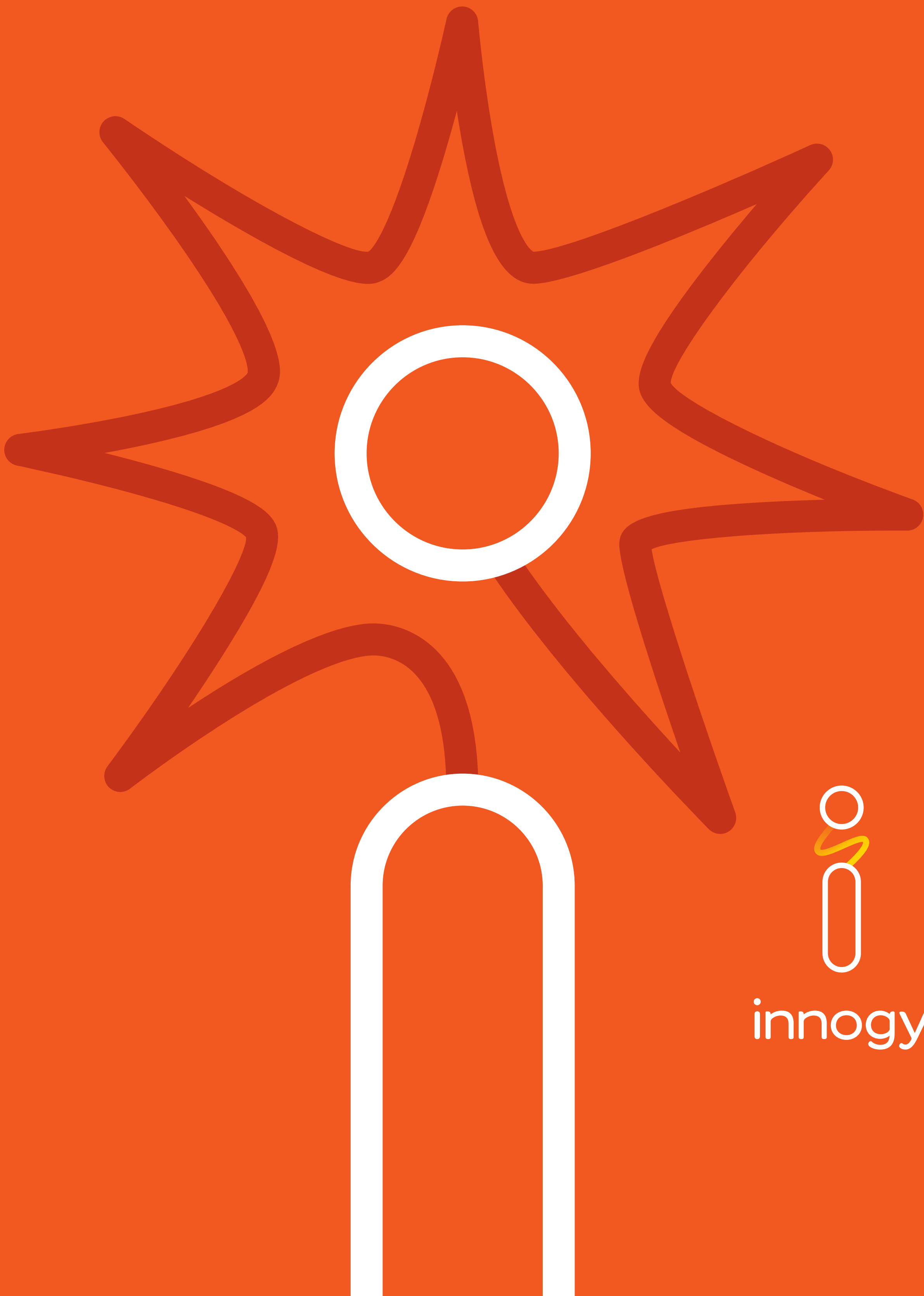
Annual report
2018



innogy

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At a glance

innogy Group		2018	2017	+/– %
Power generation from renewable sources	billion kWh	9.6	10.2	–5.9
External electricity sales volume[1]	billion kWh	255.1	262.4	–2.8
External gas sales volume	billion kWh	224.4	227.5	–1.4
External revenue[2]	€ million	36,984	43,139	–14.3
Adjusted EBITDA	€ million	4,097	4,331	–5.4
Adjusted EBIT	€ million	2,630	2,816	–6.6
Income before tax	€ million	333	1,648	–79.8
Net income/income attributable to innogy SE shareholders	€ million	–653	778	–183.9
Adjusted net income	€ million	1,026	1,224	–16.2
Cash flows from operating activities	€ million	2,565	2,654	–3.4
Net investment	€ million	1,759	1,921	–8.4
Capital expenditure	€ million	2,688	2,138	25.7
Proceeds from disposal of assets/divestitures	€ million	–299	–281	–6.4
Net changes in equity (including non-controlling interests)[3]	€ million	–630	64	–
Free cash flow[4]	€ million	806	733	10.0
Rebased earnings per share[5]	€	–1.18	1.40	–
Adjusted net income per share[5]	€	1.85	2.20	–15.9
Dividend per share	€	1.40[6]	1.60	–12.5
		31 Dec 2018	31 Dec 2017	
Market capitalisation	€ billion	22.4	18.2	23.1
Number of shares outstanding	thousands	555,555	555,555	
Net debt	€ million	16,985	15,637	8.6
Leverage factor[7]		4.1	3.6	
Employees[8]		42,904	42,393	1.2

1 In 2018, IFRS 15 Revenue from Contracts with Customers was applied for the first time: since Q4 2018, passed-through volumes pursuant to the Renewable Energy Act (EEG) must be netted and are thus no longer reported in sales volumes and procurement.
2 Due to the first-time adoption of IFRS 15, the 2018 figures do not include changes in the fair values of commodity derivatives (which are included in other operating income or expenses) or passed-through compensation under the Renewable Energy Act (previously recognised in revenue and the cost of materials).
3 The definition of net investment was changed starting from Q3 2018. We report changes in equity as a component on our condensed cash flow statement here.
4 Adjusted definition of free cash flow; see commentary on page 47.
5 In relation to the number of shares outstanding as of year-end.
6 Dividend proposal for innogy SE's 2018 fiscal year, subject to the passing of a resolution by the Annual General Meeting on 30 April 2019.
7 Ratio of net debt to adjusted EBITDA.
8 Converted to full-time positions.

Questions for the Executive Board

#1 Where does innogy stand today?

Uwe Tigges: 2018 was an exciting year. In spring, E.ON submitted a voluntary public takeover offer to our minority shareholders. This was related to E.ON's planned takeover of RWE's 76.79% stake in innogy and an extensive exchange of business activities and shareholdings between the two companies. As the takeover target in this transaction, our goal is mainly to ensure the fair treatment of our stakeholders, in particular our employees and shareholders. With this in mind, in July of last year we reached an agreement with E.ON and RWE on a fair integration process and support for the transaction by innogy. This allows us to ensure a constructive process for integration and get the best possible results for our stakeholders.

Bernhard Günther: In operational terms, it was a challenging year. Unfortunately, we were unable to achieve the goal of merging our UK retail business with SSE's retail activities, and this will have a negative impact on our earnings, especially in 2019. On the whole, we are also facing some challenges in the European retail business with electricity and gas and we are already working to tackle these. On the other hand, our Renewables division was impacted by external factors this past year, in particular by the weather. Nevertheless, with an eye to our existing generation portfolio and the projects in the pipeline, we look forward to solid performance by this division. And naturally, we cannot leave out the most important source of earnings: innogy's grid business. In this division, we were able to secure our existing business and continued to make headway in areas with identified growth potential, for instance with our investments in the broadband business.

#2 What are the challenges for 2019?

Bernhard Günther: Of course, we know that 2019 will be another dynamic year for innogy's operations. This is clearly shown by our outlook for the year. Specifically, we will continue to reduce costs, streamline processes, press ahead with digitisation, forge successful partnerships and work to be better than the competition. These will be the yardsticks for our success.

Uwe Tigges: At the same time, we will continue to work with E.ON and RWE on preparing the integration of our business activities into the two groups. This is not an easy job, because we also still have to focus on our operations and work to achieve our goals in 2019 again.

#3 What is the outlook for innogy's employees?

Uwe Tigges: 2019 is a decisive year, when a new course is set for the future. To some degree we are able to shape the integration process and that's something that each and every employee at innogy should do. The collective agreement that was concluded, which emerged from the collective bargaining declaration, marks one step in this direction. Now we are working on the collective agreement to secure jobs. This should form the basis for the upcoming integration. Furthermore, we still believe that there will be hardly any compulsory redundancies. At this juncture, I'd like to express my thanks to all of the employees in the innogy Group, who continue to do their best and are working hard to make innogy even more successful, despite the unusual situation.

#4 What can innogy's shareholders expect in 2019?

Bernhard Günther: With an eye to the takeover bid, we are in a special situation. One of the relevant milestones this year will be the anticipated official approval of the takeover, which is a prerequisite for completing the transaction. Once this step occurs, the shares held by RWE and the shares of the minority shareholders who accepted the offer will immediately transfer to E.ON and the announced cash compensation for the tendered shares will be paid. At the same time, E.ON will then have majority voting rights in innogy and can thus lay the foundations for actually integrating innogy's businesses into E.ON. However, before this happens innogy's shareholders will receive a regular dividend. For the past fiscal year, the Supervisory Board and Executive Board will propose a dividend of €1.40 per share to the Annual General Meeting. This means that the pay-out ratio will be in the middle of the targeted range of 70% to 80% of adjusted net income. We intend to stick with this range in 2019 as well.

Executive Board

Uwe Tigges

Chief Executive Officer
(since 12/2017)
Chief Human Resources Officer
(04/2016 – 04/2018)
Labour Director
(02/2017 – 04/2018)

Responsibilities:
- Corporate Procurement
- Diversity Office
- Group Security
- Legal & Compliance
- Mergers & Acquisitions
- Public Affairs/Communications
- Strategy & Technology

Arno Hahn

Chief Human Resources Officer and Labour Director
(since 05/2018)

Responsibilities:
- Health, Safety and Environment
- Human Resources & Executive Management
- Infrastructure
- Labour Law
- Tariff/Works Council Relationship

Dr. Hans Bünting

Chief Operating Officer Renewables
(since 04/2016)

Additional responsibility:
- Innovation & Business Transformation

Dr. Bernhard Günther

Chief Financial Officer
(since 04/2016)

Responsibilities:
- Accounting
- Controlling & Risk
- Finance
- Information Technology
- Internal Audit
- Investor Relations
- Performance Management Corporate Services/ Digital@Finance
- Tax

Martin Herrmann

Chief Operating Officer Retail
(since 04/2016)

Additional responsibilities:
- eMobility
- New Ways of Working/Applied Excellence

Hildegard Müller

Chief Operating Officer Grid & Infrastructure
(since 05/2016)

Additional responsibility:
- Groupwide Coordination Digital (since 12/2017)

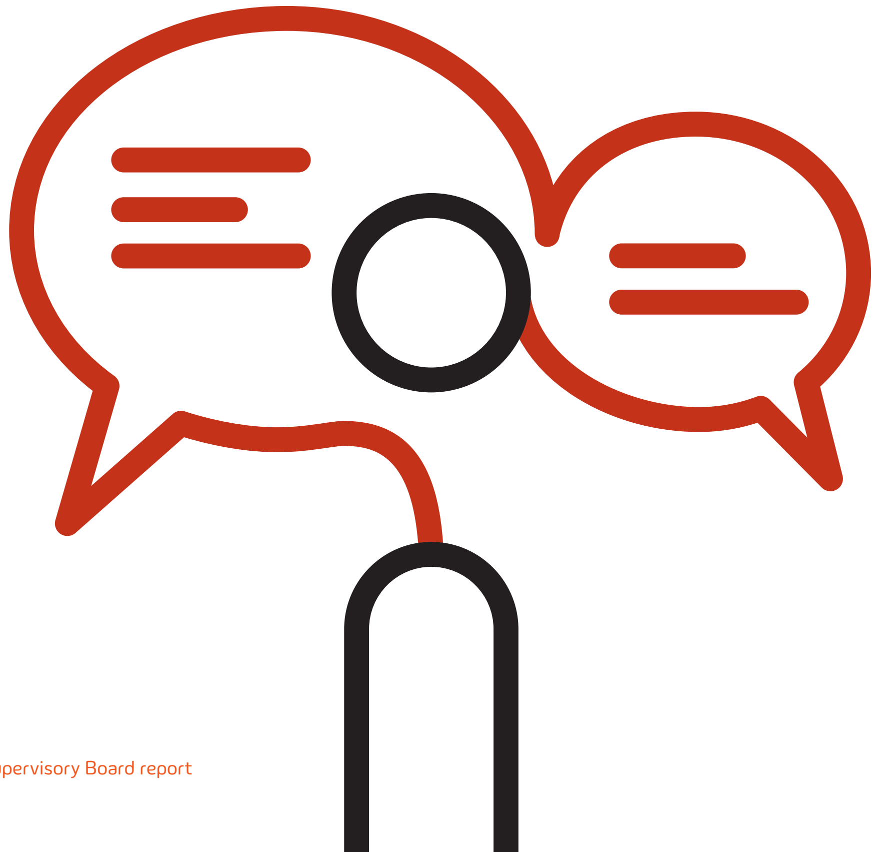
Supervisory Board report

Dear Shareholders,

Ladies and Gentlemen,

In the 2018 fiscal year, the Supervisory Board continuously monitored the management activities of the Executive Board and advised the Executive Board on managing the company. At the same time, the Supervisory Board was involved in all fundamental decisions. The Supervisory Board fulfilled all of the tasks it is charged with by law, the Articles of Incorporation and the Rules of Procedure. Acting in a regular, comprehensive and timely manner, the Executive Board informed the Supervisory Board of material aspects of business development, both verbally and in writing. The Supervisory Board was also thoroughly informed of the earnings situation, risks and risk management. Above and beyond this, the Chief Executive Officer continuously notified the Chairman of the Supervisory Board about the current business situation, material events and upcoming decisions, and discussed the long-term outlook and emerging developments.

General comments. Last year, the Supervisory Board met on several occasions to deliberate on the transaction announced between RWE AG and E.ON SE, through which E.ON is to acquire RWE AG's 76.79% majority stake in innogy SE as part of an extensive exchange of operations and shareholdings. Some members of the Supervisory Board declared a conflict of interest in this regard. Consequently, all of the members of the Supervisory Board did not attend every meeting. In total, the Supervisory Board held five ordinary meetings and five extraordinary meetings. Four of the meetings were attended by all of the Board members. One meeting was attended by 19 members, two meetings were attended by 17 members, two meetings were attended by 16 members and one meeting was attended by 15 members. The table below presents a breakdown of attendance by member. Members of the Executive Board attended the Supervisory Board meetings, unless the Chairman of the Supervisory Board decided otherwise.



Attendance at meetings in fiscal 2018[1] by Supervisory Board member	Supervisory Board	Executive Committee	Audit Committee	Personnel Affairs Committee	Strategy Committee	Takeover Committee
Dr. Erhard Schipporeit, Chairman	10/10	1/1		7/7	1/1	11/11
Frank Bsirske,[2] Deputy Chairman	6/10	1/1		5/7	1/1	
Ulrich Grillo	10/10	1/1				11/11
Maria van der Hoeven	10/10					
Michael Kleinemeier	6/10			6/7		
Martina Koederitz	6/10				1/1	
Dr. Markus Krebber[2]	6/10	1/1	7/8			
Monika Krebber	10/10			7/7	1/1	
Robert Leyland	9/10	1/1				10/11
Stefan May (since 7 June 2018)	5/5					5/5
Meike Neuhaus	10/10					
Dr. Rolf Pohlig	10/10	1/1	8/8			11/11
René Pöhls	10/10		7/8	7/7		
Pascal van Rijsewijk	10/10	1/1	8/8			10/11
Gabriele Sassenberg	10/10		8/8			
Dr. Dieter Steinkamp[2]	8/10				1/1	
Markus Sterzl	10/10	1/1				11/11
Marc Tüngler	10/10			7/7		
Šárka Vojíková	10/10				1/1	
Jürgen Wefers (until 20 May 2018)	5/5					6/6
Deborah Wilkens	9/10		8/8			10/10

1 Attendance = number of meetings attended by the Supervisory Board member/total number of meetings.
2 Non-attendance due to the conflicts of interest explained in the text.

The Supervisory Board members reached their decisions on the basis of comprehensive reports and draft resolutions submitted by the Executive Board. The Supervisory Board had ample opportunity to review the Executive Board's reports and draft resolutions in its plenary sessions and committee meetings. The Executive Board also thoroughly informed the Supervisory Board of projects and transactions of special importance or urgency between meetings. The Supervisory Board passed the resolutions required by law or the Articles of Incorporation. Where necessary, this was also done by circular resolution. In between the meetings, the Chairman of the Supervisory Board also communicated closely and regularly with the Executive Board, allowing events of material significance to the Group's situation and development to be discussed by the Supervisory Board without any delay.

Main points of debate. After it was disclosed that E.ON SE and RWE AG had concluded agreements on a transaction in March 2018 and the subsequent publication of E.ON's intention to submit a voluntary public takeover offer to the shareholders of innogy, which was published in April 2018, the takeover situation became a major aspect of the Supervisory Board's activities. At its ordinary and extraordinary meetings, the Supervisory Board focused intensively on issues related to the takeover, working together closely with the Executive Board. In order to resolve conflicts of interest and enhance the Supervisory Board's ability to react quickly, the Takeover Committee was formed from the Board's members. The main task of this Committee was the preparation of the statement pursuant to Section 27 of the German Securities Acquisition and Takeover Act (WpÜG). In the course of this work, the public takeover bid was analysed and its plausibility was reviewed, mainly with regard to the nature and amount of the offer price and the ramifications of acceptance/non-acceptance for the company, the employees and the shareholders. Based on the recommendation of the Takeover Committee and following a review of the economic and legal bases of the offer, in which the Supervisory Board also engaged external consultants, the Supervisory Board issued its statement pursuant to Section 27 of the Securities Acquisition and Takeover Act jointly with the Executive Board.

Additionally, the Takeover Committee held in-depth discussions on the conclusion of the framework agreements with both E.ON and RWE, which were then approved by the Supervisory Board.

Moreover, the Supervisory Board regularly discussed the company's strategic orientation with the Executive Board, in particular at the Supervisory Board's strategy meeting held on 20 September 2018. The Executive Board regularly reported to the Supervisory Board on the financial condition of the Group and on other important matters, including legal risks. The Executive Board also provided the Supervisory Board with detailed information on developments in energy policy, regulatory changes, the current status of legislation and the economic environment. Operational developments in the divisions were presented, such as the evolution of customer figures, the current status of ongoing construction projects, the concession business in Germany and current developments in e-mobility. Detailed information was presented on the subject of cyber security. The Supervisory Board also paid close attention to the development of the UK retail business.

In a circular resolution, the Supervisory Board approved the acquisition of 100% of the shares in Limondale Sun Farm Pty Ltd. and confirmed the final investment decision for the Limondale solar installation later in the year. The investment decision for the Scioto Ridge wind farm was also approved. The Supervisory Board also gave its approval for the sale of a 41% stake in Triton Knoll HoldCo Ltd.

Furthermore, the Supervisory Board thoroughly reviewed the plan for fiscal 2019 submitted by the Executive Board and the preview for the following two fiscal years. The Executive Board presented a detailed explanation of the deviations from the previous plans and goals. After intensive discussions, the Supervisory Board approved the planning and took cognisance of the previews.

In general, the owner representatives and the employee representatives reviewed the agenda items for the plenary meetings in separate preliminary discussions.

Conflicts of interest. Members of the Supervisory Board are obliged to immediately disclose any conflicts of interest they have. With regard to the E.ON/RWE transaction, the Supervisory Board members Dr. Erhard Schipporeit and Monika Krebber (who are also members of the Supervisory Board of RWE AG) took into account their dual positions by continuing to fully exercise their Supervisory Board mandates at innogy, while not participating in debates and decisions by the Supervisory Board of RWE or in its committees in relation to matters involving the transaction. Conversely, Frank Bsirske (who is also a member of the Supervisory Board of RWE AG) and Dr. Markus Krebber (who is a member of the Executive Board of RWE AG) took into account their dual positions by continuing to exercise their respective functions at RWE, while not participating in debates and decisions of the Supervisory Board of innogy and in its committees in relation to matters involving the transaction. Supervisory Board member Markus Sterzl (who is also a member of the Supervisory Board of RWE Generation SE, a company belonging to the RWE Group) took into account his dual position by continuing to fully exercise his Supervisory Board mandate at innogy, while not participating in debates and decisions by the Supervisory Board of RWE Generation SE in relation to matters involving the transaction. The Supervisory Board members Monika Krebber, René Pöhls and Jürgen Wefers are members of the Group Works Council of RWE; Supervisory Board member Gabriele Sassenberg is a member of the IT Committee of the Group Works Council of RWE; Supervisory Board members Monika Krebber, Šárka Vojíková, Robert Leyland, Pascal van Rijsewijk, Jürgen

Wefers and René Pöhls are members of the European Works Council of RWE. As a precautionary measure, all of the aforementioned members did not participate in the debates and decisions of these bodies insofar as they pertained to the transaction (in the case of Jürgen Wefers, up until he left the Supervisory Board of innogy SE). Supervisory Board member Dr. Dieter Steinkamp (who is CEO of RheinEnergie AG and GEW Köln AG) took into account the fact that as a result of the transaction there may be tender rights or rights of re-transfer in relation to innogy's investment in RheinEnergie AG, due to the existing syndicate agreements between innogy SE and GEW Köln AG with regard to their investment in RheinEnergie AG, by refraining from attending the meetings of the Supervisory Board of innogy or its committees in relation to matters involving the transaction until it has been clarified and mutually acknowledged that no such rights exist. In all of these cases, organisational measures were taken to ensure that these measures were implemented.

Corporate governance. In 2018, the Supervisory Board also reviewed implementation of the German Corporate Governance Code and prepared a corporate governance report together with the Executive Board; this report is available at **www.innogy.com/corporate-governance.** On 11 December 2018, the Supervisory Board also published a statement of compliance, which can be found on the same Internet page. innogy SE is in compliance with the recommendations of the Code in the version published on 24 April 2017 in the official section of the German Federal Gazette.

Committees. In fiscal 2018 the Supervisory Board had five standing Committees, along with the Takeover Committee which was active from March. An overview of the standing Committees and their members is presented on page 7. The Committees prepare the upcoming topics and resolutions for the individual meetings of the Supervisory Board. In certain cases, they also exercise the decision-making powers conferred on them by the Supervisory Board. The Committee chairs provide the Supervisory Board with regular, comprehensive reports on their work.

The **Executive Committee** held one meeting in fiscal 2018. Its focus was on preparatory work for the Supervisory Board debate on the planning for fiscal 2019 and the previews through to 2021.

The **Audit Committee** convened eight times in the year under review. The auditor and CFO or his representative regularly attended these meetings. Based on the relevant reports of the auditor, the Audit Committee reviewed the annual financial statements and interim reports of innogy and discussed such with the Executive Board prior to publication.

The Committee also addressed innogy SE's dependency report and the non-financial reporting of innogy SE and the innogy Group. It reviewed the separate summarised non-financial report for innogy SE and the innogy Group, which was audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) and prepared the Supervisory Board debates on this matter.

Within the framework of reviewing the annual financial statements, the Committee specifically discussed the key audit matters, as part of the auditor's report on the innogy Group's consolidated financial statements.

In addition, the Audit Committee submitted a recommendation for the proposal made by the Supervisory Board to the Annual General Meeting regarding the election of the independent auditor for fiscal 2018 and also prepared the contract commissioning the independent auditors, including details of the fee.

The Audit Committee continued to be informed about the risk situation and the Group's legal risks. In particular, it was thoroughly informed about the risks related to the E.ON/RWE transaction and the takeover situation.

The agenda of the Audit Committee covered numerous other matters, such as compliance issues, the audit plan and determination of the internal audit schedule, the financial condition and rating of the innogy Group, the results of the goodwill impairment test, cyber security, the EU Data Protection Regulation, the Group's tax situation and the internal controlling system. The Audit Committee also worked intensively on the preparation of the investment and financial planning and communicated its recommendations to the Supervisory Board.

The heads of the Group functions were also available at the Audit Committee's meetings for reports and questions on individual topics.

The **Strategy Committee** met on one occasion in fiscal 2018. At this meeting, it took an in-depth look at the topic of digitisation.

The **Personnel Affairs Committee** met seven times in 2018. Among other things, it prepared the Supervisory Board's resolutions on the Executive Board's personnel matters. Furthermore, it reviewed the bonuses and share-based payment of the Executive Board members in the year under review. In relation to this, it made recommendations on the measurement and determination of the targets and criteria for meeting them.

The **Nomination Committee** was not convened in fiscal 2018.

The **Takeover Committee** met eleven times in fiscal 2018. It concerned itself regularly with all of the upcoming questions and decisions related to the takeover offer and prepared the necessary resolutions for the Supervisory Board. Additionally, between the meetings the Committee was regularly kept up to date about the current situation by the Executive Board.

Financial statements for fiscal 2018. Based on the accounting, PwC scrutinised and issued an unqualified auditor's opinion on the 2018 financial statements of innogy SE, which were prepared by the Executive Board in compliance with the German Commercial Code, the consolidated financial statements of the Group prepared in compliance with IFRS pursuant to Section 315e of the German Commercial Code, and the combined review of operations for innogy SE and the Group. In addition, PwC found that the Executive Board had established an appropriate early risk detection system, which is fit for purpose. PwC was elected independent auditor by the Annual General Meeting on 24 April 2018 and commissioned by the Supervisory Board to audit the financial statements of innogy SE and the Group.

Documents supporting the annual financial statements, the annual report and the audit reports were submitted to the members of the Supervisory Board for review in good time. Furthermore, the Executive Board commented on the documents at the Supervisory Board's balance-sheet meeting of 7 March 2019. The independent auditors reported at this meeting on the material results of the audit and were available to provide supplementary information. At its meeting on 6 March 2019, the Audit Committee had already thoroughly reviewed the financial statements of innogy SE and the Group, as well as the audit reports, with the auditors present. It had recommended that the Supervisory Board approve the financial statements as well as the appropriation of profits proposed by the Executive Board.

At its meeting on 7 March 2019, the Supervisory Board reviewed the annual financial statements of innogy SE, the consolidated financial statements, the combined review of operations for innogy SE and the Group, the dependency report for innogy SE, the non-financial report for innogy SE and the innogy Group and the Executive Board's proposal regarding the appropriation of distributable profit. As recommended by the Audit Committee, the Supervisory Board approved the results of the audits of both financial statements and adopted the annual financial statements of innogy SE and the Group. The 2018 annual financial statements were thus adopted. The Supervisory Board concurred with the Executive Board's proposal regarding the appropriation of profits, which envisages paying a dividend of €1.40 per share.

Dependency report for fiscal 2018. Following the merger of RWE Downstream Beteiligungs GmbH into GBV Vierunddreißigste Gesellschaft für Beteiligungsverwaltung mbH, a subsidiary wholly owned by RWE AG, GBV Vierunddreißigste Gesellschaft für Beteiligungsverwaltung holds a stake of 76.79% in innogy SE. As there is no control and/or profit and loss-pooling agreement between this company and innogy SE, the Executive Board of innogy SE prepared a report on the company's relations to affiliates ('dependency report') for the period from 1 January to 31 December 2018, in accordance with

Section 312 of the German Stock Corporation Act. The dependency report was audited by an independent auditor appointed by the company. The independent auditor did not raise any objections and issued the following statement in accordance with Section 313 of the German Stock Corporation Act: 'In line with the audit award, we audited the report of the Executive Board in accordance with Section 312 of the German Stock Corporation Act on relations to affiliates pursuant to Section 313 of said Act for the reporting period from 1 January to 31 December 2018. As there are no objections to the final outcome of our audit, we hereby issue the following audit certification in accordance with Section 313, Paragraph 3, Sentence 1 of the Stock Corporation Act: Based on our dutiful audit and assessment, we confirm that 1) the statements actually made in the report are correct, 2) that the company's consideration for the legal transactions mentioned in the report was not unduly high, 3) that the measures mentioned in the report do not speak in favour of an assessment that differs materially from that of the Executive Board.'

The dependency report and the audit report of the auditor were made available to the Audit Committee and the Supervisory Board. The review did not lead to any objections. Likewise, the Supervisory Board did not raise any objections against the declarations of the Executive Board concerning the relations to affiliates.

Personnel changes in the Supervisory Board. As of 20 May 2018, Jürgen Wefers left the Supervisory Board. His successor Stefan May was appointed by court order, effective from 7 June 2018. The Supervisory Board wishes to thank Mr. Wefers for his committed and constructive work for the benefit of the company.

Personnel changes in the Executive Board. Based on the recommendation of the Personnel Affairs Committee, the Supervisory Board appointed Uwe Tigges as the Chief Executive Officer of innogy SE at its meeting on 24 April 2018. At the same meeting, the Supervisory Board appointed Arno Hahn as member of the Executive Board to the position of Labour Director.

Appreciation of commitment and loyalty. On behalf of the Supervisory Board, I would like to express my gratitude to the Executive Board and all of the company's employees for their work in fiscal 2018, which was particularly challenging with an eye to the takeover situation. Their enormous commitment and loyalty have made a great contribution to the company's success.

On behalf of the Supervisory Board

Erhard Schipporeit

Dr. Erhard Schipporeit
Chairman

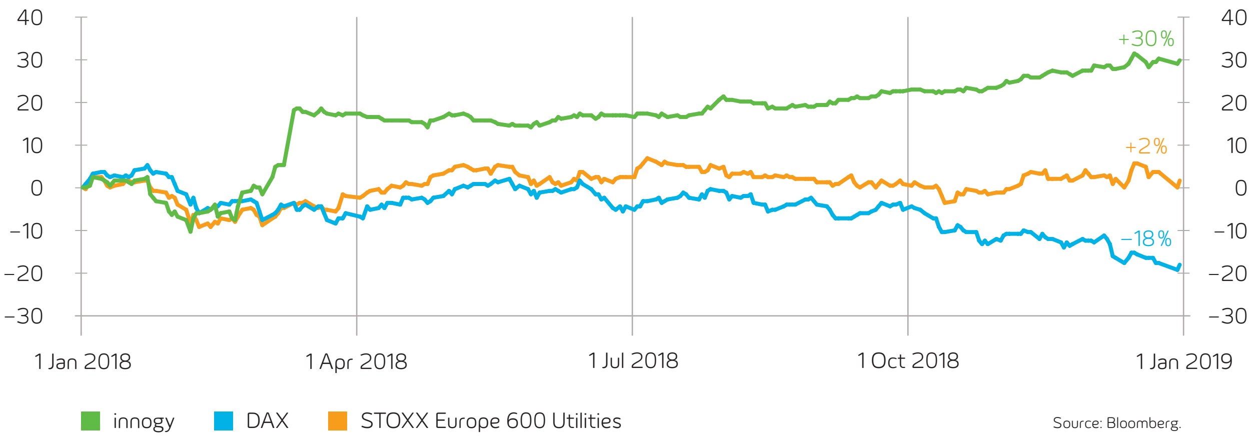
Essen, 7 March 2019

innogy stock

2018 was a turbulent year for stocks, with the equity markets registering their biggest losses since the financial crisis. Global trade conflicts, the Brexit negotiations and the gradual escalation of the diesel crisis all impacted sentiment on the capital markets. Contrary to the expectations, interest rates failed to turn around in 2018, and yields in Europe continued to fall. The DAX, Germany's leading stock index, suffered from all of these factors and posted a decline of 18% for the year. By contrast, the European utilities sector was the only sector to record positive performance in 2018, and German utilities also profited from this. The overall performance of the innogy share in 2018 was mainly driven by the planned takeover by E.ON and RWE. After the announcement of the transaction in March, the share price hovered around the level of the formal offer price and was around 10% higher at the end of the year.

Performance of innogy stock versus the DAX and STOXX Europe 600 Utilities indices

Indexed figures, % (daily closing prices)



Source: Bloomberg.

Poor year for the stock markets in 2018 – sharp losses for the DAX. One of the main reasons for the downtrend on the capital markets last year was international political uncertainties, which impacted the cyclical exporters in the DAX. The geopolitical situation affected the bond markets as well. Yields moved lower, with 10-year German Bunds returning just 0.25% at the end of the year.

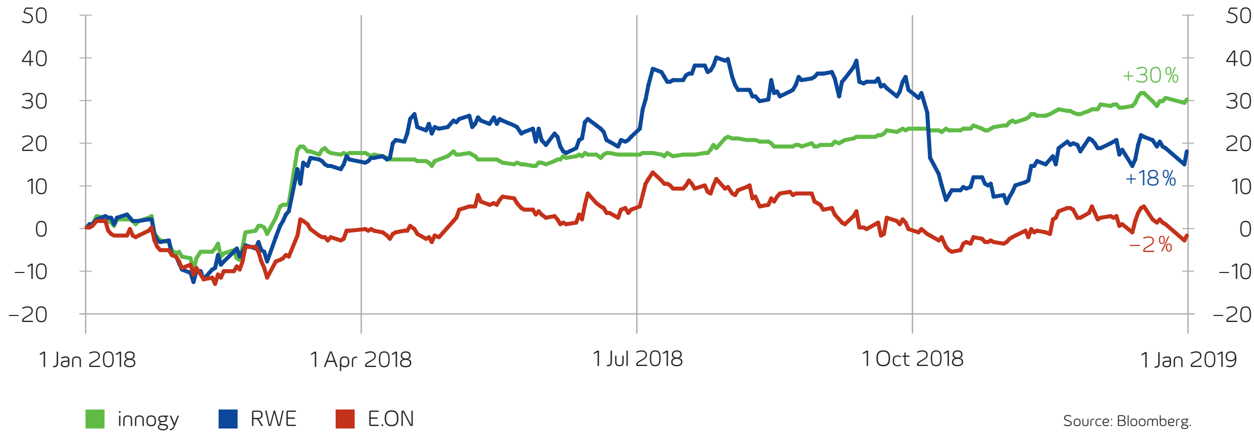
The DAX ended 2018 at 10,559 points, marking a loss of 18% compared to the closing price from 2017. The STOXX Europe 600 Utilities, which lists the largest European companies in the energy sector, saw more stable performance than the DAX and reached 817 points at year-end, posting a gain of 2% over the previous year.

European Central Bank sticks with zero-interest-rate policy. While the US central bank raised interest rates four times in 2018, the European Central Bank (ECB) did not alter its interest rate and lending policy.

The following developments were seen on the currency market: the euro weakened versus the US dollar over the course of the year to hit a low of EUR/USD 1.12 and ended the period at EUR/USD 1.15. The British pound fluctuated between £0.87 and £0.91 versus the euro in 2018, in response to news about the upcoming Brexit. At the end of the year, the pound settled back to around £0.90 versus the euro again. The Czech koruna was relatively stable during the year, closing the period at EUR/CZK 25.72.

Performance of innogy stock versus RWE and E.ON stock

Indexed figures, % (daily closing prices)



Development of the innogy share. The innogy share touched its low of €29.36 on 6 February 2018 and then trended slightly higher until 11 March, when the E.ON/RWE transaction was announced. On 12 March 2018, the first trading day following the announcement, the share was right above the level of the formal offer price of €36.76 that E.ON offered innogy's minority shareholders in the voluntary takeover bid. After publication of the cooperation agreement between the companies involved and for the rest of the year, the share's performance remained positive as it advanced to a level above €41.00. After 11 March, the share price was no longer influenced very much by news on innogy's operating performance and was mostly unaffected by fundamental developments. Since the start of the acceptance period in May 2018, the innogy shares which have been tendered, i. e. the shares whose owners have accepted the takeover offer, are traded as an independent class of shares. For the rest of the year, the price of the tendered shares remained very stable at the level of the offer price of €36.76, registering a mildly positive performance towards the end of the period.

The share ended trading in December 2018 with an Xetra closing price of €40.73. innogy's total shareholder return, consisting of the development of its price and the dividend paid, amounted to around 30 % in 2018, far outperforming the DAX and STOXX Europe 600 Utilities indices. On 28 December, the last trading day in 2018, innogy's market capitalisation was approximately €22.4 billion.

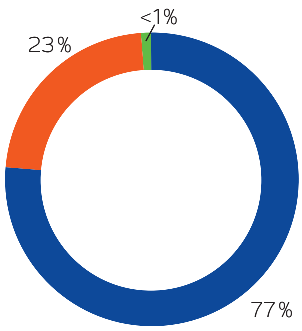
Dividend proposal for fiscal 2018. innogy pursues a reliable, long-term dividend policy that is in harmony with our strategy and a robust financial structure. Therefore, adjusted net income serves as the basis for the dividend payment. It differs from net income in that it excludes the non-operating result, which is characterised by non-operating or aperiodic one-off or exceptional effects, and certain other special items (see page 47). We have established a target corridor of 70 % to 80 % for the pay-out ratio.

The Executive Board and the Supervisory Board of innogy SE will propose to the Annual General Meeting on 30 April 2019 that a dividend of €1.40 per dividend-bearing share be paid for fiscal 2018. This corresponds to a pay-out ratio of 76 % of adjusted net income. The dividend yield is around 3.4 %, based on the Xetra closing quotation as of 28 December 2018.

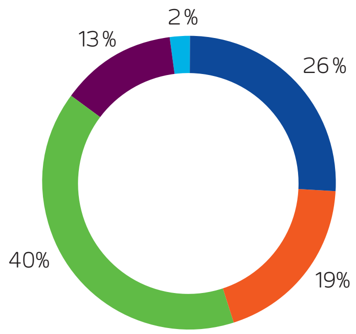
innogy share indicators[1]		2018	2017
Adjusted earnings per share	€	–1.18	1.40
Adjusted net income per share	€	1.85	2.20
Cash flows from operating activities per share	€	4.62	4.78
Dividend per share	€	1.40[2]	1.60
Dividend payment	€ million	777.8[3]	888.9
Pay-out ratio	%	76[3]	73
Dividend yield[4]	%	3.4	4.9
Share price of regular shares			
Price at end of fiscal year	€	40.73	32.68
High	€	41.16	42.31
Low	€	29.36	30.94
		31 Dec 2018	31 Dec 2017
Market capitalisation	€ billion	22.4[5]	18.2
Number of shares outstanding	thousands	555,555	555,555

1 In relation to the number of shares outstanding at year-end.
2 Dividend proposal for innogy SE's 2018 fiscal year, subject to the passing of a resolution by the Annual General Meeting on 30 April 2019.
3 In relation to the dividend proposal for innogy SE's 2018 fiscal year, subject to the passing of a resolution by the Annual General Meeting on 30 April 2019.
4 Ratio of the dividend per share to the share price at the end of the fiscal year.
5 Total from market capitalisation of the regular and tendered shares.

innogy's shareholder structure



Institutional investors by region (excluding RWE)



Broad international shareholder base.[1] innogy SE's capital stock is divided into 555,555,000 shares. At the end of 2018, RWE AG held 76.79% of innogy shares via its wholly-owned subsidiary GBV Vierunddreißigste Gesellschaft für Beteiligungsverwaltung mbH and is thus the largest single shareholder.

Following the end of the additional acceptance period in the voluntary public takeover offer to the shareholders of innogy SE on 25 July 2018, E.ON announced that 9.4% of shares in free float had accepted E.ON's offer. Consequently, the total number of shares for which the takeover offer was accepted, including the interest of GBV Vierunddreißigste Gesellschaft für Beteiligungsverwaltung mbH, amounted to 86.2% of the capital stock of innogy SE in total.

As the takeover offer to innogy's shareholders was not yet complete on 31 December 2018, the charts above do not show a breakdown into regular and tendered shares. Disregarding the shares in innogy held indirectly by RWE AG, the regional distribution breaks down as follows: Almost one half of the institutional investors are from North America, the United Kingdom and Ireland. Approximately 53% of the shares are held in Continental Europe, with Germany accounting for about 13% of this.

Ticker symbols of innogy shares	Regular shares	Tendered shares
Reuters: Xetra	IGY.DE	IGYB.DE
Reuters: Frankfurt Stock Exchange	IGY.F	IGYB.F
Bloomberg: Xetra	IGY GY	IGYB GY
Bloomberg: Frankfurt Stock Exchange	IGY GR	IGYB GR
German Securities Identification Number (WKN)	A2AADD	A2LQ2L
International Securities Identification Number (ISIN)	DE000A2AADD2	DE000A2LQ2L3

1 The data was collected by Q4 Inc.

1
Combined review of operations

1.1 Our strategy

As the energy market undergoes fundamental changes, innogy's competitive environment continues to evolve. Decarbonisation, decentralisation and digitisation are the key major trends behind the transformation of the energy system. We see these changes as an incentive and intend to shape the European energy market in our role as a leading player. We are seizing the opportunities that our business model offers by investing in renewable generation capacities, intelligent networks and innovative products, which are tailored to meet our customers' needs.

innogy is energising. Our company's name is a mosaic which merges the ideas 'innovation', 'energy' and 'technology'. As a pace-setter for the energy transition, innogy is pressing forward to help shape a sustainable, more decentralised and more digitised energy landscape. Our products, intelligent solutions and services are tailored to the new world of energy. This enables us to concentrate our activities even more on the requirements of the various markets and develop forward-looking offerings that meet our customers' needs.

Sharp focus on innogy's corporate strategy. We intend to leverage these three major trends – decarbonisation, decentralisation and digitisation – by boosting our competitiveness in our existing fields of activity, entering into new areas of business and creating new opportunities through innovation in all of our businesses. With this in mind, we have set clearly defined objectives for each strategic business unit in terms of our Position, Performance, Portfolio and Partnerships (4P strategy). You can find a more detailed presentation of these three key trends and innogy's related strategy in the 'Strategy' chapter of the Annual report 2017. Specific measures to implement our strategy can be found in this chapter, with additional information presented in the chapters 'Major events' and 'Business performance'.

Targeted growth and investment strategy. Our investment programme continues to concentrate on the core business activities in our three divisions, Renewables, Grid & Infrastructure and Retail, and includes the growth areas in these divisions. In this regard, one important aspect is to prepare our business divisions for the digital future through various initiatives. Europe is innogy's home region, but we also see future growth opportunities outside of our corporate home, in particular in North America. For instance, the USA was a major focal point in expanding our activities in eMobility last year.

In the Renewables division, we aim to add value by expanding our generation capacities in the years ahead. To some degree, the specific amount of capital expenditure will depend on whether we win tenders for certain projects. In 2018, we successfully participated in auctions in Germany and Poland. We were awarded a contract for our German offshore wind project Kaskasi with a generation capacity of 325 MW, as well as for two other onshore wind projects in Poland with generation capacity totalling around 85 MW. Along with wind-based electricity generation, we are also active in the solar business. We are currently building a utility-scale solar power plant with a capacity of more than 349 MW in Australia, and additional projects are in planning in North America.

A large part of our capex is focused on maintaining, expanding and modernising our network infrastructure. Along with maintenance, the main emphasis is on connecting decentralised generation assets to the grid, in particular to expand networks as part of the energy transition, but also in relation to digitising the grids. The project Designetz headed by innogy is developing a sustainable overall concept for integrating renewable energy sources into the supply system. Further information can be found in the 'Innovation' chapter on page 23. We are also pressing ahead with the expansion of the fibre-optic broadband network (FTTx), in order to assume a leading role in this market. We are already involved in subsidised broadband projects in various regions in Germany, concentrating on rural areas. The same goal is being pursued in the Czech Republic, where we are already present in six regions.

In the Retail division, the following topics are the main priorities: Securing the core business by enhancing efficiency, raising customer satisfaction, and expanding the core business by widening our value-boosting customer base and offering compelling products and services for residential and commercial customers, in particular with 'Energy+' products. In 2018, we strengthened our range of offers for residential and commercial customers by making targeted acquisitions, such as the companies EnergieWonen and ZON7 in the Netherlands. These two companies sell solar power systems for homeowners, both through direct sales, as well as by Internet and telephone. Installation of the solar panels is handled by the Dutch company EWIS, which was also recently acquired. We have also expanded our sales activities with solar systems in Eastern Europe by increasing our investment in the Polish company Foton Technik.

2018 was a year of strong international growth for our eMobility business. As a technology provider, we offer commercial customers, fleet operators, energy utilities and retail customers a broad portfolio of solutions for charging, ranging from charging infrastructures and centrally managed services to convenient invoicing models and intuitive customer applications. We continue to press on with the expansion of charging infrastructure in Germany and are transitioning our own fleet to electric vehicles.

Creating lasting value with a sustainable business approach. Good corporate governance, recognition of social responsibility and preserving the environmental basis for life are crucial aspects for innogy in order to generate sustainable economic value over the long run. We are committed to the principles of the UN Global Compact and support implementation of the United Nation's Sustainable Development Goals (SDGs), which set the framework for sustainability at the economic, environmental and social levels. We believe that innogy can contribute significantly to achieving SDGs 7, 9 and 13: ensuring access to affordable, reliable, and sustainable energy, developing a stable, sustainable infrastructure and combating climate change. To step up our efforts in these areas, we engaged with stakeholders on various aspects in 2018. For instance, we participated actively in the first phase of monitoring for the national action plan for human rights and reinforced our commitment in this field by issuing a new human rights declaration. Our Sustainability Report 2018 discusses the strategies, goals, key indicators and our progress in relation to human rights and other important topics in the non-financial realm; this Report is available at **www.innogy.com/sustainability-report-2018.** The contents are based on an analysis of the issues that are important for our business activities and our stakeholders. Our separate, summarised non-financial report pursuant to Section 315c in conjunction with Section 289c of the German Commercial Code, which is part of the Sustainability Report, also contains information on particularly important topics such as environmental protection, employees, social issues, respect for human rights and combating corruption and bribery. The reporting topics laid down by the Supervisory Board are emissions, occupational health and safety, employment, availability and reliability, marketing and labeling, the social assessment of our suppliers and anti-corruption matters. PricewaterhouseCoopers GmbH WPG (PwC) was engaged for a business audit to obtain a limited assurance for the 2018 non-financial report. The Sustainability Report is not a part of the combined review of operations.

innogy's ESG ratings. Our company undergoes a rating process with regard to environmental and social aspects, as well as the nature of corporate governance (Environmental, Social, Governance: ESG). In fiscal 2018, an MSCI ESG rating of 'A' was achieved once again. innogy continues to have 'prime status' with a score of B– in ISS Oekom's rating structure. Sustainalytics rates innogy at 71 out of 100 points.

innogy supports the recommendations of the Task Force on Climate-related Financial Disclosure of the Financial Stability Board. Our activities are crucial to paving the way for a sustainable, low-emissions world. In doing so, we are also supporting the global efforts to combat climate change. The framework of the Task Force on Climate-related Financial Disclosure (TCFD) helps companies take a comprehensive view on the risks and opportunities related to climate change based on four overarching aspects and integrate these considerations into their business activities; it also supports them in consistently reporting on this subject to investors and other stakeholders. In the future, innogy will implement further TCFD recommendations and continue to improve its reporting.

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Aspects of the TCFD recommendations	Publications and progress	References
Governance	innogy's Executive Board considers climate change and its ramifications a very important issue. The Board is informed regularly and on an ad-hoc basis about relevant developments, in particular with regard to social and political developments and their ramifications. In coordination with the Corporate Responsibility Department, which is part of the Public Affairs & Communications Department, the areas Strategy, Controlling & Risk and Investor Relations cooperate in implementation and reporting. Furthermore, the Corporate Responsibility Department is responsible for reporting on the climate-relevant indicators and presents such to the Executive Board and external stakeholders within the framework of the sustainability reporting.	
Strategy	Climate change and its impacts on the overall political, economic and social conditions are a major factor in innogy's strategic orientation. As a pioneer in the energy transition, innogy wants to shape a sustainable, more decentralised and more digitised energy landscape. Consequently, we see climate change as more than just a risk: we see it as mission that helps us develop opportunities to grow our business. By expanding our renewable capacities, boosting our grid investments, for example to connect emissions-free generation, and developing and launching efficient, innovative energy solutions, we are steadily moving towards a low-emissions future and the achievement of global climate targets.	
Risk management	Overall responsibility for monitoring and managing the Group's overall risk lies with innogy's Executive Board. It establishes the rules and minimum standards and thus determines the innogy Group's risk management framework and strategy. In 2018, the Executive Board decided that the established risk management framework would be used for the identification, assessment, analysis with regard to mitigation measures and reporting of climate risks to the Executive Board. In reflection of this, possible climate-related risks were added to the risk catalogue which we use to identify risks as part of the risk assessment process.	1.12 Opportunities and risks (see page 97 et seqq.).
Indicators and targets	Our Sustainability Report contains important indicators for reporting on climate-related aspects, including the amount of emissions (Scope 1, 2 and 3), emissions intensity and energy consumption. In the Report, innogy also reports on the degree of implementation of the green bond, which we use to refinance climate-friendly projects.	The Sustainability Report 2018 can be found at **www.innogy.com/ sustainability-report-2018.**

1.2 Innovation

Innovation in energy and technology is at the heart of what innogy does: our eyes are set on the future. We are a driving force in transforming today's energy system, for example with our new business models that offer compelling, creative solutions for customers in an increasingly digital world. And with projects to identify and evaluate new technologies, including potentially disruptive ones as well, or develop and test them ourselves. Thanks in part to the ideas of our employees, our company remains one of the leading innovators in the energy industry.

Innovation Hub: digital models for tomorrow's energy system

Innovation is innogy's lifeblood, and so curiosity and an open mind are two of our major success factors. The Innovation Hub that innogy established in 2014 is a platform for promoting innovation and provides an ideal environment for this. It functions both as a source of capital and as a so-called 'accelerator'. With this dual approach, it supports fresh, new companies which have developed innovative technologies and business models by providing them with funding and know-how. The startups that the Innovation Hub adds to its portfolio get access to networks in the innogy Group and to the decision-makers in the individual divisions as potential customers, helping to quicken their development and improve their competitiveness. In turn, innogy profits from this cooperation by integrating the ideas of young companies into its core business.

The Innovation Hub in figures

Founded:
2014

Startup investments as of end-2018:
87 around the world

Portfolio value:[1]
€162 million

1 The portfolio value consists of the investment's carrying amount and financial receivables together.

Fresh Energy: Energy solutions using smart meters and smartphone apps. Monthly billing of exact usage without back-payments, monitoring of energy consumption by individual household appliances using an app, 1-month rolling contract. 100% transparency, 100% green electricity. **www.getfresh.energy**

Shaping the future, together with startups. We believe that the boundaries of the existing industries and sectors such as energy, telecommunications, mobility and intelligent real estate will become increasingly fuzzy or disappear completely. A good example for this development is the electricity grid. Nowadays, the grid is not a one-way street anymore: By 2020 at the global level more than 50 billion devices will be connected to the Internet of Things. These devices will need electricity and some of them will also be generating electricity. As part of increasingly integrated electricity and data networks, they will also be managing their energy consumption intelligently, in communication with each other. At the same time, buildings will be storing and using the electricity they produce themselves, as well as using it to power electric vehicles. And these are just a couple of the examples. Looking forward, various different systems will be linked and interconnected.

This will also transform the role of energy suppliers. So the Innovation Hub watches for partners around the world who have promising business models and can work together with innogy to shape this future, by utilising progressive technologies such as blockchain, artificial intelligence and augmented reality and by creating new markets. innogy's Innovation Hub is headquartered in Berlin, with European teams in London, Warsaw and Essen, as well as international teams in California (Silicon Valley) and Israel (Tel Aviv). New, digital, data-driven business models are being developed together with startups in all of these locations. The Innovation Hub works closely with innogy Ventures GmbH, innogy's venture capital firm, to make investments and divestments.

Promoting growth – a win-win situation for startups and utilities. In the past year, the Innovation Hub ran ten accelerator and partnerships programmes at the global level, to seek out fresh, new companies and their technologies and business models for the digital future. The world's first and also biggest startup programme in the energy sector is 'Free Electrons'. The programme concentrates on ideas and solutions for issues such as clean energy, energy efficiency, e-mobility, digitisation and needs-oriented customer services. innogy is working on 'Free Electrons' with nine other energy companies from Ireland, Portugal, the USA, the United Arab Emirates, Australia, Singapore, Hong Kong and Japan. The goal is to support companies with financing and link them up with energy suppliers. Both parties profit from this: the energy suppliers benefit from integrating new technologies and business models into their core business, while the startups gain the energy suppliers as their customers. Altogether, the ten power utilities which were involved in Free Electrons are present in more than 40 countries and have over 73 million customers, offering great opportunities for the startups to test their new products under real market conditions and ultimately place them on the market.

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In 2018, the winner of the competitive round in Free Electrons was the firm SOLshare in Bangladesh, which was awarded a prize of US$ 200,000. Together with other utilities, innogy provided startup financing totalling US$ 1.66 million for further development.

Additional information:
- on SOLshare: **www.me-solshare.com**
- on the finalists at Free Electrons 2018: **www.innovationhub.innogy.com/free-electrons**
- on the Innovation Hub: **www.innovationhub.innogy.com** and on page 26 et seqq. of our Annual Report 2017.
- on innogy Ventures: **www.innogy.ventures**

Bangladesh has the highest number of installed private solar systems in the world, at roughly five million. Back in 2015, SOLshare set up the first network for trading solar power between private households in a remote region of Bangladesh. As a developing market with a low level of regulation, the country offers good conditions for testing the potential of this kind of mini network. Thanks to the startup financing, SOLshare can now expand its team and continue to grow: First, the company wants to enter the market in other regions in Bangladesh, before launching operations on the Indian market and subsequently expanding in the Asian region, where it is estimated that some 700 million people have no access to electricity. As a result, this market will soon be home to a futuristic energy supplier which started from humble beginnings but has great potential and a compelling business offer: digital, decentralised, available to all and climate-neutral.

Other portfolio companies:
- Bidgely: **www.bidgely.com**
- Big ChainDB: **www.bigchaindb.com**
- GridX: **www.gridx.ai**
- Scantrust: **www.scantrust.com**
- Placense: **www.placense.com**
- Sterblue: **www.sterblue.com/en**
- Libryo: **www.libryo.com**

R&D: technologies for the future.

New technologies are another major focal point in our innovation efforts: Last year, we worked on around 230 research and development (R&D) projects with the aim of improving existing products and methods and exploring future technologies. Our R&D activities support the transformation of the European energy sector by helping to make electricity from renewable sources more sustainable, efficient and profitable, and the distribution network more intelligent. We want to provide our customers with convenient solutions for generating electricity from renewables and for using and storing energy. The R&D teams in our three divisions – Renewables, Grid & Infrastructure and Retail – ensure that new developments are tailored precisely to the requirements of the relevant markets and customers. Moreover, a central R&D team works on groupwide research and development issues and processes, such as the early identification of new technologies and related trends, as well as our company's patents. Our operating R&D spending amounted to €141 million in 2018 (previous year: €169 million). At the same time, development costs of €106 million were capitalised (previous year: €74 million). A total of 410 employees worked solely or partially on R&D activities. Some important current R&D projects are presented in the following section.

Wind turbines with 'remote control'. For some time now, a square box known as a Smart Windfarm Output Controller or SWOC has allowed almost 60 of innogy's onshore wind farms in Germany to be operated by remote control. The SWOC is not much bigger than a breadbox, but it's much heavier and far more powerful. Its integrated software enables remote control from several different sources: by the operator of the grid into which the electricity is being fed (to prevent grid overload), by the so-called 'direct marketer' and from innogy's onshore control centre. The direct marketer sells the electricity generated for innogy on the electricity exchange and can, for example, reduce production when there is a surplus of electricity on the exchange and electricity prices are thus negative, which makes selling electricity unprofitable. The control centre can cut back a farm's generation, for example if the substations to which the wind farm is connected need to be serviced. The Renewable Energy Act (EEG) sets the regulatory framework for remote control and aims to facilitate the transformation of the energy supply system as a whole: for each kilowatt hour of electricity sold via direct marketing from remote controlled wind farms, innogy receives a bonus from the grid operator. SWOC also has great potential for other markets and types of generation: for instance, SWOCs were installed in the Netherlands to actively participate in the electricity market there. Some solar farms have also already been outfitted with this system.

Designetz develops a blueprint for the energy transition. In order for the energy transition to be a success, industry, the sciences and municipalities must work together closely. This is happening in the Designetz project, which was initiated in January 2017 and is scheduled to last four years. The ultimate goal of this project is to develop an overarching concept for integrating renewables into Germany's energy supply system. The work is being carried out by a research consortium led by innogy. In the Designetz project, existing and prospective future solutions which may contribute to a successful energy transition are being linked with each other and across different regions to form a stable overall system. The project's 46 consortium partners include municipal utilities, renowned research institutions and major technology companies, with which innogy is working on 30 innovative sub-projects. The model regions are North Rhine-Westphalia, Rhineland-Palatinate and the Saarland. These regions will showcase the energy transition as an example for Germany as a whole and other countries. Designetz turns the energy transition into a tangible experience for the general public, thanks to the 'Energy Route', where people can visit and see the components of the electricity network of the future at ten different stations, supported by an interactive app. One of these components is a battery storage facility, which was commissioned in 2018 in Gödenroth, in the Rhine-Hunsrück district of Rhineland-Palatinate. Its function is to reduce loads on the power grid in the event of fluctuations in feed-ins from renewables and enable electricity from renewables to be used locally. Several more of these stations will be brought online in 2019. The Federal Ministry for Economic Affairs and Energy is supporting the Designetz project with funding of around €30 million as part of its support programme SINTEG ('Showcasing intelligent energy – digital agenda for the energy transition'). Designetz was also one of the 100 winners in the innovation competition

'Germany – Land of Ideas', which were selected in June 2018 from the roughly 1,500 submissions as 'A Place in the Land of Ideas'. For the latest information on the project, please visit **www.designetz.de.**

Parking lots with solar-powered charging. Drivers in big cities often don't have a fixed parking space and thus have no opportunity to charge electric vehicles. Nowadays, this still prevents many people from getting such a vehicle. This is why building up a fast charging infrastructure in major metropolitan areas is a key prerequisite for the spread of low-emissions, CO_2-free electric mobility. This is the focus of innogy's project 'e-mobility in metropolitan areas – fast charging for urban life' or 'Metro' for short. In Duisburg, we are working with the municipal utility companies to set up a partially autonomous parking lot for charging electric vehicles, which can also help to significantly reduce network loads, thanks to solar power and a storage system. At this charging lot, vehicles can be charged in just 20 minutes. Among other things, the pilot project involves determining the optimum size of the charging lot, and the solar power and storage system, as well as analysing profitability and customer acceptance. Following a successful pilot phase, this idea may then go into serial production. In January 2019, the charging lot in Duisburg was opened by NRW Prime Minister Armin Laschet.

Learn more about innovation and technology at innogy:
www.innogy.com/innovation

Employee ideas: innogy's internal innovation ecosystem. Our employees combine creativity, innovative spirit and technical expertise with wide-ranging experience and an entrepreneurial mindset. All of this ability is bundled, promoted and utilised through innogy's innovation ecosystem, where new ways of working are tried out and new products, services and business models are developed. In the idea laboratory **IdeaLab** employees can present their ideas, evaluate the ideas of their peers and comment on, supplement or improve these ideas. IdeaLab received 650 ideas by the end of 2018. All of the promising ideas are reviewed by experts and subsequently undergo further refinement, until they are transferred to the operating units, provided they have suitable potential. To promote idea generation on current issues, there are targeted 'campaigns' several times every year; in the past these have included topics such as reducing innogy's CO_2 footprint, for example. Furthermore, employees and students both participate for several weeks in the programme **InnoYou** in jointly developing new business models; these programmes are also based on theme campaigns. Market trends and specific customer topics from the core businesses are taken as the basis. At the closing event Demo Day, the new strategies and prototypes are presented. In the first year, 116 employees and 635 students took part. One example for a product developed in this manner is a smart device that recognises leaks in water pipes and automatically triggers an alarm before more significant damage occurs. The **Greenhouse** is another part of innogy's innovation ecosystem. It provides a place to grow internal startups, for example from IdeaLab or InnoYou, with structured support, until they are mature and can be integrated into innogy's operating businesses as functioning business models. At the end of 2018, there were eight internal startups in the Greenhouse.

1.3 Energy sector environment

Economic output in the Eurozone countries rose last year. Similar developments were seen for wholesale electricity and gas prices, with strong increases in some cases. Weather conditions in our core European markets were mostly milder than in 2017, but wind levels at our main generation sites were substantially below the long-term average.

Eurozone economy expanded at a rate of 2%. The global economic upturn continued in 2018, but decelerated moderately as the year progressed. One of the factors behind this was the trade conflict between the USA and other industrialised countries, including China first and foremost. Nevertheless, according to initial estimates, in 2018 global economic output rose by an impressive 3% compared to the previous year. Growth in the Eurozone reached around 2%. Germany, the largest economy in the currency area, achieved growth of almost 1.5%, while the Netherlands was among the frontrunners in the Eurozone, with a growth rate of around 2.5%. In the United Kingdom, our most important market outside of the currency union, GDP expanded by nearly 1.5%. The approach of Brexit and the related risks proved to be a negative factor for economic activity in the UK.

Economic performance in our main Central and Eastern European markets was significantly better. Currently available data suggest that GDP expanded by around 5% in both Poland and Hungary, by around 4% in Slovakia and by roughly 3% in the Czech Republic.

Electricity demand increased slightly, while gas consumption generally fell. Economic growth had a positive impact on demand for electricity, whereas the trend towards energy savings had an opposite effect. Based on initial calculations by the German Association of Energy and Water Industries (BDEW), in 2018 demand for electricity in Germany remained at roughly the same level as the previous year. The data currently available for the UK suggests that this market also saw no major change in demand compared to 2017. By contrast, electricity demand is estimated to have increased by 2% in the Netherlands, with the country's above-average economic growth likely playing a role in this regard. In Eastern Europe, electricity consumption in Slovakia remained steady, while an increase of more than 1% was registered in Poland and a rise of around 2% was seen in Hungary.

The changes in gas demand were slightly stronger. According to the preliminary BDEW data, gas demand in Germany fell by 7%. The factors behind this included warm temperatures, higher generation from renewables and increases in gas prices. In the Netherlands, gas demand in 2018 was roughly on par with the annual consumption from 2017. Preliminary data for the Czech Republic indicates a decline of 6% in consumption. By contrast, gas consumption in the United Kingdom rose by around 1%.

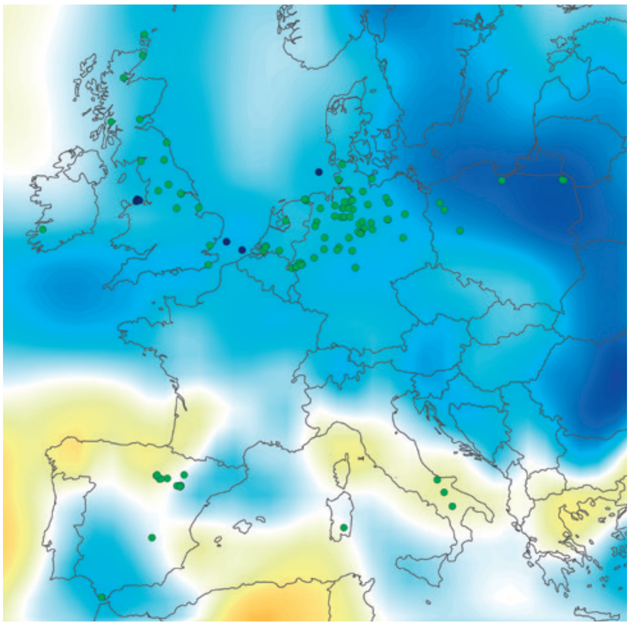
Mostly warmer conditions compared to 2017. Whereas energy consumption by industrial enterprises is mainly influenced by economic trends, households' energy consumption is strongly influenced by the weather. The higher the outdoor temperatures, the less energy is needed for heating purposes, but energy demand for air conditioning businesses and buildings increases. On the other hand, when it is cold outside, heating systems are turned on high. On the whole, average temperatures in 2018 were higher than the relevant 10-year averages in all of our core markets. This was also broadly true for a comparison to the previous year: While average temperatures in Germany and Eastern Europe were considerably higher than last year, they were slightly higher in the Netherlands and Belgium. Only in the United Kingdom the average temperatures were unchanged compared to 2017.

Development of average temperatures Degrees Celsius	Germany		United Kingdom		Netherlands/Belgium		Eastern Europe[1]	
	2018 vs. 2017	2018 vs. 10-year avg.	2018 vs. 2017	2018 vs. 10-year avg.	2018 vs. 2017	2018 vs. 10-year avg.	2018 vs. 2017	2018 vs. 10-year avg.
Q1 2018	−1.1	−0.5	−1.9	−0.8	−1.4	−0.6	−0.3	−0.6
Q2 2018	2.2	2.3	0.2	1.0	1.4	2.0	2.2	1.9
Q3 2018	2.3	1.5	1.2	0.9	1.9	1.4	1.1	0.8
Q4 2018	0.4	0.9	0.5	0.5	0.2	0.5	0.4	0.7
Full year 2018	**0.9**	**1.1**	**0.0**	**0.4**	**0.5**	**0.9**	**0.8**	**0.7**

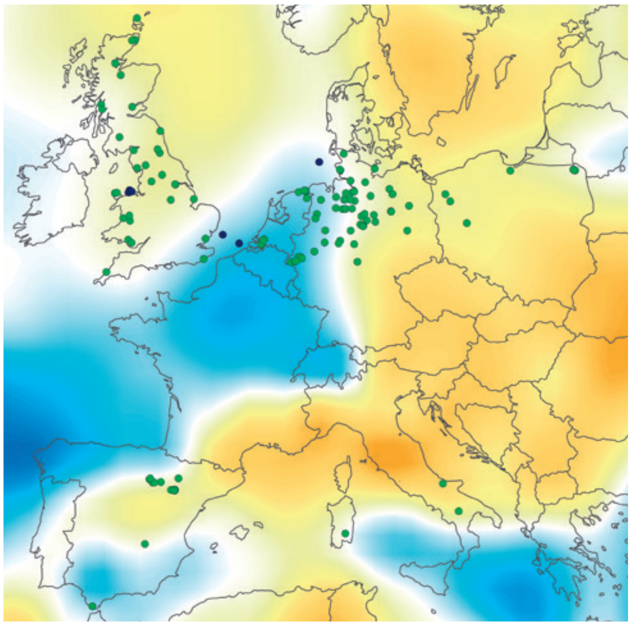
1 Czech Republic, Poland, Hungary and Slovakia
Source: Bloomberg, based on WSI data (The Weather Company, formerly Weather Services International).

Wind levels in Europe

Median wind speed compared to the 30-year average



2018



2017

Wind speed index (30-year reference period)

≤ 85% = 100% ≥ 115%

innogy onshore wind farm

innogy offshore wind farm

Source:
NCEP/NCAR (National Centers for Environmental Prediction/National Center for Atmospheric Research).

Wind levels fall well short of long-term average. The weather also influences electricity generation, as well as energy consumption. Wind levels play an important role for innogy, as they strongly determine the utilisation of our wind turbines. Last year's wind levels in Europe were substantially lower than the long-term average. The wind farms in the UK, the Netherlands, Poland and Germany all registered lower average wind speeds compared to long-term average levels. Compared to the long-term average, only Italy and Spain experienced almost '100% levels'. All of innogy's sites registered deficits compared to 2017. Our run-of-river power stations, most of which are located in Germany, are also subject to weather conditions. Their generation mainly depends on precipitation and melt water levels. As the amounts of precipitation in the second half of the year were lower, especially in Germany, generation by our run-of-river power stations in 2018 was below the long-term average and the levels from 2017.

One-year forward prices of gas on the wholesale market

€/MWh (average weekly figures)

Source: Bloomberg.

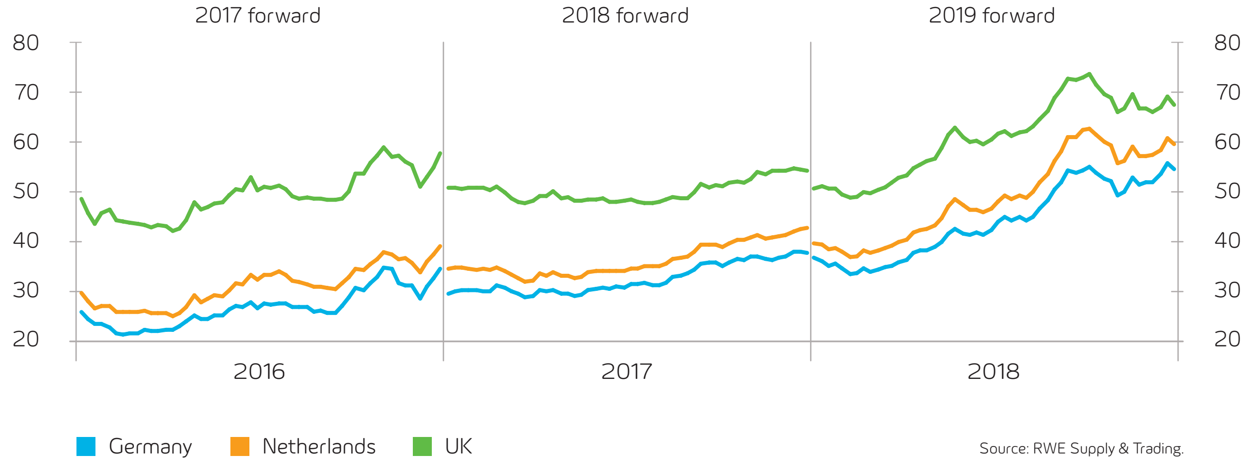
Higher wholesale gas quotations. Spot prices at the Dutch Title Transfer Facility (TTF) averaged €23 per MWh and were thus around €6 higher than the level from 2017. In TTF forward trading, contracts for delivery in the following calendar year (2019 forward) were settled for an average of around €21 per MWh. By comparison, in 2017 the price of the 2018 forward was €17 per MWh. Natural gas prices are traditionally influenced by crude oil prices, which on the whole were higher than in 2017. Positive economic effects were also a factor.

Residential tariffs typically track the price trend on the wholesale market with a time lag and in 2018 these tariffs were still partially affected by the low price levels seen in past years. Based on current data, gas was 2% cheaper for German households, while prices in the Czech Republic remained almost unchanged. In the Netherlands and the United Kingdom, the increases in wholesale gas prices were felt more quickly in residential prices, as customers paid around 7% and 4% more, respectively, compared to 2017.

Generally speaking, prices for industrial customers track the changes in wholesale prices with a shorter delay. Both in Germany and the Netherlands, gas prices increased by around 9%. A price increase of 18% was registered in the United Kingdom, while prices in the Czech Republic rose by roughly 1%.

One-year forward prices of base-load electricity on the wholesale market

€/MWh (average weekly figures)



Wholesale electricity prices keep rising. The upward trend from the previous year continued in our most important generation markets. One important factor behind this was higher prices on the market for CO_2 emission allowances, which tripled from €8 to €25 per metric ton in the course of 2018. This raised generation costs for coal- and gas-fired power stations, and in particular for hard coal-fired stations, which often play a price-setting role in Germany. On average, base load power was settled at a price of €44 per MWh on the German spot market in 2018; this was €10 more than in the previous year. Prices also rose sharply in forward trading. The average cost of the 2019 base-load forward was €44 per MWh last year. By comparison, the 2018 forward traded at €32 per MWh in 2017.

In the United Kingdom, our second-largest generation market, wholesale prices are typically much higher than in Germany. Electricity prices in the UK are often set by gas power stations with higher generation costs, and this affects the price quotations. In the period under review, the mean spot price of base-load power was €67 per MWh (£59 per MWh) in the UK, up €15 versus 2017. The 2019 base-load forward traded at €62 per MWh (£54 per MWh), which was €12 higher than last year.

innogy's electricity generation only partially dependent on wholesale price developments. A portion of our generation assets in the Renewables division receives a fixed feed-in tariff for a predefined period, making it independent of quotations on wholesale electricity markets. This applies above all to our wind turbines in Germany. On the whole, about 60% of our earnings in the Renewables division is generated from the quasi-regulated business.

