E.ON SE Annual Shareholders Meeting
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Statement by
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Please check against delivery
Ladies and gentlemen, E.ON shareholders, on behalf of the entire Management Board I too would like to welcome you to the Annual Shareholders Meeting of your new E.ON. E.ON is a company that resolutely and transparently made a clean break with the old energy world. This created a clear opportunity for you to have an investment in the new energy world. E.ON is a company whose mission is to shape the new energy world in close partnership with its customers. A company that has all the capabilities necessary to succeed in this mission. A company that has set out to write a new success story: by providing useful and innovative offerings to our customers, secure and exciting jobs to our employees, and value-enhancing growth and attractive dividends to our shareholders.

The new energy world

What is the new energy world? It’s a world full of opportunities and possibilities for all customers: to produce energy more inexpensively, to share it with their neighbors, and to use energy better. Some are looking for specific business opportunities. Others for green, sustainable solutions for a better environment. And still others for ways to have greater energy autonomy. All of this is made possible, in particular, by new technologies and good energy partners like E.ON.

- Energy production is becoming more local and, frequently, renewable. Another local option is a small embedded cogeneration unit tailored to a customer’s individual consumption profile for power, heat, cooling, and mobility. And, increasingly, these solutions are economically attractive compared with buying energy from the grid, particularly if one looks a little further into an uncertain future.

- In the future, energy networks will no longer serve primarily to transport electricity from big fossil-fueled power stations to consumers. They’ll become smart grids that connect households and businesses at a local or regional level. In other words, they’ll primarily serve customers. So customers can share the energy they produce. So they can partner with other customers and operators to optimize their local energy production and also to market their flexibility. Temporary surpluses of local and renewables output will no longer have to be exported to other countries for little or no money. This will be possible in particular if regional distribution network operators like us are allowed in the future to deftly balance supply and demand at the local level. Batteries, which are continually becoming better and cheaper, will play an increasing role in this. And, in the future, distribution networks will form the backbone of a functioning e-mobility infrastructure.

- At the same time, sensors and digitalization are creating a completely new potential for making all of these technologies even more effective and more useful for customers. Customers can use internet protocols and the growing Internet of Things to inform themselves faster, manage their assets better, and make the best possible use of the local energy system.
In the future, whatever energy—despite all these advances—can’t be produced locally can be produced increasingly cheaply by large wind and solar farms. Prices are sinking because the technology is making enormous strides. Larger and more efficient wind turbines along with more powerful and durable solar panels are lowering costs and increasing benefits.

Green, decentrally produced electricity will be the modernizing engine for the entire economy in the decades ahead. The only way to produce the amount of energy needed for mobility, heat, and cooling and for this energy to be green, local, and affordable is for it to be electricity. Policymakers have the opportunity to put the energy transition back on its feet, to extend it to all energy sectors, to rethink and reorganize it from the customer’s perspective, and to finally make its financing fair and just. Green electricity has the potential to make domestic economies more efficient and global climate policies more successful.

This is not a futuristic vision. For more and more people, it’s already a reality. It’s called the new energy world. Increasingly, it’s shrinking the old world of oil, coal, and gas. It’s replacing some unpopular overhead power lines with invisible underground cables. And it’s putting the power of monopolies and state officials into the hands of customers. But some customers are still uncertain about the new energy world. They consider it a vision of a possible future or simply don’t know how they can take advantage of its opportunities.

The new E.ON: partnering with customers

This is where E.ON comes in. What does this brave new world have to do with your new E.ON? The answer is simple: we want to partner with customers to expand the new energy world and make it a success. We want to make our customers’ lives better in very practical ways. We want to be their partner of choice for new and better energy solutions. That’s our vision, and everyone at E.ON stands behind it. That’s why we proudly invite our customers to partner with us: “Let’s create a better tomorrow.” And our employees know that E.ON can make it happen, which is why their slogan is: “We are tomorrow.”

Thanks to your nearly unanimous approval at last year’s Annual Shareholders Meeting, E.ON now devotes itself entirely to a single idea: we want to be the best, most creative, and most effective energy partner. The partner for many millions of residential customers. The partner for hundreds of thousands of industrial and commercial enterprises. The partner for thousands of communities The partner for customers across Germany as well as from London to Ankara, from Stockholm to Rome, and beyond. We’re experts in precisely those technologies and future-oriented businesses that are the building blocks of, and the keys to success in, the new energy world.
technologically advanced regional energy networks, efficient renewables assets, and a wide range of innovative customer solutions.

