



E.ON SE Annual Shareholders Meeting

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Statement by:

Dr. Johannes Teyssen, CEO, E.ON SE

Please check against delivery.

Good morning, ladies and gentlemen. Welcome to E.ON's 2018 Annual Shareholders Meeting.

What enables an energy company to achieve lasting success in an era of rapid changes in technology, markets, and customer expectations? It needs to take its responsibilities toward society, people, and the environment seriously. Its products and services need to tangibly improve the way people live and work. They must be attractive, cost-effective solutions for the production, procurement, and use of energy at customers' homes and businesses.

What kind of energy will this be in the future? Undoubtedly it will be wind, solar, and other forms of renewable energy. But that's only part of the answer. The energy that will shape the twenty-first century is electricity. In the nineteenth century it was coal. In the twentieth century it was oil. In the future it will be electricity. Electricity is the only form of energy that can be generated everywhere from renewable sources. Only electricity is highly efficient across numerous applications. Only electricity is suitable for the digital networking of energy, mobility, and information. That's why clean electricity will be crucial for successful climate protection and economic prosperity in the future.

Powering progress

Data is becoming the world's most important raw material. There are huge amounts of data. And data needs electricity. Digitization and electrification go hand in hand. Smart sensors, autonomous production processes, machines that communicate with each other, 3-D printers, electric vehicles, autonomous cars, and networked houses: the Hanover Fair once again showcased the technological revolution happening around us. It also demonstrated that Germany is a pacesetter in many areas. A lot depends on whether Germany is successful at shaping its energy future as well. Above all: whether in the future Europe and Germany will be economically strong enough for their citizens to lead their lives as they wish.

It's a huge undertaking aimed at improving people's lives. Your E.ON is part of it. Because progress on this scale will need the right energy and the right company: clean, efficient, highly versatile electricity. Electrification will change the entire energy system. Consumers everywhere can produce their own electricity. That's not the case for gasoline, diesel, heating oil, or heating gas. Over time, green electricity will only get cheaper. Moreover, it will become possible to store electricity better yet more inexpensively. At E.ON, we will partner with our customers so that we can network and harness energy in a completely new way. Our regional and local electricity grids are becoming the Internet of the energy supply. They will process huge amounts of data efficiently and securely. This will enable us to deftly balance the energy consumption and production of millions of customers. A wide variety of innovative, individually tailored energy solutions are being created

for this platform. Much of this won't happen until further in the future. But much is already reality.

I'm convinced that this vision of an increasingly electric energy supply will become reality. But we also know that until then Europe will have to rely on parallel structures and technologies. Examples include heat generated by embedded cogeneration units. The increased use of gas-powered district heating. Tailor-made energy solutions for city districts. Green gas from the conversion of green electricity into hydrogen or methane. Gas made from biomass. These examples demonstrate that the gas pipeline system will remain valuable infrastructure well into the future.

Of course, bulk energy production at big power stations and conventional energy products will also remain indispensable for a secure supply for a long time to come. This is already a separate business with its own success drivers. But regional and local energy grids—and the innovations in energy use that they facilitate—will be the hub of tomorrow's energy system. They will determine whether we make the transition to climate-friendly energy use. And this new energy world will center around customers. Only companies that partner with customers will emerge as winners.

It has only taken us a few years to systematically mold E.ON for precisely this energy future. We abandoned the obsolete paradigm of the integrated utility. We're the first major energy company that can tell its customers: we're here just for you. For your needs. All our experience and innovativeness are at your disposal. The acquisition of innogy will enable us to do this even better. And I'm happy to tell you how.

2017: a year of transformation

First, though, I'd like to review 2017, the year in which we completed our transformation. It was an extraordinary, outstanding year. A year that E.ON can look back on with pride and gratitude.

We delivered on our promises. And did so faster and better than I predicted here in this auditorium a year ago. Faster and better even than we at our boldest moments could've imagined.

