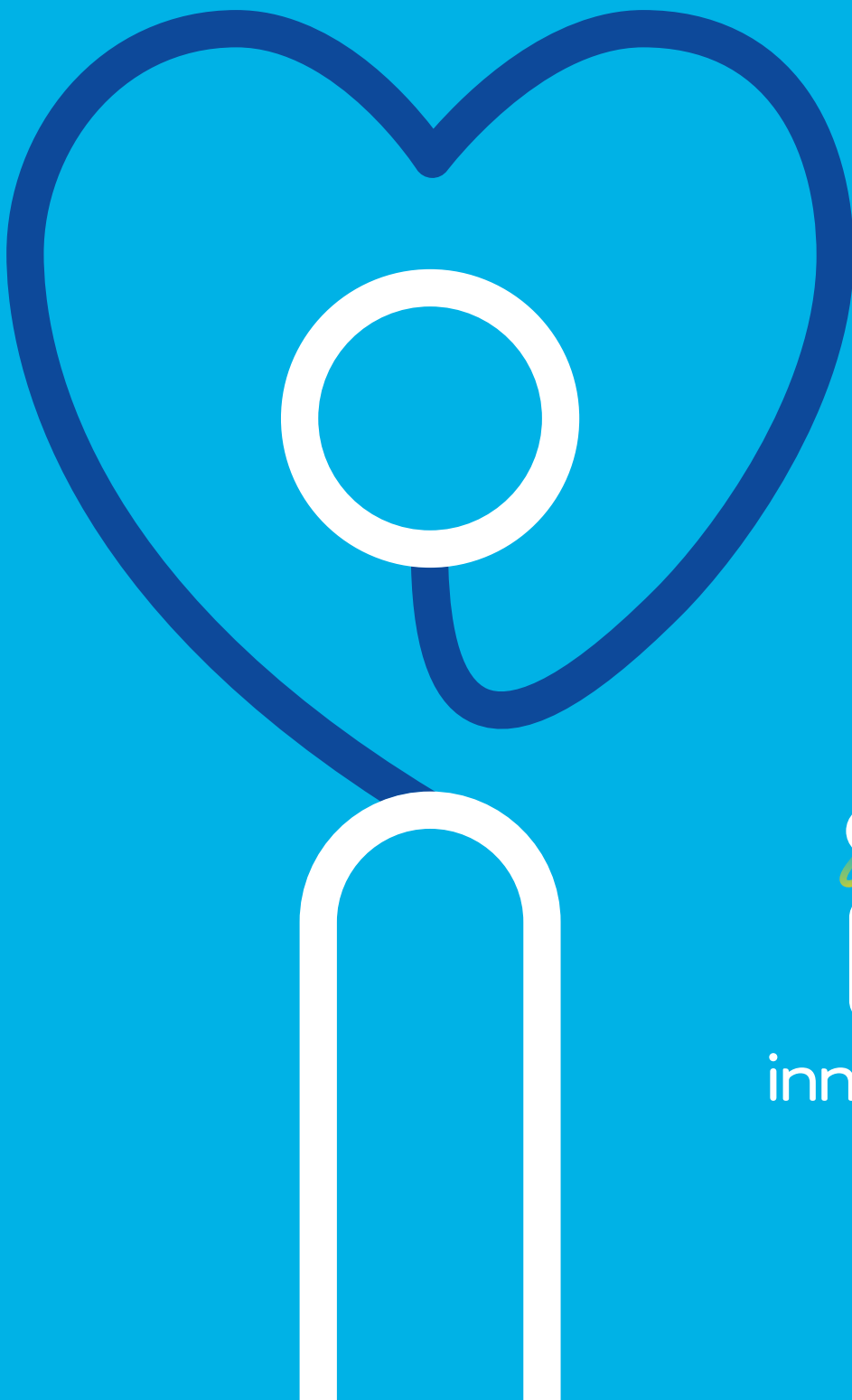


# Annual report 2017



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# At a glance

innogy Group		2017	2016	+/- %
Power generation from renewable sources	billion kWh	10.2	10.0	2.0
External electricity sales volume	billion kWh	262.4	242.5	8.2
External gas sales volume	billion kWh	227.5	241.3	-5.7
External revenue	€ million	43,139	43,611	-1.1
Adjusted EBITDA	€ million	4,331	4,203	3.0
Adjusted EBIT	€ million	2,816	2,735	3.0
Income before tax	€ million	1,648	2,201	-25.1
Net income/income attributable to innogy SE shareholders	€ million	778	1,513	-48.6
Adjusted net income	€ million	1,224	1,123	9.0
Cash flows from operating activities	€ million	2,654	2,674	-0.7
Capital expenditure	€ million	2,166	2,123	2.0
Property, plant and equipment and intangible assets	€ million	1,839	1,833	0.3
Financial assets	€ million	327	290	12.8
Free cash flow <sup>1</sup>	€ million	797	1,041	-23.4
Rebased earnings per share <sup>2</sup>	€	1.40	2.72	-48.5
Adjusted net income per share <sup>2</sup>	€	2.20	2.02	8.9
Dividend per share	€	1.60 <sup>3</sup>	1.60	-
		31 Dec 2017	31 Dec 2016	
Market capitalisation	€ billion	18.2	18.3	-0.5
Number of shares outstanding	thousands	555,555	555,555	-
Net debt	€ million	15,637	15,748	-0.7
Leverage factor <sup>4</sup>		3.6	3.7	
Employees <sup>5</sup>		42,393	40,636	4.3

1 Adjusted definition of free cash flow, see commentary on page 50.

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

3 Dividend proposal for innogy SE's 2017 fiscal year, subject to the passing of a resolution by the 24 April 2018 Annual General Meeting.

4 Ratio of net debt to adjusted EBITDA.

5 Converted to full-time positions.

# Letter from the CEO

*Dea Shareholders,*

Originally, the CFO and I had planned to release a brief video message this year, instead of the traditional letter. Unfortunately, this was not possible due to the recent events.

In early March, our friend and colleague Bernhard Günther was the victim of a terrible attack. We are all deeply shocked by this, and our thoughts are with Bernhard and his family during this difficult time. We wish him all the best and a speedy recovery!

For the time being, Hans Bunting has taken over most of the CFO's responsibilities, ensuring the smooth operation of the company. We will continue to pursue innogy's goal of being the energy company of the future, working in the interests of our customers, employees and shareholders.

This year's Annual report highlights some of our important achievements in 2017. For example, innogy took the final step towards full independence by achieving financial autonomy. Other key milestones were also reached in the individual divisions, including the auction success of the Triton Knoll offshore wind project in the United Kingdom, the initial determination of important parameters for German distribution system operators, and the major strategic decision to merge our UK retail business with SSE's retail and energy services activities.

However, as you know, we also had to slightly lower our 2017 outlook for adjusted EBITDA and adjusted EBIT last December, mainly due to the challenges faced by our UK retail business. We then went on to meet these new targets. We also achieved our original forecast from the start of the year for adjusted net income, which is the main basis for our dividend.

This is good news for you, as the Executive Board and Supervisory Board will propose a dividend of €1.60 per share, in line with our targeted pay-out ratio of 70% to 80% of adjusted net income. This pay-out ratio and our targeted

leverage factor of around 4.0 are the most important financial indicators which guide us. We are aware of how important a stable, attractive dividend and reasonable leverage is for the capital market. Working on this basis, our goal is to achieve sustained earnings growth.

Financial stability is the foundation which allows us to pursue our strategy. With this in mind, we are continuously reviewing the funding of planned and future growth projects and considering all of our options in terms of ownership and financing structures. As always, the goal is to ensure the best possible value for the company and for you, as our shareholders. In 2018, we project net investment on the order of €2.5 billion.

As part of our value-oriented growth strategy, we are keeping a close eye on costs: current plans envisage gross savings of around €400 million over the next three years, which include lower overall spending at the Group level, as well as targeted cost-cutting measures in all three divisions.

Looking to 2018, we intend to keep improving our performance in our core businesses. In parallel with this, we will also continue to seize growth opportunities in promising fields such as e-mobility, broadband and solar power. innogy is not standing still: we will continue to press forward with our strategy while maintaining financial stability.

In closing, let me say quite frankly that we are aware that our shareholders' confidence in us took a mild blow at the end of 2017. Consequently, we are redoubling our efforts to restore this confidence. Our sights are set on the future, and we hope you'll join us as we continue working towards our goals. Thank you.



Uwe Tigges  
Chief Executive Officer of innogy SE

# Executive Board

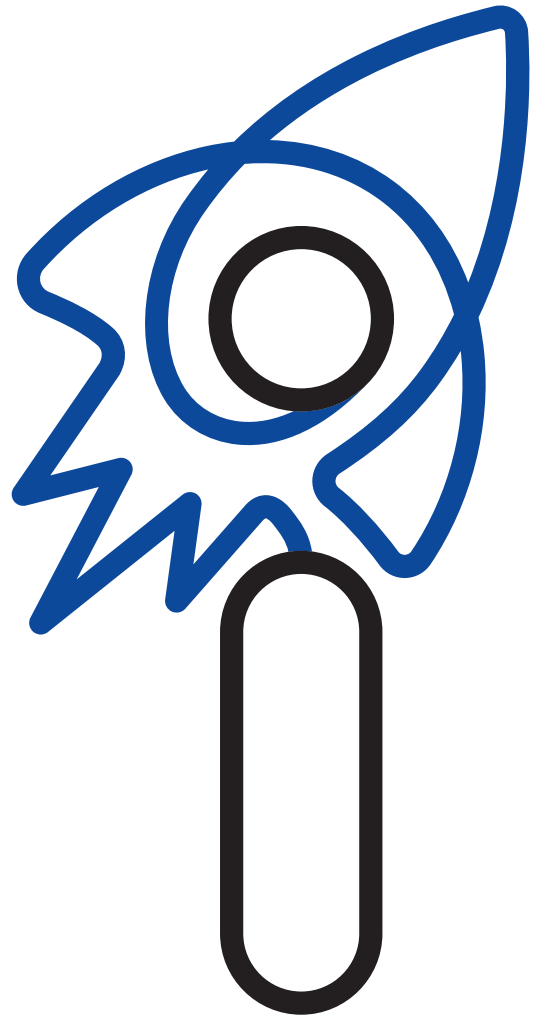
## Uwe Tigges

**Chief Executive Officer, Chief Human Resources Officer and Labour Director**

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

### Responsibilities:

- Health, Safety and Environment
- Diversity Office
- Corporate Procurement
- HR & Executive Management
- Group Security
- Infrastructure
- Labour Law
- Tariff/Works Council Relationship
- Public Affairs/Communications (since 12/2017)
- Strategy & Technology (since 12/2017)



## Peter Terium

**Chief Executive Officer**

(04/2016–12/2017)

### Responsibilities:

- Public Affairs/Communications
- Innovation & Business Transformation
- Legal & Compliance
- Mergers & Acquisitions
- Strategy & Technology
- NWoW/Appliance Excellence

## Dr. Hans Bünting

**Chief Operating Officer Renewables**

(since 04/2016)

### Responsibilities:

- Innovation & Business Transformation (since 12/2017)

# Dr. Bernhard Günther

Chief Financial Officer

(since 04/2016)

## Responsibilities:

- Accounting
- Tax
- Controlling & Risk
- Finance
- Investor Relations
- Information Technology
- Internal Audit
- Performance Management Corporate Services
- Legal & Compliance (since 12/2017)
- Mergers & Acquisitions (since 12/2017)

# Martin Herrmann

Chief Operating Officer Retail

(since 04/2016)

## Responsibilities:

- eMobility
- NWoW/Appliance Excellence (since 12/2017)

# Hildegard Müller

Chief Operating Officer Grid & Infrastructure

(since 05/2016)

## Responsibilities:

- Groupwide Coordination Digital (since 12/2017)



# Supervisory Board report



Dr. Erhard Schipporeit

Essen, 6 March 2018

*Dear Shareholders,  
Ladies and gentlemen,*

In the past year, the Supervisory Board continuously monitored the management activities of the Executive Board, advised the Board on managing the company and was involved in all fundamental decisions. The Supervisory Board discharged its obligations stipulated 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 informed the Chairman of the Supervisory Board about the current business situation, material events and upcoming decisions and discussed the long-term outlook and emerging.

**General comments.** Last year, the Supervisory Board held five ordinary meetings, one constituent meeting and one extraordinary meeting. Two of the meetings were attended by all of the Board's members and five meetings were attended by 19 members. In the past year, due to illness, one of the Supervisory Board members was present at only one half or fewer of the meetings of the Supervisory Board or its committees during the member's tenure. 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 2017 <sup>1</sup> by Supervisory Board member	Supervisory Board	Executive Committee	Audit Committee	Personnel Affairs Committee	Strategy Committee	Nomination Committee
Dr. Werner Brandt, Chairman (until 31 Dec 2017)	7/7	1/1		4/4	2/2	2/2
Frank Bsirske, Deputy Chairman	7/7	1/1		2/4	2/2	
Reiner Böhle (until 31 Dec 2017)	3/7			2/4		
Ulrich Grillo	7/7	1/1				2/2
Arno Hahn (until 31 May 2017)	3/3		1/1			
Maria van der Hoeven	7/7					
Michael Kleinemeier	7/7			4/4		
Martina Koederitz	7/7				1/2	
Dr. Markus Krebber	7/7	1/1	5/5			
Monika Krebber (since 9 June 2017)	4/4				1/1	
Hans Peter Lafos (until 31 Dec 2017)	7/7	1/1				
Robert Leyland	6/7	1/1				
Meike Neuhaus	7/7					
Dr. Rolf Pohlig	7/7	1/1	5/5			2/2
René Pöhls	7/7		4/5	4/4		
Pascal van Rijsewijk <sup>2</sup>	7/7	1/1	4/4			
Gabriele Sassenberg	7/7		4/5			
Dr. Dieter Steinkamp	7/7				2/2	
Marc Tüngler	7/7			4/4		
Šárka Vojtková	7/7				2/2	
Deborah Wilkens	7/7		5/5			

1 Attendance = number of meetings attended by the Supervisory Board member/total number of meetings.

2 Member of the Audit Committee since 24 April 2017.

As Supervisory Board members, we based our decisions on the 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. We passed the resolutions required of us by law or the Articles of Incorporation. Where necessary, we also did so 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.** In the past year, the Supervisory Board regularly discussed the company's strategic orientation with the Executive Board, addressing this issue in detail at the Supervisory Board's strategy meeting held on 22 June 2017 and the meeting of 21 September 2017. The Executive Board reported regularly to the Supervisory Board on the financial condition of the Group and on other important matters, such as securing an independent syndicated credit line for innogy SE and 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, for example the evolution of customer figures, the current status of ongoing

construction projects, the concession business in Germany, the development of the UK retail business and current events in e-mobility. The Supervisory Board was informed about the results of the offshore auctions at its June meeting, and the topic of cyber security was discussed in detail at the September meeting.

At the meeting on 13 December 2017, the Supervisory Board unanimously approved the merger of npower with SSE's household energy and energy services business. The Executive Board had already thoroughly informed the Supervisory Board about this transaction prior to the actual decision. At the same meeting, the Supervisory Board also approved the acquisition of a 100% stake in Trireme Energy Development II, LLC, which holds onshore wind projects at varying stages of development at attractive locations in the United States with a total capacity of more than 2 GW.

Moreover, the Supervisory Board thoroughly reviewed the planning for fiscal 2018 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 cognizance of the previews.

In general, the representatives of the shareholder and the employees reviewed the agenda items for the plenary meetings in separate preliminary discussions.

**Conflicts of interest.** The members of the Supervisory Board are obliged to immediately disclose any conflicts of interest they have. When the agenda item 'Information on the possible acquisition of the Belgian electricity and gas retail business of the Italian ENI Group' was discussed on 7 March 2017, Maria van der Hoeven left the meeting, due to her membership of the Supervisory Board of Total S.A.

**Corporate governance.** In 2017, the Supervisory Board also reviewed the 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](http://www.innogy.com/corporate-governance). On 13 December 2017, 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.** The Supervisory Board's IPO Committee, which was founded in 2016, was no longer convened in fiscal 2017 and was dissolved on 7 March 2017 following the company's successful IPO in October 2016. Consequently, there were five Supervisory Board Committees in 2017. An overview of the Committees and their members is presented on page 214. 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 2017. Its focus was on preparing the Supervisory Board discussion of the planning for fiscal 2018 and the preview through to 2020.

The **Audit Committee** convened five times in the year under review. The auditor and CFO attended all of these meetings. Based on the relevant reports of the auditor, the Audit Committee reviewed innogy's annual financial statements and interim reports and discussed these with the Executive Board. 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 2017 and also prepared the contract commissioning the independent auditor, including details of the fee.

The Committee also discussed the new EU regulation on the external rotation of auditors, the new International Financial Reporting Standards (IFRS), the dependency report of innogy SE and the new guidelines on non-financial reporting across the innogy Group (CSR Implementation Directive). It reviewed the Group's non-financial reports and prepared the Supervisory Board debates on this matter. Another regular reporting topic was compliance issues.

Within the framework of reviewing the annual financial statements, the Committee specifically addressed the key audit matters, as part of the auditor's report on the innogy Group's consolidated financial statements for the period ended 31 December 2017.

The agenda of the Audit Committee included numerous other matters, such as the determination of the internal audit schedule; the financial condition and rating of the innogy Group; cyber security; the EU Data Protection Regulation; further separation of innogy SE from RWE AG; the Group's tax situation; the ad-hoc review of the 2016 financial statements by the German Financial Reporting Enforcement Panel (FREP), which was completed without any errors being found; the Internal Control System; the results of the goodwill impairment test pursuant to International Accounting Standard (IAS) 36; and innogy's criteria for capital allocation and project grants. The overall risk management framework and strategy were explained to the Audit Committee, which was also informed about the risk situation and the Group's legal risks. The auditor also held a detailed presentation on its quality assurance system.

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

The **Strategy Committee** met on two occasions in fiscal 2017 to discuss questions and issues which are of strategic significance for innogy. Among other matters, it concentrated on the ongoing process of developing innogy SE's strategy and prepared the Supervisory Board's strategy meeting in June 2017, along with other topics presented at subsequent meetings of the Supervisory Board.

The **Personnel Affairs Committee** held four meetings in 2017. It prepared the Supervisory Board's resolutions on the Executive Board's personnel matters and unanimously recommended that the Supervisory Board approve the mutual agreement on the resignation of Peter Terium from the Executive Board with immediate effect and appoint Uwe Tigges as interim Chairman of the Executive Board. 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 Committee also prepared the resolutions of the Supervisory Board pursuant to the Law on the Equal Participation of Women and Men in Executive Positions.

The **Nomination Committee** was convened twice in fiscal 2017. On one occasion, it met to discuss the election of the Supervisory Board at the Annual General Meeting on 24 April 2017. At the second meeting, it nominated a successor to Dr. Werner Brandt.

**Financial statements for fiscal 2017.** Based on the accounting records, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) scrutinised and issued an unqualified auditor's opinion on the 2017 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, which were 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 2017 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 6 March 2018. The independent auditors reported at this meeting on the material results of the audit and were available to provide supplementary information.

The Audit Committee had thoroughly reviewed the financial statements of innogy SE and the Group, as well as the audit reports, at its meeting on 5 March 2018, 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 6 March 2018, 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 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 audits of both financial statements and adopted the annual financial statements of innogy SE and the Group. The 2017 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 €1.60 per share.

**Dependency report for fiscal 2017.** RWE Downstream Beteiligungs GmbH, a subsidiary wholly owned by RWE AG, holds a stake of about 76.8% in innogy SE. As there is no control and/or profit and loss-pooling agreement between the companies, 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 2017, in accordance with Section 312 of the German Stock Corporation Act. The dependency report was audited by the 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 2017. 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.** With the completion of the Annual General Meeting on 24 April 2017, the tenure of the members of the Supervisory Board came to an end. All of the representatives of the shareholders and the employees were re-elected at the Annual General Meeting. At the subsequent constituent meeting, the Supervisory Board elected Dr. Werner Brandt as the Chairman of the Supervisory Board and Frank Bsirske as the Deputy Chairman. New members were also appointed to the committees. The Supervisory Board found that Dr. Rolf Pohlig fulfilled the legal requirements (Article 9, Paragraph 1, Item c) ii) SE-VO in connection with Section 100, Paragraph 5 and Section 107, Paragraph 4 of the German Stock Corporation Act) and appointed him as a member of the Supervisory Board and Audit Committee with specialised professional expertise in the fields of accounting and auditing.

As of 31 May 2017, Arno Hahn left the Supervisory Board. His successor, Monika Krebber, was appointed by court order dated 2 June 2017, effective from 9 June 2017. Dr. Werner Brandt, Reiner Böhle and Hans Peter Lafos resigned as members of the Supervisory Board as of 31 December 2017. The Supervisory Board wishes to thank the departing members for their committed and constructive work for the benefit of the company.

Dr. Erhard Schipporeit, Markus Sterzl and Jürgen Wefers were appointed as members of the Supervisory Board effective from 1 January 2018 by court order dated 27 December 2017. At the meeting of the Supervisory Board on 13 December 2017, Dr. Erhard Schipporeit was elected as the Chairman of the Supervisory Board, effective 1 January 2018 and subject to his appointment by court order which occurred.

**Personnel changes in the Executive Board.** At its extraordinary meeting on 19 December 2017, based on the recommendation of the Personnel Affairs Committee, the Supervisory Board unanimously approved the mutual agreement on the resignation of Peter Terium from the company's Executive Board with immediate effect. The Supervisory Board also appointed Uwe Tigges as interim Chief Executive Officer.

The Supervisory Board wishes to thank Peter Terium for his contributions to the company.

**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 2017. Their enormous commitment and loyalty have made a great contribution to the company's success. We would also like to wish Bernhard Günther all the best and a speedy recovery in the wake of the terrible attack in early March.

On behalf of the Supervisory Board



Dr. Erhard Schipporeit  
Chairman

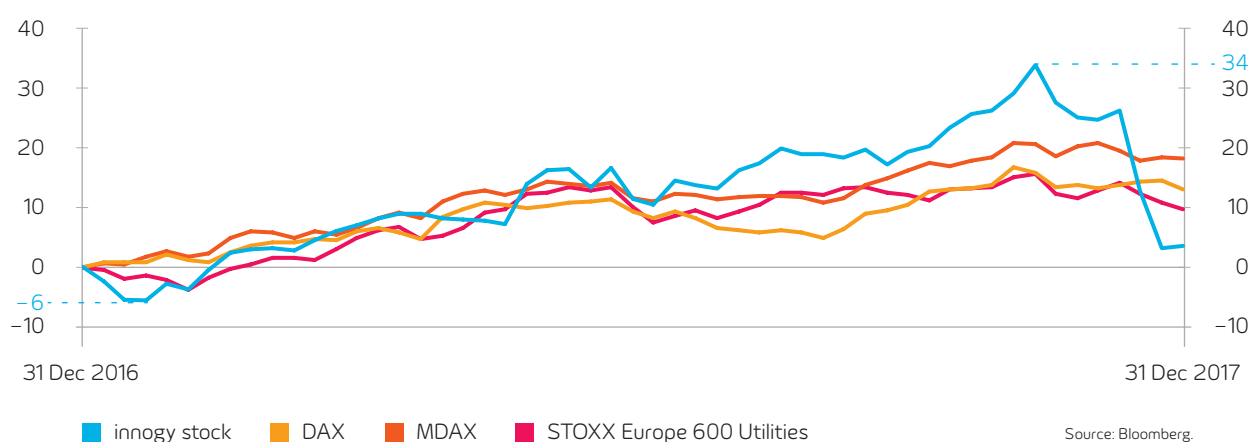
Essen, 6 March 2018

# innogy stock

Despite the numerous geopolitical crises, 2017 was a good year for the stock market. The capital markets were bullish, thanks to positive economic performance almost everywhere in the world and the low interest rate environment due to central banks' monetary policy intended to stimulate investment. As a result, Germany's leading DAX index was able to break through the 13,000-point level for the first time ever, posting an increase of 13% for the year. innogy's total shareholder return amounted to around 4% for 2017.

## Performance of innogy stock and of the DAX, MDAX and STOXX Europe 600 Utilities indices

Indexed figures, % (average weekly figures)



**Positive performance for the stock market in 2017, as the DAX advances to an all-time high.** One of the main reasons for last year's positive trends on the capital markets was robust economic activity, not only in Germany but in most other countries as well. This was additionally supported by the expansive monetary policy pursued by the major central banks, along with subdued inflation and low interest rates. In early October, the DAX broke through the threshold of 13,000 points for the first time, fuelled by the generally good performance reported by many companies.

The DAX closed the year at 12,918 points, representing a gain of 13% compared to the closing price for 2016. The performance of the MDAX was even stronger, as it rose 18% to close at 26,201 points. The STOXX Europe 600 Utilities index, which lists the largest European companies in the energy sector, tracked the two German indices to reach 800 points at year-end, a gain of 10% over the previous year.

**European Central Bank sticks with zero-interest-rate policy.** Whereas the US Federal Reserve start to raise interest rates modestly with two hikes in the first half of 2017 and continued this policy at the end of the year, the European Central Bank (ECB) has not changed its pro-investment interest rate and lending policy.

Varying developments were seen on the currency market. In early 2017, market participants were convinced that the EUR/USD rate would soon reach parity. Trust in the European Union then strengthened, in particular after the elections in France in May 2017, prompting the euro to appreciate back to €1.20 versus the US dollar in the course of the year. Sterling rebounded in 2017, following the sharp depreciation seen after the Brexit vote on 23 June 2016, but for 2017 as whole, the UK's currency weakened by roughly 4% (to €0.89), amidst intense volatility. In the Czech Republic, the decoupling of the Czech koruna from the euro in April 2017 caused the koruna to appreciate slightly.

**Development of innogy stock.** After hitting a low of €30.94 on 16 January 2017, innogy stock initially went on to perform very well during the year. The share price was buoyed by the good sentiment on the capital markets and the positive performance of the DAX and MDAX. Additionally, speculation about an upcoming phase of consolidation in the European utility sector and a takeover of a majority stake in innogy by competitors pushed the share price higher on several occasions. innogy's share price hit a peak of €42.31 on 8 November 2017. The price corrected after an ad-hoc notification on 13 December 2017, as we had to downgrade our 2017 outlook for the retail business in particular, due to the intense competition in the United Kingdom. Furthermore, on the same day we released our outlook for 2018 for the first time, in which the relevant financial indicators such as adjusted EBIT and adjusted net income were lower than market expectations. The stock ended trading in December 2017 with the Xetra closing price of €32.68. innogy's total shareholder return, consisting of the development of its price and the dividend paid, amounted to around 4% in 2017 and thus lagged behind the DAX, MDAX and STOXX Europe 600 Utilities. On 29 December, the last trading day in 2017, innogy's market capitalisation was approximately €18.2 billion.

**Dividend proposal for fiscal 2017.** 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 49). We have established a target corridor for the pay-out ratio of 70% to 80%.

The Executive Board and the Supervisory Board of innogy SE will propose to the Annual General Meeting on 24 April 2018 that a dividend of €1.60 per dividend-bearing share be paid for fiscal 2017. This corresponds to a pay-out ratio of approximately 73% of adjusted net income. The dividend yield is around 4.9%, based on the Xetra closing quotation as of 29 December 2017.

<b>innogy share indicators<sup>1</sup></b>		2017	2016
Adjusted earnings per share	€	1.40	2.72
Adjusted net income per share	€	2.20	2.02
Cash flows from operating activities per share	€	4.78	4.81
Dividend per share	€	1.60 <sup>2</sup>	1.60
Dividend payment	€ million	888.9 <sup>3</sup>	888.9
Payout ratio	%	73 <sup>3</sup>	79
Dividend yield <sup>4</sup>	%	4.9	4.8
Share price			
Price at end of fiscal year	€	32.68	33.01
High	€	42.31	38.25
Low	€	30.94	30.82
		31 Dec 2017	31 Dec 2016
Market capitalisation	€ billion	18.2	18.3
Number of shares outstanding	thousands	555,555	555,555

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

2 Dividend proposal for innogy SE's 2017 fiscal year, subject to the passing of a resolution by the 24 April 2018 Annual General Meeting.

3 In relation to the dividend proposal for innogy SE's 2017 fiscal year, subject to the passing of a resolution by the 24 April 2018 Annual General Meeting.

4 Ratio of the dividend per share to the share price at the end of the fiscal year.

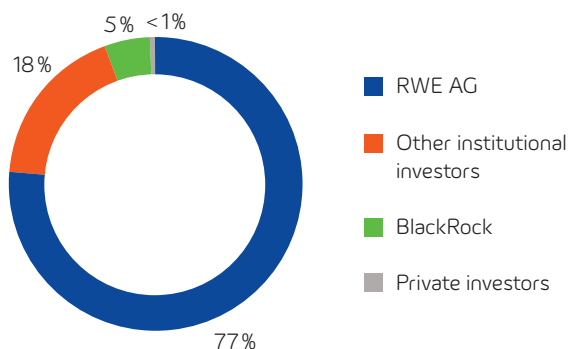
**Broad international shareholder base.**<sup>1</sup> innogy SE's capital stock is divided into 555,555,000 shares. At the end of 2017, RWE AG held 76.8% of innogy shares via its subsidiary RWE Downstream Beteiligungs GmbH and is thus the largest single shareholder, followed by the asset management firm BlackRock with an interest of just under 5%. The remainder of the free float, approximately 18%, is held by institutional investors in Germany and abroad, with private shareholders holding less than 1% in the company.

Disregarding the shares in innogy held indirectly by RWE AG, the regional distribution breaks down as follows. More than two thirds of the institutional investors are

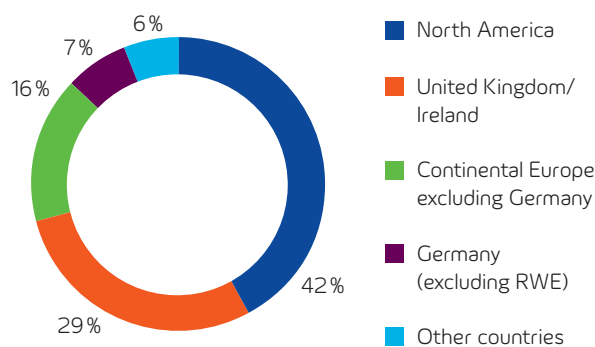
from North America, the United Kingdom and Ireland. Approximately 23% of the shares are held in Continental Europe, with Germany accounting for about 7% of this.

Shares in innogy are traded under the securities identification numbers A2AADD (WKN) and DE000A2AADD2 (ISIN) on the regulated market (Prime Standard) of the Frankfurt Stock Exchange and via the electronic trading platform Xetra. They are also available on other exchanges in Germany and abroad, as well as over the counter. Additional information on the innogy share can be found at [www.innogy.com/shares](http://www.innogy.com/shares).

### innogy's shareholder structure



### Institutional investors by region (excluding RWE)



#### Ticker symbols of innogy shares

Reuters: Xetra	IGY.DE
Reuters: Frankfurt Stock Exchange	IGY.F
Bloomberg: Xetra	IGY GY
Bloomberg: Frankfurt Stock Exchange	IGY GR
German Securities Identification Number (WKN)	A2AADD
International Securities Identification Number (ISIN)	DE000A2AADD2

<sup>1</sup> Based on data from ipreo; rounded figures; percentage figures denote the share of subscribed capital.



## Why invest in innogy?

Attractive dividend

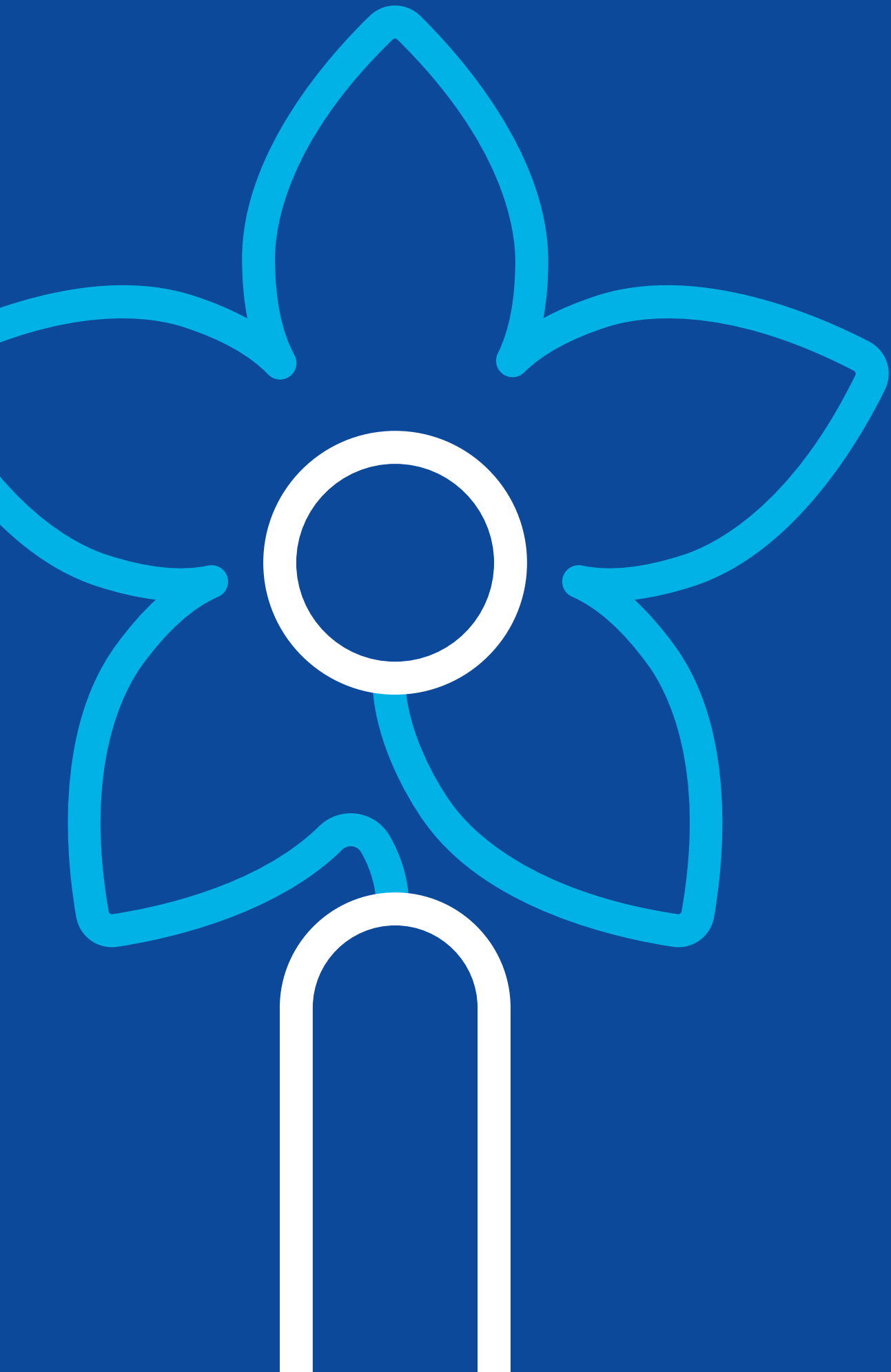
Solid capital structure and financial stability

innogy as a pioneer in transforming the energy sector

2/3 regulated or quasi-regulated and thus predictable earnings

Electricity generated based almost exclusively on renewables

Investment in promising business models



1

# Combined review of operations

# 1.1 Strategy

As the energy market undergoes fundamental changes, innogy's competitive environment is also evolving. Decarbonisation, decentralisation and digitisation are three key trends which are transforming the energy landscape. We see these changes as an incentive and intend to shape the European energy market in our role as a leading player. As part of this, we are seizing growth opportunities outside of this market. The strategy we have developed establishes a solid foundation for these endeavours. We have set our goals for 2025 and defined our thematic areas of growth. We want to exploit the opportunities offered by innogy's forward-looking business model, by investing in renewable generation capacities, intelligent networks and innovative products, which are tailored to meet our customers' needs.

**We are innogising the world of energy.** In pioneering the transformation of the energy sector, innogy is pushing for a sustainable, more decentralised and increasingly digitised energy landscape. Our efforts are concentrated in the Renewables, Grid & Infrastructure and Retail divisions. With our products, intelligent solutions and services, we are actively shaping the evolution of the world's modern energy market. This enables us to concentrate our activities even more on the requirements of the various markets and develop offerings that better satisfy our customers.

**innogy – what we do.** With 3.9 gigawatts (GW) of generation capacity based on renewable sources of energy, we generate enough electricity for about three million homes in Europe, without almost any CO<sub>2</sub> emissions. The electricity and gas grids we operate span some 570,000 kilometres throughout Europe (electricity grid: 457,000 km; gas grid: 112,000 km). We are a reliable supplier for roughly 16 million electricity customers and 7 million gas customers in eleven European countries. The key markets for our core business are Germany, the United Kingdom, the Netherlands and Belgium as well as Eastern Europe. We also generate electricity from renewables outside of these markets, for example in Spain and Italy. We plan on growing our business beyond Europe as well, for example in North America and Australia. We are also formulating new business models by pooling our expertise and know-how in the fields of energy supply and information technology. This allows us to expand our scope of action beyond traditional retail activities and offer solutions which enable our customers to use energy more efficiently and boost their quality of life. This is exemplified by our Smart Home services for residential customers or our 'bit.B' energy management solutions for commercial customers (for additional details, visit [www.bitb.innogy.com](http://www.bitb.innogy.com)).

**innogy – what drives us.** Our company's name is a mosaic, combining the ideas 'innovation', 'energy' and 'technology'. As a leading player on the European energy market, we are helping shape the energy system of the future. We produce energy in a sustainable, environmentally-friendly manner, both for current and future generations. We focus on innovation and concentrate on needs-based, future-oriented solutions for our customers, designed to simplify and enrich their lives. We provide answers to the three major trends – decarbonisation, decentralisation and digitisation – that are transforming the energy sector at the global level, but first and foremost in Europe and Germany:

- **Decarbonisation.** The concept that humankind needs to treat the environment and its resources responsibly is now generally accepted mainstream. Political interest is currently focused on reducing carbon dioxide emissions. The energy transition is an expression of the will to prioritise renewable energy in electricity generation, especially in Germany. The expansion of onshore and offshore wind farms, as well as photovoltaic generation plants forms the basis for CO<sub>2</sub>-free electricity generation. As society moves towards a decarbonised world, transportation and heat generation will increasingly be electric, and so-called 'sector coupling' will play an ever more important role. This allows excess capacities in renewables generation to be used flexibly and efficiently by three sectors – electricity, heat supply and transportation. At the same time, efforts to decarbonise the heating and transportation sectors are progressing. In sync with this trend, we are also positioning ourselves as a full-service technology supplier for charging infrastructure and services for public spaces.

- **Decentralisation.** To create a sustainable energy landscape, Europe needs a network infrastructure that offers better flexibility and meets the changing requirements. After all, there are more and more distributed wind and solar generation assets, which produce varying amounts of electricity depending on weather conditions. As a result, distribution networks need to be even more flexible. Technical solutions are required that will ensure network stability in the future as well and make it possible for energy to be stored. At the same time, consumers are beginning to question their usage patterns more and are changing their habits: How and when can I save energy every day or use self-generated energy more efficiently? This increasing awareness of energy consumption is fuelling demand for new products and services that are sustainable, personalised and affordable. innogy's business model covers the entire value chain, from generation through distribution and storage to the efficient use of energy, making it possible for us to provide our customers with the kinds of products they want and need.
- **Digitisation.** Our lives are increasingly digital and networked, so much so that it is now almost impossible to imagine everyday life without the Internet or smartphones. Innovation and cutting-edge technology have always been driving forces for change, both at innogy and for the entire energy sector. Digitisation has much to offer. It not only accelerates the development of new products and services, but also supports the complex management of the entire energy system, from production to use. We consider ourselves a pace-setter of this change.

#### **Rigorous development of innogy's corporate strategy.**

In recent years, the energy sector as a whole has fundamentally reconsidered the role of energy utilities and the management of energy systems. This has resulted in radical changes in the energy sector – not only in Germany, but throughout Europe as well. innogy is aware of its responsibility in this process of transformation, and also sees the opportunities it has to offer. Consequently, our strategy has three main areas of focus: taking advantage of our competitive edge in our existing fields of business, tapping into new business, and creating new options through innovation.

In the past year, we continued to develop our strategy and define our vision for 2025. The strategy we have formulated has clear goals for Position, Performance, Portfolio and Partnership ('4P strategy'). Based on these goals, we derive specific measures for the future set-up of each business unit. Our vision foresees innogy as one of the leading suppliers (Position) and top-performing companies in the sector (Performance) in all of the relevant markets by 2025. In order to achieve this goal, we are reviewing our current business activities (Portfolio), also with an eye to possible acquisitions and sales. All of innogy's activities should help shape the energy landscape of the future. To achieve this, innogy pursues a cooperative approach (Partnership). The objective is for innogy to remain or become the Number 1 energy partner for customers, communities, cooperating companies and financial partners.

In line with our 4P strategy, in addition to developing our core business fields we have also launched growth initiatives in the areas of e-mobility, solar power and fibre optic broadband networks (FTTx<sup>1</sup>). This topic is discussed in more detail in the sections below. We will tap into valuable sources of earnings over the longer term by investing in these promising business areas.

#### **Where and how we intend to achieve our strategic goals.**

Europe is innogy's home region, but looking ahead to the future we also see growth opportunities outside of Europe. The focus is increasingly shifting to the North American market, where we are already active in the fields of renewable energy and e-mobility. But our plans to expand the Renewables division reach beyond this region, as we intend to capitalise on attractive growth opportunities in selected markets around the world. In doing so, we will ensure compliance with our internal guidelines for factors such as security and financial risks, the corruption index and political risks.

We will keep continually developing to reach the strategic goals we have set. When it comes to formulating new business models, exploring new partnerships and analysing investment projects, we take a systematic approach.

<sup>1</sup> FTTx stands for 'Fibre to the x' and describes the depth of broadband connections; the 'x' is a place-holder which can be replaced by a different letter denoting the level of connection, i.e. connection to the building.

We also intend to continuously improve our customer acquisition and loyalty. And we are working ceaselessly to be more efficient and thus faster. With this in mind, we are investigating the new possibilities offered by digitising processes. Furthermore, we are creating more responsive organisational structures to pave the way for the quick, flexible testing of new ideas as a standard procedure in the Group and to improve our day-to-day business processes.

Job flexibility is becoming increasingly important in light of our dynamic market environment. Consequently, in many areas we work in customer-oriented teams – with lean hierarchies and short decision-making paths. Employees are deployed right where they are needed, in mixed teams for limited periods of time. When employees are working on special projects or taking parental leave for example, we often face the challenge of covering the gaps that can quickly appear. In such situations, we can draw on employees from innogy's iForce, an organisational unit which pools numerous different qualification profiles. Flexible workplaces and models such as these promote an exchange of expertise and knowledge and help to diversify away from entrenched structures. In turn, this helps us to react flexibly to changes in the market and respond quickly to new trends and opportunities. As this example demonstrates, our corporate structure and employees are engaged in a process of transformation which is actively promoted.

Our employees' know-how is a major factor behind the successful implementation of our strategy. We are committed to constantly developing our workforce in terms of new skills and competencies which are needed and supplementing our teams with new hires when necessary.

**Targeted growth and investment strategy.** Our three divisions – Renewables, Grid & Infrastructure and Retail – already represent the energy world of tomorrow. We are pushing forward with the transformation of the energy landscape both in Germany and abroad and working to set the trends. As part of these efforts, we are preparing our business divisions for the digital future via several initiatives. Our investment programme remains focused on our core business activities in the three divisions. Beyond this, we are also investing in growth initiatives. For

the period 2018 to 2020, we have identified groupwide projects with investment potential of up to €10 billion. Individual investment options must always be backed by solid financing and lasting value, and so we will remain within the bounds of our financial possibilities when realising our project pipeline. In particular, projects which are part of our growth initiatives compete for funding. If necessary, we may also invite partners to participate, which offers two fundamental advantages. Firstly, our partners contribute their know-how to the projects, and secondly we are able to share the risks and financing. All investments must meet clearly defined requirements in terms of profitability and also comply with our financing goals. Ultimately, the final investment decision for each project is made on an individual basis, taking into consideration its contribution to the portfolio as a whole.

A large part of our capital expenditure is focused on expanding and modernising network infrastructure. Along with maintenance, the emphasis is on the connection of decentralised generation assets and network expansion in relation to the energy transition. As a result of this, our distribution networks are being systematically adapted to this new role, reflecting the increasing importance and duties of distribution systems in a decentralised energy landscape (the so-called 'DSO 2.0' in Germany). We also want to press forward with the expansion of the fibre optic network, both in Germany and in Central and Eastern Europe.

In the Renewables division, we plan on boosting our generation capacities in the years ahead. To this end, we have identified investment opportunities of up to €3.5 billion for the period 2018–2020. The actual level of capital expenditure during this period will depend in part on whether we are awarded contracts for the projects. The ability to secure financing for the projects also plays a decisive role, since we have the option of realising them alone or together with partners.

With our strategy, we have formulated a clear vision and created a framework to take specific steps to transform our vision into reality. In 2018, we will focus on achieving specific goals and implementing measures for each division.

## (1) Renewables

We are convinced that the future belongs to renewable energy, because the expansion of renewable energy sources is absolutely necessary in order to achieve national and international climate protection targets. We intend to broaden our international presence by concentrating more on expanding capacities abroad, constantly optimising the performance of our facilities and tapping into other areas of business, such as the installation and operation of solar plants and energy storage.

**Offshore wind.** With installed capacity of around 925 MW, innogy is one of the world's largest operators of offshore wind farms. This solid basis is an excellent starting point for additional, sustainable growth. In December 2017, for example, the Nordsee One wind farm located north of the East Frisian Isle of Juist, which has a maximum installed generation capacity of 332 MW, was fully commissioned (since January 2018, innogy holds a share of 13.5% or 45 MW). The Galloper wind farm off the coast of Suffolk (United Kingdom), with a maximum installed generation capacity of 353 MW (innogy's share: 25% = around 88 MW) will gradually follow and should be fully commissioned in the first quarter of 2018. Thanks to our successful participation in the last auction in the United Kingdom, we were able to secure compensation for the Triton Knoll project. With an installed capacity of around 860 MW, this project will be built off the coast of Lincolnshire, on England's eastern coast. Looking ahead, we are currently reviewing how we can optimise the economic aspects of the project using different partnership models and financing structures. A final investment decision should be made around mid-2018 (for more information, see page 43).

**Onshore wind.** Onshore wind farms generally have fewer turbines than offshore wind farms and thus offer lower economies of scale. This is also reflected by the stronger fragmentation of the individual markets. At the end of 2017, innogy and Primus Energie GmbH signed a cooperation agreement, according to which innogy will take over the project pipeline of the Regensburg-based onshore developer, consisting of 23 wind farms in Thuringia with a total capacity of 400 MW (more

information is available on page 44). In August 2017, we reinforced our presence in Europe with the takeover of a wind project in Ireland (Dromadda Beg, 10.2 MW in County Kerry), marking our entry into the very promising Irish growth market. So-called 'repowering' projects will also become increasingly important. This involves onshore wind farms, for which the subsidies under the Renewable Energy Act have ended, but where replacement of the generally older, smaller turbines with more modern, efficient ones is economically attractive.

We currently have a good position in Central Europe and are present in Spain and Italy. We see the USA as another promising growth market for renewables. We entered this market back in 2016 after establishing our subsidiary Innogy Renewables US. Another logical step for long-term growth in the United States is the agreed acquisition of the development activities of EverPower Wind Holdings, which had a project portfolio of more than 2 GW in onshore wind farms at the end of 2017 (more details on page 43).

**Solar power and storage.** In early 2017, innogy acquired Belectric Solar & Battery Holding GmbH to establish itself as an international supplier of utility-scale solar power plants and battery storage systems. Photovoltaics is one of the fastest growing technologies in the energy sector and is already economically viable in many markets without any financial subsidies. In addition to developing and constructing utility-scale solar power plants, Belectric also has the know-how for their operation and maintenance. Belectric's regional focus is on Europe, the Middle East, North Africa, India, Australia, South America and the USA. Belectric is currently working with the Israeli firm Solel Boneh Ltd. to construct one of the largest solar power plants in Israel (120 MW). As the general contractor, Belectric also completed another project for eins energie in sachsen GmbH & Co. KG in Chemnitz, Germany, when the largest battery storage system in Saxony, with a rated capacity of 16 megawatt hours (MWh) was commissioned in August 2017.

In addition to developing and constructing solar power plants, we are also expanding our business as an electricity producer using photovoltaics (solar

IPP business – IPP: independent power producer) to generate CO<sub>2</sub>-free electricity with solar technology. There are plans for projects in Germany, the Netherlands, North America and Australia. These projects will be implemented independently or together with partners. One example of this is the contract to acquire two utility-scale solar power plants under development in Australia from the project developer Overland Sun Farming. Together, the two projects 'Limondale' and 'Hillston' in New South Wales have a capacity of 460 MW. The transfer of the project companies is expected to occur in the second quarter of 2018 (see page 47 for more information).

## (2) Grid & Infrastructure

In terms of our distribution volume, we are the largest operator of electricity distribution networks in Germany and the leading gas distribution system operator in the Czech Republic. We also hold significant positions in the electricity markets in Slovakia, Hungary and Poland. One of our key responsibilities is to reliably supply our network customers with electricity and gas. That's why we are pushing ahead with the development and expansion of our networks: on the one hand by connecting decentralised, renewable generation capacities, and on the other hand by making our networks more 'intelligent' using digital solutions. We will continue to build on our position as a top performer. Our goal is to remain a leading distribution system operator in Europe in terms of size (Position) and value (Performance).

**New markets.** In line with our strategy, we pressed forward with our activities in existing markets in early 2017 and made progress entering new markets, for example, we expanded in Croatia with the acquisition of a gas distribution network in the city of Koprivnica (for more information, see pages 44 and 47). Above and beyond this, we are also looking at growth options in selected regions and markets where we are not yet active.

**Concessions.** The returns we earn in the regulated network business are generally quite stable, as the regulatory framework is usually set for periods lasting

several years. Therefore, the income generated from this business makes a valuable contribution to stabilising our Group earnings. However, steadily intense competition for concessions represents a challenge in Germany. In order for a company to operate a distribution network in Germany it needs a concession contract. In these contracts, the municipality in charge gives the network company the right to use public transportation routes in its area to lay and operate power lines and gas pipelines. Concession contracts generally last between 15 and 20 years on average. We seek to conclude new concession agreements whenever concessions expire. Furthermore, we participate in tender processes for new grid concessions in Germany. For cities and municipalities which wish to participate in the distribution grid business, we offer attractive participation models tailored to meet their needs.

**Smart grids.** One ground-breaking project for the development and testing of control technologies is the showcase project 'Designetz'. Headed by innogy, a consortium with more than 45 partners has been working on a blueprint for the intelligent energy networks of the future since early 2017. The Designetz project is complemented by the Smart Border Initiative, which we launched as part of a German-French joint project in mid-2017. In this project, innogy is working with the French distribution system operator Enedis, the innogy subsidiary VSE and energis Netzgesellschaft. Together we are planning the world's first cross-border smart grid at the distribution system level in the Saarland-Lorraine region, to connect plants for renewable generation in Germany and France more efficiently in the future and thus reduce loads on the distribution network.

**Broadband expansion.** Access to broadband Internet has become an important factor for business locations, both at the local and international levels. For example, German companies can only survive in the face of global competition if they have access to appropriate Internet infrastructure and high-speed data transmission. The



German Federal government has set the goal of making broadband Internet access available to all households. We intend on pushing forward with the expansion of the fibre optic broadband network (FTTx) and want to play a leading role in this market, which we deem to be attractive as the penetration rate is currently still low and the expansion of broadband is subsidised by the state. Grid-essential broadband expansion will also contribute directly to our existing grid business, because broadband infrastructure is a prerequisite for the digitisation of our energy networks and thus for the creation of the intelligent energy networks of the future. Depending on the specific region, we are also pursuing the expansion of this business together with partners. For example, since the end of 2016 we have been cooperating with Deutsche Telekom in our efforts to spread broadband access in Germany. As part of this work, innogy is concentrating on expanding the fibre optic network in rural areas, for example in the Eifel, Hunsrück and Münsterland regions. Another example is innogy's participation in the Network Alliance of Rhineland-Palatinate, which was agreed on in mid-2017. As a competent partner for the municipalities, we have already set up high-speed Internet connections for around 250 communities in Rhineland-Palatinate and will continue to vigorously pursue these activities. In doing so, we are helping the Network Alliance reach its goal of connecting all households and companies to the fibre optic-based gigabit network by 2030.

In parallel with developing the broadband network, we are also expanding our so-called 'Grid+' offers, which provide innovative products and services that go above and beyond the traditional, regulated grid business.

### (3) Retail

In the Retail division, we will build on our leading market position in our core European markets. Here again, we intend to strengthen our competitiveness and focus on three main areas: securing the core business by enhancing efficiency measures; expanding the core business by widening our customer base and providing attractive offers for residential and commercial customers, in particular our Energy+ products; and tapping into the growing e-mobility market.

**Residential business – B2C.** The roughly 16 million electricity customers and 7 million gas customers we serve are the basis of our business. The more customers we have, the more able we are to utilise economies of scale. Bearing this in mind, we are on the lookout for opportunities to increase our customer base with strategic acquisitions or partnerships and to optimise our portfolio. For instance, with the takeover of the entire residential business of CEZ Slovensko in December 2017 we added some 50,000 new electricity and gas customers in Slovakia. As part of optimising our portfolio, our UK subsidiary npower is being merged with SSE's household and energy services business in Great Britain, with the goal of establishing an independent, listed energy supplier in the United Kingdom. We believe that this merger will allow us to offer our British customers (approximately 4.7 million electricity and gas customers) a more efficient, improved service. At the same time, the new company will be better positioned to deliver on the opportunities in the British energy market and to mitigate risks (for more information, see page 46).

**Energy+.** We are constantly expanding our portfolio of Energy+ products and energy-related services. In doing so, we are also cooperating with well-known partners. One example is the long-term cooperation launched in mid-2017 with the leading electronics manufacturer MEDION, which focuses on integrating MEDION's smart home products into innogy's software platform. Thanks to its years of experience in making technology accessible for everyone, MEDION greatly enhances the attractiveness of innogy's SmartHome software, with its hardware seamlessly integrated into innogy's SmartHome solutions. We are also bolstering our digital business model in the Energy+ field. For example, in the Netherlands we intend on reinforcing our existing network of service partners using an online sales platform. This was accomplished in January 2018 with the acquisition of the online platform CVTotaal.

**Key accounts and corporate customers – B2B.** We are also expanding our range of Energy+ offers for our roughly 140,000 key accounts. Our goal is to be a solutions provider with so-called asset-light models, i. e. solutions which do not involve any major capital expenditure on physical assets. Examples include LED contracting (a leasing model, in which innogy takes over responsibility for both the planning and financing and the construction and installation) or our cooperation with other companies in energy services which are based on the Internet of Things. To this end, we concluded a Group Framework Contract with Kiwigrid GmbH in the autumn of 2017. Kiwigrid already operates a modular, secure platform for intelligent energy management, which it uses to control more than a half a million data points of connected equipment, such as solar panel arrays, battery storage systems and charging stations for electric vehicles. We are combining our industrial energy monitoring system bit.B, which displays energy consumption and potential savings for our customers, with the Kiwigrid platform. By connecting these two systems, the transparency of energy consumption is linked with intelligent analysis. The software automatically shows the customer how it can improve energy efficiency or optimise its production processes.

**eMobility.** Our activities in the field of electric mobility have been pooled in a separate business unit within the retail business called eMobility. As a provider of technology and solutions, our priority is our customers. Customer orientation and focus is our guiding principle. In line with this, our solutions are customised to meet users' needs as closely as possible. We offer cutting-edge technology and a broad portfolio for a range of customer types including residential and commercial, fleet operators and municipal utilities. We provide comprehensive, user-friendly solutions incorporating both software and hardware, from charging infrastructure through centrally managed services to convenient invoicing models and intuitive customer applications. With our flexible, innovative IT platform, we are the industry leader in this field, and innogy is the only supplier in Germany with a long track record in the consumption-based settlement of the charging process in compliance with Germany's calibration law. With our load management, we guarantee fleet operators a

uniform load on the company grid, priority use of electricity generated from renewables and the accommodation of individual charging preferences.

This makes innogy a pioneer in the field of climate-friendly mobility. With around 7,000 smart charging points in more than 20 countries, we are already one of the world's largest suppliers and are ranked among the leading charging point operators in Germany, with 5,300 charging points in more than 700 cities. Working closely with more than 160 municipal and regional utilities, we are pressing forward with the expansion of the charging network throughout Germany. This is complemented with experience from operating another 10,000 charging points for residential and commercial customers. At home, our customers can charge their car batteries from so-called wall boxes, using power from their own panels if they have solar panels.

