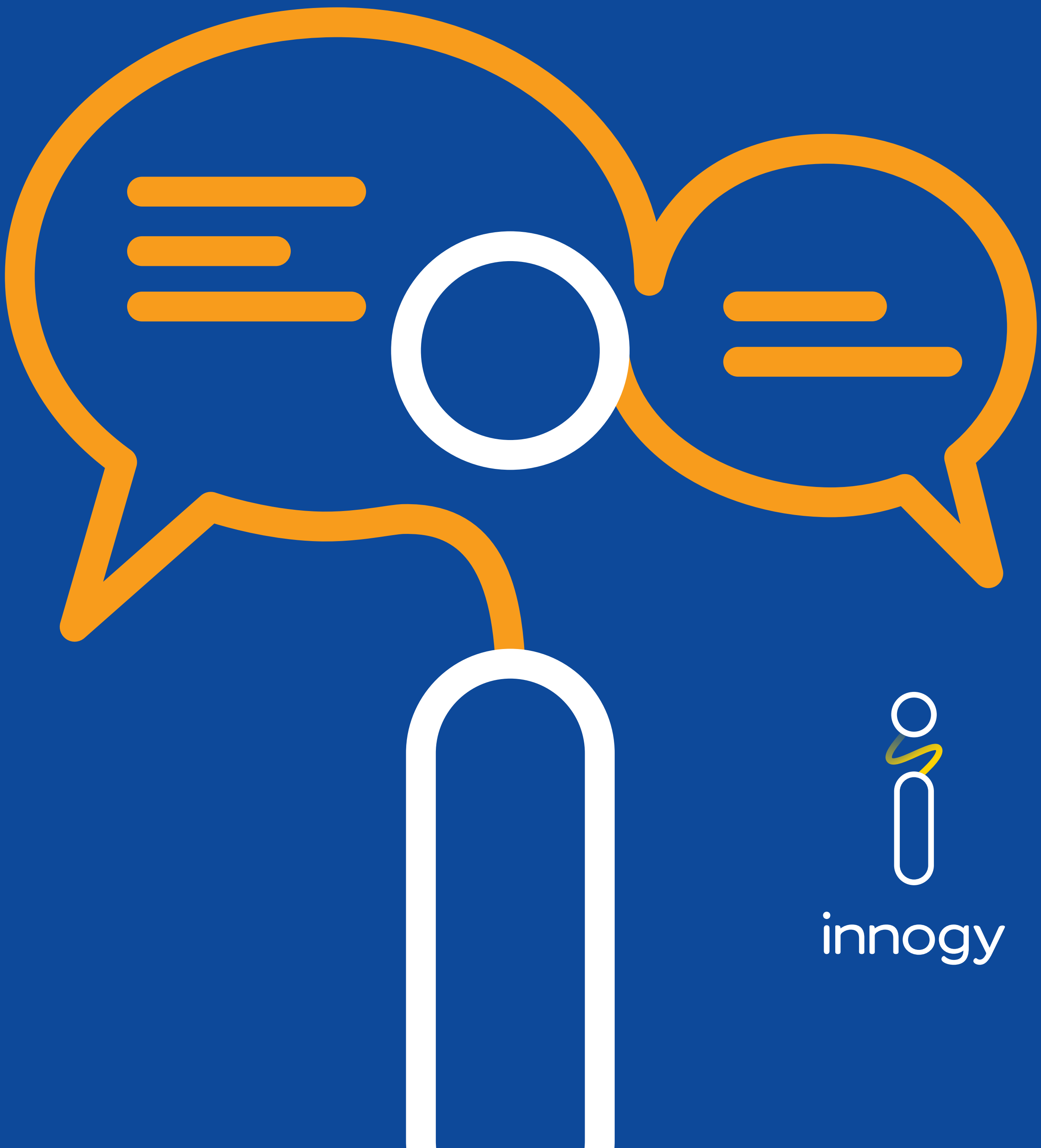
Half year report
2017

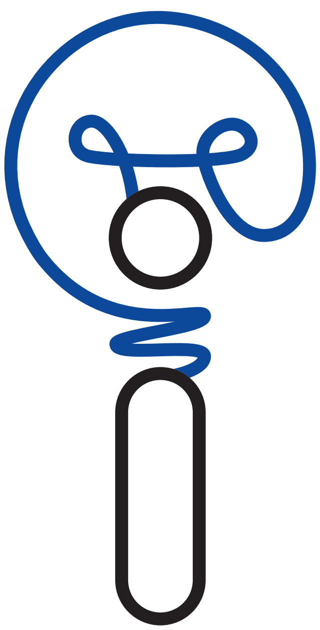


innogy

At a glance

innogy Group		Jan–Jun 2017	Jan–Jun 2016	+/– %	Jan–Dec 2016
Power generation from renewable sources	billion kWh	5.1	5.7	–10.5	10.0
External electricity sales volume	billion kWh	129.8	123.1	5.4	242.5
External gas sales volume	billion kWh	128.0	132.9	–3.7	241.3
External revenue	€ million	21,705	22,780	–4.7	43,611
Adjusted EBITDA	€ million	2,439	2,385	2.3	4,203
Adjusted EBIT	€ million	1,725	1,666	3.5	2,735
Income before tax	€ million	1,460	1,613	–9.5	2,201
Net income/income attributable to innogy SE shareholders	€ million	817	1,080	–24.4	1,513
Adjusted net income	€ million	857	740	15.8	1,123
Cash flows from operating activities	€ million	239	407	–41.3	2,674
Capex	€ million	713	656	8.7	2,123
Property, plant and equipment and intangible assets	€ million	541	580	–6.7	1,833
Financial assets	€ million	172	76	126.3	290
Free cash flow[1]	€ million	–269	8	–	1,041
		30 Jun 2017			31 Dec 2016
Market capitalisation	€ billion	19.1			18.3
Net debt	€ million	17,100			15,748
Employees[2]		41,944			40,636

1 Definition of free cash flow adjusted. See commentary on page 22.
2 Converted to full-time positions.



Content

Three questions for Bernhard Günther, CFO of innogy SE

#Are you satisfied with the development of business in the first half of 2017?

Yes, there were no surprises. innogy is all about stable business, and this is reflected in our figures as well. In the first six months, we increased adjusted EBITDA and adjusted EBIT by about 2% and 4%, primarily due to the reduction in the cost of maintaining and modernising our German grids. We had already identified this effect as a major driver at the beginning of the year. What is out of our hands are the weather conditions, which were below average at our major hydroelectric and wind power sites and weighed on the earnings of the Renewables division also when making a year-on-year comparison. In the retail business, at least we partially compensated for the effects of the intense competition in the United Kingdom by taking measures to reduce costs as part of our restructuring programme. We want to counteract developments throughout the entire retail business by improving efficiency, above all in Germany. The bottom line is that we increased adjusted net income by as much as 16%. Besides the rise in operating earnings, the significant improvement in the adjusted financial result came to bear here.

#What does this mean looking at the full year? Do you already have an idea about the dividend?

We still anticipate that adjusted net income, which is the key determinant of the dividend payment, will rise by at least 7% to over €1.2 billion. This is based on the assumption that the weather will normalise in the second half of the year. However, fierce competition, political pressure and the danger of further regulatory intervention, especially by way of a potential price cap on standard variable tariffs, give rise to risks in the UK retail business.

We are maintaining our dividend payout ratio of 70% to 80%. This range helps us to ensure that the dividend develops steadily. The Executive Board and the Supervisory Board will decide on the exact dividend proposal at the beginning of next year.

#What else is going on at innogy? What is the focus for the second half of the year?

innogy is all about stable income and value-added growth, both of which are and will remain our points of focus. One example is the Nordsee One offshore wind farm. We expect to complete this project this year and generate income from regulated business from it for the next 20 years. This is a prime example of growth and stability combined.

We strive to be a trailblazer for the energy world of tomorrow at the international level. We are laying the cornerstone for this today: by investing in infrastructure in order to make our networks more intelligent and robust to meet the rising demands of an increasingly decentralised energy generation landscape. Another step in the same direction is the development of new markets in which we have identified huge potential for green electricity generation. Two examples are wind power and photovoltaics in North America. The same applies to the expansion of our good starting point in e-mobility, a field in which we intend to become a leading provider and operator of charging infrastructure in both Europe and the USA. In a nutshell, the task at hand in the second half of the year has not changed: do what we can do well even better, while creating options for the future.

Outlook for 2017 confirmed and adjusted net income of more than €1.2 billion expected

Adjusted EBITDA and EBIT up 2% and 4% year on year

Adjusted net income: €857 million

€20 billion Debt Issuance Programme launched

Successful issuance of first bond with a volume of €750 million

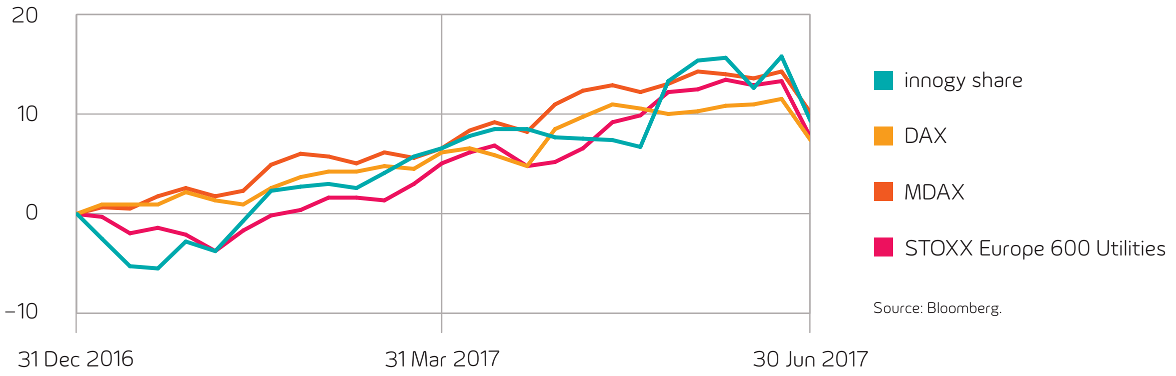
Dividend of €1.60 per share for fiscal 2016

Moody's assigns stand-alone Baa2 rating to innogy SE

Our share

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

Indexed figures, % (average weekly figures)



2017 stock market continues upward trend. The German stock market recorded a positive performance in the first half of the year. This was due to the good economic development displayed above all in the USA and China, which also affected European countries, and the continued expansionary monetary policy pursued by leading central banks. In June, Germany's two largest share indices, the DAX and MDAX, hit all-time highs of 12,889 and 25,696 points, respectively. Thereafter, however, speculation over the end of the loose monetary policy of the European Central Bank and the corresponding rise of the euro relative to the US dollar clouded sentiment, in particular weakening the earnings prospects of export-oriented companies. By the end of the first six months, the DAX and MDAX lost some of their gains against this backdrop, closing at 12,325 and 24,452 points, respectively. Overall, they therefore grew by about 7% and 9% compared to the end of 2016. At approximately 7%, the STOXX Utilities sector index displayed similar development.

