



Half-year Financial Report 2020

EWE

Introduction

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 financial report for fiscal year 2019. 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). We operate energy grids, are active in 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 2020, the EWE Group had an average of 9,107 employees (31 December 2019: 8,831 employees). In accordance with International Financial Reporting Standards (IFRS), we presented our business activities in Turkey as "discontinued operations" until their sale in the first half of 2019.

Description of business activities

Renewable Energies segment

In the Renewable Energies segment, we plan, build and operate wind farms to generate renewable power, often under investment and partner models. We market our expertise in the construction and operation of offshore wind farms internationally. Generation capacities (including our share in capacities from investments accounted for using the equity method) amount to 507.0 megawatts (situation at 31 December 2019).

Infrastructure segment

In the Grids business area, we operate 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 140.0 thousand kilometers (situation at 31 December 2019).

Thanks to very low susceptibility to failure, our distribution grids are some of the safest in Europe. Compared with power outages of an average of 14 minutes per customer in Germany (situation at 31 December 2018), outages at EWE NETZ GmbH, Oldenburg, averaged just 4 minutes and were improved to some 3 minutes in 2019. We also operate a wide telecommunications network of 51.9 thousand kilometers (situation at 31 December 2019). 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 2020, the total volume of waste water purified was 8.6 million cubic meters (first half-year 2019: 8.0 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 38 underground chambers (situation at 31 December 2019) 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 2019), we are one of the largest operators of gas storage chambers in the German-European natural gas market.

Market segment

The Energy and Telecommunications business area combines the sale of energy and telecommunications products. The focus of telecommunications sales lies primarily in northwestern Germany, parts of Brandenburg, on the island of Rügen and the region of East Westphalia-Lippe. We support commercial customers nationwide. Through the establishment of new business activities, such as power storage, contracting solutions 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 Trading business area encompasses a variety of services related to procurement and sales of power and gas. Furthermore, the Trading business area optimizes the entire energy portfolio of the EWE Group and offers its customers and partners a broad range of portfolio and balancing group management services. The Trading business area also supports operators of wind and solar farms nationwide in directly marketing their electricity. Moreover, the Trading business area serves to provide market access to our Group's sales and generation activities.

swb segment

This segment essentially 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 continuously shrinking “Conventional Generation and Disposal” business unit which is contained exclusively within the swb segment.

Other segment

The IT 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.

In a cross-segment approach, we are also working on numerous innovations currently at varying degrees of maturity to develop a portfolio of new business models with a sharp digital focus and are penetrating new target groups and markets with additional offerings. These activities pertain to areas such as mobility, distributed generation and storage, and highly data-driven business models in the platform economy. They are rounded off with investments in start-ups, from which both sides derive mutual strength thanks to close cooperation.

In addition, our international activities in Poland, that is the distribution and sale of natural gas, are a key component of our business activities in the Other 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

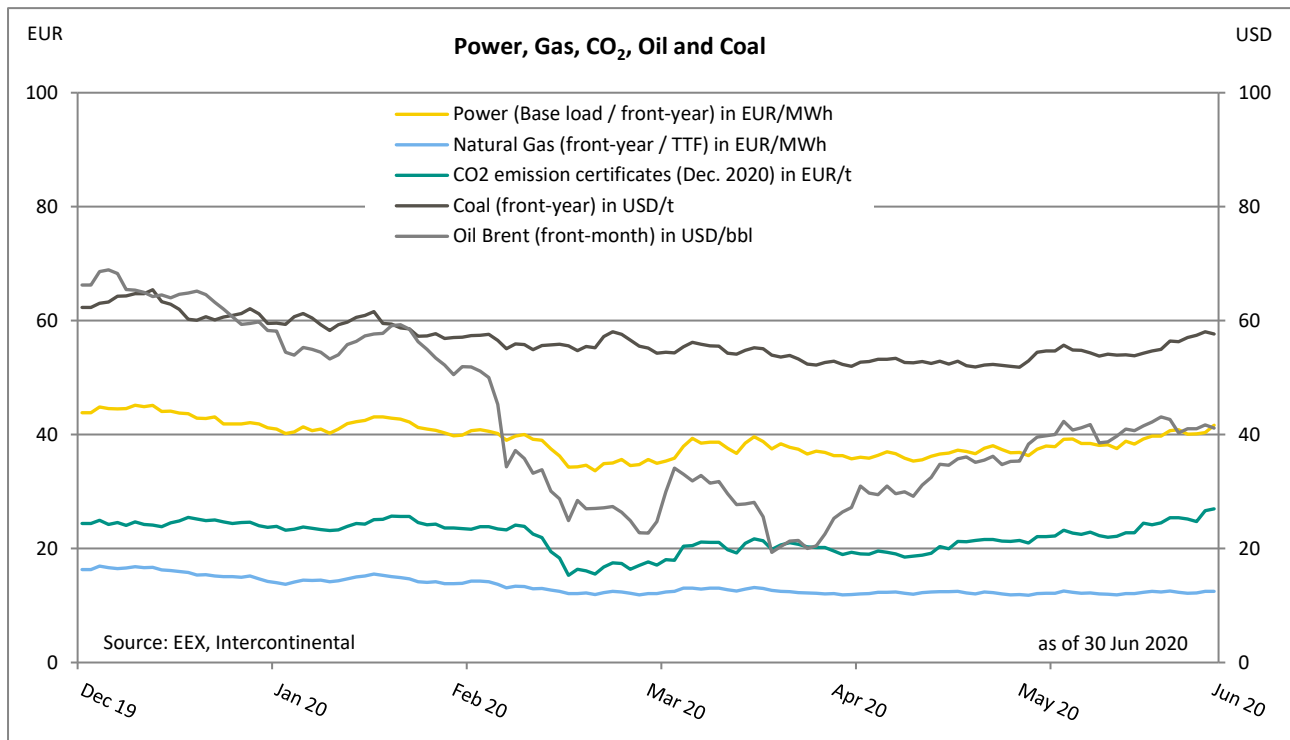
EWE’s business development is shaped much more strongly by developments in the energy and telecommunications sectors than by general global economic developments. As such, the section below will also focus on the energy and telecommunications markets.

Energy market and prices

International commodity prices, particularly of oil, gas and coal, as well as the prices of CO₂ certificates are the predominant factors that affect price trends on the power and gas markets. This year, the “COVID-19 crisis” has caused disruption, with prices dropping to varying degrees in all relevant commodity markets in the spring. Global lockdowns and the ensuing uncertainty resulted in significant decreases in demand. In the meantime, prices have mostly recovered to their pre-March 2020 levels.

The crude oil market is a leading indicator. The price of the front-month contract for North Sea Brent crude started at 66.25 USD/bbl on a settlement basis in 2020. A short time later on 6 January 2020, the contract reached its annual high of 68.91 USD/bbl, followed by a decline in the price to an annual low of 19.33 USD/bbl at the end of April. After this, the price recovered slightly to close the half-year at 41.15 USD/bbl on 30 June 2020.

The front-year contract for power (base load) in Germany (Base Cal 21) started on the European Energy Exchange (EEX) at 43.85 EUR/MWh on a settlement basis. It reached its highest settlement price of 45.15 EUR/MWh at the beginning of January, with the lowest price of 33.65 EUR/MWh recorded on 23 March 2020. By 30 June 2020, the contract recovered to its pre-COVID-19 level, closing the half-year at 41.64 EUR/MWh on 30 June 2020.



The TTF front-year contract for gas showed a similar development in the first quarter. After starting at 16.31 EUR/MWh, the annual high of 16.92 EUR/MWh was reached in early January. Full gas storage facilities, sufficient LNG supplies and the COVID-19 lockdowns caused a downward trend until the end of March. In early / mid-April, the price recovered to 13.14 EUR/MWh. However, this recovery did not prove to be permanent and the contract dropped back to some 12.50 EUR/MWh. At 11.80 EUR/MWh, a new annual low was reached in early June and the contract closed the first half-year 2020 at 12.50 EUR/MWh.

The front-year contract for steam coal (API2 Cal 21) started 2020 at 62.30 USD/t and rose briefly to as much as 65.42 USD/t. This was followed by a steady downward trend until the end of May, resulting in the lowest price for the half-year of 51.82 USD/t. The contract then recovered significantly, reaching 57.68 USD/t at the end of the half-year.

The market for CO₂ emission certificates fluctuated strongly during the entire first half of 2020. After starting at 24.93 EUR/t, the price moved between 23.00 and 26.00 EUR/t until the beginning of March. Due to COVID-19, the price then dropped steeply to its currently lowest

annual price of 15.30 EUR/t. At the beginning of April, there was a first quick recovery and since May, there has been a clear upward trend, culminating in a new high for the half-year of 26.97 EUR/t on 30 June 2020.

According to the current calculations of the Working Group on Energy Balances [“Arbeitsgemeinschaft Energiebilanzen”: AGEB] for the first half-year, energy consumption in Germany is expected to decrease by some 7 per cent and, under unfavorable conditions, by as much as 12 per cent in 2020. Provided that there is a fast and smooth recovery from the COVID-19 pandemic, the AGEB forecasts a single-digit percentage decrease in consumption for the full year. By contrast, a new lockdown could result in a double-digit drop year on year.

At the end of the first six months, total energy consumption came to 203.5 million tons of coal equivalent (TCE), down 8.8 per cent on the previous year. This decrease in consumption is mainly attributable to the macroeconomic effects of the COVID-19 pandemic. In this respect, the drop in energy consumption was noticeably higher than the 6.6 per cent decrease in aggregate output. In addition, the weather was mild compared with the previous year and this also curbed consumption slightly.

The decrease in consumption affected all fossil fuels, though coal was hardest hit, accounting for almost two thirds of the drop of 19.6 million TCE. As a result, the AGEB forecasts that energy-related CO₂ emissions will decrease steeply by some 13 per cent in the first half of 2020 compared with 2019. For the full year, the AGEB anticipates a reduction in energy-related CO₂ emissions of between 10 and 17 per cent.

Due to the milder weather and the reduced use of natural gas in a number of industries, natural gas consumption was down by a total of 4.6 per cent in the first two months. Sales volumes to power plants, on the other hand, saw an increase.

Consumption of hard coal dropped by 24.6 per cent in the first half of 2020. Hard coal use in power plants to generate electricity and heat even fell by just under 30 per cent. This development is mainly attributable to the significantly higher feed-in of electricity from wind farms and photovoltaics and increased use of natural gas for power generation. As a result of the overall economic development, the amount of coal and coke used by the steel industry decreased by some 19 per cent.

Lignite consumption fell by 35.5 per cent in the first six months of 2020. This sharp decline is chiefly due to the following three factors: the strong increase in electricity from renewable energy sources, the transfer of further lignite-fired units to standby mode for back-up purposes and – in particular in the second quarter – the impact of the COVID-19 pandemic on the national and European electricity market.

By contrast, renewable energies grew their share of overall energy consumption by 3.0 per cent in the first half of 2020. Due to favorable weather conditions, wind and solar energy saw an increase by some 10 per cent each, while biomass was down by roughly 1 per cent and hydroelectric power stations were up by roughly 1 per cent.

Telecommunications market

The first six months of fiscal year 2020 continued to be shaped by the relentlessly tough competition in the telecommunications market for products and the expansion of fiber-to-the-home (FTTH) networks, causing average proceeds for landline and internet products to fall further. In contrast to other industries, the COVID-19 pandemic had a rather positive impact on the telecommunications market. For the telecommunications market, the COVID-19 pandemic and resulting shift toward mobile working entailed growing demand for higher bandwidths in the private customer segment and thus increases in revenue. Business customers also increased their bandwidths significantly and created additional connections, which also generated higher revenue for the segment. In the area of interconnection, the greater number of telephone calls also improved results.

With an increase of 0.9 per cent to 68.8 billion euros, slight growth is forecast for the telecommunications market as a whole. This applies to all segments (end devices, infrastructure and services), with the rising demand for broadband a key factor. (source: bitkom, January 2020).

Political and regulatory environment

Europe

Subsidizing broadband expansion

The federal government has been negotiating its new program for broadband expansion subsidies with the EU Commission. The federal government believes that extensive subsidies should also be made available for regions with already well developed broadband access (gray spots of broadband access services). Companies investing in fiber-optic networks are concerned that there will be an avalanche of funding procedures and that subsidies will be misdirected to well developed regions. State aid that is granted without regard to any kind of threshold could result in higher prices for civil engineering work. This would curtail commercially viable and cost-covering expansion, leading to a situation in which providing broadband access in certain areas would no longer be economically viable, although it would be at present. In addition, there is the risk of state-sponsored overbuilding in regions where supply currently meets demand – also thanks to EWE – while regions with poor access could remain undersupplied in the long run.