Many of you here are already our customers. We’d like to say thank you. You know all the great things E.ON has to offer.

Of course this continues to include fair power and gas products for residential customers. Going forward, this will remain an important business because millions of customers will continue to place their trust in suppliers like E.ON that are independent of production. We can supply you with precisely the power, gas, heat, cooling, and mobility that you need. At a fair price and with top-quality service. In addition, hundreds of thousands of customers are already using your E.ON’s digital advice and customer-service offerings.

Why should power and gas service require more than a few taps on your smart phone? Why should you consume more than your neighbors? And why shouldn’t you be part of a network of customers?

Each year thousands of new customers don’t just buy energy from E.ON. They also buy innovative solar-panel packages that include a battery storage system. E.ON is also the world’s first provider to offer customers a product enabling them to further optimize their solar output and achieve even greater energy autonomy. The product is called E.ON SolarCloud. Producers of solar power can use it to store an unlimited quantity of their output in a virtual power account and to access it later to meet their own needs at any time. Not a single kilowatt-hour of green power is wasted.

Together with Google, we now offer Sunroof, a digital platform that makes it easier for customers to plan a solar installation for their home. It can calculate the solar potential of seven million buildings in Germany, simply and conveniently.

Your E.ON also has a variety of offerings for e-mobility, which will be an important market of the future. If you’re in Copenhagen—named Europe’s greenest capital city in 2014—check out who leads the e-mobility market with several hundred thousand charge transactions each year. Of course, your E.ON. But we also offer e-mobility solutions here in Germany as well: charge points for residential customers, efficient solutions so that businesses can provide charge points for their employees or customers, charging infrastructures for cities combined with a great ads to promote local offerings. E-mobility—which is cleaner and more innovative than any internal-combustion engine—will be part of everyone’s future. We believe that the breakthrough will happen. The timing of the breakthrough may be uncertain. But its impact will be enormous. It will change our cities and ourselves. And E.ON is at the forefront.
We’ve also developed pathbreaking new fuel-cell-powered cogeneration solutions for commercial customers like the Radisson Blu hotel chain and Friatec, a Mannheim-based industrial company. The units emit no carbon or particulate matter. This comprehensive approach to environmental protection helps cities be cleaner.

We’ve enabled customers like Evonik, DOW, San Benedetto, Metro, and Pilkington to cut their energy consumption by up to 50 percent and to massively reduce their carbon emissions.

In Malmo, Stockholm, Munich, Berlin, and a growing number of other cities, we’re closely involved in the planning and development of new districts or new housing projects. For example, we operate one of the world’s smartest and most technologically advanced heating solutions for about 80,000 households in Malmo. We help these cities to serve as role models for the cities of tomorrow.

All customers should be confident that with E.ON they’ll always get the support they need. They should know that they can turn to us for highly useful and innovative solutions at fair prices. And they can join us and many other customers to work together to create a better, cleaner, and more affordable energy world.

We invite everyone here to visit our fascinating exhibits in the outer lobbies. We’d be very pleased to learn that after today’s event you’re not only a shareholder but also a customer of the new E.ON. We also invite you to take a look at our Sustainability Report, which was published today online. It will give you a good idea of everything E.ON does to protect the environment, the earth’s climate, and our employees.

2016: a transitional year

Of course, we want our products and services to make you enthusiastic E.ON customers. But we also want you to be satisfied E.ON shareholders. To get there, we’re aiming for attractive dividends and a rising stock price. Our new start—the separation of the old E.ON Group into Uniper and the new E.ON—was the prerequisite for this. But this new start also had a price.

Our 2016 financial statements disclose this price with unflinching transparency. Our focus on the businesses of the future, the Uniper spinoff, and the agreement with the German federal government on nuclear energy led to a €16 billion net loss. It’s a startlingly large number at first glance and at second glance. But a careful analysis does put it into perspective. So let’s take one last look at the old E.ON’s financial statements.

The operations that constitute the new E.ON’s core business performed rather well in 2016. They delivered adjusted EBIT of about €3.1 billion and adjusted net income of about €0.9 billion, both of which were at the upper
end of the forecast range I promised to you at last year’s Annual Shareholders Meeting here in Essen.

All of our business segments—Energy Networks, Customer Solutions, and Renewables—and all our regions contributed. In view of this solid performance, this year we again want to pay to you as dividends about 50 percent of our adjusted net income from the previous year. And to do this despite the costs of the spinoff, despite our reported loss, and even though all of you received free Uniper stock. We’re therefore proposing a dividend of €0.21 per share for the 2016 financial year.

