



**E.ON SE Annual Shareholders Meeting  
Essen, May 14, 2019**

**Statement by:**

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CEO, E.ON SE**

**Please check against delivery.**

Ladies and gentlemen, on behalf of the entire Management Board, I'd like to welcome you to E.ON's 2019 Annual Shareholders Meeting.

Five years ago we set an entirely new course for E.ON, a course on which we've made steady, successful progress together with you, our shareholders:

At the 2015 Annual Shareholders Meeting, we discussed our new strategy with you, the strategy with which we'd surprised the public and investors in December 2014. Our objective was to combine our conventional power generation business and international gas and commodity trading business in a new company called Uniper and then to spin it off. And to devote E.ON fully and radically to the new energy world: customer-proximate and technology-savvy. We caused a sensation in the marketplace.

At the 2016 Annual Shareholders Meeting, you approved our new strategy. You agreed to spin off Uniper as an independent company and list it on the stock market despite unfavorable market conditions. In retrospect, this was an important strategic move. Subsequently, both companies have operated better and faster in their very different markets. And it was likewise a big success for you as E.ON and Uniper shareholders. Since then, the value of E.ON stock has risen by just over €2.90, or a bit more than 40 percent. In addition, the Uniper stock issued to you at no cost is now worth about €2.75 per share of E.ON stock. Altogether, that's an increase of €5.65 per share in five years.

Difficult but important issues predominated at the 2017 Annual Shareholders Meeting. First and foremost: successfully relieving E.ON of the risks of nuclear waste disposal. Risks that no private company can bear. Of course, we also discussed making the Uniper spinoff work from a balance-sheet perspective. We used the remainder of the year to reduce our costs and to make the new E.ON more customer-proximate, more efficient and more agile. And don't forget: in the fall of this year—so already in the first year after Uniper's initial public offering—we achieved the completely unexpected feat of selling our entire remaining Uniper stake on extremely attractive terms. By the end of that year, we managed to complete E.ON's reorganization much earlier than anticipated. The company's debt had then been reduced by about €10 billion. E.ON was now prepared for its future in the new energy world.

At the 2018 Annual Shareholders Meeting, we talked about another sensation: our agreement with RWE. We want to acquire innogy and

thus its network and customer businesses, thereby achieving decisive growth in E.ON's customer-proximate businesses. In return, we want to sell our renewables business to RWE and further sharpen our focus. That's the transaction's strategic crux. It represents a quantum leap in the implementation of our strategy and a substantial growth initiative. It would mean that we'd fully arrived in the new energy world. A world of innovative customer solutions founded on smart grids in the cities and regions of Europe.

And today we'll report to you about the status of this transaction, our preparations for the takeover of innogy, and, of course, the performance of our businesses. And, above all: discuss with you. As in past years, your questions and comments are very important to us.

Show me another big company that, within a short span of years, has reinvented itself as radically as E.ON and is already standing firmly on its own two feet. Indeed, so firmly that it's able to take on a huge takeover like this. The course we've traveled together in recent years has been well charted and successful. It will make our E.ON into one of the most important companies of the new energy world, in Europe as well as in our home market of Germany. Because it will make us bigger? No, because it will enable us and innogy to leverage our combined innovativeness more dynamically. For our customers. Because they're the ones—the only ones—who will decide which companies have lasting success in the new energy world.

I'd like to express my sincere thanks to you, our shareholders, for your trust and for the good and helpful discussions at the Annual Shareholder Meetings of the last several years. The course we've set emphasizes reliability and predictability, qualities that are very much appreciated by the capital market, particularly in uncertain times like these. Funds with a long-term orientation are investing significantly more in E.ON. One reflection of this is that shareholders representing more than 60 percent of E.ON's stock registered to attend today's Annual Shareholders Meeting.

I'd also like to thank Mr. Kley and the entire Supervisory Board for their critical yet constructive oversight, their excellent advice and the many ways in which they supported us in another eventful and decisive year. I'd like to say a special thanks to the employee representatives on the Supervisory Board and at our companies for once again working with us closely in an atmosphere of mutual trust. Social partnership is alive at E.ON and is particularly lively at times when it's most needed.

