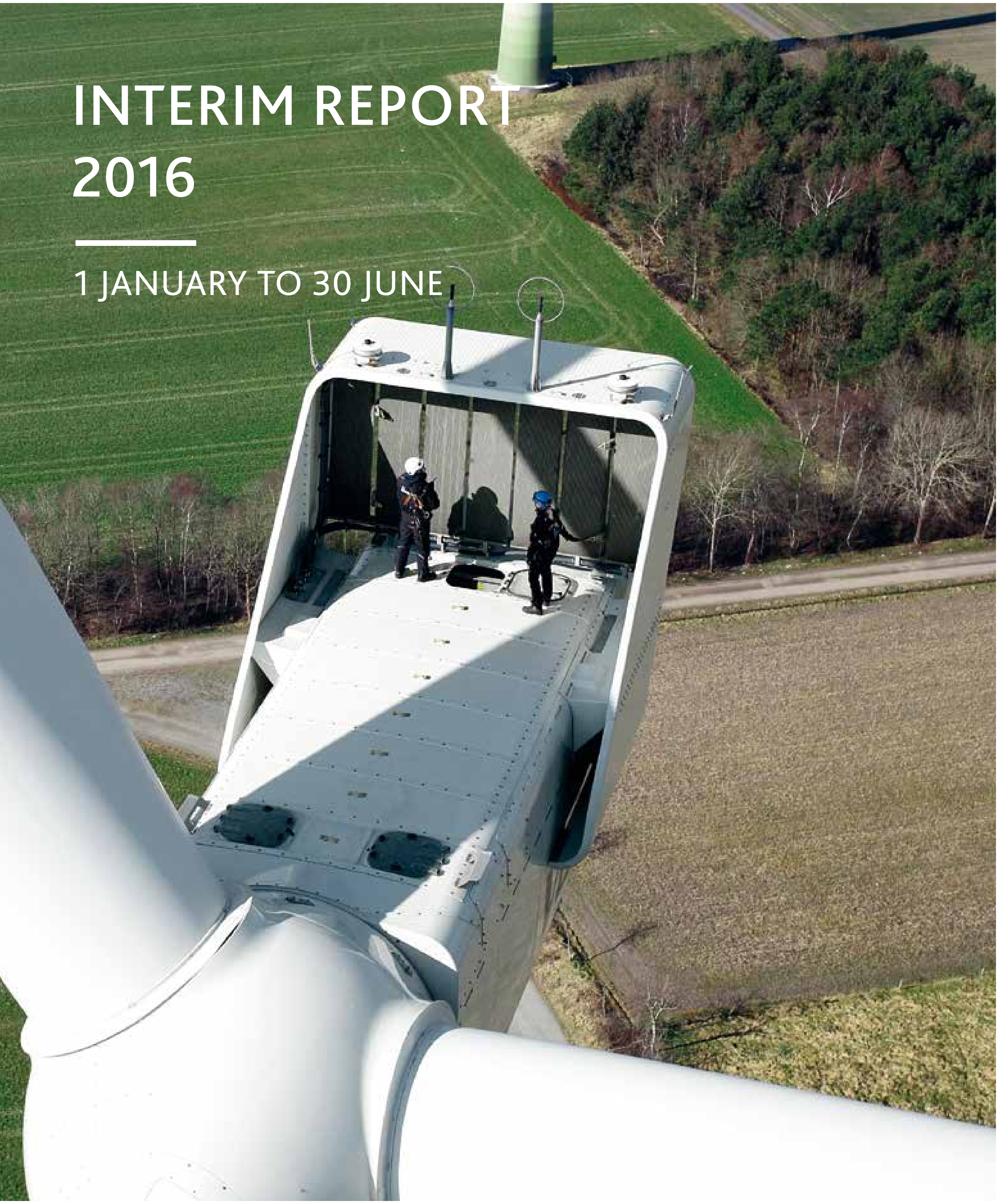
INTERIM REPORT 2016

1 JANUARY TO 30 JUNE



EWE

GROUP KEY FIGURES

Earnings situation in the reporting period in millions of euros	01.01. – 30.06.2016	01.01. – 30.06.2015	Change in %
Turnover	4,019.1	4,212.0	-4.6
Operating EBITDA	617.9	552.1	11.9
Operating EBIT	378.3	338.7	11.7
EBIT	595.9	364.3	63.6
Net income for the period	385.9	208.4	85.2

Assets as at the reporting date in millions of euros	30.06.2016	31.12.2015	Change in %
Total assets	8,673.4	9,744.3	-11.0
Equity	1,794.6	1,749.2	2.6
Net financial position	3,685.2	4,237.1	-13.0

Financial position in the reporting period in millions of euros	01.01. – 30.06.2016	01.01. – 30.06.2015	Change in %
Cash flow from operating activities	225.4	391.1	-42.4
Payments for investments (total)	196.1	153.2	28.0

Employees as at the reporting date	30.06.2016	30.06.2015	Change in %
Employees (average)	9,066	8,863	2.2
Employees in full-time equivalents (FTE)	8,674	8,479	2.3

Accounting methods may result in rounding differences of +/- one unit (euro, per cent, etc.).

ABOUT US

At EWE, around 9,000 employees generate annual revenue of 8 billion euros – this makes us one of the largest municipal companies in Germany. Our customers in north-west Germany and Brandenburg and on Rügen benefit from innovative energy products and powerful telecommunications.

EWE has also made a name for itself as a reliable provider and trendsetter in modern energy markets in Poland and Turkey. The Group headquartered in Oldenburg has its own production capacities from both renewable and conventional energy sources. In addition, the companies of the EWE Group operate advanced and safe networks for electricity, natural gas and telecommunications. Our portfolio is rounded off with Germany-wide IT solutions.

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EWE AG ▪ Interim Report 2016

FOREWORD BY THE CHAIRMAN OF THE BOARD OF MANAGEMENT

Dear Ladies and Gentlemen,
Friends of the Company,

EWE has successfully closed the first half of 2016. The operating EBIT was 378.3 million euros at the midpoint of the year. This represents growth of 11.7 per cent over the same period in the previous year. The consolidated result for the period increased considerably to 385.9 million euros. The positive first half of the year reinforces our prospects for the full year. In spite of challenging economic and political circumstances, in 2016 we expect to generate operating EBIT on at least the same level as in the previous year (428.1 million euros).

Our sales activities made a positive contribution to the growth in earnings. In particular, energy procurement optimisations enabled us to generate a higher segment profit overall despite the price cuts that we were able to undertake for our power and gas customers. Renewables, Grids and Gas Storage increased their total turnover and operating EBIT. Our foreign business turned a profit despite lower sales volumes and exchange rates. The swb sub-Group was able to raise its turnover and operating EBIT.

We view the current developments in Turkey with particular concern – including in regard to our own interests in the country. We have been operating in Turkey since 2007. Our main business involves supplying and trading natural gas and power. At the start of the year we entered the Turkish telecommunications market. We increased our local security measures in recent weeks in order to protect our employees. We are monitoring and analysing the political and economic situations in the country very closely.

We are going into the second half of the year with continuing optimism. We are making good progress on our course for change so that we can be certain to continue to provide our customers with reliability and supply security in the future – with efficient, cutting-edge infrastructure for power, gas, broadband and e-mobility, and with a wide range of products and services for a fully satisfactory customer experience.

With best regards,

Oldenburg, August 2016

Matthias Brückmann
Chairman of the Board of Management

INVESTOR RELATIONS

EWE BONDS AND CAPITAL MARKET

EWE currently has three Eurobonds placed on the capital market. They are due to mature in 2019, 2020 and 2021. The original bond value of 500 million euros decreased significantly due to a buy-back in June 2016. The values of the bonds maturing in 2019, 2020 and 2021 decreased to a nominal value of 372.4 million euros, 365.3 million euros and 463.9 million euros respectively. As such, the bonds have a total outstanding value of around 1.2 billion euros.

Despite volatile phases, the credit market for corporate bonds fared well in the first half of 2016. At the start of the year, doubts about Chinese and global growth caused uncertainty on the markets and the conditions for new issues deteriorated. The relatively low volume of new issues in January and February led to increased demand for corporate bonds. In turn, this helped to stabilise the market and reduce risk premiums. The European Central Bank's (ECB) announcement of its plan to purchase corporate bonds led to a significant improvement of conditions in the primary and secondary markets.

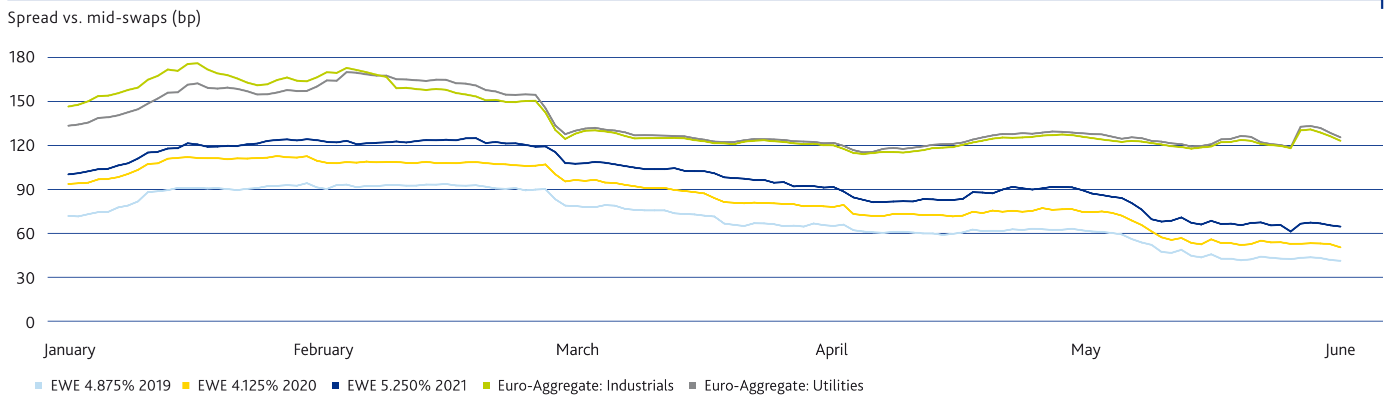
Despite the strained situation in the sector, bonds of utility companies mostly traded at the same level as the industrial benchmark index in the first half of 2016. As with the market index, the performance was largely driven by the actions of the ECB. The news about the German nuclear fund also reassured investors about utility company bonds. Additionally, the gradual recovery of energy prices supported the positive image of the sector and its bonds.

With regard to the risk premium, the bonds of EWE performed better and more consistently than the market average in the first half of 2016. With an improvement of up to 40 basis points, the bonds enjoyed a successful first half of the year. The premature buy-back of bonds in the first half of the year caused EWE bonds on the secondary markets to improve further.

FINANCING ACTIVITIES IN 2016

In the first half of 2016, EWE AG completed a premature buy-back of its own bonds. With the buy-back of almost 300 million euros of bonds, liabilities should be settled early and future interest expenses reduced. The funds for the buy-back were generated from the sale of EWE's interest in VNG to EnBW. The buy-back offer concerned EWE bonds with a nominal value of 1.5 billion euros that were due to mature in 2019, 2020 and 2021.

Performance of the EWE bonds in the first half-year 2016



INTERIM GROUP MANAGEMENT REPORT

Company background

STRUCTURE AND KEY BUSINESS AREAS

Here at EWE, we are systematically positioning ourselves for the future of energy. We operate state-of-the-art and reliable energy grids, are a pioneer in the field of renewable energy and, as the first company in Germany to do so, tap the joint potential of energy, telecommunications and IT. As such, we now already possess the key competencies required for sustainable, intelligent energy systems, which means we are well positioned for the ongoing decentralisation of the energy supply.

Select key performance indicators	30.06.2016	31.12.2015	Change in %
As at the reporting date			
Installed power generation capacity (MW)	**1,367.3**	**1,367.3**	**–**
of which from renewable energy sources [1]	322.3	322.3	–
of which from conventional energy sources [2]	1,045.0	1,045.0	–
Network lengths (in thousands of kilometres)			
Electricity	As at 31.12. only	92.8	–
Natural gas	As at 31.12. only	70.7	–
Telecommunications	As at 31.12. only	38.0	–
of telecommunications, copper	As at 31.12. only	15.2	–
of telecommunications, fibre optic	As at 31.12. only	22.8	–
Customers (number)			
Electricity	1,313,637	1,324,578	-0.8
Natural gas	1,715,525	1,710,733	0.3
Telecommunications	745,968	615,278	21.2
In the reporting period	**01.01. – 30.06.2016**	01.01. – 30.06.2015	Change in %
Sales volume (in millions of kWh)			
Sales volume, electricity	17,394.0	16,896.7	2.9
of this total, commercial and self-consumption	9,907.9	9,858.3	0.5
Sales volume, natural gas	41,249.4	43,862.8	-6.0
of this total, commercial and self-consumption	6,433.6	7,770.4	-17.2

[1] Including proportional capacities from investments measured at equity
[2] Including waste to energy

GROUP LEGAL STRUCTURE

EWE Aktiengesellschaft (EWE AG) is the EWE Group's holding company. The company's headquarters are located in Oldenburg, Germany. The company's registered capital is held by three majority shareholders:

» Weser-Ems-Energiebeteiligungen GmbH (64 per cent)
» Energieverband Elbe-Weser Beteiligungsholding GmbH (20 per cent)
» EnBW Energie Baden-Württemberg AG (6 per cent)

EWE AG holds 10 per cent of its own shares.

