

Unaudited financial report for the six-month period ending 30 June 2015

**RWE Finance B.V.
's-Hertogenbosch, the Netherlands**

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Interim report of the directors

Interim report of the directors

Main developments during the period under review

In February 2015 a bond in the amount of EUR 2,000 million fell due and was repaid. Furthermore the exchange rate for GBP-EUR increased from 1.283 in 2014 to 1.406 as per the end of June 2015. The net effect on the balance sheet total was a decrease from EUR 12,938.0 million to EUR 11,309.0 million. The net result decreased with 8% to EUR 0.9 million compared to the same period in 2014. The lower net result is mainly caused by lower gross financing volumes due to the repayment in 2015.

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. Since October 2013 one bond 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, all 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% and for 2014 as well as 2015 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 RWE AG provided by S&P is BBB+ with a negative outlook; Moody's rated RWE AG on Baa1 with a negative 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 intergroup finance company for the foreseeable future.

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 period ending 30 June 2015 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, 27 August 2015

Board of Directors,

M. Coenen

V. Heischkamp

J. Stollenga

H. Dullens

Interim Financial report for the six-month period ending 30 June 2015

Balance sheet
(before appropriation of profit)

	Ref.	30 June 2015		31 December 2014	
		EUR'000	EUR'000	EUR'000	EUR'000
<i>Assets</i>					
Non-current assets					
Financial assets	5.1		10,036,747		10,409,529
Current assets					
Receivables	5.2	1,261,485		2,516,103	
Cash and cash equivalents	5.3	10,796		12,342	
			1,272,281		2,528,445
			11,309,028		12,937,974
<i>Equity and liabilities</i>					
Equity attributable to equity holders of the parent					
Share capital	5.4	2,000		2,000	
Retained earnings		8,855		6,806	
Profit for the year		898		978	
			11,753		9,784
Non-current liabilities	5.5		10,036,747		10,409,529
Current liabilities	5.6		1,260,528		2,517,590
			11,309,028		12,936,903

Income statement

	Ref.	Jan - Jun 2015		Jan - Jun 2014	
		EUR'000	EUR'000	EUR'000	EUR'000
Interest and similar income	6.1	323,433		348,191	
Interest and similar expenses	6.2	(317,121)		(342,152)	
Total financial result			6,312		6,039
General and administrative expenses	6.3		(5,115)		(4,748)
Operating income			1,197		1,291
Income tax expense	6.4		(299)		(313)
Net result after taxation			898		978

Cash flow statement

	Ref.	Jan - Jun 2015	Jan - Dec 2014
		EUR'000	EUR'000
Cash flows from operating activities			
Cash generated from operations:			
Interest received		427,039	671,156
Interest paid		(418,182)	(658,849)
Expenses paid		(122)	(237)
Income tax paid		(514)	(621)
Guarantee fee paid		(10,004)	(6,456)
Net cash from operating activities		<u>(1,783)</u>	<u>4,393</u>
Cash flows from investment activities			
		-	-
Cash flows from financing activities			
Issuance of long-term bonds	5.5	-	300,000
Issuance of long-term loans	5.1	-	(300,000)
Repayment of long-term bonds	5.6	(2,000,000)	(530,000)
Repayment of long-term loans	5.2	2,000,000	530,000
Dividends paid	5.4		(3,600)
Net cash used in financing activities		<u>-</u>	<u>(3,600)</u>
Net cash flows		(1,783)	1,393
Exchange and translation differences on cash and cash equivalents		(22)	(33)
Net increase/(decrease) in cash and cash equivalents		<u>(1,805)</u>	<u>1,360</u>
Cash and cash equivalents			
Opening balance		12,259	10,899
Closing balance	5.3	10,454	12,259
Net increase/(decrease) in cash and cash equivalents		<u>(1,805)</u>	<u>1,360</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 recognized 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 recognized 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 Nederland B.V., 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

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% and for 2014 as well as 2015 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 RWE AG provided by S&P is BBB+ with a negative outlook; Moody's rated RWE AG on Baa1 with a negative outlook.

