Unaudited financial report for the six-month period ending 30 June 2020

innogy Finance B.V.

‘s-Hertogenbosch, the Netherlands

Interim directors’ report

Interim directors' report

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

Main developments during the first half year
In January 2020 one bond with an interest rate of 1.875% and a face value of EUR 750 million matured. The corresponding loan with an interest rate of 2.1987% matured on the same date.

In March 2020, innogy SE transferred five bonds (face value of EUR 1.5 billion) to innogy Finance B.V. innogy Finance B.V. received the market value as compensation. Consequently the Company issued new loans (value of EUR 1.8 billion) with the same maturity. The bonds have an interest rate between 3.50% - 3.85% and the loans have an interest rate between 0.82% and 1.87%. The lower interest rate on the loans is covered by a premium on the transferred bonds.

In light of the above transaction, the Board of Directors decided to early repay one of the bonds acquired in March 2020. This bond and corresponding loan with a nominal value of EUR 750.0 million and EUR 765.9 million respectively have been repaid in June 2020 at market value, resulting in a profit of EUR 0.5 million.

In June 2020, innogy Finance B.V. contracted two employees which are transferred from another innogy company.

Mainly as a result of the above mentioned transactions the balance sheet total remained in line with the balance sheet total per end 2019 of EUR 11.9 billion. The net result for the first half year amounts to EUR 2.4 million compared to EUR 1.5 million in 2019. This increase is mainly related to the transactions which have taken place in March 2020 and June 2020 which are described as above.

On 2 June 2020 the merger squeeze-out was entered in the Commercial Register and therefore innogy has been included within the E.ON group. innogy SE is merged with E.ON Verwaltungs SE which thereafter has been renamed to innogy SE.

In view of the activities of the Company, research and development is not applicable and as such no such expenses were incurred in 2020 and 2019.

Corporate responsibility
In the past the Company issued one green bond in 2017 to finance/refinance eligible capex spendings under innogy´s Green Bond Framework. As the Company became part of E.ON Group since September 2019, the financing of capex spending will be done via E.ON for the time being.

Risk management and use of financial instruments
innogy Finance B.V. manages the risks of the Company with the procedures and systems used within the innogy Group. The risk management system meets the requirements of Company management. The risk appetite of the Company is very limited. This is also embedded in the structure of the Company, in which external financing is applied only for internal financing purposes with very limited risks. Reference is made to the disclosures below on the separate risks.

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

As from January 1st 2020 the tax ruling on interest spread and minimum level of equity is not extended. The Company however still acts accordingly and uses the agreed pricing methods also for new instruments. As part of the applicable tax ruling and/or the external transfer pricing study (as of 2020), a fixed spread is set to determine applicable interest rates. Next to that, and in accordance with the substance requirements in The Netherlands, the Company is required to keep a minimal level of equity.

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

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

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

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

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

As of 30 June 2020 innogy SE possessed credit ratings from 1 agency:

- S&P => long-term: BBB, stable outlook; short-term: A2

COVID-19
As a consequence of the outbreak of the COVID-19 pandemic in 2020 and considering that having a full comprehensive analysis of the current situation and its potential effects is not reasonably feasible, innogy Finance B.V., along with the E.ON Group, is continuously analyzing the situation and its evolution as well as the regulatory measures implemented.

The outstanding public debt issued by the innogy Finance B.V. is guaranteed by innogy SE. E.ON SE is also liable for all outstanding debt of innogy SE and innogy Finance B.V. E.ON SE has solid credit ratings of BBB and Baa2 that have been assessed by S&P and Moody`s and hence also in light of COVID-19. Moreover, the liquidity of the E.ON Group as published in its 2019 financial statements is good and adequate to face upcoming maturities and E.ON management has also recently reaffirmed its strong BBB / Baa2 rating target.

From an operational perspective, the Company has adopted the necessary measures to guarantee the continuity of its activities and business in the current scenario.

Financial Outlook

In July 2020, a partial redemption has been performed on the USD bond of an amount of USD 32.6 million. Consequently an amount of USD 35.4 million has been repaid by innogy SE on the loan.

