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

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Statement by:

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[Speaker: Marc Spieker]

Good morning from Essen, everyone. Welcome to the telephone conference for our nine-month results. I'll start by providing you with a brief overview of our key financial figures, then speak in greater detail about the performance of our core businesses, and finish by talking about the status of our financial consolidation. Afterward, as always, I'll be happy to answer your questions.

You've probably already taken a quick look at our interim report. It makes one thing very clear: we're making good progress in transforming our company and strengthening our balance sheet. As usual, the third-quarter contribution to E. ON's earnings is relatively low due to seasonal factors. However, this quarter also continues the strong trend of the second quarter. We are therefore very confident about E. ON's future development. I'd like to highlight **four key points** that make it clear where we stand today:

1. Our nine-month adjusted EBIT of about €2.1 billion was, as anticipated, slightly below the previous year's level by around €190 million. However, as in the second quarter, our third-quarter adjusted EBIT again surpassed last year's quarter. The increase in the third quarter was €40 million, or 13 percent.

2. Adjusted net income rose by more than 50 percent to around €965 million.

3. Our investments of €2.2 billion were around 12 percent higher. These investments went primarily towards expanding network infrastructure in our European markets and in building new onshore and offshore wind farms.

4. Our economic net debt declined again by a significant amount and currently stands at just under €20 billion. This is around €6.5 billion, or 25 percent, less than at year-end 2016.

All in all, after nine months we're right on target and therefore reaffirm our **forecast for full-year 2017.** We continue to expect an adjusted EBIT for the E.ON Group of €2.8 to €3.1 billion and unchanged adjusted net income of €1.20 to €1.45 billion.

This brings me to the nine-month **earnings performance of our segments:**

Energy Networks increased its adjusted EBIT by €221 million (or around 18 percent) compared to the previous year, mainly because of positive regulatory developments in Germany and the Czech Republic along with higher tariffs in Sweden. An improved regulatory environment helped increase earnings in Hungary as well.

Customer Solutions' nine-month adjusted EBIT was around €195 million lower than that of the previous year. Third-quarter earnings in **Germany** were €30 million higher compared to the previous year. Another good piece of news for our German sales business: we took first place in Focus Money magazine's customer-satisfaction survey for the third time in a row. We're proud of this achievement.

In the **United Kingdom**, the price increases instituted in April and a stabilization of customer numbers since the start of the year were not enough to offset the negative impact of persistently fierce competition, regulatory challenges, and adverse exchange-rate effects. Nine-month earnings in the United Kingdom therefore declined by about €80 million. How our U.K. business develops depends, unfortunately, not only on the performance of our people there, but also, in particular, on the political and regulatory environment. What this environment will look like remains unclear. As you know, there's a risk that the U.K. government will once again intervene in the market. We're skeptical. As far as I know, state-imposed price caps have never spurred competition and encouraged customers to switch suppliers. Yet these have always been Britain's real objectives for its energy market. We'll see what Ofgem (Office of Gas and Electricity Markets), the U.K. competition authority, proposes in detail. A few weeks ago, our U.K. subsidiary already announced that it would gradually switch its customers to fixed-price products and eliminate the controversial standard variable tariff.

Renewables' nine-month adjusted EBIT fell by around €61 million, or just under 20 percent, mainly because of the non-recurrence of a book gain recorded in 2016 on the sale of a stake in an offshore wind farm. I already mentioned this in my commentary on the previous two quarters. The absence of this book gain in the third quarter of 2017 was partially offset by earnings streams from the newly commissioned Colbeck's Corner wind farm.

All the developments in our core businesses are in line with our planning and therefore with our expectations. As predicted, our performance in the second and third quarters made up for, in large part, our slow start to the year.

Consequently, our adjusted **net income** also improved significantly. It amounted to €965 million in the first three quarters, more than 50 percent more than in the prior-year period.

I'll turn now to the status of our **financial consolidation**. Over the course of this year, we significantly strengthened E.ON's balance sheet. We steadily reduced—much faster than anticipated—our **economic net debt** by around €6.5 billion to €19.7 billion. At year-end 2016, it stood at €26.3 billion. Alongside the refund of the nuclear-fuel tax in June and our capital increase in March, our seasonally strong operating cash flow made a significant contribution to the improvement.

We continue to systematically implement our debt-reduction plan. This applies to the decision to sell our Uniper stake as well. Fortum's public offer was released last week. As announced, we'll decide at the beginning of next year whether we want to exercise our sale option with Fortum. Beyond that, we still intend to transfer our NordStream 1 stake to our pension fund and to divest smaller non-core assets. In addition, we see significant cost-cutting opportunities in the dismantling of our nuclear power stations.

As I said at the presentation of our half-year results, these measures and the refund of the nuclear-fuel tax at the beginning of the year will enable us, over the medium term, to reach our debt target of four times EBITDA. So I'm optimistic that, in the not-too-distant future, our balance sheet will again give us the flexibility for profitable growth investments and dividends. As announced in August, we will provide you with a detailed update next March.

Let me summarize E.ON's performance in the first nine months of 2017:

- We reaffirm our forecast for full-year 2017. We're confident that we'll generate adjusted EBIT of €2.8 billion to €3.1 billion and adjusted net income of €1.2 billion to €1.45 billion.

- As we've consistently demonstrated since the beginning of 2016, E.ON has delivered on each of its promises: our strategic transformation, the solution for waste disposal for our nuclear power stations, debt reduction, and our announcement to increase our dividend payout.

Today's results represent another step toward repositioning E.ON and transforming it into a leading company in the new energy sector. I look forward to next March when we'll present our plans for the new E.ON's future development. That concludes my comments on our interim report. I'd be happy to take to your questions.