



**Telephone Conference on the Release of E.ON SE's Interim Report for the
First Half of 2017**

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Statement by:

Dr. Johannes Teyssen, CEO, E.ON SE

Dr. Marc Spieker, CFO, E.ON SE

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[Speaker: Johannes Teyssen]

Good morning from Essen, everyone. I too would like to welcome you to our telephone conference. Marc Spieker and I will talk today primarily about the big steps we're taking to transform and realign our company. Thanks to a strong operating business and a significantly improved balance sheet, E.ON will be able to enter the next phase of its development earlier than anticipated. But we'll of course also talk today about how E.ON's core businesses (Energy Networks, Customer Solutions, and Renewables) performed in the first half of 2017 and about where we stand in strengthening E.ON's balance sheet. And we'll look ahead to the second half of the year and a little bit beyond, not in terms of numbers but rather by providing you with some insights into how we're developing our core businesses.

E.ON's operating business performed very well in the second quarter of 2017. Second-quarter adjusted EBIT in our core businesses (Energy Networks, Customer Solutions, and Renewables) surpassed the prior-year figure by 25 percent. We announced that we would play a strong catch-up game to make up for the slow start in the first quarter. We already largely achieved this in the second quarter. As anticipated, all of our business segments contributed to the improvement. Marc Spieker will say more about this in a moment. This performance puts us on course for our forecast for full-year 2017, which we expressly reaffirm today: we plan to post adjusted EBIT of €2.8 to €3.1 billion and adjusted net income of €1.2 to €1.45 billion.

Two major strategic issues dominated the first half of the year. I can report that we achieved completion on the first and substantial progress on the second:

- 1) We brought the reorganization of the responsibility for nuclear-waste disposal in Germany to a successful and timely conclusion. As planned, in early July we paid roughly €10 billion into Germany's public fund to finance nuclear-waste disposal. From that moment, the German state has sole political and financial responsibility for the intermediate and final storage of the country's nuclear waste. Consequently, E.ON is no longer liable for the uncertain future costs of the intermediate and final storage of nuclear waste. Despite the very large one-off payment this solution required, it's good news, above all for our shareholders. Because it means that E.ON is now released from these perpetual liabilities and, in particular, is no longer exposed to the political risks. Our task is to dismantle our nuclear power stations. The general public and our investors can rest assured that we will dismantle our decommissioned nuclear power stations swiftly,

responsibly, cost-effectively, and in a way that shields our balance sheet from further risks.

- 2) Our objective was to restrengthen E.ON's balance sheet after the impact of the Uniper spinoff and the nuclear energy solution. The refund of the nuclear-fuel tax enabled us to make considerable progress toward this objective much earlier than planned. We've already reduced our economic net debt by 18 percent, from €26.3 billion at year-end 2016 to €21.5 billion at half-year mark. However, we'll continue to systematically implement our debt-reduction plan. When we complete it, we'll have surpassed our debt-reduction target by a wide margin. The positive result of this will be considerable flexibility with regard to our balance sheet.

I can therefore send a strong signal to the capital market: we intend to use this financial flexibility to increase our dividend payout starting with the dividend for the 2018 financial year *and*, starting in 2018, to invest in growth and a successful energy transition in the interest of our customers and the general public. I'll start with the dividend payout: the restrengthening of our balance sheet gives us the opportunity to allow our investors to share in our success by means of a dividend payout commensurate with the market. Beginning with the dividend for the 2018 financial year, we therefore intend to raise our payout ratio from the current 50 to 60 percent to a minimum of 65 percent. This would put us on par with our relevant competitors. Yesterday the Supervisory Board approved the Management Board's proposal for the increase. We'll present our new dividend policy in greater detail at the time we release our results for 2017. Of course, we're also aiming for dividend growth in absolute terms as well.

At the same time, we have the possibility of investing in growth. Our businesses and markets offer attractive opportunities with reasonable risks. At the time we release our results for 2017, we'll present our updated growth and investment strategy.

As you can see, for us investments and dividends aren't mutually exclusive. We have the opportunity to increase both in the interest of our customers, employees, and shareholders. And that's precisely what we intend to do. Additional investments will also lay the foundation for greater customer benefit, better products, more growth, and stable earnings streams in the future. All of this will benefit our shareholders as well.