Positive development was also displayed by the innogy share, which ended the month of June trading for €34.47. The total shareholder return of the innogy share, which consists of the development of its price and the dividend paid, was about 9% in the first half of the year. The innogy share thus performed at a level similar to that of the MDAX, but surpassing the DAX. Speculation over an impending wave of consolidation in the European utility landscape and a majority takeover of innogy by a competitor drove up the innogy share quotation temporarily, but lost considerable momentum at the end of the first six months. In the reporting period, the innogy share achieved its highest closing quotation of €36.86 on 22 June and a corresponding low of €30.93 on 16 January. innogy's market capitalisation was approximately €19.1 billion on 30 June.

The Annual General Meeting approved the payment of a dividend of €1.60 for fiscal 2016. The payout ratio was about 80%, putting it at the upper end of the forecast range of 70% to 80% of adjusted net income.

Economic environment

Economy's upward trend continues. Based on initial assessments, world economic output was some 2.5% higher in the first half of 2017 than in last year's corresponding period. The Eurozone is estimated to have achieved a gain of 1.8%. German gross domestic product should have risen by a similar order. Stimulus was provided above all by consumer spending. Relative to the Eurozone, growth in the Netherlands was probably above average, whereas it was likely below par in Belgium. The United Kingdom roughly matched the Eurozone, despite dampening effects of the country's impending exit from the EU. The UK is benefiting from the expanding service sector, among other things. The economic situation in the Eastern European markets of most importance to us is especially encouraging. However, only data for the first quarter was available for these countries when this report was being finalised. According to these figures, Poland, the Czech Republic and Hungary posted growth rates of about 4%, with Slovakia recording an expansion of approximately 3%.

European Central Bank maintains zero interest policy. Whereas the US Federal Reserve accomplished a moderate interest turnaround by raising the rate in two steps in the first half of 2017, the European Central Bank (ECB) is continuing its extremely loose interest rate and loan policy. The volume of monthly bond purchases was reduced from €80 billion to €60 billion as of the second quarter, but the programme was extended through to the end of the year and interest rates were kept at their record lows. Accordingly, interest rates on the capital market displayed lateral movement, albeit with significant fluctuations. Conversely, the ECB's markedly negative interest rates on deposits are increasingly being passed on by the players, making it more and more expensive for companies to keep the required transaction liquidity in reserve.

Little volatility was seen on the currency market. Whereas market participants were convinced of an impending euro-dollar parity at the beginning of 2017, trust in the European Union strengthened especially after the elections in France, and the euro rose again to €1.14 relative to the US dollar over the course of the second quarter. The British pound lost about 13% in value between the Brexit vote on 23 June 2016 and the end of the period under review and has shed nearly 3% since the beginning of the year. In the Czech Republic, the decoupling of the Czech crown from the euro in April this year caused the crown to appreciate slightly.

Energy consumption on innogy's key markets. Economic growth stimulated energy usage in our key markets, whereas the trend towards energy savings had a dampening effect. Based on initial calculations by the German Association of Energy and Water Industries (BDEW), the country's demand for electricity in the period under review was 1.6% higher than a year before. Assessments regarding the Netherlands indicate a rise of about 2%. Electricity consumption in Poland, Slovakia and Hungary is also likely to have increased somewhat, whereas it was down by about 2% in the United Kingdom. Gas consumption displayed slightly more dynamic development overall. According to preliminary data available from BDEW, it was up approximately 3% in Germany, in part because market conditions improved for gas-fired power plants and more use was thus made of these stations. A gain of 3% has also been estimated for the Netherlands, and calculations have the Czech Republic posting an increase of as much as 9%. By contrast, demand for gas in the United Kingdom declined by approximately 3%, one reason being the unusually mild weather.

Higher wholesale gas quotations. Prices in European gas trading recovered somewhat, following an extended downswing. Spot prices at the Dutch Title Transfer Facility (TTF), the trading hub on the Continental European lead market, averaged €17 per megawatt hour (MWh) from January to June 2017. They were thus €4 higher than a year earlier. Contracts for delivery in the coming calendar year (2018 forward) were also settled for €17 per MWh. By comparison, €15 were paid for the 2017 forward in the same period last year. Residential tariffs typically track the price trend on the wholesale market with a time lag. They were still significantly affected by the slump witnessed in recent years. Based on current data, gas became 4% cheaper for German households. Residential customers paid 2% and 1% less in the United Kingdom and the Czech Republic, whereas prices were essentially unchanged for them in the Netherlands. Business with industrial customers was varied: quotations were up 6% in the United Kingdom and 5% in the Netherlands, whereas they were down slightly in Germany and significantly in the Czech Republic.

Wholesale electricity prices up year on year. Following a years-long downward trend, wholesale prices stabilised somewhat. The recovery of hard coal quotations played a major role in this. Hard coal-fired power plants are the 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. In Germany, the spot price for the base-load product averaged €36 per MWh in the first half of the year, besting the figure recorded in the same period last year by €11. Prices also rose in forward trading. The 2018 base-load forward cost an average of €30 per MWh in the period under review. By comparison, the 2017 forward traded at €24 a year earlier.

In the United Kingdom, our second-largest generation market, wholesale prices are typically much higher than in Germany. In the period under review, the mean spot price of base-load power was £44 (€51) per MWh, £9 more than the level witnessed in 2016. The 2018 forward cost £42 (€49) per MWh, exceeding last year's comparable figure by £6.

innogy's electricity production only partially depends on the development of wholesale prices. 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. In some countries, such as the United Kingdom and Poland, we receive green certificates as a subsidy for every megawatt hour of production in addition to the electricity price. Some two-thirds of our earnings in this division are achieved in the quasi-regulated business. By contrast, parts of our generation, which we sell on the wholesale market, are exposed to market price risks. This includes the majority of the electricity generated by our German run-of-river power stations. To limit the impact of sudden price fluctuations, we partly sell the electricity produced by these assets up to three years forward. In the first half of 2017, we realised an average price of €45 per MWh for this portion of our generation across all markets (first half of 2016: €43 per MWh). Prices on our two key markets – Germany and the United Kingdom – developed as follows: electricity produced by our German stations, which was sold on the wholesale market, fetched an average price of €29 per MWh (first half of 2016: €30 per MWh). The price realised for UK generation averaged £43 (€47) per MWh, some £4 less than last year's comparable figure.

Development of retail electricity prices. The development of electricity prices in the retail business was varied. Tariffs are affected by the trends on the wholesale market and to a significant degree by grid costs, levies and taxes, especially in relation to households. In Germany, where the share of the total price accounted for by state charges is very high, residential tariffs were up an average of 1% compared to 2016. Households in the UK and Poland had to pay approximately 3% and 1% more than in the same period last year. Residential tariffs were essentially unchanged in the Netherlands, whereas they dropped by 3% in both Slovakia and Hungary. The following developments occurred in the industrial segment: electricity price hikes of 9% in Germany, 4% in the United Kingdom and 2% in the Netherlands were contrasted by significant declines in our key Eastern European regions, with industrial tariffs decreasing by 6% in Slovakia, 8% in Poland and as much as 12% in Hungary.

Mild weather in our key markets in the first half of 2017. Whereas energy consumption by industrial enterprises is primarily affected by the development of the economy, domestic usage is mainly influenced by the weather. The higher the outdoor temperatures, the less energy is needed for heating purposes and vice-versa. The first and fourth quarters are decisive to our earnings. In the first six months of the current year, the weather was fairly mild throughout Europe. Temperatures across all our key markets were above the respective ten-year averages during this period. Comparisons to last year's corresponding period revealed the following developments: whereas average temperatures were on a par year on year in Germany, they exceeded prior-year levels in the United Kingdom (+1.0 degree Celsius) and the Netherlands/Belgium (+0.6 degrees Celsius) – in some cases considerably. By contrast, average temperatures in our key Eastern European markets were down 0.8 degrees Celsius, dropping significantly compared to those observed in the first half of 2016. January to March of this year, the winter months of importance to earnings, were also relatively mild compared to the same period last year in our key markets, with the exception of Eastern Europe.

Average temperature deviation Degrees Celsius	Germany		United Kingdom		Netherlands/Belgium		Eastern Europe[1]	
	2017 vs. 2016	2017 vs. 10-yr. avg.	2017 vs. 2016	2017 vs. 10-yr. avg.	2017 vs. 2016	2017 vs. 10-yr. avg.	2017 vs. 2016	2017 vs. 10-yr. avg.
1st quarter	−0.1	1.0	0.7	1.0	0.3	0.8	−1.4	0.6
2nd quarter	0.1	0.3	1.2	0.9	0.9	0.8	−0.3	0.3
1st half year	**0.0**	**0.6**	**1.0**	**1.0**	**0.6**	**0.8**	**−0.8**	**0.5**

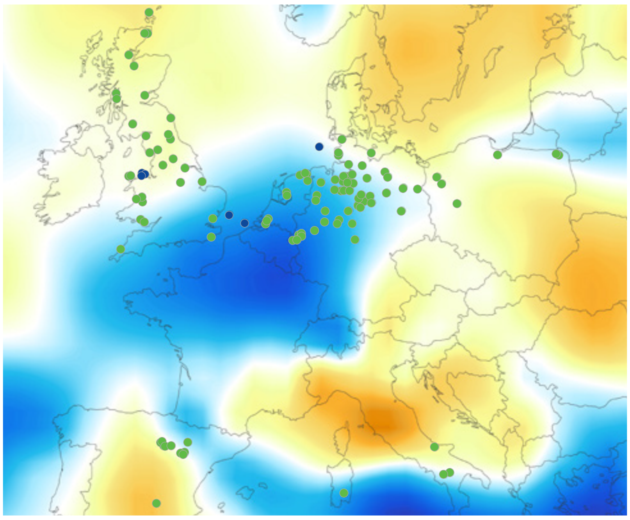
1 Czech Republic, Poland, Slovakia and Hungary.
Source: Bloomberg, based on data from the European Centre for Medium-Range Weather Forecasts (ECMWF).

Wind levels at innogy sites below long-term average. Besides energy consumption, electricity generation is also subject to weather-related influences. Wind levels, on which the utilisation of our wind turbines largely depends, play an important role for innogy. We usually plan our power production based on long-term historical wind data. Compared to the 30-year average in the first half of a year, wind levels were mostly slightly higher in the first six months of 2017 in the central and northern areas of the United Kingdom, whereas they were considerably lower particularly in the Netherlands and the German regions of relevance to us. Conversely, they roughly matched the long-term average at our sites in Poland and Southern Europe.