The Group's companies operate in several regionally interrelated market areas in Germany and abroad. In the first half of 2016, the number of fully consolidated companies increased due to the acquisition of Millenicom Telekomünikasyon Hizmetleri A.Ş., Kağıthane – İstanbul, Turkey ("Millenicom"). Additionally, the joint venture GWAdriga GmbH & Co. KG, Berlin, has been measured at equity since 30 June.

In light of its intention to dispose of them, the shares in VNG – Verbundnetz Gas Aktiengesellschaft, Leipzig (VNG) that were measured at equity were recognised under long-term assets held for sale as at 31 December 2015. In April 2016, the shares (74.2 per cent) were transferred to EnBW Energie Baden-Württemberg AG, Karlsruhe (EnBW). In return, the shareholders of EWE AG and EWE AG itself acquired 20 per cent of the shares of EWE themselves. By 2019 at the latest, 6 per cent of EWE shares shall remain with EnBW and should then be transferred to EWE-Verband. Since May 2016, the company has held 10 per cent of its own shares.

Based on current management and control structures, the Group is organised into the following segments:

» Renewables, Grids and Gas Storage
» Sales, Services and Trading
» International
» swb

In addition, there is also a Group Central Division segment.

RENEWABLES, GRIDS AND GAS STORAGE SEGMENT

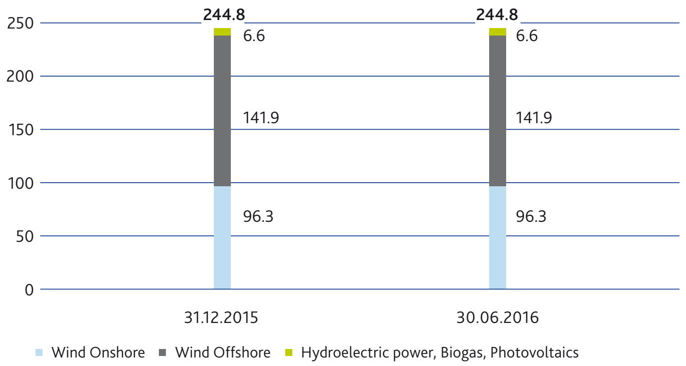
This segment consists of the business areas Renewables, Grids and Gas Storage. In addition, this segment also contains our waste water business.

Renewables

We made renewable energy a focus of our business activities early on, have made advancements in this field and, as such, have played a key role in their acceptance and their level of development in our core regions today. Our Renewables business area, with a focus on wind power, encompasses a power generation capacity with an installed total output of approximately 245 megawatts (MW). This figure includes the capacities of holdings consolidated using the equity method, which are reported at a proportional rate, such as our share in the alpha ventus offshore wind park. We plan, build and operate renewable power generation plants, including within the scope of investment and partner models. We invest around 30 million euros per annum in the expansion of onshore wind power plants. We market our expertise in the construction and operation of offshore wind parks internationally. The segment swb also contains additional energy generation capacities from renewable sources.

Power generation capacity of renewables unchanged [1]

in megawatts



[1] Including proportional capacities from investments measured at equity

Grids

Power and telecommunications grids are a key factor in terms of the necessary reorganisation of energy systems. We operate state-of-the-art, efficient power grids and natural gas networks in the Ems-Weser-Elbe region of Germany as well as natural gas networks in Brandenburg, Rügen and Nordvorpommern. Thanks to low outage times, our distribution grids are some of the safest in Europe. As an independent pipeline network operator, the EWE Group also markets transport capacities for an approximately 320 km gas pipeline network. This network is connected to the European natural gas network at the cross-border point in Oude Statenzijl, Netherlands. Furthermore, we operate a wide telecommunications network as well as drinking water networks in north-western Germany. We are continuing to press on with the expansion of broadband networks in these rural areas.

Grid investment model

There are currently 82 municipalities investing a volume of 58.1 million euros in EWE NETZ GmbH (EWE NETZ). This represents a share of 3.1 per cent. Overall, municipalities in the Ems-Weser-Elbe region can acquire a total interest of 25.1 per cent in the grid operator by 2018.

Gas storage

We operate systems which store, inject and withdraw gaseous and liquid energy carriers (e.g. high-pressure natural gas, hydrogen and liquefied gas). Approximately 88 per cent of the natural gas used in Germany is imported. Underground storage reservoirs are suitable for seasonal and short-term allocation of imported gas quantities. Stored natural gas can be used to mitigate fluctuations in price and demand. This also cuts the costs of investing in the network infrastructure. With 38 underground reservoirs in northern Germany and Rüdersdorf, Berlin, and a total storage capacity of 2.1 billion cubic metres, we are one of the largest operators of gas storage reservoirs in the German-European natural gas market. We also market our storage capacity to external customers.

Waste water

We offer various waste water purification models (operator, management, partnership and waste water procurement models). As at the reporting date, we have rendered services for 19 municipalities. In the first half of the year, the total volume of waste water purified was 8.7 million cubic metres (same period in the previous year: 8.3 million cubic metres). In addition, for external customers, we draw up energy efficiency analyses, provide services in the field of measurement and control technology, and advise municipalities and industrial companies. With regard to changed legal conditions and other developments, we have started to collaborate with partners on the development of alternative disposal concepts and engage with waste-to-energy processes.

SALES, SERVICES AND TRADING SEGMENT

This segment encompasses our Energy, Telecommunications, Information Technology and Trading business areas. Here, we develop industry-specific and customer-specific system solutions, services and products in ever more challenging markets.

Energy and Telecommunications

This field is characterised by the integrated regional range of products and services for energy and telecommunications. The business area's clientele consist of private households, industrial companies, commercial enterprises and municipalities. Its focus of business activities lies in north-western Germany, parts of Brandenburg, on the island of Rügen and the Ostwestfalen-Lippe region. We even support some business customers all over Germany. Energy sales are ahead of the competition in north-western Germany. With regard to telecommunications, we have consolidated our position in the market even further by attracting new customers. We are working hard to build up new business activities such as e-mobility, power storage and energy audits. We are therefore becoming a service provider which offers customer-specific services and solutions in addition to traditional products such as power, gas and heat. We see the digitisation of the energy economy as an opportunity and are developing a modern, competitive profile for it.

Information Technology

As one of the leading IT consulting companies in Germany with a wide network of branch offices and additional locations abroad, we offer a broad range of consultation services. We specialise in the energy and telecommunications industries, the public sector, industrial companies and service providers. Digitisation is the key factor in the future competitiveness of companies in all industries. As an IT company specialising in digital value creation, we support our partners in networking on the Internet of things and tailoring products, services and customer relationships to meet the new requirements. We aim to provide our customers with the first solutions and develop them flexibly in line with the specifications of our customers.

Trading

We operate an energy trading business, primarily for our own sales and power generation activities: energy trading involves the procurement of power and gas – either on order or on the basis of agreed procurement and marketing strategies – and the creation of hedges designed to minimise price risks. Natural gas is stored in storage facilities owned by EWE. A market partner, EWE TRADING GmbH trades on the European power and gas spot markets as well as off-exchange over-the-counter business. We provide our customers with services such as accounting grid management or filing mandatory REMIT reports with which the EU aims to maintain the integrity and transparency of the wholesale energy market. Since the German Renewable Energy Sources Act (EEG) was reformed, more and more operators of wind, photovoltaic, hydroelectric and biogas plants are having to find buyers for their power themselves. As one of the leading direct marketers, we provide support with energy trading and are also a trading partner for CO_2 certificates.

INTERNATIONAL SEGMENT

The International segment encompasses the activities of the EWE Group in Turkey and Poland.

Turkey

The energy market in Germany offers only a limited number of growth opportunities. We have seen sales declining over the long-term, particularly in the classic natural gas business. This is why we are also active in growth regions abroad. Turkey is one of the fastest-growing energy markets in the world and, as an energy transit country, is an important hub for the European energy supply. We are the largest foreign investor in the Turkish gas sector and, within the scope of expanding network areas in Bursa and Kayseri, strive to establish a state-of-the-art natural gas infrastructure in further cities. Our business area also possesses long-term gas trade and liquefied natural gas licences as well as a power trading licence. We supply natural gas to industrial customers, industrial zones, gas power plants and utility companies throughout the country and have even been supplying power to business customers since 2014. In the first half of 2016, we entered the Turkish telecommunications market by acquiring the Istanbul-based provider Millenicom.

Poland

In addition to Turkey, the distribution and sale of natural gas in Poland is also a key component of our business activities. Our focus here is on southern and eastern Poland. In addition, we also offer contracting solutions and energy consulting services. Our product range has also included the sale of power to business customers in Poland since early 2014.

More natural gas customers attracted in Turkey and Poland

	30.06.2016	31.12.2015	Change in %
Turkey	944,945	922,939	2.4
Poland	14,634	14,288	2.4

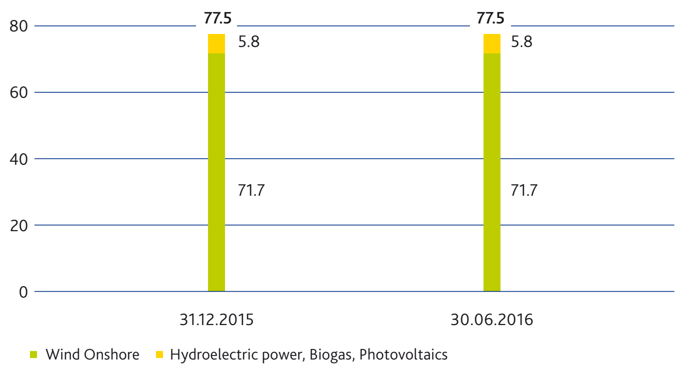
SWB SEGMENT

We are active in the cities of Bremen and Bremerhaven within the scope of our swb segment. The swb Group and its subsidiaries are active in the fields of power, natural gas, heating, drinking water and telecommunications. The former Conventional Generation and Disposal business unit is contained within the segment. The swb segment operates conventional power plants (coal and gas) with an installed total output of more than 1,000 MW. In 2015, swb established "kraftwerk – city accelerator bremen" in order to boost its level of innovation. It has been supporting six start-ups with founders from six different countries since March 2016.

We are also focused on expanding renewable energy in the swb segment as well. The swb Group is pursuing climate protection goals with three key objectives as part of its sustainability strategy: expand green power generation, reduce emissions, and use resources responsibly. Of particular note is our approach of generating energy from waste, which bridges the gap between generation and disposal.

Power generation capacity of swb renewables unchanged [1)]

in megawatts



[1)] Including proportional capacities from investments measured at equity

GROUP CENTRAL DIVISION SEGMENT

EWE AG represents the Group Central Division. It manages the EWE Group as its holding company. Its duties lie in the strategic and cross-market development of the business areas as well as strategic planning and assuring the Group's financing. In addition, EWE AG performs centralised corporate services for the Group's companies.

BUSINESS, POLITICAL AND REGULATORY ENVIRONMENT

BUSINESS ENVIRONMENT

According to the German Institute for Economic Research (DIW), the performance of the global economy remained poor. The real GDP in the Eurozone was, however, 0.6 per cent higher than expected in the first quarter.

In Germany, the moderate economic upturn continued. Consumption increased further, stimulated by the developments in the labour market. Oil prices have been rising since early in the year and will have an effect on energy prices, which in turn experts believe will increase inflation.

The economy in Lower Saxony also grew in the second quarter of 2016. The good level of domestic economic activity remains the driver of this growth. However, the surprising vote in favour of Brexit has caused a setback. Companies in Lower Saxony fear that there will be greater barriers to trade once the United Kingdom leaves the EU.

The general economic situation in Bremen too was initially favourable. However, business forecasts here remain conservative. The reasons cited were falling demand both in Germany and abroad, an increasing lack of qualified experts, and the current prices of energy and raw materials.

The Turkish economy grew by 4.5 per cent in the first quarter. Uncertainty regarding medium and long-term stability in the country increased due to the risk of terrorism. In this regard, we must assume that the rate of economic growth will slow over the year. In the second quarter, the deficits in the tourism industry may have caused it to slow significantly. According to the Turkish Ministry of Economy, at the start of the year direct foreign investments decreased by more than 50 per cent to 2 billion US dollars compared to the same period in the previous year. Inflation increased from 6.6 per cent in May to 7.6 per cent in June, its highest rate since February.

The economic and social measures announced by the new Polish government will likely cause demand in the consumer and business segments to increase in the short and medium terms. In the long term, experts expect the country's strained finances to remain under pressure. The rate of inflation in Poland was -0.3 per cent at the start of the year.

ENERGY MARKET

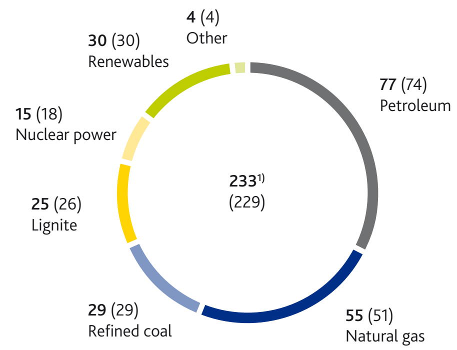
Primary energy consumption

In the first six months of the year, Germany consumed 1.6 per cent more energy than in the same period in the previous year. This additional consumption was due to the colder weather at the start of the year, ongoing economic growth, and the increase in population. Whereas the consumption of energy generated from petroleum, natural gas and renewables increased, the consumption of energy generated from refined coal, lignite and nuclear power decreased. As the Working Group on Energy Balances (AGEB) reports on the basis of preliminary calculations, the total energy consumption in the first half of the year was 232.6 million tonnes of coal equivalent (m TCE).