Germany

The coalition committee's stimulus package

On 3 June 2020, the coalition committee resolved to implement a stimulus package to fight the impact of COVID-19, safeguard prosperity and strengthen future viability. The package is worth approximately 130 billion euros and includes measures to cushion the impact of the crisis and shore up the economy as well as to strengthen Germany's role in the areas of digitalization and climate technology. A key issues paper lists 57 measures, including numerous arrangements initially designed to be effective in the short term but that are also of strategic importance for the German economy. In the short term, tax relief (VAT reduction or amended vehicle tax for electric cars) is to help economic recovery and boost electric car sales. Medium to long-term goals include promoting the expansion of renewable energies, greater building efficiency and implementation of the National Hydrogen Strategy. On the whole, EWE welcomes the stimulus package, which could give positive impetus to areas of relevance for EWE such as electromobility, hydrogen, etc. The individual measures of the stimulus package are to be implemented gradually and this process has already started.

Slight increase in the EEG surcharge in 2020

In accordance with the Renewable Energy Act ["Erneuerbare-Energien-Gesetz": EEG], the EEG surcharge has amounted to 6.756 cents per kilowatt hour since 1 January 2020. The surcharge is part of the electricity price and is passed on to consumers. It was increased slightly year on year.

Smart metering becomes mandatory

Since January 2020, the installation of a smart metering system or smart meter has been mandatory for private households. This was already stipulated in the Act on the Digitalization of the Energy Transition ["Gesetz zur Digitalisierung der Energiewende"] passed in 2016. The installation requirement mainly applies to households with an annual electricity consumption of between 6,000 and 10,000 kilowatt hours. From 2032, smart meter installation will be mandatory for all electricity customers.

Night-time identification of wind turbines

Within the scope of the Omnibus Energy Act ["Energiesammelgesetz": EnSaG], an amendment to the EEG was resolved in 2018 under which wind turbines must be equipped with a system for the night-time identification of aviation obstacles. In October 2019, the Federal Network

Agency ["Bundesnetzagentur": BNetzA] extended the implementation deadline to June 2021. The revised General Administrative Regulation for the Identification of Aviation Obstacles ["Allgemeine Verwaltungsvorschrift zur Kennzeichnung von Luftfahrthindernisse": AVV] governing technical implementation became effective on 24 April 2020. It affects facilities operated by EWE ERNEUERBARE ENERGIEN GmbH, Oldenburg, and its subsidiaries as well as EWE Offshore Service & Solutions GmbH, Oldenburg.

Renewable Energy Act mini-amendment

In the past, citizen-owned energy cooperatives enjoyed simplified requirements for participating in tenders. The privilege of participating in tenders in accordance with the EEG 2017 before having received the required immission control permit has been abolished by the EEG mini-amendment. In addition, realization periods and contractual penalty deadlines for renewable energy facilities for which tenders have already been awarded have been extended by six months. The new rules became effective on 29 May 2020.

Planning Safeguarding Act

The Act on Safeguarding Proper Planning and Approval Procedures During the COVID-19 Pandemic or Planning Safeguarding Act ["Gesetz zur Sicherstellung ordnungsgemäßer Planungs- und Genehmigungsverfahren während der COVID-19-Pandemie"; "Planungssicherstellungsgesetz": PlanSiG] ensures that planning and approval procedures and special decision-making processes with public participation can take place despite the social distancing rules in place during the COVID-19 pandemic. The law allows procedural steps in planning and approval procedures that ordinarily require the physical presence of the parties involved – sometimes in large numbers – in order for them to exercise their participation rights to be replaced by appropriate digital alternatives. These rules are provisionally valid for a limited period until 31 March 2021. They may apply to the wind farms planned by EWE ERNEUERBARE ENERGIEN GmbH, Oldenburg. The law became effective on 29 May 2020

Act to Implement the Climate Action Program 2030 in Tax Law

The Act to Implement the Climate Action Program 2030 in Tax Law ["Gesetz zur Umsetzung des Klimaschutzprogramms im Steuerrecht"] contains tax relief for home owners who refurbish their buildings to make them more energy efficient. This also affects services provided by EWE VERTRIEB GmbH, Oldenburg. Under this law, energy-related refurbishing of owner-occupied buildings will be sub-

sized for a period of 10 years from 2020 by allowing deduction of a percentage of the expenses from the owner's tax liability. The law became effective on 1 January 2020.

Act to Mitigate the Consequences of the COVID-19 Pandemic Under Civil, Insolvency and Criminal Procedure Law

This umbrella law to mitigate the effects of the COVID-19 pandemic allows for temporary changes in both private and commercial law. It includes the COVID-19 Insolvency Suspension Act that makes it possible to continue companies as a going concern which have fallen on hard times due to the COVID-19 pandemic and would otherwise have to file for insolvency. Initially, the suspension of insolvency proceedings will be effective until September 2020. The law also includes a payment moratorium granting customers a payment extension if their outstanding payments are directly related to the COVID-19 outbreak. This moratorium is valid for a limited period until June 2020. The law became effective on 27 March 2020. It also applies to the EWE Group and its customers. Limited use had been made of the law prior to the reporting date.

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 currently underway in the EWE supply area. This will assure supply security in the market regions that up until now have been supplied with low-calorific gas. In Bremen, the market transition commenced in 2017 and will be completed in 2021; in the EWE service area it began in 2018 and is expected to be completed in 2027. The COVID-19 pandemic and resulting restrictions have caused slight delays in the transition of the distribution grid. However, we do not believe at present that this will impact the target year 2027. Following several earthquakes in the Groningen province, the Dutch government and the Dutch parliament decided to discontinue natural gas production in Groningen from fall 2022. The Netherlands have resolved various measures to uphold supply, including for Germany, in order to compensate for the reduction in Groningen low calorific gas production and meet their supply commitments. The EWE Group is supporting these efforts through the construction of a blending facility for low and high-calorific gas in Bunde-West, Germany, near the border to the Netherlands.

National Hydrogen Strategy

On 10 June 2020, the Federal Cabinet passed the National Hydrogen Strategy to provide a coherent framework for the future generation, transport and use of hydrogen, encouraging the relevant innovations and investment. The strategy sets out the steps that are needed to meet Germany's climate targets and create new value chains. The targets include establishing hydrogen technologies as core elements of the energy transition to decarbonize production processes with the help of renewable energies and create the regulatory conditions for the market rollout of hydrogen technologies. EWE believes that the topic of hydrogen and the huge political ambitions associated with it bear additional potential for added value. This belief is reflected in its consistent implementation of the strategy in the mass storage and hydrogen business area. In addition, the increasing implementation of a hydrogen economy will have a considerable impact on the organization of the gas market.

Termination rates in the landline business

The termination rates charged between telecommunications providers for the landline business have been retroactively set by the BNetzA for the period from 2019 and this decision is now final. The risk of backpayments therefore no longer exists.

Service provider obligation

In the legal dispute over the service provider obligation regarding mobile coverage, EWE TEL GmbH, Oldenburg, has reached the court of appeal. EWE took legal action against the BNetzA's decision to no longer oblige mobile network operators to allow competitors such as EWE TEL to resell mobile services when allocating radio frequencies for mobile communication. The Cologne Administrative Court ["Verwaltungsgericht Köln"] rejected the legal action filed by EWE and other companies. EWE TEL's complaint against denial of leave to appeal was successful and, as a result, the Federal Administrative Court ["Bundesverwaltungsgericht"] will rule on the service provider obligation. The BNetzA had no longer set out an obligation as – in a surprise decision standing in contrast to its previous legal interpretation – it no longer saw a clear legal basis for doing so. The legal basis is presented in more detail in the current draft of a new Telecommunications Act. In a new ruling, the court may have take this new legislation into consideration.

Charges for the subscriber's line

The monthly charges for the provision of the subscriber's line, which EWE TEL has to pay to Deutsche Telekom AG, Bonn, were reversed in a final ruling for the period from 2016 to 2019. The legal actions filed by EWE and other companies were thus successful. As a result, there is no longer a risk that summary proceedings initiated by Telekom to retroactively raise the charges will increase the charges for EWE TEL. However, the BNetzA has started a new decision process whose outcome cannot be predicted at present.

Default metering point operator

EWE NETZ GmbH, Oldenburg, registered as a default metering point operator ["grundzuständiger Messstellenbetreiber": gMSB] pursuant to the Metering Point Operation Act ["Messstellenbetriebsgesetz": MsbG] in its own service area as of 30 June 2017. In its function as gMSB, EWE NETZ must replace all conventional electricity meters with modern metering equipment and smart metering systems by 2032. Some 200,000 customers with an annual consumption of over 6,000 kWh of electricity and generation facilities with more than 7 kW of installed capacity will be provided with a smart metering system in the future. The installation of the systems has been delayed because certified smart meter gateways (SMGW) have only been available since 24 February 2020.

If the annual consumption or installed capacity is below the above values, EWE NETZ will replace the conventional meter with modern metering equipment (MME). This will affect approximately one million meters in the service area until 2032. EWE NETZ is cooperating with wesernetz in the rollout of the MME. Under a business process outsourcing (BPO) arrangement, EWE NETZ will provide the complete process service including installation and operation for wesernetz. The planned investment volume amounts to approximately 7 million euros in 2020, which is above the volume of investments made in 2019.

Complaint filed against the returns on equity and sectoral productivity factors stipulated by the BNetzA

In 2016, the BNetzA published the returns on equity for power grid and gas network operators stipulated for the third regulatory period. Like numerous other network operators, the EWE Group also filed a complaint against this decision with the Düsseldorf Higher Regional Court ["Oberlandesgericht": OLG]. In its decision of 22 March 2018, the Düsseldorf OLG revoked the BNetzA's decision and ordered the authority to set new returns on equity. The BNetzA filed

a complaint with the German Federal Court of Justice ["Bundesgerichtshof": BGH] in Karlsruhe against this decision by the Düsseldorf OLG. At the beginning of July 2019, the BGH accepted the complaint by the BNetzA and thus confirmed the returns on equity stipulated for power grid and gas network operators.

In new model case proceedings, the BGH again ruled on the returns on equity stipulated for power grid and gas network operators in March 2020, confirming its previous legal interpretation. EWE NETZ's related lawsuit is pending before the Düsseldorf OLG and, therefore, the original determination of the returns on equity remains valid for the time being.

After several preliminary announcements, the BNetzA set a final efficiency value of 94.66 per cent for EWE NETZ by notifying the company of its determination of the final revenue caps for gas for the third regulatory period in January 2020. As EWE NETZ believes that the efficiency values were not determined correctly, it filed a complaint with the Düsseldorf OLG in February 2020.

In addition, EWE NETZ and EWE NETZ RVN GmbH, Oldenburg, are engaged in complaint proceedings against the BNetzA's decisions on the cost of capital surcharge for gas and electricity (EWE NETZ only). In 2019, the Düsseldorf OLG ruled out any entitlement to inclusion of the cost of capital for the years 2016 and 2017. The BGH followed the Düsseldorf OLG's interpretation.

Moreover, based on differing legal interpretations regarding the determination of the cost of capital deduction, EWE NETZ is engaged in complaint proceedings against the BNetzA's decision on the final revenue caps for electricity for the third regulatory period.

Regional level

Supplementary budget for Lower Saxony

On 25 March 2020, the Lower Saxony state parliament adopted the first supplementary budget for 2020 covering a volume of 1.4 billion euros to counteract the effects of the COVID-19 pandemic in Lower Saxony. The funds will be used to provide immediate financial assistance and compensation to support the economy. On 23 June 2020, the cabinet approved the draft of the second supplementary budget.

Current situation in the EWE Group

Effects of the COVID-19 pandemic

Despite the COVID-19 pandemic, EWE was able to continue its business activities on a stable basis in the first half of 2020, while taking all the measures required to contain the crisis. Nevertheless, the crisis had a negative effect on sales and grid transmission volumes (primarily for electricity) and put a damper on volume sales in the Sales business area. As long as the crisis does not worsen, a gradual albeit slow recovery is expected for the second half of the year. Effects on the economy as a whole are also expected for 2021. Opportunities may arise as a result of the crisis, especially in the areas of gas storage, telecommunications, mobility and digitalization.

Financial performance

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

in millions of euros	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019
Operating EBIT from continuing operations	281.9	271.8
Derivatives	-33.6	-49.3
Fair value measurement of other financial instruments	-4.4	22.1
Reversals of impairments	3.7	
Impairments	-3.7	-7.8
Restructuring	-0.1	1.1
Transaction costs / treasury shares	0.3	
EBIT from continuing operations	244.1	237.9
Net interest income / expense	-40.8	-55.4
Income taxes	-67.4	-41.7
Profit / loss from continuing operations	135.9	140.8
Profit / loss from discontinued operations		-25.7
Profit / loss for the period	135.9	115.1

The ability of the EWE Group's normal business operations to generate earnings over the long-term is of particular importance to both internal governance as well as the external communication of the current and future development of the Group's earnings. Operating EBIT is an adjusted earnings figure which is used to track and manage financial performance. To calculate operating EBIT, EBIT is adjusted for special effects such as those resulting from the measurement of financial instruments, impairments and reversals and effects resulting from changes in the basis of consolidation as well as those resulting from restructuring measures and from irregularly recurring matters affecting comparability.