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 rates on the loans to RWE AG, RWE Benelux Holding B.V. and RWE npower plc. are higher than the interest rates 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:

	2015	2014
	EUR'000	EUR'000
1 January		
Book value	10,409,529	11,778,932
Movements financial year		
Loans issued	-	300,000
Exchange differences	477,218	330,597
Short-term loans transferred to receivables	(850,000)	(2,000,000)
	(372,782)	(1,369,403)
30 June 2015 / 31 December 2014		
Book value	10,036,747	10,409,529

The loans are to be repaid in the period between 2015 and 2039. During the period under review no new loan has been issued. One loan for a total amount of EUR 850 million will be repaid in April 2016. This loan has been classified under the short term receivables. The loans which are to be repaid between 1 July 2016 and 30 June 2020 amount to EUR 2,730 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 4,663.3 million). Furthermore four loans for a total amount of EUR 2,550 million have been lent on to RWE Benelux Holding B.V., a 100% group company, and a loan of GBP 600 million (EUR 843.4 million) has been lent on to RWE npower plc., also a 100% group company.

Interest

The interest rates are fixed and lay within the following ranges:

Loan	Amount	Interest rate
EUR	5,380,000,000	2.1987% - 6.6475%
GBP	3,917,500,000	5.3737% - 6.5237%

5.2 Receivables

	30 June 2015		31 December 2014	
	Total	Term > 1 year	Total	Term > 1 year
	EUR'000	EUR'000	EUR'000	EUR'000
Short-term part of group loans	850,000		2,000,000	-
Interest receivable from group companies	340,524		444,130	-
Deferred premiums and discounts	70,961	70,341	71,973	71,666
	1,261,485	70,341	2,516,103	71,666

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.

	30 June 2015	31 December 2014
	EUR'000	EUR'000
Current account group companies	10,557	12,342
Cash	239	-
Total cash and cash equivalents	10,796	12,342

At 30 June 2015 the deposit with the parent company amounted to EUR 10.6 million (2014: EUR 12.3 million). The deposit matures at 6 July 2015 and bears interest at 0.0% p.a. (2014: 0.00%).

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 10.8 million (2014: 12.3 million) minus the liability from current account group companies EUR 0.3 million (2014: EUR 0.1 million) (ref 5.6).

5.4 Equity attributable to equity holders of the parent

Share capital

The authorized share capital as at 30 June 2015 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:

	30 June 2015		31 December 2014	
	Shares	Share capital EUR'000	Shares	Share capital 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 2015 / 31 December 2014				
Issued and fully paid-up	20,000	2,000	20,000	2,000

	30 June 2015		31 December 2014	
	EUR'000		EUR'000	
<i>Retained earnings</i>				
Balance as at 1 January	6,806	6,426		
Additions from profit previous year	2,049	2,180		
Dividends declared/paid	-	(1,800)		
Balance as at 30 June 2015 / 31 December 2014	8,855	6,806		

	30 June 2015		31 December 2014	
	EUR'000		EUR'000	
<i>Profit for the year</i>				
Balance as at 1 January				
Profit for the financial year	898	2,049		
Balance as at 30 June 2015 / 31 December 2014	898	2,049		

5.5 Non-current liabilities

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

	30 June 2015	31 December 2014
	EUR'000	EUR'000
1 January		
Book value	10,409,529	11,778,932
Movements financial year		
Bonds issued	-	300,000
Exchange differences	477,218	330,597
Short-term part of bonds transferred to current liabilities	(850,000)	(2,000,000)
	(372,782)	(1,369,403)
30 June 2015 / 31 December 2014		
Book value	10,036,747	10,409,529

The bonds are to be repaid in the period between 2015 and 2039. During the period under review no new bond has been issued. One bond for a total amount of EUR 850 million will be repaid in April 2016. This bond has been classified under the short term liabilities. The bonds which are to be repaid between 1 July 2016 and 30 June 2020 amount to EUR 2,730 million.

