as part of the calculation of effective interest.

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 recognized 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 realized or the deferred income tax liability is settled.

Deferred income taxes are recognized at face value.

4 Financial instruments and risk management

4.1 *Market risk*

Currency risk

The Company's currency exposure mainly relates to positions and future transactions in British Pounds. 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 till 2012. For 2012 and 2013 the spread was again 0.0237%. Effective 2014 the spread amounts 0.03%.

4.3 *Credit risk*

The loans to group companies have been granted to RWE AG, RWE Benelux Holding B.V. and npower plc, being 100% group companies. The actual long-term rating for the group provided by S&P is BBB+ with a stable outlook; Moody's rated the group on Baa1 with a stable outlook. The loans granted to RWE Benelux Holding B.V. and npower plc. are guaranteed by RWE AG.

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

4.4 *Liquidity risk*

The liquidity risk is minimal, because the proceeds of the bonds outstanding are one-on-one lent to RWE AG, RWE Benelux Holding B.V. and RWE npower plc..

The interest rate on the loans to RWE AG, RWE Benelux Holding B.V. and RWE npower plc. are higher than the interest rate on the related bonds.

5 Notes to the balance sheet

5.1 *Financial assets*

Financial assets concern loans to group companies and are specified as follows:

	2014	2013
	EUR'000	EUR'000
1 January		
Book value	11,778,932	11,160,270
Movements financial year		
Loans issued	300,000	1,250,000
Exchange differences	330,597	(101,338)
Short-term loans transferred to receivables	(2,000,000)	(530,000)
	(1,369,403)	618,662
31 December		
Book value	10,409,529	11,778,932

The loans are to be repaid in the period between 2015 and 2039. During the year under review one new loan has been issued for EUR 300 million with maturity date in 2024.

One loan for a total amount of EUR 2,000 million is repaid in February 2015. This loan has been classified under the short term receivables.

The loans which are to be repaid between 1 January 2016 and 31 December 2019 amount to EUR 2,830 million.

Currency

The nominal amount of the loans to the parent company consists of three loans contracted in EUR amounting to EUR 2,830 million and eight loans to the parent company contracted in GBP to a total amount of GBP 3,317.5 million (EUR 4,259.2 million). Furthermore five loans for a total amount of EUR 4,550 million have been lent on to RWE Benelux Holding B.V., a 100% group company and a loan of GBP 600 million (EUR 770.3 million) has been lent on to RWE npower plc., also a 100% group company.

Interest

The interest rates are fixed, ranging from:

<u>Loan</u>	<u>Amount</u>	<u>Interest rate</u>
EUR	7,380,000,000	2.1987% - 6.6475%
GBP	3,917,500,000	5.3737% - 6.5237%

5.2 Receivables

	<u>31 December 2014</u>		<u>31 December 2013</u>	
	<u>Total</u>	<u>Term > 1 year</u>	<u>Total</u>	<u>Term > 1 year</u>
	EUR'000	EUR'000	EUR'000	EUR'000
Short-term part of group loans	2,000,000	-	530,000	-
Interest receivable from group companies	444,130	-	418,516	-
Deferred premiums and discounts	71,973	71,666	74,674	74,454
	<u>2,516,103</u>	<u>71,666</u>	<u>1,023,190</u>	<u>74,454</u>

The fair value of the receivables is in line with their carrying amount.

5.3 Cash and cash equivalents

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

	<u>2014</u>	<u>2013</u>
	EUR'000	EUR'000
Current account group companies	12,342	10,907
Cash	-	299
Total cash and cash equivalents	<u>12,342</u>	<u>11,206</u>

At year-end the deposit with the parent company amounted to EUR 12.3 million (2013: EUR 10.9 million). The deposit matures at 17th of January 2015 and bears interest at 0.0% p.a. (2013: 0.178%).

The fair value of the cash and cash equivalents is in line with their carrying amount.

