Half-year report 2018

innogy

At a glance

innogy Group		H1 2018	H1 2017	+/– %	FY 2017
Power generation from renewable sources	TWh	5.3	5.1	3.9	10.2
External electricity sales volume	TWh	135.6	129.8	4.5	262.4
External gas sales volume	TWh	123.2	128.0	−3.8	227.5
External revenue[1]	€ million	20,663	21,705	−4.8	43,139
Adjusted EBITDA	€ million	2,254	2,439	−7.6	4,331
Adjusted EBIT	€ million	1,553	1,725	−10.0	2,816
Income before tax	€ million	1,365	1,460	−6.5	1,648
Net income/income attributable to innogy SE shareholders	€ million	850	817	4.0	778
Adjusted net income	€ million	662	857	−22.8	1,224
Cash flow from operating activities	€ million	17	239	−92.9	2,654
Net investments[2]	€ million	726	567	28.0	1,921
Capital expenditure[2]	€ million	900	660	36.4	2,138
Proceeds from disposal of assets/divestitures	€ million	−186	−152	−22.4	−281
Net changes in equity (including non-controlling interests)	€ million	12	59	−79.7	64
Free cash flow	€ million	−697	−269	−159.1	797
		30 Jun 2018			31 Dec 2017
Market capitalisation	€ billion	20.4			18.2
Net debt	€ million	17,980			15,637
Employees[3]		43,040			42,393
Customers	thousands	21,984			22,540

1 Due to the first-time adoption of IFRS 15, figures for H1 2018 do not include changes in the fair values of commodity derivatives (included in the other operating result) and passed-through subsidies under the German Renewable Energy Act (previously, premiums received and passed on were recognised in their gross amounts in revenue and the cost of materials).
2 Capital expenditure on property, plant and equipment, as well as intangible and financial assets. In H1 2018 we changed our definition of capital expenditure: the figure now includes solely items with an effect on cash. The reported amounts correspond to the actual cash flows in line with the cash flow statement. Prior-year figures have been adjusted accordingly.
3 Converted to full-time positions.

Note

This half-year report should be read in conjunction with our Annual Report 2017, which includes a detailed overview of our operations and activities as well as explanations of financial measures taken.

Three questions for Bernhard Günther, CFO of innogy SE

#Bernhard, first of all: Welcome back! How do you feel and how was it for you to return to work?

Well, you know how the saying goes: quite good, given the circumstances. I'm taking it one step at a time. On the job and privately. It started with small circles and now the circles are getting bigger. The more familiar I am with the group of people I expose myself to, the easier it is for me. I can tell that it startles a lot of people when they first see me, but this is something I have to face up to. It isn't easy, but it won't get any easier if I shy away from it.

#Are you satisfied with the business performance in the first half of 2018?

Overall, the development was in line with our expectations and the decline in earnings was already anticipated and therefore reflected in our guidance for 2018.

Firstly, we are facing steadily increasing competition in our retail markets. However, we are focusing on customer value rather than on mere customer numbers and sales volumes. Nevertheless, in May and June we actually recorded a net customer gain in Germany. Secondly, our renewables business was affected by lower wind levels, especially in the United Kingdom. On the other hand, we have successfully completed the construction of new assets: our offshore wind farm Galloper was built in record time and shows that we have the right skills to realise such projects on time and within budgets. Finally, the slight decrease in grid earnings does not come as a surprise, as we have entered into the new regulatory period for gas in 2018 with lower equity returns.

Overall, we are confident about our guidance for FY 2018.

#What will be the focus for the second half of 2018?

The transaction announced by E.ON/RWE will certainly remain a focus for us. As agreed with E.ON and RWE, we will set up integration teams to make use of the time before a potential closing of the planned transaction and to prepare ourselves as well as possible for a fast and smooth future integration.

Besides this, we're making good progress with the merger between npower and SSE's Energy Services business and – most importantly – we're right on schedule. The approval of SSE's shareholders was obtained at their Annual General Meeting on 19 July. Now all that remains is to receive the go-ahead from the relevant competition and regulatory authorities so that the transaction will probably close as planned in late 2018 or early 2019.

With regard to growth projects, we are about to close a partnering deal for our offshore project Triton Knoll, which has a total capacity of 860 MW. Having passed this important milestone, we can than focus on construction in order to deliver the project for full commercial operation in 2021. Nevertheless, we observed a continuation of the low wind levels, that we already faced in the second quarter, in the first weeks of the second half of the year.

And, of course, besides the host of these topics, we should not forget that we are totally focused on delivering on our guidance for 2018.

Interim review of operations

Financial highlights in H1 2018

- Adjusted EBIT down 10% year on year to €1,553 million and adjusted net income down 23% to €662 million both expected and reflected in our guidance
- Outlook 2018 confirmed: adjusted net income of more than €1,100 million expected

Major events after H1 2018

- innogy agrees with E.ON and RWE on fair integration processes and supports the planned transaction; agreements call for the planned transaction to be implemented in a transparent process in which all employees will be treated fairly and as equally as possible
- innogy successfully closes onshore wind transaction exceeding a project pipeline in the US of 2,000 MW by acquiring EverPower Wind Holdings' US onshore wind development business as announced in December 2017. Approval by the US government's Committee on Foreign Investment in the United States (CFIUS) and consents from authorities at state level have been received
- SSE plc (SSE) shareholders back retail merger with innogy's subsidiary npower by approving the transaction at the company's Annual General Meeting
- Beginning of July: tapping of 4.5-year senior bond by €250 million (senior bond was placed in May 2018 with a volume of €500 million)

Major events in H1 2018

January

- Successful bond issue with a total volume of €1,000 million
  - With a tenor of 11.5 years, the bond has an annual coupon of 1.5%, an issue price of 98.785% and a yield of 1.617% p. a.
  - Proceeds of the bond to be used for refinancing and general corporate purposes

February

- Submission of official registration documents for planned npower/SSE merger to Competition and Markets Authority (CMA)
  - On 8 May, the CMA referred the proposed transaction for an in-depth investigation (phase 2)
  - The deadline for the final CMA report is 22 October
- Expansion of solar power business in Australia by signing contract with Overland Sun Farming for acquisition of two utility-scale solar power development projects in New South Wales with a capacity of 460 MW. Planned investment volume of about €400 million
- In the United Kingdom, the Vulnerable Customer Safeguard Tariff came into effect on 2 February, extending the coverage of the existing prepayment meter price cap to an additional one million socially disadvantaged standard tariff customers. The Domestic Gas and Electricity Bill (Tariff Cap), which will require the United Kingdom regulator to set a price cap for all domestic customer default or standard tariffs, was introduced to Parliament on 26 February
- German coalition agreement closed between CDU, CSU and SPD including sector relevant topics, such as:
  - Increasing the target for the share of renewable energy generation from 50% to 65% by 2030; additional capacity extension of 4 GW each onshore wind and photovoltaics by 2020
  - Accelerating the expansion and modernisation of the corresponding networks
  - Fostering sector coupling, power-to-gas and power-to-liquid plants as well as clean and affordable mobility
  - Achieving expansion of the fibre network to all areas of the country by 2025

  The coalition agreement addresses the central challenges in energy policy which are an essential prerequisite for the success of the energy transition in Germany

March

- E.ON Verwaltungs SE announces decision to make voluntary public takeover offer to shareholders of innogy SE, after E.ON concludes agreement with RWE to acquire RWE's 76.8% majority shareholding in innogy SE via wide-ranging assets swaps
- Reactions of rating agencies: S&P confirms innogy's BBB rating, outlook stable; Moody's (Baa2) and Fitch (BBB+) place innogy's rating on review for downgrade. Update from Moody's in May: confirmation of innogy's ratings and upgrade of outlook to stable
- The Dusseldorf Higher Regional Court annuls the determination of the imputed returns on equity for the third regulatory period for German electricity and gas networks
  - Allowed returns on equity of 6.91% (for new assets) and 5.12% (for old assets) set by the regulator (Bundesnetzagentur, BNetzA) are ruled low
  - BNetzA does not follow decision of Dusseldorf Higher Regional Court and thus files an appeal on points of law against the Court's ruling at the end of April 2018. A decision is expected by mid 2019 at the earliest

April

- Supervisory Board of innogy SE makes personnel decisions:
  - Uwe Tigges appointed Chief Executive Officer (CEO)
  - Arno Hahn appointed Chief Human Resources Officer and Labour Director
  - Contract extension of Executive Board members Hildegard Müller, Hans Bünting and Martin Herrmann until 31 March 2022
- Annual General Meeting approves dividend of €1.60 per share for fiscal 2017
- Following request by potential suitor, innogy decides to grant due diligence for its business activities in the Czech Republic
- innogy secures rights for construction and operation of Kaskasi offshore wind farm in Germany with an installed capacity of 325 MW, including a 20-year feed-in tariff under the EEG (German Renewable Energy Act)
- innogy and SSE designate Katie Bickerstaffe as CEO of planned new British retail company as first member of the Board

May

- Executive Board and Supervisory Board of innogy publish joint reasoned statement on voluntary public takeover offer of E.ON Verwaltungs SE; no recommendation given to shareholders due to confidential agreement between E.ON and RWE
  - innogy's Boards believe that consideration offered by E.ON is fair in absolute terms – a definitive assessment of the relative value of the offer is not possible due to confidential agreements between E.ON and RWE
  - More details on the joint reasoned statement can be found here: **www.innogy.com/reasoned_statement**
- Basic collective bargaining declaration regarding planned transaction between unions Ver.di and IGBCE, as well as E.ON, RWE and innogy is a first step towards security for employees. Any job cuts shall be carried out in a socially responsible manner and with the involvement of the works councils and unions
- Successful placement of two senior bonds with a volume of €500 million each and maturities of 4.5 and 8 years
  - Based on yearly coupons of 0.75% and 1.625% and issue prices of 99.798% and 99.874%, respectively, yield-to-maturities amount to 0.796% p.a. and 1.642% p.a.
  - The transaction was met with high levels of interest and was significantly oversubscribed

June

- innogy and SSE announce appointment of Gordon Boyd as Chief Financial Officer Designate for new British retail energy company
- Extension of innogy's global solar business while securing exclusive rights for solar development projects in the US by signing joint development agreement with US solar developer, Birdseye Renewable Energy. Development pipeline consists of 13 solar projects with a total capacity of approx. 440 MW
- European Union introduces new directives for the internal energy market. The EU has started to update an extensive legislative package that aims to improve European energy markets: the so called winter package, the first draft of which was published at the end of 2016. In June 2018, the European Parliament and the European Council agreed on the directives on renewable energy, efficiency and governance. European countries now have 18 months to implement the directives into national law
  - The **Renewable Energy Directive** has raised the EU's generally ambitious target of having renewables account for 27% to 32% of final energy consumption by 2030. The renewable target for the transportation sector was set at 14% by 2030
  - **New Energy Efficiency Directive:** An indicative efficiency target of 32.5% for 2030 is prescribed for all member states and defines control measures for the European institutions; this affects the energy sector. In addition, it defines climate mitigation strategies and compliance with the Paris Agreement on climate change

Reporting principles

innogy Group

Renewables

Grid & Infrastructure
- Germany
- Eastern Europe

Retail
- Germany
- United Kingdom
- Netherlands/Belgium
- Eastern Europe

Corporate/New Businesses

As of 30 June 2018.

