1 January to 30 June

Half-year Financial Report 2018

EWE

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. 115 WpHG, comprises interim condensed consolidated financial statements, an interim group management report and a responsibility statement.

The interim condensed 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 for fiscal year 2017. The latter contains a comprehensive discussion of our business activities and explanatory notes on the financial ratios used.

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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 tap the joint potential of energy, telecommunications and IT. The EWE Group comprises EWE Aktiengesellschaft ("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 2018, the EWE Group had an average of 9,274 employees (31 December 2017: 9,134 employees).

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) amount to 332.0 megawatts (situation at 31 December 2017).

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 139.2 thousand kilometers (situation at 31 December 2017). Thanks to low outage times, our distribution grids are some of the safest in Europe. Furthermore, we operate a wide telecommunications network of 40.1 thousand kilometers (situation at 31 December 2017). 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 2018, the total volume of waste water purified was 8.9 million cubic meters (first half-year 2017: 8.4 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 (situation at 31 December 2017) 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 (situation at 31 December 2017), 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 area 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. Through Millenicom, we are also active in the field of telecommunications in Turkey.

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 markets.

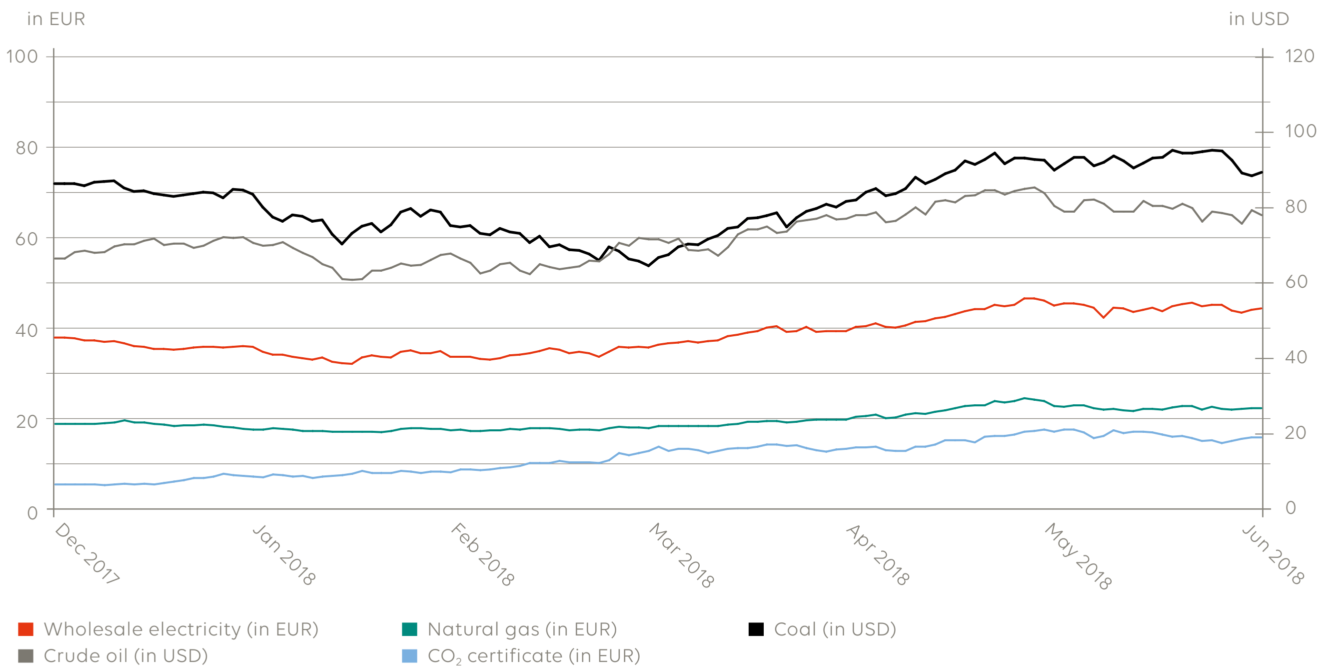
Energy market and prices

The crude oil market as a lead market for energy-related products was very volatile in the first half of 2018. The Brent front month started the new year at 66.57 USD / bbl. From there, on a closing price basis, it rose to 79.80 USD / bbl by the end of May. In the meantime, prices have reached up to 80.50 USD / bbl. This increase is mainly due to the developments surrounding the nuclear agreement between Iran on the one hand and the United States, France, Great Britain, China, Russia and Germany on the other. The tensions between Iran and the United States continued to mount until US President Trump announced in early May the unilateral withdrawal from the agreement. This fuelled concerns of a military conflict and thus led to higher crude oil prices. More recently, the market eased slightly after OPEC and Russia announced they would ease the production limit and start producing more crude oil again. This brought the Brent price down to around 75.00 USD / bbl by the end of June.

The developments in the crude oil market had a knock-on effect on the markets for coal and natural gas, leading to a rise in front-year contracts by the end of May. The hard coal price increased to an interim high of 76.56 EUR / t, the gas price to 21.68 EUR / MWh. In the case of coal, rising demand in Asia, especially in China and India, also helped to bolster prices.

However, the strongest development was in the market for CO_2 emission certificates. Here, the EUA futures Dec 19 started the year on 2 January 2018 with a settlement price of 7.81 EUR / t. On 28 May 2018, the contract was traded at 16.31 EUR / t (up 108.8 per cent). This rise was driven by compliance purchases to cover real greenhouse gas emissions as well as purchases to cover supply shortages expected to arise from 2019 as a result of the market stability reserve in the context of the EU's most recent emissions trading reform. Increasing volatility and rising prices encouraged speculative trading, driving prices further. Since the beginning of June, the situation has eased somewhat and the contract traded at around 15.00 EUR / t at the end of June.

Energy market and prices (power, gas, CO_2, crude oil and coal)



Source: EEX, Intercontinental

The commodity markets set the trend for the electricity futures market. The electricity front year price (base) was 36.84 EUR / MWh at the beginning of the year and then increased to 42.95 EUR / MWh by the middle / end of May. Until the end of June, the contract moved sideways in a range between 40.00 EUR / MWh and 42.50 EUR / MWh.

Energy consumption in Germany in the first six months was a good 1 per cent below the level of the previous year. After the first three months, growth was over 5 per cent in February and March due to the cool weather conditions. According to preliminary calculations reported by the Working Group on Energy Balances, total energy consumption in the first half of 2018 was 230.9 million tons of coal equivalent (TCE, first half-year 2017: 234.8 million TCE).

Natural gas consumption rose by almost 3 per cent in the first half of 2018 due to weather conditions. While the cooler temperatures in the months of February and March led to a strong increase in consumption, consumption in the second quarter was significantly lower than in the previous year.

Lignite consumption declined by around 3 per cent as a result of the lower power generation from lignite.

Consumption of hard coal fell by a further 14 per cent due to the increased feed-in of electricity from renewable energies.

Renewable energies increased their share of overall energy consumption by more than 4 per cent, with all types of renewables contributing. They now account for around 14 per cent of the national energy mix.

Telecommunications market

The first six months of fiscal year 2018 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.

With an increase of 0.4 per cent to 65.9 billion euros, the telecommunications market as a whole recorded slight growth. While the market for telecommunications infrastructure grew by 1.4 per cent to 6.7 billion euros, the market for telecommunications services once again saw slight growth of 0.1 per cent to 48.5 billion euros (source: bitkom, February 2018).

Political and regulatory environment

New German government / coalition agreement

On 7 February 2018, the parties CDU, CSU and SPD signed the coalition agreement for the 19th legislative period. This forms the basis for government in the new grand coalition. From EWE's perspective, the coalition agreement mentions important topics and creates a sound basis for the next steps in the energy transition. For example, the Federal Government's intention to increase the share of renewable energies to 65 per cent by 2030 is positive. EWE also supports the fact that the agreement explicitly mentions the increasing responsibility of distribution system operators and announces the further development of the regulatory framework in favour of smart solutions. With regard to digitalization, it aims to complete a nationwide network with speeds of 1 Gbit / s by 2025 and convert grid infrastructure to fiber optic.

Transition from low-calorific gas to high-calorific gas

Due to the declining reserves of low-calorific gas in Germany and the Netherlands, the transition from low-calorific gas to high-calorific gas is underway 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 province, the Dutch government submitted proposals to the Dutch parliament on how gas production can be reduced significantly in the Groningen province, with measures proposed by EWE also playing a decisive and central role. In this connection, we are observing the political situation with regard to its impact on supply security in the EWE area and are engaging in constructive dialog with political representatives and authorities in both Germany and the Netherlands. In the Bremen supply area, the market area transition successfully commenced last year. In the remaining EWE service area, the registration of meters commenced in February 2018; the first districts will be transitioned from 2019.

New drinking water ordinance

On 9 January 2018, a new Drinking Water Ordinance ("Trinkwasserverordnung": TrinkwV) came into force to safeguard the high quality of drinking water in Germany: Water suppliers must provide information about treatment substances or materials used. Supply facilities may not be used for other purposes.

Reform of the EU Emissions Trading System completed

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. In April 2018, the compromise negotiated between co-legislators came into force. Thus the annual reduction factor of existing certificates will be increased to 2.2 per cent from 2021 and the replenishment rate and possible distribution volume of the market stability reserve will be doubled (from 12 to 24 per cent) over the period from 2019 to 2024. At the same time, the measures required to protect industrial competitiveness in Europe will also be maintained (conditional free allocation for sectors facing carbon leakage). 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-CO_2 technologies. The EWE Group has therefore lobbied for an effective and stable system, while at the same time protecting industries subject to international competition.