But first and foremost, I and all of you owe a debt of gratitude to E.ON's more than 40,000 employees. It's their achievement that we've successfully undertaken a comprehensive strategic reorientation while simultaneously delivering a consistently solid performance in our operating businesses. Today I'd like to highlight one team in particular: our colleagues at E.ON Climate & Renewables. In a year characterized by poor wind yield, they not only matched their prior-year earnings. Successful new-build projects, the intelligent marketing of green power, and systematic cost management enabled them—unlike nearly all competitors—to significantly surpass their prior-year earnings. It's a great achievement. And, considering that we announced early in the year that this business would be sold, it demonstrates a tremendous attitude. E.ON at its best. All of us at E.ON are proud of ten successful years in the renewables business. We're transferring an outstanding team to RWE.

I'd also like to thank innogy employees. Their uncertainty at the beginning was understandable. But I have the impression that they're increasingly buying into our plan to work together to establish a leading company in the new energy world. We at E.ON look forward to working with them.

### **Status of the transaction with RWE**

Where does the planned transaction with RWE stand? The most important news first: we're right on schedule. After months of intensive preparations with the relevant agencies, in January we officially filed the planned takeover with the European Commission. This marked an important milestone. By late February RWE had already received approval from Brussels, Bonn, and London for the takeover of E.ON's and innogy's renewables businesses. It also received approval for the planned acquisition of a stake in E.ON. As anticipated, in early March the Commission opened an in-depth investigation to review our takeover of innogy's businesses. This too was fully in line with our plans and expectations. We're confident 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. In the interim we've made a series of decisions about these matters. For example, our company will continue to be called E.ON, have its headquarters in Essen—Germany's energy capital—and have a very customer-proximate organizational setup. Our objective is a lean setup and efficient processes, and we're well on the way to getting there. Last year we told you that we anticipate €600 to €800 million in synergies from 2022 onward. On the basis of

intensive preparations, I can today fully reaffirm these figures. The many welcome surprises have of course been accompanied by less pleasing developments. The sharp decline in the U.K. sales business, particularly at innogy, and both companies' customer losses in this difficult market are obviously challenges that we must and will address.

Our collaboration with innogy is constructive and mutually trusting. Of course, there have occasionally been differences of opinion. But so far, we've always been able to resolve them amicably and respectfully. In recent days, we've even begun selecting the future management team. The best men and women from both sides will lead E.ON into the future.

In everything we do, we keep the interests of both companies' employees firmly in view. This has a strong tradition at E.ON, and we intend to continue it. For this reason, last 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 ver.di and IGBCE unions. We're now implementing this agreement step by step I'm confident that we and the employee representatives will be able to reach a mutually acceptable agreement on the other necessary steps, as long as all parties involved continue to negotiate with one another constructively.

### **The new E.ON**

E.ON is Europe's first energy company to devote itself fully to the needs of its customers and society in the new energy world of the 21st century.

Energy in the 21st century needs to be climate-friendly and sustainable. Today, it's no longer enough to produce more and more renewable energy. Rather, the entire energy system must be digital, flexible, and efficiently tailored to our customers' needs and the possibilities of green energy. The ability to think in terms of an entire system matters. One example is the Urban Tech Republic on the grounds of Tegel Airport in Berlin, which is one of Europe's largest urban development projects. We're pleased that the Berlin Senate awarded us this contract. Together with Berliner Stadtwerke, Berlin's municipal utility, we'll supply this project with heat and air-conditioning using a combination of environmentally friendly technologies combined into an innovative thermal network. We're considering a design that incorporates a low-temperature system. Our patented expertise from district heating networks in Sweden enables us to offer

state-of-the-art solutions. Only innovative, integrated, networked approaches like this will enable the energy transition to succeed and climate targets to be met. This is precisely how E.ON sees its role as helping support successful climate policies and a successful energy transition. We're certain that a transition of the mobility and heating is possible. Our distribution networks will serve as a local hub on which increasingly larger amounts of clean electricity from innumerable producers flow together: electricity from households with solar panels, from companies that have combined heat and power units (or cooling equipment), from onshore and offshore wind farms and solar farms. This clean electricity will flow in all directions and be available for increasingly innovative applications. For heat pumps and electric vehicles to make space heating and mobility greener. For plants that produce synthetic gas or fuel. And for all the countless devices of the Internet economy and Industry 4.0.

