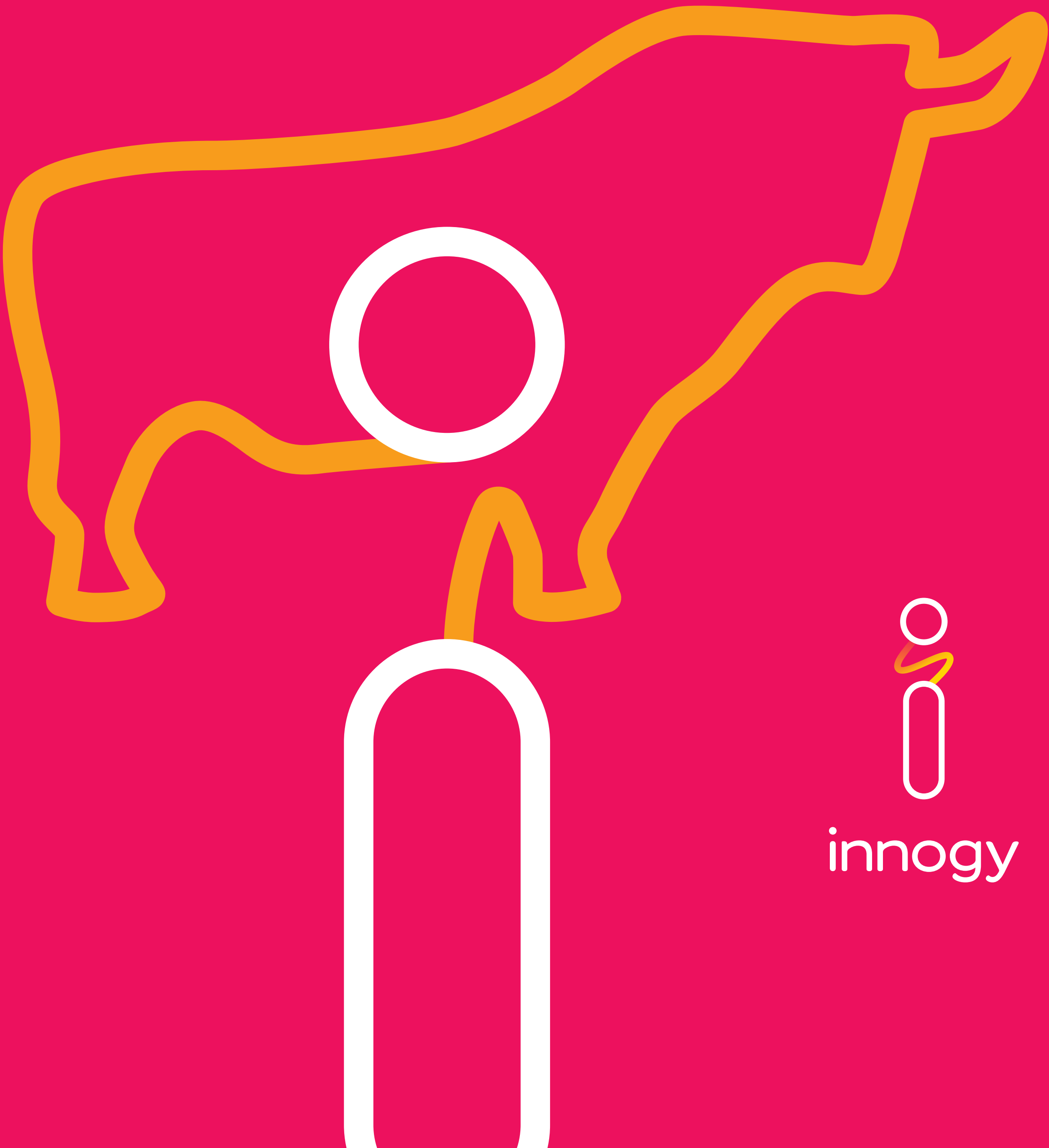
Interim report
January to September 2016

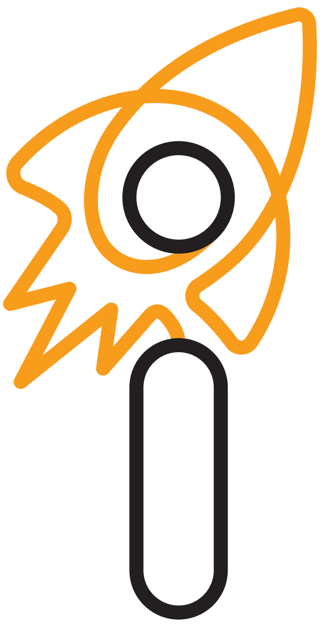


innogy

At a glance

innogy Group		Jan–Sep 2016	Jan–Sep 2015[1]	+/– %	Jan–Dec 2015[1]
Power generation from renewable sources	billion kWh	7.7	7.3	5.5	10.3
External electricity sales volume	billion kWh	178.7	172.7	3.5	233.5
External gas sales volume	billion kWh	159.7	172.2	–7.3	245.8
External revenue	€ million	31,461	33,250	–5.4	45,568
EBITDA	€ million	2,919	3,149	–7.3	4,521
Operating result	€ million	1,842	2,172	–15.2	3,050
Income before tax	€ million	1,601	2,234	–28.3	2,798
Net income/income attributable to innogy SE shareholders	€ million	1,009	1,439	–29.9	1,613
Adjusted net income	€ million	671	–	–	–
Cash flows from operating activites	€ million	1,740	2,066	–15.8	2,755
Capital expenditure	€ million	1,108	1,158	–4.3	2,188
Property, plant and equipment and intangible assets	€ million	964	1,088	–11.4	2,024
Financial assets	€ million	144	70	105.7	164
Free cash flow	€ million	811	979	–17.2	730
		30 Sep 2016	31 Dec 2015		
Net debt	€ million	18,707	6,673	180.3	–
Employees[2]		40,624	40,160	1.2	–

1 Prior-year figures are of limited informational value; see commentary on page 5.
2 Converted to full-time positions.



Contents

innogy makes successful stock market debut on 7 October 2016

Outlook for 2016 confirmed and adjusted net income in the order of €1.1 billion expected

EBITDA January to September 7% down year on year

German Federal Network Agency establishes new returns on equity

Fitch assigns innogy its first independent credit rating

innogy classified as strong investment grade

Energy goes innogy

"innogy stands for a new beginning – for 40,000 employees, my fellow Executive Board members and me. This is a unique opportunity."
Peter Terium

The starting point – two companies with a future
Faced with determining how to position ourselves more competitively where we have identified long-term business prospects while becoming more robust where we are under pressure from difficult framework conditions, with the approval of the Supervisory Board, the Executive Board of RWE AG decided at the end of 2015 to pool the Renewables, Grid & Infrastructure and Retail Divisions in a subsidiary and conduct an IPO for it. From one group, this created two companies capable of differentiating their activities better and developing offerings with improved focus.

innogy – who we are
innogy initially began operating as 'RWE International SE' on 1 April 2016. We are an established European energy company. Thanks to our three divisions, Renewables, Grid & Infrastructure and Retail, we are well equipped to tackle the huge challenges in an energy world undergoing significant change. This is underwritten by the expertise of our 40,000 employees – and by our team on the Executive Board: Peter Terium (CEO), Dr. Bernhard Günther (CFO), Uwe Tigges (CHO and Labour Director), Dr. Hans Bünting (COO Renewables), Hildegard Müller (COO Grid & Infrastructure) and Martin Herrmann (COO Retail).

innogy – how we think
We believe we are the blueprint for a modern European energy company. We are shaping the transformation of the energy world. innogy stands for new ideas, flexibility and innovative products. This is what we believe in and would like to prove. Our vibrant and dynamic brand reminds us – and our customers – of this every day.

innogy – what we do
With 3.6 gigawatts in renewable generation capacity, we generate enough electricity for about three million homes in Europe. Furthermore, we reliably supply some 23 million customers with energy in eleven European countries. The electricity and gas grids operated by innogy extend over approximately 570,000 kilometres throughout Europe. Our major markets are Germany, the United Kingdom, the Netherlands, Belgium and Eastern Europe. We are also active outside of these regions, for example in Spain and Italy, where we generate electricity from renewables.

innogy – what drives us
We are rising to the challenges posed by three major trends that are changing the energy sector the world over, especially in Germany and across Europe: decarbonisation, decentralisation and digitisation. These trends are mirrored in the three divisions: Renewables, Grid & Infrastructure and Retail. Our company's name – innogy – embodies its spirit: it is a combination of 'innovation', 'energy', and 'technology' – in response to the three major trends in the energy sector.

innogy – what we work on
innogy also wants to be a leading provider in the energy world of tomorrow. We achieve this ambition by generating our electricity nearly entirely from renewable sources and further expanding our capacity in this field; by technologically refining our network infrastructure, and by offering our customers innovative products and services with which they can make more efficient use of energy and improve their quality of life.