We have installed more than 1,500 charging points at 22 plants for the vehicle manufacturer Daimler AG. innogy's smart charging stations authenticate the vehicles using the 'plug & charge' solution co-developed by innogy, which works with an intelligent charging cable. It can automatically detect whether and when a vehicle may charge. The system is based on the ISO 15118 international communication standard, which innogy helped to co-develop and implemented as the first technology supplier. Our load management also uses this networking ability by adapting to the capacity of the local electricity grid, thus ensuring an optimum load on the charging infrastructure around the clock.

One milestone in developing our range of products and services in the eMobility business was the conclusion of a cooperation agreement with the service station operator Tank & Rast in mid-2017. As a result, innogy took over responsibility for operating the charging infrastructure along Germany's motorways at more than 100 locations, including the first 175 kW quick chargers at the futuristic service station Fürholzen-West, north of Munich. The charging stations are supplied exclusively with green electricity, making a sustainable contribution to CO<sub>2</sub>-free mobility and climate protection. Furthermore, in September 2017 innogy received a

commitment for subsidies for more than 1,000 charging stations from the German government's programme for charging infrastructure. The new 22 kW charging stations will be erected on public roads in four German states: North Rhine-Westphalia, Lower Saxony, Schleswig-Holstein and Rhineland-Palatinate.

We were also able to add the furniture chain Hardeck in North Rhine-Westphalia as a customer. innogy delivers, installs and operates the charging stations at the stores' car parks, allowing customers to charge their electric vehicles for free of charge while shopping.

We have also expanded our customer base at the international level. In addition to numerous international customers in our existing markets, we have been able to score some initial successes in new markets. For instance, since early 2018 we have been cooperating on the Italian market with Building Energy S.p.A., which is forging ahead with the expansion of e-mobility in Italy via its portfolio company Be Charge. In 2018, Be Charge plans on installing 100 charging points for electric car sharing fleets in Italy (and possibly many more), using technology provided by innogy.

Thanks to our eMobility unit and our charging solutions for companies, fleet customers and public and private users, we have a strong basis for expanding our reach in this segment. We are concentrating on Europe and on developing this business in the USA, which began in mid-2017 with the foundation of innogy eMobility US, as we see great potential for our solutions and services in this market.

**innogy stands for sustainability.** Sustainability is a part of our core business at innogy. Consideration of social and ethical standards and fair business practices is just as important and self-evident as the responsible treatment of natural resources. Therefore, we design all business processes along the value-added chain in a sustainable and environmentally compatible manner. In so doing, innogy demonstrates entrepreneurial farsightedness and assumes responsibility in terms of environmental and climate protection. To ensure that our actions are in line with the expectations of society, we are in constant dialogue with representatives of our stakeholder groups. These are primarily customers, employees, capital investors, politicians, associations, non-government organisations and civic initiatives. We provide comprehensive information on our activities in the field of sustainability in our Sustainability Report, which is available at [www.innogy.com/sustainability\\_report](http://www.innogy.com/sustainability_report). The topics discussed there are based on an analysis of key topics of business and stakeholder relevance, which was conducted for innogy for the first time in 2017. The Sustainability Report also contains our separate, summarised non-financial report in accordance with Section 289b, Paragraph 3 and Section 315b, Paragraph 3 of the German Commercial Code. The Sustainability Report is not a part of the combined review of operations.

## 1.2 Innovation

**innogy – our name says it all: we stand for innovation in energy and technology. We are shaping the transformation of the energy system with new business models offering inspiring, creative solutions for customers in an increasingly digital world, and through projects in which we identify and evaluate new technologies or develop and test them ourselves. At the same time, our employees also contribute their own good ideas, helping our existing core business to continue evolving.**

### Innovation at innogy

innogy thrives on innovation. Curiosity and open-mindedness are two of our key success factors. We are driven by the ambition to inspire our customers with products and services that meet their needs in relation to energy and beyond. The innogy Innovation Hub, an innovation platform we set up in 2014, helps us to reach this goal. Its main task is to drive game-changing ideas by scouting worldwide to find the best possible partners with the most promising business models that could potentially revolutionise an existing business or industry. The Innovation Hub teams in Berlin, London, Tel Aviv and Silicon Valley work with these disruptive business models and adapt them where appropriate. By the end of 2017, the Innovation Hub had 48 startup investments in its innovation portfolio.

The Innovation Hub invests in early-stage startups that have already successfully launched a business model on the market. It also works closely with our venture capital specialist, innogy Ventures, to make investments and divestments. They collaborate in areas where they have natural synergies and can offer portfolio companies access to the relevant people and divisions within the innogy Group to enhance the companies' competitiveness or accelerate their growth. For more information on innogy Ventures, see [www.innogyventures](http://www.innogyventures).

Another focus of our innovation activities is on new technologies. Last year, we worked on around 200 research and development (R&D) projects, with the aim of improving existing products and methods and exploring future technologies. These projects usually have a medium to long-term horizon and often run for several years, including the associated pilot tests. 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. Furthermore, 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 employees combine creativity, innovative spirit and technical expertise with wide-ranging experience and an entrepreneurial mindset. Last year, they helped to develop new business models and improve the technical processes and workflows in our business areas with their good ideas.



## The Innovation Hub 2017 in numbers

### Achievements

**1,200**  
startups  
sourced globally

**94**  
pitch  
presentations

**39**  
startup  
transactions

### Value created

**€10**  
**million**  
value added  
through up  
rounds

**€105**  
**million**  
equity value  
created

**48**  
companies in the  
Innovation Hub  
portfolio

### Innovation Hub: Working on digital solutions in startup hotspots around the world

The Innovation Hub is key for innogy when it comes to addressing and adapting disruptive business models in the field of energy and beyond. The Hub has pooled and developed its resources in recent years: working together with startups, our teams in the innovation hotspots in Berlin, London, Tel Aviv and Silicon Valley are devising new data-driven, digital business models. Cutting-edge technology and radically new business ideas are always on the agenda at these four global innovation centres. The work at the Innovation Hub focuses on the four key topics of 'Machine Economy', 'Smart & Connected', 'Disruptive Digital' and 'Cyber Ventures'. Within these individual areas, each regional team is working on business models in which innogy has invested:

- Berlin is an EU innovation hotspot, where pioneering ideas are being generated and successful new startups established at a breakneck pace. In addition to its leading role in clean-tech and the energy transition, Berlin's

appeal is further strengthened by its function as an epicentre for the development of blockchain technologies, making it home to one of the most dynamic communities for cryptotechnologies in Europe. As a result, our 'Machine Economy' team has its main focus in Berlin.

- London is Europe's largest e-commerce market and an ideal location for collaborating not only with innovative startups, but also with a highly active investor community. It is also fast-evolving as a hotspot of cross-functional expertise and breakthroughs in advanced technologies such as artificial intelligence (AI). London is also a leading ecosystem for finance and real estate/building-related innovation, as well as being the European base for all major Silicon Valley technology companies. Our 'Smart & Connected' team in particular finds fertile ground here for its work, with a special focus on life-cycle solutions for buildings (digital planning, construction and management of buildings).

- Tel Aviv has a thriving innovation ecosystem, particularly in the area of deep technology, i.e. achieving fundamental breakthroughs in science and engineering that profoundly impact industries and people's lives. Israel has the highest per-capita number of startups in the world, highlighting its role as an ideal location for ideation, incubation and growth. Our 'Cyber Ventures' team has a particularly strong presence here, leveraging the advanced technology and innovative mindsets needed to deal with an increasingly complex cyber-security landscape.
- Silicon Valley remains by far the largest global innovation ecosystem. The technologies developed here impact the lives of billions of people around the world. In addition, it has a vibrant community of entrepreneurs and investors, as well as a strong talent pool, gleaned from some of the world's leading universities, such as Stanford and Berkeley. Our 'Disruptive Digital' team in Silicon Valley is exploring ways to introduce more democracy in the energy markets and thus open up the energy value chain for everyone. The team is searching for fault lines in the current markets, by exploring the question 'What will things look like in 30 years?' and by playing an active role in the development of innovative, digital business models and new technologies.

Through our work in all four of these innovative centres, we have identified numerous startups that fit our strategic focus areas and invested in them. A few of these startups are highlighted below. More detailed information can be found on the individual websites.

**ucair: more return from solar panels.**

For additional information, visit [www.ucair.de](http://www.ucair.de).

**Bigdely: real-time electricity metering.**

Additional information can be found at [www.bigdely.com](http://www.bigdely.com).

**Fresh Energy: more transparent electricity consumption and billing.**

Additional information can be found at [www.getfresh.energy](http://www.getfresh.energy).

**BigchainDB: managing large datasets with blockchain technology.**

Additional information can be found at [www.bigchaindb.com](http://www.bigchaindb.com).

**aiPod: Urban transport for the future.**

Additional information can be found at [www.aipod.com](http://www.aipod.com).

**TechSee: the next generation of customer service.**

Additional information can be found at [www.techsee.me](http://www.techsee.me).

The following section presents the global initiative Free Electrons, which we initiated to energise startups and open up access to the worldwide startup scene.

**Free Electrons: first global accelerator for startups in the energy sector.**

Together with seven other leading energy companies from Ireland, Portugal, the United Arab Emirates, Australia, Singapore and Japan, innogy launched the 'Free Electrons' programme in February 2017. We invited the most promising energy startups from all over the world to apply and collaborate on the most pressing challenges of our industry. As a prerequisite, applicants had to present a working prototype that had the potential to disrupt the future of renewable energy generation, energy efficiency, e-mobility, digitisation or on-demand customer services.

The objective of the programme was to develop innovative solutions for the utilities' 73 million customers in 40 countries and help the startups grow in these markets. As a result of this unique setup, more than 450 startups applied, and twelve were selected to participate in the six-month programme that was structured in three modules. BeON Energy was chosen as the best startup in the first cohort, with this Portuguese company winning the Free Electrons grand cash prize of USD175,000, as it made the most progress during the programme. The company started with a 'simple' solar panel set-up for people's balconies and ended up with a highly customer-centric product which intelligently networks customers' solar panels. Thanks to the programme's tremendous success with 46 commercial opportunities worth more than USD12 million identified, the Free Electrons programme will take place again in 2018.

## R&D: technical innovations for tomorrow's energy systems

Our researchers and developers identify, evaluate, develop and test new technologies with the aim of retaining our competitive edge, even under changing circumstances, in the areas of electricity generation from renewables, network operation, energy storage and at the interface to the customer, i.e. in energy usage. In our R&D projects, we generally co-operate with external partners – more than 250 manufacturers, universities and research institutions – who supplement our expertise. Many new products and solutions for residential and commercial customers, called Energy+ products, which are part of innogy's offering today as a matter of course, were born in our R&D departments. Examples include our SmartHome system and our charging stations for electric vehicles (EVs). Numerous trends and developments whose impacts cannot even be foreseen right now will determine how our future looks, not only with regard to energy supply but in many other areas of

life as well. Using methods developed by our Corporate Foresight team, innogy is systematically working on better understanding the future, so that we can help shape it. We also safeguard our know-how by means of patents: we have approximately 1,100 patents and patent applications based on around 330 inventions, putting us at the forefront of European energy companies. In 2017 alone, we filed patent applications for 68 new inventions. In 2017, our operating R&D expenditure amounted to €169 million (previous year: €149 million). During the reporting period, we capitalised development costs of €74 million (previous year: €107 million). In the year under review, amortisation of development costs amounted to €102 million (previous year: €107 million). A total of 360 employees worked solely or partially on R&D activities. Some important current R&D projects are presented in the following section.



### R&D in 2017 by numbers

**200**  
ongoing  
projects

**360**  
employees

**250**  
external partners

**68**  
inventions  
registered  
for patents

**Offshore wind farms: cutting costs with foundations made of cement.** From October 2014 to end-2017, a project group currently led by innogy worked on a particularly low-cost type of link for anchoring wind turbines into the seafloor. In Germany, these kind of foundation links generally used a special kind of mortar, which had to be mixed with fresh water, in a costly and logistically complicated process at sea. Based on the

largest set of tests conducted on this subject so far, project partners, including several offshore project developers and operators, wanted to prove that normal cement (so-called Portland cement) could be mixed with saltwater on site to build a stable, load-bearing foundation for offshore wind turbines. This has the advantage of being far less costly and much faster. A similar process has been used in building oil and gas drilling platforms at sea for many decades, but had

not yet been approved for the particular set of conditions faced by offshore wind turbines. The project results should be evaluated and presented in the second quarter of 2018. The goal is to establish a technically well-founded basis for this process to be authorised and to become the future industry standard. This would pave the way for cheaper foundations, which represents an important factor not only for entering new markets outside of Europe, but also for the development of deepwater offshore farms using the next generation of large turbines, which would otherwise be significantly more expensive using the old technology. The project was subsidised with public funds via the Offshore Wind Accelerator programme of the Carbon Trust.

**Designetz: developing a blueprint for the energy transition, spearheaded by innogy.** For the latest information on the project, please visit [www.designetz.de](http://www.designetz.de); for more information on the stops on the Energy Route, see [www.designetz.de/blaupause-und-bausteine](http://www.designetz.de/blaupause-und-bausteine).

**Electricity from gas.** Electricity can also be produced using gas infrastructure – and carbon neutral to boot. To do this, the gas distribution system – the subterranean pipeline network through which gas is transported over long distances – is used until it reaches the customer after having been decelerated incrementally. innogy has developed an innovative patented technology involving a natural gas turbine, known as a gas expander, which uses the necessary pressure reduction in the gas distribution network and existing geothermal heat to generate electricity. The electricity generated at various points in this manner is fed into the power grid without the need for any additional expansion. This is because electricity generation using this method is especially high when feed-ins from photovoltaic installations are low: in the autumn and winter months when there is much less sunshine, but gas purchases – and in turn activity in the gas distribution system – are very high. The fundamental technical feasibility of the gas expander was demonstrated in actual operations in 2016 in Balve (Sauerland). After that, the technical design was modified slightly, improving the system's power generation and thus profitability. A prototype is currently being created on this basis. Plans

call for installing this more powerful gas expander in a gas grid in the eastern part of Westphalia in October 2018. In addition to gas utilities, potential users of this technology include municipal utilities and industrial key accounts with proprietary pipeline networks.

Learn more about innovation and technology at innogy here:  
[www.innogy.com/innovation](http://www.innogy.com/innovation)

**Vehicle-to-X: The future is electric.** Lithium-ion batteries are at the heart of electric vehicles. Since last year, we have been researching how to turn electric vehicles into mobile storage for electricity, making them an integral part of the home energy supply. Our test household has a solar system, an electric car, a stationary battery storage system in the cellar and a so-called bi-directional charging station. If the solar panels generate more electricity than the house or the car needs, the power goes into the home's battery storage to be used later. If the storage battery is full and the sun is not shining, the electric car takes over. During the many hours when it is parked at home, it functions as an additional external storage device and can also supply the house with electricity, via the bi-directional charging station (vehicle-to-home). The vehicle's battery may also be able to help balance grid conditions in the future (vehicle-to-grid). After launching this home energy system in Essen-Borbeck at the end of 2017, we are starting a one-year test of the entire solution in 2018. With this project, innogy is reinforcing its leading position in the field of e-mobility and may also offer a great addition to our SmartHome product range.



## Employee ideas

innogy calls on its employees all over the world to submit their ideas to its internal idea laboratory (IdeaLab), and to comment on and hone the ideas of others. These can be ideas for new products, customer services or business models, new ways to cooperate with each other, as well as to share key learnings and experiences better within innogy. Since its launch, around 300 ideas have been entered on the IdeaLab platform, 23 of which are currently rated 'hot' and some of which are already being implemented. These ideas are reviewed in-depth by experts and refined in separate projects. One example is a new business model originally developed by a member of our innovation team in the Netherlands and then improved with the help and feedback of international colleagues. It is a new handyman service called 'ZoOpgelost' (= quickly fixed) comprising electrical repairs, plumbing, painting, decorating, IT and cleaning. Customers in the Netherlands can select a service, get an immediate price indication and book it online at [zoopgelost.essent.nl](http://zoopgelost.essent.nl). In November 2017, the IdeaLab started a campaign inviting employees to come up with ideas to complement the ZoOpgelost service range and make it even more attractive. An average of five campaigns, each with a different focus, are run every year to collect valuable input from innogy staff. Word of innogy's IdeaLab has got around: in 2017, several major European companies visited us to discuss insights into ideation and the innogy IdeaLab.

In 2017, innogy's employees submitted around 1,200 suggestions on how to improve existing products, services, processes and technological innovations to innogy's Idea Management Department. Everything that helps innogy improve is welcome. Last year, one employee in Retail Commercial Customers had an idea which was immediately realised and incorporated into our day-to-day business. He developed an app for innogy's energy service representatives to help assist commercial customers on site when it comes to energy procurement, generation and consumption. Using a tablet and the app, our consultants can now quickly calculate individual offers for various energy products while working with customers, and can run and visualise different scenarios, ranging from just electricity and/or gas supply through to innovative products for energy generation such as solar power, CHP plants or LED lighting solutions. This represents a huge step forward for our B2B sales. In the past, our employees were only able to make non-binding statements when meeting with customers and submitted a written offer later, after discussing the customer's needs with a technician. Thanks to the app, the entire procedure through to concluding a contract is now much quicker.

## 1.3 Energy sector environment

The Eurozone's economic output increased in 2017, and the same can be said for wholesale electricity and gas prices, with strong rises seen in some cases. In 2017, wind and weather conditions were quite varied. While the weather in our European core markets was warmer compared to 2016 in some cases, wind levels at our generation sites were lower than the long-term average.

**Economic recovery continues.** According to the initial estimates, global economic output in 2017 rose by around 3% compared to 2016. Growth in the Eurozone was estimated at over 2%. Gross domestic product (GDP) is thought to have expanded at roughly the same rate in Germany, borne mainly by positive momentum in consumer spending. In the Eurozone, economic growth in the Netherlands was better than average at over 3%, whereas Belgium registered mildly sub-average growth of less than 2%. According to the latest data, growth in the United Kingdom was also below average at 1.8%, in particular due to the negative effects of the upcoming EU exit. Much stronger economic performance was registered in our key Eastern European markets, as current data suggest that GDP expanded by more than 4% in both Poland and the Czech Republic, and by over 3% in Slovakia and Hungary.

### Weather conditions warmer than in 2016 in some cases.

Whereas energy consumption by industrial enterprises is primarily affected by the development of the economy, households' energy consumption is strongly influenced by the weather. The higher the outdoor temperatures, the less energy is needed for heating purposes and vice-versa. In line with this, autumn and winter temperatures are decisive for our earnings (see table for detailed information). In all of our core markets, 2017 average temperatures were higher than the relevant 10-year averages. A comparison with the previous year shows the following development. While average temperatures in Germany were roughly on par with 2016, they were a modest 0.3 degrees Celsius higher in the United Kingdom and the Netherlands/Belgium. Compared to the previous year, temperatures in our Eastern European markets were slightly lower (-0.1 degrees Celsius) than last year. In particular, temperatures in Eastern Europe were colder during the first quarter (-1.4 degrees Celsius) compared to 2016.

Average temperature deviation	Germany		United Kingdom		Netherlands/Belgium		Eastern Europe <sup>1</sup>	
	2017	2017	2017	2017	2017	2017	2017	2017
	vs. 2016	vs. 10-year avg.	vs. 2016	vs. 10-year avg.	vs. 2016	vs. 10-year avg.	vs. 2016	vs. 10-year avg.
Degrees Celsius								
1 <sup>st</sup> quarter	-0.2	0.9	0.7	0.9	0.3	0.7	-1.4	0.5
2 <sup>nd</sup> quarter	0.2	0.4	1.2	1.0	0.9	0.8	-0.2	0.4
3 <sup>rd</sup> quarter	-1.5	-0.4	-1.3	-0.2	-1.4	-0.3	-0.4	0.2
4 <sup>th</sup> quarter	1.6	1.3	0.5	0.4	1.4	0.8	1.6	1.0
<b>Full year</b>	<b>0.0</b>	<b>0.5</b>	<b>0.3</b>	<b>0.5</b>	<b>0.3</b>	<b>0.5</b>	<b>-0.1</b>	<b>0.5</b>

<sup>1</sup> Czech Republic, Poland, Slovakia and Hungary.

Source: Bloomberg, based on data of the European Centre for Medium-Range Weather Forecasts (ECMWF).

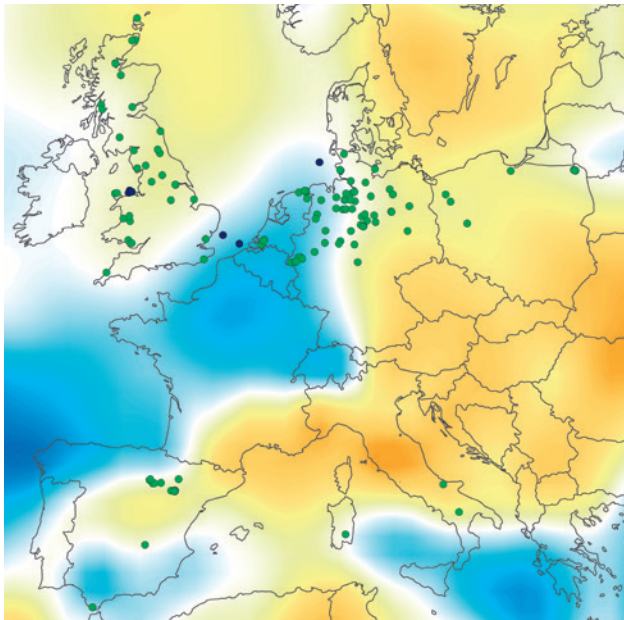
### Wind levels below long-term average at innogy's sites.

The weather also influences electricity generation, as well as energy consumption. Wind levels play an important role for innogy, as the utilisation of our wind farms greatly depends on them. Wind levels in much of Europe were in line with the long-term average in 2017, but remained below average at some important locations for innogy. Wind farms in the United Kingdom, Spain, Italy, Poland and most

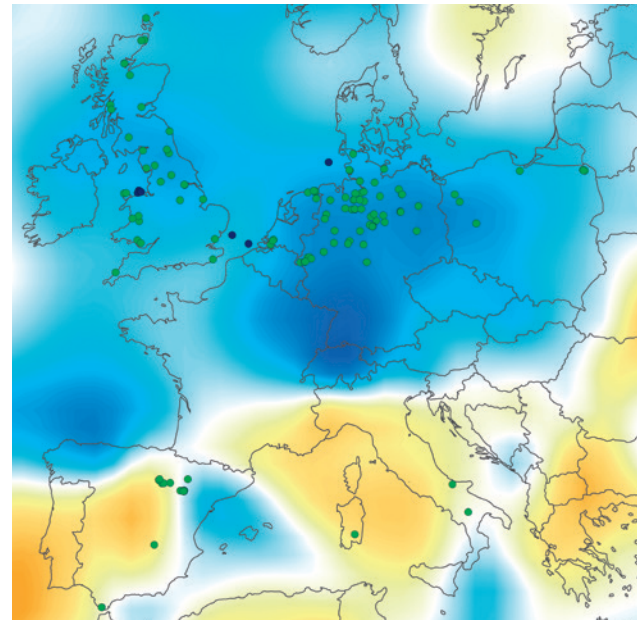
of Germany recorded average wind speeds which were equal to or higher than the long-term average. However, lower wind speeds were registered in the Netherlands and the extreme western part of Germany. This mainly impacted key onshore generation sites in our portfolio and the Nordsee Ost offshore wind farm. Compared to the previous year, all of our generation sites, aside from a few in Spain, recorded higher wind speeds. Our run-of-river power

## Wind levels in Europe

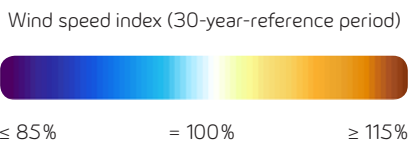
Average wind speed compared to the 30-year average



2017



2016



- innogy onshore wind farm
- innogy offshore wind farm

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

stations, many of which are in Germany, are also affected by weather conditions. Their generation largely depends on precipitation and melt water levels, which fell short of the long-term average in 2017, due to the very low amounts of precipitation in the early quarters of the year.

### Higher energy consumption on innogy's key markets.

Economic growth stimulated energy usage in our key markets, whereas the trend towards energy efficiency had a dampening effect on consumption. Based on initial calculations by the German Association of Energy and Water Industries (BDEW), German demand for electricity in the period under review was around 1% higher than a year before. Estimates for the Netherlands also indicate a

rise of about 1%. Electricity consumption in Poland, Slovakia and Hungary probably rose by around 2% to 3%, whereas consumption fell by about 2% in the United Kingdom.

Somewhat larger changes were seen in gas demand. According to preliminary BDEW data, gas demand in Germany rose by 6%, in part because market conditions for gas-fired power stations improved, leading to increased utilisation of these facilities. A 2% rise in demand is estimated for the Netherlands, along with an increase of 1% in the Czech Republic. By contrast, gas consumption in the United Kingdom fell by around 2%, due to the weather conditions.

## One-year forward prices of gas on the wholesale market

€/MWh (average weekly figures)

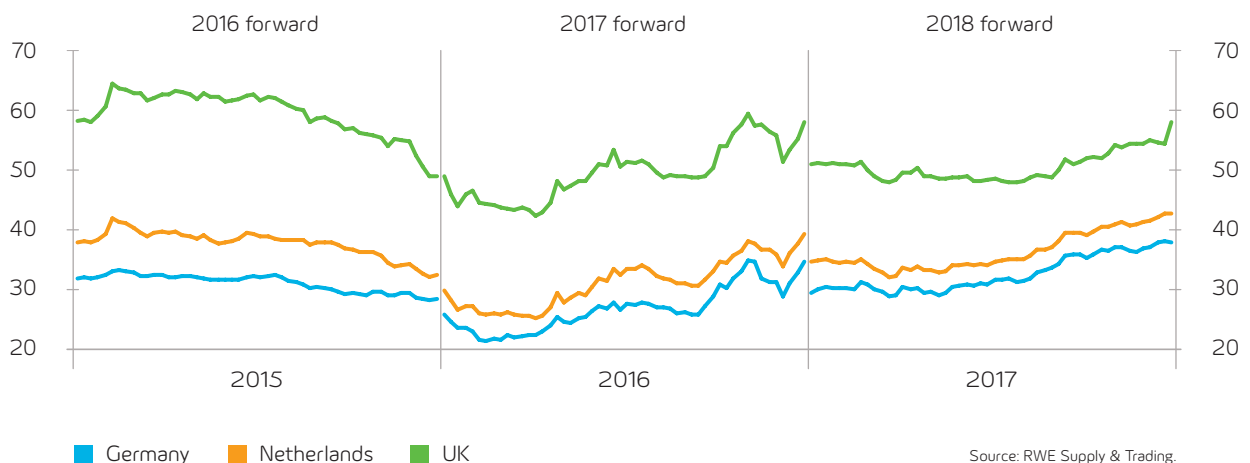


**Higher wholesale gas quotations.** After a long decline, wholesale gas prices in Western Europe finally bounced back. Spot prices at the Dutch Title Transfer Facility (TTF) averaged €17 per MWh in 2017, up 24% on the previous year. In TTF forward trading, contracts for delivery in the following calendar year (2018 forward) were settled for €17 per MWh. By comparison, in 2016 €15 per MWh was paid for the 2017 forward.

Residential tariffs typically track the price trend on the wholesale market with a time lag and were still significantly affected by the low levels seen in recent years. Based on current data, gas became 3% cheaper for German households. Compared to 2016, residential customers in the United Kingdom paid 1% less. Prices remained stable in the Czech Republic, whereas an increase of around 2% was registered in the Netherlands. With regard to industrial customers, prices rose by around 1% in Germany, 5% in the Netherlands and 6% in the United Kingdom, but declined in the Czech Republic.

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

€/MWh (average weekly figures)



**Wholesale electricity prices substantially higher compared to last year.**

Following a downward trend lasting several years, wholesale electricity prices in our key generation markets picked up again. The recovery of hard coal quotations played a major role in this. Hard coal-fired power plants are price-setters on the electricity market for many hours during the year, especially in Germany. Rises in their fuel costs are reflected in electricity quotations. On average, base load power was settled at a price of €34 per MWh on the German spot market in 2017. This was €5 more than in the previous year. Prices also rose in forward trading. The 2018 base-load forward cost an average of €32 per MWh last year. By comparison, the 2017 forward had traded for €27 per MWh in 2016.

In the United Kingdom, our second-largest generation market, wholesale prices are typically much higher than in Germany. This is because since April 2013 power stations in the United Kingdom must pay a CO<sub>2</sub> levy, which has an impact on prices. In the period under review, the mean spot price of base-load power was £45 per MWh (€52 per MWh), up £5 on the level seen in 2016. The 2018 base-load forward cost was £44 per MWh (€50 per MWh), which was £3 higher than the comparable figure for the previous year.

**innogy's electricity generation only partially dependent on wholesale price developments.** A large 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 two-thirds of our earnings in the Renewables division are achieved from quasi-regulated businesses.

In some countries, such as the United Kingdom and Poland, however, the subsidy system stipulates that green certificates be granted as a subsidy for every MWh of production 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<sub>2</sub> emissions. In 2017, however, we did not have any plants online in the United Kingdom or Poland, to which this CfD mechanism would have applied. By contrast, the generation we sell on the wholesale electricity market is exposed to market price risks. We also sell most of the generation from our German hydroelectric stations on the wholesale electricity market and are thus exposed to market price risks here as well. 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 price of €42 per MWh for this portion of our generation across all markets. As this price reflects sales activities during several years with lower prices on the wholesale electricity markets, it is lower than the €43 per MWh realised in the prior year. Prices in our two core markets of Germany and the United Kingdom developed as follows. Electricity generation from German assets, which was sold on the wholesale market, fetched an average price of €30 per MWh (previous year: €31 per MWh). The price realised for UK generation averaged £43 (€50) per MWh, some £3 less than the comparable prior-year figure (£46 or €56 per MWh).

**Sharp increase in electricity prices for German industrial customers.** For retail customers, the electricity bill is strongly influenced by network fees, taxes and levies, especially for residential customers. In Germany and the United Kingdom, where the share of these price components is constantly increasing, electricity prices for retail customers rose by an average of around 2% and 7%, respectively, compared to 2016. Households in Poland paid around 3% more than in the same period of last year. In the Netherlands, residential prices edged upwards by about 1%, whereas they fell by 3% in Hungary and 4% in Slovakia. The following development was seen in the industrial segment. Electricity prices increased by 8% in Germany and by 3% in the United Kingdom, while a smaller decline of 1% was recorded in the Netherlands. In our core Eastern European regions, electricity prices fell sharply, as charges for industrial customers dropped by 7% in Poland, 8% in Hungary and by as much as 11% in Slovakia.

## 1.4 Political environment

In 2017, the topics of energy and climate protection were once again high on the political agenda. On the one hand, since the beginning of 2017, the European Commission's so-called 'Winter Package' has been going through the ordinary legislative procedure of the EU Parliament and EU Council, while on the other hand the European Commission has presented its 'Mobility Package'. In Germany, new laws were passed in the field of electricity, for example, the German Grid Fee Modernisation Act and the Landlord-to-Tenant Electricity Act. Furthermore, the Federal Network Agency temporarily set the productivity factor for distribution system operators for the first time and conducted the cost review for gas grid fees, in relation to which, however, no notification has been issued. The Federal Network Agency also modified the maximum prices for tenders for onshore wind projects from 2018. In the United Kingdom, intervention in the energy market is intensifying; the British government continues to place caps on energy prices and also wants to completely ban sales of new diesel and petrol-powered vehicles by 2040. In the Czech Republic, the regulatory authority was restructured and the regulatory period for the gas grid was extended.

**European Commission presents the 'Winter Package'.** On 30 November 2016, the European Commission presented a package of legislation on the design of the electricity market, renewables and energy efficiency. Unofficially known as the 'Winter Package', this set of measures is formally entitled 'Clean Energy for all Europeans'. The key components are eight legislative proposals, including amendments to the Electricity Regulation and Directive, the Renewable Energy Directive, and the directives on energy efficiency and the energy performance of buildings. These are intended to prepare the single European market for electricity and renewables for the future, to ensure that the European climate and energy targets for 2030 are met, and to allow consumers to participate actively in the energy markets.

This package of legislation has been going through the ordinary legislative procedure of the European Parliament and the EU Council since early 2017. The most progress has been made in the legislative process on the directive on the energy performance of buildings, as the first round of informal 'trialogue' negotiations between the Commission, the Parliament and the Council took place on 7 November 2017. That said, the other proposals of the EU Winter Package are also moving through the Parliament and the Council. The package of laws is likely to be approved in the course of 2018.

**European Commission presents its 'Mobility Package' in November 2017.** Among other things, the objectives of the Mobility Package are to shape the road and mobility systems of the future, to promote their competitiveness, and to define a clear path to achieving zero emissions. In the package, the CO<sub>2</sub> emissions per kilometre of new vehicles are to be reduced by 30% by 2030 compared to the baseline for 2021. For 2025, the target figures for passenger vehicles and delivery vehicles are 15% lower than in 2021 to help ensure that reductions in emissions occur as early as possible. Among other things, the market launch of ultra-low emissions passenger vehicles will be supported with a bonus scheme. €800 million will be provided for the development of infrastructure for alternative fuels (natural gas, hydrogen, electricity), with another €200 million to be made available for a battery initiative. The Commission's proposals will contribute to reducing airborne pollution and CO<sub>2</sub> emissions, as well as traffic noise pollution and congestion. The proposed framework envisages a step-by-step transition from combustion engine to electric vehicles.

**New German Parliament elected on 24 September 2017.** Six party groups are now represented in the new German Parliament. As of the deadline for this report, the parties had not yet agreed on a future government. As a result of this, it is currently not yet possible to foresee the possible implications for climate and energy policy.

### **German Parliament paves the way for uniform transmission system fees by passing the Grid Fee Modernisation Act.**

The Grid Fee Modernisation Act (NEMoG), which entered into force in July 2017, introduces uniform fee components across Germany for the first time. Historically, the principle of cost-based pricing was one of the main reasons for the high fees for using the electricity grids in Germany. This led to some significant differences in grid fees, depending on regional grid conditions (number of power producers, average age of the equipment). However, since the costs associated with the energy transition represent a challenge for German society as a whole, just before the summer break, Germany's Lower House of Parliament decided to make transmission system operators' grid fees uniform over a period of four years, based on a directive that is yet to be formulated. This equalisation is to begin in 2019 and will be finalised in 2023. Criticism has been levelled at the regulation primarily by North Rhine-Westphalia, Rhineland-Palatinate and Saarland, as the energy-intensive industries in these states in particular are expecting much higher grid costs.

Another aspect of NEMoG is the gradual abolishment of so-called avoided grid fees. This refers to grid fees which reward electricity feed-ins from decentralised facilities such as wind turbines or solar farms into the distribution system. These special fees were originally introduced because all decentralised feed-ins were expected to avoid network expansion at the next higher grid level. However, this is becoming increasingly less frequent with regard to solar and wind power. Therefore, avoided grid fees will mostly be incrementally abolished through to 2023. Only existing decentralised controllable plants that generate electricity for example using hydro power or combined heat and power technology will continue to receive avoided grid fees. As the avoided grid fees were already offset via corresponding regulations in the Renewable Energy Act (REA), operators of wind and photovoltaic installations will not suffer any financial disadvantage from the abolition of these fees.

### **Federal Network Agency sets the sectoral productivity factor.**

Within the framework of incentive-based regulation, 'competition' components were introduced for German electricity and gas grid operators, so that possible improvements in efficiency are passed on to customers. These include the determination and comparison of efficiencies (so-called benchmarking) of the individual grid operators and the establishment of a productivity factor for the sector (the so-called Xgen). The latter attempts to quantify and stipulate the improvement in productivity of all electricity and gas grid operators in relation to the overall economy. During the first two regulatory periods, the legislator had set this factor at annual rates of 1.25% and 1.5%, respectively. In 2017, the Xgen factor was determined and temporarily ordered by the Federal Network Agency for the first time. Final determination of the Xgen for gas grids was delayed until 2018. In 2018, a new procedure for the determination and establishment of the Xgen for electricity grids will also be used. On 13 December 2017, the Federal Network Agency temporarily ordered an annual figure of 0.49% for gas grid operators. Although this figure is significantly lower than the rate used in the past two regulatory periods, it means that presently and in the near future, companies involved in grid operation will have to continue improving productivity more rapidly than the overall economy. This has been criticised by the industry associations, such as the German Association of Energy and Water Industries and the German Association of Local Utilities, and by the unions, which had unanimously called for a rate of nearly zero. As noted above, the Xgen factor has not yet been finally determined; this is expected to occur in 2018. Along with other elements (such as the efficiency figures which will only be set in 2018), the final determination of Xgen is a prerequisite for establishing the revenue caps for gas grids, which is also expected to occur in 2018.

### **Federal government reduces privileges for citizen-owned energy projects in tenders for onshore wind energy.**

According to the current Renewable Energy Act, onshore wind projects must participate in tenders to receive financial support in Germany. As a transitional arrangement, projects which were approved under the Federal Emissions Protection Act before 2016 can still receive a feed-in tariff

without participating in tenders. innogy was successful in the first round of tenders in May 2017. The Sommerland wind farm which was awarded the tariff is already under construction. The second round of tenders for onshore wind generation took place on 1 August 2017 and the third round on 1 November 2017. The prices awarded declined from €57.10 per MWh in the first tender round to €42.90 per MWh in the second round and €38.20 per MWh in the third round. Citizen-owned energy projects dominated all three tender procedures. In the latest tender, citizen-owned energy projects won 99% of the awarded volume. In the first and second tender rounds, these projects accounted for 96% and 95% of the volume awarded.

The energy sector formulated the criticism that a few large wind farm developers were behind many of these citizen-owned energy projects, in contrast to the legislator's original intentions. The Federal government reacted accordingly by restricting the privileges of citizens' energy companies. Previously, for example, citizen-owned energy projects were able to participate in tenders without construction permits and were also granted more generous deadlines for the construction of wind farms. These two special regulations will no longer apply for the first two tenders in 2018 (1 February and 1 May).

**Federal Network Agency modifies maximum price for onshore wind tenders in 2018.** In the tenders for onshore wind energy, a maximum price is defined which the bids may not exceed. In the tenders held during 2017, the price was €70 per MWh for the reference location defined in the 2017 Renewable Energy Act. The Act now stipulates that, starting from 2018, the maximum price for each tender round will be the average of the highest winning bids from the last three tenders, plus a buffer premium of 8%. For the first round of tenders in 2018, this would have resulted in a maximum price of €50 per MWh. On 29 November 2017, the Federal Network Agency modified the maximum price for onshore wind tenders in 2018, to €63 per MWh. It explained this decision by saying that the

special regulations for citizen-owned energy companies had created the possibility of submitting bids for installations which were not yet currently available. The Federal Network Agency believes that the increase in the price will foster more competition in the 2018 tenders.

**Federal government passes landlord-tenant electricity law.** The Landlord-to-Tenant Electricity Act passed in June 2017 is designed to allow tenants to participate directly in the energy transition and to create additional incentives for the operation of solar panels on residential buildings. Tenant electricity refers to electricity that is produced by a photovoltaic installation on the roof of a residential building and is supplied to consumers (in particular tenants) occupying the residential building. Self-produced electricity which is used locally by tenants is not subject to network fees, electricity tax and concession levies and is thus subsidised by uncollected fees. Additionally, a so-called tenant electricity premium is granted, which varies depending on the size of the photovoltaic installation, analogously to the regulations of the Renewable Energy Act. Due to the avoidance of fees and taxes, this tenant electricity premium is lower than the feed-in tariff granted for photovoltaic installations of the same size. The tenant electricity premium is calculated by deducting 8.5 cents per kWh from the rates for solar power feed-ins. Accordingly, the premium depends on size of the photovoltaic installation and the overall expansion of solar power; it ranges from 2.12 cents per kWh to 3.8 cents per kWh. The larger the photovoltaic installation, the smaller the premium. In order to contain the additional costs from subsidising tenant electricity, an upper limit for installed capacity of 500 MW per year is set for the tenant electricity model.

**Renewed intervention in the UK energy market via additional caps on energy prices.** In early October 2017, the UK's regulatory authority Office of Gas and Electricity Markets (Ofgem) announced further intervention in the residential customer market. The planned measures envisage the expansion of the current price cap for



prepayment tariffs to consumers with standard tariffs who receive the so-called 'Warm Home Discount', a state subsidy for energy supply (electricity and gas) for vulnerable customers. This widens the existing price cap to apply to an additional one million households from February 2018. All energy suppliers with more than 250,000 customers are required to implement this price cap. The cap will continue to be reviewed bi-annually as well and adjusted if necessary.

On 7 February 2018, Ofgem released the outcome of their latest review of prepayment and safeguard tariffs for vulnerable customers; consequently, the price cap will be increased by £57 to £1,089 (around 5%) from April 2018 onwards. This is intended to last until the end of 2019. This period may be shortened, if this price control measure is replaced by a different one, for example by the introduction of a temporary government price cap for standard tariffs.

In parallel with this, the British government intends to introduce a price cap for all customers with standard tariffs, regardless of what energy provider they use. On 12 October 2017, the Department for Business, Energy & Industrial Strategy presented draft legislation to the British Parliament for consideration. Parliament completed its scrutiny of the draft Bill in February 2018, and it is expected that a revised Bill will be brought before Parliament in the first quarter of 2018. Further details on how the cap is to be determined or how high it will be are not yet available. According to the draft legislation, the price cap will initially apply until the end of 2020, with Ofgem having the option of extending it annually until the end of 2023. All of the necessary legislative and approval measures are to be completed by the end of 2018 at the latest. Even though the specific features of the planned measures to expand the price caps to cover all customers with standard tariffs are still undecided, these measures will likely have a negative impact on the earnings of energy companies active in Great Britain and further worsen the outlook for the British retail business.

On 20 December 2017, Ofgem published a consultation paper. According to this document, Ofgem plans to add further details on the cap associated with the Warm Home Discount and extend this measure to include at least

another 2 million vulnerable households ahead of winter 2018/2019, unless a government price cap is already in place by that time.

#### **Widespread introduction of smart meters still delayed in the United Kingdom.**

In May 2017, the Conservative party reiterated in its election programme that a smart meter would be offered to all households and commercial customers by the end of 2020. However, throughout 2017 there were delays in providing second-generation smart meters (known as SMETS II). This impacted all energy suppliers which wanted to install this kind of meter for their customers. Despite the delay, the government is sticking to the implementation of the programme and has reminded the energy suppliers of their obligation to take 'all reasonable steps to ensure that all households and small businesses are offered smart meters by the end of 2020'.

#### **UK government promotes transition to zero-emission vehicles.**

Starting from 2040, no new diesel or petrol-powered cars or delivery vans are to be sold in the United Kingdom. To this end, in 2017 the British government announced a package of measures to incentivise purchases of electric vehicles and thus boost sales figures. This package adds £600 million to the available funding, which the Office for Low Emissions Vehicles had provided for the purchase of electric vehicles and the expansion of charging infrastructure. Furthermore, in 2017 the British government announced its plans regarding the mandatory provision of charging stations at motorway service stations and larger filling stations. Additionally, the autumn budget provides for additional investment of £200 million for a charging infrastructure investment fund, which is to be topped up by another £200 million from private investors. Other goals include expanding the charging infrastructure and transitioning 25% of the vehicle fleet of UK central government to electric vehicles by 2022. Furthermore, around £100 million is to be provided to existing incentive programmes, to support buyers with a bonus upon purchasing a battery-powered electric vehicle until 2020.

**Elections and their outcome in the Netherlands.** Elections were held in the Netherlands on 15 March 2017. The strongest party to emerge was the conservative-liberal 'Volkspartij voor Vrijheid en Democratie' (VVD) headed by Prime Minister Mark Rutte, which took 21.3% of the vote. The second strongest party is the PVV under the leadership of Geert Wilders. A new governing coalition consisting of two liberal parties and two Christian parties was formed in October. This four-party coalition holds 76 seats in Parliament and thus has a majority of just one vote. Consequently, Prime Minister Rutte has to rely on the support of the opposition to approve his plans. Topics anchored in the coalition agreement include a radical tax reform and ambitious climate goals.

The climate targets and the proposed measures to achieve them concentrate on cost-efficient CO<sub>2</sub> reduction by at least 49% by 2030 compared to the 1990 levels. As the largest source of CO<sub>2</sub> emissions, industry is called upon to reduce its greenhouse gas emissions. Additionally, all Dutch coal-fired power stations are to be shut down by 2030. Other significant measures involve improving the energy efficiency of buildings, raising the installed offshore generation capacity to 7 GW by 2030 and continuing to develop charging infrastructure for electric vehicles.

Furthermore, a climate protection law is to be passed, which will provide the necessary framework for the ambitious climate targets to be achieved by 2030 and 2050. Specific measures to realise the goals will be codified in the so-called Energy Contract 2.0, which will be negotiated by a body consisting of various stakeholders in the course of 2018.

**Parliamentary elections in the Czech Republic.** Following the general elections in the Czech Republic in autumn of 2017, ten parliamentary groups took their seats in the Chamber of Deputies. The clear winner was the 'ANO 2011' movement which won 29.6% of the vote. As party head Andrej Babiš was unable to find coalition partners, he decided to form a minority government, which is composed of ministers from the ranks of ANO and independent experts. The minority government was confirmed by President Miloš Zeman in mid-December 2017.

**Restructured regulatory authority for the energy sector extends the regulatory period for the gas network in the Czech Republic.** Since August 2017, the Czech energy authority ERÚ has been headed by a five-member council, which replaced the role of the chairman. In 2017, the new ERÚ council decided to extend the current fourth regulatory period for the gas distribution network for two years until 2020. The first consultations for the fifth regulatory period, which should start from 2020, have already commenced.

**Current regulatory situation in Slovakia.** In January 2017, the fifth regulatory period for the electricity market (2017 to 2021) started in Slovakia. One significant change compared to the previous period was a shift in network usage fees away from variable tariffs (€ per kWh) to fixed tariffs (€ per kWh). Although this change has a broadly neutral impact on earnings for distribution grid operators, it resulted in large cost increases for certain customers with atypical situations in terms of network connection capacity and electricity consumption. As many of these customers were municipalities, this topic attracted a great deal of political attention. As a result, the head of the Slovakian regulatory authority stepped down and the government has used legal regulations to increase its influence over price regulation. At the same time, the parameters for the fourth regulatory period retroactively to 1 January 2017 were mostly confirmed for the fifth regulatory period as well.

## 1.5 Major events

In fiscal 2017 we launched a number of projects, first and foremost in the Renewables division. We successfully participated in capacity auctions for our wind farms, continued to broaden our presence in our core regions and added two new markets – Ireland and North America – to expand innogy's scope of business. With the acquisition of Belectric in early 2017, we staked out our position as an international provider of utility-scale solar panel arrays and battery storage technology. We also continued to press forward with developing the charging infrastructure for e-mobility and broadband in municipal networks. We opted to chart a new course with our retail business in the United Kingdom, which will be combined with the SSE's household and energy services business to form a new company and listed on the stock market. innogy also achieved financial independence in 2017, after we completed Europe's largest guarantor and debtor exchange for corporate bonds with a volume of €11 billion, issued two bonds and secured our own credit line. In December, we lowered our forecasts for 2017 to a small degree. December also saw the departure of Peter Terium from the Executive Board, with Uwe Tigges named as interim Chief Executive Officer.

### In the period under review

#### **Europe's largest guarantor and debtor exchange of €11 billion in corporate bonds successfully implemented.**

innogy laid the cornerstone of its financial autonomy through its independence under company law and successful IPO at the beginning of October 2016. Shortly thereafter, the guarantor and debtor transfer of all of RWE AG's senior bonds outstanding to innogy SE was initiated; this process was successfully completed in February 2017. With a total volume equivalent to €11 billion, this transaction – which encompassed 18 bonds of various currencies – was the largest of its type by a company in Europe.

Additional information on the guarantor and debtor exchange and on our successful bond issues of €750 million (April 2017) and €850 million (October 2017) can be found in the chapter 'Financial position and net worth' starting on page 66. Our first stand-alone credit line is also discussed in that chapter.

**Independent ratings for innogy.** Moody's issued an independent rating of Baa2 with a negative outlook for innogy SE, while Standard & Poor's (S&P) raised its rating to BBB with a stable outlook. More information on our credit ratings can be found on page 71.

**Impairment of the UK retail business.** In the annual impairment test, a deterioration in commercial assumptions and tougher regulatory conditions resulted in an adjustment of the goodwill of our retail business in the United Kingdom. As a result, we recognised a goodwill impairment of €479 million. The planned merger of the retail activities of innogy and SSE in Great Britain did not change the assessment of this impairment. From an accounting perspective, this impairment occurred in the third quarter and has an impact on the pre-tax income and the Group's result for 2017. It does not, however, have an effect on cash and is reported in the non-operating result.

#### **Changes in the Supervisory Board: Supervisory Board Chairman Dr. Werner Brandt resigned and Dr. Erhard Schipporeit was nominated as a new member of the Supervisory Board.**

On 14 November 2017, Dr. Werner Brandt resigned as Chairman of the Supervisory Board for personal reasons, effective as of 31 December 2017.

On 13 December 2017, the Supervisory Board of innogy SE agreed to elect Dr. Erhard Schipporeit as Chairman of the Supervisory Board with effect from 1 January 2018, subject to his appointment by the competent court (which has since occurred).

**innogy sets course for the future.** In mid-December 2017, the Executive Board and Supervisory Board of innogy SE approved the planning for fiscal 2018, charting a new course for the future. Based on this planning, the Executive Board released its forecast for 2018, according to which – among other things – the development of earnings for the coming year will be marked by higher spending on businesses which hold great promise for the future, such as e-mobility, renewables and broadband. More details on the outlook for fiscal 2018 can be found from page 107.

**Forecast for fiscal 2017 adjusted slightly in December.** In December 2017, innogy also made a slight adjustment to its forecast for fiscal 2017. As a result, innogy projected adjusted EBITDA of about €4.3 billion (previously €4.4 billion) and adjusted EBIT of about €2.8 billion (previously €2.9 billion). The change was mainly due to the persistently difficult market conditions in the UK retail business. The measures taken as part of the restructuring programme were not sufficient to counter the impact of these negative market developments. Furthermore, expenses were higher at the Group level for key future projects such as digitisation and process optimisation. Additional efficiency-enhancing measures are currently only able to partially compensate for this. The forecast for adjusted net income was not revised and remained at over €1.2 billion for 2017. We achieved this goal. Additional information on our business performance can be found from page 51.

**Peter Terium leaves the Executive Board of innogy.** Based on a mutual agreement with the Supervisory Board, Peter Terium, Chairman of the Executive Board of innogy SE, resigned from the company on 19 December 2017. Uwe Tigges was appointed as interim Chairman of the Board for the period until a replacement is found.

## Renewables

**innogy acquires international solar and battery specialist Belectric.** At the beginning of January 2017, innogy SE successfully completed the acquisition of the international solar and battery specialist Belectric Solar & Battery GmbH (formerly Belectric Solar & Battery Holding GmbH). The purchase price was €74 million and includes a €7 million conditional payment obligation. As a result of the

acquisition of Belectric, innogy advanced to become a global player on the market for utility-scale photovoltaic power plants and battery storage systems. These technologies make a significant contribution to the development of the decentralised, renewable energy system of the future. The acquisition is, therefore, a perfect fit with innogy's strategy of pioneering efficient, climate-friendly and intelligent energy solutions. Domiciled in Kolitzheim, Bavaria, Belectric has approximately 600 people on its payroll the world over.

**innogy's Zuidwester wind farm officially online.** The wind turbines erected as part of the Noordoostpolder project in the Netherlands were inaugurated in mid-June 2017, including innogy's 90-MW Zuidwester wind farm. Its twelve onshore turbines are each rated at 7.5 MW, currently ranking among the most powerful in the world. They replace 50 small turbines dating back to the 1980s and 1990s. This has caused Zuidwester's capacity to increase six-fold, driving up annual production ten-fold. innogy invested about €150 million in this project. The wind farm has been generating electricity at full capacity since the end of January 2017. Numerous partners are involved in the Noordoostpolder project. A total of 86 turbines with a combined installed capacity of approximately 430 MW were built both nearshore in the IJsselmeer and onshore along the dyke.

**innogy successfully participates in Germany's first onshore auction.** innogy placed a winning bid with its repowering project in Sommerland in the state of Schleswig-Holstein in the first onshore auction in May 2017. The Federal Network Agency thus confirmed that innogy submitted one of the most competitive bids. The price offered by innogy regulates compensation for the first 20 years of operation. Since 1999, we have been operating four 1.5 MW wind turbines in the community of Sommerland, which will be repowered by three modern, more powerful 2 MW units. Construction began in the third quarter of 2017, and the wind farm should go online in the spring of 2018.

**innogy enters Irish market with onshore wind project.** In August 2017, innogy took over the Dromáda Beg onshore wind project, marking the first step in entering the promising Irish growth market. Three wind turbines with an installed generation capacity of 10.2 MW will be

erected in County Kerry in the southwest of the Republic of Ireland. Construction started in September 2017 and commissioning is expected in the second half of 2018.

**Nordsee One offshore wind farm starts operation.** At the end of September 2017, the last of the 54 turbines with a capacity of 6.2 MW was installed at the site to the north of the East Frisian island of Juist, wrapping up the installation of the turbines at Nordsee One in just seven months. The wind farm has an installed capacity of approximately 332 MW, allowing it to supply the equivalent of around 400,000 households annually with green electricity. Operation and maintenance of the wind farm will be managed from the station in Norddeich. Along with innogy SE (stake of 13.5% since January 2018), Northland Power Inc. is the main owner of this offshore wind farm (stake of 85%). The two partners invested a total of €1.2 billion in the project. The project was fully commissioned at the end of 2017.

**innogy secures support for the Triton Knoll offshore wind project in an auction and becomes the sole owner of the project.** In the latest round of auctions in September 2017, the UK offshore wind project Triton Knoll won a tender for the promotion of renewable energy projects. The strike price awarded was £74.75 per MWh (in 2012 prices, i.e. the prices are adjusted in accordance with the development of the consumer price index), granted over a period of 15 years. With this result, Triton Knoll emerged from the auction as one of the most competitive offshore wind projects. Since April 2015, renewable energy in the United Kingdom has been supported via the so-called CfD mechanism ('Contract for Difference'): If the price the operator achieves on the wholesale market is lower than the guaranteed remuneration awarded at the auction, the difference is reimbursed to the company. If the price is higher, the difference must be settled.

With a planned installed generation capacity of around 860 MW, the wind farm will be built some 32 km off the coast of Lincolnshire, on England's eastern coast. The location offers good wind conditions of 9.83 m/s at an altitude of 107 m, with moderate water depths averaging 18 m.

Previously, innogy and the Norwegian energy company Statkraft were joint owners of Triton Knoll (each with a stake of 50%). In October 2017, innogy acquired Statkraft's 50% stake and is thus now the sole owner. The final investment decision for Triton Knoll is expected to be made in mid-2018. Until then, financing of the project will be finalised and contracting agreements completed with the project's supply chain partners. The possibility of involving one or more financing partners is also being explored. In 2018, onshore work to provide the grid connection will also commence. Offshore construction is expected to begin in 2020. According to the current plans, commissioning of the wind farm is expected to begin in 2021. The planned investment volume amounts to roughly £2 billion (around €2.2 billion at the exchange rate as of the cut-off date).

**innogy takes over an onshore wind project pipeline of more than 2 GW in the USA.** innogy has signed an agreement with the UK investment company Terra Firma Capital Partners to purchase all of the shares of the US onshore wind development business of its subsidiary EverPower Wind Holdings. The purchase is subject to approval by the US Committee on Foreign Investment in the United States (CFIUS), a committee of US government which reviews foreign investment in the United States. The transaction is expected to be completed in the second quarter of 2018.

With this acquisition, innogy will become the sole owner of onshore wind projects at various stages of development with a total capacity of more than 2 GW. The portfolio consists of more than 20 projects at attractive locations in seven states (Ohio, Pennsylvania, Montana, New York, Wyoming, Maryland, Maine). Projects with an installed generation capacity of around 500 MW are in an advanced stage of development and may be commissioned by 2020. This portfolio provides a solid basis for innogy's long-term growth in the United States and fits with our strategic focus on North America as one of our most important growth markets for renewables. This was the first step in tapping this market since our subsidiary Innogy Renewables US LLC was established in 2016. In addition to onshore

wind farms, innogy is also looking at project opportunities for offshore wind and solar and is planning to enter more markets for electricity generation based on renewables, for example in Canada.

**innogy and Primus Energie agree to cooperate in developing a 400-MW pipeline.** At the end of 2017, innogy SE and the Regensburg-based onshore project developer Primus Energie GmbH signed a cooperation agreement, according to which innogy will take over a project pipeline with a total capacity of 400 MW in Thuringia. The portfolio consists of 23 wind farm projects at varying stages of development. Primus Energie will continue to develop the projects as a service for innogy until commissioning.