Complaint filed against the returns on equity stipulated by the Federal Network Agency ("Bundesnetzagentur": BNetzA)

In 2016, the BNetzA published the returns on equity stipulated for the third regulatory period. This will start in 2018 for gas grid operators and in 2019 for power grid operators. Despite intensive discussions between the affected business sectors and policymakers, after the end of the consultation process the BNetzA adhered to its plan to slash returns on equity. In the end, the BNetzA reduced returns on equity from 9.05 per cent to 6.91 per cent for new plants and from 7.14 per cent to 5.12 per cent for old plants. Like other network operators, the EWE Group filed a complaint against this decision with the Düsseldorf Higher Regional Court ("Oberlandesgericht": OLG). In its decision of 22 March 2018, the OLG revoked the BNetzA's decision and ordered the authority to set new returns on equity which take into account the Court's opinion. This decision is not yet final as the BNetzA has filed a legal complaint with the German Federal Court of Justice.

BNetzA lowers general X-factor

In connection with the determination of revenue caps for network operators, the German Incentive Regulation Ordinance ("Anreizregulierungsverordnung": ARegV) requires a general sectoral productivity factor (general X-factor) to be taken into account. According to the provisions of the ARegV, a general X-factor of 1.25 per cent was planned for the first regulatory period and a general X-factor of 1.50 per cent was planned for the second regulatory period. For the third gas regulatory period, a general X-factor of 0.49 per cent is currently stipulated for the German network operators. The EWE Group continues to hold the view shared in the industry that a general X-factor of more than zero per cent cannot be soundly determined and justified for the third regulatory period and has therefore filed a complaint against the decision with the Düsseldorf OLG.

Expansion of fiber-optic broadband network

Politicians and businesses are continuing to focus efforts on laying more fiber optic cables to homes (FTTH / FTTB) in order to meet future broadband needs. Pursuant to the BNetzA decision on vectoring in proximity areas, in addition to laying more fiber optic cables FTTH / FTTB 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 still preparing for the exchange of the necessary wholesale services for the cable junction boxes assigned to Telekom by the BNetzA.

Application of the DigiNetz Act in practice

After a series of decisions by the BNetzA, it is becoming clear how this authority is interpreting the DigiNetz Act, which came into force in 2016 and governs the co-use and co-laying of network infrastructures for telecommunications purposes. From the point of view of companies that, like EWE, invest heavily in infrastructure, there is inadequate protection of investments against devaluation and overbuilding; the rights to co-use and co-laying such supply networks at the expense of companies which do not hold a dominant position in the market such as EWE are interpreted broadly in the majority of cases. To date, there have been no discernible results from the consultation held by the BNetzA fees for the co-use and co-laying of network infrastructure.

Current situation in the EWE Group

This half-year financial report of EWE AG as of 30 June 2018 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 previously applicable regulations for revenue recognition in IAS 18 and IAS 11 have been superseded by the new regulations of IFRS 15 "Revenue from Contracts with Customers" (published in May 2014). The comparative figures are not adjusted, applying the modified retroactive approach chosen by EWE as a transitional method. As a result, the accounting standards under IAS 18 and IAS 11 continue to apply to the comparative figures in the previous year. Furthermore, in the context of the early application of IFRS 9 "Financial Instruments" in the 2017 fiscal year, the previous year's figures have been adjusted accordingly. All other accounting methods applied for the consolidated financial statements as of 31 December 2017 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 fiscal year and should therefore be read in conjunction with the consolidated financial statements as of 31 December 2017.

Financial performance

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 EWE Group's earnings. Operating EBIT is an adjusted earnings figure which is used to track and manage financial performance. To calculate operating EBIT, EBIT is adjusted for special effects such as valuation effects from financial instruments, impairments and reversals and special effects resulting from changes in the basis of consolidation as well as those resulting from restructuring measures.

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

in millions of euros	**1 Jan–30 Jun 2018**	1 Jan–30 Jun 2017
Operating EBIT	**265.7**	**331.0**
Derivatives	26.0	–25.4
Fair value measurement of other financial instruments	0.9	–0.9
Impairments		–67.6
Restructuring	–0.1	–0.2
EBIT	**292.5**	**236.9**
Net interest income / expense	–60.4	–63.3
Income taxes	–82.4	–62.9
Consolidated profit / loss for the period	**149.7**	**110.7**

Significant changes to the income statement

In the first half of 2018, the EWE Group generated revenue (excluding electricity and energy taxes) of 3,493.5 million euros (first half-year 2017: 4,209.1 million euros). This corresponds to a decrease of 715.6 million euros (down 17.0 per cent) compared to the prior-year period. Likewise, the cost of materials decreased by 20.3 per cent to 2,530.0 million euros (first half-year 2017: 3,175.3 million euros). This development resulted, on the one hand, from the offsetting of revenue and cost of materials in the context of the direct marketing of EEG electricity ("Erneuerbare-Energien-Gesetz": Renewable Energy Sources Act) and in the marketing of generated CHP electricity ("Combined heat and power") outside the general supply network following the introduction of IFRS 15 "Revenue from Contracts with Customers" of 498.3 million euros. On the other hand, in connection with the realignment of trading activities in the EWE Group in the areas of structuring, profiling and optimization, revenue from energy trading transactions in 2018 will be offset to a greater extent with the respective corresponding cost of materials.

Personnel expenses are on a par with the previous year.

The balance of other operating income and other operating expenses (including changes in finished goods and work in progress and own work capitalized) totaled −93.8 million euros (first half-year 2017: −162.0 million euros). The change from the previous period resulted mainly from a positive valuation result for commodity derivatives.

The 64.6 million euro decrease 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) in the previous year.

Segment performance

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

in millions of euros	External revenue 1 Jan–30 Jun 2018	External revenue 1 Jan–30 Jun 2017	External revenue Change in %	Operating EBIT 1 Jan–30 Jun 2018	Operating EBIT 1 Jan–30 Jun 2017	Operating EBIT Change in %
Renewables, Grids and Gas Storage segment	701.9	1,094.7	-35.9	233.5	224.4	4.1
Sales, Services and Trading segment	1,901.7	2,210.7	-14.0	40.6	56.3	-27.9
International segment	370.8	358.3	3.5	14.1	24.0	-41.3
swb segment	518.2	544.6	-4.8	6.0	53.0	-88.7
Group Central Division	0.9	0.8	12.5	-28.5	-26.7	-6.7
Total	**3,493.5**	**4,209.1**	**-17.0**	**265.7**	**331.0**	**-19.7**

Renewables, Grids and Gas Storage segment

in millions of euros	1 Jan–30 Jun 2018	1 Jan–30 Jun 2017
Operating EBIT	**233.5**	**224.4**
Derivatives	-0.1	-0.2
Fair value measurement of other financial instruments	1.1	
Impairments		-45.3
Restructuring	0.0	-0.7
EBIT	**234.5**	**178.2**

In our Renewables, Grids and Gas Storage segment, external revenue in the reporting period of 701.9 million euros (first half-year 2017: 1,094.7 million euros) was 35.9 per cent below the previous year's level. The decrease in revenue is mainly due to the initial application of IFRS 15 "Revenue from Contracts with Customers".

This leads to a netting of the market premiums received and paid in the context of the direct marketing of EEG electricity. This segment contributed 20.1 per cent (first half-year 2017: 26.0 per cent) to the Group's total revenue in the reporting period. Operating EBIT came to 233.5 million euros (first half-year 2017: 224.4 million euros). There was an improvement in the operating EBIT of the gas storage facilities due to the fact that the negative valuation effect on the gas reserves on the reporting date in the previous year did not recur and that the allocation to the rehabilitation provision was not recognized in income. In addition, the higher revenue cap introduced at the start of the third regulatory period in the long-distance gas network contributes to a positive earnings development. This compensates for the negative effect of higher material costs in the distribution networks. In the Renewables segment, revenue losses due to gearbox damage and a gondola crash at the alpha ventus offshore wind farm are offset by higher yields from onshore wind farms.

The non-recurrence of impairments of property, plant and equipment charged at the RIFFGAT offshore wind farm last year meant that EBIT was higher than the prior-year level at 234.5 million euros (first half-year 2017: 178.2 million euros).

Sales, Services and Trading segment

in millions of euros	1 Jan–30 Jun 2018	1 Jan–30 Jun 2017
Operating EBIT	**40.6**	**56.3**
Derivatives	18.6	-10.5
Fair value measurement of other financial instruments		-0.3
Restructuring	-0.2	0.6
EBIT	**59.0**	**46.1**

In our Sales, Services and Trading segment, we registered a decrease in external revenue of 14.0 per cent to 1,901.7 million euros compared to the same period in the previous year (first half-year 2017: 2,210.7 million euros). This is due, in particular, to the higher level of offsetting of revenue and cost of materials used in 2018 in connection with the realignment of energy trading activities in the EWE Group. The segment contributed 54.5 per cent to the Group's total revenue (first half-year 2017: 52.5 per cent). Operating EBIT was down to 40.6 million euros (first half-year 2017: 56.3 million euros). Among other things, this decline is attributable to the absence of positive price effects in energy sales which cannot be compensated for despite slightly lower purchasing costs. In contrast, earnings in telecommunications sales improved.