To learn more, visit us at
www.innogy.com

or follow us on:

Major events

In the period under review

Germany reforms subsidisation of renewable energy

On 8 July, the German Lower House adopted a fundamental reform of the Renewable Energy Act (EEG), aiming to make subsidisation more efficient and bring the expansion of generation capacity more in line with the development of network infrastructure. In August 2016, the EU approved the reformed subsidy law now called 'EEG 2017'. It will enter into force on 1 January 2017. Pursuant to the new Act, operators of new plant will only usually receive subsidies if they have qualified by successfully going through a public invitation to tender. So far, electricity generation under the EEG has been guaranteed a fixed feed-in tariff. This right will be upheld only in respect of small generation assets. In the future, the government will determine the desired capacity expansion and call for bids. Potential investors submit bids for certain subsidy levels at which they can realise portions of the desired capacity. The lowest bids win until the desired expansion has been achieved. For onshore wind, it is envisaged to be initially limited to 2,800 megawatts (MW) and to 2,900 MW per year from 2020 onwards. The figure is gross, i.e. it includes the repowering of existing plant by higher-capacity generation units. The average annual expansion envisaged by the German government is 730 MW for offshore wind, 600 MW for photovoltaics, and between 150 and 200 MW for biomass. Plant operators that have been granted a subsidy receive the exact sum they bid at the auctions. A location bonus or deduction may be applied to onshore wind projects. If the price the plant operators achieve for their green energy on the wholesale market is below the subsidy rate, they are refunded the difference. If it exceeds the fee, they will be obliged to make payments. The future subsidy system satisfies the requirement of the EU Commission that member states bring their subsidisation of renewable energy more in line with the market and make increasing use of competition mechanisms such as invitations to tender.

Hungarian gas retail business further expanded

At the end of February, we reached an agreement with the Hungarian gas utility TIGÁZ, which belongs to the Italian ENI Group, to acquire its industrial and corporate customers. These customers were transferred to our subsidiary MÁSZ with effect from 1 April. With this, our share of the unregulated Hungarian gas market climbed to about 10%. Over the medium term, our aim is to increase it to 15%.

innogy divests stake in UK wind farm portfolio Zephyr

At the end of July, we sold our 33.3% interest in UK-based Zephyr Investments Limited along with several shareholder loans to a financial investor. Zephyr was established in 2003 and owns and operates a portfolio of 17 wind farms, of which 16 are on mainland UK, and one is off the coast of Wales (North Hoyle). These generation assets have a total net installed capacity of 391 MW. We intend to use the proceeds from the sale to finance other renewables projects.

innogy intends to acquire German solar power and battery specialist BELECTRIC Solar & Battery

At the end of August, innogy established the strategic basis for positioning itself as an international supplier of ground-mounted solar collectors and battery technology. The company signed an agreement with BELECTRIC Holding GmbH to acquire its subsidiary BELECTRIC Solar & Battery Holding GmbH. The purchase price is a high, double-digit million euro amount. The transaction is scheduled to close in early 2017. BELECTRIC develops, builds and operates ground-mounted solar collectors. The geographical points of focus besides Europe are the Middle East/North Africa region, India, South America and the USA. Since its inception in 2001, BELECTRIC has built more than 280 ground-mounted and roof-mounted solar collectors with a total net installed capacity of over 1.5 gigawatts (GW). In addition, the company is responsible for the operation and maintenance of solar collectors with a combined net installed capacity in excess of 1.0 GW. In the field of battery technology, BELECTRIC focuses on the development of turnkey large-scale battery storage solutions. Last year, the company achieved an adjusted EBITDA of a low double-digit million euro amount.

After the period under review

innogy SE makes successful stock exchange debut on 7 October 2016

innogy got off to a successful start on the Frankfurt trading floor. This is evidenced by the €36 placement price, which was at the top of the price range of €32 to €36, and the issue being several times oversubscribed. Furthermore, the opening quotation on 7 October, the first day of trading for the innogy share, was €37.30. A total of approximately 129 million innogy shares – widely held by domestic and foreign shareholders – was placed. This represents an issuance volume of about €4.6 billion. innogy received approximately €2.0 billion from the placement of about 55.6 million shares within the scope of a capital increase. The company intends to use a portion of the proceeds from the IPO to finance growth projects. The parent company RWE received approximately €2.6 billion from the sale of some 73.4 million innogy shares from its treasury stock. Based on a total of 555,555,000 shares and the placement price of €36, the market capitalisation at the time of the innogy IPO was approximately €20 billion. RWE owns a 76.8% stake and will hold innogy as a financial investment. Shares in innogy are traded under the securities identification numbers DE000A2AADD2 (ISIN) and A2AADD (WKN) on the regulated market ('Prime Standard') of the Frankfurt Stock Exchange.

Reduction in the return on equity for network investments in Germany

In the middle of October, the German Federal Network Agency established the returns on equity for electricity and gas grids for future five-year regulatory periods. In the future, returns of 6.91% and 5.12% (before corporate tax) will apply to assets capitalised after 2005 (new assets) and old assets, respectively. The returns on equity currently permitted are 9.05% and 7.14%, respectively. The new rates apply to gas network operators from 1 January 2018 and to electricity network operators from 1 January of 2019. They are at the low end of the range across European countries. When setting these rates, the German Federal Network Agency was strongly guided by the recent, significant reduction in interest rates on capital markets.

Fitch assigns innogy its first independent credit rating: strong investment grade

The first rating of innogy SE confirms the company's high creditworthiness. Just a few weeks after its IPO, on 31 October 2016, innogy was assigned a BBB+ rating with a stable outlook from Fitch. This put innogy in the strong investment grade category. In addition, innogy's senior unsecured rating, which is relevant to senior bonds, was rated a notch higher, at A-. Bonds with a short tenor received an F2 rating grade. According to Fitch, the good ratings reflect innogy's very solid business profile with a large proportion of earnings from regulated networks and quasi-regulated renewables generation. The investment grade rating will help innogy to establish itself as a reliable debt issuer.

Reporting principles

Group structure features three divisions

Our financial reporting reflects our Group structure, which includes three functionally distinct divisions: Renewables, Grid & Infrastructure and Retail. Taking account of the geographical footprint, the Group is divided into seven operating segments. Pursuant to IFRS 8.12, operating segments can be combined to form a division or reporting segment if the operating segments have similar commercial features and can be compared to one another in respect of product type and customer group, among other things.

The following is a presentation of the divisions:

- Renewables: This is where we report on our activities relating to electricity generation from renewable sources. Besides the operation of green energy assets, this also includes construction and project development. Our current focus is on onshore and offshore wind as well as hydroelectric power. Our major production sites are located in Germany, the United Kingdom, the Netherlands, Poland, Spain and Italy.

- Grid & Infrastructure: This division encompasses our electricity and gas distribution operations. The Grid & Infrastructure Germany segment includes the German electricity and gas distribution network business. With the exception of retail, it also includes the activities of the fully consolidated regional utilities (grid operation, power generation, water, etc.) our gas storage business as well as our non-controlling interests in utilities (e.g. German municipal utilities and Austria-based KELAG). The Grid & Infrastructure Eastern Europe segment encompasses our gas distribution network and gas storage operations in the Czech Republic as well as our electricity distribution network business in Poland, Hungary and Slovakia.

- Retail: This is where we present our energy retail activities which, in addition to the sale of electricity and gas, include the provision of innovative energy solutions to meet existing demands. Geographically, we distinguish among the four following operating segments: Retail Germany, Retail United Kingdom, Retail Netherlands/Belgium and Retail Eastern Europe. The last segment in this list comprises activities in the Czech Republic, Slovakia, Hungary, Poland, Slovenia, Croatia and Romania.

We present certain groupwide activities and consolidation effects outside the divisions in the Corporate/other line item. This contains the holding activities of innogy SE, and our internal service providers.

