Half-year report 2019

innogy

Financial highlights in H1 2019

- Outlook for 2019 confirmed
- Adjusted EBIT of €1,306 million and adjusted net income of €488 million lower year on year as reflected in the guidance, primarily due to the expected decline in earnings from the UK retail business and sale of the Czech gas grid business

At a glance

innogy Group		H1 2019	H1 2018	+/– %	FY 2018
Power generation from renewable sources	billion kWh	5.5	5.3	3.8	9.6
External electricity sales volume[1]	billion kWh	120.2	129.9	-7.5	255.1
External gas sales volume	billion kWh	127.4	123.2	3.4	224.4
External revenue[1]	€ million	19,028	19,360	-1.7	36,984
Adjusted EBITDA	€ million	2,139	2,254	-5.1	4,097
Adjusted EBIT	€ million	1,306	1,553	-15.9	2,630
Income before tax	€ million	1,164	1,365	-14.7	333
Net income/income attributable to innogy SE shareholders	€ million	671	850	-21.1	-653
Adjusted net income	€ million	488	662	-26.3	1,026
Cash flows from operating activities	€ million	-394	17	-	2,565
Total net investments	€ million	-992	726	-236.6	1,759
Capital expenditure[2]	€ million	991	900	10.1	2,688
Proceeds from disposal of assets/divestitures	€ million	-1,991	-186	-970.4	-299
Net changes in equity (including non-controlling interests)	€ million	8	12	-33.3	-630
Free cash flow	€ million	598	-709	184.3	806
		30 Jun 2019			31 Dec 2018
Market capitalisation	€ billion	22.9			22.4
Net debt	€ million	19,840			16,985
Employees[3]		40,522			42,904
Electricity and gas customers	thousands	21,652			21,731

1 Prior-year figures restated due to change in recognition of feed-in payments under the German Renewable Energy Act (previously recognised as gross amounts in revenue and the cost of materials).
2 Capital expenditure on property, plant and equipment as well as intangible and financial assets.
3 Converted to full-time equivalents.

Interim review of operations

Major events in H1 2019

January

- New bond with a volume of €750 million and a tenor of 4.5 years placed; based on a coupon of 0.75% and an issue price of 99.658%, the annual yield amounts to 0.828%
- npower announces a cost-cutting programme in reaction to the persistently poor market environment in the UK retail business and regulatory intervention, as well as the electricity and gas Standard Variable Tariff price cap; about 900 positions may be affected by cuts over the course of the year
- Prime Minister Armin Laschet inaugurates innogy's fast charging farm in Duisburg, Germany, which combines fast charging stations and a solar panel roof with a battery station. The integrated battery storage system installed by innogy's subsidiary Belectric significantly minimises grid load when several cars are simultaneously fast-charging under full load

February

- innogy begins construction of two solar projects with a total capacity of 57 MW in Canada without state subsidies; commissioning of both farms with planned investment in mid-range, double-digit million euro territory is envisaged for this year
- innogy sells its 50.04% stake in the Czech gas grid business (innogy Grid Holding) to RWE
- innogy eMobility Solutions presents a new generation of smart charging stations developed in-house

May

- innogy launches construction of Zukowice onshore wind farm in Lower Silesia, Poland; eleven turbines manufactured by Nordex will be installed for this 33-MW project, which should be commissioned in 2020

June

- innogy begins construction of its first onshore wind farm in the USA, Scioto Ridge (250 MW) in the state of Ohio; investment volume totals more than $300 million, with 75 Siemens Gamesa turbines slated to commence operation in at the end of 2020
- Together with its consortium partners, innogy is selected for the Dunkerque offshore wind project (roughly 600 MW, approximately 10 km off the Atlantic coast); the French Ministry of Ecology and Energy Transition chose the consortium bringing together EDF Renewables, Enbridge and innogy for the project's design, construction and operation and maintenance

Major events after H1 2019

July

- On 9 July 2019, the Federal Court of Justice upheld the appeal of the Federal Network Agency, overturning a decision by the Higher Regional Court from March 2018, which had suspended the determination of the imputed returns on equity. Consequently, the Agency's original determination of the returns on equity will apply for the 3rd regulatory period.
  - In late 2016, the Agency significantly lowered the returns on equity for the 3rd regulatory period (which runs from 2019 to 2023 for electricity, and from 2018 to 2022 for gas) by 2.14% (from 9.05% to 6.91%) for new assets and 2.02% (from 7.14% to 5.12%) for old assets
  - In response to this, a number of electricity and gas grid operators took legal action
- The Düsseldorf Higher Regional Court hears case against the determination of the general sectoral productivity factor (known as 'Xgen') for gas and annuls the Federal Network Agency's determination for Xgen gas on 10 July 2019
  - The court expressed strong doubts about the professional nature of the determination and also criticised the methodological approach and deficits in the justification of the determination
  - The Federal Network Agency had set Xgen gas at 0.49% for the 3rd regulatory period (from 2018 to 2022). An Xgen of >0 means that the energy sector – and thus all electricity and gas grid operators – must achieve higher productivity growth compared to the economy as a whole

Reporting principles

innogy Group

Renewables

Grid & Infrastructure
- Germany
- Eastern Europe

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

Corporate/New Businesses

As of 30 June 2019.

Group structure features three divisions. Our financial reporting remains unchanged compared to 31 December 2018 (see Annual Report 2018, page 45 seq.).

Disclosures on employee figures are calculated in full-time positions.

Disclosed capital expenditure includes capital expenditure on property, plant and equipment as well as on intangible and financial assets.

The Czech gas grid business only made a prorated contribution to the H1 2019 earnings of the Grid & Infrastructure Eastern Europe segment due to sale of this business in late February 2019.

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

Business performance

innogy Group

External revenue[1] € million	H1 2019	H1 2018	+/– %
Renewables	434	456	-4.8
Grid & Infrastructure	3,077	3,221	-4.5
Germany	2,617	2,673	-2.1
Eastern Europe	460	548	-16.1
Retail	15,432	15,599	-1.1
Germany	8,125	8,207	-1.0
United Kingdom	3,554	3,666	-3.1
Netherlands/Belgium	1,908	1,956	-2.5
Eastern Europe	1,845	1,770	4.2
Corporate/New Businesses	85	84	1.2
innogy Group	**19,028**	**19,360**	**-1.7**
Natural gas tax/electricity tax	1,078	1,096	-1.6
innogy Group (excluding natural gas tax/electricity tax)	**17,950**	**18,264**	**-1.7**

1 Prior-year figures restated due to change in recognition of feed-in payments under the German Renewable Energy Act (previously recognised as gross amounts in revenue and the cost of materials).