This cooperation is part of our growth strategy, as we ramp up our presence in our core markets. To this end, we are on the lookout for specific cooperation opportunities with other project developers. Together with Primus, we will push forward with implementing these projects, at the same time offering flexible participation models to communities, municipal utilities and citizens interested in operating wind farms.

**innogy signs contract to acquire a wind farm in Italy.** At the end of December 2017, we signed a contract to acquire a wind farm company in Italy called Wind Farm Deliceto S.r.l., via our subsidiary innogy Italia S.p.A. Since 2013, this company has been operating an onshore wind farm in the south of Italy with an installed capacity of 23 MW. This acquisition is an important step towards ensuring long-term growth in our core markets; the electricity generated is compensated at wholesale prices plus green certificates. The transaction is due to be completed in the first quarter of 2018.

## Grid & Infrastructure

**innogy acquires majority stake in Croatian gas utility and further expands its international distribution grid business.** On 7 February 2017, innogy signed the contracts to acquire a 75% stake in the gas supplier of the Croatian city of Koprivnica for a purchase price equivalent to €6.9 million. The Croatian Cartel Office approved the transaction in April 2017, enabling it to be implemented. The remaining 25% will stay in the ownership of the

municipal utility company Komunalec. innogy was a pioneer with this acquisition, as it marks the first privatisation on the Croatian gas market. The takeover increases our customer base by 13,000 and extends our gas network by about 450 kilometres. Over the next three years, innogy intends to achieve a 10% share of gas sales in the Croatian market. In early 2018, innogy acquired another gas utility in Croatia with the purchase of the grid and retail company Montcogim-Plinara (see page 47).

**innogy continues to develop its concession-based grid business.** After several years of talks, we successfully completed negotiations on grid cooperation with the cities of Kerpen and Pulheim in the second half of 2017. Last year, we ensured the supply of more than 690,000 customers in Germany via the renewal of concession contracts, investment solutions or the renouncement of special cancellation options. innogy is thus successfully implementing its partnership strategy in its core markets. In total, 14.6 million customers are supplied via the innogy Group's networks in Germany.

**innogy TelNet successful in several major tender procedures for broadband expansion in Germany.** Bids were also submitted in other tender procedures in 2017, which are not yet finished. Our regional investments are also involved in broadband expansion, working with municipal support programmes at the individual state level in Germany. For example, in December 2017, the telecommunications service provider VSE NET, a subsidiary of the VSE Group, was awarded a contract to expand the digital network in the Saarland. By the summer of 2018, VSE NET will install the so-called Saarland Network, as the core system for the digital administration of the future. This fibre optic network will function as the communications platform for all data transmission between regional government offices and municipalities in the Saarland.

**innogy acquires 17.5% of the smart-city startup eluminocity.** We don't have to develop every kind of technical innovation on our own. For instance, in November 2017 we invested in the innovative startup eluminocity, which is active in the field of smart cities. Headquartered in Munich and Denver (USA), eluminocity builds high-quality charging stations for electric vehicles, intelligent street lighting systems and sensor technologies for smart cities. These are important developments for the urban market. eluminocity will continue to refine these technologies and expand its sales internationally beyond Europe and the USA. We have also pooled our activities for the development and marketing of intelligent street lamps in an independent organisational unit (Smart Pole Factory) in the Grid & Infrastructure division.

## Retail

**Customer service gets high marks: eprimo for service quality and innogy for digital communication.** In early 2017, the financial magazine 'Focus-Money' published its second 'German Energy Atlas' (issue 6/2017), which lists the best electricity providers, based on service. The top five energy suppliers in each of the 160 cities were determined by a reader survey. As in the previous year, the clear winner was eprimo. Our online electricity and gas provider ranks first in 42 cities, second in 34 and scored a total of 109 placements in the top five. In addition, the readers of the computer magazine 'CHIP' attested to eprimo's high quality of service. In the 'Good Availability' category, the energy provider received the best grades of all suppliers.

In another large-scale survey conducted in June by the ServiceValue institute together with the German daily newspaper 'Die WELT', innogy was recognised for its customer service. innogy beat nine competing utilities and won first place in the 'Best Digital Communications Channels' category. In addition to the company's Internet presence, the study reviewed all of innogy's digital activities, including its mobile offering, presence on social media channels and other aspects of digital communications.

**innogy drives ahead with e-mobility expansion.** As a full-service technology provider, innogy supplies the appropriate charging infrastructure and services for public areas, businesses and private parking spots. With some 7,000 smart charging points in more than 20 countries, innogy is already one of the leading operators on the charging infrastructure market. We intend to continue this success story in the USA. Via a newly established subsidiary, innogy entered the US e-mobility market in July 2017. Headquartered in Orange County, California, 'innogy e-mobility US LLC' will operate in the USA as a technology and service provider. Besides California, business activities will focus on all other US states that have a zero emissions rule for vehicles. The first pilot customers have been acquired and good progress has been made in adapting our solutions for the local market.

In July 2017, innogy also entered into a long-term co-operation agreement with 'Tank & Rast' for the operation of charging infrastructure in a nationwide network with more than 100 of the motorway service operator's locations. The fast charging stations operated by innogy will solely supply green electricity. In the future, drivers of electric vehicles will be able to use motorways stress-free, enabling them to travel long distances without having to worry about getting stuck with a dead battery. The fast chargers are distributed to cater to the range of current electric vehicles. The charging stations have all the common ports, allowing them to be used by all electric vehicles. Additional information is available at [www.innogy.com/emobility](http://www.innogy.com/emobility).

innogy is also the new e-mobility partner of the Deutsche Post DHL Group and will be fitting out the Group's logistics sites with charging infrastructure. In December 2017, we signed a contract on cooperation in Germany and nine other European countries. The electric vehicles (StreetScooters) used by Deutsche Post for delivering packages will be charged using a solution developed specifically for these vehicles by innogy, which is customised to meet the logistics needs and fleet operations.

In September 2017, innogy received a commitment for subsidies for more than 1,000 new charging stations and is thus pressing forward with the development of infrastructure in public areas. The new 22 kW charging stations will be installed on public roads in North Rhine-Westphalia, Lower Saxony, Schleswig-Holstein and Rhineland-Palatinate. The charging stations and their installation will cost roughly €7.8 million in total. As part of the Funding Regulation for Charging Infrastructure for Electric Vehicles, the Ministry of Transport and Digital Infrastructure awarded around €3.1 million for this project, representing a funding share of 40%.

innogy now operates 5,300 charging points in 700 cities and municipalities in Germany, of which some 2,400 are publicly accessible.

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

innogy will retain a minority share of 34.4% of the combined business. SSE plans to demerge its stake to its shareholders upon completion of the transaction, with the result that the remaining 65.6% will be in free float.

The transaction requires the approval of SSE's Annual General Meeting. Moreover, the transaction is subject to approval by the relevant competition authorities and regulatory bodies; it is expected to be completed by late 2018/early 2019.

## After the period under review

# 2018: Successful issue of €1 billion bond.

**innogy confirms targets for financial discipline and strategic orientation.** At the beginning of 2018, innogy confirmed its targets for financial discipline as a key component in pursuing its growth strategy.

A leverage factor of around 4.0 (ratio of net debt to adjusted EBITDA) and a pay-out ratio of 70% to 80% of adjusted net income are still the key financial indicators which guide us. Delivering sustainable earnings growth in

harmony with our financial goals is also our main motivation in implementing our strategy. We are aware of how important a stable, attractive dividend and appropriate debt level is for the capital market.

In 2018–2020, our capital expenditure programme will continue to concentrate on our core businesses in the Renewables, Grid & Infrastructure and Retail divisions. Going beyond these, we are convinced that there are attractive growth opportunities in e-mobility, broadband and solar power.

All growth options will be pursued, subject to our strict return requirements and the availability of funding. We will continuously review the financing of growth projects,



exploring all of the possibilities in terms of ownership and financing structures in order to create the best value for the company and its shareholders.

#### **Successful bond issue with a total volume of €1 billion.**

At the end of January 2018, innogy Finance B.V. issued a bond guaranteed by innogy SE. With a tenor of 11.5 years, the bond has an annual coupon of 1.5%, an issue price of 98.785% and a yield of 1.617% p. a. The issue was several times oversubscribed. The proceeds from this bond will be used to refinance liabilities due as well as for general business activities.

#### **Expansion of the solar power business in Australia.**

In February 2018, innogy concluded a contract with Overland Sun Farming, one of the leading project developers in Australia, on the acquisition of two utility-scale solar power development projects in Australia, further driving the expansion of its valuable solar power business. Together, the 'Limondale' and 'Hillston' projects in New South Wales have a capacity of 460 MW. The project companies are due to be transferred in the second quarter of this year. Completion of the transaction is still subject to some conditions, including the approval of the Foreign Investment Review Board (FIRB), an Australian government body.

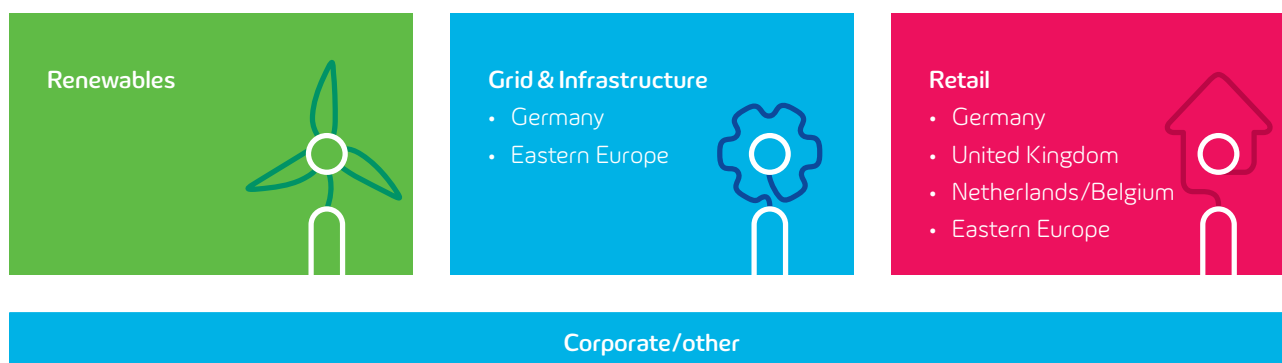
Furthermore, the two projects must be transferred once they are ready for construction. The planned investment volume for both projects, including acquisition of the project rights, amounts to more than €400 million. Upon completion of the transaction, innogy will be the sole owner of both projects. The final investment decision to build both projects will be made in line with the company's targets for debt and financial stability. As part of this, we will review all of the options for ownership and financing structures.

**innogy acquires another gas utility in Croatia.** With the acquisition of the grid and retail company Montcogim-Plinara headquartered in Sveta Nedelja, in January 2018 innogy further expanded its market share on the Croatian gas market. In 2016, Montcogim-Plinara registered sales of around €11.4 million, with a workforce of 21 employees. The company is active in six cities 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 in the Croatian gas market, making it the third largest utility. We have been active in the Croatian electricity market since 2013 and are the country's second largest supplier, currently serving around 120,000 customers.

# 1.6 Reporting principles

innogy Group



As of 31 December 2017

**Group structure with three divisions.** Our financial reporting reflects our Group structure, which includes three functionally distinct divisions: Renewables, Grid & Infrastructure and Retail. We also take account of the geographical footprint, and thus the Group is divided into seven 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.** This is where we report on our activities relating to electricity generation from renewable sources. Besides the operation of green energy assets, this division also includes construction and project development. Our current focus is on onshore and offshore wind, as well as hydroelectric power. The division's main production sites are in Germany, the United Kingdom, Spain, the Netherlands, Poland and Italy. Our activities relating to the expansion of the solar and photovoltaic business are included in this division as well. This is the item under which we also report on Belectric, the international solar and battery storage specialist acquired in early January 2017.
- **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, this segment includes our activities related to broadband expansion. The Grid & Infrastructure Eastern Europe segment encompasses our gas distribution network and gas storage operations in the Czech Republic and our gas distribution business in Croatia, as well as our electricity distribution network business in Poland, Hungary and Slovakia.
- **Retail.** This is where we present our energy retail activities which, in addition to the sale of electricity and gas, include the provision of innovative energy solutions to meet existing demands and our activities related to e-mobility. Geographically, we have the four following operating segments: Retail Germany, Retail United Kingdom, Retail Netherlands/Belgium and Retail Eastern Europe. The last segment in this list comprises activities in the Czech Republic, Slovakia, Hungary, Poland, Slovenia, Croatia and Romania. We also recognise the small share in power generation of individual retail companies in Germany and abroad here.

We present certain groupwide activities and consolidation effects outside the divisions in the Corporate/other line item. This also contains the holding activities of innogy SE and our internal service providers. Development of new businesses and innovations is also included in this 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 performance indicators)

Our performance indicators 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 compensation 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, the leverage factor and free cash flow are other key financial indicators, but are not among the most important ones. The aforementioned management ratios are not defined by IFRS or other international accounting principles, and therefore we collectively refer to them as **alternative performance indicators**.

We comment on these 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 regarding 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, but does not include taxes on income or the financial result, among other things. 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 below:

**Adjusted EBIT** is calculated by deducting the cost of material, staff costs and operating depreciation and amortisation from revenue, to which the other operating result and income from investments are added. It excludes certain items which are considered non-operating or aperiodic items, 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 segments' business performance is discussed and controlled.

We define **adjusted net income** as net income adjusted for certain exceptional items. It differs from net income in that the non-operating result and – possibly – further exceptional items are deducted from it. Additional exceptional items that are eliminated primarily include certain interest and currency effects that are included in the financial result. 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 in part due to the fact that this earnings figure is the basis for determining the dividend of innogy SE. We aim to pay between 70% and 80% of our adjusted net income to our shareholders. In addition, adjusted net income is the main basis for the new long-term

compensation system for Executive Board members and executives of innogy. Consequently, adjusted net income is one of the most important management indicators for the innogy Group.

**Adjusted EBITDA** is defined as the 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 and intangible assets and capital expenditure on financial assets as well as proceeds from the disposal of assets and divestitures. We adjusted this definition in early 2017 to include the items 'Capital expenditure on financial assets' and 'Proceeds from the disposal of assets and

divestitures'. This adjustment was made in order to present innogy's business model more transparently and allow for the reconciliation to net debt. The prior-year figure has been adjusted to bring it in line with the new definition.

The **leverage factor** (see page 71) is the ratio of net debt to adjusted EBITDA. Net debt is defined as the sum of all bonds and financial liabilities to banks adjusted to exclude the effects of the initial recognition of certain financial liabilities at fair value. It also includes other financial liabilities including loans from RWE, minus cash and cash equivalents, marketable securities and other financial assets, plus provisions for pensions and similar obligations as well as provisions for wind farm decommissioning.

## 1.7 Business performance

innogy achieved its earnings goal for adjusted net income in 2017. At €1,224 million, the figure was in line with the forecast of over €1.2 billion at the beginning of the year. During the course of last year, we lowered our 2017 forecasts for adjusted EBITDA and adjusted EBIT, mainly due to the challenging conditions in the UK retail business. The ongoing restructuring programme and additional cost-cutting measures throughout the Retail division were not sufficient to counter the impact of the negative market developments. Additionally, we spent more on key projects for the future, including digitisation and growth initiatives such as e-mobility. For these reasons, in December we downgraded the outlook for adjusted EBITDA from about €4.4 billion to about €4.3 billion and lowered the outlook for adjusted EBIT by roughly the same amount, from about €2.9 billion to about €2.8 billion. We met these adjusted forecasts. The Executive Board and Supervisory Board of innogy SE will propose to the Annual General Meeting a payment of a dividend of €1.60 per share.

Target achievement in 2017 € million	Outlook for 2017	Amended outlook for 2017 <sup>1</sup>	2017 actual
Adjusted EBITDA	About 4,400	About 4,300	4,331
Adjusted EBIT <sup>2</sup>	About 2,900	About 2,800	2,816
Renewables	About 350	About 350	355
Grid & Infrastructure	About 1,900	About 1,900	1,944
Retail	About 850	About 800	800
Adjusted net income	Over 1,200	Over 1,200	1,224

<sup>1</sup> Outlook adjusted on 13 December 2017.

<sup>2</sup> 'Corporate/other' is not stated separately.

**innogy is one of Europe's largest producers of electricity from renewable sources.** At the end of 2017, innogy had electricity generation assets with a total net installed capacity of 4.2 gigawatts (GW), of which 3.9 GW 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 0.4 GW of renewable energy capacity and 0.4 GW of conventional electricity generation capacity.

The geographical focus of our electricity production is Germany, where 44% of our installed capacity is located, followed by the United Kingdom with 27%, Spain with 12%, the Netherlands with 8% and Poland with 6%. Italy, France and Portugal account for the remaining 3%.

In terms of renewables, wind power is our most important technology, representing 78% of total capacity. In offshore wind, we are among the world's largest operators, with an installed capacity of 0.9 GW. At the end of fiscal 2017, the German wind farm Nordsee One (332 MW, located north of the island of Juist) went online; as of 31 December 2017, we had a 15% interest in this project (which declined to 13.5% from January 2018). Full commissioning of the Galloper wind farm, located off the south-east coast of the United Kingdom, is scheduled for the first quarter of 2018. The last of the 56 turbines was installed at the end of 2017. As we hold a minority interest in both projects, these are not included in the calculation of our total capacity. We have onshore wind capacity of 2.1 GW, which also makes us one of the major operators in this category in Europe. In fiscal 2017, we commissioned the wind farms Wiedenfelder Höhe (13.2 MW), Eschweiler Nord (12.8 MW) and Eschweiler Fronhoven (28.5 MW). At the end of 2017, wind farms with a combined volume of more 300 MW (based on our pro-rata capacity) were under construction.

Power generation capacity by division <sup>1</sup>	Onshore wind		Offshore wind		Hydro		Other renewables <sup>2</sup>		Renewables total		Non-renewables <sup>3</sup>		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>MW</b>														
Renewables	2,013	1,907	925	925	542	539	7	7	3,487	3,378	–	–	3,487	3,378
Germany	624	567	295	295	380	380	7	7	1,306	1,249	–	–	1,306	1,249
United Kingdom	339	304	630	630	84	81	–	–	1,053	1,015	–	–	1,053	1,015
Spain	447	447	–	–	12	12	–	–	459	459	–	–	459	459
Netherlands	295	280	–	–	–	–	–	–	295	280	–	–	295	280
Poland	242	242	–	–	–	–	–	–	242	242	–	–	242	242
Italy	67	67	–	–	–	–	–	–	67	67	–	–	67	67
France	–	–	–	–	50	50	–	–	50	50	–	–	50	50
Portugal	–	–	–	–	16	16	–	–	16	16	–	–	16	16
Grid & Infrastructure	95	80	–	–	184	184	34	30	313	294	306	704	619	998
Retail	–	–	–	–	1	1	63	62	64	63	74	92	138	155
<b>innogy Group</b>	<b>2,108</b>	<b>1,987</b>	<b>925</b>	<b>925</b>	<b>727</b>	<b>724</b>	<b>104</b>	<b>99</b>	<b>3,864</b>	<b>3,735</b>	<b>380</b>	<b>796</b>	<b>4,244</b>	<b>4,531</b>

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

2 Includes capacity from biomass and photovoltaic stations.

3 Includes capacity from the energy sources hard coal (2017: 10 MW), gas (2017: 234 MW) and pumped storage hydro, oil and other (2017: 137 MW).

### Electricity production rises compared to previous year.

In the year under review, innogy produced 11.3 billion kWh of electricity, representing an increase of 5% compared to 2016. The bulk of this – 10.2 billion kWh – came from renewables: 74% from onshore and offshore wind farms, 24% from run-of-river power stations, and 2% from biomass and photovoltaic plants. Approximately 10% stemmed from conventional electricity generation capacity, which we state via our fully consolidated subsidiaries.

Compared to the previous year, wind levels had a positive effect on our generation results in fiscal 2017. Generation from renewable energy sources depends strongly on the

weather. For innogy's wind power assets, wind levels play an important role: when they are low, these assets are less utilised. In 2017, wind levels were significantly higher than in the previous year in the United Kingdom and Germany in particular, but remained lower than the long-term average at some of our key locations. Generation from run-of-river and pumped storage power stations was also substantially lower than expected at many of our sites, primarily due to the low levels of precipitation at our main sites between January and August. During the fourth quarter, production was lower in Germany in particular, due to severe flooding. As a result, in 2017 our hydroelectric power stations generated 0.3 billion kWh less electricity than in 2016.

Power generation by division	Onshore wind		Offshore wind		Hydro		Other renewables <sup>1</sup>		Renewables total		Non-renewables		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Billion kWh														
Renewables	4.2	4.2	3.2	2.8	1.8	2.1	–	–	9.2	9.1	–	–	9.2	9.1
Germany	1.0	0.9	0.9	0.9	1.5	1.7	–	–	3.4	3.5	–	–	3.4	3.5
United Kingdom	0.8	1.2	2.2	1.9	0.2	0.2	–	–	3.2	3.3	–	–	3.2	3.3
Spain	1.0	1.0	–	–	–	–	–	–	1.0	1.0	–	–	1.0	1.0
Netherlands	0.7	0.5	–	–	–	–	–	–	0.7	0.5	–	–	0.7	0.5
Poland	0.6	0.5	–	–	–	–	–	–	0.6	0.5	–	–	0.6	0.5
Italy	0.1	0.1	–	–	–	–	–	–	0.1	0.1	–	–	0.1	0.1
France	–	–	–	–	0.1	0.1	–	–	0.1	0.1	–	–	0.1	0.1
Portugal	–	–	–	–	0.0	0.1	–	–	0.0	0.1	–	–	0.0	0.1
Grid & Infrastructure <sup>2</sup>	0.1	n.a.	–	–	0.6	n.a.	0.2	n.a.	0.9	0.9	0.4	0.3	1.3	1.2
Retail <sup>2</sup>	–	n.a.	–	–	0.1	n.a.	–	n.a.	0.1	–	0.7	0.5	0.8	0.5
<b>innogy Group</b>	<b>4.3</b>	<b>4.2</b>	<b>3.2</b>	<b>2.8</b>	<b>2.5</b>	<b>2.8</b>	<b>0.2</b>	<b>0.2</b>	<b>10.2</b>	<b>10.0</b>	<b>1.1</b>	<b>0.8</b>	<b>11.3</b>	<b>10.8</b>

1 Includes capacity from biomass and photovoltaic stations.

2 Due to the reassignment of Group companies within the scope of the IPO of innogy SE, the figures of the individual renewable generation technologies in this segment could only be presented from fiscal 2017 onwards. This is why we only partially report total electricity generation from renewables in 2016.

n.a. = not available

### Our electricity generation is nearly free of CO<sub>2</sub> emissions.

More than 90% of the electricity we generate comes from renewables, which means that our specific emissions, i.e. the amount of carbon discharged per megawatt hour of electricity generated, are extremely low, at just 0.056 metric tons of CO<sub>2</sub> per MWh (previous year: 0.065 metric tons per MWh). Our conventional generation assets emitted 0.6 million metric tons of carbon dioxide, slightly less than in the previous year (0.7 million metric tons). Direct carbon emissions occur when producing electricity

primarily in power stations fired by fossil fuels. Via our fully consolidated investments, 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 plants recognised by the European Emission Trading Scheme (ETS).

### Electricity customers by country

'000	Total		Of which: residential and commercial customers	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Germany	6,637	6,806	6,563	6,730
United Kingdom	2,817	2,917	2,799	2,898
Netherlands/Belgium	2,340	2,407	2,336	2,401
Hungary	2,159	2,141	2,151	2,131
Poland	945	941	943	939
Czech Republic	377	343	376	342
Other <sup>1</sup>	626	581	621	578
<b>innogy Group</b>	<b>15,902</b>	<b>16,136</b>	<b>15,789</b>	<b>16,019</b>

1 Customers in Croatia, Romania, Slovakia and Slovenia.

**Number of electricity customers drops slightly compared to previous year.**

At the end of 2017, the innogy Group's fully consolidated companies supplied electricity to roughly 15,902,000 customers, of which approximately 6,637,000 were in Germany. Our customer base had thus decreased by about 234,000 customers (1%) by the end of 2017.

Declines were registered due to intense competition

in Germany, the United Kingdom and the Netherlands/Belgium. The increase in standard variable tariffs in the United Kingdom announced in early February and effective from mid-March also had a negative impact. Our market position improved in 2017 in all of our Eastern European markets, in particular in the Czech Republic, Slovakia and Hungary.

External electricity sales volume	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Billion kWh								
Renewables	–	–	–	–	8.3	8.4	8.3	8.4
Grid & Infrastructure	0.3	0.3	0.5	0.5	11.7	11.5	12.5	12.3
Germany	0.3	0.3	0.5	0.5	11.7	11.5	12.5	12.3
Eastern Europe	–	–	–	–	–	–	–	–
Retail	50.1	52.0	70.2	73.0	121.3	96.8	241.6	221.8
Germany	19.8	20.2	25.7	26.6	117.2	90.9	162.7	137.7
United Kingdom	11.2	12.0	27.0	28.3	2.1	2.1	40.3	42.4
Netherlands/Belgium	8.7	9.4	5.1	7.0	–	0.5	13.8	16.9
Eastern Europe	10.4	10.4	12.4	11.1	2.0	3.3	24.8	24.8
<b>innogy Group</b>	<b>50.4</b>	<b>52.3</b>	<b>70.7</b>	<b>73.5</b>	<b>141.3</b>	<b>116.7</b>	<b>262.4</b>	<b>242.5</b>

**Electricity sales volume up slightly on previous year.**

In the year under review, innogy sold 262.4 billion kWh of electricity to external customers, 8% more than in 2016. The sales trend benefited from the acquisition of new customers in the German distributor business and the strengthening of our supply relationships with existing customers. However, declines in sales volumes were registered for residential and small commercial customers.

In this context, the trend towards energy efficiency plays an important role, along with the aforementioned customer losses in Germany, the UK and the Netherlands/Belgium. The volume of electricity sales also declined in the industrial and corporate customer segment, especially in the Netherlands/Belgium, the United Kingdom and Germany. On the other hand, higher sales volumes were achieved in some Eastern European countries.



Gas customers by country	Total		Of which: residential and commercial customers	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
'000				
Netherlands/Belgium	2,016	2,073	2,012	2,068
United Kingdom	1,933	2,004	1,929	1,999
Germany	1,268	1,313	1,256	1,301
Czech Republic	1,255	1,310	1,248	1,304
Hungary	4	2	1	-
Poland	1	1	1	1
Other <sup>1</sup>	162	129	161	129
<b>innogy Group</b>	<b>6,638</b>	<b>6,833</b>	<b>6,608</b>	<b>6,801</b>

<sup>1</sup> Customers in Croatia, Romania, Slovakia and Slovenia.

**Fewer gas customers than in 2016.** As of the balance-sheet date, our fully consolidated companies had a total of about 6,638,000 gas customers, most of which were in the Netherlands/Belgium, the United Kingdom, Germany and the Czech Republic. Compared to the customer base

at the end of 2016, this represents a decline of 3% or 195,000 customers. We experienced the most significant losses in our UK unit as well as in the Netherlands/Belgium. As with electricity customers, this was due to increased competitive pressure.

External gas sales volume	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Billion kWh								
Grid & Infrastructure	0.3	0.2	0.2	0.2	1.6	0.4	2.1	0.8
Germany	0.3	0.2	0.2	0.2	1.6	0.4	2.1	0.8
Eastern Europe	-	-	-	-	-	-	-	-
Retail	100.3	102.7	67.4	82.9	57.7	54.9	225.4	240.5
Germany	24.7	24.5	15.3	17.2	50.3	47.6	90.3	89.3
United Kingdom	28.9	29.6	3.4	4.0	6.5	6.7	38.8	40.3
Netherlands/Belgium	30.7	32.9	25.2	28.3	-	-	55.9	61.2
Eastern Europe	16.0	15.7	23.5	33.4	0.9	0.6	40.4	49.7
<b>innogy Group</b>	<b>100.6</b>	<b>102.9</b>	<b>67.6</b>	<b>83.1</b>	<b>59.3</b>	<b>55.3</b>	<b>227.5</b>	<b>241.3</b>

**Gas supply volume lower than in previous year.** Our gas sales fell by around 6% to 227.5 billion kWh compared to 2016. A major decline in sales volume was recorded for industrial and corporate customers. This was mainly due to the shrinking customer base, particularly in some Eastern European countries, the Netherlands/Belgium, Germany and the United Kingdom. We also experienced lower volumes for residential and commercial customers, albeit to a lesser extent. Customer losses were also key

factor behind this development, especially in the United Kingdom and the Netherlands/Belgium, along with more efficient energy use. These developments were counteracted by marginal increases in Germany and some Eastern European countries, due to weather conditions. We boosted our gas sales to distributors, in part because we won new customers in Germany and stepped up our supply relationships with existing customers.

<b>External revenue by product</b>	2017	2016	+/-
€ million			%
<b>Electricity sales</b>	<b>32,069</b>	<b>31,422</b>	<b>2.1</b>
Renewables	617	602	2.5
Grid & Infrastructure	9,336	9,138	2.2
Germany	8,804	8,625	2.1
Eastern Europe	532	513	3.7
Retail	22,114	21,681	2.0
Germany	13,565	12,528	8.3
United Kingdom	5,539	6,154	-10.0
Netherlands/Belgium	968	1,044	-7.3
Eastern Europe	2,042	1,955	4.5
<b>Gas sales</b>	<b>9,133</b>	<b>10,387</b>	<b>-12.1</b>
Grid & Infrastructure	959	924	3.8
Germany	561	554	1.3
Eastern Europe	398	370	7.6
Retail	8,174	9,463	-13.6
Germany	3,144	3,620	-13.1
United Kingdom	1,550	1,853	-16.4
Netherlands/Belgium	2,134	2,484	-14.1
Eastern Europe	1,346	1,506	-10.6
Other sales	1,937	1,802	7.5
<b>innogy Group</b>	<b>43,139</b>	<b>43,611</b>	<b>-1.1</b>

**External revenue down slightly on previous year.** The innogy Group generated €43,139 million in external revenue in fiscal 2017. This figure includes natural gas and electricity tax. Compared to 2016, our revenue declined by 1%. Gas revenue fell 12% to €9,133 million, mainly as a result of the declines in sales volumes discussed above. Furthermore, some of our retail companies reduced their prices, resulting in lower revenue. By contrast, electricity revenue rose 2% to €32,069 million. For the most part, this was due to the increased supply volumes to German distributors discussed above, although this was offset by declining sales to retail and commercial customers. The development of sales was also affected by exchange rate effects: in 2017, sterling weakened versus the euro, depreciating from €1.22 to €1.14 on average.

Disregarding all major consolidation and currency effects, our external revenue decreased by 1%.

Outside of the Retail division, external revenue developed as follows. In the Grid & Infrastructure division, external revenue rose by 2% compared to the previous year, with an increase in subsidised electricity sold directly in the German electricity business being the main factor. The reason for this is that more and more producers market the electricity they generate from renewable sources directly to third parties or use it themselves. This results in lower revenues from reselling electricity fed into our German distribution grid by operators of assets subsidised by the German Renewable Energy Act to transmission network companies. The full consolidation of Belectric, which was acquired in early 2017, was the main reason for the 26% increase in the Renewables division's external revenue.

<b>External revenue</b>	2017	2016	+/-
€ million			%
Renewables	967	768	25.9
Grid & Infrastructure	10,977	10,761	2.0
Germany	10,005	9,854	1.5
Eastern Europe	972	907	7.2
Retail	30,992	31,909	-2.9
Germany	17,124	16,540	3.5
United Kingdom	7,098	8,111	-12.5
Netherlands/Belgium	3,341	3,744	-10.8
Eastern Europe	3,429	3,514	-2.4
Corporate/other	203	173	17.3
<b>innogy Group</b>	<b>43,139</b>	<b>43,611</b>	<b>-1.1</b>
Natural gas tax/electricity tax	2,020	2,062	-2.0
<b>innogy Group (excluding natural gas tax/electricity tax)</b>	<b>41,119</b>	<b>41,549</b>	<b>-1.0</b>

<b>Adjusted EBITDA</b>	2017	2016	+/-
€ million			%
Renewables	694	671	3.4
Grid & Infrastructure	2,874	2,622	9.6
Germany	2,051	1,844	11.2
Eastern Europe	823	778	5.8
Retail	1,005	1,057	-4.9
Germany	489	592	-17.4
United Kingdom	33	-11	-
Netherlands/Belgium	237	233	1.7
Eastern Europe	246	243	1.2
Corporate/other	-242	-147	-64.6
<b>innogy Group</b>	<b>4,331</b>	<b>4,203</b>	<b>3.0</b>

<b>Adjusted EBIT</b>	2017	2016	+/-
€ million			%
Renewables	355	359	-1.1
Grid & Infrastructure	1,944	1,708	13.8
Germany	1,380	1,188	16.2
Eastern Europe	564	520	8.5
Retail	800	844	-5.2
Germany	450	553	-18.6
United Kingdom	-63	-109	42.2
Netherlands/Belgium	186	182	2.2
Eastern Europe	227	218	4.1
Corporate/other	-283	-176	-60.8
<b>innogy Group</b>	<b>2,816</b>	<b>2,735</b>	<b>3.0</b>

**Amended forecast achieved, with adjusted EBIT of €2.8 billion and adjusted EBITDA of €4.3 billion.** On 13 December, we made a slight adjustment to our forecasts for fiscal 2017. This involved adjusted EBITDA, with a new target of about €4.3 billion (previously €4.4 billion) and adjusted EBIT, which we forecast at about €2.8 billion (previously €2.9 billion). These projections were achieved.

In fiscal 2017, we generated adjusted EBITDA of €4,331 million and adjusted EBIT of €2,816 million, with both of these earnings indicators surpassing the previous year's results by 3%. Both adjusted EBITDA and adjusted EBIT were affected by a number of factors. Lower costs to operate and maintain our networks in Germany had a strong effect. Additionally, we had already accrued provisions for partial retirement measures in the first quarter of 2016. The decline in earnings in the German retail business, however, had the opposite effect. Higher costs were also registered for expanding our eMobility business. In addition, in the previous year we registered higher releases of provisions in relation to the re-assessment of legal risks. Furthermore, higher project costs reported under Corporate/other had a negative earnings impact.

Earnings in the divisions developed as follows:

- **Renewables.** Adjusted EBIT declined modestly by 1% to €355 million. Earnings were undermined by the sharp depreciation of sterling compared to the euro and an impairment recognised on our installation ship Seabreeze II. The low precipitation levels at our generation locations, especially in Germany, also had a negative impact on earnings. In addition, last year's adjusted EBIT contained one-off gains from the sales of small run-of-river power plants in Germany and the disposal of an onshore wind farm in the United Kingdom. Compared to the previous year, earnings were supported above all by the increased

electricity prices and the very high wind levels towards the end of the year, along with the commissioning of the onshore wind farms Wiedenfelder Höhe (13.2 MW), Eschweiler Nord (12.8 MW) and Eschweiler Fronhoven (28.5 MW). Earnings also benefited from the fact that the Dutch wind farms Zuidwester and Kattenberg, the UK wind farm Goole Fields II and the German wind farm Sommerland B were constantly online at full capacity for the first time last year. We increased our stake in the UK offshore wind farm Triton Knoll from 50% to 100%, as a result of which there was a shift from accounting using the equity method to full consolidation. This was accompanied by a revaluation of the investment, which raised earnings by €47 million.

- **Grid & Infrastructure.** This division boosted its adjusted EBIT by 14% to €1,944 million compared to 2016. Developments at the segment level were as follows:
  - **Grid & Infrastructure Germany.** Adjusted EBIT in this segment amounted to €1,380 million, up €192 million versus the previous year. This was largely driven by sustained cost reductions and efficiency enhancements for the operation and maintenance of our networks in Germany. Additionally, we released provisions last year, in relation to bankruptcy proceedings and a change in the calculation base for pension provisions at our regional subsidiary LEW, among other things. Furthermore, we had already accrued provisions for partial retirement measures in the first quarter of 2016.
  - **Grid & Infrastructure Eastern Europe.** This segment's adjusted EBIT increased by €44 million to €564 million. In Eastern Europe, at the beginning of the year we benefited from cooler weather, which drove up volumes, especially in our gas distribution network in the Czech Republic. The delayed recognition of regulatory costs in the Czech Republic also had a positive effect in 2017.

- **Retail.** In the Retail business, adjusted EBIT declined by 5% to €800 million. Developments by region were as follows:
  - **Retail Germany.** The adjusted EBIT of this segment was €450 million, down €103 million compared to the previous year. One negative factor was that the release of provisions for legal risks contributed to a lower degree. During the period under review, we also accrued provisions for partial retirement measures and recorded higher expenses for the coordination of international sales and development of the eMobility business. Efficiency-enhancing measures and cost reductions had a positive effect on earnings.
  - **Retail United Kingdom.** In the UK retail business, adjusted EBIT improved by €46 million to –€63 million. This was primarily due to the restructuring programme launched in early 2016, which has helped reducing the cost base. Negative one-off effects from 2016 also no longer had an impact. However, we suffered from an erosion of margins in 2017, especially in the residential business. The price increase for standard tariffs announced in early February, which was necessary due to rising run-up and procurement costs, led to further customer losses. Some customers could only be retained by offering them more favourable conditions in so-called non-standard tariffs. On a positive note, we profited from higher average consumption in our customer portfolio. The competitive landscape remains very difficult, as the UK government has initiated the legislative process to introduce a general price cap for standard variable tariffs. At the same time, new competitors have entered the UK retail market, with some offering very low or even negative margins to make quick headway in acquiring market share. This has resulted in a significant increase in price pressure in the residential business.

- **Retail Netherlands/Belgium.** This segment's adjusted EBIT improved to €186 million, up €4 million compared to last year. We were able to more than compensate for the negative effects of mounting competitive pressures and the related decline in customer numbers and sales by further reducing costs and implementing additional efficiency measures.
- **Retail Eastern Europe.** Adjusted EBIT rose to €227 million, marking an increase of €9 million compared to the preceding year. One of the reasons for this was the cooler weather in the Czech Republic.

In the item **Corporate/other**, we reported adjusted EBIT of –€283 million for the period under review, meaning that expenses were significantly higher than the prior-year period (previous year: –€176 million). This development was mainly due to additional spending on key projects for the future, such as digitisation, and our activities at the Innovation Hub. Furthermore, we have accelerated our plans to modernise IT systems and separate back-office systems from RWE. We also accrued provisions for partial retirement measures and formed a risk provision in relation to the resignation of former CEO Peter Terium.

**Non-operating result declines.** The non-operating result, in which we recognise certain effects which are not related to operations or the period being reviewed, fell by €910 million to –€655 million. The main factor behind this was the impairment of –€479 million on the goodwill for the Retail United Kingdom segment in the third quarter of 2017. This write-down resulted from an impairment test and was based on the deterioration in commercial assumptions and tougher regulatory conditions. In the period under review, the accounting treatment of derivatives, which we use to hedge price fluctuations, led to a total expense of –€118 million, as opposed to the prior-year income of €356 million. Furthermore, certain effects from the previous year, such as a €250 million compensatory payment to innogy SE from RWE Supply & Trading based on the settlement of gas storage contracts, and charges

resulting from impairments of –€204 million for our German gas storage facilities and –€97 million for wind farms in Poland, did not recur in the period under review. Capital gains in the review period were lower than in the

previous year, which was influenced by the sale of our 33.3% stake in the UK company Zephyr Investments Limited.

<b>Financial result</b> € million	2017	2016
Interest income	77	195
Interest expenses	–502	–746
<b>Net interest</b>	<b>–425</b>	<b>–551</b>
Interest accretion to non-current provisions	–56	–167
Other financial result	–32	–71
<b>Financial result</b>	<b>–513</b>	<b>–789</b>
Adjustments in the financial result	–176	–85
<b>Adjusted financial result to derive the adjusted net income</b>	<b>–689</b>	<b>–874</b>

**Financial result improved year on year.** At –€513 million, our financial result improved by €276 million compared to the previous year’s figure, mainly as a result of the improvements in net interest. The previous year included higher negative extraordinary items resulting from the transfer of debt and restructuring of companies. We also recorded lower costs from interest accretion to provisions, primarily due to one-off effects stemming from the adjustment of discount rates. The other financial result improved as well, driven by higher net income on sales of securities.

Due to the transfer of liabilities 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 formerly stated by the RWE Group are amortised over

their remaining terms to maturity. These increased again in July 2017, due to the transfer of two loans from the European Investment Bank. Recognition of these two loans resulted in an expense of €75 million, which is filtered out in the reconciliation to the adjusted financial result. On the whole, the amortisation of the valuation differences and currency effects had a positive impact of €232 million on the financial result in 2017. As these effects on earnings do not affect the actual payment obligations, we adjust the financial result by excluding them to calculate adjusted net income. Furthermore, we netted out €19 million in positive effects resulting from the early redemption and derecognition of the corresponding loans from RWE, which reflected the debt transfer in economic terms ahead of the legal execution. In total, a positive effect of €176 million is netted out in the financial result (previous year: €85 million), in order to determine adjusted net income.

<b>Reconciliation to net income</b>		2017	2016
<b>Adjusted EBITDA</b>	€ million	<b>4,331</b>	<b>4,203</b>
Operating depreciation, amortisation and impairment losses	€ million	-1,515	-1,468
<b>Adjusted EBIT</b>	€ million	<b>2,816</b>	<b>2,735</b>
Non-operating result	€ million	-655	255
Financial result	€ million	-513	-789
<b>Income before tax</b>	€ million	<b>1,648</b>	<b>2,201</b>
Taxes on income	€ million	-499	-415
<b>Income</b>	€ million	<b>1,149</b>	<b>1,786</b>
Income of non-controlling interests	€ million	371	273
<b>Net income/income attributable to innogy SE shareholders</b>	€ million	<b>778</b>	<b>1,513</b>
Effective tax rate	%	30	19
Rebased earnings per share <sup>1</sup>	€	1.40	2.72
Number of shares outstanding as of year-end	thousands	555,555	555,555

<sup>1</sup> In relation to the number of shares outstanding as of year-end.

Income before tax dropped to €1,648 million (previous year: €2,201 million). The effective tax rate was 30%. The increase 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. Consequently, a comparison to the previous year is of no informational value. Disregarding this exceptional effect, the tax rate would have been 23%. The figure for the previous year was positively influenced by income from re-measuring the recoverability of loss carryforwards in the Netherlands.

After tax, we recorded income of €1,149 million (prior year: €1,786 million).

The non-controlling interest in income rose by €98 million to €371 million in 2017, as some fully consolidated companies, in which entities not belonging to the Group hold a stake, reported significantly better earnings compared to the previous year.

The developments presented above are the reason why the net income of €778 million was sharply lower than in 2016 (€1,513 million). Based on the 555,555,000 innogy shares outstanding, earnings per share amounted to €1.40.

<b>Derivation of adjusted net income</b>		2017	2016
Adjusted EBIT	€ million	2,816	2,735
Adjusted financial result	€ million	-689	-874
<b>Adjusted income before tax</b>	€ million	<b>2,127</b>	<b>1,861</b>
Tax rate used to calculate adjusted net income	%	25	25
Taxes on income to calculate adjusted net income	€ million	-532	-465
Non-controlling interests	€ million	-371	-273
<b>Adjusted net income<sup>1</sup></b>	€ million	<b>1,224</b>	<b>1,123</b>
Adjusted net income per share	€	2.20	2.02
Number of shares outstanding as of year-end	thousands	555,555	555,555

<sup>1</sup> In relation to the number of shares outstanding as of year-end.

#### Forecast met, with adjusted net income of €1,224 million.

In the year under review, adjusted net income totalled €1,224 million, up 9% on the previous year and within the forecast range of over €1.2 billion. This rise was driven

by higher earnings and above all the improvement in the adjusted financial result. Based on the 555,555,000 innogy shares outstanding, adjusted net income per share amounted to €2.20.

Adjusted net income differs from net income in that the non-operating result and, in some cases, other exceptional items are excluded. Other exceptional items that were excluded in 2017 primarily include the aforementioned interest and currency effects in the financial result.

We applied a normalised tax rate of 25% in calculating adjusted net income for the reporting period, which is at the lower end of our target range of 25% to 30%.

**Dividend proposal: €1.60 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 €2.20. The Executive Board and the Supervisory Board of innogy SE will propose a dividend of €1.60 per dividend-bearing share for fiscal 2017 to the Annual General Meeting on 24 April 2018. This corresponds to a pay-out ratio of about 73% and is therefore in the range of 70% to 80%, which is our target corridor for the dividend payment.

<b>Capital expenditure</b> € million	2017	2016
Capital expenditure on property, plant and equipment and on intangible assets	1,839	1,833
Renewables	264	242
Grid & Infrastructure	1,328	1,191
Germany	951	832
Eastern Europe	377	359
Retail	164	203
Germany	42	51
United Kingdom	58	90
Netherlands/Belgium	38	30
Eastern Europe	26	32
Corporate/other	83	197
Capital expenditure on financial assets	327	290
<b>Total capital expenditure</b>	<b>2,166</b>	<b>2,123</b>

**Capital expenditures on par with previous year.** Our capital expenditure amounted to €2,166 million in 2017 and thus rose modestly compared to the previous year. There was, however, a €37 million increase in capital spending on financial assets to €327 million. The main factor behind this was the acquisition of the international solar and battery storage specialist Belectric. We spent €1,839 million on property, plant and equipment and intangible assets. The expansion and modernisation of our grid infrastructure continues to be a key point in our investing 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, capital expenditure was up on the previous year, as we invested in various onshore wind projects in the United Kingdom and Germany. By contrast, a decline was registered in the item Corporate/other. Last year's higher capital expenditure mainly resulted from effects related to the separation from RWE.



## Investment process and economic criteria

We use clearly defined profitability criteria to measure the value-added growth of the business areas in which we invest. The following section sets out exactly how we implement this.

**Investment process.** In the past financial year, innogy spent about €2.2 billion in capital on property, plant and equipment and financial investments as well as intangible assets. In the years ahead, we plan to invest billions more. This capital will mainly be invested in the maintenance and modernisation of our grids as well as on infrastructure and on new projects in the Renewables division. In the retail business, we want to become even more efficient as a result of our investments. We see new options for sustainable growth in the fields of e-mobility, solar power and broadband in particular. All of our investments comply with a strict framework.

As part of our Group planning, we first establish the financial framework which defines our leeway for capital expenditure. In doing so, we focus on two goals: a leverage factor of around 4.0 (ratio of net debt to adjusted EBITDA) and a pay-out ratio of 70% to 80% of adjusted net income. Additionally, the Group's maintenance needs and growth options are analysed and evaluated. In this context, the risk-return profile diversification and portfolio issues, business model maturity, workforce allocations and financing capacity play a role. Potential projects compete against each other across all divisions. The decisions resulting from this groupwide strategic investment process lay the foundation for detailed planning in our operating segments.

Whether planned capital expenditures 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. Final investment decisions on projects are usually made by the divisional boards and, if materiality thresholds are exceeded, with the involvement of the Executive Board or Supervisory Board of innogy SE.

Compliance with the capital expenditure plans is monitored and regularly discussed by the Executive Board members in charge of the divisions in question and the Executive Board of innogy SE – usually once a quarter. Two years after completion of a major project, a recalculation is performed in order to take learning for planning future projects.

### Criteria for assessing the profitability of an investment.

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 advantages of an investment decision are determined quantitatively by conducting profitability studies in which capital value-oriented methods are primarily used.

In assessing the attractiveness of investment projects, we employ dynamic investment calculation models which take into account the timing of payments and returns of an investment. These include the internal rate of return (IRR), which is compared to the required minimum return and describes the relative advantage of an investment and the net present value (NPV). To determine the NPV, future cash flows are discounted to make a comparison with the minimum return at the time of the start of the investment. Minimum return requirements are stated as a post-tax figure and can be applied independently of the underlying financing structure. The appropriateness and level of these return targets ('hurdle rates') for the innogy Group and its divisions are reviewed once a year 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 reflecting typical project-specific risks (e.g. construction risks for new technologies),
- Country risk premium,
- Risk premium for non-controlling interests,
- Value-added allowance.

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

Employees <sup>1</sup>	31 Dec 2017	31 Dec 2016
Renewables	1,669	974
Grid & Infrastructure	21,558	21,012
Germany	14,164	14,172
Eastern Europe	7,394	6,840
Retail	15,513	15,430
Germany	4,251	4,231
United Kingdom	6,382	6,174
Netherlands/Belgium	2,346	2,390
Eastern Europe	2,534	2,635
Corporate/other	3,653	3,220
<b>innogy Group</b>	<b>42,393</b>	<b>40,636</b>
In Germany	21,976	20,553
Outside of Germany	20,417	20,083

<sup>1</sup> Converted to full-time positions.

**innogy had 42,393 employees at the end of 2017.** As of 31 December 2017, innogy had 42,393 people on its payroll throughout the Group. Part-time positions were considered in these figures on a pro-rata basis. Last year, the net personnel figure grew by 1,757 employees. At our German sites, the workforce rose by 1,423 from the end of the previous year to 21,976, whereas the number of employees abroad increased by 334 to 20,417.

In 2017, the workforce developed as follows by division: In the Renewables division, the number of employees increased due to the acquisition of Belectric. In Grid & Infrastructure, the rise in staff numbers was mainly due to the restructuring of the grid and retail business in Hungary.

As part of this, employees were transferred from Retail to the Grid & Infrastructure business. The increase in staff numbers due to operational changes was small. In the retail business, the majority of the rise in headcount was seen in the United Kingdom and Eastern Europe. However, this effect was broadly obscured by the aforementioned restructuring and related transfers of employees to the grid business. The higher workforce in Corporate/other mainly resulted from further employees transfers from RWE companies to the innogy Group.

Apprentices are not included in the personnel headcount. At the end of 2017, 1,661 young people were in a professional training programme at innogy, slightly more than in 2016 (1,512 apprentices).

## 1.8 Financial position and net worth

In fiscal 2017, innogy took the final steps to establish an independent financial structure. In late 2016, innogy already launched its own commercial paper programme. In spring of 2017, this was complemented by the debt issuance programme, based on which we issued two bonds during the year. In October 2017, innogy signed a contract on a stand-alone credit line, as a liquidity reserve. This was the last step towards securing financial independence from the main shareholder RWE and was rewarded by Standard & Poor's (S&P) improving our rating. At the end of 2017, our leverage factor based on net debt of €15.6 billion and adjusted EBITDA of €4.3 billion was 3.6, which was below the envisaged ratio of around 4.0.

**Central financing.** The financing of the innogy Group is the responsibility of innogy SE, which obtains funds from banks, the money market or the 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.

On 6 October 2017, innogy concluded a contract securing a stand-alone credit line with a volume of €2 billion. This syndicated credit line functions as a liquidity reserve and was granted by an international consortium of 22 banks. The term is initially set at five years (until 2022) and can be extended twice by one year each time. 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. Upon concluding the new credit line, innogy terminated its participation in the syndicated credit line of RWE AG. Since

the end of 2016, innogy has also 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 was established in the spring of 2017. Taking into account the bonds which were transferred, this programme has a total volume of €20 billion. In fiscal 2017 we issued two bonds. 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, provide surety, or make increased interest payments. Likewise, we are not required to maintain a pre-determined credit rating.

**Guarantor and debtor exchange completed for RWE bonds and EIB loans.** The capital structure envisaged for innogy involved assuming the capital market liabilities of the RWE Group – with the exception of the hybrid bonds – as consideration for the assets transferred. At the end of 2015, what is now innogy Finance B.V. was transferred to innogy's predecessor company along with the related bonds, and, in June 2016, internal loan agreements were concluded between innogy and RWE for the economic transfer of the liabilities. Finally, in late 2016, the steps necessary for the external guarantor and debtor exchange were initiated, following innogy's IPO. This transaction covered a total of 18 bonds with a volume of €11 billion, along with two loans from the European Investment Bank (EIB), and was successfully completed in 2017:

- In December 2016, a debtor exchange was performed via a bond swap for two privately placed bonds, as the German Bond Act did not apply to these instruments. This related to a JPY 20 billion bond maturing in 2040, which was fully exchanged, and to the €500 million bond that matures in 2037. €468 million of the latter bond was presented for exchange, leaving a remaining €32 million bond with RWE.
- In early 2017, innogy SE replaced RWE AG as the guarantor for the bonds of innogy Finance B.V. The basis for this was the bond creditors' approval in accordance with the German Bond Act, achieving the minimum participation quotas and majorities necessary for the change in guarantor.
- In addition, at the beginning of 2017, based on the German Bond Act, a debtor exchange to innogy was conducted for further privately placed senior bonds directly issued by RWE AG.
- Furthermore, two loans from the European Investment Bank of £350 million and €645 million were also transferred to innogy SE in July 2017 (debtor exchange).

On completion of the debtor exchange, the corresponding RWE loans were redeemed or reduced.

Due to the transfer of debt from RWE to innogy, which was initiated in 2015, the transferred financial liabilities must be recognised at fair value at their respective transfer dates. The differences to the carrying amounts formerly stated in the RWE Group are to be amortised over their remaining terms to maturity of the individual financial instruments with an expense-reducing effect. Due to the transfer of two loans from EIB in July 2017, these differences increased again by €75 million compared to year-end 2016. The cash flows from interest and principal payments have not changed as a result of this accounting and earnings effect. The valuation difference resulting from the debt transfer still amounted to €877 million at the end of 2017 (previous year: €1,034 million).

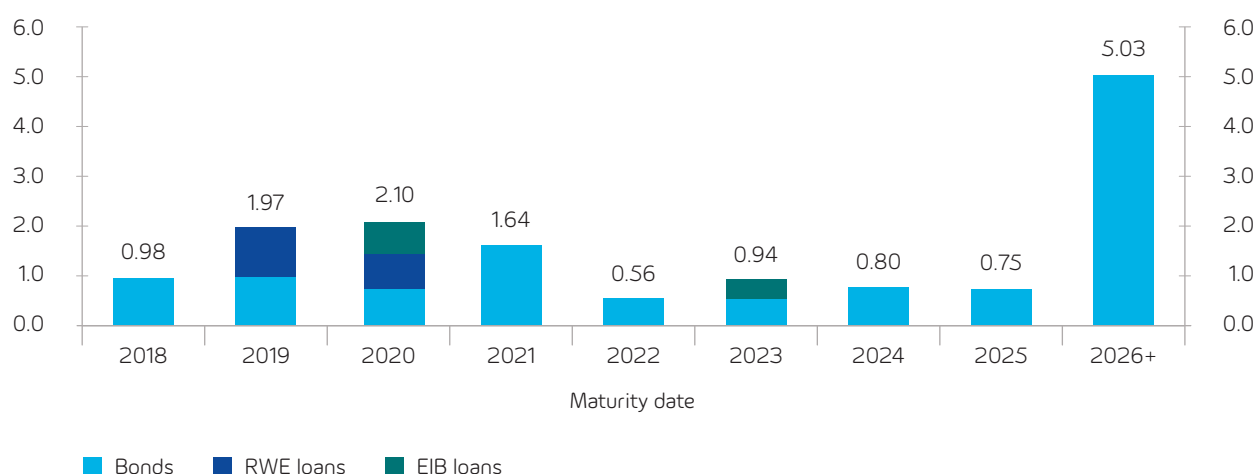
#### **Debut on the bond market: innogy issues first two bonds in 2017.**

innogy placed its first bond in April 2017, with a volume of €750 million and a tenor of eight years. The bond has an annual coupon of 1.00%, an issue price of 99.466%, and an annual yield to maturity of 1.07%. It was issued by innogy Finance B.V. with innogy SE as the guarantor, and was the first bond issued under the new Debt Issuance Programme.

This was followed by the first 'green' bond in October 2017, which was also the first green corporate bond ever issued in Germany with a benchmark size, i.e. a volume of at least €500 million. innogy's green corporate bond has a volume of €850 million and a tenor of ten years. With an annual coupon of 1.25% and an issue price of 98.987%, the annual yield to maturity amounts to 1.36%. The bond was also issued by innogy Finance B.V. and guaranteed by innogy SE. It generated significant demand and was five times oversubscribed. innogy established a framework for issuing green bonds, and the internationally recognised sustainability agency Sustainalytics confirmed that this framework is robust and transparent. It is also in alignment with the generally accepted 'Green Bond Principles 2017' of the International Capital Market Association. innogy's Green Bond Framework covers investments in the fields of renewables, energy efficiency and e-mobility. Proceeds from the first green bond will be used to refinance four offshore projects in the United Kingdom and Germany, and one onshore project in the Netherlands.

## Maturity profile of bonds and loans as of 31 December 2017

€ billion



### The volume of bonds and loans from RWE and EIB totalled €14.8 billion.

In the year under review, we redeemed a variable-rate bond with a nominal volume of €100 million and three RWE loans totalling €1.1 billion. The two new bonds issued raised €1.6 billion. At the end of 2017, the nominal volume of the bonds outstanding amounted to €12.1 billion. Furthermore, there were liabilities to RWE AG from loans of €1.7 billion, and €1.0 billion to the EIB. The weighted average remaining maturity of the bonds and EIB and RWE loans amounts to 7.8 years.