We're building a new, digital E.ON for the future, by moderately increasing our growth investments, but at least as much by drawing on our employees' creative ideas and entrepreneurial spirit. In the interest

of our customers, our objective is to play a leading role in the digitalization of the energy sector and to help shape the energy transition and ensure its success. That's why we've set a digital agenda, which includes a number of flagship projects. There are projects in all three of our core businesses. At E.ON, we don't view digitalization as an isolated solution for certain projects or products. Rather, we want to transform E.ON systematically into digital company. We're already making good progress. Preventive-maintenance software and digital staff-planning systems are making our network businesses more efficient. Digital optimization of wind-turbine controls increases wind yield. Back-end digital processes reduce the service costs of our sales business and at the same time improve service quality. This enhances our competitive position and our customers' comfort and satisfaction.

We've been successful for some time in e-mobility as well. For example, we operate an extensive electric-vehicle (EV) charging infrastructure in Copenhagen. We offer residential and business customers a broad palette of e-mobility solutions in Germany as well. At our new website, eon-drive.de, they can order an attractive bundle of e-mobility products, including a wall-mounted charge point, a green-power tariff, and a flat rate for EV charging. Our customers in Germany can already recharge their EV at more than 4,000 charging stations nationwide that they can access with our new E.ON app or with a chip card. Another very specific example: last week we announced that we're installing one of Germany's first fast-charge stations at an autobahn rest area, located in Geiselwind in Bavaria. A full charge—enough to travel 400 kilometers—takes as little as 20 minutes. And when EV batteries become more powerful in the future, a simple upgrade will enable stations like this one to charge a car in just five minutes.

For our company's success it's pivotal that we satisfy our customers, capture new market share, and achieve profitable growth with our palette of solutions. We made further progress in these areas as well.

We launched new products for residential customers, such as the Aura storage system for solar power, E.ON SolarCloud (which is so far unique in the marketplace), and Sunroof as part of our exclusive partnership with Google. It's particularly pleasing that the demand for E.ON solar solutions in Germany has increased sixfold in one year.

We're also making use of new sales channels. In early July we began offering an affordably priced green power product with a price cap until 2019 through Lidl, a nationwide discount retailer. We've also launched a price-cap product in the United Kingdom, one of Europe's

most keenly competitive markets. The demand for this new product has been very strong.

We also achieved substantial growth in our B2B business, whose order volume has increased dramatically. In 2017 we expect it to double year on year to more than €1 billion. Multinational companies from a variety of industries—Procter & Gamble, Dow Chemical, Britvic, DS Smith, Pilkington, and Goodyear—have recently opted for solutions from E.ON. In addition, we've forged a partnership with Vonovia, a leading residential property management firm, that will bring the energy transition to Germany's rental housing sector. The solar arrays on the roofs of Vonovia's apartment complexes in Dresden are the starting point for a broader partnership. We're working with Vonovia to explore expanding the arrangement to other cities. These new products and services strengthen your new E.ON's earnings profile.

Our Energy Networks segment is at the heart of the new energy world. Energy production is becoming more distributed, and not just in Germany. More and more customers are opting to be energy producers as well as energy consumers. This creates new challenges, particularly for regional network operators, who are becoming backbone of the energy transition. That's why we invest continually in network upgrades and digital solutions. We want E.ON's network operators to be able to seize growth opportunities.

At our renewables business, important projects entered service, such as Iron Horse in Tucson, Arizona, our first grid-scale solar-energy and energy-storage project. The construction of Arkona wind farm in the Baltic Sea is on schedule, as are our other new-build projects, primarily onshore wind farms in the United States. Renewables are an essential business for the new E.ON, and we will continue to develop it.

In the first half of 2017 we continued to successfully implement E.ON's new strategy. We strengthened our balance sheet and sharply reduced our debt. Our operating business is strong and generates solid free cash flow. This gives us the flexibility for disciplined, sustainable growth investments and higher dividend payouts. With that I'll hand things over to Marc Spieker, who will provide you with detailed commentary on our results for the second quarter and the first half.

[Speaker: Marc Spieker]

Good morning and welcome from me as well. Johannes Teysen already highlighted the main aspects of our first-half results. I'll now provide you with some detailed commentary.