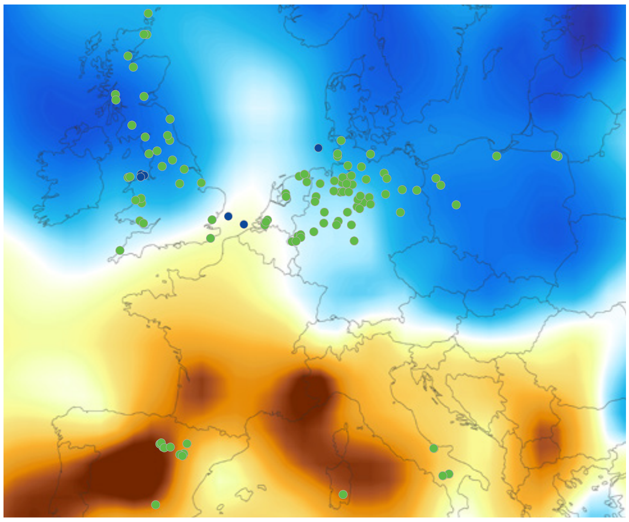
A comparison of wind levels at the locations of significance to us in the first half of 2017 to those in the same period last year paints a very heterogeneous picture: whereas wind levels were largely up on the first half of 2016 in the United Kingdom and Poland, they were down in the regions of relevance to us in Germany as well as in the Netherlands/Belgium and Spain.

Wind levels in Europe

Wind speed index (average wind speed relative to the 30-year average of the first half of a year).



Jan–Jun 2017



Jan–Jun 2016

Wind speed index (30-year reference period)

≤ 85%   = 100%   ≥ 115%

innogy onshore wind farm

innogy offshore wind farm

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

Our hydro power stations are also subject to weather conditions. Their generation depends in part on precipitation and melt water levels, which were considerably lower than the ten-year average in the first half of 2017, especially in Germany.

Major events

In the period under review

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 preliminary purchase price is €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 towards the development of the decentralised, renewable energy system of the future. The acquisition is therefore a perfect fit with innogy's strategy of becoming a pioneer of efficient, climate-friendly and intelligent energy solutions. Belectric is domiciled in Kolitzheim, Bavaria, and has approximately 550 people on its payroll the world over.

innogy acquires majority stake in Croatian gas utility and further expands international distribution system business. The contracts for taking a 75% interest in the gas utility of the town of Koprivnica for a purchase price of about €6.9 million were signed on 7 February 2017. The Croatian Cartel Office approved the transaction in April, enabling it to be implemented. Ownership of the remaining 25% stays with the municipal company Komunalac. The acquisition puts innogy in the role of pioneer, as this is 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. We aim to own 10% of the Croatian gas retail market in the next three years. innogy has been active on the country's electricity market since 2013 and is the second-largest electricity provider in Croatia, with approximately 115,000 customers.

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. Soon thereafter, the guarantor and debtor transfer of all RWE AG senior bonds outstanding to innogy SE was initiated and successfully completed in February 2017. With a total volume of an equivalent of €11 billion, this transaction, which encompassed 18 bonds of various currencies, was the largest of its type by a company in Europe. The Dutch subsidiary innogy Finance II B.V. was merged into innogy Finance B.V. as of 30 June 2017 in order to simplify the legal company structures.

innogy successfully places first bond with a total volume of €750 million. innogy SE placed its first senior bond at the beginning of April, six months after the IPO. The bond, which has a volume of €750 million and a tenor of eight years, was issued by innogy Finance B.V. and backed by innogy SE. With an annual coupon of 1.00% and an issue rate of 99.466%, the yield amounted to 1.07% per annum. The issuance met with keen market interest and was several times oversubscribed. The placement was the first under the €20 billion Debt Issuance Programme, which we launched in the spring of 2017. The proceeds from the issuance are used to refinance liabilities due as well as operating activities.

Rating agency Moody's assigns innogy SE stand-alone rating of Baa2. At the end of June, Moody's issued an stand-alone rating of Baa2 with a stable outlook for innogy SE and innogy Finance B.V. At the same time, the rating for senior unsecured debt was raised from Baa3 to Baa2. The rating reflects innogy's robust risk profile and underscores the company's high creditworthiness. Besides Moody's rating, innogy also has investment grade ratings from Fitch and Standard & Poor's.

innogy pays dividend of €1.60 per share – Supervisory Board confirmed. On 24 April 2017, the Annual General Meeting of innogy SE approved the dividend proposed by the Executive and Supervisory Boards for fiscal 2016. It envisaged a payment of €1.60 per dividend-bearing share. The payout ratio is thus about 80% of adjusted net income in fiscal 2016.

In addition, the Annual General Meeting confirmed the candidates put up for election as employee and shareholder representatives to the Supervisory Board. After the Annual General Meeting, the Supervisory Board held its constituting session and re-elected Dr. Werner Brandt Chairman of the Supervisory Board. Frank Bsirske remains Deputy Chairman of the Supervisory Board. You will find more detailed information on the outcomes of all of the votes held by the 2017 Annual General Meeting at **www.innogy.com/agm-2017.**

innogy Zuidwester wind farm officially online. The wind power capacity created within the scope of the Noordoostpolder project in the Netherlands was inaugurated in the middle of June. This includes innogy's 90 MW Zuidwester wind farm. Its twelve onshore turbines are each rated at 7.5 MW and currently rank 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, actually driving up annual production ten-fold. innogy invested about €150 million in this. The wind farm has been generating electricity at full capacity since the end of January 2017. It is part of the large-scale Noordoostpolder project, in which numerous partners are involved. 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. Mathematically, these units are capable of supplying about 400,000 households with electricity.

innogy successful 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 2017. The German 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, innogy has 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 replacing them. Construction is scheduled to start in the third quarter of 2017, and commissioning is planned for the spring of 2018.

German Lower House adopts NEMoG, paving the way for uniform transmission network fees. The German Grid Fee Modernisation Act (NEMoG) regulates parts of the grid fee structure. The new rules affect two areas in particular: they aim to apportion transmission network fees uniformly throughout the country and abolish special fees for decentralised feed-ins from volatile generation assets commonly referred to as 'avoided grid fees'.

Just before the summer break, Germany's Lower House of Parliament decided to gradually make the grid fees of transmission system operators uniform over a period of four years, based on a directive that is yet to be formulated. The equalisation is to begin in 2019 and 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 expect to be faced with much higher grid costs.

So far, avoided grid fees have been due whenever electricity has been fed into the distribution system from decentralised units such as renewable assets. These special fees were introduced because all decentralised feed-ins were originally expected to avoid network expansion at the next higher grid level. However, this is becoming increasingly less frequent as regards solar and wind power. Therefore, avoided grid fees will largely be abolished incrementally 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. Wind turbines that receive subsidies under the German Renewable Energy Act (REA) are not affected either, as avoided grid fees are not deducted from the REA payments.

innogy and Kiwigrid develop IoT (Internet of Things) platform for the energy market of the future. More than 1.3 million small and large renewable energy generation assets and decentralised storage facilities are already connected to Germany's distribution networks. The rising number of decentralised generation units requires flexible feed-ins. Therefore, generation assets must be managed intelligently. This also benefits consumers because we provide customers with smart solutions for controlling and optimising their energy consumption. As an innovative company, innogy invests globally in forward-looking technologies. For example, within the scope of a financing round early in the year, innogy acquired the stake in Dresden-based Kiwigrid GmbH previously owned by Innogy Venture Capital, which had held it since as early as 2013. Based in Saxony, the young technology company develops and operates an open communication and control platform for intelligent energy management and was elected to the 'Global Cleantech 100' list for 2016. The ranking is updated once a year and denotes the most innovative and promising companies in the renewable energy sector.

The energy platform developed by Kiwigrid takes the energy transition right to the customer: powerful software enables photovoltaic (PV) installations, heat pumps, storage units and electric vehicle (EV) charging stations to be monitored and controlled. For example, customers can manage their energy consumption efficiently and reduce their costs by selling the electricity they generate from their roof-mounted PV units themselves or use it to charge EVs in their garage. Additional information is available at **www.kiwigrid.com.**

innogy teams up with seven energy suppliers to launch 'Free Electrons', a global startup programme. At innogy's initiative, in early February, eight international energy utilities launched the first global 'startup accelerator' in the energy sector called the 'Free Electrons' programme. Promising startups were invited to partner with leading energy companies the world over. The goal is to jointly develop innovative business models for a total of 73 million customers of the partner companies in more than 40 countries. The initiative is backed by leading energy companies and startup specialists aiming to find young businesses that will revolutionise the energy market of the future with their ideas. A total of 450 startups from 51 countries applied for one of the coveted spots in the 'Free Electrons' contest. Twelve promising technology firms were recognised as winners at the end of April. The selected startups are from greatly differing world regions: four are based in the USA and two in Israel, with the remainder coming from Germany, Ireland, Portugal, India, the United Kingdom and Switzerland. Additional information is available at **www.freelectrons.co.**

eprimo's customer service is outstanding. At the beginning of the year, the financial magazine 'Focus-Money' published its second 'German Energy Atlas' (issue 6/2017). The study lists the best electricity providers, based on service. The five foremost energy suppliers in each of the 160 cities were determined by a reader survey. As last year, the clear winner is eprimo: our online electricity and gas provider ranks first in 42 cities, second in 34 and scored a total of 109 top 5 placements. 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.

innogy receives good marks for digital customer proximity. In a large-scale survey conducted by the ServiceValue institute and the German daily newspaper 'Die Welt', innogy was recognised for its customer proximity in June. innogy beat nine competing utilities and won first place in the 'Best Digital Communications Channels' category. This award is of special importance to innogy as the study reviewed all of innogy's digital activities, including mobile devices, social media channels and every aspect of digital communications in addition to the company's internet presence.