The net loss we reported for 2016 was mainly attributable to discontinued operations. The lion’s share—€14 billion in all—was recorded at businesses that are currently operated by Uniper. And operated successful, because Uniper can now focus systematically on the conventional energy world.

Of course, these numbers are painful because they reveal how significantly the global energy transition and the growing success of the new energy world had reduced—across the industry and also at our company—the value of earlier investments in large power stations and gas-storage facilities. But it’s very important for you, our shareholders, to know that not a single one of these large numbers we recorded last year was cash-effective. Not a single euro left E.ON in 2016 because of this net loss.

Was it worth it? Were you correct at the last Annual Shareholders Meeting to vote for the break up of the old E.ON? Today as then, my answer remains an unequivocal “Yes.” Look at E.ON and look at Uniper. The numbers posted by E.ON’s core business in 2016 demonstrate that we’re delivering. We’ve set a clear new course and are making good progress in our markets. And what about Uniper? It’s the success story among energy stocks, having increased in value by more than 50 percent since its listing.

Last September each of you received Uniper stock at no cost. If, like E.ON and me personally, you held on to it, you can look forward to a €0.55 dividend and the promise of higher dividends in the future. Today, E.ON and Uniper are more valuable together than the old E.ON. E.ON stock stood at €8.15 the day before the spinoff. E.ON stock plus one tenth of the value of a share of Uniper stock was yesterday afternoon trading at about €9.00.

Moreover, your E.ON is the only European energy company to successful list its former conventional business on the stock market. The reorganization and spinoff were the best solution, in particular for you as shareholders. You continue to have an investment in the future-oriented businesses of the new E.ON. And all of Uniper also belongs to you, through the stock you own and through our remaining minority stake. We didn’t give anything away to third parties. Instead, we reorganized everything in a better way for you, our owners. As for the divestment of our remaining Uniper stake, it will happen soon but also in a way that creates value, as the markets allow. This may
enable us to recover for you some part of the Uniper impairments charges recorded in our 2016 financial statements.

Solution for nuclear energy in Germany

The remaining roughly €2 billion of our 2016 net loss resulted from the agreement with the German federal government on the future and funding of the risks of nuclear energy. The agreement regards the final and intermediate storage of radioactive waste in Germany. It’s an issue that has been highly controversial for decades. And an issue that needs to be resolved for many decades and, indeed, centuries and even millennia to come. Based on the recommendations of a nonpartisan commission, the German energy industry agreed to pay out not only the provisions we had set aside for nuclear storage but also a 35-percent risk surcharge as a sort of insurance for the German state and to release us from liability. Without a doubt, that’s a very high and painful price. But particularly for your new E.ON, this was the prerequisite for E.ON to retain our remaining nuclear operations with manageable risks.

In return for this payment, we and you will get something: German legislators and the German government guarantee that this really is the end of this issue. A law and an ancillary contract assure us and you that from July forward E.ON will never again be adversely affected by this issue. That’s worth it, believe me.

With this as a backdrop, allow me to summarize last year: your agreement and the unbelievably hard work of many people at E.ON enabled us to make the reorganization of your company a success. The spinoff is completed and was a success as well. We set up both companies, and particularly your new E.ON, just as we promised. Both companies have set off on their own clear course. Although we recorded a considerable accounting loss for the past, it enabled us to make a clean break from this past and to enter the future free of all inherited liabilities. It ended the controversial issue of nuclear energy for us. And it removed from our books a very uncertain risk that we could not manage from a business perspective. On the operational side, we reorganized our core business inside our company and in the marketplace and generated a solid operating profit. Your E.ON is now a strong, unambiguous, and proactive player in the core markets of the new energy world.

In view of these achievements, I’d like to take this opportunity to express my special thanks to our Supervisory Board, which worked very closely with us and supported us. I’d also like to thank our more than 40,000 employees, who worked with extraordinary dedication and repeatedly demonstrated their loyalty. I’m particularly pleased that here in Germany we can still provide outstanding training to nearly 1,000 apprentices, thereby making E.ON and Germany fit for the future. I’m sure you’ll join me in expressing this thanks.
I’d also like to thank the works councils and our other employee representatives in Germany and the international works councils for their critical yet loyal support in extremely difficult situations. And of course I thank you, E.ON’s owners, for your support.