On August 13, 2020 innogy Finance B.V., also a wholly-owned E.ON group entity, invited bondholders of its market-listed debt securities to a consent solicitation process where bondholders have to consent to the proposed amendments. In votes without meeting conducted in accordance with the German Act on Debt Securities the bondholders are asked to consent to, inter alia, a replacement of innogy Finance B.V. as issuer by E.ON International Finance B.V. and the substitution of innogy SE as guarantor by E.ON SE. Depending on the outcome of these consent solicitations, E.ON International Finance B.V. may become the new issuer for such instruments. In such a case, E.ON International Finance B.V. would also become the new lender of any corresponding intra-group long term loan that was originally granted by innogy Finance B.V. on-lending the proceeds of such bond and which would also be transferred to E.ON International Finance B.V. together with the respective debt instrument.

At the same time an exchange offer has been placed in the market regarding the EUR 468.0 million bond (hereafter “2037 Notes”). E.ON SE offered to exchange any and all of the 2037 Notes for new 2037 notes (the New 2037 Notes) issued by E.ON SE as substitute issuer and debtor, with an exchange ratio of one 2037 Note for one New 2037 Note.

Code of Conduct

As part of innogy SE the Board of Directors voluntarily follows the Code of Conduct of innogy SE. The principles of the Code of Conduct define the way we do business, which is characterized by integrity and compliance with the law. The full text of the Code of Conduct can be found on www.innogy.com

Board

In 2020 there were changes in the composition of the Board of Directors. Mr. Jacobs was appointed as director of the Company which replaced Mr. Dullens which left the position per end 2019. Mr. Stollenga and Ms. Weitz have resigned from the Board. Mr. van Dam has been appointed as director of the Company.

According to legislation the Company is required to include certain disclosures regarding the appointment of at least 30% female board members. In the previous selection process, other criteria were given priority over diversity. The importance of diversity is duly recognised. In case a position will become vacant in the future, the Company will actively seek for female candidates and invite them to apply.

In 2020 the installment of the Supervisory Board of innogy Finance B.V. has been performed. Ms. Weitz, Ms. Peters and Mr. Hloch are appointed as members of the Supervisory Board.

The interim report 2020 has not been audited nor has it been reviewed by an audit firm.

‘s-Hertogenbosch, The Netherlands, 15 September 2020

Board of Directors,

V. Heischkamp J. van Dam

D. Jacobs

Responsibility Statement

Responsibility Statement

The Managing Directors of the Company hereby declare that to the best of their knowledge and in accordance with the applicable reporting principles for the financial reporting, the financial statements for the period ending 30 June 2020 give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company, and that the Directors' report referred to above gives a true and fair view concerning the position as per the balance sheet date, the development and performance of the business during the financial year of the Company together with a description of the principal risks that it faces.

's-Hertogenbosch, The Netherlands, 15 September 2020

Board of Directors,

V. Heischkamp J. van Dam

D. Jacobs

Financial statements for the six-month period ending 30 June 2020

Balance sheet
(before appropriation of profit)

Assets	Ref.	30 June 2020		31 December 2019	
		EUR'000	EUR'000	EUR'000	EUR'000
Non-current assets					
Financial assets	5.1		10,982,906		10,923,291
Current assets					
Receivables	5.2	932,705		1,017,060	
Cash and cash equivalents	5.3	7,392		7,515	
			940,097		1,024,575
			11,923,003		11,947,866

Equity and liabilities	Ref.	30 June 2020		31 December 2019	
		EUR'000	EUR'000	EUR'000	EUR'000
Shareholder's equity	5.4				
Share capital		2,000		2,000	
Retained earnings		8,615		5,435	
Profit for the financial year		2,413		3,180	
			13,028		10,615
Non-current liabilities	5.5		10,968,302		10,921,201
Current liabilities					
Derivatives	5.7	30		4	
Other Liabilities	5.6	941,643		1,016,046	
			941,673		1,016,050
			11,923,003		11,947,866

Income statement

	Ref.	Jan - June 2020		Jan - June 2019	
		EUR'000	EUR'000	EUR'000	EUR'000
Interest and similar income	6.1	261,702		233,148	
Interest and similar expenses	6.2	(254,975)		(226,428)	
Total financial result			6,727		6,720
General and administrative expenses	6.3		(3,507)		(4,688)
Operating income			3,220		2,032
Income tax expense	6.4		(805)		(508)
Net result after taxation			2,415		1,524