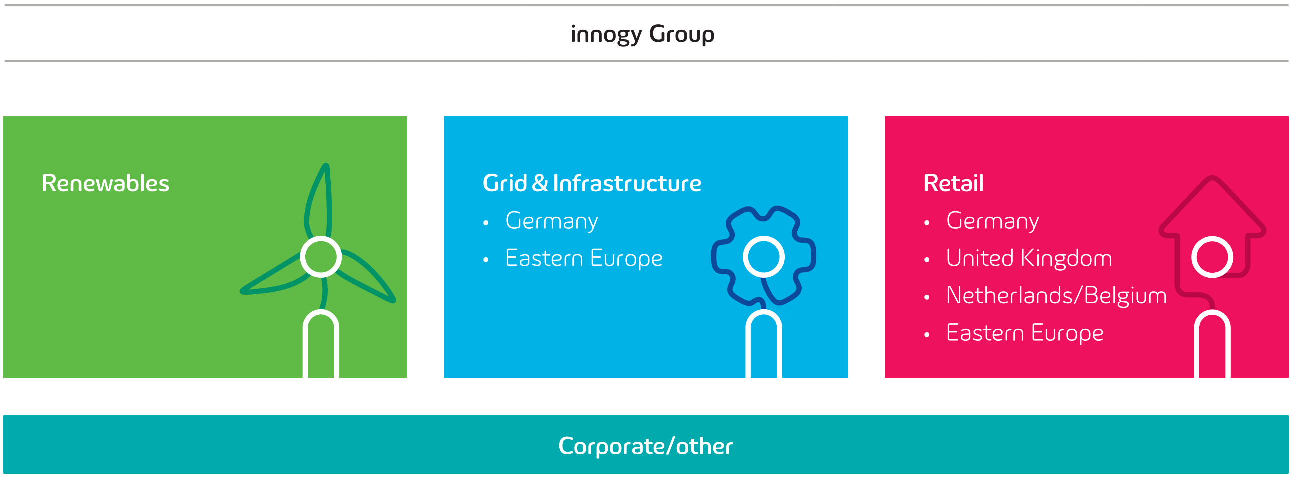
After the period under review

innogy resolutely presses ahead with e-mobility expansion. As a full-liner, innogy supplies the charging infrastructure and services required for public spaces, by businesses and for private parking spots. With some 5,800 charging points in Europe, 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 Los Angeles, the company, which has been named ‘innogy e-mobility US LLC’, will operate in the USA as a technology and service provider. Besides California, business activities will focus on all US states that have a zero emissions rule for vehicles.

Also in July, innogy entered into a long-term co-operation agreement with ‘Tank & Rast’ for the operation of charging infrastructure in a nationwide network including a total of 103 of the motorway service operator’s locations. The fast charging stations operated by innogy will solely supply green electricity. In the future, drivers of EVs 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 the offering to be used by all EVs. You will find further information at **www.innogy.com/emobility.**

European Investment Bank loans transferred from RWE to innogy. We already transferred 18 bonds of various currencies from RWE AG to innogy SE within the scope of a guarantor and debtor exchange at the end of February. The two bonds issued by the European Investment Bank (EIB) with volumes of €645 million and £350 million relating to capital expenditure on the grid business and renewable energy were transferred from RWE AG to innogy SE in July 2017. The corresponding group loans were cancelled in exchange. This reduced the volume of intercompany loans, which have terms running up until 2020, to €2.4 billion.

Reporting principles



As of 30 June 2017.

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

The following is a presentation of the divisions:

- **Renewables.** This is where we report on our activities relating to electricity generation from renewable sources. Besides the operation of green energy assets, this also includes construction and project development. Our current focus is on onshore and offshore wind as well as hydroelectric power. Our major production sites are located in Germany, the United Kingdom, 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 specialist acquired at the beginning of January 2017 (see page 8).

- **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 as well as our non-controlling interests in utilities (e.g. German municipal utilities and Austria-based KELAG). The Grid & Infrastructure Eastern Europe segment encompasses our gas distribution network and gas storage operations in the Czech Republic as well as our electricity distribution network business in Poland, Hungary and Slovakia.

- **Retail.** This is where we present our energy retail activities which, in addition to the sale of electricity and gas, include the provision of innovative energy solutions to meet existing demands as well as our activities related to electric mobility. Geographically, we distinguish among the four following operating segments: Retail Germany, Retail United Kingdom, Retail Netherlands/Belgium and Retail Eastern Europe. The last segment in this list comprises activities in the Czech Republic, Slovakia, Hungary, Poland, Slovenia, Croatia and Romania. We also recognise the small share in power generation of individual retail companies in Germany and abroad in this division.

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.

Business trend

Power generation by divison Jan–Jun[1]	Onshore wind		Offshore wind		Hydro		Other renewables[2]		Renewables total		Conventional power generation		Total	
Billion kWh	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Renewables	2.1	2.4	1.6	1.5	0.9	1.3	–	–	4.7	5.2	–	–	4.7	5.2
Germany	0.5	0.5	0.5	0.5	0.7	1.1	–	–	1.7	2.0	–	–	1.7	2.0
United Kingdom	0.5	0.8	1.1	1.0	0.1	0.1	–	–	1.7	1.9	–	–	1.7	1.9
Spain	0.5	0.6	–	–	–	–	–	–	0.5	0.6	–	–	0.5	0.6
Netherlands	0.3	0.2	–	–	–	–	–	–	0.3	0.2	–	–	0.3	0.2
Poland	0.3	0.3	–	–	–	–	–	–	0.3	0.3	–	–	0.3	0.3
Italy	0.1	0.1	–	–	–	–	–	–	0.1	0.1	–	–	0.1	0.1
France	–	–	–	–	0.1	0.1	–	–	0.1	0.1	–	–	0.1	0.1
Portugal	–	–	–	–	–	0.1	–	–	–	0.1	–	–	–	0.1
Grid & Infrastructure	–	–	–	–	0.3	0.4	0.1	0.1	0.4	0.5	0.1	0.3	0.5	0.8
Retail	–	–	–	–	–	–	–	–	–	–	0.5	0.2	0.5	0.2
innogy Group	**2.1**	**2.4**	**1.6**	**1.5**	**1.2**	**1.7**	**0.1**	**0.1**	**5.1**	**5.7**	**0.6**	**0.5**	**5.7**	**6.2**

1 Differences due to rounding possible.
2 Includes generation volumes from biomass and photovoltaic stations.

Electricity generation down year on year. In the first half of 2017, innogy produced 5.7 billion kWh of electricity, 8% less than in last year's comparable period. A large portion was attributable to generation from renewables: about 65% from onshore and offshore wind turbines and approximately 21% from run-of-river and storage power stations. Some 11% stemmed from conventional electricity generation capacities that we state via our fully consolidated investments.

Weather conditions had a dampening effect on electricity production. Generation from renewable energy sources depends strongly on the weather. Wind levels play an important role as regards wind turbines: if they are low, so is plant utilisation. In the first half of 2017, wind levels were generally lower than a year before, with significant differences from one region to the next. Moreover, generation from run-of-river and storage power plants was down considerably. Due to the dry weather, especially in Germany, we produced 0.5 billion kWh less electricity in the first six months of 2017 compared to the same period in 2016.

Electricity customers by country[1]	Total			Of which: residential and commercial customers		
Thousands	30 Jun 2017	31 Dec 2016	30 Jun 2016	30 Jun 2017	31 Dec 2016	30 Jun 2016
Germany	6,713	6,806	6,806	6,637	6,730	6,761
United Kingdom	2,818	2,917	2,910	2,799	2,898	2,892
Netherlands/Belgium	2,346	2,407	2,437	2,342	2,401	2,432
Hungary	2,145	2,141	2,139	2,136	2,131	2,137
Poland	941	941	933	938	939	931
Czech Republic	368	343	323	367	342	322
Other[2]	588	581	578	584	578	575
innogy Group	**15,919**	**16,136**	**16,126**	**15,803**	**16,019**	**16,051**

1 Differences due to rounding possible.
2 Customers in Croatia, Romania, Slovakia and Slovenia.

In the first half of 2017, the innogy Group's fully consolidated companies supplied 15,919,000 customers with electricity, 6,713,000 of which were in Germany. Our customer base thus shrank by 217,000 compared to the end of 2016. Declines were recorded in Germany, the Netherlands and the United Kingdom, owing to high pressure from the competition. The increase in standard variable tariffs in the United Kingdom announced in the beginning of February and effective as of the middle of March also had a negative impact. However, we achieved a slight rise in UK customer figures in the second quarter. We fortified our position on the Eastern European market in the first half of 2017, benefiting from customer gains primarily in the Czech Republic, Croatia and Hungary.

External electricity sales volume Jan–Jun	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2017	2016	2017	2016	2017	2016	2017	2016
Renewables	–	–	–	–	4.4	4.6	4.4	4.6
Grid & Infrastructure	0.2	0.2	0.2	0.2	6.6	7.0	7.0	7.4
Germany	0.2	0.2	0.2	0.2	6.6	7.0	7.0	7.4
Eastern Europe	–	–	–	–	–	–	–	–
Retail	25.8	26.9	36.1	36.9	56.5	47.3	118.4	111.1
Germany	10.5	10.6	13.7	13.0	54.5	44.7	78.7	68.3
United Kingdom	5.6	6.2	13.6	14.5	1.1	1.1	20.3	21.8
Netherlands/Belgium	4.4	4.8	2.7	3.9	–	0.2	7.1	8.9
Eastern Europe	5.3	5.3	6.1	5.5	0.9	1.3	12.3	12.1
innogy Group	**26.0**	**27.1**	**36.3**	**37.1**	**67.5**	**58.9**	**129.8**	**123.1**

Electricity sales volume slightly higher. In the first half of 2017, innogy sold 129.8 billion kWh of electricity to external customers, 5% more than in the same period last year. The sales trend benefited from the fact that we won new buyers in the German distributor business and intensified our supply relationships with existing customers. Conversely, we recorded marginal declines in sales in the residential and small commercial customer segment, in part owing to customer losses to the competition in the United Kingdom and the Netherlands/Belgium. Furthermore, the trend towards energy savings came to bear. In sum, electricity sales in the industrial and corporate customer segment decreased as well, especially in the United Kingdom and the Netherlands/Belgium. However, this was contrasted by gains in Germany and Eastern Europe.

Gas customers by country[1]	Total			Of which: residential and commercial customers		
Thousands	30 Jun 2017	31 Dec 2016	30 Jun 2016	30 Jun 2017	31 Dec 2016	30 Jun 2016
Netherlands/Belgium	2,017	2,073	2,111	2,013	2,068	2,106
United Kingdom	1,939	2,004	1,981	1,935	1,999	1,976
Germany	1,292	1,313	1,338	1,279	1,301	1,327
Czech Republic	1,286	1,310	1,325	1,282	1,304	1,318
Hungary	3	2	2	1	–	–
Poland	1	1	1	1	1	1
Other[2]	138	129	127	137	129	127
innogy Group	**6,676**	**6,833**	**6,885**	**6,648**	**6,801**	**6,855**

1 Differences due to rounding possible.
2 Customers in Croatia, Romania, Slovakia and Slovenia.

As of the balance-sheet date, our fully consolidated companies supplied gas to a total of 6,676,000 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 157,000. We experienced the most significant losses in our UK retail unit as well as in the Netherlands/Belgium. As with electricity customers, the reason was the increased competitive pressure. By contrast, the UK residential customer base stabilised in the second quarter as we posted moderate gains in customer numbers. Gas customer figures rose slightly in Slovakia and Croatia.