In the period under review, innogy's capital structure was changed fundamentally as part of the extensive reorganisation of the RWE Group, from which innogy emerged. This has a significant impact on the balance sheet and is reflected in the reconciliation to net income and the cash flow statement as well. The financial result, cash flows from investing activities, cash flows from financing activities and net debt are most affected. Prior-year figures are of limited informational value. Therefore, we do not comment on year-on-year comparisons of some of these items or of indirectly affected key figures.

Business trend

External revenue 5% down year on year

In the first nine months of 2016, the innogy Group achieved €31,461 million in external revenue. This figure includes natural gas and electricity tax. Our revenue declined by 5% compared to the same period last year, in part due to lower prices and sales shortfalls in the gas business, especially in Germany and the Netherlands/Belgium. In addition, sterling depreciated against the euro, dropping from an average of €1.38 to €1.24. This is why our UK revenue from renewables and retail is lower once converted to euros. In the electricity business, declines in sales to residential and commercial customers led to a decline in revenue which could not be offset by the rise in deliveries to German distributors. The full consolidation of the Slovak energy utility VSE in August 2015 and its first full-year contribution to the Group's revenue had a revenue-increasing impact. Disregarding all major consolidation and currency effects, external revenue decreased by 4%.

External revenue € million	Jan–Sep 2016	Jan–Sep 2015	+/– %
Renewables	559	467	19.7
Grid & Infrastructure	8,315	7,586	9.6
Germany	7,656	7,070	8.3
Eastern Europe	659	516	27.7
Retail	22,464	25,063	−10.4
Germany	11,529	12,530	−8.0
United Kingdom	6,040	7,173	−15.8
Netherlands/Belgium	2,436	2,992	−18.6
Eastern Europe	2,459	2,368	3.8
Corporate/other	123	134	−8.2
innogy Group	**31,461**	**33,250**	**−5.4**
Natural gas tax/electricity tax	1,406	1,510	−6.9
innogy Group (excluding natural gas tax/electricity tax)	**30,055**	**31,740**	**−5.3**

Internal revenue € million	Jan–Sep 2016	Jan–Sep 2015	+/– %
Renewables	254	317	−19.9
Grid & Infrastructure	2,261	1,786	26.6
Retail	502	564	−11.0

EBITDA € million	Jan–Sep 2016	Jan–Sep 2015	+/– %
Renewables	480	492	–2.4
Grid & Infrastructure	1,864	2,081	–10.4
Germany	1,309	1,440	–9.1
Eastern Europe	555	641	–13.4
Retail	699	702	–0.4
Germany	364	338	7.7
United Kingdom	–6	–20	70.0
Netherlands/Belgium	167	194	–13.9
Eastern Europe	174	190	–8.4
Corporate/other	–124	–126	1.6
innogy Group	**2,919**	**3,149**	**–7.3**

EBITDA 7% down year on year

In the period under review, we achieved EBITDA of €2,919 million. This was 7% less than a year before, in part due to a rise in costs for the maintenance of our grid infrastructure, primarily in Germany. Furthermore, a positive effect felt in the same period last year did not recur: in August of 2015, we assumed control over the Slovak energy utility VSE on the basis of contractual arrangements. Since then, the stake in that company, which was previously accounted for using the equity method, has been fully consolidated. The change in accounting treatment was subsequent to the revaluation of an investment, which revealed a hidden reserve of €185 million. Of this sum, €143 million are allocable to the Grid & Infrastructure Eastern Europe segment and €42 million are allocable to the Retail Eastern Europe segment. However, in 2016 we are benefiting from the fact that VSE has been considered in all earnings figures on a full-year basis for the first time since becoming a fully consolidated company.

EBITDA developed as follows by division:

- Renewables: EBITDA declined by 2% to €480 million. One reason was the significant drop in wholesale electricity prices, as some of our renewable energy assets do not receive fixed feed-in tariffs and are therefore exposed to a market price risk. The devaluation of sterling compared to the euro also had a negative impact. Moreover, EBITDA achieved in the same period last year included extraordinary income from the sale of network infrastructure of Gwynt y Môr, our Welsh offshore wind farm. A positive effect was felt from the fact that Gwynt y Môr and Nordsee Ost, the German offshore wind farm that was also newly built, have been constantly online at full capacity for the first time this year. In addition, we achieved book gains on the sales of small run-of-river power plants in Germany.

- Grid & Infrastructure: In this division, EBITDA was down 10% to €1,864 million compared to 2015. Developments at the segment level were as follows:

  - Grid & Infrastructure Germany: Here, we closed the reporting period 9% down year on year, in part due to the aforementioned additional costs incurred to maintain our network infrastructure. Furthermore, we accrued provisions for partial retirement measures.

  - Grid & Infrastructure Eastern Europe: EBITDA recorded by this segment was 13% lower than last year's corresponding figure, which – as set out above – included exceptional income from the revaluation of VSE. Conversely, we benefited from a rise in transit volumes in our Czech gas distribution network.

- Retail: At €699 million, EBITDA posted by retail activities was essentially on a par year on year, although last year's figure included exceptional income from the revaluation of VSE. Developments by region were as follows:

  - Retail Germany: Here, we recorded a gain of 8%. We benefited from efficiency-enhancing measures. Furthermore, our retail companies purchased electricity and gas at lower prices to a great extent. However, the advantages in purchasing were more than offset by a considerable rise in up-front costs associated with network usage fees, taxes and levies.

- Retail United Kingdom: The UK retail business posted a marginal improvement, raising EBITDA to −€6 million. Whereas the earnings generated in the same period last year were curtailed by costs associated with process and system-related billing problems, the restructuring programme we initiated in early 2016 has already started to bear fruit. Lower electricity and gas sourcing prices had an earnings-increasing effect. By contrast, we suffered customer losses and some customers could only be retained by offering them contracts at more favourable conditions.

- Retail Netherlands/Belgium: Here, EBITDA dropped by 14%. The main reason for this was the positive effect felt in the first nine months of 2015 resulting from the reversal of provisions for legal risks, which did not recur. In addition, competitive pressure in the Netherlands increased further. This led to earnings shortfalls, particularly in the commercial customer business.

- Retail Eastern Europe: In this segment, we experienced a decline of 8%. This was primarily because the figure achieved a year before benefited from the revaluation of VSE. By contrast, in 2016 we benefited from the first full-year full consolidation of the Slovak utility and from the expansion of our share of the Hungarian gas retail market.

Operating result € million	Jan–Sep 2016	Jan–Sep 2015	+/– %
Renewables	244	284	−14.1
Grid & Infrastructure	1,198	1,444	−17.0
Germany	829	950	−12.7
Eastern Europe	369	494	−25.3
Retail	547	597	−8.4
Germany	336	312	7.7
United Kingdom	−81	−66	−22.7
Netherlands/Belgium	135	165	−18.2
Eastern Europe	157	186	−15.6
Corporate/other	−147	−153	3.9
innogy Group	**1,842**	**2,172**	**−15.2**

Operating result 15% lower year on year

The operating result achieved by innogy decreased by 15% to €1,842 million. This was predominantly characterised by the aforementioned issues. Differences between the two earnings figures are exclusively attributable to operating depreciation, which is not considered in EBITDA and rose by 10% to €1,077 million compared to 2015. This was in part owed to the fact that we fully consolidated Slovakia-based VSE for the full year for the first time in 2016. The continued expansion of our renewable generation capacity also contributed to the increase in depreciation.

The non-operating result, in which we recognise certain one-off effects which are not related to operations or are not periodic, improved by €136 million to €389 million. On balance, the accounting treatment of certain derivatives that we hold to hedge changes in price led to much higher income in the first nine months of 2016 compared to the same reporting period last year. In the first three quarters of 2016, it rose to €270 million, compared to €176 million in last year's corresponding period. Furthermore, the settlement of gas storage contracts with RWE Supply & Trading led to a compensatory payment of

€250 million. The sale of our 33.3% stake in UK-based Zephyr Investments Limited resulted in a capital gain. However, in the period under review, we were adversely affected by impairments recognised for our German gas storage facilities, which amounted to €204 million.

Financial result € million	Jan–Sep 2016	Jan–Sep 2015[1]
Interest income	173	208
Interest expenses	−652	−462
Net interest	**−479**	**−254**
Interest accretion to non-current provisions	−90	−101
Other financial result	−61	164
Financial result	**−630**	**−191**

1 Prior-year figures are of limited informational value; see commentary on page 5.

Financial result down year on year

The financial result dropped by €439 million to −€630 million, largely due to the reorganisation of the RWE Group and the transfer of legal entities belonging to the three divisions to innogy in return for compensation. This led to a rise in innogy's financial liabilities. These measures contributed to creating the capital structure (see page 5) that led to an increase in interest expenses, which had a negative effect on the financial result.

