E.ON SE Telephone Press Conference on the Publication of its Nine-Month Quarterly Statement for 2018

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Statement by:

Dr. Marc Spieker, CFO, E.ON SE

Please check against delivery.

Good morning from Essen, everyone, and welcome to the presentation of our Quarterly Statement for the first nine months of 2018. Before I provide commentary on our numbers for January through September, I'd like to say a few personal words.

A little less than four weeks ago, our colleague Alexander Karnick passed away suddenly and completely unexpectedly. He'd been Head of Investor Relations at E.ON for the past two years. Many of you knew him as a highly competent expert on even the most difficult accounting issues. For us, he was also a very likeable colleague, an extremely funny guy, and a great friend. We're very sad that he's no longer with us. At this point I would also like to express that our prayers and thoughts are to continue with his family.

As usual, I'll start by providing commentary on our numbers for January through September of 2018. Since we released our half-year report, we've made good progress on the planned takeover of innogy. This past Monday we provided you with information about it.

I'll therefore give you just a brief update on the status of our planned takeover of innogy. Afterward I'll be happy to take your questions.

So where does E.ON stand at the nine-month mark of this extremely exciting year?

- First, after the first three quarters E.ON remains on course financially and strategically. Our adjusted EBIT of roughly €2.4 billion was 11 percent above the prior-year figure of €2.1 billion. We increased our adjusted net income by 25 percent, from around €1 billion to €1.2 billion. However, this also reflects a number of technical effects, which I'll talk about in a moment.

- These interim results are fully 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 now anticipate that both earnings metrics will be in the upper half of their respective forecast range.

- We reduced our economic net debt yet again. Our debt now stands at €15.4 billion compared with €19.2 billion at year-end 2017. This gratifying and positive development is principally attributable to the proceeds from the sale of our Uniper stake.

- We've made good progress on the planned takeover of innogy too. Together with innogy, last week we made the first important decisions regarding the planned integration. We're therefore right on course here as well.

But now let's take a detailed look at our nine-month results.

As you now, the **Energy Networks** segment is the mainstay of our operating business. It generates more than half of the E.ON Group's earnings. Its nine-month sales of €9.1 billion were 29 percent below the prior-year figure of €12.9 billion. The primary factor in the decline was the application of a new International Financial Reporting Standard. We explained this accounting item in August. 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. This of course has no effect on our operating earnings. Energy Networks' adjusted EBIT of €1,472 million was roughly at the prior-year level of €1,503 million. At our network business in Germany, special items from earlier reporting periods partially offset an anticipated decline in earnings due to regulatory reasons. Adjusted EBIT in Sweden benefited from an improved gross margin in the power business, which resulted from tariff increases. This was partially offset by adverse currency-translation effects. However, we expect this segment's earnings to decline somewhat more significantly as the year goes forward. This was already factored into our forecast for full-year 2018.

Our distribution grids are already the backbone of the new energy world. Together with its subsidiaries, E.ON operates networks that have a total system length of nearly 1.1 million kilometers and that serve 27.6 million customers, including those in Slovakia and Turkey. That's real supply security, across Europe. We're also moving forward with the digitization of our networks. For example, we're currently working to interconnect all market participants—producers, consumers, and traders—and to develop new solutions for energy systems that will enable us to become the architect and operator of autonomous microgrids. In addition, we're currently testing state-of-the-art data-analysis techniques to conduct predictive maintenance. In the future, this will enable us to maintain our grids more efficiently, reduce costs, and further minimize outages.

Sales at our **Customer Solutions** segment of €15.8 billion were 2 percent above the prior-year figure of €15.5 billion. This segment's adjusted EBIT rose by 5 percent, from €342 million to €360 million. A particularly significant contribution came from our customer solutions business in the German market. Earnings in the United Kingdom were at the prior-year level. However, our nine-month earnings there benefited from a change in when costs are recorded. These costs will return in the fourth quarter, with the result that Customer Solutions' earnings for the year as a whole will be less strong.