The consumption of natural gas increased by almost 7 per cent – faster than petroleum consumption (+4.1 per cent) – due to the climate in the first half of 2016 and due to increased use in power generation. The consumption of refined coal was almost 2 per cent and the consumption of lignite was 1.6 per cent lower than in the same period in the previous year. The consumption of energy generated by nuclear power stations fell by more than 15 per cent. Renewables increased their contribution to the total energy consumption by almost 3 per cent. Wind energy in particular was a factor in this increase (+8 per cent).

Primary energy consumption increases dramatically in the first half of 2016

in m TCE (H1 2015)



[1)] Including power exchange balance: -3.0 m TCE (-3.0 m TCE)

Source: Working Group on Energy Balances (AGEB)

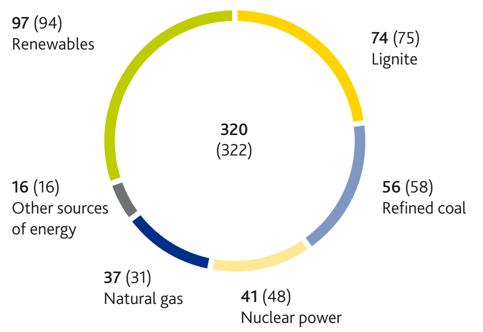
The changes in the consumption of conventional energy carriers and the contribution of renewables to primary energy consumption in the first six months of the year are also reflected in each of their contributions to gross power generation compared to the same period in the previous year.

Gross power generation

According to preliminary calculations by the German Association of Energy and Water Industries, gross power generation in the first half of 2016 decreased by 0.7 per cent to 320 billion kilowatt-hours (kWh) (H1 2015: 322 billion kWh). Due in no small part to increased power generation from offshore wind power plants, with a share of 30 per cent (29 per cent) renewables underlined their lead over the conventional energy sources lignite, with 23 per cent (23 per cent), refined coal with 18 per cent (18 per cent), natural gas with 11 per cent (10 per cent) and nuclear power with 13 per cent (15 per cent). Therefore, the transformation of the power generation structure away from conventional power generation, which in many places is experiencing increased cost pressure, is ongoing.

30 per cent of power generated from renewables in the first half of 2016

in bn kWh (H1 2015)



Source: Surveys by the German Association of Energy and Water Industries

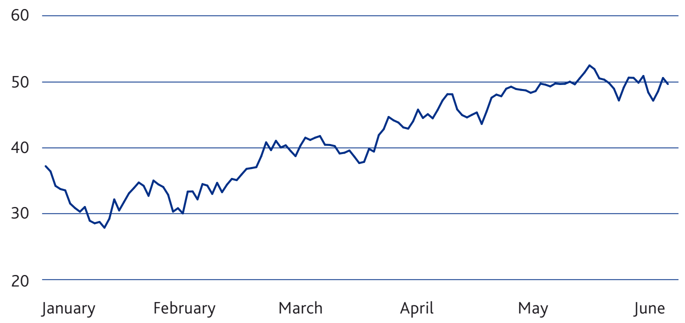
Energy prices

International commodity prices, particularly of oil, gas and coal, as well as the prices of CO_2 certificates are the predominant factors that affect price trends on the power and gas markets. The crude oil market continues to influence price trends in the other markets. For example, in the middle of the first quarter of 2016, the prices of the energy trading products observed had reached historic lows, not least due to the ongoing struggle for market shares in the crude oil market. In late June, the Brexit referendum triggered great uncertainty and increased volatility in all markets.

Supported by production deficits in Canada, Nigeria and Venezuela, the crude oil market recovered from the struggle for market shares in mid January 2016, and, with the rising price of crude oil, the prices of other energy trading products also gradually increased again. By the end of the first half of the year, the price of Brent Crude had ultimately increased by around 36 per cent compared to the start of the year in spite of the temporary lows. The front-year contract for refined coal with deliveries to the most significant European region – Antwerp, Rotterdam and Amsterdam – ultimately increased by the same percentage. The price of natural gas deliveries in the following year at the Dutch Title Transfer Facility was 6 per cent higher than at the start of the year, whereas the contract for CO_2 emission rights fell sharply by 46 per cent. This was due to the outcome of the referendum on the United Kingdom's membership of the EU (known as "Brexit") and the massive uncertainty which therefore surrounded the continued existence of the EU Emissions Trading System without the UK. The fall in the price of certificates was one of the reasons why the front-year base load contract on the EEX exchange was marginally lower on 30 June 2016 than it was at the start of the year.

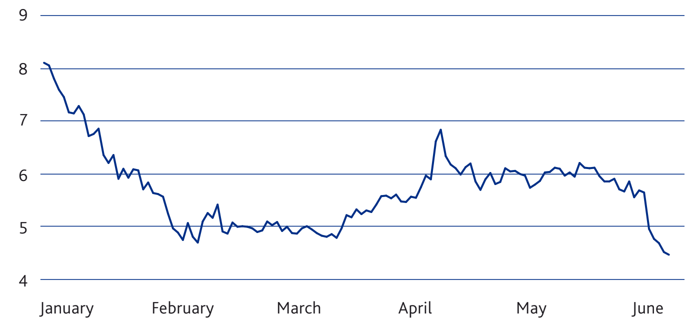
Price of Brent Crude increases significantly following historic low at the beginning of the year

Front-month contract (ICE) in USD/bbl



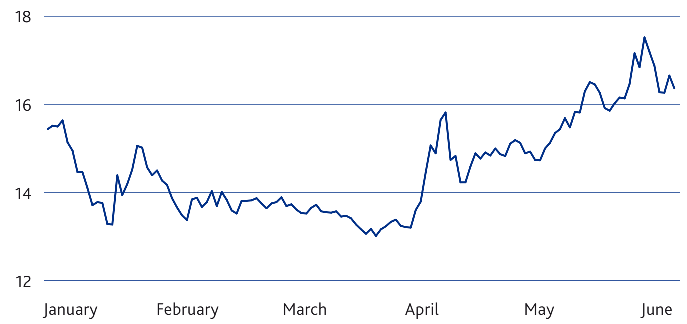
Price of CO_2 certificates falls clearly following Brexit referendum

EUA-December 2016 (ICE) in EUR/t CO_2



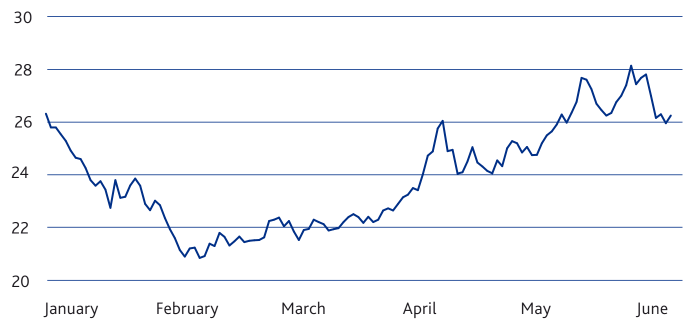
Wholesale price for natural gas 6 per cent higher in the middle of the year than on 1 January

TTF Cal 17 front-month contract (ICE) in EUR/MWh



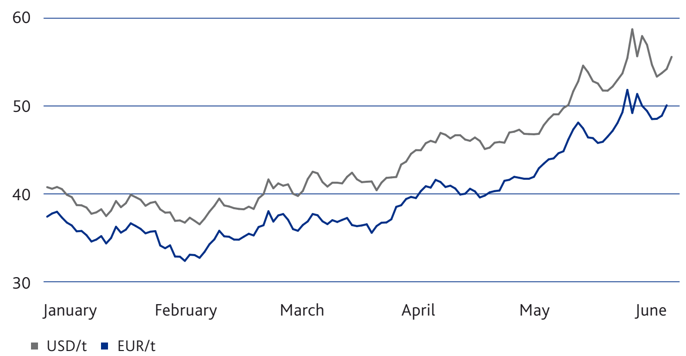
Wholesale price for electricity almost at the same level as in January

Base load, Base Cal 17 front-year contract (EEX) in EUR/MWh



Price of refined coal rises sharply by 30 June 2016

Front-year contract API #2 (EEX) in USD/t and translated into EUR/t, daily quotation by ECB



Competition

Competition in the German energy market is extremely strong. With regard to the large number of market participants in the sales segment, at the end of last year the German Association of Energy and Water Industries (BDEW) highlighted that Germany is the leader compared to other countries in Europe: an average of 80 power providers and 30 to 50 gas providers compete for consumers' favour per service area.

Surveys and calculations carried out by BDEW in early July 2016 showed that around 16.7 million households have changed power supplier at least once since they were liberalised in 1998. This corresponds to 41.0 per cent of all German households (October 2015: 39.5 per cent). This percentage has also increased in the gas market: 31.9 per cent of households have signed up for a new gas supplier at least once since 2007 (October 2015: 30.9 per cent). Many customers also signed up for new power and natural gas tariffs with their current suppliers.

The increasingly intense competition coupled with falling specific power and natural gas consumption – whether due to energy efficiency measures or increasing self-supply – is driving competitive pressure upward and, as such, margin pressure as well. Besides securing and expanding our customer base with a mixture of customer loyalty and acquisition measures, our main focus is on expanding our range of products and services, including with regard to energy efficiency, energy management, and the optimisation of our processes and internal structures.

TELECOMMUNICATIONS MARKET

The telecommunications service market remains characterised by highly dynamic competition. This has caused the average price of landline and Internet products to fall further. Therefore, the range of product bundles available is of great significance.

The growing demand for fast Internet connections and the necessary expansion of broadband infrastructure, especially in rural areas, remain key issues. In the first six months of the year, we not only expanded our own networks, but also increased the number of fibre-optic serving area interfaces to around 6,100 (31 December 2015: almost 5,800). More than half of these serving area interfaces are also equipped with additional vectoring technology, which offers speeds of up to 100 Mbit/s. Additionally, we have installed fibre-optic connections (FTTH) in numerous new regions and significantly increased the potential of FTTH connections in general. In the reporting period, the Federal Network Agency did not reach a decision about the application filed last year by Deutsche Telekom for the exclusive right to upgrade main distribution frames with vectoring technology. The decision is expected in the second half of the year. Regardless of its actual wording, the decision will have a significant impact on the telecommunications market.

The IT market continues to perform well. According to the industry association Bitkom e.V., business with software and involving IT services, which also comprises project business and IT consultation, will increase further this year. The same is expected for turnover with IT hardware.

The trend analysis, where analysts and consultants were asked about their expectations for 2016, very clearly shows the change in the industry. All aspects of digitisation, which will have a radical impact on industries and companies, are dominating the forecasts. According to analysts, besides the digitisation of companies, the Internet of things (IoT) and software as a service will assume definitive roles in the IT landscape. Digitisation is the key to the future competitiveness of companies in all industries. As an IT company specialising in digital value creation, our subsidiary BTC AG supports its partners in networking on the IoT and digitising their own products, services, and customer relations.

POLITICAL AND REGULATORY ENVIRONMENT

EU level

Energy Union

In February 2016 the European Commission introduced a package for increased gas supply security as part of its implementation of the general strategy for the Energy Union. The key element for us is the legislative proposal to revise the Security of Supply of Natural Gas Regulation which is currently in the legislative pipeline. The desired regulations could affect the transparency obligations of our Group and the supply of energy to certain customer groups in the event of a crisis. In the context of the international duties to collaborate that are to be expected, it is particularly important to us that the transition from low-calorific natural gas to high-calorific natural gas in the Ems-Weser-Elbe region is taken into consideration. For one, this requires close collaboration between Germany and the Netherlands. However, the current legislative proposal assigns the two member states to different regions of cooperation. Additionally, the new regulations should help increase the efficiency of the existing storage infrastructure through stronger interconnectivity. The political negotiations will continue in the second half of 2016.

The gas supply security package also contains strategic proposals for supplying Europe with liquefied natural gas (LNG) and gas storage units. These proposals are supplemented by a strategy for implementing the energy revolution in the European hot and cold markets.

General Data Protection Regulation

The European General Data Protection Regulation came into force in June 2016. It replaced the Data Protection Directive that was adopted in 1995, creates a standard level of data protection in all member states for the first time and will help facilitate business activity within the EU. The most relevant provisions to us are those which concern personal data. These include, for example, provisions on the legality of processing personal data, the right to transfer data, and the right to "be forgotten". The regulation also contains stricter provisions on fines and compensation in connection with the aforementioned provisions. The new data protection provisions are due to come into force in all EU member states in two years.

Brexit leads to uncertainty

In political terms, the end of the first half of 2016 was overshadowed by the referendum on the UK's membership of the European Union. Britain's departure is expected to have a profound impact on the political system of the European Union and significantly delay legislative processes. However, clear and stable political conditions are of huge significance to future potential investments in the energy industry, especially at this moment.

National level

Amendment to the German Combined Heat and Power Act (KWKG) in force

The new German Combined Heat and Power Act (KWKG) came into effect on 1 January 2016. The amendment revises subsidies for new, modernised and retrofitted combined heat and power plants. In this context, CHP plants with a capacity of more than 2 MW benefit from the provisions of this law in particular. Due to the specific targets for expanding CHP capacity – 110 terawatt-hours (TWh) by 2020 and 120 TWh by 2025 – and the associated increase in investment security, EWE expects this law to have a positive effect on our Group. Furthermore, the new law improves the economic conditions governing the construction of heating networks and storage facilities and strengthens the business field of micro-CHP plants by increasing the subsidy for these systems.

As the European Commission has not yet approved the Combined Heat and Power Act in 2016, permits cannot yet be issued for plants that became operational in 2016. The unclear legal situation is currently making our customers reluctant to invest. The final decision of the European Commission is expected in summer.