Cash flow statement

	Ref.	Jan - June 2020	Jan - June 2019
		EUR'000	EUR'000
Cash flows from operating activities			
Cash generated from operations:			
Interest received		206,162	294,571
Interest paid		(187,758)	(283,307)
Expenses paid		206	(118)
Income tax paid		(156)	(973)
Guarantee fee paid		(9,618)	(9,118)
Net cash generated from operating activities		8,836	1,055
Cash flows from investing activities			
Issuance of long-term loans	5.1	(1,763,026)	-
Repayment of long-term loans	5.1	1,515,895	1,000,000
Net cash generated from investing activities		(247,131)	1,000,000
Cash flows from financing activities			
Issuance of long-term bonds	5.5	1,749,644	-
Repayment of long-term bonds	5.5	(1,511,463)	(1,000,000)
Dividends paid		-	-
Net cash used in financing activities		238,181	(1,000,000)
Net cash flows		(114)	1,055
Exchange and translation differences on cash and cash equivalents		(9)	67
Net increase in cash and cash equivalents		(123)	1,122
Cash and cash equivalents			
Opening balance		7,515	6,920
Closing balance		7,392	8,042
Net increase in cash and cash equivalents		(123)	1,122

Notes to the financial statements

1 General

1.1 Activities

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

1.2 Group structure

innogy Finance B.V., incorporated on 14 February 2001, is a private limited liability company. Since July 2016 the direct parent company is innogy International Participations N.V. in ‘s-Hertogenbosch, the Netherlands. The financial statements of innogy Finance B.V. are included in the consolidated financial statements of the indirect and ultimate parent company E.ON SE, having its legal seat in Essen, Germany. These statements are available via www.eon.com.

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

1.3 Audit committee

In 2020 innogy Finance B.V. installed its own Supervisory Board, which also acts as a qualified audit committee under Dutch law.

1.4 Accounting policies

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

The accounting principles applied to the valuation of assets and liabilities and the determination of results in these financial statements are based on the assumption of continuity of the company.

1.5 Comparison previous year

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

1.6 Notes to the cash flow statement

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

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

1.7 Estimates

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

1.8 Related parties

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also entities which can control the Company are considered to be a related party. In addition, statutory directors, members of the Supervisory Board, other key management of the Company or the ultimate parent company and close relatives are regarded as related parties.

Significant transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

2 Accounting policies for the balance sheet

2.1 General

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

2.2 Foreign currencies

Transactions, receivables and payables

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

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

The exchange rate for GBP which is used for the balance sheet per 30 June 2020 is 0.91243 (31 December 2019: 0.85080). The average exchange rate used for profit and loss statement and the cash flow statement per 30 June 2020 is 0.87728 (31 December 2018: 0.87587). In 2020 a new USD transaction is recognized and the exchange rate for USD was 1.11980 per 30 June 2020 and the average rate is 1.10325.

Functional currency

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

2.3 Financial instruments

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

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

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

2.4 Financial assets

Loans to group companies

Loans to group companies included in financial assets are initially recognized at fair value less transaction cost (if material), and subsequently measured at amortized cost. If loans are issued at a discount or premium, the discount or premium is recognised through profit or loss over the maturities of the loans using the effective interest method. Impairment losses are deducted from amortized cost and expensed in the income statement.
Until 2019 the interest rate charged on loans to group companies has been set in conformity with the tax ruling obtained from the local tax authorities. For loans issued after 2019, the interest rate charged to group companies has been set in conformity with an external transfer pricing study.

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

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

2.5 Receivables

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

2.6 Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and deposits with a maturity of less than twelve months. Cash and cash equivalents are stated at nominal value.

2.7 Non-current liabilities

Bonds included in non-current liabilities are initially recognized at fair value, net of transaction costs incurred. Bonds are subsequently measured at amortized cost, being the amount received taking into account premiums or discounts and minus transaction costs. Deferred premiums and discounts on bonds are amortized over the term of the bonds using the effective interest method.

2.8 Current liabilities

On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at the amortized cost price, being the amount received, taking into account premiums or discounts, less transaction costs. This usually is the nominal value.