Internal revenue € million	H1 2019	H1 2018	+/– %
Renewables	310	213	45.5
Grid & Infrastructure	1,407	1,551	-9.3
Retail	410	249	64.7

Adjusted EBIT € million	H1 2019	H1 2018	+/– %
Renewables	239	167	43.1
Grid & Infrastructure	970	1,060	-8.5
Germany	763	763	-
Eastern Europe	207	297	-30.3
Retail	291	475	-38.7
Germany	192	258	-25.6
United Kingdom	-81	-18	-350.0
Netherlands/Belgium	77	90	-14.4
Eastern Europe	103	145	-29.0
Corporate/ New Businesses	-194	-149	-30.2
Corporate/other	-145	-127	-14.2
eMobility	-27	-16	-68.8
Innovation Hub	-22	-6	-266.7
innogy Group	**1,306**	**1,553**	**-15.9**

Significant year-on-year drop in adjusted EBIT – biggest decline in retail business

- Renewables: rise in adjusted EBIT mainly caused by price effects and better weather conditions as well as operational improvement from existing plants and the commissioning of new assets
- Grid & Infrastructure: stable development of operating activities; sale of Czech gas grid business at the end of February leads to structural decline in earnings in Eastern Europe
- Retail: lower adjusted EBIT mainly driven by higher wholesale prices for electricity and gas (as well as increases in network usage fees in Germany), which could not be passed on or not yet passed on in full. Other negative factors included introduction of Standard Variable Tariff price caps in the UK, regulatory intervention in Eastern Europe and the ongoing significant competitive pressure
- Corporate/New Businesses:
  - Corporate/other: adjusted EBIT down year on year due to the intra-year timing of costs incurred for projects
  - eMobility: growth expenses for internationalisation and business enlargement were the main factors behind the lower earnings
  - Innovation Hub: earnings decline as a result of weaker portfolio value development and portfolio consolidation

Financial result € million	H1 2019	H1 2018
Interest income	35	33
Interest expenses	-242	-220
Net interest	**-207**	**-187**
Interest accretion to non-current provisions	-58	-39
Other financial result	-23	-52
Financial result	**-288**	**-278**
Adjustments in the financial result	-87	-114
Adjusted financial result to derive adjusted net income	**-375**	**-392**

Adjusted financial result improves slightly

- Net interest falls due to interest expenses from lease liabilities in connection to the first-time application of IFRS 16 and smaller positive effects from the reversal of differences in carrying amounts from the debt transfer from RWE; an opposite effect was felt from lower average borrowing rates and positive effects from the removal of interest-bearing debts of our Czech gas grid business which was sold off
- Interest accretion to non-current provisions rises due to change in interest rate
- Other financial result improves mainly due to positive income from securities in H1 2019 as opposed to a loss in H1 2018
- Adjustments to the financial result were smaller compared to the previous year; these mainly reflect the aforementioned weaker effects from the reversal of differences in carrying amounts and fair value changes in the securities portfolio (see Annual Report 2018, page 59)

Reconciliation to net income € million (unless stated otherwise)	H1 2019	H1 2018
Adjusted EBITDA	**2,139**	**2,254**
Operating depreciation, amortisation and impairment losses	-833	-701
Adjusted EBIT	**1,306**	**1,553**
Non-operating result	146	90
Financial result	-288	-278
Income before tax	**1,164**	**1,365**
Taxes on income	-306	-306
Income	**858**	**1,059**
Non-controlling interests	187	209
Net income/income attributable to innogy SE shareholders	**671**	**850**
Effective tax rate	26.3%	22.4%

Net income down year on year

- Higher depreciation and amortisation, primarily due to first-time application of IFRS 16, paired with relief for adjusted EBITDA from the lease payments
- Improvement in the non-operating result driven by deconsolidation gains from sale of the Czech gas grid business as well as negative valuation effects of commodity derivatives compared to the same period last year
- In H1 2019, the effective tax rate amounts to 26.3%; the tax-free gain on deconsolidation from sale of the Czech gas grid business is the main positive factor affecting the effective tax rate. In the previous year, the effective tax rate was also influenced by positive effects from the revaluation of deferred tax assets related to loss carryforwards in the Netherlands

Derivation of adjusted net income € million (unless stated otherwise)	H1 2019	H1 2018
Adjusted EBIT	1,306	1,553
Adjusted financial result	-375	-392
Adjusted income before tax	**931**	**1,161**
Tax rate used to calculate adjusted net income	27.5%	25.0%
Taxes on income to calculate adjusted net income	-256	-290
Non-controlling interests	187	209
Adjusted net income	**488**	**662**

Adjusted net income down year on year, as anticipated

- Development of adjusted net income driven by lower adjusted EBIT
- The normalised tax rate for determining adjusted net income is 27.5%, in part due to the limited time during which the loss carryforward can be used in the Netherlands
- Based on the 555,555,000 innogy shares outstanding, adjusted net income amounts to €0.88 per share

Investments € million	H1 2019	H1 2018
Renewables	349	178
Grid & Infrastructure	496	527
Germany	392	400
Eastern Europe	104	127
Retail	99	111
Germany	37	24
United Kingdom	17	29
Netherlands/Belgium	18	42
Eastern Europe	27	16
Corporate/New Businesses	47	84
Corporate/other	23	26
eMobility	11	28
Innovation Hub	13	30
Total capital expenditure	**991**	**900**
Proceeds from disposal of assets/divestitures	-1,991	-186
Net changes in equity (including non-controlling interests)	8	12
Total net investments	**-992**	**726**

Capital expenditure up on previous year – much higher capital gains due to sale of the Czech gas grid business

- Renewables: higher capex on property, plant and equipment versus H1 2018; this was mainly related to the offshore wind farms Triton Knoll and Sofia (UK), onshore wind farms in the USA, the United Kingdom and the Netherlands, and the Limondale photovoltaic array (AUS)
- Grid & Infrastructure: lower capital spending on property, plant and equipment and higher proceeds from the disposal of assets and divestitures primarily stem from sale of the Czech gas grid business
- Corporate/New Businesses:
  - eMobility: capital expenditure down in year-on-year terms due to lower financial investments
  - Innovation Hub: capital expenditure at the Innovation Hub is lower year on year due to delays in capital rounds and alternative financing via convertible bonds

Cash flow statement € million	H1 2019	H1 2018
Funds from operations	1,870	1,972
Changes in working capital	-2,264	-1,955
Cash flows from operating activities	**-394**	**17**
Cash flows from net investments	992	-726
of which: proceeds from disposal of assets/divestitures	1,991	186
Free cash flow	**598**	**-709**
Dividend payments	-1,012	-1,226
Budget deficit/surplus	**-414**	**-1,935**

Free cash flow up on previous year

- Lower FFO mainly owing to weaker adjusted EBITDA
- Increase in working capital driven by reporting date effects, resulting in negative cash flows from operating activities
- Positive free cash flow due to sale of the Czech gas grid business
- After deducting dividends from free cash flow, the budget deficit amounts to -€414 million

Net debt € million	30 Jun 2019	31 Dec 2018
Financial assets	3,471	4,919
Financial liabilities[1]	18,773	18,052
of which: lease liabilities	2,145	6
of which: senior bonds	12,960	13,219
of which: loans from RWE	700	1,656
of which: loans from EIB	1,036	1,037
Net financial debt	**15,302**	**13,133**
Provisions for pensions and similar obligations[2]	4,148	3,489
Provisions for wind farm decommissioning	390	363
Total net debt	**19,840**	**16,985**

1 Adjusted for a step-up effect of €593 million as of 30 June 2019 and €658 million as of 31 December 2018.
2 Including 'surplus of plan assets over benefit obligations' of -€199 million as of 30 June 2019 and -€278 million as of 31 December 2018.