Group structure features three divisions. Our financial reporting remains widely unchanged compared to 31 December 2017 (see Annual Report 2017, page 48). The only change effective from 1 January 2018 relates to the re-classification of our eMobility activities, which are now reported outside of the Retail division in the 'Corporate/New Businesses' line item (formerly 'Corporate/other'). Prior-year figures have been adjusted accordingly. We also present certain financial indicators separately for the eMobility and Innovation Hub businesses in this line item.

Insofar as necessary, all figures are rounded in accordance with commercial practice. As a result, it is possible that the sum totals of the rounded figures do not add up to the rounded totals.

Business performance

innogy Group

External revenue[1] € million	H1 2018	H1 2017	+/– %
Renewables	456	455	0.2
Grid & Infrastructure (G&I)	4,524	5,466	–17.2
Germany	3,976	4,958	–19.8
Eastern Europe	548	508	7.9
Retail	15,599	15,686	–0.6
Germany	8,207	8,623	–4.8
United Kingdom	3,666	3,636	0.8
Netherlands/Belgium	1,956	1,653	18.3
Eastern Europe	1,770	1,774	–0.2
Corporate/New Businesses	84	98	–14.3
innogy Group	**20,663**	**21,705**	**–4.8**
Natural gas tax/electricity tax	1,096	1,081	1.4
innogy Group (excluding natural gas tax/electricity tax)	**19,567**	**20,624**	**–5.1**

1 Due to the first-time adoption of IFRS 15, figures for H1 2018 do not include changes in the fair values of commodity derivatives (included in the other operating result) and passed-through subsidies under the German Renewable Energy Act (previously, premiums received and passed on were recognised in their gross amounts in revenue and the cost of materials).

Internal revenue € million	H1 2018	H1 2017	+/– %
Renewables	213	202	5.4
Grid & Infrastructure (G & I)	1,551	1,643	–5.6
Retail	249	242	2.9

Adjusted EBIT € million	H1 2018	H1 2017	+/– %
Renewables	167	179	–6.7
Grid & Infrastructure (G & I)	1,060	1,094	–3.1
Germany	763	783	–2.6
Eastern Europe	297	311	–4.5
Retail	475	595	–20.2
Germany	258	347	–25.6
United Kingdom	–18	–12	–50.0
Netherlands/Belgium	90	121	–25.6
Eastern Europe	145	139	4.3
Corporate/New Businesses	–149	–143	–4.2
Corporate/other	–127	–119	–6.7
eMobility	–16	–7	–128.6
Innovation Hub	–6	–17	64.7
innogy Group	**1,553**	**1,725**	**–10.0**

Adjusted EBIT down mainly driven by Retail business

- **Renewables:** Adjusted EBIT below H1 2017 mainly due to lower income from photovoltaic EPC contracts (Engineering, Procurement & Construction); negative volume effects are partially compensated by positive price effects and contribution from new assets
- **G & I:** Lower earnings in German Grid business in particular due to entering new regulatory period in gas and a lower result from peakload consumption in H1 2018
- **Retail:** Adjusted EBIT down on H1 2017 primarily due to non-recurrence of positive one-off effects in 2017 in Germany and unexpected commodity price increase driven by cold weather in the Netherlands
- **Corporate/New Businesses:** Financial development of Innovation Hub above H1 2017 due to the increase in value of financial investments and cost savings; eMobility affected by higher growth expenses

Financial result € million	H1 2018	H1 2017
Interest income	33	38
Interest expenses	–220	–208
Net interest	**–187**	**–170**
Interest accretion to non-current provisions	–39	–6
Other financial result	–52	–2
Financial result	**–278**	**–178**
Adjustments in the financial result	–114	–120
Adjusted financial result to derive the adjusted net income	**–392**	**–298**

Development of financial result mainly dominated by non-cash items

- Net interest lower than prior year because of higher costs for debt financing
- Interest accretion to provisions reflects impact of discount rate adjustments which was positive in H1 2017, the net costs were thus lower last year
- Other financial result affected by valuation of financial transactions, as well as negative result of securities compared to gain in H1 2017
- Adjustments in financial result slightly below H1 2017; these adjustments mainly reflect valuation effects stemming from transfers of loans and bonds from RWE to innogy, which were initiated in 2015 (see Annual Report 2017, page 60)

Reconciliation to net income € million (unless stated otherwise)	H1 2018	H1 2017
Adjusted EBITDA	**2,254**	**2,439**
Operating depreciation, amortisation and impairment losses	−701	−714
Adjusted EBIT	**1,553**	**1,725**
Non-operating result	90	−87
Financial result	−278	−178
Income before tax	**1,365**	**1,460**
Taxes on income	−306	−430
Income	**1,059**	**1,030**
Non-controlling interests	209	213
Net income/income attributable to innogy SE shareholders	**850**	**817**
Effective tax rate	*22 %*	*29 %*

Reported net income slightly above prior year level

- Non-operating result improved year-on-year due to movement in value of commodity derivatives
- Costs associated with announced transaction between E.ON and RWE recognised in non-operating result
- Effective tax rate below prior year due to positive effects from revaluation of deferred tax assets on loss carry forward in the Netherlands

Derivation of adjusted net income € million (unless stated otherwise)	H1 2018	H1 2017
Adjusted EBIT	1,553	1,725
Adjusted financial result	−392	−298
Adjusted income before tax	**1,161**	**1,427**
Tax rate used to calculate adjusted net income	*25 %*	*25 %*
Taxes on income to calculate adjusted net income	−290	−357
Non-controlling interests	−209	−213
Adjusted net income	**662**	**857**

Adjusted net income down 23 %

- Weaker adjusted EBIT and financial result driving development of adjusted net income
- Tax rate for calculating adjusted net income set at 25 %
- Based on the 555,555,000 innogy shares outstanding, adjusted net income amounted to €1.19 per share

Net investments € million	H1 2018	H1 2017
Renewables	178	162
Grid & Infrastructure (G & I)	527	365
Germany	400	251
Eastern Europe	127	114
Retail	111	68
Germany	24	17
United Kingdom	29	25
Netherlands/Belgium	42	20
Eastern Europe	16	6
Corporate/New Businesses	84	65
Corporate/other	26	59
eMobility	28	1
Innovation Hub	30	5
Total capital expenditure[1]	**900**	**660**
Proceeds from disposal of assets/divestitures	−186	−152
Net changes in equity (including non-controlling interests)	12	59
Total net investments	**726**	**567**

1 Capital expenditure on property, plant and equipment, as well as intangible and financial assets. In H1 2018 we changed our definition: the figure now includes solely items with an effect on cash. The reported amounts correspond to the actual cash flows in line with the cash flow statement (see below). Prior-year figures have been adjusted accordingly.

Higher investments mainly in G & I – proceeds from disposals increased

- **Renewables:** Investments in H1 2018 mainly focused on onshore wind projects in Italy, the United States as well as onshore and offshore wind projects in United Kingdom
- **G & I:** Rise in investments mainly in Germany due to higher investments for expansion and modernisation of grid infrastructure and increased broadband activities.
- **Retail:** Increase primarily driven by higher investments in the Energy+ business in Netherlands/Belgium
- **Corporate/New Businesses:**
  - Corporate/other: Lower investments in IT infrastructure compared to H1 2017
  - eMobility: Significant increase in investments year-on-year due to acquisition of BTCPower (effected in three subsequent shares purchase transactions, the third of which closed on 1 July 2018; see page 19)
  - Innovation Hub: Higher investments due to ramp-up of portfolio and focus on acceleration and investments with higher maturity levels, i. e. from late seed stage
- Increase in proceeds from disposals mainly due to higher sales of shares in equity holdings in the division Grid & Infrastructure in Germany

Cash flow statement € million	H1 2018	H1 2017
Funds from operations (FFO)	1,972	2,116
Changes in working capital	−1,955	−1,877
Cash flows from operating activities	17	239
Capital expenditure[1]	−900	−660
Proceeds from disposal of assets/divestitures	186	152
Free cash flow	**−697**	**−269**
Dividend payments	−1,226	−1,305
Budget deficit	**−1,923**	**−1,574**

1 Capital expenditure on property, plant and equipment as well as intangible and financial assets.

Free cash flow lower than in H1 2017

- FFO mainly influenced by decrease in adjusted EBITDA
- Increase in net investments mainly in grid infrastructure in Germany
- Deducting the dividend payments from free cash flow results in a budget deficit of €1,923 million

Net debt € million	30 Jun 2018	31 Dec 2017
Financial assets	**4,183**	**4,086**
Financial liabilities[1]	**18,478**	**16,378**
of which: Senior bonds	13,985	12,007
of which: Loans from RWE	1,656	1,656
of which: Loans from EIB	1,040	1,039
Net financial debt	**14,295**	**12,292**
Provisions for pensions and similar obligations[2]	3,327	2,986
Provisions for wind farm decommissioning	358	359
Total net debt	**17,980**	**15,637**

1 Adjusted for a step-up effect of €763 million as of 30 June 2018 and €877 million as of 31 December 2017.
2 Including 'Surplus of plan assets over benefit obligations' of –€340 million as of 30 June 2018 and –€103 million as of 31 December 2017.