Conversely, the subsidy systems in some countries, such as the United Kingdom and Poland, grant green electricity certificates for every megawatt hour of generation in addition to the electricity price. In the meantime, these two countries have introduced auction-based procedures to replace their support systems for renewables, which previously provided subsidies via green certificates. These so-called Contracts for Difference (CfD) are used as the primary financing source for subsidising generation technologies with low CO_2 emissions. In 2018, however, we did not have any power stations online in Poland, to which this CfD mechanism applied, and stations of this kind are only now being commissioned in the United Kingdom.

The rest of the generation is exposed to market price risks, as we sell it on the wholesale electricity market. This also includes most of the generation from our German hydroelectric stations. To limit the impact of sudden price fluctuations, we sell some of the electricity produced by these stations up to three years forward.

In the previous year, we realised an average wholesale price of €45 per MWh (2017: €42 per MWh) for this portion of our generation across all markets. Prices developed differently in our two core markets of Germany and the United Kingdom: We sold the generation of our German plants on the wholesale market at an average price of €29 per MWh, which was around €1 below the price level from the previous year, due to high priced repurchases as a result of the lower water levels. By contrast, the average price achieved by the British power stations was €52 per MWh (£46 per MWh), which was roughly €2 higher than the previous year's figure.

Significant increases in some retail electricity prices. For retail customers in Germany, the electricity bill is largely determined by network fees, taxes and levies, especially for residential customers. Last year, prices for German households were only slightly higher than they were in the preceding year. In our other core markets, prices increased sharply in some cases, due to higher wholesale electricity prices. In the United Kingdom and the Netherlands, residential tariffs rose by an average of around 9% and 16%, respectively, compared to 2017. In Poland, residential prices edged upwards by about 5%, whereas they rose by 6% in Slovakia and 8% in Hungary.

Some significant price increases were registered in the industrial segment: Prices were up 7% in Germany, 5% in the United Kingdom, and 6% in the Netherlands compared to the previous year. In our core Eastern European regions, some of the increases in electricity prices for industrial customers were even steeper, as prices rose 4% in Poland, 15% in Slovakia and 16% in Hungary.

1.4 Political environment

In 2018, the topics of energy and climate protection were once again high on the political agenda in many countries, which are relevant for innogy. At the European level, the EU Parliament, the Council of Ministers and the Commission reached an agreement on the Clean Energy Package and the Clean Mobility Package. In Germany, the new grand coalition made its first decisions on energy policy, in the form of the new Omnibus Energy Act. The German regulator, the Federal Network Agency, also calculated the sectoral productivity factor for electricity networks for the first time. In the United Kingdom, interventions in the market were expanded and negotiations on Brexit continue. The Netherlands is moving closer to a new national climate agreement, and Slovakia is amending the law on electricity produced from renewable sources and CHP. In the Czech Republic, negotiations have started for the next regulatory period for electricity and gas. This chapter presents the most important developments at the level of politics and energy policy.

International

24th Conference of the Parties agrees rules to limit emissions of greenhouse gases. In December 2018, the 24th UN Climate Change Conference was held in the Polish city of Katowice. The stated goal of the international community was to move ahead with implementation of the Paris Climate Agreement, which entered into effect in 2015. Delegates from more than 190 countries agreed on a set of rules intended to ensure that the Paris Agreement is put into practice, including more ambitious reporting regulations on greenhouse gas emissions. The new standards for reporting emissions will have to be applied by the industrialised countries starting from 2022 and by the emerging countries from 2024. The goal is to create transparency and establish incentives to make stronger efforts to reduce emissions compared to other signatory countries. More specific rules were also adopted for recording climate-related damages and financing climate protection in the developing countries. No new climate protection targets were negotiated. In 2019, the results of the climate conference in Katowice may provide impetus for the elaboration of a climate protection act in Germany.

European Union's Clean Mobility Package is adopted. In December, the European Parliament and the European Commission reached an agreement on new threshold values for CO_2 emissions by the road transport sector for the period 2021 to 2030. CO_2 emissions of new passenger cars are to be reduced by 37.5% by 2030 compared to 2021, with a 31% reduction of emissions by light utility vehicles. As an intermediate goal, a 15% reduction of emissions is targeted for both classes of vehicles by 2025. There were intense debates about the targets right up until the very end, as the proponents and opponents of strict CO_2 requirements discussed the issue in Brussels for more than a year. innogy was in favour of ambitious goals and supports the compromise that has now been reached. According to expert estimates, at least one out of every three automobiles sold will have to be a pure electric vehicle to achieve this target by 2030.

Amendment of the directive 'Clean energy for all'. At the end of 2016, the European Commission presented a comprehensive reform paper on the topic 'Clean Energy for all Europeans', referred to as the winter package. Among other things, the goal is to ensure that the climate and energy targets agreed upon by the European Council, including a reduction of CO_2 emissions by 40% by 2030 compared to 1990, are achieved. In 2018, based on the reforms in the winter package, a number of directives and regulations were amended following extensive trilateral negotiations between the Commission, the Council and the Parliament. These included the Renewable Energy Directive, the Energy Efficiency Directive, the Governance Regulation and the Electricity Market Directive and Regulation. The Renewable Energy Directive defined new fundamental rules for the expansion of renewables: The target figure for the share of renewables in the EU's energy demand was raised by five percentage points to 32% by 2030 and the transport sector is to achieve an overall goal of 14%. The targets in the Energy Efficiency Directive were also revised: The EU is now aiming to improve energy efficiency by 32.5%, compared to the earlier goal of 30%. The Governance Regulation simplifies and overhauls the reporting obligations of the European countries in the energy sector. With regard to the Internal Market in Electricity Directive and Regulation, tentative agreements were reached between the European Council, the Parliament and the Commission, which are to be transposed into law in 2019. The Electricity Directive strengthens customers' rights, but also promotes competition. For example, socially disadvantaged customers may be protected by government-administered prices, for transitional periods as well, if there is not yet adequate competition in a market. Furthermore, the Directive establishes a regulatory framework for market participants and network operators.

Germany

Coalition agreement concluded in early 2018. The coalition agreement negotiated by the CDU and SPD at the start of last year also contains energy policy objectives. The parties stress the importance of 'a further expansion of renewables which should be ambitious, efficient, grid-synchronised and increasingly market-oriented' in the interests of a successful energy transition and climate protection policy. Against this backdrop, Germany's Federal government has set the target of boosting the share of renewables in German electricity generation to around 65% by 2030. Vigorous expansion and modernisation of the energy networks is to continue, and economic incentives for optimising the electricity and gas networks are to be put in place. In order to facilitate investment in intelligent solutions, the regulatory framework should be further developed 'in recognition of the increasing responsibility of distribution system operators', which are thus seen as playing a crucial role in the success of the energy transition.

Omnibus Energy Act. With the Omnibus Energy Act passed in December 2018, the Federal government reached its first milestone in implementing the energy policy goals set out in the coalition agreement. The coalition partners also made numerous amendments to energy-related legislation last year, with the objective of satisfying the requirements of the European Commission and correcting errors in existing laws. One central aspect of the new Act is the launch of special tenders for solar and onshore wind installations with a capacity of 4 GW between 2019 and 2021. Innovation tenders for renewables are scheduled to start in 2019 with a volume of 1,150 MW. Moreover, the CHP Act was extended until 2025 and the existing own-use privilege for CHP installations able to generate electricity with a capacity between 1 MW and 10 MW was limited to 3,500 full-load hours. Above 3,500 full-load hours, a progressively increasing share of the levies under the Renewable Energy Act must be paid. Own-use privileges mean that decentralised producers of energy are not required to pay any or only partial taxes, levies and duties on the electricity they use themselves. Under the scope of the Omnibus Energy Act, a working group entitled 'Acceptance' was created, which will investigate measures to improve the acceptance for the expansion of renewable energy sources until the end of March 2019.

Amendment of the Grid Expansion Acceleration Act. In December 2018, the Federal Cabinet approved a draft for the amendment of the Grid Expansion Acceleration Act (NABeG). The key element of this draft is the simplification and acceleration of approval procedures for the new construction, reinforcement and optimisation of power lines. For example, certain expansion projects (such as recabling from 220 kV to 380 kV) are to be possible in the future without any federal planning. Furthermore, for underground cables the approval of empty pipes in the planning approval procedure is to be possible if the approval authority can assume a relevant need during the period of validity of the planning approval resolution.

Issues related to the future framework for redispatch and feed-in priority were also originally addressed in the debates on the Omnibus Energy Act. Ultimately, however, these subjects were removed from the Omnibus Energy Act and integrated into the amendment of the Grid Expansion Acceleration Act, which was approved by the Federal Cabinet in December 2018 and will be debated in parliament in 2019. With regard to redispatch, the power station dispatch planned for the market can be modified by the network operator for cases in which this dispatch is not compatible with the physical conditions of the electricity network in order to allow the redispatch to be realised. In such cases, priority feed-in conditions for electricity from renewable sources and decentralised producers will be eased to lower the costs for redispatch. These costs have risen in recent years, as the expansion of the grid has not kept up pace with the spread of decentralised producers.

To enable this, it will be possible to control generation facilities in the distribution network in the event that these have a stronger effect on a bottleneck than the previously employed large power stations and to the extent that moderating the renewables or decentralised producers helps to lower the overall economic costs.

Commission for structural change starts its work. In the summer of 2018, the grand coalition created a commission for 'growth, structural change and employment'. Its task is to propose a roadmap for exiting the use of coal, with the goal of minimising the negative ramifications from this structural change, in particular in the opencast mining regions which are affected. In particular, these include the Rhenish coal mining region and the Lausitz region, where thousands of employees work in opencast mines and power stations. The coal commission presented its report at the end of January 2019, according to which electricity generation using coal should come to an end by 2038 at the latest. Exiting coal should be accompanied by numerous complementary measures to mitigate the ensuing structural change, reduce increases in electricity prices and lend momentum to the necessary replacement investments. Ultimately, the recommendations of the Commission on structural change will not be limited to power stations and the regions which are affected, as they will also have direct or indirect effects on the distribution networks and retail prices.

Federal states make space for onshore wind farms. With the higher targets for expanding electricity generation from renewables, issues of land availability and use conflicts are also coming to the forefront. For onshore wind installations, Germany's construction laws provide for 'privileged status' in unincorporated areas, meaning that the conditions for wind energy are less stringent than for other projects affecting the landscape. However, certain Federal states in Germany, such as North Rhine-Westphalia, want to see the minimum distances to settlements be significantly increased. By contrast, according to the Renewable Energy Act, large-scale solar installations are only eligible for compensation on limited permitted areas. For example, the Federal states must first issue a regulation so that such installations can be built on sub-standard fields and undeveloped land, as areas of low agricultural quality. While Baden-Württemberg and Bavaria were the first states to make use of the so-called opening clause, they have been followed by Rhineland-Palatinate and Hesse, with the result that they can plan projects for an additional 50 MW and 35 MW annually on such areas.

Determination of the sectoral productivity factor. In December 2018, the Federal Network Agency (BNetzA) set the sectoral productivity factor (the so-called 'Xgen') for the electricity networks at 0.9% p.a. for the third regulatory period. Xgen sets a percentage target for how much the network operators have to improve their efficiency compared to the overall economy in Germany and lower their annual expenditures. A factor more than 0% implies that – compared to the general economy – network operators can achieve higher efficiency increases and cost reductions. Over the last eleven years, network operators were already required to achieve higher cost reductions compared to the development of the overall economy. For example, during the first regulatory period the factor was set at 1.25% for the legally mandated period of five years and in the second regulatory period which also lasted for five years the factor was 1.5%. 2018 was the first year in which the Federal Network Agency determined the factor on the basis of its own calculations. For the industry, the calculation by the Federal Network Agency is not logical. For instance, in November the German Association of Energy and Water Industries (BDEW) pointed out that the values taken as a basis by the Agency are not plausible and are far too high, also in comparison to the Xgen of 0.49% set for gas network operators.

Rest of Europe

New national climate agreement in the Netherlands. After protracted negotiations between the relevant interest groups from politics, the business world and society, a preliminary agreement on a Dutch climate agreement was reached in December 2018. By 2030, the goal is to reduce CO_2 emissions by at least 49% compared to the level from 1990. By 2050, the Dutch are targeting a reduction of 95%. Starting from 2019 every five years the government must present a strategy for how these goals are to be reached. Calculation of the costs and effects that achieving the climate targets will have for the Dutch economy is to be brought forward to the spring of 2019. A package of measures should be fully elaborated by mid-2019. In order for the targets to be achieved, every sector of the economy will have to contribute. With a targeted reduction of at least

20.2 million metric tons, the power generation sector will have the largest reduction goal. Exiting coal by 2030 has already been stipulated. The main thrust in cutting CO_2 emissions will be the expansion of renewables. By 2030, power generation from renewable sources is expected to rise to at least 84 TWh. For the transport sector, CO_2 emissions will be reduced by 7.2 million metric tones by 2030. In this regard, 2019 is a crucial year as the legal framework for transitioning to electric mobility will be set this year. Furthermore, the introduction of a minimum price for CO_2 will probably also play an important role in the later consultations. Above and beyond this, the taxation of energy will be adjusted to create incentives for energy-efficient behaviour, for example by applying lower levies on electricity use and higher levies on gas use.

Parliamentary elections in Hungary. General elections occurred on 8 April 2018 in Hungary. The conservative alliance between Fidesz and KDNP won the elections and was able to retain its two-thirds majority in parliament. Shortly after the elections, the Ministry of Innovation and Technology began reviewing the national energy strategy and formulating a new, integrated energy and climate policy. The four main elements of the strategy are a central role for consumers, security of energy supply, climate-friendly transformation of the energy sector and the use of innovative opportunities with economic development potential.

Regulatory developments in Hungary. In July 2018, the EU Commission referred Hungary to the European Court of Justice in infringement proceedings for failure to comply with the third energy package. In the view of the Commission, the Hungarian legal regulations for determining network tariffs do not fully comply with the third energy package, as – among other things – certain types of costs are excluded from the calculation of network tariffs. Due to the general development of costs, network tariffs for 2019 are roughly 5% higher than in the previous year. Together with other distribution system operators, the network companies of ELMŰ-ÉMÁSZ are engaged in a constructive consultation process with the responsible Hungarian ministries with the goal of adjusting the legal framework for the energy industry. Initial proposals by the distribution system operators have already been enacted into law, for example the possibility of app-based meter reading, instead of annual on-site meter reading.

Polish government intervenes in prices. The goal of the Polish government is to maintain electricity prices in 2019 at the level of 2018. With this in mind, the new tariff application for 2019 has not yet been approved, and consequently last year's tariff remains valid for the time being. The Polish government also decided to intervene in prices in the retail business and is currently still working on the details.

On 31 December 2018, a regulation was also supplemented, according to which the distribution system operator innogy STOEN Operator was added to the list of so-called 'protected companies'. As a result, any change of control involving the company requires a special approval.

Czech Republic: Memorandum signed on cooperation in the field of compressed natural gas (CNG). In May 2018, representatives from five Czech ministries, four natural gas companies (including innogy) and associations signed a memorandum on long-term cooperation in the field of compressed natural gas until 2025. According to this, appropriate conditions are to be developed, for example for the use of CNG in the transport sector. This also includes maintaining a low level of value added tax on fuel for CNG vehicles until 2025, with the goal of reducing emissions from road traffic in the Czech Republic. The advantage of using CNG is that it generates neither potentially harmful fine particulates nor nitrogen oxides.

Negotiations on a new regulatory period in the Czech Republic from 2021. In early October 2018, negotiations on the fifth regulatory period for gas and electricity networks commenced with the Czech Energy Regulatory Office (ERO). Key issues include the method and parameters for determining operating costs, the regulated asset base (RAB), the weighted average cost of capital (WACC) and depreciation and amortisation. These negotiations will likely last until the end of May 2019. After that, a public consultation process is planned, and at the end of 2019 the new regulatory framework should be approved by the ERO Council.

At the end of September 2018, the parameters for 2019 were determined (this year still falls within the current regulatory period).

Slovakia reforms law on electricity produced from renewable sources and CHP. At the end of 2018, the Slovakian regulatory authority overhauled the law on compensation for electricity from renewable sources and combined heat and power (CHP) installations. Starting from 2020, the distribution system operators are no longer the central purchasers of the electricity fed into the networks from renewables and CHP plants. In the future, this role will be taken over by a centralised, state-run market operator. Consequently, deviations between the forecast amount of feed-ins and the actual volumes will no longer have any financial effects for innogy as a distribution system operator. In the past, this difference was only partially refunded after two years.

The United Kingdom and Brexit. Politics in the United Kingdom has recently been dominated by the ongoing negotiations of the country's upcoming exit from the EU, commonly known as 'Brexit'. In 2018, British Prime Minister Theresa May negotiated a compromise with the EU, which could have laid out a path acceptable for both parties for a 'soft' exit by the United Kingdom from the EU. After this compromise was reached, a vote of no confidence against May was called by the governing Conservatives, which the Prime Minister survived. At the end of 2018, May unsuccessfully tried to move the EU representatives to accept further concessions in the exit negotiations. In a vote on 15 January 2019, the UK Parliament rejected the compromise that had been negotiated. A majority of representatives in the UK Parliament also resolved that the critical question of handling the border between Northern Ireland and the Republic of Ireland should be renegotiated with the EU and that a 'no-deal' Brexit should be avoided. innogy would welcome a mutual agreement between the European Union and the United Kingdom, which would establish common beneficial economic and political standards and avoid a disorderly 'no-deal' Brexit, as well as establish a reliable framework for investments. innogy is continuously analysing possible negative impact such as trade obstacles in the form of import duties. Negotiations were still ongoing as of the date of publication of the Annual report 2018.

Price caps for standard variable tariffs set in the United Kingdom. On 19 July 2018, at the behest of the Office of Gas and Electricity Markets (Ofgem), the British Parliament passed a law setting a price cap for standard variable tariffs for gas and electricity. This regulation is initially slated to last until the end of 2020, with the option of extending it annually until the end of 2023. On 6 November 2018, Ofgem published the final decision on the methodology and the initial level of the price cap for standard variable tariffs. During the first cap period from January to March 2019 the cap was set at £1,137 p. a. for households with standard variable tariffs for electricity and gas supply, which amounts to £75 less than the usual average bill. This tariff went into effect from 1 January 2019. In early February 2019, Ofgem raised the price cap for the next period (from 1 April to 30 September) by £117 to a total of £1,254 p. a. per household, to take into account the increases in wholesale prices, network fees and other costs ('policy costs') in particular.

1.5 Major events

In fiscal 2018 we launched a number of projects, above all in Renewables. We successfully participated in capacity auctions with our wind power projects, commissioned new assets, further expanded our business in the core markets and broadened our scope of activities in the Australian and Canadian markets. The Grid & Infrastructure division reinforced its market position in Croatia with the acquisition of another gas supply company. We pushed forward with the expansion of broadband in Germany and the Czech Republic. We continued to expand our value-accretive concession business. Moreover, we launched numerous projects and activities related to the transformation of the energy sector, which will generate growth for us in the future. In the Retail division, we concluded new cooperation agreements and expanded our online business activities. We strengthened our position in the 'Energy+' business in particular, with targeted acquisitions. The planned merger of the British retail activities of innogy SE and SSE plc in Great Britain into a new company was ultimately called off at the end of the year. As a result, in December we had to update our forecasts for 2018. We also continue to press forward with developing the charging infrastructure for e-mobility both in Germany and abroad and expanded our presence in the USA with some acquisitions. With the successful issue of three bonds, we reinforced our financial position. Another topic that kept us busy in 2018 was the planned E.ON/RWE transaction. In this chapter, we present the major events which occurred in 2018 and early 2019.

In the period under review

Group level

Successful issue of a bond with a total volume of €1 billion. At the end of January 2018, innogy Finance B.V issued a bond with a guarantee by innogy SE. The bond has a tenor of 11.5 years. It has an annual coupon of 1.5% and an issue price of 98.785%, with a yield of 1.617% p.a. Proceeds from the issuance are being used to refinance liabilities due as well as general operating activities.

Attack on innogy SE's Chief Financial Officer. In early March, Bernhard Günther was the victim of an acid attack.

Planned takeover of innogy by E.ON and RWE. On 12 March, E.ON Verwaltungs SE announced that it was making a voluntary public takeover offer to the shareholders of innogy SE. Prior to this, E.ON had concluded an agreement with RWE on the takeover of RWE's majority share of 76.79% in innogy SE as part of an extensive exchange of business activities and shareholdings.

On 10 May, the Executive Board and Supervisory Board of innogy SE published a joint reasoned statement pursuant to Section 27 of the Securities Trading Act with regard to the takeover offer of E.ON Verwaltungs SE ('E.ON') dated 27 April. Following a detailed analysis of the offer document, the Executive Board and Supervisory Board made no recommendation to the innogy shareholders. Both of these bodies deemed the consideration offered by E.ON to be appropriate in terms of the absolute value, but a conclusive assessment of the relative amount of the offer was not possible. This was the case, because due to undisclosed agreements, it is not possible to objectively determine whether the compensation agreed between E.ON and RWE for the acquisition of 76.79% of innogy's shares was comparable with the offer price, or was higher or lower. The complete reasoned statement issued by innogy and additional information on the voluntary public takeover offer can be found on innogy's Website at: **https://iam.innogy.com/en/about-innogy/investor-relations/reasoned-statement.**

In mid-July, innogy reached an agreement with E.ON and RWE on early, joint planning of the integration measures, which will take effect upon completion of the transaction at the earliest. innogy concluded framework agreements with both E.ON and RWE on the planned integration of innogy into E.ON and the planned integration of innogy's Renewables division and gas storage business into RWE. According to these agreements, the planned integration is to occur in a transparent process, in which all employees will be treated fairly and as equally as possible, regardless of which company they are employed at. Essen will still be the corporate seat and headquarters of the new E.ON. innogy will facilitate and support the speedy implementation of the planned transaction between RWE and E.ON, in accordance with the respective framework agreements.

The Supervisory Board of innogy SE appoints Uwe Tigges as CEO. At its meeting on 24 April, the Supervisory Board appointed Uwe Tigges as the Chief Executive Officer of innogy SE. Uwe Tigges had initially taken on this position on a temporary basis, after Peter Terium left the company in December 2017. Furthermore, on 1 May 2018 the Supervisory Board appointed Arno Hahn as a new member of the Executive Board for a period of three years. Arno Hahn took over the responsibilities of Chief Human Resources Officer and Labour Director at innogy SE from Uwe Tigges. He was previously Managing Director and Labour Director at Westnetz GmbH.

The Supervisory Board also announced that the mandates of Dr. Hans Bünting, Martin Herrmann and Hildegard Müller were each extended until 31 March 2022. Uwe Tigges and Bernhard Günther are both appointed until 31 March 2021.

innogy SE's Annual General Meeting confirms court-appointed members of the Supervisory Board. On 24 April, by way of an individual vote, the Annual General Meeting of innogy SE elected Dr. Erhard Schipporeit, business consultant, as a member of the Supervisory Board of innogy SE as the representative of the shareholders, with 98.66% of the votes cast. Prior to this, by order of the District Court of Essen, Dr. Schipporeit had been appointed to the Supervisory Board effective from 1 January 2018, as the successor to Dr. Werner Brandt.

Furthermore, the Annual General Meeting appointed to the Supervisory Board of innogy SE the following persons, who had also previously been appointed as members of the Supervisory Board by the District Court of Essen, as representatives of the employees: Monika Krebber (appointed with 99.53% of the votes cast), Markus Sterzl (appointed with 99.70% of the votes cast), and Jürgen Wefers (appointed with 99.70% of the votes cast).

The tenure of the above Supervisory Board members shall end upon conclusion of the Annual General Meeting that passes a resolution on the approval of the acts of the Supervisory Board for fiscal 2021. At the Annual General Meeting of innogy SE, 498,064,658 common shares were represented, corresponding to attendance of 89.65%.

innogy issues additional bonds on the capital market. At the end of May, innogy successfully issued two bonds with a volume of €500 million each and tenors of 4.5 years and 8 years. The bonds were issued by innogy Finance B.V with a guarantee by innogy SE. The 8-year bond has an annual coupon of 1.625% and an issue price of 99.874%, with a yield of 1.642% p. a. The second bond was issued with an annual coupon of 0.75% at an issue price of 99.798%, with a yield of 0.796% p. a. In July, this senior bond was topped up by €250 million.

Proceeds from innogy's first green bond allocated to grid projects. In October 2017, innogy issued its first corporate green bond with a nominal volume of €850 million to refinance one onshore and four offshore wind farms. In October 2018, the Green Bond Committee decided to reallocate the proceeds from this bond and use them primarily for grid projects. The reason for this reallocation is the planned E.ON/RWE transaction, as a result of which innogy's renewables business is to be transferred to RWE, while innogy's bonds are to be taken over by the new E.ON. By doing so, we minimise market uncertainties.

In an assurance letter, in October 2018 the internationally recognised sustainability and rating agency Sustainalytics once again confirmed innogy's Green Bond Framework from 2017. According to Sustainalytics, innogy's grid investments satisfy the requirements for a green bond and comply with the Green Bond Principles of the International Capital Market Association. Additional information can be found on page 66.

Termination of the planned merger of the British retail activities of innogy SE and SSE plc in Great Britain into a new company – adjustment of the outlook for fiscal 2018. The plan of merging the innogy subsidiary npower and the household energy and energy services business of SSE plc ('SSE') into a new company, which was originally agreed and announced in November 2017, is no longer being pursued. The parties were unable to reach an agreement for a solution to the substantial direct and indirect financing contributions which became necessary due to the deterioration of market conditions in the British retail business and regulatory interventions in the British energy market, such as the price cap.

A chronology of events: In November 2017, innogy SE and SSE plc agreed to merge innogy's subsidiary npower with SSE's household energy and energy services business in Great Britain, with the goal of listing the new energy supplier on the London stock exchange.

In 2018, there was initially good progress in establishing this new British energy supplier: SSE's shareholders approved the transaction at the company's Annual General Meeting in July 2018. Moreover, it was possible to bring onboard Katie Bickerstaffe as CEO, Gordon Boyd as CFO and Martin Read as Chairman for the planned new company. The UK Competition & Markets Authority (CMA) granted initial approval for the planned new British energy supplier in late August, followed by final approval in October.

In early November, innogy SE and SSE plc announced that they were negotiating adjustments to the planned transaction. These were necessary owing to the deteriorating market conditions in the British retail business and to regulatory interventions, such as the price cap for standard electricity and gas tariffs, which would have had a significant impact on the earnings situation of the merged retail company. Subsequently, details of the adjustments were analysed and discussed, in particular with regard to any additional necessary direct or indirect financing contributions for both contracting parties, as well as the effects of such on the structure of the transaction and the schedule.

On 17 December 2018, innogy SE and SSE plc announced that they had terminated the negotiations on commercial adjustments to the planned transaction on merging their retail activities in Great Britain without a final result, as they were unable to reach an agreement on the necessary financing contributions.

innogy is now investigating alternative options for its British retail business. In the third quarter, the retail operations of npower were reported as 'discontinued operations'. As the British retail activities will initially remain with innogy, npower is now once again stated as a 'continuing operation' in the reporting. As a result of this, it was necessary to adjust the outlook for fiscal 2018 that was presented in November (for more information, see page 48).

Renewables

innogy expands solar power business in Australia. In February, innogy concluded a contract with Overland Sun Farming, a leading project developer in Australia, on the acquisition of a utility-scale solar power development project in Australia, further driving the expansion of its valuable solar power business. The 'Limondale' project in New South Wales will have a capacity of 349 MW.

In September, the project rights were successfully acquired and shortly thereafter the final investment decision for the construction of the solar power station was made. Construction then started in early October. The station will go online in stages. Full-scale commercial operation is expected to start in mid-2020. innogy's subsidiary BELECTRIC is responsible for all of the construction work and will also operate and maintain the solar farm. BELECTRIC is an experienced company on the international solar power market, operating utility-scale solar plants with a total capacity of around 2 GW at the global level, including previous projects in Australia.

innogy successfully participates in two German offshore wind auctions. In April, innogy was awarded the rights to build and operate the Kaskasi wind farm, which will have a planned installed generation capacity of roughly 325 MW and be located off Germany's North Sea coast. The Federal Network Agency thus confirmed that innogy had submitted one of the most competitive bids.

The site has a demonstrated history of good wind conditions and moderate water depths of 18 to 25 meters. The Kaskasi offshore wind farm is to be built off Heligoland in the same grid connection cluster (HelWin-2) as innogy's adjacent Nordsee Ost wind farm. The converter platform necessary for grid connection has been in operation for several years. Synergies can be exploited in operation and maintenance, thanks to the proximity of the Nordsee Ost wind farm. The investment decision for the construction of Kaskasi is slated for the spring of 2020. According to the current plans, the wind farm will go online in 2022.

innogy acquires exclusive rights to solar development projects in the USA. innogy is pressing forward with its expansion strategy for renewables in the US market. In mid-June 2018, via its US subsidiary innogy agreed to work together with the US solar developer Birdseye Renewable Energy, LLC. The goal is to jointly develop 13 solar projects with a total capacity of around 440 MW. The projects are at various stages of development and are situated in attractive regional electricity markets for the expansion of renewables in the USA. The agreement which was concluded grants innogy the privilege of acquiring projects from the pipeline as soon as are ready for construction. The current development pipeline includes three solar projects at an advanced stage of development, which are located in North Carolina and have a total capacity of around 20 MW as well as committed purchase agreements. Plans call for construction of these projects to start in 2019. Another ten solar projects in the early stages of development are in the pipeline. They are located in North Carolina, South Carolina, Georgia and Mississippi and have a total generation capacity of around 420 MW. The states in the US Southeast are expected to be future hotspots for electricity generation from solar power, thanks to their abundant sunshine, mounting demand for renewable energy and the positive overall economic prospects.

innogy finds new partners for the Triton Knoll offshore wind farm. In August, innogy signed an agreement via its subsidiary Innogy Renewables UK Ltd, on the basis of which it sold a 41% stake in its Triton Knoll offshore wind farm. innogy currently holds 59% of the shares. The new partners are Electric Power Development Co., Ltd. (doing business under the name J-Power; 25%), via the subsidiary JP Renewable Europe Company Limited (JPREC), and Kansai Electric Power Co., Inc. (16%), via the subsidiary KPIC Netherlands B.V. The Development Bank of Japan Inc. participated in financing JPREC with equity and thus received preferred shares in the company.

The planned volume of investment for the wind farm totals around £2 billion (equivalent to roughly €2.3 billion at the current exchange rate). Of this, £1.75 billion is being provided by a consortium of 15 international banks.

The Triton Knoll offshore wind farm will be built 32 km off the coast of Lincolnshire in the east of England, with a planned generation capacity of 860 MW. The core of the wind farm will be 90 Type V164 wind turbines produced by the company MHI Vestas. With an installed capacity of 9.5 MW each, these turbines are currently among the most powerful and efficient wind turbines in the world. innogy will manage the construction, operation and maintenance on behalf of the project partners. Work has already started to prepare the land-based grid connection, such as the installation of a 57-km underground cable line, construction of the landing infrastructure and construction of a new onshore substation at Bicker Fen in Lincolnshire. Installation of the turbines themselves is expected to start in late 2019/early 2020, with commissioning slated for 2021. The farm will then theoretically be able to supply around 800,000 British households annually with green electricity.

A power purchase agreement (PPA) for the Triton Knoll offshore wind farm was concluded with Ørsted for a term of 15 years. Based on this, the Danish company will purchase 100% of the electricity generated by the Triton Knoll wind farm. The PPA supplements the support that Triton Knoll receives as part of the Contract for Difference, by minimising market price risks for the first 15 years of the wind farm's operation.

innogy successful in first Polish onshore wind auction. innogy intends to further develop its portfolio in Eastern Europe: In November 2018, the Polish regulatory authority awarded contracts to two of innogy's onshore development projects in the first Polish onshore wind auction for large installations to support renewable energy projects (remuneration system: Contract for Difference). The Zukowice wind farm (capacity of 33 MW) is to be constructed in Lower Silesia and the Dolice wind farm (capacity of 52.2 MW) in Western Pomerania. The investment decision for both projects will be made in early 2019. Furthermore, in December 2018 we decided to expand the Nowy Staw wind farm by 12.2 MW.

Poland is an important core market for innogy, where we already operate eight onshore wind farms with a total installed capacity of more than 240 MW. The wind farms are located in four regions: Nowy Staw is near Gdańsk, Opalenica in the Poznań region, and Krzecin and Tychowo in Western Pomerania. The wind farms Suwalki, Piecki and Taciewo are clustered together in northeastern Poland.

Investment decision for first onshore wind project in the USA. In November, innogy finalised the investment decision for the construction of Scioto Ridge, a 242-MW wind project in Ohio. Shortly thereafter, the contract for the delivery of 72 wind turbines by Siemens Gamesa Renewable Energy was signed. This order also includes a 10-year service and maintenance agreement. The project has an investment volume of more than US$ 300 million. The electricity generated at Scioto Ridge will be sold in the wholesale market. For a significant part of the electricity production, innogy also secures the electricity price through a 13-year PPA. Furthermore, we will be able to apply the federal production tax credit for electricity generation from renewables for this project.

In July 2018, innogy acquired the US onshore wind development business of EverPower Wind Holdings from UK private equity investor Terra Firma Capital Partners. innogy thus has an onshore development pipeline of more than 2,000 MW of wind projects in the USA.

innogy to build Spanish solar project. In December, innogy made the final decision to invest in a solar farm in Spain. The Alarcos project will have a capacity of around 50 MW and be operated without state subsidies. Both the start of construction and full commissioning are slated for 2019. The planned investment volume for the project, including acquisition of the project rights, amounts to a total of around €40 million. The Alarcos project was developed by the Spanish company Synergia Energy Solutions, S.L. and sold in full to innogy in mid-2018. After it goes online, this solar plant located south of Ciudad Real will be able to produce enough green energy to supply the equivalent of around 25,000 homes annually.

Grid & Infrastructure

innogy acquires another gas utility in Croatia. With the acquisition of the grid and retail company Montcogim-Plinara in January 2018, innogy further expanded its market share on the Croatian gas market. Headquartered in Sveta Nedelja, the company is active in six cites in the Zagreb region and has a roughly 375-km gas grid which is among the most modern in Croatia. Following the acquisition of Montcogim-Plinara, innogy has around 35,000 customers on the Croatian gas market, making it the third largest utility. innogy has been active on the Croatian electricity market since 2013 and is the country's second largest supplier, currently serving around 120,000 customers.

innogy presses ahead with the broadband business. High-speed Internet is a key competitiveness factor for industry and businesses, as well as for private households. Working in partnership with municipalities in Germany, innogy is driving forward the expansion of broadband with gigabit-enabled networks, especially in rural areas. We are implementing subsidised broadband projects in various regions and are in the process of bidding on more subsidised projects. Together with the regional investments enviaTel (enviaM), LEW TelNet (LEW) and VSE Net (VSE), our subsidiary innogy TelNet has hooked up more than one million households in more than 300 communities to high-speed Internet with bandwidths between 50 Mbit/s and 300 Mbit/s. In line with our strategy, we doubled our investment in expanding broadband to around €200 million in 2018.

We are also pushing forward with broadband expansion in our Eastern European markets. We are already on the market in six Czech regions and intend on becoming a multi-regional supplier of broadband Internet services in the Czech Republic. The acquisitions of the broadband firms Magnalink (share of 85%) and Cerberos and Helios MB (each 100%) serve to reinforce this strategy. innogy now provides around 20,000 customers with high-speed Internet and operates a 300-km fibre-optic network in the Czech Republic. In addition to our broadband activities, based on a cooperation agreement with the city of Hradec Králové – one of the Czech Republic's largest cities with around 100,000 inhabitants – we plan to develop and test 'smart city' projects.

innogy moves ahead with further expansion of charging infrastructure in Germany. In 2017, innogy was awarded a funding grant for the expansion of charging infrastructure in public areas by the Federal Ministry of Transport and Digital Infrastructure (BMVI), as part of the 'Federal Programme for Charging Infrastructure'. innogy started work on the project in 2018. At our corporate headquarters in Essen, we began installing 85 new charging stations, to help create the conditions for a breakthrough in e-mobility. We continue to shift our own fleet over to electric vehicles: in 2018, our subsidiary Westnetz sealed an agreement with StreetScooter, a producer of electric vehicles from Aachen. In the years ahead, 300 electric utility vehicles made by StreetScooter will gradually be used for servicing the grid, helping to protect the environment and preserve resources.

innogy Metering presses ahead with smart meter roll-out. With over five million electricity and gas meters, innogy Metering GmbH is Germany's biggest meter operator. And we are faced with big challenges with the smart meter roll-out, the legally mandated replacement of analogue electricity meters with digital ones. Following certification of the first smart meter gateway, i.e. the interface for the smart meters, by the Federal Office for Information Security, innogy Metering installed the first intelligent meters at selected customers in several German states in 2018. We are now cooperating with 25 municipal utility companies and network and meter operators, which have entrusted us with their gateway administration for smart meters. So far, we have installed more than 350,000 intelligent metering systems, electronic meters without smart meter gateways.

innogy successful in the concession business. In 2018, innogy ensured the supply of more than 730,000 customers in Germany via the renewal of concession contracts, investment solutions or the renouncement of special cancellation options. With regard to the mounting competition for concessions, the contracts concluded underline the trustworthy relations with the municipal partners that have developed over the years. Across Germany, innogy reliably supplies more than 14 million people with electricity and gas.

innogy makes cities smarter. For example, together with the cooperation partners, innogy is testing an intelligent road infrastructure in Bochum as the first major city in Germany. Innovative technologies such as intelligent parking solutions and WLAN routers are being integrated into existing street lamp equipment, transforming certain parts of the city into smart neighbourhoods to make them ready for the future. Along with Bochum, we are testing the 'smart poles' in other pilot projects, such as those in Traben-Trarbach in the Bernkastel-Wittlich District and Erndtebrück in the Siegen-Wittgenstein District. As a partner of the municipal authorities, innogy has decades of experience in the field of street lighting in both urban and rural areas, as evidenced by the fact that innogy operates more than one million lighting points throughout Europe. In the field of intelligent street lighting, we are concentrating on the development of sensors, as these will become increasingly important in various applications. In the future, smart poles may serve as charging stations for electric vehicles, while at the same time collecting environmental and traffic data and providing parking information. innogy's smart poles will make cities more efficient and more modern.

innogy develops a system solution for networked buildings which is unique in Germany. innogy has developed an integrated system solution for Gatter3 Technik GmbH which combines intelligent control and equipment (such as solar panels, fuel cells, smart poles, heat pumps, battery storage and charging stations for electric vehicles and e-bikes) in and around the Gatter3 Group's facilities in the town of Holzwickede in North Rhine-Westphalia. Thanks to this new technology, Gatter3 is able to use energy efficiently and affordably in its own electricity network. These kinds of system solutions represent the basis for the networked, decentralised energy systems of the future.

Expansion of 'Energy+' business in Hungary and Poland. As part of implementing our strategy, in August the firms 'ELMŰ-ÉMÁSZ Solutions' and 'innogy Polska Solutions' were established in Hungary and Poland, respectively, with the goal of driving further growth in 'Energy+' products and energy-related services. With a customer-oriented approach, these two companies can meet the full range of increasing demand for 'Grid+' and 'Energy+' products and open up cross-selling opportunities between the grid and retail businesses.

innogy showcases the energy network of the future in the Rhein-Hunsrück District. In September 2018, together with representatives from the region and from the state of Rhineland-Palatinate, innogy inaugurated a new battery storage facility in Gödenroth and commenced its operation. The new facility is intended to relieve burdens on the electricity grid using automated energy management and allow for the use of locally generated renewable energy. The battery storage unit is part of the 'energy honeycomb' in the Rhein-Hunsrück District, which is a sub-project of Designetz. The Designetz project integrates existing and future innovative energy projects into an intelligent electricity network. Working with many different components, the project is creating a blueprint for the electricity grids of the future and a successful energy transition (see page 23 for more information).

Retail

Cooperation between MediaMarktSaturn Deutschland and innogy. Since the autumn of 2018, the electronics retailers MediaMarkt and Saturn have been offering green electricity and gas tariffs in all of their stores in Germany as well as online. MediaMarktSaturn is relying on innogy as a strategic partner for selling these new offers. Customers who opt for a new electricity or gas supply contract with innogy or its subsidiary eprimo benefit from an attractive range of options and an easy switch between providers. Additionally, there is a premium in the form of MediaMarkt or Saturn coupons of up to €180 upon concluding a contract. With innogy as a partner, the electronics retailer intends to develop more innovative, sustainable energy services for its customers, such as e-mobility solutions and smart management of household energy consumption. This cooperation was a great success for the residential customer business in 2018: in the period from September to December alone, innogy acquired more than 20,000 customer orders via this sales channel.

innogy Direkt, the virtual energy utility, starts operations. In early November, innogy Direkt GmbH started operations as an independent energy supply company. What makes it different is that its services are only offered online, starting from contract conclusion all the way through to billing. Along with its flexible digital options, innogy Direkt offers customers additional services, such as price advantages over the standard local supplier, 100% green energy, monthly rolling contracts with no minimum term and even monthly settlement if desired. Feedback has been positive in the first few weeks since market launch. By early January 2019, innogy Direkt had already signed up 200 new customers.

innogy develops innovative product for data analysis with Metropolis. In the retail business, data analysis is part and parcel of day-to-day operations and a key to market success. Since the end of 2018, Metropolis has been supporting the innogy Group's German retail departments in data analysis. The system collects groupwide market and competition data and provides this information via platforms to the various sales units. Metropolis can thus deliver valuable customer data for direct sales and for the regional companies. Thanks to Metropolis, innogy has a significant advantage over the competition in the field of value-based market analysis: We can tailor our offerings even better to customers' needs and position ourselves more efficiently and cost effectively on online portals.

Yet another award for eprimo. eprimo is one of Germany's fairest energy utilities. This was confirmed by a recent study conducted by the business magazine Focus-Money and the Cologne-based analysis and consulting firm ServiceValue in December 2018. For the fourth time, Focus-Money awarded the discount energy supplier the quality seal 'Fairest gas utility'. In a representative online survey by ServiceValue conducted from July to September 2018, a representative selection of more than 2,700 customers rated the fairness of 32 gas suppliers in Germany. Eprimo's customers gave the company top ratings in all areas: five times it was ranked 'very good' for value-for-money, product performance, customer service, customer advising and customer communication, along with one 'good' rating for sustainability. With an overall assessment of 'very good', eprimo took the title of 'Fairest gas utility'. In 2018, eprimo was also ranked by the FAZ Institute as the most desirable electricity brand on the German market.

innogy acquires solar panel installers EnergieWonen and ZON7. In December 2018, innogy acquired two fast-growing firms – EnergieWonen and ZON7 – via its Dutch subsidiary Essent. These two companies specialise in the supply and installation of solar panel systems in the Netherlands. The acquisition marks an important strategic step towards expanding innogy's range of offerings, such as solar collectors, insulation, heat pumps and central heating systems. Using the solar panels, consumers can make their homes more sustainable and conserve and use energy more efficiently, while at the same time helping to achieve the climate targets in the Netherlands: by 2030, the country is aiming to reduce its CO_2 emissions by 49% compared to 1990. With the acquisition of EnergieWonen and ZON7, Essent is reinforcing its national network of service companies and continuing to strengthen its position as one of the market leaders for residential solar systems.

innogy acquires CNG filling station network in the Czech Republic and becomes market leader. As part of our activities in the Czech CNG market (CNG – compressed natural gas), we acquired CNGvitall, a subsidiary of the Vítkovice Group, at the end of 2018. With this move, innogy continues to expand its network of CNG filling stations and is now the largest supplier of CNG in the Czech Republic. At the same time, innogy is fulfilling its commitments under a memorandum on the promotion of CNG activities, which the natural gas industry signed with the Czech government in May 2018 (see 'Political environment', page 33).

Corporate/New Businesses

eMobility

innogy acquires supplier of e-mobility in the USA, boosting its presence on the US market. In July 2018, innogy e-mobility US LLC – a 100% subsidiary of innogy SE – took over BTCPower (Broadband TelCom Power, Inc.), a leading supplier of charging technology for electric vehicles. With this transaction, innogy now has a complete line of fast charging products for the North American market as well as access to production capacities and the related specialised know-how. innogy and BTCPower market charging solution for the rising number of electric vehicles and have already cooperated successfully in various pilot projects.

innogy acquires Recargo Inc. In early October, innogy e-mobility US LLC acquired Recargo Inc., a leading software company for e-mobility in the USA. With this acquisition, innogy has broadened its portfolio of solutions and reinforced its position as a technology supplier in the American market. Along with the in-depth IT know-how, the transaction provides innogy with unlimited access to Recargo's e-mobility app 'PlugShare'. PlugShare is a network-independent charging point application, which ensures that precise data on the next charging point is available for electric vehicles, regardless of the operator. With this app and the related database, we can offer a global software solution with expanded access to geo-object data (POI – Point of Interest) and thus improve e-mobility solutions for innogy's customers.

innogy drives electric: entire vehicle fleet to be electrified (around 1,000 vehicles)

innogy drives forward with e-mobility expansion. Working together in the joint venture Charge4Europe, innogy and the mobility services provider DKV intend to offer comprehensive supply solutions for operators of electric vehicle fleets throughout Europe. innogy and DKV will both have a 50% interest in Charge4Europe, and the relevant contract was signed by both parties in December 2018. The two companies decided to make this move because the need for user-friendly, all-around solutions and services for electric fleets will increase in the future, in particular for commercial customers. Charge4Europe plans to develop a European roaming network of public charging points for electric vehicle fleets.

innogy expands charging infrastructure at customers. As an international technology supplier, innogy delivers hardware and software products for e-mobility to commercial and residential customers. Smart charging technology is a key aspect in this regard. We have already installed a total of around 25,500 charging points for customers around the world. This includes roughly 1,900 charging stations in the USA, for which we provide technical support as well as around 15,000 charging points at private or commercial parking sites and several thousand networked charging points in Europe. This makes innogy one of the leading suppliers of technology for charging infrastructure in Europe. Working in partnership with 170 municipal utilities, innogy has developed one of the largest affiliated charging networks in Germany.

In 2018, our customers were once again thrilled by our products, both in Germany and at the international level. For instance, in Italy we concluded two large-scale framework contracts for our hardware and software products. We have already installed the first 175 charging stations for our BeCharge customers and several hundred more are in the planning stage. We also signed a framework agreement for several hundred charging stations with Power Station, a subsidiary of Unico Energia. Among other things, we will be outfitting Italian parking garages with our charging technology as part of this agreement. Important customers were also acquired in the United Kingdom. For example, in 2018 we were awarded a contract by Audi UK's dealer network for the installation of charging infrastructure at various different sites.

Delivery traffic is on the rise due to the growth in online trade. This opens up good opportunities for emissions-free electric delivery vans. One key account in this field is Deutsche Post/DHL, with which we have also concluded a major framework agreement. By year-end we had already developed projects for around 750 charging points in ten countries and at the company's operating centres. Many more charging points will follow in 2019. Amazon Logistics is another one of our new partners. We installed state-of-the-art infrastructure at its facilities in Bochum last year.

After the period under review

innogy transfers technology branch for e-mobility into stand-alone company. Because the subject of e-mobility is becoming increasingly important for innogy, our main e-mobility activities have been bundled into a new company, to reflect our focus as a technology supplier and distinguish from it the business model of an energy utility. From 1 January 2019, the previous business activities in the field of e-mobility were pooled together in the company 'innogy eMobility Solutions GmbH'. In addition to a broad portfolio of hardware and software products, the company will also be responsible for existing customer relationships and ongoing projects, which will be transferred in full to this new innogy subsidiary. The company is also taking over the international subsidiaries, including the latest US acquisitions BTCPower, which produces and markets fast charging solutions, and Recargo, provider of the leading app PlugShare. innogy eMobility Solutions GmbH is headquartered in Dortmund.

innogy issues a new bond. On 31 January 2019, innogy SE issued a bond with a volume of €750 million and a tenor of 4.5 years. It has an annual coupon of 0.75 %, an issue price of 99.658 % and a yield of 0.828 % p. a. The proceeds from this bond will be used to refinance liabilities due as well as general business activities.

npower announces cost-cutting programme. In December, innogy SE and SSE plc terminated the negotiations on a possible merger of their retail activities in Great Britain (see page 37). As a result of the poor market conditions in the UK retail business and owing to regulatory interventions such as the price cap, at the end of January 2019 npower announced a new programme to reduce costs. The company anticipates that around 900 positions will be made redundant in the course of the year. Natural fluctuation will account for many of these job losses. At the end of 2018, npower had a workforce of around 6,050. Initial talks with employees and unions started in February 2019.

The UK regulatory authority Ofgem expects that five of the 'big six' energy companies in the Great Britain will suffer losses or generate lower profits in 2019, due to the introduction of the price cap. npower is also anticipating significant losses for the current fiscal year, despite the measures which have already been announced.

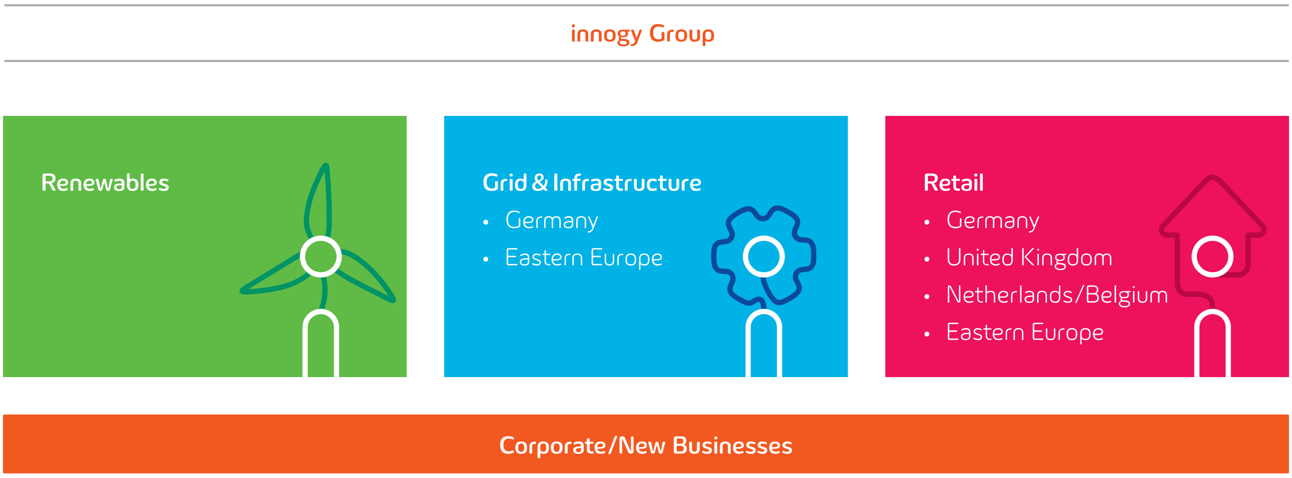
innogy sets new standards in the fields of SmartHome and eMobility. innogy launched a completely new central hub for smart homes at the E-world trade fair held in Essen in early February 2019. As an innovation leader in digital solutions, we are thus able to offer our customers a brand new set of services. Our new central hub links all innogy products and integrated devices from third-party manufacturers, further enhancing the attractiveness of innogy's SmartHome systems. The central unit is the basis for our platform for networked living, which we are continuing to expand with our strong partners. This is leading to the development of completely new, flexible cooperation models and services for the participating partner companies. The Amazon voice service Alexa, Google Assistant, Philips Hue, Netatmo and Novoferm are already compatible. In the future, it will be possible to link many other smart-home devices from MEDION and the 'Homematic IP' product line from eQ-3 with innogy's existing portfolio and the new central hub. This opens up even more options for customers in terms of product variety and possible applications. The technology provider innogy eMobility Solutions also rolled out its new generation of wall boxes at the E-World trade fair for the first time. The new product portfolio stands out with its intuitive use and intelligent networking, backed by top-notch security and reliability. Customised solutions can be developed for companies, charging network operators, municipal utilities and retail customers thanks to the modular product concept.

innogy to build two solar power projects in Canada without government subsidies. In February, innogy made the final investment decision for two solar farms in Canada with a total capacity of 57 MW. Construction and commissioning of these two installations is scheduled to occur this year. The planned investment volume is in the double-digit million euro range. The projects were developed by the Canadian company Solar Krafte Utilities Inc. (Solar Krafte) and the project rights were transferred to innogy in February 2019. The solar farms Hull (Prairie Sunlight II, 30 MW) and Vauxhall (Prairie Sunlight III, 27 MW) will be built in South Alberta, near the city of Vauxhall. innogy's subsidiary BELECTRIC is responsible for all of the construction work and will also operate and maintain the solar farm as a service provider.

innogy sells Czech gas grid business to RWE. In February 2019, innogy sold to RWE its share of 50.04 % in innogy Grid Holding, a.s., domiciled in Prague, and thus disposed of its Czech gas grid business.

An attractive price was achieved from innogy's perspective. This was confirmed by an expert report prepared by a renowned auditing company on the basis of generally accepted valuation principles. It was possible to carry out the transaction directly, as no anti-trust approval was needed, due to the existing group relationship between the parties.

1.6 Reporting principles



As of: 31 December 2018

Group structure featuring three divisions. Our financial reporting reflects our Group structure, which includes three functionally distinct divisions: Renewables, Grid & Infrastructure and Retail. We also take into account regional aspects by dividing the divisions into operating segments. According 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 three divisions cover the following activities:

- **Renewables.** We report on our activities relating to electricity generation from renewable sources in this division. In addition to the operation of green energy assets, this division also includes construction and project development. Our current focus is on onshore and offshore wind, solar power/photovoltaic and hydroelectric power. Our main production sites are located in Germany, the United Kingdom, Spain, the Netherlands, Poland and Italy. Our new business is also focused on North America and Australia.

- **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 contains the activities of the fully consolidated regional utilities (grid operation, power generation, water, etc.). Our gas storage business and our non-controlling interests in utilities (e.g. German municipal utilities and Austria-based KELAG) are also part of this segment. In addition, our activities related to broadband expansion are part of this segment. The segment Grid & Infrastructure Eastern Europe consists of our gas distribution network and gas storage operations in the Czech Republic, our gas distribution network in Croatia as well as our electricity distribution network business in Poland, Hungary and Slovakia.

- **Retail.** In this division, we present our energy retail activities which, in addition to the sale of electricity and gas, include the provision of innovative, needs-oriented energy solutions. 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, and Croatia, as well as activities in Romania until the end of August 2018. Moreover, we recognise the small share in power generation of individual retail companies in Germany and abroad in this division.

Certain groupwide activities outside of the three divisions are presented in the line item 'Corporate/New Businesses'. This also contains the holding activities of innogy SE, our internal service providers and the development of new businesses. From 1 January 2018, we reassigned our activities in the field of eMobility; consequently, these are no longer reported in the Retail division and are now presented in 'Corporate/New Businesses'. Prior-year figures have been adjusted accordingly. We also present certain financial indicators for the Innovation Hub activities 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.

Management ratios and alternative performance indicators (non-IFRS indicators)

Our **management ratios** serve to assess the commercial success of our divisions and operating segments as well as of the innogy Group as a whole. The financial management ratios which are most important to us are adjusted EBIT and adjusted net income, whereby adjusted net income is only relevant for management purposes for the innogy Group as a whole. Components of the remuneration of a part of the workforce, in particular of the Executive Board and executives, are linked to these indicators. Adjusted net income is also used as the basis for determining the dividend of innogy SE. Adjusted EBITDA and free cash flow are other key financial indicators, but are not among the most important ones. The aforementioned management ratios are not defined in the IFRSs or in other international accounting principles, and therefore we collectively refer to them as **alternative performance indicators.**

We comment on the alternative performance indicators here, because they are used in presentations for the members of the Executive Board and Supervisory Board, in order to present operating earnings and indebtedness. At the same time, they serve as a basis for the Group's financial planning and forecasting. Furthermore, we understand that these key figures are expected and used by a large number of investors, equity analysts and other stakeholder groups as supplementary information on a company's operating and financial position. For instance, EBITDA is used by many investors to determine the operating earnings position of a company. It stands for earnings before interest, taxes, depreciation and amortisation. This is important, because depreciation and amortisation according to IFRS are company-dependent to a certain degree and can therefore influence the comparability of companies.

We have defined the key financial indicators of relevance to us as follows:

Adjusted EBIT is calculated by deducting the cost of material, staff costs and operating depreciation and amortisation from revenue, and adding the other operating result and operating income from investments. It excludes certain items which are considered non-operating or aperiodic, which are unusual from a business perspective and are recognised in the non-operating result. The non-operating result can generally include income from the disposal of investments or other non-current assets, goodwill impairments, as well as effects of the fair valuation of certain derivatives. In regular reporting for the Executive Board and Supervisory Board, adjusted EBIT is also one of the most important financial indicators, on the basis of which the divisions' business performance is discussed and controlled.

We define **adjusted net income** as net income adjusted for certain special items. It differs from net income in that the non-operating result and – possibly – further special items are deducted from it. Additional special items that are eliminated primarily include certain interest and currency effects that are included in the financial result. With the introduction of IFRS 9 from 1 January 2018, unrealised income effects from fixed-interest securities are included in the financial result for the first time. We filtered out this special effect in the reporting year, in order to state only the realised income effects in adjusted net income. We determine a target range for the normalised effective tax rate of 25% to 30% to calculate adjusted net income. In the reporting period, we applied a normalised effective tax rate of 25%.

The high relevance of adjusted net income is partially due to the fact that this earnings figure serves as the basis for determining the dividend of innogy SE. We intend to pay between 70% and 80% of our adjusted net income to our shareholders. In addition, adjusted net income is the major basis for the new long-term compensation system for Executive Board members and executives of innogy. Consequently, it is one of the most important management indicators for the innogy Group.

Adjusted EBITDA is adjusted EBIT before operating depreciation and amortisation.

Free cash flow is defined as cash flows from operating activities minus capital expenditure on property, plant and equipment, intangible assets and financial assets, plus proceeds from the disposal of assets and divestitures and less net changes in equity. This definition is linked to the cash flows in the cash flow statement and has been used since mid-2018. In line with innogy's business model, including net changes in equity ensures that the financial contributions of co-investors to our investments are taken into account and that the effects of our capex activities on our net debt are accurately reflected.

1.7 Business performance

This past fiscal year was a challenging one. Significant events included the takeover by E.ON/RWE announced in March 2018, unusually low wind levels in much of Europe and the failure of the planned merger of innogy SE's UK retail business with that of SSE plc. As a result of the latter, in contrast to our earlier plans, the British retail business and its negative contribution to earnings have been included in innogy's adjusted consolidated results again since December 2018. In reflection of this, we had to lower our original outlook at the same time, even though the Group's performance as a whole had been broadly in line with the expectations up until then. We were thus unable to meet our original earnings targets and posted adjusted EBIT of €2,630 million and adjusted net income of €1,026 million.

In the course of the year, we also adjusted our earnings forecasts at the level of the individual divisions. In the Retail division, we were unable to achieve our original forecast for adjusted EBIT of around €750 million and posted a figure of €654 million, due to re-inclusion of the British business, an unanticipated increase in commodity costs due to the cold weather and the difficult competitive environment in the Netherlands. In the Renewables segment, we could not foresee the extremely poor weather conditions, and consequently reported earnings of €299 million versus the original forecast of €350 million. By contrast, the Grid & Infrastructure division registered earnings of €1,962 million, which was significantly better than initially anticipated: On the one hand, in 2018 we were able to conclude legal proceedings in relation to the purchase price reserves from the loss of concessions and thus release the related provisions; on the other hand, we recorded higher-than-expected income from investments in relation to our minority shareholdings in Germany.

The Executive Board and the Supervisory Board of innogy SE will propose a dividend of €1.40 per share at the Annual General Meeting.

Target achievement in 2018 € million	Outlook for 2018[1]	Amended outlook for 2018[2]	2018 actual
Adjusted EBIT[3]	About 2,700	About 2,600	2,630
Renewables	About 350	About 300	299
Grid & Infrastructure	About 1,850	About 1,950	1,962
Retail	About 750	About 650	654
Adjusted net income	Over 1,100	Over 1,000	1,026

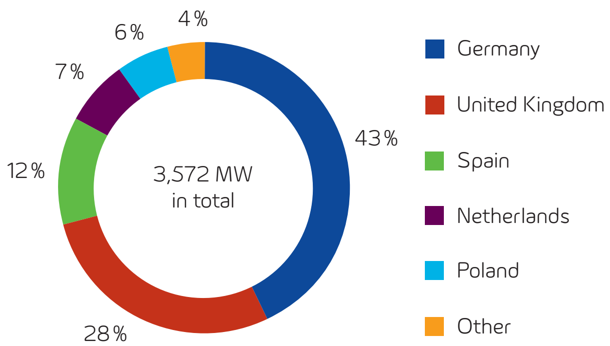
1 Outlook adjusted on 15 May 2018 based on reporting eMobility under 'Corporate/New Businesses' starting from Q1 2018 (see page 10, Q1 2018 statement).
2 Outlook adjusted on 13 November 2018 for the three divisions and on 17 December 2018 for the Retail division, as well as for adjusted EBIT and adjusted net income.
3 'Corporate/New Businesses' is not stated separately.

Power generation capacity by division[1]	Onshore wind		Offshore wind		Hydro		Other renewables[2]		Renewables total		Non-renewables[3]		Total	
MW	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Renewables	2,101	2,013	925	925	538	542	7	7	3,572	3,487	–	–	3,572	3,487
Germany	628	624	295	295	380	380	7	7	1,310	1,306	–	–	1,310	1,306
United Kingdom	397	339	630	630	83	84	–	–	1,110	1,053	–	–	1,110	1,053
Spain	447	447	–	–	12	12	–	–	459	459	–	–	459	459
Netherlands	289	295	–	–	–	–	–	–	289	295	–	–	289	295
Poland	242	242	–	–	–	–	–	–	242	242	–	–	242	242
Ireland	10	–	–	–	–	–	–	–	10	–	–	–	10	–
Italy	90	67	–	–	–	–	–	–	90	67	–	–	90	67
France	–	–	–	–	47	50	–	–	47	50	–	–	47	50
Portugal	–	–	–	–	16	16	–	–	16	16	–	–	16	16
Belgium	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Grid & Infrastructure	98	95	–	–	184	184	36	34	318	313	306	306	624	619
Retail	–	–	–	–	1	1	63	63	64	64	75	74	140	138
innogy Group	**2,199**	**2,108**	**925**	**925**	**723**	**727**	**107**	**104**	**3,955**	**3,864**	**381**	**380**	**4,336**	**4,244**

1 Figures as of year-end. Only includes capacity from fully-consolidated companies.
2 Includes capacity from biomass and photovoltaic stations.
3 Includes capacities from the energy sources hard coal (2018: 10 MW), gas (2018: 235 MW) and pumped storage hydro, oil and other (2018: 137 MW).

innogy is one of Europe's largest producers of electricity from renewable sources. At the end of 2018, innogy had electricity generation assets with a total net installed capacity of 4,336 megawatts (MW), of which 3,955 MW was based on renewables. These figures also include capacity operated by our fully consolidated subsidiaries in the Grid & Infrastructure and Retail divisions, which account for 382 MW of our renewable energy capacity and 381 MW of conventional electricity generation capacity.

Regional distribution of generation capacities in the Renewables division



Other: Ireland, Italy, France and Portugal

Onshore and offshore wind is our most important technology in the Renewables division, representing 80 % of total capacity. In offshore wind, we are among the world's largest operators of wind farms, with an installed capacity of 925 MW. At the end of March, the Galloper wind farm off the south-east coast of Great Britain went online at full capacity (innogy's share: 25 %, equivalent to 88 MW). As we hold a minority interest in this project, it is not included in the calculation of our total capacity. We have onshore wind capacity of 2.2 GW, giving us one of the largest portfolios in Europe. The following table presents an overview of the wind farms and solar projects that we commissioned in fiscal 2018. In total, at the end of 2018, construction was underway for onshore wind farms with a combined volume of around 400 MW, the Triton Knoll offshore wind project (innogy share: 59 %, corresponding to 507 MW) and solar projects amounting to about 350 MW.

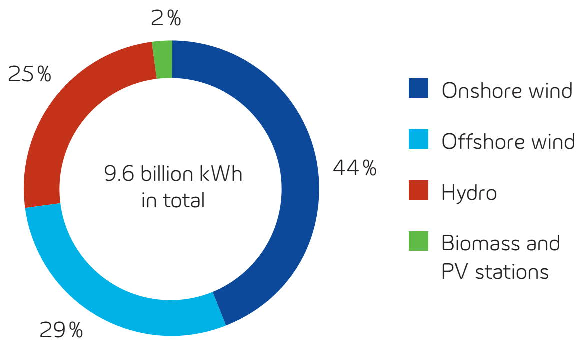
Capacity additions[1] 2018				
Project	Capacity	Region	Technology	Type
Krusemark D	1.0 MW	Germany	Onshore wind	Acquisition
Lembruch	0.8 MW	Germany	Solar	New construction
Sommerland B	6.0 MW	Germany	Onshore wind	Repowering
Brechfa Forest West	57.4 MW	United Kingdom	Onshore wind	New construction
Dromadda Beg	10.2 MW	Ireland	Onshore wind	New construction
Deliceto	23.0 MW	Italy	Onshore wind	Acquisition

1 Figures as of year-end. Only includes capacity from fully-consolidated companies.

Power generation lower compared to last year. In the financial year that just ended, innogy produced 10.8 billion kWh of electricity, 4% less than in 2017. The bulk of this – 9.6 billion kWh or 89% – came from renewables. Approximately 11% stemmed from conventional electricity generation capacity, which we state via our fully consolidated subsidiaries.

Generation from renewables depends strongly on the weather. For wind farms, wind levels play an important role: when they are low, utilisation of these assets drops and their electricity production is lower. In 2018, wind levels at almost all of innogy's production sites were far lower than the long-term average, and wind speeds only approached 100% of the long-term levels in Spain and Italy. Generation from run-of-river and storage power stations depends primarily on precipitation and melt water levels. As the amounts of precipitation in the second half of the year were lower, especially in Germany, generation by our run-of-river stations fell short of the long-term average in 2018.

Share of power generation from renewable sources



Power generation by division[1]	Onshore wind		Offshore wind		Hydro		Other renewables[2]		Renewables total		Non-renewables		Total	
Billion kWh	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Renewables	4.1	4.2	2.8	3.2	1.8	1.8	0.1	–	8.8	9.2	–	–	8.8	9.2
Germany	1.0	1.0	0.9	0.9	1.4	1.5	0.1	–	3.4	3.4	–	–	3.4	3.4
United Kingdom	0.8	0.8	2.0	2.2	0.2	0.2	–	–	3.0	3.2	–	–	3.0	3.2
Spain	0.9	1.0	–	–	0.0	–	–	–	1.0	1.0	–	–	1.0	1.0
Netherlands	0.7	0.7	–	–	–	–	–	–	0.7	0.7	–	–	0.7	0.7
Poland	0.5	0.6	–	–	–	–	–	–	0.5	0.6	–	–	0.5	0.6
Ireland	0.0	–	–	–	–	–	–	–	0.0	–	–	–	0.0	–
Italy	0.2	0.1	–	–	–	–	–	–	0.2	0.1	–	–	0.2	0.1
France	–	–	–	–	0.1	0.1	–	–	0.1	0.1	–	–	0.1	0.1
Portugal	–	–	–	–	0.0	0.0	–	–	0.0	0.0	–	–	0.0	0.0
Grid & Infrastructure	0.1	0.1	–	–	0.6	0.6	0.1	0.2	0.8	0.9	0.4	0.4	1.2	1.3
Retail	–	–	–	–	–	0.1	–	–	–	0.1	0.8	0.7	0.8	0.8
innogy Group	**4.2**	**4.3**	**2.8**	**3.2**	**2.4**	**2.5**	**0.2**	**0.2**	**9.6**	**10.2**	**1.2**	**1.1**	**10.8**	**11.3**

1 Due to rounding, very small amounts are presented as zeros.
2 Includes generation from biomass and photovoltaic stations.

CO_2 emissions from our electricity generation decline again. Almost 90% of the electricity we generate comes from renewables, which means that our specific emissions, i.e. the amount of carbon dioxide discharged per megawatt hour of electricity generated, are extremely low, at just 0.049 metric tons of CO_2 per MWh (previous year: 0.056 metric tons per MWh). Our conventional generation assets emitted 0.52 million metric tons of carbon dioxide, slightly less than in the previous year (0.63 million metric tons). Direct carbon emissions occur when producing electricity primarily in power stations fired by fossil fuels. Via our fully consolidated subsidiaries, we have small volumes of conventional generation capacity at our disposal in the Grid & Infrastructure division. The largest portion of our carbon emissions is accounted for by gas, as some of our subsidiaries operate highly efficient gas-fired and combined heat and power stations. In this context, it should be noted that the emissions figures shown here only relate to the power stations recognised by the European Emission Trading Scheme (ETS). Additional information on our direct and indirect emissions (Scope 1, 2 and 3) pursuant to the Greenhouse Gas Protocol is presented in our Sustainability Report 2018 at **www.innogy.com/sustainability-report-2018.**

Electricity customers by country	Total		Of which: Residential and commercial customers	
'000	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Germany	6,585	6,637	6,515	6,563
United Kingdom	2,453	2,817	2,435	2,799
Netherlands/Belgium	2,255	2,340	2,252	2,336
Hungary	2,166	2,159	2,157	2,151
Poland	963	945	960	943
Czech Republic	405	377	404	376
Other[1]	659	626	655	621
innogy Group	**15,484**	**15,902**	**15,378**	**15,789**

1 Customers in Croatia, Romania (only at 31 December 2017), Slovakia and Slovenia.

Year-on-year decline in number of electricity customers. At the end of 2018, the innogy Group's fully consolidated companies supplied electricity to roughly 15.5 million customers, representing a decline of around 3% compared to 2017. Our largest customer base is still in Germany, with 6.6 million customers. Due to the intense competition, declines were mainly seen in the United Kingdom (around 13%), while smaller year-on-year declines in customer numbers were also registered in the Netherlands/Belgium (roughly 4%) and in Germany (about 1%). Nevertheless, the trend reversed in the second half of the year, as we added customers in Germany in both the third and fourth quarters and were able to stabilise the customer base in the Netherlands. Higher customer numbers were also recorded in our Eastern European markets in 2018, especially in the Czech Republic, Croatia and Slovenia.

External electricity sales volume	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2018	2017	2018	2017	2018	2017	2018	2017
Renewables	–	–	–	–	8.4	8.3	8.4	8.3
Grid & Infrastructure	0.3	0.3	0.4	0.5	1.5	11.7	2.2	12.5
Germany	0.3	0.3	0.4	0.5	1.5	11.7	2.2	12.5
Eastern Europe	–	–	–	–	–	–	–	–
Retail	48.9	50.1	68.0	70.2	127.6	121.3	244.5	241.6
Germany	18.9	19.8	24.4	25.7	124.0	117.2	167.3	162.7
United Kingdom	10.6	11.2	25.8	27.0	2.1	2.1	38.5	40.3
Netherlands/Belgium	8.8	8.7	5.6	5.1	–	–	14.4	13.8
Eastern Europe	10.6	10.4	12.2	12.4	1.5	2.0	24.3	24.8
innogy Group	**49.2**	**50.4**	**68.4**	**70.7**	**137.5**	**141.3**	**255.1**	**262.4**

Electricity sales down on previous year. In the year under review, innogy sold 255.1 billion kWh of electricity to external customers, down slightly compared to 2017. The negative development of electricity sales, in particular for distributors, was mainly due to the Grid & Infrastructure division. The primary reason for this was a change in reporting due to first-time application of IFRS 15 ‘Revenue from Contracts with Customers’ in 2018, according to which electricity generated from renewable sources and fed into our distribution network and own-use volumes from CHP plants pursuant to the Renewable Energy Act must be netted. On the other hand, in Germany we stepped up our supply relationships with existing customers and were also able to acquire new buyers.