The bonds are denominated in euros, sterling, US dollars and Japanese yen. We hedged to manage the currency risk. Taking account of these transactions, 67% of our debt was denominated in euros, 33% was in sterling and less than 1% was in US dollars at the end of the year. There was no foreign currency risk arising from our capital market debts in yen.

External debt by maturity <sup>1</sup> (as of 31 Dec 2017)		2018–2022	2023–2027	2028–2032	From 2033
Nominal volume of bonds	€ billion	4.9	2.9	0.9	3.3
Nominal volume of RWE loans	€ billion	1.7	–	–	–
Nominal volume of EIB loans	€ billion	0.6	0.4	–	–
<b>Total nominal volume</b>	€ billion	<b>7.3</b>	<b>3.3</b>	<b>0.9</b>	<b>3.3</b>
Share of total external debt	%	49	23	6	22

<sup>1</sup> Differences due to rounding possible.

**At 4.1%, the weighted average cost of debt remained at the previous year's level.** Relative to the nominal volume of bonds and RWE/EIB loans outstanding as of the balance-sheet date, innogy's average cost of debt was 4.1%.

The cost of debt includes interest and currency hedges. It considers the bonds based on an average yield of 4.7% and the RWE/EIB loans based on an average interest rate of 1.5%. Although the two innogy bonds issued in 2017 have

relatively low coupons, the weighted average cost of debt did not decline compared to the previous year. The reason for this was that innogy paid off RWE loans which had been

agreed at market conditions in 2016 (and thus had relatively low interest rates) and a variable-rate bond during the reporting period.

<b>Cash flow statement</b>	2017	2016
€ million		
Funds from operations	3,181	2,952
Change in working capital	-527	-278
<b>Cash flows from operating activities</b>	<b>2,654</b>	<b>2,674</b>
Cash flows from investing activities	-1,800	5,218
Cash flows from financing activities	-1,172	-7,042
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	9	-21
<b>Net change in cash and cash equivalents</b>	<b>-309</b>	<b>829</b>
Cash flows from operating activities	2,654	2,674
Capital expenditure on property, plant and equipment and on intangible assets <sup>1</sup>	-1,835	-1,833
Capital expenditure on financial assets <sup>1</sup>	-303	-216
Proceeds from disposal of assets/divestitures	281	416
Free cash flow	797	1,041
<b>Dividend payments</b>	<b>-1,328</b>	<b>-979</b>
<b>Budget deficit / surplus</b>	<b>-531</b>	<b>62</b>

<sup>1</sup> This item solely includes capital expenditure with an effect on cash.

**Operating cash flows close to last year's level.** Cash flows generated from operating activities amounted to €2,654 million during the year under review, down by €20 million compared to 2016. The increase in funds from operations versus last year was contrasted against a negative change in working capital of roughly the same size.

Funds from operations were higher compared to last year, mainly due to the improvement in adjusted EBITDA and the financial result. The latter increased compared to last year, in particular because one-off expenses for the early redemption of loans from RWE had a negative impact in 2016. Additionally, we recorded higher income from sales of securities in 2017.

Several specific factors influenced the change in working capital during the review period. These included higher trade accounts receivable in the UK retail business, as well as temporary tax matters such as refunds of income tax, which have not yet been paid.

In the period under review, cash flows from investing activities totalled –€1,800 million, primarily related to investment in plant and property. Cash flows from financing activities amounted to –€1,172 million, mainly consisting of –€889 million in dividend payments to innogy shareholders and dividend payments to non-controlling shareholders amounting to –€439 million. A comparison with cash flows from investing activities and financing activities during the previous year is of little informational value, because in 2016 innogy's capital structure was changed fundamentally as part of the extensive reorganisation of the RWE Group, from which innogy emerged. This, among other things, had a significant impact on the cash flow statement.

On balance, the presented cash flows from operating, investing and financing activities lowered our cash and cash equivalents by €309 million.

In early 2017, we adjusted the definition of free cash flow in order to present innogy's business model more transparently and allow for the reconciliation to net debt. In addition to expenses for capital expenditure on property,

plant and equipment and intangible assets, free cash flow now also reflects expenses for capital expenditure on financial assets, as well as proceeds from the disposal of assets and divestitures. These items were not previously

considered in free cash flow. Free cash flow amounted to €797 million compared to €1,041 million in the same period last year. The prior-year figure has been adjusted to be aligned with the new definition.

<b>Net debt</b> € million	31 Dec 2017	31 Dec 2016
Cash and cash equivalents	1,070	1,379
Marketable securities	2,362	2,722
Other financial assets	654	519
<b>Financial assets</b>	<b>4,086</b>	<b>4,620</b>
Bonds, other notes payable, bank debt, commercial paper	14,428	11,826
Hedge transactions related to bonds	-1	-12
Adjustment for the fair valuation of senior bonds and EIB loans	-877	-1,034
Other financial liabilities including liabilities to RWE AG	2,828	5,395
<b>Financial liabilities</b>	<b>16,378</b>	<b>16,175</b>
<b>Net financial debt</b>	<b>12,292</b>	<b>11,555</b>
Provisions for pensions and similar obligations	3,089	3,888
Surplus of plan assets over benefit obligations	-103	-29
Provisions for wind farm decommissioning	359	334
<b>Total net debt</b>	<b>15,637</b>	<b>15,748</b>
Leverage factor <sup>1</sup>	3.6	3.7

<sup>1</sup> Ratio of net debt to adjusted EBITDA.

**Net debt of €15.6 billion on par with last year's level.** As of 31 December 2017, our net debt amounted to €15.6 billion and was thus slightly lower than at the balance-sheet date for 2016. The increase in net financial debt was more than offset by the decline in pension provisions.

During the reporting period, net financial debt increased by around €0.7 billion to €12.3 billion, as capital expenditure and dividend payments (including the special dividend to RWE Polska) were higher than the cash flow from operating activities. The level of net debt was essentially not affected by the redemption of financial debt to RWE and issuing bonds to and raising loans from third parties.

Provisions for pensions declined from €3.9 billion to €3.1 billion. The increase in the discount rate in Germany from 1.8% to 2.0% played a major role in this regard, while the reduction in the discount rate in the United Kingdom

from 2.6% to 2.4% had an opposite effect. Furthermore, provisions were also reduced by the impact of the positive development of fund returns and changes in demographic assumptions in the United Kingdom.

**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. Whereas our payment obligations arising from long-term gas purchase agreements increased moderately in 2016 compared to the previous year, the obligations arising from electricity contracts fell slightly. We calculate these obligations based on the expected development of commodity prices. For further commentary on our off-balance sheet obligations, please turn to page 174 in the notes to the consolidated financial statements.



Credit rating (as of 31 Dec 2017)	Fitch	Moody's	Standard & Poor's
Long-term debt	BBB+	Baa2	BBB
Bonds	A-	Baa2	BBB
Short-term debt	F2	P2	A2
Outlook	Stable	Negative	Stable

**Investment grade rating for innogy.** Since October 2016, Fitch has rated innogy SE independently and assigns us a BBB+ rating 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 received an F2 rating. According to Fitch, the good ratings reflect innogy's very solid business profile with a large proportion of earnings from predominantly regulated networks and partially regulated power generation from renewables.

Moody's issued a Baa2 rating with a stable outlook for innogy SE and innogy Finance B.V. at the end of June 2017. The rating reflects innogy's robust risk profile and underscores the company's strong creditworthiness. In December 2017, Moody's changed the outlook to 'negative' in response to the publication of an adjustment to the earnings expectations for fiscal 2017 and the forecast for 2018, as well as changes to innogy's investment plans.

In October 2017, the rating agency S&P reassessed innogy SE's creditworthiness: The long-term debt rating and bond rating was upgraded to the current rating of BBB with a stable outlook from BBB- and a positive outlook. Short-term financial debt was rated at A2 (previously A3). With these upgrades, S&P recognised innogy's financial independence. However, with regard to all three ratings mentioned above, the RWE ratings are still taken into account.

**Leverage factor of 3.6.** We manage our indebtedness via the leverage factor, which is the ratio of net debt to adjusted EBITDA. This 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. We are aiming for a level of around 4.0. As of 31 December 2017, our leverage factor was 3.6.

**Balance sheet structure: at 24%, equity ratio increases versus previous year.** As of 31 December 2017, our balance sheet total was €46.8 billion compared to €46.9 billion at the end of the previous year. The decline in current assets was mainly driven by the €0.7 billion drop in cash and cash equivalents and securities, whereas our current receivables increased. There was also a rise in our non-current assets, which mainly stemmed from developments in property, plant and equipment. On the other hand, intangible assets fell by €0.4 billion, primarily as a result of impairments on goodwill amounting to €0.5 billion in the Retail United Kingdom segment.

Non-current liabilities dropped on the equity and liabilities side, owing in part to the €0.8 billion decline in provisions for pensions. The increase in current liabilities is mainly due to higher financial liabilities. The overall decline in debt and broadly stable balance sheet total resulted in the equity ratio rising by 1.3 percentage points to 24.0%.

Group balance sheet structure	31 Dec 2017		31 Dec 2016	
	€ million	%	€ million	%
<b>Assets</b>				
Non-current assets	36,502	78.0	36,239	77.3
Intangible assets	11,347	24.2	11,709	25.0
Property, plant and equipment	18,361	39.2	17,954	38.3
Current assets	10,312	22.0	10,651	22.7
Receivables and other assets <sup>1</sup>	6,608	14.1	6,193	13.2
<b>Total</b>	<b>46,814</b>	<b>100.0</b>	<b>46,890</b>	<b>100.0</b>
<b>Equity and liabilities</b>				
Equity	11,252	24.0	10,667	22.7
Non-current liabilities	22,913	49.0	24,442	52.2
Provisions	4,628	9.9	5,518	11.8
Financial liabilities	15,492	33.1	16,556	35.3
Current liabilities	12,649	27.0	11,781	25.1
Other liabilities <sup>2</sup>	8,279	17.7	8,662	18.5
<b>Total</b>	<b>46,814</b>	<b>100.0</b>	<b>46,890</b>	<b>100.0</b>

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](http://www.innogy.com/ir).

<b>Balance sheet of innogy SE (abridged)</b> € million	31 Dec 2017	31 Dec 2016
<b>Non-current assets</b>	<b>23,046</b>	<b>22,625</b>
Financial assets	22,655	22,298
Other non-current assets	391	327
<b>Current assets including prepaid expenses</b>	<b>7,987</b>	<b>4,769</b>
Accounts receivable from affiliated companies	5,964	2,238
Marketable securities and cash and cash equivalents	981	1,658
Other current assets	909	782
Prepaid expenses	133	91
<b>Total assets</b>	<b>31,033</b>	<b>27,394</b>
Equity	8,926	8,908
Exceptional items with a reserve element	1	1
Provisions	1,041	938
Accounts payable to affiliated companies	18,168	16,130
Other liabilities	2,758	1,381
Deferred income	139	36
<b>Total equity and liabilities</b>	<b>31,033</b>	<b>27,394</b>

<b>Income statement of innogy SE (abridged)</b> € million	2017	2016
Revenue	11,521	10,952
Other operating income	723	2,278
Cost of materials	-10,777	-10,345
Staff costs	-557	-330
Other operating expenses	-1,075	-1,238
Net income from financial assets	1,682	781
Net interest	-536	-404
Other income and expenses	-39	-2
Taxes on income	-34	-103
<b>Income after tax</b>	<b>908</b>	<b>1,588</b>
<b>Net profit</b>	<b>908</b>	<b>1,588</b>
Profit carryforward from previous year	1	-
Transfer to other retained earnings	-19	-697
<b>Distributable profit</b>	<b>889</b>	<b>891</b>

**innogy SE.** The activities of the Renewables, Grid & Infrastructure and Retail divisions, along with the central administration and management functions, are bundled in innogy SE as the operating parent company. Furthermore, in fiscal 2017, RWE IT GmbH was merged into innogy SE and the parts of the former company RWE Service GmbH relating to innogy were transferred to innogy SE, with the result that the parent company has now taken over additional cross-company functions.

Since the successful IPO in October 2016, innogy SE's majority shareholder has been RWE AG, with a stake of 76.8%, which it holds via its wholly owned subsidiary, RWE Downstream Beteiligungs GmbH. 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.

**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 €8,926 million, the company's equity is a major item, from which a comfortable equity ratio of 29% can be derived.

The liabilities of €20,926 million recognised as of the balance-sheet date are largely payable to RWE AG, 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 the course of fiscal 2017, innogy SE took over the role of RWE AG as the guarantor or debtor for all of the capital market debt (aside from the outstanding hybrid bonds), within the framework of a guarantee exchange.

On 5 April and 19 October 2017, innogy Finance B.V. issued the first 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/other contains the activities of innogy SE as the financial and management holding for the innogy Group.

<b>Breakdown of key earnings items by division</b> € million	Renewables	Grid & Infrastructure	Retail	Corporate/ other <sup>1</sup>	innogy SE <sup>1,2</sup>
Revenue	357	1,619	9,198	347	11,521
	3.1%	14.1%	79.8%	3.0%	100.0%
Other operating income	47	49	68	559	723
	6.4%	6.6%	9.2%	77.7%	100.0%
Cost of materials	-307	-1,435	-8,655	-380	-10,777
	2.9%	13.3%	80.3%	3.5%	100.0%
Staff costs	-51	-45	-180	-281	-557
	9.1%	8.2%	32.2%	50.5%	100.0%
Other operating expenses	-13	-92	-175	-795	-1,075
	1.2%	8.5%	16.2%	74.0%	100.0%
Net income from financial assets	136	176	6	1,364	1,682
	8.2%	10.5%	0.4%	80.9%	100.0%
Net interest	-16	-18	-59	-443	-536
	2.9%	3.3%	11.1%	82.7%	100.0%

1 Including innogy IT and innogy Real Estate/Infrastructure.

2 Differences due to rounding possible.

Of the €11,521 million in revenue generated in the past financial year, 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 supply and the optimisation of energy consumption, addressing the needs of both residential and commercial customers.

A small portion of revenue (14%) was allocable to the Grid & Infrastructure division, where we achieve the most revenue from lease installments 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 3%, the revenue allocable to the segment Corporate/other also plays a subordinated role.

The cost of materials of €10,777 million was distributed among the divisions similarly to revenue: the lion's share of 80% 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 13% of the total cost of materials, with this primarily consisting of lease installments and expenses incurred for concession fees.

Analogous to revenue, the share of the cost of materials allocable to Renewables and Corporate/other was about 3% and therefore minor.

In fiscal 2017, the other operating result was influenced by the function of innogy SE as the Group's financial and management holding. Major contributions to earnings were made primarily 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 €1,682 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. In the past financial year, we also appropriated positive earnings contributions from investments, which are held as investments accounted for at equity due to a material influence.

innogy SE recorded a sharply negative result of –€536 million for net income in the past year. 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 of Section 6b, Paragraph 3 of the German Energy Act:

- Distribution of electricity,
- Energy-specific services relating to the distribution of electricity,
- Other activities within the electricity sector,
- Distribution of gas,
- Energy-specific services relating to the distribution of gas,
- Activities outside of the electricity and gas sectors.

With the Metering Point Operation Act of 29 August 2016, which was amended by Article 15 of the Act of 22 December 2016 (BGBL. I S. 3106), the activity ‘modern and intelligent metering point operation’ has been added to innogy SE’s scope of activities.

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 following shows the main balance-sheet items and income from operating activities for the different distributing activities in 2017:

- 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 €15 million,
- Income before tax for gas distribution amounted to –€3 million.

**Final declaration of the Executive Board on the report on relations to affiliates.** As of 31 December 2017, RWE Downstream Beteiligungs GmbH, a subsidiary wholly owned by RWE AG, held 76.8% of the voting shares in the capital stock of innogy SE. For this reason, an absolute voting majority is expected at future Annual General Meetings, resulting in innogy SE being dependent on RWE Downstream Beteiligungs GmbH and RWE AG pursuant to Section 17, Paragraph 2 of the German Stock Corporation Act.

The domination agreement concluded between RWE Downstream Beteiligungs GmbH and innogy SE on 26 February 2016 was cancelled on 7 September 2016 with effect from the end of the day on 30 September 2016. This resulted 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 2017 to the end of the fiscal year (31 December 2017).

The Executive Board of innogy SE prepared a dependency report in which it made the following final declaration: 'Our company received appropriate consideration for every legal transaction and measure mentioned in the report on relations to affiliates under the circumstances known to us when the legal transactions were concluded and the measures were taken and was not put at a disadvantage as a result of measures being taken. 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 €1.60 per dividend-bearing share for fiscal 2017 to the Annual General Meeting on 24 April 2018. 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 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.** On 14 February 2018, 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](http://www.innogy.com/corporate-governance-declaration).

**Outlook.** For the 2018 financial year, we expect a net profit of between 70% and 80% of the projected adjusted IFRS net income 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 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 2017, one holding in innogy SE exceeded 10% of the voting rights. It was owned by RWE Downstream Beteiligungs GmbH, 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 are made pursuant to 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 and 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. 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.

Pursuant to the resolution passed by the Annual General Meeting on 30 August 2016, the Executive Board is authorised until 29 August 2021, subject to the Supervisory Board's approval, to issue option and/or convertible bonds 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 issued previously, 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. 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 any accrued interest). innogy SE's €2 billion syndicated credit line also includes a change-of-control clause, which 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 credit line with lenders representing 2/3 of the agreed credit volume within 30 days from such a 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 compensation.**

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 major disadvantages for the Executive Board member in question. In such cases, within three months of the change of control, they have the right to retire from the Executive Board within six months of the change of control and to 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. 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 83 et seqq. and 152 et seqq.

## 1.11 Compensation report

We believe that the transparent reporting of Supervisory and Executive Board compensation is a key element of good corporate governance. In this chapter, we provide information on the principles of innogy SE's compensation system, as well as its structure and benefits. The 2017 compensation report adheres to all statutory regulations and complies in full with the recommendations of the German Corporate Governance Code.

### Structure of Supervisory Board compensation

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 an additional compensation for committee mandates according to the rules below:

Members of the Audit Committee receive additional remuneration 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 an additional €20,000 and €40,000 in compensation, 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 remuneration 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.

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.

### Level of Supervisory Board compensation

In total, the emoluments of the Supervisory Board (including compensation for committee mandates and mandates exercised at subsidiaries) amounted to €2,805,000 in fiscal 2017 (previous year, on a prorated basis only: €985,000). Of this sum, €480,000 represented remuneration paid for mandates on committees of the Supervisory Board (previous year: €141,000) and €28,000 related to compensation paid for mandates exercised at subsidiaries (previous year: €19,000).

The total remuneration of the persons who served on the Supervisory Board in 2017 and the compensation included for mandates exercised on Supervisory Board committees is shown in the table below. Compensation for fiscal 2016, which is also presented here, was paid for the period starting from 27 July 2016.

Supervisory Board compensation <sup>1,2,3</sup>	Fixed compensation		Compensation for committee offices		Compensation for offices held at subsidiaries		Total compensation <sup>2</sup>	
	2017	2016	2017	2016	2017	2016	2017	2016
€ '000								
Dr. Werner Brandt (Chairman)	300	130					300	130
Frank Bsirske (Deputy Chairman)	200	86					200	86
Reiner Böhle	100	33	20	7			120	40
Ulrich Grillo	100	33	20	7			120	40
Arno Hahn (until 31 May 2017) <sup>4</sup>	41	33	15	13			56	47
Maria van der Hoeven	100	33					100	33
Michael Kleinemeier	100	33	20	7			120	40
Martina Koederitz	100	33	20				120	33
Dr. Markus Krebber	100	33	40	13			140	47
Monika Krebber (since 9 June 2017) <sup>5</sup>	56		11				67	
Hans Peter Lafos	100	33	20	7		13	120	53
Robert Leyland	100	33	20	7			120	40
Meike Neuhaus	100	33					100	33
Dr. Rolf Pohl	100	33	80	27			180	60
René Pöhls	100	33	40	13	17	6	157	53
Pascal van Rijsewijk <sup>6</sup>	100	33	34	7			134	40
Gabriele Sassenberg	100	33	40	13			140	47
Dr. Dieter Steinkamp	100	33	20		11		131	33
Marc Tüngler	100	43	20	7			120	50
Šárka Vojíková	100	33	20				120	33
Deborah Wilkens	100	33	40	13			140	47
<b>Total</b>	<b>2,297</b>	<b>820</b>	<b>480</b>	<b>141</b>	<b>28</b>	<b>19</b>	<b>2,805</b>	<b>985</b>

1 Supervisory Board members who joined or retired from the body during the year receive prorated compensation.

2 The commercial rounding of certain prior-year figures for fixed and committee compensation can result in the sum of the rounded figures deviating from the rounded total emoluments.

3 Compensation for fiscal 2016 was only paid for the period starting from 27 July 2016.

4 Member of the Audit Committee until 24 April 2017; member of the Strategy Committee until 31 May 2017.

5 Member of the Strategy Committee since 19 June 2017.

6 Member of the Executive Committee since 1 January 2017; member of the Audit Committee since 24 April 2017.

## Structure of Executive Board compensation

**Compensation system.** innogy SE's Supervisory Board has adopted a compensation system for the members of the Executive Board which is closely linked to business performance and the long-term development of innogy

shares. The structure and level of the Executive Board's compensation are determined 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.

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

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

When innogy SE started operating on 1 April 2016, Peter Terium, Dr. Bernhard Günther and Uwe Tigges were appointed as the company's Executive Board members. Starting from that date, Peter Terium took over as Chief Executive Officer and Dr. Bernhard Günther as Chief Financial Officer of innogy SE. Uwe Tigges is responsible for Human Resources and has been the company's Labour Director since 15 February 2017. Up until 30 April 2017, he was also the Chief Human Resources Officer and Labour Director of RWE AG. For the period when Uwe Tigges was a member of the Executive Boards of both companies, his remuneration was divided proportionately between innogy SE and RWE AG.

Dr. Hans Bünting and Martin Herrmann were also appointed members of the Executive Board of innogy SE with effect from 1 April 2016. Hildegard Müller has been a member of innogy SE's Executive Board since 1 May 2016.

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 Chief Executive Officer. Upon preparation of the 2017 financial

statements for innogy SE, the conditions for the early termination of Mr. Terium's employment contract had still not yet been finalised as the parties continue to work towards concluding a mutual agreement. For this reason, a risk provision was recognised in the financial statements. Until the appointment of a replacement for Peter Terium, Uwe Tigges has been appointed as innogy SE's Chief Executive Officer.

### Employment contracts of the Executive Board.

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

**Principles of the compensation model.** The remuneration of the Executive Board is composed of non-performance-based and performance-based components: the former consists of a fixed salary, the pension installment as well as non-cash compensation and other remuneration. The 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 compensation of the Executive Board

**Fixed compensation and pension installments.** All Executive Board members receive a fixed salary, which is paid in twelve monthly installments. 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 installments. 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 compensation and other remuneration.** Non-cash compensation and other remuneration primarily consist of the use of a company car and accident insurance premiums.

## Performance-based compensation 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%. In this case, 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, 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. 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.

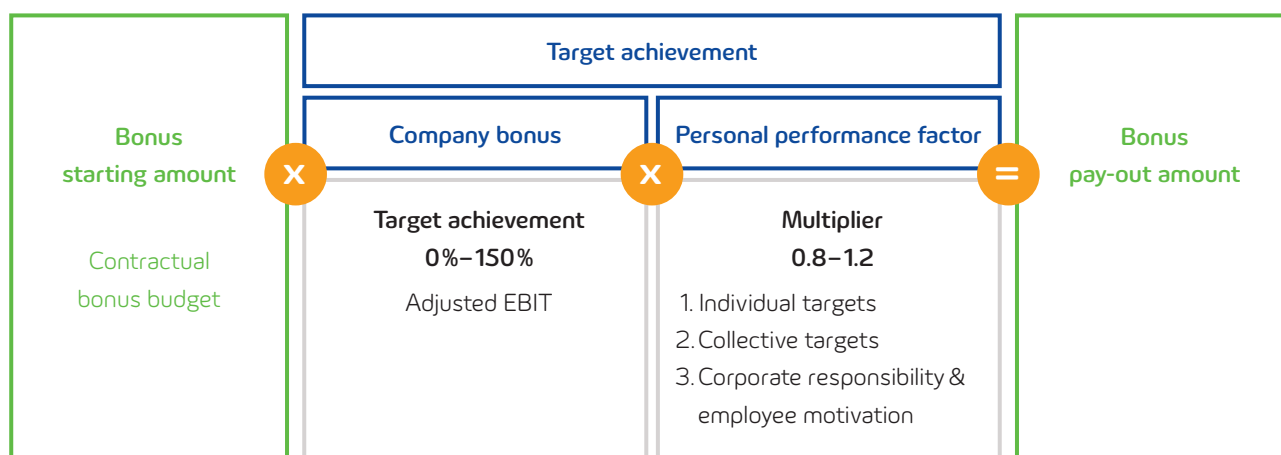
The personal performance of Executive Board members is considered by multiplying the company bonus by a performance factor, which can range between 0.8 and 1.2. The value achieved depends on the following criteria, each of which is weighted by one-third: (1) achievement of the individually agreed targets, (2) 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 environmental and social goals. These indicators are documented in our sustainability report ([www.innogy.com/responsibility](http://www.innogy.com/responsibility)), along with other sustainability indicators. 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 follows the

binding goals and targets which it set at the start of the financial year. The bonus determined in this manner 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 compensation 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, which are granted on 1 January of each financial year and have a vesting period of four years. The Supervisory Board is responsible for determining the target figures relevant for measuring performance. 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; these figures take innogy SE’s approved medium-term planning as a guideline.

**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 innogy share price in the last 30 days of trading on Xetra ahead of the grant.

As the second step, after the end of the first year, the number of fully vested performance shares is determined. 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 target figure is achieved exactly, 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.

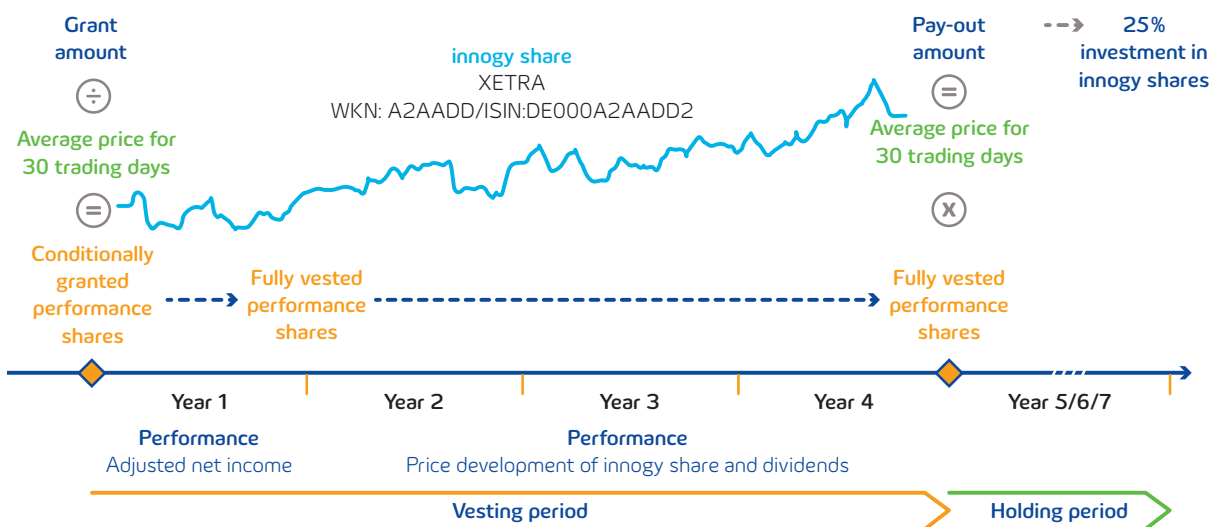
If adjusted net income reaches or exceeds the upper threshold of 135% of the target figure, 150% of the conditionally granted performance shares are fully vested. If it is at the lower threshold of 65% of the target figure, the final grant amounts to 50%. If the actual figure is lower than

the threshold, all of the conditionally granted performance shares from the tranche lapse. This means that the final number of performance shares can vary from 0% to 150% of the conditionally granted performance shares.

After the end of the four-year vesting period, in a third step the fully vested performance shares are fully paid out in cash to the member of the Executive Board. The payment depends on how the innogy share price has performed. It is calculated by multiplying the fully vested performance shares by innogy's average closing price over the last 30 days of trading on Xetra before the end of the vesting period. Cumulated dividends paid since the full vesting of the performance shares are also taken into account. However, a cap applies in this case as well: even in the case of extremely good share performance, the payment 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 the conclusion of the four-year vesting period.

### Schematic presentation of the SPP





**Introductory tranche.** Upon introduction of the SPP in October 2016, the Executive Board members were granted share-based compensation retroactively 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.

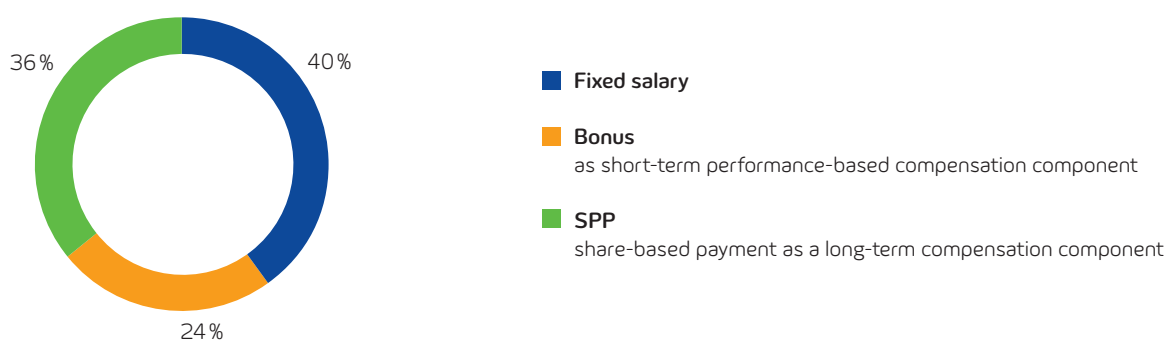
**Termination and demerit rules.** The performance shares remain unaffected after Executive Board members leave the body at the end of their contract and are paid out as planned at the end of the four-year vesting period. If Executive Board members voluntarily leave the company early or are dismissed with good cause, all performance shares which have not yet reached the end of the plan's duration lapse. 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.

## Composition, limitation and payment of Executive Board compensation

**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 compensation structure roughly breaks down as follows.

As a non-performance-based compensation component, the base salary accounts for around 40% of total compensation. Approximately 24% 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 36% of total compensation.

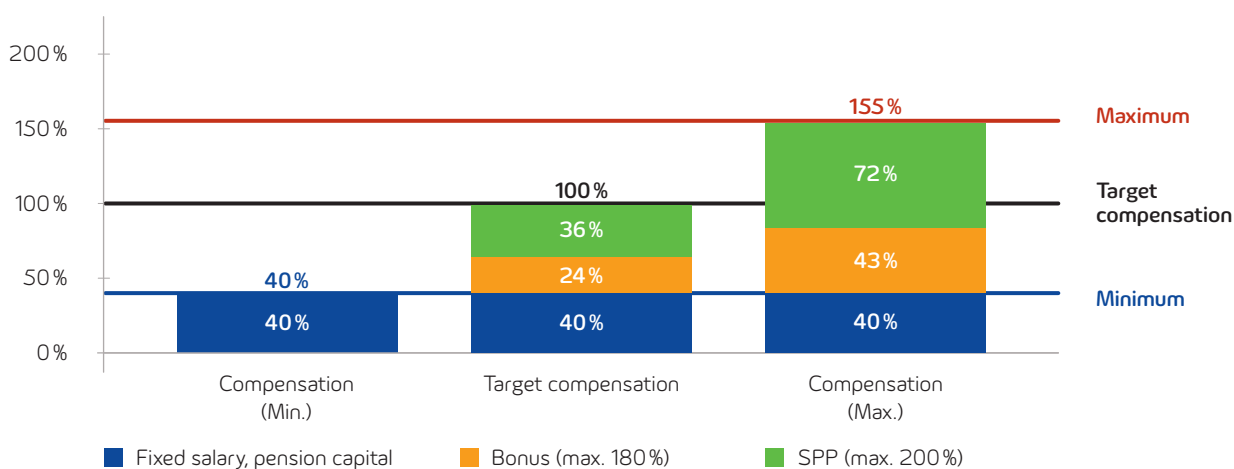
### Overview of compensation components



**Limitation of Executive Board compensation.** The amounts of long-term compensation components are limited. The company bonus amounts to a maximum of 150% of the contractually agreed bonus budget. By 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).

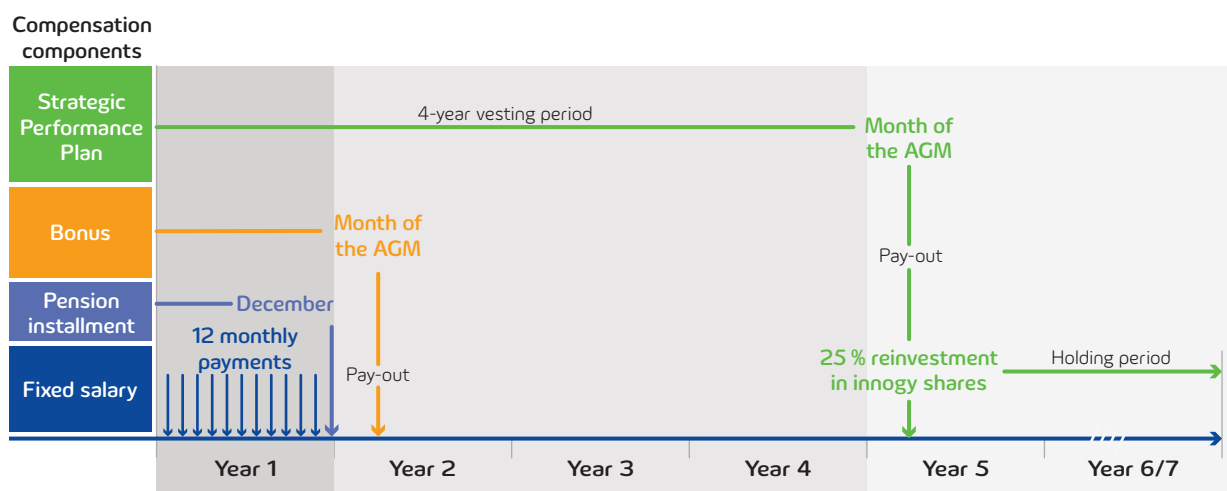
### Executive Board compensation – minimum and maximum



**Payment dates.** Executive Board members receive the fixed salary in twelve monthly installments. The pension installment is paid out at the end of the year, insofar as it is not transformed into a pension commitment. After the fiscal year, the Supervisory Board determines the target achievement for the company bonus and the individual performance factor. The bonus is paid 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 compensation 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 aforementioned bonuses of the Executive Board members and therefore does not increase the total remuneration.

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

**Pension scheme.** As described above, 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. Insofar as pension commitments were made based on earlier activities in the Group, these are suspended and remain unaffected. The vested retirement benefits from earlier activities acquired by Peter Terium, 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 to transfer his 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 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 2017

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. 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.

<b>Company bonus</b>					
	Target figure 2017	Actual figure 2017	Adjusted figure 2017	Target achievement 2017	<b>Target achievement Company bonus</b>
Adjusted EBIT	€2,913 million	€2,816 million	€2,774 million	95.2%	<b>88%</b>

Determination of target achievement		Actual figure 2017					
	Actual figure/target figure %	< 80%	80%	<b>95.2%</b>	100%	120%	>120%
Adjusted EBIT							
Company bonus	Target achievement %	0%	50%	<b>88%</b>	100%	150%	150%

Personal performance factor	2017 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)	Supervisory Board's assessment of 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 of strategy, value added, growth, innovation, digitisation, diversity, etc. (for example)	Supervisory Board's assessment of 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	96%
	2017 targets	Assessment	Target figure 2017	Actual figure 2017
Corporate responsibility & employee motivation	Increase in capacity	> previous year	> 3.7	3.9
	Grid outages (SAIDI)	min/customer/a	15.0	14.2
	Customer loyalty index	Points	74	76
	Number of work accidents	LTIF	1.85	2.19
	Motivation index	Points	> 71.8	73.3

The bonuses of the members of the Executive Board for fiscal 2017 were determined as follows:

Baseline bonus (€) x **88% 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 €1,224 million in fiscal 2017. 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 2017 was determined. In addition to the aforementioned adjustment of service costs for pensions due to interest rates, effects from changes in discount rates for non-current provisions were also taken into consideration in determining the adjusted net income. The adjusted figure of €1,151 million was taken as the basis for the full vesting of performance shares.

Adjusted net income	Target figure 2017	Actual figure 2017	Adjusted figure 2017	Target achievement 2017	Target achievement SPP
2016 tranche	€1,261 million	€1,224 million	€1,151 million	91.2%	<b>88%</b>
2017 tranche	€1,261 million	€1,224 million	€1,151 million	91.2%	<b>88%</b>

Adjusted net income	Determination of target achievement			Actual figure 2017	100%	135%	>135%
	Actual figure/target figure %	< 65%	65%				
Adjusted net income	Actual figure/target figure %	< 65%	65%	<b>91.2%</b>	100%	135%	>135%
Grant of performance shares	Target achievement %	0%	50%	<b>88%</b>	100%	150%	150%

The number of performance shares to be fully vested after completion of fiscal 2017 is determined as follows:

Number of conditionally granted performance shares x **88% target achievement SPP** = number of fully vested performance shares

## Level of Executive Board compensation 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 2017. It was calculated in compliance with the rules set out in the German Commercial Code. The compensation of Uwe Tigges 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 and the amounts cleared between the two companies.

**Total compensation for fiscal 2017.** Pursuant to the calculation regulations of the German Commercial Code, the total compensation of the Executive Board for fiscal 2017 amounted to €16,772,000. The remuneration of Uwe Tigges, which was paid by innogy SE for the period from 1 January to 30 April 2017, but is allocable pro-rata to his work for RWE AG and was subtracted accordingly, is not included in the figure for total compensation. In the previous year, the total compensation of the Executive Board amounted to €9,905,000. In this and in the prior-year figures presented below, the compensation of Peter Terium, Dr. Bernhard Günther and Uwe Tigges also considers the prorated emoluments they were paid by RWE AG in fiscal 2016 for the period during which they were appointed to the Executive Board of innogy SE but were on-debited to innogy SE.

**Level of individual compensation components.** In 2017, non-performance-based components, i.e. the fixed salary, non-cash and other remuneration and the pension installment, amounted to €6,912,000 (previous year: €3,969,000). Dr. Bernhard Günther and Dr. Hans Bünting turned their pension installments into a pension commitment of equal value through a gross compensation conversion. Specifically, the amounts converted for Dr. Bernhard Günther and Dr. Hans Bünting totalled €60,000 (previous year: €64,000) and €150,000 (previous year: €150,000), respectively.

Performance-based components, consisting of the Executive Board members' bonuses and grants under the SPP, amounted to a total of €9,860,000 (previous year: €5,936,000). The compensation for Uwe Tigges up until his exit from the Executive Board of RWE AG is included in this and in the following figures for 2017 on a prorated basis. From the performance-based components of the Executive Board members, €3,649,000 (previous year: €2,832,000) was attributable to the bonus for fiscal 2017 paid directly and €6,211,000 (previous year: €3,104,000) to the allocation of performance shares from the SPP.

The following table summarises the short-term remuneration paid in accordance with the German Commercial Code for fiscal 2017.

Short-term compensation of the Executive Board	Peter Terium		Dr. Bernhard Günther		Uwe Tigges		Dr. Hans Bunting		Martin Herrmann		Hildegard Müller		Total	
	Chief Executive Officer from 1 Apr 2016 to 19 Dec 2017		Chief Financial Officer since 1 Apr 2016		Chief Executive Officer since 19 Dec 2017 and Chief Human Resources Officer since 1 Apr 2016		Chief Operating Officer Renewables since 1 Apr 2016		Chief Operating Officer Retail since 1 Apr 2016		Chief Operating Officer Grid & Infrastructure since 1 May 2016			
€ '000	2017	2016 <sup>1</sup>	2017	2016 <sup>1</sup>	2017 <sup>2</sup>	2016 <sup>1</sup>	2017	2016 <sup>1</sup>	2017	2016 <sup>1</sup>	2017	2016 <sup>3</sup>	2017	2016
<b>Non-performance-based compensation</b>														
Fixed compensation	1,400	700	750	375	625	281	700	525	700	525	700	467	4,875	2,873
Fringe benefits (use of company car, accident insurance)	61	11	34	16	17	8	15	12	24	12	53	21	204	80
Other payments (pension installment)	600	240	255	128	213	96	255	191	255	191	255	170	1,833	1,016
<b>Subtotal</b>	<b>2,061</b>	<b>951</b>	<b>1,039</b>	<b>519</b>	<b>855</b>	<b>385</b>	<b>970</b>	<b>728</b>	<b>979</b>	<b>728</b>	<b>1,008</b>	<b>658</b>	<b>6,912</b>	<b>3,969</b>
<b>Performance-based compensation</b>														
Bonus payment	1,152	834	614	440	526	330	430	400	444	424	398	351	3,564	2,780
Remuneration for mandates <sup>4</sup>					7		23	25		1	55	27	85	52
Bonus	1,152	834	614	440	533	330	453	425	444	425	453	378	3,649	2,832
<b>Subtotal</b>	<b>1,152</b>	<b>834</b>	<b>614</b>	<b>440</b>	<b>533</b>	<b>330</b>	<b>453</b>	<b>425</b>	<b>444</b>	<b>425</b>	<b>453</b>	<b>378</b>	<b>3,649</b>	<b>2,832</b>
<b>Total</b>	<b>3,213</b>	<b>1,785</b>	<b>1,653</b>	<b>959</b>	<b>1,388</b>	<b>715</b>	<b>1,423</b>	<b>1,153</b>	<b>1,423</b>	<b>1,153</b>	<b>1,461</b>	<b>1,036</b>	<b>10,561</b>	<b>6,801</b>

1 In fiscal 2016, the prorated compensation granted for tenure from 1 April 2016 to 31 December 2016 was taken into account.

2 The compensation of Uwe Tigges 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.

3 In fiscal 2016, the prorated compensation granted for tenure from 1 May 2016 to 31 December 2016 was taken into account.

4 For Uwe Tigges the income from exercising intragroup supervisory board offices was fully set off against the prorated bonus paid to him by innogy SE in fiscal 2017.

**Share-based payment according to the SPP.** In fiscal 2017, 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 2016 and 2017.

Long-term incentive payment		Peter Terium		Dr. Bernhard Günther		Uwe Tigges		Dr. Hans Bünting		Martin Herrmann		Hildegard Müller	
		Chief Executive Office 1 Apr 2016 to 19 Dec 2017		Chief Financial Officer since 1 Apr 2016		Chief Executive Officer since 19 Dec 2017 Chief Human Resources Officer since 1 Apr 2016		Chief Operating Officer Renewables since 1 Apr 2016		Chief Operating Officer Retail since 1 Apr 2016		Chief Operating Officer Grid & Infrastructure since 1 May 2016	
Strategic Performance Plan													
Tranche	Year	2017	2016 <sup>1</sup>	2017	2016 <sup>1</sup>	2017 <sup>2</sup>	2016 <sup>1</sup>	2017	2016 <sup>1</sup>	2017	2016 <sup>1</sup>	2017	2016 <sup>3</sup>
Grant date		1 Jan 2017	1 Jan 2016	1 Jan 2017	1 Jan 2016	1 Jan 2017	1 Jan 2016	1 Jan 2017	1 Jan 2016	1 Jan 2017	1 Jan 2016	1 Jan 2017	1 Jan 2016
Grant value	€ '000	2,000	694	988	400	823	277	800	600	800	600	800	533
<b>Average share price</b>	<b>€</b>	<b>32.07</b>	<b>37.13</b>	<b>32.07</b>	<b>37.13</b>	<b>32.07</b>	<b>37.13</b>	<b>32.07</b>	<b>37.13</b>	<b>32.07</b>	<b>37.13</b>	<b>32.07</b>	<b>37.13</b>
Number of conditionally granted performance shares	Shares	62,364	18,684	30,792	10,773	25,660	7,448	24,945	16,159	24,945	16,159	24,945	14,364
Adjusted net income	€ '000	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151
Target achievement for adjusted net income	%	88	88	88	88	88	88	88	88	88	88	88	88
Number of fully vested performance shares	Shares	54,880	16,442	27,097	9,480	22,581	6,555	21,952	14,220	21,952	14,220	21,952	12,640
End of the holding period		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019

1 In fiscal 2016, the prorated compensation granted for tenure from 1 April 2016 to 31 December 2016 was taken into account.

2 The compensation of Uwe Tigges 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.

3 In fiscal 2016, the prorated compensation granted for tenure from 1 May 2016 to 31 December 2016 was taken into account.

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

Addition to (+) or release of (-) provisions for long-term incentive share-based payments		2017	2016
		€ '000	€ '000
Peter Terium		607	119
Dr. Bernhard Günther		311	70
Uwe Tigges		248	45
Dr. Hans Bünting		307	120
Martin Herrmann		307	120
Hildegard Müller		294	111
<b>Total</b>		<b>2,074</b>	<b>585</b>



## Level of Executive Board compensation according to GCGC

According to the version of the German Corporate Governance Code (GCGC) published on 24 April 2017, the total remuneration 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 compensation 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, however, 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 members of the Executive Board of innogy SE according to the provisions of GCGC is presented below, using the model tables.

Benefits granted	Peter Terium				Dr. Bernhard Günther				Uwe Tigges			
	Chief Executive Officer 1 Apr 2016 to 19 Dec 2017				Chief Financial Officer since 1 Apr 2016				Chief Executive Officer since 19 Dec 2017 Chief Human Resources Officer since 1 Apr 2016			
	2016 <sup>1</sup>	2017	2017 (Min)	2017 (Max)	2016 <sup>1</sup>	2017	2017 (Min)	2017 (Max)	2016 <sup>1</sup>	2017 <sup>2</sup>	2017 (Min)	2017 (Max)
€ '000												
Fixed compensation	700	1,400	1,400	1,400	375	750	750	750	281	625	625	625
Pension installment	240	600	600	600	128	255	255	255	96	213	213	213
Fringe benefits	11	61	61	61	16	34	34	34	8	17	17	17
<b>Total fixed compensation</b>	<b>951</b>	<b>2,061</b>	<b>2,061</b>	<b>2,061</b>	<b>519</b>	<b>1,039</b>	<b>1,039</b>	<b>1,039</b>	<b>385</b>	<b>855</b>	<b>855</b>	<b>855</b>
Bonus	675	1,350	0	2,430	356	713	0	1,283	267	594	0	1,069
SPP 2016 tranche (term: 2016–2019)	694				400				277			
SPP 2017 tranche (term: 2017–2020)		2,000	0	4,000		988	0	1,976		823	0	1,646
<b>Total variable compensation</b>	<b>1,369</b>	<b>3,350</b>	<b>0</b>	<b>6,430</b>	<b>756</b>	<b>1,701</b>	<b>0</b>	<b>3,259</b>	<b>544</b>	<b>1,417</b>	<b>0</b>	<b>2,715</b>
<b>Total compensation</b>	<b>2,320</b>	<b>5,411</b>	<b>2,061</b>	<b>8,491</b>	<b>1,275</b>	<b>2,740</b>	<b>1,039</b>	<b>4,298</b>	<b>929</b>	<b>2,272</b>	<b>855</b>	<b>3,570</b>

1 In fiscal 2016, the prorated compensation granted for tenure from 1 April 2016 to 31 December 2016 was taken into account.

2 The compensation of Uwe Tigges 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.

3 In fiscal 2016, the prorated compensation granted for tenure from 1 May 2016 to 31 December 2016 was taken into account.

Benefits granted	Dr. Hans Bünting				Martin Herrmann				Hildegard Müller			
	Chief Operating Officer Renewables since 1 Apr 2016				Chief Operating Officer Retail since 1 Apr 2016				Chief Operating Officer Grid & Infrastructure since 1 May 2016			
	2016 <sup>1</sup>	2017	2017 (Min)	2017 (Max)	2016 <sup>1</sup>	2017	2017 (Min)	2017 (Max)	2016 <sup>3</sup>	2017	2017 (Min)	2017 (Max)
€ '000												
Fixed compensation	525	700	700	700	525	700	700	700	467	700	700	700
Pension installment	191	255	255	255	191	255	255	255	170	255	255	255
Fringe benefits	12	15	15	15	12	24	24	24	21	53	53	53
<b>Total fixed compensation</b>	<b>728</b>	<b>970</b>	<b>970</b>	<b>970</b>	<b>728</b>	<b>979</b>	<b>979</b>	<b>979</b>	<b>658</b>	<b>1,008</b>	<b>1,008</b>	<b>1,008</b>
Bonus	375	500	0	900	375	500	0	900	333	500	0	900
SPP 2016 tranche (term: 2016–2019)	600				600				533			
SPP 2017 tranche (term: 2017–2020)		800	0	1,600		800	0	1,600		800	0	1,600
<b>Total variable compensation</b>	<b>975</b>	<b>1,300</b>	<b>0</b>	<b>2,500</b>	<b>975</b>	<b>1,300</b>	<b>0</b>	<b>2,500</b>	<b>866</b>	<b>1,300</b>	<b>0</b>	<b>2,500</b>
<b>Total compensation</b>	<b>1,703</b>	<b>2,270</b>	<b>970</b>	<b>3,470</b>	<b>1,703</b>	<b>2,279</b>	<b>979</b>	<b>3,479</b>	<b>1,524</b>	<b>2,308</b>	<b>1,008</b>	<b>3,508</b>

1 In fiscal 2016, the prorated compensation granted for tenure from 1 April 2016 to 31 December 2016 was taken into account.

2 The compensation of Uwe Tigges 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.

3 In fiscal 2016, the prorated compensation granted for tenure from 1 May 2016 to 31 December 2016 was taken into account.

Benefits received	Peter Terium		Dr. Bernhard Günther		Uwe Tigges		Dr. Hans Bunting		Martin Herrmann		Hildegard Müller	
	Chief Executive Office 1 Apr 2016 to 19 Dec 2017		Chief Financial Officer since 1 Apr 2016		Chief Executive Officer since 19 Dec 2017 Chief Human Resources Officer since 1 Apr 2016		Chief Operating Officer Renewables since 1 Apr 2016		Chief Operating Officer Retail since 1 Apr 2016		Chief Operating Officer Grid & Infrastructure since 1 May 2016	
€ '000	2016 <sup>1</sup>	2017	2016 <sup>1</sup>	2017	2016 <sup>1</sup>	2017 <sup>2</sup>	2016 <sup>1</sup>	2017	2016 <sup>1</sup>	2017	2016 <sup>3</sup>	2017
Fixed compensation	700	1,400	375	750	281	625	525	700	525	700	467	700
Pension installment	240	600	128	255	96	213	191	255	191	255	170	255
Fringe benefits	11	61	16	34	8	17	12	15	12	24	21	53
<b>Total fixed compensation</b>	<b>951</b>	<b>2,061</b>	<b>519</b>	<b>1,039</b>	<b>385</b>	<b>855</b>	<b>728</b>	<b>970</b>	<b>728</b>	<b>979</b>	<b>658</b>	<b>1,008</b>
Bonus	834	1,152	440	614	330	533	425	453	425	444	378	453
<b>Total variable compensation</b>	<b>834</b>	<b>1,152</b>	<b>440</b>	<b>614</b>	<b>330</b>	<b>533</b>	<b>425</b>	<b>453</b>	<b>425</b>	<b>444</b>	<b>378</b>	<b>453</b>
<b>Total compensation</b>	<b>1,785</b>	<b>3,213</b>	<b>959</b>	<b>1,653</b>	<b>715</b>	<b>1,388</b>	<b>1,153</b>	<b>1,423</b>	<b>1,153</b>	<b>1,423</b>	<b>1,036</b>	<b>1,461</b>

1 In fiscal 2016, the prorated compensation granted for tenure from 1 April 2016 to 31 December 2016 was taken into account.

2 The compensation of Uwe Tigges 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.

3 In fiscal 2016, the prorated compensation granted for tenure from 1 May 2016 to 31 December 2016 was taken into account.

## 1.12 Opportunities and risks

Regulatory intervention is a major source of risk to the development of our business. In Germany and Eastern Europe, for instance, the network business is subject to state regulation. Nevertheless, key parameters for the upcoming regulatory period have already been determined in the markets which are relevant for us. In the UK retail business, along with tougher competition, there are also efforts to expand existing price caps to other customer groups. In the Renewables division, the transition to remuneration systems based on auctions is a source of uncertainty. In addition to concentrating on further efficiency-enhancing measures, we will also reinforce our market position through growth investments. Thanks to our risk management system, we are able to identify risks and opportunities which may threaten or promote these endeavours at an early stage and adapt our actions accordingly. Our risk management system thus does justice to the requirements of the German law on corporate control and transparency. At present, there are no identifiable risks that could jeopardise our existence. The following presentation of opportunities and risks relates to the current Group structure including npower, which is planned to be merged with SSE's household and energy services business in Great Britain (see page 46).

**Organisation of risk management at innogy.** Overall responsibility for our groupwide risk management, as well as for monitoring and managing the Group's overall risk, lies with the Executive Board of innogy. It establishes the rules and minimum standards and determines how much risk the company is willing to take. As part of the Group's risk management strategy, the Executive Board approves the key hedging strategies, global limits and individual major transactions. In doing so, among other things, it defines limits for market and credit risks. It also defines the Group's strategy.

The Controlling & Risk Department is responsible for the implementation, further development and coordination of the risk management system. It is supported by the Risk Management Committee. The core of the Committee is composed of the heads of the following innogy SE departments accountable for the entire Group: Controlling & Risk (chair), Strategy, Finance, Accounting, Tax, Legal & Compliance. The heads of Controlling of the Renewables, Grid & Infrastructure and Retail divisions are also members. The Controlling & Risk Department provides the Executive Board and the Supervisory Board of innogy SE with regular reports on the Group's risk exposure. The head of Controlling & Risk reports to the CFO.

Furthermore, several other organisational units are entrusted with groupwide risk management and/or risk controlling tasks.

The following report directly to the CFO of innogy SE:

- **Credit and insurable risks:** Controlling & Risk Department
- **Financial risks:** Finance Department
- **Accounting risks:** Accounting Department; the accounting-related internal control system (ICS, see page 105 et seq.) is an important tool
- **Tax risks:** Tax Department
- **Commodity risk 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:** The Legal & Compliance Department which typically reports to the CEO (currently to the Chief Financial Officer) or – if members of the Executive Board are affected – directly to the Chairman of the Supervisory Board and the Chairman of the Supervisory Board's Audit Committee; innogy's Code of Conduct is an important feature of this work
- **Security risks:** The Group Security Department, which reports directly to the Chief Human Resources Officer. Group Security continuously analyses physical and digital security trends and risks and develops groupwide strategies, concepts, guidelines and methods, to continuously improve the protection of customers, employees and business partners, as well as assets and information

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 have entrusted the management of our financial assets to RWE AG. The Committee determines the strategic guidelines for the management of the securities held by innogy and the securities held by RWE AG, including the funds of RWE Pensionstreuhand e.V. and RWE Pensionsfonds AG. It is composed of representatives of RWE AG and the heads of the following innogy SE departments: Finance, 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. It is composed of officers from Accounting, Tax, Controlling & Risk, Finance, Human Resources, Purchasing, IT, Retail Customer Billing and Internal Audit.

**Risk management as a continuous process.** Risk management is an integral and continuous part of our operating workflow. Once every six months, by performing a bottom-up analysis, we assess risks and opportunities, defined as negative or positive deviations from plan figures. 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 development of value-driving KPIs, including 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 and 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.

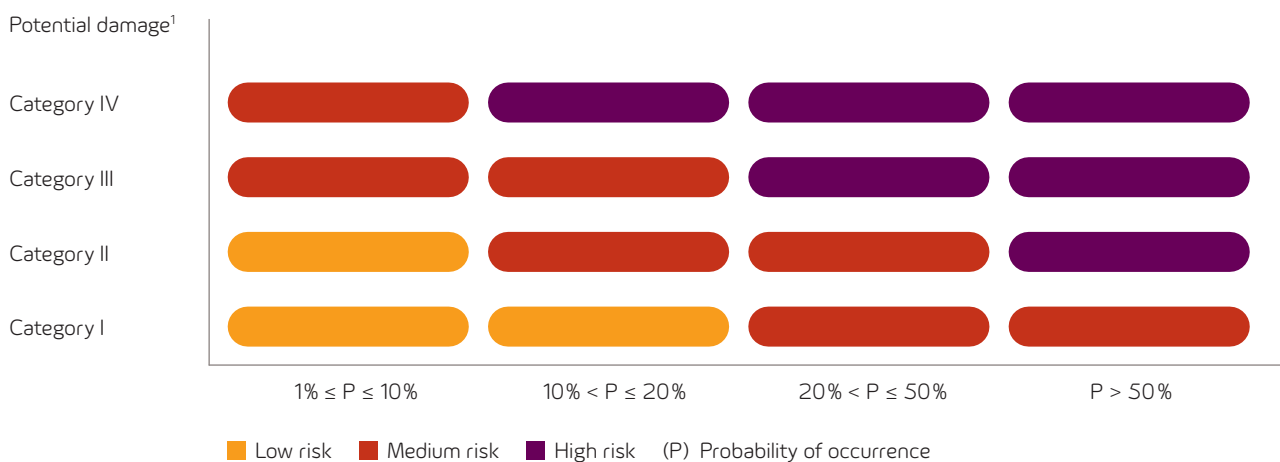
Our Internal Audit Department regularly assesses the quality and functionality of our risk management system. In functional respects, it reports to the Executive Board and for disciplinary matters, it reports to the CFO.

