Unaudited financial report for the six-month period ending 30 June 2018

innogy Finance B.V.

‘s-Hertogenbosch, the Netherlands

Interim directors’ report

Interim directors’ report

Introduction
innogy Finance B.V. acts to facilitate the financing of the innogy Group. The external funding is inter alia carried out via innogy Finance B.V. guaranteed by innogy SE, and the funds are then lent from innogy Finance B.V. to the innogy Group companies. innogy Finance B.V. is a wholly owned (indirect) subsidiary of innogy SE and has no subsidiaries of its own.

Main developments during the first half year
On 31 January 2018 innogy Finance B.V. successfully placed a senior, unsecured bond with a volume of EUR 1,000 million and a maturity of 11.5 year. The bond is guaranteed by innogy SE. Based on a coupon of 1.5% p.a. and an issue price of 98.785% the yield-to-maturity amounts to 1.617% p.a. The funds were on-lent to innogy SE.

innogy Finance B.V. issued two senior bonds on 30 May 2018 with a volume of EUR 500 million each. The first bond with a maturity of 4.5 years until 30 November 2022 has a coupon of 0.75%. The second bond has a coupon of 1.625% and will mature on 30 May 2026. Both bonds are guaranteed by innogy SE and were on-lent to innogy SE.

In March 2018, RWE AG and E.ON SE have announced that they have reached an agreement in principle according to which RWE shall sell its 76.8% stake in innogy SE to E.ON. Amongst others, the announcement further states that the sale will be performed via a wide-ranging exchange of business activities and participations. The impact for innogy Finance B.V. is to be determined yet.

On 14 March 2018 Fitch placed innogy’s ratings on watch negative. The action followed the announcement of the intended transaction between RWE and Eon involving innogy. On the same day Moody’s placed the rating of innogy on watch negative, as well. However, this watch was resolved in May 2018 and the rating stayed at Baa2. The outlook is stable.

All bonds are guaranteed by innogy SE and are listed on the Luxembourg Stock Exchange. Since October 2013 one bond is also listed on the Frankfurt Stock Exchange, which means this bond is listed on two Stock Exchanges.

Risk management and use of financial instruments
The risk appetite of the Company is very limited. This is also embedded in the structure of the Company, in which external financing is applied only for internal financing purposes with very limited risks. Reference is made to the disclosures below on the separate risks. As part of the applicable tax ruling a fixed spread is set on the interest expenses resulting in a higher interest income on the intercompany loans receivable, and furthermore a maximum amount of operational expenses is allowed. Next to that, the Company is required to keep a minimal level of equity. These basic rules result in a continuously healthy financial company.

Both an external and internal legal counsel continuously monitor the compliance to relevant regulations and the internal legal counsel informs the Board of Directors in case of any changes or other relevant information. During the Board meetings, which take place three times a year, an update on compliancy is discussed by the internal legal counsel and documented in the minutes of the meetings.

The Company has designed and implemented control measures in order to mitigate risks. These control measures are both automated and manual. Amongst others the control measures are monitoring, reviewing, 4-eye principles and authorization matrices. To ascertain the existence and correct execution of control measures, different types of control monitoring are executed. Most important example of these is the assessments on the controls performed by innogy SE once a year, and independent audits performed by the external auditor.

Currency risk
The Company's currency exposure mainly relates to positions and future transactions in British Pounds. However, as the bonds issued in foreign currencies have been one-on-one used to finance the loans to group companies in the same currency a natural hedge has been obtained and therefore currency risk is eliminated.

Interest rate risk
The Company's exposure to interest rate risk on interest-bearing receivables and interest-bearing non-current and current liabilities is limited as the bonds and loans issued all have corresponding tenors and fixed interest rates.

Credit risk
The loans to group companies have been granted to the direct parent company innogy International Participations N.V. as well as to innogy Benelux Holding B.V. and innogy SE, all being 100% group companies. Repayment of the bonds is guaranteed by innogy SE.

As of 30 June 2018 innogy possessed credit ratings from 3 main agencies:

- Moody's => long term: Baa2, stable outlook; short-term: P2
- S&P => long-term: BBB, stable outlook; short-term: A2
- Fitch => long-term: BBB+, negative watch (senior unsecured bonds are rated at A-); short-term: F2.

Financial Outlook
innogy Finance B.V. intends to continue its operations as an intragroup finance company of the innogy Group for the foreseeable future.