The most challenging issue—liability for nuclear waste—is finally behind us. In June we signed an agreement with the German federal government on the responsibility and funding for the intermediate and final storage of nuclear waste. After the laws took effect, we paid, without delay, the entire amount of our obligation (including a risk premium), about €10 billion. And in July we received written confirmation from the German federal government that E.ON and its shareholders have fulfilled all payment obligations and are definitively and irrevocably released from all long-term risks surrounding the intermediate and final storage of nuclear waste. We also completed most of our long-running, fractious legal disputes about nuclear energy—and generally did so very successfully. We received nearly

€3 billion from the refund of the nuclear-fuel tax in Germany last year. We're transferring our minority stakes in RWE nuclear power stations to RWE. Our only tasks now are to operate our three remaining nuclear power stations safely until the beginning of the next decade and to dismantle all our decommissioned assets efficiently and cost-effectively. Nuclear energy is finally no longer a key issue for us. I'd like to take this opportunity to again thank my colleague Leo Birnbaum. I'd also like to thank the PreussenElektra team in Hanover led by Guido Knott and all its employees for their successful and safe work last year.

In September we found a good, reliable buyer for our remaining minority stake in Uniper: Fortum. The sale will thus take place much faster and on much better terms than anyone could've anticipated at the time of the spinoff. Uniper is an outstanding company with great employees. Fortum is a strong, reliable buyer that has a strategic plan for Uniper and their shared markets. After the antitrust approvals are obtained, the transaction will yield us about €3.8 billion. A few days ago, Fortum received an important government approval in Moscow to acquire our Uniper stock. We expect the remaining approvals to be issued by early summer. In guiding the spinoff and the rapid sale of our minority stake for a fair price, Marc Spieker achieved a masterpiece. We completed a massive restructuring program and our focus on the new energy world in record time. Thank you, Marc, the entire One2two team, our great colleagues in M&A, Legal Affairs, and your other departments.

We substantially strengthened our balance sheet last year. We reduced our debt by more than €7 billion to just over €19 billion at year-end 2017. We increased our equity by the same amount. For the first time since the Uniper spinoff—and even before we receive payment of the Uniper sales price—our financial figures are above the targets set by rating agencies for our current, very solid investment-grade rating. Last year we therefore put the division of the group and all burdens of the past behind us from a balance-sheet perspective as well. We actually thought it was going to take us three years. What a relief. And what a great achievement by our company and all its employees.

All the segments of our operating business posted very satisfactory results in 2017. As in 2016, our results in 2017 were again at the upper end of the forecast range. We recorded adjusted EBIT of just under €3.1 billion and adjusted net income of about €1.4 billion. Our operating cash flow was an impressive €5.4 billion. This figure is adjusted to exclude our payment to Germany's nuclear energy fund and the refund of the nuclear-fuel tax. Our cash-conversion rate was over 100 percent. This means that all of our operating earnings were fully translated into cash inflow. This is important and indicates the high quality of our earnings. In addition, we achieved a return on capital employed of 10.6 percent. In short, we achieved all the targets of our E.ON Focus finance strategy and actually surpassed most of them. Our Energy Networks segment generated significantly higher earnings. Earnings were higher at our Renewables segment as well, thanks to

new wind farms and a higher wind yield. Our Customer Solutions segment made a lot of progress as well. But it faced persistent competitive and margin pressure. PreussenElektra's earnings were lower primarily because of an extended plant outage in the first half of the year and lower market prices. I'd like to thank our employees in all segments, but also those in corporate and support functions, for their excellent work in 2017. I'm certain that you, our shareholders, join me in expressing these thanks.

In the second half of the year we reversed the negative trend in customer numbers at our sales business. We're adding customers again. In the German and U.K. markets we grew by more than 100,000 customers on a net basis in the fourth quarter of 2017. And not only in the United Kingdom did we gain customers with new, attractive products. We improved our customer service as well. And we convinced more new customers to choose us. Under the leadership of Karsten Wildberger, E.ON continues to align itself ever more radically to our customers and their needs. Thanks to you, Karsten, and everyone at Customer Solutions.

