

Unaudited financial report
for the six-month period ending
30 June 2013
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 one new bond has been issued for an amount of EUR 750,000,000 and a maturity of 7 years. The proceeds were lent to RWE Benelux Holding B.V. with the same tenor. Two bonds and the corresponding placements fell due and were repaid (GBP 630,000,000 and USD 250,000,000).

Furthermore the exchange rate for GBP-EUR decreased from 1.225 at year end 2012 to 1.1666 as per end of June 2013.

The balance sheet total decreased from EUR 13,649,136,000 to EUR 13,160,402,000 and the net result decreased with 21.3% to EUR 1,065,000 compared to the same period in 2012. The lower net result is mainly caused by lower gross financing volumes due to repayments in the last quarter of 2012.

During the period under review an interim dividend, as declared in December 2012, has been paid for EUR 2,350,000.

During the remaining period of the year 2013 EUR 1,000,000,000 bond and corresponding investment are due and have to be repaid. During 2014 EUR 530,000,000 are due and during 2015 EUR 2,000,000,000 are due. Currently there are no concrete plans regarding replacements of these instruments.

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, 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. Effective 2012 the spread is again set at 0.0237%.

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 at 0.3% is charged, payable to RWE AG.

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 a natural hedge has been obtained and therefore currency risk is largely 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 S&P rating for the group was set at BBB+ outlook stable in 2012 and confirmed in July 2013. In June 2013 Moody's downgraded the group's rating from A3, outlook negative, to Baa1, outlook stable.

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 2013 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, 26 August 2013

The Directors,

M. Coenen

A. Blok

V. Heischkamp

J. Stollenga

Interim Financial report for the six-month period ending 30 June 2013

Balance sheet
(before appropriation of result)

	Ref.	30 June 2013		31 December 2012	
		EUR'000	EUR'000	EUR'000	EUR'000
<i>Assets</i>					
Non-current assets					
Financial assets	5.1		11,680,112		11,160,270
Current assets					
Receivables	5.2	1,470,035		2,477,443	
Cash and cash equivalents	5.3	10,255		11,423	
			1,480,290		2,488,866
			13,160,402		13,649,136
<i>Equity and liabilities</i>					
Equity attributable to equity holders of the parent					
Share capital	5.4	2,000		2,000	
Retained earnings		8,227		5,761	
Profit for the year		1,065		2,466	
			11,292		10,227
Non-current liabilities					
	5.5		11,680,112		11,160,270
Current liabilities					
	5.6		1,468,998		2,478,639
			13,160,402		13,649,136

Income statement for the period

	Ref.	Jan - Jun 2013		Jan - Jun 2012	
		EUR'000	EUR'000	EUR'000	EUR'000
Finance costs					
Interest income	6.1	371,125		438,076	
Interest expenses	6.2	(366,635)		(434,501)	
Gross margin on interest			4,490		3,575
General and administrative expenses	6.3		(3,083)		(1,784)
Operating income			1,407		1,791
Income tax expense	6.4		(342)		(438)
Net result after taxation			1,065		1,353

Cash flow statement

	Jan - Jun 2013	Jan - Dec 2012
	EUR'000	EUR'000
Cash flows from operating activities		
Cash generated from operations:		
Interest received	409,411	835,036
Interest paid	(407,840)	(831,701)
Expenses paid	(64)	(264)
Income tax expense	(460)	(796)
Net cash from operating activities	1,048	2,275
Cash flows from investment activities	-	-
Cash flows from financing activities		
Issuance of long-term bonds	743,505	718,738
Issuance of long-term loans	(743,505)	(718,738)
Repayment of long-term bonds	(931,546)	(1,808,000)
Repayment of long-term loans	931,546	1,808,000
Dividends paid	(2,350)	-
Net cash used in financing activities	(2,350)	-
Net cash flows	(1,302)	2,275
Exchange and translation differences on cash and cash equivalents	62	28
Net increase/(decrease) in cash and cash equivalents	(1,240)	2,303
Cash and cash equivalents		
Opening balance	11,362	9,059
Closing balance	10,122	11,362
Net increase/(decrease) in cash and cash equivalents	(1,240)	2,303

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, minus the current liabilities to group companies, representing the InHouseBank with Essent N.V.