Rise in net debt primarily due to an increase in net financial debt

- Decline in financial assets partially driven by net redemption of debt capital and the budget deficit
- The year-on-year increase in financial liabilities is mainly related to effects from the first quarter; it was caused by first-time application of IFRS 16 and was only partially compensated by the net redemption of bonds and loan liabilities
- The decline in the discount rates in Germany from 1.8% to 1.2% and in the United Kingdom from 2.8% to 2.2% resulted in an increase in provisions for pensions; the positive performance of plan assets had an opposite effect

Balance sheet structure	30 Jun 2019		31 Dec 2018	
Assets	**€ million**	**%**	**€ million**	**%**
Non-current assets	36,717	75.8	37,229	74.6
Intangible assets	9,216	19.0	10,069	20.2
Property, plant and equipment	19,931	41.1	19,365	38.8
Current assets	11,743	24.2	12,645	25.4
Total	**48,460**	**100.0**	**49,874**	**100.0**
Equity and liabilities				
Equity	8,995	18.6	9,914	19.9
Non-current liabilities	26,324	54.3	24,980	50.1
Provisions	5,848	12.1	5,256	10.5
Financial liabilities	17,591	36.3	16,080	32.2
Current liabilities	13,141	27.1	14,980	30.0
Total	**48,460**	**100.0**	**49,874**	**100.0**

Balance-sheet structure: equity ratio of around 19%

- Decline in non-current assets due to the sale of the Czech gas grid business among other things. This was partially offset by first-time application of IFRS16
- Current assets: the decline stems from the lower valuation of commodity derivatives and a reduced level of cash and cash equivalents, which was partially offset by a seasonal rise in trade accounts receivable
- Non-current liabilities: the increase mainly stems from higher pension obligations and first-time application of IFRS 16
- Lower current liabilities in part due to the redemption of bonds and loan liabilities and revaluation of commodity derivatives as of the reporting date
- Equity ratio fell to around 19% primarily as a result of first-time application of IFRS 16 and the dividend payment in Q2

Divisions and segments

Renewables		H1 2019	H1 2018
External revenue	€ million	434	456
Adjusted EBITDA	€ million	415	322
Operating depreciation, amortisation and impairment losses	€ million	-176	-155
Adjusted EBIT	€ million	239	167
Capital expenditure	€ million	349	178
Proceeds from disposal of assets/divestitures	€ million	8	9
Power generation	TWh	5.0	4.8
		30 Jun 2019	31 Dec 2018
Employees		1,969	1,899
Total capacity	MW	3,632	3,571

Renewables

- Rise in adjusted EBIT mainly caused by higher market prices and better weather conditions compared to last year
- Positive contribution to earnings from operational improvements of the existing portfolio in part from a bonus for timely, on-budget completion of the Galloper offshore wind farm and higher earnings from Belectric's business
- Earnings were also bolstered by plants commissioned in 2018 and 2019, such as the onshore wind projects Bad a Cheo (27.7 MW, UK), Brechfa Forest West (57.4 MW, UK), Dromadda Beg (10.2 MW, IE) and Deliceto (23 MW, IT) in 2018 and the onshore wind farm Mynydd y Gwair (57 MW, UK) in 2019

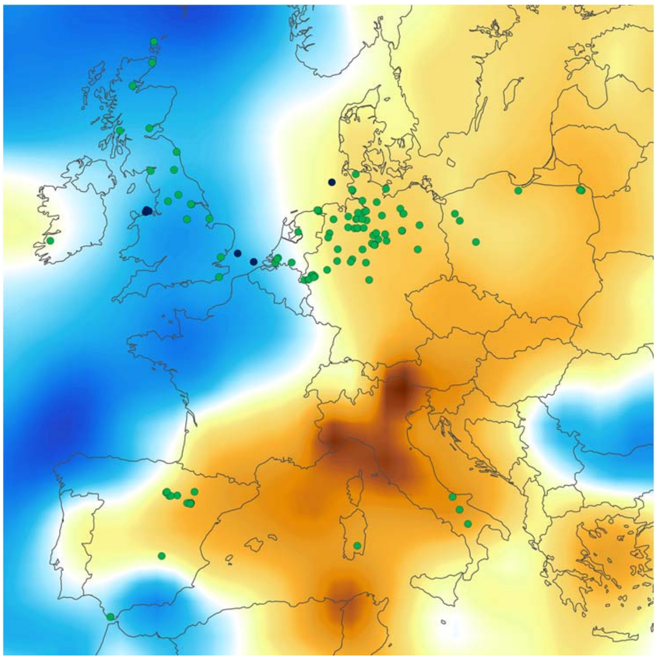
Power generation by division[1] Jan - Jun	Onshore wind		Offshore wind		Hydro		Other renewables[2]		Renewables total		Non-renewables		Total	
billion kWh	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Renewables	2.5	2.2	1.4	1.5	1.1	1.1	0.0	0.0	5.0	4.8	-	-	5.0	4.8
Germany	0.6	0.5	0.4	0.4	0.9	0.9	0.0	0.0	2.0	1.9	-	-	2.0	1.9
United Kingdom	0.5	0.4	1.0	1.0	0.1	0.1	-	-	1.5	1.5	-	-	1.5	1.5
Spain	0.6	0.6	-	-	0.0	0.0	-	-	0.6	0.6	-	-	0.6	0.6
Netherlands	0.3	0.4	-	-	-	-	-	-	0.3	0.4	-	-	0.3	0.4
Poland	0.3	0.3	-	-	-	-	-	-	0.3	0.3	-	-	0.3	0.3
Italy	0.1	0.1	-	-	-	-	-	-	0.1	0.1	-	-	0.1	0.1
France	-	-	-	-	0.1	0.1	-	-	-	0.1	-	-	0.1	0.1
Ireland	0.0	-	-	-	-	-	-	-	0.0	-	-	-	0.0	-
Portugal	-	-	-	-	0.0	0.0	0.0	-	0.0	0.0	-	-	0.0	0.0
Grid & Infrastructure	-	-	-	-	0.4	0.4	0.1	0.1	0.5	0.5	0.1	0.2	0.6	0.7
Retail	-	-	-	-	-	-	-	-	-	-	0.5	0.5	0.5	0.5
innogy Group	**2.5**	**2.2**	**1.4**	**1.5**	**1.5**	**1.5**	**0.1**	**0.1**	**5.5**	**5.3**	**0.6**	**0.7**	**6.1**	**6.0**

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

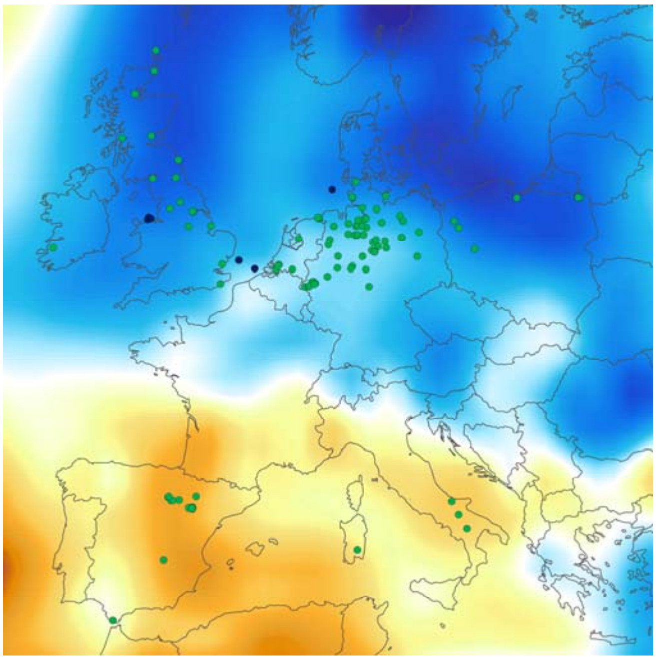
- Electricity production up slightly year on year, at 6.1 billion kWh
- Most of this – 5.0 billion kWh – came from the Renewables division, with 78% from onshore and offshore wind farms and 22% from run-of-river power stations
- Weather conditions play a key role: utilisation of our wind generation facilities depends on wind levels in particular, while precipitation and melt water amounts are crucial for run-of-river and storage power stations

Wind levels in Europe – Wind speed index

(average wind speed relative to the 30-year average of H1 of a year)



Jan – Jun 2019



Jan – Jun 2018

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).