Transition from low-calorific gas to high-calorific gas
Due to the declining reserves of low-calorific gas in Germany and the Netherlands, a transition to high-calorific gas is absolutely essential in order to assume supply security in the market regions that, up until now, have been supplied with low-calorific gas. Changes to the subsidy plans for the Groningen gas field in December 2015 confirm the continued decline of low-calorific gas reserves. The Dutch parliament is currently considering lowering the production quota further in order to prevent earthquakes in the Groningen region. We are monitoring the political situation and its effects on the market region transition and supply security in the Ems-Weser-Elbe region. The first market region transition in Germany began on 1 October 2015. On the basis of the network development plan, which now also involves areas to transition from low-calorific gas to high-calorific gas, we are planning to transition to higher gas qualities in the Bremen supply area in 2017 and in other supply areas from 2021 onwards.

Amendment of the Incentive Regulation Ordinance
In early July 2016, the German Federal Council approved the amendment of the Incentive Regulation Ordinance (ARegV), subject to certain key changes. In particular, the new Incentive Regulation Ordinance features a comparison of capital costs that immediately factors investments into the revenue cap, the extension of the add-on cost deadline regulations to 31 December 2016, a bonus for exceptionally efficient grid operators, the retention of the five-year period for reducing inefficiency, and the classification of compensation payments for feed-in management measures as permanently non-controllable costs.

Compared to previous drafts, the regulations on add-on costs, the period for reducing inefficiency and the classification of compensation payments as permanently non-controllable costs have improved. Distribution grid operators, however, are critical of the transitional regulation due to the delay effects going into the third regulatory period.

Following the approval of the German Federal Council – with consideration for the above changes compared to the original draft of the Ordinance – the amendment process for the Ordinance on Incentive Regulation will soon be complete. In the final step, the German government must carry out the amendments proposed by the Federal Council and facilitate the entry into force of the amendments in summer 2016. The primary objectives of the new Ordinance on Incentive Regulation are to improve the general conditions for investments in distribution grids whilst limiting the costs of grid expansion to an economically sensible level with regard to grid fees.

German Federal Network Agency for exclusive broadband network upgrades by Deutsche Telekom
By resolution on 8 April 2016, the German Federal Network Agency (BNetzA) essentially granted Deutsche Telekom the exclusive right to upgrade its broadband network even though 25 associations, the advisory council of the Federal Network Agency and the German Federal Cartel Office (BKartA) all argued for changes to the decision of the regulatory authority regarding vectoring in direct service areas. Likewise, EWE and numerous other competitors had made commitments to upgrade which went unheeded by the Federal Network Agency.

The binding commitment we made to upgrade direct service areas surpasses the offer made by Deutsche Telekom in terms of both quality and scale as it would have provided more than 90 per cent of households with speeds of at least 50 Mbit/s, whereas the offer made by Deutsche Telekom will upgrade no more than 74 per cent of households. The decision of the Federal Network Agency merely grants the other telecommunications service providers an extremely limited right to upgrade direct service areas at an immensely high cost.

In early May, the European Commission expressed serious concerns about the vectoring decision and initiated a detailed phase II investigation process. However, the Commission has no veto. The regulatory authority responded quickly to the investigation process initiated by the European Commission and submitted a revised decision on 20 June 2016. However, this revised decision does not represent any significant improvement for alternative providers. It therefore does not encourage competition in the telecommunications market. The European Commission did not respond to the revised decision in the reporting period.

Current situation of the EWE Group

These consolidated interim financial statements of EWE AG as at 30 June 2016 were prepared in line with the International Financial Reporting Standards (IFRS) and the related interpretations of the IFRS Interpretations Committee (IFRIC) as adopted by the EU.

These consolidated interim financial statements were prepared in accordance with IAS 34 and are more condensed than the consolidated financial statements. The same accounting methods applied to the consolidated financial statements of 31 December 2015 have been applied to these consolidated interim financial statements. The consolidated interim financial statements do not contain all of the information and disclosures required for consolidated financial statements at the end of a financial year and must therefore be read in conjunction with the consolidated financial statements of 31 December 2015.

EARNINGS

The ability of the EWE Group's normal business operations to generate earnings in the long term is of particular importance to both internal governance as well as the external communication of the current and future development of the Group's earnings. Operating EBIT is an adjusted earnings figure which is used to illustrate and manage operative earnings performance. To calculate operating EBIT, EBIT is adjusted for special items related to derivatives, impairment, investments and restructuring measures. These "non-operative" items are selected by categorising each item of the income statement as operative or non-operative.

The following chart illustrates the reconciliation to the consolidated result for the period:

in millions of euros	01.01. – 30.06.2016	01.01. – 30.06.2015
Operating EBIT	378.3	**338.7**
Derivatives	3.9	27.1
Impairment	-29.8	-0.2
Investments	243.5	-0.7
Restructuring		-0.6
EBIT	595.9	**364.3**
Net interest income/expense	-132.4	-80.5
Income taxes	-77.6	-75.4
Consolidated result for the period	385.9	**208.4**

The increased operating EBIT is due primarily to supply optimisations in energy sales. The decrease in profit/loss measured at equity had the opposite effect.

SIGNIFICANT CHANGES TO THE CONSOLIDATED INCOME STATEMENT

In light of the persistently high competitive pressure and slightly better gross margin, our Group generated external sales (excluding electricity and energy taxes) of 4.02 billion euros in the first half of 2016. This corresponds to a decrease of -4.6 per cent compared to the same period in the previous year.

At -116.1 million euros (H1 2015: -109.5 million euros), the balance of other operating income and other operating expenses was at the same level as in the previous year.

Depreciation and amortisation comprised impairment losses of 29.8 million euros (previous year: 0.2 million euros) that are largely attributable to gas storage units.

Earnings resulting from financial assets measured at equity fell from 21.8 million euros to 4.0 million euros. This change is directly linked to the disposal of the interest in VNG – Verbundnetz Gas Aktiengesellschaft, Leipzig, in the first half of 2016.

The interest income of -132.4 million euros (H1 2015: -80.5 million euros) resulted primarily from interest on bearer bonds (public-sector bonds), bonds (private placement), interest on floating bank debts, and discounting long-term provisions. The increase in interest expenses was due to around 50 million euros in prepayment penalties in connection with the premature buy-back of bonds.

Income taxes were at the same level as in the previous year and include the tax-free income contained in EBIT in particular.

SEGMENT PERFORMANCE

The following chart illustrates the changes to the segments' operating EBIT and external sales:

	Operating EBIT			External sales		
in millions of euros	**01.01. – 30.06.2016**	01.01. – 30.06.2015	Change in %	**01.01. – 30.06.2016**	01.01. – 30.06.2015	Change in %
Segment						
Renewables, Grids and Gas Storage	228.5	209.6	9.0	1,061.1	1,048.5	1.2
Sales, Services and Trading	84.7	58.8	44.0	2,015.4	2,165.8	-6.9
International	24.0	22.2	8.1	389.6	459.0	-15.1
swb	69.6	56.2	23.8	551.8	537.6	2.6
Group Central Division	-28.5	-8.1	>100.0	1.2	1.1	9.1
Total	**378.3**	**338.7**	**11.7**	**4,019.1**	**4,212.0**	**-4.6**

RENEWABLES, GRIDS AND GAS STORAGE SEGMENT

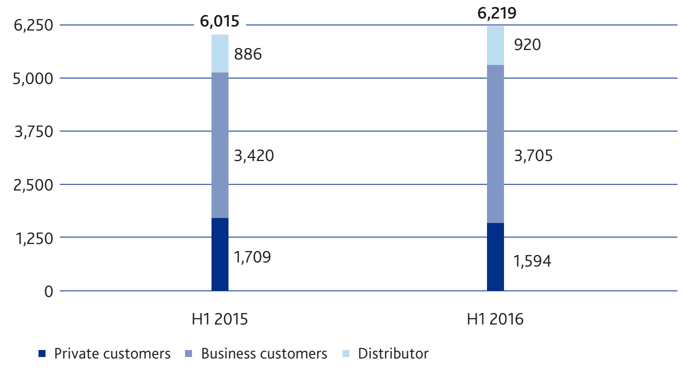
In our Renewables, Grids and Gas Storage segment, at 1,061.1 million euros in the reporting period, external sales were 1.2 per cent higher than in the previous year (H1 2015: 1,048.5 million euros). This increase in turnover is due primarily to higher revenue from increased gas and power grid usage and higher prices, as well as from passing on higher quantities of energy generated from renewable sources. The interruption of the supply to the RIFFGAT offshore wind park by the distribution grid operator had the opposite effect. Other operating income was increased by the compensatory payments by the grid operator and the insurer. The segment contributed around 26.4 per cent (H1 2015: 24.9 per cent) to the Group's total turnover. The operating EBIT was 228.5 million euros (H1 2015: 209.6 million euros). This improvement is due mainly to higher gross profits from gas and power grid usage fees.

SALES, SERVICES AND TRADING SEGMENT

In our Sales, Services and Trading segment, we registered a decrease in external turnover of -6.9 per cent to approximately 2.0 billion euros compared to the same period in the previous year (H1 2015: 2.2 billion euros). Besides falling power and gas prices, this is the result of a quantity-related decrease in revenue from gas sales and lower revenue from gas trading. The segment contributed around 50.1 per cent (H1 2015: 51.4 per cent) to the Group's total turnover. The operating EBIT increased to 84.7 million euros (H1 2015: 58.8 million euros). Compared to the previous year, the procurement optimisations in the fields of energy sales and trading and a one-time payment from a settlement that was recognised in earnings had a positive influence on the operating EBIT.

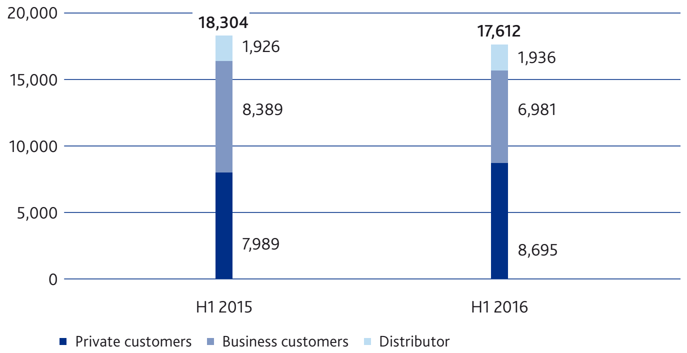
Electricity sales increased

in millions of kilowatt-hours



Decrease in natural gas sales

in millions of kilowatt-hours

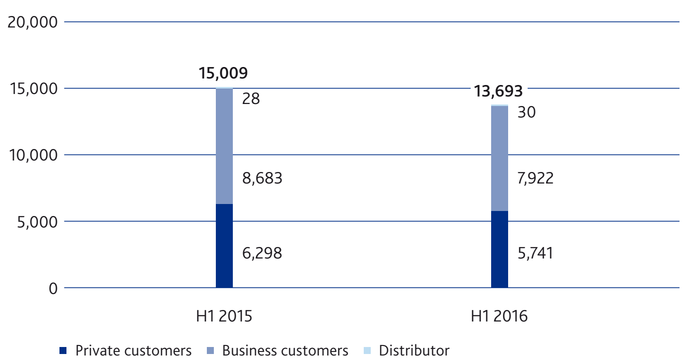


INTERNATIONAL SEGMENT

In our International segment we registered a decrease in external turnover of -15.1 per cent to 389.6 million euros (H1 2015: 459.0 million euros). This decrease is primarily associated with the business in Turkey, where revenue declined due to sales volumes and currency translation. The revenue from the telecommunications company acquired in January 2016 had a positive effect, however. The segment therefore contributed around 9.7 per cent (H1 2015: 10.9 per cent) to the Group's total turnover. The operating EBIT was 24.0 million euros (H1 2015: 22.2 million euros). The improvement of the operating EBIT is primarily the result of the business in Poland which was positively influenced by a gas procurement optimisation. The operating EBIT in Turkey was increased to 19.5 million euros due to improved trading profits in particular (H1 2015: 19.0 million euros). Following a change of law, the trading company in Turkey is now able to fully supply the Group companies Bursagaz and Kayserigaz with gas (H1 2015: 50 per cent).

Decrease in international natural gas sales

in millions of kilowatt-hours

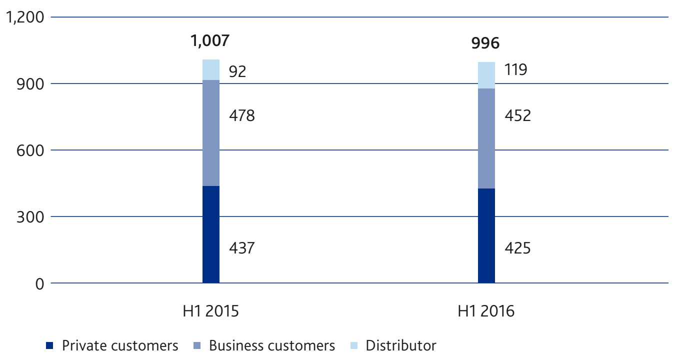


SWB SEGMENT

In our swb segment, at 551.8 million euros, external turnover in the reporting period was 2.6 per cent higher than in the previous year (H1 2015: 537.6 million euros). Higher revenue from power and gas transmission had a positive effect. The segment contributed around 13.7 per cent (H1 2015: 12.8 per cent) to the Group's total turnover. The operating EBIT was 69.6 million euros (H1 2015: 56.2 million euros). The improvement over the previous year is due essentially to gas procurement optimisations in the field of sales as well as higher investment income.