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 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 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. 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. Effective 2012 the spread is again 0.0237%.

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 S&P rating for the group was set at BBB+ outlook stable in 2012. In June 2013 Moody's announced a similar downgrade in rating from A3 to Baa1, outlook stable.

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

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

	2013	2012
	EUR'000	EUR'000
1 January		
Book value	11,160,270	12,279,043
Movements financial year		
Loans issued	750,000	718,738
Exchange differences	(230,158)	123,933
Short-term loans transferred to receivables	-	(1,961,444)
	519,842	(1,118,773)
30 June 2013 / 31 December 2012		
Book value	11,680,112	11,160,270

The loans are to be repaid in the period between 2013 and 2039. During the period under review one new loan has been issued. The new loan is in EUR and is used to finance the group company RWE Benenlux Holding B.V.

One loan for a total amount of EUR 1,000,000,000 will be repaid during the remaining part of 2013.

The loans which are to be repaid between 1 July 2013 and 30 June 2017 amount to EUR 4,380,000,000.

Currency

The nominal amount of the loans to the parent company consists of five loans contracted in EUR amounting to EUR 4,360,000,000 and eight loans to the parent company contracted in GBP to a total amount of GBP 3,317,500,000 (EUR 3,870,162,325).

Furthermore three loans for a total amount of EUR 3,750,000,000 have been lent on to RWE Benelux Holding B.V., and one loan to nPower Plc for an amount of GBP 600,000,000 (EUR: 699,954,000).

Both companies are a 100% group company.

Interest

The interest rates are fixed and vary as follows:

Loan	Amount	Interest rate
EUR	8,110,000,000	2.1987% - 6.6475%
GBP	3,917,500,000	5.3737% - 6.5237%

5.2 *Receivables*

	30 June 2013		31 December 2012	
	Total	Term > 1 year	Total	Term > 1 year
	EUR'000	EUR'000	EUR'000	EUR'000
Short-term part of group loans	1,000,000	-	1,961,444	-
Interest receivable from group companies	394,759	-	441,723	-
Deferred premiums and discounts	75,276	74,589	74,276	72,589
	1,470,035	74,589	2,477,443	72,589

5.3 *Cash and cash equivalents*

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

	30 June 2013	31 December 2012
	EUR'000	EUR'000
Current account group companies	10,240	11,333
Cash	15	90
Total cash and cash equivalents	10,255	11,423

As per 30 June 2013 the deposit with the parent company amounted to EUR 10,239,575 (2012: EUR 11,332,632). The deposit matures at 8 July 2013 and bears interest at 0.084%

5.4 *Equity attributable to equity holders of the parent*

Share capital

The authorised share capital as at 30 June 2013 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:

	2013		2012	
	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 2013 / 31 December 2012				
Issued and fully paid-up	20,000	2,000	20,000	2,000

<i>Retained earnings</i>	2013	2012
	EUR'000	EUR'000
Balance as at 1 January	5,761	5,529
Additions from profit previous year	2,466	2,582
Dividends declared	-	(2,350)
Balance as at 30 June 2013 / 31 December 2012	8,227	5,761

<i>Profit for the year</i>	2013	2012
	EUR'000	EUR'000
Balance as at 1 January		
Profit for the financial year	1,065	2,466
Balance as at 30 June 2013 / 31 December 2012	1,065	2,466

5.5 Non-current liabilities

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

	2013	2012
	EUR'000	EUR'000
1 January		
Book value	11,160,270	12,279,043
Movements financial year		
Bonds issued	750,000	718,738
Exchange differences	(230,158)	123,933
Short-term part of bonds transferred to current liabilities	-	(1,961,444)
	519,842	(1,118,773)
Balance as at 30 June 2013 / 31 December 2012		
Book value	11,680,112	11,160,270

The bonds are to be repaid in the period between 2013 and 2039. Repayment of the principals of the bonds is guaranteed by RWE AG. In 2013 still EUR 1,000,000,000 has to be repaid.

The bonds which are to be repaid between 1 July 2013 and 30 June 2017 amount to EUR 4,380,000,000.

Currency

The nominal amount of the bonds consists of eight bonds contracted in EUR amounting to EUR 8,110,000,000 and nine bonds contracted in GBP to a total amount of GBP 3,917,500,000 (EUR 4,570,116,000).

