H1 2019 results

innogy SE · 9 August 2019

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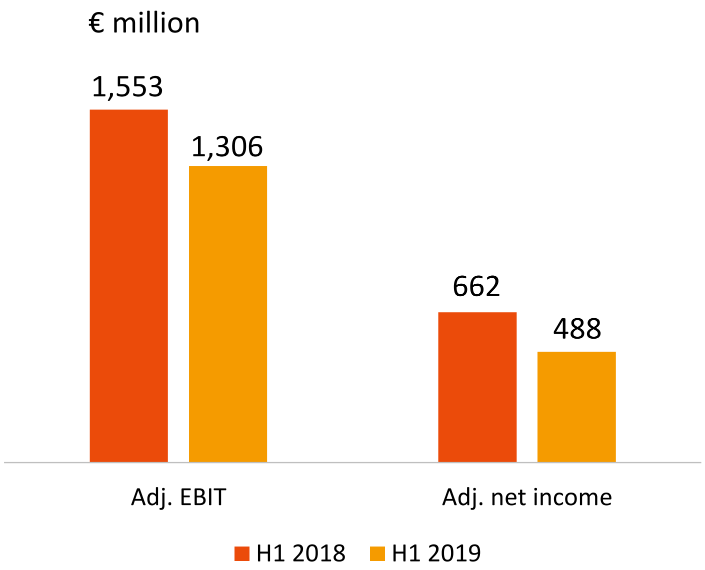
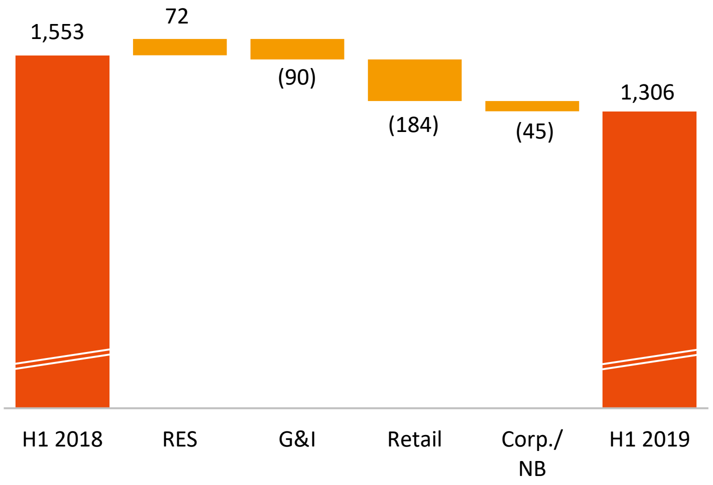
Earnings development year-on-year as expected

- Adjusted EBIT down 16% year-on-year
- Adjusted net income down to €488m
- Earnings outlook 2019 confirmed
- innogy started construction of first US onshore windpark Scioto Ridge (250 MW)

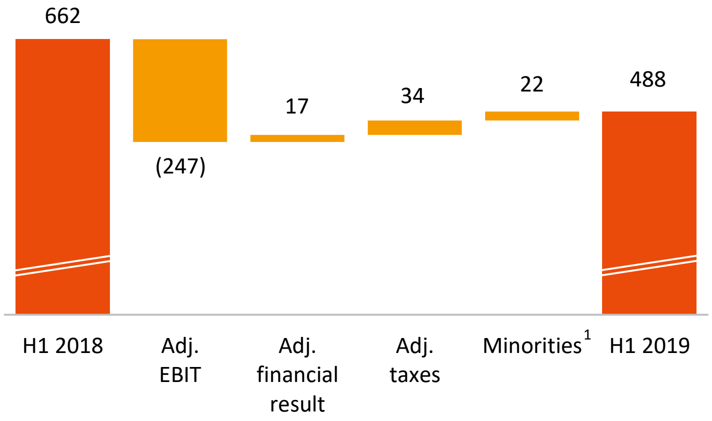


Adjusted EBIT mainly impacted by npower and CZ asset sale

Adjusted EBIT
€ million



Adjusted net income
€ million



1 Non-controlling interests.

Higher net debt due to increase in net financial debt and pension provisions

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Cash flow statement (extract)

€ million	H1 2019	H1 2018	+/-
Funds from operations (FFO)	**1,870**	**1,972**	**(102)**
Changes in working capital	(2,264)	(1,955)	(309)
Cash flows from operating activities	**(394)**	**17**	**(411)**
Cash flows from net investments	992	(726)	1,718
t/o proceeds from disposal of assets/divestitures	1,991	186	1,805
t/o net changes in equity (including non-controlling interests)	(8)	(12)	4
Free cash flow	**598**	**(709)**	**1,307**
Dividend payments	(1,012)	(1,226)	214
Budget deficit/surplus	**(414)**	**(1,935)**	**1,521**