Increase in net debt

- Budget deficit drove the increase in net debt
- Three bond issuances in H1 2018 (€2 billion) led to higher financial liabilities
- Increase in pension provisions mainly caused by a decrease in discount rates in Germany, negative performance of plan assets as well as full consolidation of a new grid partnership company (effect from Q1 2018). Counteracting-effects: changes in actuarial assumptions for the United Kingdom drive up the capitalised surplus of plan assets

Balance sheet structure	30 Jun 2018		31 Dec 2017	
Assets	**€ million**	**%**	**€ million**	**%**
Non-current assets	37,821	76	36,502	78
Intangible assets	11,375	23	11,347	24
Property, plant and equipment	18,441	37	18,361	39
Current assets	12,054	24	10,312	22
Receivables and other assets[1]	8,112	16	6,608	14
Total	**49,875**	**100**	**46,814**	**100**
Equity and liabilities				
Equity	11,055	22	11,252	24
Non-current liabilities	24,266	49	22,913	49
Provisions	5,212	11	4,628	10
Financial liabilities	15,434	31	15,492	33
Current liabilities	14,554	29	12,649	27
Other liabilities[2]	7,829	16	8,279	18
Total	**49,875**	**100**	**46,814**	**100**

1 Including financial accounts receivables, trade accounts receivable and income tax refund claims.
2 Including trade accounts payable and income tax liabilities.

Balance sheet structure: equity ratio of 22%

- As of 30 June 2018, our balance sheet total was €49.9 billion compared to €46.8 billion at the end of 2017
- Assets were up, largely driven by a seasonally-induced rise in trade accounts receivable; liabilities rose e.g. due to the interest-driven increase in provisions for pensions and the placement of new senior bonds
- Furthermore, derivative transactions, mainly for our Retail business, increased both the assets and liabilities on the balance sheet
- Increase in debt and the balance sheet total drove the equity ratio down to 22% (compared to 24% at the end of 2017)

Business divisions and segments

Renewables		H1 2018	H1 2017
External revenue	€ million	456	455
Adjusted EBITDA	€ million	322	338
Operating depreciation, amortisation and impairment losses	€ million	−155	−159
Adjusted EBIT	€ million	167	179
Capital expenditure[1]	€ million	178	162
Proceeds from disposal of assets/divestitures	€ million	9	11
Power generation	TWh	4.8	4.7
		30 Jun 2018	31 Dec 2017
Employees[2]		1,832	1,669
Total capacity	MW	3,571	3,487

1 Capital expenditure on property, plant and equipment as well as intangible and financial assets.
2 Converted to full-time positions.

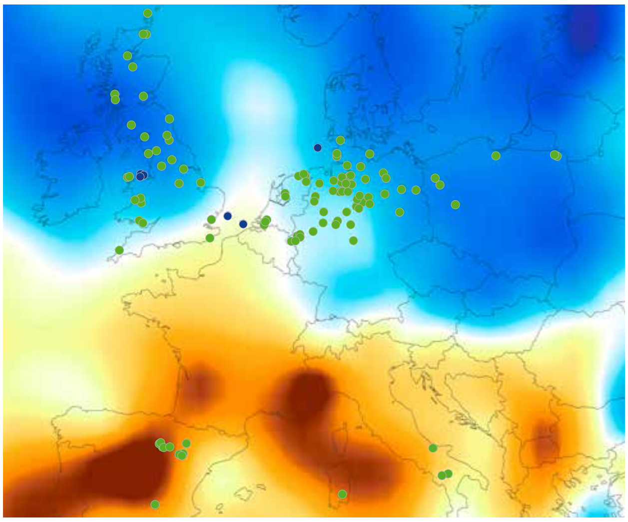
- Lower earnings from photovoltaic EPC contracts in the first half of the year, where already contracted margins will be realized in the second half
- Weather-related influences led to lower utilisation of existing plants – especially in the second quarter – but the effect was overcompensated by the commissioning of new assets
- Positive price effects (among others incl. Green Certificates and Renewable Obligation Certificates (ROC)) in all strategic business units
- Full commissioning of onshore wind farm Brechfa Forest (57 MW) in Q2 2018

Power generation by divison Jan–Jun	Onshore wind		Offshore wind		Hydro		Other renewables[1]		Renewables total		Non-renewables		Total	
TWh	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Renewables	2.2	2.1	1.5	1.6	1.1	0.9	–	–	4.8	4.7	–	–	4.8	4.7
Germany	0.5	0.5	0.4	0.5	0.9	0.7	–	–	1.9	1.7	–	–	1.9	1.7
United Kingdom	0.4	0.5	1.0	1.1	0.1	0.1	–	–	1.5	1.7	–	–	1.5	1.7
Spain	0.6	0.5	–	–	0.0	–	–	–	0.6	0.5	–	–	0.6	0.5
Netherlands	0.4	0.3	–	–	–	–	–	–	0.4	0.3	–	–	0.4	0.3
Poland	0.3	0.3	–	–	–	–	–	–	0.3	0.3	–	–	0.3	0.3
Italy	0.1	0.1	–	–	–	–	–	–	0.1	0.1	–	–	0.1	0.1
France	–	–	–	–	0.1	0.1	–	–	0.1	0.1	–	–	0.1	0.1
Portugal	–	–	–	–	0.0	–	–	–	–	–	–	–	–	–
Grid & Infrastructure (G & I)	–	–	–	–	0.4	0.3	0.1	0.1	0.5	0.4	0.2	0.1	0.7	0.5
Retail	–	–	–	–	–	–	–	–	–	–	0.5	0.5	0.5	0.5
innogy Group	**2.2**	**2.1**	**1.5**	**1.6**	**1.5**	**1.2**	**0.1**	**0.1**	**5.3**	**5.1**	**0.7**	**0.6**	**6.0**	**5.7**

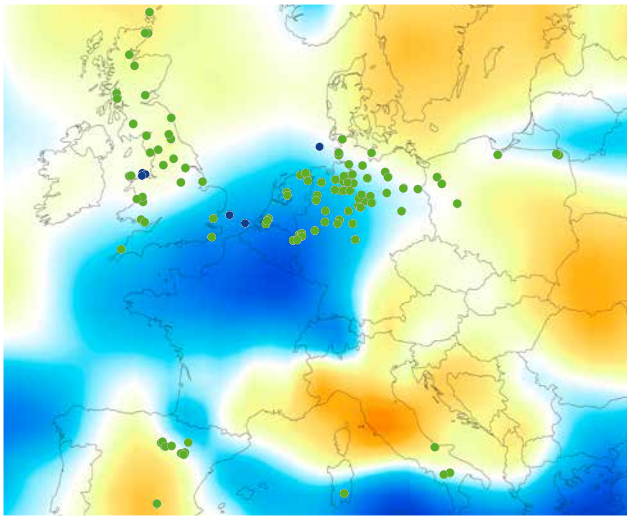
1 Includes generation volumes from biomass and photovoltaic stations.

- Electricity production grew by 5% to 6.0 TWh compared to previous H1
- The bulk of this – 4.8 TWh – came from the Renewables division: 77% from onshore and offshore wind farms and 23% from run-of-river power stations
- Important role of weather: wind levels in particular drive the utilisation of our wind power assets

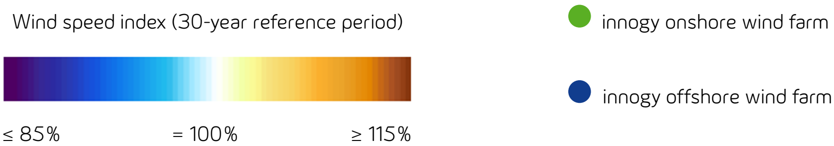
Wind levels in Europe – Wind speed index (average wind speed relative to the 30-year average of H1 of a year)



Jan–Jun 2018



Jan–Jun 2017



Source:
NCEP/NCAR (National Centres for Environmental Prediction/National Centre for Atmospheric Research).

Wind levels below long-term average

- Wind levels in comparison to long-term average: in Central and Northern Europe significantly lower in H1 2018; considerably above long-term average only at our wind farms in Italy and Spain
- Wind levels compared to 2017: similar or slightly higher wind speeds in the south-east of the United Kingdom, the Netherlands and western Germany; higher wind levels also registered in southern Europe (Spain, Italy), whereas lower were recorded in central and northern areas of the United Kingdom, in Poland and in eastern Germany
- Hydro power stations are also subject to weather conditions, e.g. precipitation and melt water levels
  - Compared to the ten-year average: overall, both levels were on par with the ten-year average in H1 2018, but in the individual regions, power generation varied and was above the ten-year average in Germany, Spain and Portugal whereas it was slightly lower in the United Kingdom and France
  - Compared to H1 2017: in total, precipitation and melt water levels in H1 2018 were slightly above H1 2017

innogy's electricity production only partially dependent on development of wholesale prices

- A large portion of our generation assets receives a fixed feed-in tariff for a predefined period, making it independent from wholesale electricity prices, applying above all to our wind turbines in Germany
- In total, approx. 60% of our earnings in the Renewables division are quasi-regulated
- The remaining part of our generation is sold on the wholesale market with an exposure to market price risks; this holds true for the majority of our German run-of-river power stations. To limit the impact of sudden price fluctuations, we partly sell the electricity generated by these assets up to three years in advance
- In H1 2018 we realised an average wholesale price of €42 per MWh across all markets (H1 2017: €43 per MWh). The average wholesale price in our two key markets developed as follows: in Germany, we fetched an average price of €30 per MWh (H1 2017: €27 per MWh), whereas, in the United Kingdom, an average price of £ 44 per MWh was realised – a decline of approx. £ 2 compared to H1 2017

Average temperature deviation	Germany		United Kingdom		Netherlands/Belgium		Eastern Europe[1]	
Degrees Celsius	2018 vs. 2017	2018 vs. 10-yr. avg.	2018 vs. 2017	2018 vs. 10-yr. avg.	2018 vs. 2017	2018 vs. 10-yr. avg.	2018 vs. 2017	2018 vs. 10-yr. avg.
1st quarter	−1.2	−0.2	−1.9	−0.9	−1.4	−0.6	−0.4	0.2
2nd quarter	2.4	2.7	0.3	1.3	1.3	2.1	2.6	2.9
1st half-year	**0.6**	**1.2**	**−0.8**	**0.2**	**0.0**	**0.7**	**1.1**	**1.5**

1 Czech Republic, Poland, Slovakia and Hungary.
Source: Bloomberg, based on data of the European Centre for Medium-Range Weather Forecasts (ECMWF).