External gas sales volume Jan–Jun	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2017	2016	2017	2016	2017	2016	2017	2016
Grid & Infrastructure	0.1	0.1	0.1	0.1	1.1	0.6	1.3	0.8
Germany	0.1	0.1	0.1	0.1	1.1	0.6	1.3	0.8
Eastern Europe	–	–	–	–	–	–	–	–
Retail	58.9	60.0	36.8	43.5	31.0	28.6	126.7	132.1
Germany	15.1	14.2	9.5	9.4	26.8	24.2	51.4	47.8
United Kingdom	16.0	17.5	1.8	2.2	3.7	4.0	21.5	23.7
Netherlands/Belgium	18.3	19.5	13.2	14.9	–	–	31.5	34.4
Eastern Europe	9.5	8.8	12.3	17.0	0.5	0.4	22.3	26.2
innogy Group	**59.0**	**60.1**	**36.9**	**43.6**	**32.1**	**29.2**	**128.0**	**132.9**

Gas delivery volumes slightly down year on year. Our gas sales in the first half of 2017 declined by some 4% to 128 billion kWh. We suffered a major drop in sales volume in the industrial and corporate customer segment. This was predominantly due to customer losses, particularly in some Eastern European countries, the Netherlands/Belgium and the United Kingdom. We also experienced decreases in volumes in the residential and commercial customer segment, albeit to a lesser extent. An important role was played by customer losses and the more thrifty use of energy, especially in the United Kingdom and the Netherlands/Belgium. These were counteracted by marginal increases in Germany and Eastern Europe, which were caused by the weather to a certain extent. We grew gas sales to distributors, in part because we won new buyers in Germany and stepped up our supply relationships with existing customers.

External revenue 5% down year on year. In the first half of 2017, the innogy Group achieved €21,705 million in external revenue. This figure includes natural gas and electricity tax. Our revenue declined by 5% compared to the same period last year. Electricity and gas revenue decreased by 3% to €15,607 million and 11% to €5,130 million, respectively. The main reason for this was the drop in sales in the gas business mentioned earlier. Furthermore, some of our retail companies reduced their prices, resulting in a decline in revenue. In addition, the British pound depreciated against the euro, dropping from an average of €1.27 to €1.16, and hence, revenue achieved in the United Kingdom was lower when converted to euros.

Disregarding all major consolidation and currency effects, external revenue decreased by 4%.

External revenue by product[1] € million	Jan–Jun 2017	Jan–Jun 2016	+/– %
Electricity	15,607	16,130	–3.2
Renewables	302	322	–6.2
Grid & Infrastructure	4,592	4,782	–4.0
Germany	4,312	4,536	–4.9
Eastern Europe	280	246	13.8
Retail	10,712	11,026	–2.8
Germany	6,530	6,116	6.8
United Kingdom	2,767	3,425	–19.2
Netherlands/Belgium	399	519	–23.1
Eastern Europe	1,016	966	5.2
Gas	5,130	5,744	–10.7
Grid & Infrastructure	513	492	4.3
Germany	306	302	1.3
Eastern Europe	207	190	8.9
Retail	4,617	5,252	–12.1
Germany	1,878	1,937	–3.0
United Kingdom	855	1,097	–22.1
Netherlands/Belgium	1,144	1,411	–18.9
Eastern Europe	740	807	–8.3
Other	968	906	6.8
innogy Group	**21,705**	**22,780**	**–4.7**

1 Differences due to rounding possible.

External revenue was down 3% in the Grid & Infrastructure division. One of the contributing factors was a drop in sales from reselling electricity fed into the German distribution grid by operators of assets subsidised by the German Renewable Energy Act (REA) to transmission network companies. The backdrop to this is that producers increasingly market the electricity they generate from renewable sources directly to third parties or use it themselves. Furthermore, the amount of REA-subsidised electricity sold directly in the German electricity business is decreasing overall, owing to the drop in wind levels compared to last year, which was significant in some cases. Our revenue declined by 6% in the Retail division, especially in the gas and electricity business. The main reason for this was lower sales to residential and corporate customers. The associated revenue shortfalls could not be offset by increased deliveries to German distributors. The full consolidation of Belectric, which was acquired in early 2017, was the reason for the positive development of revenue in the Renewables division.

External revenue € million	Jan–Jun 2017	Jan–Jun 2016	+/– %
Renewables	455	396	14.9
Grid & Infrastructure	5,466	5,632	–2.9
Germany	4,958	5,183	–4.3
Eastern Europe	508	449	13.1
Retail	15,688	16,668	–5.9
Germany	8,625	8,245	4.6
United Kingdom	3,636	4,597	–20.9
Netherlands/Belgium	1,653	2,025	–18.4
Eastern Europe	1,774	1,801	–1.5
Corporate/other	96	84	14.3
innogy Group	**21,705**	**22,780**	**–4.7**
Natural gas tax/electricity tax	1,081	1,127	–4.1
innogy Group (excluding natural gas tax/electricity tax)	**20,624**	**21,653**	**–4.8**

Internal revenue € million	Jan–Jun 2017	Jan–Jun 2016	+/– %
Renewables	202	179	12.8
Grid & Infrastructure	1,643	1,605	2.4
Retail	242	343	–29.4

Adjusted EBITDA € million	Jan–Jun 2017	Jan–Jun 2016	+/– %
Renewables	338	376	–10.1
Grid & Infrastructure	1,538	1,357	13.3
Germany	1,098	954	15.1
Eastern Europe	440	403	9.2
Retail	680	746	–8.8
Germany	355	296	19.9
United Kingdom	33	138	–76.1
Netherlands/Belgium	143	157	–8.9
Eastern Europe	149	155	–3.9
Corporate/other	–117	–94	–24.5
innogy Group	**2,439**	**2,385**	**2.3**

Adjusted EBIT € million	Jan–Jun 2017	Jan–Jun 2016	+/– %
Renewables	179	219	–18.3
Grid & Infrastructure	1,094	916	19.4
Germany	783	636	23.1
Eastern Europe	311	280	11.1
Retail	588	640	–8.1
Germany	340	276	23.2
United Kingdom	–12	85	–114.1
Netherlands/Belgium	121	136	–11.0
Eastern Europe	139	143	–2.8
Corporate/other	–136	–109	–24.8
innogy Group	**1,725**	**1,666**	**3.5**

Adjusted EBIT about 4% up year on year. In the first half of 2017, innogy increased adjusted EBITDA by 2% to €2,439 million and adjusted EBIT by 4% to €1,725 million, compared to the same period last year. The main drivers of this earnings growth were reduced costs incurred to operate and maintain our networks in Germany. Furthermore, we had also accrued provisions for partial retirement measures in the first quarter of 2016 in this segment. A counteracting effect was felt from the decline in earnings in the UK retail business against the backdrop of an increasingly tough market environment as well as the negative impact of the weather on electricity generation in the field of renewable energy.

Adjusted EBIT developed as follows by division:

- **Renewables.** Adjusted EBIT was down 18% to €179 million. This was primarily due to the decline in electricity production from our hydroelectric power stations as water levels dropped substantially. At the same time, low wind levels had a dampening effect. Moreover, the devaluation of the British pound compared to the euro also had a negative impact. In addition, adjusted EBIT in the first half of last year included one-off gains on the sale of small run-of-river power stations in Germany. A positive effect was felt from the fact that the Dutch onshore wind farms Kattenberg (10 megawatts (MW), near Eindhoven) and Zuidwester (90 MW, IJsselmeer), the UK onshore wind farm Goole 2 (35 MW) and the German onshore wind farm Sommerland B (6 MW) are online at full capacity und we sold some of our electricity on the wholesale market for a higher price.

- **Grid & Infrastructure.** Adjusted EBIT increased by 19% to €1,094 million. Developments at the segment level were as follows:

  - **Grid & Infrastructure Germany.** Here, we closed the reporting period 23% up year on year, in part due to lower expenses for operating and maintaining our network infrastructure. Furthermore, we accrued provisions for partial retirement measures in 2016.

  - **Grid & Infrastructure Eastern Europe.** Adjusted EBIT recorded by this segment was 11% higher year on year. In Eastern Europe, we benefited from positive weather-related effects, which drove up volume especially on our gas distribution network in the Czech Republic. Moreover, the delayed recognition of regulatory costs in the Czech Republic had a positive impact on the first half of 2017.

- **Retail.** At €588 million, adjusted EBIT in the retail business was 8% down year on year. Developments at the segment level were as follows:

  - **Retail Germany.** This segment's adjusted EBIT was 23% higher than the figure achieved in the first half of 2016. Efficiency-enhancing measures and cost reductions had a particularly positive effect on earnings.

- **Retail United Kingdom.** In the UK retail business, adjusted EBIT declined by €97 million. This was mainly due to earnings shortfalls because we could only pass on higher run-up and procurement costs to our customers with a time lag and to a lesser extent than necessary. In addition, the increase in standard variable tariffs, which was announced in the beginning of February, resulted in further customer losses, and we could only retain some customers by making the conditions of their contracts more affordable to them. We countered this with the restructuring programme we initiated at the beginning of 2016, which led to a reduction in the cost base in the first six months of the year. However, the reduction was not enough to compensate for the drop in margins in comparison to the first half of 2016. The competitive landscape remains very tough. In addition, further intervention from the regulator, for example an extension of price caps on standard variable tariffs, is being discussed by the UK government and increasing uncertainty among market participants. Declines in sales to commercial and corporate customers also had a negative effect on earnings.

- **Retail Netherlands/Belgium.** In this segment, adjusted EBIT was 11% down year on year. This was predominantly due to a drop in customer figures and sales, which was only partially offset by lower costs and efficiency measures.

- **Retail Eastern Europe.** In this segment, we closed the reporting period at the year-earlier level.

The non-operating result, in which we recognise certain one-off effects which are not related to operations or are not periodic, decreased by €486 million to −€87 million. In the period under review, in sum, the accounting treatment of derivatives, which we use to hedge price fluctuations, led to expenses of −€73 million as opposed to income of €352 million in the same period last year. Furthermore, a €250 million compensatory payment from RWE Supply & Trading from the settlement of gas storage contracts and charges resulting from −€204 million in impairments recognised for our German gas storage facilities last year did not recur in the period being reviewed. Capital gains achieved in the period under review were minor and on a par year on year.

Financial result € million	Jan–Jun 2017	Jan–Jun 2016
Interest income	38	149
Interest expenses	−208	−487
Net interest	**−170**	**−338**
Interest accretion to non-current provisions	−6	−51
Other financial result	−2	−63
Financial result	**−178**	**−452**
Adjustments in the financial result	−120	9
Adjusted financial result to derive adjusted net income	**−298**	**−443**

Financial result improved year on year. At −€178 million, the financial result was €274 million up on the first six months of 2016. This was predominantly due to the improved net interest. The figure in the first half of last year still included negative one-off effects resulting from the separation of the companies in the run-up to the IPO. Furthermore, we posted improved income from the interest accretion to provisions stemming from the adjustment of discount rates. The other financial result improved as well, because we generated income from the disposal of securities in the first half of 2017 as opposed to the losses recorded in the same period last year.

Due to the transfer of liabilities from RWE to innogy, which was initiated in 2015, the transferred bonds must be accounted for at fair value at their respective transfer dates.