Responsibility Statement
"The Managing Directors of the Company hereby declare that to the best of their knowledge and in accordance with the applicable reporting principles for the financial reporting, the financial statements for the period ending 30 June 2018 give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and that the Directors' report referred to above gives a true and fair view concerning the position as per the balance sheet date, the development and performance of the business during the financial year of the Company together with a description of the principal risks that it faces.

's-Hertogenbosch, The Netherlands, 18 September 2018

Board of Directors,

S. Weitz V. Heischkamp

J. Stollenga H. Dullens

Interim financial report for the six-month period ending 30 June 2018

Balance sheet

	Ref.	30 June 2018		31 December 2017	
		EUR'000	EUR'000	EUR'000	EUR'000
Assets					
Non-current assets					
Financial assets	5.1		11,171,308		10,165,428
Current assets					
Receivables	5.2	2,373,884		1,401,164	
Cash and cash equivalents	5.3	11,104		10,169	
			2,384,988		1,411,333
			13,556,296		11,576,761
Equity and liabilities					
Shareholder's equity	5.4				
Share capital		2,000		2,000	
Retained earnings		11,809		10,083	
Profit for the financial year		1,178		1,726	
			14,987		13,809
Non-current liabilities	5.5		11,171,308		10,165,428
Current liabilities					
Derivatives	5.7	16		131	
Other Liabilities	5.6	2,369,985		1,397,393	
			2,370,001		1,397,524
			13,556,296		11,576,761

Income statement

	Ref.	Jan - Jun 2018		Jan - Jun 2017	
		EUR'000	EUR'000		
Interest and similar income	6.1	278,647		262,459	
Interest and similar expenses	6.2	(272,357)		(256,667)	
Total financial result			6,290		5,792
General and administrative expenses	6.3		(4,720)		(4,816)
Operating income			1,570		976
Income tax expense	6.4		(392)		(244)
Net result after taxation			1,178		732

Cash flow statement

	Ref.	Jan - Jun 2018	Jan - Dec 2017
Cash flows from operating activities			
Cash generated from operations:			
Interest received		286,196	531,004
Interest paid		(275,540)	(519,325)
Expenses paid		(161)	(289)
Income tax paid		(594)	(514)
Guarantee fee paid		(8,952)	(9,585)
Net cash from operating activities		949	1,291
Cash flows from investment activities			
Cash flows from financing activities			
Issuance of long-term bonds	5.5	2,000,000	1,600,000
Issuance of long-term loans	5.1	(2,000,000)	(1,600,000)
Dividends paid	5.4	-	(1,500)
Net cash used in financing activities		-	(1,500)
Net cash flows		949	(209)
Exchange and translation differences on cash and cash equivalents		(14)	(32)
Net increase/(decrease) in cash and cash equivalents		935	(241)
Cash and cash equivalents			
Opening balance		10,169	10,410
Closing balance		11,104	10,169
Net increase/(decrease) in cash and cash equivalents		935	(241)

Notes to the financial statements

1 General

1.1 Activities

The activities of innogy Finance B.V. are to facilitate the financing of companies within the innogy SE Group.

1.2 Group structure

innogy Finance B.V., incorporated on 14 February 2001, is a private limited liability company. Since July 2016 the direct parent company is innogy International Participations N.V. in 's-Hertogenbosch, the Netherlands. RWE AG remains the ultimate parent company. The financial statements of innogy Finance B.V. are included in the consolidated financial statements of innogy SE, available via www.innogy.com.

innogy Finance B.V. is seated at Willemsplein 4, 's-Hertogenbosch, the Netherlands and registered in the Trade register Brabant no. 34 15 11 16.

1.3 Accounting policies

The financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

1.4 Comparison previous year

The valuation principles and method of determining the result are the same as those used in the previous year.

Until 2017 the deferred parts of the premiums on loans to group companies and the deferred parts of the discounts on bonds were included under the receivables. The deferred parts of the discounts on loans to group companies and the deferred part of the premiums on bonds were included under current liabilities. Starting 2018 both the deferred parts of premiums and discounts on the loans are included under the receivables. The deferred parts of premiums and discounts on bonds will both be included under the current liabilities. The comparative figures of Receivables and Current liabilities per 31 December 2017 have been adjusted in order to reflect the new classification of the deferred balances. The adjustment does not have impact on the equity, net result and cash flow statement of the company.