- Generally mild weather throughout Europe in H1 2018; however, both quarters were characterised by divergent weather, i. e. heating period in Q1 colder than 2017
- In comparison to the ten-year average: average temperatures in all our core markets above the ten-year average during the first half of 2018
- Compared to the first half of 2017: average temperatures were on par in the Netherlands/Belgium, they exceeded prior year levels in Germany (+0.6 degrees Celsius) and in our key Eastern European markets (+1.1 degrees Celsius) considerably; by contrast, they were significantly down in the United Kingdom (−0.8 degrees Celsius)

Grid & Infrastructure Germany		H1 2018	H1 2017
External revenue	€ million	3,976	4,958
Adjusted EBITDA	€ million	1,084	1,098
Operating depreciation, amortisation and impairment losses	€ million	−321	−315
Adjusted EBIT	€ million	763	783
Capital expenditure[1]	€ million	400	251
Proceeds from disposal of assets/divestitures	€ million	166	101
		30 Jun 2018	31 Dec 2017
Employees[2]		14,598	14,164

1 Capital expenditure on property, plant and equipment, as well as intangible and financial assets.
2 Converted to full-time positions.

- Decline in revenue mainly due to new revenue recognition standard (IFRS 15) concerning the direct marketing of electricity generated from renewable sources to be applied from 2018 onwards
- Lower adjusted EBIT in German Grid business in particular due to new regulatory period in gas and a lower result from peakload consumption in the first half of the year
- Earnings from grid sales and provision releases slightly higher than in H1 2017
- Efficiency improvements achieved in H1 2018
- Higher headcount mainly due to full consolidation of new grid co-operation (Regionetz) from 1 January 2018

Grid & Infrastructure Eastern Europe		H1 2018	H1 2017
External revenue	€ million	548	508
Adjusted EBITDA	€ million	423	440
Operating depreciation, amortisation and impairment losses	€ million	−126	−129
Adjusted EBIT	€ million	297	311
Capital expenditure[1]	€ million	127	114
Proceeds from disposal of assets/divestitures	€ million	1	1
		30 Jun 2018	31 Dec 2017
Employees[2]		6,927	7,394

1 Capital expenditure on property, plant and equipment as well as intangible and financial assets.
2 Converted to full-time positions.

- Czech Republic: Adjusted EBIT benefited from positive price effect stemming mainly from the compensation mechanism for the difference between actual and allowed revenues, e.g. due to the weather impact in previous years. In addition, positive foreign exchange effect
- Hungary: Adjusted EBIT is down due to several smaller effects, among others impact of cable tax and foreign exchange rates
- Lower workforce due to reassignment of innogy Česká republika a.s. to Corporate/New Businesses

Electricity customers by country	Total		Of which: residential and commercial customers	
000	30 Jun 18	31 Dec 17	30 Jun 18	31 Dec 17
Germany	6,562	6,637	6,493	6,563
United Kingdom	2,624	2,817	2,605	2,799
Netherlands/Belgium	2,271	2,340	2,269	2,336
Eastern Europe[1]	4,144	4,107	4,128	4,091
innogy Group	**15,601**	**15,902**	**15,496**	**15,789**

1 Customers in Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia.

- Number of electricity customers declined by 2% compared to the end of 2017
- Declines recorded in H1 2018 in the United Kingdom, Germany and the Netherlands/Belgium, owing to high competitive pressures, e.g. record levels of customer switching in the United Kingdom. However, in May and June 2018, slight customer gains were achieved in Germany
- Market positions improved in H1 2018 in parts of our Eastern European markets, mainly in the Czech Republic and Hungary

External eletricity sales volume Jan–Jun	Total		Of which: Residential and commercial customers	
TWh	2018	2017	2018	2017
Renewables	4.5	4.4	–	–
Grid & Infrastructure (G & I)	6.7	7.0	0.2	0.2
Germany	6.7	7.0	0.2	0.2
Eastern Europe	–	–	–	–
Retail	124.4	118.4	25.3	25.8
Germany	85.1	78.7	10.0	10.5
United Kingdom	20.0	20.3	5.8	5.6
Netherlands/Belgium	6.8	7.1	4.2	4.4
Eastern Europe	12.5	12.3	5.3	5.3
innogy Group	**135.6**	**129.8**	**25.5**	**26.0**

- Electricity sales volume up slightly on previous year – innogy sold 135.6 TWh of electricity, 4% more than in H1 2017
- The sales trend predominantly benefited from customer gains in the German distributor business (2018: 63.2 TWh; 2017: 54.5 TWh) and the strengthening of our supply relationships with existing customers, resulting in higher volumes (2018 in total: 75.9 TWh; 2017: 67.5 TWh)
- The volume of electricity sales declined in the industrial and corporate customer segment to 34.2 TWh (2017: 36.3 TWh), especially in Germany (2018: 11.9 TWh; 2017: 13.7 TWh) and the United Kingdom (2018: 13.1 TWh; 2017: 13.6 TWh), whereas higher sales volumes were achieved in some Eastern European countries (2018: 6.4 TWh; 2017: 6.1 TWh)
- The volume of electricity sales also declined slightly in the residential and commercial customer segment, due to lower customer numbers, especially in Germany and the Netherlands/Belgium

Gas customers by country	Total		Of which: residential and commercial customers	
000	30 Jun 18	31 Dec 17	30 Jun 18	31 Dec 17
Germany	1,255	1,268	1,243	1,256
United Kingdom	1,774	1,933	1,770	1,929
Netherlands/Belgium	1,954	2,016	1,952	2,012
Eastern Europe[1]	1,399	1,422	1,388	1,411
innogy Group	**6,382**	**6,638**	**6,354**	**6,608**

1 Customers in Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia.

- Fewer gas customers than at the end of 2017 corresponding to a decline of approx. 4%
- Most significant losses experienced in our United Kingdom unit as well as in the Netherlands/Belgium
- As with electricity customers, this was due to increased competitive pressure

External gas sales volume Jan–Jun	Total		Of which: Residential and commercial customers	
TWh	2018	2017	2018	2017
Grid & Infrastructure (G&I)	0.9	1.3	0.1	0.1
Germany	0.9	1.3	0.1	0.1
Eastern Europe	–	–	–	–
Retail	122.3	126.7	59.2	58.9
Germany	45.1	51.4	13.8	15.1
United Kingdom	24.4	21.5	18.4	16.0
Netherlands/Belgium	30.5	31.5	18.4	18.3
Eastern Europe	22.3	22.3	8.6	9.5
innogy Group	**123.2**	**128.0**	**59.3**	**59.0**

- Gas sales volume lower than in previous year – gas sales with 123.2 TWh approx. 4% lower than H1 2017
- A major decline in sales volume was recorded for distributors (2018 in total: 29.1 TWh; 2017: 32.1 TWh), especially in Germany (2018: 22.9 TWh; 2017: 26.8 TWh), mainly due to lower sales to existing customers
- Lower volumes in the industrial and corporate segment (2018 in total: 34.8 TWh; 2017: 36.9 TWh), mainly due to a shrinking customer base, particularly in Germany (2018: 8.4 TWh; 2017: 9.5 TWh) and the Netherlands/Belgium (2018: 12.1 TWh; 2017: 13.2 TWh)
- Marginal increases achieved for residential and commercial customers, especially in the United Kingdom and the Netherlands/Belgium, due to cold weather primarily in Q1 2018

Retail Germany		H1 2018	H1 2017
External revenue	€ million	8,207	8,623
Adjusted EBITDA	€ million	274	361
Operating depreciation, amortisation and impairment losses	€ million	−16	−14
Adjusted EBIT	€ million	258	347
Capital expenditure[1]	€ million	24	17
Proceeds from disposal of assets/divestitures	€ million	–	17
		30 Jun 2018	31 Dec 2017
Employees[2]		4,119	4,159

1 Capital expenditure on property, plant and equipment as well as intangible and financial assets.
2 Converted to full-time positions.

- Lower earnings year on year primarily due to non-recurrence of positive one-off effects in 2017
- Higher expenses for overarching projects, that have been completed in the first six months impacting H1 2018 disproportionately high, e. g. for customer retention measures and digitalization of our retail business
- Competitive market environment resulted in expected net customer losses in H1 2018
- Economic output in H1 2018: Growth in the Eurozone is estimated to have grown by slightly over 2% and German gross domestic product has risen by a similar amount

Retail United Kingdom		H1 2018	H1 2017
External revenue	€ million	3,666	3,636
Adjusted EBITDA	€ million	7	33
Operating depreciation, amortisation and impairment losses	€ million	−25	−45
Adjusted EBIT	€ million	−18	−12
Capital expenditure[1]	€ million	29	25
Proceeds from disposal of assets/divestitures	€ million	–	–
		30 Jun 2018	31 Dec 2017
Employees[2]		6,200	6,382

1 Capital expenditure on property, plant and equipment as well as intangible and financial assets.
2 Converted to full-time positions.