The differences to the carrying amounts formerly stated in the RWE Group are amortised over their remaining terms to maturity. They amounted to €920 million as of 30 June 2017. In the first half of the year, the amortisation had a positive effect on net interest of €104 million. The impact of currencies arising from the difference in the valuation of our foreign-currency bonds amounted to €10 million in the period under review. 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, in the first half of 2017, we made an adjustment for €6 million in positive one-off effects on net interest resulting from the transfer of four further bonds from RWE to innogy and the early redemption of the corresponding loans from RWE, which reflected the debt transfer in economic terms ahead of the legal execution.

Reconciliation to net income		Jan–Jun 2017	Jan–Jun 2016
Adjusted EBITDA	€ million	2,439	2,385
Operating depreciation, amortisation and impairment losses	€ million	−714	−719
Adjusted EBIT	€ million	**1,725**	**1,666**
Non-operating result	€ million	−87	399
Financial result	€ million	−178	−452
Income before tax	€ million	**1,460**	**1,613**
Taxes on income	€ million	−430	−356
Income	€ million	**1,030**	**1,257**
Non-controlling interests	€ million	213	177
Net income/income attributable to innogy SE shareholders	€ million	**817**	**1,080**
Effective tax rate	%	29	22

At 29%, the effective tax rate was 7 percentage points higher than in last year's comparable period. One reason for the rise was that German companies made a larger contribution to pretax income in the period under review than in the same period last year. This can generally be influenced by the price of commodities on the market as well, which can have a temporary impact on the effective tax rate. We currently expect the effective tax rate for the full year to be about 25%.

After tax, we generated income of €1,030 million (prior year: €1,257 million).

Non-controlling interests in income increased by 20% to €213 million, because some fully consolidated companies, in which entities not belonging to the Group hold a stake, generated higher income than in the same period last year.

The developments presented above are the reason why net income decreased significantly, falling to €817 million compared to last year (first half of 2016: €1,080 million). Based on the 555,555,000 innogy shares outstanding, earnings per share amounted to €1.47.

Derivation of adjusted net income		Jan–Jun 2017	Jan–Jun 2016
Adjusted EBIT	€ million	1,725	1,666
Adjusted financial result	€ million	−298	−443
Adjusted result before tax	€ million	**1,427**	**1,223**
Taxes on income on the basis of the adjusted tax rate	€ million	−357	−306
Non-controlling interests	€ million	−213	−177
Adjusted net income	€ million	**857**	**740**
Tax rate used to derive adjusted net income	%	25	25

Adjusted net income 16% up year on year. In the period under review, adjusted net income increased by 16% to €857 million. This rise was driven by improved 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 €1.54.

Adjusted net income differs from net income in that the non-operating result and – possibly – further special items are deducted from it. In particular, certain interest and currency effects that are reflected in the financial result are excluded as exceptional effects (see page 20).

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

Capital expenditure € million	Jan–Jun 2017	Jan–Jun 2016
Capital expenditure on property, plant and equipment and on intangible assets	541	580
Renewables	92	89
Grid & Infrastructure	351	371
Germany	243	258
Eastern Europe	108	113
Retail	62	100
Germany	12	23
United Kingdom	25	45
Netherlands/Belgium	20	16
Eastern Europe	5	16
Corporate/other	36	20
Capital expenditure on financial assets	172	76
Total capital expenditure	**713**	**656**

Increase in capital expenditure. Our capital expenditure rose by 9% to €713 million year on year. This was largely due to a €96 million increase in capital spending on financial assets to €172 million. The main reason for this was the acquisition of the international solar and battery specialist Belectric. We spent €541 million on property, plant and equipment and intangible assets. This represents a drop of €39 million compared to the first half of 2016. Upgrading and modernising our grid infrastructure continue to be a focal point of our investing activity. Besides maintenance, the focus was on the connection of decentralised generation assets and network expansion in relation to the energy transition. In addition, we spent capital on various onshore wind projects in the United Kingdom and Germany in the Renewables division. However, capital expenditure on property, plant and equipment in this division was on a par year on year.

Cash flow statement € million	Jan–Jun 2017	Jan–Jun 2016
Funds from operations	2,116	2,329
Change in working capital	–1,877	–1,922
Cash flows from operating activities	**239**	**407**
Cash flows from investing activities	–193	4,804
Cash flows from financing activities	–507	–5,176
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	9	–18
Net change in cash and cash equivalents	**–452**	**17**
Cash flows from operating activities	239	407
Capital expenditure on property, plant and equipment and on intangible assets[1]	–541	–546
Capital expenditure on financial assets[1]	–119	–47
Proceeds from the sale of property, plant and equipment and intangible assets/divestments	152	194
Free cash flow	**–269**	**8**

1 This item solely includes capital expenditure with an effect on cash.

Cash flows from operating activities down year on year. For seasonal reasons, electricity and gas sales volumes are above average in the winter months, whereas payments received from customers are spread evenly over the year. This is reflected in a negative change in working capital, making cash flows from operating activities much lower than funds from operations in the first half of the year. At €239 million, cash flows from operating activities were down year on year owing to one-off effects, including a compensatory payment of €250 million received from RWE Supply & Trading for the settlement of gas storage contracts in 2016.

In the period being reviewed, cash flows from investing activities totalled –€193 million, and cash flows from financing activities amounted to –€507 million. Cash flows from financing activities were mainly affected by the dividends paid in the second quarter, the placement of a bond and the issuance of commercial paper. A total of €1,472 million in commercial paper was issued in the first quarter, a large portion of which was redeemed by the end of the first half of the year, resulting in an outstanding amount of €465 million. The redemption was enabled not least due to the issuance of the first bond (€750 million; April 2017) after the IPO. The bond was also used to redeem €204 million in liabilities payable to RWE. Year-over-year comparisons of cash flows from investing activities and cash flows from financing activities are of no informational value since the two figures reflected major one-off effects associated with the establishment of the envisaged company and capital structure in the previous year.

On balance, the presented cash flows from operating, investing and financing activities caused our cash and cash equivalents to decline by €452 million.

In the beginning of 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 capital expenditure on property, plant and equipment and intangible assets, free cash flow now also reflects capital expenditure on financial assets as well as proceeds from the disposal of assets and divestitures. These items were not considered in free cash flow in the past. Free cash flow amounted to –€269 million compared to €8 million in the same period last year. The prior-year figure has been adjusted to bring it in line with the new definition.

Net debt € million	30 Jun 2017	31 Dec 2016
Cash and cash equivalents	927	1,379
Marketable securities	2,334	2,722
Other financial assets	433	519
Financial assets	**3,694**	**4,620**
Bonds, other notes payable, bank debt, commercial paper	13,180	11,826
Hedge transactions related to senior bonds	−15	−12
Adjustment for the fair valuation of senior bonds	−920	−1,034
Other financial liabilities including liabilities payable to RWE	4,744	5,395
Financial liabilities	**16,989**	**16,175**
Net financial debt	**13,295**	**11,555**
Provisions for pensions and similar obligations	3,477	3,888
Surplus of plan assets over benefit obligations	−54	−29
Provisions for wind farm decomissioning	382	334
Total net debt	**17,100**	**15,748**

Net debt rises to €17.1 billion. As of 30 June 2017, our net debt totalled €17.1 billion, up €1.4 billion compared to 31 December 2016. Besides the negative free cash flow, this was primarily due to the dividends paid in the second quarter. Compared to the end of 2016, provisions for pensions declined from €3.9 billion to €3.5 billion. The main reason for this was the change in market interest levels, which is also reflected in our discount rates. Further effects were felt for example from the transfer of financial assets to the external pension trust and staff transfers from RWE to innogy.

We control our debt using the 'leverage factor', which represents the ratio of net debt to adjusted EBITDA. This key performance indicator is more meaningful than the absolute level of liabilities, as it considers innogy's earnings power and, in turn, its capacity to service debt. We aim for a leverage factor of about 4.0. As of 31 December 2016, the latter amounted to 3.7; its presentation during the year is of no informational value.

Balance sheet structure	30 Jun 2017		31 Dec 2016	
	€ million	%	€ million	%
Assets				
Non-current assets	36,067	77.7	36,239	77.3
Intangible assets	11,687	25.2	11,709	25.0
Property, plant and equipment	17,782	38.3	17,954	38.3
Current assets	10,346	22.3	10,651	22.7
Receivables and other assets[1]	6,724	14.5	6,193	13.2
Total	**46,413**	**100.0**	**46,890**	**100.0**
Equity and liabilities				
Equity	10,916	23.5	10,667	22.7
Non-current liabilities	23,285	50.2	24,442	52.2
Provisions	5,050	10.9	5,518	11.8
Financial liabilities	15,849	34.1	16,556	35.3
Current liabilities	12,212	26.3	11,781	25.1
Other liabilities[2]	7,266	15.7	8,662	18.5
Total	**46,413**	**100.0**	**46,890**	**100.0**

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

Balance sheet structure: slight improvement in the equity ratio. As of 30 June 2017, our balance sheet total was €46.4 billion compared to €46.9 billion at the end of 2016. The shortening of the balance sheet was mainly due to changes in current assets. The seasonally-induced €0.4 billion rise in trade accounts receivable was overcompensated for by the €0.9 billion reduction in cash and cash equivalents and marketable securities.

Non-current liabilities dropped on the equity and liabilities side, in part owing to the reduction in provisions for pensions. The increase in current liabilities was primarily due to the seasonally-induced rise in trade accounts payable. The decline in debt and the balance sheet total drove the equity ratio up by 0.8% to 23.5%.

Employees[1]	30 Jun 2017	31 Dec 2016
Renewables	1,622	974
Grid & Infrastructure	21,417	21,012
Retail	15,224	15,430
Corporate/other	3,681	3,220
innogy Group	**41,944**	**40,636**
In Germany	21,846	20,553
Outside of Germany	20,098	20,083

1 Converted to full-time positions.

innogy has about 42,000 employees. As of 30 June 2017, innogy had 41,944 people on its payroll. Part-time positions were considered in these figures on a pro-rata basis. In the first half of the year, headcount grew by a net 1,308. At our German sites, manpower rose by 1,293, while our workforce abroad increased by 15 staff members. The rise primarily stemmed from personnel transfers from RWE Group Business Services GmbH, RWE Service GmbH and RWE Power AG to the innogy Group, which have thus largely been completed. The acquisition of the Belectric Solar & Battery Group caused the labour force to rise by approximately 550 employees in the first half of the year.

Outlook

Outlook for 2017 confirmed. We maintain the outlook on this year's business performance, which we published in the 2016 Annual Report (see pages 102 et seqq.) and confirmed in the interim report for January to March 2017 (see page 15) as regards adjusted EBITDA, adjusted EBIT and adjusted net income. We anticipate that the innogy Group will achieve about €4.4 billion in adjusted EBITDA and about €2.9 billion in adjusted EBIT. From today's perspective, adjusted net income is expected to total over €1.2 billion.