Finally, we implemented our Phoenix reorganization program. In 2017 it delivered lasting cost reductions of about €130 million. From 2018 onward, the program will achieve a total of €400 million in reductions annually. Our management setup was simplified and decision-making processes accelerated. We delegated more decision-making authority to our operating business. We're convinced that the best decisions are made where our employees have direct contact with customers. Here too we delivered on our promises. Unfortunately, the program also affected more than 1,000 jobs. We were able to implement the changes in a fair, socially responsible way. This is only possible if the idea of a social partnership with employee representatives is actually put into practice. At E.ON it is. For this ongoing partnership I'd like to thank all our employee representatives in Germany, represented here by Mr. Settle, as well as those across Europe, represented here by Mr. Schulz.

We delivered on our dividend promise as well. As we announced last year, today we're proposing a dividend of 30 cents per share for the 2017 financial year. Also as promised, we intend to raise the dividend further; in fact, by more than 40 percent to 43 cents per share for the 2018 financial year. You, our shareholders, ought to benefit from our successes. Everyone on the Management Board is committed to ensuring that you will be.

Very good start to the new year

We've gotten off to a very good start in the new year. Our first-quarter operating earnings were almost 25 percent above the prior-year figure, which, admittedly, was weak due to extraordinary items. It's good to see that our customer businesses in most markets made a particularly significant contribution to the increase. On balance, E.ON added more than 50,000 residential customers in the first quarter in our most important markets, Germany and the United Kingdom. Our network earnings were down

slightly due to regulatory peculiarities. Earnings were again higher at our renewables business, in part because of a new offshore wind farm in the United Kingdom. Arkona, our big new wind farm in the German Baltic Sea, is on schedule and on budget. PreussenElektra's earnings surpassed the prior-year figure thanks to improved asset availability. Our Phoenix reorganization program is demonstrating its full effect: our expenditures for administration and support functions were significantly below the prior-year level. This momentum enables us to reaffirm our earnings forecast for full-year 2018.

We're proud and grateful that we delivered across the board last year: in terms of our setup, balance sheet, and operations. As a result, since late fall of last year we've no longer been dealing with our past, our restructuring, or our new setup. We could begin to devote ourselves entirely to the question; how can we grow again? How can we create even more value for our shareholders?

Strategy and the E.ON-RWE agreement

I'm convinced that since the middle of last year our strategic deliberations have found good answers for our businesses. On the basis of our current businesses and very solid balance sheet, we could've invested selectively and achieved value-enhancing growth for many years. We know what we need to focus on. We know where we can grow. Our sharper focus on smart grids and the launch of innovative products like E.ON Plus, solar-panel packages, battery storage systems, and e-mobility solutions pave the way for additional growth. We're also moving rapidly forward with digitization as well, which is making us more efficient. But above all we're improving our customer experience and bringing software- and data-based solutions to the marketplace. In short, we know how to grow our business while adding value and how to satisfy new customer expectations. But at the start of the year we recognized a unique opportunity: acquiring one of our competitors—innogy—would enable us to make a quantum leap. In the near and the long term, the acquisition will make us a stronger company for our customers and for you, our shareholders.

What exactly does our agreement with RWE look like? We'll acquire 76.8 percent of innogy directly from RWE. A few days ago we made an attractive voluntary public takeover offer to innogy's other shareholders. In return, RWE will receive substantially all of our and innogy's renewables business. Finally, RWE will receive a 17-percent stake in E.ON by means of an authorized capital increase but will restrict itself to the role of a financial investor. We anticipate receiving the antitrust approvals necessary for the transaction in the second half of 2019.