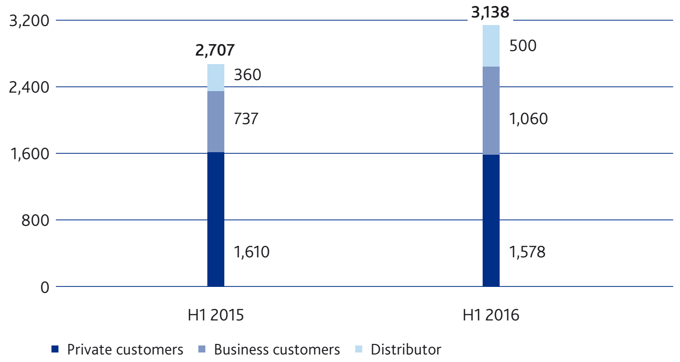
swb electricity sales slightly lower

in millions of kilowatt-hours



swb natural gas sales higher

in millions of kilowatt-hours



GROUP CENTRAL DIVISION SEGMENT

Our Group Central Division segment only generates a low level of turnover. Following the disposal of VNG, the operating EBIT of the segment was -28.5 million euros (H1 2015: -8.1 million euros). The segment profit/loss is the result of the holding function and the holding companies attributed to it, as well as other investments.

ASSET POSITION

in millions of euros	30.06.2016	in %	31.12.2015	in %
Assets				
Long-term assets	6,678.9	77	6,659.6	68
Current assets	1,994.5	23	3,084.7	32
Total assets	**8,673.4**	**100**	**9,744.3**	**100**
Liabilities				
Equity	1,794.6	21	1,749.2	18
Long-term liabilities	5,096.1	59	5,312.9	55
Short-term liabilities	1,782.7	20	2,682.2	27
Total equity and liabilities	**8,673.4**	**100**	**9,744.3**	**100**

As a result of its business activities, our Group has a high intensity of investments with the associated capital commitment. As such, fixed assets comprise approximately 77.0 per cent of the total assets, which represents an increase compared to 31 December 2015 due to the decrease in total assets. Current assets decreased due primarily to the disposal of the interest in VNG. The decrease in current liabilities is due primarily to loan repayments, the settlement of the purchase price liability for treasury shares that was recognised as at 31 December 2015 (504.8 million euros) and the decrease in current derivative liabilities (-166.5 million euros). Financing fixed assets is carried out using equity and long-term debt.

The comprehensive income of 297.1 million euros and the lower total assets caused the equity ratio to increase to 20.7 per cent. The positive change in equity due to the net income for the period of 385.9 million euros and the higher reserve for cash flow hedges (114.2 million euros) was partially balanced out by the payment of the dividend (-225.5 million euros) and the effect of the interest rate change for the pension provisions (-222.7 million euros).

Long-term liabilities primarily encompass bonds, pension reserves and contributions to building costs. The decrease compared to 31 December 2015 is due to the premature buy-back of bonds (-298.4 million euros), the repayment of long-term loans (-67.4 million euros), the reclassification of around 100.0 million euros as current liabilities due to changes in maturity, and lower deferred taxes (-57.7 million euros). The pension provisions, which increased by 319.5 million euros due primarily to the lower interest rate, had the opposite effect.

EWE AG ▪ Interim Report 2016

FINANCIAL POSITION

in millions of euros	01.01. – 30.06.2016	01.01. – 30.06.2015	Absolute change
Cash flow from operating activities	225.4	391.1	-165.7
Cash flow from investment activities	797.0	-125.4	922.4
Cash flow from financing activities	-880.8	-149.5	-731.3
Net change in cash and cash equivalents	141.6	116.2	25.4
Currency translation and changes to the basis of consolidation	-7.7	-6.3	-1.4
Cash and cash equivalents at the beginning of the period	352.3	327.7	24.6
Cash and cash equivalents at the end of the period	**486.2**	**437.6**	**48.6**

Cash flow from operating activities represents a key element of our financing. In the first half of 2016, EWE generated a cash flow from operating activities of 225.4 million euros. The change compared to the same period in the previous year is due primarily to the lower reduction of trade receivables, inventories and the prepayment penalty we paid due to the premature settlement of liabilities. Some of these changes are balanced out by the lower reduction of trade payables.

The cash flow from investing activities of 797.0 million euros in the first half of 2016 is due primarily to the receipt of the purchase price for the VNG shares. The investments in the Group's infrastructure (especially grids, renewables and broadband upgrades) had the opposite effect.

In particular, the cash flow from financing activities comprises the dividends and a special payment of -225.5 million euros for the 2015 financial year which was distributed to the shareholders of EWE AG. The cash flow is mostly characterised by the repayment of debt in connection with the disposal of VNG.

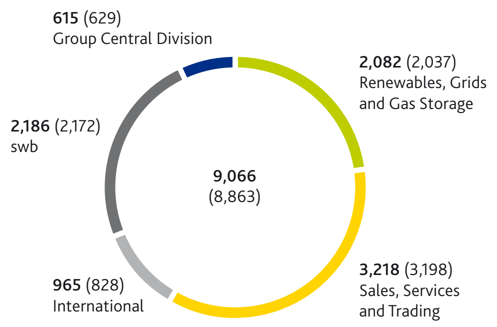
The financial flexibility of the EWE Group is secured thanks to bilateral credit lines as well as due to a syndicated, revolving credit facility of 850.0 million euros valid until July 2017. Of this amount, 809.0 million euros have been extended for a term ending in July 2018. As at 30 June 2016, this credit facility has not been utilised (31 December 2015: 175.0 million euros).

EMPLOYEES

An average of 9,066 personnel were employed by the EWE Group in the first half of 2016. As a result, the average number of employees increased by 203 (2.2 per cent) compared to the same period in the previous year, due primarily to the acquisition of a company in Turkey. This figure includes all full-time and part-time employees as well as trainees and temporary staff.

Average number of employees by segment in the first half of 2016

(H1 2015)



Report on risks and opportunities

The risks and opportunities described in the Group management report at the end of 2015 did not change in any way that might significantly affect the risks and opportunities of our Group during the reporting period.

Ever since the failed coup by elements of the Turkish military on 15 July 2016 and the steps subsequently taken by the Turkish government, the political risk faced by the Turkish companies of the EWE Group has increased significantly. The emergence of political risks might negatively affect the medium and long-term value of these EWE Group companies, both directly and indirectly.

Overall, we are not currently aware of any risks that might jeopardise the continued existence of the EWE Group.

Forecast report

BUSINESS ENVIRONMENT FORECAST

The German Institute for Economic Research expects global economic output to increase by 3.2 per cent in 2016. The uncertainty surrounding economic developments in China and the potential impact of the United Kingdom's departure from the EU have darkened growth forecasts, however. The ifo Institute therefore expects a growth rate of 1.6 per cent for the Eurozone and inflation of 0.6 per cent. Expects believe the German economy will grow by 1.7 per cent and be affected by inflation.

The Lower Saxony Chamber of Industry and Commerce expects Lower Saxony to experience moderate growth in 2016. Economic output in Bremen is also expected to continue to grow at a moderate rate. The Turkish government expects growth of 4.5 per cent for the year as a whole. However, the business climate has become significantly gloomier following political developments. In the week of the military coup on 15 July, the Turkish stock market fell by 15 per cent. The Turkish lira remains highly volatile. The Polish economy is expected to grow by 3.8 per cent in 2016.

FUTURE POLITICAL AND REGULATORY CONDITIONS

FUTURE POLITICAL CONDITIONS AT EU LEVEL

Legislative proposals regarding European power market design, revisions to the Energy Efficiency Directive and an amended version of the Renewable Energy Directive are all expected in the second half of 2016. Debates on energy policy will also focus on the talks concerning the amendment of the Security of Gas Supply Regulation and the proposed reform of the EU Emissions Trading System for the trading period 2021–2030. A stable Emissions Trading System is an important instrument for more than achieving European energy and climate targets. It is also of huge significance as a system of incentives for investments in green technologies with regard to our business activities.

The European Commission has investigated the legal framework for the telecommunications sector. It has announced extensive legislative proposals for the second half of 2016 which mainly concern network access regulation, radio frequencies, communication services, and the role of regulatory authorities and committees. For us, the legislative proposals and strategies will have direct and indirect effects on completed and upcoming investments in the medium and long terms. Additionally, the political conditions on the EU can be expected to be significantly affected by the negotiations on the UK's exit from the EU.

FUTURE POLITICAL CONDITIONS ON THE NATIONAL LEVEL

Act on the introduction of tenders

In June 2016, the German government passed a bill for an act on the introduction of tenders. This stipulates that the subsidies for power from renewable energy sources not be determined politically in future, but in a competitive tendering procedure. In this context, the provisions governing onshore wind power are particularly relevant to EWE, since we are pursuing the construction of additional power stations of this type. These general conditions are being negatively affected by the fact that the annual onshore wind farm installation quota set out in the German Renewable Energy Sources Act (EEG) of 2014 is to be reduced. Depending on the transmission grid loads, the installation of onshore wind farms in certain regions is even expected to be reduced further. Northern Germany in particular would be affected by this, and, as a result, we expect it to have a negative effect. The law is due to come into force on 1 January 2017.

German Power Market Act

In June 2016, the German government also passed the Power Market Act (StromMG). This paves the way for the new energy market through which the government aims to modify the mechanisms of the current energy-only market (EOM) in such a way that they take the steadily growing significance of energy from fluctuating renewable sources into account. EOM 2.0 is based on competitive pricing: high price peaks will refinance the generation capacities required for a secure supply. The law does not set out a specific capacity mechanism. However, EOM 2.0 is flanked by capacity and grid reserves that are outside of the market and can be used in emergencies. The introduction of peak capping into law, which is based on an approach developed by us – the five-per-cent approach – is particularly relevant to us. The Power Market Act is due to come into force in autumn 2016 at the latest.

German Energy Revolution Digitisation Act

Essentially, the German Energy Revolution Digitisation Act states that market participants must coordinate with one another with regard to measurements in future and sets out the technological basis of future energy systems on which all future market and grid-based services must be based. The German Federal Council passed the law in June 2016. It is expected to come into force in 2016. We have followed the creation of the law closely and are therefore well prepared for its upcoming implementation.

Return on equity for power and gas grid operators

In early July 2016, the German Federal Network Agency launched a consultation process in order to set the future return on equity for power and gas grid operators. Fundamentally, these rates are based on a ten-year average risk-free interest rate plus a reasonable risk premium. In the run-up to the consultation process, the regulatory authority commissioned an expert appraisal to determine this risk premium.

According to drafts, the operators of power and gas grids in Germany would receive lower returns for upgrading and operating their networks in the future. Therefore, the Federal Network Agency plans to cut the guaranteed returns for new plants from 9.05 per cent to 6.91 per cent. The Federal Network Agency expects returns on equity to be cut from 7.14 per cent to 5.12 per cent for existing networks and plants. The returns on equity set following the completion of the entire process will become applicable as of the third regulatory period. This starts in 2018 for gas grid operators and 2019 for power grid operators.

Act extending liability for mining damage

In June 2016, the German Federal Council passed an act extending liability for mining damage to include borehole mining and underground reservoirs. It states that liability for mining damage, and therefore the shifting of the burden of proof, is to be extended to include underground gas reservoirs as these are considered a frequent source of mining damage. This means that mining companies will now have to produce evidence that they have not caused a specific instance of damage. This makes the provision of evidence significantly more difficult. In cases of damage, EWE GASSPEICHER GmbH might also be negatively affected by these regulations. The act is expected to come into force in the second half of 2016.

Consolidation of the Energy Saving Act, Energy Saving Regulation and Renewable Energy Heat Act

In the second half of 2016, the German government intends to publish a draft bill consolidating the German Energy Saving Act (EnEG), Energy Saving Regulation (EnEV) and Renewable Energy Heat Act (EEWärmeG). The objective is to increase efficiency in the heat sector and simplify regulations. Our lobbying measures aim to optimise the general conditions for marketing our energy services.

European Commission supports decision granting Deutsche Telekom exclusive upgrade rights

The European Commission did not generally oppose the revised decision of the German Federal Network Agency concerning vectoring in direct service areas. The European Commission even proposed certain amendments. However, these do not change the essence of the regulatory authority's decision. We intend to take all possible legal action against the Federal Network Agency's decision and have already made preparations in this context.

EXPECTED DEVELOPMENT OF EARNINGS

EWE does not expect the United Kingdom's decision to leave the EU or the current political situation in Turkey to have a significant impact on its operating EBIT forecast for the 2016 financial year.

The statements made in the Group management report for 2015 concerning the expected development of the operating EBIT for the 2016 financial year remain relevant to the Group overall.

FORWARD-LOOKING STATEMENTS

This half-year report contains statements about the future that are based on assumptions and estimates made by the management of EWE AG. Even if the management is of the opinion that these assumptions and estimates are accurate, the actual future developments and outcomes may deviate significantly from these assumptions and estimates due to a range of factors. For example, such factors might include changes to the general economic landscape, changes to the legal and regulatory conditions in Germany and the EU, or changes to the industry. EWE AG makes no guarantee that the future developments and actual earnings generated will be consistent with the assumptions and estimates made in this half-year report and accepts no liability in this regard. EWE AG neither intends nor undertakes to revise statements about the future in light of events or developments which occur after the date of this report.