I'll start with our results. Our first-half sales of €19.6 billion and adjusted EBIT of €1.8 billion were below the respective prior-year numbers, whereas our adjusted net income of €881 million was significantly higher. Our adjusted EBIT still shows the after-effects of our weak first quarter. We reported on these factors. And we also announced that we intended to make up this lost ground. And we have.

Our network business was very strong in all regions. The second-quarter adjusted EBIT of our Energy Networks segment increased by 31 percent year on year to €396 million. The main factors were improved margins in Sweden and the Czech Republic along with regulatory effects in Germany. This segment's first-half earnings of just over €1 billion were up 18 percent and thus also well above the prior-year figure.

The recovery of our sales business in the second quarter is particularly pleasing. You'll recall that our first-quarter earnings were adversely affected by sharply higher grid fees charged by Germany's transmission system operators that we could not yet pass through to our customers. Beginning in May we were able to include these fees in our prices. This returned the margins in our sales business in Germany to a normal level. We made up ground in our important U.K. sales business as well, not only in terms of earnings but also in terms of customer numbers. These factors enabled Customer Solutions to increase its second-quarter adjusted EBIT by 68 percent to €119 million. But of course we want to make even more progress. A few moments ago Johannes Teysen mentioned some examples of how we're increasingly establishing ourselves as a go-to partner in the new energy world. And our development pipeline contains even more products that will excite our customers.

Renewables' second-quarter adjusted EBIT declined by about €45 million, mainly because of the non-recurrence of book gains we recorded on the sale of stakes in Arkona wind farm in the prior-year. Our current major new-build projects offshore in Europe and onshore in the United States are right on schedule and will add additional earnings growth starting in 2018. We also see additional earnings potential through new onshore wind projects in Europe.

PreussenElektra's results reflect the normalization of its earnings, as we already forecast. Its first-half adjusted EBIT was only slightly below the prior-year figure. The non-recurrence of nuclear-fuel-tax payments and one-off item recorded in the prior-year period largely offset adverse price and depreciation effects in the current-year period. Brokdorf nuclear power station has been back online since the end of July.

E.ON's adjusted net income of €881 million is on course as well. As anticipated, the decline in adjusted EBIT was more than offset by a reduction in our interest and tax expense.

Our operating cash flow of €4.9 billion was very far—€3.2 billion—above the prior-year figure. The increase resulted primarily from the €2.8 refund of nuclear-fuel taxes we received in June 2017 and from the strong cash flow generated by our core business.

Johannes Teyssen already mentioned that our progress in reducing our debt and strengthening our balance sheet has been faster than planned. Our economic net debt now stands at €21.5 billion. In March we successfully conducted a capital increase of roughly €1.35 billion. In June the German Federal Constitutional Court ruled the nuclear-fuel tax invalid. The tax refund of €2.85 billion had a positive impact on our balance sheet. We continue to systematically implement our debt-reduction plan. It encompasses the sale of our Uniper stake and the transfer our Nord Stream stake into our pension fund. Other items include cost savings on the dismantling of nuclear power stations and the disposal of non-core assets. Together, these measures will give us flexibility, which we intend to use to increase our dividend and invest in growth. A hybrid bond, which as of the first quarter we still considered as a possible debt-reduction measure, is no longer necessary.

Johannes Teyssen also emphasized that we reaffirm our forecast for full-year 2017, which calls for adjusted EBIT of €2.8 to €3.1 billion and adjusted net income of €1.2 to €1.45 billion.

That concludes my commentary on our first-half numbers and our forecast for full-year 2017. In summary, in the first half of 2017 we continued to move forward in successfully implementing E.ON's new strategy. We tangibly strengthened our balance sheet and reduced our debt faster than planned. Our operating business is strong. Increasingly, we're offering our customers more and innovative products. We're moving forward systemically and agilely in the second half of the year as well. We'll not only achieve our earnings targets but also become a better partner for our customers in the new

energy world. In the interest of society, we're striving to help the energy transition succeed and to benefit people. E.ON stands for clean, efficient, sustainable energy that improves people's lives and helps promote a prosperous future. And all of this will enable us to advance toward our goal of making E.ON into an even more attractive investment.

With that I'll hand things back to Barbara Schädler.

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