**Overall assessment of the risks and opportunities by executive management.** innogy SE's risk position is significantly affected by the economic and political environment.

We mitigate risks that may result from the difficult conditions in the energy sector by tapping into additional earnings potential arising from the transformation of the energy system and 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 pursuing a prudent financing strategy, we ensure that we always have enough cash and cash equivalents to meet our payment obligations punctually (see page 66 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

## innogy risk matrix



Damage category	Earnings risks	Indebtedness/liquidity risks
	Potential effect on earnings % of planned adjusted EBIT <sup>2</sup>	Potential effect on the net debt/free cash flow € million
Category IV	≥ 50	≥ 4,000
Category III	≥ 20 and < 50	≥ 2,000 and < 4,000
Category II	≥ 10 and < 20	≥ 1,000 and < 2,000
Category I	< 10	< 1,000

<sup>1</sup> Relative to the year in which the maximum damage could occur.

<sup>2</sup> Average for 2018 to 2020 derived from the medium-term plan.

and our own unused credit lines. Our commercial paper programme provides us with additional financial headroom. innogy already issued two bonds in 2017 as part of its Debt Issuance Programme. We manage our liquidity with foresight, based on the short, medium and long-term needs of our Group companies, and have an appropriate amount of minimum liquidity on a daily basis.

Thanks to our comprehensive risk management system 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 categories (see the following table). As indicated earlier, we quantify risks based on their potential effects on earnings and/or debt and liquidity. The highest individual risk determines the classification of the risk of the entire risk class. In all of the risk classes, we currently see individual risks which are assigned to the category 'Medium'. Compared to the previous year, we now also assess operational risks as 'Medium', due to the increasing significance of cyber security risks. 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 <sup>1</sup>	
	31 Dec 2017	31 Dec 2016
<b>Market risks</b>	<b>Medium</b>	<b>Medium</b>
<b>Framework risks</b>	<b>Medium</b>	<b>Medium</b>
Regulatory and political risks	Medium	Medium
Legal risks	Medium	Medium
<b>Operational risks</b>	<b>Medium</b>	<b>Low</b>
<b>Financial market and credit risks</b>	<b>Medium</b>	<b>Medium</b>
Financial risks	Medium	Medium
Creditworthiness of business partners	Medium	Medium
<b>Other risks</b>	<b>Medium</b>	<b>Medium</b>

<sup>1</sup> The risk classification 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 (see page 22). 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, a weak appearance on the market can quickly lead to customer losses and a drop in earnings.

Developments on wholesale markets influence the portion of earnings from renewables-based electricity generation that is not fully secured by a subsidy model. 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. However, favourable weather conditions can also drive up electricity production (see page 32 et seq.).

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' (OTC) markets, we will continue to work closely with RWE Supply & Trading GmbH based on 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 controlled by a risk management system and limited by caps. 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 over the short term in relation 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 operations and the Group's gas storage. 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 2018 by no more than approximately €20 million, with a low likelihood of such changes occurring. The cut-off date for determining this figure was 31 December 2017.

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 170 et seq.

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

- **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 risk 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 have filed a suit with the International Center for Settlement of Investment Disputes in Washington, D.C., in order to limit the impacts of the subsidy cut in Spain 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, as a result of

declining 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, the Competition and Markets Authority (CMA) has introduced a price cap for customers with prepayment meters until 2020. The UK's regulatory authority, the Office of Gas and Electricity Markets (Ofgem), will also expand the price cap to some other standard-tariff customers of the major energy suppliers in February 2018 (see page 38 et seq.). Furthermore, an expansion of the price cap to include all standard tariffs is being considered. We are concerned about the price cap, but we welcome the retail companies regaining the freedom to determine the number of tariffs they are able to offer in the future. 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. In particular, regulatory parameters can change at the beginning of a new regulatory period. In Germany, for example, the amendment to incentive-based regulation for the third regulatory period (starting in 2018 for gas and in 2019 for electricity) has already established different framework conditions, such as the immediate consideration of investments in network fees. The return on equity has also already been established. However, with regard to the caps on the total allowed revenue of a network operator from network fees (revenue cap), some parameters must still be clarified, such as the individual efficiency factor, the starting level and the general productivity factor. The German Federal Network Agency has not yet made a decision in this regard. At the end of 2017, a preliminary general productivity factor was determined for the regulatory period for gas which started in 2018, but other parameters have not yet been determined (see page 37). In Eastern Europe, the future structuring of regulation by the authorities will also have an effect on our revenues.



- **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 considered 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', versus 'Low' in the previous year

We operate technologically complex, interconnected production assets 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 or offshore plants. 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 stronger

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. Moreover, the data centres we use are certified to high security standards (ISO 27001 and Trusted Site Infrastructure as an additional certification standard). In relation to the requirement from the IT security law for critical infrastructure which entered into force on 3 May 2016, we successfully implemented all of the required measures in close coordination with the responsible security authorities and were awarded the external security certification within the legally mandated deadlines. Due to the increasing significance of cyber-security risks, we classify our operational risks as 'Medium', up one level from the previous year.

#### Financial market and credit risks: classified as 'Medium' as in the previous year

- **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. The VaR concept is one of the tools used to measure and limit risk. Unless set out otherwise, the VaR figures for our financial risks are based on a confidence level of 95% and a holding period of one day. In 2017, the average VaR for innogy SE's foreign currency position from transactional risks was less than €1 million.

We differentiate between several categories 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 in 2017 averaged €4 million.

Moreover, increases in interest rates cause our financing costs to rise. We measure this risk using the indicator 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 €10 million in 2017. Compared to the previous year, Cash Flow at Risk is now determined on the basis of the planned financing need and not only using the assumption of refinancing maturing debts. According to this new methodology, the 2016 year-end figure for Cash Flow at Risk would have been €6 million.

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 160), we discuss how sensitively the net present values of pension obligations react to increases and decreases in discount rates.

The securities we hold in our portfolio include shares. The VaR for the risk associated with changes in share prices averaged €3 million for 2017. 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.

The 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.

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 solid investment-grade ratings from Fitch, Moody's and S&P, which, however, are still linked to RWE's ratings (see page 71). 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 RWE AG, can result in a decline in liquidity. However, good business performance by innogy or RWE can also have a positive effect on our ratings.

- **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 the limits are constantly measured.

We are also exposed to creditworthiness risk due to various contractual relationships with RWE AG. For example, we purchase commodities 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 which the creditworthiness risk will decline compared to the current situation. In our financing strategy, we have taken into account the resulting additional increase in liquidity requirements.

### 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 the lack of acceptable bids.

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. The risk of impairment to which renewable generation assets are exposed is that 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, the rising competition among bidders can prevent planned projects from being implemented or mean that our projects are unsuccessful in tenders. We scored a key auction success in the United Kingdom with our Triton Knoll offshore wind project (see page 43). 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 tackle these 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. However, we also see a chance that we will exceed the improvements we seek to achieve. 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. We will invest in the expansion of promising business areas, such as e-mobility, renewable energies and broadband (see page 19 et seq.).

**Report on the accounting-related internal control system: statements in accordance with Section 315, Paragraph 2, Item 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 Internal Control System (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 are designed to ensure the reliability of data collection and processing.

The organisation of our accounting has not changed from the previous year. Expert management of the innogy Group's Shared Service Centre in Krakow, at which accounting activities take place, 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 99. The group-wide set of rules for designing and monitoring the ICS remain in effect and have not been changed.

In order to verify that the ICS is effective, as a first step, with respect to Accounting, 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. They use an IT system that we introduced for this purpose in 2015. The officers in charge check whether the agreed ICS quality standards are complied with for the finance, HR, purchasing, IT and 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 reviewed the effectiveness of the ICS. At the end of February 2018, 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 2017 demonstrated that the ICS was effective yet again in the accounting, finance, HR and purchasing 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 adapting the ICS to innogy's new Group structure and on the billing processes at innogy's major retail companies.

## 1.13 Outlook

The 2018 outlook for adjusted EBIT of €2.7 billion is lower than the result posted for 2017. We anticipate significantly higher spendings on future projects. Additionally, some extraordinary items from 2017, for example the release of provisions, will probably not have an equally strong positive effect in the current fiscal year. We have based our forecast on normal weather conditions. In the reconciliation to adjusted net income, we expect to see a weaker adjusted financial result, as positive one-off effects from 2017 are currently not expected to recur. We project adjusted net income of more than €1.1 billion. Our dividend policy will continue to focus on economic sustainability and continuity. We confirm our intention of distributing 70% to 80% of the adjusted net income. Our capital expenditure programme for the years ahead will be implemented in line with our financing capacity.

### Outlook for 2018

- Adjusted EBIT of about €2.7 billion
- Adjusted net income of more than €1.1 billion
- Pay-out ratio: 70% to 80%

#### Experts expect good economic conditions to continue.

According to initial forecasts, global economic output is expected to rise by around 3% in 2018. Growth in the Eurozone should be comparable with 2017, at around 2%. The Council of Economic Experts forecasts growth of 2.2% for Germany, with consumer spending likely remaining as a positive factor. The Dutch economy should grow slightly stronger than the Eurozone, while growth in Belgium is expected to be slightly below average. Growth in the United Kingdom is projected at 1.5%. The forecasts for our Central-Eastern European markets are significantly better: experts anticipate that growth rates in Poland, the Czech Republic, Hungary and Slovakia will range between 3% and 4%.

#### Energy consumption in 2018 expected to be higher than the previous year.

Our forecast for this year's energy consumption is based on the predicted economic outlook. Furthermore, we assume that temperatures will be near the

long-term average in 2018 and will thus be lower as a whole compared to last year's relatively mild conditions. Provided this holds true, we believe that demand for electricity will be stable or rise marginally in Germany, the Netherlands/Belgium and the United Kingdom. Stimulus from economic growth and potentially colder weather will be balanced by the dampening effects of continuing increases in energy efficiency. Electricity consumption should also be higher in Central and Eastern Europe. In addition, we anticipate a general increase in gas consumption, due to the expectation that temperatures will normalise and heating needs will thus be higher. Furthermore, demand for gas should rise due to the projected economic growth. The trend towards energy efficiency should have counteracting effects.

**2018: adjusted net income of more than €1.1 billion.** We project adjusted EBIT of about €2.7 billion and adjusted net income of more than €1.1 billion for the current fiscal year.

As discussed on page 49, adjusted net income differs from net income according to IFRS in that certain non-operating or aperiodic effects are not taken into account, if their occurrence or impact on earnings cannot be projected with an adequate degree of certainty. This mainly applies to effects from the market valuation 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.

We thus confirm the outlook we released on 13 December 2017. The forecasts for both adjusted EBIT and adjusted net income will be lower than the levels for 2017. One of the reasons for this is higher spending on promising businesses, such as e-mobility, renewables and broadband. Our planning is based on normal weather conditions. In 2017, we profited from cooler weather in Eastern Europe in particular, while wind levels at our main locations for our onshore and offshore wind farms were lower than the long-term average. Furthermore, we benefited from other extraordinary items in 2017, which

are not expected to recur in the same amount this fiscal year. In particular, this applies to the positive effect from the revaluation of the Triton Knoll project in the fourth quarter of 2017.

In the reconciliation to adjusted net income, we expect to see a weaker adjusted financial result, as positive extraordinary effects influenced this indicator in 2017. In calculating adjusted net income, we continue to apply a normalised tax rate of 25% to 30%.

<b>Outlook</b> € million (unless stated otherwise)	2017 actual	Outlook for 2018
Adjusted EBIT <sup>1</sup>	2,816	About 2,700
Renewables	355	About 350
Grid & Infrastructure	1,944	About 1,850
Retail	800	About 700
Adjusted financial result	-689	About -750
Tax rate used to calculate adjusted net income	25%	25% to 30%
Adjusted net income	1,224	Over 1,100

<sup>1</sup> 'Corporate/other' is not reported separately here.

For the first time, the outlook for 2018 does not feature a forecast for adjusted EBITDA. The reason for this is that adjusted EBITDA is not one of our most important financial indicators.

The anticipated development of adjusted EBIT for 2018 in each of our divisions is influenced by the following items:

- The **Renewables** division is expected to post adjusted EBIT of about €350 million in 2018, close to last year's level. Our forecast is made on the basis of normal weather conditions; 2017 was marked by below-average wind levels at innogy's key locations. Compared to the previous year, another positive factor is that we will be commissioning additional projects in the current fiscal year, which will expand our generation capacity by more than 100 MW. Furthermore, we expect higher revenue from electricity sales for the portion of generation for which we do not receive fixed feed-in tariffs. However,

one important effect from the previous year will be absent. Due to the first-time consolidation of the Triton Knoll project, 2016 included a revaluation of this investment, which led to a positive earnings effect of €47 million. Above and beyond this, we anticipate higher expenses for the development of new projects.

- For the **Grid & Infrastructure** division we forecast adjusted EBIT of about €1,850 million, and thus lower compared to the previous year. As usual, normal weather conditions are taken as a basis for the 2018 planning, whereas in 2017 we benefited from the relatively cool conditions in Eastern Europe. Additional positive extraordinary effects seen in 2017 are not expected to recur in the same order of magnitude. The start of the new regulatory period for the German gas distribution network business in 2018 will also have a negative impact on earnings.

- The adjusted EBIT of the **Retail** division is forecast at about €700 million and will thus likely fall significantly short of last year. One key factor behind this is higher spending on promising projects, such as e-mobility and digitisation initiatives. Weaker earnings in the German retail business are another factor, as we do not expect the extraordinary effects of 2017 to recur. In all of its retail markets, innogy will continue to concentrate on efficiency-enhancing measures to counter the mounting pressure on margins. It is likely that the UK retail business will be reported as a 'discontinued operation' in the course of 2018. As a result, its earnings will no longer be included in the Group figure for adjusted EBIT and will be reported separately in the reconciliation to net income.

With regard to **Corporate/other**, we anticipate a better result than in 2017. In the past year, provisional measures related to severance pay had a negative effect, in particular in relation to partial retirement. Another factor is that from now on the expenses for promising future projects are accounted for directly in the business areas themselves. In 2018, we will continue to invest in modernising and upgrading our IT systems. In relation to this, spending on IT cyber security will likely rise.

**Significant decline in staff numbers.** The number of employees in the innogy Group is expected to decline sharply in 2018. The main reason for this is that the workforce for UK retail activities is no longer included in the outlook. Due to the planned carve-out of the business, it will probably be reported as a 'discontinued operation' in the course of the year. This affects around 6,400 employees. On the other hand, we anticipate a modest increase in staff in Grid & Infrastructure. In Renewables, the headcount will probably be significantly higher than last year, due to growth activities.

#### **Dividend policy in line with the earnings situation.**

Our dividend policy will remain focused on economic sustainability and continuity. The objective is to ensure a stable development of dividends, aligned with our earnings situation after adjustment for special effects. We confirm our intention of distributing 70% to 80% of adjusted net income. In early 2019, our Executive Board and Supervisory Board will decide on the exact amount of the dividend for 2018, which will be proposed to the Annual General Meeting in April 2019.

**Leverage factor of around 4.0.** The most important indicator for managing our debt is the ratio of net debt to adjusted EBITDA, known as the leverage factor. As a medium-term goal, we aim for a leverage factor of around 4.0. In our view, this is in line with innogy's stable earnings profile and robust financing structure, and allows us to refinance at any time under favourable conditions. The actual ratio can vary around this target from year to year, in particular owing to fluctuations in our net debt, as a result of adjustment of the discount rates for non-current provisions or due to effects in working capital relating to cut-off dates.

**Capital expenditure programme for 2018 to 2020 in line with our financial position.** For the medium-term planning period, we have identified an investment pipeline of up to €10 billion. This also includes capital expenditure on financial assets. Around half of this is earmarked for investment in maintenance and modernisation, mainly for our distribution networks. We particularly see growth opportunities in the Renewables division. In this segment, we will continue to focus on our core business in the fields of offshore and onshore wind, although we also plan to keep expanding our solar power business. We see additional growth opportunities in broadband in Germany and Eastern Europe, as well as in the expansion of e-mobility.

As innogy's financial strength is not sufficient to completely support these investment volumes, we will use partnership models, sales of shareholdings and possibly also postpone projects to ensure that the company's financial stability is not jeopardised. This means that a leverage factor of around 4.0 (ratio of net debt to adjusted EBITDA) and a pay-out ratio of 70% to 80% of adjusted net income are still the key financial indicators, which guide us in implementing our focused investment and growth strategy. Generating sustainable earnings growth in line with our financial goals is our main motivation in implementing our growth strategy.

For 2018, we are currently planning net investment – i.e. taking into consideration proceeds from sales of shares or other disposals – of around €2.5 billion.

**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, 25 February 2018

The Executive Board



Tigges



Bünting



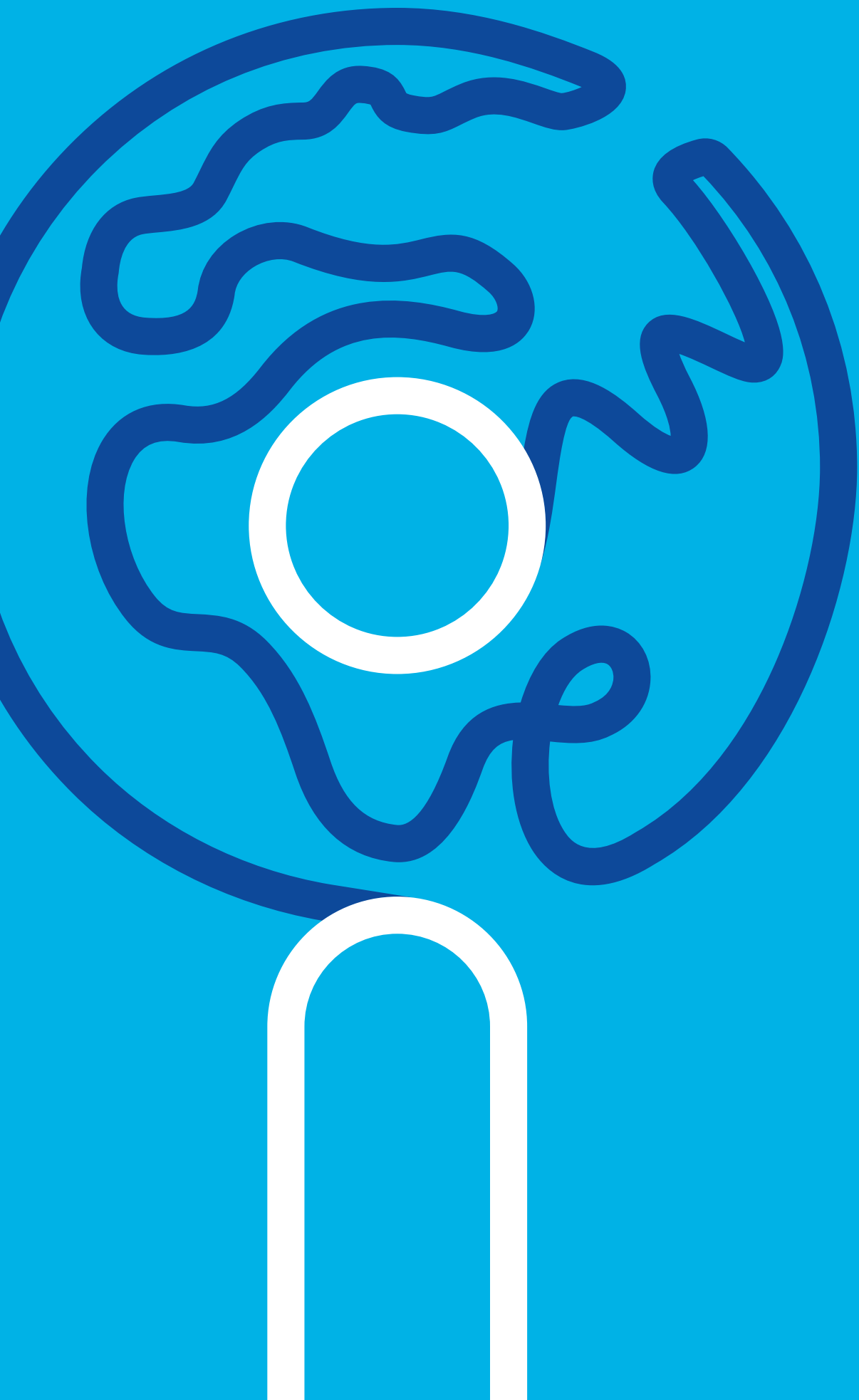
Günther



Herrmann



Müller



3

# Consolidated financial statements

## 3.1 Income statement

€ million	Note	2017	2016
<b>Revenue (including natural gas tax/electricity tax)</b>	(1)	<b>43,139</b>	<b>43,611</b>
Natural gas tax/electricity tax	(1)	2,020	2,062
<b>Revenue</b>	(1)	<b>41,119</b>	<b>41,549</b>
Other operating income	(2)	981	1,090
Cost of materials	(3)	32,718	32,714
Staff costs	(4)	3,005	2,858
Depreciation, amortisation and impairment losses	(5), (10), (11)	1,994	1,769
Other operating expenses	(6)	2,513	2,757
Income from investments accounted for using the equity method	(7), (12)	197	276
Other income from investments	(7)	94	173
Financial income	(8)	863	1,029
Finance costs	(8)	1,376	1,818
<b>Income before tax</b>		<b>1,648</b>	<b>2,201</b>
Taxes on income	(9)	499	415
<b>Income</b>		<b>1,149</b>	<b>1,786</b>
of which: Income of non-controlling interests		371	273
<b>of which: net income/income attributable to innogy SE shareholders</b>		<b>778</b>	<b>1,513</b>
<b>Basic and diluted earnings per common and preferred share in €</b>	(27)	<b>1.40</b>	<b>4.15</b>

## 3.2 Statement of comprehensive income<sup>1</sup>

€ million	Note	2017	2016
<b>Income</b>		<b>1,149</b>	<b>1,786</b>
Actuarial gains and losses of defined benefit pension plans and similar obligations		624	-500
Income and expenses of investments accounted for using the equity method (pro rata)	(12)	-62	34
<b>Income and expenses recognised in equity, not to be reclassified through profit or loss</b>		<b>562</b>	<b>-466</b>
Currency translation adjustment	(20)	160	-7
Fair valuation of financial instruments	(28)	15	33
Income and expenses of investments accounted for using the equity method (pro rata)	(12), (20)	-15	-17
<b>Income and expenses recognised in equity, to be reclassified through profit or loss in the future</b>		<b>160</b>	<b>9</b>
<b>Other comprehensive income</b>		<b>722</b>	<b>-457</b>
<b>Total comprehensive income</b>		<b>1,871</b>	<b>1,329</b>
of which: attributable to innogy SE shareholders		1,465	1,085
of which: attributable to non-controlling interests		406	244

<sup>1</sup> Figures stated after taxes.

## 3.3 Balance sheet

Assets	Note	31 Dec 2017	31 Dec 2016
€ million			
<b>Non-current assets</b>			
Intangible assets	(10)	11,347	11,709
Property, plant and equipment	(11)	18,361	17,954
Investments accounted for using the equity method	(12)	2,214	2,256
Other non-current financial assets	(13)	839	703
Financial receivables	(14)	432	456
Other receivables and other assets	(15)	829	523
Deferred taxes	(16)	2,480	2,638
		<b>36,502</b>	<b>36,239</b>
<b>Current assets</b>			
Inventories	(17)	380	391
Financial receivables	(14)	439	291
Trade accounts receivable		4,198	4,022
Other receivables and other assets	(15)	1,707	1,729
Income tax assets		264	151
Marketable securities	(18)	2,254	2,688
Cash and cash equivalents	(19)	1,070	1,379
		<b>10,312</b>	<b>10,651</b>
		<b>46,814</b>	<b>46,890</b>
<b>Equity and liabilities</b>			
€ million			
<b>Equity</b>			
innogy SE shareholders' interest	(20)	9,439	8,931
Non-controlling interests	(20)	1,813	1,736
		<b>11,252</b>	<b>10,667</b>
<b>Non-current liabilities</b>			
Provisions for pensions and similar obligations	(22)	3,089	3,888
Other provisions	(23)	1,539	1,630
Financial liabilities	(24)	15,492	16,556
Other liabilities	(26)	2,251	1,847
Deferred taxes	(16)	542	521
		<b>22,913</b>	<b>24,442</b>
<b>Current liabilities</b>			
Other provisions	(23)	2,606	2,454
Financial liabilities	(24)	1,764	665
Trade accounts payable	(25)	4,001	4,302
Income tax liabilities		85	53
Other liabilities	(26)	4,193	4,307
		<b>12,649</b>	<b>11,781</b>
		<b>46,814</b>	<b>46,890</b>

## 3.4 Cash flow statement

€ million	Note (31)	2017	2016
Income		1,149	1,786
Depreciation, amortisation, impairment losses/reversals		2,005	1,780
Changes in provisions		36	-4
Changes in deferred taxes		-43	-648
Income from disposal of non-current assets and marketable securities		-177	-215
Other operating income/expenses		211	253
Changes in working capital		-527	-278
<b>Cash flows from operating activities</b>		<b>2,654</b>	<b>2,674</b>
Intangible assets/property, plant and equipment			
Capital expenditures		-1,835	-1,833
Proceeds from disposal of assets		161	126
Acquisitions, investments			
Capital expenditures		-303	-216
Proceeds from disposal of assets/divestitures		120	290
Changes in marketable securities and cash investments		247	7,166
<b>Cash flows from investing activities (before initial/subsequent transfer to plan assets)</b>		<b>-1,610</b>	<b>5,533</b>
Initial/subsequent transfer to plan assets		-190	-315
<b>Cash flows from investing activities (after initial/subsequent transfer to plan assets)</b>		<b>-1,800</b>	<b>5,218</b>
Net changes in equity (including non-controlling interests)		-64	-7,199
Dividends paid to innogy shareholders and non-controlling interests		-1,328	-979
Issuance of financial debt		3,380	9,265
Repayment of financial debt		-3,160	-8,129
<b>Cash flows from financing activities</b>		<b>-1,172</b>	<b>-7,042</b>
Net cash change in cash and cash equivalents		-318	850
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents		9	-21
<b>Net change in cash and cash equivalents</b>		<b>-309</b>	<b>829</b>
<b>Cash and cash equivalents at the beginning of the reporting period as per the consolidated balance sheet</b>		<b>1,379</b>	<b>550</b>
<b>Cash and cash equivalents at the end of the reporting period as per the consolidated balance sheet</b>		<b>1,070</b>	<b>1,379</b>

## 3.5 Statement of changes in equity

Statement of changes in equity	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			
€ million								
Note (21)								
<b>Balance at 1 Jan 2016</b>			<b>17,354</b>	<b>-780</b>	<b>75</b>	<b>16,649</b>	<b>1,811</b>	<b>18,460</b>
Dividends paid <sup>1</sup>			-724			-724	-226	-950
Income			1,513			1,513	273	1,786
Other comprehensive income			-452	14	10	-428	-29	-457
Total comprehensive income			1,061	14	10	1,085	244	1,329
Withdrawals/ contributions	1,111	6,210	-15,400			-8,079	-93	-8,172
<b>Balance at 31 Dec 2016</b>	<b>1,111</b>	<b>6,210</b>	<b>2,291</b>	<b>-766</b>	<b>85</b>	<b>8,931</b>	<b>1,736</b>	<b>10,667</b>
Dividends paid <sup>1</sup>			-889			-889	-262	-1,151
Income			778			778	371	1,149
Other comprehensive income			539	148		687	35	722
Total comprehensive income			1,317	148		1,465	406	1,871
Withdrawals/ contributions			-68			-68	-67	-135
<b>Balance at 31 Dec 2017</b>	<b>1,111</b>	<b>6,210</b>	<b>2,651</b>	<b>-618</b>	<b>85</b>	<b>9,439</b>	<b>1,813</b>	<b>11,252</b>

1 Following reclassification of non-controlling interests to other liabilities as per IAS 32.



## 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 in Europe.

During the first six months of 2016, the innogy Group was created by transferring entities from the RWE Group to innogy as a (sub)group, which bundles the retail, networks and renewables businesses of the RWE Group.

The legal reorganisation from which innogy emerged and the transfer of business activities to the innogy Group were completed as of 30 June 2016. Since then, innogy SE has controlled the business activities pooled in the innogy Group within the meaning of IFRS 10. The Group's consolidated financial statements for the period ended 31 December 2016 were thus prepared on a consolidated basis.

The consolidated financial statements for the period ended 31 December 2017 were approved for publication on 25 February 2018 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. All amounts are stated in millions of euros (€ million) unless otherwise noted. Due to calculation procedures, rounding differences may occur.

These consolidated financial statements were prepared for the fiscal year from 1 January to 31 December 2017. 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.

Principal 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.

Number of fully consolidated companies	Germany	Abroad	Total
<b>Balance at 1 Jan 2017</b>	<b>109</b>	<b>146</b>	<b>255</b>
First-time consolidation	14	21	35
Deconsolidation	-2	-1	-3
Mergers	-3	-2	-5
<b>Balance at 31 Dec 2017</b>	<b>118</b>	<b>164</b>	<b>282</b>

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 re-

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 legal form and the 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 IAS 39.

The list of Group shareholdings pursuant to Section 313, Paragraph 2 of the German Commercial Code (HGB) is presented on page 184 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 investments and joint ventures accounted for using the equity method	Germany	Abroad	Total
<b>Balance at 1 Jan 2017</b>	<b>64</b>	<b>13</b>	<b>77</b>
Acquisitions		2	2
Disposals			
Other changes	2	-1	1
<b>Balance at 31 Dec 2017</b>	<b>66</b>	<b>14</b>	<b>80</b>

ceives 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 occur when control is transferred.

## Acquisitions

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

### Belectric Solar & Battery GmbH (Belectric)

At the beginning of January 2017, innogy SE acquired a 100% stake in Belectric Solar & Battery GmbH and gained control of the company. The company is active in the operation & maintenance of solar farms and the construction of turnkey solar farms and battery storage facilities.

The initial accounting of the business combination, along with the assumed assets and liabilities, is presented in the following table:

Balance-sheet items € million	IFRS carrying amounts (fair values) at first-time consolidation
Non-current assets	56
Current assets	87
Non-current liabilities	7
Current liabilities	63
<b>Net assets</b>	<b>73</b>
Cost	74
<b>Goodwill</b>	<b>1</b>

### Triton Knoll Offshore Wind Farm Limited (Triton Knoll)

In October 2017, innogy acquired control over the company Triton Knoll Offshore Wind Farm Limited in the United Kingdom, which had previously been accounted for in the consolidated financial statements using the equity method. Having acquired Statkraft's 50% interest, innogy is now the sole owner of Triton Knoll, an offshore wind project with a planned capacity of 860 megawatts.

The fair value of the old shares amounted to €47 million. The first-time consolidation of Triton Knoll and the related change in the status of the old shares resulted in income of €47 million, which was recognised in the line item 'Other operating income' on the income statement.

The fair value of the receivables included in non-current and current assets amounted to €24 million; this corresponds to the gross amount of the receivables, which are collectible in full.

Since its first-time consolidation, the company has contributed €204 million to revenue and –€11 million to the earnings of the Group.

The purchase price was €74 million and included a conditional payment obligation amounting to €7 million, as well as cash and cash equivalents of €49 million and assumed liabilities of €18 million. The conditional payment obligation depends on the materialisation of legal and tax-related risks and can lead to a nominal payment ranging from €0 up to a maximum of €7 million, upon which an interest rate equal to the EURIBOR plus 3% is payable.

The goodwill essentially reflects expected future use and synergy effects.

The assets and liabilities assumed upon first-time consolidation are presented in the following table:

Balance-sheet items € million	IFRS carrying amounts (fair values) at first-time consolidation
Non-current assets	174
Current assets	5
Non-current liabilities	18
Current liabilities	85
<b>Net assets</b>	<b>76</b>
Cost	94
<b>Goodwill</b>	<b>18</b>

At the time of acquisition, the fair value of the entire consideration transferred (cash and cash equivalents only) for the acquisition of Statkraft's 50% interest amounted to €47 million. The fair value of the old shares also amounted to €47 million. As a result, a total of €94 million was recognised as cost within the scope of the initial consolidation.

The fair value of the receivables included in non-current and current assets amounted to €2 million; this corresponds to the gross amount of the receivables, which are collectible in full.

Since its first-time consolidation, the company has contributed €0 million to revenue and –€1 million to the earnings of the Group.

The goodwill essentially reflects expected future use and synergy effects.

## Disposals

In total, sales of shares which led to a change of control resulted in sales proceeds from disposals amounting to €19 million, which were reported in 'Other operating income', 'Other operating expenses' and 'Other income from investments' (previous year: €28 million). Of this, €14 million (previous year: €8 million) pertained to revaluation of remaining shares.

Within the framework of purchases and sales of subsidiaries and other business units which resulted in a change of control, purchase prices amounted to €159 million (previous

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

Had all of the mergers during the reporting period been completed at 1 January 2017, the Group's income and revenue would have been €1,151 million and €41,133 million, respectively.

year: €16 million) and sales prices amounted to €5 million (previous year: €30 million); all payments were made in cash. Purchase prices were settled in cash in the amount of €134 million; liabilities of €25 million were assumed. In relation to this, cash and cash equivalents (excluding 'Assets held for sale') were acquired in the amount of €25 million (previous year: €0 million) and were disposed of in the amount of €5 million (previous year: €1 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: one). 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 the 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 the purchase price allocation. If the pur-

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 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 RWE'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 is reported directly in equity in the 'withdrawals/contributions' line item and recognised in cash flows from financing activities. No such transactions occurred in 2017.

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 income. By contrast, if there is a change in control, the remaining shares are revalued with an effect on income.

Expenses and income as well as receivables and payables between consolidated companies are eliminated. Intra-group 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 attributable to innogy, 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 they were initially recognised. Monetary items are converted using the exchange rate valid on the balance-sheet date. Exchange rate gains and losses from the measurement of monetary balance-sheet items in foreign currency occurring up to the balance-sheet date are recognised on the income statement.

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 (among others) were used as a basis for foreign currency translations:

Exchange rates	Average		Year-end	
	2017	2016	31 Dec 2017	31 Dec 2016
€				
1 US dollar	0.88	0.91	0.83	0.95
1 pound sterling	1.14	1.22	1.13	1.17
100 Czech korunas	3.80	3.70	3.92	3.70
100 Hungarian forints	0.32	0.32	0.32	0.32
1 Polish zloty	0.24	0.23	0.24	0.23

## Accounting policies

**Intangible assets** are carried at amortised cost. With the exception of goodwill, intangible assets have finite useful lives and are amortised using the straight-line method. The 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 a power 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 annually, or more frequently if there are indications of impairment.

Development costs are capitalised if a newly developed product or process can be clearly identified, is technically feasible, and if the company intends to either use

the product or process itself or market it. Furthermore, capitalisation of development costs 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 minimum lease payments are recognised as an expense over the term of the lease. If innogy is the lessor, the minimum lease 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 carrying amount exceeds the recoverable amount.

**Other financial assets** are comprised of shares in non-consolidated subsidiaries and in associates and joint ventures not accounted for using the equity method, as well as other investments and non-current marketable securities; these assets are shown in the category 'Available for sale'. This category includes financial instruments which are neither loans or receivables, nor financial investments held to maturity, and are not measured at fair value through profit or loss. Upon initial recognition and in the following periods, they are recorded at fair value as long as such can be determined reliably. Initial measurement occurs at the settlement date; unrealised gains and losses are stated as other comprehensive income, with due consideration of any deferred taxes. Gains or losses are recognised on the income statement upon the sale of the financial instruments. If there is objective, material evidence of a reduction in the value of an asset, an impairment loss is recognised with an effect on income. Such indications can be that there is no longer an active market for a financial asset or that a debtor is experiencing significant financial difficulties, or is possibly delinquent on payments of interest and principal.

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. Allowances for doubtful accounts are based on the actual 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. 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.

Renewable energy certificates 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.

**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 income 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 and interest 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 expect-

ed 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. All of these securities are classified as 'Available for sale' and are stated at fair value. 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 without



an effect on income, with due consideration of any deferred taxes. If there are objective, material indications of a reduction in value, an impairment loss is recognised with an effect on income. The results of sales of securities are also recognised on the income statement.

**Cash and cash equivalents** consist of cash on hand, demand deposits and current fixed-interest marketable 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 part of a disposal group or discontinued operations, and are reported separately under **Liabilities held for sale**.

Non-current assets held for sale are no longer 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 specific assets of discontinued operations 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 the determination of 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 renewable energy certificates to the respective authorities; this provision is measured at the carrying amount of the renewable energy certificates 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 renewable energy certificates 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 Klaus Heubeck's 2005 G mortality tables (as in the previous year) and for the United Kingdom, the Standard SAPS Table S2PA (as in the previous year). 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).

Other liabilities include advances and contributions in aid of construction and building connection that are carried as liabilities by the utilities and are generally amortised and included in income over the useful life of the corresponding asset.

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 their fair value are recognised with an effect on income, unless the 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 as 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.

IAS (International Accounting Standard) 39 stipulates the conditions for the recognition of hedging relationships. Among other things, the hedging relationship must be documented in detail and be effective. According to IAS 39, a hedging relationship is effective when the changes in the fair value of the hedging instrument range from 80% to 125%, both prospectively and retrospectively, of the opposite change in the fair value of the hedged item. 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 treated as derivatives or as what is known as own-use contracts, and be accounted for as executory contracts.
- Financial assets must be allocated to the categories 'Held to maturity investments', 'Loans and receivables', 'Financial assets available for sale', and 'Financial assets at fair value through profit or loss'.
- With regard to 'Financial assets available for sale', a decision must be made as to if and when reductions in value are to be recognised as impairments with an impact on income.
- 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. If both conditions are met, 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.

Among other things, assumptions and estimates are made in 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 of 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 balance-sheet date.

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

Deferred tax assets are recognised if 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 capital market debts of the innogy Group amount to €12.1 billion in nominal terms. Debt payable to RWE AG totals €1.7 billion, and there are liabilities of €1.0 billion to the European Investment Bank (EIB).

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

innogy manages its capital structure on the basis of financial indicators, among other things. One key indicator is the 'leverage factor', which is calculated using net debt. Net debt is calculated by adding material non-current provisions to net financial debt, and subtracting the surplus of plan assets over benefit obligations. The leverage factor is the ratio of net debt to adjusted EBITDA. In the financial year that just ended, it was 3.6 (previous year: 3.7)

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 negative outlook by Moody's. We thus have an investment grade rating. The credit ratings issued for innogy's short-term bonds are 'F-2', 'A-2' and 'P-2', respectively.

## Changes in accounting Standards

The International Accounting Standards Board (IASB) has approved amendments of existing International Financial Reporting Standards (IFRSs), which became effective for the innogy Group as of fiscal 2017:

- Amendments to IAS 7 – Disclosure Initiative (2016)
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (2016)
- Annual Improvements to IFRS Standards 2014–2016 Cycle (2016) regarding the amendments and clarifications to IFRS 12 contained in the collective standard

First-time application of these changes has no material effect on innogy's consolidated financial statements.

## New accounting Standards

The IASB has adopted further Standards and amendments to Standards, which were not yet mandatory in the European Union (EU) in fiscal 2017. The most important changes are presented below. EU endorsement is still pending in some cases.

**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. Fair value measurement without an effect on income is stipulated for certain debt instruments reported under assets. It also contains regulations on the impairment of assets and hedge accounting. The rules on impairment will now apply to expected losses. The new regulations on hedge accounting are intended to enable better reporting of the risk management activities in the consolidated financial statements. To this end, IFRS 9 expands the range of underlying transactions qualifying for hedge accounting and simplifies effectiveness testing, among other things. The new Standard becomes effective for fiscal years starting on or after 1 January 2018.

In relation to the classification and measurement of financial assets, innogy does not expect any material impacts on the accounting treatment of investments in debt instruments with a total book value of €2.2 billion. A portion of our cash investments in debt instruments will continue to be recognised at fair value without an effect on income (approximately €0.9 billion). Debt instruments with a book value of €1.3 billion, which were recognised at fair value without an effect on income as per IAS 39, will be recognised at fair value through profit or loss in the future.

With regard to most of the investments in equity capital instruments with a total book value of roughly €0.9 billion, the option to capture the fair value changes will be exercised in other income. A small portion will be recognised at fair value through profit or loss.

At present, it is not possible to reliably estimate the amount of reclassification between other comprehensive income and retained earnings.

No material changes are anticipated with regard to the classification of financial assets which have previously been stated at amortised cost.

The accounting treatment of expected losses pursuant to the new impairment model results in the earlier recognition of impairments, higher volatility in the income statement and lower equity at the time of transition. An additional impairment in the range of €10–30 million is expected for the financial assets held by innogy at the time of transition.

No material changes are anticipated in relation to the recognition of financial liabilities.

innogy can continue to use its previous hedge accounting. No additional hedge accounting is designated on the basis of IFRS 9. The exercise of fair value options for own-use contracts is not planned. In accordance with IFRS 9, hedging instruments used to hedge foreign currency risk are still designated in their entirety. There is no exclusion of foreign currency basis risks. Ineffectiveness resulting from this has no material effect on innogy's consolidated financial statements. The possibility of excluding the fair value components of options in hedge accounting will not be exercised. In the transition to the classification and measurement methods pursuant to IFRS 9, innogy will not restate any previous-year figures and will thus adjust retained earnings as of 1 January 2018, in order to recognise the impacts from first-time application of the Standard.

**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) will replace the contents of IAS 18 Revenue and IAS 11 Construction Contracts and the corresponding Interpretations.

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

Application of the new Standard is required for annual periods beginning on or after 1 January 2018. innogy will apply the modified retrospective method as a transitional method for first-time application as of 1 January 2018.

innogy has completed the IFRS 15 contract analysis. We no longer anticipate that there will be a significant effect on the following:

- Energy supply contracts with households which receive free gifts or goods at a reduced price. According to IFRS 15, free benefits may represent separate performance obligations, a portion of which should be allocated to the transaction price, and thus revenue is to be recognised upon transfer of control. For goods which are offered at a reduced price, allocation of the total transaction price can result in a change in revenue compared to the current accounting treatment according to IAS 18.
- Contracts with households which include warranties for customers. Warranties can either be an assurance that the product complies with agreed-upon specifications ('assurance-type warranty') or assurances that go above and beyond this ('service-type warranty'). According to IFRS 15, service-type warranties represent separate performance obligations, to which a portion of the transaction price is to be allocated. Warranties which only provide an assurance of the agreed-upon specifications are accounted for in accordance with the principles of IAS 37 for provisions.
- Contract costs are costs which are additionally incurred in obtaining a contract. If the company expects that it will recover these costs, they should be capitalised and amortised on a systematic basis consistent with the transfer of the goods or services to the customer. If the expected amortisation period is no longer than one year, in the interests of simplification the contract costs may be recognised as an expense when incurred. Implementation of this new IFRS 15 regulation is limited to changes in presentation and disclosure in the notes.

- Payments to customers for sales purposes are always recognised as a reduction of revenue. Payment upon conclusion of the contract results in the recognition of an asset, which is to be amortised over the life of the contract. If the payment for sales purposes is only payable in the future, a provision is formed which is released upon payment.
- Contracts with households frequently give the customer the right to terminate the contract early. If the customer can cancel the contract on a monthly basis, the contract term according to IFRS 15 is considered to be one month only.

The following effects from the first-time application of IFRS 15 were identified:

#### Principal-agent relations

As regards regulatory fees, in particular in the field of renewable energy, individual situations were identified in which innogy qualifies as agent pursuant to IFRS 15, but not pursuant to IAS 18. This results in a reduction of revenue and cost of materials amounting to roughly €2.5 billion in the Grid & Infrastructure segment, because some performance bonuses received by the transmission system operator under the direct marketing model of the German Renewable Energy Act no longer qualify as revenue. This does not have an impact on income.

#### Financial instruments according to IFRS 9

With the first-time application of IFRS 15, innogy will also change the presentation of unrealised changes in the fair values of commodity derivatives. From 1 January 2018 onwards, they will no longer be recognised under revenue or the cost of materials as they will be stated as part of other operating income instead. The reclassification will stabilise revenue. This will not have an effect on income.

#### Additional effects and first-time application

The presentation and disclosure requirements under IFRS 15 are more detailed than the current requirements under IAS 18. innogy has reviewed the new disclosures and revised its systems and processes to comply with the new requirements.

**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 this new Standard on leases, aside from short-term leases (less than 12 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 to the current accounting treatment pursuant to IAS 17 also in terms of classifying the lease, which is still necessary. 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 is planning to apply the modified retrospective method in transitioning to IFRS 16. The effects of IFRS 16 on the innogy Group's consolidated financial statements are being reviewed. According to the first, preliminary estimations, starting from fiscal 2019 implementation of IFRS 16 will result in an annual increase in amortisation in the low triple-digit million euro range, while the negative impact on the financial result is anticipated to be in the low double-digit million euro range. Conversely, these two effects result in an improvement in the other operating expenses of a corresponding amount, and consequently innogy does not anticipate any impact on net income. Furthermore, based on the current, preliminary assessment, innogy's net financial debt will increase by a low single-digit billion euro amount as a result of implementing IFRS 16.

The following Standards, amendments to Standards, and Interpretations are not expected to have any material effects on innogy's consolidated financial statements:

- IFRS 17 Insurance Contracts (2017)
- 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 IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (2016)
- Annual Improvements to IFRS Standards 2014–2016 Cycle (2016), which contains amendments and clarifications to IFRS 1 and IAS 28.
- Amendments to IAS 40 Transfers of Investment Property (2016)
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (2016)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and an Associate or Joint Venture (2014). First-time application of these amendments in the EU was delayed indefinitely.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (2016)
- IFRIC 23 Uncertainty over Income Tax Treatments (2017)
- Annual Improvements to IFRS Standards 2015–2017 Cycle (2017); this collective Standard contains amendments and clarifications to IFRS 3, IFRS 11, IAS 12 and IAS 23.
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (2018)



## Notes to the Income statement

### (1) Revenue

Generally revenue is recorded when the goods have been delivered or the services have been rendered, and the risks related to the goods or services have been transferred to the customer.

A breakdown of revenue by division and geographical region is contained in the segment reporting on page 174 et seq.

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

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

### (2) Other operating income

Other operating income € million	2017	2016
Income from own work capitalised	264	199
Income from changes in finished goods and work in progress	22	5
Cost allocations/refunds	76	79
Disposal and reversal of current assets (excluding marketable securities)	31	76
Disposal and reversal of non-current assets including income from deconsolidation	121	121
Income from derivative financial instruments	166	29
Compensation and insurance benefits	51	57
Rent and lease	11	11
Exchange rate gains	9	
Income from the commutation of contracts		250
Miscellaneous	230	263
	<b>981</b>	<b>1.090</b>

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	2017	2016
Cost of raw materials and of goods for resale	21,976	22,462
Cost of purchased services	10,742	10,252
	<b>32,718</b>	<b>32,714</b>

#### (4) Staff costs

Staff costs € million	2017	2016
Wages and salaries	2,425	2,298
Cost of social security, pensions and other benefits	580	560
	<b>3,005</b>	<b>2,858</b>

Number of employees	2017	2016
Employees covered by collective agreements and other employees	33,138	32,039
Employees not covered by collective agreements	8,966	8,426
	<b>42,104</b>	<b>40,465</b>

#### (5) Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses in Mio. €	2017	2016
Intangible assets	705	246
Propert., plant and equipment	1,289	1,523
	<b>1,994</b>	<b>1,769</b>

In respect of amortisation on intangible assets, €27 million (previous year: €26 million) pertained to customer bases of acquired enterprises.

Impairments € million	2017	2016
Intangible assets	484	25
Property, plant and equipment	43	289
	<b>527</b>	<b>314</b>

As part of the annual impairment test, a deterioration in commercial assumptions and tougher regulatory conditions resulted in an adjustment of the goodwill of the cash-generating unit 'Retail United Kingdom' in the Retail segment. As a result, we recognised an impairment of €479 million (recoverable amount: €1.5 billion).

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, 1,499 trainees were employed (previous year: 1,359). Trainees are not included in the personnel headcount.

In the year under review, 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 on German gas storage facilities in the Grid & Infrastructure segment amounted to €204 million, of which €186 million was allocated to property, plant and equipment and €18 million to intangible assets; recoverable amount of €0.1 billion, mainly due to changed price expectations.

During the review period, impairments in the amount of €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).

In the previous year, €97 million in impairment losses were attributable to onshore wind farms in Poland in the Renewables segment (of which €90 million pertained to property, plant and equipment and €7 million to operating rights recognised in intangible assets), primarily due to deteriorated regulatory framework conditions in Poland (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 5.25% to 5.50% (previous year: 4.5% to 5.25%).

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

<b>Other operating expenses</b> € million	2017	2016
Maintenance and renewal obligations	503	788
Concessions, licenses and other contractual obligations	437	443
Structural and adaptation measures	50	29
Legal and other consulting and data processing services	233	220
Disposal of current assets and decreases in values (excluding decreases in the value of inventories and marketable securities)	177	237
Disposal of non-current assets including expenses from deconsolidation	37	26
Insurance, commissions, freight and similar distribution costs	106	125
General administration	109	99
Advertising	264	259
Expenses from derivative financial instruments	155	29
Lease payments for plant and grids as well as rents	101	114
Postage and monetary transactions	68	64
Fees and membership dues	62	70
Exchange rate losses		4
Other taxes (primarily on property)	55	51
Miscellaneous	156	199
	<b>2,513</b>	<b>2,757</b>

## (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	2017	2016
<b>Income from investments accounted for using the equity method</b>	<b>197</b>	<b>276</b>
of which: amortisation/impairment losses/reversals on investments accounted for using the equity method		
Income from non-consolidated subsidiaries	-2	-3
of which: amortisation/impairment losses on non-consolidated subsidiaries	-11	-9
Income from other investments	41	39
of which: impairment of shares in other investments	-2	-3
Net income from the disposal of investments	53	124
Income from loans to investments	21	21
Expenses from loans to investments	19	8
<b>Other income from investments</b>	<b>94</b>	<b>173</b>
	<b>291</b>	<b>449</b>

Expenses from loans to investments relate exclusively to impairment losses.

## (8) Financial result

Financial result € million	2017	2016
Interest and similar income	77	195
Other financial income	786	834
<b>Financial income</b>	<b>863</b>	<b>1,029</b>
Interest and similar expenses	502	746
Interest accretion to		
Provisions for pensions and similar obligations (including capitalised surplus of plan assets)	69	81
Other provisions	-13	86
Other finance costs	818	905
<b>Finance costs</b>	<b>1,376</b>	<b>1,818</b>
	<b>-513</b>	<b>-789</b>

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 as well as re-measurement effects stemming 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, €2 million in borrowing costs were capitalised in connection with the acquisition, construction and production of qualifying assets (previous year: €7 million). The underlying capitalisation rate ranged from 3.8% to 4.4% (previous year: from 4.4% to 5.0%).

<b>Net interest</b> € million	2017	2016
Interest and similar income	77	195
Interest and similar expenses	502	746
	<b>-425</b>	<b>-551</b>

#### (9) Taxes on income

<b>Taxes on income</b> € million	2017	2016
Current taxes on income	543	1,326
Deferred taxes	-44	-911
	<b>499</b>	<b>415</b>

Of the deferred taxes, €9 million was related to temporary differences (previous year: €605 million). Deferred taxes contain income of €34 million (previous year: €725 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 €121 million (previous year: expense of €592 million). This included impairments of €16 million (previous year: €722 million) and the reversal of earlier impairments amounting to €137 million (previous year: €129 million).

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

<b>Net interest by category</b> € million	2017	2016
Loans and receivables	33	152
Financial assets available for sale	43	44
Financial liabilities carried at (amortised) cost	-501	-747
	<b>-425</b>	<b>-551</b>

Other financial income includes €79 million in gains realised from the disposal of marketable securities (previous year: €89 million). Of the other finance costs, €38 million (previous year: €91 million) resulted from realised losses on the disposal of marketable securities.

Current taxes on income contain €23 million in net tax income (previous year: expenses of €537 million) relating to prior periods.

Due to the utilisation of tax loss carryforwards unrecognised in prior years, current taxes on income were reduced by €82 million (previous year: €3 million).

<b>Income taxes recognised in other comprehensive income</b> € million	2017	2016
Fair valuation of financial instruments	-11	15
Actuarial gains and losses of defined benefit pension plans and similar obligations	-183	99
	<b>-194</b>	<b>114</b>

€0 million in taxes were directly offset against equity (previous year: €11 million).

<b>Tax reconciliation</b>	2017	2016
€ million		
<b>Income before tax</b>	<b>1,648</b>	<b>2,201</b>
<b>Theoretical tax expense</b>	<b>517</b>	<b>691</b>
Differences to foreign tax rates	-52	-155
Tax effects on		
Tax-free domestic dividends	-41	-38
Tax-free foreign dividends	-3	
Other tax-free income	-6	-1
Expenses not deductible for tax purposes	109	29
Accounting for associates using the equity method (including impairment losses on associates' goodwill)	-14	-37
Unutilisable loss carryforwards, utilisation of unrecognised loss carryforwards, write-downs on loss carryforwards, recognition of loss carryforwards	-131	-112
Income on the disposal of investments	-18	17
Changes in foreign tax rates	-9	9
Other <sup>1</sup>	147	12
<b>Effective tax expense</b>	<b>499</b>	<b>415</b>
Effective tax rate in %	30.3	18.9

1 Of which: €150 million was due to the non-deductible nature of the goodwill impairment on the segment Retail United Kingdom 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

<b>Intangible assets</b>	Develop- ment costs	Concessions, patent rights, licences and similar rights	Customer relationships and similar assets	Goodwill	Prepay- ments	Total
€ million						
<b>Cost</b>						
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
<b>Accumulated amortisation/impairment losses</b>						
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
<b>Carrying amounts</b>						
Balance at 31 Dec 2017	344	540	246	10,191	26	11,347
<b>Cost</b>						
Balance at 1 Jan 2016	1,106	1,959	3,318	10,974	6	17,363
Additions/disposals due to changes in the scope of consolidation	-36	31	5	113	-1	112
Additions	107	64			3	174
Transfers	6	7			-4	9
Currency translation adjustments	-141	-40	-401	-393		-975
Disposals	27	39	8	35		109
Balance at 31 Dec 2016	1,015	1,982	2,914	10,659	4	16,574
<b>Accumulated amortisation/impairment losses</b>						
Balance at 1 Jan 2016	637	1,508	3,039		1	5,185
Additions/disposals due to changes in the scope of consolidation	-35	29		2	-1	-5
Amortisation/impairment losses in the reporting period	107	113	26			246
Transfers	-1	2				1
Currency translation adjustments	-80	-14	-400	-1		-495
Disposals	26	33	8			67
Reversals						
Balance at 31 Dec 2016	602	1,605	2,657	1		4,865
<b>Carrying amounts</b>						
Balance at 31 Dec 2016	413	377	257	10,658	4	11,709

In the reporting period, the innogy Group's total expenditures on research and development amounted to €169 million (previous year: €149 million).

Goodwill breaks down as follows:

Goodwill € million	31 Dec 2017	31 Dec 2016
Renewables	715	705
Grid & Infrastructure Germany	2,736	2,768
Grid & Infrastructure Eastern Europe	1,159	1,107
Retail Netherlands/Belgium	2,704	2,670
Retail Germany	923	929
Retail United Kingdom	1,525	2,070
Retail Eastern Europe	429	409
	<b>10,191</b>	<b>10,658</b>

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 €53 million (previous year: €0 million). In the segments Retail Germany and Grid & Infrastructure Germany, changes in current redemption liabilities from put options resulted in a decline in goodwill without an effect on income in the amount of –€36 million (previous year: increase of €92 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, among 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 3.50% to 5.50% after tax (previous year: 4.00% to 5.75%).

For the extrapolation of future cash flows going beyond the detailed planning horizon, a uniform growth rate of 0.0% was used (previous year: 0.0% to 1.0%). The growth rate is generally derived from experience and future expectations for the individual divisions and does not exceed the long-term average growth rates in the markets in which the Group companies are active. 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. The growth rates assumed for the cash flows are determined with due consideration of any additional expansion investments which are necessary.