As a result of this, starting 2018 the amortization of both deferred premiums and discounts on loans is recognized as an income, and the amortization of both deferred premiums and discounts on bonds is recognized as an expense. The comparative figures per 30 June 2017 of Release deferred premiums and discounts in Interest and similar income and Interest and similar expenses respectively have been adjusted to reflect the new classification. The adjustment does not have impact on the equity, net result and cash flow statement of the company.

1.5 Notes to the cash flow statement

The cash flow statement has been prepared applying the direct method. The cash and cash equivalents in the cash flow statement comprise the balance sheet item cash at banks and current liability group companies.

Cash flows in foreign currencies have been translated at estimated average exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Receipts and payments of interest and corporate income tax are included in the cash flow from operating activities. Dividends paid have been included in the cash flow from financing activities.

1.6 Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Netherlands Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statement items in question.

2 Accounting policies for the balance sheet

2.1 General

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred. The balance sheet and income statement include references to the notes. The financial statements are expressed in EUR'000.

2.2 Foreign currencies

Transactions, receivables and payables

Transactions denominated in foreign currencies during the reporting period are recognized in the financial statements at the exchange rate ruling at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date. Exchange differences resulting from settlement and translation are charged or credited to the income statement.

Functional currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates (the functional currency). The financial statements are presented in euro, which is the functional and presentation currency of innogy Finance B.V.

2.3 Financial instruments

Derivatives are initially recognised in the balance sheet at fair value, the subsequent valuation of derivative financial instruments depends on whether or not the instrument is quoted in an open market. If the underlying object of the derivative financial instrument is listed on an open market, it is valued at fair value. If the object is not quoted in an open market, it will be stated at cost or current value, if lower.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If no fair value can be readily and reliably established, fair value is approximated by deriving it from the fair value of components or of a comparable financial instrument, or by approximating fair value using valuation models and valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and/or option pricing models, making allowance for entity-specific inputs.

The Company uses as derivatives Foreign Exchange contracts for hedging its foreign exchange risk. The Foreign Exchange contracts are valued at market value. The contracts were entered into in order to eliminate the risk stemming from exchange rate differences of interest accruals.

2.4 Financial assets

Loans to group companies

Loans to group companies included in financial assets are initially recognized at fair value, and subsequently measured at amortized cost.

Deferred premiums and discounts on loans to group companies are amortized over the term of the loans using the effective interest method. The deferred part of the premiums and discounts is included under receivables.

The interest rate charged on loans to group companies has been set in conformity with the tax ruling obtained from the local tax authorities.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognized in the income statement.

The amount of an impairment loss incurred on financial assets stated at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in the income statement.

2.5 Receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. When a trade receivable is not collectible, it is written off against the allowance account for trade receivables.

2.6 Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and deposits with a maturity of less than twelve months. Current account liabilities at banks are recognized under bank overdrafts forming part of current liabilities. Cash and cash equivalents are stated at face value.

2.7 Non-current liabilities

Bonds included in non-current liabilities are initially recognized at fair value, net of transaction costs incurred. Bonds are subsequently measured at amortized cost.

2.8 Current liabilities

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost, being the amount received taking account of any premium or discount, less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized as interest in the income statement over the period of the borrowings using the effective interest method.
Deferred premiums and discounts on bonds are amortized over the term of the loans using the effective interest method. The deferred part of the premiums and discounts is included under the current liabilities.

2.9 Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised at non-discounted value for temporary differences between the tax bases and the carrying amounts of assets and liabilities and for unused tax losses carried forward. Deferred tax items are calculated using the tax rates that are expected to apply to the period when the asset will be realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the balance sheet date. The effects of changes in income tax rates are recognised directly in profit or loss, unless the effects relate to items recognised directly in equity.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses carried forward, to the extent that it is probable that taxable profit will be available in the foreseeable future against which these deductible temporary differences and unused tax losses carried forward can be realised.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset and they all relate to the same taxable entity and the same taxation authority

3 Accounting policies for the income statement

3.1 General

Results on transactions are recognized in the year in which they are realized; losses are accrued as soon as they are foreseeable.

3.2 Foreign currencies

Exchange differences resulting from settlement and translation are charged or credited to the income statement.

3.3 General and administrative expenses

The guarantee fee that is due by innogy Benelux Holding B.V. and innogy International Participations N.V. is received by the Company as part of their interest payments and accounted for and paid to innogy SE as an operating expense by the Company.