Currency

The nominal amount of the bonds consists of seven bonds contracted in EUR amounting to EUR 5,380 million and nine bonds contracted in GBP to a total amount of GBP 3,917.5 million (EUR 5,506.7 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 and lay within the following ranges:

Bond	Amount	Interest rate
EUR	5,380,000,000	1.875% - 6.625%
GBP	3,917,500,000	4.750% - 6.500%

5.6 Current liabilities

	30 June 2015		31 December 2014	
	Total	Term > 1 year	Total	Term > 1 year
	EUR'000	EUR'000	EUR'000	EUR'000
Short-term part of bonds	850,000	-	2,000,000	-
Interest payable	334,842	-	435,909	-
Guarantee Fee (RWE AG)	4,329	-	9,333	-
Dividend	-	-	-	-
Current account group companies	342	-	83	-
Corporate income tax	(204)	-	11	-
Accrued liabilities	14	-	21	-
Deferred tax liability	244	212	260	228
Deferred premiums and discounts	70,961	70,341	71,973	71,666
	<u>1,260,528</u>	<u>70,553</u>	<u>2,517,590</u>	<u>71,894</u>

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

Current account group companies represents the In-house bank balance with RWE Benelux Holding B.V.

Deferred tax liability

	EUR'000
At 1 January 2015	260
Movements	(16)
At 30 June 2015	<u>244</u>

During the coming year 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.

	30 June 2015		31 December 2014	
	Market value	Book value	Market value	Book value
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Financial assets</i>				
Loans to group companies	12,618,020	10,886,747	14,913,792	12,409,529
<i>Financial liabilities</i>				
Bonds issued	12,405,716	10,886,747	14,596,966	12,409,529

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 loans to group companies and bonds issued 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 income

	30 June 2015	30 June 2014
	EUR'000	EUR'000
Interest income group companies	321,817	345,063
Release deferred premiums and discounts	1,607	8
Interest on deposit/bank	9	3,120
	323,433	348,191

6.2 Interest expenses

	30 June 2015	30 June 2014
	EUR'000	EUR'000
Interest expenses bonds issued	315,508	339,029
Release deferred premiums and discounts	1,607	3,120
Interest on deposit/bank	6	3
	317,121	342,152

6.3 General and administrative expenses

	30 June 2015	30 June 2014
	EUR'000	EUR'000
Guarantee Fee	5,000	4,592
Advisory fees	50	37
Wages and salaries	-	-
Management and administrative expenses	64	43
Other	1	76
	<u>5,115</u>	<u>4,748</u>

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:

	30 June 2015	30 June 2014
	EUR'000	EUR'000
Audit of the Financial Statements	14	11
Other assurance services	36	26
Total audit fees	<u>50</u>	<u>37</u>

6.4 Income tax expense

	30 June 2015	30 June 2014
	EUR'000	EUR'000
Result before taxation	1,198	1,290
Total permanent and timing differences	-	-
Taxable amount	<u>1,198</u>	<u>1,290</u>
Income tax charge	299	313
Effective tax rate	<u>25.0%</u>	<u>24.2%</u>

The statutory tax rate is 25% for the year 2015.

6.5 Employees

RWE Finance had no employees in 2014 and 2015.

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 can be specified as follows:

	30 June 2015	31 December 2014
	EUR'000	EUR'000
Loans including deferred premium and discount	10,957,708	12,481,502
Interest receivable on the above loans	340,524	444,130
Deposit	10,557	12,342
Inhouse bank balance	(342)	(83)
Guarantee fee payable	(4,329)	(9,333)
Total related parties in the balance sheet	11,304,118	12,928,558

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

	30 June 2015	30 June 2014
	EUR'000	EUR'000
Interest on loans	321,817	345,050
Amortisation premium and discount	1,607	3,120
Interest on deposit	9	18
Guarantee fee	(5,000)	(4,592)
Total related parties in the income statement	318,433	343,596

6.7 Commitments and contingencies

Fiscal Unity

Clearance was received from the Dutch Tax Inspector to create a fiscal unity for CIT between the RWE subsidiaries in the Netherlands based on European and Dutch jurisprudence. As a result of this RWE Finance B.V. will be part of the fiscal unity RWE Benelux Holding B.V. with effective date 1 January 2015.

's-Hertogenbosch, the Netherlands, 27 August 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.

Events after the balance sheet date

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