As part of the impairment test performed in the third quarter, a deterioration in commercial assumptions and tougher regulatory conditions resulted in an adjustment of the goodwill of the cash-generating unit 'Retail United Kingdom' in the Retail segment. As a result, we recognised an impairment of €479 million (recoverable amount: €1.5 billion). The planned merger of the retail activities of innogy and SSE in Great Britain did not lead to a different assessment of this impairment.

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: 4.75%).

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.

The operating segment Retail Netherlands/Belgium exhibited the smallest surplus of recoverable amount over the carrying amount. The recoverable amount was €1.4 billion higher than the carrying amount. Impairment would have been necessary if the calculations had used an after-tax discount rate increased by more than 2.1 percentage points to above 5.8%, a growth rate decreased by more than 2.3 percentage points to below -2.3%, or a cash flow reduced by more than €57 million in terminal value.

## (11) Property, plant and equipment

Property, plant and equipment	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	Total
€ million					
<b>Cost</b>					
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
<b>Accumulated amortisation/impairment losses</b>					
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
<b>Carrying amounts</b>					
Balance at 31 Dec 2017	1,527	15,152	495	1,187	18,361
<b>Cost</b>					
Balance at 1 Jan 2016	2,837	38,316	1,310	642	43,105
Additions/disposals due to changes in the scope of consolidation	3	-80	26	-31	-82
Additions	216	1,070	115	315	1,716
Transfers	80	185	-27	-244	-6
Currency translation adjustments	-19	-462	-17	-20	-518
Disposals	25	446	81	10	562
Balance at 31 Dec 2016	3,092	38,583	1,326	652	43,653
<b>Accumulated amortisation/impairment losses</b>					
Balance at 1 Jan 2016	1,484	22,469	829	15	24,797
Additions/disposals due to changes in the scope of consolidation	2	-100	14		-84
Amortisation/impairment losses in the reporting period	83	1,339	100	1	1,523
Transfers	27	-12	-15		
Currency translation adjustments	-9	-63	-13		-85
Disposals	16	355	80		451
Reversals		1			1
Balance at 31 Dec 2016	1,571	23,277	835	16	25,699
<b>Carrying amounts</b>					
Balance at 31 Dec 2016	1,521	15,306	491	636	17,954

Property, plant and equipment in the amount of €82 million (previous year: €87 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:

€ million	KELAG-Kärntner Elektrizitäts-AG/ Kärntner Energieholding Beteiligungs GmbH (KEH), Klagenfurt/Austria		RheinEnergie AG, Cologne, Germany	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
<b>Material investments accounted for using the equity method</b>				
Balance sheet <sup>1</sup>				
Non-current assets	1,626	1,607	1,554	1,589
Current assets	370	318	741	732
Non-current liabilities	874	837	753	751
Current liabilities	277	261	616	573
Share of equity (proportionate to interest) <sup>2</sup>	354	341	189	203
Consolidation adjustments	198	198		
Carrying amount	552	540	189	203
Statement of comprehensive income <sup>1</sup>				
Revenue	1,320	1,383	2,457	2,281
Income	90	90	125	147
Other comprehensive income	-4	-6	-31	-35
Total comprehensive income	86	84	94	111
Dividend	20	30	28	28
innogy shareholding	49%	49%	20%	20%

1 Figures based on a 100% shareholding in KEH.

2 Combined equity of KEH and KELAG.

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 consolidation adjustments above are primarily attributable to goodwill recognised in the context of the acquisition.

RheinEnergie AG, domiciled in Cologne, Germany, supplies households and companies in Cologne and the Rhine region with electricity, gas, water and heat.

Non-material investments accounted for using the equity method € million	Associates		Joint ventures	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Income (pro-rata)	105	132	44	56
Other comprehensive income (pro-rata)	-55	13	-21	13
Total comprehensive income (pro-rata)	50	145	23	69
Carrying amounts	1,035	1,083	438	430

The innogy Group holds shares with a carrying amount of €94 million (previous year: €95 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 2017	31 Dec 2016
Non-consolidated subsidiaries	175	213
Other investments	556	456
Non-current securities	108	34
	<b>839</b>	<b>703</b>

innogy SE and its subsidiaries deposited non-current securities amounting to €52 million and €8 million (previous year: €0 and €0) 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 € million	31 Dec 2017		31 Dec 2016	
	Non-current	Current	Non-current	Current
Loans to non-consolidated subsidiaries and investments	214	3	227	3
Collateral for trading activities		45		6
Other financial receivables	218	391	229	282
	<b>432</b>	<b>439</b>	<b>456</b>	<b>291</b>

For the other financial receivables, there is limited control in the amount of €260 million (previous year: €87 million)

related to the financing of the pension commitments of three innogy Group companies.

## (15) Other receivables and other assets

Other receivables and other assets € million	31 Dec 2017		31 Dec 2016	
	Non-current	Current	Non-current	Current
Derivatives	685	652	471	583
Capitalised surplus of plan assets over benefit obligations	103		29	
Prepayments for items other than inventories		46		53
Miscellaneous other assets	41	1,009	23	1,093
	<b>829</b>	<b>1,707</b>	<b>523</b>	<b>1,729</b>
of which: financial assets	793	806	503	763
of which: non-financial assets	36	901	20	966

## (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 2017, 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 €150 million (previous year: €94 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. €757 million and €439 million of the gross deferred tax assets and liabilities, respectively, will be realised within twelve months (previous year: €747 million and €445 million).

The following is a breakdown of deferred tax assets and liabilities by item:

Deferred taxes € million	31 Dec 2017		31 Dec 2016	
	Assets	Liabilities	Assets	Liabilities
Non-current assets	1,440	1,441	1,048	1,183
Current assets	336	209	373	280
Exceptional tax items		619	1	726
Non-current liabilities				
Provisions for pensions	1,158	1	1,894	150
Other non-current provisions	836	95	678	30
Current liabilities	421	230	374	166
	<b>4,191</b>	<b>2,595</b>	<b>4,368</b>	<b>2,535</b>
Tax loss and interest carryforwards				
Corporate income tax (or comparable foreign income tax)	342		284	
<b>Gross total</b>	<b>4,533</b>	<b>2,595</b>	<b>4,652</b>	<b>2,535</b>
Netting	-2,053	-2,053	-2,014	-2,014
<b>Net total</b>	<b>2,480</b>	<b>542</b>	<b>2,638</b>	<b>521</b>

As of 31 December 2017, innogy reported deferred tax claims which exceeded the deferred tax liabilities by €309 million (previous year: €9 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, €11 million stems from the expected utilisation of interest on debt carried forward (previous year: €0 million) and €331 million relates to tax loss carryforwards (previous year: €284 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 €1,171 million and €34 million, respectively (previous year: €3,304 million and €5 million,

respectively). Of these income tax loss carryforwards, €1,150 million will essentially expire within the following nine years (previous year: €2,995 million). With regard to the other loss carryforwards, there are also generally time limits (up to 9 years), but it is expected that they will be utilised before the statutory limits expire.

In the year under review, a deferred tax expense of –€10 million arising from the currency translation of foreign financial statements was offset against equity (previous year: –€10 million).

## (17) Inventories

Inventories € million	31 Dec 2017	31 Dec 2016
Raw materials	142	137
Work in progress – goods/services	177	168
Finished goods and goods for resale	54	86
Prepayments	7	
	<b>380</b>	<b>391</b>

## (18) Marketable securities

Of the current marketable securities, €1,761 million were fixed-interest marketable securities (previous year: €2,169 million) with a maturity of more than three months from the date of acquisition, and €493 million were stocks and profit-participation certificates (previous year: €519 million). Marketable securities are stated at fair value.

## (19) Cash and cash equivalents

Cash and cash equivalents € million	31 Dec 2017	31 Dec 2016
Cash and demand deposits	1,061	1,339
Marketable securities and other cash investments (maturity less than three months from the date of acquisition)	9	40
	<b>1,070</b>	<b>1,379</b>

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 118.

As of 31 December 2017, 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 or in kind until 29 August 2021 (authorised 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, 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 has been 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.

No treasury shares were held as of 31 December 2017.

In fiscal 2017, innogy SE purchased 296,635 of its own shares on the capital market for a total purchase price of €11,431,055.99. This is equivalent to €593,270.00 of the capital stock (0.0534% of subscribed capital). Employees of innogy SE and its subsidiaries received these shares at a reduced price within the framework of the employee share scheme for capital formation and for service anniversaries. This generated total proceeds of €10,402,651.83. 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 non-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.

**Accumulated other comprehensive income** reflects changes in the fair values of financial instruments available for sale, 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 2017, the share of accumulated other comprehensive income attributable to investments accounted for using the equity method amounted to €10 million (previous year: €26 million).

During the reporting year, €0 million in **differences from currency translation** (previous year: €0 million) which had originally been recognised without an effect on income were realised as expenses. Income and expenses of investments accounted for using the equity method which had previously been recognised pro rata without an effect on income were realised in the amount of €0 million as expenses (previous year: €2 million) during the year under review.

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

### Non-controlling interests

The share ownership of third parties in Group entities is presented in this item.

changed by –€5 million (previous year: €3 million) and the share of equity attributable to non-controlling interests changed by –€14 million (previous year: –€1 million).

### Dividend proposal

We propose to the Annual General Meeting that innogy SE's distributable profit for fiscal 2017 be appropriated as follows:

Distribution of a dividend of €1.60 per dividend-bearing share.

in €	
Dividend	888,888,000.00
Profit carryforward	99,411.39
Distributable profit	888,987,411.39

As per a resolution of innogy SE's Annual General Meeting of 24 April 2017 the dividend for fiscal 2016 amounted to €1.60 per dividend-bearing share. The dividend payment totalled €889 million.

The income and expenses recognised directly in equity (other comprehensive income – OCI) include the following non-controlling interests:

<b>Non-controlling interests in OCI</b>	2017	2016
€ million		
Actuarial gains and losses of defined benefit pension plans and similar obligations	23	–14
<b>Income and expenses recognised in equity, not to be reclassified through profit or loss</b>	<b>23</b>	<b>–14</b>
Currency translation adjustment	12	–21
Fair valuation of financial instruments		6
<b>Income and expenses recognised in equity, to be reclassified through profit or loss in the future</b>	<b>12</b>	<b>–15</b>
	<b>35</b>	<b>–29</b>



The following overviews contain information on subsidiaries with material non-controlling interests:

€ million	envia Mitteldeutsche Energie AG, Chemnitz		GasNet, s.r.o., Ústí nad Labem (Czech Republic)	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
<b>Subsidiaries with material non-controlling interests</b>				
Balance sheet				
Non-current assets	2,558	2,434	1,742	1,585
Current assets	609	577	165	168
Non-current liabilities	344	355	578	523
Current liabilities	901	775	626	601
Statement of comprehensive income				
Revenue	2,267	2,334	564	516
Other comprehensive income	-10	2		
Total comprehensive income	185	104	193	150
Cash flows from operating activities	313	16	278	254
Non-controlling interests	796	779	351	314
Dividends paid to non-controlling interests	67	91	60	48
Income of non-controlling interests	81	42	97	75
Shareholdings of non-controlling interests	41.43%	41.43%	49.96%	49.96%

## (21) Share-based payment

In the year under review, the following groupwide share-based payment systems were in place for executives of innogy SE and subordinate affiliates: Beat 2010 (BEAT) and

Strategic Performance Plan (SPP). The expenses associated with these are borne by the Group companies which employ the persons holding notional stocks. BEAT relates to the performance of the RWE AG share price.

	BEAT 2010		
	2013 tranche Vesting period: 4 years	2014 tranche Vesting period: 4 years	2015 tranche Vesting period: 4 years
Grant date	1 Jan 2013	1 Jan 2014	1 Jan 2015
Number of conditionally granted performance shares	2,035,873	987,310	1,305,770
Term	5 years	5 years	5 years
Pay-out conditions	Possible pay-out on three exercise dates (valuation dates: 31 Dec of the fourth year, 30 June and 31 Dec of the fifth year) if – as of the valuation date – an outperformance compared to at least 25% of the peer group of the STOXX Europe 600 Utilities Index has been achieved, measured in terms of their index weighting as of the issue of the tranche. Measurement of outperformance is carried out using Total Shareholder Return, which takes into account both the development of the share price together with reinvested dividends. Automatic pay-out occurs on the third valuation date; the number of performance shares available for pay-out can be freely chosen on the first and second valuation date.		
Determination of payment	<ol style="list-style-type: none"> <li>1. Determination of the index weighting of the peer group companies which exhibit a lower Total Shareholder Return than RWE at the valuation date.</li> <li>2. The total number of performance shares which can be paid out is determined on the basis of a linear payment curve. If the index weighting of 25% is outperformed, 7.5% of the conditionally-granted performance shares can be paid out. Another 1.5% of the performance shares granted can be paid out for each further percentage point above and beyond the index weighting of 25%.</li> <li>3. Payment corresponds to the number of payable performance shares valued at the average RWE share price during the last 60 exchange trading days prior to the valuation date. The payment for each performance share is limited to twice the value of each performance share as of the grant date.</li> </ol>		
Change in corporate control/merger	<ul style="list-style-type: none"> <li>• If during the vesting period there is a change in corporate control, a compensatory payment is made. This is calculated by multiplying the price paid in the acquisition of the RWE shares by the final number of performance shares which have not been used. The latter shall be determined as per the plan conditions with regard to the time when the bid for corporate control is submitted.</li> <li>• In the event of merger of RWE AG with another company, the performance shares shall expire and a compensatory payment shall be made. First, the fair value of the performance shares as of the time of merger shall be calculated. This fair value is then multiplied by the number of performance shares granted, reduced pro-rata. The reduction factor is calculated as the ratio of the time from the beginning of the total vesting period until the merger takes place to the entire vesting period of the programme, multiplied by the ratio of the performance shares not yet used as of the time of the merger to the total number of performance shares granted at the beginning of the programme.</li> </ul>		
Personal investment	As a prerequisite for participation, plan participants must demonstrably invest one sixth of the gross grant value of the performance shares before taxes in RWE common shares and hold such investment until expiration of the waiting period of the tranche in question.		
Form of settlement	Cash settlement		

The fair values of the performance shares conditionally granted in the BEAT programme as of the grant date are shown in the following table:

<b>Performance Shares from BEAT 2010</b>	2013	2014	2015
€	tranche	tranche	tranche
Fair value per share	8.09	7.44	5.05

These fair values were calculated externally using a stochastic multivariate Black-Scholes standard model via Monte Carlo simulations on the basis of one million scenarios each. In the calculations, due consideration was taken of the maximum payment stipulated in the programme's conditions for each conditionally granted performance share, the discount

rates for the remaining term, the volatilities and the expected dividends of RWE AG and of peer companies.

In the year under review, the number of performance shares developed as follows:

<b>Performance Shares from BEAT 2010</b>	2013	2014	2015
	tranche	tranche	tranche
Outstanding at the start of the fiscal year	2,561,509	1,372,507	1,869,031
Granted			
Change (granted/expired)	-2,147,848	-1,217,760	-1,784,708
Paid out			
Outstanding at the end of the fiscal year	413,661	154,747	84,323
Payable at the end of the fiscal year			

The remaining contractual term amounts to two years for the 2015 tranche and one year for the 2014 tranche. The contractual duration for the 2013 tranche expired at the end of the reporting year. As the pay-out conditions were not fulfilled, there was no pay-out. Due to the transition to the new Long-term Incentive Plan, Strategic Performance Plan (SPP), no further tranches of BEAT were issued.

The new SPP 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 notional shares. The final number of the notional shares of a tranche is determined after a year, based on the degree to which the target ANI is achieved. This is followed by a three-year vesting period before any potential pay-out.

SPP innogy SE		
	2016 tranche	2017 tranche
Start of term	1 Jan 2016	1 Jan 2017
Number of conditionally granted performance shares	460,572	1,178,133
Performance target	Adjusted net income	Adjusted net income
Term	4 years	4 years
Cap/number of performance shares	150%	150%
Cap/payment amount	200%	200%
Determination of payment	<p>The payment amount is calculated on the basis of the determined number of finally granted performance shares multiplied by the sum of</p> <p>a) the mathematical average of the closing share prices (including all available decimal places) of the innogy SE share ISIN DE 000A2AADD2) in Deutsche Börse AG's Xetra trading (or a successor system which subsequently takes the place of the Xetra system) 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</p> <p>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, 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.</p> <p>Payment amount = (number of finally granted performance shares) x (mathematical average of the share price + dividends paid)</p> <p>The payment amount calculated in this manner is limited to no more than 200% of the grant amount.</p>	
Change in corporate control/ merger	<p>A change in corporate control ('change of control') shall occur if</p> <p>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 WpÜG or</p> <p>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</p> <p>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.</p> <p>In the event of a change of control, the performance shares that are 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.</p> <p>All conditionally granted performance shares as of the effective date of the change of control shall lapse without consideration.</p>	
Personal investment	Not necessary for executives	
Form of settlement	Cash settlement	

The fair values of the performance shares conditionally granted in the SPP programme as of the grant date are shown in the following table:

<b>Performance Shares from SPP</b>	2016	2017
€	tranche	tranche
Fair value per share	37.13	32.07

The fair values of the tranches are derived from the current share prices of innogy SE plus the dividends per share which are paid out to shareholders during the terms of the respective tranches. The limited pay-out per SPP was depicted using a sold call option. The option value determined using the Black-Scholes model was deducted. In determining the price of the option, due consideration was taken of

the maximum payment stipulated in the programme's conditions for each conditionally granted SPP (= strike price of the option), the discount rates for the remaining term, the volatilities and the expected dividends of innogy SE.

In the year under review, the number of performance shares developed as follows:

<b>Performance Shares from SPP</b>	2016	2017
	tranche	tranche
Outstanding at the start of the fiscal year	352,834	
Granted		1,178,133
Change (granted/expired)	107,738	
Paid out		
Outstanding at the end of the fiscal year	460,572	1,178,133
Payable at the end of the fiscal year		

The remaining contractual term amounts to three years for the 2017 tranche and two years for the 2016 tranche.

As of the balance-sheet date, provisions for cash-settled share-based payment programmes amounted to €16 million (previous year: €4 million).

During the period under review, expenses for the groupwide share-based payment system (BEAT and SPP) totalled €12 million (previous year: €4 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, €33 million (previous year: €34 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. <http://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. Approximately €12 million in employer contributions will be paid by innogy to the ABP pension fund in fiscal 2018 (planned in the previous year: €11 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. Among 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 2017, there were around 1,400 active participants in the plan (previous year: approximately 1,600).

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 Agency (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. Within the scope of the preparation of the initial public offering of innogy SE on 7 October 2016, the section

for the parent RWE Group was split into two new independent sections as of 31 July 2016. Each of the new sections comprises associated pension obligations and associated plan assets for subsidiaries of the innogy Group and of the RWE Group. Until 31 July 2016, the pension plan was treated like a defined benefit plan, which distributes the risks among several companies under joint control. Therefore, until this date, based on its share of salaries qualifying for a pension, innogy accounted for 56.5% of the defined benefit obligation, the plan assets and the costs associated with the plan. The split into two new sections was implemented by assigning about 70% of the obligations and plan assets to innogy. As part of the triennial assessment, pension provisions for this purpose are measured on the basis of conservative assumptions, taking into consideration specific demographic aspects for the members of the plan and assumptions for the market returns on the plan assets.

The last valuation of the ESPS was carried out on 31 March 2016 and revealed a deficit of £390.6 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 2025. For 2018 to 2025, an annual sum of £39.6 million was determined. The next valuation must be available by 31 March 2019. From this point in time, the company and the trustees have 15 months to approve the valuation. The ESPS is managed by nine trustees. They are responsible for management of the plan, including investments, pension payments and the preparation of financing plans.

The payments to offset the deficit are billed to the participating companies based on a contractual agreement. In addition, regular payments are made to finance the new vested rights of active employees every year, which increase the pension benefits.

Provisions for defined benefit plans are determined using actuarial methods. We apply the following assumptions:

Calculation assumptions in %	31 Dec 2017		31 Dec 2016	
	Germany	Foreign <sup>1</sup>	Germany	Foreign <sup>1</sup>
Discount rate	2.00	2.40	1.80	2.60
Compensation increase	2.35	3.20	2.35	3.30
Pension increase	1.00, 1.60 and 1.75	2.10; 3.00	1.00, 1.60 and 1.75	2.20; 3.10

1 Pertains to benefit commitments to employees of the innogy Group in the UK.

Composition of plan assets (fair value) € million	31 Dec 2017				31 Dec 2016			
	Germany <sup>1</sup>	Of which: active market	Foreign <sup>2</sup>	Of which: active market	Germany <sup>1</sup>	Of which: active market	Foreign <sup>2</sup>	Of which: active market
Equity instruments, exchange-traded funds	1,840	1,829	533	254	1,604	1,564	559	559
Interest-bearing instruments	3,562		3,321	971	3,285		3,208	1,225
Real estate					25			
Mixed funds <sup>3</sup>	703	423			710	398		
Alternative investments	658	556	753		669	466	800	
Other <sup>4</sup>	213	22	167	5	275	50	96	6
	<b>6,976</b>	<b>2,830</b>	<b>4,774</b>	<b>1,230</b>	<b>6,568</b>	<b>2,478</b>	<b>4,663</b>	<b>1,790</b>

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 a UK pension fund 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).

The investment goal of the trustees in the United Kingdom is to acquire suitable assets with appropriate liquidity and security, which generate income and capital gains, and together with the contributions of employees and employers are adequate to cover the costs for accrued and future provisions. In the course of this, the trustees seek to limit the risk that the plan assets will not be sufficient to meet the pension obligations. This also serves to lower the risk of

future increases in contributions by employers in the event of deterioration in market conditions in the future. This long-term target portfolio management approach divides the portfolio into income and capital generating investments, with a transition from income to capital generating investments to occur as the remaining term of the obligations grows shorter.

The trustees have agreed to determine the investment risk in relation to the obligations. The goal of this investment risk is to achieve a higher return than would be the case with congruent assets. At the same time, a cautious approach is taken with regard to fulfilling the Group's obligations. In addition to the goal of achieving suitable

overall investment risk, the trustees attempt to diversify risk across several different sources. The trustees seek to take risks for which they will be rewarded over time in the form of surplus returns. For some asset classes, the Group's trustees have decided to use active management and have selected investment managers, which they believe have the ability and judgement to generate a profit after the deduction of expenses. Furthermore, an appropriate portion of the obligations' interest and inflation risk is to be hedged using the plan assets. This occurs via investment in corporate bonds, nominal and inflation-linked government bonds and derivative positions, which exhibit interest and inflation sensitivity similar to the obligations.

Changes in pension provisions	Present value of pension commitments	Fair value of plan assets	Capitalised surplus of plan assets	Total
€ million				
<b>Balance at 1 Jan 2017</b>	<b>15,090</b>	<b>11,231</b>	<b>29</b>	<b>3,888</b>
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 <sup>1</sup>		367		-367
Benefits paid <sup>2</sup>	-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
<b>Balance at 31 Dec 2017</b>	<b>14,736</b>	<b>11,750</b>	<b>103</b>	<b>3,089</b>
of which: Germany	9,917	6,976	103	3,044
of which: abroad	4,819	4,774		45

1 Of which initial/supplementary funding of pension plans totalling €190 million and €177 million in cash flows from operating activities.

2 Included in cash flows from operating activities.



Changes in pension provisions	Present value of pension commitments	Fair value of plan assets	Capitalised surplus of plan assets	Total
€ million				
<b>Balance at 1 Jan 2016</b>	<b>13,213</b>	<b>9,757</b>	<b>5</b>	<b>3,461</b>
Current service cost	166			166
Interest cost/income	357	276		81
Return on fund assets less interest components		817		-817
Gain/loss on change in demographic assumptions	97			97
Gain/loss on change in financial assumptions	1,655			1,655
Experience-based gains/losses	-353			-353
Currency translation adjustments	-638	-584		-54
Employee contributions to funded plans	7	7		
Employer contributions to funded plans <sup>1</sup>		394		-394
Benefits paid <sup>2</sup>	-514	-456		-58
Changes in the scope of consolidation	179	92		87
Addition from ESPS split	949	933		16
Past service cost	-28			-28
General administration expenses		-5		5
Change in capitalised surplus of plan assets			24	24
<b>Balance at 31 Dec 2016</b>	<b>15,090</b>	<b>11,231</b>	<b>29</b>	<b>3,888</b>
of which: Germany	10,094	6,568	29	3,555
of which: abroad	4,996	4,663		333

1 Of which initial/supplementary funding of pension plans totalling €236 million and €158 million in cash flows from operating activities.

2 Included in cash flows from operating activities.

The recognised amount of pension provisions totalled €1,765 million for funded pension plans (previous year: €2,497 million) and €1,324 million for unfunded pension plans (previous year: €1,391 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 2017, the past service cost predominantly consisted of effects related to restructuring measures in Germany and the re-measurement of a group pension scheme. In the previous year, the past service cost mainly included effects related to domestic restructuring measures.

Changes in actuarial assumptions would lead to the following changes in the projected benefit obligation:

<b>Changes of present values of defined benefit obligations</b> € million	31 December 2017		31 December 2016	
Change in the imputed interest rate by +50/-50 basis points				
Domestic	-769	876	-783	882
Foreign	-388	444	-413	474
Change in the salary trend by -50/+50 basis points				
Domestic	-96	101	-93	98
Foreign	-34	39	-36	42
Change in the pension trend by -50/+50 basis points				
Domestic	-513	563	-536	588
Foreign	-287	325	-308	340
Increase in life expectancy by 1 year				
Domestic		400		397
Foreign		147		153

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. This is because the obligations arising from corporate pension plans are largely funded and the plan assets are largely negatively correlated to the market yields on 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 18 years outside of Germany (previous year:18 years).

In fiscal 2018, €234 million in payments for defined benefit plans are expected to be made as direct pension benefits and contributions to plan assets (planned in the previous year: €366 million).

As a result of assumptions of joint liabilities with accepted obligations to perform, RWE AG was obligated to reimburse some innogy companies for their expenses for certain defined benefit pension obligations up until 31 December 2015. The right of recourse was limited to the local GAAP obligation. In the combined financial statements of the innogy Group for the periods ended 31 December 2015,

31 December 2014 and 31 December 2013, the contractual arrangements resulted in the allocation of plan assets and the recognition of rights of reimbursement from RWE AG. The reimbursement rights do not qualify as plan assets and may thus not be deducted when determining the net funded benefit obligations. They were stated as a separate asset as part of financial receivables. As planned, these contrac-

tual arrangements were cancelled as of 1 January 2016 and plan assets were transferred to the innogy companies. Furthermore, the right to reimbursement from RWE AG was redeemed by payment. As the allocated amounts correspond to the amounts transferred, there are no additional effects on the consolidated financial statements.

Change in reimbursement rights € million	Fair value of reimbursement rights
<b>Balance at 1 Jan 2016</b>	<b>480</b>
Reimbursements received due to the cancellation of the agreements	-480
<b>Balance at 31 Dec 2016</b>	
of which: domestic	
of which: foreign	

Within the scope of project Phoenix, the former functional governance of RWE AG in relation to innogy SE on the one hand and to the other Group companies on the other hand was changed as a result of the IPO of innogy SE. Among other things, this affected management, support and service functions that were to be provided by innogy itself. Therefore, several transfer agreements pursuant to Section 613a of the German Civil Code have been entered

into by RWE and innogy since 1 July 2016. In fiscal 2017, this separation was continued through additional transfers with effect from 1 January 2017. They essentially related to transfers of employees from RWE GBS GmbH and RWE Service GmbH to innogy SE. In this context, personnel and pension provisions as well as fund assets falling under the netting obligation for covering the pension provisions were also transferred to innogy SE.

## (23) Other provisions

Other provisions € million	31 Dec 2017			31 Dec 2016		
	Non-current	Current	Total	Non-current	Current	Total
Staff-related obligations (excluding restructuring)	367	434	801	338	364	702
Restructuring obligations	77	58	135	132	77	209
Provisions for taxes	106	287	393	118	265	383
Purchase and sales obligations	73	213	286	93	205	298
Provisions for wind farm decommissioning	359	1	360	334		334
Uncertain obligations for other decommissioning	214	69	283	230	30	260
Obligations to deliver certificates for renewable energies		624	624		563	563
Miscellaneous other provisions	343	920	1,263	385	950	1,335
	<b>1,539</b>	<b>2,606</b>	<b>4,145</b>	<b>1,630</b>	<b>2,454</b>	<b>4,084</b>

<b>Roll-forward of other provisions</b>	Balance at 1 Jan 2017	Additions	Unused amounts released	Interest accretion	Changes in the scope of conso- lidation, currency adjust- ments, transfers	Amounts used	Balance at 31 Dec 2017
€ million							
Staff-related obligations (excluding restructuring)	702	416	-14	-3	101	-401	801
Restructuring obligations	209	69	-5		-121	-17	135
Provisions for taxes	383	183	-47		9	-135	393
Purchase and sales obligations	298	130	-62	2	4	-86	286
Provisions for wind farm decommissioning	334	11	-29	49	-6	1	360
Uncertain obligations for other decommissioning	260	16	-2	17	-4	-4	283
Obligations to deliver certificates for renewable energies	563	822			-21	-740	624
Miscellaneous other provisions	1,335	347	-185	-26	9	-217	1,263
	<b>4,084</b>	<b>1,994</b>	<b>-344</b>	<b>39</b>	<b>-29</b>	<b>-1,599</b>	<b>4,145</b>

**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 2018 to 2020.

**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 2018 to 2022. Amounts for personnel-related measures are reallocated from provisions for restructuring to provisions for staff-related obligations as soon as the underlying restructuring measures are spe-

cifically defined. This is the case when individual contracts for socially acceptable payroll downsizing are signed by the 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 2018 to 2060.

## (24) Financial liabilities

Financial liabilities € million	31 Dec 2017		31 Dec 2016	
	Non-current	Current	Non-current	Current
Bonds	11,811	1,007	11,336	
Bank debt	1,400	211	381	110
Other financial liabilities				
Collateral for trading activities		13		1
Miscellaneous other financial liabilities	2,281	533	4,839	554
	<b>15,492</b>	<b>1,764</b>	<b>16,556</b>	<b>665</b>

Of the non-current financial liabilities, €15,160 million were interest-bearing liabilities (previous year: €15,751 million).

At the end of February 2017, the transfer of 18 bonds of various currency from RWE AG to innogy SE as part of a guarantor and debtor exchange was completed. This was accomplished by way of the guarantor and debtor exchange or by exchanging bonds. The debtor of the outstanding bonds is now innogy SE or innogy Finance B.V. (with a guarantee by innogy SE). The corresponding group loans were thus cancelled.

On 5 April 2017, innogy SE placed its first bond. With a volume of €750 million and a tenor of eight years, the senior bond was issued by innogy Finance B.V., with a guarantee by innogy SE. The bond has an annual coupon of 1.00%, an issue price of 99.466% and a yield of 1.07% p. a.

On 12 October 2017, innogy successfully issued the first German benchmark-sized corporate 'green' bond with an investment grade rating. innogy's Green Bond Framework envisages investment opportunities in renewables and in projects involving energy efficiency and e-mobility. The internationally recognised sustainability agency

Sustainalytics confirmed that innogy's framework is robust and transparent. The framework is in alignment with the generally accepted Green Bond Principles 2017 of the International Capital Market Association. Proceeds from the first green bond were used to refinance four offshore projects in the United Kingdom and Germany, as well as an onshore project in the Netherlands. The wind farms are already under construction or in operation. With a volume of €850 million and a tenor of ten years, the senior bond was issued by innogy Finance B.V. and is guaranteed by innogy SE. With an annual coupon of 1.25% and an issue price of 98.987%, the annual yield to maturity amounts to 1.36%.

In July 2017, the €645 million and £350 million loans granted by the European Investment Bank (EIB) were transferred from RWE AG to innogy SE. The corresponding group loans were cancelled in return.

Three other group loans totalling €1.1 billion were paid back upon maturing in the course of 2017. As of 31 December 2017, the group loans outstanding vis-à-vis RWE AG amounted to €1.7 billion, which will be redeemed on schedule by 2020.

The following overview shows the key data for innogy's major bonds as of 31 December 2017.

<b>Bonds payable</b> Issuer	Outstanding amount	Carrying amount € million	Coupon in %	Maturity
innogy Finance B.V.	€980 million	1,007	5.125	July 2018
innogy Finance B.V.	€1,000 million	1,062	6.625	January 2019
innogy Finance B.V.	€750 million	761	1.875	January 2020
innogy Finance B.V.	£570 million	702	6.500	April 2021
innogy Finance B.V.	€1,000 million	1,171	6.500	August 2021
innogy Finance B.V.	£500 million	605	5.500	July 2022
innogy Finance B.V.	£488 million	593	5.625	December 2023
innogy Finance B.V.	€800 million	841	3.000	January 2024
innogy Finance B.V.	€750 million	744	1.000	April 2025
innogy Finance B.V.	€850 million	839	1.250	October 2027
innogy Finance B.V.	£760 million	942	6.250	June 2030
innogy Finance B.V.	€600 million	727	5.750	February 2033
innogy SE	\$50 million	42	3.800	April 2033
innogy Finance B.V.	€600 million	633	4.750	January 2034
innogy SE	€468 million	512	3.500	October 2037
innogy Finance B.V.	€1,000 million	1,212	6.125	July 2039
innogy SE	JPY 20 billion	175	4.762 <sup>1</sup>	February 2040
innogy SE	€100 million	100	3.500	December 2042
innogy SE	€150 million	150	3.550	February 2043
<b>Bonds</b>		<b>12.818</b>		

<sup>1</sup> After swap into euros.

€85 million (previous year: €96 million) of the financial liabilities are backed by mortgages, and €0 million (previous year: €0 million) by similar rights.

### (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 € million	31 Dec 2017		31 Dec 2016	
	Non-current	Current	Non-current	Current
Tax liabilities		639		746
Social security liabilities	4	54	5	53
Derivatives	922	700	517	729
Advances and contributions in aid of construction and building connection	1,168	167	1,187	158
Miscellaneous other liabilities	157	2,633	138	2,621
	<b>2,251</b>	<b>4,193</b>	<b>1,847</b>	<b>4,307</b>
of which: financial debt	960	2,639	549	2,837
of which: non-financial debt	1,291	1,554	1,298	1,470

The principal component of social security liabilities are the amounts payable to social security institutions.

Of the miscellaneous other liabilities, €1,451 million (previous year: €1,488 million) related to financial debt in the form of current purchase price obligations from rights granted to tender non-controlling interests (put options).

## Other information

### (27) Earnings per share

Basic and diluted earnings per share are calculated by dividing the portion of net income attributable to innogy shareholders by the average number of shares outstanding; treasury shares are not taken into account in this calculation. Figures stated for the prior-year period can only be compared to a limited extent due to the smaller average number of shares outstanding in 2016.

Earnings per share		2017	2016
Net income/Income attributable to innogy SE Shareholders	€ million	778	1,513
Number of shares outstanding (weighted average)	thousands	555,555	364,523
Basic and diluted earnings per share	€	1.40	4.15
Dividend per share	€	1.60 <sup>1</sup>	1.60

<sup>1</sup> Proposal for fiscal 2017.

### (28) 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. Financial instruments in the 'Available for sale' category are recognised at fair value, and other non-derivative financial assets at amortised cost. On the liabilities side, non-derivative financial instruments principally include liabilities recorded at amortised cost.

The fair value of financial instruments 'Available for sale' which are reported under other financial assets and securities is the published exchange price, insofar as the financial instruments are traded on an active market. The fair value of non-quoted debt and equity instruments is determined on the basis of discounted expected payment flows, 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 IAS 39. Exchange-traded products are measured using the published closing prices of the relevant exchange. Non-exchange traded products are measured on the basis of publicly available broker quotations or, if such quotations are not available, of generally accepted valuation methods. In 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 those 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.

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

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

Fair value hierarchy € million	Total 2017	Level 1	Level 2	Level 3	Total 2016	Level 1	Level 2	Level 3
Other financial assets	839	56	108	675	703	38	26	639
Derivatives (assets)	1,337		1,331	6	1,054	1	1,044	9
of which: used for hedging purposes	17		17		2		2	
Marketable securities	2,254	1,814	440		2,688	1,870	818	
Derivatives (liabilities)	1,622		1,615	7	1,246	3	1,234	9
of which: used for hedging purposes	4		4		12		12	

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

Level 3 financial instruments: Development in 2017	Balance at 1 Jan 2017	Changes in the scope of consolidation, currency adjustments, and other	Changes		Balance at 31 Dec 2017
€ million			Recognised in profit or loss	With a cash effect	
Other financial assets	639	-30	9	57	675
Derivatives (assets)	9			-3	6
Derivatives (liabilities)	9			-2	7



Level 3 financial instruments: Development in 2016	Balance at 1 Jan 2016	Changes in the scope of consolidation, currency adjustments, and other	Changes		Balance at 31 Dec 2016
			Recognised in profit or loss	With a cash effect	
€ million					
Other financial assets	485	74	7	73	639
Derivatives (assets)	27		1	-19	9
Derivatives (liabilities)	30	3	-1	-23	9

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

Level 3 financial instruments: Amounts recognised in profit or loss	Total 2017	Of which: attributable to financial instruments held at the balance-sheet date	Total 2016	Of which: attributable to financial instruments held at the balance-sheet date
€ million				
Revenue			2	2
Other operating income/expenses	15	15	20	20
Income from investments	-3	2	-13	-10
Financial income/finance costs	-3	-2		
	<b>9</b>	<b>15</b>	<b>9</b>	<b>12</b>

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 €11.3 million or decline by €11.3 million.

The following impairments were recognised on financial assets which fall under the scope of IFRS 7 and are reported under the balance-sheet items stated below:

<b>Impairments on financial assets</b>	Other financial assets	Financial receivables	Trade accounts receivable	Other receivables and other assets	Total
€ million					
<b>Balance at 1 Jan 2017</b>	<b>39</b>	<b>144</b>	<b>461</b>	<b>9</b>	<b>653</b>
Additions	13	24	159		196
Transfers	-10	-30	13	-2	-29
Currency translation adjustments	1		-4		-3
Disposals	2	14	232	6	254
<b>Balance at 31 Dec 2017</b>	<b>41</b>	<b>124</b>	<b>397</b>	<b>1</b>	<b>563</b>

<b>Impairments on financial assets</b>	Other financial assets	Financial receivables	Trade accounts receivable	Other receivables and other assets	Total
€ million					
<b>Balance at 1 Jan 2016</b>	<b>29</b>	<b>36</b>	<b>575</b>	<b>10</b>	<b>650</b>
Additions	12	8	103		123
Transfers	-2	117	-1		114
Currency translation adjustments			-38		-38
Disposals		17	178	1	196
<b>Balance at 31 Dec 2016</b>	<b>39</b>	<b>144</b>	<b>461</b>	<b>9</b>	<b>653</b>

As of the cut-off date, there were unimpaired, past due receivables falling under the scope of IFRS 7 in the following amounts:

<b>Receivables, past due and not impaired</b>	Gross amount as of 31 Dec 2017	Receivables, past due and impaired	Receivables not impaired, past due in:				
			Less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days
€ million							
Financial receivables	995	18					
Trade accounts receivable	4,601	473	302	34	25	21	134
Other receivables and other assets	1,496	2					4
	<b>7,092</b>	<b>493</b>	<b>302</b>	<b>34</b>	<b>25</b>	<b>21</b>	<b>138</b>

Receivables, past due and not impaired	Gross amount as of 31 Dec 2016	Receivables, past due and impaired	Receivables not impaired, past due in:				
			Less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days
€ million							
Financial receivables	892	14					
Trade accounts receivable	4,483	632	225	44	28	26	120
Other receivables and other assets	1,246	7					1
	<b>6,621</b>	<b>653</b>	<b>225</b>	<b>44</b>	<b>28</b>	<b>26</b>	<b>121</b>

Financial assets and liabilities can be broken down into categories with the following carrying amounts:

Carrying amounts by category	31 Dec 2017	31 Dec 2016
€ million		
Financial assets recognised at fair value through profit or loss	1,321	1,052
of which: held for trading	1,321	1,052
Financial assets available for sale	3,093	3,391
Loans and receivables	6,303	6,325
Financial liabilities recognised at fair value through profit or loss	1,618	1,234
of which: held for trading	1,618	1,234
Financial liabilities carried at (amortised) cost	18,906	20,549

As a rule, the carrying amounts of financial assets and liabilities within the scope of IFRS 7 are identical to their fair values. The deviations essentially relate to bonds, bank debt, and other financial liabilities. The carrying amount of these was €17,256 million (previous year: €17,222 million), while the fair value amounted to €18,901 million (previous year: €19,540 million). Of this, €13,617 million (previous year: €12,290 million) was related to Level 1 and €5,284 million (previous year: €7,250 million) to Level 2 of the fair value hierarchy.

The carrying amount of financial assets was €871 million (previous year: €748 million) while the fair values, which were fully assigned to Level 2 of the fair value hierarchy, amounted to €873 million (previous year: €748 million).

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	2017	2016
€ million		
Financial assets and liabilities recognised at fair value through profit or loss	-335	174
of which: held for trading	-335	174
Financial assets available for sale	146	206
Loans and receivables	47	382
Financial liabilities carried at (amortised) cost	-496	-969

The net result as per IFRS 7 essentially includes interest, dividends and results from the measurement of financial instruments at fair value.

Changes of €56 million (previous year: €44 million) after taxes in the value of financial assets available for sale were recognised in accumulated other comprehensive income without an effect on income. 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 were realised as income (previous year: €11 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 global offsetting agreements or similar arrangements.

Netting of financial assets and financial liabilities as of 31 Dec 2017	Gross amounts recognised	Amounts set off	Net amounts recognised	Related amounts not set off		Net total
				Financial instruments	Cash collateral received/pledged	
€ million						
Derivatives (assets)	402	-157	245			245
Derivatives (liabilities)	763	-157	606			606

Netting of financial assets and financial liabilities as of 31 Dec 2016	Gross amounts recognised	Amounts set off	Net amounts recognised	Related amounts not set off		Net total
				Financial instruments	Cash collateral received/pledged	
€ million						
Derivatives (assets)	402	-175	227			227
Derivatives (liabilities)	483	-175	308			308

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, exchange rate management 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 authorize corresponding limits of the 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.

Market interest rates also affect the level of our provisions, as the discount rates for determining the net present value of obligations are oriented towards them. This means the reductions in market interest rates tend to cause our

provisions to increase and vice-versa. We state on page 160 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 2017, the VaR for securities price risk amounted to €3.2 million (previous year: €5.0 million). The sensitivity of interest expenses to increases in market inter-

est rates is measured with CFaR. As of 31 December 2017, this amounted to €10.8 million. In contrast to the previous year, CFaR was determined on the basis of the planned financing need and not only using the assumption of refinancing maturing debts. According to this new methodology, the 2016 year-end figure for CFaR would have been €6.1 million. As of 31 December 2017, the VaR for transactional foreign currency positions was below €1 million (previous year: €1.1 million). As of 31 December 2017, the VaR for risks related to the innogy share portfolio amounted to €3.0 million (previous year: €4.0 million).

Changes in commodity prices can have an impact on the Group's adjusted EBIT. As of 31 December 2017, the innogy Group's aggregated commodity price risk, which was determined on the basis of the still unhedged commodity risk positions of the divisions, amounted to €20 million for 2018 (previous year: €40 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 outside of fixed-price products.

One of the most important instruments 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 21 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.

Cash flow hedges are primarily used to hedge against foreign currency and price risks from future sales, investments and purchase transactions. Hedging instruments consist of forwards and options with foreign currency and interest rates, and forwards, futures and swaps with commodities. 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. As a rule, the ineffective portion of changes in value is recognised in profit or loss. Upon realisation of the underlying transaction, the hedge's contribution to income from accumulated other comprehensive income is recognised on the income statement. As of the reporting date, the recognised fair value of instruments used as cash flow hedges amounted to €2 million (previous year: –€1 million).

The future sales, investments and purchase transactions hedged with cash flow hedges are expected to be realised in the following 29 years and recognised in profit or loss.

In the year under review, changes of €2 million after taxes in the fair values of instruments used for cash flow hedges (previous year: –€1 million) were disclosed under accumulated other comprehensive income without an effect on income. These changes in value reflect the effective portion of the hedges.

Income of €0 million was recognised with an effect on income in relation to the ineffective portions of cash flow hedges (previous year: €0 million).

Above and beyond this, during the reporting period changes of €0 million after taxes in the value of cash flow hedges which had originally been recognised without an effect on income were realised as expenses (previous year: €0 million).

Hedges of net investment in a foreign operation pursuant to IAS 39 are used to hedge the foreign currency risks of net investment in foreign entities whose functional currency is not the euro. We use bonds with various terms in the appropriate currencies, currency swaps and forwards. If there are changes in the exchange rates of currencies in

which the bonds used for hedging are denominated or changes in the fair values of currency swaps and forwards, this is recorded under foreign currency translation adjustments in other comprehensive income. As of the cut-off date for the consolidated financial statements, the fair value of the bonds amounted to –€3,693 million (previous year: –€1,546 million) and the fair value of the swaps and forwards amounted to €12 million (previous year: –€8 million).

Income of €3 million was recognised with an effect on income in relation to the ineffective portions of hedges of net investments in foreign entities in the reporting period (previous year: €6 million).

**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 them by establishing credit limits that we adjust if 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.

The maximum balance-sheet default risk is derived from the carrying values of the receivables stated in the balance sheet. If default risks materialise, they are recognised through impairments. The default risks for derivatives correspond to their positive fair values. Risks can also stem from financial guarantees and loan commitments for external creditors. As of 31 December 2017, these obligations amounted to €45 million (previous year: €49 million). Above and beyond this, as of 31 December 2017 innogy had credit insurance, financial guarantees, bank guarantees and other collaterals amounting to €39 million (previous year: €42 million). There were no material defaults in fiscal 2017 or the previous year.

**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. A bond with a volume of €980 million (previous year: €0 million) and bank debt amounting to €212 (previous year: €110 million) is due in 2018. Short-term debt must additionally be repaid.

As of 31 December 2017, holdings of cash and cash equivalents and current marketable securities amounted to €3,324 million (previous year: €4,067 million). As of the balance-sheet date, innogy's new €3 billion commercial paper programme had not been used. In the spring of 2017, the company launched 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. This syndicated line of credit functions as a liquidity reserve and was granted by an international consortium of banks. The term is set at five years (until 2022). Upon concluding the new credit line, innogy terminated its participation in RWE AG's syndicated line of credit. 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 2017	Repayments			Interest payments		
		2018	2019 to 2022	from 2023	2018	2019 to 2022	from 2023
Bonds payable	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			

Repayments and interest payments on financial liabilities € million	Carrying amounts 31 Dec 2016	Repayments			Interest payments		
		2017	2018 to 2021	from 2022	2017	2018 to 2021	from 2022
Bonds payable	11,336		4,396	6,016	545	1,883	3,192
Bank debt	491	110	174	207	6	11	3
Other financial liabilities	5,393	1,705	2,374	1,312	61	176	249
Derivative financial liabilities	1,246	705	402	141			9
Collateral for trading activities	1	1					
Redemption liabilities from put options	1,488	1,488					
Miscellaneous other financial liabilities	4,880	4,852	19	16			

In addition, as of 31 December 2017, there were financial guarantees for external creditors in the amount of €0 million (previous year: €2 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 €45 million (previous year: €47 million), which are callable in 2018.

### (29) Contingent liabilities and financial commitments

As of 31 December 2017, the amount of capital commitments totalled €258 million (previous year: €284 million). In addition, unrecognised commitments to provide loans or other financial support to joint ventures amounted to €10 million (previous year: €26 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 € million	Nominal value	
	31 Dec 2017	31 Dec 2016
Due within 1 year	230	218
Due after 1 to 5 years	617	622
Due after 5 years	1,058	1,103
	<b>1,905</b>	<b>1,943</b>

innogy has long-term contractual obligations to purchase gas, which are mostly based on long-term take-or-pay contracts. As of 31 December 2017, the payment obligations

### (30) Segment reporting

innogy is divided into seven operating segments, which are delineated on the basis of regional and functional criteria and 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 major generation sites are located in Germany, the United Kingdom, the Netherlands, Poland, Spain and Italy.

Detailed information on the risks of the innogy Group and on the objectives and procedures of risk management is presented on pages 98 et seqq. in the review of operations.

arising from the major long-term gas procurement agreements totalled €1,819 million (previous year: €1,766 million), of which €556 million were due within one year (previous year: €569 million).

Furthermore, innogy has long-term financial commitments for purchases of electricity. As of 31 December 2017, the minimum payment obligations stemming from the major purchase contracts totalled €1,029 million (previous year: €1,043 million), of which €467 million are due within one year (previous year: €530 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. In some cases, out-of-court claims are also filed. However, innogy does not expect any material negative repercussions from these proceedings for the innogy Group's economic or financial position.

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, cus-

tomers 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/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.

<b>Segment reporting 2017</b> € million	Renewables	Grid & Infrastructure	Retail	Corporate/ other	innogy Group
<b>External revenue (including natural gas tax/electricity tax)</b>	<b>967</b>	<b>10,977</b>	<b>30,992</b>	<b>203</b>	<b>43,139</b>
Intra-group revenue	395	3,238	500	-4,133	
Total revenue	1,362	14,215	31,492	-3,930	43,139
<b>Adjusted EBIT</b>	<b>355</b>	<b>1,944</b>	<b>800</b>	<b>-283</b>	<b>2,816</b>
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	264	1,328	164	83	1,839

<b>Regions 2017</b> € million	EU			Rest of Europe	Other	innogy Group
	Germany	United Kingdom	Other EU			
External revenue <sup>1,2</sup>	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.

<b>Segment reporting 2016</b>	Renewables	Grid & Infrastructure	Retail	Corporate/ other	innogy Group
€ million					
<b>External revenue (including natural gas tax/electricity tax)</b>	<b>768</b>	<b>10,761</b>	<b>31,909</b>	<b>173</b>	<b>43,611</b>
Intra-group revenue	329	3,279	645	-4,253	
Total revenue	1,097	14,040	32,554	-4,080	43,611
<b>Adjusted EBIT</b>	<b>359</b>	<b>1,708</b>	<b>844</b>	<b>-176</b>	<b>2,735</b>
Operating income from investments	17	337	13	1	368
Operating income from investments accounted for using the equity method	11	252	13		276
Operating depreciation, amortisation and impairment losses	312	914	213	29	1,468
Total impairment losses	106	219	2		327
Carrying amount of investments accounted for using the equity method	178	2,013	76	-11	2,256
Capital expenditures on intangible assets, property, plant and equipment	242	1,191	203	197	1,833

<b>Regions 2016</b>	EU			Rest of Europe	Other	innogy Group
	Germany	United Kingdom	Other EU			
€ million						
External revenue <sup>1,2</sup>	25,720	8,443	7,370	15	1	41,549
Intangible assets, property, plant and equipment	14,807	5,385	9,327		144	29,663

1 Excluding natural gas tax/electricity tax.

2 Broken down by the region in which the service was provided.

<b>Products</b>	innogy Group	
	2017	2016
€ million		
External revenue <sup>1</sup>	41,119	41,549
of which: electricity	31,064	30,421
of which: gas	8,125	9,324

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:

<b>Reconciliation of income items</b>	2017	2016
€ million		
<b>Adjusted EBIT</b>	<b>2,816</b>	<b>2,735</b>
+ Non-operating result	-655	255
+ Financial result	-513	-789
<b>Income before tax</b>	<b>1,648</b>	<b>2,201</b>

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. Among other things, these can in-

clude 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.

<b>Non-operating result</b> € million	2017	2016
Capital gains/losses	11	92
Income effects of derivatives	-118	356
Goodwill impairments	-479	
Restructuring, other	-69	-193
	<b>-655</b>	<b>255</b>

More detailed information is presented on page S9 et seq. 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 €75 million (previous year: €195 million) and cash flows used for interest expenses of €657 million (previous year: €604 million).
- €587 million (previous year: €620 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 €236 million (previous year: €234 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: €724 million) which was distributed to innogy shareholders and €439 million (previous year: €255 million) which was distributed to non-controlling interests. Furthermore, cash flows from financing activities include purchases amounting to €19 million (previous year: €2 million) of shares in subsidiaries and other business units which did not lead to a change of control.

On balance, changes in the scope of consolidation increased cash and cash equivalents by €11 million (previous year: €0 million). The additions of €25 million (previous year: €3 million) were netted with capital expenditure on financial assets, and the disposals of €5 million (previous year: €1 million) were deducted from the proceeds from divestments.

Restrictions on the disposal of cash and cash equivalents amounted to €38 million (previous year: €19 million).

Financial liabilities are presented below:

<b>Financial liabilities</b>	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
(in € million)							
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 <sup>1</sup>		-42				42	
<b>Total</b>	<b>17,221</b>	<b>220</b>	<b>64</b>	<b>-58</b>	<b>-50</b>	<b>-141</b>	<b>17,256</b>

<sup>1</sup> Includes payments from certain financial derivatives and forms of security, which are reported under Issuance/repayment of financial debt in the cash flow statement.

<b>Financial liabilities</b>	1 Jan 2016	Issuance/ repayment as per the cash flow statement	Changes in the scope of consolida- tion	Currency effects	Fair value changes	Other changes	31 Dec 2016
(in € million)							
Current financial liabilities	3,684	-4,137	7,682	74	-301	-6,337	665
Non-current financial liabilities	15,291	5,269	-3,047	-787		-170	16,556
Other items <sup>1</sup>		4				-4	
<b>Total</b>	<b>18,975</b>	<b>1,136</b>	<b>4,635</b>	<b>-713</b>	<b>-301</b>	<b>-6,511</b>	<b>17,221</b>

<sup>1</sup> 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 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 provisions for the right and obligation to provide water and wastewater services, 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	
	2017	2016	2017	2016	2017	2016	2017	2016
€ million								
Income	29	107	7,026	7,412	93	97	13	24
Expenses	286	684	13,404	16,630	16	21	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	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
€ million								
Receivables	45	226	1,370	1,190	91	43	51	93
Liabilities	1,675	4,492	2,111	2,425	5	4	8	3

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 2017, the receivables included loans to and financial receivables from the RWE Group totalling €167 million (previous year: €176 million). As of 31 December 2017, loans and financial liabilities owed to the RWE Group totalled €1,662 million (previous year: €4,329 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: 0.06% to 4.75%) and their underlying terms ranged from 2 to 3 years (previous year: 1 to 27 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	RWE Group	
	2017	2016
€ million		
<b>Income</b>	<b>7,055</b>	<b>7,519</b>
Income from supply transactions	7,030	6,906
Income from financial transactions	5	118
Other	20	495
<b>Expenses</b>	<b>13,690</b>	<b>17,314</b>
Expenses from supply transactions	13,290	16,531
Expenses from financial transactions	12	227
Other	388	556

During the reporting period, income of €3 million (previous year: €4 million) was recorded from interest-bearing loans to joint ventures. As of the balance-sheet date, financial receivables accounted for €48 million of the receivables from joint ventures (previous year: €89 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 €962 million (previous year: €963 million) and liabilities of €1,862 million (previous year: €2,366 million) were due within one year. Other obligations from executory contracts amounted to €19,754 million (previous year: €20,886 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 compensation report. The compensation 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. The following results with respect to the prior-year compensation figures stated for the Executive and Supervisory Boards: Only with the start of operations on 1 April 2016 did innogy SE have its own Executive Board and Supervisory Board as an independent group. As a result of this, the prior-year figures are stated on a prorated basis and can thus only be used for comparison to a limited degree.

In total, €9,652,000 was accrued for obligations to key management personnel (previous year: €3,067,000).

In 2017, the total compensation of the Executive Board amounted to €13,593,000 (previous year: €6,935,000). The Board received €11,519,000 in short-term compensation components (previous year: €6,350,000). No pension service costs were incurred (previous year: €0). Share-based payment under the LTIP SPP amounted to €2,074,000 (previous year: €585,000). As in the previous year, there were no other long-term compensation components.

The Supervisory Board received total compensation of €2,805,000 (previous year: €985,000) in fiscal 2017. This includes a total of €28,000 in compensation from subsidiaries for the exercise of mandates (previous year: €19,000). 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 year 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 €20,795,000 (previous year: €5,236,000). As of the balance-sheet date, €121,035,000 had been accrued for defined benefit obligations to former members of the Executive Board and their surviving dependents (previous year: €124,137,000).

Information on the members of the Executive Board and Supervisory Boards is presented on page 211 et seqq. of the Notes.