The change in non-operating items mainly results from a positive valuation result for commodity derivatives.

International segment

in millions of euros	**1 Jan–30 Jun 2018**	1 Jan–30 Jun 2017
Operating EBIT	**14.1**	**24.0**
Derivatives		–8.2
Impairments		–23.4
EBIT	**14.1**	**–7.7**

In our International segment, we recorded an increase in external revenue of 3.5 per cent, up to 370.8 million euros (first half-year 2017: 358.3 million euros). Without the significant devaluation of the Turkish lira in 2018, a higher increase in revenue would have been recorded. The segment therefore contributed 10.6 per cent to the Group's total revenue (first half-year 2017: 8.5 per cent). Operating EBIT came to 14.1 million euros (first half-year 2017: 24.0 million euros).

Non-operating effects in the previous year included the impairment of the Bursagaz licenses (17.5 million euros) and the goodwill of Millenicom (5.9 million euros) due to interest rate and currency fluctuations. On the other hand, the previous year included effects from derivatives that were valued on the reporting date but not yet realized. These effects have been eliminated by the use of hedge accounting in the current year.

swb segment

in millions of euros	**1 Jan–30 Jun 2018**	1 Jan–30 Jun 2017
Operating EBIT	**6.0**	**53.0**
Derivatives	8.2	–5.6
Impairments		–0.1
Equity investments	–4.5	
Restructuring	0.1	0.1
EBIT	**9.8**	**47.4**

In our swb segment, external revenue in the reporting period declined by 4.8 per cent year-on-year to 518.2 million euros (first half-year 2017: 544.6 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 14.8 per cent to the Group's total revenue (first half-year 2017: 13.0 per cent). Operating EBIT came to 6.0 million euros (first half-year 2017: 53.0 million euros). The deterioration compared to the previous year is mainly attributable to the introduction of the German Grid Charges Modernization Act ("Netzentgeltmodernisierungsgesetz": NEMoG), the lower revenue cap in network activities, increased maintenance costs and negative volume effects due to power plant outages and the narrowing of the electricity spread.

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	**1 Jan–30 Jun 2018**	1 Jan–30 Jun 2017
Operating EBIT	**–28.5**	**–26.7**
Derivatives	–0.7	–0.9
Fair value measurement of other financial instruments	–0.2	–0.6
Impairments		1.2
Equity investments	4.5	
Restructuring	–0.1	–0.2
EBIT	**–25.0**	**–27.2**

Our Group Central Division only generates a low level of revenue. Operating EBIT came to –28.5 million euros (first half-year 2017: –26.7 million euros). These earnings resulted from the segment's holding function and the other equity investments it holds.

Assets and liabilities

in millions of euros	30 Jun 2018	in %	31 Dec 2017	in %
Assets				
Non-current assets	6,758.9	70.4	6,652.4	73.1
Current assets	2,845.8	29.6	2,444.7	26.9
Total assets	**9,604.7**	**100.0**	**9,097.1**	**100.0**
Equity and liabilities				
Equity	2,239.3	23.3	2,084.7	22.9
Non-current liabilities	5,389.9	56.1	5,104.4	56.1
Current liabilities	1,975.5	20.6	1,908.0	21.0
Total equity and liabilities	**9,604.7**	**100.0**	**9,097.1**	**100.0**

The balance sheet total increased mainly due to the increase in derivative positions on both the asset and liability sides. In particular, the strong increase in commodity market prices, but also the larger trading portfolio, led to a significant increase in unrealized amounts in the derivatives position included under other financial assets (non-current: up 299.4 million euros, current: up 189.9 million euros) and other financial liabilities (non-current: up 230.0 million euros; current: up 108.5 million euros). In addition, other financial assets (current: up 88.4 million euros) and other financial liabilities (non-current: up 52.2 million euros, current: up 51.9 million euros) increased due to the growth in clearing and the associated accounting for the margins.

Another effect resulted from the initial application of IFRS 15. For the first time, current and non-current costs to obtain contracts with customers (current: 17.5 million euros, non-current: 9.8 million euros) and contract assets (current: 15.8 million euros) must be recognized as assets.

As a result of its business activities, the EWE Group has a high proportion of non-current assets in its total assets with the associated capital commitment. Non-current assets comprise 70.4 per cent of total assets, which is slightly lower than as of 31 December 2017 due to the disproportionately high increase in total assets. Non-current assets are financed by equity and non-current debt.

The equity ratio is almost unchanged on the previous year, at 23.3 per cent (31 December 2017: 22.9 per cent). Nevertheless, equity rose by 154.6 million euros. The various effects are presented in the consolidated statement of changes in equity.

Financial position

in millions of euros	**1 Jan–30 Jun 2018**	1 Jan–30 Jun 2017	Change in %
Cash flow from operating activities	150.4	346.8	−56.6
Cash flow from investing activities	−64.9	−189.3	65.7
Cash flow from financing activities	−147.9	−142.8	−3.6
Change in cash and cash equivalents	−62.4	14.7	<−100
Change in cash and cash equivalents due to exchange rates, basis of consolidation and measurement	−7.9	−2.3	<−100
Cash and cash equivalents at the beginning of the period	609.5	352.2	73.1
Cash and cash equivalents at the end of the period	539.2	364.6	47.9

Cash flow from operating activities represents a key element of the EWE Group's financing. In the first half of 2018, EWE posted cash flow from operating activities totaling 150.4 million euros.

The cash flow from investing activities mainly relates to investments in the Group's infrastructure (especially grids, and broadband expansion). Compared with the prior-year period the cash flow from investing activities improved mainly due to the disposal of an investment (77.2 million euros) in fiscal year 2018 and the investment made in an offshore wind farm (70.5 million euros) in the previous year.

Cash flow from financing activities particularly contains the repayment of financial liabilities (59.2 million euros) and the dividend payment (88.0 million euros) for fiscal year 2017, which was distributed to the shareholders of EWE AG in fiscal year 2018.

The Group's financial flexibility is secured by a syndicated, revolving credit facility of 750.0 million euros available until November 2022 and bilateral working capital facilities of 536.6 million euros (31 December 2017: 550.0 million euros). As of 30 June 2018, 162.9 million euros (31 December 2017: 178.1 million euros) of these credit lines had been drawn on for guarantee credits and overnight and term deposits.

EWE has financial liabilities with terms until 2032. Issuing bonds also represent another key component of EWE's long-term financing. As of 30 June 2018, euro-denominated unsecured bonds with a nominal volume of 1,351.6 million euros (31 December 2017: 1,351.6 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 425.3 megawatts, installed renewable energy capacity is on a par with the previous year (31 December 2017: 425.3 megawatts). The share of renewable energies in the EWE Group's total generation capacity amounts to 30.5 per cent (31 December 2017: 29.2 per cent).

Changes in the number of employees

In the first half of 2018, the EWE Group had an average of 9,274 employees (31 December 2017: 9,134 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 Jun 2018	31 Dec 2017
Renewables, Grids and Gas Storage	2,161	2,119
Sales, Services and Trading	3,338	3,247
International	1,017	1,011
swb	2,115	2,150
Group Central Division	643	607
Total	**9,274**	**9,134**

Report on anticipated development and significant opportunities and risks

Forecast report

Expected industry development

Industry development is dictated by the megatrends of decarbonization, decentralization and digitalization. Changes in political conditions and ongoing changes in the market shape the future outlook.

The Paris Climate Change Agreement and the climate goals agreed therein lay the foundations for the almost complete decarbonization of the electricity and heating market and of other sectors such as mobility and industry by 2050.

A commission of the Federal Government is exploring the withdrawal from coal-fired power generation. A heterogeneous landscape of power generation technologies will emerge. The generation of power from renewable energy sources will continue to grow.

The increasing volatility of power generation is increasing the need for flexibility and grid stability and is leading to market growth in these segments. Storage and energy conversion (Power2x) will complement generation and will help ensure the stability of the system. Any further back-up capacities required in the event of an accelerated exit from coal will be provided in Germany by natural gas or at an international level.

The decarbonization of the heating market presents challenges. The current refurbishment rates as well as existing heating technologies and building envelopes mean that the market for heating in existing buildings will continue to be dominated by natural gas in the foreseeable future. By contrast, heat pump technology is expected to continue to establish itself in the market for heating in new buildings. However, the existing gas infrastructure remains essential for existing buildings.

The European gas market remains highly liquid. The decline in Dutch and German low-calorific gas production may open up temporary market opportunities for gas storage in low-calorific gas market regions until the end of the market area transition from low-calorific gas to high-calorific gas. Furthermore, the achievement of the climate goals could be supported or advanced by other subsidies or measures. Electric mobility will contribute significantly to a sustainable mobility system in private transport and in parts of the local public transport system. In road goods transport, other energy sources will likely become established in the medium-term.

From a current perspective, the decentralization of the energy landscape will continue due to the rising proportion of households that produce their own power and will bring about a new type of customer who will be defined by the transformation from consumer to prosumer. The energy industry must therefore see the customer as a partner who not only buys power, but also produces it. Access to the customer is and remains the decisive success factor. Many customers already have their own supply plants and infrastructure.

Digitalization is the backdrop against which fundamental technical and societal developments are emerging and presents new opportunities for sustainable, cost-efficient energy supply. At the same time, digitalization requires fundamental changes in customer behaviour as well as in the culture and organization of companies. New stimuli in service provision and in value creation structures will encourage innovative business models and approaches. Data-driven business models are expected to continue to evolve and proliferate. Data are becoming an important asset and data analytics are a growing business area.