Net debt composition (extract)

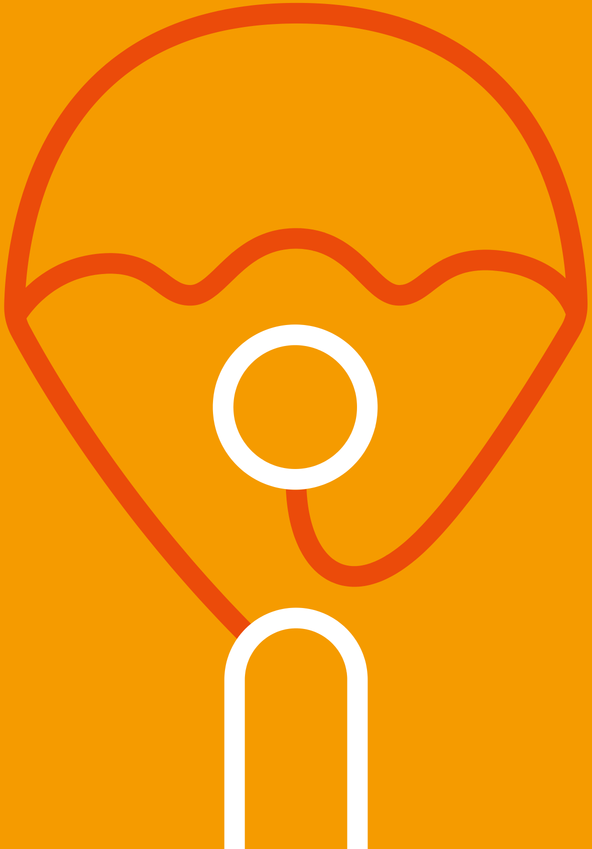
€ million	30 Jun 2019	31 Dec 2018	+/-
Financial assets	3,471	4,919	(1,448)
Financial liabilities[1]	18,773	18,052	721
of which: lease liabilities	2,145	6	2,139
of which: senior bonds	12,960	13,219	(259)
of which: loans from RWE	700	1,656	(956)
of which: loans from EIB	1,036	1,037	(1)
Net financial debt	**15,302**	**13,133**	**2,169**
Provisions for pensions and similar obligations[2]	4,148	3,489	659
Provisions for wind farm decommissioning	390	363	27
Total net debt	**19,840**	**16,985**	**2,855**

Note: rounding differences may occur. 1 Adjusted for a step-up effect of €593 million as of 30 June 2019 and €658 million as of 31 December 2018. 2 Including 'surplus of plan assets over benefit obligations' of -€199 million as of 30 June 2019 and -€278 million as of 31 December 2018.

Outlook for 2019 confirmed

€ million unless stated otherwise	**FY 2018 reported**	**FY 2019 guidance**
Renewables	299	400 – 500
Grid & Infrastructure[1]	1,962	1,700 – 1,800
Retail	654	300 – 400
Adjusted EBIT[2]	**2,630**	**~2,300**
Adjusted financial result	(773)	(650) – (750)
Tax rate for adjusted net income	25%	25% – 30%
Adjusted net income	**1,026**	**~850**
Dividend	**€1.40 per share**	**70% – 80% of ANI**
Net investments[3]	**€1.8bn**	**~€2.5bn**

1 2018 figures include CZ gas grid. 2019 figures only include adjusted EBIT of CZ gas grid until end of February. 2 Including 'Corporate/New Businesses'. 3 Excluding disposal proceeds from sale of CZ gas grid. Capital expenditure on property, plant and equipment and on intangible assets, financial assets ./. proceeds from disposal of assets/divestitures and net changes in equity.



Backup

Adjusted net income down to €407 driven by lower adjusted EBIT and financial result

Reconciliation of adjusted net income

€ million	H1 2019 reported	adjustment	H1 2019 adjusted	H1 2018 adjusted
EBITDA	2,139	-	**2,139**	**2,254**
Operating D&A	(833)	-	(833)	(701)
EBIT	1,306	-	**1,306**	**1,553**
Non-operating result	146	(146)	-	-
Financial result	(288)	(87)	(375)	(392)
Income from continuing operations before tax	1,164	**(233)**	**931**	**1,161**
Taxes on income	(306)	48	(256)	(290)
Tax rate	26%	-	*27.5%*	*25%*
Income	**858**	**(183)**	**675**	**871**
Non-controlling interests	(187)	-	(187)	(209)
Net income	**671**	**(183)**	**488**	**662**

