

HALF-YEAR FINANCIAL REPORT *2017*

1 JANUARY TO 30 JUNE

ABOUT THIS REPORT

The half-year financial report of EWE AG meets the requirements of the applicable regulations of the German Securities Trading Act ("Wertpapierhandelsgesetz": WpHG) and, pursuant to Sec. 37w WpHG, comprises interim condensed consolidated financial statements, an interim group management report and a responsibility statement.

The interim consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable to interim reporting as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

The half-year financial report should be read together with our Integrated Report 2016. The latter contains a comprehensive discussion of our business activities and explanatory notes on the financial ratios used.

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INTERIM GROUP MANAGEMENT REPORT

BUSINESS AND BACKGROUND

THE EWE GROUP

ORGANIZATION AND BASIS OF REPORTING

We are an energy group with core activities in the fields of energy, telecommunications and information technology (IT), operating in Germany, Turkey and Poland. We operate state-of-the-art and reliable energy grids, are a pioneer in the field of renewable energies and, as the first company in Germany to do so, tap the joint potential of energy, telecommunications and IT. The EWE Group comprises the parent company EWE AG, a stock corporation under German law, and its subsidiaries. Our Company's headquarters are located in Germany with group headquarters being located in Oldenburg. In the first half of 2017, the Group had an average of 9,107 employees (31 December 2016: 9,048 employees).

To improve the clarity of presentation and to increase transparency, the interim group management report was adjusted in the interim period.

DESCRIPTION OF BUSINESS ACTIVITIES

Renewables, Grids and Gas Storage segment

In the Renewables business area, we plan, build and operate wind farms to generate renewable power, some of which use investment and partner models. We market our expertise in the construction and operation of offshore wind farms internationally. The power generation capacities (including our share in capacities from investments accounted for using the equity method) of 297 megawatts (MW) are at the same level as the prior year (31 December 2016: 297 MW).

In the Grids business area, 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, on Rügen and in Nordvorpommern with a grid length totaling 138.5 thousand km (31 December 2016: 138.5 thousand km). Thanks to low outage times, our distribution grids are some of the safest in Europe. Furthermore, we operate a wide telecommunications network of around 38.8 thousand km (31 December 2016: around 38.8 thousand km). The Company is continuously striving

to expand broadband access in the rural areas of northwestern Germany. Furthermore, we operate several drinking water networks and, as an energy group with strong regional roots, we also operate in the waste water business. In the first half of the year 2017, the total volume of waste water purified was 8.4 million cubic meters (first half-year 2016: 8.7 million cubic meters).

In the Gas Storage business area, we construct, acquire and operate systems to store as well as inject and withdraw gaseous and liquid fuels, such as high-pressure natural gas, hydrogen, liquefied petroleum gas and compressed air, and provide all corresponding services. In this business area, we operate a total of 37 underground chambers (31 December 2016: 38 underground chambers) in locations throughout northern Germany, such as in Rüdersdorf near Berlin, and sell storage capacity to internal and external customers. With a total storage capacity of 2.0 billion cubic meters (31 December 2016: 2.1 billion cubic meters), we are one of the largest operators of gas storage chambers in the German-European natural gas market.

Sales, Services and Trading segment

The Energy and Telecommunications business area combines the sale of energy products and telecommunications. In the domestic market, the sale of energy products takes up the leading position in the competitive environment. The focus of telecommunications sales lies primarily in northwestern Germany, parts of Brandenburg, on the island of Rügen and the Ostwestfalen-Lippe region. We support commercial customers nationwide. Through the establishment of new business activities, such as light contracting, power storage and energy audits, we are currently transitioning into a service provider which – in addition to the conventional products of power, gas, heat and telecommunications – can provide customer-specific services and solutions, thereby creating new business opportunities.

The Information Technology business area includes IT consulting services with an integrated approach, particularly for the energy and telecommunications industries, the public sector, industrial companies and service providers. Our key areas of expertise lie in consulting, system integration, and applications and system management. In this context, we place a focus on energy-related software products.

The Trading business area encompasses a variety of services related to procurement and sales of power and gas. Furthermore, the Trading business allows the EWE Group to optimize its entire energy portfolio and offers its customers and partners a broad range of portfolio and balancing group management services. Trading serves to provide market access to our Group's sales and generation activities.

International segment

The distribution and sale of natural gas are key components of our business activities in Turkey and Poland. Our business in Turkey possesses long-term gas trade and liquefied natural gas licenses as well as a power trading license. We supply natural gas to industrial customers, industrial zones, gas power plants and utility companies throughout the country. We are also active in the field of telecommunications in Turkey following the acquisition of Millenicom in 2016.

swb segment

This segment encompasses our activities in the cities of Bremen and Bremerhaven. swb and its subsidiaries are active in the fields of power, natural gas, heating, drinking water and telecommunications. This segment also encompasses the Conventional Generation and Disposal business unit which is contained exclusively within the swb segment.

Group Central Division

EWE AG 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 ensuring the Group's financing. In addition, EWE AG performs centralized corporate services for the Group's companies.

ECONOMIC ENVIRONMENT

MARKET DEVELOPMENT

EWE's business development is shaped much more strongly by developments in the energy and telecommunications sectors than by general global economic developments. As such, the section below will also focus on the energy and telecommunications market.

Energy market and prices

International commodity prices, with the crude oil market being a leading indicator, are the predominant factors that affect price trends on the power and gas markets. After OPEC and non-OPEC members decided to cut production of North Sea Brent at the end of November 2016, the price fell from USD 58.00 per barrel to USD 45.00 to USD 50.00 per barrel in the first half of 2017.

This price trend was fueled by growing concerns that the production cut might be too tentative as other oil-producing countries such as Nigeria, Libya and the US, who are not bound by the deal, up production. The market was not placated by the OPEC's decision at the end of May to extend the production curb by another nine months, leading to a 11.5 per cent fall in prices between then and the end of June, with oil costing 13.6 per cent less than at the beginning of year.

Crude oil was not the only commodity to see a price slump: the gas front annual price dropped 11.0 per cent since the beginning of the year, whereas the price of base load electricity rose by 5.2 per cent. The reason for this is the sharp increase in the price of coal, up 14.7 per cent since the beginning of the year.

The increase in the price of coal is being driven by unrelenting high demand from China to compensate for hydropower and from India to top up low stocks. Extreme weather conditions or strikes have restricted supply in many countries.

The price of emissions certificates has fallen by 7.3 per cent since the beginning of the year. This market is strongly influenced by political debate about its future structure. Talks on the future of the CO₂ certificates market post-2020 were resumed at the end of June after a long break necessitated by negotiations on the UK's exit from the EU.

Energy consumption in Germany was at the prior-year level in the first six months of the year. Continued economic growth and cooler weather conditions at the beginning of the year drove up consumption of mineral oil and natural gas. Favorable wind conditions and long hours of sunshine led to an increase in feed-in from renewable energy sources. According to preliminary calculations reported by the Working Group on Energy Balances, total energy consumption in the first half of 2017 was 234.8 million tons of coal equivalent (million TCE; first half 2016: 233.0 million TCE).

The consumption of natural gas increased by almost 3.0 per cent – slightly faster than petroleum consumption (up 2.6 per cent) – due to climate conditions in the first half of 2017, greater demand from industry and due to increased use in power generation. Lignite consumption was up by just under 3.0 per cent thanks to improved power plant availability. By contrast, coal consumption shrank by 6.7 per cent due to the higher feed-in of power from renewable sources, while nuclear power consumption dropped by more than 17.5 per cent. Renewable energies enlarged their share of overall energy consumption by more than 6.0 per cent, with wind and photovoltaic power growing most (up 19.0 per cent and 14.0 per cent, respectively).