- The impact on earnings of net customer losses and regulation driven costs was widely offset by gains in customers with higher consumption and delivery of the recovery plan
- The Domestic Gas and Electricity (Tariff Cap) Bill was enacted on 19 July 2018, to implement a price cap on all domestic energy (gas and electricity) standard variable and default tariffs by the end of 2018:
  - Final decision on the design and level of the price cap expected to be published in October 2018
  - Price cap will initially apply until the end of 2020, with the option to extend it until the end of 2023
  - Regulator will be required to review the pricing practices of energy suppliers and consider whether there is a case for continued protection when the price cap is due to end
- Note: As of Q3 2018, our UK retail business will be shown as discontinued operations
- Economic output in H1 2018: At almost 1%, growth in the United Kingdom was lower than the average recorded in the Eurozone (slightly over 2%), due to negative effects of the ongoing Brexit negotiations

Retail Netherlands/Belgium		H1 2018	H1 2017
External revenue	€ million	1,956	1,653
Adjusted EBITDA	€ million	114	143
Operating depreciation, amortisation and impairment losses	€ million	−24	−22
Adjusted EBIT	€ million	90	121
Capital expenditure[1]	€ million	42	20
Proceeds from disposal of assets/divestitures	€ million	1	13
		30 Jun 2018	31 Dec 2017
Employees[2]		2,514	2,346

1 Capital expenditure on property, plant and equipment as well as intangible and financial assets.
2 Converted to full-time positions.

- Drop in adjusted EBIT caused in particular by unexpected commodity price increases driven by cold weather and related higher gas demand in Q1 2018
- Challenging market environment remains due to strong competitive pressure

Retail Eastern Europe		H1 2018	H1 2017
External revenue	€ million	1,770	1,774
Adjusted EBITDA	€ million	154	149
Operating depreciation, amortisation and impairment losses	€ million	−9	−10
Adjusted EBIT	€ million	145	139
Capital expenditure[1]	€ million	16	6
Proceeds from disposal of assets/divestitures	€ million	–	–
		30 Jun 2018	31 Dec 2017
Employees[2]		2,578	2,534

1 Capital expenditure on property, plant and equipment as well as intangible and financial assets.

2 Converted to full-time positions.

- Stable development across all markets

Corporate/New Businesses		H1 2018	H1 2017
External revenue	€ million	84	98
Total adjusted EBIT	€ million	**−149**	**−143**
of which: Corporate/other			
Adjusted EBITDA	€ million	−104	−100
Operating depreciation, amortisation and impairment losses	€ million	−23	−19
Adjusted EBIT	€ million	−127	−119
Capital expenditure[1]	€ million	26	59
Proceeds from disposal of assets/divestitures	€ million	9	9
		30 Jun 2018	31 Dec 2017
Employees[2]		4,120	3,592
of which: eMobility			
Adjusted EBITDA	€ million	−14	−6
Operating depreciation, amortisation and impairment losses	€ million	−2	−1
Adjusted EBIT	€ million	−16	−7
Capital expenditure[1]	€ million	28	1
Proceeds from disposal of assets/divestitures	€ million	–	–
		30 Jun 2018	31 Dec 2017
Employees[2]		110	92
of which: Innovation Hub			
Adjusted EBITDA	€ million	−6	−17
Operating depreciation, amortisation and impairment losses	€ million	–	–
Adjusted EBIT	€ million	−6	−17
Capital expenditure[1]	€ million	30	5
Proceeds from disposal of assets/divestitures	€ million	–	–
		30 Jun 2018	31 Dec 2017
Employees[2]		42	61

1 Capital expenditure on property, plant and equipment, as well as intangible and financial assets.
2 Converted to full-time positions.

Corporate/other:

- Higher headcount due to reassignment of innogy Česká republika a.s. from Grid & Infrastructure Eastern Europe

eMobility:

- Higher operating expenditures to ramp up national and international eMobility activities
- Steady increase of staff reflects growth ambitions
- Acquisition of BTCPower in the United States (effected in three subsequent share purchase transactions, the third of which closed on 1 July 2018), which will provide innogy with a fast-charging product portfolio for the North American market as well as access to increased production capacities and know-how to ensure excellent quality for innogy's turn-key solutions

Innovation Hub:

- Investments in 24 new portfolio companies or follow-up rounds for existing equity holdings
- Adjusted EBIT reflects an increase in the value of financial investments
- Operational expenditures have been significantly reduced by focusing on acceleration investments with higher maturity levels, i. e. from late seed stage to series C and D in 2018 and growth of portfolio companies

Outlook

Outlook 2018 confirmed

Outlook € million (unless stated otherwise)	2017 actual	Outlook for 2018 (August 2018)	Confirmation/ change versus May 2018
Adjusted EBIT[1]	2,816	About 2,700	Confirmed
Renewables	355	About 350	Confirmed
Grid & Infrastructure (G & I)	1,944	About 1,850	Confirmed
Retail[2]	827	About 750	Confirmed
Adjusted financial result	−689	About −750	Confirmed
Tax rate used to calculate adjusted net income	25%	25% to 30%	Confirmed
Adjusted net income	1,224	Over 1,100	Confirmed

1 'Corporate/New Businesses' not stated separately.
2 eMobility has been reported outside Retail in the 'Corporate/New Businesses' item since Q1 2018 and the United Kingdom retail business will be shown as a discontinued operation as of Q3 2018; it is, therefore, not included in the outlook.

- Outlook confirmed both for Group and segment levels
- Target dividend payout ratio of 70% to 80% of adjusted net income remains unchanged
- Above all, a leverage factor of about 4.0x as envisaged ratio, net debt to adjusted EBITDA continues to be one of the key financial metrics for managing our debt

Opportunities and risks

A comprehensive overview of innogy's opportunities and risks as well as the instruments for identifying and managing them is provided in our Annual Report 2017 on pages 98 et seqq.

Changes to our risk exposure since beginning of this year:

- The regulatory risk to which our retail business in the United Kingdom is exposed has increased. The Domestic Gas and Electricity (Tariff Cap) Bill was enacted on 19 July 2018, paving the way for the energy regulator, Ofgem, to implement a price cap on all domestic energy (gas and electricity) standard variable and default tariffs by the end of 2018. The final decision on the design and level of the price cap is expected to be published in October 2018 (see page 17)

- Change of control clauses in operational and financial contracts can be triggered as a consequence of the planned RWE/E.ON transaction. This presents a substantial risk for the continued existence of equity holdings as well as, concession and supply agreements. Furthermore, it affects a significant part of our financing structure. A change of control would, for example, imply new negotiations of the continuation of funding programmes like our syndicated loan facility and bilateral agreements

Update of key financial risk metrics (VaR figures are based on a confidence interval of 95% and a holding period of one day, unless stated otherwise):

- The VaR for the securities price risk associated with changes in the interest on our capital investments in the first half of 2018 averaged €4 million
- Moreover, increases in interest rates caused our financing costs to rise. The cash flow at risk (CFaR, 95% confidence level, holding period of one year) averaged €9 million
- The securities we hold in our portfolio include shares. On average, the VaR for the risk associated with changes in share prices was €5 million
- In H1 2018, the average VaR for innogy SE's foreign currency position from transactional risks was less than €1 million

Responsibility Statement

To the best of our knowledge, in accordance with the reporting principles applicable to half-year financial reporting, the interim consolidated financial statements present a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim Group review of operations includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the rest of the fiscal year.

Essen, 8 August 2018

The Executive Board

Tigges Günther Hahn

Bünting Herrmann Müller

Interim consolidated financial statements

Income statement (condensed)

€ million	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017
Revenue (including natural gas tax/electricity tax)	**9,033**	**9,335**	**20,663**	**21,705**
Natural gas tax/electricity tax	−337	−355	−1,096	−1,081
Revenue	**8,696**	**8,980**	**19,567**	**20,624**
Cost of materials	−7,016	−7,174	−15,312	−16,248
Staff costs	−788	−743	−1,544	−1,462
Depreciation, amortisation and impairment losses	−355	−358	−701	−714
Other operating result	−311	−358	−538	−708
Income from investments accounted for using the equity method	55	48	107	95
Other income from investments	27	30	64	51
Financial income	58	497	171	620
Finance costs	−177	−583	−449	−798
Income before tax	**189**	**339**	**1,365**	**1,460**
Taxes on income	70	−89	−306	−430
Income	**259**	**250**	**1,059**	**1,030**
of which: non-controlling interests	51	65	209	213
of which: net income/income attributable to innogy SE shareholders	208	185	850	817
Basic and diluted earnings per share in €	**0.37**	**0.33**	**1.53**	**1.47**

Statement of comprehensive income[1] (condensed)

€ million	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017
Income	**259**	**250**	**1,059**	**1,030**
Actuarial gains and losses of defined benefit pension plans and similar obligations	48	168	−97	374
Fair valuation of equity instruments	10		4	
Income and expenses recognised in equity, not to be reclassified through profit or loss	**58**	**168**	**−93**	**374**
Currency translation adjustment	−126	68	−123	96
Fair valuation of financial instruments	7	−15	3	−2
Prorated income and expenses of investments accounted for using the equity method	−3	3	−3	3
Income and expenses recognised in equity, to be reclassified through profit or loss in the future	**−122**	**56**	**−123**	**97**
Other comprehensive income	**−64**	**224**	**−216**	**471**
Total comprehensive income	**195**	**474**	**843**	**1,501**
of which: attributable to innogy SE shareholders	184	372	679	1,248
of which: attributable to non-controlling interests	11	102	164	253

1 Figures stated after taxes.

Balance sheet (condensed)

Assets € million	30 Jun 2018	31 Dec 2017
Non-current assets		
Intangible assets	11,375	11,347
Property, plant and equipment	18,441	18,361
Investments accounted for using the equity method	2,204	2,214
Other financial assets	976	839
Receivables and other assets	2,168	1,261
Deferred taxes	2,657	2,480
	37,821	**36,502**
Current assets		
Inventories	478	380
Trade accounts receivable	4,574	4,198
Receivables and other assets	3,538	2,410
Marketable securities	2,383	2,254
Cash and cash equivalents	1,081	1,070
	12,054	**10,312**
	49,875	**46,814**