Oldenburg, 15 August 2016

The Board of Management

Matthias Brückmann | Nikolaus Behr | Michael Heidkamp

Ines Kolmsee | Wolfgang Mücher

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF EWE AKTIENGESELLSCHAFT

Income statement of the EWE Group

1 JANUARY TO 30 JUNE 2016

in millions of euros	Notes	01.01. – 30.06.2016	01.01. – 30.06.2015
Revenue		**4,221.9**	**4,415.1**
Electricity and energy taxes		-202.8	-203.1
Turnover (excluding electricity and energy taxes)	5	**4,019.1**	**4,212.0**
Inventory changes		9.9	1.1
Internally produced and capitalised assets		32.7	22.3
Other operating income		204.8	191.3
Material expenditures		-3,019.2	-3,237.9
Personnel expenses		-347.6	-337.9
Write-offs	6	-239.6	-213.4
Other operating expenses		-320.9	-300.8
Profit/loss from financial investments accounted for using the equity method	7	4.0	21.8
Other investment income	8	252.7	5.8
EBIT [1)]		**595.9**	**364.3**
Interest		8.5	8.6
Interest expenses	9	-140.9	-89.1
Earnings before tax		**463.5**	**283.8**
Income taxes	10	-77.6	-75.4
Earnings in the period		**385.9**	**208.4**
Of which attributable to:			
Shareholders of the parent company		384.6	207.1
Minority shares		1.3	1.3
		385.9	**208.4**

1) Earnings before interest and taxes

Consolidated statement of comprehensive income of the EWE Group

FROM 1 JANUARY TO 30 JUNE 2016

in millions of euros	Notes	01.01. – 30.06.2016	01.01. – 30.06.2015
Earnings in the period		**385.9**	**208.4**
Actuarial gains and losses from performance-based pension plans and similar obligations	12	-315.2	150.2
Deferred taxes on pensions		92.5	-46.1
Sum of other comprehensive income and expenses recognised outside profit and loss without future reclassification to profit and loss		**-222.7**	**104.1**
Balancing items for foreign currency translation from international subsidiaries		-2.8	-8.8
Cash flow hedges		159.0	39.1
Deferred taxes on accruals for cash flow hedges		-44.8	-11.4
Fair value of available-for-sale financial assets		26.8	56.4
Deferred taxes on accruals for available-for-sale financial assets			-0.3
Share of other comprehensive income comprising financial assets accounted for using the equity method		-4.3	3.3
Sum of other comprehensive income and expenses recognised outside profit and loss with future reclassification to profit and loss		**133.9**	**78.3**
Other income after taxes		**-88.8**	**182.4**
Comprehensive income after taxes		**297.1**	**390.8**
Of which attributable to:			
Shareholders of the parent company		295.9	390.8
Minority shares		1.2	
		297.1	**390.8**

Statement of financial position of the EWE Group

AS AT 30 JUNE 2016

ASSETS

in millions of euros	Notes	30.06.2016	31.12.2015
Long-term assets			
Intangible assets		892.3	874.5
Property, plant and equipment		5,034.5	5,120.1
Investment property		5.0	5.7
Investments accounted for using the equity method		124.3	126.0
Other financial assets	13	510.8	429.4
Income tax refund claims		3.2	3.1
Other non-financial assets		4.2	2.4
Deferred taxes		104.6	98.4
		6,678.9	**6,659.6**
Current assets			
Inventories		153.3	218.2
Trade receivables	13	976.7	895.1
Other financial receivables and assets	13	292.5	234.9
Income tax refund claims		12.0	10.9
Other non-financial receivables and assets		74.4	122.0
Liquid assets	13, 14	485.6	352.0
		1,994.5	**1,833.1**
Long-term assets held for sale			1,251.6
		1,994.5	**3,084.7**
Total assets		**8,673.4**	**9,744.3**

EQUITY AND LIABILITIES

in millions of euros	Notes	30.06.2016	31.12.2015
Equity			
Share capital		243.0	243.0
less treasury shares	11	-24.3	-24.3
Capital reserves		1,619.2	1,619.2
less treasury shares	11	-489.3	-480.5
Accumulated earnings		842.2	684.5
Accumulated other consolidated profit/loss		-423.1	-317.6
Equity attributed to the shareholders of the parent company		**1,767.7**	**1,724.3**
Minority shares		26.9	24.9
		1,794.6	**1,749.2**
Long-term liabilities			
Construction grants		684.9	694.9
Provisions	12	2,433.6	2,119.4
Bonds	13	1,285.8	1,677.2
Liabilities to financial institutions	13	188.0	267.3
Other financial liabilities	13	384.1	400.4
Income tax liabilities		20.7	1.4
Other non-financial liabilities		14.8	10.5
Deferred taxes		84.2	141.8
		5,096.1	**5,312.9**
Short-term liabilities			
Construction grants		51.2	51.0
Emission allowances		7.3	18.0
Provisions		130.7	130.7
Bonds	13	298.4	171.4
Liabilities to financial institutions	13	23.0	296.1
Trade payables	13	581.0	667.8
Other financial liabilities	13	493.6	1,198.4
Income tax liabilities		79.5	67.6
Other non-financial liabilities		118.0	81.2
		1,782.7	**2,682.2**
Total equity and liabilities		**8,673.4**	**9,744.3**

Statement of changes in equity of the EWE Group

FROM 1 JANUARY TO 30 JUNE 2016

	Share capital of the EWE Group	Capital reserves of the EWE Group	Accumulated earnings	Accumulated other consolidated comprehensive income				Accumulated other consolidated comprehensive income				Equity attributed to the shareholders of the parent company	Minority shares	**Equity**
in millions of euros				Revaluation reserve pursuant to IFRS 3	Accruals for cash flow hedges	Accruals for available-for-sale financial assets		Currency translation differences	Valuation of pension obligations	IFRS 5	Changes to valuations using the equity method not recognised in profit or loss			
As at 01.01.2015	**243.0**	**1,619.2**	**781.7**	**74.5**	**-13.5**	**112.3**		**-72.5**	**-462.8**		**-11.9**	**2,270.0**	**15.2**	**2,285.2**
Earnings in the period			207.1									207.1	1.3	208.4
Other comprehensive income					27.7	56.1		-7.5	104.1		3.3	183.7	-1.3	182.4
Comprehensive income												**390.8**		**390.8**
Dividend payments			-88.0									-88.0		-88.0
Other changes			-0.7									-0.7	0.4	-0.3
As at 30.06.2015	**243.0**	**1,619.2**	**900.1**	**74.5**	**14.2**	**168.4**		**-80.0**	**-358.7**		**-8.6**	**2,572.1**	**15.6**	**2,587.7**
As at 01.01.2016	**218.7**	**1,138.7**	**684.5**	**74.5**	**-120.4**	**162.9**		**-86.7**	**-339.0**	**16.8**	**-25.7**	**1,724.3**	**24.9**	**1,749.2**
Earnings in the period			384.6									384.6	1.3	385.9
Other comprehensive income					114.2	26.8		-2.7	-222.7		-4.3	-88.7	-0.1	-88.8
Comprehensive income												**295.9**	**1.2**	**297.1**
Treasury shares		-8.8										-8.8		-8.8
Dividend payments			-225.5									-225.5		-225.5
Other changes			-1.4							-16.8		-18.2	0.8	-17.4
As at 30.06.2016	**218.7**	**1,129.9**	**842.2**	**74.5**	**-6.2**	**189.7**		**-89.4**	**-561.7**		**-30.0**	**1,767.7**	**26.9**	**1,794.6**

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Statement of cash flows of the EWE Group

1 JANUARY TO 30 JUNE 2016/SOURCE OF FUNDS (+)/APPLICATION OF FUNDS (-)

in millions of euros (see notes, section 14)	01.01. – 30.06.2016	01.01. – 30.06.2015
EBIT [1]	**595.9**	**364.3**
Write-offs	239.6	213.5
Reversal of construction subsidies	-29.3	-29.0
Interest paid	-68.1	-19.0
Interest payments received	8.4	8.3
Income tax payments/refunds	-69.0	-48.6
Profit/loss from the divestiture of fixed assets	-223.7	-1.9
Non-cash changes to the value of accruals	32.6	29.4
Changes to valuations using the equity method	1.5	30.7
Non-cash profit/loss from financial derivatives	-9.3	-43.9
Other non-cash income and expenses	-7.7	20.3
Changes in inventory	64.4	156.1
Change in accounts receivable and other assets	-148.5	41.1
Change in accounts payable and other liabilities	-161.4	-330.2
Cash flow from operating activities	**225.4**	**391.1**
Incoming payments from construction grants	20.3	20.1
Incoming payments from the divestiture of intangible assets	0.1	
Payments for investments in intangible assets	-18.4	-14.7
Incoming payments from the divestiture of fixed assets	5.0	6.0
Payments for investments in fixed assets	-144.8	-131.8
Incoming payments from the divestiture of other long-term assets	967.7	1.7
Payments for investments in other long-term assets	-21.0	-6.7
Disbursements for investments in shares in fully consolidated companies	-11.9	
Cash flow from investment activities	**797.0**	**-125.4**
Payments to shareholders of the parent company and other shareholders without a controlling interest (dividends)	-225.5	-88.0
Proceeds/disbursements from financial liabilities (net)	-655.6	-65.1
Other net payments from financing activities	0.3	3.6
Cash flow from financing activities	**-880.8**	**-149.5**
Change in cash and cash equivalents	141.6	116.2
Change in cash and cash equivalents related to currency translation and consolidation	-7.7	-6.3
Cash and cash equivalents at the beginning of the period	352.3	327.7
Cash and cash equivalents at the end of the reporting period	**486.2**	**437.6**

[1] Earnings before interest and taxes

Notes to the condensed interim consolidated financial statements of EWE

1. INFORMATION ABOUT THE COMPANY

EWE Aktiengesellschaft (EWE AG) based at Tirpitzstraße 39, 26122 Oldenburg, Germany, is the parent company of the EWE Group.

These condensed consolidated interim financial statements for the first half of 2016 were approved by the Board of Management for presentation to the Supervisory Board on 15 August 2016.

The condensed consolidated interim financial statements and the consolidated interim management report were subject to a review by an auditor.

2. BASES OF THE PREPARATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING METHODS

The condensed consolidated interim financial statements for the first half of 2016 were prepared in line with the International Financial Reporting Standards (IFRS) as adopted by the EU. In accordance with IAS 34, these statements do not contain all of the information and disclosures required for consolidated financial statements at the end of a financial year and must therefore be read in conjunction with the consolidated financial statements of 31 December 2015.

The recognition of individual items was changed by marginal amounts. Corresponding previous year's values were adjusted accordingly.

Slight deviations may result in the calculation of total values and percentages in the half-year report as a result of rounding.

KEY ACCOUNTING METHODS

The same accounting methods that were applied to the preparation of the consolidated financial statements of 31 December 2015 were applied to the preparation of the condensed consolidated interim financial statements. The following standards and interpretations have now become mandatory and are therefore exceptions:

Amendment to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations:
The amendment stipulates that a joint operator which accounts for the acquisition of an interest in a joint operation that constitutes a business within the terms of IFRS 3 Business Combinations must apply the relevant principles for business combinations in IFRS 3 and other standards and disclose the information required relevant for business combinations. Furthermore, it clarifies that a previously held interest in a joint operation does not need to be remeasured when a further interest in the same joint operation is acquired and joint control is maintained. In addition, an exception to the scope of application was added with the goal of more precisely clarifying that changes are not applied when the parties (including the company reporting) that share joint control stand under the common control of one party. The amendment applies both to the first-time acquisition of an interest in a joint operation as well as the acquisition of a further interest in the same joint operation. Adoption of the standard had no effects on the EWE Group's consolidated financial statements.

Amendment to IAS 1 – Presentation of Financial Statements:
As part of its overarching "Disclosure Initiative" for the purpose of evaluating and improving presentation and disclosure principles, the IASB issued initial amendments to IAS 1 Presentation of Financial Statements. These include limited changes with the goal of encouraging companies to use more of their own judgement when disclosing and presenting information. For example, this applies to the clarification that materiality considerations apply to all parts of the financial statements and that providing immaterial information can limit the usefulness of financial information. Furthermore, companies should use more judgement with regard to the position and order of information provided in the financial statements. These amendments will not affect the EWE Group's consolidated financial statements.

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation:
The amendments to IAS 16 and IAS 38 more precisely define the accounting principle in IAS 16 and IAS 38 by which revenue reflects a pattern of generation of economic benefits that arise from the operation of the business (of which the asset is part). Revenues, however, do not represent the economic benefit that is consumed through the use of the asset. As a result, the relationship between the generated revenue and the expected future total revenue cannot be used for the depreciation of fixed assets, but instead – and only in extremely limited cases – for the depreciation of intangible assets. These amendments will not affect the EWE Group's consolidated financial statements.

Amendments to IAS 16 and IAS 41 – Bearer Plants:
As a result of the amendments to IAS 16 and IAS 41, biological assets that meet the definition of a bearer plant no longer fall into the scope of IAS 41, but instead solely into the scope of IAS 16. After initial recognition, bearer plants are measured at cost before reaching maturity pursuant to IAS 16. After reaching maturity, either the cost model or the revaluation model is used. In the future, the produce generated by the bearer plants will also be recognised at fair value less disposal costs pursuant to IAS 41. IAS 20 Accounting for Government Grants and Disclosure of Government Assistance is applicable to government grants related to bearer plants. These amendments will not affect the EWE Group's consolidated financial statements.

Amendment to IAS 19 – Employee Benefits:
The amendment to IAS 19 governs the recognition of contributions from employees or third parties to the pension plan as a reduction in service cost, in so far as it reflects the service rendered in the reporting period. This amendment must be applied retroactively. This amendment will not affect the EWE Group's consolidated financial statements.

Amendments to IAS 27 – Equity Method in Separate Financial Statements:
The amendments to IAS 27 reinstate the equity method as an accounting option in an entity's separate financial statements, whereby investments in subsidiaries, joint ventures and associates can either be accounted for at amortised acquisition cost, in accordance with IAS 39 or IFRS 9, or using the equity method. The selected method must be applied for each category of investments. Adoption of the standard had no effects on the EWE Group's consolidated financial statements.