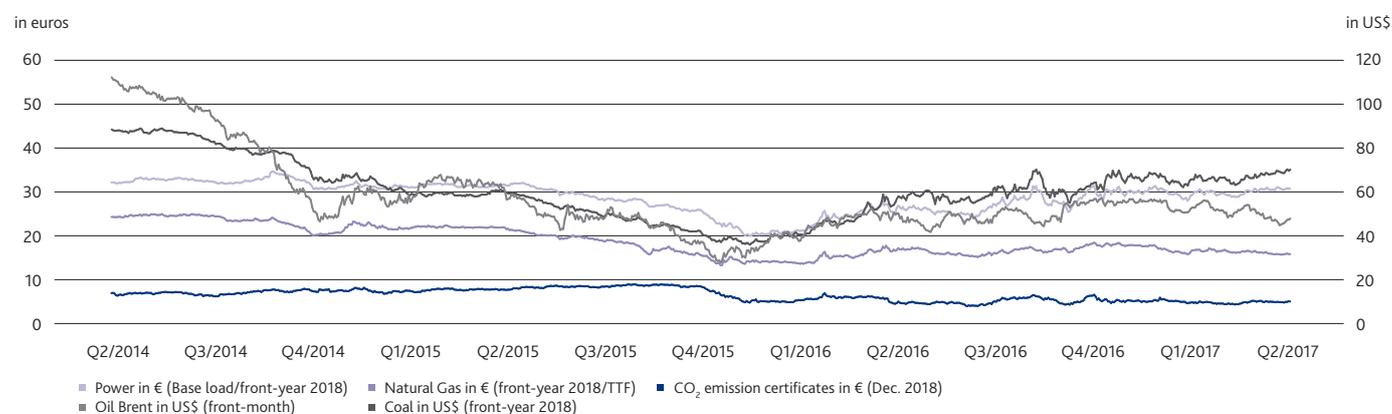
Telecommunications market

The first six months of financial year 2017 saw relentlessly tough competition in the telecommunications market, causing the average price of landline and internet products to fall further. Therefore, offering product bundles is very important.

The German telecommunications market is contracting slightly, with revenue in 2017 expected to decline by 0.2 per cent to 66.2 billion euros. In contrast, the infrastructure market is set to grow by 0.7 per cent to 6.6 billion euros and telecommunications services will drop by 0.6 per cent to 48.9 billion euros (source: bitkom, March 2017).

Energy market and prices in the first half-year 2017

Power, Natural Gas, CO₂, Oil Brent and Coal



POLITICAL AND REGULATORY ENVIRONMENT

New conditions for combined heat and power

At the beginning of the year, the new Combined Heat and Power Act ("Kraft-Wärme-Kopplungsgesetz": KWKG) came into force. The core feature of the amendments to the existing act is the introduction of tendering procedures for power plants with a capacity of between 1 and 50 MW and for particularly innovative CHP plants. From the perspective of the EWE Group, the introduction of tendering procedures will make the business field of plants of this size more difficult. In addition, the subsidy requirements for heating networks will be tightened, with a higher percentage of CHP heat or of heat from renewable energy sources being called for.

Rules for renewable energy sources and self-supply to change

The Act to Introduce Tendering Procedures for Power from Renewable Energy Sources ("Gesetz zur Einführung von Ausschreibungen für Strom aus erneuerbaren Energien") came into force on 1 January 2017. The Act stipulates that the subsidies for power from renewable energy sources will be determined 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. The new German Renewable Energy Act ("Erneuerbare-Energien-Gesetz": EEG) as amended in 2017 defines for the first time a grid expansion area in the north of Germany limiting construction of additional cost-effective and readily manageable onshore wind turbines. EWE is critical about the restrictions on additional construction awards for onshore wind turbines.

In addition, the Act Amending the KWKG and the EEG ("KWKG-EEG-Änderungsgesetz") will result in a change in the conditions underlying renewable energies such that self-consumption will only be exempted from the EEG surcharge under certain circumstances and for certain installations. This could make certain projects unattractive for EWE customers.

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 assure supply security in the market regions that up until now have been supplied with low-calorific gas, to which the EWE service area also belongs. Following several earthquakes in the Groningen region, the production volume for Groningen was reduced once more by 10 per cent in April 2017. In this connection, we are observing the political situation with regard to its impacts on the market region transition and supply security in the EWE area and are engaging in constructive dialog with political representatives.

In the Bremen supply area, the market region transition commenced this year; in the EWE service area this process will be launched in 2018.

Federal Network Agency demands a uniform price schedule for the gas distribution network – establishment of a grid operator

The Federal Network Agency ("Bundesnetzagentur": BNetzA) requires EWE NETZ GmbH to apply a uniform price schedule for fees in the gas distribution network from 1 January 2018. EWE NETZ GmbH filed a complaint against the decision with the Düsseldorf Higher Regional Court ("Oberlandesgericht"). It is highly unlikely that these proceedings will be completed before the beginning of the third regulatory period. EWE NETZ GmbH has therefore decided to establish its own grid operator for the regional gas distribution network in order to meet this requirement.

Telecoms legal framework

In the run-up to the next general election, all of the established parties now support fiber optic cabling as the way forward. Targets range from coverage of defined areas to a nationwide network with speeds of 1 Gbit/s by 2025. Last year, the EU Commission proposed in its European Electronic Communications Code strategy that private households throughout the EU should have access to internet connections with speeds of 100 Mbit/s and socioeconomic facilities such as schools should have access to networks with data download speeds of 1 Gbit/s.

Expansion of fiber optic broadband network

Now that Fiber To The Curb (FTTC) connections have been installed in street cabinets, politicians and businesses are focusing efforts on laying more fiber optic cables to homes (FTTH/FTTB) in order to meet future broadband needs. EWE's decision to invest 1.2 billion euros in installing FTTH in around 30 per cent of its sales area over the next ten years is the right step at the right time.

DigiNetz Act and deregulation

The DigiNetz Act ("Gesetz zur Erleichterung des Ausbaus digitaler Hochgeschwindigkeitsnetze") and the deregulation measures pursued by the EU Commission since November 2016 entail new access obligations for non-incumbent market players such as EWE TEL GmbH and EWE NETZ GmbH. These access obligations could be extended to incumbents under the measures envisaged by the EU Commission.

Roll-out of VDSL vectoring in proximity areas

EWE is currently making use of the right granted by the BNetzA to roll out vectoring in proximity areas. The around 100,000 affected households in the EWE sales territory will be equipped with VDSL vectoring technology, which offers speeds of up to 100 Mbit/s, by the end of 2018. EWE is preparing for the exchange of the necessary wholesale services for the cable junction boxes assigned to Telekom by the BNetzA. The Cologne Administrative Court rejected EWE's legal action and its request for an injunction in this respect.

CURRENT SITUATION OF THE EWE GROUP

This half-year financial report of EWE AG as of 30 June 2017 was prepared in accordance with International Financial Reporting Standards (IFRS) and the related interpretations of the IFRS Interpretations Committee as adopted by the EU.

This half-year financial report was prepared in accordance with IAS 34 and therefore has a reduced scope compared with the consolidated financial statements. The same accounting methods applied for the consolidated financial statements of 31 December 2016 were applied for these interim condensed consolidated financial statements. The interim condensed consolidated financial statements do not contain all of the information and disclosures required for consolidated financial statements at the end of a financial year and should therefore be read in conjunction with the consolidated financial statements as of 31 December 2016.

RESULTS OF OPERATIONS

The following table illustrates the reconciliation to the consolidated profit or loss for the period:

in millions of euros	01.01. – 30.06.2017	01.01. – 30.06.2016
Operating EBIT	333.4	378.3
Derivatives	-25.4	3.9
Impairments	-67.7	-29.8
Equity investments		243.5
Restructuring	-0.2	
EBIT	240.1	595.9
Net interest income/expense	-63.3	-132.4
Income taxes	-62.9	-77.6
Consolidated profit/ loss for the period	113.9	385.9

The ability of the EWE Group's normal business operations to generate earnings over 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 track and manage the results of operations. To calculate operating EBIT, EBIT is adjusted for special effects such as valuation effects from derivative financial instruments, impairments (e.g., of goodwill, property, plant and equipment and equity investments) and special effects resulting from changes in the basis of consolidation as well as those resulting from restructuring measures.

SIGNIFICANT CHANGES TO THE INCOME STATEMENT

In the first half of 2017 our Group generated revenue (excluding electricity and energy taxes) of 4,209.1 million euros (first half-year 2016: 4,019.1 million euros). This corresponds to an increase of 190.0 million euros (4.7 per cent) compared to the prior-year period. Likewise, the cost of materials increased by 5.2 per cent to 3,175.3 million euros (first half-year 2016: 3,019.2 million euros). This translates into a ratio of cost of materials to revenue of 75.4 per cent (first half-year 2016: 75.1 per cent).

Other operating income of 113.4 million euros (first half-year 2016: 204.8 million euros) is lower than in the prior year.

The 37.8 million euros increase in amortization, depreciation and impairment was mainly attributable to impairment losses due to interest and exchange rate fluctuations which affected the assets of the RIFFGAT offshore wind farm (44.1 million euros), Bursagaz licenses (17.5 million euros) and goodwill of Millenicom (5.9 million euros). Impairment losses in the prior-year period of 29.8 million euros related mainly to gas storage facilities.