The other financial result line item deteriorated mainly because we achieved high gains on the sale of securities last year, whereas we incurred marginal losses from such transactions in the period under review.

To create the envisaged capital structure, at the end of 2015, innogy Finance B.V. and the bonds issued by it were transferred to a company, whose legal successor is innogy. Furthermore, innogy Finance II B.V. assumed liability for a bond from RWE AG. These bonds were accounted for at their fair values as of their respective transfer dates. The difference between their fair values and their face values totalled €1.2 billion. This valuation differential does not affect the actual, ongoing payment obligations arising from the bonds or the redemption amount when they mature and is amortised on the balance sheet over the remaining term to maturity of each individual bond. This has a positive impact on net interest, which is shown in the interest expenses and amounted to €138 million in the period being reviewed. Furthermore, our foreign-currency bonds had a positive currency effect due to the difference in valuation. In the period under review, it amounted to €69 million and was recognised in the other financial result line item. As the interest and currency impact does not affect the actual payment obligations, we adjust the financial result by excluding both effects to calculate adjusted net income. Further negative one-off effects totalling €158 million as a result of redeeming loans early are reflected in net interest. We also consider this sum when adjusting net income.

Income before tax dropped by 28% to €1,601 million. At 24%, the effective tax rate in the period under review was essentially unchanged year on year.

After tax, we generated income of €1,210 million (first three quarters of 2015: €1,681 million).

The minority interest in income dropped by 17% to €201 million, because some fully consolidated companies, in which entities not belonging to the Group hold a stake, generated lower income than in the first nine months of last year. This primarily relates to our German regional utilities, which had benefited from the aforementioned exceptional income on the sale of securities in 2015.

The developments presented above are the reason why net income decreased to €1,009 million compared to 2015 (first three quarters of 2015: €1,439 million). Based on the 555,555,000 innogy shares outstanding, adjusted earnings per share amounted to €1.82.

Reconciliation to net income		Jan–Sep 2016	Jan–Sep 2015[1]
EBITDA	**€ million**	**2,919**	**3,149**
Operating depreciation, amortisation and impairment losses	€ million	−1,077	−977
Operating result	**€ million**	**1,842**	**2,172**
Non-operating result	€ million	389	253
Financial result	€ million	−630	−191
Income before tax	**€ million**	**1,601**	**2,234**
Taxes on income	€ million	−391	−553
Income	**€ million**	**1,210**	**1,681**
Non-controlling interests	€ million	201	242
Net income/income attributable to innogy SE shareholders	**€ million**	**1,009**	**1,439**
Adjusted net income	€ million	671	–
Effective tax rate	%	24	25
Effective tax rate used to calculate adjusted net income	%	25	–

1 Prior-year figures are of limited informational value; see commentary on page 5.

Adjusted net income totals €671 million

In the period under review, adjusted net income totalled €671 million. Based on the current number of shares issued, adjusted net income per share amounted to €1.21.

Adjusted net income differs from net income in that the non-operating result, which is characterised by one-off effects, and – possibly – further special items are deducted from it. In particular, certain interest and currency effects that are reflected in the financial result are excluded as exceptional effects (see page 9).

We applied a normalised effective tax rate of 25% in calculating adjusted net income for the reporting period.

We did not state adjusted net income for the first three quarters of 2015. This is due to the fact that our capital structure last year was much different than our envisaged capital structure (see page 5).

Capital expenditure € million	Jan–Sep 2016	Jan–Sep 2015
Capital expenditure on property, plant and equipment and on intangible assets	964	1,088
Renewables	134	268
Grid & Infrastructure	656	639
Germany	437	467
Eastern Europe	219	172
Retail	148	167
Germany	32	23
United Kingdom	71	119
Netherlands/Belgium	22	17
Eastern Europe	23	8
Corporate/other	26	14
Capital expenditure on financial assets	144	70
Total capital expenditure	**1,108**	**1,158**

Slight decline in capital expenditure

At €1,108 million, our capital expenditure was 4% down on the first three quarters of 2015. We spent €964 million on property, plant and equipment and intangible assets, 11% less than in 2015. This was primarily attributable to the halving of capital spending in the Renewables Division. The completion of two large-scale projects in 2015, the offshore wind farms Nordsee Ost and Gwynt y Môr, was the main factor. Our capital expenditure on financial assets rose to €144 million, but remained moderate.

Cash flow statement € million	Jan–Sep 2016	Jan–Sep 2015[1]
Funds from operations	2,075	1,973
Change in working capital	−335	93
Cash flows from operating activites	**1,740**	**2,066**
Cash flows from investing activities	7,176	1,106
Cash flows from financing activities	−8,919	−3,150
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	−21	15
Net change in cash and cash equivalents	**−24**	**37**
Cash flows from operating activities	1,740	2,066
Minus capital expenditure on property, plant and equipment and on intangible assets[2]	−929	−1,087
Free cash flow	**811**	**979**

1 Prior-year figures are of limited informational value; see commentary on page 5.
2 This item solely includes capital expenditure with an effect on cash.

Operating cash flows down year on year

Cash flows from operating activities decreased by €326 million to €1,740 million compared to the same period last year. This was predominantly due to the change in working capital. Working capital in the Retail and Grid & Infrastructure Divisions is subject to significant fluctuation during the year, which can also typically lead to substantial year-on-year deviations as of the cut-off date. In the period under review, a number of effects came to bear, which led to a smaller reduction in working capital compared to the corresponding period last year. Under normal weather conditions, we expect working capital to drop further until the end of the year.

In the period being reviewed, cash flows from investing activities totalled €7,176 million, and cash flows from financing activities dropped to −€8,919 million. Prior-year comparisons of these two items are of little informational value (see page 5). This is because the changes are related to the transfer of the three RWE divisions to innogy. The changes to these items result from the creation of our capital and corporate structure during the reporting period. Therefore, conclusions from cash flows from investing activities to the actual amount of capital spent on property, plant equipment and financial assets can only be drawn to a limited extent.

On balance, the presented cash flows from operating, investing and financing activities caused our cash and cash equivalents to decline by €24 million.

Deducting capital expenditure on property, plant and equipment and intangible assets from cash flows from operating activities results in free cash flow. The latter amounted to €811 million compared to €979 million in the same period last year.

Net debt € million	30 Sep 2016	31 Dec 2015[1]
Cash and cash equivalents	526	550
Marketable securities	1,984	1,921
Other financial assets	323	12,387
Financial assets	**2,833**	**14,858**
Bonds, other notes payable, bank debt, commercial paper	11,144	12,894
Hedge transactions related to bonds	−24	–
Adjustment for 'step-up' of bonds to market values	−1,029	−1,237
Other financial liabilities including liabilities to RWE AG	6,020	6,081
Financial liabilities	**16,111**	**17,738**
Net financial debt	**13,278**	**2,880**
Provisions for pensions and similar obligations	5,045	3,461
Surplus of plan assets over benefit obligations	–	−5
Provisions for wind farm decomissioning	384	337
Total net debt	**18,707**	**6,673**

1 Prior-year figures are of limited informational value; see commentary on page 5.

Net debt rises to €18.7 billion due to reorganisation

As of 30 September 2016, our net debt totalled €18.7 billion, up €12.0 billion compared to 31 December 2015. The substantial rise in net financial debt was largely due to the fact that we did not establish the desired capital structure of the innogy Group until the period under review. Prior-year figures are therefore of limited informational value.

We control our debt using the 'leverage factor', which represents the ratio of net debt to EBITDA. This key performance indicator is more meaningful than the absolute level of liabilities, as it considers the company's earnings power and, in turn, its capacity to service debt. We aim for a leverage factor of about 4.0.

Compared to the first nine months of 2015, provisions for pensions rose from €3.5 billion to €5.0 billion. We are therefore taking account of the current development of market interest rates. The new discount rates are currently 1.3% in Germany and 2.2% in the United Kingdom, compared to 2.4% and 3.6% in the 2015 financial statements, respectively.

The drop in value of sterling had a debt-reducing effect. It caused the volume of our bonds issued in this currency to be lower in euro terms in particular. The positive free cash flow and divestments contributed to curbing the rise in debt.

