innogy SE: 2017
Interim Report on the first three quarters of 2017
Online press conference for journalists
Essen, 13 November 2017, 10:00 a.m. CET/9:00 a.m. UK time
Speech notes for Bernhard Günther

Check against delivery.

[Bernhard Günther]

Ladies and Gentlemen,

Welcome to our press conference. Today we will be informing you about our figures for the first nine months of the year. But before I come to that: the last few days have been quite a ride!

In the middle of last week, we gave you all quite a surprise: innogy and SSE have agreed to merge npower with SSE's British B2C retail activities and its EnergiePlus business. We want to create a major, independent company that will be able to face the difficult market environment with confidence.

This is a very good solution for everyone involved – for the companies, for their employees and for the shareholders and for the customers. It is consistent with our recently announced 4P Strategy.

Our refined corporate strategy prescribes very clearly that being average is not enough to stay long-term competitive. innogy strives to be "best in class" at all operational levels.

It's a fact that innogy has aligned its entire business along the energy transition, more rigorously and more comprehensively than others. We made a good start with our successful IPO.

But it's also a fact that the market is still in a strong transition phase. There are no free gifts for us. innogy has to continuously improve in order to maintain and expand its competitive position.

Against this backdrop, we are also prepared to invest up to EUR 1.2 billion in growth fields by 2019. We are focusing on new markets. And of course, we want to generate future business in Germany too, and provide impetus for a state-of-the-art energy world.

There may be other, more emotionally charged topics, but Germany has the opportunity right now to invest in the future of its infrastructure.

- Germany must now, finally, achieve a breakthrough in e-mobility;

- Germany must finally step up the pace with regard to digitalisation, especially the expansion of broadband in rural areas;

- And Germany must drive forward the integration of renewables into the electricity networks. When the framework conditions are right, smart distribution systems can complement the socially controversial expansion of supra-regional transmission lines. Without smart distribution systems, the transformation of the heating and transportation sectors will be impossible to achieve.

In other words: the future of Germany's infrastructure requires political verve. And we hope there will be plenty of that in evidence during the current exploratory coalition discussions in Berlin.

Ladies and Gentlemen,

As you can see, our market environment is in flux. And innogy is also in flux. That brings me to our nine-month results.

As expected, we increased our adjusted EBITDA to EUR 3 billion, and our adjusted EBIT to EUR 2 billion, exceeding the prior-year figures by 5 % and 9 %, respectively. Adjusted net income, which forms the basis for our dividend payment, is EUR 850 million for the first nine months of the current fiscal year.

We can attribute the positive business development mainly to our Grid & Infrastructure division. Lower expenses for operating and maintaining our networks in Germany made the difference here. But there have also been positive developments in Eastern Europe. And our retail business in the Netherlands and Belgium, in Germany and in Eastern Europe is standing its ground in a highly competitive market environment. In short, innogy's business rests on a solid foundation.

Building on this foundation, we have taken major steps in 2017 to grow and maintain value. The fiscal year so far shows that innogy is making progress, especially in renewables!

We were able to announce a major success in the area of solar energy with our acquisition of Belectric at the beginning of the year. In September, we achieved a further milestone when we were successful with our Triton Knoll offshore wind project in the latest UK auction. This is quite an important step on the way to realising one of our biggest renewables projects. We have left no doubt about our competitive strength.

And I’d like to add: we don’t regret the fact that innogy is now the sole owner of the Triton Knoll project.

As far as the earnings contribution is concerned, however, 2017 has not been a good year for renewables so far. The poor weather conditions have had a negative impact on our result for the first nine months, as has our UK retail business.

As Peter Terium stated on Wednesday: for some time now, our business in the UK is facing immense competition and regulatory risks. Therefore, the associated book values have had to be adjusted accordingly.

The non-operating result, which comprises one-off or exceptional effects, fell during the first nine months to minus EUR 529 million. This was caused by a goodwill impairment of our UK retail business in the amount of EUR 480 million. It’s important to note, however, that this impairment has no cash relevance. And it does not affect our adjusted net income.

Despite the difficult situation in the UK, I would like to emphasise that, with npower we will be bringing a strong company into the planned enterprise. Market conditions are currently extreme; they set off a lot of the progress we have made – but the trend at npower is clearly positive.

Taken alone, the result for our UK retail business in the third quarter of 2017 was better than the very poor third quarter in the previous year. Our recovery programme achieved the desired results. npower gained new customers not only in Q2 but also in Q3.

We are convinced that npower will be able to fully demonstrate its strengths in the new company to be formed by the agreed merger with SSE’s British B2C activities.

Ladies and Gentlemen,

As always, I will be happy to deal with any questions about npower in a moment. But first, I would once again like to take a general Group perspective.

As you know, innogy was conceived from the outset as a purely financial investment by RWE AG, as a company that would be fully independent strategically, operationally and financially. Essential in this regard is that it have its own access to the debt capital market.

Our IPO was at the heart of this, of course. But the issue of our first senior bond with a volume of EUR 750 million in April also represented an important step on the way to full financial independence. And by setting up our stand-alone credit line as a liquidity reserve, we have reached our goal.

The capital market appreciates our financial independence. Standard & Poor's has already upgraded innogy's rating to BBB with a stable outlook.

That will certainly have helped when we issued our green bond in October. Germany's first benchmark–sized green bond was several times oversubscribed.

Issuing the green bond is just one example of how sustainability is growing in importance as a measure of corporate creditworthiness, for agencies and investors alike. This is further evidence that innogy is doing the right thing in fully banking on the trend toward decarbonisation in society as a whole.

However, Ladies and Gentlemen, that does not make the key financial indicators any less important. And so that brings me to the outlook.

We confirm our positive outlook for the current fiscal year. Adjusted net income is of particular significance to our shareholders. This is expected to total over EUR 1.2 billion by the end of the year.

But I also want to make very clear that, in view of the difficult market developments in the UK, the situation in the retail business there remains tense. Any price caps imposed by the government would be very difficult to implement in the current market environment.

For the long term, we have found a very good solution in the agreement with SSE. Even though, our ongoing business remains exposed to risks posed by the market environment in the UK.

We intend to counter this with additional efficiency measures across our entire retail business. In the case of renewables, we will put additional capacity into operation by the end of the year – the Nordsee One offshore project, for example, and additional turbines at the Galloper wind farm in the UK. In our grid business, our lean cost structure will have a positive effect on earnings, in terms of both investments and grid operations.

And to pick up my earlier thread once again: the last few days have been quite a ride, they have helped drive us forward. But there is still a lot to do. Our market environment is still in flux, and innogy is in flux along with it. Thank you!