2.9 Deferred tax liabilities

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

3 Accounting policies for the income statement

3.1 General

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

3.2 Foreign currencies

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

3.3 General and administrative expenses

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

3.4 Interest income and expense

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

3.5 Taxation

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

Until 2019 the interest rate charged on loans to group companies has been set in conformity with the tax ruling obtained from the local tax authorities. The ruling was applicable until 2019 and not prolonged. For loans issued after 2019, the interest rate charged to group companies has been set in conformity with an external transfer pricing study.

4 Financial instruments and risk management

4.1 Market risk

Currency risk

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

Price risk

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

4.2 Interest rate risk

The Company's exposure to interest rate risk on interest-bearing receivables and interest-bearing non-current and current liabilities is limited as the bonds and loans issued all have fixed interest rates. The spread on loans (being the difference between the effective interest rate on the loan and the bond respectively) amounts to 0.0237% for loans issued before 2008 and 0.0225% for loans issued thereafter till 2012. For 2012 and 2013 the spread was again 0.0237% and for 2014 as well as 2015 0.03%. From 2016 till 2019 the spread was 0.06386%. As from 2020 the spread is in a range between 0.0574% and 0.2155%.

The interest percentages on the bonds transferred from innogy SE to the Company in March 2020 are higher than the interest percentages on the corresponding loans issued to innogy SE at the same time. This negative interest result is more than fully offset by the amortization of the premium on the bonds.

4.3 Credit risk

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

As of 30 June 2020 innogy SE possessed credit ratings from 1 agency:

- S&P => long-term: BBB, stable outlook; short-term: A2

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

4.4 Liquidity risk

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

5 Notes to the balance sheet

5.1 Financial assets

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

		2020		2019	
Balance as at 1 January		EUR'000	EUR'000	EUR'000	EUR'000
Book value			11,673,207		12,450,247
Movements financial year					
New loans issued		1,763,026		-	
Redemption		(1,515,895)		(1,000,000)	
Amortization of discount and premiums		(984)		(901)	
Exchange rate differences		(266,491)		222,869	
Short-term part of loans transferred to receivables		(669,958)		(748,924)	
			(690,302)		(1,526,956)
Balance as at 30 June/ 31 December					
Book value	**non current**		10,982,905		10,923,291
	current (see note 5.2)		624,705		749,916
	total		**11,607,610**		**11,673,207**

In January 2020 a loan of EUR 750.0 million is repaid due to maturity. In March 2020, five new intercompany loans have been issued to innogy SE with an interest rate between 0.82% - 1.87%. One loan of EUR 765.9 million has been early repaid by innogy SE at market value.
An amount of EUR 2,550.0 million and GBP 1,557.5 million is to be repaid between 1 July 2021 and 30 June 2024.

Currency

The loan to the direct parent company innogy International Participations N.V., a 100% group company, is contracted in GBP for a nominal amount of GBP 600.0 million (EUR 669.2 million). Furthermore three loans for a total amount of EUR 1,800.0 million have been lent on to innogy Benelux Holding B.V., a 100% group company. A total of 10 loans for a total amount of EUR 5,394.7 million plus another eight loans contracted in GBP for a total amount of GBP 3,317.5 million (EUR 3,635.9 million) and one loan in USD for a total amount of USD 56.2 million (EUR 50.2 million) have been lent on to innogy SE, also a 100% group company.

Interest

The interest rates are fixed, ranging from:

Loan	Amount ('000)	Interest rate
EUR	7,194,667	0.8139% - 6.5225%
GBP	3,917,500	5.3737% - 6.5237%
USD	56,170	2.9800%

5.2 Receivables

	30 June 2020	31 December 2019
	EUR'000	EUR'000
Short-term part of group loans	624,705	749,916
Interest receivable from group companies	308,000	267,144
	932,705	1,017,060

The fair value of the receivables is in line with their carrying amount. All receivables are due within one year.

5.3 Cash and cash equivalents

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

	30 June 2020	31 December 2019
	EUR'000	EUR'000
Current account group companies	7,393	7,514
Cash	(1)	1
	7,392	7,515

The fair value of the cash and cash equivalents is in line with their carrying amount. Current account group companies refers to the current account position with innogy International Participation N.V., which can be reclaimed directly.