Outlook

Outlook for 2016 confirmed and adjusted net income in the order of €1.1 billion expected

On 1 August 2016, we informed the public for the first time of innogy's anticipated EBITDA for the 2016 and 2017 financial years. We confirm this forecast. This means that we expect our EBITDA to be within the range of €4.1 billion to €4.4 billion this year. We anticipate a range of €4.3 billion to €4.7 billion for the coming fiscal year. Our earnings forecast for 2016 is presented in the table below. We are supplementing the outlook by adjusted net income, which is expected to be in the order of approximately €1.1 billion for this financial year. Adjusted net income is the basis for the dividend payment. The payout ratio is between 70% and 80% of adjusted net income.

Outlook for 2016 € billion	2015 actual	Outlook of August 2016	Confirmation of/ addition to the outlook
EBITDA	4.5	4.1–4.4	4.1–4.4
Renewables	0.8	0.6–0.8	0.6–0.8
Grid & Infrastructure	2.9	2.5–2.7	2.5–2.7
Retail	1.0	1.0–1.2	1.0–1.2
Adjusted net income	–	–	In the order of 1.1

Interim consolidated financial statements (condensed)

Income Statement

€ million	Jul–Sep 2016	Jul–Sep 2015	Jan–Sep 2016	Jan–Sep 2015
Revenue (including natural gas tax/electricity tax)	**8,681**	**9,792**	**31,461**	**33,250**
Natural gas tax/electricity tax	−279	−356	−1,406	−1,510
Revenue	**8,402**	**9,436**	**30,055**	**31,740**
Cost of materials	−7,001	−7,707	−23,702	−25,365
Staff costs	−715	−668	−2,147	−2,000
Depreciation, amortisation, and impairment losses	−357	−336	−1,280	−977
Other operating result	−346	−291	−1,027	−1,311
Income from investments accounted for using the equity method	72	56	170	177
Other income from investments	111	49	162	161
Financial income	504	79	1,032	491
Finance costs	−682	−251	−1,662	−682
Income before tax	**−12**	**367**	**1,601**	**2,234**
Taxes on income	−35	−110	−391	−553
Income	**−47**	**257**	**1,210**	**1,681**
Of which: non-controlling interests	24	42	201	242
Of which: net income/income attributable to innogy SE shareholders	−71	215	1,009	1,439
Basic and diluted earnings per share in €	**−0.14**		**3.34**	

Statement of comprehensive income[1]

€ million	Jul – Sep 2016	Jul – Sep 2015	Jan – Sep 2016	Jan – Sep 2015
Income	**−47**	**257**	**1,210**	**1,681**
Actuarial gains and losses of defined benefit pension plans and similar obligations	−451	109	−1,177	338
Income and expenses recognised in equity, not to be reclassified through profit or loss	**−451**	**109**	**−1,177**	**338**
Currency translation adjustment	50	−112	1	148
Fair valuation of financial instruments available for sale	25	−37	44	−230
Income and expenses of investments accounted for using the equity method (pro-rata)	1		−1	
Income and expenses recognised in equity, to be reclassified through profit or loss in the future	**76**	**−149**	**44**	**−82**
Other comprehensive income	**−375**	**−40**	**−1,133**	**256**
Total comprehensive income	**−422**	**217**	**77**	**1,937**
Of which: attributable to innogy SE shareholders	−431	194	−111	1,770
Of which: attributable to non-controlling interests	9	23	188	167

1 Figures stated after taxes.

Balance Sheet

Assets € million	30 Sep 2016	31 Dec 2015	1 Jan 2015
Non-current assets			
Intangible assets	11,617	12,178	11,695
Property, plant and equipment	17,623	18,308	17,309
Investments accounted for using the equity method	2,152	2,137	2,379
Other financial assets	600	555	510
Receivables and other assets	954	3,085	1,951
Deferred taxes	2,776	1,972	1,805
	35,722	**38,235**	**35,649**
Current assets			
Inventories	527	380	491
Trade accounts receivable	3,577	4,551	5,708
Receivables and other assets	1,633	12,362	11,958
Marketable securities	1,955	1,894	1,913
Cash and cash equivalents	526	550	475
Assets held for sale			310
	8,218	**19,737**	**20,855**
	43,940	**57,972**	**56,504**

Equity and liabilities € million	30 Sep 2016	31 Dec 2015	1 Jan 2015
Equity			
innogy SE shareholders' interests	5,771	16,649	16,937
Non-controlling interests	1,709	1,811	1,461
	7,480	**18,460**	**18,398**
Non-current liabilities			
Provisions for pensions and similar obligations	5,045	3,461	4,595
Other provisions	1,703	1,616	1,887
Financial liabilities	16,464	15,291	11,786
Other liabilities	2,124	2,428	2,274
Deferred taxes	530	904	772
	25,866	**23,700**	**21,314**
Current liabilities			
Other provisions	2,216	2,545	2,613
Financial liabilities	701	3,684	4,687
Trade accounts payable	3,391	4,553	4,906
Other liabilities	4,286	5,030	4,586
	10,594	**15,812**	**16,792**
	43,940	**57,972**	**56,504**

Cash flow statement

€ million	Jan–Sep 2016	Jan–Sep 2015
Income	1,210	1,681
Depreciation, amortisation, impairment losses/reversals	1,289	977
Changes in provisions	−106	−108
Deferred taxes/non-cash income and expenses/income from disposal of non-current assets and marketable securities	−318	−577
Changes in working capital	−335	93
Cash flows from operating activities	**1,740**	**2,066**
Capital expenditures on non-current assets/acquisitions	−1,047	−1,130
Proceeds from disposal of assets/divestitures	345	719
Changes in marketable securities and cash investments	7,878	1,517
Cash flows from investing activities[1]	**7,176**	**1,106**
Cash flows from financing activities	**−8,919**	**−3,150**
Net cash change in cash and cash equivalents	−3	22
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	−21	15
Net change in cash and cash equivalents	**−24**	**37**
Cash and cash equivalents at the beginning of the reporting period	550	475
Cash and cash equivalents at the end of the reporting period	526	512
Of which: reported as "assets held for sale”		−53
Cash and cash equivalents at the end of the reporting period according to the consolidated balance sheet	**526**	**459**

1 After the initial/supplemental funding of pension plans in the amount of €121 million (first three quarters of 2015: €466 million).

Statement of changes in equity

€ million	Subscribed capital and additional paid-in capital of innogy SE	Retained earnings and distributable profit	Accumulated other comprehen-sive Income	innogy SE shareholders' interest	Non-controlling interests	Total
Balance at 1 Jan 2015		**17,631**	**−694**	**16,937**	**1,461**	**18,398**
Dividends paid/profit/loss transfer to owners		−982		−982	−201	−1,183
Income		1,439		1,439	242	1,681
Other comprehensive income		415	−84	331	−75	256
Total comprehensive income		1,854	−84	1,770	167	1,937
Withdrawals/contributions		−434		−434	308	−126
Balance at 30 Sep 2015		**18,069**	**−778**	**17,291**	**1,735**	**19,026**
Balance at 1 Jan 2016		**17,354**	**−705**	**16,649**	**1,811**	**18,460**
Dividends paid/profit/loss transfer to owners		−701		−701	−207	−908
Income		1,009		1,009	201	1,210
Other comprehensive income		−1,180	60	−1,120	−13	−1,133
Total comprehensive income		−171	60	−111	188	77
Withdrawals/contributions	5,321	−15,387		−10,066	−83	−10,149
Balance at 30 Sep 2016	**5,321**	**1,095**	**−645**	**5,771**	**1,709**	**7,480**

Notes

General Information

On 1 December 2015, RWE AG, Essen, Germany, ("RWE AG", the parent company of the RWE Group) announced its plan to pool the retail, grid and renewables business of the RWE Group in a European stock corporation ("Societas Europaea" – SE) and list shares in this stock corporation on a stock exchange. This plan was approved by RWE AG's Supervisory Board on 11 December 2015.

On 11 December 2015, RWE AG founded RWE Downstream Beteiligungs GmbH as a 100% subsidiary, located in Essen. On the same day, RWE Downstream Beteiligungs GmbH founded RWE Downstream AG, Essen, as its 100% subsidiary. On 11 March 2016, RWE International SE was established by a cross-border merger of the German-based RWE Downstream AG and Essent SPV N.V., 's-Hertogenbosch, Netherlands, a Dutch corporation founded especially for the intended foundation of RWE International SE. On 1 September 2016, the RWE International SE was renamed innogy SE.