Key drivers

- Higher depreciation and amortisation, primarily due to first-time application of IFRS 16, paired with relief for adjusted EBITDA from the lease payments
- Improvement in the non-operating result driven by deconsolidation gains from sale of the Czech gas grid business as well as negative valuation effects of commodity derivatives compared to the same period last year
- In H1 2019, the effective tax rate amounts to 26.3%; the tax-free gain on deconsolidation from sale of the Czech gas grid business is the main positive factor affecting the effective tax rate. In the previous year, the effective tax rate was also influenced by positive effects from the revaluation of deferred tax assets related to loss carryforwards in the Netherlands

Renewables

Renewables		H1 2019	H1 2018
External revenue	€ million	434	456
Adjusted EBITDA	€ million	415	322
Operating depreciation, amortisation and impairment losses	€ million	(176)	(155)
Adjusted EBIT	€ million	239	167
Capital expenditure	€ million	349	178
Proceeds from disposal of assets/divestitures	€ million	8	9
Power generation	TWh	5.0	4.8
		30 Jun 2019	31 Dec 2018
Employees		1,969	1,899
Total capacity	MW	3,632	3,571

H1 2019 development

- Rise in adjusted EBIT mainly caused by higher market prices and better weather conditions compared to last year
- Positive contribution to earnings from operational improvements of the existing portfolio in part from a bonus for timely, on-budget completion of the Galloper offshore wind farm and higher earnings from Belectric’s business
- Earnings were also bolstered by plants commissioned in 2018 and 2019, such as the onshore wind projects Bad a Cheo (27.7 MW, UK), Brechfa Forest West (57.4 MW, UK), Dromadda Beg (10.2 MW, IE) and Deliceto (23 MW, IT) in 2018 and the onshore wind farm Mynydd y Gwair (57 MW, UK) in 2019

Grid & Infrastructure – Germany

Grid & Infrastructure Germany		H1 2019	H1 2018
External revenue[1]	€ million	2,617	2,673
Adjusted EBITDA	€ million	1,190	1,084
Operating depreciation, amortisation and impairment losses	€ million	(427)	(321)
Adjusted EBIT	€ million	763	763
Capital expenditure	€ million	392	400
Proceeds from disposal of assets/divestitures	€ million	117	166
		30 Jun 2019	31 Dec 2018
Employees		14,569	14,451

H1 2019 development

- Stable operating business
- Adjusted EBIT on par with last year's level, in part due to mildly higher one-off proceeds; higher staff costs have an opposite effect

1 Prior-year figures restated due to change in recognition of feed-in payments under the German Renewable Energy Act (previously recognised as gross amounts in revenue and the cost of materials).

Grid & Infrastructure – Eastern Europe

Grid & Infrastructure Eastern Europe		H1 2019	H1 2018
External revenue	€ million	460	548
Adjusted EBITDA	€ million	303	423
Operating depreciation, amortisation and impairment losses	€ million	(96)	(126)
Adjusted EBIT	€ million	207	297
Capital expenditure	€ million	104	127
Proceeds from disposal of assets/divestitures	€ million	1,858	1
		30 Jun 2019	31 Dec 2018
Employees		4,764	6,963

H1 2019 development

- Stable operating business
- Lower adjusted EBIT as the Czech gas grid business contributed no earnings from end-February 2019 following its sale

Lower headcount due to sale of the Czech gas grid business

Retail – Germany

Retail Germany		H1 2019	H1 2018
External revenue	€ million	8,125	8,207
Adjusted EBITDA	€ million	214	274
Operating depreciation, amortisation and impairment losses	€ million	(22)	(16)
Adjusted EBIT	€ million	192	258
Capital expenditure	€ million	37	24
Proceeds from disposal of assets/divestitures	€ million	1	-
		30 Jun 2019	31 Dec 2018
Employees		4,033	4,089
Electricity and gas customers	'000	8,050	7,867
Of which: residential and commercial customers	'000	7,969	7,785

H1 2019 development

- Lower adjusted EBIT was mainly driven by up-front costs for electricity and gas which could not be passed on or not yet passed on in full. Up-front costs consist of procurement costs for electricity and gas, as well as other components such as network fees and taxes

  Customer gains in the competitive market environment did not yet generate any significant contribution to earnings in H1 2019

Retail – UK

Retail UK		H1 2019	H1 2018
External revenue	€ million	3,554	3,666
Adjusted EBITDA	€ million	(59)	7
Operating depreciation, amortisation and impairment losses	€ million	(22)	(25)
Adjusted EBIT	€ million	(81)	(18)
Capital expenditure	€ million	17	29
Proceeds from disposal of assets/divestitures	€ million	1	-
		30 Jun 2019	31 Dec 2018
Employees		5,967	6,035
Electricity and gas customers	‘000	3,855	4,093
Of which: residential and commercial customers	‘000	3,834	4,071