On balance, we registered mild declines in sales to residential and small commercial customers, as well as to industrial and corporate customers, particularly in Germany and the United Kingdom. This was mainly due to customer losses and the trend towards energy conservation. These declines in sales contrasted with volume increases in the Netherlands/Belgium and for residential and commercial customers in Eastern Europe.

Gas customers by country	Total		Of which: Residential and commercial customers	
'000	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Germany	1,283	1,268	1,270	1,256
United Kingdom	1,640	1,933	1,636	1,929
Netherlands/Belgium	1,936	2,016	1,934	2,012
Czech Republic	1,191	1,255	1,183	1,248
Hungary	5	4	3	1
Poland	1	1	0	1
Other[1]	191	162	191	161
innogy Group	**6,246**	**6,638**	**6,218**	**6,608**

1 Customers in Croatia, Romania (only at 31 December 2017), Slovakia and Slovenia.

Fewer gas customers compared to 2017. As of the balance-sheet date, our fully consolidated companies supplied a total of 6.2 million gas customers, most of which were in the Netherlands/Belgium, the United Kingdom, Germany and the Czech Republic. Compared to the customer base at end-2017, this represents a decline of roughly 6% or 391,000 customers. We experienced the most significant losses in our UK retail unit as well as in the Netherlands/Belgium. As with electricity customers, the reason was the increased competitive pressure. We registered modest increases to the customer base in Germany, Croatia and Slovakia.

External gas sales volume	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2018	2017	2018	2017	2018	2017	2018	2017
Grid & Infrastructure	0.2	0.3	0.2	0.2	1.3	1.6	1.7	2.1
Germany	0.2	0.3	0.2	0.2	1.3	1.6	1.7	2.1
Eastern Europe	–	–	–	–	–	–	–	–
Retail	97.1	100.3	64.4	67.4	61.2	57.7	222.7	225.4
Germany	23.5	24.7	15.1	15.3	51.8	50.3	90.4	90.3
United Kingdom	28.7	28.9	3.6	3.4	6.8	6.5	39.1	38.8
Netherlands/Belgium	30.4	30.7	22.3	25.2	–	–	52.7	55.9
Eastern Europe	14.5	16.0	23.4	23.5	2.6	0.9	40.5	40.4
innogy Group	**97.3**	**100.6**	**64.6**	**67.6**	**62.5**	**59.3**	**224.4**	**227.5**

Gas supply volume slightly lower compared to last year. At 224.4 billion kWh, in 2018 our gas sales were down by around 1% on the volume delivered in the previous year. Lower sales volumes were recorded in the residential and commercial segment, as well as for industrial and corporate customers. The reasons for this were customer losses and falling volumes in Germany, the Netherlands/Belgium and in some Eastern European countries. We were able to boost our gas sales to distributors, in part because we strengthened supply relationships with existing customers and added new buyers in Germany and some Eastern European countries.

External revenue by product € million	2018	2017	+/– %
Electricity sales	26,163	32,069	–18.4
Renewables	623	617	1.0
Grid & Infrastructure	4,923	9,336	–47.3
Germany	4,301	8,804	–51.1
Eastern Europe	622	532	16.9
Retail	20,616	22,114	–6.8
Germany	12,128	13,565	–10.6
United Kingdom	5,478	5,539	–1.1
Netherlands/Belgium	1,031	968	6.5
Eastern Europe	1,979	2,042	–3.1
Gas sales	8,905	9,133	–2.5
Grid & Infrastructure	1,038	959	8.2
Germany	626	561	11.6
Eastern Europe	412	398	3.5
Retail	7,866	8,174	–3.8
Germany	2,868	3,144	–8.8
United Kingdom	1,541	1,550	–0.6
Netherlands/Belgium	2,106	2,134	–1.3
Eastern Europe	1,351	1,346	0.4
Other sales	1,916	1,937	–1.1
innogy Group	**36,984**	**43,139**	**–14.3**

External revenue down 14% year on year. The innogy Group generated €36,984 million in external revenue in fiscal 2018. This figure includes natural gas and electricity tax. Compared to 2017, our revenue declined by 14%. Electricity revenue fell by 18% to €26,163 million. This was mainly due to a change in reporting as a result of first-time application of IFRS 15 starting from 2018. One consequence of this is that passed-through compensation under the Renewable Energy Act and changes in the fair value of commodity derivatives are no longer reported in revenue and expenses. Electricity revenue also fell as a result of the aforementioned declines in electricity sales to residential and small commercial customers, as well as to industrial and corporate customers. Gas revenue decreased by 3% to €8,905 million. In addition to the aforementioned changes to the reporting of the fair value changes of commodity derivatives, this was primarily driven by the previously discussed decline in gas sales. In the Renewables division, external revenue in the electricity business was up slightly versus the previous year (1%), as the weather-induced decline in the volume of external electricity revenue was more than offset by price effects and the commissioning of new assets. Exchange rate effects only had a modest impact on the development of revenue, as the British pound only fell moderately versus the euro in 2018 (from €1.14 to €1.13 on average).

External revenue € million	2018	2017	+/– %
Renewables	969	967	0.2
Grid & Infrastructure	6,542	10,977	–40.4
Germany	5,474	10,005	–45.3
Eastern Europe	1,068	972	9.9
Retail	29,277	30,981	–5.5
Germany	15,414	17,113	–9.9
United Kingdom	7,054	7,098	–0.6
Netherlands/Belgium	3,431	3,341	2.7
Eastern Europe	3,378	3,429	–1.5
Corporate/New Businesses	196	214	–8.4
innogy Group	**36,984**	**43,139**	**–14.3**
Natural gas tax/electricity tax	1,921	2,020	–4.9
innogy Group (excluding natural gas tax/electricity tax)	**35,063**	**41,119**	**–14.7**

Adjusted EBITDA € million	2018	2017	+/– %
Renewables	619	694	–10.8
Grid & Infrastructure	2,903	2,874	1.0
Germany	2,109	2,051	2.8
Eastern Europe	794	823	–3.5
Retail	810	1,031	–21.4
Germany	420	515	–18.4
United Kingdom	–21	33	–163.6
Netherlands/Belgium	173	237	–27.0
Eastern Europe	238	246	–3.3
Corporate/New Businesses	–235	–268	12.3
Corporate/other	–181	–201	10.0
eMobility	–39	–26	–50.0
Innovation Hub	–15	–41	63.4
innogy Group	**4,097**	**4,331**	**–5.4**

Adjusted EBIT € million	2018	2017	+/– %
Renewables	299	355	–15.8
Grid & Infrastructure	1,962	1,944	0.9
Germany	1,425	1,380	3.3
Eastern Europe	537	564	–4.8
Retail	654	827	–20.9
Germany	384	477	–19.5
United Kingdom	–72	–63	–14.3
Netherlands/Belgium	122	186	–34.4
Eastern Europe	220	227	–3.1
Corporate/New Businesses	–285	–310	8.1
Corporate/other	–223	–242	7.9
eMobility	–46	–27	–70.4
Innovation Hub	–16	–41	61
innogy Group	**2,630**	**2,816**	**–6.6**

Updated guidance achieved: adjusted EBIT reaches €2.6 billion. In fiscal 2018, innogy recorded adjusted EBITDA of €4,097 million and adjusted EBIT of €2,630 million, in line with our revised forecast. This means that the two indicators declined by around 5% and 7%, respectively, compared to the previous year. Adjusted EBITDA and adjusted EBIT were both affected as follows: The largest decline in earnings was registered in the Retail segment. This was essentially due to the absence of positive one-off effects from 2017 and the unexpected increase in commodity costs owing to the cold weather in the Netherlands in Q1 2018. Earnings also fell in the UK retail business, as a result of the regulatory and competitive environment, coming in slightly below the weak level registered for the previous year. In the Renewables division, low wind levels negatively impacted electricity generation in 2018. Additionally, higher up-front costs were registered for new projects along with a non-recurring income item in last year's earnings, stemming from the revaluation of the Triton Knoll offshore wind project. Above and beyond this, there was an increase in growth-related costs for expanding the eMobility business. An opposite development was seen in the item 'Corporate/other', where last year's earnings were partially impacted by one-off effects from provisions for partial retirement measures. Compared to 2017, the Innovation Hub posted better earnings, which resulted from the higher value of financial investments and lower spending on growth measures.

Earnings developed as follows in our divisions.

- **Renewables.** Adjusted EBIT fell 16% to €299 million. The main reason for this was the exceptionally weak wind levels, in particular from the second quarter, which resulted in lower utilisation of our wind farms. In addition to this, higher development and up-front costs for new projects and a decline in earnings from the solar EPC business[1] also undermined the division's earnings. Furthermore, in 2017 adjusted EBIT contained significant one-off gains, as we increased our stake in the UK offshore wind farm Triton Knoll from 50% to 100%. Consequently, this project was shifted from accounting using the equity method to full consolidation. This was accompanied by a revaluation of the investment, which increased earnings by €47 million in 2017. Favourable price effects had a positive impact on earnings, but this was only able to partially offset the negative factors.

1 EPC – Engineering, Procurement and Construction; EPC refers to a common form of project execution in international construction.

Market prices developed favourably over the course of the year, mainly in Germany, Poland and the United Kingdom. Earnings were also positively influenced by commissioning new wind assets, such as the Galloper offshore wind farm (innogy share: 25%, equivalent to 88 MW), which has been fully online since end-March, along with certain other onshore wind farms (see page 50 for a detailed list).

- **Grid & Infrastructure.** Adjusted EBIT amounted to €1,962 million, up by around 1% on the previous year. Developments at the segment level were as follows:

  - **Grid & Infrastructure Germany.** At €1,425 million, this segment's adjusted EBIT was €45 million higher than last year. The main drivers behind this were higher results from the accounting measurement of items, partly related to the new IFRS 9 standard, efficiency enhancement and improved earnings at our minority shareholdings. Lower compensation in the gas grid due to the new regulatory period and lower earnings from the gas storage business had an opposite effect.

  - **Grid & Infrastructure Eastern Europe.** The adjusted EBIT posted by this segment fell €27 million to €537 million. Business in Hungary was negatively impacted by exchange rate developments in particular. In the Czech Republic, we benefited from a positive price effect, mainly due to the mechanism for the compensation of differences between actual revenue and revenue approved by the regulator, for example due to weather effects from previous years. The unfavourable weather conditions in 2018 were partially compensated by a positive currency effect. Weaker performance was registered in the gas storage business.

- **Retail.** The Retail division posted adjusted EBIT of €654 million, representing a drop of 21%. Developments by segment were as follows:

  - **Retail Germany.** Compared to the previous year, the adjusted EBIT of this segment fell €93 million to €384 million. The earnings contributions from reversal of provisions for legal risks had a negative impact, as these were much lower than in the previous year. An additional effect was expenses for reorienting the retail business, such as higher IT spending to digitise our business and up-front costs for projects involving new business models. After losing customers at the start of the year, we were able to add customers in the second half and thus maintained our customer base at a stable level overall.

  - **Retail United Kingdom.** In the UK retail business, adjusted EBIT dropped by €9 million to −€72 million, as the tough competitive situation and related customer losses resulted in an erosion of margins, especially in the residential business. Earnings were also negatively impacted by higher costs induced by regulatory requirements, related to the introduction of smart meters. On a positive note, we profited from higher average consumption in our customer portfolio. Moreover, we continued to slash sales costs to counter the negative factors discussed above.

  - **Retail Netherlands/Belgium.** At €122 million, this segment's adjusted EBIT was €64 million lower than last year. The main reason for this was an unexpected rise in commodity costs due to the colder weather and the resulting increase in gas demand in Q1 2018. Mounting competitive pressure and the related customer losses also had a detrimental effect on earnings. Some customers could only be retained by offering them contracts at more favourable conditions. Lower costs and efficiency measures were only able to compensate for these effects to a limited degree.

  - **Retail Eastern Europe.** Compared to the previous year, this segment's adjusted EBIT only declined slightly, by €7 million to €220 million. One reason for this was that we profited from the cooler weather in the Czech Republic in 2017.

- **Corporate/New Businesses.** Adjusted EBIT for this area improved by 8 % to –€285 million. Specifically, the following developments were seen:
  - **Corporate/other.** At –€223 million, this segment's adjusted EBIT rose by €19 million. This was due to the absence of one-off effects from the previous year in relation to provisions for partial retirement measures as well as a risk provision related to the resignation of former CEO Peter Terium. Higher expenses for internal IT projects and IT security (cyber security) had an opposite effect in 2018.
  - **eMobility.** As planned, adjusted EBIT fell by €19 million to –€46 million, as operating expenses for the development of our eMobility activities in Germany and abroad were higher than in the previous year. We reinforced our market position in North America with two acquisitions. The rise in staff numbers is driven by our growth ambitions.
  - **Innovation Hub.** The Innovation Hub's adjusted EBIT improved by €25 million to –€16 million, driven by the increased valuations of our investments. Additionally, operating expenses fell sharply, due to our focus on growth investments in the portfolio companies at advanced stages of development which are mature for market launch or growth, as well as spending on further growth by the portfolio companies. In 2018, we made 61 investments in new portfolio companies and provided follow-up financing for existing investments.

Non-operating result declines. The non-operating result, in which we recognise certain effects not related to operations or the period being reviewed, fell by €1,049 million to –€1,704 million. In the past year, the impairment of goodwill recognised in relation to our retail business in the UK was the main negative effect on the non-operating result. In the third quarter of the year under review, npower's retail business was recognised at the lower of the carrying amount and fair value less costs to sell, as this unit was reported as a discontinued operation under IFRS 5. This resulted in an impairment of –€748 million (after –€479 million in the previous year). As the commercial assumptions and regulatory conditions continued to deteriorate after reclassification as a continuing operation in Q4, an additional impairment was recognised on the unit's goodwill in the amount of –€779 million, along with an impairment of –€142 million on other intangible assets. Another impairment of goodwill amounting to –€55 million related to our Dutch retail operations. Expenses of –€38 million related to the announced E.ON/RWE transaction were recognised in the non-operating result. In the period under review, the accounting treatment of commodity derivatives used to hedge price fluctuations led to income of €47 million; in the previous year, expenses of –€118 million were included in the non-operating result on the basis of such transactions. Income of €38 million stemmed from a write-back on wind farms in Poland for which an impairment had been applied in 2016.

Financial result € million	2018	2017
Interest income	59	77
Interest expenses	–444	–502
Net interest	**–385**	**–425**
Interest accretion to non-current provisions	–71	–56
Other financial result	–137	–32
Financial result	**–593**	**–513**
Adjustments in the financial result	–180	–176
Adjusted financial result to derive adjusted net income	**–773**	**–689**

Lower financial result compared to last year.
At −€593 million, our financial result was €80 million lower than the figure for 2017. This was predominantly due to the deterioration in the other financial result. Earnings on securities reported in the other financial result (in particular fair value changes of securities and related derivative financial instruments) led to an expense of −€52 million in the reporting period, whereas income of €30 million was recognised in the previous year.

Due to the transfer of debt from RWE to innogy, which was initiated in 2015, the transferred financial liabilities must be accounted for at fair value at their respective transfer dates. The differences to the carrying amounts previously stated in the RWE Group are amortised over their remaining terms to maturity. On the whole, the amortisation of the valuation differences and currency effects had a positive impact of €214 million on the financial result in 2018. As these effects on earnings do not affect actual payment obligations, we adjust the financial result by excluding these effects to calculate adjusted net income. Furthermore, in the reporting period we disregarded unrealised expenses from the fair value changes of securities amounting to −€34 million, which became a component of our financial result for the first time with the introduction of IFRS 9. In total, components of the financial result amounting to €180 million were netted out to determine adjusted net income (previous year: €176 million).

Reconciliation to net income		2018	2017
Adjusted EBITDA	€ million	**4,097**	**4,331**
Operating depreciation, amortisation and impairment losses	€ million	−1,467	−1,515
Adjusted EBIT	€ million	**2,630**	**2,816**
Non-operating result	€ million	−1,704	−655
Financial result	€ million	−593	−513
Income before tax	€ million	**333**	**1,648**
Taxes on income	€ million	−619	−499
Income	€ million	**−286**	**1,149**
Income of non-controlling interests	€ million	367	371
Net income/income attributable to innogy SE shareholders	€ million	**−653**	**778**
Effective tax rate	%	186	30
Rebased earnings per share[1]	€	−1.18	1.40
Number of shares outstanding at the end of the year	thousands	555,555	555,555

1 In relation to the number of shares outstanding as of year-end.

Income before tax declined to €333 million (previous year: €1,648 million). The effective tax rate was 186%. The high effective tax rate was mainly caused by the impairment recognised on the goodwill of the UK retail business, which reduces pre-tax income, but has no tax effect and thus results in an elevated effective tax rate.

After tax, we recorded income of −€286 million (previous year: €1,149 million).

The developments presented above result in net income of −€653 million (previous year: €778 million). Based on the 555,555,000 innogy shares outstanding, earnings per share amounted to −€1.18 (previous year: €1.40). Information on the treasury shares of innogy SE is presented on page 154 of the notes.

Derivation of adjusted net income		2018	2017
Adjusted EBIT	€ million	2,630	2,816
Adjusted financial result	€ million	−773	−689
Adjusted income before tax	€ million	**1,857**	**2,127**
Tax rate used to calculate adjusted net income	%	25	25
Taxes on income used to calculate adjusted net income	€ million	−464	−532
Non-controlling interests	€ million	−367	−371
Adjusted net income	€ million	**1,026**	**1,224**
Adjusted net income per share[1]	€	1.85	2.20
Number of shares outstanding at the end of the year	thousands	555,555	555,555

1 In relation to the number of shares outstanding as of year-end.

Adjusted net income of €1,026 million corresponds to updated guidance. In the period under review, adjusted net income totalled €1,026 million and was thus lower than the previous year, as anticipated. The decline was due to lower adjusted EBIT and a weaker adjusted financial result. Based on the 555,555,000 innogy shares outstanding, adjusted net income per share amounted to €1.85 (previous year: €2.20).

Adjusted net income differs from net income in that the non-operating result and – possibly – further special items are excluded from it. Other special items that were excluded in 2018 primarily include the effects in the financial result described above.

We applied a normalised effective tax rate of 25% in calculating adjusted net income for the year being reported.

Dividend proposal: €1.40 per share. Adjusted net income is the basis for the dividend payment. Dividing the former by the current number of shares issued results in adjusted net income per share of €1.85. The Executive Board and the Supervisory Board of innogy SE will propose a dividend of €1.40 per dividend-bearing share for fiscal 2018 to the Annual General Meeting on 30 April 2019. This corresponds to a pay-out ratio of about 76% and is within of the range of 70% to 80%, which we have set as the target range for the dividend payment.

Investment process and economic criteria

We measure the value-added growth of the business areas in which we invest on the basis of clearly defined profitability criteria. In this section, we explain our approach to investments and their valuation.

Investment process. In the financial year that just ended, innogy spent about €2.7 billion on property, plant and equipment and financial investments as well as intangible assets. We are also planning a significant volume of investments in the years to come. Spending will be focused on the maintenance and modernisation of our grids and on our infrastructure, as well as on new projects in the Renewables division. In the retail business, we want to become even more efficient as a result of our capex. We see new opportunities for value-accretive growth in the business areas of electric mobility, solar power and broadband networks in particular.

As part of our Group planning, we first establish the financial framework which defines our scope of action for capital expenditure. In doing so, the Group's maintenance needs and growth options are also analysed and evaluated. In this context, the risk-return-profile, diversification and portfolio considerations, business model maturity, workforce allocations and financing capacity play a role in particular. Potential capex projects compete against each other across all divisions. The decisions made in this groupwide strategic investment process lay the foundation for detailed planning in our operating segments.

Whether planned capex measures are actually implemented depends not only on the strategic and economic assessment, but also on other factors such as the findings of legal and tax reviews. Opportunities to work together with strategic and finance-oriented partners also play a key role. Investment funding from co-investors is an advantage as it reduces the amount of financing innogy has to provide. Controlling and non-controlling interests are both possible. The final investment decision on a project is made by the Executive Board members in charge of the divisions in question; if materiality thresholds are exceeded, the Executive Board or Supervisory Board of innogy SE is also involved.

Compliance with the investment plans is monitored and regularly discussed during the year, usually once a quarter, by the Executive Board members in charge of the divisions in question and the Executive Board of innogy SE. Two years after completion of a major project, a recalculation is performed, allowing experience gained from the project to be considered in the planning of future projects.

Criteria for evaluating the profitability of capital expenditure. All capital expenditure is evaluated based on uniform, generally accepted principles in order to ensure the high quality, objectivity and transparency of assessments. The absolute and relative advantage of an investment decision is determined quantitatively by conducting profitability studies, in which capital value-oriented methods are primarily used.

In assessing the attractiveness of investment projects, we use dynamic investment calculation models which take into account the timing of payments and the returns on an investment. On the one hand, these include the internal rate of return (IRR), which is compared to the required minimum return ('hurdle rate') and describes the relative advantage of an investment. Additionally, to determine the net present value (NPV), all future cash flows are discounted using the hurdle rate. The hurdle rate is stated as a post-tax figure and can be applied independently of the underlying financing structure. The appropriateness and level of these hurdle rates for the innogy Group and its divisions are reviewed once annually and adjusted if necessary.

The hurdle rates are composed of the following elements:

Weighted average cost of capital (WACC) of the Group/division
+ Risk premiums to reflect specific construction risks (e.g. construction risks relating to new technologies)
+ Country risk premium
+ Risk premium for non-controlling interests
+ Value-added allowance.

The table below provides an overview of the current hurdle rate ranges by division. We distinguish between our core business and new markets/technologies. Our core business encompasses the conventional retail electricity and gas business as well as the activities in the Grid & Infrastructure division and the construction of renewable energy assets (wind farms and hydro power stations) in our core markets in Europe. We have different return criteria for new energy service products (referred to as the Energy+ business) in the retail business and for new technologies and/or markets.

Hurdle ranges (rounded)	innogy Group	Renewables	Grid & Infrastructure	Retail
Core business	5–9%	5–8%	5–7%	7–9%
New markets/technologies	5–15%	5–14%	6–15%	5–10% (Energy+)

Capital expenditure € million	2018	2017	+/– € million
Renewables	700	438	262
Grid & Infrastructure	1,596	1,362	234
Germany	1,195	979	216
Eastern Europe	401	383	18
Retail	252	193	59
Germany	70	47	23
United Kingdom	66	58	8
Netherlands/Belgium	80	61	19
Eastern Europe	36	27	9
Corporate/New Businesses	140	145	–5
Corporate/other	45	108	–63
eMobility	60	8	52
Innovation Hub	35	29	6
Total capital expenditure[1]	**2,688**	**2,138**	**550**
Proceeds from disposal of assets/divestitures	–299	–281	–18
Net changes in equity (including non-controlling interests)[2]	–630	64	–694
Total net investment	**1,759**	**1,921**	**–162**

1 Capital expenditure on property, plant and equipment and intangible assets, as well as financial assets. Since H1 2018 we have a different definition: this figure now only contains items with an effect on cash flows. The figures reported correspond to the actual cash flows as per the cash flow statement (see page 67). Prior-year figures have been adjusted accordingly.
2 The definition of net investment was changed starting from Q3 2018. We report changes in equity as a component on our condensed cash flow statement here.

Capital expenditure rises compared to previous year. During the reporting period, our capex rose by €550 million to €2,688 million. The expansion and modernisation of our grid infrastructure continues to be a key point of our investment activity. Besides maintenance, the focus was on the connection of decentralised generation assets and network expansion in relation to the energy transition. Additional capital was spent on expanding our broadband activities. In the Renewables division, the increase in capital expenditure was related in particular to construction of the Triton Knoll offshore wind farm in the United Kingdom and to onshore wind farms in the United Kingdom and the USA. IT projects resulted higher capital expenditure in the German retail business. By contrast, capital expenditure declined for the item 'Corporate/other', due to the lack of the prior-year effect in relation to securities for covering partial retirement measures. In eMobility, the significant rise in capex compared to the previous year stemmed from the acquisition of BTCPower and Recargo, as well as higher development outlays on our eMobility IT platform. Net investment was slightly lower than the figure for the previous year, due to higher proceeds from (partial) disposals (including the sale of a 41% interest in the Triton Knoll offshore wind farm, see page 38) and higher sales of shares in the Grid & Infrastructure division in Germany.

Employees[1,2]	31 Dec 2018	31 Dec 2017
Renewables	1,899	1,669
Grid & Infrastructure	21,414	21,558
Germany	14,451	14,164
Eastern Europe	6,963	7,394
Retail	15,307	15,421
Germany	4,089	4,159
United Kingdom	6,035	6,382
Netherlands/Belgium	2,531	2,346
Eastern Europe	2,652	2,534
Corporate/New Businesses	4,284	3,745
Corporate/other	4,013	3,592
eMobility	233	92
Innovation Hub	38	61
innogy Group	**42,904**	**42,393**
In Germany	22,402	21,976
Outside Germany	20,502	20,417

1 Converted to full-time positions.
2 From January 2018, we reassigned our activities in the field of eMobility and now report these outside of the Retail division in the item 'Corporate/New Businesses'. Prior-year figures have been adjusted accordingly.

innogy had 42,904 employees at the end of 2018. As of 31 December 2018, innogy had 42,904 people on its payroll throughout the Group. Part-time positions were considered in these figures on a pro-rata basis. Last year, net personnel figures grew by 511 employees. At our German sites, the workforce rose by 426 from the end of the previous year to 22,402, whereas the number of employees abroad increased by 85 to 20,502.

In 2018, the workforce developed as follows by division: Headcount increased in the Renewables division, primarily as a result of the expansion of our solar and wind power projects, especially in the USA. In the German grid business, an increase in the reported workforce was registered as a result of a new cooperation with the Aachen municipal utilities (Regionetz GmbH). By contrast, staff numbers declined in the segment Grid & Infrastructure Eastern Europe, mainly owing to the reclassification of innogy Česká republika a.s. to the area 'Corporate/other'.

Workforce also declined in the retail business as a result of restructuring measures, particularly in the United Kingdom, but also in Germany and the Netherlands. Nevertheless, in the Netherlands this was offset by a stronger opposite effect, as the service partner business expanded there on the heels of new acquisitions.

The rise in the number of employees in the item 'Corporate/other' was mainly structural in nature, owing to the aforementioned reclassification of innogy Česká republika a.s. from the Grid & Infrastructure division. In line with the plans, the headcount in eMobility rose, among other things due to the expansion of activities in growth regions such as the USA. A reduction in staff numbers was registered for the Innovation Hub. This occurred due to the sharper focus on the investment business and the related contraction of the startup portfolio.

Apprentices are not included in the personnel headcount. At the end of 2018, 1,661 young people were in a professional training programme at innogy, the same number as in the previous year.

1.8 Financial position and net worth

In fiscal 2018, innogy successfully issued three new bonds with a total volume of roughly €2.25 billion and one bond of around €1 billion was redeemed. As a result of the lower refinancing costs, our average cost of debt declined from approximately 4.1% to 3.6%. As an investor-friendly measure, we re-allocated most of the proceeds from our green bond to grid projects. At the end of 2018, based on net debt of €17 billion and adjusted EBITDA of €4.1 billion our leverage factor was 4.1 (previous year: 3.6).

Central financing. The financing of the innogy Group is the responsibility of innogy SE, which obtains funds from banks, or on the money market or capital market. The Dutch subsidiary innogy Finance B.V. can also issue senior bonds guaranteed by innogy SE. Only in specific cases do other subsidiaries raise debt capital directly, for example if it is more advantageous economically to make use of local credit and capital markets, or if we implement projects together with partners. Additionally, innogy SE acts as co-ordinator when Group companies assume a liability. The holding company decides on the scope of warranties issued and letters of comfort signed. Pooling these activities enables us to plan, manage and monitor our financial and liquidity positions. Moreover, this strengthens our position when negotiating with banks, business partners, suppliers and customers.

Flexible tools for raising debt capital. We largely meet our financing needs with cash flows from operating activities. In addition, we have access to a number of flexible financing instruments.

Since October 2017, innogy has had a syndicated credit line with a volume of €2 billion. This credit line was granted by an international consortium of 22 banks and functions as a liquidity reserve. The original term of this credit line ran until October 2022; in October 2018 a large majority of the bank consortium agreed to an extension of one year (i. e. until October 2023). The option of extending the term one more time remains in place. Furthermore, the volume can be increased by another one billion euros. The approval of the bank consortium is necessary to extend the term of the agreement or to increase the volume of credit. Moreover, since the end of 2016, innogy has had its own commercial paper programme, which gives us a maximum of €3 billion in headroom for short-term financing on the money market. Neither the credit line nor the commercial paper programme had been used by the end of the year.

In order to raise long-term debt capital, an independent Debt Issuance Programme for bonds was established in the spring of 2017. Taking into account the bonds which were transferred from RWE, this programme has a total volume of €20 billion.

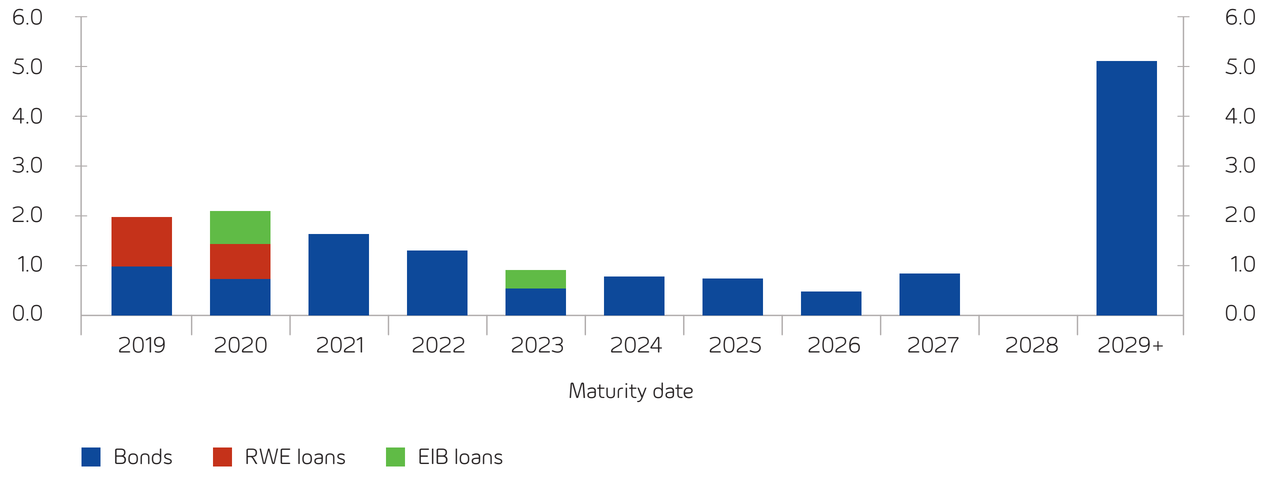
None of the aforementioned financing instruments obligates us to comply with defined interest payment, debt or minimum capital limits, the violation of which would obligate us to make premature repayments or to provide surety. Likewise, we are not required to maintain a pre-determined credit rating.

Bond issues in 2018. innogy issued three new bonds in fiscal 2018. In January, innogy placed a bond with a volume of €1 billion on the market, with a tenor of eleven and a half years and a coupon of 1.5%. Two more issues followed in May: one had a volume of €500 million with an 8-year tenor and a coupon of 1.625%, while the other also had a volume of €500 million with a tenor of 4.5 years and a coupon of 0.75%. Shortly thereafter, the latter bond was topped up to €750 million. On the other hand, in July 2018 a 15-year bond with a nominal volume of €980 million and a coupon of 5.125% was redeemed. This bond had been issued by innogy Finance B.V., with innogy SE as the guarantor.

Re-allocation of innogy's green bond proceeds. In October 2017, innogy issued its first green bond with a volume of €850 million. The bond was earmarked for (re-)financing onshore and offshore wind farms. Due to the planned E.ON/RWE transaction, there would be a separation of financing from the financed assets, as the Renewables business is to be transferred to RWE, while the external debt will be transferred to E.ON. In the interests of pursuing an investor-friendly policy, we decided to re-allocate the proceeds from the green bond to projects which are also to be integrated into the future E.ON structure. By doing so, we minimise market uncertainties. To this end, we designated a portfolio consisting mainly of grid projects and assigned this to the bond in October 2018. Prior to this move, we reviewed the green nature of these projects both internally and with the sustainability agency Sustainalytics. Sustainalytics also issued an assurance letter, stating that our green bond continues to satisfy the 'Green Bond Principles' and can thus be purchased by specialised funds. This re-allocation was the first of its kind in the still young green bond segment.

Maturity profile of bonds and loans as of 31 December 2018

Bond volume € billion



Volume of bonds and loans from RWE and EIB amounted to €16 billion. At the end of 2018, the nominal volume of the bonds outstanding amounted to €13.3 billion. Furthermore, there were liabilities to RWE AG from loans amounting to €1.7 billion, and €1.0 billion to the European Investment Bank (EIB). The weighted average remaining term to maturity of the bonds and the EIB and RWE loans amounts to 7.3 years.

The bonds are denominated in euros, sterling, US dollars and Japanese yen. We utilised hedges to manage the currency risk. Taking account of these transactions, at the end of the year 70% of our debt was in euros, roughly 30% was in sterling and less than 1% was in US dollars. There was no foreign currency risk arising from our capital market debts in yen.

External debt by maturity as of 31 December 2018		2019–2023	2024–2028	2029–2033	From 2034
Nominal volume of bonds	€ billion	5.2	2.9	2.5	2.7
Nominal volume of RWE loans	€ billion	1.7	–	–	–
Nominal volume of EIB loans	€ billion	1.0	–	–	–
Total nominal volume	€ billion	**7.9**	**2.9**	**2.5**	**2.7**
Share of total external debt	%	50	18	15	17

Weighted average cost of debt falls to 3.6%. Relative to the nominal volume of bonds and RWE/EIB loans outstanding at the balance-sheet date, innogy's volume-weighted average cost of debt was 3.6% (previous year: 4.1%). This considers the bonds based on an average yield of 4.1% and the RWE/EIB loans based on an average interest rate of 1.5%. The cost of debt includes interest and currency hedges. One factor in this regard was that the new bonds issued during the reporting year had comparatively lower coupons due to market developments, while the bond that was redeemed featured a higher yield.

Cash flow statement € million	2018	2017
Funds from operations	2,794	3,181
Changes in working capital	−229	−527
Cash flows from operating activities	**2,565**	**2,654**
Cash flows from investing activities[1]	−2,678	−1,800
Cash flows from financing activities	1,057	−1,172
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	–	9
Net change in cash and cash equivalents	944	−309
Cash flows from operating activities	**2,565**	**2,654**
Cash flows from net investments	−1,759	−1,921
Free cash flow	**806**	**733**
Dividend payments	−1,249	−1,328
Budget deficit / surplus	**−443**	**−595**

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

Budget deficit improves slightly compared to previous year. In the period under review, cash flows from operating activities amounted to €2,565 million, down by €89 million versus 2017. Funds from operations were lower than in the previous year, mainly due to lower adjusted EBITDA in the Retail division, with a contrasting effect from positive changes in working capital. Despite higher capex, net investment was lower than in 2017, which can be traced back to the positive changes in equity in particular (including Triton Knoll). The positive cash flows from financing activities totalled €1,057 million. This mainly included the bonds issued and the redemption described above. The budget deficit was smaller than in the previous year, thanks to the mild improvement in free cash flow and lower dividend payments to non-controlling shareholders amounting to €360 million.

On balance, the presented cash flows from operating, investing and financing activities caused our cash and cash equivalents to rise by €944 million.

Net debt € million	31 Dec 2018	31 Dec 2017
Cash and cash equivalents	2,014	1,070
Marketable securities	2,501	2,362
Other financial assets	404	654
Financial assets	**4,919**	**4,086**
Bonds, other notes payable, bank debt, commercial paper	15,887	14,428
Hedge transactions related to bonds	5	−1
Adjustment for the fair valuation of senior bonds and EIB loans	−658	−877
Other financial liabilities including liabilities to RWE AG	2,818	2,828
Financial liabilities[1]	**18,052**	**16,378**
Net financial debt	**13,133**	**12,292**
Provisions for pensions and similar obligations[2]	3,489	2,986
Provisions for wind farm decommissioning	363	359
Total net debt	**16,985**	**15,637**
Leverage factor[3]	4.1	3.6

1 Adjusted by the valuation differences from bonds and the transfer of loans in the amount of €658 million as of 31 December 2018 and €877 million as of 31 December 2017.
2 Including the surplus of plan assets over the benefit obligations in the amount of −€278 million as of 31 December 2018 and −€103 million as of 31 December 2017. Due to the initial recognition of the plan assets of the VSE Group, plan assets increased by around €253 million in 2018. The overall effect from this has no impact on net debt.
3 Ratio of net debt to adjusted EBITDA.

Net debt higher than previous year at €17 billion. As of 31 December 2018, our net debt amounted to €17 billion and was thus €1.3 billion higher compared to the level at the balance-sheet date for 2017.

The issuance of new bonds was the main reason for the increase in financial liabilities. During the reporting period, net financial debt increased by around €0.8 billion to €13.1 billion, as capital expenditure and dividend payments were higher than the cash flows from operating activities.

Provisions for pensions rose from roughly €3.0 billion to €3.5 billion (including the capitalised surplus of plan assets). The negative development of plan assets and the decline in the discount rate in Germany from 2.0% to 1.8% played a role in this regard, while the increase in the discount rate in the United Kingdom from 2.4% to 2.8% had an opposite effect.

Off-balance-sheet obligations from gas and electricity procurement contracts. Net debt does not include our off-balance-sheet obligations, which mostly result from long-term contracts for the supply of gas and electricity. We calculate these obligations based on the expected development of commodity prices. Further commentary on our off-balance-sheet obligations can be found on page 181 in the notes.

Credit rating (as of 31 Dec 2018)	Fitch	Moody's	Standard & Poor's
Long-term debt	BBB+	Baa2	BBB
Bonds	A–	Baa2	BBB
Short-term debt	F2	P2	A2
Outlook	Stable	Stable	Stable

innogy classified as investment grade. innogy has an investment grade rating from all three leading rating agencies.

Fitch assigns us an issuer rating of BBB+ with a stable outlook. The rating for bonds (the so-called 'senior unsecured rating') is actually one notch better, at A–. Our short-term financial debt has a rating of F2.

Moody's has issued a rating for innogy SE since the end of June 2017. At present, it assigns us an issuer rating of Baa2 with a stable outlook and a short-term rating of P2.

Standard & Poor's has set innogy's issuer and bond rating at BBB with a stable outlook. Short-term financial debt has a rating of A2.

Following the announcement of the E.ON/RWE transaction in March 2018, all three of the rating agencies reviewed and confirmed their ratings. In view of the RWE's continuing investment in innogy, the agencies take the RWE ratings into account in their assessments. Additionally, the E.ON ratings are already included in the consideration as possible future ratings.

Leverage factor of 4.1. The leverage factor presents our net debt in relation to adjusted EBITDA. This performance indicator is more useful than the absolute level of liabilities, as it considers the company's earnings power and, in turn, its capacity to service debt. As of 31 December 2018, the leverage factor was 4.1.

Balance-sheet structure: equity ratio of around 20% lower compared to previous year. As of 31 December 2018, our balance-sheet total amounted to €49.9 billion compared to €46.8 billion at the end of the previous year. The increase in current assets was mainly driven by the rise of €1.1 billion in cash and cash equivalents and securities. Our non-current assets also increased, mainly owing to developments in property, plant and equipment. However, a decline of €1.3 billion was registered for intangible assets, primarily as a result of the impairments on goodwill amounting to €1.5 billion in the segment Retail United Kingdom.

On the equity and liabilities side of the balance sheet, there was an increase in non-current liabilities. Two of the factors behind this were the increase of €0.7 billion in pension provisions and the rise of €0.6 billion in non-current financial liabilities. The €2.3 billion increase in current liabilities resulted primarily from higher other liabilities and the €0.9 billion rise in current financial liabilities. The equity ratio fell by four percentage points to around 20%, in conjunction with an overall increase in debt and an expansion of 6.5% in the balance-sheet total.

Group balance-sheet structure	31 Dec 2018		31 Dec 2017	
	€ million	%	€ million	%
Assets				
Non-current assets	37,229	74.6	36,502	78.0
Intangible assets	10,069	20.2	11,347	24.2
Property, plant and equipment	19,365	38.8	18,361	39.2
Current assets	12,645	25.4	10,312	22.0
Receivables and other assets[1]	7,855	15.7	6,608	14.1
Total	**49,874**	**100.0**	**46,814**	**100.0**
Equity and liabilities				
Equity	9,914	19.9	11,252	24.0
Non-current liabilities	24,980	50.1	22,913	49.0
Provisions	5,256	10.5	4,628	9.9
Financial liabilities	16,080	32.2	15,492	33.1
Current liabilities	14,980	30.0	12,649	27.0
Provisions	2,588	5.2	2,606	5.6
Financial liabilities	2,625	5.3	1,764	3.8
Other liabilities[2]	9,767	19.6	8,279	17.7
Total	**49,874**	**100.0**	**46,814**	**100.0**

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

1.9 Notes to the financial statements of innogy SE

Headquartered in Essen, Germany, innogy SE is the operating parent company of the innogy Group, which was established in 2016. The innogy Group has three divisions – Renewables, Grid & Infrastructure and Retail – and is one of the largest energy companies in Europe.

Financial statements. innogy SE prepares its financial statements in compliance with the rules set out in the German Commercial Code and the German Stock Corporation Act. The financial statements are announced in the German Federal Gazette and are also available on the internet at www.innogy.com/ir.

Balance sheet of innogy SE (abridged) € million	31 Dec 2018	31 Dec 2017
Non-current assets	**22,744**	**23,046**
Financial assets	22,329	22,655
Other non-current assets	415	391
Current assets including prepaid expenses	**9,440**	**7,987**
Accounts receivable from affiliated companies	6,111	5,964
Marketable securities and cash and cash equivalents	1,950	981
Other current assets	1,240	909
Prepaid expenses	139	133
Total assets	**32,184**	**31,033**
Equity	8,817	8,926
Exceptional items	1	1
Provisions	1,204	1,041
Accounts payable to affiliated companies	19,103	18,168
Other liabilities	2,933	2,758
Deferred income	126	139
Total equity and liabilities	**32,184**	**31,033**

Income statement of innogy SE (abridged) € million	2018	2017
Revenue	11,764	11,521
Other operating income	434	723
Cost of materials	−11,165	−10,777
Staff costs	−638	−557
Other operating expenses	−690	−1,075
Net income from financial assets	1,902	1,682
Net interest	−707	−536
Other income and expenses	−47	−39
Taxes on income	−73	−34
Income after tax	**780**	**908**
Net profit	**780**	**908**
Profit carryforward from the previous year	0	1
Transfer to other retained earnings	−2	−19
Distributable profit	**778**	**889**

innogy SE. The activities of the divisions Renewables, Grid & Infrastructure and Retail, along with central administration and management functions are bundled in innogy SE as the operating parent company.

Since the successful IPO in October 2016, innogy SE's majority shareholder has been RWE AG, with a stake of 76.79% which it holds via its wholly owned subsidiary GBV Vierunddreißigste Gesellschaft für Beteiligungsverwaltung mbH. Consequently, innogy SE and the entire innogy Group are included in the consolidated financial statements of RWE AG as a subsidiary and sub-group, respectively.

E.ON SE, Essen, announced that 76.79% of the voting rights were attributable to it on 12 March 2018, via instruments pursuant to Section 38, Paragraph 1, Item 2 of the Securities Trading Act. The instrument involved is the conclusion of a sale and purchase agreement subject to conditional completion.

Assets. Despite the operating tasks performed by innogy SE, the company's assets are predominantly characterised by its role as a financial and management holding company. A large portion of the assets side of the balance sheet consists of financial assets. A significant portion of the financial assets are accounted for in particular by shares held by innogy SE in companies in Europe outside Germany, e.g. in the United Kingdom, the Netherlands and Eastern Europe, but also in German regional companies. This reflects the Group's international reach and diversity, which we consider to be one of the cornerstones of our success.

Financial position. The equity and liabilities side of the balance sheet of innogy SE is primarily characterised by the company's equity and accounts payable to affiliated companies. innogy SE's role as financial and management holding company is mainly reflected here as well, whereas the company's operating tasks are hardly apparent. At approximately €8,817 million, the company's equity is a major item, from which an equity ratio of 27% can be derived.

The liabilities of €22,036 million recognised as of the balance-sheet date are largely payable to innogy International Participations N.V. as well as to innogy Finance B.V. The latter is used by innogy SE to finance its own activities and those of its subsidiaries.

In January and May 2018, innogy Finance B.V. issued three new bonds of the innogy Group, with a guarantee by innogy SE, and transferred such to innogy SE as loans.

Earnings position. The operating activities of innogy SE in addition to its role as the financial and management holding company of the innogy Group are apparent in view of the company's earnings. The following is an overview of the percentage breakdown of the key earnings items among the divisions of innogy SE. The item 'Corporate/New Businesses' contains the activities of innogy SE as the financial and management holding for the innogy Group.

Breakdown of key earnings items by division € million	Renewables	Grid & Infrastructure	Retail	Corporate/ New Businesses[1]	innogy SE[1,2]
Revenue	332	1,694	9,384	354	11,764
	2.8%	14.4%	79.8%	3.0%	100.0%
Other operating income	21	73	48	292	434
	4.8%	16.9%	11.1%	67.2%	100.0%
Cost of materials	−264	−1,564	−8,822	−515	−11,165
	2.4%	14.0%	79.0%	4.6%	100.0%
Staff costs	−59	−59	−210	−310	−638
	9.3%	9.2%	32.9%	48.6%	100.0%
Other operating expenses	−82	−77	−130	−401	−690
	11.9%	11.2%	18.9%	58.1%	100.0%
Net income from financial assets	732	171	8	991	1,902
	38.5%	9.0%	0.4%	52.1%	100.0%
Net interest	−7	−23	−80	−596	−707
	1.1%	3.2%	11.4%	84.4%	100.0%

1 Including innogy IT and innogy Real Estate/Infrastructure.
2 Differences due to rounding possible.

Of the €11,764 million in revenue generated in the past financial year, around 80% was allocable to the German retail business. We supply regional municipal utilities and distributors with electricity and gas and provide other key accounts with a broad set of energy-related services. We have a diverse range of products and solutions for electricity and gas procurement and the optimisation of energy consumption, addressing the needs of both residential and commercial customers.

A small portion of revenue amounting to around 14% was allocable to the Grid & Infrastructure division, where we generate the most revenue from lease instalments and concession fees, as well as from the provision of additional services.

The Renewables division accounted for 3% of the revenue at the level of innogy SE, playing a minor role as almost all of the operating activities in the Renewables division are conducted by our subsidiaries and investments. At approximately 3%, the revenue allocable to the segment Corporate/New Businesses also plays a subordinated role.

The cost of materials amounted to €11,165 million and was distributed among the divisions similarly to revenue: The lion's share was attributable to the Retail division and primarily consisted of expenses associated with the procurement of electricity and gas.

The Grid & Infrastructure division accounted for 14% of the total cost of materials, with this primarily consisting of lease instalments and expenses incurred for concession fees.

Analogous to revenue, the share of the cost of materials allocable to the segments Renewables and Corporate/New Businesses was about 2% and 5%, respectively, and was therefore minor.

In fiscal 2018, the other operating result was influenced by the function of innogy SE as the Group's financial and management holding. Major contributions to earnings primarily came from the accounting treatment of financial derivatives used by innogy SE to hedge currency and interest-rate risks arising from foreign currency positions, cash investments and financing transactions.

Income from financial assets amounted to €1,902 million, making a substantial contribution to the good earnings position. This item primarily includes income from profit transfers and dividends, as well as expenses associated with loss assumptions which innogy SE as the Group parent appropriates from its subsidiaries.

innogy SE recorded a sharply negative result of −€707 million for net interest in the fiscal year under review. The expenses associated with financing its own activities and those of its subsidiaries and investments clearly exceeded income from loans passed on to subsidiaries. As described earlier, innogy Finance B.V. serves as the main financing company. Accordingly, it accounted for most of the financing expenses.

Disclosure in compliance with Section 6b, Paragraph 7 of the German Energy Act. As a vertically integrated energy utility, innogy SE is required by the provisions of the German Energy Act to maintain separate accounts for each of the activities it undertakes and to prepare an activity report presenting each activity. innogy SE undertakes the following activities within the meaning of Section of 6b, Paragraph 3 of the German Energy Act:

- Distribution of electricity,
- Energy-specific services relating to the distribution of electricity,
- Modern measuring equipment and intelligent measuring systems (smart meters),
- Other activities within the electricity sector,
- Distribution of gas,
- Energy-specific services relating to the distribution of gas,
- Other activities within the gas sector,
- Activities outside of the electricity and gas sectors.

For reporting purposes, assets, shareholders' equity and liabilities as well as expenses and income are directly assigned to these activities. Only in cases where a direct assignment is impossible or would be an undue burden is the assignment based on an adequate key derived from a similar item on the balance sheet or income statement.

In addition, a separate balance sheet and income statement is prepared for electricity distribution, gas distribution, and energy-specific services.

As regards the definition of the activities as well as the balance sheets and income statements of the electricity and gas distribution activities, we refer to the activity reports of our company. The main balance-sheet items and income from operating activities for the different distributing activities in 2018 are presented below:

- Earnings achieved by the electricity and gas distribution activities primarily stem from being a lessor or lessee of electricity and gas grids.
- Income before tax for electricity distribution amounted to €2 million.
- Income before tax for gas distribution amounted to €4 million.

Final declaration of the Executive Board on the report on relations to affiliates. The main shareholder of innogy SE is GBV Vierunddreißigste Gesellschaft für Beteiligungsverwaltung mbH, which holds 76.79% of the shares. The former main shareholder RWE Downstream Beteiligungs GmbH, Essen, was merged into said company with commercial effect from 1 July 2018. The rest of the shares are free float. GBV Vierunddreißigste Gesellschaft für Beteiligungsverwaltung mbH is a wholly-owned subsidiary of RWE AG, Essen.

For this reason, an absolute voting majority is expected at future Annual General Meetings, resulting in innogy SE being dependent on GBV Vierunddreißigste Gesellschaft für Beteiligungsverwaltung mbH and RWE AG pursuant to Section 17, Paragraph 2 of the German Stock Corporation Act. This results in the obligation to prepare a report on relationships to affiliates ('dependency report') in accordance with Section 312, Paragraph 1 of the German Stock Corporation Act for the period from 1 January 2018 to the end of the fiscal year (31 December 2018).

The Executive Board of innogy SE prepared a dependency report in which it made the following final declaration: 'The company received appropriate consideration for all legal transactions and measures mentioned in the report on relations to affiliated companies based on the information known to us when the legal transactions were carried out and/or the measures were taken and has thus not been put at a disadvantage. There were no measures that were not implemented.'

Appropriation of distributable profit. The Executive Board and the Supervisory Board of innogy SE will propose a dividend of €1.40 per dividend-bearing share for fiscal 2018 to the Annual General Meeting on 30 April 2019. The basis for calculating the dividend is the adjusted IFRS net profit of the innogy Group. The pay-out ratio corresponds to the planned share of 70% to 80% of the adjusted IFRS net profit.

Summarised corporate governance declaration in accordance with Section 315d of the German Commercial Code in conjunction with Section 289f of the German Commercial Code. In February 2019, the Executive Board of innogy SE issued a summarised corporate governance statement in accordance with Section 315d of the German Commercial Code in conjunction with Section 289f of the German Commercial Code and published it online at **www.innogy.com/corporate-governance-declaration.**

Outlook. For the 2019 financial year, we expect a net profit of between 70% and 80% of the projected adjusted IFRS net profit of the innogy Group.

1.10 Disclosure relating to German takeover law

The following disclosure is in accordance with Section 315a, Paragraph 1 and Section 289a, Paragraph 1 of the German Commercial Code as well as with Section 176, Paragraph 1, Sentence 1 of the German Stock Corporation Act. The information relates, among other things, to legal regulations governing Executive Board authorisations to change the company's capital structure and such which may play a role for innogy in the event of a change of control of the company. These regulations are in line with the standards of German capital market-oriented companies.

Composition of subscribed capital. The capital stock of innogy SE amounts to €1,111,110,000.00 and is divided into 555,555,000 bearer shares (shares without par value). Each share grants the same rights.

Shares in capital accounting for more than 10% of voting rights. As of 31 December 2018, one holding in innogy SE exceeded 10% of the voting rights. It was owned by GBV Vierunddreißigste Gesellschaft für Beteiligungsverwaltung mbH, headquartered in Essen, Germany, a subsidiary wholly owned by RWE AG.

Appointment and dismissal of Executive Board members/ amendments to the Articles of Incorporation. Executive Board members are appointed and dismissed in accordance with Article 39, Paragraph 2 and Article 46 of Regulation (EC) No. 2157/2001 of the Council of 8 October 2001 on the Statute for a European Company (SE) (SE Regulation), Article 7, Paragraph 2 of the Articles of Incorporation and – subsidiarily – Section 84f et seq. of the German Stock Corporation Act. The members of the Executive Board are appointed by the Supervisory Board for a maximum of five years. Reappointments may be made for the aforementioned period. Amendments to the Articles of Incorporation follow the provisions of Article 59 of the SE Regulation and Section 51 of the German Act on the Implementation of the SE Regulation in conjunction with Article 19, Paragraph 5 of the Articles of Incorporation of innogy SE. According to Article 19, Paragraph 5 of the Articles of Incorporation, unless otherwise required by law or the Articles of Incorporation, the Annual General Meeting shall adopt all resolutions by a simple majority of the votes cast; if a majority of the capital stock represented is required, a simple majority of the capital shall suffice. This also applies to resolutions that result in amendments to the Articles of Incorporation if at least half of the capital stock is represented in the passage of the resolution. Pursuant to Article 13, Paragraph 9 of the Articles of Incorporation, the Supervisory Board is authorised to pass resolutions to amend the Articles of Incorporation that only concern the wording without changing the content.

Executive Board authorisations for implementing share buybacks. Pursuant to a resolution passed by the Annual General Meeting on 30 August 2016, innogy SE is authorised to buy back up to 10% of its capital stock as of the entry into force of said resolution or – if this figure is lower – at the exercise of this authorisation in shares until 29 August 2021. At the Executive Board's discretion, the acquisition shall be made on the stock exchange or via a public purchase offer. Shares purchased following this procedure may then be cancelled. Furthermore, the purchased shares may be transferred to third parties or sold otherwise in connection with mergers or acquisitions of companies, parts of companies, operations, or of stakes in companies. Shares that are not sold on the stock exchange or through a tender to all shareholders may only be sold for cash. Moreover, in such cases, the sale price may not be significantly lower than the price at which the shares are listed on the stock market. Moreover, in such cases, the amount allocable to the shares for sale may correspond to a maximum prorated 10% of the company's capital stock as of the entry into force of this authorisation or – if this figure is lower – at the exercise of this authorisation. Other cash capital measures waiving subscription rights are considered when determining whether the 10% threshold has been exceeded. The company may give shares bought back to the holders of option or convertible bonds if the prorated amount allocable to the shares to be transferred does not exceed 10% of the capital stock as of the entry into force of this authorisation and at its exercise date. Other cash capital measures waiving subscription rights are also considered when determining whether the 10% threshold has been exceeded in such cases. The company may also use the shares to fulfil its obligations resulting from employee share schemes or to pay a stock dividend. In the aforementioned cases, shareholder subscription rights are excluded. These authorisations may be exercised in full or in part, or once or several times for partial amounts.

Executive Board authorisation for the issuance of new shares and of option and convertible bonds. Pursuant to the resolution passed by the Annual General Meeting on 30 August 2016, the Executive Board is authorised to increase the company's capital stock, subject to the Supervisory Board's approval, by up to €333,333,000.00 until 29 August 2021, through the issuance of up to 166,666,500 no-par-value shares in return for contributions in cash or in kind (authorised capital). This authorisation may be exercised in full or in part, or once or several times for partial amounts. In principle, shareholders are entitled to subscription rights. However, subject to the approval of the Supervisory Board, the Executive Board may exclude subscription rights in the following cases: subscription rights may be excluded in order to prevent the number of shares allocated from the subscription resulting in fractional amounts (fractions of shares). Subscription rights may also be excluded in order to issue shares in exchange for contributions in kind for the purposes of mergers or acquisitions of companies, parts of companies, operations, or of stakes in companies, if the total prorated amount allocable to the new shares, for which subscription rights are excluded, does not exceed 20% of the capital stock either as of the entry into force of the resolution or at the exercise date of this authorisation. Subscription rights may be excluded in the event of a cash capital increase if the price at which the new shares are issued is not significantly lower than the price at which shares are quoted on the stock market and the portion of the capital stock accounted for by the new shares, for which subscription rights are excluded, does not exceed 10% of the capital stock as of the entry into force of this authorisation or at its exercise date. Under the waiver of subscription rights, other cash capital measures are considered when determining whether the 10% threshold has been exceeded. Furthermore, subscription rights may be excluded in order to offer shares to holders of convertible or option bonds commensurate to the rights to which they would be entitled as shareholders on conversion of the bond or on exercise of the option.

Pursuant to the resolution passed by the Annual General Meeting on 30 August 2016, the Executive Board is authorised, subject to the Supervisory Board's approval, to issue option and/or convertible bonds until 29 August 2021 either once or several times and to back option and convertible bonds issued by subordinate Group companies. The total nominal amount is limited to €3,000,000,000.00. The capital stock has been conditionally increased by a maximum of €111,111,000.00, divided into a maximum of 55,555,500 bearer shares (conditional capital) in order to redeem convertible or option bonds. In principle, shareholders are entitled to subscription rights. However, subject to the approval of the Supervisory Board, the Executive Board may exclude subscription rights in the following cases: subscription rights may be excluded in order to prevent the number of shares allocated from the subscription resulting in fractional amounts (fractions of shares) and if the price at which the bonds are issued is not significantly lower than their fair value and the portion of the capital stock accounted for by the new shares, for which subscription rights are excluded, does not exceed 10% of the capital stock as of the entry into force of this authorisation or at its exercise date. Other cash capital measures waiving subscription rights are considered when determining whether the 10% threshold has been exceeded. Furthermore, subscription rights may be excluded in order to offer shares to holders of convertible or option bonds commensurate to the rights to which they would be entitled as shareholders on conversion of the bond or on exercise of the option. Subject to the approval of the Supervisory Board, the Executive Board is authorised to establish a profit participation for new shares that deviates from the provisions of Section 60, Paragraph 2 of the German Stock Corporation Act as well as further details concerning the implementation of the conditional capital increase.

Effects of a change of control on debt financing. Our debt financing instruments often contain clauses that take effect in the event of a change of control. This also applies to our bonds, among other things. In the event of a change of control in conjunction with a drop in innogy SE's credit rating below investment-grade status, creditors may demand immediate redemption (nominal amount plus accrued interest). innogy SE's €2 billion syndicated credit line includes a change-of-control clause, but acquisition of control by E.ON SE or one of its subsidiaries is an exception. This clause essentially has the following content: In the event of a change of control or majority at innogy SE, further drawings are suspended until further notice. The lenders shall enter into negotiations with us on a continuation of the credit line. If we are unable to reach an agreement on a continuation of the syndicated credit line with lenders which represent two thirds of the agreed credit volume within 30 days from the change of control, the lenders may cancel the line of credit and demand immediate payment of the outstanding amounts plus accrued interest.

Effects of a change of control on Executive Board and executive remuneration. Members of the Executive Board of innogy SE have a special right of termination in the event that shareholders or third parties take control of the company, resulting in a major disadvantage for the Executive Board member in question. In such cases, within three months of the change of control, they may retire from the Executive Board within six months of the change of control and request that their employment contract be terminated for good cause. Upon termination, the Executive Board member shall receive a one-off payment, the amount of which shall correspond to all compensation due until the end of the contractually agreed term of service, but no more than three times the total contractual annual compensation. Share-based payments under the Long-term Incentive Plan are not considered here. Entitlement to a one-off payment lapses (retrospectively as well) under certain conditions, if the Executive Board member in question assumes a position in a corporate body at RWE Aktiengesellschaft or at the shareholder or company acquiring control, or at a company belonging to the corporate group of such shareholder or company. This rule is in line with the currently valid recommendations of the German Corporate Governance Code.

The Strategic Performance Plan (SPP), as the long-term incentive plan for the Executive Board and executives of innogy SE and subordinate affiliates, stipulates that all holders of performance shares are entitled to a compensatory payment in the event of a change in corporate control. Performance shares that are already fully vested and have not been paid out are paid out early. The sum paid out is calculated by multiplying the number of these performance shares by the sum of the average closing quotation of the innogy share during the last 30 stock exchange trading days before the announcement of the change of control and the dividend paid per share up until this point in time, calculated from the vesting date of the performance shares. The performance shares conditionally granted under the SPP on a provisional basis lapse on the date of the change of control.

Detailed information on the compensation of the Executive Board and executives can be found on pages 81 et seqq. and 155 et seqq. of this Report.

1.11 Remuneration report

We believe that the transparent reporting of Supervisory and Executive Board remuneration is a key element of good corporate governance. In this chapter, we provide information on the principles of innogy SE's remuneration system as well as its structure and benefits. The 2018 remuneration report adheres to all statutory regulations and complies in full with the recommendations of the German Corporate Governance Code.

Structure of Supervisory Board remuneration

The remuneration of the Supervisory Board is governed by the provisions of the Articles of Incorporation of innogy SE. The Chairman and the Deputy Chairman of the Supervisory Board receive fixed compensation of €300,000 and €200,000 per fiscal year, respectively. The compensation of the other members of the Supervisory Board consists of the fixed compensation of €100,000 per fiscal year and additional compensation for committee mandates according to the following rules:

Members of the Audit Committee receive additional compensation of €40,000. This additional payment is increased to €80,000 for the Chair of this committee. With the exception of the Nomination Committee, the members and the Chairs of all the other Supervisory Board committees receive additional compensation of €20,000 and €40,000, respectively. Remuneration for a committee mandate is only paid if the committee is active at least once in the fiscal year.

Supervisory Board members who concurrently hold several offices in this body only receive compensation for the highest-paid position. Compensation is prorated if a Supervisory Board member only performs a function for only part of a fiscal year.

In addition to the compensation paid, out-of-pocket expenses are refunded to the members of the Supervisory Board. Certain members also receive income from the exercise of supervisory board mandates at subsidiaries of innogy SE.

In 2016, the members of innogy SE's Supervisory Board imposed on themselves the obligation to spend 25% of the total compensation paid (before taxes), subject to any obligations to relinquish any portion of their pay, on the purchase of innogy shares and to hold such shares for the duration of their membership in the Supervisory Board. At its meeting on 11 December 2018, the Supervisory Board decided to suspend performance of the self-imposed obligation, to the extent that there is no longer an obligation to acquire shares in the company from the Supervisory Board compensation granted for fiscal 2018 up until the first Supervisory Board meeting which occurs at least two months following transfer of the innogy shares held by RWE to E.ON or following final termination of this transaction. The obligation assumed in the self-imposed obligation to hold shares in the company acquired from Supervisory Board compensation from earlier years for the entire duration of the Supervisory Board member's tenure on the Supervisory Board remains intact.

Level of Supervisory Board remuneration

In total, the emoluments of the Supervisory Board (including compensation for committee mandates and mandates exercised at subsidiaries) amounted to €2,797,000 in fiscal 2018 (previous year: €2,805,000). Of this sum, €475,000 represented compensation paid for mandates on committees of the Supervisory Board (previous year: €480,000) and €27,000 was for mandates exercised at subsidiaries (previous year: €28,000).

The total compensation of the persons who served on the Supervisory Board in 2017 and 2018 and the compensation included for mandates exercised on Supervisory Board committees is shown in the following table.

Supervisory Board compensation[1]	Fixed compensation		Compensation for committee offices		Compensation for offices held at subsidiaries		Total compensation	
€ '000	2018	2017	2018	2017	2018	2017	2018	2017
Dr. Werner Brandt (until 31 December 2017)		300						300
Dr. Erhard Schipporeit (Chairman)	300						300	
Frank Bsirske (Deputy Chairman)	200	200					200	200
Reiner Böhle		100		20				120
Ulrich Grillo	100	100	20	20			120	120
Arno Hahn (until 31 May 2017)		41		15				56
Maria van der Hoeven	100	100					100	100
Michael Kleinemeier	100	100	20	20			120	120
Martina Koederitz	100	100	20	20			120	120
Dr. Markus Krebber	100	100	40	40			140	140
Monika Krebber (since 9 June 2017)	100	56	20	11			120	67
Hans Peter Lafos		100		20				120
Robert Leyland	100	100	20	20			120	120
Meike Neuhaus	100	100					100	100
Stefan May (since 7 June 2018)[2]	57		11				68	
Dr. Rolf Pohlig	100	100	80	80			180	180
René Pöhls	100	100	40	40	17	17	157	157
Pascal van Rijsewijk	100	100	40	34			140	134
Gabriele Sassenberg	100	100	40	40			140	140
Dr. Dieter Steinkamp	100	100	20	20	10	11	130	131
Markus Sterzl[3]	100		20				120	
Marc Tüngler	100	100	20	20			120	120
Sarka Vojiková	100	100	20	20			120	120
Jürgen Wefers (until 20 May 2018)	38		4				42	
Deborah Wilkens[3]	100	100	40	40			140	140
	2,295	**2,297**	**475**	**480**	**27**	**28**	**2,797**	**2,805**

1 Supervisory Board members who joined or retired from the body during the year receive prorated compensation.
2 Member of the Takeover Committee since 19 June 2018.
3 Member of the Takeover Committee since 13 March 2018.

Structure of Executive Board remuneration

Remuneration system. innogy SE's Supervisory Board has adopted a remuneration system for the members of the Executive Board which is closely linked to business performance and the long-term development of the innogy share. The structure and level of the Executive Board's compensation are established by the Supervisory Board of innogy SE and reviewed on a regular basis to determine whether they are appropriate and in line with the market.

Fiscal 2018 was dominated by the basic agreement reached between RWE AG and E.ON SE in March on the sale of the 76.79% stake in innogy as part of an extensive exchange of business activities. The Personnel Affairs Committee and the Supervisory Board of innogy SE took into account the prospective effects of the planned transaction in their decisions on the remuneration system for the Executive Board members and the employment contracts.

Composition of the Executive Board. The Executive Board of innogy SE has six members.

Uwe Tigges	Dr. Bernhard Günther	Arno Hahn	Martin Herrmann	Dr. Hans Bünting	Hildegard Müller
Chief Executive Officer since 19 Dec 2017 Chief Human Resources Officer 1 Apr 2016 until 30 Apr 2018 Labour Director 15 Feb 2017 until 30 Apr 2018	Chief Financial Officer since 1 Apr 2016	Chief Human Resources Officer Labour Director since 1 May 2018	Chief Operating Officer Retail since 1 Apr 2016	Chief Operating Officer Renewables since 1 Apr 2016	Chief Operating Officer Grid & Infrastructure since 1 May 2016

Uwe Tigges is the CEO of innogy SE and has been a member of the Executive Board since the company started operating on 1 April 2016. He was initially responsible for Human Resources and was the company's Labour Director, until he took over the position of CEO from Peter Terium in December 2017, at first on an interim basis, after Mr. Terium left the Executive Board of innogy SE by mutual agreement at the end of 2017. Arno Hahn is a new member of the Executive Board of innogy SE. On 1 May 2018 the Supervisory Board appointed him as a member of the Executive Board for a period of three years. He took over responsibility for Human Resources from Uwe Tigges at that time and has been the Labour Director of innogy SE since then.

innogy SE's Chief Financial Officer is Dr. Bernhard Günther. For health-related reasons, Dr. Bernhard Günther was temporarily unable to exercise his functions or only able to in a limited capacity from March until May 2018. During this period of time he was represented by his fellow Executive Board member Dr. Hans Bünting, who was also responsible for the duties of the CFO during this period, in addition to the Renewables division.

Along with Dr. Hans Bünting, Martin Herrmann and Hildegard Müller are members of the Executive Board of innogy SE, with responsibility for the divisions Retail and Grid & Infrastructure, respectively. Upon their initial appointment in 2016, the three Chief Operating Officers were appointed to the Executive Board of innogy SE for terms of three years each. In view of the planned transaction between RWE and E.ON, in the course of its regular decision on reappointment, the Supervisory Board of innogy SE decided not to extend the mandates for the maximum period of five years; instead Dr. Hans Bünting, Martin Herrmann and Hildegard Müller were reappointed members of the Executive Board of innogy SE for another three years each, starting from 1 April 2019. In the case of Ms. Müller, the appointment was ended early as of 31 March 2019 and she was reappointed as a member of the Executive Board starting from 1 April 2019 until 31 March 2022.

The mandates of Uwe Tigges and Dr. Bernhard Günther end as planned on 31 March 2021.

The CVs of the Executive Board members can be found on the Internet on innogy SE's webpages under the heading Corporate Governance (**www.innogy.com/governance**).

Former Executive Board members. Peter Terium left the company on 19 December 2017. The Supervisory Board of innogy SE approved a mutual agreement on the termination of his mandate as member of the Executive Board and Chief Executive Officer and finalised the conditions for the early termination of his employment contract as of 31 December 2017.

Employment contracts of the Executive Board. Employment contracts based on the remuneration system approved by the Supervisory Board were concluded with all members of the Executive Board. The structure and components of the remuneration system are set out in detail below.

Principles of the remuneration system. The compensation of the Executive Board is composed of non-performance-based and performance-based components: the former consists of the fixed salary, the pension instalment as well as non-cash compensation and other compensation. The variable, performance-based components are a one-year bonus and a share-based payment in accordance with the Strategic Performance Plan (SPP), which is a long-term compensation component.

Non-performance-based remuneration of the Executive Board

Fixed compensation and pension instalments. All Executive Board members receive a fixed salary, which is paid in twelve monthly instalments. They are entitled to a contractually defined pension payment for every year of service, as the second fixed compensation component. They can choose whether the sum is paid in cash or retained in part or in full in exchange for a pension commitment of equal value through a gross compensation conversion. innogy has concluded a reinsurance policy to finance the pension commitment. The accumulated capital may be drawn upon on retirement, but not before the Executive Board member turns 63. The Executive Board members can choose between a one-time payment and a maximum of nine instalments. Executive Board members and their surviving dependants do not receive any further benefits. Insofar as Executive Board members have already accrued a pension commitment and retirement benefits as part of their previous work in the Group, the vested benefits from the corporate pension plan remain unaffected. The retirement benefits of the Executive Board members from earlier activities were transferred from the Group company involved to innogy SE.

Non-cash and other compensation. Non-cash compensation and other compensation primarily consist of the use of a company car and accident insurance premiums.