The deal will make E.ON the partner of roughly 50 million customers from Ankara to Stockholm and from London to Budapest. We'll be Europe's leading company for smart grids and innovative customer solutions. And the first energy company to stop being a traditional utility and to devote itself

fully to the many possibilities of the new energy world. I said a few moments ago: the green, networked, customer-shaped, and increasingly electric energy world is the future. This transaction and our strategy put us in an excellent position. In our markets, we'll be customers' partner of choice for tomorrow's energy solutions. To get there, we'll work hard, foster innovation, and seize opportunities.

This is a unique opportunity. With a single bound, we can accelerate our ability to achieve our strategic objectives while remaining within the constraints of our balance sheet. The takeover of innogy's network and sales businesses is our comprehensive, sustainable, and creative response to the dislocations in our markets.

The new E.ON

This new size will enable us to invest even more in our customers and their needs. All of our customers will benefit from it. We'll bring more innovations to market faster. We'll procure cheaper energy for our customers. In addition, E.ON and innogy have developed somewhat different, often complementary strengths that we'll now be able to combine. This will have a particularly significant effect on businesses like climate-friendly efficiency solutions for companies, e-mobility, and smart home solutions.

At the same time, we're investing to strengthen, upgrade, and digitize our distribution grids. In the future, we'll be doing this with innogy for a European network that totals 1.5 million kilometers. We know how important good relationships with municipal utilities and communities are. After all, we, like innogy, have thousands of concession contracts for power and gas. Each time one of these contracts is up for extension, we need to demonstrate our efficiency and our qualities as a partner. All of the key metrics show that we're one of the most efficient electricity and gas network operators. But we're also a good and fair partner for cities and communities. And not only for power, but for natural gas as well. Natural gas is a relatively clean, secure, and cost-effective energy source and will remain indispensable for a long time to come. Municipalities own stakes in E.ON's regional utilities in Germany, just as they do in innogy's. We too work closely with a large number of municipalities to help them implement their sustainable energy plans. The trust that has developed over the many years of these municipal partnerships is important to us. That's why we look forward to working with innogy's municipal partners. In the future, the enlarged E.ON will be an even stronger partner for cities and municipalities and their citizens.

Broadband, fiber optics, and associated services are becoming increasingly important for people everywhere. Everyone knows that Germany has a lot of catching up to do, but so do neighboring countries to the East. This is particularly true in rural areas. With about 25,000 kilometers of fiber optic backbone networks, E.ON is already well prepared in many regions of

Germany. We're also very familiar with IT and communications networks. We're currently exploring how we can expand our activities in this market. We're already talking to potential partners in the industry. We want to do our part to ensure that rural regions also benefit from the advantages of digitization. Because one thing is clear: if you want to run a successful business today, it needs to be digital. This puts our customers in rural areas at a disadvantage. We want to support them. Together with innogy, we can become even better in this area as well. At this time next year, I'll no doubt be able to tell you more.

The acquisition of innogy will put us in a league with big, international, and, in our case, predominantly European competitors. International competitiveness is decisive for the renewables business as well. This business has been very successful for E.ON for ten years. Great teams of employees have built one wind farm after another, onshore and offshore. It's an impressive achievement. Many thanks to Anja Dotzenrath and all the employees in this segment. But auctions have made the competition tougher and more international. Going forward, this business will need more critical mass in order to compete internationally. Combining our renewables business with innogy's at RWE will give it much better chances. That's why we're placing this business in good hands at a fair price. This was important to us, especially for our employees in this business. They're among the pioneers of the new energy world. I have no doubt that they will continue on their successful course.

I'd like to emphasize something to our customers, our employees, and you, our shareholders: E.ON will remain involved with renewables. 90 percent of all the wind and solar power in Germany is fed into our networks. In this way, we'll continue to support and facilitate the green energy transition. In addition, we'll continue to build and operate wind and, in particular, solar systems as part of the energy solutions we design for our customers. This applies to cities and municipalities, industrial and commercial customers, and to the homes of our residential customers.