In addition, significant changes in the market can be observed. Large market participants are realigning or are focusing their business activities. At the same time, new competitors from various industries are entering the market. The market and politicians are demanding more efficiency in all business segments. For example, the switch to tendering procedures for onshore wind energy and offshore wind energy has significantly increased transparency and competition and significantly reduced prices throughout Europe. In regulated business, returns are being eroded further, merit orders and market mechanisms are leading to moderate 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 pressure on traditional business models and requires efficiency on the part of all market players.

Development of political and regulatory conditions

Clean Energy Package

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.

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 are expected to be completed by the second half of 2018 and to enter into force in 2019.

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 recast directive sets a target of 32 per cent of renewable energies in gross 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 European Union in order to ensure that energy efficiency will be increased by 20 per cent until 2020 and by 30 per cent until 2030. The European Parliament is demanding an energy efficiency target of 40 per cent. A political compromise was reached on a target of 32.5 per cent, but it has not yet been adopted. Furthermore, the proposed directive contains further 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, contracting, energy consulting and energy audits.

Core Energy Market Data Register Ordinance

The Core Energy Market Data Register Ordinance ("Marktstammdatenregisterverordnung": MaStRV), which came into force on 1 July 2017, required the introduction of a core energy market data register in summer 2017. The launch date has since been postponed to 4 December 2018. The MaStRV aims to build up a comprehensive official register of the electricity and gas market for use by the authorities and participants in the energy (electricity and gas) market. A central registration process will harmonize many official registration requirements.

Exception for wind tendering process

The majority of tenders for onshore wind in 2017 were awarded to citizen-owned energy cooperatives. Citizen-owned energy cooperatives enjoy privileges in the tendering process. They do not have to obtain a permit under the Federal Immission Contract Act ("Bundes-Immissionsschutzgesetz": BImschG) before bidding and have a longer realization period. In response to the results, the Bundestag adopted a moratorium on citizens' energy privileges, initially for the first two auction rounds in 2018. In spring 2018, the Bundestag and the Federal Council again decided to suspend the citizens' energy privileges until the middle of 2020 due to the looming expansion gap in the onshore wind generation market. The new regulation will take effect before the announcement of the next deadline for bids on 1 August. EWE welcomes this step as the privileges for citizens' energy distort competition.

Act Amending the KWKG and the EEG / 100-day law

The Act Amending the KWKG and the EEG ("KWKG-EEG-Änderungsgesetz") or "100-day law" is currently only available in draft form. Its addresses the following points, which are also relevant for the EWE Group: In the EEG 2017, the maximum values in tenders for onshore wind turbines and solar farms are to be lowered. In addition, the provisions for the exemption of new CHP plants from the EEG surcharge will be adapted to the European requirements. The subsidy for existing CHP plants is lowered in the Combined Heat and Power Act ("Gesetz zur Förderung der Kraft-Wärme-Kopplung": KWKG) and the grid connection regulations for low-calorific gas are amended in the German Energy Industry Act ("Energiewirtschaftsgesetz": EnWG). As things currently stand, the "100-day law" will not be finalized until fall.

Capacity Reserve Ordinance

In order to assure security of supply in exceptional situations of threats to or disruptions of the security or reliability of the power supply system caused by supply / demand imbalances, a capacity reserve of up to 2 GW will be set up from the winter of 2019 / 2020 in accordance with the draft Capacity Reserve Ordinance currently under discussion. The capacity reserve will act as a capacity buffer of generation facilities, storage facilities and controllable loads that are not active in the power market. Depending on the future planning of conventional generation facilities, the Capacity Reserve Ordinance is of particular interest for swb.

Ordinance on the Introduction of National Grid Charges

On 8 June, the German Federal Government approved an ordinance concerning the gradual introduction of national grid charges. The ordinance will enter into force only one day after its promulgation, which is currently expected in the summer of this year. Implementing the German Grid Charges Modernization Act ("Netzentgeltmodernisierungsgesetz": NEMoG), the ordinance will harmonize the grid charges of the four German transmission grid operators in five steps. The gradual harmonization of 20 per cent in each case should commence on 1 January 2019 so that harmonized grid charges should apply throughout Germany from 1 January 2023.

Digital Master Plan for Lower Saxony

The state government in Lower Saxony announced in its coalition agreement that it will make 1 billion euros available for its Digital Master Plan until 2022. It is setting itself the ambitious goal of rolling out a 1 Gbit internet service across the federal state by 2025. The act on an "investment fund to finance the expansion of gigabit networks and the acceleration of digitalization" is currently in the parliamentary process. 500 million euros will thus be made available in the federal state's budget for broadband expansion and further digitalization measures, e.g., in administration. The master plan, which is being drafted in the Ministry for Economic Affairs, defines how exactly the funds will be allocated.

Efficiency comparison of gas with an efficiency value of 95 per cent, electricity still outstanding

In 2016, the procedure for the determination of efficiency values for gas distribution network operators for the third regulatory period commenced with the collection of relevant company data. The only consultation meeting to date in 2017 announced initial findings regarding possible benchmarks. Information on applied or possible benchmarking models for the calculation of the efficiency values has not been presented, which is why, from the perspective of the EWE Group, the BNetzA failed to meet its obligation to carry out transparent efficiency benchmarking. An efficiency value of 94.94 per cent was ultimately communicated in 2018. The reasons for the decrease in the efficiency value have not yet been disclosed to the EWE Group in full. To date, the BNetzA has not published an opinion on the determination of the efficiency values for gas distribution network operators, nor has it sent a consultation letter to the network operators.

The BNetzA started the procedure for determining the efficiency values for electricity grid operators for the third regulatory period by collecting relevant data. The BNetzA is currently testing the plausibility of the submitted data. As is the case with the efficiency benchmarking procedure for gas, the final efficiency values for power grid operators are not expected before fall / winter 2018.

Correction of the DigiNetz Act

After the first BNetzA decisions, the need for legislative clarification and fine-tuning of the DigiNetzG is becoming increasingly clear. There is currently a political willingness to make an initial correction to better protect investments against devaluation and overbuilding.

Requirements for future mobile communications frequencies

In the field of mobile communications regulation, intensive discussions are being held on the continuation of the mobile coverage obligation. This obligation of mobile service providers safeguards EWE's mobile communications offering. The mobile network operators reject this obligation for frequencies assigned from 2020. A decision is expected from the BNetzA in 2018.

Expected performance of the EWE Group

The statements made in the group management report for 2017 concerning the expected development of operating EBIT for fiscal year 2018 remain valid for the Group overall.

EWE does not expect the UK's decision to leave the EU ("Brexit"), the impending introduction of import duties or the current political situation in Turkey to have a significant impact on its operating EBIT forecast for fiscal year 2018.

Report on risks and opportunities

The risks and opportunities described in the group management report as of year-end 2017 have not changed during the reporting period in any way that might significantly affect the risks and opportunities of the EWE Group.

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, 14 August 2018

The Board of Management

Stefan Dohler

Michael Heidkamp

Dr. Urban Keussen

Wolfgang Mücher

Marion Rövekamp

Consolidated income statement

from 1 January to 30 June 2018

in millions of euros	Note	**1 Jan– 30 Jun 2018**	1 Jan– 30 Jun 2017
Revenue	5	3,711.2	4,418.2
Electricity and energy taxes		−217.7	−209.1
Revenue (excluding electricity and energy taxes)		3,493.5	4,209.1
Changes in finished goods and work in progress		11.1	5.2
Other own work capitalized		31.6	24.2
Other operating income	10	494.8	111.9
Cost of materials	5	−2,530.0	−3,175.3
Personnel expenses		−363.8	−355.4
Amortization, depreciation and impairment	6	−212.8	−277.4
Other operating expenses	10	−631.3	−303.3
Impairment losses / gains in accordance with IFRS 9.5.5		−8.2	−7.8
Profit / loss from investments accounted for using the equity method		−1.2	−0.7
Other profit / loss from equity investments		8.8	6.4
EBIT [1]		**292.5**	**236.9**
Interest income		13.4	8.5
Interest expenses		−73.8	−71.8
Earnings before income taxes		**232.1**	**173.6**
Income taxes		−82.4	−62.9
Profit or loss for the period		**149.7**	**110.7**
Thereof attributable to:			
Owners of the parent		149.5	111.9
Non-controlling interests		0.2	−1.2
		149.7	**110.7**

1) Earnings Before Interest and Taxes

Consolidated statement of comprehensive income

from 1 January to 30 June 2018

in millions of euros	Note	**1 Jan–30 Jun 2018**	1 Jan–30 Jun 2017
Profit or loss for the period		**149.7**	**110.7**
Actuarial gains and losses from defined benefit pension plans and similar obligations	8	10.2	71.7
Deferred taxes on pensions		–2.9	–21.9
Fair value measurement of equity instruments		–12.8	–10.5
Sum of other comprehensive income and expenses recognized directly in equity without future reclassification to profit and loss		**–5.5**	**39.3**
Adjustment item for foreign currency translation of international subsidiaries		–20.1	–7.0
Cash flow hedges		124.7	–114.2
Deferred tax on cash flow hedge reserve		–37.9	33.4
Share of other comprehensive income comprising investments accounted for using the equity method		–1.0	3.1
Sum of other comprehensive income and expenses recognized directly in equity with future reclassification to profit and loss		**65.7**	**–84.7**
Other comprehensive income for the period, net of tax		**60.2**	**–45.4**
Total comprehensive income for the period, net of tax		**209.9**	**65.3**
Thereof attributable to:			
Owners of the parent		211.8	67.8
Non-controlling interests		–1.9	–2.5
		209.9	**65.3**