Performance-based remuneration of the Executive Board

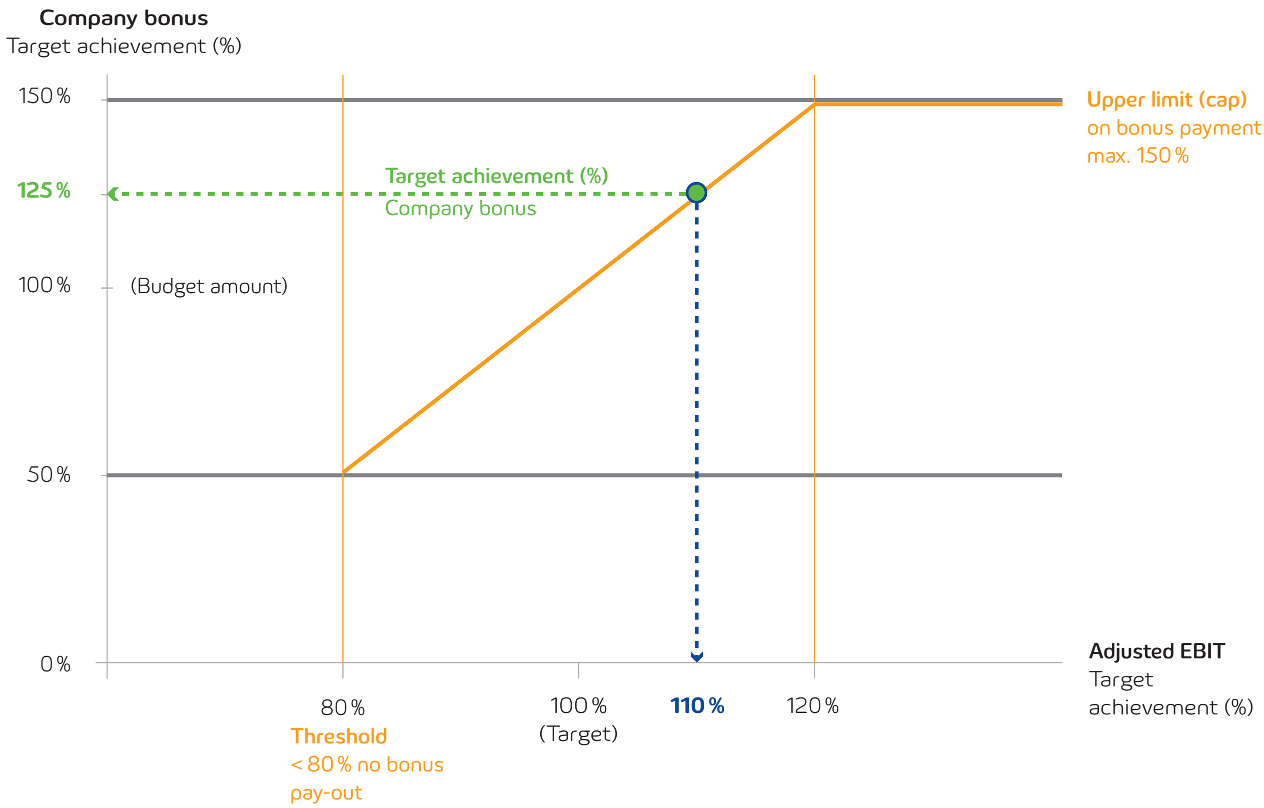
Bonus. Executive Board members receive a bonus, which is based on innogy's business performance and the degree to which they achieve the individual and collective goals of the Executive Board.

The starting point for calculating the bonus is what is referred to as the 'company bonus', which depends on the level of adjusted EBIT and is determined as follows. At the start of each fiscal year, the Supervisory Board sets a target figure for adjusted EBIT. After the end of the fiscal year, the actual level of adjusted EBIT achieved is compared with the target figure. If the figures are identical, the target achievement is 100% and the company bonus equals the contractually agreed baseline bonus. If adjusted EBIT exceeds or undershoots the established target, target achievement increases or decreases by a factor of 2.5. If adjusted EBIT is exactly 120% of the target figure, the target achievement for the company bonus amounts to 150%. The latter figure is also the cap on the company bonus, which cannot be exceeded even if adjusted EBIT is higher. The lower limit is reached if adjusted EBIT is exactly

80 % of the target figure which has been set. In this case, the target achievement for the company bonus amounts to 50 %. If the EBIT figure is lower than this 80 % threshold, no company bonus is paid out to the Executive Board members. Depending on the level of adjusted EBIT achieved, the company bonus paid can be between 0 % and 150 % of the baseline bonus amount.

Company bonus:
Schematic presentation of target achievement

The following overview illustrates the aforementioned methodology for determining the company bonus: If adjusted EBIT is 110 % of the target figure, this results in target achievement of 125 % for the company bonus.

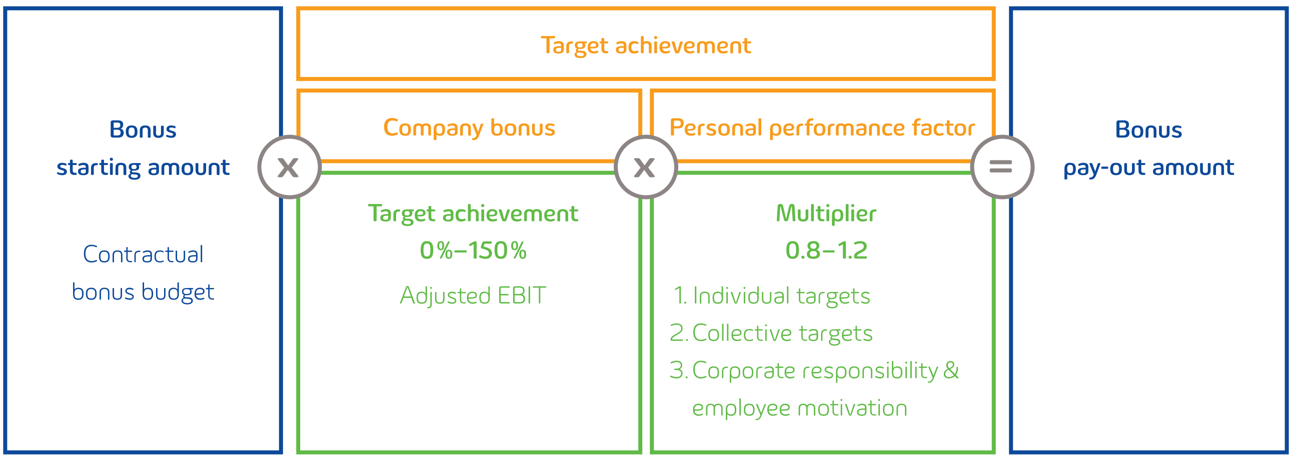


The personal performance of Executive Board members is considered by multiplying the company bonus by an individual performance factor, which can range between 0.8 and 1.2. The value achieved depends on the following criteria, each of which is weighted by one-third: (1) achievement of the individual targets, which are agreed between the Executive Board member and the Supervisory Board at the start of the fiscal year, (2) the collective performance of the Executive Board, and (3) performance in the fields of corporate responsibility (CR) and employee motivation.

Success in the field of CR depends on the achievement of the environmental and social goals, which were set by the Supervisory Board at the start of the fiscal year. Along with other sustainability indicators, these indicators are explained and documented in our sustainability report **www.innogy.com/responsibility.** Employee motivation is measured with a motivation index, which is based on anonymous surveys of employee commitment and satisfaction.

After the end of the financial year, the Supervisory Board evaluates the individual performance of the Executive Board members relative to the above three criteria and determines their personal performance factor. In doing so, it takes the goals and targets which it set at the start of the financial year as orientation. The bonus of the Executive Board members is determined by multiplying the contractually agreed bonus budget by the target achievement for the company bonus and the personal performance factor. The bonus determined in this manner can range between 0% and a maximum of 180% of the contractual budget figure and is paid out in full to the Executive Board members after the end of the fiscal year.

Schematic presentation of the bonus



Share-based payment of the Executive Board

Strategic Performance Plan. innogy SE's corporate strategy focuses on increasing the value of the enterprise over the long term. In line with this, Executive Board members are granted share-based payment according to innogy SE's Strategic Performance Plan (SPP). The SPP links the remuneration of Executive Board members to the development of innogy's share price and rewards the achievement of long-term goals. The key determinants for the success of the SPP are adjusted net income and the performance of the innogy common share (return from share price development and dividend) over a period of several years.

Overview of the SPP. The SPP's conditions envisage a total of four tranches: a transitional tranche in fiscal 2016 and three more regular tranches for 2017, 2018 and 2019. The SPP is based on conditionally granted performance shares. These are granted on 1 January of each financial year and have a vesting period of four years. Determining the target figures relevant for measuring performance is the responsibility of the Supervisory Board. Upon introducing the SPP, the Supervisory Board already defined the target figures for adjusted net income for all of the planned tranches of the SPP for the years 2016 to 2019. These figures are oriented towards innogy SE's medium-term planning approved in 2016.

SPP timeline. As the first step, the Executive Board members receive a grant letter for each tranche at the start of the fiscal year. Based on the gross grant amount in the letter, the (conditional) number of performance shares is determined. This is done by dividing the grant amount by the average closing quotation of the innogy share on the last 30 days of trading on Xetra ahead of the grant.

After the end of the first year of the vesting period, the number of fully granted performance shares is determined as an intermediate step. This number depends on the adjusted net income achieved by the innogy Group for the year. The actual figure is compared to the target figure previously established for the tranche by the Supervisory Board. If the adjusted net income achieved corresponds exactly to the target figure set for the tranche, 100% of the conditionally allocated performance shares of the tranche is fully vested. If the target figure is exceeded, the final grant is more than 100% and vice-versa. Similar to determining the company bonus, there is an upper limit and a lower limit.

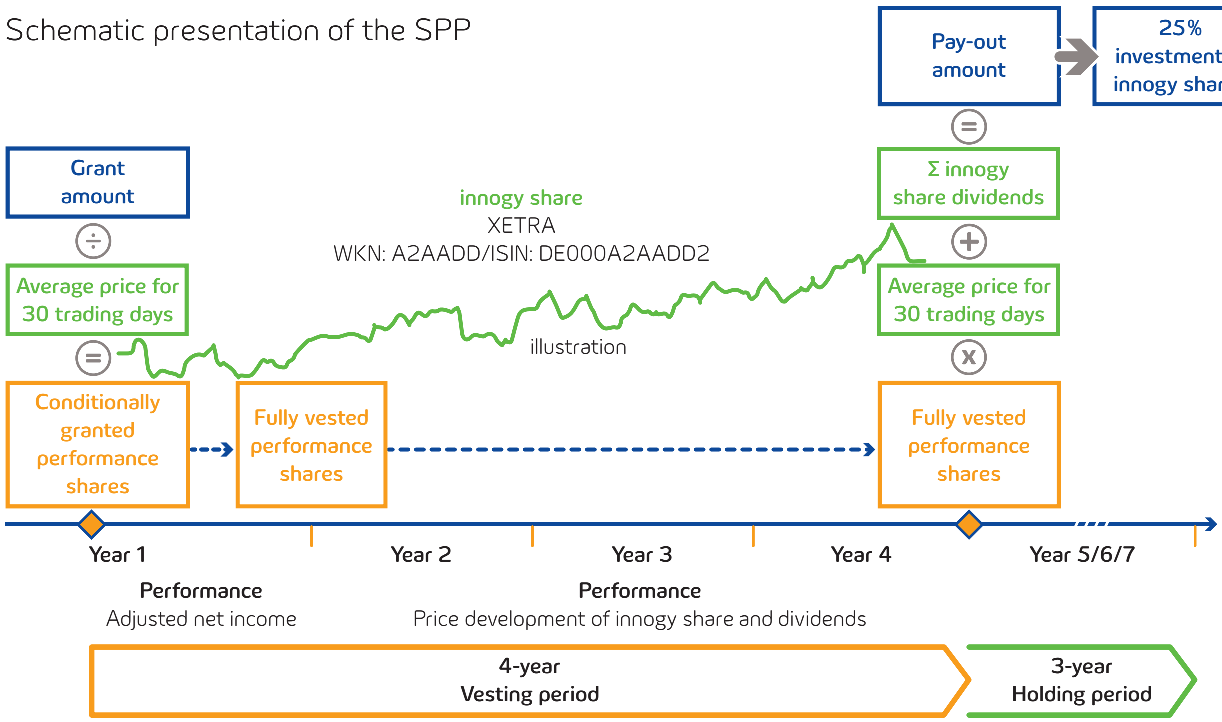
If adjusted net income reaches or exceeds the upper threshold of 135% of the target figure, 150% of the conditionally granted performance shares are fully vested. If adjusted net income is at the lower threshold of 65% of the target figure, the final grant amounts to 50%. If the actual figure for adjusted net income is lower than the threshold (< 65%), all of the conditionally granted performance shares from the tranche lapse. This means that, after completion of the first year, the final number of performance shares granted can vary from 0% ('floor') to 150% ('cap') of the conditionally granted performance shares. The value of the fully vested performance shares and thus the success of the tranche depends on the performance of the innogy share and the dividend paid in the following three years.

After the end of the four-year vesting period, in a third step the fully vested performance shares are multiplied by the average closing quotation of the innogy share on the last 30 days of trading on Xetra before the end of the vesting period. Cumulated dividends which were paid since the full vesting of the performance shares are also taken into account.

The payment amount determined in this manner is initially paid out in full in cash to the members of the Executive Board. However, a cap applies in this case as well: even in the case of extremely good performance by the innogy share, the payment after the 4-year vesting period is limited to a maximum of 200% of the initial gross grant amount.

In the fourth step, the members of the Executive Board are obligated to reinvest 25% of the payment amount (after taxes) in innogy shares. The shares acquired must be held until at least the end of the third year after conclusion of the vesting period.

Schematic presentation of the SPP



Additional regulations of the SPP

Introductory tranche. Upon introduction of the SPP in October 2016, the Executive Board members were granted share-based remuneration retroactively and in full for the entire year, based on the new SPP. With regard to the introductory 2016 tranche, the final number of performance shares depends on the level of adjusted net income in 2017 and its relation to the target figure for 2017. This solution was chosen because upon being granted in October 2016 it no longer made sense to establish a 2016 target figure for adjusted net income.

SPP performance targets. In 2016, the Supervisory Board already established the long-term performance targets for all of the planned tranches (2016–2019) and the SPP target figures for adjusted net income. As part of this, the aforementioned upper and lower thresholds were also determined. The Supervisory Board is only able to subsequently adjust these figures to a very limited degree and only in pre-defined situations, in order to be able to take into account the effects of capital measures, acquisitions, disposals or changes in discount rates for non-current provisions which were not known or foreseeable at the time when the target figures were determined. innogy SE thus complies with the recommendations of the German Corporate Governance Code (GCGC), in that – as a rule – changes to the performance targets or comparison parameters should not be subsequently made.

Termination and demerit rules. The performance shares remain unaffected after Executive Board members leave the body at the end of their contract and are paid out as planned after completion of the four-year vesting period. If Executive Board members voluntarily leave the company early or are dismissed with good cause, all performance shares which have not yet reached the end of the plan's duration are forfeited without replacement. The SPP also contains a demerit provision. This empowers the Supervisory Board to punish infractions by Executive Board members, for example for serious violations of the company's Code of Conduct, by reducing or completely voiding ongoing SPP tranches.

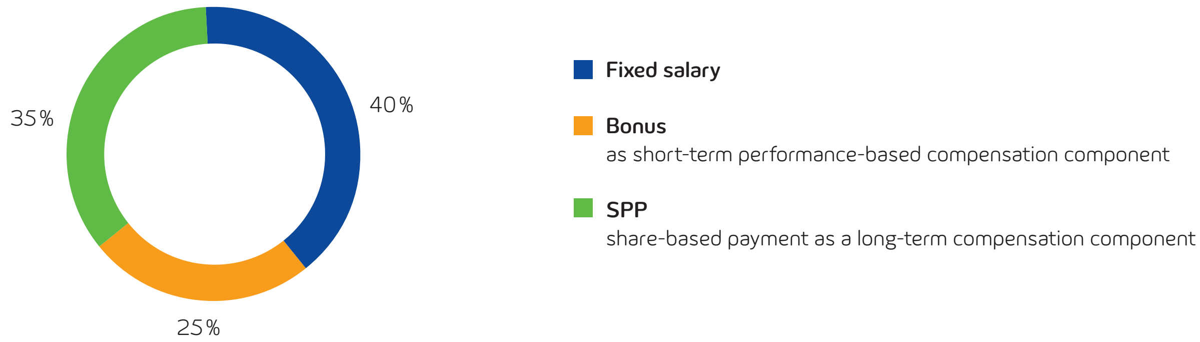
Change in corporate control/merger. In the event of a change of control, all of the fully vested performance shares that have not been paid out are paid out early. In order to determine the payment amount, the price of the innogy share on the last 30 exchange trading days prior to the announcement of the change of control is taken as a basis. Additionally, the dividends paid per share in the fiscal years between the vesting of the performance shares and the effective date of the change of control relative to the fully vested performance shares are also taken into consideration.

New regulations for the 2019 tranche. The planned completion of the transaction agreed between RWE and E.ON would lead to a change of control within the meaning of the conditions of the Strategic Performance Plan. Following acquisition of the majority of the shares in innogy by E.ON and the subsequent integration of innogy, the indicators necessary to determine target achievement for the 2019 tranche of the SPP would no longer be available, as expected. Despite the planned takeover and the unusual situation of innogy SE, the goal is to continue providing long-term, achievement-based remuneration for the Executive Board members of innogy SE. In view of this, the SPP for the 2019 tranche was replaced with a variable bonus of equal value on this one occasion. The multi-annual bonus depends on the achievement of sustainable strategic and other goals. The goals for the truncated, 2-year period from 1 January 2019 to 31 December 2020 and the criteria for target achievement were defined and set by the Supervisory Board.

Composition, limitation and payment of Executive Board remuneration

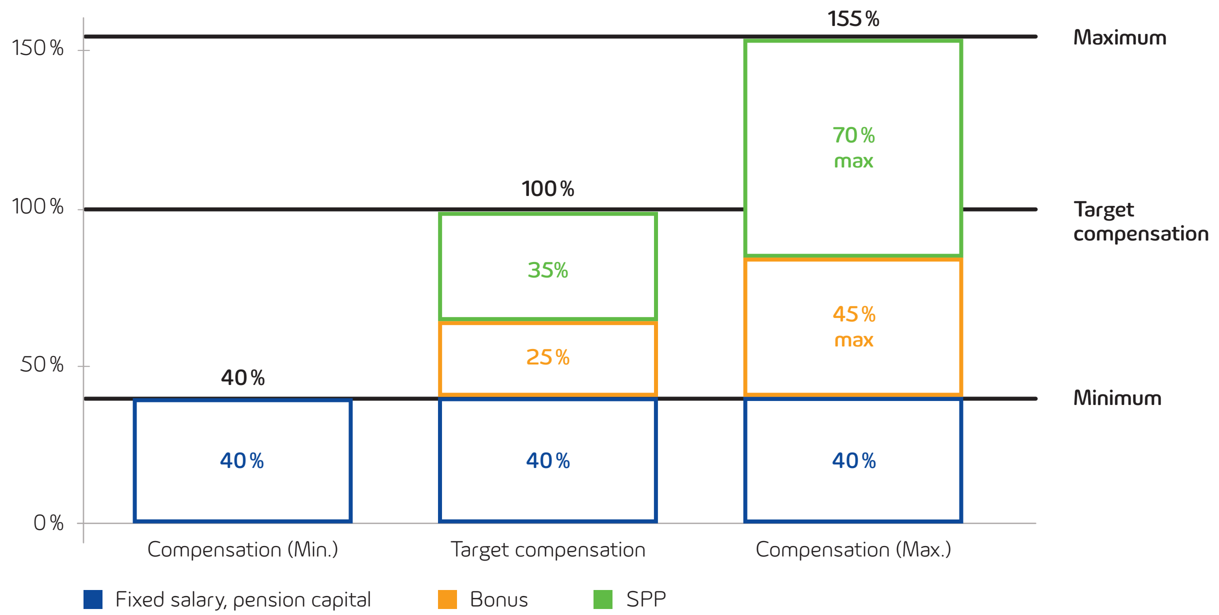
Shares of total compensation accounted for by the individual components. Assuming that both the company and the Executive Board members achieve their performance targets to a degree of 100% for a fiscal year, the remuneration structure roughly breaks down as follows: As a non-performance-based compensation component, the base salary accounts for around 40% of the total compensation. Approximately 25% was allocable to short-term variable remuneration, i.e. bonuses paid directly after the completion of one fiscal year. The SPP's long-term compensation component accounts for roughly 35% of total compensation.

Overview of compensation components



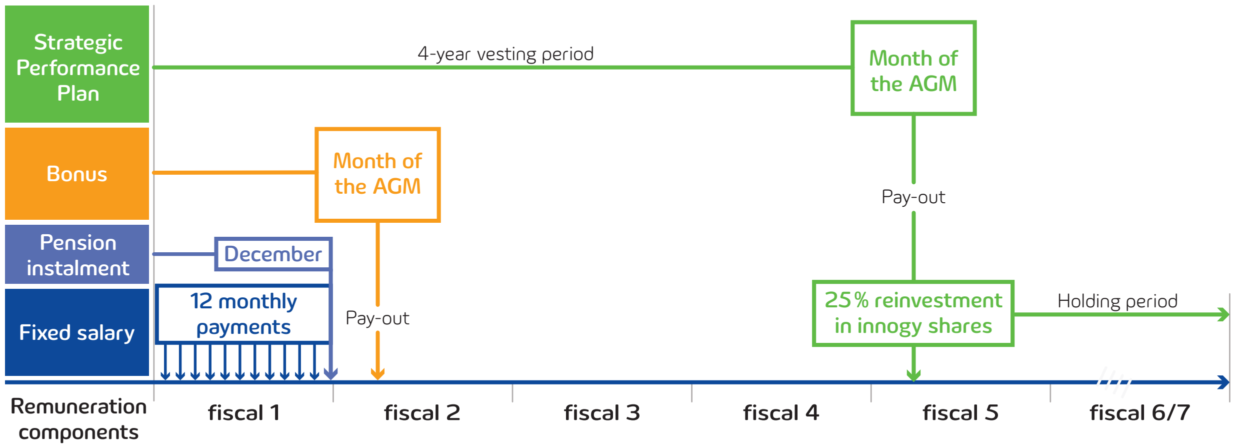
Limitation of Executive Board remuneration. The amounts of long-term remuneration components are limited. The company bonus amounts to a maximum of 150% of the contractually agreed bonus budget. Multiplying this by the individual performance factor (0.8 to 1.2), it is possible to reach a maximum of 180% of the contractually agreed bonus budgets. With regard to share-based payment under the SPP, pay-out of the performance shares after the completion of the vesting period is limited to a maximum of 200% of the budgeted grant. Based on the above maximum values, a cap can also be derived for the total compensation (see the following overview).

Executive Board compensation – minimum and maximum



Payment dates. Members of the Executive Board receive the fixed salary in twelve monthly instalments. The pension instalment is paid out at the end of the year, insofar as it is not turned into a pension commitment. After the financial year, the Supervisory Board determines the target achievement for the company bonus and establishes the individual performance factor. The bonus is paid out in the month of the Annual General Meeting which approves the financial statements of innogy SE. After the end of the four-year vesting period, the performance shares from the SPP are paid out, during the month of the ordinary Annual General Meeting held in the following year. As explained above, Executive Board members must invest 25% of the payment in innogy common shares and must hold these shares until three additional years have passed after completion of the four-year vesting period. As a result, it takes a total of seven years for Executive Board members to obtain the full amount of their compensation.

Payment dates



Additional remuneration components of the Executive Board

Compensation for exercising mandates. Executive Board members are paid for exercising supervisory board mandates at affiliates. This income is deducted from the bonuses of the Executive Board members and therefore does not increase the total compensation.

End of tenure benefits. Under certain conditions, Executive Board members also receive benefits from innogy SE when they retire from the Executive Board. These benefits are described below.

Pension scheme. All members of innogy SE's Executive Board are entitled to a pension payment for each year of service. Executive Board members and their surviving dependants do not receive any further benefits from innogy SE. Insofar as pension commitments were made based on earlier activities in the Group, these were suspended upon appointment to the Executive Board of innogy SE and remain unaffected. The vested retirement benefits from earlier activities acquired by Dr. Bernhard Günther and Uwe Tigges were transferred to innogy SE upon termination of their employment contracts with RWE AG. An agreement was also signed with Martin Herrmann and Arno Hahn to transfer their vested retirement benefits from earlier activities to innogy SE. The vested retirement benefits of Dr. Hans Bünting were transferred in 2016, when RWE Innogy GmbH was folded into innogy SE.

Change in corporate control/merger. If shareholders or third parties obtain control over the company and this results in major disadvantages for the Executive Board members, they have a special right of termination. They have the right to retire from the Executive Board and to request that their employment contract be terminated in combination with a one-off payment within six months of the change of control.

A change of control as defined by this provision occurs when one or several shareholders or third parties acting jointly account for at least 30% of the voting rights in the company, or if any of the aforementioned can exert a controlling influence on the company in another manner. A change of control also occurs if the company is merged with another legal entity, unless the value of the other legal entity is less than 50% of the value of innogy SE. Upon termination of their employment contracts, Executive Board members receive a one-off payment equalling the compensation due until the end of the duration of their contract. This amount shall not be higher than three times their total contractual annual compensation. The share-based payments under the SPP are not considered here. In the event of a change of control, all of the fully vested performance shares under the SPP that have not been paid out are paid out early. All performance shares conditionally granted under the SPP on a preliminary basis lapse without compensation on the date of the change of control.

Early termination and severance cap. In accordance with a recommendation of the GCGC, the employment contracts of the Executive Board include an agreement that if a member's mandate is terminated early without due cause, a severance payment is made, which amounts to no more than the claims for the remainder of the employment contract, but is limited to the value of two years of total annual compensation, including fringe benefits (severance cap).

Performance criteria and goals of the Executive Board in fiscal 2018

The bonus payments of Executive Board members and the number and value of the performance shares granted under the SPP are determined on the basis of targets and criteria defined and established by the Supervisory Board at the start of the financial year. The targets and target figures for the Executive Board members are listed for the past fiscal year and the degree to which these targets were achieved is presented.

Company bonus According to the consolidated financial statements, the company recorded adjusted EBIT of €2,630 million in 2018. Comparing this figure to the target figure of €2,700 million, the actual figure amounts to 97.4% of the target. According to the system presented below, this results in target achievement of 94% for the company bonus of the Executive Board members in fiscal 2018.

	Target figure 2018	Actual figure 2018	Actual figure/target figure 2018	**Target achievement Company bonus**
Adjusted EBIT	€2,700 million	€2,630 million	97.4%	**94%**

Determination of target achievement				2018			
Adjusted EBIT	Actual figure/target figure %	< 80%	80%	**97.4%**	100%	120%	>120%
Company bonus	Target achievement %	0%	50%	**94%**	100%	150%	150%

Personal performance factor	2018 targets	Assessment				Target achievement Personal performance factor
Individual performance & targets	Achievement of personal goals and projects, launch of new programmes, new management model, etc. (for example)	Assessment of the Supervisory Board whether and how well the Executive Board member has achieved the individual goals agreed at the start of the year.			1/3	individual target
Collective performance & targets	Targets from the fields: Strategy, value added, growth, innovation, digitisation, diversity, etc. (for example)	Assessment of the Supervisory Board whether and how well the Executive Board has achieved the collective goals agreed at the start of the year. The personal contributions of the Executive Board members are taken into consideration.			1/3	103%
	2018 targets	Assessment	Target figure 2018	Actual figure 2018		
Corporate responsibility & employee motivation	Increase in capacity	> previous year	> 3.9	4.0	1/3	106%
	Grid outages (SAIDI)	min/custom-er/a	15.0	13.4		
	Customer loyalty index	Points	77	78		
	Reputation index	Approval %	52	66		
	Number of work accidents	LTIF	1.8	1.8		
	Motivation index	Points	> 73.8	76.6		

The bonuses of the member of the Executive Board for fiscal 2018 were determined as follows:
Baseline bonus (€) x **94% target achievement for company bonus** x personal performance factor = pay-out amount (€)

Strategic Performance Plan Full vesting of performance shares	According to the consolidated financial statements, adjusted net income amounted to €1,026 million in fiscal 2018. The plan conditions for the SPP envisage the modification of adjusted net income by a few, predefined exceptional effects, which were not known or foreseeable at the time the target figure for 2018 was determined. Consequently, effects from the adjustment of service costs for pensions due to interest rates and from interest accretion to provisions for pensions were also taken into consideration in determining the adjusted net income. The adjusted figure of €992 million was taken as the basis for the full vesting of performance shares (PS).				
Adjusted net income	Target figure 2018	Actual figure 2018	Adjusted figure 2018	Actual figure/target figure 2018	**Target achievement Strategic Performance Plan**
2018 tranche	€1,255 million	€1,026 million	€992 million	79%	**70%**

Determination of target achievement		2018					
Adjusted net income	Actual figure/target figure %	< 65%	65%	**79%**	100%	135%	>135%
Grant of performance shares	Target achievement %	0%	50%	**70%**	100%	150%	150%

The number of performance shares to be fully vested after completion of fiscal 2018 is determined as follows:
Number of conditionally granted performance shares x **70% target achievement SPP** = number of fully vested performance shares

Level of Executive Board remuneration according to the German Commercial Code

The following section presents the compensation granted to the Executive Board members of innogy SE for their work in fiscal 2018. It was calculated in compliance with the rules set out in the German Commercial Code. The figures presented for the previous year also contain the compensation granted to Peter Terium for fiscal 2017. In the case of Arno Hahn, the compensation granted in fiscal 2018 was taken into account on a pro-rated basis for the period of time of his appointment as an Executive Board member of innogy SE.

Total compensation for fiscal 2018. Pursuant to the calculation regulations of the German Commercial Code, the total compensation of the Executive Board for fiscal 2018 amounted to €14,736,000. In total, the compensation of the Executive Board amounted to €16,772,000 in the previous year.

Level of individual compensation components. In 2018, non-performance-based components, i.e. the fixed salary, non-cash and other compensation and the pension instalment, amounted to €5,922,000 (previous year: €6,912,000). Dr. Bernhard Günther, Arno Hahn and Dr. Hans Bünting turned their pension instalments into a pension commitment of equal value through a gross compensation conversion. Specifically, the amounts converted were as follows: €258,000 for Dr. Bernhard Günther (previous year: €60,000), €170,000 for Arno Hahn (previous year: €0) and €150,000 for Dr. Hans Bünting (previous year: €150,000).

Performance-based components, consisting of the Executive Board members' bonuses and grants under the SPP, amounted to a total of €8,814,000 (previous year: €9,860,000). From the performance-based components of the Executive Board members, €3,678,000 (previous year: €3,649,000) was attributable to the bonus for fiscal 2018 paid directly and €5,136,000 (previous year: €6,211,000) to the allocation of performance shares from the SPP.

The following table shows the short-term and long-term remuneration paid to the Executive Board of innogy SE in accordance with the German Commercial Code for fiscal 2018, in a breakdown by the individual member.

Short-term Executive Board compensation	Uwe Tigges Chief Executive Officer since 19 Dec 2017		Dr. Bernhard Günther Chief Financial Officer since 1 Apr 2016		Arno Hahn Chief Human Resources Officer since 1 May 2018		Dr. Hans Bünting COO Renewables since 1 Apr 2016		Martin Herrmann COO Retail since 1 Apr 2016		Hildegard Müller COO Grid & Infra-structure since 1 May 2016		Total	
€ '000	2018	2017[1]	2018	2017	2018[2]	2017	2018	2017	2018	2017	2018	2017	2018	2017[4]
Non-performance-based compensation														
Fixed compensation	850	625	759	750	467		723	700	723	700	723	700	4,245	3,475
Fringe benefits (use of company car, accident insurance)	20	17	33	34	18		19	15	28	24	39	53	157	143
Other payments (pension instalment)	300	213	258	255	170		264	255	264	255	264	255	1,520	1,233
Total	**1,170**	**855**	**1,050**	**1,039**	**655**		**1,006**	**970**	**1,015**	**979**	**1,026**	**1,008**	**5,922**	**4,851**
Performance-based compensation														
Bonus payment	1,074	526	712	614	329		538	430	491	444	455	398	3,599	2,412
Remuneration for mandates[3]		7					24	23			55	55	79	85
Bonus	1,074	533	712	614	329		562	453	491	444	510	453	3,678	2,497
Total	**1,074**	**533**	**712**	**614**	**329**		**562**	**453**	**491**	**444**	**510**	**453**	**3,678**	**2,497**
Total	**2,244**	**1,388**	**1,762**	**1,653**	**984**		**1,568**	**1,423**	**1,506**	**1,423**	**1,536**	**1,461**	**9,600**	**7,348**

1 The compensation of Uwe Tigges in fiscal 2017 considers the emoluments granted for the period during which he was concurrently appointed to the Executive Boards of both innogy SE and RWE AG, prorated to reflect the share accounted for by his work for the Executive Board of innogy SE.
2 In fiscal 2018, the prorated compensation granted for tenure from 1 May 2018 to 31 December 2018 was taken into account for Arno Hahn.
3 Income from exercising intragroup supervisory board offices is fully set off against the prorated bonus paid. For Uwe Tigges, the compensation from exercising mandates in fiscal 2017 was fully set off against the prorated bonus paid to him by innogy SE.
4 The individual figures presented here for the previous year do not contain the compensation granted to Peter Terium for fiscal 2017.

Share-based payment according to the Strategic Performance Plan. In fiscal 2018, the Executive Board members were allocated performance shares from innogy SE's SPP. The following overview presents the number and value of the performance share allocations to the members of the Executive Board in fiscal 2017 and 2018.

Long-term incentive payment Strategic Performance Plan		Uwe Tigges Chief Executive Officer since 19 Dec 2017		Dr. Bernhard Günther Chief Financial Officer since 1 Apr 2016		Arno Hahn Chief Human Resources Officer since 1 May 2018		Dr. Hans Bünting COO Renewables since 1 Apr 2016		Martin Herrmann COO Retail since 1 Apr 2016		Hildegard Müller COO Grid & Infrastructure since 1 May 2016	
Tranche	Year	2018	2017[1]	2018	2017	2018[2]	2017	2018	2017	2018	2017	2018	2017
Grant date		1 Jan 2018	1 Jan 2017	1 Jan 2018	1 Jan 2017	1 Jan 2018	1 Jan 2017	1 Jan 2018	1 Jan 2017	1 Jan 2018	1 Jan 2017	1 Jan 2018	1 Jan 2017
Grant value	€ '000	1,122	823	1,000	988	533		827	800	827	800	827	800
Average share price	**€**	**36.78**	**32.07**	**36.78**	**32.07**	**36.78**		**36.78**	**32.07**	**36.78**	**32.07**	**36.78**	**32.07**
Number of conditionally granted performance shares	Shares	30,506	25,660	27,185	30,792	14,501		22,476	24,945	22,476	24,945	22,476	24,945
Adjusted net income	€ million	992	1,151	992	1,151	992		992	1,151	992	1,151	992	1,151
Target achievement for adjusted net income	%	70	88	70	88	70		70	88	70	88	70	88
Number of fully vested performance shares	Shares	21,354	22,581	19,030	27,097	10,151		15,733	21,952	15,733	21,952	15,733	21,952
End of holding period		31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021		31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020

1 The compensation of Uwe Tigges in fiscal 2017 considers the emoluments granted for the period during which he was concurrently appointed to the Executive Boards of both innogy SE and RWE AG, prorated to reflect the share accounted for by his work for the Executive Board of innogy SE.
2 In fiscal 2018, the prorated compensation granted for tenure from 1 May 2018 to 31 December 2018 was taken into account for Arno Hahn.

The following table shows the amounts of reversals and accruals of provisions for share-based payments by innogy SE.

Addition to (+) or release (–) of provisions for long-term incentive share-based payments	2018 € '000	2017 € '000
Uwe Tigges	994	248
Dr. Bernhard Günther	1,068	311
Arno Hahn	225	
Dr. Hans Bünting	955	307
Martin Herrmann	955	307
Hildegard Müller	935	294
Total	**5,132**	**1,467**

Compensatory payment to Peter Terium. The employment contract of Peter Terium was terminated early by mutual agreement as of 31 December 2017. As a settlement for the early termination of his employment, the company made a compensatory payment in the gross amount of €7,994,000. With this, all of Peter Terium's contractual claims to fixed annual salary, a variable bonus, a pension instalment and use of a company car until the contractual end of his employment contract on 31 March 2021 were settled.

The performance shares granted to Peter Terium for fiscal 2016 and 2017 under the Strategic Performance Plan (SPP) were fully vested and will be paid out in accordance with the conditions of his employment contract and the provisions of SPP after completion of the vesting period. With regard to fiscal 2018 and 2019, Peter Terium was granted performance shares on the basis of the contractually agreed budget with a gross amount of €2,000,000, according to the relevant prevailing plan conditions of the SPP.

Level of Executive Board remuneration according to GCGC

According to the version of the German Corporate Governance Code (GCGC) published on 24 April 2017, the total compensation of executive board members comprises the monetary compensation elements, pension commitments, other awards, fringe benefits of all kinds and benefits by third parties which were granted or paid in the financial year with regard to executive board work. Item 4.2.5, Paragraph 3 of the Code lists the compensation components that should be disclosed for every executive board member. Unlike under German commercial law, according to GCGC the annual service cost of pension commitments is also part of total compensation.

GCGC provides specific examples for the recommended presentation of the remuneration of the executive board based on model tables which have been used below. A distinction is drawn between 'benefits granted' and 'benefits received':

- **Benefits granted:** According to GCGC, benefits or compensation is granted when a binding promise of such is made to the executive board member. In deviation from German commercial law, it is not relevant to what extent the executive board member has already provided the service being remunerated.

- **Benefits received:** This expression focuses on the extent to which the executive board member has already received payments. In this regard, the relevant aspect is the time at which the amount being paid is adequately certain and not the actual time of the payment.

This distinction made in the Code can be illustrated with the example of the bonus:

The contractually agreed bonus allocation for the fiscal year in question is deemed to be a 'benefit granted'. In the Payments table, on the other hand, the amount of bonus which is expected to be paid to the executive board member is to be reported. In this regard, it is not relevant that no payment has actually taken place during the year in question. The timing of the payment is determined when the indicators and results needed to determine target achievement (and thus the bonus amount) are known with an adequate degree of certainty. The Code assumes that this is already the case at the end of the year. As a result, the one-year executive board bonuses are to be stated in the reporting year in the Payments table.

The compensation of the member of the Executive Board of innogy SE according to the provisions of GCGC is presented in the following, using the model tables.

Benefits granted	Uwe Tigges				Dr. Bernhard Günther				Arno Hahn			
	Chief Executive Officer since 19 Dec 2017				Chief Financial Officer since 1 Apr 2016				Chief Human Resources Officer since 1 May 2018			
€ '000	2017[1]	2018	2018 (Min)	2018 (Max)	2017	2018	2018 (Min)	2018 (Max)	2017	2018[2]	2018 (Min)	2018 (Max)
Fixed compensation	625	850	850	850	750	759	759	759		467	467	467
Pension instalment	213	300	300	300	255	258	258	258		170	170	170
Fringe benefits	17	20	20	20	34	33	33	33		18	18	18
Total fixed compensation	**855**	**1,170**	**1,170**	**1,170**	**1,039**	**1,050**	**1,050**	**1,050**		**655**	**655**	**655**
Bonus	594	1,078	0	1,940	713	721	0	1,298		333	0	599
SPP 2017 tranche (term: 2017–2020)	823				988							
SPP 2018 tranche (term: 2018–2021)		1,122	0	2,244		1,000	0	2,000		533	0	1,066
Total variable compensation	**1,417**	**2,200**	**0**	**4,184**	**1,701**	**1,721**	**0**	**3,298**		**866**	**0**	**1,665**
Total compensation	**2,272**	**3,370**	**1,170**	**5,354**	**2,740**	**2,771**	**1,050**	**4,348**		**1,521**	**655**	**2,320**

1 The compensation of Uwe Tigges in fiscal 2017 considers the emoluments granted for the period during which he was concurrently appointed to the Executive Boards of both innogy SE and RWE AG, prorated to reflect the share accounted for by his work for the Executive Board of innogy SE.
2 In fiscal 2018, the prorated compensation granted for tenure from 1 May 2018 to 31 December 2018 was taken into account for Arno Hahn.

Benefits granted	Dr. Hans Bünting				Martin Herrmann				Hildegard Müller			
	COO Renewables since 1 Apr 2016				COO Retail since 1 Apr 2016				COO Grid & Infrastructure since 1 May 2016			
€ '000	2017	2018	2018 (Min)	2018 (Max)	2017	2018	2018 (Min)	2018 (Max)	2017	2018	2018 (Min)	2018 (Max)
Fixed compensation	700	723	723	723	700	723	723	723	700	723	723	723
Pension instalment	255	264	264	264	255	264	264	264	255	264	264	264
Fringe benefits	15	19	19	19	24	28	28	28	53	39	39	39
Total fixed compensation	**970**	**1,006**	**1,006**	**1,006**	**979**	**1,015**	**1,015**	**1,015**	**1,008**	**1,026**	**1,026**	**1,026**
Bonus	500	564	0	1,015	500	517	0	931	500	517	0	931
SPP 2017 tranche (term: 2017–2020)	800				800				800			
SPP 2018 tranche (term: 2018–2021)		827	0	1,654		827	0	1,654		827	0	1,654
Total variable compensation	**1,300**	**1,391**	**0**	**2,669**	**1,300**	**1,344**	**0**	**2,585**	**1,300**	**1,344**	**0**	**2,585**
Total compensation	**2,270**	**2,397**	**1,006**	**3,675**	**2,279**	**2,359**	**1,015**	**3,600**	**2,308**	**2,370**	**1,026**	**3,611**

Benefits received	Uwe Tigges Chief Executive Officer since 19 Dec 2017		Dr. Bernhard Günther Chief Financial Officer since 1 Apr 2016		Arno Hahn Chief Human Resources Officer since 1 May 2018		Dr. Hans Bünting COO Renewables since 1 Apr 2016		Martin Herrmann COO Retail since 1 Apr 2016		Hildegard Müller COO Grid & Infra-structure since 1 May 2016	
€ '000	2017[1]	2018	2017	2018	2017	2018[2]	2017	2018	2017	2018	2017	2018
Fixed compensation	625	850	750	759		467	700	723	700	723	700	723
Pension instalment	213	300	255	258		170	255	264	255	264	255	264
Fringe benefits	17	20	34	33		18	15	19	24	28	53	39
Total fixed compensation	**855**	**1,170**	**1,039**	**1,050**		**655**	**970**	**1,006**	**979**	**1,015**	**1,008**	**1,026**
Bonus	533	1,074	614	712		329	453	562	444	491	453	510
Total variable compensation	**533**	**1,074**	**614**	**712**		**329**	**453**	**562**	**444**	**491**	**453**	**510**
Total compensation	**1,388**	**2,244**	**1,653**	**1,762**		**984**	**1,423**	**1,568**	**1,423**	**1,506**	**1,461**	**1,536**

1 The compensation of Uwe Tigges in fiscal 2017 considers the emoluments granted for the period during which he was concurrently appointed to the Executive Boards of both innogy SE and RWE AG, prorated to reflect the share accounted for by his work for the Executive Board of innogy SE.
2 In fiscal 2018, the prorated compensation granted for tenure from 1 May 2018 to 31 December 2018 was taken into account for Arno Hahn.

1.12 Opportunities and risks

In all three of our divisions, we perceive risks which could significantly hinder our business performance. In the retail business, competition remains very intense. In addition, there may be negative impacts related to regulatory intervention. In the grid business, uncertainty about the regulatory parameters declined compared to the previous year. In the Renewables division, higher market prices have a positive effect on the realisable margins, but could also undermine the earnings outlook for the Retail division. Financial market and credit risks may also have significant adverse effects. Furthermore, there are risks related to change of control clauses in operational and financial contracts, which may be applicable in relation to the planned E.ON/RWE transaction. Thanks to our comprehensive framework for risk management, we are to able to identify risks and opportunities at an early stage and act accordingly. Consequently, this framework satisfies the requirements of the German law on corporate control and transparency.

Organisation of risk management at innogy. Overall responsibility for monitoring and managing the Group's overall risk lies with innogy's Executive Board. It establishes the rules and minimum standards and thus determines the innogy Group's risk management framework and strategy. The Executive Board approves the key hedging strategies and global limits, among other things for market and credit risks, as well as individual major transactions.

In its risk governance functions delegated by the Executive Board, the Controlling & Risk Department bears primary responsible for the implementation, further development and coordination of the innogy Group's risk management framework and strategy. It is supported in this work by the Risk Management Committee. The core of the Committee consists of the heads of the following innogy SE departments accountable for the entire Group: Controlling & Risk (Chair), Strategy & Technology, Finance & Credit Risk, Accounting & Reporting, Tax and Legal & Compliance. The heads of Controlling from the divisions Renewables, Grid & Infrastructure and Retail are also members. The Controlling & Risk Department submits regular reports on the Group's risk exposure to the Executive and Supervisory Boards of innogy SE. The head of Controlling & Risk reports to the CFO.

Furthermore, within the framework of the risk management system several other organisational units are entrusted with groupwide risk management and/or risk controlling tasks.

- The CFO of innogy SE is responsible for the following:
  - **Financial risks, credit risks and insurable risks:** Finance & Credit Risk Department
  - **Accounting risks:** Accounting & Reporting Department; one important tool in this regard is the accounting-related internal control system (ICS, see page 105).
  - **Tax risks:** Tax Department
- **Commodity risks in the retail business and from marketing electricity generation from renewables:** Organisational units within these divisions; they are functionally overseen by the head of Controlling & Risk.
- **Corruption risks:** Legal & Compliance Department, which reports to the CEO or – if members of the Executive Board are affected – directly to the Chair of the Supervisory Board and the Chair of the Supervisory Board's Audit Committee. An important basis for this work is innogy's Code of Conduct, which establishes clear principles defining how we conduct our business. Additional information on the Code of Conduct can be found at **www.innogy.com/responsibility-compliance.**
- **Security risks:** The Group Security Department, which reports to the CEO; it develops groupwide strategies, concepts, guidelines and methods to continuously improve the protection of customers, employees and business partners, as well as assets and information.

- **Risks in relation to corporate responsibility aspects:** Corporate Responsibility Department based in the Public Affairs & Communications Department, which reports to the CEO.

Under the expert management of the aforementioned organisational units and in adherence with our general guidelines, our divisions are responsible for identifying risks early, assessing them correctly and reporting and managing them in compliance with the Group's standards.

In addition, various committees perform groupwide risk management tasks:

- **Asset Management Committee:** We entrusted the management of our financial assets to RWE AG. The Committee determines the strategic guidelines for the management of securities held by innogy and the securities by RWE AG, including the funds of RWE Pensionstreuhand e.V. and RWE Pensionsfonds AG. It is composed of representatives of RWE AG and of the heads of the following innogy SE departments: Finance & Credit Risk, Controlling & Risk and the CFO of innogy SE's Grid & Infrastructure division.

- **Retail Hedge Committee:** This Committee approves strategies for hedging market risks in the retail business. Members of the Retail division's management team and the head of Controlling & Risk belong to the Committee.

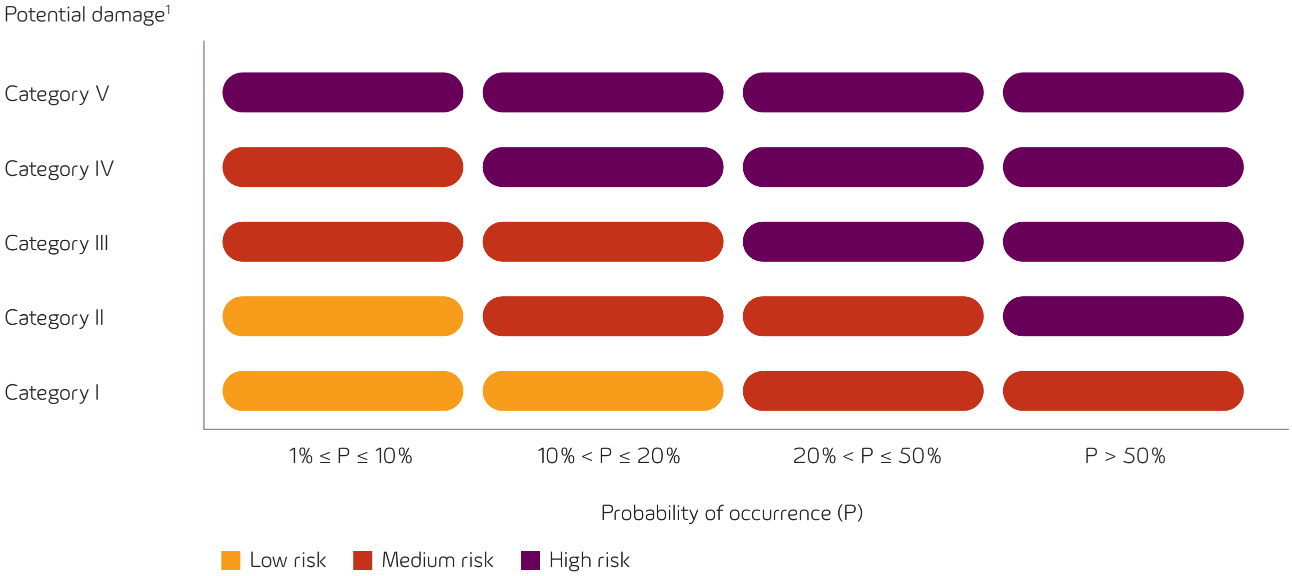
- **ICS Committee:** This Committee's objective is to ensure that the ICS is implemented throughout the Group in accordance with uniform principles, meeting the high ambitions in terms of accuracy and transparency. The Committee is composed of officers from Accounting & Reporting, Tax, Controlling & Risk and Finance & Credit Risk, as well as Human Resources, Procurement, IT, Retail Customer Billing and Corporate Responsibility.

Risk management as a continuous process. Risk management is an integral and continuous part of our operating workflow. We assess risks and opportunities – defined as negative or positive deviations from target figures – once every six months by performing a bottom-up analysis. We also monitor risk exposure between the six-monthly survey dates. The Executive Board is immediately informed of all material changes. The Executive and Supervisory Boards are updated on the risk exposure at least once a quarter within the scope of regular reporting. In addition to bottom-up analysis, other processes are also in place. Within the framework of so-called quarterly performance dialogues, we are able to monitor developments in our divisions, in coordination with the responsible division heads, on the basis of developments in value-driving KPIs and early warning indicators.

The bottom-up analysis normally covers the three-year horizon of our medium-term planning, but can also extend beyond that for significant long-term risks. We evaluate risks to determine their impact on earnings, free cash flow and net debt. We calculate the probability of occurrence for all risks, as well as their potential damage. Risks that share the same cause are aggregated to one position. We present the material individual risks using a matrix in which the risks' probability of occurrence during the time frame of the medium-term planning and the potential net damage are presented, i.e. taking account of hedging measures such as insurance policies and provisions. Depending on their position in the matrix, we distinguish between low, medium and high risks. Based on this analysis, we determine whether there is a need for action and whether risk-mitigation measures need to be initiated.

The Internal Audit Department regularly assesses the quality and functionality of our risk management framework. In functional respects, the Internal Audit Department reports to the Executive Board and for disciplinary matters, it reports to the CFO.

innogy risk matrix



Potential damage[1]	Earnings risks Potential effect on earnings % of planned adjusted EBIT[2] or equity[3]	Indebtedness/liquidity risks Potential effect on net debt/free cash flow € million
Category V	≥ 50% of equity	≥ 8,000
Category IV	≥ 50% of adjusted EBIT and < 50% of equity	≥ 4,000 and < 8,000
Category III	≥ 20% and < 50% of equity	≥ 2,000 and < 4,000
Category II	≥ 10% and < 20% of equity	≥ 1,000 and < 2,000
Category I	< 10% of adjusted EBIT	< 1,000

1 Relative to the year in which the maximum damage could occur.
2 Average for 2019 to 2021 derived from the medium-term plan.
3 Based on equity as of 30 Sept 2018 (Group shareholdings).

Overall assessment of the risk and opportunity situation by executive management. innogy SE's risk position is significantly influenced by the economic and political environment.

We mitigate risks that may result from the difficult framework conditions in the energy sector by tapping into additional earnings potential arising from the transformation of the energy system and from changing customer needs. We also manage these risks with value-based investment criteria and extensive efficiency-enhancing measures.

By analysing the liquidity effects of risks and thanks to our prudent financing strategy, we ensure that we always have enough cash and cash equivalents to meet our payment obligations punctually (see page 65 et seqq.). Such obligations result above all from our financial liabilities, which we must service. We have strong cash flows from operating activities, cash and cash equivalents and our own unused credit lines. Our commercial paper programme provides us with additional financial headroom. We budget our liquidity with foresight, based on the short-, medium- and long-term needs of innogy Group companies, and have an appropriate amount of minimum liquidity on a daily basis. Thanks to our comprehensive risk management framework and the measures for safeguarding our financial and earning power described earlier, we currently do not see any risks jeopardising the continued operation of innogy SE.

innogy's material risks. Our material risks can be divided into five classes (see the following table). As indicated earlier, we quantify risk based on its potential effects on earnings and/or debt and liquidity. The highest individual risk determines the classification of the risk of the entire risk class. With one exception, we currently see individual risks which are classified as 'Medium' in all of the risk classes. Compared to the previous year, financial market and credit risks have been reclassified as 'High'. The reason for this the increasing creditworthiness risk related to our commodity procurement activities. Within the framework of our bottom-up analysis, innogy also incorporated the recommendations of the international Task Force on Climate-related Financial Disclosure (TCFD) in relation to climate-related risks for the first time in 2018. However, we do not currently see any climate-related risks which may have a material effect on the development of our business (for more information on TCFD, see the chapter 'Our strategy', page 20).

In the following section, we comment on the risk classes and material individual risks within them. In addition, we explain the measures we take to mitigate the risks.

innogy's material risk classes	Classification of the single highest risk[1]	
	31 Dec 2018	31 Dec 2017
Market risks	**Medium**	**Medium**
Framework risks	**Medium**	**Medium**
Regulatory and political risks	Medium	Medium
Legal risks	Medium	Medium
Operational risks	**Medium**	**Medium**
Financial market and credit risks	**High**	**Medium**
Financial risks	Medium	Medium
Creditworthiness of business partners	High	Medium
Other risks	**Medium**	**Medium**

1 The risk class reflects the effects that a risk may have on earnings and/or debt and liquidity.

Market risks: classified as 'Medium' as in the previous year

innogy's corporate profile is characterised by a high proportion of regulated activities. Nevertheless, our operations are also exposed to market risks. In most of the countries in which we are active the energy sector is characterised by the free formation of prices on wholesale markets and a high level of competition, especially in the retail business. For example, the increasingly intense competition in our core markets may have a negative impact on our customer figures and realisable margins. Moreover, in such an environment showing signs of weakness can quickly lead to customer losses and a drop in earnings.

Developments on wholesale markets influence the portion of earnings from electricity generation from renewables that is not fully secured by a subsidy model, and may impact the earnings outlook in the retail business. Furthermore, in the gas storage business impairments may have to be recognised, for example if the seasonal differences in the price of gas decline, reducing the realisable margins. However, wholesale price developments can also have a positive impact on our earnings.

In addition, our electricity generation in the Renewables division is influenced by the weather. The output of wind farms and hydroelectric power plants is curtailed in particular by low wind and precipitation levels (see page 26). However, favourable weather conditions can also drive up electricity production. Additionally, temperature-driven fluctuations in demand can influence the results of the retail business.

The price risks arising from electricity generation and the sale of electricity and gas (referred to as commodity price risks) which are faced by the retail companies are managed through hedging rules established by innogy SE. Our know-how in managing commodity price risks is pooled in the Retail Energy Management unit. This unit also manages the wholesale electricity and gas purchases used to supply our customers. At the interface to the wholesale market, primarily at the point of access to energy exchanges and 'over-the-counter' markets, we continue to work closely together with RWE Supply & Trading GmbH on the basis of service agreements lasting until at least the end of 2019. Managing commodity price risks in the Renewables division is the responsibility of the Commercial Organisational Unit. This is an area in which RWE Supply & Trading continues to render services to us, i.e. in relation to the marketing of our generation positions.

As noted above, commodity price risks are limited by limits. Groupwide guidelines provide clear structures and processes for the treatment of commodity price risks and associated credit risks. Accordingly, commodity price risks are hedged based on the liquidity of wholesale markets. For later years, the price risk in relation to our electricity generation from renewable sources increases, as only a small portion of the expected generation volumes is hedged. Using the Value at Risk (VaR) concept, we measure the extent to which commodity price risks can affect our adjusted EBIT due to the generation positions in renewables which involve a market price risk. We apply a confidence level of 95%. In order to determine the overall risk for innogy, we assess other commodity price risks stemming from our retail and gas storage operations. Commodity price risks in the retail business can arise for standard products, insofar as we are not able to fully pass on our procurement costs. On this basis, changes in commodity prices could curtail our adjusted EBIT in 2019 by more than approximately €90 million (previous year: around €20 million), with a low likelihood of such changes occurring. The cut-off date for determining this figure was 31 December 2018. The increase compared to the previous year is mainly due to a methodological adjustment in how the risk is determined. With regard to commodity price risks in the retail business, risks related to illiquid residual positions are now also taken into consideration.
Financial instruments are used to hedge commodity positions. They are also used to limit interest and currency risks; in such cases, they are partially presented as on-balance-sheet hedging relationships in the consolidated financial statements. More detailed information can be found in the notes to the consolidated financial statements on page 172.

Framework risks: classified as 'Medium' as in the previous year

innogy continues to be exposed to risks from the regulatory and political framework to an unchanged degree. There are also legal risks.

- **Regulatory and political risks.** In all three divisions, the development of our business depends on regulatory and political decisions. Electricity generation from renewables is exposed to the danger that governments may cut subsidies, for instance due to state budget deficits. For example, in 2014 the Spanish government made drastic cuts to the subsidy rates for renewable energy, which also applied to existing assets with retroactive effect from 2013. As reported last year, we filed a suit with the International Centre for Settlement of Investment Disputes (ICSID) in Washington, D.C., in order to limit the impact of the subsidy cut on our earnings.

  Furthermore, the increasing spread of tender procedures may have an impact on the profitability and realisation of projects in the Renewables division, for example due to lower subsidies or if our projects are unsuccessful in the tenders.

  Regulatory intervention to the detriment of energy utilities can be observed not only in the electricity generation sector, but also in the retail business. In the United Kingdom, a price cap for customers with standard variable tariffs was approved in November 2018 and entered into effect on 1 January 2019. This price cap initially applies until the end of 2020, but the deadline can be extended annually until the end of 2023 (see page 34). We also see the risk of regulatory intervention on other markets on which innogy is active.

The network business in Germany and Eastern Europe is subject to government regulation. The relevant regulatory parameters can change at the start of the new regulatory periods. Compared to the previous year, uncertainty about these parameters has declined, especially in Germany where there continue to be risks related to the third regulatory period for electricity starting from 2019, among other things, in relation to various proceedings requiring legal clarification, such as the determination of the return on equity and the general sectoral productivity factor. In Eastern Europe, following the end of the current regulatory period there are regulatory risks, as the future regulatory parameters are still unknown.

Legal risks. We are also exposed to legal risks due to our operations, as we can be involved in litigation and arbitration proceedings, for example. Burdens can result from contractual agreements being retrospectively deemed unenforceable. Out-of-court claims may also be filed against us. Furthermore, we are directly involved in various procedures with public authorities or are at least affected by their outcomes. We have accrued provisions for potential resulting losses.

Operational risks: classified as 'Medium' as in the previous year

We operate technologically complex, interconnected production systems in all parts of our value chain. The construction of new assets may be delayed, for example due to accidents, material defects, delayed deliveries or time-consuming approval procedures. We counter this through diligent plant and project management, as well as high safety standards. In addition, we perform regular inspections, maintenance and repairs. Nevertheless, the occurrence of outages cannot be ruled out, for example, for network operation equipment. If economically viable, we take out insurance policies to cover these risks.

Moreover, our business processes are supported by secure, effective data processing systems. Nevertheless, we cannot rule out a lack of availability of IT infrastructure or a breach in the security of our data. Our high security standards, for example the ICS quality standards regarding the accounting-related IT systems, are designed to prevent this. In addition, we regularly invest in hardware and software upgrades.

We attach high importance to the management of cyber security risks. The rising significance of these risks is due, among other things, to the increasing spread of digitisation and automation in our business, the increasingly intensive networking of devices which are linked to the Internet and the resulting higher level of complexity. This is also underlined by the increasingly professional nature of attacks on IT infrastructure. We address the possible related damages with investment and comprehensive measures for prevention, recognition and response. Our security measures are based on the international security standard ISO 27001 and thus ensure a high degree of IT security. In 2018, all of the legally mandated security certifications were maintained.

Financial market and credit risks: classified as 'High' (previous year: 'Medium')

innogy is exposed to various financial market risks and to credit risks as well, due to its extensive business relations. The new classification as 'High' stems from the increase in creditworthiness risks.

- **Financial risks.** The volatility of market interest and foreign exchange rates as well as share prices can also have a significant effect on our earnings, which can be positive or negative, depending on the development. As we are not just active in the Eurozone, we attach high importance to currency risk management. Group companies are generally obliged to limit their currency risks via innogy SE. The parent company determines the net financial position for each currency and hedges it if necessary. VaR is one of the tools used to measure and limit risk. Unless stated otherwise, the VaR figures for our financial risks are based on a confidence level of 95% and a holding period of one day. In 2018, the average VaR for innogy SE's foreign currency position from transactional risks was less than €1 million.

There are various kinds of interest rate risks. Rises in interest rates can lead to reductions in the price of securities held by innogy. This relates primarily to fixed-interest bonds. The VaR for our securities price risk associated with our capital investments averaged €3 million in 2018.

Increases in interest rates also cause our financing costs to rise. We measure this risk using the cash flow at risk. We apply a confidence level of 95% and a holding period of one year. The average figure for cash flow at risk was €11 million in 2018.

Furthermore, market interest rates have an effect on our provisions, as they are the point of reference for determining the discount rates for the net present values of obligations. In other words, declining market interest rates tend to increase our provisions and vice-versa. In the notes (see page 161), we indicate how sensitively the net present values of pension obligations react to higher or lower discount rates.

The securities we hold in our portfolio include shares. The annual average VaR figure for the risk associated with changes in share prices was €5 million. RWE AG's Asset Management Department has been entrusted with the management of share investments as well as the management of interest-rate risks in relation to the securities we hold. The Asset Management Committee, which – as mentioned earlier – includes representatives of innogy, determines the strategic guidelines for managing securities.

Range of action, responsibilities and controls are set out in guidelines to which our Group companies are obliged to adhere when concluding financial transactions. The innogy Group's financial transactions are recorded in a central system, enabling them to be monitored.

As a result of the planned E.ON/RWE transaction, it is possible that change-of-control clauses included in financial contracts will be applied. This influences a large part of our financing structure. For example, a change of control would mean that new negotiations on the continued existence of bilateral guarantee facilities and outstanding loans have to be conducted. Furthermore, if innogy's rating is downgraded to a non-investment grade rating within six months of a change of control, investors could demand early repayment of the bonds they hold.

The conditions at which we can finance our business on the debt capital market also largely depend on the credit ratings we receive from international rating agencies. innogy has received solid investment-grade ratings from the agencies Fitch, Moody's and S&P. However, fundamentally speaking there is still a link to the corresponding Group rating, which is currently still the RWE rating. However, after completion of the planned E.ON/RWE transaction, E.ON's rating will probably be relevant (see page 69). There are still contracts which can require that additional security be provided in the event that certain ratings levels are not met. Consequently, future downgrades to ratings, including those of the Group, can result in a decline in liquidity. However, good business performance by innogy or the Group can also have a positive effect on our rating.

- **Creditworthiness of business partners.** Our business relations with customers, suppliers, trading partners and financial institutions expose us to credit risks. Therefore, we track the creditworthiness of our transaction partners closely and assess their credit standing based on internal and external ratings, both before and during the business relationship. Transactions with contractual partners that exceed certain approval thresholds are subject to a credit limit, which allows us to limit creditworthiness risk. Sometimes we request cash collateral or bank guarantees. We take out insurance policies to cover payment defaults in the retail business. Credit risks and the utilisation of limits are constantly measured.

We are also exposed to creditworthiness risk due to various contractual relationships with RWE AG. For example, we handle our commodities procurement via RWE Supply & Trading based on a contractual framework ('Wholesale Interface Agreement'), which we have cancelled effective 31 December 2019. This will allow us to further diversify our procurement starting from 2020. This will tend to mean that procurement will also be subject to higher collateralisation; as a result of this the creditworthiness risk will decline compared to the current situation. The resulting increase in liquidity requirements has been taken into account in our financing strategy.

With regard to 2019, creditworthiness risk has risen to 'High' compared to the previous year, due to the sharp increase in market prices for electricity and gas, consequently increasing the risk level for the entire risk class 'Financial market and creditworthiness risks'. From 2020, creditworthiness risk will decline to 'Medium' again, due to the planned collateralisation.

Other risks: classified as 'Medium' as in the previous year

This risk class includes reputation risks and risks associated with non-compliance and criminal offences committed by employees of the Group. It also encompasses the possibility of planned divestments not being implemented, for example owing to regulatory requirements or bids being too low. As a result of the planned E.ON/RWE transaction, it is also possible that change-of-control clauses included in operational contracts will be applied. This may represent a risk to the continued existence of investments, concessions and delivery contracts.

innogy has specific accountability provisions and approval processes in place to prepare and implement investment decisions. Closely monitoring both our markets and competitors helps us to identify and assess strategic risks and opportunities early on. It cannot be ruled out, however, that income achieved from capital expenditure on property, plant and equipment and intangible assets may fall short of expectations, keeping us from meeting our internal return requirements. Conversely, these expectations may also be exceeded, for instance if the capital expenditure develops more profitably than originally assumed. Furthermore, prices paid for acquisitions may prove to be too high in hindsight. Impairments may have to be recognised for such cases. Renewable generation assets are exposed to a risk of impairment insofar as regulatory framework conditions may develop to our disadvantage. In addition, markets may display negative development, projects may be discontinued and projects may be sold under their carrying amount. For example, rising competition among bidders can prevent planned projects from being implemented or mean that our projects are unsuccessful in tenders. There is also a risk of further impairments in our UK retail business, in the event that economic or regulatory conditions continue to deteriorate.

We attach very high importance to the challenges arising from the competitive environment on the energy market. We meet these challenges with comprehensive measures to increase our efficiency and with a value-oriented investment policy. We make our decisions and orient our organisation and processes towards this. Nevertheless, there is a risk that improvements sought may not be fully achieved or may be achieved later than originally planned. Moreover, we also see opportunities in the development of the energy market, which we intend to seize through innovative customer solutions, and spending or acquisitions which we deem to be expedient. Our capital expenditure is focused on the expansion of promising business areas, such as e-mobility, renewable energies and broadband (see page 18).

Risks in relation to corporate responsibility aspects. Pursuant to Section 289b in conjunction with Section 315b of the German Commercial Code, we also analyse and disclose material risks in relation to aspect of corporate social responsibility. These are reported to the Executive and Supervisory Boards of innogy SE and published annually in the separate, summarised non-financial report as part of the Sustainability Report (see innogy's Sustainability Report 2018 at www.innogy.com/sustainability-report-2018). At present, we do not perceive any reportable risks pursuant to Section 289c, Paragraph 2 in conjunction with Section 315c of the German Commercial Code.

Report on the accounting-related internal control system: statements in accordance with Section 315, Paragraph 2, No. 5 and Section 289, Paragraph 5 of the German Commercial Code. Risks associated with financial reporting reflect the fact that our annual, consolidated and interim financial statements may contain misrepresentations that could have a significant influence on the decisions made by the reader. Our accounting-based ICS aims to detect potential sources of error and limit the resulting risks. This enables us to ensure with sufficient certainty that the parent company and consolidated financial statements are prepared in compliance with statutory regulations.

The foundations of the ICS are our basic principles, which are set out in innogy's Code of Conduct and include our ambition to provide complete, objective, correct, intelligible and timely information, as well as the company's groupwide guidelines. Building on this, the ICS quality standards for the accounting-related IT systems should ensure that the data are collected and processed reliably.

The organisation of our accounting did not change compared to the previous year. Expert management of the innogy Group's Shared Service Centre in Krakow, in which the transaction-related accounting activities are pooled, is the responsibility of the Accounting Department of innogy SE; this Department is also responsible for preparing the consolidated financial statements of the innogy Group.

A dedicated unit within Accounting is responsible for designing and monitoring the ICS of the innogy Group. It implements the ICS with support from the ICS Committee mentioned on page 98. The group-wide set of rules for designing and monitoring the ICS remain in effect without any changes.

In order to verify that the ICS is effective, as a first step, with respect to the Accounting Department, we examine whether the risk situation is presented appropriately and whether suitable controls are in place for the identified risks. In a second step, the effectiveness of the controls is verified. This task has been entrusted to employees in Accounting and Internal Audit as well as independent auditing companies, whose work is supported by the IT system. The officers in charge check whether the agreed ICS quality standards are complied with for the finance, HR, procurement, IT, tax and retail billing functions. The results of the checks are reported to the Executive Board.

Within the scope of external reporting, the members of the Executive Board of innogy SE have signed the responsibility statement. They thus confirmed that the prescribed accounting standards have been adhered to and that the figures give a true and fair view of the net assets, financial position and results of operations. At its meetings, the Supervisory Board's Audit Committee regularly concerned itself with the effectiveness of the ICS. At the end of February 2019, the Executive Board submitted a report on the appropriateness of the design and effectiveness of the ICS to innogy SE's Audit Committee.

The assessments and audits carried out in 2018 proved that the ICS was effective yet again in the accounting, finance, HR, procurement, IT and tax functions. However, this merely reduces the risk of gross misrepresentations in accounting, as such cannot be eliminated completely.

Last year, the ICS was refined with a focus on IT and functional separation risks in SAP systems.

1.13 Outlook

For fiscal 2019, we project adjusted EBIT of about €2.3 billion, down significantly on the previous year. On the one hand, this decline is driven by the sale of our Czech gas grid business in February 2019, while on the other hand we also announced in December 2018 that we expect a further drop in earnings at our UK retail business, due to the introduction of the price cap for standard variable tariffs and higher regulatory costs. Moreover, in view of the still intense competition and the rise in wholesale prices for electricity and gas, we also anticipate lower earnings in our retail business outside of the United Kingdom. By contrast, we expect weather conditions to normalise for our Renewables division. Earnings should increase strongly, supported by additional generation capacities. In the Grid & Infrastructure division, we project a steep decline in earnings compared to the previous year, due to the aforementioned disposal. A mild improvement in the adjusted financial result is expected, thanks to more favourable financing conditions. Similar to the development of adjusted EBIT, the outlook of about €850 million for adjusted net income is also lower compared to the previous year. We continue to target a pay-out ratio between 70% and 80% of our adjusted net income for the dividend.

Outlook for 2019

- Adjusted EBIT of about €2.3 billion
- Adjusted net income of about €850 million
- Pay-out ratio: 70% to 80% of adjusted net income

Experts expect weaker economic growth. According to the initial forecasts, the global economy is projected to grow at a rate of around 2.5% in 2019, slowing down compared to the previous year. Growth in the Eurozone is anticipated at around 1.5%, which will also be lower than the preceding year. For Germany, the Council of Economic Experts forecasts growth of 1.5% as well. The Dutch economy should once again grow stronger than the Eurozone, while growth in Belgium is expected to be on par with the Eurozone. As long as a 'no-deal' Brexit is avoided, economic growth in the United Kingdom should reach 1.5%. The growth forecasts for our Central Eastern European markets are better. Experts anticipate that growth rates in Poland, the Czech Republic, Hungary and Slovakia will reach between 3% and 4%.

Adjusted net income forecast at about €850 million. We project adjusted EBIT of about €2.3 billion and adjusted net income of about €850 million for the current fiscal year. Adjusted net income differs from net income according to IFRS in that certain non-operating or aperiodic effects are not taken into account. This mainly includes effects from the fair value measurement of certain derivatives, income from the disposal of investments or other non-current assets, and impairments recognised on goodwill, as well as certain items in the financial result.