Significant changes to the consolidated income statement

In the first half of 2020, the EWE Group generated revenue (excluding electricity and energy taxes) of 2,833.4 million euros (first half-year 2019: 2,949.2 million euros). This is a decrease by 115.8 million euros (down 3.9 per cent) compared with the first half-year 2019. Cost of materials of 1,865.3 million euros (first half-year 2019: 2,010.5 million euros) decreased at a higher rate (down 7.2 per cent and, as a result, the ratio of cost of materials to revenue improved from 68.2 per cent to 65.8 per cent.

Compared with the first half-year 2019, personnel expenses increased by 7.6 per cent to 397.4 million euros, due to collective bargaining arrangements and the development of headcount.

The balance of other operating income and other operating expenses (including changes in finished goods and work in progress and own work capitalized) totaled -100.2 million euros (first half-year 2019: -133.9 million euros). The change compared with the first half of 2019 is partly attributable to a decrease in consulting fees.

Other profit/loss from equity investments decreased by 29.2 million euros to 1.3 million euros as of 30 June 2020 due to lower income from equity investments and negative effects from the fair value measurement of companies.

Segment performance

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

in millions of euros	External revenue			Operating EBIT		
	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019	Change in %	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019	Change in %
Renewable Energies segment	76.8	68.1	12.8	48.9	35.3	38.5
Infrastructure segment	342.2	333.7	2.5	171.1	168.7	1.4
Market segment	1,768.1	1,882.2	-6.1	66.5	65.8	1.1
swb segment	555.7	572.3	-2.9	18.4	41.9	-56.1
Other segment	88.4	91.8	-3.7	2.1	7.4	-71.6
Group Central Division	2.2	1.1	100.0	-25.1	-47.3	46.9
Total	2,833.4	2,949.2	-3.9	281.9	271.8	3.7

Renewable Energies segment

in millions of euros	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019
Operating EBIT	48.9	35.3
Impairments	-0.9	
EBIT	48.0	35.3

In the Renewable Energies segment, external revenue in the reporting period increased by 12.8 per cent to 76.8 million euros (first half-year 2019: 68.1 million euros). The increase in revenue is mainly attributable to newly acquired onshore wind farms and higher wind yields of the existing wind farms. This segment contributed 2.7 per cent (first half-year 2019: 2.3 per cent) to the Group's total revenue.

Operating EBIT came to 48.9 million euros (first half-year 2019: 35.3 million euros). Besides the increase in revenue, earnings mainly improved due to higher compensatory payments by the grid operator to the RIFFGAT offshore wind farm as a result of feed-in management measures. In addition, reduced depreciation due to the impairments recognized in 2019 also had a positive impact on the RIFFGAT offshore wind farm. Moreover, higher wind yields resulted in higher income from the equity investment in the alpha ventus offshore wind farm, which is accounted for using the equity method.

Impairments relate to project rights acquired for currently dormant onshore wind projects.

Infrastructure segment

in millions of euros	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019
Operating EBIT	171.1	168.7
Reversals of impairments	3.7	
Restructuring		0.2
EBIT	174.8	168.9

In the Infrastructure segment, we registered an increase in external revenue of 2.5 per cent to 342.2 million euros compared with the previous year period (first half-year 2019: 333.7 million euros). This revenue increase is mainly attributable to the distribution grids and networks where higher upstream grid and network costs in pricing resulted in higher revenue despite the volume decreases for electricity and gas. Higher charges in connection with the remarketing of gas storage facilities also had a positive impact. The segment contributed 12.1 per cent to the Group's total revenue (first half-year 2019: 11.3 per cent). Operating EBIT was up to 171.1 million euros (first half-year 2019: 168.7 million euros). This is due to improved earnings from the remarketing of gas storage facilities as well as from higher gross margins in the energy sector for electricity and gas in the area of the distribution grids and networks. Lower income from gas transmission networks as a result of reduced revenue and lower order intake from the long-distance gas network had a negative impact on earnings.

The development of non-operating items arose from reversals of impairments for natural gas filling stations in the area of the distribution networks.

Market segment

in millions of euros	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019
Operating EBIT	66.5	65.8
Derivatives	-42.2	-50.6
Impairments	-2.3	-0.1
Restructuring		1.0
EBIT	22.0	16.1

In the Market segment, we recorded a decrease in external revenue by 6.1 per cent to 1,768.1 million euros (first half-year 2019: 1,882.2 million euros). As a result, the segment contributed 62.4 per cent to the Group's total revenue (first half-year 2019: 63.9 per cent). Revenue is chiefly generated in the electricity business, where the decrease is mainly attributable to the COVID-19 pandemic. Operating EBIT came to 66.5 million euros (first half-year 2019: 65.8 million euros). This positive development mainly arose from optimizing gas flexibility in the Trading business area during the year.

The development of non-operating items was mainly attributable to the fair value measurement of derivatives in the Trading business area. In addition, impairments of assets were recognized in the Telecommunications business area.

swb segment

in millions of euros	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019
Operating EBIT	18.4	41.9
Derivatives	8.6	-6.0
Fair value measurement of other financial instruments	-7.2	14.1
Impairments	-0.2	
Restructuring	-0.1	-0.1
EBIT	19.5	49.9

In the swb segment, external revenue in the reporting period declined by 2.9 per cent to 555.7 million euros (first half-year 2019: 572.3 million euros), primarily due to the discontinuation of lease models in generation. The segment contributed 19.6 per cent to the Group's total revenue (first half-year 2019: 19.4 per cent). Operating EBIT came to 18.4 million euros (first half-year 2019: 41.9 million euros). The year-on-year decline is mainly attributable to increased high-voltage volumes and decreases in the gas and heating market due to prices and weather conditions. Losses realized from the sale of gas stored in underground chambers in the Grids business area, the negative development of the electricity spread and the discontinuation of lease models in the field of generation also contributed to the decline. By contrast, higher contribution margins for waste and electricity, in particular due to increased prices, in the area of waste disposal and reduced gas procurement costs in sales improved the results year on year.

The development of non-operating items was largely shaped by impairments of the equity investments in Osterholzer Stadtwerke GmbH & Co. KG, Osterholz-Scharmbeck, and Stadtwerke Soltau GmbH & Co. KG, Soltau.

Other segment

in millions of euros	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019
Operating EBIT	2.1	7.4
EBIT	2.1	7.4

In the Other segment, external revenue of 88.4 million euros was only marginally lower than in the previous year period (first half-year 2019: 91.8 million euros). As a result, the segment contributed 3.1 per cent to the Group's total revenue (first half-year 2019: 3.1 per cent). Operating EBIT came to 2.1 million euros (first half-year 2019: 7.4 million euros). The decrease is chiefly attributable to the lack of high-margin revenue from the service and project business at BTC.

Group Central Division

in millions of euros	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019
Operating EBIT	-25.1	-47.3
Derivatives		7.3
Fair value measurement of other financial instruments	2.8	8.0
Impairments	-0.3	-7.7
Transaction costs / treasury shares	0.3	
EBIT	-22.3	-39.7

The Group Central Division only generates a low level of revenue. The operating EBIT results from the holding function and the other equity investments it holds.

The increase in operating EBIT compared with the first half of 2019 is mainly due to the fact that no expenses were incurred for special projects in the previous year

Assets and liabilities

Assets				
in millions of euros	30 Jun 2020	in %	31 Dec 2019	in %
Non-current assets	7,263.3	73.2	7,075.0	70.8
Current assets	2,663.8	26.8	2,912.4	29.2
Total assets	9,927.1	100.0	9,987.4	100.0

Equity and liabilities				
in millions of euros	30 Jun 2020	in %	31 Dec 2019	in %
Equity	2,654.9	26.7	2,668.5	26.7
Non-current liabilities	4,938.1	49.8	4,749.7	47.6
Current liabilities	2,334.1	23.5	2,569.2	25.7
Total equity and liabilities	9,927.1	100.0	9,987.4	100.0

At 9,927.1 million euros, total assets were down by 0.6 per cent compared with the end of 2019. 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 are financed by equity and non-current debt.

Non-current assets comprise 73.2 per cent of total assets, which is an increase of 2.4 percentage points compared with 31 December 2019. The increase chiefly arose from the measurement of derivatives and the resulting increase in other financial assets by 157.1 million euros. Measuring equity instruments at fair value through other comprehensive income had an offsetting effect (-30.4 million euros).

On the other hand, the share of current assets decreased by 2.4 percentage points. Due to the withdrawal of gas inventories and lower market prices, inventories declined to 174.3 million euros as of 30 June 2020 (31 December 2019: 236.6 million euros). Compared with 31 December 2019, trade receivables increased by 246.7 million euros to 1,301.5 million euros due to end-of-period effects. By contrast, at 509.6 million euros, other financial assets were

798.3 million euros lower than in the comparative previous-year period. This is attributable to the receipt of a purchase price payment from the sale of treasury shares to the new shareholder Ems Weser Elbe Infrastruktur Beteiligungsgesellschaft mbH (1), Düsseldorf (ARDIAN), (594.2 million euros) and the measurement of derivatives (215.4 million euros).

At 26.7 per cent, the equity ratio is unchanged compared with 31 December 2019, although equity decreased by 13.6 million euros in absolute terms. Details are provided in the statement of changes in equity.

Non-current liabilities as a percentage of total equity and liabilities increased by 2.2 percentage points, whereas the share of current liabilities decreased by 2.2 percentage points. This development is mainly due to the derivative items included therein. While other financial liabilities recognized under non-current liabilities rose by 210.0 million euros, those recognized under current liabilities fell by 221.3 million euros, chiefly as a result of the measurement of derivatives. In addition, a short-term credit facility was repaid.

Financial position (from continuing operations)

in millions of euros	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019	Change in %
Cash flow from operating activities	240.9	240.5	0.2
Cash flow from investing activities	-217.2	-29.3	<-100
Cash flow from financing activities	312.4	-133.7	>100
Change in cash and cash equivalents	336.1	77.5	>100
Change in cash and cash equivalents due to exchange rates, basis of consolidation and measurement	-0.5	5.9	<-100
Cash and cash equivalents at the beginning of the period	137.0	364.2	-62.4
Cash and cash equivalents at the end of the period	472.6	447.6	5.6

Cash flow from operating activities represents a key element of the EWE Group's financing. In the first half of 2020, cash flow from operating activities of continuing operations came to 240.9 million euros, largely unchanged from the first half of 2019 (240.5 million euros).

Cash flow from investing activities of continuing operations of -217.2 million euros mainly comprises investments in the Group companies' infrastructure (especially grids and broadband expansion). In addition, cash was paid for investments in shares in a wind farm company.

In the previous year period, cash flow from investing activities of continuing operations included cash received from the disposal of a group of fully consolidated companies (156.8 million euros).

Cash flow from financing activities of continuing operations (312.4 million euros) largely reflects the raising of loans (201.1 million euros), the repayment of financial liabilities (375.6 million euros), and the payment of a dividend for fiscal year 2019 (97.9 million euros), which was distributed to the shareholders of EWE AG in fiscal year 2020.

The proceeds from equity changes in the first half of 2020 are attributable to the sale of treasury shares to the new shareholder ARDIAN.

The Group's financial flexibility is secured with bilateral lines of credit and, in particular, through the existing syndicated revolving credit facility of 750.0 million euros, whose original five-year term was extended by one additional year to November 2023 through the exercise of the second and final renewal option. This credit line serves to provide general working capital. As of 30 June 2020, a total of 0.0 million euros had been drawn on from this credit line (31 December 2019: 50.0 million euros). The value of bilateral credit lines available as of the reporting date totaled 469.3 million euros (31 December 2019: 463.9 million euros). Of this amount, 101.5 million euros (31 December 2019: 192.2 million euros) was drawn on in some form, including as guarantees.

Bonds, promissory note loans and registered debt securities represent another key component of EWE's financing. As of 30 June 2020, euro-denominated unsecured bonds with a nominal volume of 929.2 million euros (31 December 2019: 929.2 million euros) are outstanding, of which 829.2 million euros will mature between 2020 and 2021. In addition, promissory note loans and registered debt securities of 200.0 million euros (31 December 2019: 200.0 million euros) are outstanding. The abovementioned financial instruments have terms expiring between 2020 and 2032. They earn interest at fixed rates between 1.26 per cent and 5.25 per cent.

Non-financial performance indicators

CO₂ emissions

In order to effectively support the energy transition and further reduce the carbon footprint of the energy sector, we are expanding the share of our power generated from renewable energy sources. Specifically, we are focusing our activities on expanding the use of wind energy onshore. EWE plans to invest one billion euros in the expansion of renewable energies – particularly wind energy – in the coming decade. In 2019, however, opportunities to implement these plans were adversely affected by the ongoing political debate on minimum distances from settlements and general energy transition targets. This presented considerable challenges for the industry and EWE.