Equity and liabilities € million	30 Jun 2018	31 Dec 2017
Equity		
innogy SE shareholders' interest	9,207	9,439
Non-controlling interests	1,848	1,813
	11,055	**11,252**
Non-current liabilities		
Provisions for pensions and similar obligations	3,667	3,089
Other provisions	1,545	1,539
Financial liabilities	15,434	15,492
Other liabilities	3,005	2,251
Deferred taxes	615	542
	24,266	**22,913**
Current liabilities		
Other provisions	2,921	2,606
Financial liabilities	3,804	1,764
Trade accounts payable	3,247	4,001
Other liabilities	4,582	4,278
	14,554	**12,649**
	49,875	**46,814**

Cash flow statement

€ million	Jan–Jun 2018	Jan–Jun 2017
Income	1,059	1,030
Depreciation, amortisation, impairment losses/reversals	702	717
Changes in provisions	405	337
Changes in deferred taxes	22	88
Income from disposal of non-current assets and marketable securities	−83	−112
Other operating income/expenses	−133	56
Change in working capital	−1,955	−1,877
Cash flows from operating activities	**17**	**239**
Intangible assets/property, plant and equipment		
Capital expenditures	−703	−541
Proceeds from disposal of assets	80	77
Acquisitions/investments		
Capital expenditures	−197	−119
Proceeds from disposal of assets/divestitures	106	75
Changes in marketable securities and cash investments	−150	461
Cash flows from investing activities (before initial/subsequent transfer to plan assets)	**−864**	**−47**
Initial/subsequent transfer to plan assets	−13	−146
Cash flows from investing activities (after initial/subsequent transfer to plan assets)	**−877**	**−193**
Net changes in equity (including non-controlling interests)	−12	−59
Dividends paid to innogy shareholders and non-controlling interests	−1,226	−1,305
Issuance of financial debt	2,261	2,770
Repayment of financial debt	−161	−1,913
Cash flows from financing activities	**862**	**−507**
Net cash change in cash and cash equivalents	2	−461
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	9	9
Net change in cash and cash equivalents	**11**	**−452**
Cash and cash equivalents at the beginning of the reporting period as per the consolidated balance sheet	**1,070**	**1,379**
Cash and cash equivalents at the end of the reporting period as per the consolidated balance sheet	**1,081**	**927**

Statement of changes in equity (condensed)

€ million	Subscribed capital and additional paid-in capital of innogy SE	Retained earnings and distributable profit	Accumulated other comprehensive income	**innogy SE shareholders' interest**	Non-controlling interests	**Total**
Balance at 1 Jan 2017	**7,321**	**2,291**	**−681**	**8,931**	**1,736**	**10,667**
Dividends paid		−889		−889	−239	−1,128
Income		817		817	213	1,030
Other comprehensive income		341	90	431	40	471
Total comprehensive income		1,158	90	1,248	253	1,501
Withdrawals/contributions		−59		−59	−65	−124
Balance at 30 Jun 2017	**7,321**	**2,501**	**−591**	**9,231**	**1,685**	**10,916**
Balance at 31 Dec 2017	**7,321**	**2,651**	**−533**	**9,439**	**1,813**	**11,252**
Adjustment due to IFRS 9		65	−80	−15		−15
Adjustment due to IFRS 15		−21		−21		−21
Balance at 1 Jan 2018	**7,321**	**2,695**	**−613**	**9,403**	**1,813**	**11,216**
Dividends paid		−889		−889	−284	−1,173
Income		850		850	209	1,059
Other comprehensive income		−77	−94	−171	−45	−216
Total comprehensive income		773	−94	679	164	843
Withdrawals/contributions		14		14	155	169
Balance at 30 Jun 2018	**7,321**	**2,593**	**−707**	**9,207**	**1,848**	**11,055**

Notes

Accounting policies

innogy SE, headquartered at Opernplatz 1, 45128 Essen, Germany, is the parent company of the innogy (Sub-) Group (innogy or Group). innogy is a supplier of energy in Europe focusing on renewables, retail and grid & infrastructure.

The consolidated interim financial statements for the period that ended on 30 June 2018 were approved for publication on 8 August 2018. Along with additional disclosure in the interim Group review of operations they were prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU.

In line with IAS 34, the scope of reporting for the presentation of interim consolidated financial statements for the period that ended on 30 June 2018 was condensed compared to the scope applied to the consolidated financial statements for the period that ended on 31 December 2017. With the exception of the changes and new rules described below, these interim consolidated financial statements were prepared using the accounting policies applied in the consolidated financial statements for the period that ended on 31 December 2017. For further information, reference is made to the consolidated financial statements for the period ending on 31 December 2017, which form the basis for these consolidated interim financial statements.

Provisions for pensions and similar obligations are discounted at an interest rate of 1.8 % in Germany and 2.6 % abroad (31 December 2017: 2.0 % and 2.4 %, respectively).

Changes in accounting policies

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have approved new IFRSs, amendments of existing IFRSs and a new Interpretation, which became effective for the innogy Group as of fiscal 2018. First-time application of the Standards described below have material effects on the innogy Group's consolidated financial statements:

IFRS 15 Revenue from Contracts with Customers (2014) including Amendments to IFRS 15, Effective Date of IFRS 15 (2015) and Clarifications to IFRS 15 Revenue from Contracts with Customers (2016) replace the contents of IAS 18 Revenue and IAS 11 Construction Contracts and the corresponding Interpretations, starting from 1 January 2018.

The new Standard does not distinguish between different types of orders and performance. It establishes uniform criteria as to when revenue is realised for a performance obligation at a point in time or over time. Accordingly, revenue is to be recognised when the customer obtains control of the agreed goods and services and can benefit from such.

innogy will apply the modified retrospective method as a transitional method for first-time application as of 1 January 2018. The prior-year figures were not adjusted. The effects of the first-time application of IFRS 15 were recognised in equity, as a result of which retained earnings declined by €21 million.

With regard to equity at the beginning of the fiscal year and the income statement for the first six months of fiscal 2018, the following effects from the first-time application of IFRS 15 were identified:

Effects of the transition as of 1 January 2018
At the time of transition, contract liabilities of €12 million were recognised for base fees received in advance from customers. Additionally, capitalised expenses for free gifts or goods amounting to €26 million were reversed. Furthermore, €8 million was capitalised as costs to obtain contracts. The related deferred taxes amount to €9 million.

The effects of transition for each balance sheet item are presented in the following table 'Reclassification pursuant to IFRS 9 and IFRS 15 by balance sheet item'.

Principal-agent relations

As regards regulatory fees, in relation to renewable energy in particular, individual situations were identified in which innogy qualifies as agent pursuant to IFRS 15, but not pursuant to IAS 18. In the Grid & Infrastructure reporting segment, this results in a reduction of revenue and cost of materials amounting to roughly €1.6 billion, because some performance bonuses received by the transmission system operator under the direct marketing model of the German Renewable Energy Act no longer qualify as revenue. This does not have an impact on income. In the opening balance sheet, the receivables and liabilities related to these regulatory fees were reclassified from trade accounts receivable and from trade accounts payable to other receivables and other assets and to other liabilities, respectively.

Financial instruments according to IFRS 9

With the first-time application of IFRS 15, innogy has also changed the presentation of unrealised changes in the fair values of commodity derivatives. From 1 January 2018 onwards, these are no longer recognised under revenue or the cost of materials as they are stated as part of other operating income instead. The reclassification stabilises revenue and has no effect on income. With regard to the first half-year, a net amount of €98 million was recognised in the item other operating income for unrealised changes in the fair values of commodity derivatives.

IFRS 9 Financial Instruments (2014) replaces the previous regulations of IAS 39 on financial instruments. The Standard contains amended regulations on measurement categories for financial assets and includes some smaller changes in relation to the measurement of financial liabilities. It also contains regulations on impairments recognised for the first time in relation to expected losses. The new regulations on hedge accounting are intended to improve the reporting of risk management activities in the consolidated financial statements. In accordance with the transitional regulations of IFRS 9, the prior-year carrying amounts were not adjusted. The new classification and valuation regulations were applied and the related transitional effects were recognised by adjusting the carrying amounts of financial assets and liabilities and retained earnings as of 1 January 2018.

IFRS 9 contains amended regulations on the classification of financial assets and fundamentally calls for four different measurement categories:

- Debt instruments measured at amortised cost
- Debt instruments measured at fair value through other comprehensive income, whose changes in value are recognised through profit or loss on disposal (recycling)
- Financial instruments measured at fair value through profit or loss
- Equity instruments measured at fair value through other comprehensive income, whose changes in value remain in equity and are not recognised in profit/loss on disposal (no recycling)

Furthermore, IFRS 9 has new regulations on the impairment of financial assets which call for recognition on the basis of expected losses.

The following table summarises the effects of the new classification and impairment regulations for financial assets on the individual balance sheet items and the respective measurement categories at the time of transition:

Reclassification according to IFRS 9 and IFRS 15 by balance sheet item € million	Measurement category according to IAS 39	Measurement category according to IFRS 9	Carrying amount according to IAS 39 as of 31 Dec 2017	Additional impairment according to IFRS 9	IFRS 15 adjustment	Carrying amount according to IFRS 9/ IFRS 15 as of 1 Jan 2018
Other financial assets	Financial assets available for sale	Financial assets measured at fair value through profit or loss	762			762
		Equity instruments measured at fair value through other comprehensive income	77			77
Financial receivables	Loans and receivables	Debt instruments measured at amortised cost	836	−14		822
		Financial assets measured at fair value through profit or loss	35			35
Other receivables and other assets	Financial assets recognised at fair value through profit or loss	Financial assets measured at fair value through profit or loss	1,321			1,321
	Loans and receivables	Debt instruments measured at amortised cost	158		15	173
	Not falling under the scope of IFRS 7		1,040		132	1,172
Trade accounts receivable	Loans and receivables	Debt instruments measured at amortised cost	4,204	−7	−124	4,073
Marketable securities	Financial assets available for sale	Debt instruments measured at fair value through other comprehensive income	925			925
		Equity instruments measured at fair value through other comprehensive income	461			461
		Financial assets measured at fair value through profit or loss	868			868
Cash and cash equivalents	Loans and receivables	Debt instruments measured at amortised cost	1,070			1,070
Trade accounts payable			4,001		6	4,007
Other liabilities			6,444		−59	6,385
				−21[1]	−30[2]	