In the reconciliation to adjusted net income, we expect to see a slight improvement in the adjusted financial result. In terms of refinancing, we will benefit from the lower financing costs. On the other hand, the first-time recognition of interest expenses from lease liabilities according to IFRS 16 will negatively impact the financial result. In calculating adjusted net income, we continue to apply a normalised tax rate of 25% to 30%. Furthermore, sale of the Czech gas grid business will lower the income of non-controlling interests.

Outlook in € million (unless otherwise noted)	2018 actual	Outlook for 2019
Adjusted EBIT[1]	2,630	About 2,300
Renewables	299	400 to 500
Grid & Infrastructure	1,962	1,700 to 1,800
Retail	654	300 to 400
Adjusted financial result	−773	−650 to −750
Tax rate used to calculate adjusted net income	25%	25% to 30%
Adjusted net income	1,026	About 850

1 'Corporate/New Businesses' is not stated separately.

At the level of the individual divisions, the anticipated development of adjusted EBIT for 2019 is mainly influenced by the following items:

- The **Renewables** division is expected to generate adjusted EBIT of €400 million to €500 million in 2019, which should thus be substantially higher than last year's level. We expect weather conditions to normalise, after 2018 was marked by significantly below-average wind levels at almost all of our generation sites as well as low precipitation and melt water volumes. Additionally, the continued expansion of our generation capacities in renewables should drive growth in earnings: On the one hand, we plan on commissioning new assets with a total capacity of around 0.4 GW (innogy's share) in 2019, and on the other hand, the capacities connected to the grid last year (around 0.2 GW for innogy's share) will fully contribute to earnings during the year for the first time. Furthermore, we expect higher revenue from electricity sales for the portion of generation for which we do not receive fixed feed-in tariffs.

- For the **Grid & Infrastructure** division, we forecast adjusted EBIT of between €1,700 million and €1,800 million. The main reason for the decline in earnings is the sale of our Czech gas grid business in February 2019. In Germany, we expect stable earnings on the whole, including positive extraordinary items as in 2018.

- The adjusted EBIT of the **Retail** division is forecast at €300 million to €400 million and will thus likely fall significantly short of last year. In the UK retail business, we project a steep decline in earnings due to the introduction of the price cap for standard variable tariffs in 2019 and rising commodity prices. Furthermore, due to regulatory requirements higher costs will be incurred for the widescale installation of smart meters, as well as for the implementation of UK government's energy savings programme (ECO III – Energy Company Obligation). Additional cost-reduction measures will be counterbalanced by restructuring costs in 2019. We are also exposed to steadily mounting competitive pressures in all of our markets, as a result of which customers are switching to cheaper tariffs; furthermore higher commodity prices cannot be passed on in full. Cost-reduction measures have a positive effect. We also expect that the negative impact on earnings from Q1 2018 in the Netherlands which resulted from the unexpected increase in gas prices in conjunction with strong demand will not be repeated.

For **Corporate/New Businesses** we anticipate earnings to be slightly better than in 2018, thanks in particular to savings on project costs and IT expenses. Additionally, we project an improvement in the earnings of the Innovation Hub, due to further optimisation of our cost structure and the expected growth of our startup portfolio.

Pay-out ratio of adjusted net income remains unchanged. We continue to target a pay-out ratio between 70% and 80% of our adjusted net income for the dividend.

Net investment in the order of €2.5 billion in 2019. We expect that our net investment will be considerably higher this year compared to last year. This does not include the proceeds from the sale of our Czech gas grid business. Most of our investment remains concentrated in Grid & Infrastructure, especially for the expansion and modernisation of our grids, along with maintenance. We also continue to invest in the broadband growth business. We plan on significantly boosting our investment in the Renewables division compared to last year. Among other things, we will be investing in our large offshore wind project Triton Knoll, in which we currently hold a 59% share. Construction started in 2018 and the wind farm should begin feeding electricity into the grid in 2021. The total investment volume for this project amounts to roughly £2 billion (around €2.3 billion). We are also investing in various onshore wind projects, including in the USA, and expanding our solar power business.

External links: The contents of websites to which we provide links in the combined review of operations are not part of the combined review of operations; they only provide additional information. An exception to this is the summarised corporate governance declaration in accordance with Section 315d of the German Commercial Code in conjunction with Section 289f of the German Commercial Code.

2 Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the 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.

Essen, 26 February 2019

The Executive Board

Tigges

Günther

Hahn

Bünting

Herrmann

Müller

3

Consolidated financial statements

3.1 Income statement[1]

€ million	Note	2018	2017
Revenue (including natural gas tax/electricity tax)[2]	(1)	**36,984**	**43,139**
Natural gas tax/electricity tax	(1)	1,921	2,020
Revenue	(1)	**35,063**	**41,119**
Other operating income	(2)	3,451	981
Cost of materials	(3)	26,808	32,718
Staff costs	(4)	3,151	3,005
Depreciation, amortisation and impairment losses	(5), (10), (11)	3,191	1,994
Other operating expenses	(6)	4,831	2,513
of which: derecognition of financial assets carried at amortised cost		4	./.
of which: impairments on financial assets	(7), (12)	178	./.
Income from investments accounted for using the equity method	(7)	248	197
Other income from investments		145	94
of which: impairments on financial assets		4	19
Financial income	(8)	387	863
Finance costs	(8)	980	1,376
Income before tax		**333**	**1,648**
Taxes on income	(9)	619	499
Income		**−286**	**1,149**
of which: income of non-controlling interests		367	371
of which: net income/income attributable to innogy SE shareholders		**−653**	**778**
Basic and diluted earnings per share in €	(27)	**−1.18**	**1.40**

1 With the first-time application of IFRS 9, certain disclosures are only relevant for 2018 (reporting according to the new regulations), while other disclosures are only relevant for 2017 (reporting according to the earlier regulations). If as a result of this a disclosure for 2018 or for 2017 is no longer presented, this is indicated ('./.').

2 Due to the first-time adoption of IFRS 15, the 2018 figures do not include changes in the fair values of commodity derivatives (which are included in other operating income or expenses) or passed-through compensation under the German Renewable Energy Act (previously recognised in revenue and the cost of materials).

3.2 Statement of comprehensive income[1,2]

€ million	Note	2018	2017
Income		**–286**	**1,149**
Actuarial gains and losses of defined benefit pension plans and similar obligations	(22)	–491	624
Income and expenses of investments accounted for using the equity method (pro rata)	(12)	4	–62
Fair valuation of equity instruments	(28)	–39	./.
Income and expenses recognised in equity, not to be reclassified through profit or loss		**–526**	**562**
Currency translation adjustment	(20)	–40	160
Fair valuation of financial instruments available for sale	(28)	./.	23
Fair valuation of debt instruments	(28)	–8	./.
Fair valuation of financial instruments used for hedging purposes	(28)	–12	–8
Income and expenses of investments accounted for using the equity method (pro rata)	(12), (20)	10	–15
Income and expenses recognised in equity, to be reclassified through profit or loss in the future		**–50**	**160**
Other comprehensive income		**–576**	**722**
Total comprehensive income		**–862**	**1,871**
of which: attributable to innogy SE shareholders		–1,176	1,465
of which: attributable to non-controlling interests		314	406

1 With the first-time application of IFRS 9, certain disclosures are only relevant for 2018 (reporting according to the new regulations), while other disclosures are only relevant for 2017 (reporting according to the earlier regulations). If as a result of this a disclosure for 2018 or for 2017 is no longer presented, this is indicated ('./.').

2 Figures stated after taxes.

3.3 Balance sheet

Assets € million	Note	31 Dec 2018	31 Dec 2017
Non-current assets			
Intangible assets	(10)	10,069	11,347
Property, plant and equipment	(11)	19,365	18,361
Investments accounted for using the equity method	(12)	2,253	2,214
Other non-current financial assets	(13)	991	839
Financial receivables	(14)	376	432
Other receivables and other assets	(15)	1,545	829
Deferred taxes	(16)	2,630	2,480
		37,229	**36,502**
Current assets			
Inventories	(17)	414	380
Financial receivables	(14)	174	439
Trade accounts receivable		4,349	4,198
Other receivables and other assets	(15)	2,898	1,707
Income tax assets		434	264
Marketable securities	(18)	2,362	2,254
Cash and cash equivalents	(19)	2,014	1,070
		12,645	**10,312**
		49,874	**46,814**

Equity and liabilities € million	Note	31 Dec 2018	31 Dec 2017
Equity			
innogy SE shareholders' interest	(20)	7,900	9,439
Non-controlling interests	(20)	2,014	1,813
		9,914	**11,252**
Non-current liabilities			
Provisions for pensions and similar obligations	(22)	3,767	3,089
Other provisions	(23)	1,489	1,539
Financial liabilities	(24)	16,080	15,492
Other liabilities	(26)	2,982	2,251
Deferred taxes	(16)	662	542
		24,980	**22,913**
Current liabilities			
Other provisions	(23)	2,588	2,606
Financial liabilities	(24)	2,625	1,764
Trade accounts payable	(25)	4,381	4,001
Income tax liabilities		53	85
Other liabilities	(26)	5,333	4,193
		14,980	**12,649**
		49,874	**46,814**

3.4 Cash flow statement

€ million	Note (31)	2018	2017
Income		−286	1,149
Depreciation, amortisation, impairment losses/reversals		3,138	2,005
Changes in provisions		−17	36
Changes in deferred taxes		233	−43
Income from disposal of non-current assets and marketable securities		−113	−177
Other operating income/expenses		−161	211
Changes in working capital		−229	−527
Cash flows from operating activities		**2,565**	**2,654**
Intangible assets/property, plant and equipment			
Capital expenditures		−2,363	−1,835
Proceeds from disposal of assets		111	161
Acquisitions/investments			
Capital expenditures		−325	−303
Proceeds from disposal of assets/divestitures		188	120
Changes in marketable securities and cash investments		−195	247
Cash flows from investing activities (before initial/subsequent transfer to plan assets)		**−2,584**	**−1,610**
Initial/subsequent transfer to plan assets		−94	−190
Cash flows from investing activities (after initial/subsequent transfer to plan assets)		**−2,678**	**−1,800**
Net changes in equity (including non-controlling interests)		630	−64
Dividends paid to innogy shareholders and non-controlling interests		−1,249	−1,328
Issuance of financial debt		3,016	3,380
Repayment of financial debt		−1,340	−3,160
Cash flows from financing activities		**1,057**	**−1,172**
Net cash change in cash and cash equivalents		944	−318
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents			9
Net change in cash and cash equivalents		**944**	**−309**
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		**2,014**	**1,070**

3.5 Statement of changes in equity

Statement of changes in equity € million	Subscribed capital of innogy SE	Additional paid-in capital of innogy SE	Retained earnings and distributable profit	Accumulated other comprehensive income			innogy SE shareholders' interest	Non-controlling interests	Total
				Currency translation adjustments	Fair valuation of financial instruments				
					Available for sale[2]/debt instruments	For hedging purposes			
Note (21)									
Balance at 1 Jan 2017	**1,111**	**6,210**	**2,291**	**−766**	**74**	**11**	**8,931**	**1,736**	**10,667**
Dividends paid[1]			−889				−889	−262	−1,151
Income			778				778	371	1,149
Other comprehensive income			539	148	17	−17	687	35	722
Total comprehensive income			1,317	148	17	−17	1,465	406	1,871
Withdrawals/ contributions			−68				−68	−67	−135
Balance at 31 Dec 2017	**1,111**	**6,210**	**2,651**	**−618**	**91**	**−6**	**9,439**	**1,813**	**11,252**
Adjustment due to IFRS 9			65		−79	−1	−15		−15
Adjustment due to IFRS 15			−21				−21		−21
Balance at 1 Jan 2018	**1,111**	**6,210**	**2,695**	**−618**	**12**	**−7**	**9,403**	**1,813**	**11,216**
Dividends paid[1]			−889				−889	−295	−1,184
Income			−653				−653	367	−286
Other comprehensive income			−494	−23	4	−10	−523	−53	−576
Total comprehensive income			−1,147	−23	4	−10	−1,176	314	−862
Withdrawals/ contributions			562				562	182	744
Balance at 31 Dec 2018	**1,111**	**6,210**	**1,221**	**−641**	**16**	**−17**	**7,900**	**2,014**	**9,914**

1 Following reclassification of non-controlling interests to other liabilities as per IAS 32.
2 Changes in the category 'Financial assets available for sale' were stated for the last time in fiscal 2017 in accordance with IAS 39. Starting in fiscal 2018, changes in the category 'Debt instruments measured at fair value through other comprehensive income' are stated due to the application of IFRS 9.

3.6 Notes

General information

innogy SE (HR B 27091, District Court of Essen), headquartered at Opernplatz 1, 45128 Essen, Germany, is the parent company of the innogy (Sub-) Group ('innogy' or 'Group'). innogy SE, Essen, is included in the consolidated financial statements of RWE AG, Essen, which prepares these statements for the broadest scope of companies, to which innogy belongs as a subsidiary, and publishes them in the electronic Federal Gazette. innogy is a supplier of energy.

The consolidated financial statements for the period ended 31 December 2018 were approved for publication on 26 February 2019 by the Executive Board of innogy SE, Opernplatz 1, 45128 Essen, Germany. The statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable in the European Union (EU), as well as in accordance with the supplementary accounting regulations applicable pursuant to Section 315e, Paragraph 1 of the German Commercial Code (HGB). The previous year's figures were calculated according to the same principles.

A statement of changes in equity has been disclosed in addition to the income statement, the statement of comprehensive income, the balance sheet and the cash flow statement. The notes also include segment reporting.

Several balance sheet and income statement items have been combined in the interests of clarity. These items are stated and explained separately in the notes. The income statement is structured according to the nature of expense method.

The consolidated financial statements have been prepared in euros. Unless specified otherwise, all amounts are stated in millions of euros (€ million). Due to calculation procedures, rounding differences may occur.

With the first-time application of IFRS 9, certain disclosures are only relevant for 2018 (reporting according to the new regulations), while other disclosures are only relevant for 2017 (reporting according to the earlier regulations). If as a result of this a disclosure for 2018 or for 2017 is no longer presented, this is indicated in the tables in the notes ('./.').

These consolidated financial statements were prepared for the fiscal year from 1 January to 31 December 2018. The Executive Board of innogy SE is responsible for the preparation, completeness and accuracy of the consolidated financial statements and the Group review of operations, which is combined with the review of operations of innogy SE.

We employ internal control systems, uniform groupwide directives, and programmes for basic and advanced staff training to ensure that the consolidated financial statements and combined review of operations are adequately prepared. Compliance with legal regulations and the internal guidelines as well as the reliability and viability of the control systems are continuously monitored throughout the Group.

In line with the requirements of the German Corporate Control and Transparency Act (KonTraG), the Group's risk management system enables the Executive Board to identify risks at an early stage and take countermeasures, if necessary.

The consolidated financial statements, the combined review of operations and the independent auditors' report are discussed in detail by the Audit Committee and at the Supervisory Board's meeting on financial statements with the independent auditor present. The results of the Supervisory Board's examination are presented in the report of the Supervisory Board on page 6 et seqq.

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. In determining whether there is control, in addition to voting rights, other rights in the company contracts or articles of incorporation and potential voting rights are also taken into consideration.

Material associates are accounted for using the equity method, and principal joint arrangements are accounted for using the equity method or as joint operations. Joint operations result in pro-rata inclusion of the assets and liabilities, and the revenues and expenses, in accordance with innogy's rights and obligations.

A company is deemed to be an associate if there is significant influence on the basis of voting rights between 20% and 50% or on the basis of contractual agreements.

In classifying joint arrangements which are structured as independent vehicles, as joint operations, or as joint ventures, other facts and circumstances – in particular delivery relationships – are taken into consideration, in addition to the legal form and contractual agreements.

Investments in subsidiaries, joint ventures, joint operations or associates which are of secondary importance from a Group perspective are accounted for in accordance with IFRS 9.

The list of Group shareholdings pursuant to Section 313, Paragraph 2 of the German Commercial Code (HGB) is presented on page 190 et seqq.

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

Number of fully consolidated companies	Germany	Abroad	Total
Balance at 1 Jan 2018	**118**	**164**	**282**
First-time consolidation	4	63	67
Deconsolidation	−3	−5	−8
Mergers	−2	−35	−37
Balance at 31 Dec 2018	**117**	**187**	**304**

Number of investments and joint ventures accounted for using the equity method	Germany	Abroad	Total
Balance at 1 Jan 2018	**66**	**14**	**80**
Acquisitions		3	3
Disposals			
Other changes	1		1
Balance at 31 Dec 2018	**67**	**17**	**84**

Furthermore, five companies are presented as joint operations (previous year: five). Of these, Greater Gabbard Offshore Winds Limited, UK, is a material joint operation of the innogy Group. Greater Gabbard holds a 500-megawatt offshore wind farm, which innogy operates together with Scottish and Southern Energy (SSE) Renewables Holdings. Innogy Renewables UK owns 50% of the shares and receives 50% of the power generated (including green power certificates). The wind farm is a key element in the offshore portfolio of the Renewables segment.

First-time consolidations and deconsolidations generally take place when control is transferred.

Acquisitions

Significant acquisitions during the period under review are presented in the following:

Regionetz GmbH

With retroactive commercial effect to 1 January 2018, RegioTemp GmbH, a fully consolidated subsidiary of the innogy Group, was merged into Regionetz GmbH, Aachen (INFRAWEST GmbH prior to renaming), a fully consolidated subsidiary of Stadtwerke Aachen AG (STAWAG). In return, innogy acquired 49% of the shares in Regionetz GmbH. Despite its minority interest, pursuant to the contractual agreement, innogy has a controlling position in accordance with IFRS 10 and is thus fully consolidating Regionetz GmbH. Due to the transaction, the 'Grids' division of the (former) INFRAWEST GmbH is being consolidated for the first time and the interest in the operation of the (former) RegioTemp GmbH is being reduced.

Regionetz GmbH primarily operates electricity, gas, heat and water distribution networks for Greater Aachen and parts of the districts of Heinsberg and Düren. Its assets and liabilities comprise the operation of the merging RegioTemp GmbH as a contribution by innogy and the 'Grids' division that was 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 contributed its fully-consolidated subsidiary RegioTemp GmbH to the company. Consequently, the fair value of the 51% interest in the subsidiary RegioTemp GmbH (€90 million) contributed by innogy, which was determined as the present value of future cash flows, was recognised as the acquisition cost. The purchase price also includes a €12 million conditional payment obligation. This obligation depends on regulatory uncertainties and can lead to a nominal payment ranging from €5 million up to a maximum of €12 million. As a result of this, the total fair value of the consideration amounts to €102 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	286
Current assets	37
Non-current liabilities	109
Current liabilities	8
Net assets	**206**
Non-controlling interests	105
Cost (not affecting cash)	102
Goodwill	**1**

The fair value of the receivables included in non-current and current assets amounted to €28 million and essentially corresponded to the nominal amount of receivables, which are collectable in full.

The goodwill essentially reflects expected future use and synergy effects.

Since its first-time consolidation, the 'Grids' division of STAWAG has contributed €177 million to the Group's revenue and €15 million to the Group's income.

Other acquisitions

The total assumed assets and liabilities presented in the following table resulted from the other acquisitions during the fiscal year:

Balance-sheet items € million	IFRS carrying amounts (fair values) at first-time consolidation
Non-current assets	61
Current assets	17
Non-current liabilities	9
Current liabilities	24
Net assets	**45**
Non-controlling interests	
Cost	113
Goodwill	**68**

Had all of the mergers during the reporting period been completed at 1 January 2018, the Group's income and revenue would have been −€286 million and €35,067 million, respectively (excluding gas and electricity tax).

Disposals

In total, sales transactions which led to a loss of control over previously fully consolidated companies resulted in sales proceeds from disposals of €16 million, which were reported in other operating income and other operating expenses (previous year: €19 million). Of this, €0 million (previous year: €14 million) pertained to remeasurement of remaining shares.

Within the framework of purchases and sales which resulted in innogy acquiring control over companies which were previously not fully consolidated or losing control over companies which were previously fully consolidated, purchase prices amounted to €216 million (previous year: €159 million) and sales prices amounted to €27 million (previous year: €5 million). All payments were received in cash. The purchase prices amounted to €113 million and were settled in cash; liabilities of €12 million were assumed. There was compensation of €91 million related to the participation of the seller in a company of the innogy Group, as explained above in the section on 'Acquisitions' with regard to Regionetz GmbH. In relation to this, cash and cash equivalents (excluding 'Assets held for sale') were acquired in the amount of €5 million (previous year: €25 million) and were disposed of in the amount of €0 million (previous year: €5 million).

Termination of reporting as a discontinued operation

On 8 November 2017, innogy and SSE plc ('SSE') originally agreed to merge the retail activities of the innogy subsidiary npower with SSE's household energy (B2C) and energy services business in Great Britain. innogy was to retain a minority share of 34.4% of the combined company. Following approval by a qualified majority of SSE's shareholders, the retail operations of npower were reported as a discontinued operation under IFRS 5 from 19 July 2018.

In relation to the accounting treatment under IFRS 5, in the third quarter the discontinued operation was recognised at the lower of its carrying amount and fair value less costs to sell for the first time. This amounted to €1.3 billion (enterprise value). In the third quarter, this resulted in an impairment of €748 million, which was applied in full to the goodwill recognised for this unit.

On 17 December 2018, the negotiations between innogy and SSE were terminated without a result. The reason for this was that, in view of the drastic deterioration in market conditions, the two parties were unable to reach a mutual agreement on the necessary direct and indirect financing contributions. Consequently, the retail activities of npower are now once again reported as a continuing operation.

As part of terminating the accounting under IFRS 5, the activities were recognised at the lower of the carrying amount prior to classification as a discontinued operation less the scheduled depreciation and amortisation which had occurred in meantime and the recoverable amount at the time of reclassification. In this regard, due to a deterioration in commercial assumptions and more difficult regulatory conditions, another impairment of €921 million was recognised (recoverable amount: €0.1 billion). This resulted in a complete write-down of the goodwill allocated to this unit. Other intangible assets were reduced by the surplus amount of €142 million.

Due to reclassification as a continuing operation, the impairments which were recognised were applied to income from continuing operations. Moreover, the scheduled depreciation and amortisation which had been suspended in the meantime in accordance with IFRS 5 was applied retrospectively. This had a negative impact on earnings amounting to €10 million.

Consolidation principles

The financial statements of German and foreign companies included in the scope of the Group's financial statements are prepared using uniform accounting policies. On principle, subsidiaries whose fiscal years do not end on the Group's balance-sheet date (31 December) prepare interim financial statements as of this date. Two subsidiaries have a different balance-sheet date of 31 March (previous year: two). Different fiscal years compared to the calendar year stem from business or tax-related reasons, or country-specific regulations.

Business combinations are reported according to the acquisition method. This means that capital consolidation takes place by offsetting the purchase price, including the amount of the non-controlling interests, against the acquired subsidiary's revalued net assets at the time of acquisition. In doing so, the non-controlling interests can either be measured at the prorated value of the subsidiary's identifiable net assets or at fair value. The subsidiary's identifiable assets, liabilities and contingent liabilities are measured at full fair value, regardless of the amount of non-controlling interests. Intangible assets are reported separately from goodwill if they are separable from the company or if they stem from a contractual or other right. In accordance with IFRS 3, no new restructuring provisions are recognised within the scope of purchase price allocation. If the purchase price exceeds the revalued prorated net assets of the acquired subsidiary, the difference is capitalised as goodwill. If the purchase price is lower, the difference is included in income.

The predecessor accounting method is applied to business combinations under joint control. Accordingly, for the entire reporting period the assets and liabilities transferred to the innogy Group from other RWE Group companies as part of a business combination are recognised at the same amounts as in RWE's consolidated financial statements; the same applies for goodwill. Balance-sheet items which result from transactions with RWE Group companies and thus are not reported in innogy's consolidated financial statements are measured using the relevant IFRS regulations. Consideration given or received in fiscal 2016 as part of business combinations under joint control was reported directly in equity in the 'Withdrawals/contributions' line item and recognised in cash flows from financing activities. No such transactions occurred in 2018.

In the event of deconsolidation, the related goodwill is derecognised with an effect on income. Changes in the ownership share which do not alter the ability to control the subsidiary are recognised without an effect on profit or loss. By contrast, if there is a change in control, the remaining shares are remeasured with an effect on income.

Expenses and income as well as receivables and payables between consolidated companies are eliminated. Intragroup profits and losses are eliminated.

For investments accounted for using the equity method, goodwill is not reported separately, but rather included in the value recognised for the investment. In other respects, the consolidation principles described above apply analogously. If impairment losses on the equity value become necessary, we report such under income from investments accounted for using the equity method. The financial statements of investments accounted for using the equity method are prepared using uniform accounting policies.

For joint operations, the assets and liabilities and the expenses and income of the companies which are attributable to innogy are reported. In the event that innogy's shareholding in a joint operation differs from the share of output to which innogy is entitled (share of output), the assets, liabilities, expenses and income are recognised in accordance with the share of output.

Foreign currency translation

In their individual financial statements, the companies measure non-monetary foreign currency items at the balance-sheet date using the exchange rate in effect on the date of initial recognition. Monetary items are converted using the exchange rate valid on the balance-sheet date. Exchange rate gains and losses from the measurement of monetary foreign currency items occurring up to the balance-sheet date are recognised on the income statement, insofar as they are not recognised for the hedge accounting of future cash flows or a business unit operating in a foreign currency area. In the past fiscal year, a net loss of €2 million was recognised (previous year: gain of €155 million). This does not include income contributions from derivative currency instruments. The principles for the management of currency risks in the innogy Group are presented on page 172.

Functional foreign currency translation is applied when converting the financial statements of companies outside of the Eurozone. As the principal foreign enterprises included in the consolidated financial statements conduct their business activities independently in their national currencies, their balance-sheet items are translated into euros in the consolidated financial statements using the average exchange rate prevailing on the balance-sheet date. This also applies for goodwill, which is viewed as an asset of the economically autonomous foreign entity. We report differences to previous-year translations in other comprehensive income without an effect on income. Expense and income items are translated using annual average exchange rates. When translating the adjusted equity of foreign companies accounted for using the equity method, we follow the same procedure.

The following exchange rates (amongst others) were used as a basis for foreign currency translations:

Exchange rates	Average		Year-end	
€	2018	2017	31 Dec 2018	31 Dec 2017
1 US dollar	0.85	0.88	0.87	0.83
1 pound sterling	1.13	1.14	1.12	1.13
100 Czech korunas	3.89	3.80	3.89	3.92
100 Hungarian forints	0.31	0.32	0.31	0.32
1 Polish zloty	0.23	0.24	0.23	0.24

Accounting policies

innogy's revenue primarily consists of income from the generation of renewables, from electricity and gas distribution and supply, and from the development and provision of innovative energy management solutions.

General information

The five-step model pursuant to IFRS 15 Revenue from Contracts with Customers is applied to all contracts with customers. In the first step, all contracts with customers are identified. Following this, the Group's distinct performance obligations stemming from the contract are determined and the transaction price is estimated prior to the start of the contract. On the basis of relative standalone selling prices, the total transaction price is then allocated to the distinct performance obligations from the contract. In a final step, the point in time when the revenue is recognised in the income statement is determined.

An individual performance obligation is each agreement to transfer individually distinct goods or services to the customer. A good or service agreed with the customer is individually distinct if the customer can benefit from the good or service on its own or in conjunction with other resources it has available and additionally the corresponding agreement can be separately identified from other promises in the contract.

For each identifiable performance obligation, upon start of the contract the company must determine whether control over the agreed goods or services is transferred over a period of time or at a certain point in time. Transfer of control occurs over a period of time if the following criteria are satisfied:

- the customer benefits from performance and at the same time uses the service when it is rendered;
- performance by the company generates an asset or increases the value of an asset, which is controlled by the customer at the time of generation or value increase;
- performance by the company generates an asset, which has no alternative use for the company and the company has an enforceable payment claim for the services provided.

If the contract contains variable consideration, revenue is only recognised in an amount at which a significant reversal is improbable in the future. To this end, among other things the Group assesses the external factors which could influence such consideration. These include the empirical data that the Group has with these kinds of contracts, and the timeframe over which the uncertainty in relation to the variable consideration ends.

Standalone selling prices, which are used for the allocation of the total transaction price to the identifiable performance obligations, are determined based on the list prices used by the Group for individual sales of the goods or services. If no list prices are available, standalone selling prices are estimated, either on the basis of market prices for comparable goods or services or on the basis of the anticipated costs plus a margin.

Energy supply

The supply of households and small businesses with electricity and gas is considered a stand-ready obligation to deliver electricity or gas. The related revenue from the supply of energy and the basic fees are thus recognised for a certain period of time. Due to regular reading of the meters, energy consumption is generally settled over the course of the year. Annual revenue from energy supply is determined on the basis of the billed electricity costs including any related basic fees together with an estimated amount for consumption and basic fees not yet calculated, less the estimated amount for consumption and basic fees not yet calculated for the end of the previous business year.

If the contract includes a payment to a customer, such as an immediate bonus or a loyalty premium, it may result in assets or reversals, depending on the time of payment. Such payments are deemed consideration to be paid to the customer, and are recognised as a reduction of the transaction price. Depreciation of the asset or the accumulation of reversals occurs according to the pattern of how the agreed goods or services are transferred to the customer.

There are different kinds of contracts for commercial customers. Contracts for the flexible supply of gas and/or electricity which resemble the aforementioned contracts with private customers or small business customers are handled in a similar manner. With regard to so-called 'linear products', for which a certain fixed amount of energy is provided at a certain time, the revenues are recognised as of this point in time.

Grid fees

In most of the countries where the Group does business, grid operators bill the customers a monthly fee for accessing the grid plus a volume-based fee for actual energy transport. The grid fees billed by our grid companies are recognised for a certain period of time, on the basis that access to the grid and transport services cannot be separated from each other and are provided on a continuous basis.

Sales of innovative energy services

For sales of innovative energy services, revenue is generated from the sales of goods, which are delivered at a certain point in time, at which point control is transferred to the customer. Revenue is also generated from the provision of services: this revenue is either recognised at a certain point in time or over a period of time, depending on when and how the services are provided to the customer. Revenue from the provision of services is recognised during the reporting period in which the service is rendered. For fixed-price contracts, revenue is recognised on the basis of the services actually rendered up to the end of the reporting period in relation to the total service to be rendered.

innogy as an agent

In certain cases, innogy does not act as a principal with regard to the customer, but rather as an agent. For most of these contracts, innogy does not recognise any revenue. Examples of this include contracts for the transfer of market premiums in the direct marketing model under the Renewable Energy Act or for grid fees, which the utility invoices on behalf of the grid operator in certain countries, such as the Netherlands. When innogy is involved in other contracts as an agent and receives a commission or fee for its agency services, only this is recognised as revenue.

Financing components and payment conditions

Normally, the Group does not enter into any contracts in which the time period between the transfer of the agreed goods or services to the customer and payment by the customer is more than one year. Consequently, the agreed consideration in the Group is generally not adjusted to the present value of money to determine the transaction price. If a contract with a duration of less than one year has a significant financing component, the company does not adjust the agreed consideration by the present value of money to determine the transaction price.

Intangible assets are accounted for at amortised cost. With the exception of goodwill, all intangible assets have finite useful lives and are amortised using the straight-line method. Useful lives and methods of amortisation are reviewed on an annual basis.

Software for commercial and technical applications is amortised over a period of three to five years. 'Operating rights' refer to the entirety of the permits and approvals required for the operation of an electricity generation plant. Such rights are generally amortised over the economic life of the plant, using the straight-line method. Easement agreements in the electricity and gas business, and other easement rights, usually have useful lives of 20 years. Concessions in the water business generally have terms of up to 25 years. Capitalised customer relations are amortised over a period of up to ten years.

Goodwill is not amortised; instead it is subjected to an impairment test once every year, or more frequently if there are indications of impairment.

Development costs are capitalised if a newly developed product or process can be clearly defined, is technically feasible and it is the company's intention to either use the product or process itself or market it. Furthermore, asset recognition requires that there be a sufficient level of certainty that the development costs lead to future cash inflows. Capitalised development costs are amortised over the time period during which the products are expected to be sold. Research expenditures are recognised as expenses in the period in which they are incurred.

An impairment loss is recognised for an intangible asset if the recoverable amount of the asset is less than its carrying amount. A special regulation applies for cases when the asset is part of a cash-generating unit. Such units are defined as the smallest identifiable group of assets which generates cash inflows; these inflows must be largely independent of cash inflows from other assets or groups of assets. If the intangible asset is a part of a cash-generating unit, the impairment loss is calculated based on the recoverable amount of this unit. If goodwill was allocated to a cash-generating unit and the carrying amount of the unit exceeds the recoverable amount, the allocated goodwill is initially written down by the difference. Impairment losses which must be recognised in addition to this are taken into account by reducing the carrying amount of the other assets of the cash-generating unit on a prorated basis. If the reason for an impairment loss recognised in prior periods has ceased to exist, a reversal to intangible assets is performed. The increased carrying amount resulting from the reversal may not, however, exceed the amortised cost. Impairment losses on goodwill are not reversed.

Property, plant and equipment is stated at depreciated cost. Borrowing costs are capitalised as part of the asset's cost, if they are directly attributable to the acquisition or production of a 'qualified asset' for which a considerable period of time is required to prepare the asset for use or sale. If necessary, the cost of property, plant and equipment may contain the estimated expenses for the decommissioning of plants or site restoration. Maintenance and repair costs are recognised as expenses.

With the exception of land and leasehold rights, as a rule, property, plant and equipment is depreciated using the straight-line method, unless in exceptional cases another depreciation method is better suited to the usage pattern. We calculate the depreciation of our typical property, plant and equipment according to the following useful lives, which apply throughout the Group:

Useful life in years	
Buildings	10–54
Technical plants	
Thermal power plants	10–40
Wind turbines	Up to 23
Electricity grids	20–45
Water main networks	20–80
Gas and water storage facilities	15–60
Gas distribution facilities	10–40
Other renewable generation facilities	4–40

For operating leases, in which innogy is the lessee, the leasing payments are recognised as an expense over the term of the lease. If innogy is the lessor, the minimum leasing payments are recognised as income over the term of the lease.

Impairment losses and reversals on property, plant and equipment are recognised according to the principles described for intangible assets.

Investments accounted for using the equity method are initially recognised at cost and thereafter based on the carrying amount of their prorated net assets. The carrying amounts are increased or reduced annually by prorated profits or losses, dividends and all other changes in equity. Goodwill is not reported separately, but rather included in the recognised value of the investment. Goodwill is not amortised. An impairment loss is recognised for investments accounted for using the equity method, if the recoverable amount is less than the carrying amount.

Shares in non-consolidated subsidiaries and in associates/joint ventures not accounted for using the equity method which are reported under **other financial assets** are recorded at fair value through profit or loss. Other investments are also recognised at fair value. The option to state changes in fair value in other comprehensive income is exercised for some of these equity instruments. Non-current securities are accounted for at fair value and changes in value are recognised with or without an effect on profit or loss depending on their classification. Initial measurement occurs as of the settlement date. Unrealised gains and losses are stated as other comprehensive income or on the income statement, with due consideration of any deferred taxes and depending on their valuation category. Gains/losses on sales of equity instruments, for which the option to state changes in fair value in other comprehensive income is exercised, remain in equity and are not reclassified to the income statement. An impairment in the amount of the expected credit losses is recognised through profit or loss for debt instruments that are recognised at fair value through other comprehensive income.

Receivables are comprised of **financial receivables, trade accounts receivable** and **other receivables**. Aside from financial derivatives, receivables and other assets are stated at amortised cost minus a risk provision in the amount of the expected losses. The risk provision is based on the counterparty's default risk. As a rule, the amounts of receivables are corrected through the use of an allowance account, in accordance with internal Group guidelines. Prepayments received from customers for consumption which is yet to be metered and billed are netted out against trade accounts receivable.

Loans reported under financial receivables are stated at amortised cost minus a risk provision in the amount of the expected losses. Loans with interest rates common in the market are shown on the balance sheet at nominal value. As a rule, however, non-interest and low-interest loans are disclosed at their present value discounted using an interest rate commensurate with the risks involved, less a risk provision in the amount of the expected credit loss. Loans for which the contractually agreed payment flows do not consist exclusively of payments of capital and interest on the outstanding capital amount are recognised at fair value through profit or loss.

Certificates for renewable energy are accounted for as intangible assets and reported under other assets. Allowances which are purchased and allowances allocated free of charge are both stated at cost and are not amortised.

Contract assets and contract liabilities arise from contracts with customers, when one of the parties has satisfied its obligations under the contract. A contract asset or contract liability is created, depending on whether the Group has discharged its obligation or the customer has made payment. At the time when the Group's claim for consideration is unconditional, the corresponding amount is reported as a receivable. The Group's obligation to transfer goods or services to a customer for which we have already received consideration or for which the consideration is already due is reported as a contract liability. Construction subsidies received by customers for grid connection are essentially recognised as contract liabilities. Contract assets and contract liabilities are reported under other assets or other liabilities.

If **additional costs to obtain contracts** are incurred, these are capitalised when it can be anticipated that they will be recouped in the future. Capitalised costs are subject to scheduled depreciation over the estimated term of the contract, depending on how the goods or services to which the costs refer are transferred to the customer. The company estimates the term of the contract on the basis of empirical data with comparable contracts or customer groups. If the estimated term of the contract is less than one year, the costs are recognised immediately on the income statement.

Taxes on income include all current and deferred taxes based on taxable profit. All of the valid legal regulations in the countries in which innogy is active are taken into account in their calculation. Interest and other supplements in relation to taxes on income are not included in income tax expenses.

Transactions in the innogy Group which affect the tax bases of other RWE companies due to their relevance to earlier investment periods are included in the tax expense of the innogy Group in such a manner as if they were not part of the RWE Group. Insofar as this does not result in tax credits or liabilities for the innogy Group, a change in equity without an effect on profit or loss is recognised as a withdrawal or deposit, as an opposing item to the income or expense.

Deferred taxes result from temporary differences in the carrying amount in the separate IFRS financial statements and tax bases, and from consolidation procedures. Deferred tax assets also include tax reduction claims resulting from the expected utilisation of existing loss carryforwards in subsequent years. Deferred taxes are capitalised if it is sufficiently certain that the related economic advantages can be used. Their amount is assessed with regard to the tax rates applicable or expected to be applicable in the specific country at the time of realisation. The tax regulations valid or adopted as of the balance-sheet date are key considerations in this regard. The tax rate used to calculate deferred taxes in Germany is 31.4% (previous year: 31.4%). This is derived from the prevailing 15% corporate tax rate, the solidarity surcharge of 5.5%, and the Group's average local trade tax rate. Deferred tax assets and deferred tax liabilities are netted out for each company and/or tax group.

Inventories are assets which are held for sale in the ordinary course of business (finished goods and goods for resale), which are in the process of production (work in progress – goods and services) or which are consumed in the production process or in the rendering of services (raw materials).

Inventories carried at the lower of cost or net realisable value. Production costs reflect the full costs directly related to production; they are determined based on normal capacity utilisation and, in addition to directly allocable costs, they also include adequate portions of required materials and production overheads. They also include production-related depreciation. Borrowing costs, however, are not capitalised as part of the cost. The determination of cost is generally based on average values.

If the net realisable value of inventories written down in earlier periods has increased, the reversal of the write-down is recognised as a reduction of the cost of materials.

Securities classified as current marketable securities essentially consist of marketable securities held in special funds as well as fixed-interest securities which have a maturity of more than three months and less than one year from the date of acquisition. Securities held in special funds are measured at fair value with or without an effect on profit or loss. The transaction costs directly associated with the acquisition of these securities are included in the initial measurement, which occurs on their settlement date. Unrealised gains and losses are included in other comprehensive income with or without an effect on income, with due consideration of any deferred taxes depending on the underlying valuation category. An impairment in the amount of the expected credit losses is recognised through profit or loss for debt instruments that are recognised at fair value through other comprehensive income. Changes included in other comprehensive income are only recognised with an effect on income for debt instruments upon disposal.

Cash and cash equivalents consist of cash on hand, demand deposits and current fixed-interest securities with a maturity of three months or less from the date of acquisition.

Assets are stated under **Assets held for sale** if they can be sold in their present condition and their sale is highly probable within the next twelve months. Such assets may be certain non-current assets, asset groups ('disposal groups') or operations ('discontinued operations'). Liabilities intended to be sold in a transaction together with assets are a part of a disposal group or discontinued operations, and are reported separately under **Liabilities held for sale.**

Non-current assets held for sale are not depreciated or amortised. They are recognised at fair value less costs to sell, as long as this amount is lower than the carrying amount.

Gains or losses on the valuation of specific assets held for sale and of disposal groups are stated under income from continuing operations until final completion of the sale. Gains or losses on the valuation of a discontinued operation and certain assets of a discontinued operation that are available for sale are stated under income from discontinued operations.

The groupwide stock option plans are accounted for as cash-settled **share-based payment.** At the balance-sheet date, a provision is recognised in the amount of the prorated fair value of the payment obligation. Changes in the fair value are recognised with an effect on income. The fair value of options is determined using generally accepted valuation methodologies.

Provisions are recognised for all legal or constructive obligations to third parties which exist on the balance-sheet date and stem from past events which will probably lead to an outflow of resources, and the amount of which can be reliably estimated. Provisions are carried at their prospective settlement amount and are not offset against reimbursement claims. If a provision involves a large number of items, the obligation is estimated by weighting all possible outcomes by their probability of occurrence (expected value method).

All non-current provisions are recognised at their prospective settlement amount, which is discounted at the balance-sheet date. In determining the settlement amount, any cost increases likely to occur up until the time of settlement are taken into account.

If necessary, the cost of property, plant and equipment may contain the estimated expenses for the decommissioning of plants or site restoration. Decommissioning, restoration and similar provisions are recognised for these expenses. If changes in the discount rate or changes in the estimated timing or amount of the payments result in changes in the provisions, the carrying amount of the respective asset is increased or decreased by the corresponding amount. If the decrease in the provision exceeds the carrying amount, the excess is recognised immediately through profit or loss.

As a rule, releases of provisions are credited to the expense account on which the provision was originally recognised.

A provision is recognised to cover the obligation to submit certificates for renewable energy to the respective authorities; this provision is measured at the carrying amount of the certificates for renewable energy capitalised for this purpose. If a portion of the obligation is not covered with the available certificates, the provision for this portion is measured using the market price of the certificates for renewable energy on the reporting date.

Provisions for pensions and similar obligations are recognised for defined benefit plans. These are obligations of the company to pay future and ongoing post-employment benefits to entitled current and former employees and their surviving dependents. In particular, the obligations refer to retirement pensions. Individual commitments are generally linked to the employees' years of service and compensation.

Provisions for defined benefit plans are based on the actuarial present value of the respective obligation. This is measured using the projected unit credit method. This benefit/years-of-service method not only takes into account the pension benefits and benefit entitlements known as of the balance-sheet date, but also anticipated future increases in salaries and pension benefits. The calculation is based on actuarial reports, taking into account appropriate biometric parameters: for Germany, in particular the 2018 G mortality tables by Klaus Heubeck (previous year: 2005 G), and for the United Kingdom, the Standard SAPS Table S2PA (previous year: S2PA). The provision derives from the balance of the actuarial present value of the obligations and the fair value of the plan assets. The service cost is disclosed in staff costs. Net interest is included in the financial result.

Gains and losses on the revaluation of net debt or net assets are fully recognised in the fiscal year in which they occur. They are reported outside of profit or loss, as a component of other comprehensive income in the statement of comprehensive income, and are immediately assigned to retained earnings. They remain outside profit or loss in subsequent periods as well.

In the case of defined contribution plans, the enterprise's obligation is limited to the amount it contributes to the plan. Contributions to the plan are reported under staff costs.

Liabilities consist of **income tax liabilities, financial liabilities, trade accounts payable** and **other liabilities.** Upon initial recognition, these are stated at fair value including transaction costs and are carried at amortised cost in the periods thereafter (except for derivative financial instruments).

Furthermore, purchase price obligations from rights to tender non-controlling interests (put options) are also included in other liabilities.

Derivative financial instruments are recognised as assets or liabilities and measured at fair value, regardless of their purpose. Changes in this value are recognised with an effect on income, unless the derivative financial instruments are used for hedge accounting purposes.

Cash flow hedges are used to hedge the risk of variability in cash flows related to an asset or liability carried on the balance sheet or related to a highly probable forecast transaction. If a cash flow hedge exists, unrealised gains and losses from the hedging instrument are initially stated in other comprehensive income. Such gains or losses are only included on the income statement when the hedged underlying transaction has an effect on income. If forecast transactions are hedged and such transactions lead to the recognition of a financial asset or financial liability in subsequent periods, the amounts that were recognised in equity until this point in time are recognised on the income statement in the period during which the asset or liability affects the income statement. If the transactions result in the recognition of non-financial assets or liabilities, for example the acquisition of property, plant and equipment, the amounts recognised in equity without an effect on income are included in the initial cost of the asset or liability.

The purpose of hedges of a net investment in foreign operations is to hedge the currency risk from investments with foreign functional currencies. Unrealised gains and losses from such hedges are recognised in other comprehensive income until disposal of the foreign operation.

In IFRS 9, the conditions for the recognition of hedging relationships are stipulated. Among other things, the hedging relationship must be documented in detail and meet the following effectiveness requirements:

- there must be an economic relationship between the underlying transaction and the hedging transaction;
- the effect of credit risk does not dominate the value changes that result from the economic relationship; and
- the hedge ratio is the same as that resulting from the quantities used within the scope of risk management.

Only the effective portion of a hedge is recognised in accordance with the preceding rules. The ineffective portion is recognised immediately on the income statement with an effect on income.

Contracts on the receipt or delivery of non-financial items in accordance with the company's expected purchase, sale or usage requirements (own-use contracts) are not accounted for as derivative financial instruments, but rather as executory contracts. If the contracts contain embedded derivatives, the derivatives are accounted for separately from the host contract, insofar as the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host contract. Written options to buy or sell a non-financial item which can be settled in cash are not own-use contracts.

Contingent liabilities are possible obligations to third parties or existing obligations which will probably not lead to an outflow of economic benefits or the amount of which cannot be measured reliably. Contingent liabilities are only recognised on the balance sheet if they were assumed within the framework of a business combination. The amounts disclosed in the notes correspond to the exposure at the balance-sheet date.

Management judgements in the application of accounting policies. Management judgements are required in the application of accounting policies. In particular, this pertains to the following:

- With regard to certain contracts, a decision must be made as to whether they are to be treated as derivatives or as so-called own-use contracts, and be accounted for as executory contracts.

- Financial assets are classified depending on the contractual cash flows and applied business model. Whereas the contractual cash flows are determined by the characteristics of the financial instruments, the business model is based on the Group's internal requirements relating to the portfolios of financial instruments.

- The rules governing valuation allowances for financial assets stipulate that the expected credit losses must be determined.

- With regard to assets held for sale, it must be determined if they can be sold in their current condition and if the sale of such is highly probable in the next twelve months. If both conditions apply, the assets and any related liabilities must be reported and measured as 'Assets held for sale' or 'Liabilities held for sale', respectively.

Management estimates and judgements. Preparation of consolidated financial statements pursuant to IFRS requires assumptions and estimates to be made, which have an impact on the recognised value of the assets and liabilities carried on the balance sheet, on income and expenses and on the disclosure of contingent liabilities.

Amongst other things, these assumptions and estimates relate to the accounting and measurement of provisions. With regard to non-current provisions, the discount rate to be applied is an important estimate, in addition to the amount and timing of future cash flows. The discount rate for pension obligations is determined on the basis of yields on high quality, fixed-rate corporate bonds on the financial markets as of the balance-sheet date.

The impairment test for goodwill and non-current assets is based on certain assumptions pertaining to the future, which are regularly adjusted. Property, plant and equipment is tested for indications of impairment on each cut-off date.

Upon first-time consolidation of an acquired company, the identifiable assets, liabilities and contingent liabilities are recognised at fair value. Determination of the fair value is based on valuation methods which require a projection of anticipated future cash flows.

Deferred tax assets are recognised if the realisation of future tax benefits is probable. Actual future development of income for tax purposes and hence the potential realisation of deferred tax assets, however, may deviate from the estimation made when the deferred taxes are capitalised.

Further information on the assumptions and estimates upon which these consolidated financial statements are based can be found in the explanations of the individual items.

All assumptions and estimates are based on the circumstances and forecasts prevailing on the balance-sheet date. Furthermore, as of the balance-sheet date, realistic assessments of overall economic conditions in the sectors and regions in which innogy conducts operations are taken into consideration with regard to the prospective development of business. Actual amounts may deviate from the estimated amounts if the overall conditions develop differently than expected. In such cases, the assumptions, and, if necessary, the carrying amounts of the affected assets and liabilities are adjusted.

As of the date of preparation of the consolidated financial statements, it is not presumed that there will be any material changes compared to the assumptions and estimates.

Capital management. The nominal bond liabilities of the innogy Group amount to €13.3 billion (previous year: €12.1 billion). Debt payable to RWE AG totals €1.7 billion (previous year: €1.7 billion), and there are liabilities of €1.0 billion (previous year: €1.0 billion) to the European Investment Bank (EIB).

The focus of innogy's financing strategy is on ensuring uninterrupted access to the capital market, in order to enable the efficient refinancing of maturing debts at all times. This goal is pursued by maintaining a solid investment grade rating and by targeting positive cash flow and pre-financing part of the non-current provisions with invested financial assets.

innogy's credit rating is influenced by a number of qualitative and quantitative factors. These include aspects such as the amount of cash flows and debt as well as market conditions, competition, and the political framework.

The non-subordinated bonds issued by innogy are currently rated 'A-' with a stable outlook by Fitch, 'BBB' with a stable outlook by Standard & Poor's and 'Baa2' with a stable outlook by Moody's. We thus have an investment grade rating. The credit ratings issued for innogy's short-term bonds are 'F2', 'A2' and 'P-2', respectively.

Changes in accounting Standards

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:

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)** replaced the contents of **IAS 18 Revenue** and **IAS 11 Construction Contracts** and the associated interpretations as of 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. Revenue is recognised when the customer obtains control of the agreed goods and services and can benefit from such.

innogy applied the modified retrospective method as a transition method for the first-time application as of 1 January 2018. Prior-year figures were not restated. The effects of the first-time application of IFRS 15 were recognised in equity, causing retained earnings to decline by €21 million.

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 basic fees received in advance from customers. In addition, expenses incurred for free giveaways and goods in the amount of €26 million, previously recognised in accordance with IAS 18, were reversed. Furthermore, €8 million in costs associated with obtaining a contract were capitalised. The related deferred taxes amount to €9 million.

The effects of transition for each balance-sheet item are presented in the table 'Reclassification according to IFRS 9 and IFRS 15 by balance-sheet item' on page 134.

Principal-agent relations

As regards regulatory fees, in particular in the field of renewable energy, individual situations were identified in which innogy qualifies as an agent pursuant to IFRS 15, but not pursuant to IAS 18. In particular, the reason for this is that according to the new IFRS 15 rules credit risk is no longer considered an indicator for status as a principal. In the Grid & Infrastructure division, in fiscal 2018 this results in a reduction of revenue and cost of materials amounting to roughly €5.1 billion, as compensation received from the transmission system operator under the direct marketing and feed-in model of the German Renewable Energy Act no longer qualify as revenue. This did not have an impact on earnings.

Financial instruments recognised according to IFRS 9

First-time application of IFRS 15 caused innogy to change the presentation of unrealised changes in the fair value of commodity derivatives. Since 1 January 2018, they have no longer been presented as revenue or costs of material, but in other operating income. The change leads to a stabilisation of revenue and does not affect our income. For the year under review, €2.6 billion was reported as other operating income and €2.5 billion as other operating expenses.

As of 31 December 2018, the aforementioned changes from the new Standard for revenue from customer contracts have the following effects:

€ million	IFRS 15	IAS 18 and IAS 11	Implementation effects
Trade accounts receivable	4,349	4,353	−4
Other receivables and other assets	4,407	4,405	2
Other provisions	4,077	4,068	9
Trade accounts payable	4,381	4,432	−51
Other liabilities	8,061	8,007	54

For fiscal 2018, the changes related to the following items of the income statement:

€ million	IFRS 15	IAS 18 and IAS 11	Implementation effects
Revenue	35,063	42,720	−7,657
Cost of materials	26,808	34,410	−7,602
Other operating income	3,451	852	2,599
Other operating expenses	4,831	2,303	2,528

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, which are based on expected losses for the first time. The new regulations on hedge accounting should improve the presentation of risk management activities in the consolidated financial statements. In line with the transitional regulations of IFRS 9, the prior-year carrying amounts are not adjusted. The application of the new classification and valuation regulations and the recognition of the associated effects of the changeover occur through the adjustment of the carrying amounts of the financial assets and liabilities as well as retained earnings as of 1 January 2018.

IFRS 9 includes new rules for classifying financial instruments, which basically envisage four valuation categories:

- Debt instruments measured at amortised cost
- Debt instruments measured at fair value through other comprehensive income, the changes in value of which are recognised with an effect on income (recycling) upon disposal
- Equity instruments measured at fair value through other comprehensive income, the changes in value of which remain in equity and are not recognised in profit or loss (no recycling) upon disposal
- Financial instruments measured at fair value through profit or loss

IFRS 9 also contains new regulations on the impairment of financial assets, which stipulate that such be based on expected losses.

The following tables summarise the effects of the new classification and impairment regulations for financial assets on the individual balance-sheet line items and the respective valuation categories at the changeover date:

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.

Some of the other financial assets and debt instruments reported under Marketable securities which were classified as 'Available for sale' pursuant to IAS 39, are now assigned to the category 'Financial instruments measured at fair value through profit and loss' due to first-time application of IFRS 9, because the contractually agreed cash flows from these financial instruments do not solely consist of interest and principal on the outstanding capital amount.

Other financial assets and Marketable securities both include equity instruments. There is no intention to trade these financial instruments throughout the Group. Election to use the option of recognising changes in the fair value through other comprehensive income is reviewed individually for each equity instrument. Based on this, with first-time application of IFRS 9 these instruments are then either classified in the category 'Equity instruments measured at fair value through other comprehensive income' or the category 'Financial instruments measured at fair value through profit or loss'.

Some of the Financial receivables which were classified in the category 'Loans and receivables' pursuant to IAS 39, are now assigned to the category 'Financial instruments measured at fair value through profit or loss' due to first-time application of IFRS 9, as the contractually agreed cash flows from these financial instruments do not solely consist of interest and principal on the outstanding capital amount.

Due to first-time application of IFRS 9, some of the financial instruments reported under Marketable securities are now reclassified from the IAS 39 category 'Financial instruments available for sale' to the category 'Debt instruments measured at fair value through other comprehensive income'. The reason for this is that the contractually agreed cash flows from these financial instruments consist solely of interest and principal on the outstanding capital amount and the business model in question also envisages the sale of the financial instrument, in addition to receipt of the contractually agreed cash flows.

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 profit or loss	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 reconciliation from the closing balance of the impairments according to IAS 39 as of 31 December 2017 to the opening balance of the impairments for financial instruments impaired according to IFRS 9 as of 1 January 2018 is presented in the following table:

Reconciliation of risk provisions according to IFRS 9 € million	Risk provisions according to IAS 39 as of 31 Dec 2017	Additional risk provisions according to IFRS 9	Risk provision according to IFRS 9 (prior to reclassification)	Effects from reclassification to the valuation categories 'Equity instruments measured through other comprehensive income' or 'Financial assets measured at fair value through profit or loss'	Risk provision for debt instruments which are impaired according to IFRS 9, as of 1 Jan 2018
Other financial assets	41		41	−41	
Financial receivables	124	14	138	−98[1]	40
Trade accounts receivable	397	7	404		404
Other receivables and other assets	1		1		1
	563	**21**	**584**	**−139**	**445**

1 Pertains to a risk provision formed to recognise the prorated losses of an associated company on a loan which is considered part of the net investment under IAS 28.38.

In addition to the new regulations regarding the statement of financial assets, IFRS 9 includes minor amendments to the statement of financial liabilities. These amendments have no impact on the innogy Group.

Furthermore, IFRS 9 introduces new regulations for hedge accounting, which aim to improve the presentation of risk management activities in consolidated financial statements. For this purpose, IFRS 9 extends the scope of underlying transactions qualifying for hedge accounting and introduces a new approach for assessing effectiveness, among other things.

innogy is continuing its existing hedge accounting relationships in accordance with IFRS 9. With regard to the hedge accounting of foreign currency risks, there are changes in the treatment of foreign currency basis spreads. If these components are designated as part of the hedge accounting, this will tend to lead to higher ineffectiveness of the existing hedge accounting. If the forward component of a forward transaction or foreign currency basis spread is excluded from hedge accounting, changes in value attributable to this component are recognised through profit or loss on the income statement in the innogy Group. No new hedging relationships were designated at the changeover date.

The fair value option for own-use contracts and the possibility to exclude the fair value component of options for hedging relationships are not made use of in the innogy Group. Overall, the new regulations regarding hedge accounting do not have any material effects on innogy's consolidated financial statements.

The following amendments to standards and new interpretations mandatory for the innogy Group from fiscal 2018 onwards do not have a material effect 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 and amendments to standards, which were not yet mandatory in the EU in fiscal 2018. The major new regulations and the anticipated effects based on the current state of implementation are presented below:

IFRS 16 Leases (2016) will replace the contents of IAS 17 Leases and the related Interpretations IFRIC 4, SIC-15 and SIC-27. According to the new standard on leases, aside from short-term leases (less than twelve months) and leases of low-value assets, all leases are to be reported on the balance sheet. Consequently, regardless of economic ownership of the leased asset, the lessee must recognise a right-of-use asset and a corresponding lease liability in the amount of the present value of the fixed lease payments. For lessors, the new Standard does not result in any significant changes compared to the current accounting treatment pursuant to IAS 17 and still requires the classification of leases. The new Standard becomes effective for fiscal years starting on or after 1 January 2019. innogy will not apply IFRS 16 early in 2018 in conjunction with IFRS 15 and will 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:

- Renouncement of a renewed assessment as to whether contracts existing before the date of first adoption contain a lease in accordance with IFRS 16;
- Recognition of the right-of-use asset in the amount of the leasing liability, adjusted for lease payments previously recognised as an asset or a liability;
- Adjustment of the right-of-use asset by the amount recognised as a provision for onerous leases on the balance sheet for the period ending on 31 December 2018;
- Leases with a term expiring within the first twelve months from the date of first-time adoption are treated as short-term leases;
- Measurement of the right-of-use asset at the date of first-time adoption without considering any initial direct costs.

In addition to the aforementioned transitional regulations, innogy is making use of exemptions allowing for leases relating to short-term or low-value assets not to be recognised on the balance sheet as right-of-use assets.

According to current estimates, application of IFRS 16 leads to an annual increase in depreciation and amortisation of €220 million to €260 million.

Due to the application of IFRS 16, the financial result for 2019 is expected to amount to be lower by between €50 million to €70 million. On the other hand, these two effects result in a reduction in other operating expenses of €250 million to €290 million. innogy thus expects a so-called 'front-loading' effect on net income that will range between €20 million to €40 million before taxes.

Furthermore, with the application of IFRS 16, innogy's property, plant and equipment and net financial debt will each rise by around €2.2 billion as of 1 January 2019, according to current estimates. At that point, the cash flow from operating activities will no longer include any lease payments of lessees, but will be negatively impacted by the interest payments for the lease liabilities. It is currently estimated that the cash flow from operating activity will consequently rise between €200 million and €220 million. Due to the payments for the redemption of lease liabilities, cash flows from financing activities will fall by a similar amount. In total, cash flows remain unchanged.

The following Standards, amendments to Standards, and Interpretations are not expected to have any material effects on innogy's consolidated financial statements. Adoption by the EU is still pending in some cases:

- Amendments to IFRS 9 Prepayment Features with Negative Compensation (2017)
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (2017)
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (2018)
- Amendments to IFRS 3 Definition of a Business (2018)
- IFRS 17 Insurance Contracts (2017)
- Annual Improvements to IFRS Standards 2015-2017 Cycle (2017)
- Amendments to IAS 1 and IAS 8 Definition of materiality
- IFRIC 23 Uncertainty over Income Tax Treatments (2017)

Notes to the Income Statement

(1) Revenue

A breakdown of revenue by product and division is shown in the segment reporting on page 181 et seq.

innogy did not generate more than 10% of revenues with any single customer in the year under review or the previous year.

Revenue amounting to €19 million was generated during the reporting period ending 31 December 2018 from fully or partially discharged performance obligations from earlier periods.

The Group had agreed performance obligations with its customers which it had not fully satisfied or only partially satisfied at the end of the year. It is expected that the Group will generate revenue of around €22 billion from the satisfaction of these agreed performance obligations over the next three years. Realisation of this revenue depends on the timing of satisfying the performance obligations vis-à-vis the customers.

Future revenue from contracts with an original term of twelve months or less are not included in this figure, due to application of the exception pursuant to IFRS 15.121. The projected amount of future revenue corresponds to the full transaction price which innogy is most likely entitled to upon satisfaction of the performance obligation.

The item 'Natural gas tax/electricity tax' comprises the taxes paid directly by Group companies.

(2) Other operating income

Other operating income € million	2018	2017
Income from own work capitalised	312	264
Income from changes in finished goods and work in progress	4	22
Cost allocations/refunds	71	76
Disposal and reversal of current assets (excluding marketable securities)		31
Disposal and reversal of non-current assets including income from deconsolidation	126	121
Income from derivative financial instruments	2,668	166
Compensation and insurance benefits	58	51
Rent and lease	11	11
Income from the measurement of foreign currency items	10	9
Miscellaneous	191	230
	3,451	**981**

Since 1 January 2018, the unrealised fair value changes of commodity derivatives are reported in other operating income.

In the year under review, reversals of €38 million were attributable to onshore wind farms in Poland in the Renewables segment (of which €36 million pertained to property, plant and equipment and €2 million to operating rights recognised in intangible assets), primarily due to higher electricity prices and green power certificates (recoverable amount:€0.2 billion).

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 5.5%.

Key planning assumptions relate to the development of wholesale prices of electricity, retail prices of electricity and regulatory framework conditions, amongst other things. Based on the use of internal planning assumptions, the determined fair value is assigned to Level 3 of the fair value hierarchy.

Income from the disposal of non-current financial assets and loans is disclosed under income from investments if it relates to investments; otherwise it is recorded as part of the financial result as is the income from the disposal of current marketable securities.

(3) Cost of materials

Cost of materials € million	2018	2017
Cost of raw materials and of goods for resale	18,276	21,976
Cost of purchased services	8,532	10,742
	26,808	**32,718**

(4) Staff costs

Staff costs € million	2018	2017
Wages and salaries	2,486	2,425
Cost of social security, pensions and other benefits	665	580
	3,151	**3,005**

Number of employees	2018	2017
Employees covered by collective agreements and other employees	33,606	33,138
Employees not covered by collective agreements	9,360	8,966
	42,966	**42,104**

The number of employees is calculated by converting to full-time equivalents, meaning that part-time and fixed-term employment relationships are included in accordance with the ratio of the part-time work or the duration of the employment to the annual employment time. On average, 1,504 trainees were employed (previous year: 1,499). Trainees are not included in the personnel headcount.

(5) Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses € million	2018	2017
Intangible assets	1,916	705
Property, plant and equipment	1,275	1,289
	3,191	**1,994**

In respect of amortisation on intangible assets, €28 million (previous year: €27 million) pertained to customer bases of acquired enterprises.

Impairments € million	2018	2017
Intangible assets	1,725	484
Property, plant and equipment	12	43
	1,737	**527**

As a result of the reporting of the retail activities of npower as a discontinued operation under IFRS 5 and the later reclassification as a continuing operation, an impairment of €1,669 million was recognised (previous year: €479 million), due to a deterioration in commercial assumptions and more difficult regulatory conditions. This resulted in a complete write-down of the goodwill allocated to this unit. Other intangible assets were reduced by the surplus amount of €142 million. Details on terminating the reporting of npower as a discontinued operation are presented on page 120.

As part of the annual impairment tests, an impairment of €55 million was recognised on the goodwill of the cash-generating unit 'Retail Netherlands/Belgium' in the Retail segment, due to a deterioration in commercial assumptions. Details on the impairment test can be found on page 146.

In the previous year, impairment losses of €16 million were recognised for German gas storage facilities in the Grid & Infrastructure segment (of which €12 million pertained to property, plant and equipment and €4 million to intangible assets), (recoverable amount: €32 million), mainly due to changed price expectations.

In the previous year, impairments amounting to €20 million were recognised on an installation ship for the construction of offshore wind farms in the Renewables segment, due to prolonged impairments (recoverable amount: €0.1 billion).

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 5.50% (previous year: 5.25 to 5.50%).

Key planning assumptions relate to the development of wholesale prices of electricity and natural gas, retail prices of electricity and natural gas, market shares and regulatory framework conditions, among other things. Based on the use of internal planning assumptions, the determined fair values are assigned to Level 3 of the fair value hierarchy. Other impairments on intangible assets and property, plant and equipment were recognised primarily on the basis of cost increases and changed price expectations.

(6) Other operating expenses

Other operating expenses € million	2018	2017
Maintenance and renewal obligations	509	503
Concessions, licenses and other contractual obligations	425	437
Structural and adaptation measures	59	50
Legal and other consulting and data processing services	199	233
Disposal of current assets and decreases in values (excluding decreases in the value of inventories and marketable securities)	182	177
of which: derecognition of financial assets carried at amortised cost	4	./.
of which: impairments on financial assets	178	./.
Disposal of non-current assets including expenses from deconsolidation	31	37
Insurance, commissions, freight and similar distribution costs	125	106
General administration expenses	115	109
Advertising	171	264
Expenses from derivative financial instruments	2,609	155
Lease payments for plant and grids as well as rents	90	101
Postage and monetary transactions	75	68
Fees and membership dues	42	62
Other taxes (primarily on property)	59	55
Miscellaneous	140	156
	4,831	**2,513**

Since 1 January 2018, the unrealised fair value changes of commodity derivatives are reported in other operating expenses.

(7) Income from investments

Income from investments includes all income and expenses which have arisen in relation to operating investments. It is comprised of income from investments accounted for using the equity method and other income from investments.

Income from investments € million	2018	2017
Income from investments accounted for using the equity method	**248**	**197**
Income from non-consolidated subsidiaries	8	−2
of which: amortisation/impairment losses on non-consolidated subsidiaries	./.	−11
Income from other investments	70	41
of which: impairment of shares in other investments	./.	−2
Net income from the disposal of investments	60	53
Net income from loans to investments	7	2
of which: impairments on financial assets	4	19
Other income from investments	**145**	**94**
	393	**291**

(8) Financial result

Financial result € million	2018	2017
Interest and similar income	59	77
Other financial income	328	786
Financial income	**387**	**863**
Interest and similar expenses	444	502
Interest accretion to		
Provisions for pensions and similar obligations (including capitalised surplus of plan assets)	59	69
Other provisions	12	−13
Other finance costs	465	818
Finance costs	**980**	**1,376**
	−593	**−513**

The financial result is composed of net interest, interest accretion to provisions, other financial income and other finance costs.

Interest accretion to provisions contains the annual amounts of accrued interest and remeasurement effects from interest rate changes for other provisions. It is reduced by the calculated interest income on plan assets for the coverage of pension obligations.

Net interest essentially includes interest income from interest-bearing securities and loans, income and expenses relating to marketable securities, and interest expenses.

In the year under review, €10 million in borrowing costs were capitalised in connection with the acquisition, construction and production of qualifying assets (previous year: €2 million). The underlying capitalisation rate ranged from 4.4 to 4.8% (previous year: from 3.8 to 4.4%).

Net interest € million	2018	2017
Interest and similar income	59	77
Interest and similar expenses	444	502
	–385	**–425**

Net interest stems from financial assets and liabilities, which are allocated to the following categories:

Net interest by category € million	2018	2017
Loans and receivables	./.	33
Financial assets available for sale	./.	43
Debt instruments measured at amortised cost	18	./.
Financial instruments measured at fair value through profit or loss	12	./.
Debt instruments measured at fair value through other comprehensive income	17	./.
Equity instruments measured at fair value through other comprehensive income	13	./.
Financial liabilities carried at (amortised) cost	–445	–501
	–385	**–425**

Other financial income includes €8 million in gains realised from the disposal of marketable securities (previous year: €79 million). Of the other finance costs, €8 million (previous year: €38 million) stems from realised losses on the disposal of marketable securities.

(9) Taxes on income

Taxes on income € million	2018	2017
Current taxes on income	386	543
Deferred taxes	233	–44
	619	**499**

Of the deferred taxes, €62 million was related to temporary differences (previous year: €9 million). Deferred taxes contain income of €40 million (previous year: €34 million) from potential tax reduction based on tax losses utilised in the reporting period. In the year under review, changes in valuation allowances for deferred tax assets resulted in income of €58 million (previous year: income of €121 million). This included impairments of €25 million (previous year: €16 million) and no reversal of earlier impairments in the past fiscal year (previous year: €137 million).

Changes in tax rates resulted in deferred tax income of €19 million (previous year: tax expense of €14 million).

Current taxes on income contain €78 million in net tax income (previous year: income of €23 million) relating to prior periods.

Due to the utilisation of tax loss carryforwards unrecognised in prior years, current taxes on income were not reduced (previous year: €82 million) in the past fiscal year.

However, current taxes on income were reduced by the recognition and use of other loss carryforwards in the amount of €186 million (previous year: €99 million).

Income taxes recognised in other comprehensive income € million	2018	2017
Fair valuation of financial instruments available for sale	./.	−11
Fair valuation of debt instruments	5	./.
Fair valuation of financial instruments used for hedging purposes	3	
Actuarial gains and losses of defined benefit pension plans and similar obligations	264	−183
	272	**−194**

Tax reconciliation € million	2018	2017
Income before tax	**333**	**1,648**
Theoretical tax expense	**105**	**517**
Differences to foreign tax rates	−90	−52
Tax effects on		
Tax-free domestic dividends	−41	−41
Tax-free foreign dividends	−3	−3
Other tax-free income	−1	−6
Expenses not deductible for tax purposes	102	109
Accounting for associates using the equity method (including impairment losses on associates' goodwill)	−27	−14
Unutilisable loss carryforwards, utilisation of unrecognised loss carryforwards, write-downs on loss carryforwards, recognition of loss carryforwards	9	−131
Income on the disposal of investments	−10	−18
Changes in foreign tax rates	1	−9
Other[1]	574	147
Effective tax expense	**619**	**499**
Effective tax rate in %	185.9	30.3

1 Of which: €497 million was due to the non-deductible nature of the goodwill impairment on the segment Retail United Kingdom and Retail Netherlands for tax purposes.

The combined corporate tax, solidarity surcharge and trade tax rate applicable to innogy SE is used to calculate the theoretical tax expense.