Consolidated statement of financial position

as of 30 June 2018

Assets

in millions of euros	Note	30 Jun 2018	31 Dec 2017
Non-current assets			
Intangible assets		817.2	842.2
Property, plant and equipment		4,855.1	4,929.1
Investment property		6.2	6.3
Investments accounted for using the equity method		139.4	145.0
Other financial assets	10	890.7	672.3
Income tax refund claims		1.8	1.8
Other non-financial assets		24.6	13.0
Deferred tax		23.9	42.7
		6,758.9	**6,652.4**
Current assets			
Inventories		203.3	203.2
Trade receivables	10	1,193.4	1,042.6
Other financial assets	10	773.5	497.2
Income tax refund claims		23.3	11.3
Other non-financial assets		114.1	82.1
Cash and cash equivalents	10, 12	538.2	608.3
		2,845.8	**2,444.7**
Total assets		**9,604.7**	**9,097.1**

Equity and liabilities

in millions of euros	Note	**30 Jun 2018**	31 Dec 2017
Equity	7		
Subscribed capital		243.0	243.0
less treasury shares		–24.3	–24.3
Capital reserves		1,486.4	1,486.4
less treasury shares		–489.3	–489.3
Retained earnings		1,296.2	1,200.9
Accumulated other comprehensive income / loss		–294.3	–356.6
Equity attributable to owners of the parent		**2,217.7**	**2,060.1**
Non-controlling interests		21.6	24.6
		2,239.3	**2,084.7**
Non-current liabilities			
Construction subsidies		636.6	657.6
Provisions	8	2,303.6	2,331.4
Bonds	10	1,342.3	1,340.6
Liabilities to banks	10	338.0	345.4
Other financial liabilities	10	581.7	301.4
Income tax liabilities		30.5	25.0
Other non-financial liabilities		12.8	10.4
Deferred tax		144.4	92.6
		5,389.9	**5,104.4**
Current liabilities			
Construction subsidies		50.2	50.5
Emission rights		7.7	14.2
Provisions		122.6	132.9
Bonds	10	48.5	19.1
Liabilities to banks	10	67.5	118.1
Trade payables	10	838.6	902.6
Other financial liabilities	10	619.8	485.2
Income tax liabilities		46.1	47.1
Other non-financial liabilities		174.5	138.3
		1,975.5	**1,908.0**
Total equity and liabilities		**9,604.7**	**9,097.1**

Consolidated statement of changes in equity

from 1 January to 30 June 2018

	Subscribed capital	Capital reserves of the EWE Group	Retained earnings	Accumulated other comprehensive income / loss		
in millions of euros				Reserve for equity instruments	Revaluation reserve pursuant to IFRS 3	Cash flow hedge reserve
As of 31 December 2016	**218.7**	**1,129.9**	**788.2**		**74.5**	**111.5**
Effects of initial adoption of IFRS 9			81.9	123.5		
As of 1 January 2017	**218.7**	**1,129.9**	**870.1**	**123.5**	**74.5**	**111.5**
Profit or loss for the period			111.9			
Other comprehensive income				−10.5		−80.8
Total comprehensive income						
Dividend payments			−88.0			
Other changes			−1.2			
As of 30 June 2017	**218.7**	**1,129.9**	**892.8**	**113.0**	**74.5**	**30.7**
As of 31 December 2017	**218.7**	**997.1**	**1,200.9**	**133.0**	**74.5**	**53.6**
Effects of initial adoption of IFRS 15			35.2			
As of 1 January 2018	**218.7**	**997.1**	**1,236.1**	**133.0**	**74.5**	**53.6**
Profit or loss for the period			149.5			
Other comprehensive income				−12.8		86.8
Total comprehensive income						
Dividend payments			−88.0			
Other changes			−1.4			
As of 30 June 2018	**218.7**	**997.1**	**1,296.2**	**120.2**	**74.5**	**140.4**

Accumulated other comprehensive income / loss				Equity attributable to owners of the parent	Non-controlling interests	**Equity**
Available-for-sale reserve	Currency translation difference	Measurement of pension obligations	Changes not recognized in profit or loss arising from accounting for investments using the equity method			
200.7	**−106.8**	**−473.3**	**−26.4**	**1,917.0**	**24.9**	**1,941.9**
−200.7				4.7		4.7
	−106.8	**−473.3**	**−26.4**	**1,921.7**	**24.9**	**1,946.6**
				111.9	−1.2	110.7
	−5.7	49.8		−44.1	−1.3	−45.4
				67.8	**−2.5**	**65.3**
				−88.0		−88.0
				−1.2	0.8	−0.4
	−112.5	**−423.5**	**−23.3**	**1,900.3**	**23.2**	**1,923.5**
	−122.5	**−472.7**	**−22.5**	**2,060.1**	**24.6**	**2,084.7**
				35.2		35.2
	−122.5	**−472.7**	**−22.5**	**2,095.3**	**24.6**	**2,119.9**
				149.5	0.2	149.7
	−18.0	7.3	−1.0	62.3	−2.1	60.2
				211.8	**−1.9**	**209.9**
				−88.0	−2.0	−90.0
				−1.4	0.9	−0.5
	−140.5	**−465.4**	**−23.5**	**2,217.7**	**21.6**	**2,239.3**

Consolidated statement of cash flows

1 January to 30 June 2018
Cash inflow (+), cash outflow (–)

in millions of euros	Note 12	**1 Jan–30 Jun 2018**	1 Jan–30 Jun 2017
EBIT [1]		**292.5**	**236.9**
Amortization, depreciation and impairment		212.8	277.4
Release of construction subsidies		–30.6	–28.6
Interest paid		–16.2	–8.2
Interest received		13.3	8.5
Income tax payments / refunds		–76.8	–76.0
Gain / loss on the disposal of non-current assets		–3.5	0.7
Non-cash changes in provisions		25.4	35.3
Changes recognized in profit or loss arising from accounting for investments using the equity method		2.7	6.2
Non-cash gain / loss on derivative financial instruments		–26.2	23.2
Other non-cash income and expenses		14.5	15.1
Change in inventories		–6.5	45.8
Change in receivables and other assets		–256.0	–72.6
Change in accounts payable and other liabilities		5.0	–116.9
Cash flow from operating activities		**150.4**	**346.8**
Cash received from construction subsidies		17.2	19.0
Cash received from the disposal of intangible assets		0.1	0.4
Cash paid for investments in intangible assets		–14.3	–12.2
Cash received from the disposal of property, plant and equipment		16.0	8.4
Cash paid for investments in property, plant and equipment		–152.9	–113.5
Cash received from the disposal of other non-current assets		84.4	2.6
Cash paid for investments in other non-current assets		–15.4	–94.0
Cash flow from investing activities		**–64.9**	**–189.3**
Cash paid to owners of the parent and non-controlling interests (dividends)		–90.0	–88.0
Cash received / paid from financial liabilities (net)		–57.7	–54.7
Other net payments from financing activities		–0.2	–0.1
Cash flow from financing activities		**–147.9**	**–142.8**
Change in cash and cash equivalents		–62.4	14.7
Change in cash and cash equivalents due to exchange rates, basis of consolidation and measurement		–7.9	–2.3
Cash and cash equivalents at the beginning of the period		609.5	352.2
Cash and cash equivalents at the end of the period		**539.2**	**364.6**

1) Earnings Before Interest and Taxes

Notes to the interim condensed consolidated financial statements

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 2018 were approved by the Board of Management for review by the Supervisory Board on 14 August 2018.

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 2018 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 fiscal year and should therefore be read in conjunction with the consolidated financial statements as of 31 December 2017.

The prior-year disclosures were primarily adjusted due to the decision made in the autumn of 2017 to adopt IFRS 9 "Financial Instruments" early.

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

3. Accounting policies

Changes in accounting policies

The same accounting policies that were applied to the preparation of the consolidated financial statements as of 31 December 2017 were applied for the preparation of the interim condensed consolidated financial statements, except for the following standards which became effective for the first time but had no or no material impact on the consolidated financial statements (other than IFRS 15):

- IFRIC 22 – Foreign Currency Transactions and Advance Consideration
- Amendments to IAS 40 – Transfers of Investment Property
- Amendments to IFRS 2 – Clarification of Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4 – Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"
- IFRS 15 "Revenue from Contracts with Customers" including Amendments to IFRS 15 – Effective Date
- Amendments (2016) to IFRS 15 – Clarifications
- Improvements to IFRS (2014 to 2016)

Initial application of IFRS 15

The EWE Group has chosen modified retrospective initial application. Under this method, the contracts that are not completed as at 1 January 2018 will be accounted for as if they had been recognized in accordance with IFRS 15 from the outset. The cumulative effect of the transition will be recognized in other comprehensive income as of 1 January 2018. Comparative figures for prior periods are not restated, but the amount by which the items in the statement of financial position and income statement for the current period changed as a result of applying IFRS 15 is explained.

The impact of the new requirements as at the transition date / date of initial application on 1 January 2018 is explained in note 5.