Diverging wind levels in Europe

- Wind levels in comparison to the long-term average: in North-Eastern, Central and much of Southern Europe wind levels in H1 2019 were higher than the long-term average, whereas in the United Kingdom, Ireland and the Netherlands wind levels were partially much lower than the average
- Wind levels in comparison to the previous year: similar or higher wind speeds were registered on the European mainland in H1 2019 at almost all of innogy production locations, with the exception of Spain. Wind speeds were higher in many parts of the United Kingdom and in Ireland; lower wind levels were only recorded in the extreme southern parts of the British Isles
- Hydro power stations are also subject to weather conditions, as their generation depends on precipitation and melt water levels
  - In H1 2019, precipitation and melt water volumes were slightly lower overall than the average for the last 20 years, but power generation varied in the individual regions: while generation in Portugal, Spain and the United Kingdom fell substantially short of the average due to weather conditions, production in Germany was only moderately lower than average and production was higher than the long-term average at our French locations thanks to ample precipitation in H1
  - Compared to the previous year, total precipitation and melt water levels were better in H1 2019, which had a beneficial effect on power generation

innogy's electricity sales only partially dependent on wholesale price developments

- A large portion of our generation assets receives a fixed feed-in tariff for a predefined period, making it independent of wholesale electricity prices; this mainly applies to our wind turbines in Germany
- In total, approx. 60% of our earnings in the Renewables division are quasi-regulated
- The remaining part of our generation is sold on the wholesale market with an exposure to market price risks; this holds true for most of our German run-of-river power stations. To limit the impact of sudden price fluctuations, we partly sell the electricity generated by these assets up to three years in advance
- In H1 2019, we realised an average wholesale price of €49 per MWh (H1 2018: €42 per MWh) across all markets. The average wholesale price in our two key markets developed as follows: in Germany, we achieved an average price of €35 per MWh (H1 2018: €32 per MWh), whereas in the United Kingdom an average price of £47 per MWh was realised (equivalent to €54 MWh), marking an increase of around £3 compared to H1 2018

Grid & Infrastructure Germany		H1 2019	H1 2018
External revenue[1]	€ million	2,617	2,673
Adjusted EBITDA	€ million	1,190	1,084
Operating depreciation, amortisation and impairment losses	€ million	-427	-321
Adjusted EBIT	€ million	763	763
Capital expenditure	€ million	392	400
Proceeds from disposal of assets/divestitures	€ million	117	166
		30 Jun 2019	31 Dec 2018
Employees		14,569	14,451

1 Prior-year figures restated due to change in recognition of feed-in payments under the German Renewable Energy Act (previously recognised as gross amounts in revenue and the cost of materials).

Grid & Infrastructure Germany

- Stable operating business
- Adjusted EBIT on par with last year's level, in part due to mildly higher one-off proceeds; higher staff costs have an opposite effect

Grid & Infrastructure Eastern Europe		H1 2019	H1 2018
External revenue	€ million	460	548
Adjusted EBITDA	€ million	303	423
Operating depreciation, amortisation and impairment losses	€ million	-96	-126
Adjusted EBIT	€ million	207	297
Capital expenditure	€ million	104	127
Proceeds from disposal of assets/divestitures	€ million	1,858	1
		30 Jun 2019	31 Dec 2018
Employees		4,764	6,963

Grid & Infrastructure Eastern Europe

- Stable operating business
- Lower adjusted EBIT as the Czech gas grid business contributed no earnings from end-February 2019 following its sale
- Lower headcount due to sale of the Czech gas grid business

Retail Germany		H1 2019	H1 2018
External revenue	€ million	8,125	8,207
Adjusted EBITDA	€ million	214	274
Operating depreciation, amortisation and impairment losses	€ million	-22	-16
Adjusted EBIT	€ million	192	258
Capital expenditure	€ million	37	24
Proceeds from disposal of assets/divestitures	€ million	1	-
		30 Jun 2019	31 Dec 2018
Employees		4,033	4,089
Electricity and gas customers	thousands	8,050	7,867
of which: residential and commercial customers	thousands	7,969	7,785

Retail Germany

- Lower adjusted EBIT was mainly driven by up-front costs for electricity and gas which could not be passed on or not yet passed on in full. Up-front costs consist of procurement costs for electricity and gas, as well as other components such as network fees and taxes
- Customer gains in the competitive market environment did not yet generate any significant contribution to earnings in H1 2019

Retail United Kingdom		H1 2019	H1 2018
External revenue	€ million	3,554	3,666
Adjusted EBITDA	€ million	-59	7
Operating depreciation, amortisation and impairment losses	€ million	-22	-25
Adjusted EBIT	€ million	-81	-18
Capital expenditure	€ million	17	29
Proceeds from disposal of assets/divestitures	€ million	1	-
		30 Jun 2019	31 Dec 2018
Employees		5,967	6,035
Electricity and gas customers	thousands	3,855	4,093
of which: residential and commercial customers	thousands	3,834	4,071

Retail United Kingdom

- The main negative impact on earnings came from the price cap on electricity and gas tariffs introduced by the Office of Gas and Electricity Markets in early 2019 and lower customer numbers compared to the previous year
- Moreover, provisions for severance payments also had a negative effect on earnings, along with the announced restructuring programme
- Headcount fell mainly as a result of efficiency-enhancement measures and concentration on the core business; an opposite effect stemmed from the reassignment of innogy Business Services UK Limited (434 employees) from the segment Corporate/other to the UK retail segment

Retail Netherlands/Belgium		H1 2019	H1 2018
External revenue	€ million	1,908	1,956
Adjusted EBITDA	€ million	107	114
Operating depreciation, amortisation and impairment losses	€ million	-30	-24
Adjusted EBIT	€ million	77	90
Capital expenditure	€ million	18	42
Proceeds from disposal of assets/divestitures	€ million	1	1
		30 Jun 2019	31 Dec 2018
Employees		2,584	2,531
Electricity and gas customers	thousands	4,204	4,191
of which: residential and commercial customers	thousands	4,200	4,186

Retail Netherlands/Belgium

- Adjusted EBIT declined primarily as a result of lower consumption per customer compared to the previous year, especially in the gas business due to the warmer weather and a smaller customer base in Q1 2019
- Customer portfolio stabilised, in conjunction with higher sales costs amidst persistently difficult market conditions
- The moderate increase in headcount resulted from the acquisition of EnergieWerken B.V. Group, which supplies and installs PV systems

Retail Eastern Europe		H1 2019	H1 2018
External revenue	€ million	1,845	1,770
Adjusted EBITDA	€ million	113	154
Operating depreciation, amortisation and impairment losses	€ million	-10	-9
Adjusted EBIT	€ million	103	145
Capital expenditure	€ million	27	16
Proceeds from disposal of assets/divestitures	€ million	2	-
		30 Jun 2019	31 Dec 2018
Employees		2,787	2,652
Electricity and gas customers	thousands	5,543	5,580
of which: residential and commercial customers	thousands	5,514	5,554

Retail Eastern Europe

- Decline in adjusted EBIT due to regulatory intervention in Poland and Hungary, which results in the higher procurement costs from wholesale price increases being borne by energy utilities
- Stable development of the customer portfolio

Average temperature deviation H1 2019	Germany		United Kingdom		Netherlands/Belgium		Eastern Europe[1]	
Degrees Celsius	2019 vs. 2018	2019 vs. 10-year avg.	2019 vs. 2018	2019 vs. 10-year avg.	2019 vs. 2018	2019 vs. 10-year avg.	2019 vs. 2018	2019 vs. 10-year avg.
1st quarter	2.4	1.6	1.8	1.0	2.1	1.3	1.8	1.1
2nd quarter	-1.8	0.5	-1.4	-0.2	-1.8	0.1	-1.5	0.4
Half-year	**0.3**	**1.1**	**0.2**	**0.4**	**0.1**	**0.7**	**0.1**	**0.8**