The expansion of our power generation activities from onshore wind energy and our shift away from hard coal as a source of energy will help to further significantly decrease our specific and absolute CO₂ emissions in the coming years.

The specific CO₂ emissions from electricity production came to 496.6 grams of CO₂ per kilowatt hour in 2019. As a result, the specific CO₂ figure has been reduced by 40 per cent compared with 2005. The goal defined in 2014 of a 40 per cent reduction was thus met. In addition, we plan to prepare a comprehensive climate balance sheet and define new targets in 2020.

Changes in the number of employees

In the first half of 2020, the EWE Group had an average of 9,107 employees (31 December 2019: 8,831 employees). This figure includes all full-time and part-time employees as well as trainees and temporary staff.

Number of employees by segment	30 Jun 2020	31 Dec 2019
Renewable Energies	249	230
Infrastructure	1,942	1,981
Market	2,204	2,089
swb	2,365	2,319
Other	1,637	1,527
Group Central Division	710	685
Total	9,107	8,831

Report on anticipated development and significant opportunities and risks

Forecast report

Development of political and regulatory conditions

Europe

European Green Deal

On 12 December 2019, the European Commission presented the European Green Deal. The announcements set new targets for cutting carbon emissions in Europe's economy and society. The Green Deal is not a legislative package, but sets out an initial roadmap for key strategies and measures for making the continent climate neutral by 2050. This goal will form the premise underlying all subsequent legislative proposals for climate protection and the energy system. For example, the emission reduction target of 30 per cent by 2030 will be raised to up to 55 per cent. Many strategies are due to be published by the Commission in the coming months and new laws proposed, for instance for the purpose of creating a competitive EU hydrogen economy or intelligent integration of the EU energy system. The revision of the internal market in gas regime announced for 2021 with a focus on sector coupling will likely incorporate this goal. Currently applicable legal provisions are already being reviewed and adjusted in line with the new targets. As an energy supplier, EWE welcomes the Green Deal, however it is also aware of the challenges facing the sector as a result.

Renewable Energy Directive

The Renewable Energy Directive became effective on 24 December 2018. In the recast directive, the EU lawmakers set a target of 32 per cent of renewable energies in gross final energy consumption by 2030. The recast directive contains 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 cooperation between Member States and with non-EU countries as well as on guarantees of origin. The Member States have until 30 June 2021 to transpose the requirements into national law. In Germany, a major reform of the Renewable Energy Act ["Erneuerbare Energien Gesetz": EEG] is expected in the second half of 2020, which could result in new conditions for EWE's renewables business segments.

"Clean Energy for All Europeans" package

In November 2016, the European Commission published the legislative package "Clean Energy for All Europeans" as part of its bid to implement the EU's energy and climate targets for 2030. The comprehensive legislative package was approved at the end of 2018 and the beginning of 2019. The Renewable Energy Directive, Energy Performance of Buildings Directive and the Internal Market in Electricity Directive have yet to be transposed into national law.

Implementation of the Energy Performance of Buildings Directive

The Energy Performance of Buildings Directive became effective as of 9 July 2018. It forms an important basis for technical specifications in residential and non-residential buildings. The Energy Performance of Buildings Directive will affect the conditions under which the Group's sales companies in particular operate. The federal government has implemented the requirements in the Energy and Buildings Act ["Gebäudeenergiegesetz": GEG]. Further, measures from the Energy Efficiency Directive and Energy Performance of Buildings Directive are included in the Combined Heat and Power Act ["Kraft-Wärme-Kopplungs-Gesetz": KWKG], which was amended in the context of the phase-out of coal adopted at the beginning of July 2020.

Implementation of the Internal Market in Electricity Directive

The Internal Market in Electricity Directive took effect on 4 July 2019. The new directive for the internal market in electricity defines the legal framework, including for the roles and rights of consumers as well as for self-generation and aggregators, and explains the tasks and duties of transmission system operators and distribution grid operators. It is a comprehensive directive which may impact almost all of the EWE Group's power-related business areas. The Member States have until 31 December 2020 to transpose the Internal Market in Electricity Directive into national law. The current expectation is that the Federal Ministry for Economic Affairs and Energy will issue a preliminary draft for this purpose in the second half of 2020.

Directive on the Re-use of Public Sector Information

The directive revised in 2003 took effect on 4 July 2019. The recast directive has the following main new content: first, the scope was expanded to include public undertakings and companies that provide services for public undertakings. Second, in the future, public undertakings will also be required to give third parties access to high-quality data for commercial and non-commercial purposes free of charge. The scope extension and enhanced duties to provide data will have an effect on EWE's current and future digital business models as well as on EWE as an operator of critical infrastructure. The deadline for transposing the directive into national law is July 2021.

Regulation on Privacy and Electronic Communications (ePrivacy Regulation)

The objective of the ePrivacy Regulation is to align the previous provisions on privacy rules for electronic communications with the EU General Data Protection Regulation (EU GDPR). In addition, it will introduce rules for data processing in companies. As an energy supplier, EWE falls within the scope of the new regulation, e.g., by collecting and further processing data through end devices, such as smart meter data. The negotiations in the ordinary legislative procedure have come to a partial standstill in the Council of the European Union. At present, it is not known when the legislative act is will be completed.

New Deal for Consumers Directives

In early 2018, the European Commission proposed the legislative package "New Deal for Consumers" which is composed of two legislative acts. The amendment to the Directive on representative actions for the protection of the collective interests of consumers (Representative Actions Directive) aims to facilitate redress for consumers by allowing representative actions. The Council of the European Union and the European Parliament have reached an agreement in the legislative procedure. The legislative text now only has to be adopted and published in the Official Journal of the EU before the recast directive can take effect 20 days later. Transposition of the directive into law is expected in Germany by mid-2022. The second law, the Directive as regards the better enforcement and modernization of Union consumer protection rules, took effect on 28 December 2019 and must be transposed into national law by the end of 2022. The directive will fundamentally revise consumer rights making them easier to enforce in the future.

Reform of the EU Emissions Trading System (EU ETS)

To achieve the target of reducing EU greenhouse gas emissions by at least 40 per cent by 2030 (compared to 1990

levels), a structural reform of the EU ETS took effect in the EU for the 2021 to 2030 trading period in April 2018. 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 through a conditional free allocation for sectors at risk of carbon leakage will also be maintained. In some cases, the structure of the Emissions Trading System is having considerable impacts on the costs of conventional generation and of energy intensive industries as well as on the investment conditions for low-CO₂ technologies. A potential expansion of the EU ETS or a different, more far reaching CO₂ pricing model in other sectors is also currently being debated on all political levels. It is currently still impossible to predict whether a holistic solution at a European level is realistic or whether parallel systems will initially be set up in the different countries.

Climate Law (EU)

On 4 March 2020, the European Commission proposed a Regulation establishing the framework for achieving climate neutrality. The proposed law is the first in the context of the European Green Deal and is aimed at establishing the legal framework for the goal of making the EU climate neutral by 2050. EWE supports this goal and welcomes this legislative proposal. Once the regulation takes effect, it will be directly applicable and need not first be transposed into national law.

Action plan on sustainable finance

On 24 May 2018, the European Commission published an action plan on sustainable finance. With this package of measures, the EU aims to support the transition to a low-carbon, more resource-efficient and sustainable economy. It contains legislative proposals for a voluntary, unified EU classification system, the disclosure of information relating to sustainable investments and a regulation amending the Climate Benchmark Regulation. The key element of the package is the proposal for a unified EU classification system (taxonomy) for defining sustainable economic activities. Following on from the taxonomy, EU labels for green financial products, such as green bonds, could be established. The taxonomy will contain a list of economic activities that can be considered environmentally sustainable for investment purposes. Depending on how the technical criteria are defined, the proposal for a unified EU classification system could have an effect on the future provision and aggregation of project funding.

Taxonomy Regulation (EU)

The Regulation on the establishment of a framework to facilitate sustainable investment took effect on 8 July 2020. Being a regulation, this law is directly applicable. Its aim is to finance sustainable growth in order to minimize financial risks triggered by climate change and simultaneously contribute to the objective of achieving a climate-neutral EU by 2050. The regulation is intended to promote business investments in sustainable activities. For this purpose, in addition to disclosure obligations, criteria will be defined for classifying economic or financial activities according to sustainability levels, following the entry into force of the regulation. A platform on sustainable finance will be set up in order to draft the technical criteria. As an energy supplier that makes investments, the regulation applies to all business areas of EWE.

Revision of the Broadband Cost Reduction Directive

The European Commission is revising the Directive on measures to reduce the cost of deploying high-speed electronic communications networks. This directive is the basis for the provisions – disputed in Germany – on the co-use and co-laying of broadband infrastructure. EWE is proactive in offering other mobile communications and landline providers attractive wholesale services (open access) and would therefore take a critical view of stricter rules on forced access, since these have led to overbuilding of new fiber-optic networks in the past.

New guidelines for broadband funding programs

The European Commission has started a consultation process to revise the guidelines for broadband funding. The current threshold from which subsidies apply will likely be raised from 30 Mbit/s, for example to 100 Mbit/s. The new guidelines will be implemented in 2021 at the earliest.

Germany

BSI Ordinance on Determining Critical Infrastructure

In connection with the revision of the Ordinance on Determining Critical Infrastructure [“Verordnung zur Bestimmung Kritischer Infrastrukturen”: BSI-KritisV] of the Federal Office for Information Security [“Bundesamt für Sicherheit in der Informationstechnik”: BSI], the Federal Ministry for Economic Affairs and Energy (BMWi) is considering adding a new category for generation facilities with a threshold of 36 megawatts of installed rated electrical output. This would strongly affect operators whose facilities have not been identified as critical infrastructure to date. As an operator of critical infrastructure, several facilities of EWE would be affected.

IT Security Act 2.0

The second Act to Increase the Security of Information Technology Systems [“Gesetz zur Erhöhung der Sicherheit informationstechnischer Systeme”: IT-SiG] is the revised act effective as of 2015 that defines legal requirements primarily for operators of critical infrastructure and is aimed at ensuring the availability and security of IT systems used to operate critical infrastructure. By expanding the IT-SiG, German lawmakers’ objective is to encourage manufacturers to ensure product security and to enhance the EU’s internal market with secure products. As a critical infrastructure operator, EWE fulfills its obligation to provide public service infrastructure and supply the population but is also dependent on the provision of secure products. A preliminary draft is likely to be issued in the second half of 2020. The legislative process is not expected to be concluded before 2021.

Fuel Emissions Trading Act

The Fuel Emissions Trading Act [“Brennstoffemissions-handelsgesetz”: BEHG] took effect in December 2019 and is the legal framework for the introduction of a national emissions trading system for fuel emissions from the transport and heating sectors. The BEHG is aimed at implementing Germany’s climate protection objectives. By adding the new provisions in February 2020, the federal government responded to the demand of the Bundesrat, the upper

house of parliament, to revise the BEHG. The revisions include changes in certificate prices aimed at enhancing the steering effect on carbon prices at the national level. A preliminary draft has been issued and is expected to be adopted in the course of 2020.

Reduction in VAT from 1 July to 31 December 2020

On 29 June 2020, the Bundestag, the lower house of parliament, approved the draft of a "Second Act to Implement Tax Assistance to Address the Coronavirus Crisis." It stipulates that the regular VAT rate be reduced from 19.0 per cent to 16.0 per cent and the reduced VAT rate from 7.0 per cent to 5.0 per cent from 1 July 2020 to 31 December 2020.

Energy and Buildings Act

At the beginning of July 2020, the Bundesrat adopted the Energy and Buildings Act ["Gebäudeenergiegesetz": GEG]. The new law consolidated the Energy Conservation Act, the Energy Conservation Regulation and the Renewable Energy Heat Act. The GEG is aimed at enabling the efficient use of energy in buildings including greater use of renewable energies to generate heat, cooling and electricity for building operation. The public sector will act as role model in this context. The GEG is the federal government's response to the Clean Energy Package for building efficiency in existing stock and new buildings.

New renewable energy provisions in the Federal Building Code and Renewable Energy Act

When the Energy and Buildings Act was enacted on 3 July 2020, relevant changes for renewable energies were also adopted. Thanks to a state liberalization clause in the Federal Building Code, the federal states will be able to make provision for a minimum distance of 1,000 meters between wind turbines and residential areas. Further, an amendment to the Renewable Energy Act has lifted the cap on the EEG subsidy for photovoltaic systems previously set at 52 gigawatts. The amendments are relevant for the Onshore and Sales business areas.

Act on Wind Energy at Sea

The amendment of the Act on Wind Energy at Sea ["Windenergie-auf-See-Gesetz": WindSeeG] is being drafted at present. The current legislative proposal is to raise the expansion target for wind energy at sea to 20 gigawatts by the target year 2030 and to introduce a longer-term expansion target of 40 gigawatts by the target year 2040. In addition, it includes an adjustment in the tender design. The provisions include the introduction of an additional tender component as part of an offshore grid connection fee. This would apply in particular when multiple zero-cent bids have been submitted. The planned amendments are a decisive change in funding for the offshore sector.

