Telephone Conference on the Publication of E.ON SE's Quarterly Statement for the First Quarter of 2019

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Statement by:

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Please check against delivery.

Good morning from Essen, everyone, and welcome to our presentation of our first-quarter numbers. I'll keep my remarks brief today, because we'll be greeting most of you at our Annual Shareholders Meeting tomorrow in the Grugahalle in Essen, where we'll report in detail about our planned asset swap with RWE. Today I'll therefore focus on providing commentary on our numbers for the first quarter of 2019. Afterward, I'll be happy to answer your questions.

I'd like to start by summarizing, in few brief statements, where we currently stand:

- E.ON's operating performance remains solid. Although our first-quarter operating earnings declined, this was relative to an exceptionally strong prior-year quarter.

- We're right on course and therefore unequivocally reaffirm our 2019 forecast for adjusted EBIT and adjusted net income.

- Not only did our perennially strong network business perform well. Our customer solutions business, which faces tough completion, did so too in nearly all markets except the United Kingdom. In Germany, one of our key markets, we've added more than 100,000 customers since the start of the year on a net basis.

- The planned takeover of innogy is moving forward on schedule. We continue to expect the transaction with RWE to close in the second half of the year.

Our first-quarter sales of €9.2 billion surpassed the prior-year figure by roughly €0.4 billion. Compared with the exceptionally strong prior-year quarter, the E.ON Group's adjusted EBIT declined by 8 percent, from just under €1.3 billion to just under €1.2 billion.

At the start of the new financial year, our businesses — Energy Networks, Customer Solutions, and Renewables — again delivered a strong operating performance in all markets except the United Kingdom. We can therefore unequivocally reaffirm our forecast for 2019. We continue to expect our 2019 adjusted EBIT to be between €2.9 and €3.1 billion and our 2019 adjusted net income to be between €1.4 and €1.6 billion. We also reaffirm our dividend proposal of 46 cents per share for the 2019 financial year.

Now for our earnings performance by segment:

First-quarter adjusted EBIT of €623 million at our Energy Networks segment was almost at the prior-year level (€642 million). This was also true at our network business in Germany, where the third regulatory period for power began. Earnings at our network business in Sweden reflect the fact that tariff increases were offset primarily by adverse currency-translation effects and the costs of storm Alfrida. Adjusted EBIT at the East-Central Europe/Turkey unit was also at the prior-year level. An increase in adjusted EBIT in the Czech Republic due to a wider gross margin was entirely offset by lower gas network fees in Romania.

The Customer Solutions segment's adjusted EBIT of €219 million was significantly below the prior-year figure of €392 million. Adjusted EBIT in Germany was down by about €70 million. The decline in Germany is purely temporary; it results from the fact that we were not yet able to pass higher grid fees through to our customers. This likely will fully balance itself out as the year moves forward, in particular due to price increases instituted in April 2019. Our customer numbers continued to develop well in Germany's keenly competitive marketplace. Since the start of the year, we've added about 100,000 customers on a net basis.

Customer Solutions' business in the United Kingdom, however, remained under considerable pressure. The new regulatory price cap caused our earnings there to fall by about €90 million. We anticipated this and intend to tackle it as a business challenge by introducing new products and services designed to convince our customers that E.ON will remain the best partner for the challenges of the new energy world. At the same time, we'll adjust our cost structure to the new competitive environment. Earnings in this segment's other markets were at the prior-year level.

The Renewables segment's adjusted EBIT rose by 23 percent year on year, from €171 million to €211 million. The increase resulted primarily from an increase in output due to the commissioning of offshore wind farms in Germany and the United Kingdom and an onshore wind farm in the United States.

Finally, the Non-Core Business segment recorded adjusted EBIT of €164 million compared with €109 million in the first quarter of the prior year. The performance of the generation business in Turkey was particularly good. Its hydroelectric stations considerably increased their output relative to the prior-year period.

Due to the decline in our adjusted EBIT, adjusted net income of €650 million was below the prior-year figure of €727 million. Compared with the figure at year-end 2018 (€16.6 billion), our economic net debt increased by about €2.3 billion to €18.9 billion. This was primarily due to the initial application of IFRS 16 and seasonally weak cash flow. The further decline in interest rate levels was an additional adverse factor. It necessitated an increase in provisions for pensions despite the very positive development of plan assets.

The initial application of IFRS 16 does not have a material impact on E.ON's debt-bearing capacity, because operating lease relationships were already included in its calculation prior to the introduction of IFRS 16.

We likewise increased our first-quarter investments in our core business from €535 million to €566 million, with a careful eye toward the future value they'll deliver. We invested more than half — €300 million — in our energy networks, which will provide growth and stable earnings going forward. The majority of Germany's renewables facilities are connected to our networks. Our investments help ensure that these facilities can do their part to tackle climate change.

I'll conclude with a few words about our planned transaction with RWE and the planned takeover of innogy. The transaction is right on schedule. Filing the planned takeover with the European Commission in January marked an important milestone. In late February RWE received approval from Brussels and Bonn for the takeover of E.ON's and innogy's renewables businesses and for the planned acquisition of a stake in E.ON. As anticipated, in early March the Commission opened an in-depth investigation. We're confident — just as we were in March 2018 at the time of the announcement — that we'll obtain the necessary approvals in the second half of the year. The internal preparations for the planned integration are making good progress as well.

To summarize E.ON's performance and situation after the first three months of the current financial year:

- Our solid first-quarter operating results have gotten us off to a good start in this important year, in which we plan for the takeover of innogy to enable us to take a decisive step forward in the journey toward the new E.ON.

- We're therefore sending a clear signal to the financial market by reaffirming our forecast at the first-quarter mark: we continue to expect our 2019 adjusted EBIT to be between €2.9 and €3.1 billion and our 2019 adjusted net income to be between €1.4 and €1.6 billion.

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