Notes to the Balance Sheet

(10) Intangible assets

Intangible assets € million	Development costs	Concessions, patent rights, licences and similar rights	Customer relationships and similar assets	Goodwill	Prepayments	Total
Cost						
Balance at 1 Jan 2018	802	2,220	2,809	10,666	26	16,523
Additions/disposals due to changes in the scope of consolidation	3	128	5	288		424
Additions	106	108			6	220
Transfers	−7	40			−25	8
Currency translation adjustments	−7	−9	−18	−8		−42
Disposals	13	38		2,001		2,052
Balance at 31 Dec 2018	884	2,449	2,796	8,945	7	15,081
Accumulated amortisation/impairment losses						
Balance at 1 Jan 2018	458	1,680	2,563	475		5,176
Additions/disposals due to changes in the scope of consolidation		1				1
Amortisation/impairment losses in the reporting period	208	98	28	1,582		1,916
Transfers						
Currency translation adjustments	−5	−5	−19	1		−28
Disposals	13	37		2,001		2,051
Reversals		2				2
Balance at 31 Dec 2018	648	1,735	2,572	57		5,012
Carrying amounts						
Balance at 31 Dec 2018	236	714	224	8,888	7	10,069
Cost						
Balance at 1 Jan 2017	1,015	1,982	2,914	10,659	4	16,574
Additions/disposals due to changes in the scope of consolidation		145	4	17		166
Additions	74	91	8		25	198
Transfers	−30	35	3		−2	6
Currency translation adjustments	−29	−3	−83	−10	−1	−126
Disposals	228	30	37			295
Balance at 31 Dec 2017	802	2,220	2,809	10,666	26	16,523
Accumulated amortisation/impairment losses						
Balance at 1 Jan 2017	602	1,605	2,657	1		4,865
Additions/disposals due to changes in the scope of consolidation						
Amortisation/impairment losses in the reporting period	102	97	27	479		705
Transfers	−5	5				
Currency translation adjustments	−16	1	−84	−5		−104
Disposals	225	28	37			290
Reversals						
Balance at 31 Dec 2017	458	1,680	2,563	475		5,176
Carrying amounts						
Balance at 31 Dec 2017	344	540	246	10,191	26	11,347

In the reporting period, the innogy Group's total expenditures on research and development amounted to €282 million (previous year: €169 million). This includes impairments of €142 million (previous year: €5 million).

Goodwill breaks down as follows:

Goodwill € million	31 Dec 2018	31 Dec 2017
Renewables	712	715
Grid & Infrastructure Germany	2,923	2,736
Grid & Infrastructure Eastern Europe	1,152	1,159
Retail Netherlands/Belgium	2,674	2,704
Retail Germany	958	923
Retail United Kingdom		1,525
Retail Eastern Europe	426	429
eMobility	43	
	8,888	**10,191**

An impairment test is performed in the third quarter of every year, in order to identify any need to recognise impairment losses on goodwill. In so doing, goodwill is assigned to cash-generating units at the operating segment level.

In the year under review, first-time consolidations caused goodwill to increase by €69 million (previous year: €53 million). In the segments Retail Germany and Grid & Infrastructure Germany, changes in current redemption liabilities from put options resulted in an increase in goodwill without an effect on income in the amount of €216 million (previous year: decline of €36 million).

The recoverable amount of the cash-generating unit is determined, which is defined as the higher of fair value less costs to sell or value in use. Fair value is the best estimate of the price that an independent third party would pay to purchase the cash-generating unit as of the balance-sheet date. Value in use reflects the present value of the future cash flows which are expected to be generated with the cash-generating unit.

Fair value less costs to sell is assessed from an external perspective and value in use from a company-internal perspective. Values are determined using a business valuation model, based on planned future cash flows. These cash flows, in turn, are based on the mid-term business plan, as approved by the Executive Board and valid at the time of the impairment test. They pertain to a detailed planning period of three years. The cash flow plans are based on experience as well as on expected market trends. If available, market transactions in the same sector or third-party valuations are taken as a basis for determining fair value. Based on the use of internal planning assumptions, the determined fair values are assigned to Level 3 of the fair value hierarchy.

Mid-term business plans are based on country-specific assumptions regarding the development of key economic indicators such as gross domestic product, consumer prices, interest rate levels and nominal wages. These estimates are derived from various inputs, including macroeconomic and financial studies, amongst other things.

The key planning assumptions for the business segments active in Europe's electricity and gas markets relate to the development of wholesale prices and retail prices of electricity and natural gas, market shares and regulatory framework conditions.

The discount rates used for business valuations are determined on the basis of market data. With regard to cash-generating units, during the period under review they ranged from 3.75 to 5.50% after tax (previous year: 3.50 to 5.50%).

For the extrapolation of future cash flows going beyond the detailed planning horizon, a uniform growth rate of 0.0% was used, analogously to the previous year. The annual cash flow taken as a basis for the years beyond the detailed planning horizon includes the deduction of investment expenses in the amount necessary to maintain business operations.

As part of the impairment test, an impairment of €55 million was recognised on the goodwill of the cash-generating unit 'Retail Netherlands/Belgium' in the Retail segment, due to a deterioration in commercial assumptions (recoverable amount: €2.9 billion). 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 4.50% (previous year: 4.25%).

As of the balance-sheet date, the recoverable amounts of the other operating segments, which were calculated as fair value less costs to sell, were higher than the carrying amounts of the cash-generating units. These surpluses react especially sensitively to changes in the discount rate, the growth rate and cash flow in the terminal value.

As a result of the reporting of the sales activities of npower as a discontinued operation under IFRS 5 and its later reclassification as a continuing operation, an impairment of €1,669 million was recognised (previous year: €479 million), due to a deterioration in commercial assumptions and more difficult regulatory conditions. This resulted in a complete write-down of the goodwill allocated to this unit. Other intangible assets were reduced by the surplus amount of €142 million. The recoverable amount was determined using a company valuation model based on cash flow budgets and an after-tax discount rate of 5.50% (previous year: 5.50%). Details on terminating the reporting of npower as a discontinued operation are presented on page 120.

(11) Property, plant and equipment

Property, plant and equipment € million	Land, land rights and buildings incl. buildings on third-party land	Technical plants and machinery	Other equipment, factory and office equipment	Prepayments and plants under construction in the period under review	Total
Cost					
Balance at 1 Jan 2018	3,140	38,994	1,332	1,201	44,667
Additions/disposals due to changes in the scope of consolidation	7	53	−13	18	65
Additions	35	1,054	124	961	2,174
Transfers	37	318	−11	−352	−8
Currency translation adjustments	−24	−106	−4	−7	−141
Disposals	33	420	80	7	540
Balance at 31 Dec 2018	3,162	39,893	1,348	1,814	46,217
Accumulated amortisation/impairment losses					
Balance at 1 Jan 2018	1,613	23,842	837	14	26,306
Additions/disposals due to changes in the scope of consolidation	−3	−206			−209
Amortisation/impairment losses in the reporting period	66	1,101	108		1,275
Transfers	1	2	−2	−1	
Currency translation adjustments	−12	−45	−3		−60
Disposals	11	335	76		422
Reversals	3	34		1	38
Balance at 31 Dec 2018	1,651	24,325	864	12	26,852
Carrying amounts					
Balance at 31 Dec 2018	1,511	15,568	484	1,802	19,365
Cost					
Balance at 1 Jan 2017	3,092	38,583	1,326	652	43,653
Additions/disposals due to changes in the scope of consolidation	1	−379	13	156	−209
Additions	37	930	118	629	1,714
Transfers	30	184	−2	−218	−6
Currency translation adjustments	50	89	10	−9	140
Disposals	70	413	133	9	625
Balance at 31 Dec 2017	3,140	38,994	1,332	1,201	44,667
Accumulated amortisation/impairment losses					
Balance at 1 Jan 2017	1,571	23,277	835	16	25,699
Additions/disposals due to changes in the scope of consolidation		−318	8		−310
Amortisation/impairment losses in the reporting period	60	1,123	103	3	1,289
Transfers					
Currency translation adjustments	24	74	6		104
Disposals	42	312	115	5	474
Reversals		2			2
Balance at 31 Dec 2017	1,613	23,842	837	14	26,306
Carrying amounts					
Balance at 31 Dec 2017	1,527	15,152	495	1,187	18,361

Property, plant and equipment in the amount of €504 million (previous year: €82 million) were subject to restrictions from land charges, chattel mortgages and other restrictions.

(12) Investments accounted for using the equity method

Information on material and non-material investments in associates and joint ventures accounted for using the equity method is presented in the following summaries:

Material investments accounted for using the equity method[1]

€ million	KELAG-Kärntner Elektrizitäts-AG/ Kärntner Energieholding Beteiligungs GmbH (KEH), Klagenfurt, Austria 31 Dec 2018	31 Dec 2017
Balance sheet[2]		
Non-current assets	1,630	1,626
Current assets	373	370
Non-current liabilities	857	874
Current liabilities	276	277
Proportional share of investment in equity[3]	365	354
Consolidation adjustments	198	198
Carrying amount	563	552
Statement of comprehensive income[2]		
Revenue[4]	1,172	1,065
Income	79	90
Other comprehensive income	−2	−4
Total comprehensive income	78	86
Dividend	15	20
innogy shareholding	49%	49%

1 RheinEnergie AG is no longer classified as material.
2 Figures based on a 100% shareholding in KEH.
3 The equity of KEH and KELAG were combined.
4 Adjusted prior-year figure based on the transition from gross to net presentation of energy trading activities.

KELAG-Kärntner Elektrizitäts-AG, headquartered in Klagenfurt, Austria, is a leading Austrian energy service provider in the fields of electricity, district heating and natural gas. innogy SE holds a share of 49% in Kärntner Energieholding Beteiligungs GmbH, which is the main shareholder of KELAG. The above consolidation adjustments are primarily attributable to the goodwill recognised upon acquisition.

Non-material investments accounted for using the equity method	Associates		Joint ventures	
€ million	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Income (pro-rata)	158	125	56	44
Other comprehensive income (pro-rata)	8	−61	3	−21
Total comprehensive income (pro-rata)	166	64	59	23
Carrying amounts	1,246	1,223	444	439

1 Including RheinEnergie AG (previously treated as a material investment accounted for using the equity method).

The innogy Group holds shares with a carrying amount of €108 million (previous year: €94 million) in associates and joint ventures, which are subject to temporary restrictions or conditions in relation to their distributions of profits, due to provisions of loan agreements.

(13) Other non-current financial assets

Other non-current financial assets € million	31 Dec 2018	31 Dec 2017
Non-consolidated subsidiaries	168	175
Other investments	684	556
Non-current securities	139	108
	991	**839**

innogy SE and its subsidiaries deposited non-current securities amounting to €52 million and €8 million (previous year: €52 million and €8 million) in trust accounts for the coverage of credit balances stemming from the block model for pre-retirement part-time work, pursuant to Section 8a of the Pre-Retirement Part-Time Work Act (AltTZG) and from the management of long-term working hours accounts pursuant to Section 7e of the German Code of Social Law (SGB IV). This coverage applies to the employees of innogy SE as well as to the employees of Group companies.

(14) Financial receivables

Financial receivables	31 Dec 2018		31 Dec 2017	
€ million	Non-current	Current	Non-current	Current
Loans to non-consolidated subsidiaries and investments	138	8	214	3
Collateral for trading activities		33		45
Other financial receivables	238	133	218	391
	376	**174**	**432**	**439**

For the other financial receivables, in the past year there was limited control in the amount of €260 million related to the financing of the pension commitments of three innogy Group companies. In December 2018, the trust agreement for the companies was adjusted, as a result of which the assets are shown under provisions for pensions starting with the financial statements for 2018.

(15) Other receivables and other assets

Other receivables and other assets	31 Dec 2018		31 Dec 2017	
€ million	Non-current	Current	Non-current	Current
Derivatives	1,208	1,509	685	652
Capitalised surplus of plan assets over benefit obligations	278		103	
Prepayments for items other than inventories		36		46
Miscellaneous other assets	59	1,353	41	1,009
	1,545	**2,898**	**829**	**1,707**
of which: financial assets	1,490	1,767	793	806
of which: non-financial assets	55	1,131	36	901

The financial instruments reported under miscellaneous other assets are measured at amortised cost. Derivative financial instruments are stated at fair value. The carrying values of exchange-traded derivatives with netting agreements are offset.

Miscellaneous other assets also include capitalised contract costs of €11 million. Contract costs additionally incurred for obtaining a contract with customers are generally expected to be covered by future revenue. Consequently, costs of obtaining a contract are capitalised. During the reporting period, amortisation of contract costs amounted to €3 million. No impairments were recognised.

(16) Deferred taxes

Deferred tax assets and liabilities principally stem from the fact that measurements in the IFRS statements differ from those in the tax bases. As of 31 December 2018, no deferred tax liabilities were recognised for the difference between net assets and the carrying value of the subsidiaries and associates for tax purposes (known as 'outside basis differences') in the amount of €81 million (previous year: €150 million), as it is neither probable that there will be any distributions in the foreseeable future, nor will the temporary differences reduce in the foreseeable future. €1,053 million and €714 million of the gross deferred tax assets and liabilities, respectively, will be realised within twelve months (previous year: €757 million and €439 million).

The following is a breakdown of deferred tax assets and liabilities by item:

Deferred taxes	31 Dec 2018		31 Dec 2017	
€ million	Assets	Liabilities	Assets	Liabilities
Non-current assets	1,366	1,709	1,440	1,441
Current assets	410	466	336	209
Exceptional tax items	56	599		619
Non-current liabilities				
Provisions for pensions	1,411	42	1,158	1
Other non-current provisions	1,034	59	836	95
Current liabilities	643	248	421	230
	4,920	**3,123**	**4,191**	**2,595**
Tax loss and interest carryforwards				
Corporate income tax (or comparable foreign income tax)	170		342	
Gross total	**5,091**	**3,123**	**4,533**	**2,595**
Netting	−2,461	−2,461	−2,053	−2,053
Net total	**2,630**	**662**	**2,480**	**542**

As of 31 December 2018, innogy reported deferred tax claims which exceeded the deferred tax liabilities by €157 million (previous year: €309 million), in relation to companies which generated a loss in the current or previous period. The basis for the formation of deferred tax assets is the judgement of the management that it is likely that the companies in question will generate taxable earnings, against which unutilised tax losses and deductible temporary differences can be applied.

Of the capitalised tax reduction claims from loss and interest carryforwards, €0 million stems from interest on debt carried forward (previous year: €11 million) and €170 million from tax loss carryforwards (previous year: €331 million). It is sufficiently certain that these loss carryforwards will be realised. At the end of the reporting period, corporate income tax loss carryforwards and trade tax loss carryforwards for which no deferred tax claims have been recognised amounted to €1,138 million and €80 million, respectively (previous year: €1,171 million and €34 million). Of these income tax loss carryforwards, €946 million (previous year: €1,150 million) will essentially expire within the following nine years. With regard to the other loss carryforwards, there are also generally time limits (up to nine years), but it is expected that they will be utilised before the statutory limits expire.

In the year under review, deferred tax income of €2 million arising from the currency translation of foreign financial statements was offset against equity (previous year: expense of €10 million).

(17) Inventories

Inventories € million	31 Dec 2018	31 Dec 2017
Raw materials and supplies	167	142
Work in progress – goods/services	166	177
Finished goods and goods for resale	66	54
Prepayments	15	7
	414	**380**

(18) Marketable securities

Of the current marketable securities, €1,980 million were fixed-interest marketable securities (previous year: €1,761 million) with a maturity of more than three months from the date of acquisition, and €382 million were stocks and profit-participation certificates (previous year: €493 million). Marketable securities are stated at fair value.

(19) Cash and cash equivalents

Cash and cash equivalents € million	31 Dec 2018	31 Dec 2017
Cash and demand deposits	1,993	1,061
Marketable securities and other cash investments (maturity less than three months from the date of acquisition)	21	9
	2,014	**1,070**

innogy keeps demand deposits exclusively for short-term cash positions. For cash investments, banks are selected on the basis of various creditworthiness criteria. Examples of such criteria include their rating from one of the three renowned rating agencies – Moody's, Standard & Poor's and Fitch – their equity and the prices for credit default swaps. As in the previous year, interest rates on cash and cash equivalents were at market levels.

(20) Equity

The breakdown of fully paid-in shareholders' equity is presented on page 116.

As of 31 December 2018, innogy SE's subscribed capital was based on 555,555,000 no-par-value bearer shares (previous year: 555,555,000) with a carrying amount of €1,111,110,000 (previous year: €1,111,110,000).

Pursuant to a resolution passed by the Annual General Meeting on 30 August 2016, subject to the approval of the Supervisory Board, the Executive Board has been authorised to increase the Company's capital stock by a maximum of €333,333,000 through the issuance of a maximum of 166,666,500 bearer shares in return for contributions in cash and/or in kind until 29 August 2021 (authorised capital). This authorisation may be exercised in full or in part, once or several times. Subject to the approval of the Supervisory Board, the shareholders' subscription rights may be excluded in certain cases.

Pursuant to a resolution passed by the Annual General Meeting on 30 August 2016, subject to the approval of the Supervisory Board, the Executive Board has been authorised to issue option and/or convertible bonds or to guarantee option and convertible bonds issued by subordinated Group companies once or several times until 29 August 2021. The total nominal amount is limited to €3,000,000,000. To redeem the convertible and option bonds, the capital stock has been conditionally increased by a maximum of €111,111,000, divided into a maximum of 55,555,500 bearer shares (conditional capital). Subject to the approval of the Supervisory Board, the shareholders' subscription rights may be excluded in certain cases.

Pursuant to a resolution passed by the Annual General Meeting on 30 August 2016, the company has been authorised until 29 August 2021 to purchase shares in the company amounting to a maximum of 10% of the capital stock on the effective date of this authorisation or – if this value is lower – on the exercise date of this authorisation. Pursuant to this resolution, the company's Executive Board has been further authorised to retire treasury stock without the need for a further resolution by the Annual General Meeting. In addition, the Executive Board has been authorised to transfer or sell treasury stock to third parties under certain conditions and exclusion of the shareholders' subscription rights. Moreover, treasury stock may be issued to holders of option or convertible bonds. The Executive Board has also been authorised to use treasury stock to meet the company's obligations arising from future employee share ownership programmes; the shareholders' subscription rights have been waived in this case. According to the resolution of the Annual General Meeting, treasury shares may be linked to the distribution of a 'stock dividend', whereby the Executive Board is entitled to exclude shareholders' subscription rights.

No treasury shares were held as of 31 December 2018.

In fiscal 2018, innogy SE bought back 10,520 shares for a total purchase price of €392,704.98 on the capital market. The capital stock accounted for by these shares amounts to €21,040 (0.0019%) of the company's subscribed capital. Employees of innogy SE and its subsidiaries received these shares at a reduced price for service anniversaries. This generated total proceeds of €346,283.48. The differences to the purchase price were offset against available retained earnings.

The **capital reserve** contains the effects from the measurement of business combinations and premiums from capital increases at subsidiaries, in which there is no controlling interest.

Retained earnings contain the Group's income generated in the past, insofar as such has not been distributed. Additionally, this item contains the re-measurement components of pensions and similar obligations, as well as changes in the fair value of equity capital instruments measured at fair value through other comprehensive income.

Accumulated other comprehensive income reflects changes in the fair values of debt instruments measured at fair value through other comprehensive income, cash flow hedges and hedges of the net investment in foreign operations, as well as changes stemming from foreign currency translation adjustments from foreign financial statements.

As of 31 December 2018, the share of accumulated other comprehensive income attributable to investments accounted for using the equity method amounted to €3 million (previous year: €10 million).

Equity capital transactions

On 13 September 2018, a 41% stake in the UK offshore wind project Triton Knoll was sold, of which innogy had previously been the sole owner. Following this sale, innogy holds an interest of 59% and thus retains control of the company.

Furthermore, STAWAG became a new capital investor in the activities of the innogy Group (previous business of Regio-Temp GmbH) and granted the innogy Group control over the former business of INFRAWEST GmbH in return for this (for more details, see page 119). This transaction also resulted in a change in the equity of the innogy Group.

As a result of **equity capital transactions with subsidiary companies which did not lead to a change of control,** the share of equity attributable to innogy SE's shareholders changed by €628 million (previous year: −€5 million) and the share of equity attributable to non-controlling interests changed by €120 million (previous year: −€14 million).

Dividend proposal

We propose to the Annual General Meeting that innogy SE's distributable profit for fiscal 2018 be appropriated as follows:

Distribution of a dividend of €1.40 per dividend-bearing share.

€	
Dividend	777,777,000.00
Profit carryforward	35,621.56
Distributable profit	**777,812,621.56**

As per a resolution of innogy SE's Annual General Meeting of 24 April 2018 the dividend for fiscal 2017 amounted to €1.60 per dividend-bearing share. The dividend payment totalled €889 million.

Non-controlling interests

The share ownership of third parties in Group entities is presented in this item.

The income and expenses recognised directly in equity (other comprehensive income – OCI) include the following non-controlling interests:

Non-controlling interests in OCI € million	2018	2017
Actuarial gains and losses of defined benefit pension plans and similar obligations	–27	23
Fair valuation of equity instruments	–5	./.
Income and expenses recognised in equity, not to be reclassified through profit or loss	**–32**	**23**
Currency translation adjustment	–17	12
Fair valuation of debt instruments	–1	./.
Fair valuation of financial instruments used for hedging purposes	–3	
Income and expenses recognised in equity, to be reclassified through profit or loss in the future	**–21**	**12**
	–53	**35**

The following overviews contain information on subsidiaries with material non-controlling interests:

Subsidiaries with material non-controlling interests	envia Mitteldeutsche Energie AG, Chemnitz		GasNet, s.r.o., Ústí nad Labem (Czech Republic)	
€ million	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Balance sheet				
Non-current assets	2,615	2,558	1,783	1,742
Current assets	537	609	150	165
Non-current liabilities	400	344	592	578
Current liabilities	803	901	617	626
Statement of comprehensive income				
Revenue	2,173	2,267	569	564
Other comprehensive income	–1	–10		
Total comprehensive income	189	185	190	193
Cash flows from operating activities	308	313	279	278
Non-controlling interests	808	796	362	351
Dividends paid to non-controlling interests	67	67	74	60
income of non-controlling interests	79	81	95	97
Shareholdings of non-controlling interests	41.43%	41.43%	49.96%	49.96%

(21) Share-based payment

There are Long-Term Incentive Plans (LTIP) with share-based payments for the executives of innogy SE and subordinate affiliates with the names 'Strategic Performance Plan' (SPP) and its expiring predecessor 'Beat 2010'. The expenses associated with these are borne by the Group companies which employ the persons holding notional stocks.

The LTIP SPP was introduced in 2016. It uses an internal performance target derived from the medium-term planning (adjusted net income) and takes account of the development of innogy SE's share price. The executives receive a number of conditionally granted, notional shares (performance shares). The final number of the notional shares of a tranche is determined after a year, based on the degree to which the target for adjusted net income is achieved.

The tranches issued have a term of four years each before any potential pay-out. Participation in the programme was contingent on relinquishing any unexpired options from the predecessor programme 'Beat 2010'. Declarations of relinquishment were received for the most part. Aside from some immaterial residuals, the stock programme 'Beat 2010' is thus obsolete.

	SPP innogy SE		
	2016 tranche	2017 tranche	2018 tranche
Start of term	1 Jan 2016	1 Jan 2017	1 Jan 2018
Number of conditionally granted performance shares	460,572	1,178,133	1,108,599
Performance target	Adjusted net income	Adjusted net income	Adjusted net income
Term	4 years	4 years	4 years
Cap/number of performance shares	150%	150%	150%
Cap/payment amount	200%	200%	200%
Determination of payment	The payment amount is calculated on the basis of the determined number of finally granted performance shares multiplied by the sum of a) the mathematical average of the closing share price (including all available decimal places) of the innogy SE common share (ISIN DE 000A2AADD2) in Deutsche Börse AG's Xetra trading (or a successor system which subsequently takes the place of the Xetra system in trading) for the last 30 trading days prior to the end of the vesting period rounded to two decimal places according to standard commercial practice and b) the dividends paid per share for the fiscal years between the determination of the performance shares and the end of the vesting period. Dividends do not bear interest and are not reinvested. If a dividend payment occurs during the 30-day period for calculating the share price in accordance with item a), the share prices of the trading days leading up to the payment (CUM share prices) are adjusted by the dividend, as the dividend would otherwise be considered twice. Payment amount = (number of finally granted performance shares) x (mathematical average of the share price + dividends paid) The payment amount calculated in this manner is limited to no more than 200% of the grant amount.		
Change in corporate control/ merger	A change in corporate control ('change of control') occurs if a) a shareholder gains control in accordance with Section 29 of the German Securities Acquisition and Takeover Act (WpÜG) by holding at least 30% of the voting rights including third-party voting rights attributable to it in accordance with Section 30 of WpÜG, or b) a control agreement in accordance with Section 291 of the German Stock Corporation Act (AktG) is concluded by a company that does not belong to the RWE Group with innogy SE as a dependent company, or c) innogy SE is merged with another legal entity that does not belong to the Group in accordance with Section 2 of the German Company Transformation Act (UmwG) unless the value of the other legal entity is less than 50% of the value of innogy SE based on the agreed conversion rate; in such a case, item a) shall not apply. In the event of a change of control, the performance shares that fully vested and have not yet been paid out shall be paid out early. The payment amount shall be calculated by applying exercise conditions analogously, wherein in deviation herefrom, the basis of calculation shall be the last 30 stock exchange trading days before the announcement of the change of control in addition to the dividends paid per share in the fiscal years between the vesting of the performance shares and the effective date of the change of control relative to the fully vested performance shares. The payment amount calculated in this manner shall be paid to the plan participant together with his or her next salary payment. All conditionally granted performance shares as of the effective date of the change of control shall lapse without consideration.		
Form of settlement	Cash settlement	Cash settlement	Cash settlement
Payment date	2020	2021	2022

The fair values of the performance shares conditionally granted in the SPP programme as of the grant date are shown in the following table:

Performance Shares from SPP €	2016 tranche	2017 tranche	2018 tranche
Fair value per share	37.13	32.07	36.78

The fair value of the performance shares at the time of pay-out is influenced by the E.ON/RWE transaction which was announced in March 2018 insofar as the above rules for a change of control affect the valuation. The anticipated payment amount is determined on the basis of the average innogy share price for the last 30 trading days prior to 11 March 2018, plus the dividend paid in fiscal 2018 and the expected dividend payment for fiscal 2019.

In the past fiscal year, the number of performance shares developed as follows:

Performance Shares from SPP	2016 tranche	2017 tranche	2018 tranche
Outstanding at the start of the fiscal year	460,572	1,178,133	
Granted			1,108,599
Change (granted/expired)	−65,358	−147,188	−9,104
Paid out			
Outstanding at the end of the fiscal year	395,214	1,030,945	1,099,495
Payable at the end of the fiscal year			

During the period under review, expenses for the share-based payment system totalled €45 million (previous year: €12 million).

As of the balance-sheet date, provisions for cash-settled share-based payment programmes amounted to €61 million (previous year: €16 million).

(22) Provisions for pensions and similar obligations

The company pension plan consists of defined contribution and defined benefit plans. The defined benefit commitments mainly relate to pension commitments based on final salary.

In the reporting period, €37 million (previous year: €33 million) was paid into defined contribution plans. This includes payments made by innogy for a benefit plan in the Netherlands which covers the commitments of various employers. This fund does not provide the participating companies with information allowing for the prorated allocation of commitments, plan assets and service cost. In innogy's consolidated financial statements, the contributions are thus recognised analogously to a defined contribution plan, although this is a defined benefit plan. The pension plan for employees in the Netherlands is administered by Stichting Pensioenfonds ABP (cf. www.abp.nl). Contributions to the pension plan are calculated as a percentage rate of employees' salaries and are paid by the employees and employers. The rate of the contributions is determined by ABP. There are no minimum funding requirements. innogy will pay approximately €15 million in employer contributions to the ABP pension fund in fiscal 2019 (planned in the previous year: €12 million). If ABP's funds are insufficient, it can either curtail pension benefits and future post-employment benefits, or increase the contributions of the employer and employees. In the event that innogy terminates the ABP pension plan, ABP will charge a termination fee. Amongst other things, this depends on the number of participants in the plan, the amount of salary and the age structure of the participants. As of 31 December 2018, there were around 1,500 active participants in the plan (previous year: approximately 1,400).

innogy Group companies transferred assets to RWE Pensionstreuhand e.V. within the framework of a contractual trust arrangement (CTA). There is no further funding requirement. From the assets held in trust, funds were transferred to RWE Pensionsfonds AG to cover pension commitments to most of the employees who have already retired. RWE Pensionsfonds AG falls under the scope of the German Act on the Supervision of Insurance Undertakings and oversight by the German Federal Financial Supervisory Authority (BaFin). Insofar as a regulatory deficit occurs in the pension fund, supplementary payment shall be requested from the employer. Independently of the aforementioned rules, the liability of the employer shall remain in place. The bodies of RWE Pensionstreuhand e.V. and RWE Pensionsfonds AG are responsible for ensuring that the funds under management are used in compliance with the contract and thus fulfil the requirements for recognition as plan assets.

In the United Kingdom, corporate defined benefit plans provided with adequate and suitable assets to cover pension provisions are legally mandated. The corporate pension system in the United Kingdom is managed by Electricity Supply Pension Scheme (ESPS) in its own special-purpose section.

In early 2018, the innogy section was split into two sections ('Retail section' and 'innogy section'), in preparation for the originally planned merger of our British retail activities with the Scottish utility SSE.

Both sections are administered by trustees which are elected by the members of the pension plan or appointed by the sponsoring company. The trustees are responsible for the management of the pension plan, including investments, pension payments and financing plans. The pension plan includes associated pension obligations and associated plan assets for subsidiaries of the innogy Group.

It is required by law to assess the required financing of the pension plans once every three years. This involves measuring pension obligations on the basis of conservative assumptions, which deviate from the requirements imposed by IFRS. The underlying actuarial assumptions primarily include the projected life expectancies of the members of the pension plans as well as assumptions relating to inflation, imputed interest rates and the market returns on the plan assets.

The last technical valuation of the ESPS was carried out on 31 March 2016 and revealed a technical deficit of £377.7 million. innogy and the trustees then prepared a plan for annual payments to rectify this deficit. These payments were calculated for the period from 2017 to 2029. For 2019 to 2029, an annual sum of £39.6 million was determined. The next assessment must be available by 31 March 2019. From this point in time, the company and the trustees have 15 months to approve the technical valuation.

The payments to settle the deficit are charged to the participating companies on the basis of a contractual agreement. Above and beyond this, payments are regularly made to finance the newly arising benefit obligations of active employees which increase the pension claims.

First-time application of the 2018 G mortality tables by Klaus Heubeck (previous year: 2005 G) result in pension obligations which are around €113 million higher. In the following year, this leads to an increase in the service cost of €2 million and an increase in interest expenses of €2 million.

Provisions for defined benefit plans are determined using actuarial methods. We apply the following assumptions:

Calculation assumptions	31 Dec 2018		31 Dec 2017	
%	Germany	Foreign[1]	Germany	Foreign[1]
Discount rate	1.80	2.80	2.00	2.40
Compensation increase	2.35	3.30	2.35	3.20
Pension increase	1.00, 1.60 and 1.75	2.20, 3.10	1.00, 1.60 and 1.75	2.10, 3.00

1 Pertains to benefit commitments to employees of the innogy Group in the UK.

Composition of plan assets (fair value)	31 Dec 2018				31 Dec 2017			
€ million	Germany[1]	Of which: active market	Foreign[2]	Of which: active market	Germany[1]	Of which: active market	Foreign[2]	Of which: active market
Equity instruments, exchange-traded funds	1,610	1,592	444	208	1,840	1,829	533	254
Interest-bearing instruments	3,758	205	3,099	856	3,562		3,321	971
Real estate								
Mixed funds[3]	660	276			703	423		
Alternative investments	507	474	794		658	556	753	
Other[4]	235	25	266	7	213	22	167	5
	6,770	**2,572**	**4,603**	**1,071**	**6,976**	**2,830**	**4,774**	**1,230**

1 Plan assets in Germany primarily pertain to assets of innogy SE and other Group companies which are managed by RWE Pensionstreuhand e.V. as a trust, as well as to assets of RWE Pensionsfonds AG.
2 Foreign plan assets pertain to the assets of two UK pension funds for covering benefit commitments to employees of the innogy Group in the UK.
3 Includes dividend securities and interest-bearing instruments.
4 Includes reinsurance claims against insurance companies and other fund assets of provident funds.

The investment policy in Germany is based on a detailed analysis of the plan assets and the pension commitments and the relation of these two items to each other, in order to determine the best possible investment strategy (Asset-Liability Management Study). Using an optimisation process, portfolios are identified which can earn the best targeted results at a defined level of risk. One of these efficient portfolios is selected and the strategic asset allocation is determined; furthermore, the related risks are analysed in detail.

The focus of the strategic investment policy is on domestic and foreign government bonds. In order to increase the average yield, corporate bonds with a higher yield are also included in the portfolio. The ratio of equities in the portfolio is lower than that of bonds. Investment occurs in various regions. The investment position in equities is intended to earn a risk premium over bond investments over the long term. In order to achieve additional returns which are consistently as high as possible, there is also investment in products which offer relatively regular positive returns over time. This involves products which fluctuate similar to bond investments, but which achieve an additional return over the medium term, such as so-called absolute return products (including funds of hedge funds).

In the United Kingdom, the capital investment takes account of the structure of the pension obligations as well as liquidity and risk matters. The goal of the investment strategy in this context is to gradually improve the level of pension plan funding and ensure the full financing of the pension plans over time. To reduce financing costs, higher-risk investments are also made, with a view to earning surplus returns.

Changes in pension provisions € million	Present value of pension commitments	Fair value of plan assets	Capitalised surplus of plan assets	Total
Balance at 1 Jan 2018	**14,736**	**11,750**	**103**	**3,089**
Current service cost	195			195
Interest cost/income	311	252		59
Return on fund assets less interest components		−606		606
Gain/loss on change in demographic assumptions	58			58
Gain/loss on change in financial assumptions	141			141
Experience-based gains/losses	−50			−50
Currency translation adjustments	−36	−38	−2	
Employee contributions to funded plans	8	8		
Employer contributions to funded plans[1]		261		−261
Benefits paid[2]	−556	−496		−60
Changes in the scope of consolidation/transfers	49	245		−196
Addition from ESPS split				
Past service cost	6			6
General administration expenses		−3		3
Change in capitalised surplus of plan assets			177	177
Balance at 31 Dec 2018	**14,862**	**11,373**	**278**	**3,767**
of which: Germany	10,453	6,770	65	3,748
of which: abroad	4,409	4,603	213	19

1 Of which: €95 million from initial and subsequent transfers to pension plans and €166 million in cash flows from operating activities.
2 Contained in cash flows from operating activities.

Changes in pension provisions € million	Present value of pension commitments	Fair value of plan assets	Capitalised surplus of plan assets	Total
Balance at 1 Jan 2017	**15,090**	**11,231**	**29**	**3,888**
Current service cost	199			199
Interest cost/income	306	237		69
Return on fund assets less interest components		442		−442
Gain/loss on change in demographic assumptions	−102			−102
Gain/loss on change in financial assumptions	−254			−254
Experience-based gains/losses	−16			−16
Currency translation adjustments	−175	−167		−8
Employee contributions to funded plans	8	8		
Employer contributions to funded plans[1]		367		−367
Benefits paid[2]	−537	−474		−63
Changes in the scope of consolidation	274	125		149
Addition from ESPS split		−16		16
Past service cost	−57			−57
General administration expenses		−3		3
Change in capitalised surplus of plan assets			74	74
Balance at 31 Dec 2017	**14,736**	**11,750**	**103**	**3,089**
of which: Germany	9,917	6,976	103	3,044
of which: abroad	4,819	4,774		45

1 Of which: €190 million from initial and subsequent transfers to pension plans and €177 million in cash flows from operating activities.
2 Contained in cash flows from operating activities.

The recognised amount of pension provisions totalled €2,647 million for funded pension plans (previous year: €1,765 million) and €1,120 million for unfunded pension plans (previous year: €1,324 million). The present value of pension obligations, less the fair value of the plan assets, equals the net amount of funded and unfunded pension obligations.

In fiscal 2018, the past service cost mainly related to pension obligations in the United Kingdom. In October 2018, the High Court issued a ruling on equalising gender-specific factors for minimum pensions, the so-called guaranteed minimum pensions ('GMP equalisation') of the pension schemes of Lloyds Banking Group. As this is expected to set a precedent for other UK pension schemes with GMP, innogy took into account the anticipated effects with an additional expense of €16 million in measuring its pension obligations in the UK. Moreover, in the case of German early retirement regulations there was also a partial remeasurement of employees' claims to payment of loss compensation, which resulted in a reduction of €9 million in the past service cost.

In the previous year, the past service cost mainly included effects related to restructuring measures as well as the reassessment of a pension regulation, both in Germany.

For the other financial receivables, in the past year there was limited control in the amount of €260 million related to the financing of the pension commitments of three innogy Group companies, which was recognised in other financial receivables. In December 2018, the trust agreement for these companies was adjusted, as a result of which the assets of €253 million are shown as an addition to 'Changes in the scope of consolidation/transfers' under provisions for pensions starting with the financial statements for 2018. Other financial receivables declined accordingly.

Changes in actuarial assumptions would lead to the following changes in the projected benefit obligations:

Changes of present values of defined benefit obligations € million	31 December 2018		31 December 2017	
Change in the imputed interest rate by +50/−50 basis points				
- Domestic	−806	920	−769	876
- Foreign	−330	376	−388	444
Change in the salary trend by −50/+50 basis points				
- Domestic	−78	82	−96	101
- Foreign	−26	29	−34	39
Change in the pension trend by −50/+50 basis points				
- Domestic	−518	568	−513	563
- Foreign	−239	268	−287	325
Increase in life expectancy by 1 year				
- Domestic		441		400
- Foreign		123		147

The sensitivity analyses are based on a change of one assumption each, with all other assumptions remaining unchanged. Actual developments will probably be different than this. The methods for calculating the aforementioned sensitivities and for calculating the pension provisions are identical.

The dependence of pension provisions on market interest rates is limited by a counteracting effect. The background of this is that the commitments stemming from company pension plans are primarily covered by funds, and mostly plan assets exhibit negative correlation with the market yields of fixed-interest securities. Therefore, declines in market interest rates are typically reflected in rises in plan assets and vice-versa.

Domestic company pensions are subject to an obligation to review for adjustment every three years pursuant to the German Act on the Improvement of Company Pensions (Section 16 of the German Company Pension Act [BetrAVG]). Additionally, some commitments grant annual adjustments of pensions, which may exceed the legally mandated adjustment obligation.

Some domestic pension plans guarantee a certain pension level, taking into account the statutory pension (total retirement earnings schemes). As a result, future reductions in the statutory pension can result in higher pension payments by innogy.

The weighted average duration of the pension obligations is 17 years in Germany (previous year: 17 years) and 17 years outside of Germany (previous year: 18 years).

In fiscal 2019, €235 million in payments for defined benefit plans will be made as direct pension benefits and contributions to plan assets (planned in the previous year: €234 million).

(23) Other provisions

Other provisions	31 Dec 2018			31 Dec 2017		
€ million	Non-current	Current	Total	Non-current	Current	Total
Staff-related obligations (excluding restructuring)	320	461	781	367	434	801
Restructuring obligations	103	53	156	77	58	135
Provisions for taxes	82	262	344	106	287	393
Purchase and sales obligations	61	228	289	73	213	286
Provisions for wind farm decommissioning	358	4	362	359	1	360
Uncertain obligations for other decommissioning	228	66	294	214	69	283
Obligations to deliver certificates for renewable energies		665	665		624	624
Miscellaneous other provisions	337	849	1,186	343	920	1,263
	1,489	**2,588**	**4,077**	**1,539**	**2,606**	**4,145**

Roll-forward of other provisions € million	Balance at 1 Jan 2018	Additions	Unused amounts released	Interest accretion	Changes in the scope of consolidation, currency adjustments, transfers	Amounts used	Balance at 31 Dec 2018
Staff-related obligations (excluding restructuring)	801	438	−29	−4	1	−426	781
Restructuring obligations	135	20	−6		22	−15	156
Provisions for taxes	393	179	−58		34	−204	344
Purchase and sales obligations	286	123	−19	1	6	−108	289
Provisions for wind farm decommissioning	360	5	−1	1	−1	−2	362
Uncertain obligations for other decommissioning	283	8	−1	7		−3	294
Obligations to deliver certificates for renewable energies	624	899	−1		−6	−851	665
Miscellaneous other provisions	1,263	308	−244	2	26	−169	1,186
	4,145	**1,980**	**−359**	**7**	**82**	**−1,778**	**4,077**

Provisions for staff-related obligations mainly consist of provisions for pre-retirement part-time work arrangements, severance pay, outstanding vacation and service anniversaries and performance-based pay components. Based on current expectations, most of these provisions will be utilised in the period from 2019 to 2021.

Provisions for restructuring obligations pertain mainly to measures for socially acceptable payroll downsizing. At present, we expect that most of these provisions will be utilised in the period from 2019 to 2023. In so doing, sums earmarked for personnel measures are reclassified from provisions for restructuring obligations to provisions for staff-related obligations as soon as the underlying restructuring measure has been specified. This is the case if individual contracts governing socially acceptable payroll downsizing are signed by affected employees.

Provisions for taxes primarily consist of income taxes.

Provisions for purchase and sales obligations primarily relate to contingent losses from pending transactions.

From the current perspective, it is expected that the **majority of the provisions for the dismantling of wind farms** will be used in the years 2020 to 2038, and the majority of **uncertain obligations from other dismantling obligations** will be used in the period 2019 to 2060.

In the United Kingdom, the **return obligation for certificates for renewable energy** relates to the obligation to demonstrate the acquisition of electricity from renewable sources in the scope required by the Renewable Energy Act using the certificates. The law envisages penalties for cases in which the legally mandated share in total sales is not achieved.

(24) Financial liabilities

Financial liabilities	31 Dec 2018		31 Dec 2017	
€ million	Non-current	Current	Non-current	Current
Bonds	12,828	1,005	11,811	1,007
Bank debt	1,938	116	1,400	211
Other financial liabilities				
Collateral for trading activities		12		13
Miscellaneous other financial liabilities	1,314	1,492	2,281	533
	16,080	**2,625**	**15,492**	**1,764**

Of the non-current financial liabilities, €15,212 million were interest-bearing liabilities (previous year: €15,160 million).

On 31 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.

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.

The following overview shows the key data for innogy's major bonds as of 31 December 2018.

Bonds payable Issuer	Outstanding amount	Carrying amount € million	Coupon in %	Maturity
innogy Finance B.V.	€1,000 million	1,005	6.625	January 2019
innogy Finance B.V.	€750 million	756	1.875	January 2020
innogy Finance B.V.	£570 million	679	6.500	April 2021
innogy Finance B.V.	€1,000 million	1,126	6.500	August 2021
innogy Finance B.V.	£500 million	591	5.500	July 2022
innogy Finance B.V.	€750 million	749	0.750	November 2022
innogy Finance B.V.	£488 million	581	5.625	December 2023
innogy Finance B.V.	€800 million	834	3.000	January 2024
innogy Finance B.V.	€750 million	745	1.000	April 2025
innogy Finance B.V.	€500 million	498	1.625	May 2026
innogy Finance B.V.	€850 million	840	1.250	October 2027
innogy Finance B.V.	€1,000 million	986	1.500	July 2029
innogy Finance B.V.	£760 million	930	6.250	June 2030
innogy Finance B.V.	€600 million	721	5.750	February 2033
innogy SE	$17 million	15	3.800	April 2033
innogy Finance B.V.	£600 million	630	4.750	January 2034
innogy SE	€468 million	511	3.500	October 2037
innogy Finance B.V.	£1,000 million	1,200	6.125	July 2039
innogy SE	JPY 20 billion	186	4.762[1]	February 2040
innogy SE	€100 million	100	3.500	December 2042
innogy SE	€150 million	150	3.550	February 2043
Bonds		**13,833**		

1 After swap into euros.

€72 million (previous year: €85 million) of the financial liabilities are backed by mortgages.

(25) Trade accounts payable

Trade accounts payable are presented as current because they are part of the working capital used in the normal operating cycle even if they are due to be settled more than twelve months after the cut-off date for the financial statements.

(26) Other liabilities

Other liabilities	31 Dec 2018		31 Dec 2017	
€ million	Non-current	Current	Non-current	Current
Tax liabilities		707		639
Social security liabilities	3	55	4	54
Derivatives	1.627	1.345	922	700
Advances and contributions in aid of construction and building connection			1.168	167
Contract liabilities	1.144	160		
Miscellaneous other liabilities	208	3.066	157	2.633
	2.982	**5.333**	**2.251**	**4.193**
of which: financial debt	1.668	3.650	960	2.639
of which: non-financial debt	1.314	1.683	1.291	1.554

The principal component of social security liabilities are the amounts payable to social security institutions.

Of the miscellaneous other liabilities, €1,668 million (previous year: €1,451 million) related to financial debt in the form of current purchase price obligations from rights granted to tender non-controlling interests (put options). Additionally, €108 million (previous year: €47 million) of the miscellaneous other liabilities was related to public investment subsidies, which were primarily granted in relation to the construction of wind farms and the installation of fibre-optic networks.

Since introduction of the new Standard IFRS 15 Revenue from Contracts with Customers in fiscal 2018 all contract liabilities are stated separately (31 December 2018: €1,304 million; 1 January 2018: €1,314 million). The vast majority of these liabilities relate to advances and contributions in aid of construction and building connection, which we regularly defer over a period of 20 years for future recognition as revenue. Contract liabilities also include one-off fees invoiced in advance for the reservation of stand-by delivery, insofar as we have not satisfied the promise in the contract. In fiscal 2018, contract liabilities amounting to €155 million were released and reported as revenue. Furthermore, consideration received which was not recognised as revenue increased contract liabilities by €157 million.

Other information

(27) 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		2018	2017
net income/income attributable to innogy SE shareholders	€ million	−653	778
Number of shares outstanding (weighted average)	thousands	555,555	555,555
Earnings per share	€	−1.18	1.40
Dividend per share	€	1.40[1]	1.60

1 Proposal for fiscal 2018

(28) Reporting on financial instruments

Financial instruments are divided into non-derivative and derivative. Non-derivative financial instruments 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. Financial instruments are recognised in the following categories:

- Debt instruments measured at amortised cost: Contractual cash flows consist exclusively of interest and repayment of the outstanding capital amount and the financial instrument is intended to be held until maturity.

- Debt instruments measured at fair value through other comprehensive income: Contractual cash flows consist solely of interest and repayment of the outstanding capital amount and the financial instrument is intended to be held until maturity or to be sold.

- Equity instruments measured at fair value through other comprehensive income: The option of recognising changes in fair value directly in equity is applied.

- Financial instruments measured at fair value through profit or loss: The contractual cash flows from the debt instruments do not consist solely of interest and repayment of the outstanding capital amount or the option of recognising changes in fair value through other comprehensive income is not applied.

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 generally determined on the basis of discounted expected payment flows, taking into consideration macro-economic developments and corporate business plan data. 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, on 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.

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.

The following overview presents the classifications of financial instruments measured at fair value in the fair value hierarchy prescribed by 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 market
- 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 2018	Level 1	Level 2	Level 3	Total 2017	Level 1	Level 2	Level 3
Other financial assets	991	51	132	808	839	56	108	675
Financial receivables	39			39				
Derivatives (assets)	2,717		2,707	10	1,337		1,331	6
of which: used for hedging purposes	2		2		17		17	
Marketable securities	2,362	1,703	659		2,254	1,814	440	
Derivatives (liabilities)	2,972		2,962	10	1,622		1,615	7
of which: used for hedging purposes	10		10		4		4	

During the reporting period, financial assets with a fair value of €14 million were reclassified from Level 2 to Level 1, based on rising price quotations on active markets. Furthermore, during the reporting period financial assets with a fair value of €10 million were reclassified from Level 1 to Level 2, based on falling price quotations on active markets.

Reclassification occurs at the time of the change in the price quotations.

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: Recognised through profit or loss	Changes: Not recognised through profit or loss (OCI)	Changes: With a cash effect or from swaps	Balance at 31 Dec 2018
Other financial assets	675	−49	40	12	130	808
Financial receivables	35	4				39
Derivatives (assets)	6	1	2		1	10
Derivatives (liabilities)	7				3	10

Level 3 financial instruments: Development in 2017 € million	Balance at 1 Jan 2017	Changes in the scope of consolidation, currency adjustments, and other	Changes: Recognised through profit or loss	Changes: Not recognised through profit or loss (OCI)	Changes: With a cash effect or from swaps	Balance at 31 Dec 2017
Other financial assets	639	–30	9		57	675
Derivatives (assets)	9				–3	6
Derivatives (liabilities)	9				–2	7

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

Level 3 financial instruments: Amounts recognised through profit or loss € million	Total 2018	Of which: attributable to financial instruments held at the balance-sheet date	Total 2017	Of which: attributable to financial instruments held at the balance-sheet date
Other operating income/expenses	20	19	15	15
Income from investments	22	30	–3	2
Financial income/finance costs			–3	–2
	42	**49**	**9**	**15**

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 falling temperatures cause them to decline. 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 €9.1 million (previous year: €11.3 million) or decline by €9.1 million: (previous year: €11.3 million).

In the previous year, pursuant to IAS 39 the following impairments were recognised on financial assets which fall under the scope of IFRS 7 and were reported under the balance-sheet items stated below:

Impairments on financial assets € million	Other financial assets	Financial receivables	Trade accounts receivable	Other receivables and other assets	Total
Balance at 1 Jan 2017	**39**	**144**	**461**	**9**	**653**
Additions	13	24	159		196
Transfers	–10	–30	13	–2	–29
Currency translation adjustments	1		–4		–3
Disposals	2	14	232	6	254
Balance at 31 Dec 2017	**41**	**124**	**397**	**1**	**563**

In the previous year, according to IAS 39 there were unimpaired, past due receivables falling under the scope of IFRS 7 in the following amounts:

Receivables € million	Gross amount as of 31 Dec 2017	Receivables, past due and impaired	Receivables not impaired, past due in: Receivables past due				
			Less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days
Financial receivables	995	18					
Trade accounts receivable	4,601	473	302	34	25	21	134
Other receivables and other assets	1,496	2					4
	7,092	**493**	**302**	**34**	**25**	**21**	**138**

The disclosures on the impairments in accordance with IFRS 9 for the current fiscal year are explained in the section on credit risks (page 176 et seqq.).

Financial assets and liabilities can be broken down into valuation categories with the following carrying amounts:

Carrying amounts by category € million	31 Dec 2018	31 Dec 2017
Financial assets recognised at fair value through profit or loss	4,693	1,321
of which: held for trading	./.	1,321
of which: mandatory measurement at fair value	4,693	./.
Financial assets available for sale	./.	3,093
Loans and receivables	./.	6,303
Debt instruments measured at amortised cost	7,144	./.
Debt instruments measured at fair value through other comprehensive income	975	./.
Equity instruments measured at fair value through other comprehensive income	439	./.
Financial liabilities recognised at fair value through profit or loss	2,962	1,618
of which: held for trading	./.	1,618
of which: mandatory measurement at fair value	2,962	./.
Financial liabilities carried at (amortised) cost	19,957	18,906

The carrying amounts of financial assets and liabilities within the scope of IFRS 7 basically correspond to their fair values. The only deviations are for bonds, commercial paper, bank debt and other financial liabilities. The carrying amount of these is €18,705 million (previous year: €17,256 million), while the fair value amounts to €19,738 million (previous year: €18,901 million). Of this, €14,117 million (previous year: €13,617 million) is related to Level 1 and €5,622 million (previous year: €5,284 million) to Level 2 of the fair value hierarchy.

In the financial assets, the only deviations are in financial receivables. The carrying amounts of these were €550 million (previous year: €871 million) while the fair values amounted to €553 million (previous year: €873 million). Of this, €518 million (previous year: €873 million) is related to Level 2 and €35 million (previous year: €0 million) to Level 3 of the fair value hierarchy.

The following net results from financial instruments as per IFRS 7 were recognised on the income statement, depending on the category:

Net gain/loss by category € million	2018	2017
Financial assets and liabilities recognised at fair value through profit or loss	215	–335
of which: held for trading	./.	–335
of which: mandatory measurement at fair value	215	./.
Financial assets available for sale	./.	146
Loans and receivables	./.	47
Debt instruments measured at amortised cost	–108	./.
Debt instruments measured at fair value through other comprehensive income	27	./.
Equity instruments measured at fair value through other comprehensive income	13	./.
Financial liabilities carried at (amortised) cost	–495	–496

The net result as per IFRS 7 essentially includes interest, dividends and results from the measurement of financial instruments at fair value.

In the previous year, changes of €56 million after taxes in the value of financial assets available for sale were recognised in accumulated other comprehensive income without an effect on profit and loss. Above and beyond this, €41 million in changes in the value of financial instruments available for sale which had originally been recognised without an effect on income was realised as income in the previous year.

The following table shows the proceeds from the derecognition of debt instruments measured at amortised cost which were sold to comply with the existing credit risk policy.

Net income from the derecognition of debt instruments carried at amortised cost € million	2018
Gains from derecognition	0
Losses from derecognition	13

The option to recognise changes in fair value in other comprehensive income was exercised for a portion of the investments in equity instruments. These are strategic investments and other long-term investments as well as securities in special funds.

Fair value of equity instruments measured at fair value through other comprehensive income € million	31 Dec 2018
Securities in special funds	355
PSI Software AG	45
Nordsee One GmbH	31

In the past fiscal year, €14 million in income from dividends from these financial instruments was recognised. Of this, €4 million is attributable to equity instruments sold during the fiscal year. In the fiscal year, equity instruments measured at fair value through other comprehensive income were sold in line with the existing investment strategy. Their fair value at the derecognition date amounted to €274 million. The resulting profit amounted to €8 million.

The following is an overview of the financial assets and financial liabilities which are netted out in accordance with IAS 32 or are subject to enforceable master netting agreements or similar agreements. The netted financial assets and liabilities essentially consist of collateral for stock market transactions due on a daily basis.

Netting of financial assets and financial liabilities as of 31 Dec 2018 € million	Gross amounts recognised	Netting	Net total
Derivatives (assets)	940	−388	552
Derivatives (liabilities)	1,594	−388	1,206

Netting of financial assets and financial liabilities as of 31 Dec 2017 € million	Gross amounts recognised	Netting	Net total
Derivatives (assets)	402	−157	245
Derivatives (liabilities)	763	−157	606

The innogy Group is exposed to market, credit and liquidity risks in its ordinary business activity. These risks are limited via systematic, groupwide risk management. The range of action, responsibilities and controls are defined in binding internal directives.

Market risks stem from changes in exchange rates and share prices as well as interest rates and commodity prices, which can have an influence on business results.

Due to the innogy Group's international profile, the management of exchange rate changes is a key issue. Various currencies such as the British pound and the Czech crown are important currencies for the Group. The companies of the innogy Group are generally required to hedge their transactional foreign currency risks via innogy SE. Only innogy SE itself may maintain open foreign currency positions, subject to predefined limits, or approve such limits for Group companies.

Interest rate risks stem primarily from financial debt and the Group's interest-bearing investments. We hedge against negative changes in value caused by unexpected interest-rate movements using non-derivative and derivative financial instruments.

Furthermore, market interest rates have an effect on our provisions, as they are the point of reference for determining the discount rates for the net present values of obligations. In other words, declining market interest rates tend to increase our provisions and vice-versa. On page 161 we indicate how sensitive the present values of pension obligations are to increases and declines in discount rates.

Opportunities and risks from changes in the values of securities are controlled by a professional fund management system. innogy has commissioned RWE AG to manage the interest-rate risks arising from these securities and regularly reviews the development of the value of these investments. Range of action, responsibilities and controls are set out in guidelines to which our Group companies are obliged to adhere when concluding financial transactions. The innogy Group's financial transactions are recorded in a central inventory management system and the position is monitored for financial risks.

For commodity operations, directives have been established by the Controlling & Risk Department. These regulations allow for the use of derivatives to hedge price risks. innogy does not use derivatives for trading purposes.

Financial risks are monitored and managed by innogy using indicators such as Value at Risk (VaR). In addition, for the management of interest rates risk, a Cash Flow at Risk (CFaR) is determined.

Using the VaR method, we determine and monitor the maximum expected loss arising from changes in market prices with a specific level of probability during specific periods. Historical price volatility is taken as a basis in the calculations. With the exception of the CFaR data, all VaR figures concerning financial risks are based on a confidence interval of 95% and a holding period of one day. For CFaR, a confidence interval of 95% and a holding period of one year is taken as a basis.

In respect of interest rate risks, innogy distinguishes between two risk categories: on the one hand, increases in interest rates can result in declines in the prices of securities from innogy's holdings. This primarily relates to fixed-interest instruments. On the other hand, financing costs also increase along with the level of interest rates. A VaR is determined to quantify securities price risk.

As of 31 December 2018, the VaR for securities price risk amounted to €3.4 million (previous year: €3.2 million). The sensitivity of interest expenses to increases in market interest rates is measured with CFaR. As of 31 December 2018, this amounted to €11.0 million (previous year: €10.8 million). As of 31 December 2018, the VaR for foreign currency positions was less than €1 million (previous year: less than €1 million). As of 31 December 2018, the VaR for risks related to the innogy share portfolio amounted to €4.7 million (previous year:€3.0 million).

Changes in commodity prices can have an impact on the Group's adjusted EBIT. As of 31 December 2018, the innogy Group's aggregated commodity price risk, which was calculated based on the as yet unhedged commodity risk positions of the divisions, amounted to €90 million for 2019 (previous year: €20 million).

The commodity price risks of the segments are hedged in accordance with Group directives. There are commodity price risks in relation to the generation positions in renewables, in the gas storage business, and such risks may also exist in the retail business due to illiquid residual positions which are not be hedged forward.

One of the most important measures to limit market risk is the utilisation of hedging transactions. The instruments most commonly used are forwards and options with foreign currency, interest rate swaps, interest rate currency swaps and forwards, options, futures and swaps with commodities.

Maturities of derivatives related to interest rates, currencies, equities, indices and commodities for the purpose of hedging are based on the maturities of the underlying transactions and are thus primarily short term and medium term in nature. Hedges of the foreign currency risks of foreign investments have maturities of up to 20 years.

All derivative financial instruments are recognised as assets or liabilities and are measured at fair value. When interpreting their positive and negative fair values, it should be taken into account that these financial instruments are generally matched with underlying transactions that carry offsetting risks.

Hedge accounting

Hedge accounting pursuant to IFRS 9 is used primarily for mitigating currency risks from net investments in foreign entities with foreign functional currencies, interest rate risks from non-current liabilities, and foreign currency risks from purchase transactions.

Cash flow hedges are primarily used to hedge against foreign currency risks from future sales, investments and purchase transactions. Hedging instruments consist of forwards, swaps and options with foreign currency and interest rates, the carrying values of which are reported in the balance-sheet item 'Other receivables and other assets' and 'Other liabilities'. Changes in the fair value of the hedging instruments – insofar as they affect the effective portion – are recorded under other comprehensive income until the underlying transaction is realised. Realisation and any ineffectiveness from hedging foreign currency risks are reported on the income statement in the item 'Other operating income' and 'Other operating expenses'. Realisation and any ineffectiveness from hedging interest risks are reported on the income statement in the item 'Financial income' and 'Finance costs'. When hedging foreign currency risks, ineffectiveness can result from the difference in timing between the establishment of the underlying transaction and the conclusion of the hedge. Ineffectiveness can likewise stem from hedges containing material foreign currency basis spreads. Upon realisation of the underlying transaction, the hedge's contribution to income from accumulated other comprehensive income is recognised on the income statement. In the past year, the recognised fair value of instruments used as cash flow hedges amounted to €2 million.

As of 31 December 2018, innogy used the following hedging instruments to hedge future cash flows relating to foreign currency risks:

Hedging instruments for cash flow hedges	Maturity		
	1–6 months	>6–12 months	>12 months
Currency futures – Purchases			
Nominal volume (€ million)	−41	−61	−289
Average exchange rate €/GBP	0.90	0.90	0.92
Currency futures – Sales			
Nominal volume (€ million)	128	130	195
Average exchange rate €/GBP	0.92	0.91	0.91

As of 31 December 2018, innogy used the following hedging instruments to hedge future cash flows relating to interest risks:

Hedging instruments for cash flow hedges	Maturity >12 months
Interest rate swaps	
Nominal volume (GBP million)	1,642
Average (%)	1.56

In the past year, changes of €2 million after taxes in the fair values of instruments used for cash flow hedges were recognised in accumulated other comprehensive income without an effect on profit or loss. These changes in value reflect the effective portion of the hedges.

Hedges of net investments in foreign entities are used to hedge the foreign currency risks of investments in foreign entities whose functional currency is not the euro. We use bonds with various terms in the appropriate currencies, currency swaps and forwards. The carrying amounts of the hedging instruments are recognised in the balance-sheet items 'Other receivables and other assets', 'Other liabilities' and 'Financial liabilities'. Changes in the fair value of the hedging instruments – insofar as they affect the effective portion – are recorded under foreign currency translation differences in other comprehensive income until the underlying transaction is realised. Realisation from OCI is reported on the income statement in the item 'Other operating income' and 'Other operating expenses', while ineffectiveness is recognised in 'Financial income' and 'Finance costs'.

The hedging instruments designated in hedging relationships as of 31 December 2018 had the following effects on innogy's assets, liabilities, financial position and profit or loss:

Hedging instruments in net investment hedges	Maturity		
	1–6 months	>6–12 months	>12 months
Nominal volume (€ million)	141		3,739
Average exchange rate €/USD	1.23		
Average exchange rate €/AUD	1.58		
Average exchange rate €/GBP			0.89

In the case of bonds which are used as hedging instruments for net investment hedges, the average hedged exchange rates were determined on the basis of the exchange rate at the time when the hedging relationship was designated. Last year, the fair value of the bonds amounted to −€3,693 million and the fair value of the swaps and forwards amounted to €12 million.

Income of €3 million was recognised on the income statement in relation to the ineffective portions of hedges of net investments in foreign entities last year.

The hedging instruments designated for hedge accounting as of 31 December 2018 had the following effects on the company's assets, liabilities, financial position and profit or loss:

Cash flow hedges and net investment hedges (Hedging transactions) € million	Nominal volume[1]	Carrying amount		Change in the fair value in the current period	Recognised ineffectiveness
		Assets	Liabilities		
Cash flow hedges					
Foreign currency risks	62	2	11	12	
Interest risks	1,642		42	–26	
Net investment hedges					
Foreign currency risks	3,850	7	3,739	17	3

1 These figures are stated in net terms.

The underlying transactions designated for hedge accounting as of 31 December 2018 had the following effects on the company's assets, liabilities, financial position and profit or loss:

Cash flow hedges and net investment hedges (Underlying transactions) € million	Change in the fair value in the current period	Reserve for ongoing hedging accounting
Cash flow hedges		
Foreign currency risks	–11	14
Interest risks	26	–26
Net investment hedges		
Foreign currency risks	–13	200

The reconciliation of the changes in the hedging reserve for the various risk categories of hedge accounting for fiscal 2018 follows below:

Reserve for hedge accounting € million	
Balance at 1 Jan 2018	2
Cash flow hedges	
Effective portion of fair value changes	
Foreign currency risks	12
Interest risks	–27
Tax effect of changes in reserves	3
Net investment hedges	
Effective portion of fair value changes	43
Netting with currency translation adjustments	–43
Balance at 31 Dec 2018	–10

Credit risks. In the fields of finance and commodities as well as within the scope of large-scale projects such as the construction of wind farms, we primarily have credit relationships with banks and other business partners with good creditworthiness. The resulting counterparty risks are reviewed upon concluding contracts and constantly monitored. We mitigate these risks by establishing credit limits which are adjusted as necessary, for instance in the event of changes in creditworthiness. To hedge credit risks, we use guarantees and other forms of security as well as credit insurance against defaults. The credit risk is constantly monitored and proactively managed in all business fields. Credit insurance is also used to protect against defaults. Bank guarantees used as collaterals are from financial institutions which normally have been issued a minimum rating of 'A–/ A3' by rating agencies. Collaterals for credit insurance are pledged by insurers with an investment-grade rating.

The maximum balance-sheet default risk is derived from the carrying amounts of the financial assets and contract assets stated in the balance sheet. The default risks for derivatives correspond to their positive fair values. Risks can also stem from financial guarantees and loan commitments, as a result of which we may be liable to non-Group creditors for the default of a certain debtor. As of 31 December 2018, these obligations amounted to €66 million (previous year: €45 million). Above and beyond this, as of 31 December 2018 innogy had credit insurance, financial guarantees, bank guarantees and other collaterals amounting to €40 million (previous year: €39 million). There were no material defaults in fiscal 2018 or the previous year.

In respect of financial assets, the innogy Group determines the risk provisions on the basis of the expected credit losses. These losses are determined based on a probability of default, the loss ratio and the amount of the receivable in the event of default. We base the determination of the probability of default and the loss ratio on historic data and forward-looking information. The amount of the receivable at the time of a default relating to financial assets is the gross carrying amount as of the reporting date. The expected credit loss for financial assets is the difference between the contractually agreed payments and the payments expected by innogy, discounted by the original effective interest rate. With regard to lease liabilities, the contractually agreed payments are determined according to the rules of IAS 17. The assignment to one of the levels described below influences the level of the expected losses and the effective interest income recognised.

- Stage 1 – 12-month credit loss: Financial assets are assigned to this stage at initial recognition, with the exception of financial assets which have already been impaired at acquisition or issuance and are thus handled separately. The level of impairment results from the cash flows expected for the entire lifetime of the financial instrument, multiplied by the probability of a loss within twelve months from the reporting date. The effective interest rate used for measurement is determined on the basis of the carrying amount before impairment (gross).

- Stage 2 – Expected credit loss over the entire lifetime (gross): If the default risk increases significantly in the period between initial recognition and the reporting date, the financial asset is assigned to this stage. Unlike Stage 1, default events expected beyond the 12-month period from the reporting date are also considered in calculating the level of impairment. The effective interest used for measurement is still determined on the basis of the carrying amount before impairment (gross).

- Stage 3 – Expected credit loss over the entire lifetime (net): If in addition to the criteria for Stage 2, there is an objective indication of an impairment, the financial asset is assigned to Stage 3. The impairment is calculated analogously to Stage 2. However, in this case the effective interest rate used for measurement is determined on the basis of the carrying amount after impairment (net).

In the innogy Group, a risk provision in the amount of the expected credit losses is recognised for financial instruments in the following categories:

- Debt instruments measured at amortised cost
- Debt instruments measured at fair value through other comprehensive income
- Contract assets

In respect of debt instruments for which there has been no significant rise in credit risk since initial recognition, the risk provision is recognised in the amount of the expected 12-month credit losses (Stage 1). Additionally, a financial instrument is assigned to Stage 1 of the impairment model if the absolute credit risk is low as of the reporting date. The credit risk is rated as low if the debtor's internal or external rating is in the investment-grade range. For trade accounts receivable and contract assets, the risk provision corresponds to the amount of the expected credit losses over the remaining lifetime (Stage 2). To determine if a financial instrument is assigned to Stage 2 of the impairment model, on the reporting date it must be determined whether the credit risk has increased significantly since initial recognition of the financial instrument. In making this assessment, we consider quantitative and qualitative information based on our past experience and assumptions about future developments. In this regard, particular importance is ascribed to the sector in which the debtor of the innogy Group is active. Our expectations are based on studies and data from financial analysts and government bodies. Special attention is paid to the following developments:

- a significant deterioration of the internal or external rating of the financial instrument;
- unfavourable changes in risk indicators, such as credit spreads or credit default swaps related to the debtor;
- negative developments in the regulatory, technological or economic environment of the debtor;
- the risk of unfavourable business developments with significantly lower operating income.

Independently thereof, a significant increase in credit risk and thus assignment of the financial instrument to Stage 2 is assumed if the contractually agreed payments are more than 30 days overdue and there is no information that contradicts this assumption.

Based on data from internal credit risk management, we draw conclusions about possible defaults by counterparties. If internal or external information indicates that the counterparty cannot fulfil its obligations, the related receivables are classified as unrecoverable and assigned to Stage 3 of the impairment model. Example of such information include:

- the debtor is obviously experiencing financial difficulties;
- the debtor is already in breach of contract by failure to pay or late payment;
- concessions have already been made to the debtor;
- there is a risk of the debtor filing for insolvency or another restructuring procedure;
- there is no longer an active market for the financial asset;
- sale is only likely with a high discount, which reflects the debtor's reduced credit rating.

Independently thereof, a default event and the related assignment to Stage 3 is also assumed if the contractually agreed payments are more than 90 days overdue and there is no information that contradicts the assumption of a default. With regard to trade accounts receivable, based on our experience we generally presume that this assumption is not valid.

The gross carrying amount of a financial asset is written down if there are indications that the counterparty is in serious financial difficulty and an improvement in the situation is not likely. In the innogy Group, this is assumed as soon as receipt of the receivable can no longer be realised due to the conclusion of bankruptcy or composition proceedings. Consequently, the write-down represents a derecognition process.

The following impairments were recognised for financial assets stated under the following balance-sheet items within the scope of application of IFRS 7:

Impairments on financial assets 2018 € million	Stage 1 Expected 12-month credit loss	Stage 2 Expected credit loss over the entire lifetime – gross	Stage 3 Expected credit loss over the entire lifetime – net	Impaired upon acquisition or issuance	Total
Financial receivables					
Balance at 1 Jan 2018	**15**	**19**	**4**	**2**	**40**
Remeasurement on the basis of altered measurement parameters	1	2			3
Transfer to Stage 1					
Transfer to Stage 2	–1	2			1
Transfer to Stage 3					
Newly acquired/issued financial assets	1		1		2
Redeemed or derecognised financial assets	–10			–1	–11
Balance at 31 Dec 2018	**6**	**23**	**5**	**1**	**35**
Other receivables and other assets					
Balance at 1 Jan 2018	**1**				**1**
Balance at 31 Dec 2018	**1**				**1**
Marketable securities					
Balance at 1 Jan 2018	**1**				**1**
Balance at 31 Dec 2018	**1**				**1**
Total	**8**	**23**	**5**	**1**	**37**

For trade accounts receivable and contract assets, the expected credit loss is determined by applying the simplified approach on the basis of the entire lifetime of the financial instruments. To determine the expected credit losses, the receivables in the final customer business are pooled based on common risk profiles and overdue status and determined using an impairment matrix.

No trade receivables or contract assets are held for which a risk provision has not been formed due to collaterals.

Risk provisions for trade accounts receivable and contract assets € million	2018
Balance at 1 Jan 2018	**403**
Additions	206
Use	–210
Release	–28
Other	–1
Balance at 31 Dec 2018	**370**

For trade accounts receivable and contract assets receivable from commercial customers with projected net external revenue of less than €10 million and for trade accounts receivable from large numbers of final customers, each of which is accountable for a small sum, we determine the expected credit loss using an impairment matrix. The default rates are determined based on historic actually defaulted receivables at various consecutive stages of payment delinquency until the actual write-off. The default rates are determined for risks in various segments and consider the general default risk characteristics, geographical region, age and duration of the customer relationship and the type of purchased product.

The following table contains information on the carrying amounts of trade accounts receivable for commercial customers with projected net external revenue of less than €10 million and for final customers, for which the impairments were calculated on the basis of an impairment matrix:

31 Dec 2018	Gross carrying amount		Average loss rate
€ million	Grid & Infrastructure	Retail	
Receivables (not overdue)	411	2,552	1%
up to 30 days overdue	47	215	6%
31–60 days overdue	6	84	13%
61–90 days overdue	2	64	18%
91–120 days overdue	6	44	21%
more than 120 days overdue	49	504	41%
Total	**521**	**3,463**	

The following table contains information on the gross carrying amounts and their assignment to the credit risk classes used in the Group for all financial instruments under the scope of application of the impairment model. This excludes the aforementioned trade accounts receivable, the impairment of which was calculated on the basis of an impairment matrix.

31 Dec 2018	Equivalent to the S & P scale	Gross carrying amount			Trade accounts receivable (non provision matrix), contract assets, lease receivables.	Total
€ million		Stage 1 – Expected 12-month credit loss	Stage 2 – Expected credit loss over the entire lifetime (gross)	Stage 3 – Expected credit loss over the entire lifetime (net)		
Classes 1–5: Low risk	AAA to BBB–	3,675	–	–	710	4,385
Classes 6–9: Medium risk	BB+ to BB–	63	34	–	15	112
Class 10: Elevated risk	B+ to B–	4	17	–	–	21
Class 11: Doubtful	CCC to C	–	–	5	1	6
Class 12: Loss	D	–	–	–	18	18
Total		**3,742**	**51**	**5**	**744**	**4,542**

Liquidity risks. As a rule, innogy Group companies centrally refinance with innogy SE. In this regard, there is a risk that liquidity reserves will prove to be insufficient to meet financial obligations in a timely manner. In 2019, a bond with a volume of approximately €1 billion (previous year: €980 million), a Group loan owed to RWE with a nominal volume of €956 million and liabilities owed to banks of €116 million (previous year: €212 million) are due. Short-term debt must additionally be repaid.