We have the opportunity to use sustainable energy to support the comprehensive, energy-hungry digitalization of society. For this purpose, we'll also digitalize the energy system and our processes and put them at the service of people: in a responsible, participatory, and socially aware manner. Together with Microsoft, for example, we're working on an innovative software solution: an app whose dashboard can display for our customers the data of all systems in their house: heating, air conditioning, solar panels, a battery storage device, a charging point for an electric vehicle, and so forth. Customers can then use this one app to control their home's energy use as they wish. This app is the heart of our vision of tomorrow's home. There's an exhibit showcasing this technology in the foyer of the auditorium. I encourage you to go take a look. You'll see how, together with our customers, we're making the energy future a reality.

Digitization in the energy sector can also give Europe one of its most important competitive advantages in the 21st century. E.ON, a European company through and through, will contribute to the realization of this vision. Successful digitization can't be allowed to be propelled solely by the United States and China. For me and for many of us at E.ON, Europe is an important issue, one of both rational conviction and emotional attachment. Of course, not everything runs smoothly in Europe. But Europe is the best place on earth to live free and well. It has to stay that way. Europe deserves an unambiguous vote of support from us, its citizens. That's why I'd like to state in this forum as well that I encourage you to vote Sunday after next.

People want to take their lives into their own hands and make their own decisions, including about an existentially important issue like

energy. E.ON designs new solutions for this and puts them into the hands of its customers. This makes E.ON a true partner. Our clients' opportunities in an increasingly complex energy world are the starting point of our value proposition. We want to grow with our customers, not at their expense. We empower our customers to produce, store, transport, and use clean energy for solutions that improve their lives and pocketbooks. At our network businesses, we ensure that we fulfill customer requests—for things like new connections for homes or the integration of new green generating facilities—more quickly. Wherever possible, our customers can interact with us online with a few clicks. Our customers agree that we're making great progress in focusing on them and their needs: in *Focus Money's* most recent survey, which asked more than 300,000 consumers to identify German companies with the best customer service, E.ON took first place in the overall category for energy suppliers. Our offerings and good customer service enabled us to acquire more than 100,000 customers in Germany last year. Since the start of 2019, we've added over 100,000 more in Germany's keenly competitive marketplace.

The radical decentralization of energy is now technically feasible. And today a climate-friendly solution is often the one that makes better business sense. Like the state-of-the-art combined heat and power unit we're installing at a facility operated by DS Smith, a U.K.-based packaging company. We'll operate the unit for them for 20 years. It's one of this business segment's largest contracts in more than a decade. The future of energy lies in small and large distributed generating units, embedded solutions for homes and businesses, citizen power, and networked neighborhoods. Our grids provide the platform for these innovative opportunities to benefit the regions and communities they serve. We want to remove obstacles in tomorrow's cities—for citizens, companies, and neighborhoods—and make them better places to live, work, and visit. We're going to connect rural areas to this digital infrastructure, involve them in the energy transition, provide them with optic fiber, and thus support equal opportunity for rural areas.

We're going to help create a world in which energy isn't wasted but, wherever possible, there are no restrictions on its use. In the long run, green electricity can be abundant, creating completely new possibilities for people.

The acquisition of innogy will make the new E.ON an even better partner. A partner of more than 50 million customers across Europe. We're determined to work with and for our customers to make the energy transition a success and to make people's lives better in

tangible ways. That's the new E.ON's story and mission. It will make us a pioneer in tomorrow's new energy world—if we work together with combined strength.

The knowledge and experience of innogy colleagues in several areas—like e-mobility and broadband solutions—will enable us to do an even better job of understanding and adapting to technological trends and customer desires. We want the new E.ON to be more than the sum of its parts. We'll achieve this because we're willing to question the status quo, to learn new things, and to actively shape change. I sense that innogy and E.ON employees also share this conviction. We want to make the new E.ON into an outstanding company that has a performance culture and that puts customers at the center of everything it does. A company that's propelling the energy transition for customers and society in general.