Improvements to IFRS (2010–2012):
The IASB issued a collective standard amending a number of IFRS, which primarily comprise clarifications. These amendments and further amended standards had no material effect on the EWE Group's consolidated financial statements.

Improvements to IFRS (2012–2014):
The IASB issued another collective standard amending a number of IFRS, which primarily comprise clarifications. The application of this collective standard had no material effects on the EWE Group's consolidated financial statements.

3. BASIS OF CONSOLIDATION

Besides EWE AG, the consolidated financial statements include all significant German and foreign subsidiaries which EWE AG controls directly or indirectly. Key associated companies are accounted for using the equity method.

The basis of consolidation is as follows:

Type of consolidation and number	**30.06.2016**	31.12.2015	30.06.2015
Fully consolidated companies	56	55	56
Companies accounted for using the equity method	11	10	10
Total	**67**	**65**	**66**

The increase in the number of fully consolidated companies is due to the acquisition of Millenicom Telekomünikasyon Hizmetleri A.Ş., Kağıthane – İstanbul, Turkey (Millenicom). In light of its intention to dispose of them, the shares in VNG – Verbundnetz Gas Aktiengesellschaft, Leipzig (VNG) that were measured at equity were recognised under long-term assets held for sale as at 31 December 2015. The shares were disposed of in the first half of 2016. The number of companies recognised at equity increased due to the addition of the newly founded GWAdriga GmbH & Co. KG, Berlin.

The consolidation is based on the interim financial statements of EWE AG and the interim financial statements of the consolidated companies as at 30 June 2016 which were prepared using identical financial reporting and accounting principles.

CORPORATE ACQUISITION IN 2016

On 21 January 2016, 100 per cent of the shares in Millenicom were acquired. The company operates in the field of telecommunications. The purchase price of 15.3 million euros for the shares was paid in cash. The amount corresponds to the fair value of the total consideration transferred.

The preliminary fair values of the identifiable assets and liabilities were as follows on the date of acquisition:

in thousands of euros	Recognised upon acquisition
Long-term assets	7,897
of which intangible assets	7,102
Short-term assets	10,178
of which trade receivables	6,236
Of this total, cash and cash equivalents	3,425
Total assets	**18,075**
Long-term liabilities	1,222
Short-term liabilities	16,621
Total liabilities	**17,843**
Net assets	232
Acquisition costs	15,309
Goodwill	**15,077**

Goodwill is a premium for entry into a new market in Turkey.

The fair value of the receivables was 6.2 million euros on the acquisition date and corresponds to the carrying amount and gross amount. The receivables are expected to be recoverable.

Since its acquisition, Millenicom has contributed 12.4 million euros to revenue and -1.8 million euros to the comprehensive income for the period. Had the acquisition taken place at the start of the period, the revenue would have been 15.0 million euros and the contribution to the comprehensive income for the period would have been -2.1 million euros.

The transaction costs of 0.1 million euros were recognised under other operating income in the income statement in 2015.

4. SEGMENT INFORMATION

The segments in the EWE Group are determined in accordance with internal reporting approaches.

As a result, the segments are as follows:

- Renewables, Grids and Gas Storage
- Sales, Services and Trading
- International
- swb
- Group Central Division

In addition to power generation from renewable energy sources as well as the gas storage business, the Renewables, Grids and Gas Storage segment also encompasses power grids, natural gas pipelines and telecommunications networks.

Energy and telecommunications sales as well as energy trading and the information technology business are contained in the Sales, Services and Trading segment.

The International segment encompasses EWE's business activities in Turkey and Poland.

The swb segment consists of the swb sub-Group. This segment encompasses the provision of energy and water services, particularly supplying energy and water to the municipalities of Bremen and Bremerhaven and their surrounding areas.

In addition to EWE AG as a holding company for the Group's property portfolio, the Group Central Division segment encompasses the investments managed directly by EWE AG as well as the companies consolidated at the Group-wide level. The shares in VNG still measured at equity were recognised here as at 30 June 2015 before being recognised as being held for sale as at 31 December 2015.

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SEGMENTS OF THE EWE GROUP

in millions of euros	Renewables, Grids and Gas Storage 01.01. – 30.06.2016	Renewables, Grids and Gas Storage 01.01. – 30.06.2015	Sales, Services and Trading 01.01. – 30.06.2016	Sales, Services and Trading 01.01. – 30.06.2015	International 01.01. – 30.06.2016	International 01.01. – 30.06.2015
Revenue						
External sales	1,061.1	1,048.5	2,015.4	2,165.8	389.6	459.0
Sales between the segments	428.6	430.0	244.2	265.1		
Total revenue	**1,489.7**	**1,478.5**	**2,259.6**	**2,430.9**	**389.6**	**459.0**
Profit/loss						
Segment profit/loss (operating EBIT)	228.5	209.6	84.7	58.8	24.0	22.2
Other information						
Segment assets	3,756.5	3,745.7	1,342.4	1,271.5	507.1	486.6
Payments for investments	96.8	85.0	29.9	36.5	26.2	9.8
Employees (average)	2,082.0	2,037.0	3,218.0	3,198.0	965.0	828.0

in millions of euros	swb 01.01. – 30.06.2016	swb 01.01. – 30.06.2015	Group Central Division 01.01. – 30.06.2016	Group Central Division 01.01. – 30.06.2015	Group 01.01. – 30.06.2016	Group 01.01. – 30.06.2015
Revenue						
External sales	551.8	537.6	1.2	1.1	4,019.1	4,212.0
Sales between the segments	127.6	108.2	-800.4	-803.3		
Total revenue	**679.4**	**645.8**	**-799.2**	**-802.2**	**4,019.1**	**4,212.0**
Profit/loss						
Segment profit/loss (operating EBIT)	69.6	56.2	-28.5	-8.1	378.3	338.7
Other information						
Segment assets	2,398.2	2,483.6	15.8	90.8	8,020.0	8,078.2
Payments for investments	31.0	27.8	12.2	-5.9	196.1	153.2
Employees (average)	2,186.0	2,171.5	614.5	628.5	9,065.5	8,863.0

Operating EBIT can be reconciled as follows to earnings before taxes (EBT):

in millions of euros	01.01. – 30.06.2016	01.01. – 30.06.2015
Operating EBIT	**378.3**	**338.7**
Derivatives	3.9	27.1
Impairment (see section 6)	-29.8	-0.2
Interests (see section 8)	243.5	-0.7
Restructuring		-0.6
EBIT	**595.9**	**364.3**
Interest	8.5	8.6
Interest expenses (see section 9)	-140.9	-89.1
EBT	**463.5**	**283.8**

5. REVENUE

Net revenue contains the payments received from distribution grid operators as compensation for feeding power into the grid as stipulated by the EEG totalling 791.6 million euros (30 June 2015: 722.0 million euros). Correspondingly, the original compensation payments for feeding power into the grid pursuant to the EEG are disclosed in material expenditures.

6. WRITE-OFFS

Depreciation and amortisation comprised impairment losses of 29.8 million euros (previous year: 0.2 million euros) that are largely attributable to gas storage units.

7. PROFIT/LOSS FROM FINANCIAL INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The decrease in the profit/loss from financial investments accounted for using the equity method is due primarily to the reclassification of the shares in VNG as long-term assets held for sale in the second half of 2015. The shares were disposed of in the first half of 2016.

8. OTHER PROFIT/LOSS FROM INVESTMENTS

The increase in other investment income is due primarily to the disposal of the shares in VNG which were still recognised as long-term assets held for sale as at 31 December 2015.

9. INTEREST EXPENSES

The increase in interest expenses was due to around 50 million euros in prepayment penalties in connection with the premature buy-back of bonds.

10. INCOME TAXES

Income taxes remained at the same level as in the previous year. Earnings before taxes increased compared to the same period in the previous year, due primarily to proceeds from the disposal of interests in the reporting period that are not recognised.

11. EQUITY

APPROVED AND PAID DIVIDENDS

On 4 May 2016, the general meeting of EWE AG resolved to distribute the proposed dividend of 88,000,534.08 euros for the 2015 financial year and the proposed special distribution of 137,500,000.00 euros to the shareholders. The dividend was distributed to the shareholders in the first half of the year.

TREASURY SHARES

EWE AG held 10 per cent of its own shares on the reporting date. The acquisition costs of these treasury shares were 513.6 million euros. The related payment obligation, which had to be recognised as a liability on 31 December 2015 in line with IAS 32.23, was settled in the first half of 2016.

12. PENSION PROVISIONS

The provisions for pensions and similar obligations were discounted with an interest rate of 1.50 per cent (31 December 2015: 2.50 per cent).

13. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

The carrying amounts and the fair values of financial assets and financial liabilities are set out below. Fair value is measured solely on a recurring basis.

Carrying amounts, bases of recognition and fair values according to measurement categories

in millions of euros	Measurement category under IAS 39	**Carrying amount on 30.06.2016**	Basis of recognition under IAS 39: Amortised cost	Basis of recognition under IAS 39: Historical cost	Basis of recognition under IAS 39: Fair value not recognised in profit and loss	Basis of recognition under IAS 39: Fair value recognised in profit and loss	**Fair value on 30.06.2016**	Carrying amount on 31.12.2015	Basis of recognition under IAS 39: Amortised cost	Basis of recognition under IAS 39: Historical cost	Basis of recognition under IAS 39: Fair value not recognised in profit and loss	Basis of recognition under IAS 39: Fair value recognised in profit and loss	Fair value on 31.12.2015
Assets													
Other long-term assets													
Loans and receivables	LaR	111.4	111.4				111.4	105.5	105.5				105.5
Interests	AfS	292.6		1.2	291.4		292.6	259.4		1.3	258.1		259.4
Trade receivables	LaR	976.7	976.7				976.7	895.1	895.1				895.1
Other receivables and assets													
Securities	AfS	99.8			99.8		99.8						
Securities	FAHfT	5.5				5.5	5.5	4.8				4.8	4.8
Remaining financial assets	LaR	114.5	114.5				114.5	103.6	103.6				103.6
Liquid assets	LaR	485.6	485.6				485.6	352.0	352.0				352.0
Derivatives													
without a hedging relationship	FAHfT	62.5				62.5	62.5	98.1				98.1	98.1
with a hedging relationship	n/a	117.0			117.0		117.0	92.8			92.8		92.8

in millions of euros	Measurement category under IAS 39	**Carrying amount on 30.06.2016**	Basis of recognition under IAS 39				**Fair value on 30.06.2016**	Carrying amount on 31.12.2015	Basis of recognition under IAS 39				Fair value on 31.12.2015
			Amortised cost	Historical cost	Fair value not recognised in profit and loss	Fair value recognised in profit and loss			Amortised cost	Historical cost	Fair value not recognised in profit and loss	Fair value recognised in profit and loss	
Equity and liabilities													
Bonds	FLAC	1,584.2	1,584.2				1,840.4	1,848.6	1,848.6				2,113.9
Liabilities to financial institutions	FLAC	211.0	211.0				215.2	563.4	563.4				578.4
Trade payables	FLAC	581.0	581.0				581.0	667.8	667.8				667.8
Other liabilities	FLAC	585.2	585.2				589.9	1,124.2	1,124.2				1,126.3
Derivatives													
without a hedging relationship	FLHfT	106.1				106.1	106.1	144.9				144.9	144.9
with a hedging relationship	n/a	186.4			186.4		186.4	329.7			329.7		329.7
Of this total, aggregated by IAS 39 valuation categories													
Loans and receivables (LaR)		1,688.2	1,688.2				1,688.2	1,456.2	1,456.2				1,456.2
Available-for-sale financial assets (AfS)		392.4		1.2	391.2		392.4	259.4		1.3	258.1		259.4
Financial assets held for trading (FAHfT)		68.0				68.0	68.0	102.9				102.9	102.9
Financial liabilities measured at amortised cost (FLAC)		2,961.4	2,961.4				3,226.5	4,204.0	4,204.0				4,486.4
Financial liabilities held for trading (FLHfT)		106.1				106.1	106.1	144.9				144.9	144.9

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Available-for-sale financial assets encompass securities and equity instruments that are not traded on an active market. The fair value of unlisted equity instruments is generally calculated using the discounted cash flow method. Unlisted equity instruments, whose fair value could not be reliably measured due to a lack of sufficient recent planning data, are measured at cost. EWE had no intention of disposing of these instruments as at the end of the reporting period.

Trade receivables, other receivables and assets as well as cash and cash equivalents have short periods until maturity, which is why their carrying amounts at the end of the reporting period generally correspond with fair value. The maximum default risk is reflected by the carrying amounts of the assets recognised on the statement of financial position.

The fair value of derivative financial instruments is dependent on trends in the underlying market factors. The respective fair values are measured and reviewed at regular intervals.

Derivative financial instruments are governed by conventional offsetting agreements. Derivative transactions are generally conducted on the basis of standard agreements which enable the netting of all outstanding transactions with business partners.

Interest rate swaps, forward exchange contracts and options, coal swaps, gas price hedging contracts (swaps) and CO_2 forwards are measured using the standard market valuation method with maximum consideration given to observable market data such as currency spot and futures rates, yield curves, and hourly price forward curves.

Listings on active markets are used as a reference for the measurement of commodity derivatives. If there are no listings available (due to insufficient liquidity in the market, for example), fair values are calculated on the basis of recognised valuation techniques. When available, trades that are identical to stock exchange transactions on the over-the-counter market are measured on the basis of the published closing rates of the respective stock exchange. The fair values of unlisted products are measured on the basis of publicly available broker quotes or, if not available, on the basis of recognised valuation techniques using internal data. The risk of default is measured. Energy deals conducted as part of commodity transactions are generally subject to EFET (European Federation of Energy Traders) agreements. Risks of default are accounted for by taking netting agreements into consideration.