Interest

The interest rates are fixed and vary as follows:

Bond	Amount	Interest rate	
EUR	8,110,000,000	1.875% -	6.625%
GBP	3,917,500,000	4.75% -	6.50%

5.6 Current liabilities

	30 June 2013		31 December 2012	
	Total	Term > 1 year	Total	Term > 1 year
	EUR'000	EUR'000	EUR'000	EUR'000
Short-term part of bonds	1,000,000	-	1,961,444	-
Interest payable	390,490	-	435,909	-
Guarantee Fee payable	2,657	-	4,038	-
Dividend	-	-	2,350	-
Current account group companies	133	-	61	-
Corporate income tax	34	-	134	-
Accrued liabilities	97	-	99	-
Deferred tax liability	311	276	329	293
Deferred premiums and discounts	75,276	74,589	74,275	72,589
	1,468,998	74,865	2,478,639	72,882

Deferred tax liability

	2013	2012
	EUR'000	EUR'000
Balance at 1 January	329	387
	329	387
Movements	(18)	(58)
Balance at 30 June 2013 / 31 December 2012	311	329

During the coming year EUR 34,425 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 2013		31 December 2012	
	Market value	Book value	Market value	Book value
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Financial assets</i>				
Loans to group companies	14,561,720	12,680,112	15,635,588	13,121,714
<i>Non-current liabilities</i>				
Bonds issued	14,271,098	12,680,112	15,393,413	13,121,714

Financial assets

The market value of the loans to group companies is EUR 14,561,720 (2012: EUR 15,635,588).

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 14,271,098 (2012: EUR 15,393,413).

6 Notes to the income statement

6.1 Interest income

	30 June 2013	30 June 2012
	<u>EUR'000</u>	<u>EUR'000</u>
Interest income group companies	365,565	428,320
Release deferred premiums and discounts	5,560	9,756
	<u>371,125</u>	<u>438,076</u>

6.2 Interest expenses

	30 June 2013	30 June 2012
	<u>EUR'000</u>	<u>EUR'000</u>
Interest expenses bonds issued	361,075	424,745
Release deferred premiums and discounts	5,560	9,756
	<u>366,635</u>	<u>434,501</u>

6.3 General and administrative expenses

	30 June 2013	30 June 2012
	EUR'000	EUR'000
Guarantee Fee	3,022	1,818
Advisory fees	11	9
Legal expenses	0	0
Management and administrative expenses	3	3
Other	47	2
Exchange result	0	-48
	<u>3,083</u>	<u>1,784</u>

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 2013	30 June 2012
	EUR'000	EUR'000
Audit of the Financial Statements	11	6
Professional services Debt Issuance Program	0	0
Total audit fees	<u>11</u>	<u>6</u>

6.4 Income tax expense

	30 June 2013	30 June 2012
	EUR'000	EUR'000
Result before taxation	1,407	1,791
Total permanent and timing differences	-	-
Taxable amount	<u>1,407</u>	<u>1,791</u>
Income tax charge	342	438
Effective tax rate	<u>24.3%</u>	<u>24.5%</u>

The average effective tax rate amounts to 24,3%. The statutory rate is 20% for the first EUR 200.000 and for the remaining result 25% for the year 2013 (25% for 2012).

6.5 *Employees*

During 2013 and 2012 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, nPower plc and RWE Benelux Holding B.V. 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 2013	31 December 2012
	EUR'000	EUR'000
Loans including deferred premium and discount	12,632,417	13,076,630
Interest receivable on the above loans	394,759	441,723
Deposit	10,240	11,333
InHouseBank balance	(133)	(61)
Guarantee fee payable	(2,657)	(4,038)
Total related parties in the balance sheet	13,034,626	13,525,587

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

	30 June 2013	30 June 2012
	EUR'000	EUR'000
Interest on loans	365,558	428,301
Amortisation premium and discount	5,560	9,756
Interest on deposit	7	19
Total related parties in the income statement	371,125	438,076

's-Hertogenbosch, the Netherlands, 26 August 2013

Board of directors,

M. Coenen

A. Blok

V. Heischkamp

J. Stollenga

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.