Renewable Energy Act amendment

A comprehensive amendment to the Renewable Energy Act has been announced for the second half of 2020. It will set out the technology-specific trajectories for renewable energies in order to achieve the goal of 65 per cent green energy by 2030. Moreover, provisions are expected for post-EEG facilities for which the EEG subsidy will be phased out from 2021 onwards. The amendment will also likely include an enhancement of the subsidy system, a definition of the new tender volumes, provisions for local authority investments in wind energy facilities and an adjustment to the tenant power supply model. The law will be highly significant for all EWE business areas involving the generation, sale, trade in or distribution of renewable energies.

Buildings and Electromobility Infrastructure Act

On 4 March 2020, the federal government passed the bill for a law on the expansion of charging and energy supply infrastructure for electromobility integrated in buildings ["Gebäude-Elektromobilitätsinfrastruktur-Gesetz": GEIG]. This is aimed at transposing the requirements for setting up charging infrastructure for electric vehicles under the EU Energy Performance of Buildings Directive into national law. Although the law lacks ambition in some respects, it must be supported in principle in order to drive the market ramp-up of electromobility. It could have positive effects for the EWE Group, e.g., for its electromobility sales activities. The legislative procedure is currently expected to be completed in the second half of 2020.

Act to Promote Electromobility and Modernize the Condominium Act

On 23 March 2020, the federal government passed a bill for a law to promote electromobility and modernize the Condominium Act [“Gesetz zur Förderung der Elektromobilität und zur Modernisierung des Wohnungseigentumsgesetzes”]. With respect to electromobility, the draft provides that condominium owners and tenants shall have a legal claim against the condominium association or the landlord to the installation of a charging facility for electric vehicles. EWE generally welcomes the legislative proposal, since it promotes the market ramp-up of electromobility. It could also have positive effects for the EWE Group e.g., for its electromobility sales activities. The legislative procedure is currently expected to be completed in the second half of 2020.

Phase-out of coal-fired power generation, amendment of the Combined Heat and Power Act and setting of the expansion target

The Act to Phase Out Coal [“Kohleausstiegsgesetz”] will implement the recommendations of the “Growth, Structural Change and Employment” commission. A core element of the law are provisions governing the phase-out of hard coal-fired power generation by 2038. The phase-out will be achieved on the basis of invitations to tender from 2020 onwards. Starting from 2028, plants will have to be decommissioned by law. Along with the Act to Phase Out Coal, amendments will also be made to the Combined Heat and Power Act [“Kraft-Wärme-Kopplungs-Gesetz”: KWKG]. This law will be extended until the end of 2029 and will offer stronger incentives to switch from coal-fired CHP plants to those using gas or renewable fuel (“coal substitute bonus”). The amendment will also lead to an increase in the basic funding for large CHP plants. The future provisions will be of key significance for swb’s coal-fired power and heat generation activities, and for sales. In connection with the Act to Phase Out Coal, the goal of generating 65 per cent of total energy consumption from renewable energies by 2030 is enshrined in the EEG.

Act on Fair Consumer Contracts

The preliminary draft of the Act on Fair Consumer Contracts [“Gesetz für faire Verbraucherverträge”] issued in January 2020 is intended to improve the consumer’s position in relation to companies. These provisions have particular significance for the energy industry, since the contractual term of continuous obligations (energy supply contracts) will be reduced from the current two years to a maximum of one year. Further, the notice period for continuous obligations will be reduced to one month. Automatic renewal of

contracts will be reduced from one year to three months. This will affect all electricity, gas and telecommunications supply contracts as well as systems contracting agreements. Consultations among the relevant government departments are currently underway. The law also includes many changes for contracts made by telephone or unclear contract components. No date has been set as yet for the law’s entry into force.

Telecommunications Act amendment

There is still no official preliminary draft in the legislative procedure for the Telecommunications Act [“Telekommunikationsgesetz”: TKG] even though the end of the implementation period has been reached. Initial drafts contain inconsistent customer protection provisions deviating from EU requirements, which may not be implemented in time. Arrangements for the urgently required support and design of the switch from copper to fiber-optic networks are also only rudimentary. Despite the Bundesrat’s request, clarification that local authority-owned companies do not per se have a co-laying obligation is not planned. A clear legal basis for a service provider obligation as it existed in the first 20 years of the telecommunications market is planned.

Regional level

Lower Saxony Law on the Promotion of Climate Protection and Adapting to the Consequences of Climate Change

In 2019, the state government resumed discussion on the draft of the Lower Saxony Law on the Promotion of Climate Protection and Adapting to the Consequences of Climate Change [“Niedersächsisches Gesetz zur Förderung des Klimaschutzes und zur Anpassung an die Folgen des Klimawandels”: NKlimaG]. The first draft contains provisions on low-emission mobility, the availability of space for renewable energy and the establishment of a climate competence center. Due to the measures taken to combat the COVID-19 pandemic (lockdown) from March 2020 onwards, the parliamentary deliberations on the bill fell behind schedule. Additionally, the constitutionality of the legislative proposal is currently being reviewed. The adoption of the law is expected in fall 2020 at the earliest. No concrete measures with regard to carbon reduction paths are discernible at the current time. The effects on EWE will not be quantifiable until the supporting measures of the action plan have been adopted.

Digital Master Plan for Lower Saxony

The state government of Lower Saxony is setting itself the ambitious goal of rolling out a one-gigabyte internet service across the federal state by 2025. To this end, the state government has adopted a financing plan for the digital innovation fund, which includes investments of up to 850 million euros until 2023 to implement the strategy presented in the Master Plan for the gigabyte expansion and digitalization of Lower Saxony. From 2019, a total of 15 million euros will be made available in the form of a three-year digital bonus to promote the digitalization of medium-sized and craft businesses. EWE will stand to benefit from this through its services and products from the telecommunications and broadband segment in particular.

Law to Strengthen Residential Quarters Through Private Initiatives

The state government of Lower Saxony intends to help towns and communities by providing them with an additional instrument for innovative urban development. On 24 March 2020, the state cabinet issued a draft Law of Lower Saxony to Strengthen Residential Quarters Through Private Initiatives. This legislative proposal aims to make use of a liberalization clause in the German Federal Building Code, which will enable the federal states to introduce rules on private initiatives for urban development and on funding such initiatives. The law aims to facilitate improved coordination between private initiatives and towns and communities in order, through various measures, to increase the attractiveness of town and urban district centers, and other residential quarters. The legislative proposal is currently in committee deliberations.

First component of the Lower Saxony energy efficiency strategy presented

The state government published the first component of an energy efficiency strategy addressing the building sector on 26 May 2020. The strategy presents the general conditions and action areas relevant for the Lower Saxony building sector. The preamble emphasizes the need to increase efforts in transitioning to more efficient heating. In accordance with the "Efficiency first" principle, the strategy aims to reduce final energy consumption in buildings and residential quarters. Improving building energy efficiency and the efficient local use of renewables, e.g., through heat pumps or solar energy systems, are of key importance here. With the courses of action presented in the strategy, the state intends to contribute to the federal government's goal of achieving a "virtually climate-neutral" building stock by 2050.

Second supplementary budget for Lower Saxony

On 15 July 2020, the Lower Saxony state parliament adopted the Second Supplementary Budget Law 2020 covering a total amount of 8.4 billion euros. Its objectives are to offset tax revenue losses on the one hand and to provide added stimulus to the economy on the other. The budget includes 1.9 billion euros to stabilize the economy (410 million euros in investment aid for SMEs, 120 million euros for tourism, 190 million euros for public transport), to expand digitalization (150 million euros for broadband expansion) and for the ecological renewal of the state (220 million euros for energy-related building refurbishment and 75 million euros for the hydrogen economy). 1.1 billion euros will be provided to stabilize the budgets of local authorities. More than 600 million euros will be poured into the healthcare system (support for hospitals, procurement of emergency equipment, COVID-19 care bonus, compensatory payments). An additional 700 million euros are earmarked for social activities (sports, culture) and further pandemic preventive measures.

Expected industry development

Competition and the pressure on margins in the energy industry is ongoing and is shaped by a high level of rivalry in the area of standard products and product bundles across all customer segments. Competitors from other industries are also increasingly crowding into the energy sector. In addition, the competitive situation is changing as a result of market concentration, such as the realignment of business by E.ON SE, Essen, and RWE AG, Essen. E.ON will focus on activities in the fields of networks and customer solutions in the future. RWE will take over the renewable generation activities of E.ON and innogy SE, Essen, and will also become the single largest shareholder of E.ON. Overall, this will result in increasing consolidation in the German energy sector and will drive up competitive and price pressure in the industry.

There will be a growing need to transform conventional business models in the electricity and heating segments of the energy sector. The energy sector will increasingly turn to new, largely digital and platform-based business models to boost profitability in a competitive environment.

The ongoing energy transition is leading to a growing interconnectedness of the building, transport and industry sectors, requiring increasingly complex, overarching business models. This is leading to a rising need for partnerships with companies outside the industry in order to offer holistic customer solutions. The existing price pressure also calls for highly scalable business models.

The COVID-19 crisis is likely to boost the energy transition and the digitalization of processes in the working world and raise the existing pressure to change in the energy industry still further.

Developments in the political and regulatory environment increase the pressure to innovate, especially in the heating market, most notably the CO₂ prices for the energy carrier natural gas and the Energy and Buildings Act. As a result, the sale of electricity as an alternative energy carrier in the heating market will probably rise. At the same time, the federal government intends to reduce the EEG surcharge to further enhance the competitiveness of electricity as an energy carrier in the heating market. On the other hand, the National Hydrogen Strategy opens up new perspectives for the gas industry, particularly in the industry and transport sectors.

The federal ministries are also keenly aware of their obligation to ensure that the annual emission targets are complied with in the various sectors in the future, i.e., in the energy industry, industrial sector, for buildings, in mobility, agriculture and forestry, and in the waste management sector. This will inevitably lead to an increase in demand for corresponding services, products and solutions in the energy sector, giving rise to numerous opportunities for the industry to capitalize on.

Power

Decarbonization of the sectors will foreseeably result in increased demand for electricity overall, which efficiency measures will only be able to partially offset. What is more, nuclear power and now also coal-fired power are to be phased out and the co-generation of energy in the energy, heating and transport sectors is high on the political agenda. It remains to be seen whether the new policies succeed in creating consistent and fair CO₂ prices across all sectors in the medium term. The federal government has set the stage for an accelerated expansion of renewable energies to meet the ambitious goals by 2030 by lifting the expansion cap for photovoltaics and increasing the planned expansion capacities for offshore wind.

However, the increasing expansion of renewable energies will lead to a fall in market values as a result of cannibalization effects and could put the required willingness to invest and therefore the achievement of the targets at risk.

The sluggish expansion of the transmission system that has led to substantial inefficiencies in the electricity market over the last 10 years and has negatively impacted EWE's service areas in particular due to high reductions in subsidized wind feed-in (redispatching) continues to be of concern. This is offset by the expected expansion of power-to-gas plants, which could provide additional flexibility in the event of grid congestion or lack of take-up.

The debate that has recently flared up among the population surrounding acceptance of the construction of new wind farms, the possibility of more stringent rules on minimum distances from settlements and height limitations is continuing to impede the wind energy sector and threaten the required expansion of onshore wind.

In 2019, Brussels adopted the initiative "Clean Energy for All Europeans," which is the fourth EU internal market package aimed specifically at the electricity sector since 2009. Germany has until 2020/2021 to transpose it into German law or amend existing legislation to incorporate the new requirements.

The generation of power from renewable energy sources will continue to grow and replace conventional power stations. Since the resolved phase-out of coal will require back-up power stations based on gas to ensure an uninterrupted supply and potentially increased imports of electricity into the EU for a transitional period, gas requirements and trading prices for electricity are expected to increase in the medium term. Volatile distributed electricity produced through photovoltaics and onshore wind, the expansion of offshore wind and sector coupling require a massive grid expansion, in particular at the level of distribution networks, as well as technical measures to ensure network stability (smart grids). The increase in the volatility of energy generation requires greater flexibility to ensure network stability. Flexibility options include electricity wholesale with 15-minute products, CHP plants, power storage units, regional flexibility markets, demand-side management or the Europeanization of electricity trading via market coupling and diversification of the renewables portfolio in Europe. Power-to-gas and power-to-heat, i.e., transforming green electricity to hydrogen, natural gas or heat, are currently being discussed as a further feasible flexibility option. Flexibility requirements will continue to increase,

while the development of the respective market shares is uncertain. Economies of scale in the area of plant engineering as well as adjustments to the regulatory framework and incentives are required in order for the power storage, power-to-gas and power-to-heat segments to gain a relevant market share.