### (34) Auditor's fees

The fees for audit services 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. In the previous year, these also included the fees for the audit of the combined financial statements that were prepared for the IPO. 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 mainly comprise compensation for consultation related to IT projects.

innogy recognised the following fees as expenses for the services rendered by the auditors of the consolidated financial statements, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) and companies belonging to PwC's international network:

Fees for the PwC Network	2017		2016	
	Total	of which: Germany	Total	of which: Germany
€ million				
Audit services	12.4	7.0	12.8	7.2
Other assurance services	2.1	2.0	3.6	3.4
Tax services	0.1	0.1	0.2	0.2
Other services	3.2	0.8	2.6	2.6
	<b>17.8</b>	<b>9.9</b>	<b>19.2</b>	<b>13.4</b>

### (35) Application of Section 264, Paragraph 3 and of Section 264b of the German Commercial Code

In fiscal 2017, 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 Gastronomie GmbH, Essen
- innogy Renewables Beteiligungs GmbH, Essen
- innogy Seabreeze II GmbH & Co. KG, Essen
- innogy TelNet GmbH, Essen
- iSWITCH GmbH, Essen
- NRW Pellets GmbH, Erndtebrück

### (36) Events after the balance-sheet date

The following major events occurred between 1 January 2018 and 25 February 2018, the date on which the consolidated financial statements were approved for publication:

#### Acquisition of Regionetz GmbH

In early January 2018, based on a contractual agreement innogy obtained control over the 'Grids' division of Stadtwerke Aachen AG (STAWAG) and will include this in its consolidated financial statements from the first quarter of 2018 onwards.

Additionally, an agreement was reached to merge regionetz GmbH, a 100% shareholding of innogy and thus a fully consolidated company of the RWE Group, to create Regionetz GmbH, Aachen ('INFRAWEST GmbH' prior to renaming), with retroactive commercial effective to 1 January 2018. As consideration for granting a majority share in regionetz GmbH, innogy will obtain a minority interest of the shares in Regionetz GmbH, 100% of which were previously held by Stadtwerke Aachen AG (STAWAG). According to the contractual agreement, innogy will have a controlling position in accordance with IFRS 10 and will thus fully consolidate Regionetz GmbH, in which it will hold a capital share of less than 50%.

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

In the innogy Group, this merger, which is to occur in several steps, was reported as the acquisition of the former STAWAG 'Grids' division at the start of 2018. The accounting treatment of the assets and liabilities of the merging regionetz GmbH in the innogy Group is not affected by the transaction.

The assets and liabilities of the acquired company (former STAWAG 'Grids' division) will be recognised at fair value in innogy's consolidated financial statements. After comple-

tion of the transaction, non-controlling interests will be reported within equity, in the amount of the capital share in Regionetz GmbH allocable to STAWAG. As part of this combination, an equity capital transaction thus occurs, within the framework of which a third party also obtains – via its capital share in the merged company – a corresponding share in the operations of the former regionetz GmbH, which was previously fully controlled by innogy and has now been folded into the merged company.

The portion of the enterprise value of the former regionetz GmbH corresponding to STAWAG's prorated capital share in the future Regionetz GmbH is taken as the basis for the cost of the company acquired by innogy. Any positive difference between this amount and the innogy Group's share of net assets in the former STAWAG 'Grids' division is recognised as goodwill; any negative difference would be reported as income.

The effects of the initial recognition of the business combination have not yet been determined definitively due to the complex structure of the transaction.

When the consolidated financial statements of the innogy Group were prepared, the assets and liabilities assumed as part of the merger of INFRAWEST GmbH had not yet been determined definitively. Consequently, it is not possible to present the information on the fair values of the assets assumed, including assumed receivables and liabilities, or the information on the factors which may comprise goodwill, or any necessary information on an acquisition at a price below market value.

#### Placement of a bond

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



**(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, 25 February 2018

The Executive Board



Tigges



Bünting



Günther



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 2017

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€'000	€'000
Aktivabedrijf Wind Nederland B.V., Zwolle/Netherlands		100	181,751	-30,270
An Suidhe Wind Farm Limited, Swindon/United Kingdom		100	21,271	-171
Andromeda Wind S.r.l., Bolzano/Italy		51	7,593	2,078
Artelis S.A., Luxembourg/Luxembourg		90	39,002	2,928
A/V/E GmbH, Halle (Saale)		76	3,358	1,289
Bayerische Bergbahnen-Beteiligungs-Gesellschaft mbH, Gundremmingen		100	26,445	1,014
Bayerische Elektrizitätswerke GmbH, Augsburg		100	24,728	<sup>1</sup>
Bayerische-Schwäbische Wasserkraftwerke Beteiligungsgesellschaft mbH, Gundremmingen		62	62,953	8,288
Belectric Solar & Battery – Group – (pre-consolidated)			62,802	-10,722 <sup>2</sup>
Belectric France S.à.r.l., Vendres/France		100		
Belectric GmbH, Kolitzheim		100		
Belectric Israel Ltd., Be'er Scheva/Israel		100		
Belectric Italia S.R.L., Latina/Italy		100		
Belectric Photovoltaic India Private Limited, Mumbai/India		100		
Belectric PV Dach GmbH, Kolitzheim		100		
Belectric Solar & Battery GmbH, Kolitzheim	100	100		
Belectric Solar Ltd., Iver/United Kingdom		100		
hoch.rein Beteiligungen GmbH, Kolitzheim		100		
Jurchen Technology GmbH, Helmstadt		100		
Jurchen Technology India Private Limited, Mumbai/India		100		
ka-tek GmbH, Kolitzheim		100		
Padcon GmbH, Kitzingen		100		
Solar Holding Poland GmbH, Kolitzheim		100		
Bilbster Wind Farm Limited, Swindon/United Kingdom		100	3,006	14
Bristol Channel Zone Limited, Swindon/United Kingdom		100	-2,087	-101
BTB-Blockheizkraftwerks, Träger- und Betreibergesellschaft mbH Berlin, Berlin	100	100	19,783	<sup>1</sup>
Budapesti Elektromos Muvek Nyrt., Budapest/Hungary		55	663,195	56,796
Carnedd Wen Wind Farm Limited, Swindon/United Kingdom		100	-3,475	-115
Cegecom S.A., Luxembourg/Luxembourg		100	11,071	1,171
Channel Energy Limited, Swindon/United Kingdom		100	-17,207	-789
CR-Immobilien-Vermietungsgesellschaft mbH & Co. KG Cottbus, Cottbus		<sup>9</sup>	-1,134	454
Dromadda Beg Wind Farm Limited, Tralee/Ireland		100	3,005	-156
EGG Holding B.V. – Group – (pre-consolidated)			23,121	1,042 <sup>2</sup>
Bakker CV Installatietechniek B.V., Zwaaagdijk/Netherlands		100		
EGG Holding B.V., Meppel/Netherlands		100		
Energiewacht Facilities B.V., Zwolle/Netherlands		100		
Energiewacht Steenwijk B.V., Zwolle/Netherlands		100		
Energiewacht VKI B.V., Dalfsen/Netherlands		100		
Energiewacht-A.G.A.S.-Deventer B.V., Deventer/Netherlands		100		
Energiewacht-Gazo B.V., Zwolle/Netherlands		100		
GasWacht Friesland B.V., Gorredijk/Netherlands		100		
GasWacht Friesland Facilities B.V., Leeuwarden/Netherlands		100		

<sup>1</sup> Profit and loss-pooling agreement.

<sup>2</sup> Figures from the Group's consolidated financial statements.

<sup>3</sup> New, financial statements not yet available.

<sup>4</sup> Control by virtue of company contract.

<sup>5</sup> innogy SE bears unlimited liability pursuant to Section 285, Item 11a of the German Commercial Code.

<sup>6</sup> No control by virtue of company contract.

<sup>7</sup> Significant influence via indirect investments.

<sup>8</sup> Significant influence via virtue of company contract.

<sup>9</sup> Structured entity pursuant to IFRS 10 and 12.

<sup>10</sup> Not material.

<sup>11</sup> Financial statements not available.

<sup>12</sup> Profit and loss-pooling agreement with non-Group entity.

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity €'000	Net income/loss €'000
	Direct	Total		
N.V. Energiewacht-Groep, Zwolle/Netherlands		100		
Sebukro B.V., Amersfoort/Netherlands		100		
ELE Verteilnetz GmbH, Gelsenkirchen		100	883	<sup>1</sup>
Elektrizitätswerk Landsberg GmbH, Landsberg am Lech		100	1,447	432
ELMU DSO Holding Korlátolt Felelősségű Társaság, Budapest/Hungary		100	714,231	-6
ELMU Halozati Eloszto Kft., Budapest/Hungary		100	768,337	33,850
ELMU-ÉMÁSZ Energiakereskedő Kft., Budapest/Hungary		100	6,888	5,456
ELMU-ÉMÁSZ Energiaszolgáltató Zrt., Budapest/Hungary		100	6,076	85
ELMU-ÉMÁSZ Halozati Szolgáltató Kft., Budapest/Hungary		100	102	0
ELMU-ÉMÁSZ Ügyfélszolgálati Kft., Budapest/Hungary		100	739	731
ÉMÁSZ DSO Holding Korlátolt Felelősségű Társaság, Miskolc/Hungary		100	272,100	-6
ÉMÁSZ Halozati Kft., Miskolc/Hungary		100	281,341	9,270
Emscher Lippe Energie GmbH, Gelsenkirchen	50	50	56,917	36,492
Energiedirect B.V., Waalre/Netherlands		100	-52,980	-1,100
Energienetze Berlin GmbH, Berlin		100	25	<sup>1</sup>
Energies France S.A.S. – Group – (pre-consolidated)			31,131	-162 <sup>2</sup>
Centrale Hydroelectrique d'Oussiat S.A.S., Paris/France		100		
Energies Charentus S.A.S., Paris/France		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		100		
Energies VAR 1 S.A.S., Paris/France		100		
Energies VAR 3 S.A.S., Paris/France		100		
SAS Île de France S.A.S., Paris/France		100		
Energiewacht N.V. – Group – (pre-consolidated)			39,434	2,982 <sup>2</sup>
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	136,964	22,750
energis-Netzgesellschaft mbH, Saarbrücken		100	27,002	<sup>1</sup>
envia Mitteldeutsche Energie AG, Chemnitz	39	59	1,709,000	203,052
envia SERVICE GmbH, Cottbus		100	3,316	1,362
envia TEL GmbH, Markkleeberg		100	18,998	3,004
envia THERM GmbH, Bitterfeld-Wolfen		100	63,463	<sup>1</sup>
enviaM Beteiligungsgesellschaft Chemnitz GmbH, Chemnitz		100	56,366	<sup>1</sup>
enviaM Beteiligungsgesellschaft mbH, Essen	60	100	175,723	31,707
eprimo GmbH, Neu-Isenburg	100	100	4,600	<sup>1</sup>
Essent Belgium N.V., Antwerp/Belgium		100	94,680	6,633
Essent CNG Cleandrive B.V., 's-Hertogenbosch/Netherlands		100	-12	-12
Essent Energie Verkoop Nederland B.V., 's-Hertogenbosch/Netherlands		100	102,820	-25,400
Essent EnergieBewust Holding B.V., 's-Hertogenbosch/Netherlands		100	-4	-4

<sup>1</sup> Profit and loss-pooling agreement.

<sup>2</sup> Figures from the Group's consolidated financial statements.

<sup>3</sup> New, financial statements not yet available.

<sup>4</sup> Control by virtue of company contract.

<sup>5</sup> innogy SE bears unlimited liability pursuant to Section 285, Item 11a of the German Commercial Code.

<sup>6</sup> No control by virtue of company contract.

<sup>7</sup> Significant influence via indirect investments.

<sup>8</sup> Significant influence via virtue of company contract.

<sup>9</sup> Structured entity pursuant to IFRS 10 and 12.

<sup>10</sup> Not material.

<sup>11</sup> Financial statements not available.

<sup>12</sup> 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
	Direct	Total	€'000	€'000
Essent Energy Group B.V., Arnhem/Netherlands		100	-534	-106
Essent IT B.V., Arnhem/Netherlands		100	-266,782	-3,357
Essent Nederland B.V., Arnhem/Netherlands		100	715,800	-3,986,800
Essent N.V., 's-Hertogenbosch/Netherlands		100	7,737,300	87,300
Essent Retail Energie B.V., 's-Hertogenbosch/Netherlands		100	691,420	144,800
Essent Sales Portfolio Management B.V., 's-Hertogenbosch/Netherlands		100	272,828	700,384
Essent Wind Nordsee Ost Planungs- und Betriebsgesellschaft mbH, Heligoland	100	100	256	<sup>1</sup>
Eszak-magyarországi Áramszolgáltató Nyrt., Miskolc/Hungary		54	299,368	15,517
EuroSkyPark GmbH, Saarbrücken		51	558	282
EVIP GmbH, Bitterfeld-Wolfen		100	11,347	<sup>1</sup>
EWV Energie- und Wasser-Versorgung GmbH, Stolberg	54	54	49,347	13,570
FAMIS Gesellschaft für Facility Management und Industrieservice mbH, Saarbrücken		100	4,180	1,326
Fri-EI Anzi Holding S.r.l., Bolzano/Italy		51	7,310	-31
Fri-EI Anzi S.r.l., Bolzano/Italy		100	6,631	1,472
Fri-EI Guardionara Holding S.r.l., Bolzano/Italy		51	10,721	1,379
Fri-EI Guardionara S.r.l., Bolzano/Italy		100	10,304	2,502
GasNet, s.r.o., Ústí nad Labem/Czech Republic		100	901,564	177,959
Geas Energiewacht B.V., Enschede/Netherlands		100	13,889	1,633
Georgia Biomass Holding LLC, Savannah/USA	95	100	56,342	1,055
Georgia Biomass LLC, Savannah/USA		100	38,248	17,163
Green Gecco GmbH & Co. KG, Essen	51	51	96,827	5,001
GridServices, s.r.o., Brno/Czech Republic		100	35,261	30,234
GWG Grevenbroich GmbH, Grevenbroich		60	23,648	4,250
Harryburn Wind Farm Limited, Swindon/United Kingdom		100	-1,426	-1,445
Hof Promotion B.V., Eindhoven/Netherlands		100	-66	-135
Immobilien-Vermietungsgesellschaft Schumacher GmbH & Co. Objekt Kundenzentren KG, Düsseldorf		<sup>9</sup>	-115	949
innogy Aqua GmbH, Mülheim an der Ruhr	100	100	233,106	<sup>1</sup>
innogy Benelux Holding B.V., 's-Hertogenbosch/Netherlands		100	2,990,200	2,269,100
innogy Bergheim Windparkbetriebsgesellschaft mbH, Hanover		100	25	<sup>1</sup>
innogy Beteiligungsholding GmbH, Essen		100	3,895,026	-1
innogy Brise Windparkbetriebsgesellschaft mbH, Hanover		100	226	<sup>1</sup>
innogy Business Services Benelux B.V., Arnhem/Netherlands		100	-1,992	3,951
innogy Business Services Polska Sp. z o.o., Krakow/Poland	100	100	5,310	1,259
Innogy Business Services UK Limited, Swindon/United Kingdom	100	100	20,289	-13,350
innogy Česká republika a.s., Prague/Czech Republic		100	2,139,381	209,039
innogy Company Building GmbH, Berlin		100	1,868	-657
innogy Energetyka Trzemeszno Sp. z o.o., Wroclaw/Poland		100	1,974	235
innogy Energie, s.r.o., Prague/Czech Republic		100	204,051	123,410
innogy Energo, s.r.o., Prague/Czech Republic		100	19,988	742
innogy Evendorf Windparkbetriebsgesellschaft mbH, Hanover		100	25	<sup>1</sup>
innogy Finance B.V., 's-Hertogenbosch/Netherlands		100	10,907	1,546

<sup>1</sup> Profit and loss-pooling agreement.

<sup>2</sup> Figures from the Group's consolidated financial statements.

<sup>3</sup> New, financial statements not yet available.

<sup>4</sup> Control by virtue of company contract.

<sup>5</sup> innogy SE bears unlimited liability pursuant to Section 285, Item 11a of the German Commercial Code.

<sup>6</sup> No control by virtue of company contract.

<sup>7</sup> Significant influence via indirect investments.

<sup>8</sup> Significant influence via virtue of company contract.

<sup>9</sup> Structured entity pursuant to IFRS 10 and 12.

<sup>10</sup> Not material.

<sup>11</sup> Financial statements not available.

<sup>12</sup> 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
	Direct	Total	€'000	€'000
innogy Gas Storage NWE GmbH, Dortmund	100	100	350,087	<sup>1</sup>
innogy Gas Storage, s.r.o., Prague/Czech Republic		100	13,779,201	328,492
innogy Gastronomie GmbH, Essen	100	100	275	<sup>1</sup>
innogy Grid Holding, a.s., Prague/Czech Republic		50	1,143,966	150,629
Innogy Gym 2 Limited, Swindon/United Kingdom		100	-11,240	-6,265
Innogy Gym 3 Limited, Swindon/United Kingdom		100	-11,239	-6,266
Innogy Gym 4 Limited, Swindon/United Kingdom		100	-33,715	-18,804
innogy Hörup Windparkbetriebsgesellschaft mbH, Hanover		100	26	<sup>1</sup>
innogy Hungária Tanácsadó Kft., Budapest/Hungary		100	2,457	-56
innogy indeland Windpark Eschweiler GmbH & Co. KG, Eschweiler	51	100	60,722	1,761
innogy Innovation GmbH, Essen	100	100	130,038	<sup>1</sup>
innogy International Participations N.V., 's-Hertogenbosch/Netherlands	100	100	9,380,116	438,700
innogy IT Magyarország Kft., Budapest/Hungary	100	100	1,159	72
innogy Italia S.p.A., Milan/Italy	100	100	12,198	6,770
innogy Kaskasi GmbH, Hamburg	100	100	99	<sup>1</sup>
innogy Lengerich Windparkbetriebsgesellschaft mbH, Gersten		100	25	<sup>1</sup>
innogy Lüneburger Heide Windparkbetriebsgesellschaft mbH, Walsrode		100	25	<sup>1</sup>
innogy Metering GmbH, Mülheim an der Ruhr	100	100	25	<sup>1</sup>
innogy Mistral Windparkbetriebsgesellschaft mbH, Hanover		100	578	<sup>1</sup>
innogy Netze Deutschland GmbH, Essen	100	100	497,854	<sup>1</sup>
innogy New Ventures LLC, Palo Alto/USA		100	34,703	-7,113
innogy Offshore Wind Netherlands B.V., 's-Hertogenbosch/Netherlands		100	-2,527	384
innogy Polska Contracting Sp. z o.o., Wrocław/Poland		100	5,722	0
innogy Polska S.A., Warsaw/Poland		100	424,028	100,446
innogy Renewables Benelux B.V., 's-Hertogenbosch/Netherlands		100	-17,936	-3,253
innogy Renewables Beteiligungs GmbH, Dortmund	100	100	7,350	<sup>1</sup>
Innogy Renewables Ireland Limited, Dublin/Ireland	100	100	-811	-807
innogy Renewables Polska Sp. z o.o., Warsaw/Poland	100	100	208,516	-82,713
Innogy Renewables UK Holdings Limited, Swindon/United Kingdom	100	100	1,939,665	314,574
Innogy Renewables UK Limited, Swindon/United Kingdom		100	1,524,877	142,590
Innogy Renewables US LLC, Delaware/USA	100	100	52,032	-614
innogy SE, Essen			8,926,111	907,605
innogy Seabreeze II GmbH & Co. KG, Essen	100	100	13,386	-19,149
innogy Slovensko s.r.o., Bratislava/Slovakia		100	8,240	7,841
Innogy Solutions Ireland Limited, Dublin/Ireland		100	4,771	823
innogy solutions Kft., Budapest/Hungary		100	1,952	-51
innogy Solutions s.r.o., Banská Bystrica/Slovakia		100	1,177	147
innogy Sommerland Windparkbetriebsgesellschaft mbH, Hanover		100	26	<sup>1</sup>
innogy South East Europe s.r.o., Bratislava/Slovakia		100	1,058	-54
innogy Spain, S.A.U.- Group - (pre-consolidated)			131,098	-2,795 <sup>2</sup>
Danta de Energías, S.A., Soria/Spain		99		
Explotaciones Eólicas de Aldehuelas, S.L., Soria/Spain		95		

<sup>1</sup> Profit and loss-pooling agreement.

<sup>2</sup> Figures from the Group's consolidated financial statements.

<sup>3</sup> New, financial statements not yet available.

<sup>4</sup> Control by virtue of company contract.

<sup>5</sup> innogy SE bears unlimited liability pursuant to Section 285, Item 11a of the German Commercial Code.

<sup>6</sup> No control by virtue of company contract.

<sup>7</sup> Significant influence via indirect investments.

<sup>8</sup> Significant influence via virtue of company contract.

<sup>9</sup> Structured entity pursuant to IFRS 10 and 12.

<sup>10</sup> Not material.

<sup>11</sup> Financial statements not available.

<sup>12</sup> Profit and loss-pooling agreement with non-Group entity.

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity €'000	Net income/loss €'000
	Direct	Total		
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	-8,334	-181
innogy Stoen Operator Sp. z o.o., Warsaw/Poland		100	676,069	45,951
innogy Süderdeich Windparkbetriebsgesellschaft mbH, Süderdeich		100	106	<sup>1</sup>
innogy TelNet GmbH, Essen	100	100	25	<sup>1</sup>
innogy Titz Windparkbetriebsgesellschaft mbH, Essen		100	25	<sup>1</sup>
innogy Wind Onshore Deutschland GmbH, Hanover	100	100	77,373	<sup>1</sup>
innogy Windpark Bedburg GmbH & Co. KG, Bedburg	51	51	93,613	6,172
innogy Windpower Netherlands B.V., 's-Hertogenbosch/Netherlands		100	-36,246	70
innogy Zákaznické služby, s.r.o., Ostrava/Czech Republic		100	1,572	1,109
innogy Zweite Vermögensverwaltungs GmbH, Essen	100	100	350,026	<sup>1</sup>
INVESTERG – Investimentos em Energias, SGPS, Lda. – Group – (pre-consolidated)			16,907	610 <sup>2</sup>
INVESTERG – Investimentos em Energias, Sociedade Gestora de Participações Sociais, Lda., São João do Estoril/Portugal	100	100		
LUSITERG – Gestão e Produção Energética, Lda., São João do Estoril/Portugal		74		
Isoprofs B.V., Meijel/Netherlands		100	-28	-155
iSWITCH GmbH, Essen	100	100	25	<sup>1</sup>
It's a beautiful world B.V., Amersfoort/Netherlands		100	4,691	1,262
Knabs Ridge Wind Farm Limited, Swindon/United Kingdom		100	8,901	426
Koprivnica Opskrba d.o.o., Koprivnica/Croatia		75	285	0
Koprivnica Plin d.o.o., Koprivnica/Croatia		75	8,786	0
Krzecin Sp. z o.o., Warsaw/Poland		100	12,763	-4,583
Lechwerke AG, Augsburg	75	90	522,812	123,149
Leitungspartner GmbH, Düren		100	100	<sup>1</sup>
LEW Anlagenverwaltung Gesellschaft mit beschränkter Haftung, Gundremmingen		100	290,715	8,644
LEW Beteiligungsgesellschaft mbH, Gundremmingen		100	471,290	14,983
LEW Netzservice GmbH, Augsburg		100	87	<sup>1</sup>
LEW Service & Consulting GmbH, Augsburg		100	1,250	<sup>1</sup>
LEW TelNet GmbH, Neusäß		100	8,358	7,117
LEW Verteilnetz GmbH, Augsburg		100	139,816	<sup>1</sup>
Little Cheyne Court Wind Farm Limited, Swindon/United Kingdom		59	44,436	5,702
MI-FONDS 178, Frankfurt am Main		100	800,195	20,504
MI-FONDS FSS, Frankfurt am Main		100	606,114	18,336
MI-FONDS GSS, Frankfurt am Main		100	286,700	10,963
MI-FONDS JSS, Frankfurt am Main		100	15,589	287
MI-FONDS KSS, Frankfurt am Main		100	124,357	26,180
MITGAS Mitteldeutsche Gasversorgung GmbH, Halle (Saale)		75	129,245	37,289
Mitteldeutsche Netzgesellschaft Gas mbH, Halle (Saale)		100	25	<sup>1</sup>

<sup>1</sup> Profit and loss-pooling agreement.

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<sup>3</sup> New, financial statements not yet available.

<sup>4</sup> Control by virtue of company contract.

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<sup>7</sup> Significant influence via indirect investments.

<sup>8</sup> Significant influence via virtue of company contract.

<sup>9</sup> Structured entity pursuant to IFRS 10 and 12.

<sup>10</sup> Not material.

<sup>11</sup> Financial statements not available.

<sup>12</sup> 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
	Direct	Total	€'000	€'000
Mitteldeutsche Netzgesellschaft Strom mbH, Halle (Saale)		100	4,171	<sup>1</sup>
Mittlere Donau Kraftwerke AG, Munich		40 <sup>9</sup>	5,113	0
ML Wind LLP, Swindon/United Kingdom		51	82,464	5,038
NEW AG, Mönchengladbach	40	40 <sup>4</sup>	175,895	65,248
NEW Netz GmbH, Geilenkirchen		100	95,699	28,498
NEW Niederrhein Energie und Wasser GmbH, Mönchengladbach		100	15,587	36,406
NEW NiederrheinWasser GmbH, Viersen		100	46,613	12,169
NEW Smart City GmbH, Mönchengladbach		100	825	136
NEW Tönisvorst GmbH, Tönisvorst		98	13,961	1,674
NEW Viersen GmbH, Viersen		100	13,330	6,689
Nordsee Windpark Beteiligungs GmbH, Essen	100	100	8,087	<sup>1</sup>
Npower Business and Social Housing Limited, Swindon/United Kingdom		100	3,985	17
Npower Commercial Gas Limited, Swindon/United Kingdom		100	1,270	3,097
Npower Direct Limited, Swindon/United Kingdom		100	101,838	-23,280
Npower Financial Services Limited, Swindon/United Kingdom		100	-172	15
Npower Gas Limited, Swindon/United Kingdom		100	-215,893	3,085
Npower Group plc, Swindon/United Kingdom		100	263,741	142,740
Npower Limited, Swindon/United Kingdom		100	211,895	-4,568
Npower Northern Limited, Swindon/United Kingdom		100	-1,084,270	-47,961
Npower Yorkshire Limited, Swindon/United Kingdom		100	-729,513	-33,057
Npower Yorkshire Supply Limited, Swindon/United Kingdom		100	0	0
NRW Pellets GmbH, Erndtebrück	100	100	312	<sup>1</sup>
Octopus Electrical Limited, Swindon/United Kingdom		100	2,440	0
OIE Aktiengesellschaft, Idar-Oberstein	100	100	11,190	<sup>1</sup>
Park Wiatrowy Nowy Staw Sp. z o.o., Warsaw/Poland		100	59,111	-8,524
Park Wiatrowy Opalenica Sp. z o.o., Warsaw/Poland		100	18,317	-4,842
Park Wiatrowy Suwalki Sp. z o.o., Warsaw/Poland		100	52,536	-6,330
Park Wiatrowy Tychowo Sp. z o.o., Warsaw/Poland		100	25,459	-17,680
Piecki Sp. z o.o., Warsaw/Poland		51	21,091	-12,703
Plus Shipping Services Limited, Swindon/United Kingdom		100	27,283	-834
Powerhouse B.V., Almere/Netherlands		100	48,818	5,900
PS Energy UK Limited, Swindon/United Kingdom		100	-874	-885
regionetz GmbH, Eschweiler		100	113,360	<sup>1</sup>
Rheinkraftwerk Albrück-Dogern Aktiengesellschaft, Waldshut-Tiengen	77	77	31,664	1,757
Rhein-Sieg Netz GmbH, Siegburg		100	20,774	<sup>1</sup>
rhenag Rheinische Energie Aktiengesellschaft, Cologne	67	67	159,949	45,836
Rhyl Flats Wind Farm Limited, Swindon/United Kingdom		50	167,609	8,733
RL Besitzgesellschaft mbH, Gundremmingen		100	114,039	13,636
RL Beteiligungsverwaltung beschr. haft. OHG, Gundremmingen <sup>5</sup>	51	100	362,958	34,371
RUMM Limited, Ystrad Mynach/United Kingdom		100	91	-259
RWE East, s.r.o., Prague/Czech Republic		100	311	92
RWE Energie S.R.L., Bucharest/Romania		100	-8,512	-8,088

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I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€'000	€'000
RWE Energija d.o.o., Zagreb/Croatia		100	706	-1,063
RWE Hrvatska d.o.o., Zagreb/Croatia		100	9,553	-2,705
RWE Ljubljana d.o.o., Ljubljana/Slovenia		100	399	-1,702
RWE Plin d.o.o., Zagreb/Croatia		100	181	-328
RWE Rheinessen Beteiligungs GmbH, Essen		<sup>9</sup>	57,840	<sup>1</sup>
RWW Rheinisch-Westfälische Wasserwerksgesellschaft mbH, Mülheim an der Ruhr		80	79,480	9,609
SARIO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Würzburg KG, Würzburg		<sup>9</sup>	-10,112	417
Stadtwerke Düren GmbH, Düren	50	50 <sup>4</sup>	27,378	5,414
Südwestsächsische Netz GmbH, Crimmitschau		100	1,117	47
Süwag Energie AG, Frankfurt am Main		78	581,905	104,750
Süwag Grüne Energien und Wasser GmbH, Frankfurt am Main		100	6,441	<sup>1</sup>
Süwag Vertrieb AG & Co. KG, Frankfurt am Main		100	680	<sup>1</sup>
Syna GmbH, Frankfurt am Main		100	8,053	<sup>1</sup>
Taciewo Sp. z o.o., Warsaw/Poland		100	18,033	-6,988
The Hollies Wind Farm Limited, Swindon/United Kingdom		100	496	-159
Triton Knoll Offshore Wind Farm Limited, Swindon/United Kingdom		100	75,427	-875
Überlandwerk Krumbach GmbH, Krumbach		75	5,576	634
Verteilnetz Plauen GmbH, Plauen		100	22	<sup>1</sup>
VKB-GmbH, Neunkirchen		50	42,998	3,633
Volta Energycare N.V., Houthalen-Helchteren/Belgium		100	-310	-68
Volta Limburg B.V., Schinnen/Netherlands		100	30,894	6,327
Volta Service B.V., Schinnen/Netherlands		100	102	0
Volta Solar B.V., Heerlen/Netherlands		95	523	154
Volta Solar VOF, Heerlen/Netherlands		60	1,377	1,143
VSE Aktiengesellschaft, Saarbrücken	51	51	213,863	43,070
VSE Net GmbH, Saarbrücken		100	14,393	2,307
VSE Verteilnetz GmbH, Saarbrücken		100	3,109	<sup>1</sup>
VWS Verbundwerke Südwestsachsen GmbH, Lichtenstein/Sa.		98	26,908	2,266
Východoslovenská distribučná, a.s., Kosice/Slovakia		100	600,975	30,626
Východoslovenská energetika a.s., Kosice/Slovakia		100	123,008	1,870
Východoslovenská energetika Holding a.s., Kosice/Slovakia		49 <sup>4</sup>	576,445	15,824
Wendelsteinbahn GmbH, Brannenburg		100	3,318	556
Wendelsteinbahn Verteilnetz GmbH, Brannenburg		100	38	<sup>1</sup>
Westerwald-Netz GmbH, Betzdorf-Alsdorf		100	9,875	<sup>1</sup>
Westnetz GmbH, Dortmund	100	100	281,306	<sup>1</sup>
Windpark Kattenberg B.V., Zwolle/Netherlands		100	205	242
Windpark Zuidwester B.V., 's-Hertogenbosch/Netherlands		100	10,785	-359
WKN Windkraft Nord GmbH & Co. Windpark Wönkhausen KG, Hanover	100	100	1,138	240
WTTP B.V., Arnhem/Netherlands		100	11,954	300
2. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt MEAG Halle KG, Düsseldorf		<sup>9</sup>	-720	459

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<sup>8</sup> Significant influence via virtue of company contract.

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<sup>12</sup> Profit and loss-pooling agreement with non-Group entity.



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
	Direct	Total	€'000	€'000
Adensis GmbH, Dresden		100	322	62
Alvarado Solar S.L., Barcelona/Spain		100		<sup>3</sup>
AQUAVENT Gesellschaft für Umwelttechnik und regenerierbare Energien mbH, Lützen		100	3,111	2,292
Aura Merger Sub LLC, Dover/USA		100		<sup>3</sup>
Belectric Australia Pty. Limited, Victoria/Australia		100	-494	370
Belectric Chile Energia Fotovoltaica LTDA, Santiago de Chile/Chile		100	-1,034	-662
Belectric Espana Fotovoltaica S.L., Madrid/Spain		100	21	-17
Belectric Inc., San Mateo/USA		100	-478	647
Belectric International GmbH, Kollitzheim		100	45	29
Belectric Inversiones Latinoamericana S.L., Madrid/Spain		100	192	-47
Belectric JV GmbH, Kollitzheim		100	14	-5
Belectric Mexico Fotovoltaica S.de R.L. de C.V., Bosques de las Lomas/Mexico		100	-471	-107
Belectric Polska Sp. z o.o., Warsaw/Poland		100	-149	-45
Belectric PV 10 (SARL), Vendres/France		100	-5	-2
Belectric PV 5 (SARL), Vendres/France		100	-8	-2
Belectric PV 6 (SARL), Vendres/France		100	-5	0
Belectric PV 9 (SARL), Vendres/France		100	-15	-2
Beteiligungsgesellschaft Werl mbH, Essen	51	51	1,182	499
bildungszentrum energie GmbH, Halle (Saale)		100	613	138
Bioenergie Bad Wimpfen GmbH & Co. KG, Bad Wimpfen		51	2,266	162
Bioenergie Bad Wimpfen Verwaltungs-GmbH, Bad Wimpfen		100	32	1
Bioenergie Kirchspiel Anhausen GmbH & Co. KG, Anhausen		51	166	28
Bioenergie Kirchspiel Anhausen Verwaltungs-GmbH, Anhausen		100	31	1
Biogas Schwalmtal GmbH & Co. KG, Schwalmtal		66	787	-119
Biogasanlage Schwalmtal GmbH, Schwalmtal		99	44	4
Burgar Hill Wind Farm Limited, Swindon/United Kingdom		100	0	0
Causeymire Two Wind Farm Limited, Swindon/United Kingdom		100	0	0
Ciriè Centrale PV s.a.s. (SRL), Rome/Italy		100	-5	0
Clavellinas Solar, S.L., Barcelona/Spain		100		<sup>3</sup>
Climagy Photovoltaikprojekt GmbH & Co. KG, Kollitzheim		100	-29	-3
Climagy Photovoltaikprojekt Verwaltungs-GmbH, Kollitzheim		100	29	0
Climagy PV-Freifeld GmbH & Co. KG, Kollitzheim		100	-29	-5
Climagy PV-Freifeld Verwaltungs-GmbH, Kollitzheim		100	29	0
Climagy PV-Sonnenanlage GmbH & Co. KG, Kollitzheim		100	-25	-6
Climagy PV-Sonnenanlage Verwaltungs-GmbH, Kollitzheim		100	29	0
Climagy Sonneneinstrahlung GmbH & Co. KG, Kollitzheim		100	-16	-3
Climagy Sonneneinstrahlung Verwaltungs-GmbH, Kollitzheim		100	24	0
Climagy Sonnenkraft GmbH & Co. KG, Kollitzheim		100	-30	-4
Climagy Sonnenkraft Verwaltungs GmbH, Kollitzheim		100	28	0
Climagy Sonnenstrom GmbH & Co. KG, Kollitzheim		100	-28	-4
Climagy Sonnenstrom Verwaltungs GmbH, Kollitzheim		100	28	0

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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
	Direct	Total	€'000	€'000
Climagy Stromertrag GmbH & Co. KG, Koltzheim		100	-16	-3
Climagy Stromertrag Verwaltungs-GmbH, Koltzheim		100	27	0
Clocaenog Wind Farm Limited, Swindon/United Kingdom		100	0	0
Cloghaneleskirt Energy Supply Limited, Tralee/Ireland		100		3
COMCO MCS S.A., Luxembourg/Luxembourg		100	286	127
Curns Energy Limited, Dublin/Ireland		70		3
DigiKoo GmbH, Essen	100	100		3
Doggerbank Project 3B Innogy Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 3C Limited, Swindon/United Kingdom		100		3
Doggerbank Project 3D Limited, Swindon/United Kingdom		100		3
Doggerbank Project 3E Limited, Swindon/United Kingdom		100		3
Doggerbank Project 3F Limited, Swindon/United Kingdom		100		3
easyOptimize GmbH, Essen		100	-2,771	-4,795
Eko-En 1 Sp. z o.o., Warsaw/Poland		100	1,305	-1,028
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
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
ELMU-ÉMÁSZ Energiatároló Kft., Budapest/Hungary		100		3
Energenti plus d. o. o., Cerknica/Slovenia		100	21	6
Energetyka Wschod Sp. z o.o., Wroclaw/Poland		100	98	20
Energiegesellschaft Leimen GmbH & Co. KG, Leimen		75	198	14
Energiegesellschaft Leimen Verwaltungsgesellschaft mbH, Leimen		75	28	1
energienatur Gesellschaft für Erneuerbare Energien mbH, Siegburg		64	112	4
Energieversorgung Timmendorfer Strand GmbH & Co. KG, Timmendorfer Strand		51	3,196	155
Energy Ventures GmbH, Särbrücken		100	6	-2
enrevolution GmbH, Bochum		100	48	1
enviaM Erneuerbare Energien Verwaltungsgesellschaft mbH, Markkleeberg		100	35	2
enviaM Neue Energie Management GmbH, Halle (Saale)		100	26	1
enviaM Zweite Neue Energie Management GmbH, Halle (Saale)		100		3
Eólica de Sarnago, S.A., Soria/Spain		52	1,563	-32
ESK GmbH, Dortmund	100	100	128	1
Fernwärmeversorgung Saarlouis-Steinrausch Investitionsgesellschaft mbH, Saarlouis		100	7,567	1
"Finelectra" Finanzgesellschaft für Elektrizitäts-Beteiligungen AG, Hausen/Switzerland	100	100	9,760	34
Free Electrons LLC, Palo Alto/USA		100		3
Fresh Energy GmbH, Berlin		62		10
FUCATUS Vermietungsgesellschaft mbH & Co. Objekt Recklinghausen KG, Düsseldorf	94	94	0	0

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	Direct	Total	€'000	€'000
Fundacja innogy w Polsce, Warsaw/Poland		100	40	37
Gazules I Fotovoltaica S.L., Barcelona/Spain		100		<sup>3</sup>
Gazules II Solar S.L., Barcelona/Spain		100		<sup>3</sup>
GKB Gesellschaft für Kraftwerksbeteiligungen mbH, Cottbus		100	268	-24
Goole Fields II Wind Farm Limited, Swindon/United Kingdom		100		<sup>3</sup>
Green Gecco Verwaltungs GmbH, Essen	51	51	38	1
GWG Kommunal GmbH, Grevenbroich		100	100	-470
Hennef (Sieg) Stromnetz GmbH & Co. KG, Hennef		100	100	0
Infraestructuras de Aldehuelas, S.A., Barcelona/Spain		100	428	0
Infrastrukturgesellschaft Netz Lübz mbH, Hanover		100	16	-16
innogy Charge Tech GmbH, Dortmund	100	100		<sup>3</sup>
innogy Consulting Americas, LLC, Cambridge/USA		100		<sup>3</sup>
innogy Consulting GmbH, Essen	100	100	3,833	4,626
innogy Dritte Vermögensverwaltungs GmbH, Essen	100	100	100	<sup>1</sup>
innogy e-Mobility Limited, London/United Kingdom	100	100		<sup>3</sup>
innogy e-mobility US LLC, Delaware/USA	100	100		<sup>3</sup>
innogy Energetyka Zachod Sp. z o.o., Wroclaw/Poland		100	196	71
innogy inland Windpark Eschweiler Verwaltungs GmbH, Eschweiler		100	41	6
INNOGY INNOVATION CENTER LTD, Tel Aviv/Israel		100	20	-135
innogy Innovation UK Ltd., London/United Kingdom		100		<sup>3</sup>
innogy Middle East & North Africa Ltd., Dubai/UAE	100	100	1,602	-1,488
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 Solutions Sp. z o.o., Warsaw/Poland		100	148	0
innogy Renewables Canada Inc., Vancouver/Canada		100	2,562	-2,119
Innogy Renewables US Wind Holdings LLC, Dover/USA		100		<sup>3</sup>
innogy Seabreeze II Verwaltungs GmbH, Essen	100	100	53	7
innogy Solar Netherlands B.V., 's-Hertogenbosch/Netherlands		100		<sup>3</sup>
innogy Stiftung für Energie und Gesellschaft gGmbH, Essen	100	100	54,968	-3,104
innogy TelNet Holding, s.r.o., Prague/Czech Republic		100	-31	-1
innogy Turkey Enerji Anonim Sirketi, Istanbul/Turkey	100	100	720	-359
Innogy US Renewable Projects LLC, Delaware/USA		100	0	0
innogy Ventures GmbH, Essen		100	52,749	-3,688
innogy Ventures Vermögensverwaltung 4 GmbH, Essen		100		<sup>10</sup>
innogy Ventures Vermögensverwaltung 5 GmbH, Essen		100		<sup>10</sup>
innogy Windpark Bedburg Verwaltungs GmbH, Bedburg	51	51	43	2
innogy Windpark Jüchen A44n GmbH & Co. KG, Essen	100	100	284	-16

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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
	Direct	Total	€'000	€'000
Innogy Windpark Jüchen A44n Verwaltungs GmbH, Essen	100	100	34	8
Inversiones Belectric Chile LTDA, Santiago de Chile/Chile		100	-24	-9
Jerez Fotovoltaica S.L., Barcelona/Spain		100		<sup>3</sup>
Jurchen Technology USA Inc., San Mateo/USA		100	8	-3
Kiln Pit Hill Wind Farm Limited, Swindon/United Kingdom		100	0	0
Korproject Energy Sp. z o.o., Warsaw/Poland		100		<sup>3</sup>
KWS Kommunal-Wasserversorgung Saar GmbH, Saarbrücken		100	195	61
Las Vaguadas I Fotovoltaica S.L., Barcelona/Spain		100		<sup>3</sup>
Las Vaguadas II Solar S.L., Barcelona/Spain		100		<sup>3</sup>
Lech Energie Gersthofen GmbH & Co. KG, Gersthofen		100	9	-1
Lech Energie Verwaltung GmbH, Augsburg		100	25	0
Lemonbeat GmbH, Dortmund		100	9,952	-3,169
Lochelbank Wind Farm Limited, Swindon/United Kingdom		100	0	0
Lößnitz Netz GmbH & Co. KG, Lößnitz		100	10	-3
Lößnitz Netz Verwaltungs GmbH, Lößnitz		100	27	0
Middlemoor Wind Farm Limited, Swindon/United Kingdom		100	0	0
Mitteldeutsche Netzgesellschaft Gas HD mbH, Halle (Saale)		100	25	<sup>1</sup>
Mitteldeutsche Netzgesellschaft mbH, Chemnitz		100	21	-1
MotionWerk GmbH, Essen		60		<sup>10</sup>
Netzwerke Saarwellingen GmbH, Saarwellingen		100	50	<sup>1</sup>
NEW b_gas Eicken GmbH, Schwalmthal		100	-879	11
NEW Re GmbH, Mönchengladbach		95	10,035	50
NEW Windenergie Verwaltung GmbH, Mönchengladbach		100	25	0
NEW Windpark Linnich GmbH & Co. KG, Mönchengladbach		100	20	-10
NEW Windpark Viersen GmbH & Co. KG, Mönchengladbach		100		<sup>3</sup>
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	172	30
Oranje Wind Power B.V., 's-Hertogenbosch/Netherlands		100		<sup>3</sup>
Oranje Wind Power C.V., 's-Hertogenbosch/Netherlands		100		<sup>3</sup>
Oschatz Netz GmbH & Co. KG, Oschatz		75	561	217
Oschatz Netz Verwaltungs GmbH, Oschatz		100	26	0
Park Wiatrowy Dolice Sp. z o.o., Warsaw/Poland		100	1,039	-65
Park Wiatrowy Elk Sp. z o.o., Warsaw/Poland		100	618	602
Park Wiatrowy Gaworzycze Sp. z o.o., Warsaw/Poland		100	1,104	-1,806
Park Wiatrowy Msciwójów Sp. z o.o., Warsaw/Poland		100	269	-1,720
Park Wiatrowy Prudziszki Sp. z o.o., Warsaw/Poland		100	39	-21
Park Wiatrowy Smigiel I Sp. z o.o., Warsaw/Poland		100	675	-1,956
Photovoltaikkraftwerk Götz GmbH & Co. KG, Kollitzheim		100	-29	-3
Photovoltaikkraftwerk Götz Verwaltungs GmbH, Kollitzheim		100	29	0
Photovoltaikkraftwerk Groß Dölln Infrastruktur GmbH & Co. KG, Kollitzheim		100	-15	-4
Photovoltaikkraftwerk Groß Dölln Infrastruktur Verwaltungs-GmbH, Kollitzheim		100	28	0

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	Direct	Total	€'000	€'000
Photovoltaikkraftwerk Reinsdorf GmbH & Co. KG, Koltitzheim		100	-28	-3
Photovoltaikkraftwerk Reinsdorf Verwaltungs GmbH, Koltitzheim		100	29	0
Photovoltaikkraftwerk Tramm GmbH & Co. KG, Koltitzheim		100	-29	-5
Photovoltaikkraftwerk Tramm Netzanschluss GmbH & Co. KG, Koltitzheim		100	-27	-6
Photovoltaikkraftwerk Tramm Netzanschluss Verwaltungs GmbH, Koltitzheim		100	27	0
Photovoltaikkraftwerk Tramm PV-Finanzierung GmbH & Co. KG, Koltitzheim		100	-17	-3
Photovoltaikkraftwerk Tramm PV-Finanzierung Verwaltungs GmbH, Koltitzheim		100	27	0
Photovoltaikkraftwerk Tramm Verwaltungs-GmbH, Koltitzheim		100	29	0
Powerhouse Energy Solutions S.L., Madrid/Spain		100	26	0
Primus Projekt GmbH & Co. KG, Hanover		100	359	-172
Qualitas-AMS GmbH, Siegen	100	100		<sup>3</sup>
Quintana Fotovoltaica SLU, Madrid/Spain		100		<sup>3</sup>
Rheinland Westfalen Energiepartner GmbH, Essen	100	100	5,369	<sup>1</sup>
rhenagbau GmbH, Cologne		100	4,058	<sup>1</sup>
Rowantree Wind Farm Ltd., Swindon/United Kingdom		100	0	0
RWE Innogy Serbia d.o.o., Belgrade/Serbia	100	100	75	4
RWE-EnBW Magyarország Energiaszolgáltató Korlátolt Felelősségű Társaság, Budapest/Hungary		70	391	20
Santa Severa Centrale PV s.a.s. (SRL), Rome/Italy		100	-151	0
Scarcroft Investments Limited, Swindon/United Kingdom		100	0	0
Scharbeutzer Energie- und Netzgesellschaft mbH & Co. KG, Scharbeutz		51	4,371	199
SchlauTherm GmbH, Saarbrücken		75	301	82
SEG Solarenergie Guben GmbH & Co. KG, Guben		100	3,159	-1
SEG Solarenergie Guben Management GmbH, Halle (Saale)		100		<sup>3</sup>
Sofia Offshore Wind Farm Holdings Limited, Swindon/United Kingdom		100	0	0
SOLARENGO Energia, Unipessoal, Lda., Cascais/Portugal		100		<sup>3</sup>
Solkraftwerk Herlheim GmbH & Co. KG, Koltitzheim		100	-28	-4
Solkraftwerk Herlheim Verwaltungs GmbH, Koltitzheim		100	28	0
Solkraftwerk Meuro GmbH & Co. KG, Koltitzheim		100	-29	-3
Solkraftwerk Meuro Verwaltungs GmbH, Koltitzheim		100	28	0
Solkraftwerk Oberspiesheim GmbH & Co. KG, Koltitzheim		100	-27	-5
Solkraftwerk Oberspiesheim Verwaltungs GmbH, Koltitzheim		100	28	0
SP Solarprojekte GmbH & Co. KG, Koltitzheim		100		<sup>3</sup>
SP Solarprojekte 1 GmbH & Co. KG, Koltitzheim		100		<sup>3</sup>
SP Solarprojekte 1 Verwaltungs-GmbH, Koltitzheim		100		<sup>3</sup>
SP Solarprojekte 2 GmbH & Co. KG, Koltitzheim		100		<sup>3</sup>
SP Solarprojekte 2 Verwaltungs-GmbH, Koltitzheim		100		<sup>3</sup>
SP Solarprojekte 3 Verwaltungs-GmbH, Koltitzheim		100		<sup>3</sup>
SP Solarprojekte 4 GmbH & Co. KG, Koltitzheim		100		<sup>3</sup>
SP Solarprojekte 4 Verwaltungs-GmbH, Koltitzheim		100		<sup>3</sup>
SP Solarprojekte 5 GmbH & Co. KG, Koltitzheim		100		<sup>3</sup>
SP Solarprojekte 5 Verwaltungs-GmbH, Koltitzheim		100		<sup>3</sup>

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	Direct	Total	€'000	€'000
SP Solarprojekte 6 GmbH & Co. KG, Kolitzheim		100		<sup>3</sup>
SP Solarprojekte 6 Verwaltungs-GmbH, Kolitzheim		100		<sup>3</sup>
SP Solarprojekte 7 GmbH & Co. KG, Kolitzheim		100		<sup>3</sup>
SP Solarprojekte 7 Verwaltungs-GmbH, Kolitzheim		100		<sup>3</sup>
Stadtwerke Korschenbroich GmbH, Mönchengladbach		100	46	-6
Storage Facility 1 Ltd., Slough/United Kingdom		100		<sup>3</sup>
Stromnetz Friedberg GmbH & Co. KG, Friedberg		100		<sup>3</sup>
Stromnetz Pulheim Verwaltung GmbH, Pulheim		100		<sup>3</sup>
Sun Data GmbH, Kolitzheim		100	74	70
Sunpow 1 Sp. z o.o., Warsaw/Poland		100		<sup>3</sup>
Sunrise Energy Generation Pvt. Ltd., Mumbai/India		100	69	4
Süwag Vertrieb Management GmbH, Frankfurt am Main		100	27	1
SVFR 12 (SAS), Vendres/France		100	-110	-2
Thermolux S.a.r.l., Luxembourg/Luxembourg		100	98	-484
TWS Technische Werke der Gemeinde Saarwellingen GmbH, Saarwellingen		51	4,721	1,699
ucair GmbH, Berlin		85		<sup>10</sup>
Verwaltungsgesellschaft Energieversorgung Timmendorfer Strand mbH, Timmendorfer Strand		51	27	1
Verwaltungsgesellschaft Scharbeutzer Energie- und Netzgesellschaft mbH, Scharbeutz		51	27	1
VKN Saar Geschäftsführungsgesellschaft mbH, Ensdorf		51	32	1
VSE - Windpark Merchingen GmbH & Co. KG, Saarbrücken		100	2,800	-30
VSE - Windpark Merchingen VerwaltungsGmbH, Saarbrücken		100	63	1
VSE Agentur GmbH, Saarbrücken		100	131	116
VSE Call centrum, s.r.o., Kosice/Slovakia		100	72	17
VSE Ekoenergia, s.r.o., Kosice/Slovakia		100	92	-39
VSE-Stiftung gGmbH, Saarbrücken		100	2,571	-8
Wärmeversorgung Schwaben GmbH, Augsburg		100	86	55
Warsun Project Sp. z. o.o., Warsaw/Poland		100		<sup>3</sup>
Wasser-Netzgesellschaft Kolpingstadt Kerpen GmbH & Co. KG, Kerpen		100		<sup>3</sup>
WEK Windenergie Kolkwitz GmbH & Co. KG, Kolkwitz		100	-1,184	-1,143
WIJA GmbH, Bad Neuenahr-Ahrweiler		100	481	19
Windkraft Hochheim GmbH & Co. KG, Hochheim		100	2,820	70
Windpark Büschdorf GmbH, Perl		100		<sup>3</sup>
Windpark Eekerpolder B.V., 's-Hertogenbosch/Netherlands		100		<sup>3</sup>
Windpark Eschweiler Beteiligungs GmbH, Stolberg		59	9,767	-321
Windpark Oostpolderdijk B.V., 's-Hertogenbosch/Netherlands		100		<sup>3</sup>
Windpark Paffendorf GmbH & Co. KG, Essen	100	100		<sup>3</sup>
Windpark Paffendorf Verwaltungs GmbH, Essen		100		<sup>3</sup>
Windpark Verwaltungsgesellschaft mbH, Lützen		100	31	0
Windpark Wadern-Felsenberg GmbH, Wadern		100		<sup>3</sup>
WK Solar Project Sp. z. o.o., Warsaw/Poland		100		<sup>3</sup>

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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
	Direct	Total	€'000	€'000
WKH Windkraft Hochheim Management GmbH, Halle (Saale)		100		<sup>3</sup>
2. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt Naumburg KG, Düsseldorf		<sup>9</sup>	-711	0
4Motions GmbH, Leipzig		100		<sup>3</sup>

III. Joint operations	Shareholding in %		Equity	Net income/loss
	Direct	Total	€'000	€'000
EnergieRegion Taunus - Goldener Grund - GmbH & Co. KG, Bad Camberg		49	29,913	1,767
Gas-Netzgesellschaft Kolpingstadt Kerpen GmbH & Co. KG, Kerpen		49	4,211	1,155
Gas-Netzgesellschaft Kreisstadt Bergheim GmbH & Co. KG, Bergheim		49	3,656	1,167
Greater Gabbard Offshore Winds Limited, Reading/United Kingdom		50	1,170,493	85,301
Netzgesellschaft Südwestfalen mbH & Co. KG, Netphen		49	12,264	<sup>12</sup>

IV. Affiliated companies of joint operations	Shareholding in %		Equity	Net income/loss
	Direct	Total	€'000	€'000
EnergieRegion Taunus - Goldener Grund Verwaltungsgesellschaft mbH, Bad Camberg		100	27	1
Gas-Netzgesellschaft Kolpingstadt Kerpen Verwaltungs-GmbH, Kerpen		100	31	2

V. Joint ventures accounted for using the equity method	Shareholding in %		Equity	Net income/loss
	Direct	Total	€'000	€'000
AS 3 Beteiligungs GmbH, Essen	51	51 <sup>6</sup>	38,579	1,486
AVU Aktiengesellschaft für Versorgungs-Unternehmen, Gevelsberg	50	50	99,413	14,400
BEW Netze GmbH, Wipperfurth	61	61 <sup>6</sup>	6,534	-63
Budapesti Disz- es Közvilagítási Korlátolt Felelőségu Társaság, Budapest/Hungary		50	30,358	465
C-Power N.V., Oostende/Belgium	27	27	211,124	12,431
Energie Nordeifel GmbH & Co. KG, Kall	33	33	8,374	5,427
FSO GmbH & Co. KG, Oberhausen	50	50	43,453	14,372
Galloper Wind Farm Holdco Limited, Swindon/United Kingdom		25	-144,596	8,955
Gwynt Y Môr Offshore Wind Farm Limited, Swindon/United Kingdom		50	-102	-845
Innogy Venture Capital GmbH, Dortmund	75	75 <sup>6</sup>	472	75
Konsortium Energieversorgung Opel beschränkt haftende oHG, Karlstein <sup>5</sup>	67	67 <sup>6</sup>	32,775	5,467
PRENU Projektgesellschaft für Rationelle Energienutzung in Neuss mbH, Neuss	50	50	178	-2
Rain Biomasse Wärmegesellschaft mbH, Rain		75 <sup>6</sup>	5,693	521
SHW/RWE Umwelt Aqua Vodogradnja d.o.o., Zagreb/Croatia		50	410	-26
Stadtwerke Dülmen Dienstleistungs- und Beteiligungs-GmbH & Co. KG, Dülmen	50	50	27,700	4,942
Stadtwerke Lingen GmbH, Lingen (Ems)	40	40	13,471	<sup>12</sup>

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V. Joint ventures accounted for using the equity method	Shareholding in %		Equity	Net income/loss
	Direct	Total	€'000	€'000
Stromnetz Gersthofen GmbH & Co. KG, Gersthofen		49	443	12
Stromnetz Günzburg GmbH & Co. KG, Günzburg		49	2,999	141
SVS-Versorgungsbetriebe GmbH, Stadtlohn	30	30	20,340	2,953
Zagrebacke otpadne vode d.o.o., Zagreb/Croatia		48	205,257	24,027