The 245.5 million euros decrease in other investment income to 7.2 million euros is directly linked to the disposal of the interest in VNG – Verbundnetz Gas Aktiengesellschaft, Leipzig, in the first half of 2016.

The net interest result totaling -63.3 million euros (first half-year 2016: -132.4 million euros) caused primarily from interest on bearer bonds (public-sector bonds), bonds (private placement), interest on current liabilities to banks and from the discounting of non-current liabilities. The improvement in net interest expense is due to the lower interest expenses resulting from the first half-year 2016 early repayment penalties of around 50 million euros in connection with the early buyback of the bonds.

SEGMENT PERFORMANCE

The following chart illustrates the changes in the segments' external revenue and operating EBIT:

in millions of euros	External revenue			Operating EBIT		
	01.01. – 30.06.2017	01.01. – 30.06.2016	Change in %	01.01. – 30.06.2017	01.01. – 30.06.2016	Change in %
Renewables, Grids and Gas Storage segment	1,094.7	1,061.1	3.2	224.5	228.5	-1.8
Sales, Services and Trading segment	2,210.7	2,015.4	9.7	58.3	84.7	-31.2
International segment	358.3	389.6	-8.0	23.6	24.0	-1.7
swb segment	544.6	551.8	-1.3	53.5	69.6	-23.1
Group Central Division	0.8	1.2	-33.3	-26.5	-28.5	7.0
Total	4,209.1	4,019.1	4.7	333.4	378.3	-11.9

RENEWABLES, GRIDS AND GAS STORAGE SEGMENT

in millions of euros	01.01. – 30.06.2017	01.01. – 30.06.2016
Operating EBIT	224.5	228.5
Derivatives	-0.2	
Impairments	-45.4	-24.6
Restructuring	-0.7	
EBIT	178.2	203.9

In our Renewables, Grids and Gas Storage segment, external revenue in the reporting period grew by 3.2 per cent year-on-year to 1,094.7 million euros (first half-year 2016: 1,061.1 million euros). This increase in revenue is primarily due to the fact that the RIFFGAT offshore wind farm is now fully operational. In the prior year, it did not supply feed-in power until mid-May due to cable damage. As such, this segment contributed 26.0 per cent to the Group's total revenue in the reporting period (first half-year 2016: 26.4 per cent). Operating EBIT came to 224.5 million euros (first half-year 2016: 228.5 million euros). The valuation of gas supplies at the end of the period and the allocation to the rehabilitation provision had a negative effect on operating EBIT from gas storage. This canceled out the positive effect from higher revenue from power grid use. In the Renewables business area, the higher earnings contributions from the RIFFGAT offshore wind farm and the Köhlen onshore wind farm, which commenced regular operations in the second half of 2016, more or less offset the costs of the TWB II offshore project.

Due to the impairment of property, plant and equipment at the RIFFGAT offshore wind farm, EBIT was below the prior-year level at 178.2 million euros (first half-year 2016: 203.9 million euros). The impairment losses charged in the prior year mainly related to property, plant and equipment in gas storage facilities.

SALES, SERVICES AND TRADING SEGMENT

in millions of euros	01.01. – 30.06.2017	01.01. – 30.06.2016
Operating EBIT	58.3	84.7
Derivatives	-10.5	-2.5
Restructuring	0.6	
EBIT	48.4	82.2

In our Sales, Services and Trading segment, we registered an increase in external revenue of 9.7 per cent to 2,210.7 million euros compared to the same period in the previous year (first half-year 2016: 2,015.4 million euros). Year-on-year, revenue from power and gas trading has risen substantially even though lower volumes of power were sold to retail customers. The segment contributed 52.5 per cent to the Group's total revenue (first half-year 2016: 50.1 per cent). Operating EBIT was down to 58.3 million euros (first half-year 2016: 84.7 million euros). This decrease is amongst others attributable to the income received in the prior year from a settlement. In addition, customer acquisition costs for energy sales activities increased.

INTERNATIONAL SEGMENT

in millions of euros	01.01. – 30.06.2017	01.01. – 30.06.2016
Operating EBIT	23.6	24.0
Derivatives	-8.2	0.1
Impairments	-23.4	
EBIT	-8.0	24.1

In our International segment, we recorded a decline in external revenue of -8.0 per cent, down to 358.3 million euros (first half-year 2016: 389.6 million euros). This decrease is primarily associated with the business in Turkey where earnings declined predominantly due to currency conversion, even though the gas supply companies were able to grow their customer base and sell more gas due to the cold weather. In Poland, earnings improved as a result of higher gross profit from gas. The segment therefore contributed 8.5 per cent to the Group's total revenue (first half-year 2016: 9.7 per cent). Operating EBIT came to 23.6 million euros (first half-year 2016: 24.0 million euros).

Non-operating effects included the goodwill of Millenicom (5.9 million euros) and the impairment of the Bursagaz licenses (17.5 million euros) due to interest rate and currency fluctuations and unrealized gains and losses on derivatives which were included in the valuation as of the reporting date.

SWB SEGMENT

in millions of euros	01.01. – 30.06.2017	01.01. – 30.06.2016
Operating EBIT	53.5	69.6
Derivatives	-5.6	2.4
Impairments	-0.1	-5.2
Equity investments		3.2
Restructuring	0.1	
EBIT	47.9	70.0

In our swb segment, external revenue in the reporting period declined by -1.3 per cent year-on-year to 544.6 million euros (first half-year 2016: 551.8 million euros). This decrease in revenue is mainly due to a price cut in November last year and lower volumes of natural gas sold by our sales partners. The segment contributed 12.9 per cent to the Group's total revenue (first half-year 2016: 13.7 per cent). Operating EBIT came to 53.5 million euros (first half-year 2016: 69.6 million euros). This year-on-year decrease is primarily attributable to a lower gross profit as a result of higher upstream network access charges and EEG compensation as well as a cut in the gas price in November 2016.

The result from derivatives stems from effects from valuing financial instruments, most of which are used to hedge commodity prices and exchange rate fluctuations.

GROUP CENTRAL DIVISION

in millions of euros	01.01. – 30.06.2017	01.01. – 30.06.2016
Operating EBIT	-26.5	-28.5
Derivatives	-0.9	3.9
Impairments	1.2	
Equity investments		240.3
Restructuring	-0.2	
EBIT	-26.4	215.7

Our Group Central Division only generates a low level of revenue. Operating EBIT came to -26.5 million euros (first half-year 2016: -28.5 million euros). These earnings resulted from the segment's holding function of EWE AG and the other equity investments it holds.

In the prior year, the sale of the interest in VNG had a positive effect on EBIT.

NET ASSETS

in millions of euros	30.06.2017	in %	31.12.2016	in %
Assets				
Non-current assets	6,421.7	77.9	6,494.8	77.0
Current assets	1,825.0	22.1	1,940.4	23.0
Total assets	8,246.7	100.0	8,435.2	100.0
Equity and liabilities				
Equity	1,921.1	23.3	1,941.9	23.0
Non-current liabilities	4,711.6	57.1	4,745.5	56.3
Current liabilities	1,614.0	19.6	1,747.8	20.7
Total equity and liabilities	8,246.7	100.0	8,435.2	100.0

As a result of its business activities, our Group has a high proportion of non-current assets in its total assets with the associated capital commitment. As such, non-current assets comprise 77.9 per cent of the total assets and increased slightly compared to 31 December 2016 due to the decrease in total assets.

Non-current assets are financed by equity and non-current debt.

The equity ratio is virtually unchanged on the prior year, at 23.3 per cent (31 December 2016: 23.0 per cent). This is despite a 20.8 million euros decrease in equity. The various effects are presented in the consolidated statement of changes in equity.

The decrease in current liabilities is attributable in particular to the repayment of two bonds (-100.0 million euros), the decrease in trade payables (-57.4 million euros) and in derivatives (-59.1 million euros). The reclassification of a liability due to a bank caused by a change in maturity had an offsetting effect (56.9 million euros).

Non-current liabilities primarily encompass construction subsidies, pension provisions and bonds. The decrease against 31 December 2016 is due to the decrease in pension provisions resulting from a reduction in the interest rate (-71.7 million euros) and from a reclassification from non-current liabilities to current liabilities (-56.9 million euros). This change is partly offset by the interest rate-related increase in the rehabilitation provision (72.9 million euros) and the issue of a private placement of 50.0 million euros.

