



**E.ON SE Annual-Results Press Conference
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Statements by:

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2 / 12

Members of the press, ladies and gentlemen.

The 2021 financial year was very successful for E.ON. Our numbers are right, and we delivered a very good operating performance—**although** we also had to overcome considerable challenges in 2021. Which is actually an excellent starting point for an annual-results press conference.

But all this is overshadowed by the tragedy in Ukraine. I know Marc Spieker feels the same way. For the sake of completeness, however, in a moment he'll present our results for the 2021 financial year. I'll confine myself to the essentials.

I was very concerned. But what has happened has left me stunned. Europe is witnessing the most serious breach of international law and the worst humanitarian catastrophe since World War II. E.ON condemns war and violence in the strongest possible terms. And we fully support the European Union's sanctions.

And our concern isn't merely abstract. Many of us at E.ON have Ukrainian colleagues, friends, or relatives. We have offices and facilities in Slovakia, Poland, Hungary, and Romania. In some cases, our service territories in these countries border Ukraine. In these regions, we're already experiencing the arrival of millions of refugees.

E.ON has initially provided €2 million in aid. And our employees have already privately donated over 160 thousand euros to our central donation account at the Red Cross. My Management Board colleague, Victoria Ossadnik, is coordinating the aid measures.

E.ON has no business operations in Ukraine itself. Our operating units in neighboring countries—Romania, Hungary, Slovakia, Poland, and elsewhere in Eastern Europe—are providing very direct assistance.

- Our colleagues in Romania are building energy infrastructure for refugee shelters.
- In Poland they're distributing sleeping bags and mattresses.
- In the Czech Republic they're housing refugees at E.ON facilities.
- And there are numerous other initiatives across the Group.

What matters now is the people in Ukraine. Right now that's the highest priority. For E.ON too.

Yet this is also about Europe itself. It's about Europe's energy supply. Today and in the future. And it's always about distinguishing between the short-term repercussions in the months ahead and a long-term perspective.

In the long term, Europe must and will fundamentally end its energy dependence on Russia. There's no way around this.

In the long term, Europe needs to diversify its energy imports. Therefore Germany has decided to build two LNG terminals.

In the long term, LNG terminals—German Chancellor Olaf Scholz explicitly mentioned this in his government statement—could be used to import hydrogen as well. But we need hydrogen infrastructure that goes far beyond these terminals. And 100 percent of this hydrogen isn't going to be green immediately. The first priority is to have enough energy in the system.

In the long term, the energy transition is the right course. E.ON is unambiguously committed to a green transformation, especially amid this crisis. But the energy transition will only be successful if we now dramatically accelerate the expansion. The same applies to the modernization and digitalization of E.ON's power networks.

In sum, Germany and Europe have long-term answers: diversification, LNG and hydrogen infrastructure, more renewables, and more digital network infrastructure. And all of this reaffirms our belief in our strategy, which is fully geared toward this transformation.

But all of this is long term. All of this won't help us in the short term to get through the next winter and through the next two to three years.

In the short term, the task is to make Germany's energy supply as stable as possible under the given circumstances. The focus must be on secure and affordable energy for industry and consumers. With all the potential implications for Germany's economy. The German federal government knows this. It is resisting all calls to also stop the import of gas. Because that would hit Germany and Europe hard. We believe the government is acting extremely prudently, responsibly, and convincingly. Because even if it's painful and unpleasant: in the short term at least, we can't do without Russian gas. In any case not without severe consequences for Europe's economy. That's why I'd like to take this opportunity to express our unambiguous support for the position taken by the German government, above all Chancellor Olaf Scholz and Economics Minister Robert Habeck.

In the short term, the objective is affordable energy. Procurement prices on wholesale power and gas markets have been extremely high for some time.

They will remain high amid the crisis. In this volatile situation, no one can say for sure how high. It would therefore be right for Germany to reduce its energy taxes and levies in order to ease the burden on consumers. E.ON has advocated this for a long time. And we will of course fully implement the suspension of Germany's renewables surcharge for our customers starting on July 1, 2022, in line with the legal situation that will then apply.

Obviously, there are no simple short-term answers. We're talking about possibly reactivating reserve power plants and postponing Germany's coal phaseout. And we're talking about possibly forcibly reducing demand. None of this is something that's done lightly. We're going to pay a price. But we have to ensure now that the price doesn't get so high, that we can hardly pay it.

E.ON has a large procurement portfolio for residential and small and medium-sized enterprises. We purchase our gas on wholesale markets in Europe. E.ON has no long-term supply contracts directly with producers. However, a small amount of natural gas in our portfolio has been purchased from Gazprom trading companies in Europe. In view of the war in Ukraine, we have stopped procuring new amounts from these companies.