The innogy Group consists of certain legal entities from the scope of consolidation of the RWE Group. The businesses activities of the "Supply/Distribution Networks Germany", "Central Eastern and South Eastern Europe", "Supply Netherlands/Belgium", "Supply United Kingdom" and "Renewables" segments presented in the consolidated financial statements of the RWE Group for the financial year that ended on 31 December 2015 are pooled in innogy. The legal entities forming the innogy Group were transferred from other RWE Group companies to the innogy Group. The legal reorganisation was completed as of 30 June 2016. All control agreements as well as profit and loss transfer agreements between innogy Group companies and RWE AG as well as other RWE Group companies were terminated by mutual agreement as of 30 June 2016. On 26 February 2016, RWE and innogy SE concluded a control agreement, which was terminated on 7 September 2016 with effect from the end of the day on 30 September 2016.

RWE AG will remain the parent company of the innogy Group following the IPO of innogy SE on 7 October 2016 (see "Major events – After the period under review").

The interim consolidated financial statements for the period ending on 30 September 2016 were approved for publication by the Executive Board of innogy SE, Opernplatz 1, Essen, Germany, on 9 November 2016.

The operating activities of the innogy Group started on 1 April 2016.

Accounting policies

Pursuant to E.U. Prospectus Regulation No. 809/2004 and E.U. Prospectus Regulation No. 211/2007, innogy SE was required to include in the listing prospectus historical financial information covering the fiscal years from 1 January 2013 to 31 December 2013, 1 January 2014 to 31 December 2014 and 1 January 2015 to 31 December 2015. These financial statements were prepared on a combined basis, because the legal reorganisation and the transfer of businesses to the innogy Group had not been completed as of 31 December 2015.

The legal reorganisation and the transfer of businesses to the innogy Group was completed during the first six months of 2016 ending on 30 June 2016. As of this date, innogy SE gained control of the businesses pooled in the innogy Group within the meaning of IFRS 10. The condensed interim financial statements for the period ending on 30 September 2016 have therefore been prepared on a consolidated basis. The innogy Group is required to prepare its first annual consolidated financial statements for the period ending on 31 December 2016 in accordance with IFRS 1. Therefore, the interim consolidated financial statements for the period ending on 30 September 2016 will also be prepared in accordance with IFRS 1. As there was previously no need to prepare consolidated financial statements for the innogy Group, no reconciliations to previous financial statements will be presented.

innogy applies the predecessor accounting approach with retrospective presentation as the accounting policy for business combinations under common control. This means that the assets and liabilities of the businesses included in the consolidated financial statements correspond to the historically reported amounts in the IFRS consolidated financial statements of the RWE Group. Businesses as defined by IFRS 3 that were transferred from the RWE Group to innogy during the legal reorganisation that was completed as of 30 June 2016 have been included in the consolidated financial statements since 1 January 2015 or thereafter, namely since the entities have been controlled by the RWE Group. The comparative information presented in the interim consolidated financial statements as of 30 September 2016 is labelled "consolidated" and corresponds to the presentation in the combined financial statements.

The interim consolidated financial statements as of 30 September 2016, including the additional information in the other parts of this interim report, have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU. In accordance with IFRS 1.21, innogy has presented an opening balance sheet as of 1 January 2015.

In line with IAS 34, the scope of reporting for the presentation of interim consolidated financial statements for the period that ended on 30 September 2016 was condensed compared to the scope applied to the combined financial statements for fiscal 2013, 2014 and 2015. 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 combined financial statements. The combined financial statements of innogy SE were published on 30 June 2016 and can be downloaded at **www.innogy.com**.

Provisions for pensions and similar obligations are discounted at an interest rate of 1.3% in Germany and 2.2% abroad (31 December 2015: 2.4% and 3.6%, respectively).

Prior to 1 April 2016, the innogy Group received various services from the RWE Group, for which it was not charged. In addition, as innogy SE did not have an active Executive Board or a Supervisory Board in the period prior to 1 April 2016, the Executive Board and Supervisory Board of RWE AG were considered key management personnel of the innogy Group. For the service received, including the key management personnel, the innogy Group recognised allocated expenses that were accounted for as a shareholder contribution within equity. Commencing on 1 April 2016, innogy SE entered into various service level agreements and has been charged for the services received pursuant to them. In addition, the Executive Board of innogy SE became active on 1 April 2016 and since then, its members have been paid either by the company directly or received compensation based on service level agreements with the RWE Group.

Changes in accounting policies

The International Accounting Standards Board (IASB) has approved several amendments to existing International Financial Reporting Standards (IFRSs), which became effective for the innogy Group as of fiscal 2016:

- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (2014)
- Amendments to IAS 1 – Disclosure Initiative (2014)
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (2014)
- Amendments to IAS 16 and IAS 41 – Bearer Plants (2014)
- Amendments to IAS 27 – Equity Method in Separate Financial Statements (2014)
- Annual Improvements to IFRSs 2012–2014 Cycle (2014)
- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (2013)
- Annual Improvements to IFRSs 2010–2012 Cycle (2013)

These new policies do not have any material effects on the innogy Group's consolidated financial statements.

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 material 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, investments accounted for using the equity method, and joint ventures. Businesses in accordance with IFRS 3 that were transferred from the RWE Group to innogy during the legal reorganisation until 30 June 2016 were included in the scope of the consolidated financial statements since 1 January 2015, the opening balance sheet date of the earliest period presented, and are therefore not shown in the first-time consolidations for the first nine months of 2016:

Number of fully consolidated companies	Germany	Abroad	Total
1 Jan 2016	**117**	**140**	**257**
First-time consolidation	4	1	5
Deconsolidation	−1		−1
Mergers	−12	−5	−17
30 Sep 2016	**108**	**136**	**244**

Number of investments and joint ventures accounted for using the equity method	Germany	Abroad	Total
1 Jan 2016	**64**	**16**	**80**
Acquisitions			
Disposals		−1	−1
Other changes		−1	−1
30 Sep 2016	**64**	**14**	**78**

Furthermore, five companies are presented as joint operations.

Acquisitions, mergers and contributions

During the first six months of 2016, the innogy Group was formed by transferring legal entities from other RWE Group companies to the innogy Group in a legal reorganisation process. The predecessor accounting approach has been applied to these business combinations under common control. This means that the assets and liabilities of the businesses included in the consolidated financial statements correspond to the historically reported amounts in the IFRS consolidated financial statements of the RWE Group. Therefore, no new goodwill was recognised. Any consideration given or received is recognised directly in equity in the "withdrawals/contributions" line item and is recorded in the cash flows from financing activities.

The following transactions took place:

- March 2016: Merger of Essent SPV N.V., 's-Hertogenbosch, Netherlands and RWE Downstream AG, Essen, Germany. innogy SE was established as a result of this merger.

- March 2016: Contribution in kind of the investment in innogy International Participations N.V. (formerly RWE Gas International N.V.), 's-Hertogenbosch, Netherlands, to RWE Innogy GmbH, Essen, Germany. The investment was transferred to RWE Innogy GmbH in exchange for €1,000 in granted shares and a payment of €3,500 million.

- March 2016: Acquisition of RWE Gasspeicher GmbH, Dortmund, Germany, by RWE Innogy GmbH, Essen, Germany, for a purchase price of €470 million.
- March 2016: Contribution of RWE IT GmbH, Essen, Germany to innogy SE.
- March 2016: Contribution of GBV Einundzwanzigste Gesellschaft für Beteiligungsverwaltung mbH, which was renamed GfP Gesellschaft für Pensionsverwaltung mbH, Essen, Germany, to innogy SE.
- April 2016: Merger of RWE Innogy GmbH, Essen, Germany, and innogy SE. As consideration, 5.1% of the shares in innogy SE were granted to RWE AG and 94.9% were granted to RWE Downstream Beteiligungs GmbH.
- April 2016: Merger of RWE Effizienz GmbH, Dortmund, Germany, and innogy SE.
- April 2016: Merger of RWE Vertrieb AG, Dortmund, Germany, and innogy SE.
- April 2016: Contribution of the investment in RWE Deutschland AG, Essen, Germany, to innogy SE. As consideration, innogy SE granted to the former shareholders RWE AG and RWE Downstream Beteiligungs GmbH 121 and 879 new shares with a face value of €1, respectively.
- April 2016: Acquisition of RWE Npower Group plc, Swindon, United Kingdom, by innogy International Participations N.V. for a purchase price of £1,438 million. On 9 September 2016, innogy International Participations N.V. paid a purchase price adjustment for the acquisition of Npower Group plc in the amount of £36 million. The adjustment to the purchase price was made to compensate for the difference between the pension obligation of Npower Group plc in accordance with IAS 19 that (i) had already been considered in the original purchase price and (ii) was actually allocated to Npower Group plc after the acquisition (both amounts were calculated as of 31 December 2015).
- May 2016: Merger of GBV Zweiundzwanzigste Gesellschaft für Beteiligungsverwaltung mbH, Essen, Germany, and innogy SE.
- May 2016: Acquisition of RWE Group Business Services Polska Sp. z.o.o., Cracow, Poland, by innogy SE for a purchase price of €6 million.
- May 2016: Merger of RWE Energiedienstleistungen GmbH, Dortmund, Germany, and innogy SE.
- May 2016: Contribution in kind of the following entities to innogy SE:
    - RWE East s.r.o., Prague, Czech Republic
    - RWE Hrvatska d.o.o., Zagreb, Croatia
    - RWE Polska S.A., Warsaw, Poland
    - RWE Polska Generation Sp.z.o.o., Warsaw, Poland
    - RWE Slovensko s.r.o., Bratislava, Slovakia
    - RWE New Energy Ltd., Dubai, United Arab Emirates
    - RWE New Ventures LLC, Wilmington, USA
    - MITGAS Mitteldeutsche Gasversorgung GmbH, Halle (Saale), Germany
    - SpreeGas Gesellschaft für Gasversorgung und Energiedienstleistung mbH, Cottbus, Germany
    - Pfalzwerke AG, Ludwigshafen, Germany
    - easyOptimize GmbH, Essen, Germany
    - RWE-EnBW Magyarorszag Energiaszolgaltato Kft., Budapest, Hungary