1 The related deferred taxes amount to €6 million.
2 The related deferred taxes amount to €9 million.

Reclassification according to IFRS 9 – Total by category € million				
Measurement category according to IAS 39	Measurement category according to IFRS 9	Carrying amount pursuant to IAS 39 as of 31 Dec 2017	Additional impairment according to IFRS 9	Carrying amount pursuant to IFRS 9 as of 1 Jan 2018
Loans and receivables	Debt instruments measured at amortised cost	6,268	−21	6,247
	Financial assets measured at fair value through profit or loss	35		35
Financial assets available for sale	Debt instruments measured at fair value through other comprehensive income	925		925
	Equity instruments measured at fair value through other comprehensive income	538		538
	Financial assets measured at fair value through profit or loss	1,630		1,630
Financial assets recognised at fair value through profit or loss	Financial assets measured at fair value through profit or loss	1,321		1,321
		10,717	**−21**	**10,696**

The following table presents the reconciliation of the closing balances of impairments pursuant to IAS 39 to the opening balances of the impairments pursuant to IFRS 9:

Reconciliation of risk provisions according to IFRS 9 € million	Risk provision according to IAS 39	Additional risk provision according to IFRS 9	Risk provision according to IFRS 9
Other financial assets	41		41
Financial receivables	124	14	138
Trade accounts receivable	397	7	404
Other receivables and other assets	1		1
	563	**21**	**584**

In addition to the new regulations for the recognition of financial assets, IFRS 9 also includes minor amendments to the reporting of financial liabilities. These changes have no effect for the innogy Group.

Furthermore, IFRS 9 contains new regulations on hedge accounting which are intended to improve the reporting of risk management activities in the consolidated financial statements. To this end, IFRS 9 expands the scope of underlying transactions qualifying for hedge accounting and introduces a new approach for assessing effectiveness.

innogy will continue the existing on-balance-sheet hedging relationships in accordance with IFRS 9. With regard to the hedge accounting of foreign currency risks, there will be changes in the treatment of foreign currency basis spreads, which tends to lead to higher levels of ineffectiveness for existing hedging relationship. This change has no material effects on the innogy Group. No new hedge accounting relationships were designated at the time of transition.

The fair value option for own-use contracts and the possibility of excluding the fair value components of options in hedge accounting will not be exercised in the innogy Group. On the whole, the new regulations on hedge accounting have no material effects on the innogy Group's consolidated financial statements.

The following amendments to Standards and new Interpretations which are applicable to the innogy Group from fiscal 2018 are not expected to have any material effects on innogy's consolidated financial statements:

- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (2016)
- Annual Improvements to IFRS Standards 2014–2016 Cycle (2016)
- Amendments to IAS 40 Transfers of Investment Property (2016)
- Amendments to IFRS 2 Clarifications of Classification and Measurement of Share Based-Payment Transactions (2016)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (2016)

New accounting policies

The IASB has adopted further Standards, which are not yet mandatory in the European Union (EU) in fiscal 2018, the expected effects of which have already been described in the 2017 Annual Report. The following are updates on the current state of implementation.

IFRS 16 Leases (2016)

innogy will not apply IFRS 16 early starting from 2018 in conjunction with IFRS 15 and plans to apply the modified retrospective method in transitioning to IFRS 16. This means that the comparable prior-year figures in the annual report for the period ending on 31 December 2019 will not be adjusted. The cumulative effect stemming from the initial application will be recognised in equity as of 1 January 2019. At the time of transition, the following options and exceptions were applied:

- Election not to perform a new assessment of whether contracts existing prior to initial application contain a lease according to IFRS 16.
- Recognition of the right-of-use in the amount of the lease liability, adjusted for any prepaid or accrued leasing payments already recognised.
- Adjustment of the right-of-use by the amount reported in the balance sheet as of 31 December 2018 as a provision for onerous leases.
- Leases for which the lease term ends within the first twelve months of the date of initial application are treated as short-term leases.
- Measurement of the right-of-use at the date of initial application without the consideration of any initial direct costs.

In addition to the aforementioned transitional regulations, innogy will also apply the exception that leases involving short-term or low value assets are not recognised in the balance sheet as rights-of-use.

innogy still anticipates the effects on the consolidated financial statements which were described in the 2017 Annual Report.

Scope of consolidation

In addition to innogy SE, the consolidated financial statements contain all material German and foreign companies which innogy SE controls directly or indirectly. Principal associates are accounted for using the equity method, and principal joint arrangements are accounted for using the equity method or as joint operations.

The following summaries show the changes in the number of fully consolidated companies as well as investments and joint ventures accounted for using the equity method.

Number of fully consolidated companies	Germany	Abroad	Total
Balance at 1 Jan 2018	**118**	**164**	**282**
First-time consolidation	4	41	45
Deconsolidation	−2	−1	−3
Mergers	−2	−6	−8
Balance at 30 Jun 2018	**118**	**198**	**316**

Number of investments and joint ventures accounted for using the equity method	Germany	Abroad	Total
Balance at 1 Jan 2018	**66**	**14**	**80**
Acquisitions	0	0	0
Disposals	0	0	0
Other changes	1	0	1
Balance at 30 Jun 2018	**67**	**14**	**81**

Furthermore, five companies are presented as joint operations.

Acquisitions

Regionetz GmbH

In early January 2018, based on a contractual agreement innogy obtained control over the 'Grids' division of Stadtwerke Aachen AG (STAWAG). Additionally, an agreement was reached to merge regionetz GmbH, a fully consolidated subsidiary of the innogy Group, to create Regionetz GmbH, Aachen ('INFRAWEST GmbH' prior to renaming), with retroactive commercial effective to 1 January 2018. As consideration for granting a majority share in regionetz GmbH, innogy will obtain a minority interest of the shares in the new company Regionetz GmbH, 100% of which were previously held by STAWAG. According to the contractual agreement, innogy will have a controlling position in accordance with IFRS 10 and will thus fully consolidate Regionetz GmbH, in which it will hold a capital share of 49%.

The company will essentially operate electricity, gas, heat and water distribution networks for Greater Aachen and parts of the Districts of Heinsberg and Düren. Its assets and liabilities will comprise the operation of the merging regionetz GmbH as a contribution by innogy and the 'Grids' division that is to be carved out of STAWAG and has been contractually controlled by innogy since the beginning of 2018 as a contribution by STAWAG.

In exchange for a share of 49% in Regionetz GmbH, innogy has contributed its fully-consolidated subsidiary regionetz GmbH to the company. Consequently, the fair value of the 51% interest in the subsidiary regionetz GmbH contributed by innogy, which was determined as the present value of future cashflows, was taken as the acquisition cost. The preliminary fair value of the consideration determined in this manner amounts to €90 million.

The assets and liabilities assumed as part of the transaction are presented in the following table:

Balance-sheet items € million	IFRS carrying amounts (fair values) at first-time consolidation
Non-current assets	254
Current assets	37
Non-current liabilities	100
Current liabilities	8
Net assets	**183**
Non-controlling interests	93
Cost (not affecting cash)	90
Goodwill	**0**

The fair value of the receivables included in non-current and current assets amounted to €26 million and corresponded to the gross amount of receivables, which are collectable in full.

Since its first-time consolidation, the 'Grids' division of STAWAG has contributed €82 million to the Group's revenue and €17 million to the Group's income.

The initial accounting of the business combination has not yet been completed definitively due to the transaction's complex structure.

External revenue by product and segment

External revenue by product and segment € million Jan–Jun 2018	Renewables	Grid & Infra-structure	Retail	Corporate/New Businesses	innogy Group
External revenue[1]	456	4,518	14,509	84	19,567
of which: electricity	324	3,668	10,237		14,229
of which: gas		531	3,883		4,414
of which: other	132	319	389	84	924

1 Excluding natural gas tax/electricity tax.

External revenue by product and segment € million Jan–Jun 2017	Renewables	Grid & Infra-structure	Retail	Corporate/New Businesses	innogy Group
External revenue[1]	455	5,459	14,612	98	20,624
of which: electricity	302	4,586	10,225	1	15,114
of which: gas		512	4,031		4,543
of which: other	153	361	356	97	967

1 Excluding natural gas tax/electricity tax.

Share-based payment

A report on share-based payment systems for executives of innogy SE and subordinated affiliates was included in the consolidated financial statements for the period that ended on 31 December 2017. A further tranche was issued as part of the long-term incentive plan for executives ('Strategic Performance Plan') in the first quarter of 2018.

Dividend distribution

innogy SE's 24 April 2018 Annual General Meeting decided to pay a dividend of €1.60 per individual, dividend-bearing share for fiscal 2017. The dividend payment totalled €889 million.

Financial liabilities

On 24 January 2018, innogy issued a bond with a volume of €1 billion and a tenor of 11.5 years. The bond was issued by innogy Finance B.V with a guarantee by innogy SE. The bond has an annual coupon of 1.5%, an issue price of 98.785% and a yield of 1.617% p. a.

On 30 May 2018, innogy issued two more bonds with a total volume of €1 billion. Both bonds were issued by innogy Finance B.V with a guarantee by innogy SE. The first bond has a volume of €500 million and a tenor of 4.5 years. It has an annual coupon of 0.75%, an issue price of 99.798% and a yield of 0.796% p. a. The second bond has a volume of €500 million and a tenor of 8.0 years. It has an annual coupon of 1.625%, an issue price of 99.874% and a yield of 1.642% p.a.

Earnings per share

Basic earnings per share are calculated by dividing the portion of net income attributable to innogy shareholders by the average number of shares outstanding; treasury shares are not taken into account in this calculation. For the periods under review, diluted earnings per share correspond to undiluted earnings per share (hereinafter 'earnings per share').