FINANCIAL POSITION

in millions of euros	01.01. – 30.06.2017	01.01. – 30.06.2016	Change in %
Cash flow from operating activities	348.2	225.4	54.5
Cash flow from investing activities	-189.3	797.0	< -100
Cash flow from financing activities	-142.8	-880.8	83.8
Change in cash and cash equivalents	16.1	141.6	-88.6
Currency translation	-3.3	-7.7	57.1
Cash and cash equivalents at the beginning of the period	352.2	352.3	0.0
Cash and cash equivalents at the end of the period	365.0	486.2	-24.9

Cash flow from operating activities represents a key element of our financing. In the first half of 2017, EWE posted cash flow from operating activities totaling 348.2 million euros.

The cash flow from investing activities mainly relates to investments in the Group's infrastructure (especially grids, renewable energy and broadband expansion) and in the construction of an offshore wind farm (TWB II). The difference compared to the cash flow from investing activities in the prior-year period is primarily explained by the purchase price received from the sale of EWE's investment in VNG.

Cash flow from financing activities particularly contains the repayment of financial liabilities (-111.2 million euros), the dividend for financial year 2016 totaling -88.0 million euros, which was distributed to the shareholders of EWE AG in financial year 2017, and the issue of a private placement (50.0 million euros). In the prior-year period, there were non-recurring effects such as the special distribution and the early buyback of bonds.

The Group's financial flexibility is secured by a syndicated, revolving credit facility of 750.0 million euros available until November 2021 and bilateral working capital facilities of 392.6 million euros. As of the reporting date 30 June 2017, 118.0 million euros of these credit lines had been drawn on for guarantee credits and overnight and term deposits (31 December 2016: 99.4 million euros).

EWE has a well-balanced financial liability maturity profile, with terms until 2032. Issuing bonds also represent another key component of EWE's long-term financing. As of 30 June 2017, euro-denominated unsecured bonds with a nominal volume of 1,351.6 million euros (31 December 2016: 1,401.6 million euros) are outstanding, of which 1,201.6 million euros will mature between 2019 and 2021. There are also bilateral loans from banks.

NON-FINANCIAL PERFORMANCE INDICATORS

INSTALLED RENEWABLE ENERGY CAPACITY

At 374.1 MW, installed renewable energy capacity is on a par with the prior year (31 December 2016: 374.1 MW). The share of renewable energies in the EWE Group's total generation capacity amounts to 23.3 per cent (31 December 2016: 23.3 per cent).

CHANGES IN THE NUMBER OF EMPLOYEES

In the first half of 2017, the Group had an average of 9,107 employees (31 December 2016: 9,048 employees). This figure includes all full-time and part-time employees as well as trainees and temporary staff.

Average number of employees by segment	30.06.2017	31.12.2016
Renewables, Grids and Gas Storage	2,099	2,079
Sales, Services and Trading	3,230	3,213
International	1,007	965
swb	2,170	2,178
Group Central Division	601	613
Total	9,107	9,048

REPORT ON ANTICIPATED DEVELOPMENT AND SIGNIFICANT OPPORTUNITIES AND RISKS

FORECAST REPORT

EXPECTED INDUSTRY DEVELOPMENT

Renewable energies will be the foundation of the future energy supply. The generation of power from renewable energy sources has become significantly cheaper in recent years. In sun-drenched regions, the cost of generating power from photovoltaics is now below the cost of generating electricity from oil, refined coal or even natural gas. The same applies to onshore wind energy, which already has highly competitive generation costs at good locations. Technological progress will create further economies of scale.

Most of the energy landscape will be decentralized and access to the customer will be a decisive success factor. We are convinced that various markets and products will be inextricably linked in the future – in particular power, heating, telecommunications, IT and mobility. Many customers already have their own supply plants and infrastructure. The energy industry must therefore see the customer as a partner who not only buys power, but also produces it.

Furthermore, the market and politicians will demand even more efficiency in all business segments. The switch to tendering procedures for onshore wind energy, offshore wind energy and photovoltaics has significantly increased transparency and competition and significantly reduced prices throughout Europe. The costs of generating energy from offshore wind have fallen below 100 euros per megawatt-hour (MWh) and the costs of generating energy from photovoltaics and onshore wind are well below this level. In regulated business, returns are being eroded further, merit orders and market mechanisms are leading to low market prices for power and high market liquidity is creating transparency and momentum. New technologies are reducing transaction costs and new sales channels are no longer focusing on small markets with a 100 per cent market share, rather they are creating dynamic and flexible structures and systems. All this is increasing the efficiency requirements for all market players.

Digitization is an inevitable consequence of fundamental technical and societal developments as well as a prerequisite for sustainable, cost-efficient energy supply. It is leading to a fundamental change in customer behavior, corporate culture and organization, service provision as well as value creation structures and business models. As such, half of all customers are already switching their power or gas supplier via the internet – and many are only taking up offers if they are available online or can be booked via smartphone. Digitization is lowering transaction costs for product development as well as for customer interfaces and facilitating the development of new business models.

DEVELOPMENT OF POLITICAL AND REGULATORY CONDITIONS

As part of the implementation of a framework strategy for a European energy union and the European Council decisions on the EU's energy and climate policy goals until 2030, the European Commission has published numerous legislative proposals, the most recent being the "Clean Energy for All Europeans" package, issued in November 2016. The following dossiers, currently in the legislative process, are likely to have the greatest direct impact on our business activities.

Reform of the EU Emissions Trading System

To achieve the target of reducing EU greenhouse gas emissions by at least 40 per cent by 2030 (compared to 1990 levels), the European Commission has proposed a structural reform of the EU Emissions Trading System for the 2021 to 2030 trading period. This will entail increasing, for example, the annual reduction factor of existing certificates. At the same time, the measures required to protect industrial competitiveness in Europe will also be maintained. Political negotiations are expected to be completed in the second half of 2017. In some cases, the structure of the Emissions Trading System is having considerable impacts on the costs of conventional generation and of energy-intensive industries as well as on the investment conditions for low-CO₂ technologies. The EWE Group has therefore lobbied for an effective and stable system, while at the same time protecting industries subject to international competition.

Reform of the Security of Gas Supply Regulation

The proposal for a new Security of Gas Supply Regulation has been in the EU legislative process since February 2016 and, once adopted, may also impact the Group's transparency obligations and the supply of certain customer groups in the event of a crisis. Due to the expected cross-border cooperation obligations, we consider it important that the issue of low- and high-calorific gas be addressed in the EWE region and existing storage infrastructure be used more efficiently across borders through stronger interconnectivity. Political negotiations are expected to be completed in the second half of 2017.

Internal Market in Electricity Regulation

The proposal for a new Internal Market in Electricity Regulation published in November 2016 is aimed at establishing new rules and core principles for the European internal market in electricity. The new regulation will contain the future rules on the feeding-in of renewable energies and will govern cross-border cooperation to ensure supply security (including rules on capacity mechanisms). Furthermore, the new regulation will define general principles for a market-based, cross-border power market. The proposed rules would thus have impacts in particular on the Group's trading activities, the power distribution grids and renewable energy business. The legislative processes for this dossier and subsequent dossiers will be completed – and become effective – by the end of 2017 at the earliest.

Internal Market in Electricity Directive

The proposal for a new directive for common rules for the internal market in electricity will define the legal framework, including for the roles and rights of consumers as well as for self-generation and aggregators, and will explain the tasks and duties of transmission system operators and distribution grid operators. For instance, energy consumers will be able to demand a dynamic energy tariff, i.e., a variable energy tariff adjusted to the time intervals of the wholesale market, from their energy supplier, conclude contracts with aggregators without the approval of other market participants and switch supplier free of charge. In

addition, consumers will be entitled to consume and store self-generated power and sell it in all market segments. The proposal is a comprehensive proposal which may impact almost all of the EWE Group's power-related business areas.

Renewable Energy Directive

The proposal for a recast directive will provide the framework for the achievement of a binding EU-wide target of at least 27 per cent of renewable energies in total energy consumption by 2030. The recast directive will contain guidelines on subsidies for power from renewable energy sources, on the opening of subsidy schemes to other member states, on self-generation and self-consumption of power from renewable energy sources, on approval procedures, on the use of renewable energies in cooling and heat generation and in the transport sector, on cooperation between member states and with non-EU countries as well as on guarantees of origin and on sustainability criteria for bioenergy. This European framework will have a significant influence on investment conditions and on our business activities in the field of renewable energies.