3.4 Interest income and expense

Income from financing activities is determined as interest income received from intercompany financing activities. Interest paid and received is recognized on a time-weighted basis, taking account of the effective interest rate of the assets and liabilities concerned. When recognizing interest paid, allowance is made for the transaction costs on loans received as part of the calculation of effective interest.

3.5 Taxation

Income tax is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date, and applying the appropriate tax rates to the result before tax disclosed in the financial statements, taking into account non-taxable income and non-deductible expenses.

4 Financial instruments and risk management

4.1 Market risk

Currency risk
The Company's currency exposure mainly relates to positions and future transactions in British Pounds. However, as the bonds issued in foreign currencies have been one-on-one used to finance the loans to group companies a natural hedge has been obtained and therefore currency risk is eliminated.

Price risk
The Company's price risk is limited as the bonds issued by the Company have been one-on-one used to finance the loans to group companies. As a result, a natural hedge has been obtained.

4.2 Interest rate risk

The Company's exposure to interest rate risk on interest-bearing receivables and interest-bearing non-current and current liabilities is limited as the bonds and loans issued all have fixed interest rates. The spread on loans amounts to 0.0237% for loans issued before 2008 and 0.0225% for loans issued thereafter till 2012. For 2012 and 2013 the spread was again 0.0237% and for 2014 as well as 2015 0.03%. As from 2016 the spread is 0.0639%.

4.3 Credit risk

The loans to group companies have been granted to the direct parent company innogy International Participations N.V. as well as to innogy Benelux Holding B.V. and innogy SE, all being 100% group companies. Repayment of the bonds is guaranteed by innogy SE.

As of 30 June 2018 innogy possessed credit ratings from 3 main agencies:

- Moody's => long term: Baa2, stable outlook; short-term: P2
- S&P => long-term: BBB, stable outlook; short-term: A2
- Fitch => long-term: BBB+, negative watch (senior unsecured bonds are rated at A-); short-term: F2.

We furthermore refer to paragraph 5.1 of the notes to these financial statements.

4.4 Liquidity risk

The liquidity risk is limited, because the proceeds of the bonds outstanding are one-on-one lent to innogy International Participations N.V., innogy Benelux Holding B.V. and innogy SE.
The interest rates on the loans to innogy International Participations N.V., innogy Benelux Holding B.V. and innogy SE are higher than the interest rates on the related bonds.

5 Notes to the balance sheet

5.1 Financial assets

Financial assets concern loans to group companies and are specified as follows:

	2018	2017
Balance as at 1 January		
Book value	10,165,428	9,705,556
Movements financial year		
New loans issued	2,000,000	1,600,000
Exchange rate differences	5,880	(160,128)
Short-term part of loans transferred to receivables	(1,000,000)	(980,000)
	1,005,880	459,872
Balance as at 30 June/ 31 December		
Book value	11,171,308	10,165,428

The loans are to be repaid in the period between 2018 and 2039. An amount of EUR 2,250 million and GBP 1,070 million is to be repaid between 1 July 2019 and 30 June 2023.
On 31 January 2018 a new loan was given with a volume of EUR 1,000 million. The interest rate is 1.5639% p.a. and the maturity date 31 July 2029.
innogy Finance B.V. gave also two other loans on 31 May 2018. One loan of EUR 500 million has a maturity of 4.5 years till 30 November 2022 and an interest rate of 0.8139%. The second loan also with a volume of EUR 500 million has an interest rate of 1.6889% and will mature on 30 May 2026. The funds were lent to innogy SE.

Currency

The loan to the direct parent company innogy International Participations N.V. is contracted in GBP for a nominal amount of GBP 600 million (EUR 677.2 million). Furthermore four loans for a total amount of EUR 2,550 million have been lent on to innogy Benelux Holding B.V., a 100% group company. With the three new loans issued, a total of eight loans for a total amount of EUR 6,180 million have been lent to innogy SE. Next to this, eight loans contracted in GBP for a total amount of GBP 3,317.5 million (EUR 3,744.1 million) have been lent on to innogy SE, also a 100% group company.

Interest

The interest rates are fixed, ranging from:

Loan	Amount	Interest rate
EUR	8,980,000,000	0.8139% - 6.6475%
GBP	3,917,500,000	5.3737% - 6.5237%

5.2 Receivables

	30 June 2018		31 December 2017	
	Total	**Term > 1 year**	**Total**	**Term > 1 year**
	EUR'000	EUR'000	EUR'000	EUR'000
Short-term part of group loans	1,980,000	-	980,000	-
Interest receivable from group companies	324,871	-	332,584	-
Deferred premiums and discounts	69,013	68,142	88,541	88,438
Current income tax receivable	-	-	39	-
	2,373,884	68,142	1,401,164	88,438

The fair value of the receivables is in line with their carrying amount.