### **The energy transformation is faltering and needs new ideas**

The energy transformation has come to a standstill, and not just in Germany. Despite billions in government expenditures, for years now carbon emissions have barely declined. Policymakers are debating what countermeasures to take, but a clear direction has yet emerged.

What does this mean for E.ON? We're not just guided by policies but rather primarily by technology, customer desires, and our own ideas. The energy transition is irreversible; people want it. But policymakers need to know that the energy transformation in the transport and heating sectors is impossible without smart distribution grids. And that climate targets can't be achieved without the convergence of all sectors. And this, in turn, can only be achieved with innovative applications for all customer segments: from households and small businesses to industrial enterprises and communities and, indeed, entire cities.

Before many other people, I therefore advocated a carbon price in addition to the EU Emissions Trading Scheme, which has covered the energy industry and parts of the industrial sector since 2005. This is because Germany has created an absurd situation: electricity has become increasingly green, unlike coal, oil, and gas. At the same time, however, the conversion of the country's entire energy system is supposed to be financed by our customers through the price of electricity. As a result, clean electricity has become more and more expensive relative to dirty fossil fuels. Obviously, the transformation of the heating and mobility sectors now demanded by everyone won't work this way. Moreover, Germany's energy transition is

disproportionately financed by people with lower incomes, who have to pay the substantial renewables levy on the power that every household needs. It's neither good climate policy, nor good social policy. Your E.ON has proposed a simple solution that turns the system upside down: introduce a carbon tax of €35 per metric tons of emissions resulting from the use of fossil fuels for any purpose: power generation, heating, and transport. This would generate €25 billion in annual tax revenues for Germany's Finance Ministry. Don't misunderstand me: we're obviously not interested in burdening our customers with yet more taxes, fees, and levies. We're proposing that in the future the annual cost of Germany's Renewable Energy Law—currently around €25 billion—should be financed by the federal budget with the revenues from the carbon tax. We also propose that Germany's electricity tax, which is socially unjust and ecologically ineffective, should be reduced to Europe's low minimum rate. This would reduce electricity prices by almost 9 cents per Kilowatt hour. That's a price level that Germany last saw ten years ago. This would enable the conversation of heat and mobility to clean, green, and thus competitively priced electricity to succeed. It would also enable people to focus their attention on their carbon footprint and therefore to adjust their behavior sensibly so that they can help tackle climate change. This proposal also takes the burden away from people with low incomes. We've done the calculations for typical households. It therefore also makes sense from a socio-political standpoint. This Annual Shareholders Meeting gives me another opportunity to say to decision-makers in government, society, and industry: now is the time to act. Now is the time to make the leap from a transition of the power sector to a genuine transformation of the entire energy system. Now is the time to share the burden fairly and to create opportunities for everyone. A better and fairer energy transition is possible: let's make it happen.

### **Performance of E.ON's operating businesses in 2018 and in the first quarter of 2019**

In 2018 our operating businesses performed very successfully for the third year in row.

As anticipated, our 2018 adjusted EBIT of roughly €3 billion was nearly at the prior-year level and thus at the upper end of our forecast range and the capital market's expectations for the third year running. All of our segments contributed with strong earnings performances.

As forecast, Energy Networks' adjusted EBIT of €1.8 billion was 9 percent below the prior-year figure. This did not result from our

operating business. Rather, the principal reasons were, firstly, the sale of the Hamburg gas network to the City of Hamburg to implement the well-known referendum and, secondly, the non-recurrence of a positive regulatory one-off item recorded in the prior year. In addition, our investments to modernize and expand our networks significantly surpassed the depreciation charges on this asset base, which paves the way for growth. In the regulated networks business, efficiency plays a special role. And our networks are efficiency pacesetters. The German Federal Network Agency's most recent benchmarking confirmed that our networks rank among the most efficient of Germany's nearly 900 electricity network operators. The agency determined that all four E.ON network operators are 100 percent efficient and even awarded two of them an additional efficiency bonus.