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

Warmer weather in H1 2019 in much of Europe

- Development in H1 2019: in H1 2019, average temperatures in all of our core markets were higher than the 10-year average and the comparable levels from the previous year
- Development in Q1 2019: temperatures were considerably milder during the first quarter in particular, compared to the 10-year average and the same prior-year quarter
- Development in Q2 2019: temperatures in the second quarter of 2019, however, were substantially colder than in Q2 2018
  - By contrast, compared to the 10-year average, temperatures in Q2 2019 were warmer in most of our core markets, with the exception of the United Kingdom where average temperatures fell slightly shy of the long-term average

Electricity customers by country	Total		Of which: residential and commercial customers	
'000	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Germany	6,707	6,585	6,638	6,515
United Kingdom	2,317	2,453	2,300	2,435
Netherlands/Belgium	2,265	2,255	2,263	2,252
Eastern Europe[1]	4,183	4,192	4,167	4,177
innogy Group	**15,473**	**15,484**	**15,367**	**15,378**

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

- Number of electricity customers remained almost unchanged versus end-2018
- Customer gains were registered in H1 2019 in Germany and the Netherlands/Belgium
- Due to the persistently high competitive pressure, the churn rate for electricity customers in the United Kingdom reached a new peak in H1 2019

External electricity sales volume H1 2019[1]	Total		Of which: residential and commercial customers	
TWh	2019	2018	2019	2018
Renewables	4.4	4.5	-	-
Grid & Infrastructure	0.9	1.0	0.2	0.2
Germany	0.9	1.0	0.2	0.2
Eastern Europe	-	-	-	-
Retail	114.9	124.4	24.3	25.3
Germany	78.1	85.1	10.0	10.0
United Kingdom	18.0	20.0	4.7	5.8
Netherlands/Belgium	7.1	6.8	4.2	4.2
Eastern Europe	11.7	12.5	5.4	5.3
innogy Group	**120.2**	**129.9**	**24.5**	**25.5**

1 Prior-year figures restated due to change in recognition of feed-in payments under the German Renewable Energy Act.

- Electricity sales volume down 7% year on year in H1 2019
- Sales volumes mainly declined in the distributor business, especially in Germany, as some distributors changed suppliers or increased their procurement from other sources
- Electricity sales volumes also fell in the segment of residential and commercial customers, in part due to lower customer numbers, in particular in the United Kingdom

Gas customers by country	Total		Of which: residential and commercial customers	
'000	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Germany	1,343	1,283	1,331	1,270
United Kingdom	1,538	1,640	1,535	1,636
Netherlands/Belgium	1,939	1,936	1,937	1,934
Eastern Europe[1]	1,359	1,388	1,347	1,377
innogy Group	**6,179**	**6,246**	**6,150**	**6,218**

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

- In H1 2019, the number of gas customers fell slightly overall versus end-2018
- While we added customers in Germany and the Netherlands/Belgium, customer losses were recorded in the United Kingdom and Eastern Europe due to the intense competitive pressure and a stronger focus on higher-value customers

External gas sales volume H1 2019	Total		Of which: residential and commercial customers	
TWh	2019	2018	2019	2018
Grid & Infrastructure	0.9	0.9	0.1	0.1
Germany	0.9	0.9	0.1	0.1
Eastern Europe	-	-	-	-
Retail	126.5	122.3	52.7	59.2
Germany	56.8	45.1	14.4	13.8
United Kingdom	19.6	24.4	13.7	18.4
Netherlands/Belgium	27.1	30.5	16.4	18.4
Eastern Europe	23.0	22.3	8.2	8.6
innogy Group	**127.4**	**123.2**	**52.8**	**59.3**

- Gas sale volume grew by around 3% versus H1 2018
- Rising customer numbers and intensification of our supply with existing customers at German distributors resulted in higher gas sales
- Sales to residential and commercial customers declined, mainly owning to the shrinking customer base and warmer weather in Q1, especially in the Netherlands/Belgium, the United Kingdom and in certain Eastern European countries

Corporate/New Businesses		H1 2019	H1 2018
External revenue	€ million	85	84
Adjusted EBITDA	€ million	-144	-124
Operating depreciation, amortisation and impairment losses	€ million	-50	-25
Adjusted EBIT	€ million	-194	-149

of which: Corporate/other		H1 2019	H1 2018
Adjusted EBITDA	€ million	-102	-104
Operating depreciation, amortisation and impairment losses	€ million	-43	-23
Adjusted EBIT	€ million	-145	-127
Capital expenditure	€ million	23	26
Proceeds from disposal of assets/divestitures	€ million	3	9
		30 Jun 2019	31 Dec 2018
Employees		3,528	4,013

Corporate/other

- Adjusted EBIT down year on year due to the timing of costs incurred for projects during the year
- Lower headcount mainly due to the reassignment of a Group company (innogy Business Services UK Limited) to the UK retail business (see page 10)

of which: eMobility		H1 2019	H1 2018
Adjusted EBITDA	€ million	-20	-14
Operating depreciation, amortisation and impairment losses	€ million	-7	-2
Adjusted EBIT	€ million	-27	-16
Capital expenditure	€ million	11	28
Proceeds from disposal of assets/divestitures	€ million	-	-
		30 Jun 2019	31 Dec 2018
Employees		285	233

eMobility

- Development of eMobility's international business activities and the resulting growth expenditures reduced earnings in H1 2019
- In H1 2019, the customer portfolio increased and the product portfolio in hardware and software was expanded
- Steady increase in headcount reflects our growth ambitions

of which: Innovation Hub		H1 2019	H1 2018
Adjusted EBITDA	€ million	-22	-6
Operating depreciation, amortisation and impairment losses	€ million	-	-
Adjusted EBIT	€ million	-22	-6
Capital expenditure	€ million	13	30
Proceeds from disposal of assets/divestitures	€ million	-	-
		30 Jun 2019	31 Dec 2018
Employees		36	38

Innovation Hub

- Lower adjusted EBIT owing to weaker portfolio value development and consolidation of the portfolio
- Portfolio growth driven by 18 investments in new or existing portfolio companies; around 80 growth initiatives with portfolio companies continued

Opportunities and risks

A comprehensive overview of innogy's opportunities and risks as well as the instruments for identifying and managing them is provided in our 2018 Annual Report on pages 97 et seqq.