Cash flow statement

The closing balance in the cash flow statement is the balance of the cash and cash equivalents of EUR 12.3 million (2013: 11.2 million) minus the current amount group companies EUR 0.1 million (2013: EUR 0.3 million) (ref 5.6).

5.4 Equity attributable to equity holders of the parent

Share capital

The authorized share capital as at 31 December 2014 amounts to EUR 10 million of which 20,000 ordinary shares of EUR 100 each have been issued and fully paid up. The breakdown of the share capital can be specified as follows:

	2014		2013	
	Shares	Share EUR'000	Shares	Share EUR'000
1 January				
Issued and fully paid-up	20,000	2,000	20,000	2,000
Movements financial year				
Additionally paid-in capital	-	-	-	-
31 December				
Issued and fully paid-up	20,000	2,000	20,000	2,000

	2014		2013	
	EUR'000		EUR'000	
Retained earnings				
Balance as at 1 January		6,426		5,761
Additions from profit previous year		2,180		2,466
Dividends declared/paid		(1,800)		(1,800)
Balance as at 31 December		6,806		6,426

	2014		2013	
	EUR'000		EUR'000	
Profit for the year				
Balance as at 1 January				
Profit for the financial year		2,049		2,180
Balance as at 31 December		2,049		2,180

5.5 Non-current liabilities

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

	2014	2013
	EUR'000	EUR'000
1 January		
Book value	11,778,932	11,160,270
Movements financial year		
Bonds issued	300,000	1,250,000
Exchange differences	330,597	(101,338)
Short-term part of bonds transferred to current liabilities	(2,000,000)	(530,000)
	(1,369,403)	618,662
31 December		
Book value	10,409,529	11,778,932

The bonds are to be repaid in the period between 2015 and 2039. During the year under review the outstanding 3.0% bond issued in 2013 and due in 2024 was tapped and increased by EUR 300 million from EUR 500 million to EUR 800 million. One bond for a total amount of EUR 2,000 million is repaid in February 2015. This bond has been classified under the short term liabilities. The bonds which are to be repaid between 1 January 2016 and 31 December 2019 amount to EUR 2,830 million.

Currency

The nominal amount of the bonds consists of eight bonds contracted in EUR amounting to EUR 7,380 million and nine bonds contracted in GBP to a total amount of GBP 3,918 million (EUR 5,030 million). The bonds are listed at the Luxembourg Stock Exchange and one of these bonds also at the Frankfurt Stock Exchange since October 2013.

Interest

The interest rates are fixed, ranging from:

Bond	Amount	Interest rate
EUR	7,380,000,000	1.875% - 6.625%
GBP	3,917,500,000	4.750% - 6.500%

5.6 Current liabilities

	31 December 2014		31 December 2013	
	Total	Term > 1 year	Total	Term > 1 year
	EUR'000	EUR'000	EUR'000	EUR'000
Short-term part of bonds	2,000,000	-	530,000	-
Interest payable	435,909	-	410,358	-
Guarantee Fee (RWE AG)	9,333	-	6,385	-
Dividend	-	-	1,800	-
Current account group companies	83	-	307	-
Corporate income tax	11	-	-38	-
Accrued liabilities	21	-	11	-
Deferred tax liability	260	228	293	260
Deferred premiums and discounts	71,973	71,666	74,674	74,454
	<u>2,517,590</u>	<u>71,894</u>	<u>1,023,790</u>	<u>74,714</u>

The fair value of the liabilities is in line with their carrying amount. Current account group companies represent the inhouse bank balance with Essent NV.

Deferred tax liability

	EUR'000
At 1 January 2014	293
Added	-
	<u>293</u>
Movements	(33)
At 31 December 2014	<u>260</u>

During 2015 EUR 32,371 will be amortized to the Income Statement. The deferred tax liability is caused by a penalty payment in 2007 for early termination of a loan. For tax purposes the payment is spread over the original duration of the loan which originally ended in 2030.