The Russian market is not one of our target regions. But one thing is clear: If there is a more or less extended physical shortage of energy imports, it would have consequences for us as well.

The current situation certainly doesn't make our business any easier. But we've proven in the past that we're successful even and especially amid major challenges.

This is still the annual-results press conference. So, despite the situation, I'd like to talk about last year. E.ON again operated in a turbulent market environment in 2021. It was a stress test on several fronts. Once again it has shown that we're resilient. And that we're well positioned.

My review of last year has three messages.

First, we finished 2021 successfully and surpasses expectations in all areas. And we achieved this despite considerable difficulties.

- We delivered our numbers. Marc Spieker will say more about this in a moment.
- But we not only delivered our numbers. In the second Corona year amid lockdowns, we also again helped secure the energy supply in all our markets.

5 / 12

- In addition, we successfully managed disasters. In the case of severe storms in Germany, Sweden, and Eastern Europe. And also the devastating floods in the Ahr Valley in western Germany. We therefore express our sincere thanks to all our colleagues who responded to the disasters.
- Finally, E.ON was a safe haven for just under a million customers left stranded by dubious providers who had evaded their responsibility in these turbulent times. Our long-term, foresighted procurement strategy shielded our customers well from short-term price adjustments.

This was an incredible achievement by the entire organization.

My second message is that we simultaneously propelled our growth strategy for greater sustainability and digitalization.

- We increased our network investments by 4 percent year-on-year. We intend to expand the regulated asset base of our electricity network business by at least 6 percent per year through 2026.
- Our networks integrated even more renewables as well as new customers, such as a battery factory in Salzgitter and a whole series of data centers in and around Frankfurt am Main.
- And we propelled the decarbonization journeys of our partners. This includes hydrogen solutions, which have enormous potential for European industry in particular and will become a growth driver for us. Our acquisition of Horisont Energi is part of this. It complements our decarbonization offerings for industrial customers. We're picking up speed. We see hydrogen as an additional growth opportunity.
- We're also seeing strong momentum in the demand for storage and solar solutions as well as eMobility. The breakthrough has happened. The number of e-cars being registered is gaining pace. And E.ON is supplying the charging infrastructure for them. By 2026, we want to increase our eMobility-related sales more than tenfold.

And that means we're devoting all our energy to the long-term task I've described—the comprehensive transformation of our energy system. We're reducing vulnerability and propelling the energy transition. Because it's now more important than ever.

My third message is that we also improved our setup in the 2021 financial year by doing our homework and delivering.

6 / 12

- We moved forward successfully with the restructuring of our business in the United Kingdom.
- And the innogy integration reached its final stage. This year we'll achieve the synergies promised during the acquisition.
- At the same time, our journey toward ever greater sustainability continued: our energy solutions have reduced our customers' carbon emissions by 107 million metric tons. And we reduced our own carbon emissions to 9.4 million tons in 2021.
- Finally, we're also making great strides in digitalization. We've already migrated 8 million customer contracts in the United Kingdom to a digital platform and just under 7 million in Germany. The same applies to the digitalization of our networks. One example is our successful rollout of smart meters in Poland. And we recently installed our 100,000th smart meter in Germany. Fewer than I'd like. But significantly more than our competitors.
- In 2021 E.ON also made two important strategic acquisitions—envelio and gridX—that promote the digitalization of the energy world. These two startups strengthen our digital network solutions and, in the future, will become part of our e.Hub. The e.Hub is a new digital ecosystem that will connect the solutions of the future energy world: cloud-based sales platforms, eMobility charging management, the management of grid connection services. It will be another growth area for E.ON.

To summarize again, we deliver our numbers despite external shocks. Our networks and customer solutions are propelling the energy transition. We do our homework and we do our part to stabilize the energy system.

I'm very grateful to all our employees. Without them, this achievement in very difficult times wouldn't have been possible.

The World Benchmarking Alliance's 2021 electric utilities benchmark ranks E.ON third among the world's 50 most influential electricity supply companies. We want to use our influence in Europe's interest, especially in these difficult times. We'll continue to propel the energy transition and do everything we can to ensure a stable energy supply.

In the current financial year, opportunities and risks are cheek by jowl. It will be very challenging, including for E.ON. But our growth strategy sets a clear direction. And the things we can influence ourselves are right on track.