Changes to our risk exposure since beginning of this year:

- Regulatory risks in our grid business have moderated as a result of further regulatory decisions and sale of the Czech gas grid business to RWE in February 2019. The retail business continues to face intense competition and the risk of further regulatory intervention
- The credit risk stemming from commodity procurement handled by RWE Supply & Trading has declined compared to what was presented in the Annual Report. This is due to significant stabilisation and some modest declines in commodity prices and lower volatility in market prices
- If the planned E.ON/RWE transaction does not go through, our rating may be subject to review and this may have a negative impact on our financing costs. Furthermore, in that case innogy would have higher financing requirements, stemming from repurchase agreements included in the transaction, among other things

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

- The VaR for securities price risk associated with changes in interest rates on our capital investments in H1 2019 averaged €4 million
- Moreover, higher interest rates cause our financing costs to rise compared to the current level. The cash flow at risk (CFaR, 95% confidence level, holding period of one year) averaged €5 million
- The securities we hold in our portfolio include shares. On average, the VaR for the risk associated with changes in share prices was €5 million
- In H1 2019, the average VaR for innogy's foreign currency position from transactional risks was less than €1 million

Outlook

Outlook for 2019 confirmed

Outlook € million (unless stated otherwise)	2018 actual	Outlook 2019 (August 2019)	Confirmation/ change versus May 2019
Adjusted EBIT[1]	2,630	About 2,300	Confirmed
Renewables	299	400 to 500	Confirmed
Grid & Infrastructure	1,962	1,700 to 1,800	Confirmed
Retail	654	300 to 400	Confirmed
Adjusted financial result	-773	-650 to -750	Confirmed
Tax rate used to calculate adjusted net income	25%	25% to 30%	Confirmed
Adjusted net income	1,026	About 850	Confirmed

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

- Confirmation of the 2019 outlook at the Group level and for the divisions – as planned the outlook is lower than in the previous year due to the further anticipated decline in earnings in the UK retail business and sale of the Czech gas grid

Responsibility Statement

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

Essen, 7 August 2019

The Executive Board

Tigges   Günther   Hahn

Bünting   Herrmann   Müller

Interim consolidated financial statements

Income statement (condensed)

€ million	Apr – Jun 2019	Apr - Jun 2018	Jan - Jun 2019	Jan - Jun 2018
Revenue (including natural gas tax/electricity tax)[1]	**7,947**	**8,098**	**19,028**	**19,360**
Natural gas tax/electricity tax	–370	–336	–1,078	–1,096
Revenue[1]	**7,577**	**7,762**	**17,950**	**18,264**
Cost of materials[1]	–5,899	–6,082	–13,891	-14,009
Staff costs	–799	–788	–1,590	–1,544
Depreciation, amortisation and impairment losses	–413	–355	–833	–701
Other operating result	–293	–311	–308	–538
Income from investments accounted for using the equity method	56	55	112	107
Other income from investments	17	27	12	64
Financial income	54	58	225	171
Finance costs	–182	–177	–513	–449
Income before tax	**118**	**189**	**1,164**	**1,365**
Taxes on income	–63	70	–306	–306
Income	**55**	**259**	**858**	**1,059**
of which: non-controlling interests	46	51	187	209
of which: net income/income attributable to innogy SE shareholders	9	208	671	850
Basic and diluted earnings per share in €	**0.02**	**0.37**	**1.21**	**1.53**

1 Prior-year figures restated due to change in recognition of feed-in payments under the German Renewable Energy Act (previously recognised as gross amounts in revenue and the cost of materials).

Statement of comprehensive income[1] (condensed)

€ million	Apr - Jun 2019	Apr - Jun 2018	Jan - Jun 2019	Jan - Jun 2018
Income	**55**	**259**	**858**	**1,059**
Actuarial gains and losses of defined benefit pension plans and similar obligations	–252	48	–419	–97
Fair valuation of equity instruments	–1	10	54	4
Income and expenses recognised in equity, not to be reclassified through profit or loss	**–253**	**58**	**–365**	**–93**
Currency translation adjustment	55	–126	–13	–123
Fair valuation of debt instruments	16	–4	33	–5
Fair valuation of financial instruments used for hedging purposes	–14	11	–50	8
Income and expenses of investments accounted for using the equity method (pro rata)		–3		–3
Income and expenses recognised in equity, to be reclassified through profit or loss in the future	**57**	**–122**	**–30**	**–123**
Other comprehensive income	**–196**	**–64**	**–395**	**–216**
Total comprehensive income	**–141**	**195**	**463**	**843**
of which: attributable to innogy SE shareholders	–168	184	369	679
of which: attributable to non-controlling interests	27	11	94	164

1 Figures stated after taxes.

Balance sheet (condensed)

Assets € million	30 Jun 2019	31 Dec 2018
Non-current assets		
Intangible assets	9,216	10,069
Property, plant and equipment	19,931	19,365
Investments accounted for using the equity method	2,296	2,253
Other financial assets	996	991
Receivables and other assets	1,575	1,921
Deferred taxes	2,703	2,630
	36,717	**37,229**
Current assets		
Inventories	590	414
Trade accounts receivable	5,114	4,349
Receivables and other assets	3,066	3,506
Marketable securities	1,903	2,362
Cash and cash equivalents	1,070	2,014
	11,743	**12,645**
	48,460	**49,874**

Equity and liabilities € million	30 Jun 2019	31 Dec 2018
Equity		
innogy SE shareholders' interest	7,490	7,900
Non-controlling interests	1,505	2,014
	8,995	**9,914**
Non-current liabilities		
Provisions for pensions and similar obligations	4,347	3,767
Other provisions	1,501	1,489
Financial liabilities	17,591	16,080
Other liabilities	2,427	2,982
Deferred taxes	458	662
	26,324	**24,980**
Current liabilities		
Other provisions	2,973	2,588
Financial liabilities	1,772	2,625
Trade accounts payable	3,866	4,381
Other liabilities	4,530	5,386
	13,141	**14,980**
	48,460	**49,874**

Cash flow statement

€ million	Jan - Jun 2019	Jan - Jun 2018
Income	858	1,059
Depreciation, amortisation, impairment losses/reversals	853	702
Changes in provisions	459	405
Changes in deferred taxes	69	22
Income from disposal of non-current assets and marketable securities	−272	−83
Other non-cash income/expenses	−97	−133
Changes in working capital	−2,264	−1,955
Cash flows from operating activities	**−394**	**17**
Intangible assets/property, plant and equipment		
Capital expenditures	−929	−703
Proceeds from disposal of assets	125	80
Acquisitions/investments		
Capital expenditures	−62	−197
Proceeds from disposal of assets/divestitures	1,866	106
Changes in marketable securities and cash investments	567	−150
Cash flows from investing activities (before initial/subsequent transfer to plan assets)	**1,567**	**−864**
Initial/subsequent transfer to plan assets		−13
Cash flows from investing activities (after initial/subsequent transfer to plan assets)	**1,567**	**−877**
Net changes in equity (including non-controlling interests)	−8	−12
Dividends paid to innogy shareholders and non-controlling interests	−1,012	−1,226
Issuance of financial debt	2,635	2,261
Repayment of financial debt	−3,743	−161
Cash flows from financing activities	**−2,128**	**862**
Net cash change in cash and cash equivalents	−955	2
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	11	9
Net change in cash and cash equivalents	**−944**	**11**
Cash and cash equivalents at the beginning of the reporting period as per the consolidated balance sheet	**2,014**	**1,070**
Cash and cash equivalents at the end of the reporting period as per the consolidated balance sheet	**1,070**	**1,081**

Statement of changes in equity (condensed)

€ million	Subscribed capital and additional paid-in capital of innogy SE	Retained earnings and distributable profit	Accumulated other comprehensive income	**innogy SE shareholders' interest**	Non-controlling interests	**Total**
Balance at 1 Jan 2018	**7,321**	**2,695**	**−613**	**9,403**	**1,813**	**11,216**
Dividends paid		−889		−889	−284	−1,173
Income		850		850	209	1,059
Other comprehensive income		−77	−94	−171	−45	−216
Total comprehensive income		773	−94	679	164	843
Withdrawals/contributions		14		14	155	169
Balance at 30 Jun 2018	**7,321**	**2,593**	**−707**	**9,207**	**1,848**	**11,055**
Balance at 1 Jan 2019	**7,321**	**1,221**	**−642**	**7,900**	**2,014**	**9,914**
Dividends paid		−778		−778	−185	−963
Income		671		671	187	858
Other comprehensive income		−292	−10	−302	−93	−395
Total comprehensive income		379	−10	369	94	463
Withdrawals/contributions		−1		−1	−418	−419
Balance at 30 Jun 2019	**7,321**	**821**	**−652**	**7,490**	**1,505**	**8,995**

Notes

Accounting policies

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

The consolidated interim financial statements for the period that ended on 30 June 2019 were approved for publication on 7 August 2019. Along with additional disclosure in the interim Group review of operations they were prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU.