5.4 Shareholder's equity

Statement of changes in equity	Share capital	Other reserves	Result for the year	**Total**
EUR'000				
Balance as at 1 January 2019	**2,000**	**5,609**	**2,826**	**10,435**
Distribution of dividend	-	(3,000)	-	(3,000)
Addition to Other reserves	-	2,826	(2,826)	-
Result after tax	-		3,180	3,180
Balance as at 31 December	**2,000**	**5,435**	**3,180**	**10,615**
Distribution of dividend	-			-
Addition to Other reserves	-	3,180	(3,180)	-
Result after tax	-		2,413	2,413
Balance as at 30 June 2020	**2,000**	**8,615**	**2,413**	**13,028**

Share capital

The issued share capital as of 31 December 2019 amounts to EUR 2.0 million of which 20,000 ordinary shares of EUR 100 each have been fully paid up.

Other reserves

The movement in other reserves is explained by the profit appropriation of the undistributed result of 2019 (EUR 3.2 million).

5.5 Non-current liabilities

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

		2020	2019
		EUR'000	EUR'000
Balance as at 1 January			
Book value		11,671,117	12,448,035
Movements financial year			
New bonds issued		1,749,644	-
Redemption		(1,511,463)	(1,000,000)
Amortization of discount and premiums		(4,737)	(779)
Exchange rate differences		(266,301)	222,869
Short-term part of bonds transferred to current liabilities		(669,958)	(748,924)
		(702,815)	(1,526,834)
Balance as at 30 June/ 31 December			
Book value	**non current**	10,968,302	10,921,201
	current (see note 5.6)	624,705	749,916
	total	**11,593,007**	**11,671,117**

In January 2020, one bond of EUR 750.0 million has been repaid due to maturity. In March 2020 five new bonds have been acquired as part of a deal with innogy SE which have an interest rate between 3.50% - 3.80%. One bond has been early repaid by the Company with an amount of EUR 750.0 million. The repayment obligations of the bonds in nominal value are as follows:

	Bonds
	EUR '000
Duration <1 year	624,705
Duration >1 year <5 years	3,632,275
Duration >5 years	6,828,000
	11,084,980

Currency

The nominal amount of the bonds consists of twelve bonds contracted in EUR amounting to EUR 6,968.0 million, six bonds contracted in GBP to a total amount of GBP 3,917.5 million (EUR 4,293.5 million) and one bond contracted in USD for an amount of USD 50.0 million (EUR 44.7 million). The bonds are listed at the Luxembourg Stock Exchange.

Interest

The interest rates are fixed, ranging from:

Bond	Amount ('000)	Interest rate
EUR	6,968,000	0.7500% - 6.5000%
GBP	3,917,500	4.7500% - 6.5000%
USD	50,000	3.800%

5.6 Current liabilities

	30 June 2020		31 December 2019	
	Total	Term > 1 year	Total	Term > 1 year
	EUR'000	EUR'000	EUR'000	EUR'000
Short-term part of bonds	624,705	-	749,916	-
Interest payable	313,491	-	256,395	-
Guarantee Fee (innogy SE)	2,292	-	8,508	-
Corporate income tax	809	-	1,079	-
Accrued liabilities	230	-	30	-
Payroll accruals	27	-	-	-
Accounts payable	6	-	-	-
Deferred tax liability	113	94	118	99
	941,673	94	1,016,046	99

The fair value of the liabilities is in line with their carrying amount. innogy Finance B.V. is part of the fiscal unity Innogy International Participations N.V. as of 1 January 2015. The current tax expense is settled with the fiscal unity parent within one year.

Deferred tax liability

	2020	**2019**
	EUR '000	EUR '000
Balance as at 1 January	118	136
Movements	(5)	(18)
Balance as at 30 June/ 31 December	113	118

During the coming 12 months EUR 18,709 will be amortized to the income statement.