Heat

Despite the increasing use of heat pumps and solar hot water generation in newbuilds, the effects of the energy transition will be felt more slowly than originally expected in light of the current refurbishment rates on the market for heating. The additional national CO₂ pricing model to be introduced from 2021 through the Climate Protection Act with effect until 2026 will not bring about any fundamental changes to this situation. However, under the Climate Protection Act, oil-fired boilers must be replaced in Germany. Beyond the German Climate Protection Act, there are already signs of further changes pending in 2020 and 2021 at the European level in the form of the EU Gas Package currently being prepared as part of the EU Green Deal. Essentially, this will involve implementation of further decarbonization (including in the heating sector) at the European level including adjustments to the climate targets for 2030 and 2050.

In addition to refurbishment of existing buildings to make them more energy efficient and increasing electrification in the newbuild segment, green gases are the focus of the European policy. Under the EU's Green Deal, the use of hydrogen or synthetic methane in the heating market will take place in the long term or via combined heat and power generation coupled with local or district heating networks. Overall, gas sales in the heating market will decrease significantly in the long term.

However, natural gas will remain the dominating energy carrier in existing buildings until 2030. Green gases, for example, hydrogen or methane produced through power-to-gas during industrial processes or power-to-heat from the use of excess energy from district heating systems will play a bigger role in the future. Natural gas will become more expensive for customers due to higher taxes, while pressure in the heating market to offer lower-emission solutions will increase, in particular in the new housing segment.

The liquidity of the European gas market is ensured despite the decrease in Dutch and German gas production. The related growth in dependency on Russian gas can be counteracted by increasing utilization of existing terminals or building new terminals for liquefied petroleum gas (LPG), e.g., in Wilhelmshaven or Brunsbüttel, enabling deliveries of LPG to be accepted from the US or Qatar. In the coming years, clearly defined sourcing strategies, e.g., for hydrogen imports, will also need to be developed.

Transport

The transport sector is also facing considerable challenges in connection with the energy transition. The market for electromobility mobility is expected to be ramped up in the short term. Battery-powered electric vehicles or plug-in hybrid vehicles will dominate the transport sector at first. In a second phase, hydrogen-powered vehicles could well achieve a relevant market share in the mobility sector if the manufacturers offer this drive option in series production vehicles. The required infrastructure and electromobility will open up new growth opportunities for energy suppliers.

Customer focus

Against the backdrop of the growing pressure on margins, the trend toward self-generation and the development of mature technical solutions to increase self-sufficiency, the end customer and prosumer are moving increasingly into focus. In addition to conventional sales of power and gas, customers can be offered innovative solutions for energy efficiency, power storage, smart home applications, electromobility, telecommunications, heating, etc. Companies are currently evolving from energy suppliers into one-stop service providers for all aspects of building technology, energy and transport. In the future, companies that put the needs of customers first and address these needs with innovations and solutions will be successful. The energy industry must therefore see the customer as a partner who not only buys power, but also produces it.

Digitalization

The trend toward digitalization of the energy sector will continue at a faster pace due to the COVID-19 crisis. This relates to the automation of production processes as well as the digitalization of the overall working world. Further, access to data on consumption and utilization by end customers, data on the status of the power grid or reliable weather forecasts will be a key success factor. Under the current legal framework, digitalization will open up new market opportunities for competitive metering point operators and transmission system operators in particular. On 1 December 2019, the distribution grid operators ceded the currently public authority task of collecting and processing meter readings to the metering point operators. The transmission system operators are now aggregating the data for balancing group settlement.

Digitalization will be not just an inescapable consequence of sector coupling for energy purposes, but also a key requirement for the cost-efficient supply of energy aligned with customer needs. As a result, the revenue share of platforms will rise further and give platform operators the opportunity to increase competitive pressure.

Expected performance in the EWE Group

In light of negative COVID-19 effects, we expect operating EBIT for the current fiscal year to reach the lower end of the earnings corridor forecast in the group management report for 2019.

Expansion of onshore wind energy

In order to drive the expansion of wind energy on land, EWE and the Aloys Wobben Foundation, sole shareholder of the Aurich-based wind turbine producer ENERCON, intend to establish a joint venture. They signed a corresponding memorandum of understanding in April with the objective of concluding the talks on the details of the venture in the course of the year. The partners intend to hold equal interests in the joint venture, which will manage the existing wind farms and project pipelines contributed by both partners and generate additional growth at a national and international level (project development and onshore asset management).

Report on risks and opportunities

The risks and opportunities described in the group management report as of year-end 2019 changed during the reporting period in a way that significantly affects the risks and opportunities of the EWE Group.

The risks to the EWE Group increased considerably due to the outbreak of COVID-19 in early 2020 and the extensive economic and social policy measures put in place to curb the spread of the pandemic. Aside from the fundamental risk to employees' health, there are significant financial risks as a result of the economic measures and consequences for the economy. One particularly noteworthy aspect is the consumption-related decrease in sales resulting from lower production by business customers in connection with price changes in the commodity markets. Another aspect is the increased credit risk arising from direct and indirect negative effects on the creditworthiness of counterparties, although no such risks have been observed thus far. The aggregated risk is classified in financial terms as "high."

There is no longer any risk of a project delay or project termination due to the insolvency of a supplier of wind turbines for a large offshore wind farm project in which EWE AG has an investment as the installation of all commissioned wind turbines was completed in May 2020.

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, 11 August 2020

The Board of Management

Stefan Dohler

Michael Heidkamp

Dr. Urban Keussen

Wolfgang Mücher

Marion Rövekamp

Consolidated income statement of the EWE Group

in millions of euros	Note	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019
Revenue	6	3,043.4	3,163.9
Electricity and energy taxes		-210.0	-214.7
Revenue (excluding electricity and energy taxes)		2,833.4	2,949.2
Changes in finished goods and work in progress		2.3	5.1
Other own work capitalized		27.0	25.1
Other operating income		65.4	69.2
Cost of materials		-1,865.3	-2,010.5
Personnel expenses		-397.4	-369.2
Amortization, depreciation and impairment	7	-222.4	-222.7
Other operating expenses		-194.9	-233.3
Impairment losses / gains pursuant to IFRS 9.5.5		-4.8	-5.8
Profit / loss from investments accounted for using the equity method		-0.5	0.3
Other profit / loss from equity investments		1.3	30.5
EBIT ¹⁾ from continuing operations		244.1	237.9
Interest income		4.9	4.4
Interest expenses		-45.7	-59.8
Profit / loss from continuing operations before income taxes		203.3	182.5
Income taxes		-67.4	-41.7
Profit / loss from continuing operations		135.9	140.8
Profit / loss from discontinued operations	5		-25.7
Profit / loss for the period		135.9	115.1
Thereof attributable to:			
Owners of the parent		135.9	109.9
Non-controlling interests			5.2
		135.9	115.1

¹⁾ Earnings Before Interest and Taxes

Consolidated statement of comprehensive income of the EWE Group

in millions of euros	Note	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019
Profit / loss for the period		135.9	115.1
Actuarial gains and losses from defined benefit pension plans and similar obligations	9	1.4	-244.4
Deferred taxes on pensions		-0.4	74.1
Fair value measurement of equity instruments		-32.4	38.9
Sum of other comprehensive income and expenses recognized directly in equity without future reclassification to profit and loss		-31.4	-131.4
Adjustment item for foreign currency translation of international subsidiaries		-4.7	1.2
Effect from the disposal of discontinued operations (IFRS 5)	5		135.2
Cash flow hedges		-18.4	-230.5
Deferred tax on cash flow hedge reserve		5.4	68.9
Share of other comprehensive income comprising investments accounted for using the equity method		-5.2	-11.3
Sum of other comprehensive income and expenses recognized directly in equity with future reclassification to profit and loss		-22.9	-36.5
Other comprehensive income for the period, net of tax		-54.3	-167.9
Total comprehensive income for the period, net of tax		81.6	-52.8
Thereof attributable to:			
Owners of the parent		81.6	-58.1
Non-controlling interests			5.3
		81.6	-52.8

Consolidated statement of financial position of the EWE Group

ASSETS

in millions of euros	Note	30 Jun 2020	31 Dec 2019
Non-current assets			
Intangible assets		728.6	739.9
Property, plant and equipment		5,208.0	5,193.9
Investment property		4.3	4.6
Investments accounted for using the equity method		132.8	121.1
Other financial assets	12	903.2	746.1
Income tax refund claims		1.8	1.8
Other non-financial assets		41.4	38.3
Deferred tax		243.2	229.3
		7,263.3	7,075.0
Current assets			
Inventories		174.3	236.6
Trade receivables	12	1,301.5	1,054.8
Other financial assets	12	509.6	1,307.9
Income tax refund claims		34.3	25.1
Other non-financial assets		173.4	152.7
Cash and cash equivalents	12	470.7	135.3
		2,663.8	2,912.4
Total assets		9,927.1	9,987.4

EQUITY AND LIABILITIES

in millions of euros	Note	30 Jun 2020	31 Dec 2019
Equity	8		
Subscribed capital		243.0	243.0
Capital reserves		1,570.2	1,567.1
Retained earnings		1,475.8	1,441.2
Accumulated other comprehensive income / loss		-685.5	-631.2
Equity attributable to owners of the parent		2,603.5	2,620.1
Non-controlling interests		51.4	48.4
		2,654.9	2,668.5
Non-current liabilities			
Construction subsidies		637.8	640.5
Provisions	9	2,560.2	2,566.2
Bonds	12	563.0	562.6
Liabilities to banks	12	362.8	382.5
Other financial liabilities	12	726.8	516.8
Income tax liabilities		11.0	8.9
Other non-financial liabilities		9.1	6.8
Deferred tax		67.4	65.4
		4,938.1	4,749.7
Current liabilities			
Construction subsidies		48.2	48.2
Provisions		84.3	96.5
Bonds	12	399.2	377.7
Liabilities to banks	12	16.3	161.9
Trade payables	12	814.8	762.8
Other financial liabilities	12	748.4	969.7
Income tax liabilities		45.9	23.4
Other non-financial liabilities		177.0	129.0
		2,334.1	2,569.2
Total equity and liabilities		9,927.1	9,987.4

Consolidated statement of changes in equity of the EWE Group

	Subscribed capital	Capital reserves of the EWE Group	Retained earnings	Accumulated other comprehensive income / loss	
in millions of euros				Reserve for equity instruments	Cash flow hedge reserve
As of 31 December 2018	218.7	997.1	1,316.9	111.3	101.3
Effects of first-time adoption of IFRIC 23			9.8		
As of 1 January 2019	218.7	997.1	1,326.7	111.3	101.3
Profit / loss for the period			109.9		
Other comprehensive income				38.9	-161.6
Total comprehensive income					
Dividend payments			-88.0		
Changes in the basis of consolidation			2.5	-8.6	
Other changes			75.3	-2.5	
As of 30 June 2019	218.7	997.1	1,426.4	139.1	-60.3
As of 31 December 2019	243.0	1,567.1	1,441.2	189.6	-158.4
Profit / loss for the period			135.9		
Other comprehensive income				-32.4	-13.0
Total comprehensive income					
Treasury shares		3.1			
Dividend payments			-97.9		
Other changes			-3.4		
As of 30 June 2020	243.0	1,570.2	1,475.8	157.2	-171.4

Accumulated other comprehensive income / loss				Equity attributable to owners of the parent	Non-controlling interests	Equity
Currency translation difference	Measurement of pension obligations	IFRS 5	Changes not recognized in profit or loss arising from accounting for investments using the equity method			
-10.0	-438.6	-60.7	-24.8	2,211.2	32.6	2,243.8
				9.8		9.8
-10.0	-438.6	-60.7	-24.8	2,221.0	32.6	2,253.6
				109.9	5.2	115.1
1.1	-170.3	135.2	-11.3	-168.0	0.1	-167.9
				-58.1	5.3	-52.8
				-88.0	-0.1	-88.1
				-6.1	11.6	
		-74.5		-1.7	0.3	-1.4
-8.9	-608.9		-36.1	2,067.1	49.7	2,116.8
-9.0	-622.1		-31.3	2,620.1	48.4	2,668.5
				135.9		135.9
-4.7	1.0		-5.2	-54.3		-54.3
				81.6		81.6
				3.1		3.1
				-97.9		-97.9
				-3.4	3.0	-0.4
-13.7	-621.1		-36.5	2,603.5	51.4	2,654.9