7 / 12

Today we reaffirm our long-term ambitions through 2026, which we communicated last November. And we're delivering on our promises: at the Annual Shareholders Meeting we'll propose a dividend of 49 cents per share for the 2021 financial year. This is our seventh dividend increase in a row. We also reaffirm our target of increasing our dividend by up to 5 percent per year through 2026.

Russia's attack on Ukraine has changed the prospects. Finding new answers to a new constellation on energy markets will take time. But one thing is clear: the energy transition must and will gain even more momentum. And E.ON will play a key role in shaping it.

With that I'll hand things over to my colleague Marc Spieker.

Marc Spieker

Thanks, Leo. Good morning to everyone from me as well.

I too would like to say a few personal words about the crisis. As a father of three children, I personally am shocked by the suffering that this completely unjustifiable war of aggression is causing families and especially children. I'd hoped that children in Europe—as was the privilege of my generation—would no longer have to experience a war of aggression on a neighboring country. I very much hope that Europe will quickly find its way back to peaceful coexistence—I'm thinking above all of the future of the children in Ukraine.

The war in Ukraine poses great challenges for E.ON as well. We always stand by our customers. We take our responsibility for energy security seriously. We do all this with a high degree of professionalism. This is what our customers can expect from us.

It's difficult to segue into the apparent normality of an annual-results presentation. But let's move on to E.ON's numbers for the 2021 financial year. As Leo already mentioned, we put in a very strong business performance. Moreover, despite an environment that was already challenging in the prior financial year, we not only delivered on our ambitious growth promises. We surpassed the upper end of our forecast range.

In addition, we significantly reduced our debt factor, which is fully in line with our strong BBB/Baa target rating one year ahead of schedule.

There is currently a high degree of uncertainty regarding the economic, political and regulatory repercussions of the war in Ukraine. E.ON mainly perceives risks for commodity markets and related credit and liquidity risks as well as valuation risks. The short- and long-term effects of the conflict and of a possible further escalation on E.ON's business performance in 2022 and key performance indicators can't be fully estimated at the present time. Accordingly, these cannot be reflected in the forecast either. However, since we as a company are generally prepared for a volatile market environment, I generally feel well positioned with the current forecast.

Based on our current plans, we expect the E.ON Group to record adjusted EBITDA of €7.6 to €7.8 billion. In addition, I reaffirm our medium-term forecast through 2026, including our dividend policy of up to 5 percent growth through 2026.

I'll turn now to the details of our 2021 results:

We significantly increased **Group adjusted EBITDA** by €1 billion relative to the prior year to €7.9 billion. That represents year-on-year growth of 14 percent and surpasses the upper end of our forecast range. What were the growth drivers?

Our **Customer Solutions business** delivered a very gratifying earnings performance in 2021. Our colleagues there increased EBITDA by a very strong 45 percent year-on-year to €1.5 billion. Our end-customer business benefited primarily from the fundamental and successful restructuring of our U.K. business. Despite a difficult market environment, our U.K. unit achieved its EBIT target of £100 million. It did this even though more than 20 suppliers exited the market and E.ON stepped in to be the supplier of last resort for more than 300,000 customers. This is another demonstration of our outstanding work.

I'd like to highlight two promising growth businesses at our Customer Solutions segment:

- First, our Energy Infrastructure Solutions unit, which provides highly efficient and thus sustainable energy solutions primarily for industrial customers and urban districts. We systematically pursued our growth course for this unit, which generated EBITDA of €480 million. That's 40 percent more than in the previous year. I'm particularly pleased that this increase is primarily attributable to organic growth.
- Second, the Future Energy Home unit, whose best-known product is doubtless a package consisting of solar panels and a battery storage device. These solutions are selling very well in all markets, and demand is rising continually. In 2021 we increased sales of distributed B2C solutions from 100,000 to 125,000 systems and EBITDA contribution of unit of €65 million.

Another important earnings driver was our **Non-Core Business**, which benefited among other things from a higher availability rate at our nuclear power plants amid the current electricity price environment and from the agreement on residual power output rights.

Earnings at **Energy Networks** mainly reflected normalized weather conditions, the absence of negative effects from the pandemic, and anticipated regulatory developments at our network business in Germany.

In this context, I'll comment briefly on the earnings impact of the extreme situation on energy markets, which we've been experiencing since the second half of 2021. Of course, our earnings are not immune to a general situation like this. But a strength of our business model—our focus on customer solutions and energy networks—is that it adequately shields us from the excesses on commodity markets.

Our energy network business was adversely affected by higher costs for line losses in Sweden and Central and Eastern Europe amounting to a low three-digit million figure. However, this effect is only temporary. These costs are part of the regulatory formula and will be recovered over several years from 2023 onward under the regulatory mechanisms in our markets.