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

5.7 Financial instruments

Financial instruments valued at amortized cost

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

	30 June 2020		31 December 2019	
	Market value	Book value	Market value	Book value
	EUR'000	EUR'000	EUR'000	EUR'000
Financial assets				
Loans to group companies	14,075,565	11,607,610	14,106,016	11,673,207
Financial liabilities				
Bonds issued	13,696,860	11,593,007	13,719,020	11,671,117

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

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

5.8 Derivatives

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

6 Notes to the income statement

6.1 Interest and similar income

	Jan - June 2020	Jan - June 2019
	EUR'000	EUR'000
Interest income on loans group companies	247.212	233.421
Release deferred premiums and discounts	14.390	(383)
Interest on deposit/ bank	100	110
	261.702	233.148

6.2 Interest and similar expenses

	Jan - June 2020	Jan - June 2019
	EUR'000	EUR'000
Interest expenses on bonds issued	244,854	226,735
Release deferred premiums and discounts	10,097	(323)
Expenses derivatives	24	16
	254,975	226,428

6.3 General and administrative expenses

	Jan - June 2020	Jan - June 2019
	EUR'000	EUR'000
Payroll expense	27	-
Guarantee Fee	3,402	4,577
Audit fees	16	47
Management and administrative expenses	59	60
Other	3	4
	3,507	4,688

innogy Finance B.V. had two employees in the Netherlands in 2020 (2019: no employees).

In 2019 and 2020 the remuneration of the Board of Directors was nil.

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

	Jan - June 2020	Jan - June 2019
	EUR'000	EUR'000
Audit of the Financial Statements	16	13
Other assurance services	-	34
Total audit fees	16	47

The fees listed above relate to the procedures applied to the Company by accounting firms and auditors as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ('Wet toezicht accountantsorganisaties - Wta') as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups. The fees for audit of the financial statements relate to the audit of the 2019 financial statements, regardless of whether the work was performed during the financial year.

6.4 Income tax expense

	Jan - June 2020	Jan - June 2019
	EUR'000	EUR'000
Current tax:		
Current income tax	810	517
Deferred tax:		
Net movement in deferred taxes	(5)	(9)
Income tax expense	805	508
Income before tax	3,218	2,032
Effective tax rate	25.0%	25.0%

The statutory tax rate is 25% for the year 2020 (2019: 25%).

7 Supplementary information

7.1 Commitments and contingencies

Fiscal Unity

innogy Finance B.V. is part of the fiscal unity innogy International Participations N.V. for corporate income tax effective 1 January 2015. The Company and its fellow group members are jointly and severally liable for all corporate income tax liabilities of the fiscal unity. The corporation tax charge is settled through the intercompany current accounts.

7.2 Subsequent events

In July 2020, a partial redemption has been performed on the USD bond (USD 50.0 million) of an amount of USD 32.6 million. Consequently an amount of USD 35.4 million has been repaid by innogy SE on the loan (USD 56.2 million).

On August 13, 2020 innogy Finance B.V., also a wholly-owned E.ON group entity, invited bondholders of its market-listed debt securities to a consent solicitation process where bondholders have to consent to the proposed amendments. In votes without meeting conducted in accordance with the German Act on Debt Securities the bondholders are asked to consent to, inter alia, a replacement of innogy Finance B.V. as issuer by E.ON International Finance B.V. and the substitution of innogy SE as guarantor by E.ON SE. Depending on the outcome of these consent solicitations, E.ON International Finance B.V. may become the new issuer for such instruments. In such a case, E.ON International Finance B.V. would also become the new lender of any corresponding intra-group long term loan that was originally granted by innogy Finance B.V. on-lending the proceeds of such bond and which would also be transferred to E.ON International Finance B.V. together with the respective debt instrument. In September 2020 votes without meetings were held. For all but two bonds (the August 2021 notes, ISIN: XS0412842857 and the April 2025 notes, ISIN: XS1595704872) extraordinary resolutions were passed whereas for the two mentioned bonds there will be invitations for a physical meeting.

At the same time an exchange offer has been placed in the market regarding the EUR 468.0 million bond (hereafter “2037 Notes”). E.ON SE offered to exchange any and all of the 2037 Notes for new 2037 notes (the New 2037 Notes) issued by E.ON SE as substitute issuer and debtor, with an exchange ratio of one 2037 Note for one New 2037 Note. Bonds in the nominal value of EUR 462.1 million were tendered by investors and will be exchanged into E.ON bonds as per 16 September 2020.

No other events after balance sheet date occurred, which should be included in these accounts.

‘s-Hertogenbosch, The Netherlands, 15 September 2020

Board of directors,

V. Heischkamp J. van Dam

D. Jacobs

Other information

Other information

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