VI. Associates accounted for using the equity method	Shareholding in %		Equity	Net income/loss
	Direct	Total	€'000	€'000
Alfred Thiel-Gedächtnis-Unterstützungskasse GmbH, Essen	50	50	5,113	0
ATBERG - Eólicas do Alto Tãmega e Barroso, Lda., Ribeira de Pena/Portugal		40	4,283	595
Belectric Gulf Limited, Abu Dhabi/UAE		49	2,465	2,065
Dortmunder Energie- und Wasserversorgung GmbH (DEW 21), Dortmund	40	40	188,831	<sup>12</sup>
EnergieServicePlus GmbH, Düsseldorf	49	49	2,501	75
Energieversorgung Guben GmbH, Guben		45	16,895	1,241
Energieversorgung Hürth GmbH, Hürth		25	4,961	<sup>12</sup>
Energieversorgung Oberhausen AG, Oberhausen	10	10	32,345	13,699 <sup>7</sup>
ENNI Energie & Umwelt Niederrhein GmbH, Moers	20	20	32,915	<sup>12</sup>
e-regio GmbH & Co. KG, Euskirchen		43	85,218	14,006
EWR Aktiengesellschaft, Worms		<sup>7</sup>	74,307	7,914
EWR Dienstleistungen GmbH & Co. KG, Worms		<sup>7</sup>	135,649	7,941
EWR GmbH - Energie und Wasser für Remscheid, Remscheid	20	20	83,816	14,920
Freiberger Stromversorgung GmbH (FSG), Freiberg		30	10,038	1,283
Gas- und Wasserwerke Bous-Schwalbach GmbH, Bous		49	14,137	3,178
HIDROERG - Projectos Energéticos, Lda., Lisbon/Portugal		32	12,601	2,234
Innogy Renewables Technology Fund I GmbH & Co. KG, Dortmund	78	78 <sup>6</sup>	26,907	977
Kärntner Energieholding Beteiligungs GmbH, Klagenfurt/Austria		49	844,507	89,665 <sup>2</sup>
KELAG-Kärntner Elektrizitäts-AG, Klagenfurt/Austria		13 <sup>7</sup>	817,158	86,993
Kemkens B.V., Oss/Netherlands		49	35,548	9,313
KEW Kommunale Energie- und Wasserversorgung AG, Neunkirchen		29	74,764	11,550
MAINGAU Energie GmbH, Obertshausen		47	34,833	11,183
medl GmbH, Mülheim an der Ruhr	39	39	21,829	<sup>12</sup>
Nebelhornbahn-Aktiengesellschaft, Oberstdorf		27	5,361	419
Pfalzwerke Aktiengesellschaft, Ludwigshafen	27	27	244,154	51,212
Projecta 14 GmbH, Saarbrücken		50	38,315	2,090
Propan Rheingas GmbH & Co KG, Brühl		30	7,737	898
Recklinghausen Netzgesellschaft mbH & Co. KG, Recklinghausen		50	16,030	1,112
RheinEnergie AG, Cologne	20	20	886,918	154,826
Rhein-Main-Donau AG, Munich		22	110,169	0
Siegener Versorgungsbetriebe GmbH, Siegen		25	24,872	4,586
SpreeGas Gesellschaft für Gasversorgung und Energiedienstleistung mbH, Cottbus	33	33	34,516	5,944
SSW Stadtwerke St. Wendel GmbH & Co. KG, St. Wendel		50	20,215	2,223
Stadtwerke Aschersleben GmbH, Aschersleben		35	17,459	2,969

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VI. Associates accounted for using the equity method	Shareholding in %		Equity	Net income/loss
	Direct	Total	€'000	€'000
Stadtwerke Bernburg GmbH, Bernburg (Saale)		45	32,759	6,306
Stadtwerke Bitterfeld-Wolfen GmbH, Bitterfeld-Wolfen		40	20,039	1,812
Stadtwerke Duisburg Aktiengesellschaft, Duisburg	20	20	189,336	4,700
Stadtwerke Emmerich GmbH, Emmerich am Rhein	25	25	12,115	<sup>12</sup>
Stadtwerke Essen Aktiengesellschaft, Essen	29	29	128,679	27,426
Stadtwerke Geldern GmbH, Geldern	49	49	12,875	3,094
Stadtwerke GmbH Bad Kreuznach, Bad Kreuznach	25	25	39,925	<sup>12</sup>
Stadtwerke Kamp-Lintfort GmbH, Kamp-Lintfort	49	49	14,868	3,678
Stadtwerke Kirn GmbH, Kirn	49	49	2,154	268
Stadtwerke Meerane GmbH, Meerane		24	14,846	2,443
Stadtwerke Merseburg GmbH, Merseburg		40	22,092	4,108
Stadtwerke Merzig GmbH, Merzig		50	15,906	3,135
Stadtwerke Neuss Energie und Wasser GmbH, Neuss	25	25	88,344	14,761
Stadtwerke Radevormwald GmbH, Radevormwald	50	50	6,037	2,445
Stadtwerke Ratingen GmbH, Ratingen	25	25	55,812	5,465
Stadtwerke Reichenbach/Vogtland GmbH, Reichenbach im Vogtland		24	13,835	1,786
Stadtwerke Saarlouis GmbH, Saarlouis		49	37,022	4,586
Stadtwerke Velbert GmbH, Velbert	50	50	82,005	<sup>12</sup>
Stadtwerke Weißenfels GmbH, Weißenfels		24	24,825	4,981
Stadtwerke Willich GmbH, Willich	25	25	13,981	4,144
Stadtwerke Zeitz GmbH, Zeitz		24	21,379	3,645
SWTE Netz GmbH & Co. KG, Ibbenbüren	33	33	36,751	4,988
Wasser- und Energieversorgung Kreis St. Wendel GmbH, St. Wendel		28	22,960	1,867
wbm Wirtschaftsbetriebe Meerbusch GmbH, Meerbusch	40	40	23,543	4,336
Xelan SAS, Saint-Denis La Plaine/France		34	264	-159
Zagrebacke otpadne vode-upravljanje i pogon d.o.o., Zagreb/Croatia		31	2,887	3,548
Zwickauer Energieversorgung GmbH, Zwickau		27	43,360	10,466

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
	Direct	Total	€'000	€'000
Alt Han Company Limited, London/United Kingdom		21	0	0
Awotec Gebäude Servicegesellschaft mbH, Saarbrücken		48	91	-9
Bäderbetriebsgesellschaft St. Ingbert GmbH, St. Ingbert		49	86	6
Balve Netz GmbH & Co. KG, Balve		25		<sup>3</sup>
Bayerische Ray Energietechnik GmbH, Garching		49	1,251	551
Biogas Wassenberg GmbH & Co. KG, Wassenberg		32	1,248	71
Biogas Wassenberg Verwaltungs GmbH, Wassenberg		32	38	1
Breer Gebäudedienste Heidelberg GmbH, Heidelberg		45	504	224
Breitband-Infrastrukturgesellschaft Cochem-Zell mbH, Cochem	21	21	-592	45
Brüggen.E-Netz GmbH & Co. KG, Brüggen		25	3,249	556
Brüggen.E-Netz Verwaltungs-GmbH, Brüggen		25	29	2

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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
	Direct	Total	€'000	€'000
Centralny System Wymiany Informacji Sp. z o.o., Poznan/Poland		20		<sup>3</sup>
Conjoule GmbH, Essen		40		<sup>10</sup>
DES Dezentrale Energien Schmalkalden GmbH, Schmalkalden	33	33	280	28
Dii GmbH, Munich	20	20	288	-124
Discovery GmbH, Aachen		24		<sup>3</sup>
Dorsten Netz GmbH & Co. KG, Dorsten		49	5,805	833
EfD Energie-für-Dich GmbH, Potsdam	49	49	29	6
ELE-GEW Photovoltaikgesellschaft mbH, Gelsenkirchen		49	64	39
ELE-RAG Montan Immobilien Erneuerbare Energien GmbH, Bottrop		50	50	15
ELE-Scholven-Wind GmbH, Gelsenkirchen		30	667	142
EMDO S.A.S., Paris/France		30		<sup>3</sup>
Energie BOL GmbH, Ottersweier		50	35	3
Energie Mechnich GmbH & Co. KG, Mechnich		49	4,194	451
Energie Mechnich Verwaltungs-GmbH, Mechnich		49	31	2
Energie Nordeifel Beteiligungs-GmbH, Kall	33	33	26	1
Energie Schmallenberg GmbH, Schmallenberg	44	44	29	1
Energiepartner Dörth GmbH, Dörth		49	32	3
Energiepartner Elsdorf GmbH, Elsdorf		40	49	7
Energiepartner Hermeskeil GmbH, Hermeskeil		20	23	0
Energiepartner Kerpen GmbH, Kerpen		49	26	1
Energiepartner Niederzier GmbH, Niederzier		49		<sup>3</sup>
Energiepartner Projekt GmbH, Essen		49	49	23
Energiepartner Solar Kreuztal GmbH, Kreuztal		40	24	-1
Energiepartner Wesseling GmbH, Wesseling		30	27	2
Energie-Service-Saar GmbH, Völklingen		50	-1,796	-6
Energieversorgung Bad Bentheim GmbH & Co. KG, Bad Bentheim		25	2,919	566
Energieversorgung Bad Bentheim Verwaltungs-GmbH, Bad Bentheim		25	31	2
Energieversorgung Beckum GmbH & Co. KG, Beckum	34	34	5,410	3,117
Energieversorgung Beckum Verwaltungs-GmbH, Beckum	34	34	59	2
Energieversorgung Horstmar /Laer GmbH & Co. KG, Horstmar		49	2,300	308
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	1,173
Energieversorgung Niederkassel GmbH & Co. KG, Niederkassel		49	2,745	164
Energieversorgung Oelde GmbH, Oelde	25	25	8,260	2,685
Energotel, a.s., Bratislava/Slovakia		20	6,805	1,293
energy4u GmbH & Co. KG, Siegburg		49	25	0
ENERVENTIS GmbH & Co. KG, Saarbrücken		33	1,090	513
Erdgasversorgung Industriepark Leipzig Nord GmbH, Leipzig		50	436	6
Erdgasversorgung Schwalmtal GmbH & Co. KG, Viersen		50	3,109	3,654
Erdgasversorgung Schwalmtal Verwaltungs-GmbH, Viersen		50	37	1
Erneuerbare Energien Rheingau-Taunus GmbH, Bad Schwalbach		25	479	48

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	Direct	Total	€'000	€'000
eShare.one GmbH, Dortmund		25		<sup>3</sup>
Esta VOF, Ridderkerk/Netherlands		50		<sup>11</sup>
evm Windpark Höhn GmbH & Co. KG, Höhn		33	-655	-550
EWV Baesweiler GmbH & Co. KG, Baesweiler		45	2,420	1,047
EWV Baesweiler Verwaltungs GmbH, Baesweiler		45	30	1
FAMOS – Facility Management Osnabrück GmbH, Osnabrück	49	49	100	3
Fernwärmeversorgung Zwönitz GmbH (FVZ), Zwönitz		50	3,296	331
Focal Energy Photovoltaic Holdings Limited, Nicosia/Cyprus		50	1,476	-4
Foton Technik Sp. z o.o., Warsaw/Poland		50	162	32
FSO Verwaltungs-GmbH, Oberhausen	50	50	34	0
Gasgesellschaft Kerken Wachtendonk mbH, Kerken	49	49	4,405	588
Gas-Netzgesellschaft Bedburg GmbH & Co. KG, Bedburg		49		<sup>3</sup>
Gas-Netzgesellschaft Elsdorf GmbH & Co. KG, Elsdorf		49	1,301	202
Gasnetzgesellschaft Mettmann GmbH & Co. KG, Mettmann		25	1,000	0
Gas-Netzgesellschaft Rheda-Wiedenbrück GmbH & Co. KG, Rheda-Wiedenbrück		49		<sup>3</sup>
Gas-Netzgesellschaft Rheda-Wiedenbrück Verwaltungs-GmbH, Rheda-Wiedenbrück		49		<sup>3</sup>
Gasnetzgesellschaft Wörrstadt mbH & Co. KG, Säuheim		49	2,184	785
Gasnetzgesellschaft Wörrstadt Verwaltung mbH, Wörrstadt		49	32	2
Geiger Netzbau GmbH, Mindelheim		49	-159	-184
Gemeindewerke Bad Sassendorf Netze GmbH & Co. KG, Bad Sassendorf		25	2,129	302
Gemeindewerke Bad Sassendorf Netze Verwaltung GmbH, Bad Sassendorf		25	29	2
Gemeindewerke Bissendorf Netz GmbH & Co. KG, Bissendorf		49	2,786	511
Gemeindewerke Bissendorf Netz Verwaltungs-GmbH, Bissendorf		49	27	0
Gemeindewerke Everswinkel GmbH, Everswinkel	45	45	6,935	498
Gemeindewerke Namborn GmbH, Namborn		49	828	48
GfB, Gesellschaft für Baudenkmalpflege mbH, Idar-Oberstein		20	13	-64
Gichtgaskraftwerk Dillingen GmbH & Co. KG, Saarbrücken		25	30,989	4,445
GISA GmbH, Halle (Saale)		24	9,184	3,584
GkD Gesellschaft für kommunale Dienstleistungen mbH, Cologne		50	55	4
G & L Gastro-Service GmbH, Augsburg		35	29	4
GNEE Gesellschaft zur Nutzung erneuerbarer Energien mbH Freisen, Freisen		49	13	-5
GREEN GECCO Beteiligungsgesellschaft mbH & Co. KG, Troisdorf		21	52,921	2,003
GREEN GECCO Beteiligungsgesellschaft-Verwaltungs GmbH, Troisdorf		21	38	1
GREEN Gesellschaft für regionale und erneuerbare Energie mbH, Stolberg		49	677	15
Green Solar Herzogenrath GmbH, Herzogenrath		45	3,822	404
Greenergetic GmbH, Bielefeld	35	35	921	-2,361
Greenplug GmbH, Hamburg	49	49	610	-2
HaseNetz GmbH & Co. KG, Gehrde		25	2,180	356
HCL Netze GmbH & Co. KG, Herzebrock-Clarholz		25	3,254	0
Heizkraftwerk Zwickau Süd GmbH & Co. KG, Zwickau		40	1,000	352

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	Direct	Total	€'000	€'000
hmstr GmbH, Saarbrücken		25		<sup>3</sup>
Hochsauerland Netze GmbH & Co. KG, Meschede		25	5,643	1,453
Hochsauerland Netze Verwaltung GmbH, Meschede		25	27	1
H.W.B. Solar Ltd., Be'er Scheva/Israel		30		<sup>3</sup>
innogy International Middle East, Dubai/UAE		49	-1,972	0
innogyC3 GmbH, Essen	25	25		<sup>3</sup>
IWW Rheinisch-Westfälisches Institut für Wasserforschung gemeinnützige GmbH, Mülheim an der Ruhr		30	901	11
Kavernengesellschaft Staßfurt mbH, Staßfurt	50	50	886	0
KAWAG AG & Co. KG, Pleidelsheim		49	14,561	841
KAWAG Netze GmbH & Co. KG, Abstatt		49	2,328	153
KAWAG Netze Verwaltungsgesellschaft mbH, Abstatt		49	29	1
KDT Kommunale Dienste Tholey GmbH, Tholey		49	1,307	82
KEN Geschäftsführungsgesellschaft mbH, Neunkirchen		50	52	0
KEN GmbH & Co. KG, Neunkirchen		46	2,845	60
KEVAG Telekom GmbH, Koblenz		50	2,236	501
Kiwigrid GmbH, Dresden	20	20	9,302	-7,605
KlickEnergie GmbH & Co. KG, Neuss		65	-832	-664
KlickEnergie Verwaltungs-GmbH, Neuss		65	21	-1
KnGrid, Inc., Laguna Hills/USA		42		<sup>10</sup>
Kommunale Dienste Marpingen GmbH, Marpingen		49	2,672	-9
Kommunale Netzgesellschaft Steinheim a. d. Murr GmbH & Co. KG, Steinheim a. d. Murr		49	4,968	348
Kommunalwerk Rudersberg GmbH & Co. KG, Rudersberg		50	167	6
Kommunalwerk Rudersberg Verwaltungs-GmbH, Rudersberg		50	25	1
Kraftwerk Wehrden GmbH, Völklingen		33	93	63
KSP Kommunaler Service Püttlingen GmbH, Püttlingen		40	153	49
KVK Kompetenzzentrum Verteilnetze und Konzessionen GmbH, Cologne		75	135	80
Mainzer Wärme PLUS GmbH, Mainz	45	45	7,632	1,346
MeteringSüd GmbH & Co. KG, Augsburg		34	404	-21
MNG Stromnetze GmbH & Co. KG, Lüdinghausen		25	20,440	2,841
MNG Stromnetze Verwaltungs GmbH, Lüdinghausen		25	27	2
Moravske Hidroelektrane d.o.o., Belgrade/Serbia	51	51	3,700	-16
Murrhardt Netz AG & Co. KG, Murrhardt		49	2,790	229
Naturstrom Betriebsgesellschaft Oberhonnefeld mbH, Koblenz		25	159	0
Netzanbindung Tewel OHG, Cuxhaven		25	699	-12
Netzgesellschaft Bedburg Verwaltungs GmbH, Bedburg		49		<sup>3</sup>
Netzgesellschaft Betzdorf GmbH & Co. KG, Betzdorf		49		<sup>3</sup>
Netzgesellschaft Bühlertal GmbH & Co. KG, Bühlertal		50	2,288	159
Netzgesellschaft Elsdorf Verwaltungs-GmbH, Elsdorf		49	33	4
Netzgesellschaft Grimma GmbH & Co. KG, Grimma		49	7,670	507
Netzgesellschaft Hüllhorst GmbH Co. KG, Hüllhorst		49		<sup>3</sup>

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	Direct	Total	€'000	€'000
Netzgesellschaft Korb GmbH & Co. KG, Korb		50	1,416	99
Netzgesellschaft Korb Verwaltungs-GmbH, Korb		50	28	1
Netzgesellschaft Kreisstadt Bergheim Verwaltungs-GmbH, Bergheim		49	30	2
Netzgesellschaft Lauf GmbH & Co. KG, Lauf		50	759	54
Netzgesellschaft Leutenbach GmbH & Co. KG, Leutenbach		50	1,528	104
Netzgesellschaft Leutenbach Verwaltungs-GmbH, Leutenbach		50	27	1
Netzgesellschaft Maifeld GmbH & Co. KG, Polch		49	6,162	644
Netzgesellschaft Maifeld Verwaltungs GmbH, Polch		49	28	0
Netzgesellschaft Ottersweier GmbH & Co. KG, Ottersweier		50	2,033	158
Netzgesellschaft Rheda-Wiedenbrück GmbH & Co. KG, Rheda-Wiedenbrück		49	3,079	483
Netzgesellschaft Rheda-Wiedenbrück Verwaltungs-GmbH, Rheda-Wiedenbrück		49	29	2
NFPA Holdings Limited, Newcastle Upon Tyne/United Kingdom		25	2,017	273
NiersEnergieNetze GmbH & Co. KG, Kevelaer		51	6,167	507
NiersEnergieNetze Verwaltungs-GmbH, Kevelaer		51	33	2
Novenerg limited liability company for energy activities, Zagreb/Croatia		50	64	0
Offshore Trassenplanungs-GmbH OTP i.L., Hanover		50	163	0
pear.ai Inc., San Francisco/USA		40		<sup>10</sup>
Peißenberger Wärmegesellschaft mbH, Peißenberg		50	5,905	-433
prego services GmbH, Saarbrücken		50	-2,624	5,097
Propan Rheingas GmbH, Brühl		28	51	2
PV Projects GmbH & Co. KG, Koltzheim		50	377	285
PV Projects Komplementär GmbH, Koltzheim		50	24	0
Recklinghausen Netz-Verwaltungsgesellschaft mbH, Recklinghausen		49	28	1
Renergie Stadt Wittlich GmbH, Wittlich		30	27	-1
Rhegio Natur Dienstleistungen GmbH, Rhede	25	25		<sup>3</sup>
RIWA GmbH Gesellschaft für Geoinformationen, Kempten		33	1,282	369
RurEnergie GmbH, Düren		30	10,454	-138
Sandersdorf-Brehna Netz GmbH & Co. KG, Sandersdorf-Brehna		49	4,826	175
Selm Netz GmbH & Co. KG, Selm		25	4,003	778
SHS Ventures GmbH & Co. KGaA, Völklingen		50	185	-15
Sofia Offshore Wind Farm Limited, Reading/United Kingdom		25	0	0
SolarProjekt Mainaschaff GmbH, Mainaschaff		50	45	-2
SPX, s.r.o., Zilina/Slovakia		33	153	11
SSW Stadtwerke St. Wendel Geschäftsführungsgesellschaft mbH, St. Wendel		50	124	4
Stadtentwässerung Schwerte GmbH, Schwerte		48	51	0
Städtische Werke Borna GmbH, Borna		37	5,316	885
Städtisches Wasserwerk Eschweiler GmbH, Eschweiler		25	2,209	683
Stadtwerke - Strom Plauen GmbH & Co. KG, Plauen		49	5,699	1,442
Stadtwerke Ahaus GmbH, Ahaus		36	11,086	0
Stadtwerke Aue GmbH, Aue		24	12,851	1,656
Stadtwerke Dillingen/Saar GmbH, Dillingen		49	6,929	1,968

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	Direct	Total	€'000	€'000
Stadtwerke Dülmen Verwaltungs-GmbH, Dülmen	50	50	29	0
Stadtwerke Gescher GmbH, Gescher	25	25	3,307	661
Stadtwerke Geseke Netze GmbH & Co. KG, Geseke		25	3,880	837
Stadtwerke Geseke Netze Verwaltung GmbH, Geseke		25	26	1
Stadtwerke Goch Netze GmbH & Co. KG, Goch		25	2,886	319
Stadtwerke Goch Netze Verwaltungsgesellschaft mbH, Goch		25	29	2
Stadtwerke Haan GmbH, Haan	25	25	20,454	1,604
Stadtwerke Kerpen GmbH & Co. KG, Kerpen	25	25		<sup>3</sup>
Stadtwerke Kerpen Verwaltungs-GmbH (in Gründung), Kerpen	25	25		<sup>3</sup>
Stadtwerke Langenfeld GmbH, Langenfeld	20	20	8,551	500
Stadtwerke Oberkirch GmbH, Oberkirch		33	7,192	608
Stadtwerke Roßlau Fernwärme GmbH, Dessau-Roßlau		49	1,599	418
Stadtwerke Schwarzenberg GmbH, Schwarzenberg/Erzgeb.		28	14,551	1,327
Stadtwerke Siegburg GmbH & Co. KG, Siegburg		49	100	0
Stadtwerke Steinfurt GmbH, Steinfurt	33	33	10,945	250
Stadtwerke Unna GmbH, Unna		24	15,110	3,217
Stadtwerke Verl Netz GmbH & Co. KG, Verl		25		<sup>3</sup>
Stadtwerke Vlotho GmbH, Vlotho	25	25	4,880	123
Stadtwerke Wadern GmbH, Wadern		49	4,678	875
Stadtwerke Waltrop Netz GmbH & Co. KG, Waltrop		25	2,862	318
Stadtwerke Weilburg GmbH, Weilburg		20	8,177	874
Stadtwerke Werl GmbH, Werl		25	7,035	2,291
STEAG Windpark Ullersdorf GmbH & Co. KG, Jämlitz		21	17,772	22
Stromnetz Diez GmbH & Co. KG, Diez		25	1,483	100
Stromnetz Diez Verwaltungsgesellschaft mbH, Diez		25	30	1
Stromnetz Euskirchen GmbH & Co. KG, Euskirchen		25	4,100	581
Stromnetz Günzburg Verwaltungs GmbH, Günzburg		49	29	1
Stromnetz Hofheim GmbH & Co. KG, Hofheim am Taunus		49	3,455	255
Stromnetz Hofheim Verwaltungs GmbH, Hofheim am Taunus		49	27	1
Stromnetz Verbandsgemeinde Katzenelnbogen GmbH & Co. KG, Katzenelnbogen		49	2,279	178
Stromnetz Verbandsgemeinde Katzenelnbogen Verwaltungsgesellschaft mbH, Katzenelnbogen		49	27	1
Stromnetz VG Diez GmbH & Co. KG, Altdiez		49	2,401	173
STROMNETZ VG DIEZ Verwaltungsgesellschaft mbH, Altdiez		49	29	1
Strom-Netzgesellschaft Bedburg GmbH & Co. KG, Bedburg		49		<sup>3</sup>
Stromnetzgesellschaft Bramsche mbH & Co. KG, Bramsche		25		<sup>3</sup>
Strom-Netzgesellschaft Elsdorf GmbH & Co. KG, Elsdorf		49	3,612	419
Stromnetzgesellschaft Gescher GmbH & Co. KG, Gescher		25	3,305	305
Strom-Netzgesellschaft Kolpingstadt Kerpen GmbH & Co. KG, Kerpen		49	4,717	607
Strom-Netzgesellschaft Kreisstadt Bergheim GmbH & Co. KG, Bergheim		49		<sup>3</sup>
Stromnetzgesellschaft Mettmann mbH & Co. KG, Mettmann		25		<sup>3</sup>

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Stromnetzgesellschaft Neuenhaus mbH & Co. KG, Neuenhaus		49	3,358	343
Stromnetzgesellschaft Neuenhaus Verwaltungs-GmbH, Neuenhaus		49	25	1
Stromnetzgesellschaft Neunkirchen-Seelscheid mbH & Co. KG, Neunkirchen-Seelscheid		49	2,626	314
Stromnetzgesellschaft Schwalmatal mbH & Co. KG, Schwalmatal		51	3,566	571
Stromverwaltung Schwalmatal GmbH, Schwalmatal		51	30	2
Südwestfalen Netz-Verwaltungsgesellschaft mbH, Netphen		49	26	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	1,299	499
SWTE Netz Verwaltungsgesellschaft mbH, Ibbenbüren	33	33	26	2
Technische Werke Naumburg GmbH, Naumburg (Saale)		47	10,625	650
TEPLO Votice s.r.o., Votice/Czech Republic		20	103	0
TNA Talsperren- und Grundwasser-Aufbereitungs- und Vertriebsgesellschaft mbH, Saarbrücken		23	1,067	98
Toledo PV A.E.I.E., Madrid/Spain		33	1,926	587
TRANSELEKTRO, s.r.o., Kosice/Slovakia		26	627	-51
TWE Technische Werke der Gemeinde Ens Dorf GmbH, Ens Dorf		49	2,119	168
TWL Technische Werke der Gemeinde Losheim GmbH, Losheim		50	7,218	1,585
TWM Technische Werke der Gemeinde Merchweiler GmbH, Merchweiler		49	2,084	83
TWN Trinkwasserverbund Niederrhein GmbH, Grevenbroich		33	143	-5
TWRS Technische Werke der Gemeinde Rehlingen-Siersburg GmbH, Rehlingen		35	4,686	161
Umspannwerk Putlitz GmbH & Co. KG, Frankfurt am Main		25	0	-197
Untere Iller Aktiengesellschaft, Landshut		40	1,134	41
Untermain EnergieProjekt AG & Co. KG, Kelsterbach		49	1,992	100
Untermain Erneuerbare Energien Verwaltungs-GmbH, Raunheim		25	33	2
Untermain Erneuerbare Energien GmbH & Co. KG, Raunheim		25	8	-14
Veiligebuurt B.V., Enschede/Netherlands		45		<sup>10</sup>
VEM Neue Energie Muldentale GmbH & Co. KG, Markkleeberg		50	58	-8
Verteilnetze Energie Weißenhorn GmbH & Co. KG, Weißenhorn		35	906	310
Verwaltungsgesellschaft Dorsten Netz mbH, Dorsten		49	29	2
Verwaltungsgesellschaft Energie Weißenhorn GmbH, Weißenhorn		35	26	1
Verwaltungsgesellschaft GWK Dillingen mbH, Saarbrücken		25	181	7
Voltaris GmbH, Mäxdorf		50	2,431	1,648
Wadersloh Netz GmbH & Co. KG, Wadersloh		25		<sup>3</sup>
Wadersloh Netz Verwaltungs GmbH, Wadersloh		25		<sup>3</sup>
Wärmeversorgung Limburg GmbH, Limburg an der Lahn		50	455	-1
Wärmeversorgung Mücheln GmbH, Mücheln		49	894	74
Wärmeversorgung Wachau GmbH, Markkleeberg OT Wachau		49	89	-2
Wärmeversorgung Würselen GmbH, Würselen		49	1,524	75
Wasserverbund Niederrhein Gesellschaft mit beschränkter Haftung, Krefeld		38	11,188	633
Wasserversorgung Main-Taunus GmbH, Frankfurt am Main		49	136	2

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10 Not material.

11 Financial statements not available.

12 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
	Direct	Total	€'000	€'000
Wasserzweckverband der Gemeinde Nalbach, Nalbach		49	1,758	23
WeAre GmbH, Essen		50		<sup>10</sup>
WEV Warendorfer Energieversorgung GmbH, Warendorf	25	25	12,243	1,963
Windenergie Briesensee GmbH, Neu Zauche		31	1,248	-89
Windenergie Frehne GmbH & Co. KG, Marienfließ		41	5,796	32
Windenergie Merzig GmbH, Merzig		20	3,837	522
Windenergiepark Heidenrod GmbH, Heidenrod		45	12,798	927
Windkraft Jerichow – Mangelsdorf I GmbH & Co. KG, Burg		25	4,167	579
Windpark Losheim-Britten GmbH, Losheim		50	1,972	-19
Windpark Nohfelden-Eisen GmbH, Nohfelden		50	3,448	-20
Windpark Oberthal GmbH, Oberthal		35	4,659	136
Windpark Perl GmbH, Perl		42	7,985	256
WINDTEST Grevenbroich GmbH, Grevenbroich	38	38	1,175	276
WLN Wasserlabor Niederrhein GmbH, Mönchengladbach		45	523	23
WVG-Warsteiner Verbundgesellschaft mbH, Warstein	25	25	3,600	0
WVL Wasserversorgung Losheim GmbH, Losheim		50	5,193	449
WWS Wasserwerk Saarwellingen GmbH, Saarwellingen		49	3,628	228
WWW Wasserwerk Wadern GmbH, Wadern		49	3,704	298

VIII. Other investments	Shareholding in %		Equity	Net income/loss
	Direct	Total	€'000	€'000
Abel & Co., Tilburg/Netherlands		1		<sup>3</sup>
Adom Intelligent Transport Ltd., Tel Aviv-Jaffa/Israel		19		<sup>10</sup>
aiPod Inc, Pasadena/USA		6		<sup>10</sup>
BeeRides Kft., Székesfehérvár/Hungary		18		<sup>10</sup>
BEW Bergische Energie- und Wasser-GmbH, Wipperfürth		19	30,814	6,467
BFG-Bernburger Freizeit GmbH, Bernburg (Saale)		1	9,996	-1,379
BIDGELY Inc., Sunnysvale/USA		7	9,240	-5,079
BigchainDB GmbH, Berlin		2		<sup>10</sup>
Bürgerenergie Untermain eG, Kelsterbach		4	93	33
DCUSA Ltd, London/United Kingdom		10	0	0
Deutsches Forschungszentrum für Künstliche Intelligenz GmbH, Kaiserslautern		4	16,899	1,426
Die BürgerEnergie eG, Dortmund		0	1,797	111
Doozer Real Estate Systems GmbH, Berlin		12		<sup>10</sup>
eins energie in sachsen GmbH & Co. KG, Chemnitz		9	464,069	79,267
eluminocity GmbH, Munich	18	18		<sup>3</sup>
Energías Renovables de Ávila, S.A., Madrid/Spain		17	595	0
Energie Rur-Erft GmbH & Co. KG, Essen		0	1,120	1,095
Energie Rur-Erft Verwaltungs-GmbH, Essen		0	29	1
Energieagentur Region Trier GmbH, Trier	14	14	25	8

1 Profit and loss-pooling agreement.

2 Figures from the Group's consolidated financial statements.

3 New, 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 Significant influence via virtue of company contract.

9 Structured entity pursuant to IFRS 10 and 12.

10 Not material.

11 Financial statements not available.

12 Profit and loss-pooling agreement with non-Group entity.



VIII. Other investments	Shareholding in %		Equity	Net income/loss
	Direct	Total	€'000	€'000
Energiegenossenschaft Chemnitz-Zwickau eG, Chemnitz		7	614	24
Energiehandel Saar GmbH & Co. KG, Neunkirchen		1	396	-5
Energiehandel Saar Verwaltungs-GmbH, Neunkirchen		2	25	0
Energieversorgung Limburg GmbH, Limburg an der Lahn		10	28,038	4,958
Entwicklungsgesellschaft Neu-Oberhausen mbH-ENO, Oberhausen		2	657	-945
ESV-ED GmbH & Co. KG, Buchloe		4	370	65
Focal Energy Solar Three Ltd., Nicosia/Cyprus		8	5,430	-4
GasLINE Telekommunikationsnetz-Geschäftsführungsgesellschaft deutscher Gasversorgungsunternehmen mbH, Straelen	10	10	65	2
GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. KG, Straelen	10	10	77,213	36,213
Gemeinschafts-Lehrwerkstatt Arnsberg GmbH, Arnsberg	8	8	1,465	52
Gemserv Limited, London/United Kingdom		14	8,203	1,812
Gesellschaft für Wirtschaftsförderung Duisburg mbH, Duisburg	1	1	721	25
Globus Steel & Power Pvt. Limited, New Delhi/India		18	-435	-378
Gründerfonds Ruhr GmbH & Co. KG, Essen		2		<sup>10</sup>
Heliatek GmbH, Dresden		13	8,414	-7,701
High-Tech Gründerfonds II GmbH & Co. KG, Bonn	1	1	77,263	0
Hubject GmbH, Berlin	13	13	551	-1,900
Intertrust Technologies Corporation, Sunnyvale/USA		12	70,580	-17,640
iTy Labs Corp., Dover/USA		19		<sup>10</sup>
IZES gGmbH, Saarbrücken		8	480	-144
KEV Energie GmbH, Kall	2	2	457	0
Kreis-Energie-Versorgung Schleiden GmbH, Kall	2	2	16,098	1,906
LEW Bürgerenergie e.G., Augsburg		0	1,744	20
LIBRYO LTD, London/United Kingdom		8		<sup>10</sup>
Moj.io Inc., Vancouver/Canada		2		<sup>10</sup>
Move24 Group GmbH, Berlin		10	7,964	-1,628
MRA Service Company Limited, London/United Kingdom		11	0	0
Neckar-Aktiengesellschaft, Stuttgart		12	10,179	0
Neue Energie Ostelbien eG, Arzberg		29	4	1
Neustromland GmbH & Co. KG, Saarbrücken		5	2,757	128
Nordsee One GmbH, Hamburg		15	38,263	-8,172
Nordsee Three GmbH, Hamburg		15	122	-22
Nordsee Two GmbH, Hamburg		15	122	-23
Ökostrom Saar Geschäftsführungsgesellschaft mbH & Co. Biogas Losheim KG, Merzig		10	0	190
Parque Eólico Cassiopea, S.L., Oviedo/Spain		10	-21	-74
Parque Eólico Escorpio, S.A., Oviedo/Spain		10	481	-18
Parque Eólico Leo, S.L., Oviedo/Spain		10	126	0
Parque Eólico Sagitario, S.L., Oviedo/Spain		10	-29	-153
People Power Company, Redwood City/USA		12	837	-2,275
pro regionale energie eG, Diez		2	1,392	39

1 Profit and loss-pooling agreement.

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8 Significant influence via virtue of company contract.

9 Structured entity pursuant to IFRS 10 and 12.

10 Not material.

11 Financial statements not available.

12 Profit and loss-pooling agreement with non-Group entity.

VIII. Other investments	Shareholding in %		Equity	Net income/loss
	Direct	Total	€'000	€'000
Promocion y Gestion Cáncer, S.L., Oviedo/Spain		10	-29	0
PSI AG für Produkte und Systeme der Informationstechnologie, Berlin	18	18	83,251	3,130
Royal Armouries (International) plc, Leeds/United Kingdom		2	7,937	1,916
Rydies GmbH, Hanover		15		<sup>10</sup>
ScanTrust SA, Lausanne/Switzerland		7		<sup>10</sup>
Sdružení k vytvoření a využívání digitální technické mapy města Pardubic, Pardubice/Czech Republic		12	1	0
SE SAUBER ENERGIE GmbH & Co. KG, Cologne		17	1,590	264
SE SAUBER ENERGIE Verwaltungs-GmbH, Cologne		17	134	7
Smart Energy Code Company Limited, London/United Kingdom		7	0	0
Solarpark Freisen "Auf der Schwann" GmbH, Freisen		15	367	56
Solarpark St. Wendel GmbH, St. Wendel		15	1,126	94
SolarRegion RengsdorferLAND eG, Rengsdorf		2	314	8
Sole-Thermalbad Rilchingen GmbH & Co. KG, Kleinblittersdorf		1		<sup>3</sup>
SPAA Ltd, London/United Kingdom		10	15	0
St. Clements Services Limited, London/United Kingdom		12	1,859	-92
Stadtmarketing-Gesellschaft Gelsenkirchen mbH, Gelsenkirchen		2	84	34
Stadtwerke Delitzsch GmbH, Delitzsch		18	15,595	2,884
Stadtwerke Detmold GmbH, Detmold	12	12	31,495	0
Stadtwerke ETO GmbH & Co. KG, Telgte	3	3	33,567	6,085
Stadtwerke Porta Westfalica GmbH, Porta Westfalica	12	12	16,208	569
Stadtwerke Sulzbach GmbH, Sulzbach		15	11,431	1,786
Stadtwerke Tecklenburger Land Energie GmbH, Ibbenbüren	15	15	0	-982
Stadtwerke Tecklenburger Land GmbH & Co. KG, Ibbenbüren	1	1	799	668
Stadtwerke Völklingen Netz GmbH, Völklingen		18	16,387	1,998
Stadtwerke Völklingen Vertrieb GmbH, Völklingen		18	7,301	3,289
Store-X storage capacity exchange GmbH, Leipzig		12	262	-38 <sup>2</sup>
SWT Stadtwerke Trier Versorgungs-GmbH, Trier	19	19	54,663	0
SWTE Verwaltungsgesellschaft mbH, Ibbenbüren	1	1	26	2
TechSee Augmented Vision Ltd., Herzliya/Israel		10		<sup>10</sup>
Telecom Plus plc, London/United Kingdom		1	223,483	36,283 <sup>2</sup>
TGZ Halle TECHNOLOGIE- UND GRÜNDERZENTRUM HALLE GmbH, Halle (Saale)		15	14,544	46
T-REX Group Inc., New York City/USA		7		<sup>10</sup>
Trianel Erneuerbare Energien GmbH & Co. KG, Aachen		2	64,750	-1,112
Trianel GmbH, Aachen		3	83,938	-4,133
Umspannwerk Lübz GbR, Lübz		18	49	17
Union Group, a.s., Ostrava/Czech Republic		2	90,068	0
WASSERWERKE PADERBORN GmbH, Paderborn		10	24,105	0
Westly Capital Partners Fund III, L.P., Dover/USA		6	1,149	-272
WiN Emscher-Lippe Gesellschaft zur Strukturverbesserung mbH, Herten	1	2	154	-280
Windenergie Schermbeck-Rüste GmbH & Co. KG, Schermbeck		14	474	0
Windenergie Schermbeck-Rüste Verwaltungsgesellschaft mbH, Schermbeck		14	27	3

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8 Significant influence via virtue of company contract.

9 Structured entity pursuant to IFRS 10 and 12.

10 Not material.

11 Financial statements not available.

12 Profit and loss-pooling agreement with non-Group entity.

VIII. Other investments	Shareholding in %		Equity	Net income/loss
	Direct	Total	€'000	€'000
Windpark Jüchen GmbH & Co. KG, Essen		15	2,253	143
Windpark Mengerskirchen GmbH, Mengerskirchen		15	3,013	297
Windpark Saar GmbH & Co. Repower KG, Freisen		10	9,165	410
Windpark Saar 2016 GmbH & Co. KG, Freisen		15	4,091	-189
xtechholding GmbH, Berlin		10		10

Changes in shareholding without change of control	Shareholding 31 Dec 2017 in %	Shareholding 31 Dec 2016 in %	Change
<b>Affiliated companies which are included in the consolidated financial statements</b>			
Artelis S.A., Luxembourg/Luxembourg	90	53	37
NEW Smart City GmbH, Mönchengladbach	100	97	3
VSE Aktiengesellschaft, Saarbrücken	51	50	1
<b>Associates accounted for using the equity method</b>			
medl GmbH, Mülheim an der Ruhr	39	49	-10

Changes in shareholding with change of control	Shareholding 31 Dec 2017 in %	Shareholding 31 Dec 2016 in %	Change
<b>Additions to affiliated companies which are included in the consolidated financial statements</b>			
Belectric France S.à.r.l., Vendres/France	100		100
Belectric GmbH, Kolitzheim	100		100
Belectric Israel Ltd., Be'er Scheva/Israel	100		100
Belectric Italia S.R.L., Latina/Italy	100		100
Belectric Photovoltaic India Private Limited, Mumbai/India	100		100
Belectric PV Dach GmbH, Kolitzheim	100		100
Belectric Solar & Battery GmbH, Kolitzheim	100		100
Belectric Solar Ltd., Iver/United Kingdom	100		100
Dromadda Beg Wind Farm Limited, Tralee/Ireland	100		100
Essent EnergieBewust Holding B.V., 's-Hertogenbosch/Netherlands	100		100
hoch.rein Beteiligungen GmbH, Kolitzheim	100		100
Hof Promotion B.V., Eindhoven/Netherlands	100		100
innogy Beteiligungsholding GmbH, Essen	100		100
innogy Company Building GmbH, Berlin	100		100
innogy Evendorf Windparkbetriebsgesellschaft mbH, Hanover	100		100
Isoprofs B.V., Meijel/Netherlands	100		100
It's a beautiful world B.V., Amersfoort/Netherlands	100		100
Jurchen Technology GmbH, Helmstadt	100		100
Jurchen Technology India Private Limited, Mumbai/India	100		100
ka-tek GmbH, Kolitzheim	100		100
Koprivnica Opskrba d.o.o., Koprivnica/Croatia	75		75

1 Profit and loss-pooling agreement.

2 Figures from the Group's consolidated financial statements.

3 New, financial statements not yet available.

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8 Significant influence via virtue of company contract.

9 Structured entity pursuant to IFRS 10 and 12.

10 Not material.

11 Financial statements not available.

12 Profit and loss-pooling agreement with non-Group entity.

<b>Changes in shareholding with change of control</b>	Shareholding 31 Dec 2017 in %	Shareholding 31 Dec 2016 in %	Change
Koprivnica Plin d.o.o., Koprivnica/Croatia	75		75
Padcon GmbH, Kitzingen	100		100
Solar Holding Poland GmbH, Kollitzheim	100		100
Volta Solar VOF, Heerlen/Netherlands	60		60
<b>Transfer of joint ventures accounted for using the equity method to affiliated companies which are included in the consolidated financial statements</b>			
Triton Knoll Offshore Wind Farm Limited, Swindon/United Kingdom	100	50	50
<b>Disposals of affiliated companies which are included in the consolidated financial statements</b>			
Essent Personeel Service B.V., Arnhem/Netherlands		100	-100
Stadtwärme Kamp-Lintfort GmbH, Kamp-Lintfort		100	-100
<b>Additions of associates accounted for using the equity method</b>			
Belectric Gulf Limited, Abu Dhabi/UAE	49		49
Xelan SAS, Saint-Denis La Plaine/France	34		34
<b>Transfer of affiliated companies which are included in the consolidated financial statements to associates accounted for using the equity method</b>			
Stadtwerke Kamp-Lintfort GmbH, Kamp-Lintfort	49	51	-2
<b>Transfer of affiliated companies which are not included in the consolidated financial statements to joint ventures which are accounted for using the equity method</b>			
Stromnetz Gersthofen GmbH & Co. KG, Gersthofen	49	100	-51

## 3.8 Boards (part of the notes)

As of 26 February 2018

### 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
- ◇ Deutsche Börse AG (until 16 May 2018)
- ◇ Fuchs Petrolub SE
- ◇ Hannover Rück SE (Group mandate of Talanx AG)
- ◇ HDI V.a.G.
- ◇ RWE AG
- ◇ SAP SE
- ◇ Talanx AG

#### Dr. Werner Brandt<sup>2</sup>

Bad Homburg

Chairman of the Supervisory Board of RWE AG and of ProSiebenSat.1 Media SE

Year of birth: 1954

Member and Chairman until 31 December 2017

- ◇ ProSiebenSat.1 Media SE (Chair)
- ◇ RWE AG (Chair)

#### Frank Bsirske<sup>1</sup>

Berlin

Deputy Chairman

Chairman of ver.di Vereinte Dienstleistungsgewerkschaft

Year of birth: 1952

Member since 1 July 2016

- ◇ Deutsche Bank AG
- ◇ Deutsche Postbank AG
- ◇ RWE AG

- KfW Bankengruppe

#### Reiner Böhle<sup>1,2</sup>

Witten

Exempt works council member

Year of birth: 1960

Member since 31 December 2017

- ◇ RWE AG

#### 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 (Chair)

- Grillo Zinkoxid GmbH

- RHEINZINK GmbH & Co. KG

- Zinacor S.A.

#### Arno Hahn<sup>1,2</sup>

Waldalgesheim

Chairman of the Group Works Council of RWE AG

Chairman of the General Works Council of innogy SE

Year of birth: 1962

Member since 31 May 2017

#### 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

◇ 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.

### **Martina Koederitz**

Stuttgart  
Global Industry Managing Director,  
Industrial 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)

### **Monika Krebber<sup>1</sup>**

Mülheim an der Ruhr  
Deputy Chairwoman of the General Works Council of innogy SE  
Deputy Chairwoman of the Group Works Council of RWE AG  
Year of birth: 1962  
Member since 9 June 2017

- ◇ RWE AG

### **Hans Peter Lafos<sup>1,2</sup>**

Bergheim  
Former Regional District Sector Head, Utilities and Disposal  
(Sector 2), ver.di Vereinte Dienstleistungsgewerkschaft,  
District of NRW  
Year of birth: 1954  
Member since 31 December 2017

- ◇ RWE Generation SE

### **Robert Leyland<sup>1</sup>**

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

### **Meike Neuhaus<sup>1</sup>**

Dortmund  
Head of PR, Sponsoring and Event Management 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

- World Airport Partners Management GmbH

### **René Pöhls<sup>1</sup>**

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<sup>1</sup>**

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 Works Council of RWE AG  
Member of the SE Works Council of innogy SE  
Year of birth: 1977  
Member since 1 September 2016

◇ Member of other mandatory supervisory boards.

- Member of comparable domestic and foreign supervisory boards of commercial enterprises.

<sup>1</sup> Employee representative.

<sup>2</sup> Information valid as of the date of retirement.

### Gabriele Sassenberg<sup>1</sup>

Bottrop

Chairwoman of the Essen Works Council of innogy SE,  
Renewables division

Deputy Chairwoman of the Regional Works Council Essen  
of innogy SE

Year of birth: 1961

Member since 1 September 2016

### 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
- AVG Abfallentsorgungs- und Verwertungsgesellschaft Köln mbH
- BELKAW GmbH
- Energieversorgung Leverkusen GmbH & Co. KG
- Gasversorgungsgesellschaft mbH Rhein-Erft
- modernes köln, Gesellschaft für Stadtentwicklung mbH
- moderne stadt, Gesellschaft zur Förderung des Städtebaus und der Gemeindeentwicklung mbH (Chairman)
- Stadtwerke Lohmar GmbH & Co. KG
- Stadtwerke Troisdorf GmbH
- Stromnetz Bornheim GmbH & Co. KG

### Markus Sterzl<sup>1</sup>

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<sup>1</sup>

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<sup>1</sup>

Goch

Chairman of the Group Works Council of innogy SE

Chairman of the General Works Council of Westnetz GmbH

Year of birth: 1959

Member since 1 January 2018

- ◇ Westnetz GmbH

### Deborah B. Wilkens

London, UK

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.

## Supervisory Board Committees

### Executive Committee of the Supervisory Board

Dr. Erhard Schipporeit (Chairman)	since 1 January 2018
Dr. Werner Brandt (Chairman)	until 31 December 2017
Frank Bsirske	
Ulrich Grillo	
Dr. Markus Krebber	
Hans Peter Lafos	until 31 December 2017
Robert Leyland	
Dr. Rolf Pohlig	
Pascal van Rijsewijk	
Markus Sterzl	since 1 January 2018

### Personnel Affairs Committee

Dr. Erhard Schipporeit (Chairman)	since 1 January 2018
Dr. Werner Brandt (Chairman)	until 31 December 2017
Reiner Böhle	until 31 December 2017
Frank Bsirske	
Michael Kleinemeier	
Monika Krebber	since 1 January 2018
René Pöhls	
Marc Tüngler	

### Audit Committee

Dr. Rolf Pohlig (Chairman)	
Arno Hahn	until 24 April 2017
Dr. Markus Krebber	
René Pöhls	
Gabriele Sassenberg	
Pascal van Rijsewijk	since 24 April 2017
Deborah B. Wilkens	

### Nomination Committee

Dr. Erhard Schipporeit (Chairman)	since 1 January 2018
Dr. Werner Brandt (Chairman)	until 31 December 2017
Ulrich Grillo	
Dr. Rolf Pohlig	

### Strategy Committee

Dr. Erhard Schipporeit (Chairman)	since 1 January 2018
Dr. Werner Brandt (Chairman)	until 31 December 2017
Frank Bsirske	
Arno Hahn	until 31 May 2017
Martina Koederitz	
Monika Krebber	since 19 June 2017
Dr. Dieter Steinkamp	
Šárka Vojtková	



## Executive Board

**Uwe Tigges** (Chief Executive Officer, Chief HR Officer and Labour Director)

Chairman of the Executive Board of innogy SE since 19 December 2017

Member of the Executive Board of innogy SE since 1 April 2016,

appointed until 31 March 2021

◆ RWE Pensionsfonds AG (Chairman)

- VfL Bochum 1848 Fußballgemeinschaft e. V.

**Peter Terium** (Chief Executive Officer)

Chairman and member of the Executive Board of innogy SE until 19 December 2017

**Dr. Hans Bünting** (Chief Operating Officer Renewables)

Member of the Executive Board of innogy SE

since 1 April 2016,

appointed until 31 March 2019

◆ Rheinkraftwerk Albrück-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

**Martin Herrmann** (Chief Operating Officer Retail)

Member of the Executive Board of innogy SE

since 1 April 2016,

appointed until 31 March 2019

◆ envia Mitteldeutsche Energie AG

- Essent N.V. (Chairman since June 2017)

**Hildegard Müller** (Chief Operating Officer

Grid & Infrastructure)

Member of the Executive Board of innogy SE

since 1 May 2016,

appointed until 30 April 2019

◆ 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 statement of financial position as at 31 December 2017, and the statement of profit or loss, statement of comprehensive income, statement of cash flows and statement of changes in equity for the financial year from 1 January to 31 December 2017, 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 1 January to 31 December 2017. 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 accordance with the German legal requirements.

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 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, 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") and 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 from 1 January to 31 December 2017. 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:

- ① Recoverability of goodwill
- ② Recognition and measurement of pension provisions
- ③ Recognition and measurement of tax items

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:

#### ① Recoverability of goodwill

- ① In the consolidated financial statements of innogy SE, goodwill amounting to EUR 10.2 billion (21.8% 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 EUR 479 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 Group's 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".

## ② 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 EUR 14.7 billion, plan assets of EUR 11.7 billion and a reported surplus of plan assets over benefit obligations of EUR 0.1 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 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".

## ③ Recognition and measurement of tax items

- ① In the consolidated financial statements of innogy SE, taxes on income decreased income before tax by 30.3%. A material portion of this net figure for tax income and

expenses results from the recognition of deferred taxes on temporary differences in the statement of financial position that will not be realized until future financial years. Furthermore, the "Deferred taxes" balance sheet line item includes under "Non-current assets" recognized claims for tax reductions amounting to EUR 331 million, resulting from loss carryforwards that based on the Company's executive director's estimates can be utilized in the future. The measurements underlying the tax items recognized are based, to the extent that insufficient deferred tax liabilities are available, on the expected future taxable earnings, which are primarily derived on the basis of the medium-term business plans prepared by the executive directors. The result of these measurements depends to a large extent on the executive directors' estimation of future financial performance, and is therefore subject to material uncertainties. Against this background, the recognition and measurement of tax items overall was of particular significance in the context of our audit.

- ② As part of our audit, we evaluated the methodology used for the determination, accounting treatment and measurement of deferred taxes and for the impairment testing of the tax items recognized, among other things. We also assessed whether the planning projections underlying the measurements constitute an appropriate basis for the measurements. In addition, we evaluated whether the items were properly accounted for either through profit or loss in the income statement or in equity in the statement of comprehensive income, in accordance with the respective underlying transaction. Based on our audit procedures, we were able to satisfy ourselves that the methods applied and measurement assumptions made by the executive directors for the purpose of calculating and recognizing tax items, including the impairment testing of the deferred tax items, are justified and sufficiently documented.
- ③ The Company's disclosures relating to income taxes are contained in the notes to the consolidated financial statements in the section "Notes to the Balance Sheet" in note "(9) Taxes on income" and in note "(16) Deferred taxes".

## 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## 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 state-

ments 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 24 April 2017. We were engaged by the supervisory board on 24 April 2017. 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, 26 February 2018

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Michael Reuther  
Wirtschaftsprüfer  
(German Public Auditor)

Ralph Welter  
Wirtschaftsprüfer  
(German Public Auditor)



# Information on the auditor

The consolidated financial statements of innogy SE and its subsidiaries for the 2017 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 is Mr. Ralph Welter. Mr. Welter has performed this function in two previous audits.

# Five-year overview

innogy Group <sup>1</sup>		2017	2016	2015	2014	2013
External revenue	€ million	43,139	43,611	45,568	45,681	48,589
<b>Income</b>						
Adjusted EBITDA	€ million	4,331	4,203	4,521	4,297	4,194
Adjusted EBIT	€ million	2,816	2,735	3,050	2,859	2,844
Income before tax	€ million	1,648	2,201	2,798	2,221	1,445
Net income/income attributable to innogy SE shareholders	€ million	778	1,513	1,613	1,467	664
Rebased earnings per share <sup>2</sup>	€	1.40	2.72	-	-	-
Adjusted net income	€ million	1,224	1,123	-	-	-
Adjusted net income per share <sup>2</sup>	€	2.20	2.02	-	-	-
<b>Cash flow/capital expenditure</b>						
Cash flows from operating activities	€ million	2,654	2,674	2,755	2,977	3,658
Free cash flow <sup>3</sup>	€ million	797	1,041	730	918	1,361
Capital expenditure including acquisitions	€ million	2,166	2,123	2,188	2,233	2,426
Property, plant and equipment and intangible assets	€ million	1,839	1,833	2,024	2,060	2,302
<b>Asset/capital structure</b>						
Non-current assets	€ million	36,502	36,239	38,235	35,649	34,427
Current assets	€ million	10,312	10,651	19,737	20,855	20,386
Balance sheet equity	€ million	11,252	10,667	18,460	18,398	16,989
Non-current liabilities	€ million	22,913	24,442	23,700	21,314	22,259
Current liabilities	€ million	12,649	11,781	15,812	16,792	15,565
Balance sheet total	€ million	46,814	46,890	57,972	56,504	54,813
Equity ratio	%	24.0	22.7	31.8	32.6	31.0
Net financial debt	€ million	12,292	11,555	2,880	-	-
Net debt	€ million	15,637	15,748	6,673	-	-
Leverage factor		3.6	3.7	-	-	-
Workforce as of year-end <sup>4</sup>		42,393	40,636	40,160	-	-
<b>Research &amp; development</b>						
Operating R&D costs	€ million	169	149	83	88	110
R&D employees as of year-end <sup>4</sup>		360	260	213	236	259
<b>Dividend/dividend payment</b>						
Dividend payment	€ million	888.9 <sup>5</sup>	888.9	-	-	-
Dividend per share	€	1.60 <sup>6</sup>	1.60	-	-	-
<b>Capital market indicators</b>						
Market capitalisation as of year-end	€ billion	18.2	18.3	-	-	-
<b>Credit rating as of year-end</b>						
Fitch						
Long-term debt		BBB+	BBB+	-	-	-
Outlook		Stable	Stable	-	-	-
Standard & Poor's						
Long-term debt		BBB	BBB-	-	-	-
Outlook		Stable	Positive	-	-	-
Moody's						
Long-term debt		Baa2	-	-	-	-
Outlook		Negative	-	-	-	-

1 Key figures for 2013 to 2015 are of limited informational value.

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

3 Free cash flow for 2013 to 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 2017 fiscal year, subject to the passing of a resolution by the 24 April 2018 Annual General Meeting.

6 Dividend proposal for innogy SE's 2017 fiscal year, subject to the passing of a resolution by the 24 April 2018 Annual General Meeting.

# 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.

# Imprint

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## **Translation:**

Olu Taylor Translation & Interpretation Services, Geretsried

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innogy is a member of DIRK – the German Investor Relations Association.

# Financial calendar

**13 Mar 2019**

Annual report  
for fiscal 2018

**24 Apr 2018**

Annual General Meeting

**30 Apr 2019**

Annual General Meeting

**27 Apr 2018**

Dividend payment

**6 May 2019**

Dividend payment

**14 May 2018**

Interim statement for  
January to March 2018

**14 May 2019**

Interim statement for  
January to March 2019

**10 Aug 2018**

Half-year report 2018

**9 Aug 2019**

Half-year report 2019

**13 Nov 2018**

Interim statement for  
January to September 2018

**12 Nov 2019**

Interim report for  
January to September 2019