We currently purchase commodities via RWE Supply & Trading based on a contractual framework ('Wholesale Interface Agreement'), which we have cancelled effective 31 December 2019. This will tend to mean that procurement will also be subject to higher collateralisation. In our financing strategy, we have taken into account the resulting additional increase in liquidity requirements.

As of 31 December 2018, holdings of cash and cash equivalents and current marketable securities amounted to €4,376 million (previous year: €3,324 million). The existing commercial paper programme allows innogy to issue commercial paper with a volume of up to €3 billion. As of the reporting date, this programme had not been used. Since the spring of 2017, the company has had its own debt issuance programme with a volume of €20 billion, which allows innogy to place senior bonds on the market. As a liquidity reserve, since October 2017 innogy also has access to its own €2.0 billion syndicated credit line. The original term of this credit line ran until October 2022; a large majority of the bank consortium agreed to an extension of one year until October 2023. The option of extending the term one more time remains in place. Furthermore, the credit line can be topped up by €1 billion. In both cases, the bank consortium must agree. Thanks to the available financing tools, the medium-term liquidity risk is classified as low.

Financial liabilities falling under the scope of IFRS 7 are expected to result in the following (undiscounted) payments in the coming years:

Repayments and interest payments on financial liabilities € million	Carrying amounts 31 Dec 2018	Repayments			Interest payments		
		2019	2020 to 2023	from 2024	2019	2020 to 2023	from 2024
Bonds	13,833	1,000	4,241	8,030	539	1,600	2,872
Bank debt	2,054	90	1,328	608	49	113	36
Other financial liabilities	2,806	1,467	850	481	14	10	
Derivative financial liabilities	2,972	1,935	930	112	11	42	130
Collateral for trading activities	12	12					
Redemption liabilities from put options	1,668	1,668					
Miscellaneous other financial liabilities	4,981	4,952	2	40			

Repayments and interest payments on financial liabilities € million	Carrying amounts 31 Dec 2017	Repayments			Interest payments		
		2018	2019 to 2022	from 2023	2018	2019 to 2022	from 2023
Bonds	12,818	980	3,956	7,117	563	1,709	3,073
Bank debt	1,611	212	810	522	35	84	3
Other financial liabilities	2,814	546	1,740	546	16	21	1
Derivative financial liabilities	1,622	939	563	124	8	30	136
Collateral for trading activities	13	13					
Redemption liabilities from put options	1,451	1,451					
Miscellaneous other financial liabilities	4,457	4,413	11	37			

Above and beyond this, as of 31 December 2018, there were financial guarantees for external creditors in the amount of €29 million (previous year: €0 million), which are to be allocated to the first year of repayment. Additionally, Group companies have provided loan commitments to third-party companies amounting to €37 million (previous year: €45 million), which are callable in 2019.

Detailed information on the risks of the innogy Group and on the objectives and procedures of risk management is presented on pages 97 et seqq. in the review of operations.

(29) Contingent liabilities and financial commitments

As of 31 December 2018, the amount of capital commitments totalled €2,203 million (previous year: €258 million). In addition, unrecognised commitments to provide loans or other financial support to joint ventures amounted to €0 million (previous year: €10 million).

Commitments from operating leases refer largely to rental agreements and leases for grid leasing, storage and administration buildings. Minimum lease payments have the following maturity structure:

Operating leasing	Nominal value	
€ million	31 Dec 2018	31 Dec 2017
Due within 1 year	296	230
Due after 1 to 5 years	919	617
Due after 5 years	1,291	1,058
	2,506	**1,905**

innogy has long-term contractual obligations to purchase gas and electricity, which are mostly based on long-term take-or-pay contracts. As of 31 December 2018, the payment obligations arising from the major long-term gas and major electricity procurement agreements totalled €3,504 million (previous year: €2,848 million), of which €1,432 million were due within one year (previous year: €1,023 million).

innogy SE and its subsidiaries are involved in official, regulatory and anti-trust proceedings, as well as litigation and arbitration proceedings related to their operations and are affected by the results of such. However, innogy does not expect any material negative repercussions from these proceedings for the innogy Group's economic or financial position.

(30) Segment reporting

As in the previous year, the operating segments delineated on the basis of regional and functional criteria are grouped into three reporting segments.

Electricity generation from renewable sources, i.e. onshore and offshore wind, as well as hydroelectric power, are reported in the Renewables segment. The main production sites are located in Germany, the United Kingdom, the Netherlands, Poland, Spain and Italy.

The electricity and gas distribution system business in Germany and the distribution system business in Central Eastern and South Eastern Europe are reported in the 'Grid & Infrastructure Germany' and 'Grid & Infrastructure Eastern Europe' operating segments, respectively. The two operating segments have similar economic characteristics and are both responsible for the planning, operation, maintenance, development and expansion of the distribution systems. Pursuant to EU legislation, the operating segments are similar with respect to the regulatory environment, which is the key value driver of the segments' financial performance. Therefore, these two operating segments have been combined to form the 'Grid & Infrastructure' reporting segment. This segment also includes non-controlling interests in utilities (e.g. in German municipal utilities and Austria-based KELAG) as well as the gas storage business.

The operating segments 'Retail Germany', 'Retail United Kingdom', 'Retail Netherlands/Belgium' and 'Retail Eastern Europe' are responsible for the corporate and retail electricity, gas and energy solution businesses in their respective regions. They have similar processes and organisational structures in procurement, portfolio management, customer acquisition and customer care. Furthermore, their business fundamentals have a high degree of similarity due to EU legislation and European market integration. Their key value drivers are identical and their financial performance is influenced by the same factors, e.g. level of competition. These operating segments thus have similar economic characteristics and have been combined to form the 'Retail' reporting segment.

'Corporate/New Businesses' (formerly 'Corporate/other') covers consolidation effects and the activities of other business areas which are not presented separately. These include the holding activities of innogy SE and the internal service providers. As of 1 January 2018, the only change related to reassignment of the activities in the area 'eMobility', which are now reported outside of the 'Retail' segment under 'Corporate/New Businesses'. Prior-year figures have been adjusted accordingly.

Segment reporting 2018 € million	Renewables	Grid & Infrastructure	Retail	Corporate/New Businesses	innogy Group
External revenue (including natural gas tax/electricity tax)[1]	**969**	**6,542**	**29,277**	**196**	**36,984**
Intra-group revenue	437	2,927	541	−3,905	
Total revenue	1,406	9,469	29,818	−3,709	36,984
Adjusted EBIT	**299**	**1,962**	**654**	**−285**	**2,630**
Operating income from investments	27	340	13	11	391
Operating income from investments accounted for using the equity method	19	219	10		248
Operating depreciation, amortisation and impairment losses	320	942	156	49	1,467
Total impairment losses	4	15	1,725	12	1,756
Carrying amount of investments accounted for using the equity method	178	2,009	76	−10	2,253
Capital expenditures on intangible assets, property, plant and equipment, and acquisitions	699	1,596	253	140	2,688

1 Due to the first-time adoption of IFRS 15, the 2018 figures do not include changes in the fair values of commodity derivatives (which are included in other operating income or expenses) or passed-through compensation under the German Renewable Energy Act (previously recognised in revenue and the cost of materials).

Regions 2018	EU			Rest of Europe	Other	innogy Group
€ million	Germany	United Kingdom	Other EU			
External revenue[1,2]	20,445	7,367	7,152	4	95	35,063
Intangible assets, property, plant and equipment	15,796	3,593	9,647		398	29,434

1 Excluding natural gas tax/electricity tax.
2 Broken down by the region in which the service was provided.

Segment reporting 2017 € million	Renewables	Grid & Infrastructure	Retail	Corporate/New Businesses	innogy Group
External revenue (including natural gas tax/electricity tax)	**967**	**10,977**	**30,981**	**214**	**43,139**
Intra-group revenue	395	3,238	502	−4,135	
Total revenue	1,362	14,215	31,483	−3,921	43,139
Adjusted EBIT	**355**	**1,944**	**827**	**−310**	**2,816**
Operating income from investments	2	277	12	−2	289
Operating income from investments accounted for using the equity method	5	183	9		197
Operating depreciation, amortisation and impairment losses	339	931	205	40	1,515
Total impairment losses	28	19	487	6	540
Carrying amount of investments accounted for using the equity method	178	1,969	76	−9	2,214
Capital expenditures on intangible assets, property, plant and equipment, and acquisitions	438	1,362	193	145	2,138

Regions 2017	EU			Rest of Europe	Other	innogy Group
€ million	Germany	United Kingdom	Other EU			
External revenue[1,2]	26,527	7,403	7,036	14	139	41,119
Intangible assets, property, plant and equipment	14,953	4,936	9,632		187	29,708

1 Excluding natural gas tax/electricity tax.
2 Broken down by the region in which the service was provided.

External revenue by product and segment 2018 € million	Renewables	Grid & Infra-structure	Retail	Corporate/ New Busi-nesses	innogy Group
External revenue[1]	**969**	**6,530**	**27,368**	**196**	**35,063**
of which: electricity	623	4,912	19,682	2	25,219
of which: gas		1,037	6,892		7,929
of which: other	346	581	794	194	1,915

1 Excluding natural gas tax/electricity tax.

External revenue by product and segment 2017 € million	Renewables	Grid & Infra-structure	Retail	Corporate/ New Busi-nesses	innogy Group
External revenue[1]	**967**	**10,964**	**28,975**	**213**	**41,119**
of which: electricity	617	9,326	21,120	1	31,064
of which: gas		957	7,168		8,125
of which: other	350	681	687	212	1,930

1 Excluding natural gas tax/electricity tax.

Notes on segment data. We report revenue between the segments as innogy intragroup revenue. Internal supply of goods and services is settled at arm's length conditions.

The adjusted EBIT is used for internal management. The following table presents the reconciliation of adjusted EBIT to income before tax:

Reconciliation of income items € million	2018	2017
Adjusted EBIT	**2,630**	**2,816**
+ Non-operating result	−1,704	−655
+ Financial result	−593	−513
Income before tax	**333**	**1,648**

Income and expenses that are unusual from an economic perspective, or stem from exceptional events, prejudice the assessment of operating activities. They are reclassified to the non-operating result. Amongst other things, these can include book gains or losses from the disposal of investments or other non-current assets, impairment of the goodwill of fully consolidated companies, as well as effects of the fair valuation of certain derivatives.

Non-operating result € million	2018	2017
Capital gains/losses	17	11
Income effects of derivatives	47	–118
Goodwill impairments	–1,582	–479
Restructuring, other	–186	–69
Non-operating result	**–1,704**	**–655**

More detailed information is presented on page 58 in the review of operations.

(31) Notes to the cash flow statement

The cash flow statement classifies cash flows according to operating, investing and financing activities. Cash and cash equivalents in the cash flow statement correspond to the amount stated in the balance sheet. Cash and cash equivalents consist of cash on hand, demand deposits and current fixed-interest securities with original maturities of three months or less from the date of acquisition.

Among other things, cash flows from operating activities include:

- cash flows from interest income of €57million (previous year: €75 million) and cash flows used for interest expenses of €647 million (previous year: €657 million),
- €693 million (previous year: €587 million) in taxes on income paid (less refunds),
- income from investments, corrected for items without an effect on cash flows, in particular from accounting using the equity method, amounting to €222 million (previous year: €236 million).

Flows of funds from the acquisition and sale of consolidated companies are included in cash flows from investing activities. Effects of foreign exchange rate changes and other changes in value are stated separately.

Cash flows from financing activities include €889 million (previous year: €889 million) which was distributed to innogy shareholders and €360 million (previous year: €439 million) which was distributed to non-controlling interests. Furthermore, cash flows from financing activities include purchases of €2 million (previous year: €19 million) and sales in the amount of €661 million (previous year: €0 million) of shares in subsidiaries and other business units which did not lead to a change of control.

Restrictions on the disposal of cash and cash equivalents amounted to €0 million (previous year: €38 million).

Financial liabilities are presented below:

Financial liabilities € million	1 Jan 2018	Issuance/ repayment as per the cash flow statement	Changes in the scope of consolida-tion	Currency effects	Fair value changes	Other changes	31 Dec 2018
Current financial liabilities	1,764	–1,161	–7	28	–40	2,041	2,625
Non-current financial liabilities	15,492	2,856	41	–31	1	–2,279	16,080
Other items[1]		–19				19	
Total	**17,256**	**1,676**	**34**	**–3**	**–39**	**–219**	**18,705**

1 Includes payments from certain financial derivatives and forms of security, which are reported under 'Issuance/repayment of financial debt' in the cash flow statement.

Financial liabilities € million	1 Jan 2017	Issuance/ repayment as per the cash flow statement	Changes in the scope of consolida-tion	Currency effects	Fair value changes	Other changes	31 Dec 2017
Current financial liabilities	665	−1,263	77	71	−50	2,264	1,764
Non-current financial liabilities	16,556	1,525	−13	−129		−2,447	15,492
Other items[1]		−42				42	
Total	**17.221**	**220**	**64**	**−58**	**−50**	**−141**	**17.256**

1 Includes payments from certain financial derivatives and forms of security, which are reported under 'Issuance/repayment of financial debt' in the cash flow statement.

(32) Information on concessions

In the fields of electricity, gas and water supply, there are a number of easement agreements and concession contracts between innogy Group companies and the governmental authorities in the areas we supply.

Easement agreements are used in the electricity and gas business to regulate the use of public rights of way for laying and operating lines for public energy supply. These agreements are generally limited to a term of 20 years. After their expiry, there is a legal obligation to transfer ownership of the local distribution facilities to the new operator, for appropriate compensation.

Water concession agreements contain rules for the right and obligation to provide water and wastewater services, to operate the associated infrastructure, such as water utility plants, as well as to implement capital expenditure. Concessions in the water business generally have terms of up to 25 years.

(33) Related party disclosures

Within the framework of their ordinary business activities, innogy SE and its subsidiaries have business relationships with numerous companies. These include the parent company RWE AG and its subsidiaries, associates and joint ventures as well as associates and joint ventures of the innogy Group which are classified as 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 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	2018	2017	2018	2017	2018	2017	2018	2017
Income	23	29	6,590	7,026	59	93	8	13
Expenses	19	286	18,025	13,404	18	16	2	20

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	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Receivables	35	45	2.335	1.370	33	91	41	51
Liabilities	1,668	1,675	3,035	2,111	5	5	8	8

The items resulting from transactions with related parties mainly stemmed from supply and service as well as financial transactions with RWE Group companies. As of 31 December 2018, the receivables included loans to and financial receivables from the RWE Group totalling €162 million (previous year: €167 million). As of 31 December 2018, loans and financial liabilities owed to the RWE Group totalled €1,665 million (previous year: €1,662 million). In the year under review, the underlying interest rates of the loans and financial liabilities owed to the RWE Group ranged from 0.56 to 0.86% (previous year: 0.56 to 0.86%) and their underlying terms ranged from one to two years (previous year: two to three years).

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.

Key items from transactions with related parties € million	RWE Group	
	2018	2017
Income	**6,613**	**7,055**
of which: income from supply transactions	4,228	7,030
of which: income from financial transactions		5
of which: other	2,385	20
Expenses	**18,044**	**13,690**
of which: expenses from supply transactions	16,265	13,290
of which: expenses from financial transactions	11	12
of which: other	1,768	388

1 Due to the first-time adoption of IFRS 15, the 2018 figures include changes in the fair values of commodity derivatives (recognised in income/expenses from supply transactions in the previous year).

During the reporting period, income of €0 million (previous year: €3 million) was recorded from interest-bearing loans to joint ventures. As of the balance-sheet date, financial receivables accounted for €33 million of the receivables from joint ventures (previous year: €48 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. Receivables of €1,682 million (previous year: €962 million) and liabilities of €3,578 million (previous year: €1,862 million) were due within one year. Other obligations from executory contracts amounted to €23,498 million (previous year: €19,754 million).

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

The compensation model and compensation of the Executive and Supervisory Boards is presented in the remuneration report. The remuneration report is included in the review of operations.

Key management personnel according to IAS 24 include members of the Supervisory Board, as well as Executive Board members.

Provisions totalling €13,555,000 (previous year: €9,652,000) were formed for obligations vis-à-vis key management personnel.

In 2018, the total compensation of the Executive Board amounted to €14,474,000 (previous year: €13,593,000). The Board received €9,342,000 in short-term compensation components (previous year: €11,519,000). No pension service costs were incurred (previous year: €0). Share-based payment under the LTIP SPP amounted to €5,132,000 (previous year: €2,074,000). As in the previous year, no other long-term compensation components were granted.

The Supervisory Board received total compensation of €2,797,000 (previous year: €2,805,000) in fiscal 2018. Supervisory Board members also received a total of €27,000 in compensation from subsidiaries for the exercise of mandates (previous year: €28,000). The employee representatives on the Supervisory Board have labour contracts with the respective Group companies. Remuneration occurs in accordance with the relevant contractual conditions.

During the period under review, no loans or advances were granted to members of the Executive or Supervisory Boards.

Former members of the Executive Board and their surviving dependents received €5,313,000 (previous year: €20,795,000). As of the balance-sheet date, €116,797,000 had been accrued for defined benefit obligations to former members of the Executive Board and their surviving dependents (previous year: €121,035,000).

Information on the members of the Executive Board and Supervisory Boards is presented on page 222 et seqq. of the notes.

(34) Auditors' fees

The fees for audit services in Germany primarily contain the fees for the audit of the consolidated financial statements and for the audit of the financial statements of innogy SE and its subsidiaries as well as the review of the interim reports. Other assurance services include fees for review of the internal controlling system, as well as expenses related to statutory or court-ordered requirements. In particular, the fees for tax services include compensation for consultation in the preparation of tax returns and other national and international tax-related matters as well as review of resolutions of the tax authorities. Other services primarily include compensation for consulting. innogy recognised the following fees as expenses for the services rendered by the auditors of the consolidated financial statements, PricewaterhouseCoopers Aktiengesellschaft GmbH Wirtschaftsprüfungsgesellschaft (PwC) and companies belonging to PwC's international network:

Auditor's fees	2018		2017	
€ million	Total	of which: Germany	Total	of which: Germany
Audit services	12.2	7.1	12.4	7.0
Other assurance services	3.3	3.1	2.1	2.0
Tax services	0.3	0.3	0.1	0.1
Other services	3.9	1.8	3.2	0.8
	19.7	**12.3**	**17.8**	**9.9**

(35) Application of Section 264, Paragraph 3 and of Section 264b of the German Commercial Code

In fiscal 2018, the following German subsidiaries made partial use of the exemption clause included in Section 264, Paragraph 3 and Section 264b of the German Commercial Code:

- innogy Aqua GmbH, Mülheim an der Ruhr
- innogy Beteiligungsholding GmbH, Essen
- innogy Gastronomie GmbH, Essen
- innogy Innovation Berlin GmbH, Berlin
- innogy Innovation GmbH, Essen
- innogy Renewables Beteiligungs GmbH, Essen
- innogy Rheinhessen Beteiligungs GmbH, Esssen
- innogy TelNet GmbH, Essen
- innogy Ventures GmbH, Essen
- innogy Zweite Vermögensverwaltungs GmbH, Essen
- iSWITCH GmbH, Essen
- NRW Pellets GmbH, Erndtebrück

(36) Events after the balance-sheet date

The following major events occurred between 1 January 2019 and 26 February 2019, the date on which the consolidated financial statements were approved for publication:

Placement of a bond

On 31 January 2019, innogy SE issued a bond with a volume of €750 million and a tenor of 4.5 years. It has an annual coupon of 0.75%, an issue price of 99.658% and a yield of 0.828% p. a. The proceeds from this bond will be used to refinance liabilities due as well as general business activities.

Programme for cost reduction announced for the British retail business

As a result of the poor market conditions in the UK retail business and owing to regulatory interventions, at the end of January 2019 npower announced a new programme to reduce costs. The company anticipates that around 900 positions will be made redundant in the course of the year and that the programme will result in expenses in the medium double-digit million € range.

innogy sells Czech gas grid business to RWE

In February 2019, innogy sold to RWE its share of 50.04% in innogy Grid Holding, a.s., (according to the list of shareholdings: equity of € 1,135,490,000 and net income of €193,020,000), domiciled in Prague, and thus disposed of its Czech gas business. It was possible to carry out the transaction directly, as no anti-trust approval was needed, due to the existing group relationship between the parties. Calculation of the deconsolidation result hast not yet been completed; we expect a result in the high triple – digit million € range from the transaction.

(37) Declaration according to Section 161 of the German Stock Corporation Act

The declaration regarding the German Corporate Governance Code prescribed by Section 161 of the German Stock Corporation Act (AktG) has been made for innogy SE and has been made permanently and publicly available to shareholders on the Internet pages of innogy SE.

Essen, 26 February 2019

The Executive Board

Tigges Günther Hahn

Bünting Herrmann Müller

3.7 List of shareholdings (part of the notes)

List of shareholdings as per Section 285, Item 11 and Item 11a and Section 313, Paragraph 2 (in relation to Section 315 e I) of the German Commercial Code as of 31 Dec 2018

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	innogy SE's share	Parent company's share	€'000	€'000
Aktivabedrijf Wind Nederland B.V., Zwolle/Netherlands		100	172,445	−9,306
An Suidhe Wind Farm Limited, Swindon/United Kingdom		100	21,926	837
Andromeda Wind s.r.l., Bolzano/Italy		51	8,903	3,387
Artelis S.A., Luxembourg/Luxembourg		90	38,900	2,898
A/V/E GmbH, Halle (Saale)		76	1,754	−1,604
Bayerische Bergbahnen-Beteiligungs-Gesellschaft mbH, Gundremmingen		100	27,208	763
Bayerische Elektrizitätswerke Gesellschaft mit beschränkter Haftung, Augsburg		100	24,728	[1]
Bayerische-Schwäbische Wasserkraftwerke Beteiligungs-gesellschaft mbH, Gundremmingen		62	57,581	3,128
Belectric Australia Pty. Limited, Southbank/Australia		100	−503	−36
Belectric France S.à.r.l., Vendres/France		100	356	−182
Belectric Italia s.r.l., Latina/Italy		100	2,574	−160
Belectric Solar & Battery – Group – (pre-consolidated)			40,347	−25,820[2]
Belectric Chile Energia Fotovoltaica LTDA, Santiago de Chile/Chile		100		
Belectric Espana Fotovoltaica S.L., Madrid/Spain		100		
BELECTRIC GmbH, Kolitzheim		100		
Belectric Inversiones Latinoamericana S.L., Madrid/Spain		100		
Belectric Israel Ltd., Be'er Scheva/Israel		100		
Belectric Photovoltaic India Private Limited, Mumbai/India		100		
BELECTRIC PV Dach GmbH, Sömmerda		100		
Belectric Solar & Battery GmbH, Kolitzheim	100	100		
Belectric Solar Ltd., Slough/United Kingdom		100		
hoch.rein Beteiligungen GmbH, Kolitzheim		100		
Inversiones Belectric Chile LTDA, Santiago de Chile/Chile		100		
Jurchen Technology India Private Limited, Mumbai/India		100		
Solar Holding Poland GmbH, Kolitzheim		100		
Bilbster Wind Farm Limited, Swindon/United Kingdom		100	3,313	335
Bristol Channel Zone Limited, Bristol/United Kingdom		100	−2,070	−100
Broadband TelCom Power, Inc., Santa Ana/USA		100		[3]
BTB-Blockheizkraftwerks, Träger- und Betreibergesellschaft mbH Berlin, Berlin	100	100	19,783	[1]
Budapesti Elektromos Muvek Nyrt., Budapest/Hungary		55	644,109	31,711
Carnedd Wen Wind Farm Limited, Swindon/United Kingdom		100	−3,816	−373
Cegecom S.A., Luxembourg/Luxembourg		100	10,705	805
Channel Energy Limited, Bristol/United Kingdom		100	−17,066	−780
Cloghaneleskirt Energy Supply Limited, Kilkenny City/Ireland		100	0	0
Dromadda Beg Wind Farm Limited, Kilkenny City/Ireland		100	1,421	−181
Energiewacht Groep B.V. – Group – (pre-consolidated)			15,272	2,934[2]
Energiewacht Facilities B.V., Zwolle/Netherlands		100		
Energiewacht Groep B.V., Meppel/Netherlands		100		

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 innogy SE bears unlimited liability pursuant to Section 285, Item 11a of the German Commercial Code.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Structured entity pursuant to IFRS 10 and 12.
9 Not material.
10 Financial statements not available.
11 Profit and loss-pooling agreement with non-Group entity.

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	innogy SE's share	Parent company's share	€'000	€'000
GasWacht Friesland Facilities B.V., Leeuwarden/Netherlands		100		
ELE Verteilnetz GmbH, Gelsenkirchen		100	883	[1]
Elektrizitätswerk Landsberg GmbH, Landsberg am Lech		100	1,562	115
ELMU DSO Holding Korlátolt Felelosségu Társaság, Budapest/Hungary		100	692,199	32,842
ELMU Halozati Eloszto Kft., Budapest/Hungary		100	738,577	26,885
ELMU-ÉMÁSZ Energiakereskedo Kft., Budapest/Hungary		100	3,407	2,009
ELMU-ÉMÁSZ Energiaszolgáltató Zrt., Budapest/Hungary		100	6,593	708
ELMU-ÉMÁSZ Energiatároló Kft., Budapest/Hungary		100	69	60
ELMU-ÉMÁSZ Solutions Kft., Budapest/Hungary		100	–359	–370
ELMU-ÉMÁSZ Telco Kft., Budapest/Hungary		100	105	7
ELMU-ÉMÁSZ Ügyfélszolgálati Kft., Budapest/Hungary		100	1,113	1,107
ÉMÁSZ Halozati Kft., Miskolc/Hungary		100	274,107	10,491
Emscher Lippe Energie GmbH, Gelsenkirchen	50	50	56,917	36,492
Energiedirect B.V., Waalre/Netherlands		100	–52,480	500
Energienetze Berlin GmbH, Berlin		100	25	[1]
Energies France S.A.S. – Group – (pre-consolidated)			31,329	198[2]
Centrale Hydroelectrique d'Oussiat S.A.S., Paris/France	0	100		
Energies Charentus S.A.S., Paris/France	0	100		
Energies France S.A.S., Paris/France	100	100		
Energies Maintenance S.A.S., Paris/France		100		
Energies Saint Remy S.A.S., Paris/France	0	100		
Energies VAR 1 S.A.S., Paris/France	0	100		
Energies VAR 3 S.A.S., Paris/France	0	100		
SAS Île de France S.A.S., Paris/France	0	100		
Energiewacht Groep B.V. – Group – (pre-consolidated)			28,546	2,290[2]
EGD-Energiewacht Facilities B.V., Assen/Netherlands		100		
Energiewacht installatie B.V., Assen/Netherlands		100		
Energiewacht N.V., Veendam/Netherlands		100		
Energiewacht West Nederland B.V., Assen/Netherlands		100		
energis GmbH, Saarbrücken		72	128,852	14,832
energis-Netzgesellschaft mbH, Saarbrücken		100	33,002	[1]
envia Mitteldeutsche Energie AG, Chemnitz	0	59	1,750,245	202,522
envia SERVICE GmbH, Cottbus		100	2,167	37
envia TEL GmbH, Markkleeberg		100	22,116	3,118
envia THERM GmbH, Bitterfeld-Wolfen		100	67,266	[1]
enviaM Beteiligungsgesellschaft Chemnitz GmbH, Chemnitz		100	56,366	[1]
enviaM Beteiligungsgesellschaft mbH, Essen		100	175,691	31,675
eprimo GmbH, Neu-Isenburg	100	100	4,600	[1]
Essent Belgium N.V., Antwerp/Belgium		100	99,503	4,323
Essent CNG Cleandrive B.V., 's-Hertogenbosch/Netherlands		100	–28	–17

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I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	innogy SE's share	Parent company's share	€'000	€'000
Essent Energie Verkoop Nederland B.V., 's-Hertogenbosch/Netherlands		100	98,220	–4,600
Essent EnergieBewust Holding B.V., 's-Hertogenbosch/Netherlands		100	–4	–4
Essent Energy Group B.V., Arnhem/Netherlands		100	446	–20
Essent IT B.V., Arnhem/Netherlands		100	–275,174	–8,392
Essent Nederland B.V., Arnhem/Netherlands		100	723,500	8,300
Essent N.V., 's-Hertogenbosch/Netherlands		100	6,981,400	–755,900
Essent Retail Energie B.V., 's-Hertogenbosch/Netherlands		100	842,220	149,900
Essent Rights B.V., 's-Hertogenbosch/Netherlands		100		[3]
Essent Sales Portfolio Management B.V., 's-Hertogenbosch/Netherlands		100	328,482	55,654
Eszak-magyarorszagi Aramszolgáltató Nyrt., Miskolc/Hungary		54	286,599	10,794
EuroSkyPark GmbH, Saarbrücken		51	828	495
EVIP GmbH, Bitterfeld-Wolfen		100	11,347	[1]
EWV Energie- und Wasser-Versorgung GmbH, Stolberg	54	54	53,527	17,181
FAMIS Gesellschaft für Facility Management und Industrieservice mbH, Saarbrücken		100	7,468	1,961
Fri-El Anzi Holding s.r.l., Bolzano/Italy		51	7,368	1,161
Fri-El Anzi s.r.l., Bolzano/Italy		100	7,652	2,221
Fri-El Guardionara Holding s.r.l., Bolzano/Italy		51	10,184	2,463
Fri-El Guardionara s.r.l., Bolzano/Italy		100	9,690	2,385
GasNet, s.r.o., Ústí nad Labem/Czech Republic		100	908,842	177,895
Geas Energiewacht B.V., Enschede/Netherlands		100	17,700	1,600
Generación Fotovoltaica De Alarcos, S.L.U., Barcelona/Spain		100	3	0
Georgia Biomass Holding LLC, Savannah/USA	95	100	59,014	1,018
Georgia Biomass LLC, Savannah/USA		100	40,061	16,548
Green Gecco GmbH & Co. KG, Essen	51	51	89,423	1,098
GridServices, s.r.o., Brno/Czech Republic		100	38,266	32,536
GWG Grevenbroich GmbH, Grevenbroich		60	24,683	2,545
Hardin Wind LLC, Chicago/USA		100		[3]
Harryburn Wind Farm Limited, Swindon/United Kingdom		100	–1,820	–410
Hof Promotion B.V., Eindhoven/Netherlands		100	–66	–337
Improvers B.V. – Group – (pre-consolidated)			1,002	592[2]
Certified B.V., Amsterdam/Netherlands		100		
Improvers B.V., 's-Hertogenbosch/Netherlands		100		
Improvers Community B.V., Amsterdam/Netherlands		100		
Konnektor B.V., Amsterdam/Netherlands		100		
innogy Aqua GmbH, Mülheim an der Ruhr	100	100	233,106	[1]
innogy Benelux Holding B.V., 's-Hertogenbosch/Netherlands		100	1,576,700	–1,413,500
innogy Bergheim Windparkbetriebsgesellschaft mbH, Hanover		100	25	[1]
innogy Beteiligungsholding GmbH, Essen		100	3,895,026	[1]

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9 Not material.
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11 Profit and loss-pooling agreement with non-Group entity.

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	innogy SE's share	Parent company's share	€'000	€'000
innogy Brise Windparkbetriebsgesellschaft mbH, Hanover		100	226	1
innogy Business Services Benelux B.V., Arnhem/Netherlands		100	–1,390	602
innogy Business Services Polska Sp. z o.o., Krakow/Poland	100	100	5,156	1,252
Innogy Business Services UK Limited, Swindon/United Kingdom	100	100	–797	–21,123
innogy Ceská republika a.s., Prague/Czech Republic		100	2,153,310	254,531
innogy e-mobility US LLC, Delaware/USA	100	100	1,719	–536
innogy Energie, s.r.o., Prague/Czech Republic		100	171,035	105,208
innogy Energo, s.r.o., Prague/Czech Republic		100	21,434	–2,114
innogy Evendorf Windparkbetriebsgesellschaft mbH, Hanover		100	25	1
innogy Finance B.V., 's-Hertogenbosch/Netherlands		100	13,809	1,726
innogy Gas Storage NWE GmbH, Dortmund	100	100	350,087	1
innogy Gas Storage, s.r.o., Prague/Czech Republic		100	528,702	5,884
innogy Gastronomie GmbH, Essen	100	100	275	1
innogy Grid Holding, a.s., Prague/Czech Republic		50	1,135,490	193,020
Innogy GyM 2 Limited, Swindon/United Kingdom		100	–12,204	–1,067
Innogy GyM 3 Limited, Swindon/United Kingdom		100	–12,204	–1,066
Innogy GyM 4 Limited, Swindon/United Kingdom		100	–36,635	–3,226
innogy Hörup Windparkbetriebsgesellschaft mbH, Hörup		100	26	1
innogy Hungária Tanácsadó Kft., Budapest/Hungary		100	1,689	–694
innogy indeland Windpark Eschweiler GmbH & Co. KG, Eschweiler	51	100	55,222	2,000
innogy Innovation Berlin GmbH, Berlin		100	3,868	1
INNOGY INNOVATION CENTER LTD, Tel Aviv/Israel		100	6,694	–831
innogy Innovation GmbH, Essen	100	100	180,038	1
innogy Innovation UK Ltd., London/United Kingdom		100		10
innogy International Participations N.V., 's-Hertogenbosch/Netherlands	100	100	9,316,100	–64,000
innogy IT Magyarország Kft. „v.a.", Budapest/Hungary	100	100	1,141	63
innogy Italia s.p.a., Milan/Italy	100	100	17,259	5,061
innogy Kaskasi GmbH, Hamburg	100	100	99	1
innogy Lengerich Windparkbetriebsgesellschaft mbH, Gersten		100	25	1
innogy Limondale Sun Farm Holding Pty. Ltd., Southbank/Australia		100		3
innogy Lüneburger Heide Windparkbetriebsgesellschaft mbH, Walsrode		100	25	1
innogy Metering GmbH, Mülheim an der Ruhr	100	100	25	1
innogy Mistral Windparkbetriebsgesellschaft mbH, Hanover		100	578	1
innogy Netze Deutschland GmbH, Essen	100	100	497,854	1
innogy New Ventures LLC, Palo Alto/USA		100	61,665	3,381
innogy Offshore Wind Netherlands B.V., 's-Hertogenbosch/Netherlands		100	–2,983	–456
innogy Polska IT Support Sp. z o.o., Warsaw/Poland		100		3
innogy Polska S.A., Warsaw/Poland		100	411,754	99,841

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	innogy SE's share	Parent company's share	€'000	€'000
Innogy Renewables Australia Pty Ltd., Southbank/Australia		100		[3]
innogy Renewables Benelux B.V., 's-Hertogenbosch/Netherlands		100	–22,813	–4,877
innogy Renewables Beteiligungs GmbH, Dortmund	100	100	7,350	[1]
Innogy Renewables Ireland Limited, Kilkenny City/Ireland	100	100	0	–956
innogy Renewables Polska Sp. z o.o., Warsaw/Poland	100	100	195,301	–7,235
Innogy Renewables UK Holdings Limited, Swindon/United Kingdom	100	100	2,023,560	100,676
Innogy Renewables UK Limited, Swindon/United Kingdom		100	1,791,052	174,766
Innogy Renewables US LLC, Dover/USA	100	100	72,477	–6,601
innogy Rheinhessen Beteiligungs GmbH, Essen	100	100	57,865	[1]
innogy SE, Essen			8,817,036	779,860
innogy Seabreeze II GmbH & Co. KG, Essen	100	100	11,140	–2,245
innogy Slovensko s.r.o., Bratislava/Slovakia		100	8,240	7,841
Innogy Solutions Ireland Limited, Dublin/Ireland		100	5,271	571
innogy solutions Kft., Budapest/Hungary		100	891	–1,004
innogy Solutions s.r.o., Banská Bystrica/Slovakia		100	1,177	147
innogy Sommerland Windparkbetriebsgesellschaft mbH, Sommerland		100	26	[1]
innogy South East Europe s.r.o., Bratislava/Slovakia		100	1,058	–54
innogy Spain, S.A.U. – Group – (pre-consolidated)			132,941	1,843[2]
Danta de Energías, S.A., Soria/Spain		99		
Explotaciones Eólicas de Aldehuelas, S.L., Soria/Spain		95		
General de Mantenimiento 21, S.L.U., Barcelona/Spain		100		
Hidroeléctrica del Trasvase, S.A., Barcelona/Spain		60		
innogy Spain, S.A.U., Barcelona/Spain	100	100		
Innogy Stallingborough Limited, Swindon/United Kingdom		100	0	8,346
innogy Stoen Operator Sp. z o.o., Warsaw/Poland		100	656,499	45,674
innogy Süderdeich Windparkbetriebsgesellschaft mbH, Süderdeich		100	106	[1]
innogy TelNet GmbH, Essen	100	100	25	[1]
innogy Titz Windparkbetriebsgesellschaft mbH, Essen		100	25	[1]
innogy Ventures GmbH, Essen		100	75,704	[1]
innogy Wind Onshore Deutschland GmbH, Hanover	100	100	77,373	[1]
innogy Windpark Bedburg GmbH & Co. KG, Bedburg	51	51	80,613	4,843
innogy Windpower Netherlands B.V., 's-Hertogenbosch/Netherlands		100	–34,615	1,631
innogy Zákaznické služby, s.r.o., Ostrava/Czech Republic		100	2,468	2,044
innogy Zweite Vermögensverwaltungs GmbH, Essen		100	1,720,555	[1]
Installatietechniek Totaal B.V., Leeuwarden/Netherlands		100	1,114	340
INVESTERG – Investimentos em Energias, SGPS, Lda. – Group – (pre-consolidated)			19,054	2,692[2]
INVESTERG – Investimentos em Energias, Sociedade Gestora de Participações Sociais, Lda., São João do Estoril/Portugal	100	100		

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LUSITERG – Gestão e Produção Energética, Lda., São João do Estoril/Portugal		74		
IRUS Solar Development LLC, Dover/USA		100		[3]
IRUS Solar Holdings LLC, Dover/USA		100		[3]
IRUS Wind Development LLC, Dover/USA		100		[3]
IRUS Wind Holdings LLC, Dover/USA		100		[3]
IsoFitters BVBA, Herentals/Belgium		100	617	331
Isoprofs België BVBA, Hasselt/Belgium		100	−96	−157
Isoprofs B.V., Meijel/Netherlands		100	68	−110
iSWITCH GmbH, Essen	100	100	25	[1]
It's a beautiful world B.V., Amersfoort/Netherlands		100	4,987	2,625
Jurchen Technology GmbH, Kitzingen		100	2,665	−1,702
Knabs Ridge Wind Farm Limited, Swindon/United Kingdom		100	9,485	663
Koprivnica Opskrba d.o.o., Koprivnica/Croatia		75	112	111
Koprivnica Plin d.o.o., Koprivnica/Croatia		75	8,857	489
Lechwerke AG, Augsburg	75	90	501,772	78,205
Leitungspartner GmbH, Düren		100	100	[1]
LEW Anlagenverwaltung Gesellschaft mit beschränkter Haftung, Gundremmingen		100	295,990	13,873
LEW Beteiligungsgesellschaft mbH, Gundremmingen		100	461,243	10,154
LEW Netzservice GmbH, Augsburg		100	87	[1]
LEW Service & Consulting GmbH, Augsburg		100	1,250	[1]
LEW TelNet GmbH, Neusäß		100	8,548	7,289
LEW Verteilnetz GmbH, Augsburg		100	139,816	[1]
Licht Groen B.V., Amsterdam/Netherlands		100	192	101
Limondale Sun Farm Pty. Ltd., Southbank/Australia		100		[3]
Little Cheyne Court Wind Farm Limited, Swindon/United Kingdom		59	48,751	4,668
MI-FONDS 178, Frankfurt am Main		100	753,875	5,415
MI-FONDS F55, Frankfurt am Main		100	573,856	3,967
MI-FONDS G55, Frankfurt am Main		100	277,938	1,333
MI-FONDS J55, Frankfurt am Main		100	15,185	−440
MI-FONDS K55, Frankfurt am Main		100	121,755	−2,856
MITGAS Mitteldeutsche Gasversorgung GmbH, Halle (Saale)	0	75	129,988	38,032
Mitteldeutsche Netzgesellschaft Gas mbH, Halle (Saale)		100	25	[1]
Mitteldeutsche Netzgesellschaft Strom mbH, Halle (Saale)		100	4,171	[1]
Mittlere Donau Kraftwerke AG, Munich		40[8]	5,113	0
ML Wind LLP, Swindon/United Kingdom		51	77,984	9,050
Montcogim – Plinara d.o.o., Sveta Nedelja/Croatia		100	14,712	424
Nederland Isoleert B.V., Amersfoort/Netherlands		100	1,921	1,782
Nederland Schildert B.V., Amersfoort/Netherlands		100	−293	−174
Nederland Schildert Rijnmond B.V., Amersfoort/Netherlands		100	−2	−4

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Nederland Verkoopt B.V., Amersfoort/Netherlands		100	189	176
NEW AG, Mönchengladbach	40	40[4]	175,895	59,552
NEW Netz GmbH, Geilenkirchen	0	100	95,699	17,896
NEW Niederrhein Energie und Wasser GmbH, Mönchengladbach		100	15,587	41,904
NEW NiederrheinWasser GmbH, Viersen		100	46,613	11,501
NEW Tönisvorst GmbH, Tönisvorst		98	13,961	2,022
NEW Viersen GmbH, Viersen		100	13,330	4,139
Nordsee Windpark Beteiligungs GmbH, Essen	90	90	9,943	1,855
Npower Business and Social Housing Limited, Swindon/United Kingdom		100	4,647	701
Npower Commercial Gas Limited, Swindon/United Kingdom		100	6,879	5,673
Npower Direct Limited, Swindon/United Kingdom		100	58,278	–43,143
Npower Financial Services Limited, Swindon/United Kingdom		100	–157	15
Npower Gas Limited, Swindon/United Kingdom		100	–216,413	–2,303
Npower Group Limited, Swindon/United Kingdom		100	2,087	–283
Npower Limited, Swindon/United Kingdom		100	275,006	–34,991
Npower Northern Limited, Swindon/United Kingdom		100	–1,256,531	–117,388
Npower Yorkshire Limited, Swindon/United Kingdom		100	–784,395	–26,653
Npower Yorkshire Supply Limited, Swindon/United Kingdom		100	0	0
NRW Pellets GmbH, Erndtebrück	100	100	312	[1]
Octopus Electrical Limited, Swindon/United Kingdom		100	2,420	0
OIE Aktiengesellschaft, Idar-Oberstein	100	100	9,081	[1]
Padcon GmbH, Kitzingen		100	1,980	1
Piecki Sp. z o.o., Warsaw/Poland		51	18,548	–730
Plus Shipping Services Limited, Swindon/United Kingdom		100	26,639	–426
Powerhouse B.V., Almere/Netherlands		100	56,718	7,900
Primus Projekt GmbH & Co. KG, Hanover		100	0	–1,013
PS Energy UK Limited, Swindon/United Kingdom		100	–3,961	–3,023
Recargo Inc., El Segundo/USA		100		[3]
Regionetz GmbH, Aachen		49[4]	269,214	0
Rheinkraftwerk Albbruck-Dogern Aktiengesellschaft, Waldshut-Tiengen	77	77	31,817	1,757
Rhein-Sieg Netz GmbH, Siegburg		100	20,774	[1]
rhenag Rheinische Energie Aktiengesellschaft, Cologne	67	67	139,972	25,788
Rhyl Flats Wind Farm Limited, Swindon/United Kingdom		50	158,966	15,566
RL Besitzgesellschaft mbH, Gundremmingen		100	115,086	14,683
RL Beteiligungsverwaltung beschr. haft. OHG, Gundremmingen[5]	51	100	356,579	27,991
RUMM Limited, Ystrad Mynach/United Kingdom		100	91	–256
RWE Energija d.o.o., Zagreb/Croatia		100	719	–1,068
RWE Hrvatska d.o.o., Zagreb/Croatia		100	8,185	–3,222
RWE Ljubljana d.o.o., Ljubljana/Slovenia		100	94	–3,263
RWE Plin d.o.o., Zagreb/Croatia		100	266	–798

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	innogy SE's share	Parent company's share	€'000	€'000
RWW Rheinisch-Westfälische Wasserwerksgesellschaft mbH, Mülheim an der Ruhr		80	77,574	5,094
SARIO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Würzburg KG, Düsseldorf		[8]	–9,640	462
Sofia Offshore Wind Farm Holdings Limited, Swindon/United Kingdom		100	0	0
Sofia Offshore Wind Farm Limited, Swindon/United Kingdom		100	0	0
Stadtwerke Düren GmbH, Düren	50	50[4]	27,378	5,414
Südwestsächsische Netz GmbH, Crimmitschau		100	1,400	283
Süwag Energie AG, Frankfurt am Main		78	649,555	67,850
Süwag Grüne Energien und Wasser GmbH, Frankfurt am Main		100	6,441	[1]
Süwag Vertrieb AG & Co. KG, Frankfurt am Main		100	680	[1]
Syna GmbH, Frankfurt am Main		100	8,053	[1]
The Hollies Wind Farm Limited, Swindon/United Kingdom		100	508	17
Triton Knoll HoldCo Limited, Swindon/United Kingdom		59		[3]
Triton Knoll Offshore Wind Farm Limited, Swindon/United Kingdom		100	–18,089	–2,504
Überlandwerk Krumbach GmbH, Krumbach		75	6,015	1,088
Verteilnetz Plauen GmbH, Plauen		100	25	[1]
VKB-GmbH, Neunkirchen		50	43,002	3,427
Volta Energycare N.V., Houthalen-Helchteren/Belgium		100	–310	–68
Volta Limburg B.V., Schinnen/Netherlands		100	44,800	5,800
Volta Service B.V., Schinnen/Netherlands		100	98	0
Volta Solar B.V., Heerlen/Netherlands		95	370	0
Volta Solar VOF, Heerlen/Netherlands		60	1,377	1,143
VSE Aktiengesellschaft, Saarbrücken	51	51	211,743	17,879
VSE NET GmbH, Saarbrücken		100	14,817	2,731
VSE Verteilnetz GmbH, Saarbrücken		100	3,109	[1]
VWS Verbundwerke Südwestsachsen GmbH, Lichtenstein/Sa.		98	25,989	1,325
Východoslovenská distribucná, a.s., Kosice/Slovakia		100	600,975	30,626
Východoslovenská energetika a.s., Kosice/Slovakia		100	59,243	1,870
Východoslovenská energetika Holding a.s., Kosice/Slovakia		49[4]	576,445	15,824
Wendelsteinbahn Gesellschaft mit beschränkter Haftung, Brannenburg		100	2,882	164
Wendelsteinbahn Verteilnetz GmbH, Brannenburg		100	38	[1]
Westerwald-Netz GmbH, Betzdorf-Alsdorf		100	9,875	[1]
Westnetz GmbH, Dortmund	100	100	281,306	[1]
Wind Farm Deliceto s.r.l., Bolzano/Italy		100	24,203	746
Windpark Eekerpolder B.V., 's-Hertogenbosch/Netherlands		100	0	0
Windpark Kattenberg B.V., 's-Hertogenbosch/Netherlands		100	367	161
Windpark Nordsee Ost GmbH, Helgoland	100	100	256	[1]
Windpark Zuidwester B.V., 's-Hertogenbosch/Netherlands		100	9,930	–855

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	innogy SE's share	Parent company's share	€'000	€'000
WKN Windkraft Nord GmbH & Co. Windpark Wönkhausen KG, Hanover	100	100	1,366	228
WTTP B.V., Arnhem/Netherlands		100	12,254	300
2. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt MEAG Halle KG, Düsseldorf		[8]	–538	0
2. CR-Immobilien-Vermietungsgesellschaft mbH & Co. KG Cottbus, Düsseldorf		[8]	–966	473

II. Affiliated companies which are not included in the consolidated financial statements due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	innogy SE's share	Parent company's share	€'000	€'000
Adensis GmbH, Dresden		100	381	59
Alvarado Solar S.L., Barcelona/Spain		100	3	–30
Baron Winds LLC, Chicago/USA		100		[9]
Belectric Inc., San Mateo/USA		100	121	603
Belectric International GmbH, Kolitzheim		100	89	44
BELECTRIC JV GmbH, Kolitzheim		100	14	–5
Belectric Mexico Fotovoltaica S.de R.L. de C.V., Bosques de las Lomas/Mexico		100	–490	6
Belectric Polska Sp. z o.o., Warsaw/Poland		100	–144	–44
Belectric PV 10 (SARL), Vendres/France		100	–6	–1
Belectric PV 5 (SARL), Vendres/France		100	–9	–1
Belectric PV 9 (SARL), Vendres/France		100	–5	–6
BELECTRIC Solar Power, S.L., Barcelona/Spain		100		[3]
Beteiligungsgesellschaft Werl mbH, Essen	51	51	1,281	0
bildungszentrum energie GmbH, Halle (Saale)		100	768	270
Bioenergie Bad Wimpfen GmbH & Co. KG, Bad Wimpfen		51	2,314	210
Bioenergie Bad Wimpfen Verwaltungs-GmbH, Bad Wimpfen		100	33	1
Bioenergie Kirchspiel Anhausen GmbH & Co. KG, Anhausen		51	192	26
Bioenergie Kirchspiel Anhausen Verwaltungs-GmbH, Anhausen		100	33	1
Biogas Schwalmtal GmbH & Co. KG, Schwalmtal		66	631	–57
Biogasanlage Schwalmtal GmbH, Schwalmtal		99	49	4
Biomasseheizkraftwerk Schameder GmbH, Essen	100	100		[3]
Blueberry Hills LLC, Chicago/USA		100		[9]
Bowler Flats Energy Hub LLC, Chicago/USA		100		[9]
Buckeye Wind LLC, Chicago/USA		100		[9]
Burgar Hill Wind Farm Limited, Swindon/United Kingdom		100	0	0
Cassadaga Wind LLC, Chicago/USA		100		[9]
Causeymire Two Wind Farm Limited, Swindon/United Kingdom		100	0	0
CERBEROS s.r.o., Prague/Czech Republic		100		[3]
Champaign Wind LLC, Chicago/USA		100		[9]
Ciriè Centrale PV s.a.s. (s.r.l.), Rome/Italy		100	–5	0

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	innogy SE's share	Parent company's share	€'000	€'000
Clavellinas Solar, S.L., Barcelona/Spain		100	–6	–9
Climagy Photovoltaikprojekt Verwaltungs-GmbH, Kolitzheim		100	29	0
Climagy PV-Sonnenanlage GmbH & Co. KG, Kolitzheim		100	–27	–2
Climagy PV-Sonnenanlage Verwaltungs-GmbH, Kolitzheim		100	27	0
Climagy Sonneneinstrahlung GmbH & Co. KG, Kolitzheim		100	–18	–2
Climagy Sonneneinstrahlung Verwaltungs-GmbH, Kolitzheim		100	27	0
Climagy Sonnenkraft Verwaltungs-GmbH, Kolitzheim		100	29	0
Climagy Sonnenstrom GmbH & Co. KG, Kolitzheim		100	–29	–2
Climagy Sonnenstrom Verwaltungs-GmbH, Kolitzheim		100	29	0
Climagy Stromertrag GmbH & Co. KG, Kolitzheim		100	–16	–2
Climagy Stromertrag Verwaltungs-GmbH, Kolitzheim		100	27	0
Clocaenog Wind Farm Limited, Swindon/United Kingdom		100	0	0
CNGvitall s.r.o., Ostrava/Czech Republic		100		[3]
COMCO MCS S.A., Luxembourg/Luxembourg		100	438	300
Conjoule GmbH, Essen		64		[9]
Curns Energy Limited, Kilkenny City/Ireland		70	–234	–232
Decadia GmbH, Essen	50	50		[3]
DigiKoo GmbH, Essen	100	100	–369	–469
easyOptimize GmbH, Essen		100	–2,771	–4,795
Eko-En 1 Sp. z o.o., Warsaw/Poland		100	175	–1,101
El Algarrobo (SpA), Santiago de Chile/Chile		100	1	0
El Chañar (SpA), Santiago de Chile/Chile		100	1	0
El Navajo Solar, S.L., Barcelona/Spain		100	3	–9
El Pimiento (SpA), Santiago de Chile/Chile		100	1	0
El Solar (SpA), Santiago de Chile/Chile		100	1	0
El Tamarugo (SpA), Santiago de Chile/Chile		100	1	0
Enchant Solar 1 Inc., Vancouver/Canada		100		[3]
Enchant Solar 2 Inc., Vancouver/Canada		100		[3]
Enchant Solar 3 Inc., Vancouver/Canada		100		[3]
Enchant Solar 4 Inc., Vancouver/Canada		100		[3]
Energenti plus d.o.o., Cerknica/Slovenia		100	–17	–37[2]
Energiegesellschaft Leimen GmbH & Co. KG, Leimen		75	198	13
Energiegesellschaft Leimen Verwaltungsgesellschaft mbH, Leimen		75	29	1
EnergieRevolte GmbH, Düren		100		[3]
Energieversorgung Timmendorfer Strand GmbH & Co. KG, Timmendorfer Strand		51	3,198	156
Energiewerken B.V., Almere/Netherlands		100		[3]
Energy Ventures GmbH, Saarbrücken		100	501	–5
enervolution GmbH, Bochum		100	48	[1]
Ense Netz Verwaltung GmbH, Ense		100	25	0
enviaM Erneuerbare Energien Verwaltungsgesellschaft mbH, Markkleeberg		100	37	2

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II. Affiliated companies which are not included in the consolidated financial statements due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	innogy SE's share	Parent company's share	€'000	€'000
enviaM Neue Energie Management GmbH, Halle (Saale)		100	30	4
enviaM Zweite Neue Energie Managment GmbH, Halle (Saale)		100	24	–1
Eólica de Sarnago, S.A., Soria/Spain		52	1,579	–22
ESK GmbH, Dortmund	100	100	128	1,645
EverPower Maine LLC, Chicago/USA		100		[9]
EverPower Ohio LLC, Chicago/USA		100		[9]
EverPower Solar LLC, Chicago/USA		100		[9]
EverPower Wind Development, LLC, Chicago/USA		100		[9]
EWIS BV, Ede/Netherlands		100		[3]
Fernwärmeversorgung Saarlouis-Steinrausch Investitionsgesellschaft mbH, Saarlouis		100	7,567	[1]
„Finelectra" Finanzgesellschaft für Elektrizitäts-Beteiligungen AG, Hausen/Switzerland	100	100	7,962	130
Free Electrons LLC, Palo Alto/USA		100		[9]
Fresh Energy GmbH, Berlin		62		[9]
FUCATUS Vermietungsgesellschaft mbH & Co. Objekt Recklinghausen Kommanditgesellschaft, Düsseldorf	94	94	0	0
Fundacja innogy w Polsce, Warsaw/Poland		100	39	37
Gasnetzgesellschaft Warburg GmbH & Co. KG, Warburg		49	25	0
Gasnetzgesellschaft Windeck mbH & Co. KG, Siegburg		100	100	0
Gazules I Fotovoltaica, S.L., Barcelona/Spain		100	3	–30
Gazules II Solar, S.L., Barcelona/Spain		100	3	–30
Gemeindewerke Windeck GmbH & Co. KG, Siegburg		100	100	0
GKB Gesellschaft für Kraftwerksbeteiligungen mbH, Cottbus		100	252	–16
Goole Fields II Wind Farm Limited, Swindon/United Kingdom		100	0	0
Green Gecco Verwaltungs GmbH, Essen	51	51	38	1
GWG Kommunal GmbH, Grevenbroich		100	1,100	–560
Heizungs- und Sanitärbau WIJA GmbH, Bad Neuenahr-Ahrweiler		100	300	–178
HELIOS MB s.r.o., Prague/Czech Republic		100		[3]
Highfield Storage Limited, Dublin/Ireland		100	–4	–4
Highland III LLC, Chicago/USA		100		[9]
Horse Thief Wind Project LLC, Chicago/USA		100		[9]
Infraestructuras de Aldehuelas, S.A., Barcelona/Spain		100	428	–97
Infrastrukturgesellschaft Netz Lübz mit beschränkter Haftung, Hanover		100	16	–16
innogy Charge Tech GmbH, Dortmund	100	100	22	–1
innogy Commodity Markets GmbH, Essen	100	100	25	[1]
innogy Consulting & Ventures Americas, LLC, Boston/USA		100		[10]
innogy Consulting GmbH, Essen	100	100	5,761	4,267
innogy Direkt GmbH, Essen	100	100	25	[1]
innogy Dreizehnte Vermögensverwaltungs GmbH, Essen		100		[3]
innogy Elfte Vermögensverwaltungs GmbH, Essen	100	100		[3]
innogy e-Mobility Limited, London/United Kingdom	100	100		[10]

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	innogy SE's share	Parent company's share	€'000	€'000
innogy eMobility Solutions GmbH, Dortmund		100		[3]
Innogy Energy Marketing LLC, Wilmington/USA		100		[9]
Innogy Energy Services LLC, Wilmington/USA		100		[9]
innogy Hillston Sun Farm Holding Pty. Ltd., Southbank/Australia		100		[3]
innogy indeland Windpark Eschweiler Verwaltungs GmbH, Eschweiler		100	41	6
innogy Middle East & North Africa Ltd., Dubai/UAE	100	100	−7,654	−5,550
innogy Neunte Vermögensverwaltungs GmbH, Essen	100	100		[3]
innogy Offshore Wind Netherlands Participations I B.V., 's-Hertogenbosch/Netherlands		100	0	0
innogy Offshore Wind Netherlands Participations II B.V., 's-Hertogenbosch/Netherlands		100	0	0
innogy Offshore Wind Netherlands Participations III B.V., 's-Hertogenbosch/Netherlands		100	0	0
innogy Offshore Wind Netherlands Participations IV B.V., 's-Hertogenbosch/Netherlands		100	0	0
innogy Polska Development Sp. z o.o., Warsaw/Poland		100		[3]
innogy Polska Operations Sp. z o.o., Warsaw/Poland		100		[3]
innogy Polska Solutions Sp. z o.o., Warsaw/Poland		100	134	−10
innogy Renewables Canada Inc., Vancouver/Canada		100	2,469	−2,036
innogy Seabreeze II Verwaltungs GmbH, Essen	100	100	59	6
innogy Solar Netherlands B.V., 's-Hertogenbosch/Netherlands		100	0	0
innogy Solar Polska Sp. z o.o., Warsaw/Poland		100	28	−10
innogy Stiftung für Energie und Gesellschaft gGmbH, Essen	100	100	51,602	−3,366
innogy TelNet Holding, s.r.o., Prague/Czech Republic		100	9,995	25
Innogy US Renewable Projects LLC, Dover/USA		100	0	0
innogy Ventures Vermögensverwaltung 6 GmbH, Essen		100		[9]
innogy Vierzehnte Vermögensverwaltungs GmbH, Essen		100		[3]
innogy Windpark Bedburg Verwaltungs GmbH, Bedburg	51	51	43	2
innogy Windpark Garzweiler GmbH & Co. KG, Essen	51	51	284	−16
Innogy Windpark Jüchen A44n Verwaltungs GmbH, Essen		100	34	8
innogy Zehnte Vermögensverwaltungs GmbH, Essen	100	100		[3]
Jerez Fotovoltaica S.L., Barcelona/Spain		100	3	−30
Jurchen Technology USA Inc., Newark/USA		100	3	−5
Kiln Pit Hill Wind Farm Limited, Swindon/United Kingdom		100	0	0
Kimberly Run LLC, Chicago/USA		100		[9]
Korproject Energy Sp. z o.o., Warsaw/Poland		100		[10]
KWS Kommunal-Wasserversorgung Saar GmbH, Saarbrücken		100	282	87
Lampasas Wind LLC, Chicago/USA		100		[9]
Las Vaguadas I Fotovoltaica S.L., Barcelona/Spain		100	3	−30
Las Vaguadas II Solar S.L., Barcelona/Spain		100	3	−30
Lech Energie Gersthofen GmbH & Co. KG, Gersthofen		100	1	8
Lech Energie Verwaltung GmbH, Augsburg		100	25	0

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	innogy SE's share	Parent company's share	€'000	€'000
Lemonbeat GmbH, Dortmund		100	9,952	–3,169
Livisi GmbH, Essen	100	100		3
Lochelbank Wind Farm Limited, Swindon/United Kingdom		100	0	0
Lößnitz Netz GmbH & Co. KG, Lößnitz		100	7	–3
Lößnitz Netz Verwaltungs GmbH, Lößnitz		100	27	0
Magnalink, a.s., Hradec Králové/Czech Republic		85		3
Mahanoy Mountain, LLC, Chicago/USA		100		9
Mason Dixon Wind LLC, Chicago/USA		100		9
Mitteldeutsche Netzgesellschaft Gas HD mbH, Halle (Saale)		100	25	1
Mitteldeutsche Netzgesellschaft mbH, Chemnitz		100	21	0
MONTCOGIM-KARLOVAC d.o.o., Karlovac/Croatia		100	2	–2
MONTCOGIM-SISAK d.o.o., Sisak/Croatia		100	26	1
MotionWerk GmbH, Essen		60		9
Mud Springs Wind Project LLC, Chicago/USA		100		9
Netzwerke Saarwellingen GmbH, Saarwellingen		100	50	1
NEW b_gas Eicken GmbH, Schwalmtal		100	–871	8
NEW Re GmbH, Mönchengladbach		95	9,863	–172
NEW Smart City GmbH, Mönchengladbach		100	825	136
NEW Windenergie Verwaltung GmbH, Mönchengladbach		100	28	3
NEW Windpark Linnich GmbH & Co. KG, Möchengladbach		100	3,935	–149
NEW Windpark Viersen GmbH & Co. KG, Mönchengladbach		100	20	–6
Novar Two Wind Farm Limited, Swindon/United Kingdom		100	0	0
Npower Northern Supply Limited, Swindon/United Kingdom		100	0	0
NRF Neue Regionale Fortbildung GmbH, Halle (Saale)		100	174	32
Oer-Erkenschwick Netz Verwaltung GmbH, Oer-Erkenschwick		100	25	0
Oranje Wind Power B.V., 's-Hertogenbosch/Netherlands		100	0	0
Oranje Wind Power C.V., 's-Hertogenbosch/Netherlands		100	0	0
Oschatz Netz GmbH & Co. KG, Oschatz		75	518	174
Oschatz Netz Verwaltungs GmbH, Oschatz		100	26	0
Parc Ynni Cymunedol Alwen Cyfyngedig, Swindon/United Kingdom		100		3
Park Wiatrowy Dolice Sp. z o.o., Warsaw/Poland		100	–2,408	–3,444
Park Wiatrowy Elk Sp. z o.o., Warsaw/Poland		100	602	1
Park Wiatrowy Gaworzyce Sp. z o.o., Warsaw/Poland		100	–266	–1,348
Park Wiatrowy Msciwojów Sp. z o.o., Warsaw/Poland		100	202	–60
Park Wiatrowy Smigiel I Sp. z o.o., Warsaw/Poland		100	605	–51
Pe Ell North LLC, Chicago/USA		100		3
Peg Project #1 Pty Ltd, Southbank/Australia		100		3
Peg Project #2 Pty Ltd, Southbank/Australia		100		3
Photovoltaikkraftwerk Götz Verwaltungs-GmbH, Kolitzheim		100	29	0
Photovoltaikkraftwerk Groß Dölln Infrastruktur GmbH & Co. KG, Templin		100	–16	–1

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	innogy SE's share	Parent company's share	€'000	€'000
Photovoltaikkraftwerk Groß Dölln Infrastruktur Verwaltungs-GmbH, Templin		100	28	0
Photovoltaikkraftwerk Reinsdorf GmbH & Co. KG, Kolitzheim		100	–30	–2
Photovoltaikkraftwerk Reinsdorf Verwaltungs-GmbH, Kolitzheim		100	30	0
Photovoltaikkraftwerk Tramm GmbH & Co. KG, Kolitzheim		100	–29	–2
Photovoltaikkraftwerk Tramm Netzanschluss GmbH & Co. KG, Kolitzheim		100	–27	–2
Photovoltaikkraftwerk Tramm Netzanschluss Verwaltungs-GmbH, Kolitzheim		100	27	0
Photovoltaikkraftwerk Tramm PV-Finanzierung GmbH & Co. KG, Kolitzheim		100	–17	–2
Photovoltaikkraftwerk Tramm PV-Finanzierung Verwaltungs-GmbH, Kolitzheim		100	27	0
Photovoltaikkraftwerk Tramm Verwaltungs-GmbH, Kolitzheim		100	30	0
Plum Energie S.A.S., Saint-Denis La Plaine/France		51		[3]
Powerhouse Energy Solutions S.L., Madrid/Spain		100	45	18
Proyecto Rio Putaendo S.p.A., Santiago de Chile/Chile		100		[3]
Proyecto Tabalongo Solar S.p.A., Santiago de Chile/Chile		100		[3]
Proyectos Solares Iberia I, S.L., Barcelona/Spain		100		[3]
Proyectos Solares Iberia II, S.L., Barcelona/Spain		100		[3]
Proyectos Solares Iberia III, S.L., Barcelona/Spain		100		[3]
Proyectos Solares Iberia IV, S.L., Barcelona/Spain		100		[3]
Proyectos Solares Iberia V, S.L., Barcelona/Spain		100		[3]
Pryor Caves Wind Project LLC, Chicago/USA		100		[9]
Qualitas-AMS GmbH, Siegen	100	100	–1,127	–1,015
Quintana Fotovoltaica SLU, Madrid/Spain		100	–2	0
Rheinland Westfalen Energiepartner GmbH, Essen	100	100	5,369	[1]
RHENAGBAU Gesellschaft mit beschränkter Haftung, Cologne		100	4,058	[1]
Rowantree Wind Farm Ltd., Swindon/United Kingdom		100	0	0
RWE-EnBW Magyarország Energiaszolgáltató Korlátolt Felelősségű Társaság, Budapest/Hungary		70	399	20
Santa Severa Centrale PV s.a.s. (s.r.l.), Rome/Italy		100	–151	0
Scarcroft Investments Limited, Swindon/United Kingdom		100	10	10
Scharbeutzer Energie- und Netzgesellschaft mbH & Co. KG, Scharbeutz		51	4,399	227
SchlauTherm GmbH, Saarbrücken		75	312	71
SEG Solarenergie Guben Management GmbH, Halle (Saale)		100	24	–1
SOLARENGO Energia, Unipessoal, Lda., Cascais/Portugal		100	–81	–81
Solarkraftwerk Herlheim GmbH & Co. KG, Kolitzheim		100	–29	–2
Solarkraftwerk Herlheim Verwaltungs-GmbH, Kolitzheim		100	29	0
Solarkraftwerk Meuro GmbH & Co. KG, Kolitzheim		100	–29	–2
Solarkraftwerk Meuro Verwaltungs-GmbH, Kolitzheim		100	28	0
Solarkraftwerk Oberspiesheim GmbH & Co. KG, Kolitzheim		100	–29	–2
Solarkraftwerk Oberspiesheim Verwaltungs-GmbH, Kolitzheim		100	29	0

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	innogy SE's share	Parent company's share	€'000	€'000
SP Solarprojekte 1 GmbH & Co. KG, Kolitzheim		100		10
SP Solarprojekte 1 Verwaltungs-GmbH, Kolitzheim		100	25	0
SP Solarprojekte 2 GmbH & Co. KG, Kolitzheim		100	−2	0
SP Solarprojekte 2 Verwaltungs-GmbH, Kolitzheim		100	25	0
SP Solarprojekte 3 GmbH & Co. KG, Kolitzheim		100	−2	−3
SP Solarprojekte 3 Verwaltungs-GmbH, Kolitzheim		100	25	0
SP Solarprojekte 4 GmbH & Co. KG, Kolitzheim		100	−2	−3
SP Solarprojekte 4 Verwaltungs-GmbH, Kolitzheim		100	25	0
SP Solarprojekte 5 GmbH & Co. KG, Kolitzheim		100	−2	−3
SP Solarprojekte 5 Verwaltungs-GmbH, Kolitzheim		100	25	0
SP Solarprojekte 6 GmbH & Co. KG, Kolitzheim		100	−2	−3
SP Solarprojekte 6 Verwaltungs-GmbH, Kolitzheim		100	25	0
SP Solarprojekte 7 GmbH & Co. KG, Kolitzheim		100	−2	−3
SP Solarprojekte 7 Verwaltungs-GmbH, Kolitzheim		100	25	0
Stadtwerke Korschenbroich GmbH, Mönchengladbach		100	40	−6
STAWAG Abwasser GmbH, Aachen		100	25	0
STAWAG Infrastruktur Monschau GmbH & Co.KG, Monschau		100	3,162	0
STAWAG Infrastruktur Monschau Verwaltungs GmbH, Monschau		100	29	0
STAWAG Infrastruktur Simmerath GmbH & Co.KG, Simmerath		100	3,485	0
STAWAG Infrastruktur Simmerath Verwaltungs GmbH, Simmerath		100	29	0
Storage Facility 1 Ltd., Slough/United Kingdom		100	0	0
Stromnetzgesellschaft Windeck mbH & Co. KG, Siegburg		100	100	0
Sun Data GmbH, Kolitzheim		100	74	70
Sunpow 1 Sp. z o.o., Warsaw/Poland		100		10
Sunrise Energy Generation Pvt. Ltd., Mumbai/India		100	70	3
Sunrise Wind Holdings, LLC, Chicago/USA		100		9
Süwag Vertrieb Management GmbH, Frankfurt am Main		100	28	1
SVFR 12 (SAS), Vendres/France		100	−112	−2
Terrapin Hills LLC, Chicago/USA		100		9
Trireme Energy Development III, LLC, Wilmington/USA		100		9
TWS Technische Werke der Gemeinde Saarwellingen GmbH, Saarwellingen		51	1,697	−2,523
ucair GmbH, Berlin		95		9
Verwaltungsgesellschaft Energieversorgung Timmendorfer Strand mbH, Timmendorfer Strand		51	28	1
Verwaltungsgesellschaft Scharbeutzer Energie- und Netzgesellschaft mbH, Scharbeutz		51	28	1
VSE – Windpark Merchingen GmbH & Co. KG, Saarbrücken		100	2,800	161
VSE – Windpark Merchingen VerwaltungsGmbH, Saarbrücken		100	64	1
VSE Agentur GmbH, Saarbrücken		100	229	171
VSE Call centrum, s.r.o., Kosice/Slovakia		100	26	−29
VSE Ekoenergia, s.r.o., Kosice/Slovakia		100	184	−59

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	innogy SE's share	Parent company's share	€'000	€'000
VSE-Stiftung Gemeinnützige Gesellschaft zur Förderung von Bildung, Erziehung, Kunst und Kultur mbH, Saarbrücken		100	2,568	–3
Wärmeversorgung Schwaben GmbH, Augsburg		100	–456	–543
Wärmeversorgung Würselen GmbH, Würselen		100	1,511	62
Warsun Project Sp. z o.o., Warsaw/Poland		100		[10]
WEK Windenergie Kolkwitz GmbH & Co.KG, Kolkwitz		100	6,180	446
WGK Windenergie Großkorbetha GmbH & Co.KG, Lützen		90	8,093	217
Windkraft Hochheim GmbH & Co. KG, Hochheim		90	3,194	363
Windpark Büschdorf GmbH, Perl		100	2,325	–100
Windpark Eschweiler Beteiligungs GmbH, Stolberg		59	10,118	–576
Windpark Oostpolderdijk B.V., 's-Hertogenbosch/Netherlands		100	0	0
Windpark Verwaltungsgesellschaft mbH, Lützen		100	37	6
Windpark Wadern-Felsenberg GmbH, Wadern		100	4,123	48
WK Solar Project Sp. z o.o., Warsaw/Poland		100		[10]
WKH Windkraft Hochheim Management GmbH, Halle (Saale)		100	24	–1
ZonnigBeheer B.V., Lelystad/Netherlands		100		[3]
2. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt Naumburg KG, Düsseldorf		[8]	0	0
4Motions GmbH, Leipzig		100		[10]