Current year: off to a good start

We got off to a solid start in 2017. In mid-March, during the week we presented our annual results, we made new promises regarding our performance. We promised that our operating earnings would remain nearly stable with adjusted EBIT of €2.8 to €3.1 billion in 2017. We promised that our adjusted net income will increase significantly to between €1.2 and €1.45 billion. Finally, we promised to increase the dividend for the 2017 financial year (to be paid out in the spring of 2018) to €0.30 per share. We intend to increase the dividend further in subsequent years. For this purpose, we increased the payout range to 50 to 60 percent of adjusted net income effective in the 2018 financial year.

These promises stand even though we had shareholders make a contribution to the funding of the nuclear-energy surcharge by increasing our capital stock by about 10 percent. The capital increase was doubly oversubscribed within 90 minutes and was completed overnight.

The capital increase is part of our plan to reduce our debt by at least €6 billion as soon as possible. Because this plan is detailed and reasonable, our announcement that we intend to issue a limited amount of new debt has met with great interest in the capital market. By issuing these new bonds, we’ll be exchanging internally financed provisions for debt-funded bonds. In view of the current interest-rate environment, the bond issuance makes particularly good sense for you, our shareholders.

Our positive outlook for the current financial year is based on our first-quarter numbers. Our first-quarter adjusted EBIT of just over €1 billion and first-quarter adjusted net income of just over €0.5 billion were below the respective prior-year figures but in line with our forecast for full-year 2017.

In our core business, Energy Networks’ earnings performance was very good in the first quarter, while Renewables’ performance was stable, as anticipated. The earnings decline was caused primarily by special effects in our sales business. This business faced higher procurement costs for power and gas from upstream suppliers in the United Kingdom and Germany as well as higher grid fees in Germany since the start of the year. But we were unable to pass these increases on to our customers until the second quarter. In our non-core business, Brokdorf nuclear power station was offline significantly longer than originally planned after an overhaul. These extraordinary factors in particular had an adverse impact on our first-quarter earnings but will largely be offset during the course of the year.
In short, although there were a number of negative developments in our sales and nuclear energy businesses, we already anticipated them. Our overall very decent start operationally and the measures we’ve already taken will, from today’s perspective, enable us to keep our promise for full-year 2017: nearly stable operating earnings, a significant increase in adjusted net income, and a very significant increase in our dividend.

New growth opportunities

Starting from this foundation, what does our strategy and the rest of the new E.ON’s success story look like? What growth opportunities do we see and how do we intend to seize them to create value for our customers and you, our shareholders?

Increasingly, our distribution networks are taking on the bigger role they’ll play in the new energy world. IT expertise, innovation, and customer proximity are becoming increasingly important. The introduction of smart meters in Germany is an important step toward digitalization. They open the door to many new and innovative products and, in fact, make the transition to distributed energy possible.

For us and our customers, our regional energy networks are the sturdy trunk of a tree that will grow an increasing number of new branches in the form of new products and services for our customers. We want the tree and its branches to grow and prosper. That’s what we mean when we talk about creating sustainable value.

Our customer-solutions business positions us as an energy-opportunity company for all customer groups. I’ve already given you an overview of what this business is doing. I’ll now mention another aspect that’s particularly important to me. Close interplay between innovativeness and customer proximity is crucial to the long-term success of this business. The flat hierarchies, shorter decision-making pathways, and transparent setup we’re establishing across our company will benefit this business in particular. Customer solutions is where the cultural shift away from the traditional utility mentality is the most pronounced. We’ve therefore consciously set a rapid pace. We intend for our individually tailored customer solutions soon to generate more than €1 billion in sales.

Last year our renewables business not only successfully completed more new onshore and offshore wind farms. It also got under way with other new and very attractive projects.

In Europe we’re currently building two offshore wind farms: Rampion (roughly 400 megawatts) in North Sea and Arkona (roughly 385 megawatts) in the Baltic, which will enter service in 2018 and 2019, respectively. We have two onshore wind farms under construction in the United States: Radford’s Run (278 megawatts) and Bruenning’s Breeze (228 megawatts),
both of which will enter service this year. We’re also pursuing a variety of small solar projects in a number of different countries.

All of us—E.ON, our customers, our employees, and you, our shareholders—have arrived in the new energy world. We’ve left the past behind us and have embarked on something new and exciting. We want to improve people’s lives and to become the partner of choice for more and more customers. To build a better future for us and our children. And to create value for our customers, to grow, and to start a new E.ON success story. You can believe me when I say that that’s what your E.ON and this Management Board stand for.

Thanks for listening. Now it’s time to discuss your questions, ideas, and suggestions. I look forward to hearing them.

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