In line with IAS 34, the scope of reporting for the presentation of interim consolidated financial statements for the period that ended on 30 June 2019 was condensed compared to the scope applied to the consolidated financial statements for the period that ended on 31 December 2018. With the exception of the changes and new rules described below, these interim consolidated financial statements were prepared using the accounting policies applied in the consolidated financial statements for the period that ended on 31 December 2018. For further information, reference is made to the consolidated financial statements for the period ending on 31 December 2018, which form the basis for these consolidated interim financial statements.

Provisions for pensions and similar obligations are discounted at an interest rate of 1.2% in Germany and 2.2% abroad (31 December 2018: 1.8% and 2.8%, respectively).

Changes in accounting policies

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have approved new IFRSs, amendments of existing IFRSs and a new Interpretation, which are effective for the innogy Group as of fiscal 2019: first-time application of the Standards described below have material effects on the innogy Group's consolidated financial statements:

IFRS 16 Leases (2016) replaces IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. innogy is applying the modified retrospective method in the initial adoption of the new regulations concerning lease accounting. The comparable information for fiscal 2018 has not been adjusted. innogy is adhering to the assessment as to whether existing contracts contain a lease in accordance with IAS 17 and IFRIC 4, which has already been completed. Furthermore, 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 a right-of-use asset. The transition to IFRS 16 did not have any effects on equity.

The initial application of IFRS 16 had the following effects: right-of-use assets in the amount of €2.1 billion and corresponding lease liabilities in the same amount were recognised as of 1 January 2019. innogy did not apply the new regulations to leases, the terms of which end within the first twelve months from the date of initial application, at the transition date. These contracts are accounted for as short-term leases and the lease instalments are recognised in the period's current expenses. Likewise, initial direct costs were not taken into consideration in the initial valuation of the right-of-use assets at the transition date. Right-of-use assets pursuant to IFRS 16 are recognised in property, plant and equipment and amortised linearly over the term of the lease. Obligations entered into as part of a lease are measured at the net present value of the future lease instalments and recognised in financial liabilities. The lease instalments are broken down into principal and interest components applying the effective interest method. In the period under review, depreciation and amortisation rose by €134 million and interest expenses rose by €27 million as a result of the introduction of IFRS 16. The abolishment of the recognition of the nominal lease instalments with an effect on expenses provided roughly the same amount of relief to EBITDA during the period under review.

The following reconciliation to the opening balance of lease liabilities as of 1 January 2019 results from the obligations from operating leases as of 31 December 2018:

Initial application of IFRS 16: reconciliation	€ million
Obligations from operating leasing as of 31 Dec 2018	**2,506**
Simplified application for short-term leases, low-value assets and non-leasing components	-44
Less lease instalments related to leases that have already been concluded but have not yet begun, plus adjustments to the lease terms and other changes	162
Nominal value of lease obligations as of 1 Jan 2019	2,624
Effect of discounting lease liabilities	-507
Lease liabilities recognised as of 1 Jan 2019 due to the initial application of IFRS 16	**2,117**
Finance lease liabilities as of 31 Dec 2018	5
Total lease liabilities as of 1 Jan 2019	**2,122**

Lease liabilities are discounted applying term and currency-specific incremental borrowing rates. The weighted average incremental borrowing rate at the initial application date of IFRS 16 was 2.7%.

IFRS 9 Financial Instruments – Physical Settlement of Contracts to Buy or Sell a Non-financial Item

At its meeting in March 2019, the IFRS IC found within the scope of an agenda decision that contracts for forward purchases or sales of non-financial items must be realised at the market price applicable at physical settlement, as long as such contracts do not qualify for an own use scope exception according to IFRS 9 (referred to as 'failed own-use contracts'). The practice previously customary in the sector has been to state the contracts at their settlement amount. This leads to volatility in revenue and cost of materials; it is also accompanied by a corresponding change in the result on unrealised fair value changes in the other operating result, and consequently income according to the income statement and the statement of comprehensive income remains unchanged.

The effects of the IFRS IC agenda decision on innogy's consolidated financial statements are currently being reviewed and cannot yet be reliably determined. It is envisaged to implement the IFRS IC agenda decision by the end of fiscal 2019.

The following amendments to standards and a new interpretation mandatory for the innogy Group from fiscal 2019 onwards do not have a material effect on innogy's consolidated financial statements:

- 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),
- Annual Improvements to IFRS Standards 2015-2017 Cycle (2017),
- IFRIC 23 Uncertainty over Income Tax Treatments (2017).

New accounting policies

The IASB issued further standards and amendments to standards, which are not yet mandatory in the EU in fiscal 2019. These standards and amendments to standards are listed on the right and are not expected to have any material effects on innogy's consolidated financial statements:

- IFRS 17 Insurance Contracts (2017),
- Amendments to References to the Conceptual Framework in IFRS Standards (2018),
- Amendment to IFRS 3 Business Combinations (2018),
- Amendments to IAS 1 and IAS 8; Definition of Material (2018).

Scope of consolidation

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

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

Number of fully consolidated companies	Germany	Abroad	Total
Balance at 1 Jan 2019	**117**	**187**	**304**
First-time consolidation	2	16	18
Deconsolidation	0	-3	-3
Mergers	0	-3	-3
Balance at 30 Jun 2019	**119**	**197**	**316**

Number of investments and joint ventures accounted for using the equity method	Germany	Abroad	Total
Balance at 1 Jan 2019	**67**	**17**	**84**
Acquisitions	0	0	0
Disposals	0	0	0
Other changes	0	-1	-1
Balance at 30 Jun 2019	**67**	**16**	**83**

Furthermore, five companies are presented as joint operations.

Disposals

innogy Grid Holding

In February 2019, innogy sold to RWE its share of 50.04% in innogy Grid Holding, a.s. (in the segment Grid & Infrastructure Eastern Europe), and thus disposed of its Czech gas business.

The gain on the deconsolidation amounted to €209 million and has been recognised as part of 'other operating result' on the income statement.

External revenue by product and segment

External revenue by product and segment € million (Jan–Jun 2019)	Renewables	Grid & Infrastructure	Retail	Corporate/New Businesses	innogy Group
External revenue[1]	**434**	**3,071**	**14,360**	**85**	**17,950**
of which: electricity	282	2,265	10,017		12,564
of which: gas	1	448	3,929		4,378
of which: other	151	358	414	85	1,008

1 Excluding natural gas tax/electricity tax.

External revenue by product and segment € million (Jan–Jun 2018)	Renewables	Grid & Infrastructure[2]	Retail	Corporate/New Businesses	innogy Group
External revenue[1]	**456**	**3,215**	**14,509**	**84**	**18,264**
of which: electricity	324	2,365	10,237		12,926
of which: gas		531	3,883		4,414
of which: other	132	319	389	84	924

1 Excluding natural gas tax/electricity tax.
2 Prior-year figures restated due to change in recognition of feed-in payments under the German Renewable Energy Act (previously recognised as gross amounts in revenue and the cost of materials).

Share-based payment

The consolidated financial statements for the period ended 31 December 2018 presented the share-based payment system for executives of innogy SE and subordinate affiliates. The long-term incentive plan for executives ('Strategic Performance Plan') was discontinued in the first quarter of 2019 and replaced by the new Long-Term Incentive Plan 2019.