5.3 Cash and cash equivalents

The cash and cash equivalents are at the free disposal of the Company.

	30 June 2018	31 December 2017
	EUR'000	EUR'000
Current account group companies	11,094	10,160
Cash	10	9
Total cash and cash equivalents	11,104	10,169

The fair value of the cash and cash equivalents is in line with their carrying amount.

5.4 Shareholder's equity

Share capital

The authorized share capital as of 30 June 2018 amounts to EUR 10 million of which 20,000 ordinary shares of EUR 100 each have been issued and fully paid up. The breakdown of the share capital can be specified as follows:

	2018		2017	
	Shares	**Share capital**	**Shares**	**Share capital**
		EUR'000		
Balance as at 1 January				
Issued and fully paid-up	20,000	2,000	20,000	2,000
Movements financial year				
Additionally paid-in capital	-	-	-	-
Balance as at 30 June/ 31 December				
Issued and fully paid-up	20,000	2,000	20,000	2,000

Retained earnings

	2018	2017
	EUR'000	EUR'000
Balance as at 1 January	10,083	10,060
Additions from profit previous year	1,726	1,523
Dividends	-	(1,500)
Balance as at 30 June/ 31 December	11,809	10,083

Profit for the year

	2018	2017
	EUR'000	EUR'000
Balance as at 1 January	-	-
Profit for the financial year	1,178	1,726
Balance as at 30 June/ 31 December	1,178	1,726

5.5 Non-current liabilities

This item relates to the issued bonds and is specified as follows:

	2018	2017
	EUR'000	EUR'000
Balance as at 1 January		
Book value	10,165,428	9,705,556
Movements financial year		
New bonds issued	2,000,000	1,600,000
Exchange rate differences	5,880	(160,128)
Short-term part of bonds transferred to current liabilities	(1,000,000)	(980,000)
	1,005,880	459,872
Balance as at 30 June/ 31 December		
Book value	11,171,308	10,165,428

The bonds are to be repaid in the period between 2018 and 2039. An amount of EUR 2,250 million and GBP 1,070 million is to be repaid between 1 July 2019 and 30 June 2023.

During the period under review three new bonds were issued (EUR 2,000 million). The first bond issued on 31 January 2018 has a coupon of 1.500% p.a. and the maturity date 31 July 2029. Two other bonds launched on 31 May 2018 have a total volume of EUR 1,000 million (500 million each). One bond has a maturity of 4.5 years until 30 November 2022 and a coupon of 0.750%. Another bond has a coupon of 1.625% and will mature on 30 May 2026.

Currency

The nominal amount of the bonds consists of twelve bonds contracted in EUR amounting to EUR 8,730 million and nine bonds contracted in GBP to a total amount of GBP 3,917.5 million (EUR 4,421.3 million). The bonds are listed at the Luxembourg Stock Exchange and one of these bonds also at the Frankfurt Stock Exchange since October 2013.

Interest

The interest rates are fixed, ranging from:

Bond	**Amount**	**Interest rate**
EUR	8,980,000,000	0.750% - 6.625%
GBP	3,917,500,000	4.750% - 6.500%

5.6 Current liabilities

	30 June 2018		**31 December 2017**	
	Total	**Term > 1 year**		
	EUR'000	EUR'000		
Short-term part of bonds	1,980,000	-	980,000	-
Interest payable	318,914	-	322,203	-
Guarantee Fee (innogy SE)	3,797	-	8,180	-
Corporate income tax	367	-	608	-
Accrued liabilities	15	-	17	-
Accounts payable	-	-	10	-
Deferred tax liability	150	-	163	-
Deferred premiums and discounts	66,742	65,871	86,212	86,109
	2,369,985	65,871	1,397,393	86,109

The fair value of the liabilities is in line with their carrying amount.

innogy Finance B.V. is part of the fiscal unity Innogy International Participations N.V. as of 1 January 2015. The current tax expense is settled with the fiscal unity parent within one year.

Deferred tax liability

	2018
	EUR'000
At 1 January 2018	163
Movements	(13)
At 30 June 2018	150

During the coming year EUR 26,678 will be amortized to the income statement.