5.7 Financial instruments

Financial instruments valued at cost

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

	31 December 2014		31 December 2013	
	Market value	Book value	Market value	Book value
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Financial assets</i>				
Loans to group companies	14,913,792	12,409,529	13,836,135	12,308,932
<i>Financial liabilities</i>				
Bonds issued	14,596,966	12,409,529	13,651,975	12,308,932

The market value of bonds and loans is determined through different valuation methods. The market value of loans to group companies is higher than the market value of bonds issued as they carry a higher interest rate. The market value of the loans to group companies and bonds issues is higher than the book value because they carry interest at a rate that is higher than the market rate.

6 Notes to the income statement

6.1 Interest and similar income

	2014	2013
	<u>EUR'000</u>	<u>EUR'000</u>
Interest income group companies	690,528	728,166
Release deferred premiums and discounts	6,214	7,722
Interest on deposit/bank	28	15
	<u>696,770</u>	<u>735,903</u>

6.2 Interest and similar expenses

	2014	2013
	<u>EUR'000</u>	<u>EUR'000</u>
Interest expenses bonds issued	678,186	718,530
Release deferred premiums and discounts	6,214	7,722
	<u>684,400</u>	<u>726,252</u>

6.3 General and administrative expenses

	2014	2013
	<u>EUR'000</u>	<u>EUR'000</u>
Guarantee Fee	9,404	6,669
Advisory fees	52	-5
Wages and salaries	0	0
Management and administrative expenses	122	35
Other	73	59
	<u>9,651</u>	<u>6,758</u>

In 2013 and 2014 the remuneration of the Board of Directors was nil.

PricewaterhouseCoopers Accountants N.V. is the auditor of the financial statements of the Company.

The composition of the fees paid to the auditor is as follows:

	2014	2013
	EUR'000	EUR'000
Audit of the Financial Statements	22	21
Other assurance services	30	26
Total audit fees	52	47

6.4 *Income tax expense*

	2014	2013
	EUR'000	EUR'000
Result before taxation	2,719	2,893
Total permanent and timing differences	-	-
Taxable amount	2,719	2,893
Income tax charge	670	713
Effective tax rate	24.6%	24.6%

The average effective tax rate amounts to 24.6%.

The statutory tax rate is 25% for the year 2014. The difference to the effective tax rate is mainly caused by the fact that the tax rate over the first EUR 200,000 profit is only 20%.

6.5 *Employees*

In 2014 one director resigned by 31 July and a new director was appointed as per 19 August. RWE Finance had no employees in 2013 and 2014.

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, RWE Benelux Holding B.V. and RWE npower plc. qualify as related parties. We also refer to the notes 5.1, 5.2, 5.3 and 5.6.

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 as at 31 December can be specified as follows:

	2014	2013
	EUR'000	EUR'000
Loans including deferred premium and discount	12,370,839	12,260,228
Interest receivable on the above loans	444,130	418,516
Deposit	12,342	10,907
Inhouse bank balance	(83)	(307)
Guarantee fee payable	(9,333)	(6,385)
Total related parties in the balance sheet	12,817,895	12,682,959

The related party positions within the income statement can be specified as follows:

	2014	2013
	EUR'000	EUR'000
Interest on loans	690,528	728,166
Amortisation premium and discount	6,214	7,722
Interest on deposit	28	15
Guarantee fee	(9,404)	(6,669)
Total related parties in the income statement	687,366	729,234

's-Hertogenbosch, the Netherlands, 24 March 2015

Board of directors,

M. Coenen

V. Heischkamp

J. Stollenga

H. Dullens

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.

During the year the Company declared an interim dividend to a total amount of EUR 1,800,000. The Company will not advise the shareholder to pay a final dividend.

Events after the balance sheet date

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



Independent auditor's report

To: the general meeting of RWE Finance B.V.