Energy Efficiency Directive and Energy Performance of Buildings Directive

The proposal for a new Energy Efficiency Directive specifies a joint framework for measures to promote energy efficiency within the EU in order to ensure that energy efficiency will be increased by 20 per cent until 2020 and by 30 per cent until 2030. Furthermore, it contains rules on the removal of barriers in the energy market and the correction of market failures limiting the efficiency of energy supply and consumption. It also lays the foundation for the creation of national energy efficiency targets for the years 2020 and 2030. One of the aims of the proposal for a new Energy Performance of Buildings Directive is the, in some cases, mandatory roll-out of the required infrastructure for e-mobility. The provisions will largely shape the conditions for our business activities in the field of energy efficiency, e.g. e-mobility charging infrastructure, smart home solutions, energy consulting, energy audits and contracting.

German Grid Charges Modernization Act

On 30 June 2017, the Bundestag, the lower house of German parliament, passed the Act on the Modernization of the Grid Charge Structure ("Gesetz zur Modernisierung der Netzentgeltstruktur": NEMoG). The Act was subsequently approved by the upper house, the Bundesrat, and came into force on 22 July 2017. The NEMoG has implications for the entire energy industry, but particularly for the operators of controllable distributed generation facilities, for whom avoided grid charges will be abolished for new installations from 2023. They will continue to be paid for existing facilities, but on a reduced basis. Compared to the previous arrangement, this will lead to lower avoided grid charges which, in the EWE Group, will directly affect the conventional power generation activities of swb AG. The Act also provides for the step-by-step standardization of transport grid charges nationwide from 2019 onward. This is expected to have positive effects on the grid charges passed on to consumers in northwestern Germany and therefore in EWE's home market. As the text published in the official gazette, Bundesgesetzblatt, contains an error and is different from that adopted by the Bundestag (reference year for the cap on avoided grid fees for controllable distributed generation facilities), the Federal Ministry for Economic Affairs and Energy has announced that it will initiate the procedure to promptly rectify this error.

German Gas Network Access Ordinance

The Bundesrat approved the amendments to the Gas Network Access Ordinance ("Gasnetzzugangsverordnung": GasNZV) on 7 July 2017. In the EWE Group, this will mainly affect the network and sales companies and EWE GASSPEICHER GmbH. The Ordinance will combine the two existing gas market regions in Germany to form a single region as of 1 April 2022. It will also abolish the first come, first served principle (for awarding transport capacities) for gas storage facilities and will introduce daytime capacities for all transport customers. The amended GasNZV is expected to come into force in summer 2017.

German Tenant Power Supply Act

On 29 June 2017, the Bundestag adopted the Act to Promote Landlord-to-Tenant Power Supply ("Gesetz über die Förderung von Mieterstrom"). Having been approved by the Bundesrat, it came into force on 25 July 2017. Under the Act, landlords are eligible for subsidies if they supply photovoltaic power generated on rooftops or adjacent buildings straight to their tenants. To qualify, at least 40 per cent of the building area has to be used for residential purposes. Funding is granted subject to a capacity cap of 500 MW per year. For EWE, this could lead to new business models in partnership with the housing sector.

German Sewage Sludge Ordinance

The amendment of the Sewage Sludge Ordinance ("Klärschlammverordnung") with more stringent requirements for the use of sewage sludge as a soil treatment will come into force in the second half of 2017. The key element of the revised Ordinance is the requirement that, after a transitional period, large sewage treatment plants will have to recover phosphorous from sewage sludge or sewage sludge ash. From 2023 onward, a report will have to be issued on the disposal of sewage sludge and phosphorous recovery, and in 2029, phosphorous recovery with thermal treatment will become mandatory for sewage treatment plants with a population equivalent (PE) of 100,000 or more; in 2032 this requirement will be extended to plants designed for a PE of 50,000 or more. This will make thermal sewage sludge treatment in mono-incinerators an increasingly viable alternative to agricultural uses for EWE.

BNetzA to determine the general sectoral productivity factor (general X-factor)

In connection with the determination of revenue caps for network operators, the German Incentive Regulation Ordinance requires a general sectoral productivity factor (general X-factor) to be taken into account. The general X-factor is derived from the difference between industry-wide productivity and economy-wide productivity and between the economy-wide purchase price trend and the industry-wide purchase price trend. In addition to the efficiency comparison for network operators, the general X-factor is another component of incentive regulation that increases pressure to improve efficiency. In time for the third regulatory period for gas, the BNetzA plans to publish the general X-factor for gas in December 2017. Given the legal requirements, it is conceivable that the BNetzA may decide to set different general productivity factors for electricity and gas for the third regulatory period for electricity, starting on 1 January 2019.

In addition, other issues relating to energy and telecommunications policies are also expected to be intensively debated during the general election campaign.

EXPECTED PERFORMANCE OF THE EWE GROUP

The statements made in the group management report for 2016 concerning the expected development of operating EBIT for financial year 2017 remain valid for the Group overall.

EWE does not expect the UK's decision to leave the EU or the current political situation in Turkey to have a significant impact on its operating EBIT forecast for financial year 2017.

REPORT ON RISKS AND OPPORTUNITIES

The risks and opportunities described in the group management report as of year-end 2016 have not changed during the reporting period in any way that might significantly affect the risks and opportunities of our Group.

Since the unsuccessful coup attempt by parts of the Turkish military on 15 July 2016 and the subsequent measures taken by Turkey's current government, the political risk for the EWE Group's Turkish companies has increased significantly. The occurrence of political risks could lead either directly or indirectly to an impairment of these EWE Group companies.

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

FORWARD-LOOKING STATEMENTS

All statements made are based on current knowledge and assumptions. They represent estimates that we have formulated on the basis of all information available to us at the present time. In the event that the underlying assumptions prove not to be accurate or additional risks emerge, the actual results could deviate from those expected. As such, we cannot assume liability for such statements.

Oldenburg, 15 August 2017

The Board of Management



Michael Heidkamp



Wolfgang Muecher

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF EWE AKTIENGESELLSCHAFT

CONSOLIDATED INCOME STATEMENT OF THE EWE GROUP

FROM 1 JANUARY TO 30 JUNE 2017

in millions of euros	Note	01.01. – 30.06.2017	01.01. – 30.06.2016
Revenue	5	4,418.2	4,221.9
Electricity and energy taxes		-209.1	-202.8
Revenue (excluding electricity and energy taxes)	5	4,209.1	4,019.1
Changes in finished goods and work in process		5.2	9.9
Other own work capitalized		24.2	32.7
Other operating income		113.4	204.8
Cost of materials		-3,175.3	-3,019.2
Personnel expenses		-355.4	-347.6
Amortization, depreciation and impairment	6	-277.4	-239.6
Other operating expenses		-310.2	-320.9
Profit/loss from investments accounted for using the equity method		-0.7	4.0
Other profit/loss from equity investments	7	7.2	252.7
EBIT¹⁾		240.1	595.9
Interest income	8	8.5	8.5
Interest expenses	8	-71.8	-140.9
Earnings before income taxes		176.8	463.5
Income taxes		-62.9	-77.6
Profit or loss for the period		113.9	385.9
Thereof attributable to:			
Owners of the parent company		115.2	384.6
Non-controlling interests		-1.3	1.3
		113.9	385.9

¹⁾ Earnings Before Interest and Taxes

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE EWE GROUP

FROM 1 JANUARY TO 30 JUNE 2017

in millions of euros	Note	01.01. – 30.06.2017	01.01. – 30.06.2016
Profit or loss for the period		113.9	385.9
Actuarial gains and losses from defined benefit pension plans and similar obligations	10	71.7	-315.2
Deferred taxes on pensions		-21.9	92.5
Sum of other comprehensive income and expenses recognized directly in equity without future reclassification to profit and loss		49.8	-222.7
Adjustment item for foreign currency translation of international subsidiaries		-7.0	-2.8
Cash flow hedges		-112.8	159.0
Deferred tax on cash flow hedge reserve		32.0	-44.8
Fair value of available-for-sale financial instruments		-11.4	26.8
Share of other comprehensive income comprising investments accounted for using the equity method		3.1	-4.3
Sum of other comprehensive income and expenses recognized directly in equity with future reclassification to profit and loss		-96.1	133.9
Other comprehensive income for the period, net of tax		-46.3	-88.8
Total comprehensive income for the period, net of tax		67.6	297.1
Thereof attributable to:			
Owners of the parent company		70.2	295.9
Non-controlling interests		-2.6	1.2
		67.6	297.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE EWE GROUP