The fair value of exchange-traded bonds corresponds to the nominal value of the bonds multiplied by the quoted price at the end of the reporting period. In the first half of 2016, EWE AG bought back 298.4 million euros of bonds that had been due to be bought back in 2019, 2020 and 2021.

The fair value of other non-exchange traded, fixed-interest bonds or fixed-interest liabilities to credit institutions is measured as the present value of the payments stemming from these liabilities based on the respective applicable yield curve. When it comes to floating-rate liabilities to credit institutions, it is assumed that the carrying amount will generally correspond to fair value due to the regular adjustments made to the interest rates on the basis of current market parameters.

Trade payables and other liabilities primarily have short maturities; the carrying amounts are therefore generally equivalent to fair value.

The following table allocates financial instruments measured at fair value to the three levels of the fair value hierarchy:

	30.06.2016			
in millions of euros	Level 1	Level 2	Level 3	**Total**
Financial assets at fair value				
Interests			291.4	291.4
Securities	105.3			105.3
Derivative financial instruments		175.7	3.8	179.5
Total	**105.3**	**175.7**	**295.2**	**576.2**
Financial liabilities at fair value				
Derivative financial instruments		288.6	3.9	292.5
Total		**288.6**	**3.9**	**292.5**

	31.12.2015			
in millions of euros	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Interests			258.1	258.1
Securities	4.8			4.8
Derivative financial instruments		182.4	8.5	190.9
Total	**4.8**	**182.4**	**266.6**	**453.8**
Financial liabilities at fair value				
Derivative financial instruments	0.1	465.0	9.5	474.6
Total	**0.1**	**465.0**	**9.5**	**474.6**

The levels of the fair value hierarchy and their application to assets and liabilities are described below:

Level 1: Quote prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted market prices that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for assets and liabilities that are not based on observable market data.

At the end of each reporting period, a review is conducted to determine if there is reason to reclassify assets or liabilities into or out of a valuation level. During the reporting period ending 30 June 2016, EWE did not reclassify any assets or liabilities between levels 1 and 2 of the fair value hierarchy, nor did it reclassify any assets or liabilities into or out of level 3 of the hierarchy.

The following table provides an overview of financial instruments allocated to level 3 of the fair value hierarchy:

in millions of euros	**Interests (assets)**	**Derivative financial instruments (assets)**	**Derivative financial instruments (liabilities)**
Balance on 01.01.2016	**258.1**	**8.5**	**9.5**
Other operating income and other operating expenses recognised in profit and loss		-4.7	-5.6
Gains and loss recognised in other comprehensive income (market fluctuations of available-for-sale financial instruments)	30.1		
Purchases	8.4		
Sales	-5.3		
Reclassifications	0.1		
Balance on 30.06.2016	**291.4**	**3.8**	**3.9**

in millions of euros	Interests (assets)	Derivative financial instruments (assets)	Derivative financial instruments (liabilities)
Balance on 01.01.2015	**191.0**	**25.4**	**43.7**
Other operating income and other operating expenses recognised in profit and loss		-16.9	-34.2
Gains and losses from other interests recognised in profit and loss (market fluctuations of available-for-sale financial instruments)	-6.2		
Gains and loss recognised in other comprehensive income (market fluctuations of available-for-sale financial instruments)	49.6		
Purchases	23.7		
Balance on 31.12.2015	**258.1**	**8.5**	**9.5**

The fair values of interests classified in level 3 are calculated using the discounted cash flow method based on planning figures from several periods for the cash flows to be discounted and assuming sustainable terminal value. This category includes non-exchange-traded equity instruments with fair values that can be determined with a sufficient degree of reliability. A hypothetical change to the WACC by +/-1 per cent on the reporting date would result in a theoretical decrease in fair values of 69.3 million euros (31 December 2015: decrease of 58.0 million euros) or an increase of 140.6 million euros (31 December 2015: increase of 109.6 million euros). A hypothetical change to the EBIT of +/-10 per cent on the reporting date would result in a theoretical increase in fair values of 28.9 million euros (31 December 2015: increase of 24.9 million euros) or a decrease of 28.9 million euros (31 December 2015: decrease of 24.9 million euros).

As at 30 June 2016, level 3 derivative financial instruments include gas contracts with flexible volumes which also apply to trading periods for which there are still no active markets. This particularly applies to gas contracts, the valuation of which is dependent on future changes in the wholesale market prices of gas, among other factors. All else being equal, when gas prices rise, the market price of these supply contracts rises. To measure the value of these contracts, EWE utilises a valuation model, which includes Monte Carlo simulations, that makes it possible to determine a price of the contract options. The input factors are various forward price indications as well as volatilities and correlations derived from this price data.

14. STATEMENT OF CASH FLOWS

Liquid assets comprise the item cash and cash equivalents on the statement of financial position, which consist of 485.6 million euros (30 June 2015: 435.6 million euros) as well as cash-pooling receivables of 0.6 million euros (30 June 2015: 2.0 million euros).

The consideration received at the disposal of the shares in VNG (74.2 per cent) contains, alongside a cash-effective share in the amount of 10 per cent of treasury shares, a cash settlement accounted for under incoming payments from the disposal of other long-term assets.

The disbursements for investments in shares in fully consolidated companies concern the acquisition of the shares in Millenicom less the acquired funds of 3.4 million euros.

15. RELATED PARTY DISCLOSURES

Transactions with companies included in the consolidated interim financial statements were eliminated in the course of consolidation. The following are deemed related companies of the EWE Group:

- Shareholders with a controlling interest (EWE-Verband GmbH) or the shareholder with the largest controlling interest (EWE-Verband) of EWE AG;
- Companies that exert significant influence on EWE AG (the investor EnBW);
- Parties under the influence of the shareholders or the investor;
- Non-consolidated affiliated companies;
- Associates accounted for under the equity method; and
- Interests measured pursuant to IFRS 5.

Related persons in key positions include the members of the Board of Management and the Supervisory Board of EWE AG.

Relationships with the Group of shareholders are primarily of a financial nature as well as for the exchange of commercial services.

The majority of the relationships with the Group of companies accounted for under the equity method and the assets measured pursuant to IFRS 5 are supply and service relationships for natural gas as well as financial relationships. All transactions are concluded on standard market terms.

In April 2016, 74.2 per cent of the shares in VNG were transferred to EnBW. In return, the shareholders of EWE AG and EWE AG itself acquired a total of 20 per cent of the shares in EWE. By 2019 at the latest, 6 per cent of EWE shares shall remain with EnBW and should then be transferred to EWE-Verband.

The following table shows the total volume of transactions with related companies in the first half of 2016 and 2015 as well as the outstanding balances from transactions with related companies as at 30 June 2016 and 31 December 2015:

in millions of euros		Sales to related companies	Purchases from related companies	Receivables from related companies	Liabilities to related companies
Shareholders/investors in EWE AG	2016	25.5	41.2		2.0
	2015	21.7	28.3	1.2	0.6
Associates accounted for under the equity method and interests measured pursuant to IFRS 5	2016	18.0	18.1	3.4	3.0
	2015	24.4	18.8	5.8	2.9
Non-consolidated affiliated companies	2016			18.9	17.4
	2015			18.9	19.8

The local authorities and municipalities in our supply area between the rivers Ems, Weser and Elbe comprise the Ems-Weser-Elbe Versorgungs- und Entsorgungsverband (supply and disposal association). They are supplied with power, natural gas, and telecommunications and information services at standard market rates.

The EWE Group concluded no significant transactions with related parties. The supply of power, natural gas and telecommunications services to related parties takes place at rates and with terms and conditions comparable to those agreed upon with external third parties.

INFORMATION ON THE BOARDS OF EWE AG

SUPERVISORY BOARD

Dr Stephan-Andreas Kaulvers
Chairman of the Supervisory Board
Chairman of the Board of Management of Bremer Landesbank, Bremen

Carsten Hahn
First Deputy Chairman
Chairman of the General Works Council of EWE AG, Osterholz-Scharmbeck

Dr Frank Mastiaux (until 21 April 2016 and from 17 May 2016)
Second Deputy Chairman (until 21 April 2016 and from 17 June 2016) Chairman of the Board of Management of EnBW AG, Karlsruhe

Heiner Schönecke
Third Deputy Chairman
Member of the Landtag (State Parliament) of Lower Saxony, Neu Wulmstorf

Bernhard Bramlage
Fourth Deputy Chairman
District Administrator of the district of Leer, Leer

Wolfgang Behnke
Chairman of the Group Works Council of EWE AG, Osterholz-Scharmbeck

Peter Bohlmann (from 17 May 2016)
District Administrator of the district of Verden, Langwedel

Stefan Brok (until 21 April 2016)
Chairman of the Board of Management of Aral AG, Gronau

Claus Christ (from 1 January 2016)
Regional Manager of EWE NETZ GmbH, Remels

Eckhard Dibke
Member of the Works Council of wesernetz Bremen/Bremerhaven GmbH/swb Beleuchtung GmbH, Langen

Jürgen Humer (until 31 January 2016)
General Manager of ver.di trade union for the Weser-Ems district, Verden (Aller)

Aloys Kiepe
ver.di Trade Secretary for the Weser-Ems district, Emden

Heike Klattenhoff (from 28 April 2016)
General Manager of ver.di trade union for the Weser-Ems district, Delmenhorst

Jürgen Krogmann
Mayor of the City of Oldenburg, Oldenburg

Beatrix Kuhl (from 17 May 2016)
Mayor of the City of Leer, Leer

Peter Marrek
Chairman of the Group Works Council of swb AG, Wilhelmshaven

Peter Meiwald
Member of the German Bundestag, Westerstede

Immo Schlepper
ver.di Regional Department Director, Lower Saxony-Bremen, Oldenburg

Ulrike Schlieper
SPD party Chairwoman on the Friesland district council, Sande

Richard Venning
Field Service Team Member at EWE TEL GmbH, Spenge

Johann Wimberg
District Administrator of the Cloppenburg administrative district, Cloppenburg

Thomas Windgassen
Head of the Cuxhaven-Delmenhorst region, EWE VERTRIEB GmbH, Cuxhaven

Dr Hans-Josef Zimmer (until 21 April 2016)
Member of the Board of Management of EnBW AG, Technology, Steinfeld (Pfalz)

BOARD OF MANAGEMENT

Matthias Brückmann
Chairman of the Board of Management of EWE AG, Oldenburg

Nikolaus Behr
Member of the Board of Management of EWE AG,
Human Resources and IT, Bremen

Ines Kolmsee
Member of the Board of Management of EWE AG, Technology,
Tutzing

Michael Heidkamp
Member of the Board of Management of EWE AG, Market,
Bad Zwischenahn

Wolfgang Mücher (from 1 March 2016)
Member of the Board of Management of EWE AG, Finance,
Oldenburg

16. EVENTS AFTER THE REPORTING PERIOD

No other events with a significant impact on the EWE Group's earnings, financial and assets position occurred after the reporting period but before the publication of the Group's interim consolidated financial statements.

Oldenburg, 15 August 2016

The Board of Management

Matthias Brückmann   Nikolaus Behr   Michael Heidkamp

Ines Kolmsee   Wolfgang Mücher

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles of interim financial reporting, the consolidated interim financial statements give a true and fair view of the EWE Group's assets, financial position and earnings, and the EWE Group's interim management report includes a fair review of the trends and performance of the business and the position of the EWE Group as well as a description of the principal opportunities and risks associated with the EWE Group's expected performance in the rest of the financial year.

Oldenburg, 15 August 2016

The Board of Management

Matthias Brückmann   Nikolaus Behr   Michael Heidkamp

Ines Kolmsee   Wolfgang Mücher

Auditor's certificate

TO EWE AKTIENGESELLSCHAFT

We have reviewed the condensed consolidated interim financial statements – consisting of the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and selected explanatory notes – and the consolidated interim management report of EWE Aktiengesellschaft, Oldenburg, which are components of the half-year financial report in accordance with Section 37w of the German Securities Trading Act (WpHG), for the period from 1 January 2016 to 30 June 2016. The legal representatives of the company are responsible for preparing the condensed consolidated interim financial statements in accordance with the IFRS for interim financial reporting as applicable in the EU, and the consolidated interim management report in accordance with the provisions of the German Securities Trading Act (WpHG) which apply to consolidated interim management reports. Our task is to issue a certificate for the condensed consolidated interim financial statements and the consolidated interim management report on the basis of our review.

We carried out our review of the condensed consolidated interim financial statements and the consolidated interim management report with consideration for the generally accepted accounting principles in Germany that were established by the German Institute of Auditors (IDW). These stipulate that the review must be planned and conducted in such a way that, following our critical appraisal, we can, with a degree of certainty, conclude that the condensed consolidated interim financial statements have essentially been prepared in accordance with the IFRS for interim financial reporting as applicable in the EU, and that the consolidated interim management report has essentially been prepared in accordance with the provisions of the German Securities Trading Act (WpHG) that apply to consolidated interim management reports. A review is mainly limited to interviews with employees of the company and analytical evaluations, and therefore does not provide the certainty that can be achieved by an audit. As we have not been engaged to conduct an audit, we cannot provide an audit certificate.

On the basis of our review we have not discovered any discrepancies that would give us cause to assume that the condensed consolidated interim financial statements have not essentially been prepared in accordance with the IFRS for interim financial reporting as applicable in the EU, and that the consolidated interim management report has not essentially been prepared in accordance with the provisions of the German Securities Trading Act (WpHG) that apply to consolidated interim management reports.

Bremen, 16 August 2016

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