H1 2019 development

- The main negative impact on earnings came from the price cap on electricity and gas tariffs introduced by the Office of Gas and Electricity Markets in early 2019 and lower customer numbers compared to the previous year
- Moreover, provisions for severance payments also had a negative effect on earnings, along with the announced restructuring programme

Headcount fell mainly as a result of efficiency-enhancement measures and concentration on the core business; an opposite effect stemmed from the reassignment of innogy Business Services UK Limited (434 employees) from the segment Corporate/other to the UK retail segment

Retail – Netherlands/Belgium

Retail NL/BE		H1 2019	H1 2018
External revenue	€ million	1,908	1,956
Adjusted EBITDA	€ million	107	114
Operating depreciation, amortisation and impairment losses	€ million	(30)	(24)
Adjusted EBIT	€ million	77	90
Capital expenditure	€ million	18	42
Proceeds from disposal of assets/divestitures	€ million	1	1
		30 Jun 2019	31 Dec 2018
Employees		2,584	2,531
Electricity and gas customers	'000	4,204	4,191
Of which: residential and commercial customers	'000	4,200	4,186

H1 2019 development

Adjusted EBIT declined primarily as a result of lower consumption per customer compared to the previous year, especially in the gas business due to the warmer weather and a smaller customer base in Q1 2019

Customer portfolio stabilised, in conjunction with higher sales costs amidst persistently difficult market conditions

The moderate increase in headcount resulted from the acquisition of EnergieWerken B.V. Group, which supplies and installs PV systems

Retail – Eastern Europe

Retail Eastern Europe		H1 2019	H1 2018
External revenue	€ million	1,845	1,770
Adjusted EBITDA	€ million	113	154
Operating depreciation, amortisation and impairment losses	€ million	(10)	(9)
Adjusted EBIT	€ million	103	145
Capital expenditure	€ million	27	16
Proceeds from disposal of assets/divestitures	€ million	2	-
		30 Jun 2019	31 Dec 2018
Employees		2,787	2,652
Electricity and gas customers	'000	5,543	5,580
Of which: residential and commercial customers	'000	5,514	5,554

H1 2019 development

- Decline in adjusted EBIT due to regulatory intervention in Poland and Hungary, which results in the higher procurement costs from wholesale price increases being borne by energy utilities

Stable development of the customer portfolio

Corporate/New Businesses – Corporate/other

Corporate/Other		H1 2019	H1 2018
Adjusted EBITDA	€ million	(102)	(104)
Operating depreciation, amortisation and impairment losses	€ million	(43)	(23)
Adjusted EBIT	€ million	(145)	(127)
Capital expenditure	€ million	23	26
Proceeds from disposal of assets/divestitures	€ million	3	9
		30 Jun 2019	31 Dec 2018
Employees		3,528	4,013

H1 2019 development

Adjusted EBIT down year on year due to the timing of costs incurred for projects during the year

Lower headcount mainly due to the reassignment of a Group company (innogy Business Services UK Limited) to the UK retail business (see page 10 half year report 2019)

Corporate/New Businesses – eMobility

eMobility		H1 2019	H1 2018
Adjusted EBITDA	€ million	(20)	(14)
Operating depreciation, amortisation and impairment losses	€ million	(7)	(2)
Adjusted EBIT	€ million	(27)	(16)
Capital expenditure	€ million	11	28
Proceeds from disposal of assets/divestitures	€ million	-	-
		30 Jun 2019	31 Dec 2018
Employees		285	233

H1 2019 development

- Development of eMobility's international business activities and the resulting growth expenditures reduced earnings in H1 2019

  In H1 2019, the customer portfolio increased and the product portfolio in hardware and software was expanded

  Steady increase in headcount reflects our growth ambitions

Corporate/New Businesses – Innovation Hub

Innovation Hub		H1 2019	H1 2018
Adjusted EBITDA	€ million	(22)	(6)
Operating depreciation, amortisation and impairment losses	€ million	-	-
Adjusted EBIT	€ million	(22)	(6)
Capital expenditure	€ million	13	30
Proceeds from disposal of assets/divestitures	€ million	-	-
		30 Jun 2019	31 Dec 2018
Employees		36	38

H1 2019 development

Lower adjusted EBIT owing to weaker portfolio value development and consolidation of the portfolio

Portfolio growth driven by 18 investments in new or existing portfolio companies; around 80 growth initiatives with portfolio companies continued

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Financial calendar 2019 and important links

Financial calendar 2019

12/11/2019	9M 2019 statement

Important links

innogy factbook

innogy investor presentation

H1 2019 report

Financial reports

Bonds

Corporate Governance

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