AS OF 30 JUNE 2017

ASSETS

in millions of euros	Note	30.06.2017	31.12.2016
Non-current assets			
Intangible assets		824.4	868.7
Property, plant and equipment		4,791.1	4,926.6
Investment property		5.3	5.4
Investments accounted for using the equity method		160.0	123.0
Other financial assets	12	582.6	526.7
Income tax refund claims		1.9	1.9
Other non-financial assets		11.3	10.1
Deferred tax		45.1	32.4
		6,421.7	6,494.8
Current assets			
Inventories		157.4	204.3
Trade receivables	12	903.5	764.8
Other financial receivables and assets	12	307.6	470.3
Income tax refund claims		34.2	35.9
Other non-financial receivables and assets		58.3	113.8
Cash and cash equivalents	12, 14	364.0	351.3
		1,825.0	1,940.4
Total assets		8,246.7	8,435.2

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EQUITY AND LIABILITIES

in millions of euros	Note	30.06.2017	31.12.2016
Equity			
Subscribed capital		243.0	243.0
less treasury shares	9	-24.3	-24.3
Capital reserves		1,619.2	1,619.2
less treasury shares	9	-489.3	-489.3
Retained earnings		814.2	788.2
Accumulated other comprehensive income/loss		-264.8	-219.8
Equity attributable to owners of the parent company		1,898.0	1,917.0
Non-controlling interests		23.1	24.9
		1,921.1	1,941.9
Non-current liabilities			
Construction subsidies		662.2	675.9
Provisions	10	2,231.5	2,236.7
Bonds	12	1,288.9	1,237.4
Liabilities to banks	12	75.0	130.7
Other financial liabilities	12	325.0	317.0
Income tax liabilities		36.7	30.4
Other non-financial liabilities		12.6	9.6
Deferred tax		79.7	107.8
		4,711.6	4,745.5
Current liabilities			
Construction subsidies		50.6	50.6
Emission rights		7.2	14.0
Provisions		129.4	159.4
Bonds	12	98.1	168.2
Liabilities to banks	12	133.8	76.4
Trade payables	12	540.7	598.1
Other financial liabilities	12	418.1	500.7
Income tax liabilities		73.8	63.6
Other non-financial liabilities		162.3	116.8
		1,614.0	1,747.8
Total equity and liabilities		8,246.7	8,435.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE EWE GROUP

FROM 1 JANUARY TO 30 JUNE 2017

in millions of euros	Subscribed capital	Capital reserves of the EWE Group	Retained earnings	Accumulated other comprehensive income/loss		
				Revaluation reserve pursuant to IFRS 3	Cash flow hedge reserve	Available-for-sale reserve
As of 01.01.2016	218.7	1,138.7	684.5	74.5	-120.4	162.9
Profit or loss for the period			384.6			
Other comprehensive income					114.2	26.8
Total comprehensive income						
Treasury shares		-8.8				
Dividend payments			-225.5			
Other changes			-1.4			
As of 30.06.2016	218.7	1,129.9	842.2	74.5	-6.2	189.7
As of 01.01.2017	218.7	1,129.9	788.2	74.5	111.5	200.7
Profit or loss for the period			115.2			
Other comprehensive income					-80.8	-11.4
Total comprehensive income						
Dividend payments			-88.0			
Other changes			-1.2			
As of 30.06.2017	218.7	1,129.9	814.2	74.5	30.7	189.3

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Accumulated other comprehensive income/loss					Equity attributable to owners of the parent company	Non-controlling interests	Equity
Currency translation difference	Measurement of pension obligations	IFRS 5	Changes not recognized in profit or loss arising from accounting for investments using the equity method				
-86.7	-339.0	16.8	-25.7	1,724.3	24.9	1,749.2	
				384.6	1.3	385.9	
-2.7	-222.7		-4.3	-88.7	-0.1	-88.8	
				295.9	1.2	297.1	
				-8.8		-8.8	
				-225.5		-225.5	
		-16.8		-18.2	0.8	-17.4	
-89.4	-561.7		-30.0	1,767.7	26.9	1,794.6	
-106.8	-473.3		-26.4	1,917.0	24.9	1,941.9	
				115.2	-1.3	113.9	
-5.7	49.8		3.1	-45.0	-1.3	-46.3	
				70.2	-2.6	67.6	
				-88.0		-88.0	
				-1.2	0.8	-0.4	
-112.5	-423.5		-23.3	1,898.0	23.1	1,921.1	

CONSOLIDATED CASH FLOW STATEMENT OF THE EWE GROUP

FROM 1 JANUARY TO 30 JUNE 2017
CASH INFLOW (+), CASH OUTFLOW (-)

in millions of euros	Note 14	01.01. – 30.06.2017	01.01. – 30.06.2016
EBIT ¹⁾		240.1	595.9
Amortization, depreciation and impairment		277.5	239.6
Release of construction subsidies		-28.6	-29.3
Interest paid		-8.2	-68.1
Interest received		8.5	8.4
Income tax payments/refunds		-76.0	-69.0
Gain/loss on the disposal of non-current assets		0.7	-223.7
Non-cash changes in provisions		35.3	32.6
Changes recognized in profit or loss arising from accounting for investments using the equity method		6.2	1.5
Non-cash gain/loss on derivative financial instruments		24.6	-9.3
Other non-cash income and expenses		11.7	-7.7
Change in inventories		45.8	64.4
Change in receivables and other assets		-72.3	-148.5
Change in accounts payable and other liabilities		-117.1	-161.4
Cash flow from operating activities		348.2	225.4
Cash received from construction subsidies		19.0	20.3
Cash received from the disposal of intangible assets		0.4	0.1
Cash paid for investments in intangible assets		-12.2	-18.4
Cash received from the disposal of property, plant and equipment		8.4	5.0
Cash paid for investments in property, plant and equipment		-113.5	-144.8
Cash received from the disposal of other non-current assets		2.6	967.7
Cash paid for investments in other non-current assets		-94.0	-21.0
Cash paid for investments in shares of fully consolidated subsidiaries			-11.9
Cash flow from investing activities		-189.3	797.0
Cash paid to owners of the parent company and non-controlling interests (dividends)		-88.0	-225.5
Proceeds/disbursements from financial liabilities (net)		-54.7	-655.6
Other net payments from financing activities		-0.1	0.3
Cash flow from financing activities		-142.8	-880.8
Change in cash and cash equivalents		16.1	141.6
Change in cash and cash equivalents due to exchange rates		-3.3	-7.7
Cash and cash equivalents at the beginning of the period		352.2	352.3
Cash and cash equivalents at the end of the period		365.0	486.2

¹⁾ Earnings Before Interest and Taxes

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF EWE AKTIENGESELLSCHAFT

1. CORPORATE INFORMATION

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

These interim condensed consolidated financial statements for the first half of 2017 were approved by the Board of Management for review by the Supervisory Board on 15 August 2017.

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

2. BASIS OF THE PREPARATION OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements for the first half of 2017 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 should therefore be read in conjunction with the consolidated financial statements of 31 December 2016.

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

3. ACCOUNTING POLICIES

The same accounting policies that were applied to the preparation of the consolidated financial statements as of 31 December 2016 were applied for the preparation of the interim condensed consolidated financial statements.

4. BASIS OF CONSOLIDATION

Besides EWE AG, the interim condensed consolidated financial statements comprise all significant German and foreign subsidiaries which EWE AG directly or indirectly controls. Significant associates are accounted for using the equity method.

The basis of consolidation is as follows:

Type of consolidation and number	30.06.2017	31.12.2016	30.06.2016
Fully consolidated companies	59	55	56
Companies accounted for using the equity method	12	11	11
Total	71	66	67

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 totaling 690.9 million euros (first half-year 2016: 791.6 million euros). Correspondingly, the original compensation payments for feeding power into the grid pursuant to the EEG are disclosed in cost of materials.

6. AMORTIZATION, DEPRECIATION AND IMPAIRMENT

Impairment losses of 67.6 million euros (first half-year 2016: 29.8 million euros) were recognized in the reporting period and were mainly attributable to interest and exchange rate fluctuations which affected the assets of the RIFFGAT offshore wind farm (44.1 million euros), Bursagaz licenses (17.5 million euros) and goodwill of Millenicom (5.9 million euros). Impairment losses in the prior-year period came to 29.8 million euros and related mainly to gas storage facilities.

7. OTHER PROFIT/LOSS FROM EQUITY INVESTMENTS

Other profit from equity investments decreased largely due to the sale of the shares in VNG in the prior-year period.

8. NET INTEREST INCOME/EXPENSE

The decrease in interest expenses was due to around 50 million euros in prepayment penalties paid in the comparative period in connection with the premature buyback of bonds.

9. EQUITY

Approved and paid dividends

On 16 May 2017, the general meeting of EWE AG resolved to distribute the proposed dividend for the 2016 financial year, amounting to 88,000,856.00 euros, to the shareholders. The dividend was distributed to the shareholders in the first half of the year.