    The portfolio made up of these entities was transferred to innogy SE in exchange for €1,000 in granted shares.

- May 2016: Contribution of the following entities to innogy SE:
  - Budapesti Elektromos Müvek Nyrt., Budapest, Hungary
  - enviaM Beteiligungsgesellschaft mbH, Chemnitz, Germany
  - envia Mitteldeutsche Energie AG, Chemnitz, Germany
  - Eszak-magyarorszagi Aramszolgáltató Nyrt., Miskolc, Hungary
  - Kärntner Energieholding Beteiligungs GmbH, Klagenfurt, Austria
  - KELAG-Kärntner Elektrizitäts-AG, Klagenfurt, Austria
  - Lechwerke AG, Augsburg, Germany
  - VSE AG, Saarbrücken, Germany
  - Vychodoslovenska energetika Holding a.s., Košice, Slovakia

  The portfolio made up of these entities was transferred to innogy SE in exchange for €1,000 in grantied and a payment of €3,923 million.

- May 2016: Contribution of 77.58% of the shares in Süwag Energie AG, Frankfurt am Main, Germany, to innogy SE in exchange for €1,000 in granted shares. innogy SE has recognised the shares in Süwag Energie AG in the amount of €350 million.
- May 2016: Contribution of 51% of the shares in RL Beteiligungsverwaltung mit beschränkter Haftung oHG, Gundremmingen, Germany, to innogy SE.
- May 2016: Contribution of RWE Consulting GmbH, Essen, Germany, to innogy SE.
- May 2016: Acquisition of 1% of the shares in RWE Slovensko s.r.o., Bratislava, Slovakia, by innogy International Participations N.V.
- June 2016: Acquisition of 49% of the shares in RWE Power International Middle East, Dubai, United Arab Emirates, by RWE Consulting GmbH for a purchase price of €31,220.
- June 2016: Gain of control of RWE Rheinhessen Beteiligungsgesellschaft mbH, Essen, Germany by contractual arrangement.
- June 2016: Acquisition of RWE Benelux Holding B.V., ’s-Hertogenbosch, Netherlands, by innogy International Participations N.V. for a purchase price of €1,256 million.
- June 2016: Contribution of RWE Aqua GmbH, Mülheim an der Ruhr, Germany, to innogy SE in exchange for €5,000 in granted shares.
- June 2016: Acquisition of RWE SWITCH GmbH, Essen, Germany, by innogy SE for a purchase price of €25,000.
- June 2016: Acquisition of RWE Gastronomie GmbH, Essen, Germany, by innogy SE for a purchase price of €275,000.

Moreover, 19.99% of the shares in Dii GmbH, Munich, Germany, were contributed to innogy SE in May 2016.

Disposals

Zephyr

In June 2016, the Executive Boards of RWE AG and innogy SE approved the sale of a 33.3% share in the associate Zephyr Investments Limited (Zephyr) and of the related shareholder loans. The associate is assigned to the Renewables Segment. The transaction was closed at the end of July 2016.

Impairments

In the first half of 2016, impairments of €204 million were recognised for the gas storage facilities of the Grid & Infrastructure Segment (recoverable amount: €0.1 billion), primarily due to changes in price expectations. The fair value less costs to sell was determined using a company valuation model based on cash flow budgets and an after-tax discount rate of 5.25%.

Provisions for pensions and similar obligations

In Germany, as a result of contractual arrangements between RWE AG and the innogy Group, RWE AG had relieved innogy companies in the past for parts of the underlying pension obligations, whereby the innogy companies' right of recourse was limited to the local GAAP obligation. In the combined financial statements of the innogy Group as of 31 December 2015 and 1 January 2015, these contractual arrangements resulted in the allocation of plan assets and the recognition of reimbursement rights vis-à-vis RWE AG. These contractual arrangements were cancelled essentially as planned during the nine-month period ending on 30 September 2016 and plan assets were transferred to the innogy companies. In addition, the right of recourse of the innogy Group against RWE AG has been redeemed in exchange for a cash payment. As the allocated amounts correspond to the transferred amounts, there has been no additional effect on the consolidated financial statements.

In connection with the separation of the innogy Group from the former RWE Group and with the goal of establishing a separate pension scheme, RWE AG, innogy SE and several innogy companies in the UK agreed to split the pension obligations and the plan assets of certain former subsidiaries of the RWE Group among legally separate subsections. The split was implemented at a ratio of 70% (innogy Group) to 30% (RWE Group). The decision in favour of the sectionalisation was made in July 2016, and the sectionalisation was implemented with effect from 31 July 2016. This resulted in a single-digit million £ amount for the benefit of innogy, which was recognised in equity.

Financial liabilities

A fifteen-year bond with a carrying amount of €850 million and a coupon of 6.25% p.a. fell due in April 2016.

On 13 June 2016, innogy SE and RWE AG entered into fifteen separate loan agreements under which RWE AG granted loans to innogy SE with principals totalling €5,257 million, US$50 million, £350 million and JPY 20 billion. Furthermore, innogy SE entered into derivative hedging contracts with RWE AG to convert the aforementioned US$ and JPY-denominated loans economically into euros. Moreover, on 13 June 2016, innogy SE as borrower and RWE AG as lender entered into a revolving facility agreement which provides for a revolving facility in an aggregate amount of €1 billion with a term ending on 31 December 2018. Loans under the facility may be drawn for interest periods of one, two, three or six months or any other period agreed between innogy SE and RWE AG. In addition, on 29 June 2016, RWE Finance B.V., renamed innogy Finance B.V. as of 1 September 2016, acceded as additional borrower to the revolving facility agreement between RWE AG and certain financial institutions.

In the context of the legal reorganisation, the innogy Group prematurely redeemed non-current loans of €1,942 million for a payment of €2,062 million, which represented the fair value at the date of the transaction. This transaction was settled using the cash pooling accounts with the RWE Group. The difference of €120 million was recorded as an interest expense.

In July 2016, measures were taken to calibrate the capital structure. These measures included a cash contribution of €900 million by RWE AG and a debt-to-equity swap totalling €1,009 million, involving certain of the aforementioned loans (including accrued interest) being added to the capital reserve of innogy SE and ceased to exist as of 31 July 2016.

Earnings per share

Basic and diluted 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 nine-month period that ended 30 September 2016, the calculation was adjusted by the reduction of the number of shares in innogy SE from 1,000,000,000 to 500,000,000 shares that occurred on 27 July 2016. As innogy did not exist as a separate group before December 2015 and the capital structure was not finalised in fiscal 2015, no earnings per share are shown for the comparable year-earlier period period.

		Jan–Sep 2016	Jan–Sep 2015
Net income/Income attributable to innogy SE shareholders	€ million	1,009	
Number of shares outstanding (weighted average)	Thousands	301,874	
Basic and diluted earnings per share	**€**	**3.34**	

Equity

As of 30 September 2016, the subscribed capital of innogy SE consisted of 500,000,000 bearer shares (31 December 2015: 120,000 shares; 1 January 2015: 0 shares) with a carrying amount of €1,000 million (31 December 2015: €0.1 million; 1 January 2015: €0 million).