Consolidated statement of cash flows of the EWE Group

Cash inflow (+), cash outflow (-)

in millions of euros	Note 14	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019
EBIT ¹⁾ from continuing operations		244.1	237.9
Amortization, depreciation and impairment		222.4	222.8
Reversal of impairment losses		-3.7	
Release of construction subsidies		-25.7	-26.9
Interest paid		-5.2	-4.7
Interest received		4.7	4.4
Income tax payments / refunds		-62.3	-55.8
Gain / loss on the disposal of non-current assets		-0.5	1.1
Non-cash changes in provisions		20.6	23.5
Changes recognized in profit or loss arising from accounting for investments using the equity method		6.1	1.4
Non-cash gain / loss from derivative financial instruments		33.6	56.7
Other non-cash income and expenses		29.9	8.6
Change in inventories		62.4	23.2
Change in receivables and other assets		-124.3	-294.8
Change in accounts payable and other liabilities		-161.2	43.1
Cash flow from operating activities of continuing operations		240.9	240.5
Cash flow from operating activities of discontinued operations			28.3
Cash flow from operating activities		240.9	268.8
Cash received from construction subsidies		23.4	17.1
Cash received from the disposal of intangible assets			0.0
Cash paid for investments in intangible assets		-16.5	-11.7
Cash received from the disposal of property, plant and equipment		1.8	5.0
Cash paid for investments in property, plant and equipment		-187.2	-170.1
Cash received from the disposal of other non-current assets		5.9	5.7
Cash paid for investments in other non-current assets		-37.0	-31.1
Cash received from the disposal of shares of fully consolidated subsidiaries			156.8
Cash paid for investments in shares of fully consolidated subsidiaries		-7.7	-1.0
Cash flow from investing activities of continuing operations		-217.2	-29.3
Cash flow from investing activities of discontinued operations			-9.9
Cash flow from investing activities		-217.2	-39.2

¹⁾ Earnings Before Interest and Taxes

in millions of euros	Note 14	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019
Cash received from equity changes		597.3	
Dividends paid		-97.9	-88.1
Cash received / paid from financial liabilities (net)		-174.5	-35.2
Cash paid for the repayment of finance lease liabilities		-11.9	-11.6
Other net payments from financing activities		-0.6	1.2
Cash flow from financing activities of continuing operations		312.4	-133.7
Cash flow from financing activities of discontinued operations			-12.9
Cash flow from financing activities		312.4	-146.6
Change in cash and cash equivalents		336.1	83.0
Change in cash and cash equivalents due to exchange rates, basis of consolidation and measurement		-0.5	-44.5
Cash and cash equivalents at the beginning of the period		137.0	409.1
thereof reported as assets classified as held for sale			44.9
Cash and cash equivalents from continuing operations at the beginning of the period		137.0	364.2
Cash and cash equivalents at the end of the period		472.6	447.6
thereof reported as assets classified as held for sale			
Cash and cash equivalents from continuing operations at the end of the period		472.6	447.6

Notes to the interim condensed consolidated financial statements

1. Information about the Company

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

These interim condensed consolidated financial statements for the first half of 2020 were approved by the Board of Management for review by the Supervisory Board on 11 August 2020.

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

2. Basis of preparation

The interim condensed consolidated financial statements for the first half of 2020 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 for the fiscal year ending on 31 December 2019.

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

3. Accounting policies

Changes in accounting policies

The same accounting policies that were applied to the preparation of the consolidated financial statements as of 31 December 2019 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:

- Amendments to IFRS 3 Business Combinations
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8 – Definition of Material
- Amendments to references to the IFRS Conceptual Framework

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 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
- Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non Current
- Amendments to IFRS 3 Business Combinations
- Amendments to IAS 16 Property, Plant and Equipment
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- Improvements to IFRS (2018 to 2020)
- Amendments to IFRS 16 Leases – Covid-19-Related Rent Concessions
- Amendments to IFRS 4 Insurance Contracts – Applying IFRS 9 Financial Instruments

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 2020	31 Dec 2019	30 Jun 2019
Fully consolidated companies	62	64	64
Companies accounted for using the equity method	15	14	15
Total	77	78	79

The change in the number of fully consolidated companies is attributable to the acquisition of shares in EWE Windpark Stretense GmbH & Co. KG, Oldenburg, and three intragroup mergers.

The change in the number of companies accounted for using the equity method relates to the formation of the Glasfaser NordWest GmbH & Co. KG, Oldenburg, joint venture.

Acquisitions in 2020

As of 7 February 2020, EWE ERNEUERBARE ENERGIEN GmbH, Oldenburg, acquired all the shares in EWE Windpark Stretense GmbH & Co. KG, Oldenburg, to expand its onshore business. This company operates four wind farms.

7.7 million euros of the purchase price of 8.0 million euros for the shares was paid in cash and 0.3 million euros by assuming the company's liabilities. This purchase price corresponds to the fair value of the total consideration transferred.

The fair values of the identifiable assets and liabilities at the date of acquisition are as follows:

in millions of euros	Recognized upon acquisition
Non-current assets	16.1
thereof intangible assets	
Current assets	0.8
thereof trade receivables	0.2
thereof cash	0.3
Total assets	16.9
Non-current liabilities	7.0
Current liabilities	1.9
Total liabilities	8.9
Net assets	8.0
Purchase price	8.0
Goodwill	0.0

The fair value of trade receivables (0.2 million euros) as of the acquisition date is equal to the carrying amount and the gross amount. The receivables are expected to be recoverable.

Since its acquisition, the company has contributed 0.9 million euros to revenue and 0.3 million euros to the profit for the period in 2020. Had the acquisition taken place at the start of the period, the revenue contribution in 2020 would have been 1.1 million euros and the contribution to profit for the period would have been 0.4 million euros.

The transaction costs were not material and were recognized under other operating expenses in the income statement in 2020.

5. Assets classified as held for sale, disposal groups and discontinued operations

The business activities in Turkey were reported as discontinued operations until their sale in the first half of 2019 and subsequently deconsolidated. The loss on deconsolidation amounted to 39.9 million euros and is reported in the income statement under "Profit/loss from discontinued operations."

The following table presents the key figures regarding discontinued operations:

Income statement

in millions of euros	1 Jan - 30 Jun 2019
Revenue	219.3
Income	3.8
Expenses	-245.8
EBIT from discontinued operations	-22.7
Net interest income / expenses	1.1
Income taxes	-4.1
Profit / loss from discontinued operations	-25.7

Statement of cash flows

in millions of euros	1 Jan - 30 Jun 2019
Cash flow from operating activities	28.3
Cash flow from investing activities	-9.9
Cash flow from financing activities	-12.9
Change in cash and cash equivalents due to exchange rates and basis of consolidation	-50.4
Change in cash and cash equivalents	-44.9
Cash and cash equivalents from discontinued operations at the beginning of the period	44.9
Cash and cash equivalents from discontinued operations at the end of the period	

6. Revenue

The following table shows revenue by product and service:

1 Jan - 30 Jun 2020 in millions of euros	Renewable Energies	Infrastructure	Market	swb	Other	Group Central Division	Group
Power							
Energy	64.9	23.0	896.7	217.4	12.0		1,214.0
Grid utilization	0.1	158.5		56.3			214.9
Miscellaneous		14.5	6.0	14.9			35.4
Gas							
Energy	0.2	1.8	551.4	96.7	22.6		672.7
Grid utilization		86.8		15.6	0.2		102.6
Miscellaneous		41.5	11.1	7.7	0.1		60.4
IT					50.8		50.8
Telecommunications							
Private customers			133.8				133.8
Business customers			76.8				76.8
Carrier & wholesale			20.4				20.4
Miscellaneous			12.6				12.6
Other							
Heat			36.3	37.8	0.1		74.2
Water		0.1	2.8	55.5			58.4
Waste	0.2			37.8			38.0
Miscellaneous	11.4	16.0	20.2	16.0	2.6	2.2	68.4
External revenue	76.8	342.2	1,768.1	555.7	88.4	2.2	2,833.4

Miscellaneous other revenue of the Infrastructure, Market and swb segments include revenue from leases of 9.8 million euros (first half-year 2019: 7.4 million euros).

1 Jan - 30 Jun 2019 in millions of euros	Renewable		Group Central				Group
	Energies	Infrastructure	Market	swb	Other	Division	
Power							
Energy	56.0	20.3	1,017.1	199.3	11.2		1,303.9
Grid utilization	0.1	154.8		57.9			212.8
Miscellaneous		8.9	5.2	46.5			60.6
Gas							
Energy	0.3	12.6	557.3	93.9	23.4		687.5
Grid utilization		85.4		16.9	0.1		102.4
Miscellaneous		38.4	16.3	9.8	0.1		64.6
IT					55.3		55.3
Telecommunications							
Private customers			124.7				124.7
Business customers			73.1				73.1
Carrier & wholesale			16.2				16.2
Miscellaneous			12.7				12.7
Other							
Heat			39.6	40.1	0.1		79.8
Water		0.1	2.6	54.8			57.5
Waste	0.2			31.8			32.0
Miscellaneous	11.5	13.2	17.4	21.3	1.6	1.1	66.1
External revenue	68.1	333.7	1,882.2	572.3	91.8	1.1	2,949.2

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). Revenue from service components is recognized over time. In the area of IT, revenue is recognized over time except for release changes, which are recognized at a point in time.

7. Amortization, depreciation and impairment

Impairment losses of 3.7 million euros (first half-year 2019: 7.8 million euros) were recognized in the reporting period.

The allocation to segments is indicated in the segment reporting.

8. Equity

Approved and paid dividends

On 28 May 2020, the general meeting of EWE AG resolved to distribute a dividend of 97,924,164.00 euros for fiscal year 2019 to the shareholders. This is a distribution of 403.00 euros per share entitled to a dividend. The dividend was distributed to the shareholders in the first half of the year.

9. Provisions

Pension provisions

The provisions for pensions and similar obligations as of 30 June 2020 were discounted at an interest rate of 1.00 per cent p. a. (31 December 2019: 1.00 per cent p. a., 30 June 2019: 1.10 per cent p. a.).

Rehabilitation provisions

Interest rates of between -0.74 per cent and 0.02 per cent p. a. (31 December 2019: between -0.69 per cent and 0.36 per cent p. a., 30 June 2019: between -0.57 per cent and 0.86 per cent p. a.) were used to calculate the rehabilitation provisions as of 30 June 2020.

10. Leases

Leases in the income statement (EWE as lessee)

in millions of euros	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019
Amortization, depreciation and impairment		
Amortization of right-of-use assets	12.4	12.0
Net interest income / expenses		
Interest expenses	1.4	1.4

Leases in the statement of financial position (EWE as lessee)

in millions of euros	30 Jun 2020	31 Dec 2019
Assets		
Non-current assets		
Property, plant and equipment (right-of-use assets)	168.1	174.4
Liabilities		
Non-current other financial liabilities		
Lease liabilities	152.0	158.1
Current other financial liabilities		
Lease liabilities	22.2	22.0
Total	174.2	180.1

11. Contingent assets and liabilities

Contingent assets

As of 30 June 2020, EWE held contingent assets totaling 41.5 million euros (31 December 2019: 39.2 million euros).

Sureties, guarantees and letters of comfort

As of 30 June 2020, sureties, guarantees and letters of comfort amounted to 99.8 million euros (31 December 2019: 110.3 million euros), of which 33.7 million euros (31 December 2019: 34.2 million euros) were issued to creditors of an associate.

12. 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	Measurement category pursuant to IFRS 9			Fair value
	30 Jun 2020	Amortized cost	Fair value through profit or loss	Fair value through OCI without recycling	30 Jun 2020
Assets					
Other non-current assets					
Shares	382.6		129.2	253.4	382.6
Loans	164.6	164.6			189.9
Derivatives					
Derivatives not in a hedging relationship	250.5		250.5		250.5
Derivatives in a hedging relationship (n/a)	22.4				22.4
Finance lease receivables (n/a)	73.3				72.4
Miscellaneous non-current financial assets	9.8	9.8			9.8
Trade receivables	1,301.5	1,301.5			1,301.5
Other current assets					
Loans	28.9	28.9			28.9
Securities	3.0		3.0		3.0
Derivatives					
Derivatives not in a hedging relationship	346.8		346.8		346.8
Derivatives in a hedging relationship (n/a)	17.8				17.8
Finance lease receivables (n/a)	10.6				10.6
Miscellaneous current financial assets	102.5	102.5			102.5
Cash and cash equivalents	470.7	470.7			470.7
Total	3,185.0	2,078.0	729.5	253.4	3,209.4
Liabilities					
Bonds	962.2	962.2			1,028.5
Liabilities to banks	379.1	379.1			416.6
Trade payables	814.8	814.8			814.8
Lease liabilities (n/a)	174.2				174.2
Miscellaneous other financial liabilities	409.0	408.7	0.3		409.1
Derivatives					
Derivatives not in a hedging relationship	631.9		631.9		631.9
Derivatives in a hedging relationship (n/a)	260.1				260.1
Total	3,631.3	2,564.8	632.2		3,735.2