Treasury shares

As in the prior year, EWE AG held 10.0 per cent of its own shares on the reporting date.

10. PROVISIONS

Pension provisions

The provisions for pensions and similar obligations were discounted at an interest rate of 2.00 per cent (31 December 2016: 1.75 per cent).

Rehabilitation provisions

Interest rates of between 0.65 per cent and 1.75 per cent (31 December 2016: 2.50 per cent) were used to calculate the rehabilitation provisions.

11. CONTINGENT LIABILITIES

In the first half of 2017, contingent liabilities rose only marginally on the figure as of 31 December 2016 (148.1 million euros).

12. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

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

18	Consolidated income statement	22	Consolidated statement of changes in equity
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Carrying amounts and fair values according to measurement categories

in millions of euros	Measure- ment category pursuant to IAS 39	Carrying amount as of 30.06.2017	Carrying amount pursuant to IAS 39			Fair value as of 30.06.2017
			At amortized cost	At cost	At fair value through other comprehen- sive income	
Assets						
Other non-current assets						
Loans and receivables	LaR	217.2	217.2			231.5
Shares	AfS	306.8		1.1	305.7	306.8
Trade receivables	LaR	903.5	903.5			903.5
Other receivables and assets						
Securities	AfS	99.7			99.7	99.7
Securities	FAHfT	3.8				3.8
Miscellaneous financial assets	LaR	101.2	101.2			101.2
Cash and cash equivalents	LaR	364.0	364.0			364.0
Derivatives						
not in a hedging relationship	FAHfT	59.5				59.5
in a hedging relationship	n/a	102.0			102.0	102.0

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	Carrying amount as of 31.12.2016	Carrying amount pursuant to IAS 39			Fair Value as of 31.12.2016
		At amortized cost	At cost	At fair value through other comprehensive income	At fair value through profit or loss
	116.2	116.2			116.4
	306.1		1.2	304.9	306.1
	764.8	764.8			764.8
	99.8			99.8	99.8
	3.7				3.7
	124.2	124.2			124.2
	351.3	351.3			351.3
	106.5				106.5
	240.5			240.5	240.5

in millions of euros	Measurement category pursuant to IAS 39	Carrying amount as of 30.06.2017	Carrying amount pursuant to IAS 39			Fair value as of 30.06.2017
			At amortized cost	At cost	At fair value through other comprehensive income	
					At fair value through profit or loss	
Liabilities						
Bonds	FLAC	1,387.0	1,387.0			1,590.9
Liabilities to banks	FLAC	208.8	208.8			208.5
Trade payables	FLAC	540.7	540.7			540.7
Other liabilities	FLAC	568.9	568.9			573.2
Derivatives						
not in a hedging relationship	FLHFT	58.8				58.8
in a hedging relationship	n/a	115.4			115.4	115.4
Thereof aggregated by measurement category pursuant to IAS 39						
Loans and receivables (LaR)		1,585.9	1,585.9			1,600.2
Available-for-sale financial assets (AFS)		406.5		1.1	405.4	406.5
Financial assets held for trading (FAHFT)		63.3				63.3
Financial liabilities measured at amortized cost (FLAC)		2,705.4	2,705.4			2,913.3
Financial liabilities held for trading (FLHFT)		58.8				58.8

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Carrying amount as of 31.12.2016	Carrying amount pursuant to IAS 39				Fair Value as of 31.12.2016
	At amortized cost	At cost	At fair value through other comprehensive income	At fair value through profit or loss	
1,405.6	1,405.6				1,643.4
207.1	207.1				210.9
598.1	598.1				598.1
596.3	596.3				599.7
87.8				87.8	87.8
133.6			133.6		133.6
1,356.5	1,356.5				1,356.7
405.9		1.2	404.7		405.9
110.2				110.2	110.2
2,807.1	2,807.1				3,052.1
87.8				87.8	87.8

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

in millions of euros	30.06.2017			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value				
Shares			305.7	305.7
Securities	103.5			103.5
Derivative financial instruments		156.0	5.5	161.5
Total	103.5	156.0	311.2	570.7
Financial liabilities at fair value				
Derivative financial instruments		171.2	3.0	174.2
Total		171.2	3.0	174.2

in millions of euros	31.12.2016			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value				
Shares			304.9	304.9
Securities	103.4			103.4
Derivative financial instruments		328.4	18.6	347.0
Total	103.4	328.4	323.5	755.3
Financial liabilities at fair value				
Derivative financial instruments		221.4		221.4
Total		221.4		221.4

During the reporting period ending 30 June 2017, EWE did not transfer any assets or liabilities between levels 1 and 2 of the fair value hierarchy, nor did it transfer any assets or liabilities into or out of level 3 of the hierarchy.

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

in millions of euros	Shares (assets)	Derivative financial instruments (assets)	Derivative financial instruments (liabilities)
As of 01.01.2017	304.9	18.6	
Other operating income and other operating expenses recognized in the income statement		-13.1	3.0
Other comprehensive income (mark-to-market valuation of available-for-sale financial instruments)	-11.4		
Purchases	12.6		
Reclassifications	-0.4		
As of 30.06.2017	305.7	5.5	3.0

in millions of euros	Shares (assets)	Derivative financial instruments (assets)	Derivative financial instruments (liabilities)
As of 01.01.2016	258.1	8.5	9.5
Other operating income and other operating expenses recognized in the income statement		10.0	-9.5
Other profit/loss from equity investments recognized in the income statement (mark-to-market valuation of available-for-sale financial instruments)	-0.1		
Other comprehensive income (mark-to-market valuation of available-for-sale financial instruments)	41.3		
Purchases	10.9	0.1	
Sales	-5.3		
As of 31.12.2016	304.9	18.6	

A hypothetical change in the WACC by +/-1 per cent would result in a theoretical decrease in fair values by 61.2 million euros (31 December 2016: decrease by 65.3 million euros) or an increase by 127.2 million euros (31 December 2016: increase by 136.6 million euros), respectively. A hypothetical change in EBIT by +/-10 per cent would result in a theoretical increase in fair values by 23.1 million euros (31 December 2016: increase by 24.2 million euros) or a decrease by 23.1 million euros (31 December 2016: decrease by 24.2 million euros), respectively.

As of 30 June 2017, level 3 derivative financial instruments are flexible purchase and sale contracts. The prices for the flexible terms are not quoted on a highly liquid market, they are determined individually in bilateral negotiations. To measure the value of contracts with flexibility, EWE utilizes a valuation model which includes Monte Carlo simulations that make it possible to determine a price for the contract options.

13. SEGMENT REPORTING

	Renewables, Grids and Gas Storage		Sales, Services and Trading		International	
in millions of euros	01.01. – 30.06.2017	01.01. – 30.06.2016	01.01. – 30.06.2017	01.01. – 30.06.2016	01.01. – 30.06.2017	01.01. – 30.06.2016
REVENUE (excluding electricity and energy taxes)						
External sales	1,094.7	1,061.1	2,210.7	2,015.4	358.3	389.6
Intersegment sales	472.3	428.6	321.4	244.2	0.3	
Total revenue (excluding electricity and energy taxes)	1,567.0	1,489.7	2,532.1	2,259.6	358.6	389.6
PROFIT/LOSS						
Segment profit/loss (operating EBIT)	224.5	228.5	58.3	84.7	23.6	24.0
OTHER INFORMATION						
Segment assets	3,762.4	3,756.5	1,369.0	1,342.4	424.8	507.1
Capital expenditure	135.6	96.8	27.6	29.9	8.1	26.2
Employees (average)	2,099	2,082	3,230	3,218	1,007	965

	swb		Group Central Division		Group	
in millions of euros	01.01. – 30.06.2017	01.01. – 30.06.2016	01.01. – 30.06.2017	01.01. – 30.06.2016	01.01. – 30.06.2017	01.01. – 30.06.2016
REVENUE (excluding electricity and energy taxes)						
External sales	544.6	551.8	0.8	1.2	4,209.1	4,019.1
Intersegment sales	215.1	127.6	-1,009.1	-800.4		
Total revenue (excluding electricity and energy taxes)	759.7	679.4	-1,008.3	-799.2	4,209.1	4,019.1
PROFIT/LOSS						
Segment profit/loss (operating EBIT)	53.5	69.6	-26.5	-28.5	333.4	378.3
OTHER INFORMATION						
Segment assets	2,405.9	2,398.2	-421.3	15.8	7,540.8	8,020.0
Capital expenditure	32.0	31.0	16.4	12.2	219.7	196.1
Employees (average)	2,170	2,186	601	615	9,107	9,066

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

in millions of euros	01.01. – 30.06.2017	01.01. – 30.06.2016
Operating EBIT	333.4	378.3
Derivatives	-25.4	3.9
Impairments	-67.7	-29.8
Equity investments		243.5
Restructuring	-0.2	
EBIT	240.1	595.9
Interest income	8.5	8.5
Interest expenses	-71.8	-140.9
EBT	176.8	463.5

14. CASH FLOW STATEMENT

Cash and cash equivalents comprise the cash and cash equivalents recognized in the statement of financial position amounting to 364.0 million euros (first half-year 2016: 485.6 million euros) as well as cash pool receivables of 1.0 million euros (first half-year 2016: 0.6 million euros). Cash and cash equivalents include cash on hand and bank balances.