Report on the financial statements 2014

Our opinion

In our opinion the financial statements give a true and fair view of the financial position of RWE Finance B.V. as at 31 December 2014, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2014 of RWE Finance B.V., 's-Hertogenbosch ('the company'). The financial statements comprise:

- the balance sheet as at 31 December 2014;
- the income statement for the year then ended;
- the cash flow statement for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of RWE Finance B.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

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

Ref.: e0349843

PricewaterhouseCoopers Accountants N.V., Fascinatio Boulevard 350, 3065 WB Rotterdam, P.O. Box 8800, 3009 AV Rotterdam, The Netherlands

T: +31 (0) 88 792 00 10, F: +31 (0) 88 792 95 33, www.pwc.nl

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Our audit approach

Overview

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that may represent a risk of material misstatement due to fraud.

The main purpose of the company is the financing of companies belonging to the RWE AG group. The company is financing these loans through bond offerings on the international capital markets. The repayment of these bonds to the investors is guaranteed by RWE AG as disclosed in note 4.3 to the financial statements.

Materiality

The scope of our audit is influenced by the application of materiality. Our audit opinion aims on providing reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 64,500,000 (2013: € 64,000,000). The general benchmark is 1% of total assets, based on our professional judgement we have used 0.5% of total assets, to ensure that all relevant balance sheet and income statement items are in scope. We use total assets since the company's main activity is intra-group lending. The Company facilitates RWE AG group companies in their financing activities for which it receives a margin.

We also take misstatements and/or possible misstatements into account that, in our judgment, are material for qualitative reasons.

We agreed with the directors that we would report to them misstatements identified during our audit above € 3,225,000 (2013: € 3,200,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our audit

The company is financing companies belonging to the RWE AG group which activities are covered by our audit procedures. As part of our testing procedures we tested the existence of the loans by requesting the auditors of the counterparties belonging to the RWE AG group to confirm the outstanding intercompany loans.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the directors, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p><i>Valuation of the loans issued</i></p> <p>We consider the valuation of the loans issued, as disclosed in notes 2.3, 4.3, 5.1 and 5.2 to the financial statements for a total amount of € 12.409.529.000, as a key audit matter. This is due to the size of the loan portfolio and that an impairment may have a material effect on the income statement.</p> <p>Loans are initially recognized at its fair value and subsequently measured at amortized cost using the effective interest method.</p> <p>Management did not identify any impairment triggers regarding the loans issued to RWE AG group companies.</p>	<p>We have performed detailed audit work addressing the existence and valuation of the loans issued to RWE AG group companies, through testing the input of contracts in the RWE AG group's treasury management system, confirmation procedures, margin analysis, analysis of the financial situation of the group companies to which loans have been provided, audit of data input to calculate the fair value and reconciliation of the treasury management system with the financial statements, and assessed whether there were any impairment triggers.</p> <p>We concur with the position taken by the board of managing directors as set out in the financial statements with respect to the valuation of the loans.</p>

Responsibilities of the directors

The directors are responsible for:

- the preparation and fair presentation of the financial statements and for the preparation of the directors' report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code, and for
- such internal control as the directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the directors should prepare the financial statements using the going concern basis of accounting unless the directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.



Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit has been performed with a high but not absolute level of assurance which makes it possible that we did not detect all frauds or errors.

A more detailed description of our responsibilities is set out in the appendix to our report.

Report on other legal and regulatory requirements

Our report on the directors' report and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the directors' report and other information):

- We have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the directors' report, to the extent we can assess, is consistent with the financial statements.

Our appointment

We were appointed as auditors of RWE Finance B.V. following the passing of a resolution by the shareholders at the annual meeting held in 2002. Our appointment was renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 13 years.

Rotterdam, 24 March 2015
PricewaterhouseCoopers Accountants N.V.

Original has been signed by: F.J. van Groenestein RA



Appendix to our auditor's report on the financial statements 2014 of RWE Finance B.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgment and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among others of:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Concluding on the appropriateness of the directors' use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.