The acquisition of innogy will also strengthen our home market of Germany. This is about value creation in Germany. Over the medium term, it's also about the creation of many good new jobs. And it's about the success of the energy transition. We're upgrading our distribution networks to create a smart platform. Without this platform, an energy system consisting of countless energy producers of all types and sizes can't function. What the German wind and solar industry didn't achieve will be achieved by the new E.ON: an internationally competitive energy company that can help Germany's energy transition succeed and is resolutely focused on the energy future. Going forward, this will enable us to make an even more effective contribution to climate protection throughout Europe.

What's particularly important for you, our shareholders, is that the new E.ON will generate all of its earnings in customer businesses and about 80 percent of these earnings in regulated businesses, primarily on the

network side. This will give you and us greater predictability. Thanks to the considerable synergy potential with innogy, we intend to achieve value growth starting in the second year after the transaction closes. Value growth that's reflected in earnings per share. As result, we expect the dividend to increase year after year.

Our employees

The fundamental transformation of energy markets is not only giving customers a new, much more active role. It's doing the same to our employees. Outstanding employees are the mirror image of choosy, self-confident customers. Employees who are fully committed to making customers' lives better. Employees who are committed to their work. Our employees have once again done this in an impressive manner. And they will continue to do so.

I'd like to say to our employees and those at innogy: what E.ON has achieved and still will achieve is the result of teamwork. We can be proud of it. I'd like to thank all of you for it. And together with innogy's great employees we'll be able to do even more. The best ideas from both sides will strengthen the whole, and outstanding managers and employees will help each other. This will enable us to meet customers' needs even faster and more efficiently. My promise to innogy employees is that I will ensure that the integration is fair and balanced. innogy employees will be treated no better and no worse than E.ON employees. You have my word on that.

In this regard, I'd also like to thank you, Mr. Kley, and the entire Supervisory Board for the mutual trust and consistent support, including for this major project. And for close collaboration on far-reaching decisions during a time of profound change.

Of course the acquisition of innogy will yield synergies. We expect them to total €600 to €800 million from 2022 onward, which would equal about 10 to 15 percent of future controllable costs. Initial calculations indicate that the synergies would affect at most 5,000 of the well over 70,000 jobs in the combined company. I've said it many times: E.ON always carries out personnel adjustments in a socially responsible manner. And it's going to stay that way. But I'd like to take this opportunity to look at this issue from a different standpoint. I don't want to sugarcoat anything. But we're talking about an adjustment process that will extend over several years. In that period of time there will always be workforce fluctuations that we can use as we make the necessary adjustments. In addition, demographic trends, particularly at our networks, present us with the challenge of finding enough qualified employees. And we want to grow our company and have more employees engaged in exciting tasks with our customers. That's what this is about. Finally, all of the initial burdens and all of the future opportunities will be shared equally by E.ON and innogy employees. Neither side will carry the burden alone, all will win together.

Conclusion

The acquisition of innogy will enable us to grow in one giant leap. This otherwise would've take many, many years to achieve. Two excellent, highly efficient teams are joining forces. No business will be cast aside. This creates new prospects for our employees and for you, our shareholders. But all of this will primarily benefit our customers. E.ON aims to be nothing less than "the leading customer company in Europe's new energy world."

We're excited about making this vision a reality for E.ON and innogy customers alike. The new E.ON will achieve enduring success in the new energy world. Because we'll be living up to our social and environmental responsibilities. We'll be improving people's lives in very specific ways with products and services that make advanced technology affordable. Focusing radically and passionately on customers and achieving growth by doing so: that's the E.ON way.

And you, our shareholders, will benefit from this as well. We're convinced that the successful closing of the innogy transaction including the resulting synergies will give our stock a lot of momentum. Our operating earnings will grow. The quality of these earnings, their stability, and their sustainability will increase. Over time, this ought to be reflected in a tangible increase in the valuation of your E.ON. We promise that we will continue to always have your interests in mind. We invite you not only to accompany us on this journey. But also to challenge us and to urge us forward. We look forward to your questions and suggestions.

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