Anyone who talks with the people in our sales organization knows that the competition remains fierce. Our customers expect a lot, and our competitors aren't idle. We're responding to the intense competition in our markets with new products and innovative services. I'm pleased by the fact that, increasingly, customers are responding positively to our offers. We increased the number of retail customers across all our markets by a total of 160,000 during the last twelve months. Our individually tailored solutions for industrial customers are in demand as well. For example, we have two projects in the pipeline in which the waste heat from industrial processes will be recycled and converted to energy to power freezer warehouses located nearby. We designed a technically advanced solution for a food manufacturer outside Freiburg as well. A new embedded generating unit at the facility will decide itself how much energy it produces at any given moment. This smart generating unit will automatically assess the production facility's energy needs in real time while also monitoring spot power prices. Depending on the situation, it will determine whether it produces energy just for the facility or also sells surplus power to the grid. The successes of our colleagues in the operating business demonstrate that for many customers we're already their energy partner of choice when it comes to combining innovation and reliability. Our objective is to be this in all our markets and across Europe.

Sales at our **Renewables** segment rose from €1.1 billion by 7 percent to €1.2 billion, primarily because of higher output due to the commissioning of new onshore and onshore wind farms. This was the same reason for the 14-percent increase in Renewables' earnings, from €248 million to €283 million. And we further expanded our earnings base. Arkona offshore wind farm was substantially completed in October, which makes it another E.ON renewables project finished in record time. Arkona began producing green energy—and generating earnings—back in September. The wind farm has 385 megawatts of installed capacity and, theoretically, be able to supply up to 400,000 households with renewable energy. Investments in the project total €1.2 billion. Compared with fossil resources, Arkona will prevent up to 1.2 million metric tons of carbon emissions annually.

Nine-month earnings at **Non-Core Business**, which consists of PreussenElektra and the generation business in Turkey, increased by

19 percent, from €264 million to €314 million. The increase is primarily attributable to improved earnings at the generation business in Turkey. Prior-year equity earnings on our stake in Enerjisa Üretim were adversely affected in particular by a book loss on the sale of a hydroelectric station.

Adjusted EBIT reported under Corporate Functions/Other improved significantly year on year, owing in part to lower costs for personnel and materials as a result of our Phoenix reorganization program.

Adjusted net income of €1.2 billion surpassed the prior-year figure of €1.0 billion by 25 percent, mainly because of the items in our operating earnings I just described and an improvement in our financial earnings.

Our operating cash flow of €3.5 billion was €6.6 billion above the prior-year level. The main reason for the increase is that in July 2017 we paid €10.3 billion into Germany's public fund to finance nuclear-waste disposal. This amount was partially offset, among other items, by the roughly €2.85 billion nuclear-fuel-tax refund we received in June 2017.

That ends my remarks about our nine-month results. In conclusion, I'd like to say a few words about our **planned takeover of innogy,** which is making good progress.

Last week we und innogy made the first major decisions regarding the planned integration of innogy. These decisions are to be implemented after the closure of the transaction, which is subject to the approval of the relevant regulatory agencies.

- The new company will retain the name E.ON.

- E.ON's and innogy's distribution system operators (DSOs) in Germany will retain their structure. Westnetz, a DSO in west-central Germany that is now is part of innogy, will be set up as a separate company analogous to E.ON's DSOs and thus strengthened.

- As currently, the new E.ON's corporate headquarters will focus on key management tasks so that the operating units have as much room for maneuver as possible and are even closer to customers.

- In addition, we want to further enhance our innovativeness. We therefore intend to establish an innovation team at corporate headquarters that works across our product ranges and markets and that can further improve our competitive position.

These decisions will help ensure that the new E.ON is customer-oriented and can make an important contribution to the success of the energy transition and to climate protection in Europe.

In addition, E.ON and innogy agreed that the previously identified €600 to €800 million in synergies from 2022 forward can be leveraged. All planned integrations will be carried out in a socially responsible manner, in keeping with the strong tradition of the companies involved. For this reason, in May innogy, E.ON, and RWE, in consultation with their Group Works Councils, reached an Agreement in Principle on Collective Bargaining for Germany with the unions ver.di and IGBCE.

Behind each new project that I talked about today—whether at Customers Solutions, Energy Networks, or Renewables—is the hard work of our colleagues at these businesses. Competition remains keen. At E.ON, we therefore must and will continue to deliver compelling solutions, customer-friendly processes, and outstanding services so that in a competitive marketplace we remain or become customers' partner of choice.

At the same time, we'll work systematically to move forward with the planned takeover of innogy. The new E.ON will be an even more competitive company, a company focusing on smart grids and innovative customer solutions and fully dedicated to serving its customers.

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