Adjusted EBIT at Customer Solutions declined by 14 percent year on year to €413 million. The principal causes were a weather-driven reduction in power sales volume and higher costs in the United Kingdom. Customer Solutions' adjusted EBIT in Germany was significantly higher. With the exception of the United Kingdom, we enlarged or at least maintained the size of our customer base in nearly all markets, despite unrelentingly fierce competition.

Renewables' adjusted EBIT rose by 15 percent to €521 million. This was because in 2018 some wind farms in the United States were, for the first time, operational for the entire year.

In addition the cost of the Group's central functions was significantly lower, a success attributable to E.ON's refocus and reorganization that I mentioned a moment ago.

Due to a reduction in interest expenses and taxes, adjusted net income, which is the basis for our dividend payment, rose by about €100 million year on year to €1.5 billion. It was thus likewise at the upper end of our forecast range. Net income of roughly €3.5 billion benefited primarily from positive non-operating effects resulting from the sale of our Uniper stake. This further strengthened the Group's equity.

We've systematically reduced our economic net debt in substantial increments by a total of nearly €10 billion: from more than €26 billion in 2016 to just over €19 billion at year-end 2017 and just €16.6 billion at year-end 2018. This enables us to enter the planned innogy takeover with a strong and healthy balance sheet. The rating agencies have confirmed this as well.

For 2019 we anticipate adjusted EBIT of €2.9 to €3.1 billion and adjusted net income of €1.4 to €1.6 billion. We started off 2019 by delivering a solid performance in the first quarter. As anticipated, our first-quarter adjusted EBIT was 8 percent and our adjusted net income 11 percent below the particularly strong prior-year figures. Earnings at our network business were roughly at the prior-year level, whereas those of our customer solutions business were significantly lower. The decline in Germany was due to the fact that we decided, in the interest of our customers, to not yet pass higher network fees through to them. This effect likely will fully balance itself out as the year moves forward. Our customer business in the United Kingdom remained under significant pressure. Earnings there declined substantially owing to the new regulatory price cap. Our renewables business recorded significantly higher earnings owing to the commissioning of new offshore wind farms in Germany and the United Kingdom and an onshore wind farm in the United States.

Compared with the figure at year-end 2018 (€16.6 billion), our economic net debt increased by about €2.3 billion to just under €19 billion at the end of this March.

This was due to a number of factors: firstly, seasonally weaker cash flow; secondly, an accounting effect resulting from the initial application of a new IFRS that prescribes new accounting treatment for leasing relationships. This effect does not, however, have a material impact on E.ON's debt-bearing capacity, because rating agencies had already factored in leasing transactions in the past. Thirdly, March saw another tangible decline in interest rate levels. Even lower interest rates necessitated an increase in provisions for pensions at the March 31 balance-sheet date.

E.ON is becoming even stronger, more predictable, and more calculable, particularly for you, our shareholders. That's why we're proposing a dividend of 43 cents per share for 2018. And today we already want to give you planning assurance by proposing a further increase the following year: a fixed dividend of 46 cents per share for the 2019 financial year.

## **Conclusion**

The takeover of innogy has our E.ON on the verge of a quantum leap in growth. The conditions are good:

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Our operating businesses are strong. We have outstanding employees who know their business and are focused entirely on our customers.

E.ON and innogy will grow together quickly. innogy CEO Uwe Tigges and I are working together to ensure a successful integration and good new corporate culture.

The takeover is perfectly in line with the strategy we've been pursuing consistently and reliably for the past five years. E.ON is therefore staying on course and earning increasingly more trust among investors.

We're significantly enhancing our innovativeness at a time when people want new energy. Energy that's networked, digital, and locally produced. Energy that's in the hands of customers.

And we're addressing the issues that matter to policymakers and the general public: we're giving substantial impetus to climate protection and the energy transformation across Europe.

Invest in us and thus in the energy future. In the company whose systematic devotion to making this future a reality for its customers is unique. Continue to invest in E.ON.

And now I look forward to your suggestions, questions, and comments.

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