The deferred tax liability is caused by a penalty payment in 2007 for early termination of a loan. For tax purposes the payment is spread over the original duration of the loan which originally ended in 2030.

5.7 Financial instruments

Financial instruments valued at cost

The table below shows financial instruments whose market value differs from cost.

	30 June 2018		31 December 2017	
	Market value	**Book value**	**Market value**	**Book value**
	EUR'000	EUR'000	EUR'000	EUR'000
Financial assets				
Loans to group companies	15,137,345	13,151,308	13,378,041	11,145,428
Financial liabilities				
Bonds issued	14,870,798	13,151,308	13,295,166	11,145,428

The market value of bonds and loans is determined through different valuation methods. The market value of bonds is determined based on market quotes, whereas the market value of loans is based on a discounted cash flow model. As a result of the different valuation methods the market values are different.

The market value of loans to group companies and bonds issued is higher than the book value because they carry interest at a rate that is higher than the market rate.

The derivatives comprise the fair value of financial contracts with innogy SE to cover the risk of foreign exchange rates related to interest balances in GBP and the guarantee fee payable in GBP.

6 Notes to the income statement

6.1 Interest and similar income

	Jan - Jun 2018	Jan - Jun 2017
	EUR'000	EUR'000
Interest income on loans group companies	278,483	263,620
Release deferred premiums and discounts	45	(1,178)
Interest on deposit/bank	-	-
Income derivatives	119	17
	278,647	262,459

6.2 Interest and similar expenses

	Jan - Jun 2018	Jan - Jun 2017
	EUR'000	EUR'000
Interest expenses on bonds issued	272,251	257,733
Release deferred premiums and discounts	103	(1,123)
Interest on deposit/bank	-	-
Expenses derivatives	3	57
	272,357	256,667

6.3 General and administrative expenses

	Jan - Jun 2018	Jan - Jun 2017
	EUR'000	EUR'000
Guarantee Fee	4,570	4,615
Audit fees	54	40
Management and administrative expenses	90	160
Other	6	1
	4,720	4,816

In 2017 and 2018 the remuneration of the Board of Directors was nil.

PricewaterhouseCoopers Accountants N.V. is the auditor of the financial statements of the Company. The composition of the fees paid to the auditor is as follows:

	Jan - Jun 2018	Jan - Jun 2017
	EUR'000	EUR'000
Audit of the Financial Statements	21	13
Other assurance services	33	27
Total audit fees	54	40

The fees for audit of the financial statements relate to the audit of the 2018 financial statements, regardless of whether the work was performed during the financial year.

6.4 Income tax expense

	Jan - Jun 2018	Jan - Jun 2017
	EUR'000	EUR'000
Current tax:		
Current income tax	405	260
Deferred tax:		
Net movement in deferred taxes	(13)	(16)
Income tax expense	392	244
Income before tax	1,570	976
Effective tax rate	24.9%	25.0%

The statutory tax rate is 25% for the year 2018 (2017: 25%).

7 Supplementary information

7.1 Employees

innogy Finance B.V. had no employees in 2017 and 2018.

7.2 Commitments and contingencies

Fiscal Unity

innogy Finance B.V. is part of the fiscal unity innogy International Participations N.V. with effective date 1 January 2015. The company and its fellow group members are jointly and severally liable for all tax liabilities within the fiscal unity.

Revolving credit facility

To strengthen its financing capacity innogy SE signed its own EUR 2 billion Revolving Credit Facility (RCF) in October 2017. Within the RCF innogy Finance B.V. acts as Permitted Additional Borrower.

7.3 Subsequent events

On 11 July 2018 innogy Finance B.V. successfully tapped its Euro senior, unsecured bond maturing on 30 November 2022. The volume of the transaction was EUR 250 million. Based on the original coupon of 0.75% p.a. and an issue price of 100.759% the yield-to-maturity amounts to 0.564% p.a. The fund was lent to innogy SE.

On 31 August 2018 Fitch resolved watch negative on innogy's ratings and confirmed all of them. The outlook is stable.

's-Hertogenbosch, The Netherlands, 18 September 2018

Board of directors,

S. Weitz V. Heischkamp

J. Stollenga H. Dullens

Other information

Other information

Articles of association governing profit appropriation
According to article 27 of the Articles of Association the profit for the year is at the free disposal of the General Meeting of Shareholders.