Standards which have been issued but are not yet effective and have also not been voluntarily adopted early

The EWE Group reasonably expects the following standards and interpretations issued but not yet effective to have no or only an immaterial impact on its disclosures and / or assets, liabilities, financial position and financial performance when applied at a future date:

- IFRS 17 – Insurance Contracts
- IFRIC 23 – Uncertainty over Income Tax Treatments
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation
- Improvements to IFRS (2015 to 2017)

- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement
- Amendments to references to the IFRS Conceptual Framework

IFRS 16 Leases

The new provisions of IFRS 16 are effective for fiscal years beginning on or after 1 January 2019. The standard stipulates that, in the future, lessees must recognize almost all lease agreements, with the exception of short-term or low-value leases, in their statement of financial position. Straight-line expenses for operating leases under IAS 17 will be replaced by amortization expenses for right-of-use assets and interest expenses for liabilities under the lease. Lessor accounting is virtually unchanged. The EWE Group has not yet completed its evaluation of the potential effects on the EWE consolidated financial statements.

Initial application of IFRS 16

The EWE Group has chosen to apply the modified retrospective approach. Under this method, the contracts that are not completed as at 1 January 2019 will be accounted for as if they had been recognized in accordance with IFRS 16 from the outset. The cumulative effect of the transition will be recognized in other comprehensive income. Comparative figures for prior periods are not restated, but the amount by which the items in the statement of financial position and income statement for the current period changed as a result of applying IFRS 16 is explained.

The new standard is not expected to have any impact on the presentation of the EWE Group's assets, liabilities, financial position and financial performance. The new provisions primarily apply to motor vehicles, land and buildings and grid infrastructure.

To date, payment obligations from operating leases have been disclosed in the notes to the consolidated financial statements. In the future, the resulting rights and payment obligations will have to be recognized as right-of-use assets and lease liabilities in the statement of financial position.

On initial application, the EWE Group expects a rise in total assets as a result of the right-of-use assets to be recognized under non-current assets and a similar increase in the corresponding lease liabilities. The increase in lease liabilities will lead to a corresponding increase in net financial liabilities.

In the income statement, the EWE Group will have to recognize amortization charges and interest expenses instead of lease expenses in the future, leading to an increase in operating EBIT. The overall impact on the EWE Group will be investigated during a group-wide project for the implementation of IFRS 16. Due to different business models, the quantitative effects cannot be reliably estimated at present.

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. Investments in significant associates and joint ventures are accounted for using the equity method.

The basis of consolidation is as follows:

Type of consolidation and number

	30 Jun 2018	31 Dec 2017	30 Jun 2017
Fully consolidated companies	63	63	59
Companies accounted for using the equity method	12	12	12
Total	**75**	**75**	**71**

5. Revenue

As described in note 3 Accounting Policies the EWE Group has applied IFRS 15 "Revenue from Contracts with Customers" since 1 January 2018.

The standard governs the principles for measuring and recognizing revenue and the related cash flows. The core principle is that an entity will recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (control approach). To this end, the standard provides a principles-based five-step model:

- Step 1: Identifying the contract with the customer
- Step 2: Identifying the contractual performance obligations
- Step 3: Determining the consideration
- Step 4: Allocating the consideration to performance obligations
- Step 5: Recognizing revenue upon fulfilment of a performance obligation by the entity

The new provisions of IFRS 15 primarily apply to the following:

Multiple-element arrangements

For these contracts with pre-delivered subsidized products (e.g., service contract including a mobile phone), the total transaction price of the current monthly payments during the minimum contract term and the one-time payments for the end device, the contract signing fee and the like should be allocated to the separate performance obligations based on the relative stand-alone selling prices. Revenue recognition is based on the relative stand-alone selling price. In the statement of financial position, this leads to the recognition of a contract asset, i.e., a claim that is not yet legally required under the customer contract or a contractual liability equal to the difference between the relative stand-alone selling price and the allocated payment received.

Variable consideration

In the case of energy supply contracts in the private customer business, the basic and unit prices continue to be recorded in accordance with IAS 18, as was previously the case. Energy supply contracts with private customers have a "standing ready obligation", which is usually remunerated according to two different price components: a fixed basic fee (basic price) and a variable, consumption-related charge for each unit of purchased energy (unit price). The basic price is recorded on a straight-line basis over the term of the contract and the variable price according to the amount of energy used by the customer. At the time of performance, the sum of basic prices (allocated straight-line over the contract term) and the (variable) unit prices correspond to the amount that the energy supply company can claim under the agreement.

Some contracts with customers provide for variable consideration in the form of trade discounts and volume rebates. This consideration paid to customers (e.g., customer bonus) can be rendered as financial consideration in the form of a cash payment or credit note or other consideration, which customers can offset against their liabilities to the entity. Payments to customers are treated as reductions in the transaction price and thus in revenue. If the customer payments received are higher than the revenue to be recognized, contract liabilities therefore also arise in connection with subsequent bonus payments.

Costs to obtain contracts with customers

Under IFRS 15, the incremental and directly attributable costs of obtaining a contract with a customer are recognized as an asset if the entity expects to recover them. These assets are amortized over the term of the expected customer retention period.

Subscriber acquisition costs are expensed as incurred when the amortization period for this asset, which would otherwise have to be recognized, is a maximum of one year.

Acting as principal / agent

If the EWE Group does not act as a principal but as an agent, corresponding income and related expenses are reported net. In connection with direct marketing of EEG electricity, the EWE Group's distribution network operators sometimes act as agents. The recharging of the market premium to the transmission system operator is to be offset against the expenditure resulting from the payment of the market premium.

In the context of the marketing of generated CHP electricity outside the general supply network, the distribution system operator does not play a leading role in the energy industry due to the lack of physical feed-in of electricity into the general supply network. The recharging of the CHP surcharge to the transmission system operator is offset against the expenditure from the payment of the CHP surcharge.

Effects of initial application

Explanatory notes on the material effects of initial application on items of the statement of financial position as of 1 January 2018 and 30 June 2018:

(a) In prior periods, commissions paid to intermediaries were expensed as they did not meet the recognition criteria for an asset. However, upon initial application of IFRS 15, the EWE Group capitalized costs to obtain contracts with customers which are directly allocable to an agreement and for which compensation is expected. These costs were recognized at 29.7 million euros in the statement of financial position as of 1 January 2018 as an other non-financial asset (current and non-current). This asset is amortized on a straight-line basis in accordance with the recognition pattern of related revenue over the expected customer retention period (two to five years). As of 30 June 2018, costs to obtain contracts with customers of 27.3 million euros were capitalized.

In addition, the EWE Group recognized contract assets and contract liabilities pursuant to IFRS 15:

- For telecommunications contracts, contract assets were reported under other non-financial assets (current and non-current) as of 1 January 2018 in the amount of 13.9 million euros and as of 30 June 2018 in the amount of 15.1 million euros.
- (b) Customer bonus payments previously shown as part of the provisions were reported as contract liabilities under IFRS 15 (1 January 2018: 6.8 million euros, 30 June 2018: 4.9 million euros).

Explanatory notes on the material effects of initial application on items of the income statement for the first half-year of 2018:

(c) Revenue of 498.3 million euros earned from direct marketing of electricity fed into the grid under the EEG was netted with the corresponding cost of materials.

Revenue from multiple-element arrangements was recognized pursuant to IFRS 15 according to the relative stand-alone selling prices as of the date of transfer of control.

(d) Amortization of 10.7 million euros was recognized on the capitalized costs to obtain contracts with customers. Capitalization of costs to obtain contracts with customers of 10.1 million euros in the first half-year of 2018 had a compensatory effect on other operating expenses. Impairment losses were not recognized.

Effects of initial application of IFRS 15

in millions of euros	Note	As reported 1 Jan 2018	Value adjustment	Change in recognition	Pursuant to IFRS 15 1 Jan 2018
Assets					
Non-current assets					
Other non-financial assets	a	13.0	14.2		27.2
Deferred tax		42.7	0.1		42.8
Current assets					
Inventories		203.2		−2.1	201.1
Trade receivables		1,042.6	5.0		1,047.6
Other non-financial assets	a	82.1	29.7	0.7	112.5
Total assets		**9,097.1**	**49.0**	**−1.4**	**9,144.7**
Equity and liabilities					
Equity		**2,084.7**	**35.2**		**2,119.9**
Non-current liabilities					
Deferred tax		92.6	14.5		107.1
Provisions	b	132.9		−6.8	126.1
Other non-financial liabilities	b	138.3	−0.7	5.4	143.0
Total equity and liabilities		**9,097.1**	**49.0**	**−1.4**	**9,144.7**

in millions of euros	Note				
Income statement					
Revenue	c				
Changes in finished goods and work in progress					
Cost of materials	c				
Other operating expenses	d				
Earnings before income taxes					
Income taxes					
Profit or loss for the period					

	Pursuant to IAS 18 30 Jun 2018	Value adjustment	Change in recognition	Pursuant to IFRS 15 30 Jun 2018
	14.6	10.0		24.6
	23.7	0.2		23.9
	204.2		−0.9	203.3
	1,188.6	4.8		1,193.4
	80.7	32.5	0.9	114.1
	9,557.2	**47.5**		**9,604.7**
	2,190.4	**48.9**		**2,239.3**
	144.1	0.3		144.4
	128.1	−0.6	−4.9	122.6
	170.9	−1.3	4.9	174.5
	9,557.4	**47.3**		**9,604.7**