Our customer solutions business pursues a prudent and foresighted procurement strategy for all our energy sales markets. As a result, we've weathered the extreme situation on energy markets very well with only a minor negative impact on earnings. The beneficiaries were not only our own customers but, as Leo Birnbaum already mentioned, almost 1 million additional customers whose irresponsible suppliers didn't think of them first and for whom we stepped in on short notice.

What does this strong operating-earnings performance mean for **adjusted net income**? We recorded adjusted net income of €2.5 billion in 2021, which was 53 percent more than in 2020 and thus also at the upper end of our forecast range. This reflects the increase in our operating earnings along with the anticipated positive effects of a lower interest-rate level and a lower tax rate of 23 percent.

Our **economic net debt** declined by almost €2 billion from year-end 2020 to €38.8 billion. The improvement in economic net debt is mainly attributable to a reduction in provisions for pensions. Actuarial discount rates for defined benefit obligations rose, while our plan assets delivered a strong performance.

Our strong earnings in the 2021 financial year and the reduction of our economic net debt have already enabled us to reduce our debt factor to 4.9. That's well within our debt-factor target range of 4.8 to 5.2 times EBITDA.

In 2021 we not only laid the financial foundation for future growth, but also made significant progress in integrating **sustainability** into our management and reporting. We defined a clear framework for performance indicators, which we presented to you in November 2021. Consequently, the Annual Report we released today for the first time presents financial and sustainability-related key performance indicators side by side.

This makes it clear that sustainability is firmly anchored in our strategy and therefore in our investments and their financing as well.

We were the first company in Europe to have aligned its **Green Bond Framework** to the draft EU taxonomy. We updated the framework in December to reflect the taxonomy's final version. Our roughly €6.2 billion of green bonds outstanding makes us Germany's largest corporate issuer.

No less than 97 percent of our eligible investments EU taxonomy-aligned. That makes me very proud. Our investments are thus paving the way to a green energy future and support the policymaking objectives of the fight against climate change.

As we explained when we updated our strategy in November, we intend to continually increase our investments to accelerate our earnings growth. The current situation has not changed this. We plan to invest €5.3 billion in 2022 and a total of €27 billion through 2026. More than three quarters of our

investments in 2022 will go toward energy networks. A double-digit percentage is earmarked for energy infrastructure solutions.

Before turning to our earnings **forecast** for the 2022 financial year, I want to reiterate that the short- and long-term impact of the war in Ukraine on E.ON's business performance in 2022 and on key performance indicators can't be fully estimated at this time. Nevertheless, I would like to emphasize that despite the dynamic environment, we are basically comfortable with the current forecast.

We've prepared our company for a persistently volatile energy market environment and, to the degree possible, reduced the earnings risk of such an environment. Nevertheless, temporary negative earnings effects on our core business can't be completely ruled out.

That said, we expect a further significant increase in our EBITDA from €6.3 billion in the 2021 financial year to between €7.6 and €7.8 billion in 2022. Two things are important here:

- Firstly, we'll achieve this increase first and foremost through significant organic growth in our core business. In addition, we'll realize €400 million in synergies through the innogy integration.
- Second, this earnings forecast doesn't yet include portfolio optimization measures. As a reminder, we're aiming for a divestment program of €2 to €4 billion to finance our growth through 2026. As I've already made clear on several occasions, we're not planning any major transactions, but rather smaller portfolio adjustments that will add up to the target figure.

As part of this, we've decided to review strategic options for our district heating and cooling business in Örebro and Norrköping, Sweden. This includes a possible divestment. We've also begun the process of exploring the option of finding a co-investor to support the growth of our broadband infrastructure business in Germany. We'll inform you about both evaluations as soon as they're completed.

We expect to record adjusted net income of €2.3 to €2.5 billion in 2022, which corresponds to earnings per share of 88 to 96 cents.

I also fully reaffirm our medium-term target for 2026, including the forecasts for individual segments. We expect Energy Networks to achieve average annual earnings growth of 4 percent and EBITDA of €6 to €6.2 billion by 2026. Customer Solutions' earnings will increase by 5 to 8 percent annually to €1.9 to €2.2 billion. I also reaffirm our dividend proposal for 2021 of 49 cents per share and our target of increasing the **dividend** by up to 5 percent annually through 2026.

12 / 12

Ladies and gentlemen, that's all from me this morning. Thank you very much for listening. I'll hand things over to Lars Rosumek for the Q&A.

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