Outlook for 2017 confirmed and adjusted net income of more than €1.2 billion expected

Outlook € million	2016 actual	Outlook for 2017 (May 2017)	Outlook for 2017 (August 2017)
Adjusted EBITDA	4,203	About 4,400	About 4,400
Adjusted EBIT[1]	2,735	About 2,900	About 2,900
Renewables	359	About 350	About 350
Grid & Infrastructure	1,708	About 1,900	About 1,900
Retail	844	About 850	About 850
Adjusted net income	1,123	Over 1,200	Over 1,200

1 'Corporate/other' not stated separately.

However, the situation in the UK retail business remains very tense due to the fierce competition and political pressure. Measures to reduce costs within the scope of our restructuring programme will help us to partially offset negative market effects. However, we do not expect this segment to generate positive adjusted EBIT in 2017. Overall, in the Retail division, we intend to counter this with additional efficiency measures and therefore currently maintain our outlook. The forecast does not take account of potential further regulatory intervention in the UK retail business, for example by way of a price cap on standard variable tariffs.

In the Renewables division, we intend to commission new capacity. In addition to 20 megawatts of onshore capacity (pro-rata) in Germany, we will gradually connect further turbines belonging to our two large-scale offshore projects Galloper (United Kingdom) and Nordsee One (Germany) to the grid. We plan for Nordsee One to generate green electricity at full capacity this year already. The negative foreign exchange trend in the United Kingdom and the non-recurrence of positive one-off effects felt last year will have an opposing impact. We assume that weather conditions will normalise in the remaining six months, following below-average wind and precipitation levels in the first half of the year.

In the Grid & Infrastructure division, the development will mainly be characterised by lower costs incurred to maintain and operate our grids. Furthermore, we accrued provisions for partial retirement measures last year.

In the reconciliation to adjusted net income, we will benefit from lower costs in the financial result. In the first half of the year, the remeasurement of provisions in reaction to the adjustment of discount rates, among other things, led to income. Fluctuations in market parameters can generally have an impact on the financial result with an effect on profit or loss also over the remaining course of the year. From today's perspective, we confirm the forecast for the adjusted financial result of between −€750 million and −€800 million, which we issued on 12 May 2017.

As before, we use a target range for the normalised effective tax rate of 25% to 30% to calculate adjusted net income. However, we still expect a rate at the lower end of this range for the year as a whole.

Opportunities and risks

No fundamental change in the risk and opportunity situation since the beginning of the year. innogy SE's risk management system is based on methods and processes which have proven themselves in the RWE Group and we have adopted and resolutely refined for our company. We believe that the systematic identification and recording of risks as well as assessing and actively managing them is a core element of responsible corporate governance. It is equally important to recognise and actively seize opportunities.

On pages 93 to 101 of our 2016 Annual Report, we provide detailed information on the structure and processes of our risk management system as well as on the organisational units responsible for it. We also report on the material risks and opportunities as well as on the measures we take to manage and monitor them. Our opportunity and risk situation has not changed materially compared to these presentations. However, the regulatory risk to which our retail business in the United Kingdom is exposed has increased. The backdrop to this is the political debate in the UK over the introduction of protective measures for vulnerable customers, for example by way of a potential price cap on standard variable tariffs. By contrast, the establishment of our own commercial paper programme is improving our liquidity situation compared to the situation presented in our financial statements for fiscal 2016.

Current key risk figures. We control and monitor risks arising from the volatility of commodity prices and financial risks using indicators such as the Value at Risk (VaR). The VaR specifies the maximum loss from a risk position not exceeded with a given probability over a certain period of time. The VaR figures within the innogy Group are generally based on a confidence interval of 95%. The assumed holding period for a position is one day. This means that, with a probability of 95%, the maximum daily loss does not exceed the VaR.

One of the most important risk factors in the financial sector is the development of interest rates. On the one hand, interest rate increases can lead to reductions in the price of securities held by innogy. This primarily relates to fixed-interest instruments. The VaR for the securities price risk associated with changes in the interest on our capital investments in the first half of 2017 averaged €5 million. On the other hand, interest rate increases also cause our financing costs to rise. We measure this risk using the cash flow at risk. We apply a confidence level of 95% and a holding period of one year. The cash flow at risk averaged €8 million.

The securities we hold in our portfolio include shares. On average, the VaR for the risk associated with changes in foreign exchange rates was €4 million. The average VaR for innogy SE's foreign currency position resulting from transaction risks was €1 million.

Responsibility statement

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

Essen, 9 August 2017

The Executive Board

Terium Bünting Günther

Herrmann Müller Tigges

Interim consolidated financial statements (condensed)

Income statement

€ million	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016
Revenue (including natural gas tax/electricity tax)	**9,335**	**9,523**	**21,705**	**22,780**
Natural gas tax/electricity tax	−355	−346	−1,081	−1,127
Revenue	**8,980**	**9,177**	**20,624**	**21,653**
Cost of materials	−7,174	−7,106	−16,248	−16,701
Staff costs	−743	−675	−1,462	−1,432
Depreciation, amortisation and impairment losses	−358	−360	−714	−923
Other operating result	−358	−453	−708	−681
Income from investments accounted for using the equity method	48	47	95	98
Other income from investments	30	32	51	51
Financial income	497	389	620	528
Finance costs	−583	−723	−798	−980
Income before tax	**339**	**328**	**1,460**	**1,613**
Taxes on income	−89	8	−430	−356
Income	**250**	**336**	**1,030**	**1,257**
of which: non-controlling interests	65	62	213	177
of which: net income/income attributable to innogy SE shareholders	185	274	817	1,080
Basic and diluted earnings per common and preferred share in €[1]	**0.33**	**0.68**	**1.47**	**5.33**

1 The number of shares in the first half of 2017 deviates from the number of shares in the first half of 2016 (see earnings per share).

Statement of comprehensive income[1]

€ million	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016
Income	**250**	**336**	**1,030**	**1,257**
Actuarial gains and losses of defined benefit pension plans and similar obligations	168	−245	374	−726
Income and expenses recognised in equity, not to be reclassified through profit or loss	**168**	**−245**	**374**	**−726**
Currency translation adjustment	68	−45	96	−49
Fair valuation of financial instruments available for sale	−15	19	−2	19
Prorated income and expenses of investments accounted for using the equity method	3	−2	3	−2
Income and expenses recognised in equity, to be reclassified through profit or loss in the future	**56**	**−28**	**97**	**−32**
Other comprehensive income	**224**	**−273**	**471**	**−758**
Total comprehensive income	**474**	**63**	**1,501**	**499**
of which: attributable to innogy SE shareholders	372	9	1,248	320
of which: attributable to non-controlling interests	102	54	253	179

1 Figures stated after taxes.

Balance sheet

Assets € million	30 Jun 2017	31 Dec 2016
Non-current assets		
Intangible assets	11,687	11,709
Property, plant and equipment	17,782	17,954
Investments accounted for using the equity method	2,301	2,256
Other financial assets	837	703
Receivables and other assets	985	979
Deferred taxes	2,475	2,638
	36,067	**36,239**
Current assets		
Inventories	453	391
Trade accounts receivable	4,399	4,022
Receivables and other assets	2,325	2,171
Marketable securities	2,242	2,688
Cash and cash equivalents	927	1,379
	10,346	**10,651**
	46,413	**46,890**

Equity and liabilities € million	30 Jun 2017	31 Dec 2016
Equity		
innogy SE shareholders' interest	9,231	8,931
Non-controlling interests	1,685	1,736
	10,916	**10,667**
Non-current liabilities		
Provisions for pensions and similar obligations	3,477	3,888
Other provisions	1,573	1,630
Financial liabilities	15,849	16,556
Other liabilities	1,832	1,847
Deferred taxes	554	521
	23,285	**24,442**
Current liabilities		
Other provisions	2,870	2,454
Financial liabilities	2,076	665
Trade accounts payable	3,204	4,302
Other liabilities	4,062	4,360
	12,212	**11,781**
	46,413	**46,890**

Cash flow statement

€ million	Jan–Jun 2017	Jan–Jun 2016
Income	1,030	1,257
Depreciation, amortisation, impairment losses/reversals	717	924
Changes in provisions	337	407
Deferred taxes/non-cash income and expenses/income from disposal of non-current assets and marketable securities	32	−259
Changes in working capital	−1,877	−1,922
Cash flows from operating activities	**239**	**407**
Capital expenditure on non-current assets/acquisitions	−660	−593
Proceeds from disposal of assets/divestitures	152	194
Changes in marketable securities and cash investments	315	5,203
Cash flows from investing activities[1]	**−193**	**4,804**
Cash flows from financing activities	**−507**	**−5,176**
Net cash change in cash and cash equivalents	−461	35
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	9	−18
Net change in cash and cash equivalents	**−452**	**17**
Cash and cash equivalents at the beginning of the reporting period	**1,379**	**550**
Cash and cash equivalents at the end of the reporting period	**927**	**567**

1 After the initial/supplemental funding of pension plans in the amount of €146 million (first half of 2016: €125 million).

Statement of changes in equity

€ million	Subscribed capital and additional paid-in capital of innogy SE	Retained earnings and distributable profit	Accumulated other comprehensive income	**innogy SE shareholders' interest**	Non-controlling interests	**Total**
Balance at 1 Jan 2016		**17,354**	**−705**	**16,649**	**1,811**	**18,460**
Dividends paid		−694		−694	−187	−881
Income		1,080		1,080	177	1,257
Other comprehensive income		−750	−10	−760	2	−758
Total comprehensive income		330	−10	320	179	499
Withdrawals/contributions	3,412	−15,407		−11,995	−79	−12,074
Balance at 30 Jun 2016	**3,412**	**1,583**	**−715**	**4,280**	**1,724**	**6,004**
Balance at 1 Jan 2017	**7,321**	**2,291**	**−681**	**8,931**	**1,736**	**10,667**
Dividends paid		−889		−889	−239	−1,128
Income		817		817	213	1,030
Other comprehensive income		341	90	431	40	471
Total comprehensive income		1,158	90	1,248	253	1,501
Withdrawals/contributions		−59		−59	−65	−124
Balance at 30 Jun 2017	**7,321**	**2,501**	**−591**	**9,231**	**1,685**	**10,916**

Notes

Accounting policies

innogy SE, headquartered at Opernplatz 1, 45128 Essen, Germany, is the parent company of the innogy (Sub-) Group ('innogy' or 'Group'). innogy is a supplier of energy in Europe.

At the beginning of 2016, innogy SE operated as RWE Downstream AG, which was initially renamed RWE International SE on 11 March 2016 and then innogy SE on 1 September 2016. During the first six months of 2016, the innogy Group was created by transferring entities from companies of the RWE Group to the innogy 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 pursuant to IFRS 10. innogy exercised the discretionary right to account for business combinations under joint control using predecessor accounting with retrospective presentation. This means that the assets and liabilities of the business activities included in the consolidated financial statements are recognised at the amounts historically reported in RWE's IFRS consolidated financial statements.