	Pursuant to IAS 18 1 Jan– 30 Jun 2018	Value adjustment	Change in recognition	Pursuant to IFRS 15 1 Jan– 30 Jun 2018
	3,994.0	−2.2	−498.3	3,493.5
	12.2	−1.1		11.1
	−3,033.4	5.1	498.3	−2,530.0
	−630.7	−0.6		−631.3
	230.9	**1.2**		**232.1**
	−67.5	−14.9		−82.4
	163.4	**−13.7**		**149.7**

The following table shows revenue by product and service:

Revenue by product and service 2018

in millions of euros	Renewables, Grids and Gas Storage	Sales, Services and Trading	International	swb	Group Central Division	Group
Power	527.9	971.3	51.8	277.3		1,828.3
Energy	350.8	966.9	51.8	226.3		1,595.8
Grid utilization	150.9			48.3		199.2
Miscellaneous	26.2	4.4		2.7		33.3
Gas	133.6	626.0	299.3	118.4		1,177.3
Energy	11.3	622.2	296.8	99.2		1,029.5
Grid utilization	80.3		0.7	12.8		93.8
Miscellaneous	42.0	3.8	1.8	6.4		54.0
IT		36.6				36.6
Telecommunications		220.9	19.6			240.5
Private customers		119.4	16.7			136.1
Business customers		73.9				73.9
Carrier & wholesale		14.6	2.9			17.5
Miscellaneous		13.0				13.0
Other	40.4	46.9	0.1	122.5	0.9	210.8
Heat		37.1	0.1	40.3		77.5
Water	11.9	3.1		41.7		56.7
Waste				28.3		28.3
Miscellaneous	28.5	6.7		12.2	0.9	48.3
External revenue	**701.9**	**1,901.7**	**370.8**	**518.2**	**0.9**	**3,493.5**

Revenue from electricity, gas and telecommunications primarily relates to revenue recognized over time. For multiple-element arrangements which include the delivery of hardware upon conclusion of the contract, revenue is recognized as of the date of transfer (at a point in time). In the area of IT, revenue is recognized over time except for release changes, which are recognized at a point in time.

6. Amortization, depreciation and impairment

Impairment losses of 0.0 million euros (first half-year 2017: 67.6 million euros) were recognized in the reporting period. In the prior-year period, impairment losses 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).

7. Equity

Approved and paid dividends

On 3 May 2018, the general meeting of EWE AG resolved to distribute the proposed dividend of 88,000,856.00 euros for fiscal year 2017 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.

8. Provisions

Pension provisions

The provisions for pensions and similar obligations were discounted at an interest rate of 1.75 per cent (31 December 2017: 1.75 per cent, 30 June 2017: 2.00 per cent).

Rehabilitation provisions

The same interest rates as those used as of 31 December 2017 of between −0.72 per cent and 1.36 per cent were used to calculate the rehabilitation provisions.

9. Contingent liabilities

In the first half of 2018, contingent liabilities rose only marginally on the figure as of 31 December 2017 (164.2 million euros).

10. Additional disclosures on financial instruments

The carrying amounts and the fair values of financial assets and financial liabilities are set out below.

Carrying amounts and fair values according to measurement categories (I/II)

in millions of euros	**Carrying amount as of 30 Jun 2018**	Measurement category pursuant to IFRS 9			**Fair value as of 30 Jun 2018**
		Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income without recycling	
Assets					
Other non-current assets					
Shares	303.7		92.6	211.1	303.7
Loans	136.1	136.1			150.9
Derivatives					
Derivatives not in a hedging relationship	282.6		282.6		282.6
Derivatives in a hedging relationship (n/a)	87.5				87.5
Receivables from finance leases (n/a)	67.0				67.0
Miscellaneous non-current financial assets	13.7	13.7			13.7
Trade receivables	1,193.4	1,193.4			1,193.4
Other current assets					
Loans	23.4	23.4			23.4
Securities	152.6		152.6		152.6
Derivatives					
Derivatives not in a hedging relationship	281.3		281.3		281.3
Derivatives in a hedging relationship (n/a)	176.3				176.3
Receivables from finance leases (n/a)	0.4				0.4
Miscellaneous current financial assets	139.5	139.5			139.5
Cash and cash equivalents	538.2	538.2			538.2
Total	**3,395.7**	**2,044.3**	**809.1**	**211.1**	**3,410.5**
Liabilities					
Bonds	1,390.8	1,390.8			1,546.4
Liabilities to banks	405.5	405.5			416.9
Trade payables	838.6	838.6			838.6
Liabilities from finance leases (n/a)	0.2				0.2
Miscellaneous other financial liabilities	634.0	632.0	2.0		637.5
Derivatives					
Derivatives not in a hedging relationship	538.3		538.3		538.3
Derivatives in a hedging relationship (n/a)	28.9				28.9
Total	**3,836.3**	**3,266.9**	**540.3**		**4,006.8**

n/a: not applicable: financial instrument is not allocated to any of the three measurement categories pursuant to IFRS 9

Carrying amounts and fair values according to measurement categories (II/II)

in millions of euros	Carrying amount as of 31 Dec 2017	Measurement category pursuant to IFRS 9			Fair value as of 31 Dec 2017
		Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income without recycling	
Assets					
Other non-current assets					
Shares	384.5		168.5	216.0	384.5
Loans	143.1	143.1			158.7
Derivatives					
Derivatives not in a hedging relationship	24.8		24.8		24.8
Derivatives in a hedging relationship (n/a)	45.9				45.9
Receivables from finance leases (n/a)	67.3				67.3
Miscellaneous non-current financial assets	6.7	6.7			6.7
Trade receivables	1,042.6	1,042.6			1,042.6
Other current assets					
Loans	22.9	22.9			22.9
Securities	152.7		152.7		152.7
Derivatives					
Derivatives not in a hedging relationship	76.2		76.2		76.2
Derivatives in a hedging relationship (n/a)	191.5				191.5
Receivables from finance leases (n/a)	0.5				0.5
Miscellaneous current financial assets	53.4	53.4	0.0		53.4
Cash and cash equivalents	608.3	608.3			608.3
Total	**2,820.4**	**1,877.0**	**422.2**	**216.0**	**2,836.0**
Liabilities					
Bonds	1,359.7	1,359.7			1,551.2
Liabilities to banks	463.5	463.5			475.1
Trade payables	902.6	902.6			902.6
Liabilities from finance leases (n/a)	0.2				0.2
Miscellaneous other financial liabilities	557.9	555.9	2.0		561.1
Derivatives					
Derivatives not in a hedging relationship	83.3		83.3		83.3
Derivatives in a hedging relationship (n/a)	145.4				145.4
Total	**3,512.6**	**3,281.7**	**85.3**		**3,718.9**

n/a: not applicable: financial instrument is not allocated to any of the three measurement categories pursuant to IFRS 9

Fair value is measured solely on a recurring basis.

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

	30 Jun 2018			
in millions of euros	Level 1	Level 2	Level 3	**Total**
Financial assets at fair value				
Shares			303.7	303.7
Securities	152.6			152.6
Derivative financial instruments	135.6	674.9	17.2	827.7
Total	**288.2**	**674.9**	**320.9**	**1,284.0**
Financial liabilities at fair value				
Derivative financial instruments	100.9	461.4	4.9	567.2
Other financial instruments			2.0	2.0
Total	**100.9**	**461.4**	**6.9**	**569.2**

	31 Dec 2017			
in millions of euros	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Shares			384.5	384.5
Securities	152.7			152.7
Derivative financial instruments	27.4	302.2	8.8	338.4
Total	**180.1**	**302.2**	**393.3**	**875.6**
Financial liabilities at fair value				
Derivative financial instruments	22.1	200.8	5.8	228.7
Other financial instruments			2.0	2.0
Total	**22.1**	**200.8**	**7.8**	**230.7**

During the reporting period ending 30 June 2018, 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.

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)**	**Other financial instruments (liabilities)**
As of 1 January 2018	**384.5**	**8.8**	**5.8**	**2.0**
Other operating income and other operating expenses recognized in the income statement		−1.0	−0.9	
Other profit / loss from equity investments recognized in the income statement	1.1			
Other comprehensive income	−12.8	9.4		
Purchases	9.7			
Sales	−77.3			
Reclassifications	−1.5			
As of 30 June 2018	**303.7**	**17.2**	**4.9**	**2.0**

in millions of euros	Shares (assets)	Derivative financial instruments (assets)	Derivative financial instruments (liabilities)	Other financial instruments (liabilities)
As of 1 January 2017	**304.9**	**18.6**		
Other operating income and other operating expenses recognized in the income statement		−16.7	5.8	
Other profit / loss from equity investments recognized in the income statement	41.3			
Other comprehensive income	9.4	5.7		
Purchases	28.8	1.2		
Addition of contingent purchase price obligations under IFRS 3				2.0
Sales	−0.5			
Reclassifications	0.6			
As of 31 December 2017	**384.5**	**8.8**	**5.8**	**2.0**

The fair values of shares 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 a sustainable terminal value. This category includes equity instruments not listed on a stock exchange. A hypothetical change in the WACC by + / −1 per cent would result in a theoretical decrease in fair values by 60.1 million euros (31 December 2017: decrease by 60.9 million euros) or an increase by 104.9 million euros (31 December 2017: increase by 103.4 million euros), respectively. A hypothetical change in EBIT by + / −10 per cent would result in a theoretical increase in fair values by 30.8 million euros (31 December 2017: increase by 32.5 million euros) or a decrease by 30.8 million euros (31 December 2017: decrease by 32.5 million euros), respectively.

