E.ON SE Telephone Press Conference on the Publication of its Interim Report for the First Half of 2018

Essen, August 8, 2018

Statement by:

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Please check against delivery.

Good morning from Essen, everyone, and welcome to the presentation of our Interim Report for the first half of 2018. As usual, I'll start by providing commentary on our numbers for January through June of this year. This will be followed by a brief update on the status of our transaction with RWE. Afterward I'll be happy to take your questions.

Before I go into the details of our Interim Report, I'll summarize in four brief statements where E.ON stands mid-year:

- Our good business performance continued. We increased first-half adjusted EBIT by 10 percent relative to the weak prior-year figure, from €1.8 billion to €1.9 billion. Our adjusted net income rose as well. At €1,052 million, it surpassed the prior-year figure of €881 million by €171 million, or 19 percent.

- These interim results are in line with our expectations for all of our main key figures. We therefore reaffirm our forecast for full-year 2018. We continue to expect the E.ON Group's full-year adjusted EBIT to be between €2.8 and €3 billion and its adjusted net income to be between €1.3 and €1.5 billion.

- We reduced our economic net debt much faster than planned, thereby further strengthening our balance sheet. Our debt now stands at €15.9 billion compared with about €26 billion at year-end 2016 and €19.2 billion at year-end 2017. We therefore surpassed our target. The successful conclusion of the sale of our Uniper stake to Fortum was the primary factor.

- Since announcing our transaction with RWE this past March, we've already reached important milestones toward implementation. We're therefore right on course. I'll say more about this in a moment.

First I'll give you a detailed look at our first-half results.

Sales at our Customer Solutions segment of €11.5 billion were slightly above the prior-year figure of €11.2 billion. Its adjusted EBIT rose by 8 percent, from €440 million to €477 million. A particularly significant contribution came from our customer solutions business in the German market, which delivered substantially improved earnings, particularly in the first quarter. But I'd like to state that we face fierce competition in both the retail and industrial customer businesses. This is a key challenge. We're meeting it proactively with a palette of new, innovative products and improved and increasingly digital services in order to excite our customers. I'm encouraged by the fact that just a few days ago we again received an award for outstanding customer satisfaction in Germany. Customer satisfaction is one of our key performance indicators. In fact, we use it to calculate a significant portion of our top executives' variable compensation. Through a wide variety of measures, we've achieved tangible progress in customer satisfaction in recent months. Despite these successes, however, we don't intend remain idle because our competitors won't either. We don't want to be just any energy company. We want to be our customers' partner of choice. Our ambition is unchanged. Happily, we've enlarged our customer base compared with last year by approximately 100,000 household customers.

Our Energy Networks segment plays a central role in this effort. It again generated more than half of the E.ON Group's earnings. Its sales of €6.1 billion were 30 percent below the prior-year figure of €8.6 billion. At first glance this may give cause for concern. But this is purely attributable to a technical effect resulting from the application of a new International Financial Reporting Standard. We explained this effect when we reported our results for last quarter. Starting this financial year, renewables subsidies and other levies that we pass through are netted out in our income statement, which reduces both our sales and our costs of materials. Earnings from operations are not affected by that. Energy Networks' adjusted EBIT of €1,070 million was roughly at the prior-year level of €1,087 million. A special item in the low double-digit million range partially offset an anticipated decline in earnings due to regulatory reasons. However, we expect this segment's earnings to decline somewhat more significantly as the year goes forward. This has already been factored into our forecast for full-year 2018.

Sales at our Renewables segment rose from €710 million to €741 million, primarily because of higher output due to the commissioning of new offshore and onshore wind farms. This was the same reason for the 15-percent increase in Renewables' earnings, from €205 million to €236 million.

First-half earnings at Non-Core Business, which consists primarily of PreussenElektra and the generation business in Turkey, increased from €205 million to €224 million.

Adjusted net income of €1,052 million surpassed the prior-year figure of €881 million by €171 million. This 19-percent increase is mainly attributable to the performance of our operating earnings I just described.

At €1.4 billion, our operating cash flow from continuing operations was strong. The fact that it was nevertheless €3.5 billion lower than in the prior-year period is mainly because we recorded an exceptionally significant one-off item last year: the nuclear-fuel tax refund of roughly €2.85 billion.

That concludes my remarks about the details of our first-half results. I'd now like to say a few words about our transaction with RWE.

We're making good progress. Since announcing our transaction with RWE this past March, we've already reached important milestones toward implementation.

- Together with RWE and innogy and in consultation with the Group Works Councils, in May we reached a collective-bargaining Agreement in Principle with ver.di and IGBCE.

- This was followed in July by a Framework Agreement with the E.ON SE Works Council and Group Works Council. Both agreements establish reliability for employees as we move toward the new E.ON.

- In July we also reached an agreement with innogy to work together, to the degree permitted by law, in preparing for the integration. I'm particularly pleased about this. With innogy's active support, we'll move forward with the integration faster and better. I'm therefore confident that we'll fully deliver annual synergies of €600 to €800 million from 2022 onward. Today I reaffirm this target.

- Finally, in late July we successfully completed our voluntary public takeover offer to innogy's minority shareholders. Through the end of the extended offer period, about 9.4 percent of innogy stock was tendered to us. Together with the 76.8-percent stake from RWE, this equals 86.2 percent of innogy's share capital.

I'd like to state clearly that the closing of the transaction for our agreed-on acquisition of RWE's majority stake alone would've enabled us to integrate innogy into E.ON. We're therefore very satisfied with the outcome of our voluntary public takeover offer and are pleased that many other innogy shareholders accepted our offer. We continue to have numerous options for the legal aspects of the integration after closing. We're now focusing on the preparations for this integration and a swift antitrust approvals process.

Our good first-half results weren't a foregone conclusion. The competitive pressure in the customer business remains fierce, and we can't relax in the network business either.

We must and will continue to work to deliver attractive and innovative offerings, lean processes, and outstanding services in order to retain our customers and stay a step ahead of the competition. We must and will further increase our innovativeness.

We'll continue to work hard to move forward with our transaction with RWE and will do everything we can to bring it to a successful conclusion. The new E.ON will be an even more powerful company, a company focusing on smart grids and innovative customer solutions and fully dedicated to serving its customers.

That concludes my commentary on our Interim Report. I'd now be happy to take your questions.