The consideration received in 2016 in connection with the sale of the investment in VNG (74.2 per cent) included a non-cash element of 10.0 per cent (treasury shares) as well as a cash settlement recognized under cash received from the disposal of other non-current assets.

In 2016, cash paid for investments in shares of fully consolidated companies mainly related to the acquisition of shares in Millenicom less acquired cash and cash equivalents of 3.4 million euros.

Cash flow from financing activities includes distributions and dividends paid to the owners of EWE AG of 88.0 million euros (first half-year 2016: 225.5 million euros). The change in financial liabilities is primarily due to the repayment of matured bonds of 100.0 million euros and the private placement of a debt security of 50.0 million euros. The change in the first half of 2016 related chiefly to the early buyback of bonds worth 298.4 million euros and the repayment of borrowings.

Non-cash investments of 62.2 million euros (first half-year 2016: 0,0 million euros) primarily relate to the recognition of rehabilitation provisions.

15. RELATED PARTY DISCLOSURES

The following table shows the transactions with related parties in the first half of 2017 and 2016 as well as the outstanding balances from such transactions as of 30 June 2017 and 31 December 2016:

in millions of euros		Sales to related companies	Purchases from related companies	Receivables from related companies	Liabilities to related companies
	2017	28.0	35.7	1.7	6.1
Shareholders/investors in EWE AG	2016	25.5	41.2	1.8	9.3
	2017	52.9	24.0	15.9	9.8
Associates accounted for using the equity method	2016	9.1	6.5	18.1	8.1
	2017				
Equity investments measured pursuant to IFRS 5	2016	8.9	11.6		

in millions of euros		Receivables	Liabilities
	2017	19.4	16.5
Non-consolidated affiliates	2016	19.1	17.7

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INFORMATION ON THE CORPORATE BODIES OF EWE AG

SUPERVISORY BOARD

Bernhard Bramlage

Chairman of the Supervisory Board (since 31 May 2017)
Former Chief Administrative Officer of the Leer District, Leer

Carsten Hahn

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

Heiner Schönecke

Second Deputy Chairman (since 31 May 2017)
Member of the Landtag (state parliament) of Lower Saxony,
Neu-Wulmstorf

Johann Wimberg

Third Deputy Chairman (since 31 May 2017)
Chief Administrative Officer of the Cloppenburg District,
Cloppenburg

Henning R. Deters (since 16 May 2017)

Fourth Deputy Chairman (since 31 May 2017)
Chairman of the Board of Management of Gelsenwasser AG, Essen

Wolfgang Behnke

Employee in Group IT EWE AG, Osterholz-Scharmbeck

Peter Bohlmann

Chief Administrative Officer of the Verden District, Langwedel

Claus Christ

Technical Supervisor EWE NETZ GmbH, Remels

Eckhard Dibke

Member of the Works Council of wesernetz Bremen GmbH/
wesernetz Bremerhaven GmbH/
swb Beleuchtung GmbH, Geestland

Bernd-Carsten Hiebing (since 16 May 2017)

Member of the Landtag (state parliament) of Lower Saxony,
Haren/Ems

Dr. Stephan-Andreas Kaulvers (until 16 May 2017)

Chairman of the Supervisory Board
Former Chairman of the Board of Management of
Bremer Landesbank, Hatten

Aloys Kiepe

Trade Secretary of ver.di for the Weser-Ems District, Emden

Heike Klattenhoff

General Manager of ver.di for the Weser-Ems District, Delmenhorst

Jürgen Krogmann

Mayor of the City of Oldenburg, Oldenburg

Beatrix Kuhl

Mayor of the City of Leer, Leer

Jürgen Löcke (since 16 May 2017)

Deputy Managing Director of the Association of Savings Banks in
Lower Saxony, Barsinghausen

Peter Marrek

Chairman of the Group Works Council of swb AG, Wilhelmshaven

Dr. Frank Mastiaux (until 16 May 2017)

Second Deputy Chairman
Chairman of the Board of Management of EnBW AG, Karlsruhe

Peter Meiwald (until 16 May 2017)

Member of German Bundestag (parliament), Westerstede

Immo Schlepper

Regional Department Director of ver.di for the
Lower Saxony-Bremen region, Oldenburg

Ulrike Schlieper

Chairwoman of Parliamentary Group of the German Social
Democratic Party in the County Council of the Administrative
District of Friesland, Sande

Richard Venning

Field Service employee EWE TEL GmbH, Spenge

Thomas Windgassen

Business Area Manager Cuxhaven/Delmenhorst,
EWE VERTRIEB GmbH, Cuxhaven

BOARD OF MANAGEMENT

Matthias Brückmann (until 22 February 2017)
Chairman of the Board of Management of EWE AG, Oldenburg

Michael Heidkamp
Chief Sales Officer of EWE AG, Bad Zwischenahn

Wolfgang Mücher
Chief Financial Officer of EWE AG, Oldenburg

16. EVENTS AFTER THE REPORTING DATE

No events with a significant impact on the EWE Group's net assets, financial position and results of operations occurred after the reporting date and prior to the preparation date of the Group's interim condensed consolidated financial statements.

Oldenburg, 15 August 2017

The Board of Management



Michael Heidkamp



Wolfgang Mücher

FURTHER INFORMATION

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge and in accordance with the applicable financial reporting framework for interim reporting, the interim condensed consolidated financial statements provide a true and fair view of the net assets, financial position and results of operations of the Group and that the interim group management report gives a true and fair view of the development of business, including the operating result and the Group's position, and also describes the principal opportunities and risks relating to the expected future development of the Group.

Oldenburg, 15 August 2017

The Board of Management



Michael Heidkamp



Wolfgang Mücher

REVIEW REPORT

TO EWE AKTIENGESELLSCHAFT

We have reviewed the interim condensed consolidated financial statements, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the cash flow statement and selected explanatory notes, and the interim group management report of EWE Aktiengesellschaft, Oldenburg, for the period from 1 January 2017 to 30 June 2017, which are part of the six-monthly financial report pursuant to Sec. 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the interim condensed consolidated financial statements in accordance with the IFRS on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institute of Public Auditors in Germany ("Institut der Wirtschaftsprüfer": IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the IFRS on interim financial reporting as adopted by the EU and that the interim group management report is not prepared, in all material respects, in accordance with the applicable provisions of the WpHG. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the IFRS on interim financial reporting as adopted by the EU and that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Bremen, 15 August 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Boelsems
Wirtschaftsprüfer
(German Public Auditor)

Eickhoff
Wirtschaftsprüfer
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DISCLAIMER

This half-year financial report contains forward-looking statements based on assumptions and estimates by the management of EWE AG. Although company management believes that these assumptions and estimates are accurate, actual future developments and results may differ considerably from these assumptions and estimates due to a wide variety of factors, which may include changes in macroeconomic conditions, the legal and regulatory framework in Germany and the EU, and in the sector. EWE AG is neither liable for, nor guarantees that actual future developments or results will coincide with the assumptions and estimates made in this half-year financial report. EWE AG neither intends to, nor assumes any obligation to, update forward-looking statements to reflect events or developments after the date of this report.

This document contains supplementary financial ratios – not precisely defined in the IFRS – which are or may be non-GAAP measures. For the purpose of assessing the net assets, financial position and results of operations of the EWE Group, these should not be used in isolation or as an alternative to the financial ratios presented in the consolidated financial statements and calculated in accordance with the IFRS. Other companies that present or report similar financial ratios may calculate them differently.

Due to rounding, it is possible that some numbers in this and other documents do not add up exactly to the specified aggregate value, and that the percentages shown do not exactly reflect the absolute values to which they refer.

This half-year financial report was originally produced in German; in case of any differences, the German version of the half-year financial report shall prevail over the English translation. Both versions are available for download from www.ewe.com.