The consolidated interim financial statements for the period that ended on 30 June 2017 were approved for publication on 9 August 2017. Along with additional disclosure in the interim Group review of operations they were prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU.

In line with IAS 34, the scope of reporting for the presentation of interim consolidated financial statements for the period that ended on 30 June 2017 was condensed compared to the scope applied to the consolidated financial statements for the period that ended on 31 December 2016. With the exception of the changes and new rules described below, these interim consolidated financial statements were prepared using the accounting policies applied in the consolidated financial statements for the period ending on 31 December 2016. For further information, reference is made to the consolidated financial statements for the period ending on 31 December 2016, which form the basis for these consolidated interim financial statements.

Provisions for pensions and similar obligations are discounted at an interest rate of 2.0% in Germany and 2.5% abroad (31 December 2016: 1.8% and 2.6%, respectively).

Changes in accounting policies

The International Accounting Standards Board (IASB) has approved several amendments to existing International Financial Reporting Standards (IFRS), which become effective for the innogy Group as of fiscal 2017 subject to adoption into EU law:

- 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

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

New accounting policies

The IASB has adopted further Standards, which are not yet mandatory in the European Union (EU) in fiscal 2017, the expected effects of which have already been described in the 2016 Annual Report. The following are updates on the expected effects based on the current state of implementation.

IFRS 9 Financial Instruments

innogy expects the classification and measurement of financial instruments to have effects above all on the recognition of changes in the value of financial assets that are measured at fair value and classified as 'Financial assets available for sale' in accordance with IAS 39. In the future, changes in the fair value of a large portion of these instruments will be recognised in the income statement instead of – as previously – in other comprehensive income. Non-derivative financial instruments classified as 'loans and receivables' according to IAS 39 will primarily be measured at amortised cost pursuant to IFRS 9 as well.

IFRS 15 Revenue from Contracts with Customers

innogy is finalising the review of the results of the contract analysis with regard to the accounting treatment of these contracts pursuant to IFRS 15. In relation to the expected effects mentioned in the 2016 Annual Report, we no longer anticipate that the following items will have a significant impact:

- gifts such as thermostats, vouchers, household appliances and discounted products given to households in exchange for signing a contract;
- contracts with households which provide a warranty or guarantee to the customer.

Updates and additional findings regarding the expected effects since the 2016 Annual Report was published are presented below:

Supply of energy to households

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. Such contracts are not expected to have an impact on revenue recognition.

Principal-agent relations

With respect to regulatory charges especially in the field of renewable energy, a few cases have been identified in which – unlike under IAS 18 – innogy qualifies as agent under IFRS 15. In Germany, both revenue and the cost of materials of the Grid & Infrastructure segment are expected to decline by some €2.5 billion, because some performance bonuses received by the transmission system operator under the direct marketing model of the German Renewable Energy Act no longer qualify as revenue. This will not have an impact on income.

innogy will use the modified retrospective method as a transitional method for first-time application as of 1 January 2018.

Scope of consolidation

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

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

Number of fully consolidated companies	Germany	Abroad	Total
Balance at 1 Jan 2017	**109**	**146**	**255**
First-time consolidation	9	10	19
Deconsolidation	−2	−1	−3
Mergers	−3	−1	−4
Balance at 30 Jun 2017	**113**	**154**	**267**

Number of investments and joint ventures accounted for using the equity method	Germany	Abroad	Total
Balance at 1 Jan 2017	**64**	**13**	**77**
Acquisitions			
Disposals			
Other changes	2		2
Balance at 30 Jun 2017	**66**	**13**	**79**

Furthermore, five companies are presented as joint operations.

Acquisitions

Belectric

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

The initial recognition of the business combination has not been finalised due to the complex structure of the transaction. The assumed assets and liabilities are 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
Net assets	**73**
Cost	74
Goodwill	**1**

The fair value of the accounts receivable included in the non-current and current assets amounted to €24 million.

Since its first-time consolidation, the company has contributed €81 million to revenue and −€3 million to the earnings of the Group.

The preliminary purchase price amounts to €74 million and includes a conditional payment obligation of €7 million. The negotiations on the final purchase price were initiated by the two contracting parties in the second quarter of 2017, but they have not yet agreed on the final purchase price. A conclusive outcome is expected in the third quarter of 2017. The goodwill primarily results from the expected future benefit and synergy effects.

Provisions for pensions and similar obligations

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 are 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 the first quarter of 2017, this separation was continued through the conclusion of additional transfer agreements 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.

Share-based payment

A report on share-based payment systems for executives of innogy SE and subordinated affiliates was included in the consolidated financial statements for the period that ended on 31 December 2016. A further tranche was issued as part of the long-term incentive plan for executives ('Strategic Performance Plan') in the first quarter of 2017.

Dividend distribution

innogy SE's 24 April 2017 Annual General Meeting decided to pay a dividend of €1.60 per individual, dividend-bearing share for fiscal 2016. The dividend payment totalled €889 million.

Financial liabilities

On 5 April 2017, innogy SE placed its first senior bond. It has a volume of €750 million, a tenor of eight years, was issued by innogy Finance B.V. and backed 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.

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		Jan–Jun 2017	Jan–Jun 2016
Net income/income attributable to innogy SE shareholders	€ million	817	1,080
Number of shares outstanding (weighted average)	thousands	555,555	202,812
Basic and diluted earnings per share	€	**1.47**	**5.33**

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. 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 all market factors which other market participants would take into account in the course of price determination. Assumptions pertaining to the energy sector and economy are made within the scope of a comprehensive process with the involvement of both in-house and external experts.

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

As a rule, the carrying amounts of financial assets and liabilities within the scope of IFRS 7 are identical to their fair values.

As regards financial liabilities, there are only deviations in relation to bonds, bank debt, and other financial liabilities. The carrying amount of these was €17,925 million (31 December 2016: €17,222 million), while the fair value amounted to €20,264 million (31 December 2016: €19,540 million).

For financial assets, there are no deviations between carrying amounts and fair values.

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

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

Fair value hierarchy € million	Total 30 Jun 2017	Level 1	Level 2	Level 3	Total 31 Dec 2016	Level 1	Level 2	Level 3
Other financial assets	837	47	93	697	703	38	26	639
Derivatives (assets)	669		661	8	1,054	1	1,044	9
of which: used for hedging purposes	12		12		2		2	
Marketable securities	2,242	1,934	308		2,688	1,870	818	
Derivatives (liabilities)	904		892	12	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 € million	Balance at 1 Jan 2017	Changes in the scope of consolidation, currency adjustments and other	Changes		Balance at 30 Jun 2017
			recognised in profit or loss	with a cash effect	
Other financial assets	639	11	9	38	697
Derivatives (assets)	9		−1		8
Derivatives (liabilities)	9			3	12

Level 3 financial instruments: Development in 2016 € million	Balance at 1 Jan 2016	Changes in the scope of consolidation, currency adjustments and other	Changes		Balance at 30 Jun 2016
			recognised in profit or loss	with a cash effect	
Other financial assets	485	31	3	−4	515
Derivatives (assets)	27			−27	
Derivatives (liabilities)	30			−30	

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

Level 3 financial instruments: Amounts recognised in profit or loss € million	Total Jan–Jun 2017	Of which: attributable to financial instruments held at the balance-sheet date	Total Jan–Jun 2016	Of which: attributable to financial instruments held at the balance-sheet date
Revenue				
Cost of materials	−1	−1		
Other operating income/expenses	14	12	4	4
Income from investments	−5	−5	−1	−1
Financial income/finance costs				
	8	**6**	**3**	**3**

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 primarily determined based on the temperatures actually observed during the contractual term of the derivatives that has already passed.

Related party disclosures

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

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

Key items from transactions with related parties	RWE AG		Subsidiaries, joint ventures and associates of the RWE Group		Associates of the innogy Group		Joint ventures of the innogy Group	
€ million	Jan–Jun 2017	Jan–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jan–Jun 2017	Jan–Jun 2016
Income	13	208	3,059	3,204	49	48	11	2
Expenses	159	575	7,055	8,604	12	16		

Key items from transactions with related parties	RWE AG		Subsidiaries, joint ventures and associates of the RWE Group		Associates of the innogy Group		Joint ventures of the innogy Group	
€ million	30 Jun 2017	31 Dec 2016	30 June 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
Receivables	42	226	865	1,190	48	43	96	93
Liabilities	3,726	4,492	789	2,425	26	4	6	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 30 June 2017, receivables included loans and financial receivables due from the RWE Group totalling €171 million (31 December 2016: €176 million). As of 30 June 2017, loans and financial liabilities owed to the RWE Group totalled €3,634 million (31 December 2016: €4,329 million).

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. During the first half of 2017, supply transactions/services and other transactions led to income in the amount of €3,065 million and €2 million, respectively (first half of 2016: €2,884 million and €423 million, respectively) and expenses of €7,027 million and €171 million, respectively (first half of 2016: €8,520 million and €485 million, respectively). During the first half of 2017, finance transactions led to income in the amount of €5 million (first half of 2016: €105 million) and expenses of €16 million (first half of 2016: €174 million).

All transactions were completed at arm's length conditions; i.e. on principle the conditions of these transactions did not differ from those with other enterprises. As of 30 June 2017, receivables of €589 million (31 December 2016: €963 million) and liabilities of €2,197 million (31 December 2016: €2,366 million) were due within one year. As of 30 June 2017, other obligations from executory contracts amounted to €21,164 million (as of 31 December 2016: €20,886 million).

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

Events after the balance-sheet date

The following major events occurred between 1 July 2017 and 9 August 2017, the date on which the consolidated financial statements were approved for publication:

Transfer of loans

At the end of February, 18 bonds of various currency were transferred from RWE AG to innogy SE as part of a guarantor and debtor exchange. 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. At the end of July 2017, this reduced the volume of group loans outstanding to €2.4 billion, which will be redeemed on schedule by 2020. Additional information can be found in the chapter on major events after the end of the period under review.

Review report

To innogy SE, Essen

We have reviewed the condensed consolidated interim financial statements – comprising the income statement and statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and selected explanatory notes – and the interim group management report of innogy SE, Essen, for the period from 1 January to 30 June 2017 which are part of the interim financial report pursuant to § 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

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

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

Essen, 10 August 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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

Legal disclaimer

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

Financial calendar 2017/2018

13 Nov 2017	Interim report for January to September 2017
12 Mar 2018	Annual report for the fiscal 2017
24 Apr 2018	Annual General Meeting
27 Apr 2018	Dividend payment
14 May 2018	Interim report for January to March 2018
09 Aug 2018	Half-year report 2018
13 Nov 2018	Interim report for January to September 2018

This document was published on 11 August 2017. It is a translation of the German Half-year report 2017.
In case of divergence from the German version, the German version shall prevail.

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