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	Measurement category pursuant to IFRS 9			Fair value
	31 Dec 2019		Fair value through profit or loss	Fair value through OCI without recycling	31 Dec 2019
		Amortized cost			
Assets					
Other non-current assets					
Shares	415.6		131.7	283.9	415.6
Loans	163.4	163.4			178.4
Derivatives					
Derivatives not in a hedging relationship	71.2		71.2		71.2
Derivatives in a hedging relationship (n/a)	14.1				14.1
Finance lease receivables (n/a)	73.1				71.9
Miscellaneous non-current financial assets	8.7	8.7			22.8
Trade receivables	1,054.8	1,054.8			1,054.8
Other current assets					
Loans	26.5	26.5			26.5
Securities	3.2		3.2		3.2
Derivatives					
Derivatives not in a hedging relationship	558.4		558.4		558.4
Derivatives in a hedging relationship (n/a)	21.6				21.6
Finance lease receivables (n/a)	10.4				10.4
Miscellaneous current financial assets	687.8	687.8			687.8
Cash and cash equivalents	135.3	135.3			135.3
Total	3,244.1	2,076.5	764.5	283.9	3,272.0
Liabilities					
Bonds	940.3	940.3			1,006.9
Liabilities to banks	544.4	544.4			577.4
Trade payables	762.8	762.8			762.8
Lease liabilities (n/a)	180.1				180.1
Miscellaneous other financial liabilities	440.2	439.9	0.3		454.4
Derivatives					
Derivatives not in a hedging relationship	628.0		628.0		628.0
Derivatives in a hedging relationship (n/a)	238.2				238.2
Total	3,734.0	2,687.4	628.3		3,847.8

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 2020				
in millions of euros	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Shares			382.6	382.6
Securities	3.0			3.0
Derivative financial instruments	20.7	616.0	0.8	637.5
Total	23.7	616.0	383.4	1,023.1
Financial liabilities at fair value				
Derivative financial instruments	12.3	841.0	38.7	892.0
Other financial instruments			0.3	0.3
Total	12.3	841.0	39.0	892.3

31 Dec 2019				
in millions of euros	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Shares			415.6	415.6
Securities	3.2			3.2
Derivative financial instruments	17.8	641.8	5.7	665.3
Total	21.0	641.8	421.3	1,084.1
Financial liabilities at fair value				
Derivative financial instruments	9.3	805.6	51.3	866.2
Other financial instruments			0.3	0.3
Total	9.3	805.6	51.6	866.5

In the first half of 2020, 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 2020	415.6	5.7	51.3	0.3
Cost of materials recognized in the income statement		-4.9	33.4	
Other profit / loss from equity investments recognized in the income statement	-4.5			
Other comprehensive income	-32.4		-46.0	
Purchases	4.1			
Sales	-0.2			
As of 30 June 2020	382.6	0.8	38.7	0.3

in millions of euros	Shares (assets)	Derivative financial instruments (assets)	Derivative financial instruments (liabilities)	Other financial instruments (liabilities)
As of 1 January 2019	301.4	21.9	6.1	2.0
Cost of materials recognized in the income statement		-2.1	1.2	
Other operating income recognized in the income statement				-1.0
Other profit / loss from equity investments recognized in the income statement	37.9			
Other comprehensive income	89.9	-15.2	44.0	
Purchases	12.6	1.1		
Addition / disposal of contingent purchase price obligations under IFRS 3				-0.7
Sales	-2.1			
Changes in the basis of consolidation, mergers	-24.1			
As of 31 December 2019	415.6	5.7	51.3	0.3

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 (Weighted Average Cost of Capital) by +/-1 per cent would result in a theoretical decrease in fair values by 101.0 million euros (31 December 2019: decrease by 122.5 million euros) or an increase by 222.8 million euros (31 December 2019: increase by 279.9 million euros), respectively. A hypothetical change in EBIT by +/-10 per cent would result in a theoretical increase in fair values by 41.4 million euros

(31 December 2019: increase by 45.7 million euros) or a decrease by 39.0 million euros (31 December 2019: decrease by 45.7 million euros), respectively.

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.

13. Segment reporting

The segments in the EWE Group are determined in accordance with internal reporting approaches (management approach). As a result of changed management and governance structures on the Board of Management and the sale of the Turkish business in 2019, the reportable segments and related previous year figures were adjusted accordingly in fiscal year 2020. The new segmentation reflects the changed assignment of management responsibilities to the members of the Board of Management. This resulted in the following new segments:

- Renewable Energies
- Infrastructure
- Market
- swb
- Other

The “Renewable Energies” segment comprises power generation from renewable energy sources (onshore and offshore).

In addition to power grids, natural gas pipelines and telecommunications networks, the “Infrastructure” segment encompasses all of the gas storage activities.

Energy and telecommunications sales as well as energy trading are combined in the “Market” segment.

The “swb” segment consists of the swb subgroup. This segment encompasses the provision of energy and water services, particularly supplying the municipalities of Bremen and Bremerhaven and their surrounding areas.

The “Other” segment comprises the business activities in Poland, the information technology business and the innovation division.

In addition to the holding company EWE AG and the Group’s property portfolio, the Group Central Division encompasses the equity investments managed directly by EWE AG as well as the companies consolidated at the group level.

1 Jan - 30 Jun 2020 in millions of euros	Renewable Energies	Infrastructure	Market	swb	Other	Group Central Division	Group
External revenue	76.8	342.2	1,768.1	555.7	88.4	2.2	2,833.4
Internal revenue	25.6	397.3	521.7	43.0	42.7	-1,030.3	
Total revenue	102.4	739.5	2,289.8	598.7	131.1	-1,028.1	2,833.4
Segment profit / loss (operating EBIT)	48.9	171.1	66.5	18.4	2.1	-25.1	281.9
Impairments of intangible assets and property, plant and equipment	-0.9		-2.3	-0.2		-0.3	-3.7
Reversals of impairment losses of intangible assets and property, plant and equipment		3.7					3.7
Capital expenditure	11.3	103.6	57.6	59.2	4.1	12.6	248.4
Employees (average)	249	1,942	2,204	2,365	1,637	710	9,107

1 Jan - 30 Jun 2019	Renewable					Group	
in millions of euros	Energies	Infrastructure	Market	swb	Other	Central	Group
						Division	
External revenue	68.1	333.7	1,882.2	572.3	91.8	1.1	2,949.2
Internal revenue	27.1	396.4	356.0	230.0	43.8	-1,053.3	
Total revenue	95.2	730.1	2,238.2	802.3	135.6	-1,052.2	2,949.2
Segment profit / loss							
(operating EBIT)	35.3	168.7	65.8	41.9	7.4	-47.3	271.8
Reversals of impairment losses of intangible assets and property, plant and equipment			-0.1			-7.7	-7.8
Capital expenditure	24.1	99.7	27.8	46.7	8.4	7.2	213.9
Employees (average)	230	1,973	2,062	2,318	1,478	680	8,741

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

in millions of euros	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019
Operating EBIT from continuing operations	281.9	271.8
Derivatives	-33.6	-49.3
Fair value measurement of other financial instruments	-4.4	22.1
Reversals of impairment losses	3.7	
Impairments	-3.7	-7.8
Restructuring	-0.1	1.1
Transaction costs / treasury shares	0.3	
EBIT from continuing operations	244.1	237.9
Interest income	4.9	4.4
Interest expenses	-45.7	-59.8
EBT from continuing operations	203.3	182.5

14. Statement of cash flows

Cash and cash equivalents comprise the cash and cash equivalents recognized in the statement of financial position of 470.7 million euros (30 June 2019: 445.3 million euros) as well as cash pool receivables of 1.9 million euros (30 June 2019: 2.3 million euros). Cash and cash equivalents include cash on hand and bank balances.

In the previous year, cash flow from investing activities included cash received from the disposal of a group of fully consolidated subsidiaries.

Cash paid for investments in shares of fully consolidated companies relates to the acquisition of shares in EWE Windpark Stretense GmbH & Co. KG, Oldenburg, less acquired cash and cash equivalents. As of 30 June 2019, this item related to the acquisition of shares in Windpark Buchhain 8 & 11 GmbH & Co. KG, Kiel, and Windpark Bärfang GmbH & Co. KG, Kiel, less acquired cash and cash equivalents.

Cash flow from financing activities includes dividends totaling 97.9 million euros paid to the owners of EWE AG (first half-year 2019: 88.0 million euros) and 0.0 million euros (first half-year 2019: 0.1 million euros) to non-controlling interests.

The proceeds from equity changes are attributable to the sale of treasury shares to the new shareholder Ems Weser Elbe Infrastruktur Beteiligungsgesellschaft mbH (1), Düsseldorf (ARDIAN).

Non-cash investments of 7.5 million euros (first half-year 2019: 12.8 million euros) relate to the acquisition cost of right-of-use assets under lease agreements of 4.6 million euros (first half-year 2019: 10.2 million euros) and the recognition of rehabilitation provisions of 2.9 million euros (first half-year 2019: 2.6 million euros).

Non-cash financing activities relate to the recognition of lease liabilities pursuant to IFRS 16 of 4.6 million euros (first half-year 2019: 10.2 million euros) resulting from the acquisition of assets by way of a lease.

15. Related party disclosures

The following table shows the transactions with related parties in the first half of 2020 and 2019 as well as the outstanding balances from such transactions as of 30 June 2020 and 31 December 2019:

in millions of euros	2020	2019
Income		
Shareholders in EWE AG	0.4	181.2
Associates and joint ventures	30.2	32.6
Non-consolidated affiliates	4.9	5.2
Expenses		
Shareholders in EWE AG		189.5
Associates and joint ventures	21.2	22.2
Non-consolidated affiliates	10.4	10.4
Receivables		
Shareholders in EWE AG	3.6	597.4
Associates and joint ventures	95.0	95.6
Non-consolidated affiliates	10.8	11.7
Liabilities		
Associates and joint ventures	6.4	8.4
Non-consolidated affiliates	13.8	14.4
Guarantees or collateral provided		
Associates and joint ventures	33.7	34.2

The EWE Group did not conclude any significant transactions with related parties. The decrease in income and expenses from the shareholders in EWE AG is primarily attributable to the discontinuation of the relationship with EnBW Energie Baden-Württemberg AG, Karlsruhe, due to the sale of shares to the new shareholder ARDIAN. The decrease in receivables mainly arose from the receipt of the purchase price payment for the sale of treasury shares to ARDIAN.

16. Information on the governing 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

Dr. Andreas Radmacher (since 12 March 2020)

Fourth Deputy Chairman
Qualified Engineer, Essen

Christian Blömer

Head of Department Group Communications and Brand,
EWE AG, Bad Zwischenahn

Peter Bohlmann (until 31 March 2020)

Chief Administrative Officer of the Verden District,
Langwedel

Claus Christ (since 1 May 2020)

Technical Supervisor EWE NETZ GmbH, Uplengen-Remels

Henning R. Deters

Chairman of the Board of Management of Gelsenwasser AG,
Essen

Sigrid Flegel (since 23 April 2020)

Commercial Clerk swb Vertrieb Bremen GmbH, Bremen

Frank Gawrischtschuk

Chairman of the Works Council of swb Entsorgung GmbH & Co. KG and of swb Erzeugung AG & Co. KG, Bremen

Bernd-Carsten Hiebing (until 29 February 2020)

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

Managing Director of ver.di for the Weser-Ems District,
Delmenhorst

Jürgen Krogmann

Mayor of the City of Oldenburg, Oldenburg

Beatrix Kuhl

Mayor of the City of Leer, Leer

Jürgen Franz Löcke

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

Peter Marrek (until 22 April 2020)

Chairman of the Group Works Council of swb AG,
wesernetz Bremen GmbH, Wilhelmshaven

Stefanie Menke (until 30 April 2020)

Chairwoman of the Works Council of EWE NETZ GmbH,
Zetel

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

Qualified Engineer, EWE GASSPEICHER GmbH, Oldenburg

Dr. Daniel Graf von der Schulenburg (since 1 April 2020)

Managing Director Ardian Germany GmbH, Frankfurt/Main

Richard Venning (until 30 April 2020)

Field Service employee, EWE TEL GmbH, Spenge

Ingo Wührmann (since 1 May 2020)

Chairman of the Works Council of EWE VERTRIEB GmbH,
Central Area, Bremen

Board of Management

Stefan Dohler

Chief Executive Officer of EWE AG, Oldenburg

Michael Heidkamp

Chief Sales Officer of EWE AG, Bad Zwischenahn

Dr. Urban Keussen

Chief Technical Officer of EWE AG, Oldenburg

Wolfgang Mücher

Chief Financial Officer of EWE AG, Oldenburg

Marion Rövekamp

Chief Human Resources Officer and Legal Affairs of EWE AG, Human Resources Director, Oldenburg

17. 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, 11 August 2020

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, 11 August 2020

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 2020 to 30 June 2020, which are part of the half-year financial report pursuant to Sec. 115 German Securities Trading Act [“Wertpapierhandelsgesetz”: WpHG]. The executive directors are responsible for the preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the WpHG applicable to interim group management reports. 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 of the interim group management report in compliance 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 IFRSs 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. A review is limited primarily to making inquiries of the Company’s employees and analytical assessments, and therefore does not provide the assurance obtainable from an audit of financial statements. Since, in accordance with our engagement, we have not performed an audit of financial statements, we cannot 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 IFRSs 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.

Hanover, 11 August 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Eickhoff
Wirtschaftsprüfer
[German Public Auditor]

Barnstedt
Wirtschaftsprüfer
[German Public Auditor]

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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