The new plan pays a retention bonus to the executives for fiscal 2019 and 2020 in order to retain them at innogy SE. The one-time tranche has a term of two years before payments are made in January 2021. The payments are fixed and are not linked to the performance of the executives or the company.

Dividend distribution

innogy SE's 30 April 2019 Annual General Meeting decided to pay a dividend of €1.40 per individual, dividend-bearing share for fiscal 2018. The dividend payment totalled €778 million.

Financial liabilities

On 31 January 2019, innogy SE issued a bond with a volume of €750 million and a tenor of 4.5 years. Based on an annual coupon of 0.75% and an issue rate of 99.658%, the annual yield amounts to 0.828%. The proceeds from this bond will be used to refinance liabilities due as well as for general business activities.

Earnings per share

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

Earnings per share		Jan - Jun 2019	Jan - Jun 2018
Net income/income attributable to innogy SE shareholders	€ million	671	850
Number of shares outstanding (weighted average)	thousands	555,555	555,555
Earnings per share	**€**	**1.21**	**1.53**

Reporting on financial instruments

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

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

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

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

As a rule, the carrying amounts of financial assets and liabilities within the scope of IFRS 7 are identical to their fair values. As regards financial liabilities, there are only deviations in relation to financial liabilities. The carrying amount was €17,219 million (31 Dec 2018: €18,705 million), while the fair value amounted to €19,174 million (31 Dec 2018: €19,738 million). For financial assets, there are no deviations between carrying amounts and fair values.

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

Level 1: measurement using (unadjusted) prices of identical financial instruments formed on active markets

Level 2: measurement on the basis of input parameters which are not the prices from Level 1, but which can be observed for the financial instrument either directly (i.e. as price) or indirectly (i.e. derived from prices)

Level 3: measurement using factors which cannot be observed on the basis of market data

Fair value hierarchy € million	Total 30 Jun 2019	Level 1	Level 2	Level 3	Total 31 Dec 2018	Level 1	Level 2	Level 3
Other financial assets	996	54	126	816	991	51	132	808
Financial receivables	39			39	39			39
Derivatives (assets)	1,390		1,390		2,717		2,707	10
of which: used for hedging purposes					2		2	
Marketable securities	1,903	1,872	31		2,362	1,703	659	
Derivatives (liabilities)	1,763		1,754	9	2,972		2,962	10
of which: used for hedging purposes	105		105		10		10	

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

Level 3 financial instruments: development in 2019 € million	Balance at 1 Jan 2019	Changes in the scope of consolidation, currency adjustments and other	Changes			Balance at 30 Jun 2019
			Recognised in profit or loss	Not recognised through profit or loss (OCI)	With a cash effect or from swaps	
Other financial assets	808	–13	–18	–2	41	816
Financial receivables	39					39
Derivatives (assets)	10		–3		–7	
Derivatives (liabilities)	10		5		–6	9

Level 3 financial instruments: development in 2018 € million	Balance at 1 Jan 2018	Changes in the scope of consolidation, currency adjustments and other	Changes			Balance at 30 Jun 2018
			Recognised in profit or loss	Not recognised through profit or loss (OCI)	With a cash effect or from swaps	
Other financial assets	675	9	9	7	94	794
Financial receivables	35	9				44
Derivatives (assets)	6		–1		–5	
Derivatives (liabilities)	7				–5	2

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 in profit or loss € million	Total Jan – Jun 2019	Of which: attributable to financial instruments held at the balance-sheet date	Total Jan – Jun 2018	Of which: attributable to financial instruments held at the balance-sheet date
Other operating income/expenses	−6	−6	9	9
Income from investments	−15	9	−1	−1
Financial income/finance costs	−5			
	−26	**3**	**8**	**8**

Level 3 derivative financial instruments essentially consist of weather derivatives to hedge temperature-dependent fluctuations in demand. The valuation of such depends on the development of temperatures in particular. As a rule, all other things being equal, rising temperatures cause the fair values to increase and vice-versa. Assumptions that the future development of average temperatures will differ from the past long-term average over the derivatives' remaining term to maturity may only be made for extremely short periods of time. Therefore, the fair values are predominantly determined based on the long-term average temperatures. A change in temperature by +/−0.1 °C would cause the market value to rise by €0.4 million or decline by €0.4 million January – June 2018: +/−€2.1 million).

Related party disclosures

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

Key items from transactions with related parties	RWE AG		Subsidiaries, joint ventures and associates of the RWE Group		Associates of the innogy Group		Joint ventures of the innogy Group	
€ million	Jan - Jun 2019	Jan - Jun 2018	Jan - Jun 2019	Jan - Jun 2018	Jan - Jun 2019	Jan - Jun 2018	Jan - Jun 2019	Jan - Jun 2018
Income	13	11	4,747	2,973[1]	15	24	5	2
Expenses	5	6	8,918	10,454	8	66	-	48

1 Prior-year figure restated due to change in recognition of feed-in payments under the German Renewable Energy Act (previously recognised as gross amounts in revenue and the cost of materials).

Key items from transactions with related parties	RWE AG		Subsidiaries, joint ventures and associates of the RWE Group		Associates of the innogy Group		Joint ventures of the innogy Group	
€ million	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Receivables	-	35	1,465	2,335	26	33	40	41
Liabilities	717	1,668	2,003	3,035	3	5	9	8

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

Key items from transactions with related parties

€ million	RWE Group	
	Jan - Jun 2019	Jan - Jun 2018
Income	**4,760**	**2,984**
of which: income from supply transactions[1]	2,165	1,736
of which: income from financial transactions	-	-
of which: other	2,595	1,248
Expenses	**8,923**	**10,460**
of which: expenses from supply transactions	8,695	10,425
of which: expenses from financial transactions	4	6
of which: other	224	29

1 Prior-year figure restated due to change in recognition of feed-in payments under the German Renewable Energy Act (previously recognised as gross amounts in revenue and the cost of materials).

Furthermore, as of 30 June 2019, there were loans and financial receivables amounting to €145 million (31 Dec 2018: €162 million and loans and financial liabilities owed to the RWE Group amounting to €700 million (31 Dec 2018: €1,665 million).

As of 30 June 2019, other obligations from executory contracts amounted to €24,506 million (as of 31 December 2017: €23,948 million).

All transactions were completed at arm's length conditions; i.e. on principle the conditions of these transactions did not differ from those with other enterprises. As of 30 June 2019, receivables of €1,882 million (31 December 2018: €1,682 million) and liabilities of €2,884 million (31 December 2018: €3,578 million) were due within one year.

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

Events after the balance-sheet date

No major events occurred between 1 July 2019 and 7 August 2019, the date on which the consolidated financial statements were approved for publication.

Review Report

To innogy SE, Essen

We have reviewed the condensed consolidated interim financial statements – comprising the condensed statement of financial position, condensed statement of comprehensive income, statement of cash flows, condensed statement of changes in equity and selected explanatory notes – and the interim group management report of innogy SE for the period from 1 January to 30 June 2019 which are part of the half-year financial report pursuant to § (Article) 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) where appropriate and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been Review Report prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion. Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Essen, 8 August 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Michael Reuther Wirtschaftsprüfer	Ralph Welter Wirtschaftsprüfer

Legal disclaimer

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

Financial calendar 2019

12 November 2019 9M 2019 statement

This document was published on 9 August 2019.

innogy SE
Opernplatz 1
45128 Essen
Germany
T +49 201 12-02
I www.innogy.com

Investor Relations
T +49 201 12-44794
I www.innogy.com/ir
E invest@innogy.com