In the first three quarters of 2016, withdrawals and contributions primarily included −€10,829 million in cash withdrawals and contributions by RWE AG as a result of various transactions in connection with the legal reorganisation (first three quarters of 2015: €−493 million), €24 million in adjustments due to overhead cost allocations until 31 March 2016 (first three quarters of 2015: €73 million), €739 million in adjustments as a result of the application of the separate tax return approach (first three quarters of 2015: €24 million) and €−1 million in other stand-alone adjustments (first three quarters of 2015: €−38 million).

The various transactions with RWE in connection with the legal reorganisation encompass €11,041 million in payments for acquired companies (see "Acquisitions, mergers and contributions"), €4,367 million in withdrawals from receivables from RWE Group companies and €4,579 million in contributions. These transactions were implemented using the cash pooling accounts with the RWE Group and thus resulted in a reduction in receivables and other assets as well as an increase in financial liabilities.

During the first three quarters of 2016, withdrawals and contributions by non-controlling interests related to other transactions.

Reporting on financial instruments

Financial instruments are divided into non-derivative and derivative. Non-derivative financial assets essentially include other financial assets, accounts receivable, marketable securities as well as cash and cash equivalents. Financial instruments in the category "Available for sale" are recognised at fair value, and other non-derivative financial assets at amortized cost. On the liabilities side, non-derivative financial instruments principally include liabilities recorded at amortised cost.

The fair value of financial instruments "Available for sale" which are reported under other financial assets and securities is 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 payment flows. Current market interest rates with matching maturities are used for discounting.

Derivative financial instruments are recognised at fair values as of the balance-sheet date, insofar as they fall under the scope of IAS 39. 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 so doing, the innogy Group draws on prices on active markets as much as possible. If such are not available, company-specific budgeting estimates are used in the measurement process. These estimates encompass 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 conducted by an independent team with the involvement of both in-house and external experts.

The 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 subject to IFRS 7 are identical to their fair values. As regards financial liabilities, the are only deviations in relation to bonds, bank debt and other financial liabilities. Their carrying amounts totalled €17,165 million (31 December 2015: €18,975 million; 1 January 2015: €16,473 million) and their fair values totalled €19,634 million (31 December 2015: €20,234 million; 1 January 2015: €18,556 million). Regarding financial assets, deviations between carrying amounts and market values predominantly stem from financial receivables due from RWE companies. As of 30 September 2016, their carrying amount was €531 million (31 December 2015: €12,636 million; 1 January 2015: €11,774 million) and their fair value amounted to €532 million (31 December 2015: €12,728 million; 1 January 2015: €11,849 million).

The following overview presents the classifications of all financial instruments measured at fair value in the fair value hierarchy prescribed by IFRS 13. In accordance with IFRS 13, the individual levels of the fair value 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 Sep 2016	Level 1	Level 2	Level 3	Total 31 Dec 2015	Level 1	Level 2	Level 3	Total 1 Jan 2015	Level 1	Level 2	Level 3
Other financial assets	600	43	28	529	555	43	27	485	510	39	33	438
Derivatives (assets)	909		909		1,518		1,491	27	939		908	31
of which: used for hedging purposes	1		1		18		18		17		17	
Securities	1,955	1,953	2		1,894	1,894			1,913	1,913		
Derivatives (liabilities)	1,185		1,185		2,090		2,060	30	1,620		1,620	
of which: used for hedging purposes					1		1					

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

Level 3 financial instruments: Development in 2016 € million	Balance at 1 Jan 2016	Changes in the scope of consolidation, currency adjustments and other	Changes		Balance at 30 Sep 2016
			recognised in profit or loss	with a cash effect	
Other financial assets	485	53	11	−20	529
Derivatives (assets)	27			−27	
Derivatives (liabilities)	30			−30	

Level 3 financial instruments: Development in 2015 € million	Balance at 1 Jan 2015	Changes in the scope of consolidation, currency adjustments and other	Changes		Balance at 30 Sep 2015
			recognised in profit or loss	with a cash effect	
Other financial assets	438	17	5	−1	459
Derivatives (assets)	31			−31	
Derivatives (liabilities)			19		19

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

Level 3 financial instruments: Amounts recognised in profit or loss € million	Total Jan−Sep 2016	Of which: attributable to financial instruments held at the balance-sheet date	Total Jan−Sep 2015	Of which: attributable to financial instruments held at the balance-sheet date
Revenue				
Cost of materials			−19	−19
Other operating income/expenses	20	20	6	6
Income from investments	−9	−9	−1	−1
Financial income/finance costs				
	11	11	−14	−14

Level 3 derivative financial instruments essentially consist of weather derivatives for hedging fluctuations in customer demand due to changing temperature patterns. The valuation of such depends on the development of temperatures in particular. All other things being equal, rising temperatures cause the fair values to increase and vice-versa. Assumptions that the future of the remaining contractual period of the derivatives will deviate from the historically observed long-term average temperatures can only be made for very short periods. Therefore, the fair values are primarily determined on the basis of temperatures actually measured over the contractual period of the derivatives that has already elapsed.

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 finance 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 interim consolidated financial statements:

Key items from transactions with related parties	RWE AG		Subsidiaries, associates and joint ventures of RWE Group		Associates of innogy Group		Joint ventures of innogy Group	
€ million	Jan–Sep 2016	Jan–Sep 2015	Jan–Sep 2016	Jan–Sep 2015	Jan–Sep 2016	Jan–Sep 2015	Jan–Sep 2016	Jan–Sep 2015
Income	258	52	5,352	4,007	79	158	14	12
Expenses	725	837	12,162	13,888	37	33		

Key items from transactions with related parties	RWE AG			Subsidiaries, associates and joint ventures of RWE Group			Associates of innogy Group			Joint ventures of innogy Group		
€ million	30 Sep 2016	31 Dec 2015	01 Jan 2015	30 Sep 2016	31 Dec 2015	01 Jan 2015	30 Sep 2016	31 Dec 2015	01 Jan 2015	30 Sep 2016	31 Dec 2015	01 Jan 2015
Receivables	201	5,063	5,178	769	7,147	6,684	29	56	31	65	86	102
Liabilities	5,374	5,405	11,202	1,833	1,505	6,660	4	4	2		11	32

In addition to the amounts presented in the table above, during the first three quarters of 2016, the innogy Group recognised −€10,066 million in contributions and withdrawals by RWE Group companies (first three quarters of 2015: −€434 million) directly in equity.

The key items from transactions with related parties mainly stem from supplies and service as well as financial transactions with RWE Group companies. During the first three quarters of 2016, the innogy Group was largely financed by the RWE Group and invested excess liquidity with RWE AG and RWE Group companies using the RWE Group's cash pooling and cash management system. As of 30 September 2016, receivables included loans and financial receivables in relation to the RWE Group totalling €3 million (31 December 2015: €11,613 million; 1 January 2015: €10,859 million). As of 30 September 2016, loans and financial liabilities vis-à-vis the RWE Group amounted to €5,180 million (31 December 2015: €5,140 million; 1 January 2015: €15,698 million).

innogy Group companies concluded contracts with RWE Group companies, in particular 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 as well as by the innogy Group to RWE Group companies based on service level agreements. During the first three quarters of 2016, supply transactions/services and other transactions led to income in the amount of €5,030 million and €467 million, respectively (first three quarters of 2015: €3,878 million and €27 million, respectively) and expenses of €12,107 million and €618 million, respectively (first three quarters of 2015: €13,713 million and €900 million, respectively). During the first three quarters of 2016, finance transactions led to income in the amount of €113 million (first three quarters of 2015: €154 million) and expenses of €162 million (first three quarters of 2015: €113 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 September 2016, €753 million of the receivables (31 December 2015: €10,903 million; 1 January 2015: €11,200 million) and €1,719 million of the liabilities (31 December 2015: €3,918 million; 1 January 2015: €6,603 million) fall due within one year. As of 30 September 2016, other obligations from executory contracts amounted to €23,549 million (31 December 2015: €23,578 million; 1 January 2015: €29,044 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

Information on events after the balance- sheet date is included in the supplementary report on major events after the end of the period under review.

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 2017

13 Mar 2017	Annual report for fiscal 2016
24 Apr 2017	Annual General Meeting
27 Apr 2017	Dividend payment
12 May 2017	Interim report for January to March 2017
11 Aug 2017	Interim report on the first half of 2017
13 Nov 2017	Interim report for January to September 2017

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