III. Joint operations	Shareholding in %		Equity	Net income/loss
	innogy SE's share	Parent company's share	€'000	€'000
EnergieRegion Taunus – Goldener Grund – GmbH & Co. KG, Bad Camberg		49	29,903	1,757
Gas-Netzgesellschaft Kolpingstadt Kerpen GmbH & Co. KG, Kerpen		25	4,211	1,155
Gas-Netzgesellschaft Kreisstadt Bergheim GmbH & Co. KG, Bergheim		25	3,656	1,167
Greater Gabbard Offshore Winds Limited, Reading/United Kingdom		50	1,160,950	84,316
Netzgesellschaft Südwestfalen mbH & Co. KG, Netphen		49	12,548	[11]

IV. Affiliated companies of joint operations	Shareholding in %		Equity	Net income/loss
	innogy SE's share	Parent company's share	€'000	€'000
EnergieRegion Taunus – Goldener Grund Verwaltungsgesellschaft mbH, Bad Camberg		100	28	1
Gas-Netzgesellschaft Kolpingstadt Kerpen Verwaltungs-GmbH, Kerpen		100	33	2

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V. Joint ventures accounted for using the equity method	Shareholding in %		Equity	Net income/loss
	innogy SE's share	Parent company's share	€'000	€'000
AS 3 Beteiligungs GmbH, Essen	51	51[6]	39,914	5,335
AVU Aktiengesellschaft für Versorgungs-Unternehmen, Gevelsberg	50	50	95,950	10,936
BEW Netze GmbH, Wipperfürth	61	61[6]	11,410	438
Budapesti Disz- es Közvilagitasi Korlatolt Felelössegü Tarsasag, Budapest/Hungary		50	30,694	1,567
C-Power N.V., Oostende/Belgium	27	27	227,455	18,081
Energie Nordeifel GmbH & Co. KG, Kall	33	33	13,691	4,579
FSO GmbH & Co. KG, Oberhausen	50	50	33,007	11,445
Galloper Wind Farm Holding Company Limited, Swindon/United Kingdom		25	–132,797	–8,149
Gwynt y Môr Offshore Wind Farm Limited, Swindon/United Kingdom		50	–1,029	–936
Innogy Venture Capital GmbH, Dortmund	75	75[6]	595	123
Konsortium Energieversorgung Opel beschränkt haftende oHG, Karlstein[5]	67	67[6]	29,032	5,257
PRENU Projektgesellschaft für Rationelle Energienutzung in Neuss mit beschränkter Haftung, Neuss	50	50	165	–13
Rain Biomasse Wärmegesellschaft mbH, Rain		70[6]	6,165	525
SHW/RWE Umwelt Aqua Vodogradnja d.o.o., Zagreb/Croatia		50	568	156
Stadtwerke Dülmen Dienstleistungs- und Beteiligungs-GmbH & Co. KG, Dülmen	50	50	27,020	4,260
Stadtwerke Lingen GmbH, Lingen (Ems)	40	40	13,971	[11]
Stromnetz Friedberg GmbH & Co. KG, Friedberg		49	35	0
Stromnetz Gersthofen GmbH & Co. KG, Gersthofen		49	431	0
Stromnetz Günzburg GmbH & Co. KG, Günzburg		49	2,999	113
SVS-Versorgungsbetriebe GmbH, Stadtlohn	30	30	25,340	1,123
Zagrebacke otpadne vode d.o.o., Zagreb/Croatia		48	221,901	24,383

VI. Associates accounted for using the equity method	Shareholding in %		Equity	Net income/loss
	innogy SE's share	Parent company's share	€'000	€'000
Alfred Thiel-Gedächtnis-Unterstützungskasse GmbH, Essen	50	50	5,113	0
ATBERG – Eólicas do Alto Tâmega e Barroso, Lda., Ribeira de Pena/Portugal		40	4,583	315
Belectric Gulf Limited, Abu Dhabi/UAE		49	4,664	3,962
Bray Offshore Wind Limited, Kilkenny City/Ireland		50	–71	–1
Dortmunder Energie- und Wasserversorgung Gesellschaft mit beschränkter Haftung, Dortmund	40	40	188,831	[11]
EnergieServicePlus GmbH, Düsseldorf	49	49	6,296	2,066
Energieversorgung Guben GmbH, Guben		45	17,338	1,246
Energieversorgung Hürth GmbH, Hürth		25	4,960	[11]
Energieversorgung Oberhausen Aktiengesellschaft, Oberhausen	10	10[7]	34,345	13,323
ENNI Energie & Umwelt Niederrhein GmbH, Moers	20	20	35,915	[11]

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9 Not material.
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VI. Associates accounted for using the equity method	Shareholding in %		Equity	Net income/loss
	innogy SE's share	Parent company's share	€'000	€'000
e-regio GmbH & Co. KG, Euskirchen		43	89,342	15,624
EWR Aktiengesellschaft, Worms		1[7]	74,307	12,896
EWR Dienstleistungen GmbH & Co. KG, Worms		25[7]	147,781	0
EWR GmbH, Remscheid	20	20	83,816	0
Freiberger Stromversorgung GmbH (FSG), Freiberg		30	11,429	2,192
Gas- und Wasserwerke Bous – Schwalbach GmbH, Bous		49	14,161	2,424
HIDROERG – Projectos Energéticos, Lda., Lisbon/Portugal		32	11,730	586
Innogy Renewables Technology Fund I GmbH & Co. KG, Dortmund	78	78[6]	16,362	–1,070
Kärntner Energieholding Beteiligungs GmbH, Klagenfurt/Austria		49	871,074	79,257[2]
KELAG-Kärntner Elektrizitäts-AG, Klagenfurt/Austria		13[7]	855,527	81,400
Kemkens B.V., Oss/Netherlands		49	37,941	8,411
KEW Kommunale Energie- und Wasserversorgung Aktiengesellschaft, Neunkirchen		29	73,736	10,522
Kish Offshore Wind Limited, Kilkenny City/Ireland		50	–91	–1
MAINGAU Energie GmbH, Obertshausen		47	40,371	12,539
medl GmbH, Mülheim an der Ruhr	39	39	21,829	[11]
Nebelhornbahn-Aktiengesellschaft, Oberstdorf		20	5,971	812
PFALZWERKE AKTIENGESELLSCHAFT, Ludwigshafen am Rhein	27	27	261,971	30,285
Projecta 14 GmbH, Saarbrücken		50	38,127	1,902
Propan Rheingas GmbH & Co Kommanditgesellschaft, Brühl		30	9,813	2,076
Recklinghausen Netzgesellschaft mbH & Co. KG, Recklinghausen		50	16,044	1,125
RheinEnergie AG, Cologne	20	20	896,918	145,309
Rhein-Main-Donau GmbH, Munich		22	110,112	0
Siegener Versorgungsbetriebe GmbH, Siegen		25	25,335	4,613
SpreeGas Gesellschaft für Gasversorgung und Energiedienstleistung mbH, Cottbus	33	33	34,554	5,783
SSW – Stadtwerke St. Wendel GmbH & Co KG., St. Wendel		50	20,215	2,147
Stadtwerke Aschersleben GmbH, Aschersleben		35	17,536	2,577
Stadtwerke Bernburg GmbH, Bernburg (Saale)		45	32,759	5,815
Stadtwerke Bitterfeld-Wolfen GmbH, Bitterfeld-Wolfen		40	20,239	1,802
Stadtwerke Duisburg Aktiengesellschaft, Duisburg	20	20	193,636	48,754
Stadtwerke Emmerich GmbH, Emmerich am Rhein	25	25	12,115	[11]
Stadtwerke Essen Aktiengesellschaft, Essen	29	29	132,112	0
Stadtwerke Geldern GmbH, Geldern	49	49	13,408	2,923
Stadtwerke GmbH Bad Kreuznach, Bad Kreuznach	25	25	39,925	[11]
Stadtwerke Kamp-Lintfort GmbH, Kamp-Lintfort	49	49	14,607	3,417
Stadtwerke Kirn GmbH, Kirn/Nahe	49	49	2,137	232
Stadtwerke Meerane GmbH, Meerane		24	14,048	2,202
Stadtwerke Meerbusch GmbH, Meerbusch	40	40	24,310	5,106
Stadtwerke Merseburg GmbH, Merseburg		40	25,092	3,000
Stadtwerke Merzig Gesellschaft mit beschränkter Haftung, Merzig		50	15,906	253

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VI. Associates accounted for using the equity method	Shareholding in %		Equity	Net income/loss
	innogy SE's share	Parent company's share	€'000	€'000
Stadtwerke Neuss Energie und Wasser GmbH, Neuss	25	25	88,344	19,852
Stadtwerke Radevormwald GmbH, Radevormwald	50	50	6,627	2,607
Stadtwerke Ratingen GmbH, Ratingen	25	25	58,756	4,835
Stadtwerke Reichenbach/Vogtland GmbH, Reichenbach im Vogtland		24	14,056	1,551
Stadtwerke Saarlouis GmbH, Saarlouis		49	38,022	4,074
Stadtwerke Velbert GmbH, Velbert	30	30	82,005	11
Stadtwerke Weißenfels Gesellschaft mit beschränkter Haftung, Weißenfels		24	25,254	4,029
Stadtwerke Willich Gesellschaft mit beschränkter Haftung, Willich	25	25	13,981	24,221
Stadtwerke Zeitz GmbH, Zeitz		24	21,420	3,041
SWTE Netz GmbH & Co. KG, Ibbenbüren	33	33	36,640	4,642
Tankey B.V., 's-Hertogenbosch/Netherlands		42		3
WVW Wasser- und Energieversorgung Kreis St. Wendel Gesellschaft mit beschränkter Haftung, St. Wendel		28	23,778	1,818
Xelan SAS, Saint-Denis La Plaine/France		34	1,015	–770
Zagrebacke otpadne vode-upravljanje i pogon d.o.o., Zagreb/Croatia		31	3,376	3,371
Zwickauer Energieversorgung GmbH, Zwickau		27	44,360	12,106

VII. Companies which are not accounted for using the equity method due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	innogy SE's share	Parent company's share	€'000	€'000
Alt Han Company Limited, London/United Kingdom		21	0	0
AWOTEC Gebäude Servicegesellschaft mit beschränkter Haftung, Saarbrücken		48	114	14
Bäderbetriebsgesellschaft St. Ingbert mbH, St. Ingbert		49	90	4
Balve Netz GmbH & Co. KG, Balve		25	3,284	590
Basking Automation GmbH, Berlin		46		9
Bayerische Ray Energietechnik GmbH, Garching		49	1,255	5
Biogas Wassenberg GmbH & Co. KG, Wassenberg		32	1,323	76
Biogas Wassenberg Verwaltungs GmbH, Wassenberg		32	38	1
Breitband-Infrastrukturgesellschaft Cochem-Zell mbH, Cochem	21	21	0	141
bremacon GmbH, Bremen	48	48	–18	103
Brüggen.E-Netz GmbH & Co. KG, Brüggen		25	3,780	530
Brüggen.E-Netz Verwaltungs-GmbH, Brüggen		25	31	2
Centralny System Wymiany Informacji Sp. z o.o., Poznan/Poland		20		10
DES Dezentrale Energien Schmalkalden GmbH, Schmalkalden	33	33	282	2
Dii GmbH, Munich	20	20	288	24
Discovergy GmbH, Aachen		24	3,643	–2,170
Dorsten Netz GmbH & Co. KG, Dorsten		49	5,744	772
EfD Energie-für-Dich GmbH, Potsdam	49	49	1,134	1,105

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	innogy SE's share	Parent company's share	€'000	€'000
ELE – GEW Photovoltaikgesellschaft mbH, Gelsenkirchen		49	84	59
ELE-RAG Montan Immobilien Erneuerbare Energien GmbH, Bottrop		50	44	9
ELE-Scholven-Wind GmbH, Gelsenkirchen		30	843	318
EMDO S.A.S., Paris/France		30	–4,984	–4,999
Energie BOL GmbH, Ottersweier		50	39	3
Energie Mechernich GmbH & Co. KG, Mechernich		49	3,618	225
Energie Mechernich Verwaltungs-GmbH, Mechernich		49	33	2
Energie Nordeifel Beteiligungs-GmbH, Kall	33	33	25	0
Energie Schmallenberg GmbH, Schmallenberg	44	44	30	1
energienatur Gesellschaft für Erneuerbare Energien mbH, Siegburg		44	115	3
Energienetze Holzwickede GmbH, Holzwickede		25	25	0
Energiepartner Dörth GmbH, Dörth		49	36	4
Energiepartner Elsdorf GmbH, Elsdorf		40	72	16
Energiepartner Hermeskeil GmbH, Hermeskeil		20	71	20
Energiepartner Kerpen GmbH, Kerpen		49	47	20
Energiepartner Niederzier GmbH, Niederzier		49	16	–9
Energiepartner Projekt GmbH, Essen		49	26	1
Energiepartner Solar Kreuztal GmbH, Kreuztal		40	23	–1
Energiepartner Wesseling GmbH, Wesseling		30	25	–2
Energie-Service-Saar GmbH, Völklingen		50	–1,796	0
Energieversorgung Bad Bentheim GmbH & Co. KG, Bad Bentheim		25	2,909	556
Energieversorgung Bad Bentheim Verwaltungs-GmbH, Bad Bentheim		25	33	2
Energieversorgung Beckum GmbH & Co. KG, Beckum	34	34	5,701	3,470
Energieversorgung Beckum Verwaltungs-GmbH, Beckum	34	34	61	2
Energieversorgung Horstmar/Laer GmbH & Co. KG, Horstmar		49	4,386	275
Energieversorgung Kranenburg Netze GmbH & Co. KG, Kranenburg		25	1,698	206
Energieversorgung Kranenburg Netze Verwaltungs GmbH, Kranenburg		25	29	2
Energieversorgung Marienberg GmbH, Marienberg		49	3,007	1,231
Energieversorgung Niederkassel GmbH & Co. KG, Niederkassel		49	2,745	127
Energotel, a.s., Bratislava/Slovakia		20	6,805	1,293
energy4u GmbH & Co. KG, Siegburg		49	25	–154
enermarket GmbH, Frankfurt am Main	30	60		[3]
ENERVENTIS GmbH & Co. KG, Saarbrücken		25	1,090	227
Erdgasversorgung Industriepark Leipzig Nord GmbH, Leipzig		50	252	2
Erdgasversorgung Schwalmtal GmbH & Co. KG, Viersen		50	3,109	1,496
Erdgasversorgung Schwalmtal Verwaltungs-GmbH, Viersen		50	37	[10]
Erneuerbare Energien Rheingau-Taunus GmbH, Bad Schwalbach		25	526	57
eShare.one GmbH, Dortmund		25	78	–58

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	innogy SE's share	Parent company's share	€'000	€'000
Esta VOF, Ridderkerk/Netherlands		50	993	−79
evm Windpark Höhn GmbH & Co. KG, Höhn		33	−763	−108
EWV Baesweiler GmbH & Co. KG, Baesweiler		45	2,404	873
EWV Baesweiler Verwaltungs GmbH, Baesweiler		45	31	1
FAMOS – Facility Management Osnabrück GmbH, Osnabrück	49	49	105	5
Fernwärmeversorgung Zwönitz GmbH (FVZ), Zwönitz		50	3,320	17,434
Focal Energy Photovoltaic Holdings Limited, Nicosia/Cyprus		50	1,476	−4
Foton Technik Sp. z o.o., Warsaw/Poland		50	−1,264	−917
FSO Verwaltungs-GmbH, Oberhausen	50	50	64	0
Gasgesellschaft Kerken Wachtendonk mbH, Kerken	49	49	4,405	588
Gas-Netzgesellschaft Bedburg GmbH & Co. KG, Bedburg		49	2,012	454
Gas-Netzgesellschaft Elsdorf GmbH & Co. KG, Elsdorf		25	1,538	439
Gasnetzgesellschaft Mettmann GmbH & Co. KG, Mettmann		25	3,211	351
Gas-Netzgesellschaft Rheda-Wiedenbrück GmbH & Co. KG, Rheda-Wiedenbrück		49	1,930	819
Gas-Netzgesellschaft Rheda-Wiedenbrück Verwaltungs-GmbH, Rheda-Wiedenbrück		49	26	1
Gasnetzgesellschaft Wörrstadt mbH & Co. KG, Saulheim		49	2,143	724
Gasnetzgesellschaft Wörrstadt Verwaltung mbH, Saulheim		49	33	2
Gemeindewerke Bad Sassendorf Gasnetz GmbH & Co. KG, Bad Sassendorf		25	25	0
Gemeindewerke Bad Sassendorf Netze GmbH & Co. KG, Bad Sassendorf		25	1,837	301
Gemeindewerke Bad Sassendorf Netze Verwaltung GmbH, Bad Sassendorf		25	31	2
Gemeindewerke Bissendorf Netze GmbH & Co. KG, Bissendorf		49	2,756	482
Gemeindewerke Bissendorf Netze Verwaltungs-GmbH, Bissendorf		49	27	1
Gemeindewerke Everswinkel GmbH, Everswinkel	45	45	6,871	210
Gemeindewerke Namborn, Gesellschaft mit beschränkter Haftung, Namborn		49	811	−3
GfB, Gesellschaft für Baudenkmalpflege mbH, Idar-Oberstein		20	20	7
Gichtgaskraftwerk Dillingen GmbH & Co. KG, Dillingen		25	32,685	3,696
GISA GmbH, Halle (Saale)		24	9,958	2,566
GkD Gesellschaft für kommunale Dienstleistungen mbH, Cologne		50	56	1
G & L Gastro-Service GmbH, Augsburg		35	28	3
GNEE Gesellschaft zur Nutzung erneuerbarer Energien mbH Freisen, Freisen		49	690	4
GREEN GECCO Beteiligungsgesellschaft mbH & Co. KG, Troisdorf		21	49,843	2,110
GREEN GECCO Beteiligungsgesellschaft-Verwaltungs GmbH, Troisdorf		21	40	1
GREEN Gesellschaft für regionale und erneuerbare Energie mbH, Stolberg		49	707	30
Green Solar Herzogenrath GmbH, Herzogenrath		45	3,788	327

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	innogy SE's share	Parent company's share	€'000	€'000
Greenergetic GmbH, Bielefeld	35	35	4,126	606
Greenplug GmbH, Hamburg	49	49	605	–5
HaseNetz GmbH & Co. KG, Gehrde		25	2,293	469
HCL Netze GmbH & Co. KG, Herzebrock-Clarholz		25	3,402	589
Heizkraftwerk Zwickau Süd GmbH & Co. KG, Zwickau		40	1,000	362
Hennef (Sieg) Netz GmbH & Co. KG, Hennef		49	61	–14
hmstr GmbH, Saarbrücken		25	106	14
Hochsauerland Netze GmbH & Co. KG, Meschede		25	6,236	2,045
Hochsauerland Netze Verwaltung GmbH, Meschede		25	28	1
innogy International Middle East, Dubai/UAE		49	–2,069	0
innogy.C3 GmbH, Essen	25	25	15	0
Kavernengesellschaft Staßfurt mbH, Staßfurt	50	50	794	0
KAWAG AG & Co. KG, Pleidelsheim		49	15,412	854
KAWAG Netze GmbH & Co. KG, Abstatt		49	2,328	149
KAWAG Netze Verwaltungsgesellschaft mbH, Abstatt		49	30	1
KDT Kommunale Dienste Tholey GmbH, Tholey		49	1,348	41
KEN Geschäftsführungsgesellschaft mbH, Neunkirchen		50	51	0
KEN GmbH & Co. KG, Neunkirchen		46	2,887	42
KEVAG Telekom GmbH, Koblenz		50	2,438	602
Kiwigrid GmbH, Dresden	22	22	3,350	–5,952
KlickEnergie GmbH & Co. KG, Neuss		65	–1,597	–664
KlickEnergie Verwaltungs-GmbH, Neuss		65	20	–2
KnGrid, Inc., Laguna Hills/USA		42		9
Kommunale Dienste Marpingen Gesellschaft mit beschränkter Haftung, Marpingen		49	2,747	75
Kommunale Netzgesellschaft Steinheim a. d. Murr GmbH & Co. KG, Steinheim a. d. Murr		49	4,966	346
Kommunalwerk Rudersberg GmbH & Co. KG, Rudersberg		50	3,082	8
Kommunalwerk Rudersberg Verwaltungs-GmbH, Rudersberg		50	26	1
Kraftwerk Wehrden Gesellschaft mit beschränkter Haftung, Völklingen		33	102	9
KSP Kommunaler Service Püttlingen GmbH, Püttlingen		40	187	67
KVK Kompetenzzentrum Verteilnetze und Konzessionen GmbH, Cologne		75	230	176
Mainzer Wärme PLUS GmbH, Mainz	45	45	7,632	1,620
MeteringSüd GmbH & Co. KG, Augsburg		34	447	44
MNG Stromnetze GmbH & Co. KG, Lüdinghausen		25	19,599	2,000
MNG Stromnetze Verwaltungs GmbH, Lüdinghausen		25	27	2
Moravske Hidroelektrane d.o.o., Belgrad/Serbia	51	51	3,540	–16
Murrhardt Netz AG & Co. KG, Murrhardt		49	2,790	240
Naturstrom Betriebsgesellschaft Oberhonnefeld mbH, Koblenz		25	159	0
Netzanbindung Tewel OHG, Cuxhaven		25	668	–30

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Netzgesellschaft Bedburg Verwaltungs-GmbH, Bedburg		49	29	4
Netzgesellschaft Betzdorf GmbH & Co. KG, Betzdorf		49	1,833	151
Netzgesellschaft Bühlertal GmbH & Co. KG, Bühlertal		50	2,296	175
Netzgesellschaft Elsdorf Verwaltungs-GmbH, Elsdorf		49	37	4
Netzgesellschaft Grimma GmbH & Co. KG, Grimma		49	7,670	501
Netzgesellschaft Horn-Bad Meinberg GmbH & Co. KG, Horn-Bad Meinberg		49		[10]
Netzgesellschaft Hüllhorst GmbH & Co. KG, Hüllhorst		49	1,998	165
Netzgesellschaft Korb GmbH & Co. KG, Korb		50	1,415	98
Netzgesellschaft Korb Verwaltungs-GmbH, Korb		50	29	1
Netzgesellschaft Kreisstadt Bergheim Verwaltungs-GmbH, Bergheim		49	34	4
Netzgesellschaft Lauf GmbH & Co. KG, Lauf		50	819	60
Netzgesellschaft Leutenbach GmbH & Co. KG, Leutenbach		50	1,524	101
Netzgesellschaft Leutenbach Verwaltungs-GmbH, Leutenbach		50	28	1
Netzgesellschaft Maifeld GmbH & Co. KG, Polch		49	6,098	581
Netzgesellschaft Maifeld Verwaltungs GmbH, Polch		49	31	2
Netzgesellschaft Ottersweier GmbH & Co. KG, Ottersweier		50	2,027	159
Netzgesellschaft Rheda-Wiedenbrück GmbH & Co. KG, Rheda-Wiedenbrück		49	2,465	337
Netzgesellschaft Rheda-Wiedenbrück Verwaltungs-GmbH, Rheda-Wiedenbrück		49	31	2
NFPA Holdings Limited, Newcastle Upon Tyne/United Kingdom		25	2,000	269
NiersEnergieNetze GmbH & Co. KG, Kevelaer		51	6,158	498
NiersEnergieNetze Verwaltungs-GmbH, Kevelaer		51	36	2
Noveneg limited liability company for energy activities, Zagreb/Croatia		50	65	0
pear.ai Inc., San Francisco/USA		40		[9]
Peißenberger Wärmegesellschaft mbH, Peißenberg		50	5,739	−166
Placense Ltd., Tel Aviv/Israel		20		[9]
prego services GmbH, Saarbrücken		50	−1,894	730
Propan Rheingas GmbH, Brühl		28	53	2
PV Projects GmbH & Co. KG (i.L.), Kolitzheim		50	377	285
PV Projects Komplementär GmbH (i.L.), Kolitzheim		50	24	0
Recklinghausen Netz-Verwaltungsgesellschaft mbH, Recklinghausen		49	28	1
Renergie Stadt Wittlich GmbH, Wittlich		30	21	−1
Rhegio Natur Dienstleistungen GmbH, Rhede	25	25		[10]
Rhein-Ahr-Energie Netz GmbH & Co. KG, Grafschaft		25		[3]
RIWA GmbH Gesellschaft für Geoinformationen, Kempten		33	1,350	458
RURENERGIE GmbH, Düren		30	12,667	−130
RWE Dhabi Union Energy LLC, Abu Dhabi/UAE	24	24		[3]
Sandersdorf-Brehna Netz GmbH & Co. KG, Sandersdorf-Brehna		49	4,826	250

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SEG Solarenergie Guben GmbH & Co. KG, Guben		25	3,264	105
Selm Netz GmbH & Co. KG, Selm		25	4,198	521
SHS Ventures GmbH & Co. KGaA, Völklingen		50	1,219	34
SolarProjekt Mainaschaff GmbH, Mainaschaff		50	32	−12
SPX, s.r.o., Zilina/Slovakia		33	153	11
SSW Stadtwerke St. Wendel Geschäftsführungsgesellschaft mbH, St. Wendel		50	128	4
Stadtentwässerung Schwerte GmbH, Schwerte		48	51	0
Städtische Werke Borna GmbH, Borna		37	4,740	795
Städtisches Wasserwerk Eschweiler GmbH, Eschweiler		25	3,439	1,230
Stadtwerk Verl Netz GmbH & Co. KG, Verl		25	3,991	491
Stadtwerke – Strom Plauen GmbH & Co. KG, Plauen		49	5,906	1,384
Stadtwerke Ahaus GmbH, Ahaus		36	11,336	3,113
Stadtwerke Aue GmbH, Aue		24	13,412	2,061
Stadtwerke Dillingen/Saar GmbH, Dillingen		49	4,951	−479
Stadtwerke Dülmen Verwaltungs-GmbH, Dülmen	50	50	29	0
Stadtwerke Gescher GmbH, Gescher	25	25	3,304	608
Stadtwerke Geseke Netze GmbH & Co. KG, Geseke		25	3,605	563
Stadtwerke Geseke Netze Verwaltung GmbH, Geseke		25	28	2
Stadtwerke Goch Netze GmbH & Co. KG, Goch		25	2,867	0
Stadtwerke Goch Netze Verwaltungsgesellschaft mbH, Goch		25	29	2
Stadtwerke Haan GmbH, Haan	25	25	20,778	1,003
Stadtwerke Kerpen GmbH & Co. KG, Kerpen	25	25		[10]
Stadtwerke Kerpen Verwaltungs-GmbH, Kerpen	25	25		[10]
Stadtwerke Langenfeld GmbH, Langenfeld	20	20	9,251	2,863
Stadtwerke Oberkirch GmbH, Oberkirch		33	7,192	804
Stadtwerke Roßlau Fernwärme GmbH, Dessau-Roßlau		49	1,586	406
Stadtwerke Schwarzenberg GmbH, Schwarzenberg/Erzgeb.		28	14,225	774
Stadtwerke Siegburg GmbH & Co. KG, Siegburg		49	8,439	386
Stadtwerke Steinfurt Gesellschaft mit beschränkter Haftung, Steinfurt	33	33	11,465	2,750
Stadtwerke Unna GmbH, Unna		24	15,838	4,244
Stadtwerke Vlotho GmbH, Vlotho	25	25	4,897	131
Stadtwerke Wadern GmbH, Wadern		49	1,800	−2,578
Stadtwerke Waltrop Netz GmbH & Co. KG, Waltrop		25	2,778	234
Stadtwerke Weilburg GmbH, Weilburg		20	8,010	464
Stadtwerke Werl GmbH, Werl		25	7,435	2,687
STEAG Windpark Ullersdorf GmbH & Co. KG, Jamlitz		21	19,127	1,355
Stromnetz Diez GmbH & Co. KG, Diez		25	1,546	103
Stromnetz Diez Verwaltungsgesellschaft mbH, Diez		25	31	1
Stromnetz Euskirchen GmbH & Co. KG, Euskirchen		25	4,358	840
Stromnetz Günzburg Verwaltungs GmbH, Günzburg		49	29	0

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9 Not material.
10 Financial statements not available.
11 Profit and loss-pooling agreement with non-Group entity.

VII. Companies which are not accounted for using the equity method due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	innogy SE's share	Parent company's share	€'000	€'000
Stromnetz Hofheim GmbH & Co. KG, Hofheim am Taunus		49	3,590	270
Stromnetz Hofheim Verwaltungs GmbH, Hofheim am Taunus		49	28	1
Stromnetz Neckargemünd GmbH, Neckargemünd		50		10
Stromnetz Pulheim GmbH & Co. KG, Pulheim		25		10
Stromnetz Verbandsgemeinde Katzenelnbogen GmbH & Co. KG, Katzenelnbogen		49	2,278	177
Stromnetz Verbandsgemeinde Katzenelnbogen Verwaltungsgesellschaft mbH, Katzenelnbogen		49	30	1
Stromnetz VG Diez GmbH & Co. KG, Altendiez		49	2,407	179
STROMNETZ VG DIEZ Verwaltungsgesellschaft mbH, Altendiez		49	30	1
Strom-Netzgesellschaft Bedburg GmbH & Co. KG, Bedburg		49	3,420	384
Stromnetzgesellschaft Bramsche mbH & Co. KG, Bramsche		25	6,256	378
Strom-Netzgesellschaft Elsdorf GmbH & Co. KG, Elsdorf		49	3,565	373
Stromnetzgesellschaft Gescher GmbH & Co. KG, Gescher		25	1,000	253
Strom-Netzgesellschaft Kolpingstadt Kerpen GmbH & Co. KG, Kerpen		25	4,587	452
Strom-Netzgesellschaft Kreisstadt Bergheim GmbH & Co. KG, Bergheim		49	6,910	690
Stromnetzgesellschaft Mettmann mbH & Co. KG, Mettmann		25	3,156	195
Stromnetzgesellschaft Neuenhaus mbH & Co. KG, Neuenhaus		49	3,330	315
Stromnetzgesellschaft Neuenhaus Verwaltungs-GmbH, Neuenhaus		49	26	1
Stromnetzgesellschaft Neunkirchen-Seelscheid mbH & Co. KG, Neunkirchen-Seelscheid		49	2,601	289
Stromnetzgesellschaft Schwalmtal mbH & Co. KG, Schwalmtal		51	3,553	557
Stromverwaltung Schwalmtal GmbH, Schwalmtal		51	32	2
Südwestfalen Netz-Verwaltungsgesellschaft mbH, Netphen		49	28	1
SWL-energis Netzgesellschaft mbH & Co. KG, Lebach		50	3,239	177
SWL-energis-Geschäftsführungs-GmbH, Lebach		50	37	1
SWT trilan GmbH, Trier		26	1,330	530
SWTE Netz Verwaltungsgesellschaft mbH, Ibbenbüren	33	33	29	2
Technische Werke Naumburg GmbH, Naumburg (Saale)		47	11,125	3,101
TEPLO Votice s.r.o., Votice/Czech Republic		20	103	3
TetraSpar Demonstrator ApS, Copenhagen/Denmark	33	33		3
TNA Talsperren- und Grundwasser-Aufbereitungs- und Vertriebsgesellschaft mbH, Nonnweiler		23	1,132	65
Toledo PV A.E.I.E., Madrid/Spain		33	1,619	693
TRANSELEKTRO, s.r.o., Kosice/Slovakia		26	627	–51
TWE Technische Werke der Gemeinde Ensdorf GmbH, Ensdorf		49	2,133	166
TWL Technische Werke der Gemeinde Losheim GmbH, Losheim		50	5,098	–1,631
TWM Technische Werke der Gemeinde Merchweiler Gesellschaft mit beschränkter Haftung, Merchweiler		49	2,139	77
TWN Trinkwasserverbund Niederrhein GmbH, Grevenbroich		33	138	–5

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	innogy SE's share	Parent company's share	€'000	€'000
TWRS Technische Werke der Gemeinde Rehlingen-Siersburg GmbH, Rehlingen Siersburg		35	4,718	193
Umspannwerk Putlitz GmbH & Co. KG, Oldenburg		25	0	–179
Untere Iller Aktiengesellschaft, Landshut		40	1,176	41
Untermain EnergieProjekt AG & Co. KG., Kelsterbach		49	1,996	77
Untermain Erneuerbare Energien GmbH, Raunheim		25	16	–19
Veiligebuurt B.V., Enschede/Netherlands		50		[9]
VEM Neue Energie Muldental GmbH & Co. KG, Markkleeberg		50	51	7
Verteilnetze Energie Weißenhorn GmbH & Co. KG, Weißenhorn		35	906	312
Verwaltungsgesellschaft Dorsten Netz mbH, Dorsten		49	31	2
Verwaltungsgesellschaft Energie Weißenhorn GmbH, Weißenhorn		35	26	0
Verwaltungsgesellschaft GKW Dillingen mbH, Dillingen		25	187	7
Visualix GmbH, Berlin		50		[9]
VOLTARIS GmbH, Maxdorf		50	2,946	575
Wadersloh Netz GmbH & Co. KG, Wadersloh		25	3,626	401
Wadersloh Netz Verwaltungs GmbH, Wadersloh		25	27	2
Wärmeversorgung Limburg GmbH, Limburg an der Lahn		50	461	6
Wärmeversorgung Mücheln GmbH, Mücheln		49	929	109
Wärmeversorgung Wachau GmbH, Markkleeberg OT Wachau		49	93	4
Wasser-Netzgesellschaft Kolpingstadt Kerpen GmbH & Co. KG, Kerpen		25		[10]
Wasserverbund Niederrhein Gesellschaft mit beschränkter Haftung, Moers		38	11,789	851
Wasserversorgung Main-Taunus GmbH, Frankfurt am Main		49	144	8
Wasserzweckverband der Gemeinde Nalbach, Nalbach		49	1,776	19
WeAre GmbH, Essen		50		[9]
Werne Netz GmbH & Co. KG, Werne		49		[10]
WEV Warendorfer Energieversorgung GmbH, Warendorf	25	25	1,023	1,884
Windenergie Briesensee GmbH, Neu Zauche		31	1,616	368
Windenergie Frehne GmbH & Co. KG, Marienfließ		41	5,596	100
Windenergie Merzig GmbH, Merzig		20	3,907	491
Windenergie Schermbeck-Rüste GmbH & Co. KG, Schermbeck		20	2,763	0
Windenergiepark Heidenrod GmbH, Heidenrod		45	12,766	1,480
Windkraft Jerichow – Mangelsdorf I GmbH & Co. KG, Burg		25	4,167	703
Windpark Losheim-Britten GmbH, Losheim		50	1,901	–71
Windpark Nohfelden-Eisen GmbH, Nohfelden		50	3,530	82
Windpark Oberthal GmbH, Oberthal		35	4,685	186
Windpark Paffendorf GmbH & Co. KG, Essen	49	49	4,474	–27
Windpark Perl GmbH, Perl		42	7,987	252
WINDTEST Grevenbroich GmbH, Grevenbroich	38	38	2,276	118
WLN Wasserlabor Niederrhein GmbH, Mönchengladbach		45	521	21
WVG-Warsteiner Verbundgesellschaft mbH, Warstein	25	25	8,676	1,547

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	innogy SE's share	Parent company's share	€'000	€'000
WVL Wasserversorgung Losheim GmbH, Losheim am See		50	5,236	382
WWS Wasserwerk Saarwellingen GmbH, Saarwellingen		49	3,887	345
WWW Wasserwerk Wadern GmbH, Wadern		49	3,892	299
xtechholding GmbH, Berlin		26		9

VIII. Other investments	Shareholding in %		Equity	Net income/loss
	innogy SE's share	Parent company's share	€'000	€'000
Abel & Co., Tilburg/Netherlands		1		10
Adom Intelligent Transport Ltd., Tel Aviv-Jaffa/Israel		16		9
aiPod Inc, Pasadena/USA		8		9
AKSELOS S.A., Lausanne/Switzerland		16		9
AutoGrid Systems Inc., Wilmington/USA		5		9
BeeRides Gepjarmü-kölcsönzö Kft., Székesfehérvár/Hungary		18		9
BEW Bergische Energie- und Wasser-GmbH, Wipperfürth		19	32,014	5,700
BFG-Bernburger Freizeit GmbH, Bernburg (Saale)		1	10,397	–1,229
BIDGELY Inc., Sunnyvale/USA		7	9,678	–4,897
BigchainDB GmbH, Berlin		2		9
Bootstraplabs VC Follow-On Fund 2016, San Francisco/USA		11		9
Bootstraplabs VC Seed Fund 2016 L.P., San Francisco/USA		6		9
Buildots Ltd., Tel Aviv/Israel		5		9
Bürgerenergie Untermain eG, Kelsterbach		4	108	14
CALIPSA LIMITED, London/United Kingdom		7		9
Cryptowerk Corp., San Mateo/USA		7		9
DCUSA Ltd., London/United Kingdom		10	0	0
Deutsches Forschungszentrum für Künstliche Intelligenz GmbH, Kaiserslautern		3	18,441	1,542
Die BürgerEnergie eG, Dortmund	0	0	1,802	76
Doozer Real Estate Systems GmbH, Berlin		12		9
eins energie in sachsen GmbH & Co. KG, Chemnitz		9	467,844	82,386
eluminocity GmbH, Munich	18	18		10
Energías Renovables de Ávila, S.A., Madrid/Spain		17	595	0
Energie Rur-Erft GmbH & Co. KG, Kall	0	0	1,227	1,147
Energie Rur-Erft Verwaltungs-GmbH, Kall	0	0	30	0
Energieagentur Region Trier GmbH, Trier	14	14	0	–39
Energiegenossenschaft Chemnitz – Zwickau eG, Chemnitz		7	1,140	16
Energiehandel Saar GmbH & Co. KG, EHS, Neunkirchen		1	391	–5
Energiehandel Saar Verwaltungs-GmbH, Neunkirchen		2	25	0
Energieversorgung Limburg GmbH, Limburg an der Lahn		10	28,327	4,290
Entwicklungsgesellschaft Neu-Oberhausen mbH-ENO, Oberhausen		2	134	–523

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VIII. Other investments	Shareholding in %		Equity	Net income/loss
	innogy SE's share	Parent company's share	€'000	€'000
ESV-ED GmbH & Co. KG, Buchloe		4	370	59
FirstPoint Mobile Guard Ltd., Tel Aviv/Israel		6		9
Focal Energy Solar Three Ltd., Nicosia/Cyprus		8	5,430	–4
Fractal Blockchain GmbH, Berlin		5		9
GasLINE Telekommunikationsnetz-Geschäftsführungs-gesellschaft deutscher Gasversorgungsunternehmen mbH, Straelen	10	10	67	2
GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. KG, Straelen	10	10	99,888	58,888
Gemeinschafts-Lehrwerkstatt Arnsberg GmbH, Arnsberg	8	8	1,429	–36
Gemserv Limited, London/United Kingdom		14	8,136	1,791
Gesellschaft für Wirtschaftsförderung Duisburg mbH, Duisburg	1	1	721	25
GETAWAY GmbH, Berlin		9		9
Globus Steel & Power Pvt. Limited, New Delhi/India		18	–1,344	–916
gridX GmbH, Aachen		14		9
Gründerfonds Ruhr GmbH & Co. KG, Essen		1		9
Heliatek GmbH, Dresden		13	8,414	–7,701
High-Tech Gründerfonds II GmbH & Co. KG, Bonn	1	1	100,631	0
Holo-Light GmbH, Westendorf/Austria		7		9
Hubject GmbH, Berlin	13	13	9,040	–1,957
INS Insider Navigation Systems GmbH, Vienna/Austria		12		9
Intertrust Technologies Corporation, Sunnyvale/USA		13	73,927	–17,007
iTy Labs Corp., Dover/USA		9		9
IWW Rheinisch-Westfälisches Institut für Wasserforschung gemeinnützige GmbH, Mülheim an der Ruhr		6	904	4
IZES gGmbH, Saarbrücken		8	406	–74
KEV Energie, Gesellschaft mit beschränkter Haftung, Kall	2	2	457	2,320
Kreis-Energie-Versorgung Schleiden, Gesellschaft mit beschränkter Haftung, Kall	2	2	16,098	2,221
LEW Bürgerenergie e.G., Augsburg		0	1,770	34
LIBRYO LTD, London/United Kingdom		8		9
ME SolShare International PTE. LTD., Singapore/Singapore		11		9
Moj.io Inc., Vancouver/Canada		3		9
Move24 Group GmbH, Berlin		9	7,964	–1,628
MRA Service Company Limited, London/United Kingdom		3	0	0
Neckar-Aktiengesellschaft, Stuttgart		12	10,179	0
Neue Energie Ostelbien eG, Arzberg		29		10
Neustromland GmbH & Co. KG, Saarbrücken		5	2,759	129
Nordsee One GmbH, Oststeinbek		15	71,977	33,713
Nordsee Three GmbH, Oststeinbek		15	80	–42
Nordsee Two GmbH, Oststeinbek		15	80	–42
Ökostrom Saar Geschäftsführungsgesellschaft mbH & Co. Biogas Losheim KG, Merzig		10	66	82
Oriient New Media Ltd., Tel Aviv/Israel		5		9

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VIII. Other investments	Shareholding in %		Equity	Net income/loss
	innogy SE's share	Parent company's share	€'000	€'000
Parque Eólico Cassiopea, S.L., Oviedo/Spain		10	50	71
Parque Eólico Escorpio, S.A., Oviedo/Spain		10	518	0
Parque Eólico Leo, S.L., Oviedo/Spain		10	126	0
People Power Company, Redwood City/USA		12	877	−2,194
PIO Security GmbH, Berlin		8		[9]
pro regionale energie eG, Diez		1	1,861	57
Promocion y Gestion Cáncer, S.L., Oviedo/Spain		10	62	91
PSI Software AG, Berlin	18	18	85,020	5,007
QMerit Inc., Irvine/USA		11		[9]
Rydies GmbH, Hanover		15		[9]
ScanTrust SA, Lausanne/Switzerland		7		[9]
Sdruzení k vytvorení a vyuzívání digitální technické mapy mesta Pardubic, Pardubice/Czech Republic		12	2	1
SE SAUBER ENERGIE GmbH & Co. KG, Cologne		17	1,978	389
SE SAUBER ENERGIE Verwaltungs-GmbH, Cologne		17	142	7
Segasec Labs Ltd., Tel Aviv/Israel		19		[9]
SkenarioLabs Oy, Espoo/Finland		10		[9]
Smart Energy Code Company Limited, London/United Kingdom		7	0	0
Solarpark Freisen: "Auf der Schwann" GmbH, Freisen		15	382	70
Solarpark St. Wendel GmbH, St. Wendel		15	1,190	154
SolarRegion RengsdorferLAND eG, Rengsdorf		2	315	13
Solidified Technologies LLC, Garland/USA		12		[9]
SPAA Ltd, London/United Kingdom		10	15	0
St. Clements Services Limited, London/United Kingdom		12	1,844	−91
Stadtmarketing-Gesellschaft Gelsenkirchen mbH, Gelsenkirchen		2	98	14
Stadtwerke Delitzsch GmbH, Delitzsch		18	16,072	2,878
Stadtwerke Detmold GmbH, Detmold	12	12	31,495	0
Stadtwerke Ostmünsterland GmbH & Co. KG, Telgte	10	10	27,483	4,380
Stadtwerke Porta Westfalica Gesellschaft mit beschränkter Haftung, Porta Westfalica	12	12	16,438	259
Stadtwerke Sulzbach/Saar GmbH, Sulzbach		15	11,431	1,487
Stadtwerke Tecklenburger Land Energie GmbH, Ibbenbüren	15	15	0	−451
Stadtwerke Tecklenburger Land GmbH & Co. KG, Ibbenbüren	1	1	1,006	687
Stadtwerke Völklingen Netz GmbH, Völklingen		18	16,387	1,818
Stadtwerke Völklingen Vertrieb GmbH, Völklingen		18	7,301	3,400
SWT Stadtwerke Trier Versorgungs-GmbH, Trier	19	19	55,225	3,920
SWTE Verwaltungsgesellschaft mbH, Ibbenbüren	1	1	25	2
TechSee Augmented Vision Ltd., Herzliya/Israel		9		[9]
Telecom Plus plc, London/United Kingdom		1	221,660	35,864[2]
T-REX Group Inc., New York City/USA		6		[9]
Trianel Erneuerbare Energien GmbH & Co. KG, Aachen		2	64,750	−1,112
Trianel GmbH, Aachen		3	85,442	1,504

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	innogy SE's share	Parent company's share	€'000	€'000
Umspannwerk Lübz GbR, Lübz		18	57	9
Union Group, a.s., Ostrava/Czech Republic		2	89,401	0
Westly Capital Partners Fund III, L.P., Dover/USA		8	1,203	−262
WiN Emscher-Lippe Gesellschaft zur Strukturverbesserung mbH, Herten	1	2	254	−212
Windenergie Schermbeck-Rüste Verwaltungsgesellschaft m.b.H., Schermbeck		14	28	1
Windpark Jüchen GmbH & Co. KG, Roth		15	2,110	216
Windpark Mengerskirchen GmbH, Mengerskirchen		15	3,013	297
Windpark Saar GmbH & Co. Repower KG, Freisen		10	7,474	718
Windpark Saar 2016 GmbH & Co. KG, Freisen		12	4,204	−368

Changes in shareholding without change of control	Shareholding 31 Dec 2018 in %	Shareholding 31 Dec 2017 in %	Change
Affiliated companies which are included in the consolidated financial statements			
Nordsee Windpark Beteiligungs GmbH, Essen	90	100	−10
Associates accounted for using the equity method			
EWR Aktiengesellschaft, Worms	1	3	−2
EWR Dienstleistungen GmbH & Co. KG, Worms	25	50	−25
Nebelhornbahn-Aktiengesellschaft, Oberstdorf	20	27	−7
Stadtwerke Velbert GmbH, Velbert	30	50	−20
Joint Ventures			
Rain Biomasse Wärmegesellschaft mbH, Rain	70	75	−5
Joint Operations			
Gas-Netzgesellschaft Kolpingstadt Kerpen GmbH & Co. KG, Kerpen	25	49	−24
Gas-Netzgesellschaft Kreisstadt Bergheim GmbH & Co. KG, Bergheim	25	49	−24

Changes in shareholding with change of control	Shareholding 31 Dec 2018 in %	Shareholding 31 Dec 2017 in %	Change
Additions to affiliated companies which are included in the consolidated financial statements			
Certified B.V., Amsterdam/Netherlands	100		100
Improvers B.V., 's-Hertogenbosch/Netherlands	100		100
Improvers Community B.V., Amsterdam/Netherlands	100		100
Konnektor B.V., Amsterdam/Netherlands	100		100
Broadband TelCom Power, Inc., Santa Ana/USA	100		100
Business Improvers B.V., Amsterdam/Netherlands	100		100
Charity Improvers B.V., Amsterdam/Netherlands	100		100
Deal Improvers B.V., Amsterdam/Netherlands	100		100
Dealmakers B.V., Amsterdam/Netherlands	100		100
Dealmakers Community B.V., Amsterdam/Netherlands	100		100

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Dealmakers Contract B.V., Amsterdam/Netherlands	100		100
DealmakersNetwork B.V., Amsterdam/Netherlands	100		100
ELMU-ÉMÁSZ Solutions Kft., Budapest/Hungary	100		100
Energy Dealmakers B.V., Amsterdam/Netherlands	100		100
Energy Improvers B.V., Amsterdam/Netherlands	100		100
Essent Rights B.V., 's-Hertogenbosch/Netherlands	100		100
Facility Dealmakers B.V., Amsterdam/Netherlands	100		100
Finance Dealmakers B.V., Amsterdam/Netherlands	100		100
FlexQuarters B.V., Amsterdam/Netherlands	100		100
Generación Fotovoltaica De Alarcos, S.L.U., Barcelona/Spain	100		100
Hardin Wind LLC, Chicago/USA	100		100
Improvers B.V.., Amsterdam/Netherlands	100		100
Improvers Concepts B.V., Amsterdam/Netherlands	100		100
Improvers Contracts B.V., Amsterdam/Netherlands	100		100
Improvers Network B.V., Amsterdam/Netherlands	100		100
innogy Limondale Sun Farm Holding Pty. Ltd., Southbank/Australia	100		100
innogy Polska IT Support Sp. z o.o., Warsaw/Poland	100		100
Innogy Renewables Australia Pty Ltd., Southbank/Australia	100		100
innogy Rheinhessen Beteiligungs GmbH, Essen	100		100
Installatietechniek Totaal B.V., Leeuwarden/Netherlands	100		100
IRUS Solar Development LLC, Dover/USA	100		100
IRUS Solar Holdings LLC, Dover/USA	100		100
IRUS Wind Development LLC, Dover/USA	100		100
IsoFitters BVBA, Herentals/Belgium	100		100
Isoprofs België BVBA, Hasselt/Belgium	100		100
Licht Groen B.V., Amsterdam/Netherlands	100		100
Limondale Sun Farm Pty. Ltd., Southbank/Australia	100		100
Lottery Improvers B.V., Amsterdam/Netherlands	100		100
Media Improvers B.V., Amsterdam/Netherlands	100		100
Montcogim – Plinara d.o.o., Sveta Nedelja/Croatia	100		100
Nederland Isoleert B.V., Amersfoort/Netherlands	100		100
Nederland Schildert B.V., Amersfoort/Netherlands	100		100
Nederland Schildert Rijnmond B.V., Amersfoort/Netherlands	100		100
Nederland Verkoopt B.V., Amersfoort/Netherlands	100		100
Recargo Inc., El Segundo/USA	100		100
Regionetz GmbH, Aachen	49		49
RomeoDelta B.V., Amsterdam/Netherlands	100		100
Telecom Dealmakers B.V., Amsterdam/Netherlands	100		100
Telecom Improvers B.V., Amsterdam/Netherlands	100		100
Triton Knoll HoldCo Limited, Swindon/United Kingdom	59		59
Wind Farm Deliceto s.r.l., Bolzano/Italy	100		100

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 innogy SE bears unlimited liability pursuant to Section 285, Item 11a of the German Commercial Code.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Structured entity pursuant to IFRS 10 and 12.
9 Not material.
10 Financial statements not available.
11 Profit and loss-pooling agreement with non-Group entity.

Changes in shareholding with change of control	Shareholding 31 Dec 2018 in %	Shareholding 31 Dec 2017 in %	Change
Disposals of affiliated companies which are included in the consolidated financial statements			
ÉMÁSZ DSO Holding Korlátolt Felelosségu Társaság, Miskolc/Hungary		100	100
Immobilien-Vermietungsgesellschaft Schumacher GmbH & Co. Objekt Kundenzentren KG, Düsseldorf		0	0[9]
innogy Energetyka Trzemeszno Sp. z o.o., Wroclaw/Poland		100	100
innogy Polska Contracting Sp. z o.o., Wroclaw/Poland		100	100
RegioTemp GmbH, Eschweiler		100	100
RWE East, s.r.o., Prague/Czech Republic		100	100
RWE Energie S.R.L., Bucharest/Romania		100	100
Additions of associates accounted for using the equity method			
Bray Offshore Wind Limited, Kilkenny City/Ireland	50		50
Kish Offshore Wind Limited, Kilkenny City/Ireland	50		50
Tankey B.V., 's-Hertogenbosch/Netherlands	43		43
Transfer of affiliated companies which are not included in the consolidated financial statements to joint ventures which are accounted for using the equity method			
Stromnetz Friedberg GmbH & Co. KG, Friedberg	49	100	–51
Transfer of affiliated companies which are not accounted for using the equity method to companies which are included in the consolidated financial statements			
Sofia Offshore Wind Farm Limited, Swindon/United Kingdom	100	25	75

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 innogy SE bears unlimited liability pursuant to Section 285, Item 11a of the German Commercial Code.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Structured entity pursuant to IFRS 10 and 12.
9 Not material.
10 Financial statements not available.
11 Profit and loss-pooling agreement with non-Group entity.

3.8 Boards (part of the notes)

As of 26 February 2019

Supervisory Board

Dr. Erhard Schipporeit

Hanover
Chairman since 1 January 2018
Independent business consultant
Year of birth: 1949
Member since 1 January 2018

- ◇ BDO AG
- ◇ Fuchs Petrolub SE
- ◇ Hannover Rück SE (Group mandate of Talanx AG)
- ◇ HDI V.a.G.
- ◇ RWE AG
- ◇ SAP SE
- ◇ Talanx AG

Frank Bsirske[1]

Berlin
Deputy Chairman
Chairman of ver.di Vereinte Dienstleistungsgewerkschaft
Year of birth: 1952
Member since 1 July 2016

- ◇ DB Privat- und Firmenkundenbank AG
- ◇ Deutsche Bank AG
- ◇ RWE AG

- KfW Group (until 31 December 2018)

Ulrich Grillo

Mülheim an der Ruhr
Chairman of the Executive Board of Grillo-Werke AG
Year of birth: 1959
Member since 1 September 2016

- ◇ Rheinmetall AG (Chairman)

- Grillo Zinkoxid GmbH
- Zinacor S.A.

Maria van der Hoeven

Maastricht, Netherlands
Former Executive Director of the International Energy Agency
Year of birth: 1949
Member since 1 September 2016

- ◇ Total S.A.

Michael Kleinemeier

Heidelberg
Member of the Management Board of SAP SE (Digital Business Services)
Year of birth: 1957
Member since 1 September 2016

- E. Merck KG

Martina Koederitz

Stuttgart
Global Industry Managing Director, Industrial Products and Automotive, Aerospace and Defense
IBM Corporation
Year of birth: 1964
Member since 1 September 2016

- ◇ IBM Deutschland Research & Development GmbH

Dr. Markus Krebber

Essen
Member of the Executive Board of RWE AG
Year of birth: 1973
Member since 1 September 2016

- ◇ RWE Generation SE
- ◇ RWE Pensionsfonds AG
- ◇ RWE Power AG
- ◇ RWE Supply & Trading GmbH (Chairman)

◇ Member of other mandatory supervisory boards.
- Member of comparable domestic and foreign supervisory boards of commercial enterprises.

1 Employee representative.

Monika Krebber[1]
Mülheim an der Ruhr
Deputy Chairwoman of the General Works Council of innogy SE
Chairwoman of the Group Works Council of RWE AG
Year of birth: 1962
Member since 9 June 2017

◇ RWE AG

Robert Leyland[1]
Gateshead, UK
Member of the European Works Council of RWE AG
Member of the SE Works Council of innogy SE
Year of birth: 1962
Member since 1 September 2016

Stefan May[1]
Selm
Chairman of the General Works Council of Westnetz GmbH
Chairman of the Group Works Council of innogy SE
Year of birth: 1970
Member since 7 June 2018

◇ Westnetz GmbH

Meike Neuhaus[1]
Dortmund
Head of Events & Sponsoring at innogy SE
Year of birth: 1966
Member since 1 September 2016

Dr. Rolf Pohlig
Mülheim an der Ruhr
Business consultant
Year of birth: 1952
Member since 1 September 2016

◇ Flughafen Düsseldorf GmbH (Chairman)

- World Airport Partners Management GmbH

René Pöhls[1]
Halle (Saale)
Chairman of the SE Works Council of innogy SE
Chairman of the Group Works Council of envia Mitteldeutsche Energie AG
Chairman of the Joint Combined Works Council of envia Mitteldeutsche Energie AG, MITGAS Mitteldeutsche Gasversorgung GmbH, Mitteldeutsche Netzgesellschaft Strom mbH and Mitteldeutsche Netzgesellschaft Gas mbH
Year of birth: 1970
Member since 1 September 2016

◇ envia Mitteldeutsche Energie AG

Pascal van Rijsewijk[1]
Helmond, Netherlands
Chairman of the Main Works Council of Essent N.V.
Chairman of the Retail Works Council of Essent N.V.
Member of the European Work Council of RWE AG
Member of the SE Works Council of innogy SE
Year of birth: 1977
Member since 1 September 2016

Gabriele Sassenberg[1]
Bottrop
Deputy Chairwoman of the Regional Works Council Essen of innogy SE
Year of birth: 1961
Member since 1 September 2016

◇ Member of other mandatory supervisory boards.
- Member of comparable domestic and foreign supervisory boards of commercial enterprises.
1 Employee representative.

Dr. Dieter Steinkamp
Duisburg
Chairman of the Board of Management of RheinEnergie AG
Chairman of the Board of Management of GEW Köln AG
Speaker of the Board of Directors of Stadtwerke Köln GmbH
Year of birth: 1960
Member since 1 September 2016

- ◇ AWB Abfallwirtschaftsbetriebe Köln GmbH
- ◇ BRUNATA-METRONA GmbH
- ◇ NetCologne Gesellschaft für Telekommunikation mbH
- ◇ rhenag Rheinische Energie AG

- AggerEnergie GmbH (Chairman)
- AVG Abfallentsorgungs- und Verwertungsgesellschaft Köln mbH
- BELKAW GmbH
- Energieversorgung Leverkusen GmbH & Co. KG
- Gasversorgungsgesellschaft mbH Rhein-Erft
- moderne stadt, Gesellschaft zur Förderung des Städtebaus und der Gemeindeentwicklung mbH (Chairman)
- modernes Köln, Gesellschaft für Stadtentwicklung mbH
- Stadtwerke Lohmar GmbH & Co. KG
- Stadtwerke Troisdorf GmbH
- Stromnetz Bornheim GmbH & Co. KG

Markus Sterzl[1]
Düsseldorf
Regional District Sector Head, Sector 2, Utilities and Disposal of ver.di Vereinte Dienstleistungsgewerkschaft, (District of NRW)
Year of birth: 1978
Member since 1 January 2018

- ◇ RheinEnergie AG
- ◇ RWE Generation SE
- ◇ Stadtwerke Köln GmbH

Marc Tüngler
Düsseldorf
Attorney-at-Law
Chief Managing Director of Deutsche Schutzvereinigung für Wertpapierbesitz e.V.
Year of birth: 1968
Member since 1 July 2016

- ◇ Albis Leasing AG
- ◇ freenet AG
- ◇ InnoTec TSS AG

Šárka Vojíková[1]
Prague, Czech Republic
President of the Czech Federation of Trade Unions SOS Energie
Member of the Committee of the European Works Council of RWE AG
Member of the SE Works Council of innogy SE
Year of birth: 1967
Member since 1 September 2016

Jürgen Wefers[1, 2]
Goch
Chairman of the Group Works Council of innogy SE
Chairman of the General Works Council of Westnetz GmbH
Year of birth: 1959
Member until 20 May 2018

- ◇ Westnetz GmbH

Deborah B. Wilkens
Munich
Business consultant
Year of birth: 1971
Member since 1 September 2016

◇ Member of other mandatory supervisory boards.
- Member of comparable domestic and foreign supervisory boards of commercial enterprises.
1 Employee representative.
2 Information valid as of the date of retirement.

Standing Committees of the Supervisory Board

Executive Committee
Dr. Erhard Schipporeit (Chairman)
Frank Bsirske
Ulrich Grillo
Dr. Markus Krebber
Robert Leyland
Dr. Rolf Pohlig
Pascal van Rijsewijk
Markus Sterzl

Personnel Affairs Committee
Dr. Erhard Schipporeit (Chairman)
Frank Bsirske
Michael Kleinemeier
Monika Krebber
René Pöhls
Marc Tüngler

Audit Committee
Dr. Rolf Pohlig (Chairman)
Dr. Markus Krebber
René Pöhls
Gabriele Sassenberg
Pascal van Rijsewijk
Deborah B. Wilkens

Nomination Committee
Dr. Erhard Schipporeit (Chairman)
Ulrich Grillo
Dr. Rolf Pohlig

Strategy Committee
Dr. Erhard Schipporeit (Chairman)
Frank Bsirske
Martina Koederitz
Monika Krebber
Dr. Dieter Steinkamp
Šárka Vojíková

Executive Board

Uwe Tigges (Chief Executive Officer)
Chairman of the Executive Board of innogy SE
Member of the Executive Board of innogy SE
since 1 April 2016,
appointed until 31 March 2021

◇ RWE Pensionsfonds AG (Chairman)

- VfL Bochum 1848 GmbH & Co. KGaA

Dr. Hans Bünting (Chief Operating Officer Renewables)
Member of the Executive Board of innogy SE
since 1 April 2016,
appointed until 31 March 2022

◇ Rheinkraftwerk Albbruck-Dogern AG (Chairman)

- Finelectra AG

Dr. Bernhard Günther (Chief Financial Officer)
Member of the Executive Board of innogy SE
since 1 April 2016,
appointed until 31 March 2021

Arno Hahn (Chief HR Officer and Labour Director)
Member of the Executive Board of innogy SE
since 1 May 2018,
appointed until 30 April 2021

- Decadia GmbH

Martin Herrmann (Chief Operating Officer Retail)
Member of the Executive Board of innogy SE
since 1 April 2016,
appointed until 31 March 2022

◇ envia Mitteldeutsche Energie AG

- Essent N.V. (Chairman)

Hildegard Müller (Chief Operating Officer
Grid & Infrastructure)
Member of the Executive Board of innogy SE
since 1 May 2016,
appointed until 31 March 2022

◇ Dortmunder Energie- und Wasserversorgung GmbH
◇ envia Mitteldeutsche Energie AG
◇ NEW AG
◇ rhenag Rheinische Energie AG
◇ Stadtwerke Essen AG
◇ SÜWAG Energie AG
◇ Vonovia SE

- EWG Essener Wirtschaftsförderungsgesellschaft mbH

◇ Member of other mandatory supervisory boards.
- Member of comparable domestic and foreign supervisory boards of commercial enterprises.

3.9 Independent auditor's report

To innogy SE, Essen

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of innogy SE, Essen, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of innogy SE, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2018. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2018, and of its financial performance for the financial year from January 1 to December 31, 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year January 1 to December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ **Recoverability of goodwill**
❷ **Recognition and measurement of pension provisions**

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue
② Audit approach and findings
③ Reference to further information

Hereinafter we present the key audit matters:

❶ Recoverability of goodwill

① In the consolidated financial statements of innogy SE, goodwill amounting to € 8.9 billion (17.8 % of consolidated total assets) is reported under the balance sheet item "Intangible assets". Goodwill is tested for impairment annually or when there are indications of impairment, to determine any possible need for write-downs.

The carrying amounts of the relevant cash-generating units, including goodwill, are compared with the corresponding recoverable amounts in the context of the impairment tests. The recoverable amount is generally calculated on the basis of fair value less costs of disposal. The impairment tests are performed at the level of the cash-generating units or groups of cash-generating units to which the respective goodwill is allocated. The measurements to calculate the fair value less costs of disposal carried out for the purposes of the impairment tests are based on the present values of the future cash flows derived from the planning projections for the next three years (medium-term plan) prepared by the executive directors and acknowledged by the supervisory board. In doing so, expectations relating to future market developments and country-specific assumptions about the performance of macroeconomic indicators are also taken into account. Present values are calculated using discounted cash flow models. The discount rate applied is the weighted average cost of capital for the relevant cash-generating unit. The impairment test resulted in the recognition of a write-down for the Retail United Kingdom cash-generating unit amounting to € 1,669 million, of which € 1,527 million relates to goodwill, and for the Retail Netherlands/Belgium cash-generating unit amounting to € 55 million. The outcome of these valuations is dependent to a large extent on the estimates made by the executive directors of the future cash inflows of the cash-generating units, and on the respective discount rates and rates of growth employed as well as on further assumptions. The valuation is therefore subject to considerable uncertainty. Against this background and due to the underlying complexity of the valuation, this matter was of particular significance in the context of our audit.

② As part of our audit, we evaluated the methodology used for the purpose of performing the impairment tests and assessed the calculation of the weighted average cost of capital, among other things. In addition, we assessed whether the future cash inflows underlying the measurements together with the weighted cost of capital used represent an appropriate basis for the impairment tests overall. We evaluated the appropriateness of the future cash inflows used in the calculations, among other things by comparing this data with the medium-term plan and by reconciling it against general and sector-specific market expectations. In this context, we also assessed whether the costs of Group functions were properly included in the respective cash-generating unit. In the knowledge that even relatively small changes in the discount rate applied can in some cases have a material impact on the value of the entity calculated using this method, we also evaluated the parameters used to determine the discount rate applied and assessed the measurement model. Furthermore, we evaluated the sensitivity analyses performed by the Company in order to evaluate any impairment risk (carrying amount higher than recoverable amount) in the event of a reasonably possible change in a material assumption underlying the measurement. Overall, the measurement parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

③ The Company's disclosures relating to goodwill are contained in the notes to the consolidated financial statements in the section "Notes to the Balance Sheet" in note "(10) Intangible assets".

❷ Recognition and measurement of pension provisions

① In the consolidated financial statements of innogy SE, provisions for pensions and similar obligations are reported under the balance sheet item "Provisions". The pension provisions comprise obligations from defined benefit pension plans amounting to € 14.9 billion, plan assets of € 11.4 billion and a reported surplus of plan assets over benefit obligations of € 0.3 billion. The obligations from defined benefit pension plans were measured using the projected unit credit method. This requires assumptions to be made in particular about long-term rates of growth in salaries and pensions, average life expectancy, and staff turnover. The new life expectancy tables from Heubeck-Richttafeln-GmbH (Heubeck Life Expectancy Tables 2018G) have been applied for the first time for measuring the average life expectancy as of December 31, 2018. The effect from the first-time adoption of the life expectancy tables amounts to −€ 113 million. The discount rate must be determined by reference to market yields on high-quality corporate bonds with matching currencies and consistent maturities. This usually requires the data to be extrapolated, since there is an insufficient number of long-term corporate bonds. The plan assets are measured at fair value, which in turn involves making estimates that are subject to uncertainties.

In our view, these matters were of particular significance in the context of our audit because the recognition and measurement of this significant item in terms of its amount are based to a material extent on estimates and assumptions made by the Company's executive directors.

② For the purposes of our audit, we firstly assessed whether the criteria for recognition as defined benefit or defined contribution pension commitments were met and evaluated the actuarial expert reports obtained and the professional qualifications of the external actuarial experts. We also examined the specific features of the actuarial calculations and evaluated the numerical data, the actuarial parameters and the valuation methods on which the valuations were based for compliance with standards and appropriateness, in addition to other procedures. In addition, we analyzed the changes in the obligation and the cost components in accordance with actuarial expert reports in the light of changes occurring in the valuation parameters and the numerical data, and assessed their plausibility. For the audit of the fair value of the plan assets, we obtained bank and fund confirmations and evaluated the methods on which the respective valuation was based and the valuation parameters applied.

Based on our audit procedures, we were able to satisfy ourselves that the estimates applied and assumptions made by the executive directors are justified and sufficiently documented.

③ The Company's disclosures relating to the pension provisions are contained in the notes to the consolidated financial statements in the section "Notes to the Balance Sheet" in note "(22) Provisions for pensions and similar obligations".

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section 1.9 of the group management report
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed on the other information we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of

our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on April 24, 2018. We were engaged by the supervisory board on April 24, 2018. We have been the group auditor of innogy SE, Essen, without interruption since the financial year 2016.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Ralph Welter.

Essen, February 27, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd.) Michael Reuther	(sgd.) Ralph Welter
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Information on the auditor

The consolidated financial statements of innogy SE and its subsidiaries for the 2018 fiscal year – consisting of the Group balance sheet, Group income statement and statement of comprehensive income, Group statement of changes in equity, cash flow statement and Group notes to the financial statements – were audited by the auditing company PricewaterhouseCoopers Aktiengesellschaft GmbH.

The auditor at PricewaterhouseCoopers GmbH responsible for innogy is Mr. Ralph Welter. Mr. Welter has performed this function in three previous audits of innogy SE.

Five-year overview

innogy Group[1]		2018	2017	2016	2015	2014
External revenue	€ million	36,984	43,139	43,611	45,568	45,681
Income						
Adjusted EBITDA	€ million	4,097	4,331	4,203	4,521	4,297
Adjusted EBIT	€ million	2,630	2,816	2,735	3,050	2,859
Income before tax	€ million	333	1,648	2,201	2,798	2,221
Net income/income attributable to innogy SE shareholders	€ million	−653	778	1,513	1,613	1,467
Adjusted earnings per share[2]	€	−1.18	1.40	2.72	–	–
Adjusted net income	€ million	1,026	1,224	1,123	–	–
Adjusted net income per share[2]	€	1.85	2.20	2.02	–	–
Cash flow/capital expenditure						
Cash flows from operating activities	€ million	2,565	2,654	2,674	2,755	2,977
Free cash flow[3]	€ million	806	733	1,041	730	918
Net investment	€ million	1,759	1,921	2,123	2,188	2,233
Property, plant and equipment and intangible assets	€ million	2,363	1,835	1,833	2,024	2,060
Asset/capital structure						
Non-current assets	€ million	37,229	36,502	36,239	38,235	35,649
Current assets	€ million	12,645	10,312	10,651	19,737	20,855
Balance-sheet equity	€ million	9,914	11,252	10,667	18,460	18,398
Non-current liabilities	€ million	24,980	22,913	24,442	23,700	21,314
Current liabilities	€ million	14,980	12,649	11,781	15,812	16,792
Balance-sheet total	€ million	49,874	46,814	46,890	57,972	56,504
Equity ratio	%	19.9	24.0	22.7	31.8	32.6
Net financial debt	€ million	13,133	12,292	11,555	2,880	–
Net debt	€ million	16,985	15,637	15,748	6,673	–
Leverage factor		4.1	3.6	3.7	–	–
Workforce as of year-end[4]		42,904	42,393	40,636	40,160	–
Research & development						
Operating R&D costs	€ million	141	169	149	83	88
R&D employees as of year-end		410	360	260	213	236
Dividend/dividend payment						
Dividend payment	€ million	777.8[5]	888.9	888.9	–	–
Dividend per share	€	1.40[6]	1.60	1.60	–	–
Capital market indicators						
Market capitalisation as of year-end	€ billion	22.4	18.2	18.3	–	–
Credit rating as of year-end						
Fitch						
Non-current financial debt		BBB+	BBB+	BBB+	–	–
Outlook		Stable	Stable	Stable	–	–
Standard & Poor's						
Non-current financial debt		BBB	BBB	BBB–	–	–
Outlook		Stable	Stable	Positive	–	–
Moody's						
Non-current financial debt		Baa2	Baa2	–	–	–
Outlook		Stable	Negative	–	–	–

1 Key indicators for 2014 to 2015 are of limited informational value.
2 In relation to the number of shares outstanding as of 31 December.
3 Free cash flow for 2014 and 2015 as reported, adjusted calculation for 2016 to 2017.
4 Converted to full-time positions.
5 In relation to the dividend proposal for innogy SE's 2018 fiscal year, subject to the passing of a resolution by the Annual General Meeting on 30 April 2019.
6 Dividend proposal for innogy SE's 2018 fiscal year, subject to the passing of a resolution by the Annual General Meeting on 30 April 2019.

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. In particular, these factors 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 regulations, and other factors may influence the company's future results and developments. Neither the company nor any of its affiliates undertakes to update the statements contained in this document.

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Financial calendar

30 Apr 2019
Annual General Meeting

6 May 2019
Dividend payment

14 May 2019
Q1 2019 Interim statement

9 Aug 2019
Half-year report 2019

12 Nov 2019
9M 2019 Interim statement

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