As of 30 June 2018, level 3 derivative financial instruments are predominantly 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.

As part of the strategic development of our trading activities and in view of the substitution of structured products with standard products, the EWE Group has traded much higher volumes in the area of structuring, profiling and optimization overall. The strong increase in commodity market prices in particular as well as the increased trading portfolio has led with regard to unrealized transactions to a significant increase in the derivatives positions included in other financial assets and liabilities. In addition to these effects, the expansion of clearing activities and the related recognition of margins has also led to an increase in these positions. In this context, these developments can also be attributed to the increase in other operating income and expenses, which are primarily due to effects from the measurement of commodity derivatives.

11. Segment Reporting

in millions of euros	**Renewables, Grids and Gas Storage 1 Jan– 30 Jun 2018**	Renewables, Grids and Gas Storage 1 Jan– 30 Jun 2017	**Sales, Services and Trading 1 Jan– 30 Jun 2018**	Sales, Services and Trading 1 Jan– 30 Jun 2017	**International 1 Jan– 30 Jun 2018**	International 1 Jan– 30 Jun 2017
Revenue (excluding electricity and energy taxes)						
External sales	701.9	1,094.7	1,901.7	2,210.7	370.8	358.3
Intersegment sales	434.1	472.3	309.9	321.4	0.1	0.3
Total revenue (excluding electricity and energy taxes)	**1,136.0**	**1,567.0**	2,211.6	**2,532.1**	370.9	**358.6**
Profit / loss						
Segment profit / loss (operating EBIT)	233.5	224.4	40.6	56.3	14.1	24.0
Other information						
Segment assets	3,896.3	3,799.4	2,589.6	1,375.3	434.2	425.0
Capital expenditure	87.8	135.6	41.7	30.9	10.9	8.1
Employees (average)	2,161	2,099	3,338	3,230	1,017	1,007

in millions of euros	**swb 1 Jan– 30 Jun 2018**	swb 1 Jan– 30 Jun 2017	**Group Central Division 1 Jan– 30 Jun 2018**	Group Central Division 1 Jan– 30 Jun 2017	**Group 1 Jan– 30 Jun 2018**	Group 1 Jan– 30 Jun 2017
Revenue (excluding electricity and energy taxes)						
External sales	518.2	544.6	0.9	0.8	3,493.5	4,209.1
Intersegment sales	170.8	215.1	−914.9	−1,009.1		
Total revenue (excluding electricity and energy taxes)	**689.0**	**759.7**	−914.0	**−1,008.3**	3,493.5	**4,209.1**
Profit / loss						
Segment profit / loss (operating EBIT)	6.0	53.0	−28.5	−26.7	265.7	331.0
Other information						
Segment assets	2,426.4	2,414.2	−386.6	−414.3	8,959.9	7,599.6
Capital expenditure	35.0	32.0	7.2	13.1	182.6	219.7
Employees (average)	2,115	2,170	643	601	9,274	9,107

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

in millions of euros	1 Jan– 30 Jun 2018	1 Jan– 30 Jun 2017
Operating EBIT	**265.7**	**331.0**
Derivatives	26.0	–25.4
Fair value measurement of other financial instruments	0.9	–0.9
Impairments		–67.6
Restructuring	–0.1	–0.2
EBIT	**292.5**	**236.9**
Interest income	13.4	8.5
Interest expenses	–73.8	–71.8
EBT	**232.1**	**173.6**

12. Statement of cash flows

Cash and cash equivalents comprise the cash and cash equivalents recognized in the statement of financial position of 538.2 million euros (30 June 2017: 363.7 million euros) as well as cash pool receivables of 1.0 million euros (30 June 2017: 0.9 million euros). Cash and cash equivalents include cash on hand and bank balances.

Cash flow from financing activities includes profit distributions and dividends totaling 88.0 million euros (first half-year 2017: 88.0 million euros) paid to the owners of EWE AG and 2.0 million euros (first half-year 2017: 0.0 million euros) to non-controlling interests.

Non-cash investments of 0.8 million euros (first half-year 2017: 62.2 million euros) primarily relate to the recognition of rehabilitation provisions.

13. Related party disclosures

The following table shows the transactions with related parties in the first half of 2018 and 2017 as well as the outstanding balances from such transactions as of 30 June 2018 and 31 December 2017:

in millions of euros	Sales to related companies	Purchases from related companies	Receivables from related companies	Liabilities to related companies
	2018	**2018**	**2018**	**2018**
Shareholders / investors in EWE AG	85.7	70.9	17.3	10.1
Associates accounted for using the equity method	33.1	20.3	76.6	3.7
	2017	**2017**	**2017**	**2017**
Shareholders / investors in EWE AG	28.0	35.7	6.7	4.3
Associates accounted for using the equity method	52.9	24.0	86.0	7.5

in millions of euros	Receivables	Liabilities
	2018	**2018**
Non-consolidated affiliates	8.5	14.0
	2017	**2017**
Non-consolidated affiliates	10.5	16.7

The expense recognized for uncollectible or doubtful receivables from non-consolidated affiliates during the period amounted to 3.4 million euros (30 June 2017: 0.0 million euros). Income from financing agreements amounted to 1.4 million euros (30 June 2017: 0.1 million euros) from associates accounted for using the equity method and 0.1 million euros (30 June 2017: 0.1 million euros) from non-consolidated affiliates.

Information on the corporate bodies of EWE AG

Supervisory Board

BERNHARD BRAMLAGE
Chairman of the Supervisory Board
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
Member of the Landtag (state parliament) of Lower Saxony, Neu-Wulmstorf

JOHANN WIMBERG
Third Deputy Chairman
Chief Administrative Officer of the Cloppenburg District, Cloppenburg

HENNING R. DETERS
Fourth Deputy Chairman
Chairman of the Board of Management of Gelsenwasser AG, Essen

CHRISTIAN BLÖMER (since 3 May 2018)
Head of Department Group Communications and Brand EWE AG, Bad Zwischenahn

PETER BOHLMANN
Chief Administrative Officer of the Verden District, Langwedel

CLAUS CHRIST (until 3 May 2018)
Technical Supervisor, EWE NETZ GmbH, Remels

ECKHARD DIBKE (until 3 May 2018)
Member of the Works Council of wesernetz Bremen GmbH / wesernetz Bremerhaven GmbH / swb Beleuchtung GmbH, Geestland

FRANK GAWRISCHTSCHUK (since 3 May 2018)
Certified Industrial Foreman, swb Erzeugung AG & Co. KG, Bremen

BERND-CARSTEN HIEBING
Member of the Landtag (state parliament) of Lower Saxony, Haren / Ems

ALOYS KIEPE
Union Secretary of ver.di for the Weser-Ems District, Emden

HEIKE KLATTENHOFF
General Manager of ver.di for the Weser-Ems District, Oldenburg

STEFANIE KOCH (since 3 May 2018)
Business Administrator, EWE NETZ GmbH, Zetel

JÜRGEN KROGMANN
Mayor of the City of Oldenburg, Oldenburg

BEATRIX KUHL
Mayor of the City of Leer, Leer

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

PETER MARREK
Employee, swb AG, Wilhelmshaven

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

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

PAUL SCHNEIDER (since 3 May 2018)
Qualified Engineer, EWE GASSPEICHER GmbH, Oldenburg

RICHARD VENNING
Field Service employee, EWE TEL GmbH, Spenge

THOMAS WINDGASSEN (until 3 May 2018)
Business Area Manager Cuxhaven / Delmenhorst, EWE VERTRIEB GmbH, Cuxhaven

Board of Management

STEFAN DOHLER (since 12 January 2018)
Chief Executive Officer of EWE AG, Oldenburg

MICHAEL HEIDKAMP
Chief Sales Officer of EWE AG, Bad Zwischenahn

DR. URBAN KEUSSEN (since 1 March 2018)
Chief Technical Officer of EWE AG, Schliersee

WOLFGANG MÜCHER
Chief Financial Officer of EWE AG, Oldenburg

MARION RÖVEKAMP (since 1 May 2018)
Chief Human Resources Officer and Legal Affairs of EWE AG, Munich

14. Events after the reporting date

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

Oldenburg, 14 August 2018

The Board of Management

Stefan Dohler

Michael Heidkamp

Dr. Urban Keussen

Wolfgang Mücher

Marion Rövekamp

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 assets, liabilities, financial position and financial performance 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, 14 August 2018

The Board of Management

Stefan Dohler

Michael Heidkamp

Dr. Urban Keussen

Wolfgang Mücher

Marion Rövekamp

Review report

to EWE Aktiengesellschaft

We have reviewed the interim condensed consolidated financial statements, which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and selected explanatory notes, and the interim group management report of EWE Aktiengesellschaft, Oldenburg, for the period from 1 January 2018 to 30 June 2018, which are part of the six-monthly financial report pursuant to Sec. 115 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 executive directors. 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 issue an auditor's report.

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.

Hamburg, 14 August 2018

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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 IFRS – which are or may be non-GAAP measures. For the purpose of assessing the assets, liabilities, financial position and financial performance 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 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.

EWE Aktiengesellschaft

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