Earnings per share		Jan–Jun 2018	Jan–Jun 2017
net income/income attributable to innogy SE shareholders	€ million	850	817
Number of shares outstanding (weighted average)	thousands	555,555	555,555
Earnings per share	€	**1.53**	**1.47**

Reporting on financial instruments

Financial instruments are divided into non-derivative and derivative. Non-derivative financial assets essentially include other non-current financial assets, accounts receivable, marketable securities and cash and cash equivalents. Depending on their classification, financial instruments are recognised at amortised cost or fair value. On the liabilities side, non-derivative financial instruments principally include liabilities recorded at amortised cost.

The fair value of financial instruments is determined on the basis of the published exchange price, insofar as the financial instruments are traded on an active market. The fair value of non-quoted debt and equity instruments is determined on the basis of discounted expected cash flows. Current market interest rates corresponding to the remaining maturity are used for discounting.

Derivative financial instruments are recognised at their fair value as of the balance-sheet date, insofar as they fall under the scope of IFRS 9. Exchange-traded products are measured using the published closing prices of the relevant exchange. Non-exchange traded products are measured on the basis of publicly available broker quotations or, if such quotations are not available, of generally accepted valuation methods. In doing so, we draw on prices on active markets as much as possible. If such are not available, company-specific planning estimates are used in the measurement process. These estimates encompass all market factors which other market participants would take into account in the course of price determination. Assumptions pertaining to the energy sector and economy are made within the scope of a comprehensive process with the involvement of both in-house and external experts.

Measurement of the fair value of a group of financial assets and financial liabilities is conducted on the basis of the net risk exposure per business partner, in accordance with IFRS 13.48.

As a rule, the carrying amounts of financial assets and liabilities within the scope of IFRS 7 are identical to their fair values. As regards financial liabilities, there are only deviations in the balance-sheet item financial liabilities. The carrying amount was €19,238 million (31 December 2017: €17,256 million), while the fair value amounted to €20,482 million (31 December 2017: €18,901 million). For financial assets, there are no deviations between carrying amounts and fair values.

The following overview presents the classifications of financial instruments measured at fair value in the fair value hierarchy prescribed by IFRS 13. In accordance with IFRS 13, the individual levels of this hierarchy are defined as follows:

- Level 1: Measurement using (unadjusted) prices of identical financial instruments formed in active markets
- Level 2: Measurement on the basis of input parameters which are not the prices from Level 1, but which can be observed for the financial instrument either directly (i.e. as price) or indirectly (i.e. derived from prices)
- Level 3: Measurement using factors which cannot be observed on the basis of market data

Fair value hierarchy € million	Total 30 Jun 2018	Level 1	Level 2	Level 3	Total 31 Dec 2017	Level 1	Level 2	Level 3
Other financial assets	976	50	132	794	839	56	108	675
Financial receivables	44			44				
Derivatives (assets)	2,424		2,424		1,337		1,331	6
of which: used for hedging purposes	3		3		17		17	
Marketable securities	2,383	1,837	546		2,254	1,814	440	
Derivatives (liabilities)	2,581		2,579	2	1,622		1,615	7
of which: used for hedging purposes	8		8		4		4	

The development of the fair values of Level 3 financial instruments is presented in the following table:

Level 3 financial instruments: Development in 2018 € million	Balance at 1 Jan 2018	Changes in the scope of consolidation, currency adjustments and other	Changes			Balance at 30 Jun 2018
			recognised in profit or loss	recognised in other comprehensive income (oci)	with a cash effect	
Other financial assets	675	9	9	7	94	794
Financial receivables	35	9				44
Derivatives (assets)	6		–1		–5	
Derivatives (liabilities)	7				–5	2

Level 3 financial instruments: Development in 2017 € million	Balance at 1 Jan 2017	Changes in the scope of consolidation, currency adjustments and other	Changes			Balance at 30 Jun 2017
			recognised in profit or loss	recognised in other comprehensive income (oci)	with a cash effect	
Other financial assets	639	11	9		38	697
Derivatives (assets)	9		–1			8
Derivatives (liabilities)	9				3	12

Amounts recognised in profit or loss generated through Level 3 financial instruments were recognised in the following line items on the income statement:

Level 3 financial instruments: Amounts recognised in profit or loss € million	Total Jan–Jun 2018	Of which: attributable to financial instruments held at the balance-sheet date	Total Jan–Jun 2017	Of which: attributable to financial instruments held at the balance-sheet date
Cost of materials			−1	−1
Other operating income/expenses	9	9	14	12
Income from investments	−1	−1	−5	−5
	8	**8**	**8**	**6**

Level 3 derivative financial instruments essentially consist of weather derivatives to hedge temperature-dependent fluctuations in demand. The valuation of such depends on the development of temperatures in particular. As a rule, all other things being equal, rising temperatures cause the fair values to increase and vice-versa. Assumptions that the future development of average temperatures will differ from the past long-term average over the derivatives' remaining term to maturity may only be made for extremely short periods of time. Therefore, the fair values are predominantly determined based on the long-term average temperatures. A change in temperature by +/−0.1 °C would cause the market value to rise by €2.1 million or decline by €2.1 million.

Related party disclosures

The innogy Group classifies the parent company RWE AG and its subsidiaries, associates and joint ventures as well as associates and joint ventures of the innogy Group as its related parties.

Business and financial transactions were concluded with RWE AG, its subsidiaries, associates and joint ventures as well as with major associates and joint ventures of the innogy Group, resulting in the following items in innogy's consolidated interim financial statements:

Key items from transactions with related parties	RWE AG		Subsidiaries, joint ventures and associates of the RWE Group		Associates of the innogy Group		Joint ventures of the innogy Group	
€ million	Jan–Jun 2018	Jan–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jan–Jun 2018	Jan–Jun 2017
Income	11	13	3,942	3,059	24	49	2	11
Expenses	6	159	10,454	7,055	66	12	48	

Key items from transactions with related parties	RWE AG		Subsidiaries, joint ventures and associates of the RWE Group		Associates of the innogy Group		Joint ventures of the innogy Group	
€ million	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
Receivables	19	45	2,308	1,370	81	91	55	51
Liabilities	1,660	1,675	2,053	2,111	4	5	8	8

innogy Group companies entered into contracts with RWE Group companies, in particular with RWE Supply & Trading, to purchase or supply commodities, mainly electricity and gas. In addition, services were provided by RWE Group companies to the innogy Group and by the innogy Group to RWE Group companies based on service level agreements. Most of the income and expenses involve RWE AG and the subsidiary, joint ventures and associates of the RWE Group, as presented below:

Key items from transactions with related parties	RWE Group	
€ million	Jan–Jun 2018	Jan–Jun 2017
Income	**3,953**	**3,072**
of which: income from supply transactions	2,705	3,065
of which: income from financial transactions		5
of which: other	1,248	2
Expenses	**10,460**	**7,214**
of which: expenses from supply transactions	10,425	7,027
of which: expenses from financial transactions	6	16
of which: other	29	171

Furthermore, as of 30 June 2018, there were loans and financial receivables amounting to €166 million (31 December 2017: €167 million) and loans and financial liabilities owed to the RWE Group amounting to €1,659 million (31 December 2017: €1,662 million).

All transactions were completed at arm's length conditions; i.e. on principle the conditions of these transactions did not differ from those with other enterprises. As of 30 June 2018, receivables of €1,456 million (31 December 2017: €962 million) and liabilities of €2,350 million (31 December 2017: €1,862 million) were due within one year. As of 30 June 2018, other obligations from executory contracts amounted to €19,157 million (as of 31 December 2017: €19,754 million).

Above and beyond this, the innogy Group did not execute any material transactions with related companies or persons.

Events after the balance-sheet date

The following major events occurred between 1 July 2018 and 8 August 2018, the date on which the consolidated financial statements were approved for publication:

Top-up of a bond

On 11 July 2018, innogy topped up the bond issued in May 2018 with a tenor of 4.5 years by another €250 million; consequently, since then the total volume of the bond amounts to €750 million. The top-up was also issued by innogy Finance B.V with a guarantee by innogy SE. It has an identical annual coupon of 0.75%, an issue price of 100.759% and a yield of 0.56% p.a.

Retail activities of innogy and SSE in Great Britain to be combined in a new company

On 8 November 2017, innogy and SSE plc ('SSE') agreed to merge the retail activities of innogy's subsidiary npower with SSE's household energy (B2C) and energy services business in Great Britain. The company in which these business activities are to be merged will be listed on the stock exchange.

innogy will retain a minority share of 34.4% of the combined company. SSE plans to demerge its own stake to SSE's shareholders upon completion of the transaction, with the result that most of the remaining 65.6% of the shares will be in free float. The transaction is subject to approval by the competent competition authorities and regulatory bodies, and should be completed by late 2018 or early 2019.

With the approval of a qualified majority of SSE shareholders on 19 July 2018, the retail activities of npower are presented from now on as a discontinued operation pursuant to IFRS 5.

Review Report

To innogy SE, Essen

We have reviewed the condensed consolidated interim financial statements – comprising the condensed statement of financial position, condensed statement of comprehensive income, statement of cash flows, condensed statement of changes in equity and selected explanatory notes – and the interim group management report of innogy SE for the period from 1 January to 30 June 2018 which are part of the half-year financial report pursuant to § (Article) 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) where appropriate and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Essen, 9 August 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Michael Reuther (German Public Auditor)	Ralph Welter (German Public Auditor)

Legal disclaimer

This document contains forward-looking statements. These statements reflect the current views, expectations and assumptions of the management, and are based on information currently available to the management. Forward-looking statements do not guarantee the occurrence of future results and developments and are subject to known and unknown risks and uncertainties. Therefore, actual future results and developments may deviate materially from the expectations and assumptions expressed in this document due to various factors. These factors primarily include changes in the general economic and competitive environment. Furthermore, developments on financial markets and changes in currency exchange rates as well as changes in national and international laws, in particular in respect of fiscal regulation, and other factors influence the company's future results and developments. Neither the company nor any of its affiliates undertakes to update the statements contained in this notification.

Financial calendar 2018/2019

13 November 2018	9M 2018 statement
13 March 2019	Annual report 2019
30 April 2019	Annual General Meeting
6 May 2019	Dividend payment
14 May 2019	Q1 2019 statement
9 August 2019	Half-year report 2019

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In case of divergence from the German version, the German version shall prevail.

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