



innogy Annual General Meeting 2017  
Peter Terium, CEO innogy SE  
Essen, 24 April 2017

## Check against delivery.

Ladies and Gentlemen,

Shareholders,

As the film showed, 2016 was an eventful and busy year for innogy, one that was both inspiring and trail-blazing. The year of our founding, the year of the IPO – the year of our restart and a year of confidence.

We delivered:

- A company that offers all that is required to be successful in a changing energy world.
- A company full of ideas, full of creativity and full of energy.

innogy has just celebrated its first birthday. Because it is one year since innogy began operations – initially under the provisional name of RWE International SE. Today, Ladies and Gentlemen, we welcome you to the first Annual General Meeting in our history.

You are among the first shareholders. You have put money into innogy. You have shown confidence in us. And we want to repay that confidence.

We have set out on a long-term and sustainable course. What innogy promises is reliability and future prospects.



About sixty percent of the earnings profile for our company is made up of fully or quasi-regulated activities. That is our strong base. We can earn good money with it right now, and in the future. But we are not resting on our laurels.

The energy transition is changing the requirements on energy companies. And that is precisely why innogy also offers space for the new – for enthusiasm, spirit, creativity and innovation. The willingness to change has become an integral part of our corporate culture.

Decarbonisation, decentralisation and digitalisation of our energy supply are still in their infancy. We are in a good starting position. And we want to put it to good use. We want innogy to keep on developing along with the energy transition. We want to look beyond our horizons and develop new future prospects.

For innogy, reliability and future prospects are two sides of the same coin. innogy must be what we have emphasised repeatedly: a strong dividend stock with growth potential!

Ladies and Gentlemen,

I have a clear aspiration in my work: To keep my word, to stay on course. I have the same aspiration when it comes to innogy.

Fiscal 2016 was a year of calculated transition. We have completed this transition well. innogy has brought its first fiscal year to a successful conclusion. All the objectives we announced in connection with the IPO and publication of our nine-month figures have been achieved.

In fiscal 2016, our adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA) were €4.2 billion. Our adjusted earnings before interest and taxes (EBIT) came to €2.7 billion. Our adjusted net income was about €1.1 billion.

That makes innogy the only one of the now four major energy companies in the Rhine/Ruhr area to have posted a net profit for 2016. We have achieved our most pressing objective:



getting a company off the ground that is fit for the future. A company that brings in profits for itself and its shareholders.

The dividend payout ratio that we indicated lies between 70 and 80 percent of our adjusted net income. We are now exploiting this range almost to the full for the last fiscal year. The Executive Board and Supervisory Board today propose to you to pay out a dividend of €1.60 per share.

This equates to a dividend yield of around 4.5 percent, based on the closing price last Friday. I am sure you will agree: that is a very attractive yield in current times. Granted: the expectation of rising interest rates on the capital market in response to the elections in the United States put pressure on our share value at the end of 2016. But, happily, it has picked up by about 10 percent since the start of this year, and lists today at the level of its issue price.

Keeping our word, staying on course.

I am sure you will agree that innogy got off to a successful start. Compared to the competition, we are in a positive starting position. That is good, but we are still keeping our sleeves rolled up. Now we will continue to further develop innogy.

Future prospects are good.

For 2017 we expect our adjusted EBITDA to increase to about €4.4 billion, and adjusted EBIT of about €2.9 billion. The main reason is the lower expenditure involved in maintaining and upgrading our networks. That is something the whole company will benefit from. In this context, we want to increase our adjusted net income in 2017 by at least 7 percent, to more than €1.2 billion. Once again we aim to pay out a dividend of between 70 and 80 percent of our adjusted net income.

Our focus is on the future.



The increase in capital as part of the IPO gives us the opportunity to invest more in growing our future-oriented business – regardless of the risks involved in conventional power generation.

By the way, it is not even three weeks since we issued our first senior bond. It was very well received on the capital market and was oversubscribed many times. This emphasises our company's financial independence and its presence on the capital market as an independent player.

We have therefore also created financial headroom with innogy. And we want to put that to good use. Between 2017 and 2019, we intend to invest a total of €6.5 to €7 billion; between €2.0 and €2.5 billion during this year.

We are aware that, in these times of energy transition, the gap between opportunities and risks has narrowed. As a consequence, we are not relying on hasty action, or on cheap showmanship. We are relying on sustainable capital investment, on valuable growth, and on reliable yields. We are matching financial discipline with prudent and focused investment behaviour.

The focus is on capital expenditure in regulated business and growth opportunities in our core markets.

The electricity distribution networks remain the backbone of our business. In our Grid & Infrastructure division, we are constantly investing to ensure it is ready for the decentralised and digital future.

We are assuming responsibility for the energy system of the future – for example as the lead member of the consortium in the Designetz energy transition project. All of this underpins our role as a leading grid operator and provider of complex control systems. We are moving with the times to consolidate our market position.



For the medium term, a large part of our business with renewables will still take place in the regulated area, too. But the further the energy transition progresses, the more competitive it is becoming.

You will be familiar with the auctions that have been introduced as part of the Renewable Energy Act. But across Europe, existing support schemes are being adapted based on market principles. This is due to EU directives that prescribe the introduction of such mechanisms.

It is right that they should do that. And I am convinced that innogy will be able to assert itself with its renewables in this increasingly competitive market environment.

When it comes to wind energy, we are a leading company throughout Europe, both on land and at sea. And in recent years we have built up extensive expertise in the development, construction and operation of these technologies. The efficient use of wind as a resource is one of our company's strengths.

innogy has already participated in a number of international auctions. We were recently awarded three onshore projects in the UK, for example. Two of those are already under construction.<sup>1</sup> And even though we have not been able to win the first few commissions for large-scale offshore projects to date, we remain optimistic and continue to believe in our strengths.

But one thing is clear: we will not pursue projects at just any price. We carefully weigh up each one and invest only when it is economically viable for us.

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<sup>1</sup> **Mynydd y Gwair (in construction); Bad a Cheo (in construction), Clocaenog (final investment decision still pending)**



Ladies and Gentlemen,

innogy is good. And innogy aims to become even better. The focus, as I mentioned just now, is on capital expenditure on regulated business and growth opportunities in our core markets. But we are looking beyond our own horizons. That is why we are also looking for opportunities on new markets and with new business models.

In the Gulf region, for example, there are already photovoltaic projects with a total capacity of 1,000 megawatts. Projects of this magnitude are of interest for innogy.

But they are financially attractive especially when they cover the entire value chain. This is why we have closed a strategic gap by taking over the solar and battery specialist Belectric. innogy can and will now do more in terms of setting up and operating utility-scale photovoltaic power plants.

Our new subsidiary will contribute its strengths to our existing renewables business. It will continue with its highly successful third-party customer business – using its own brand name under the innogy umbrella.

I also feel that Germany must and will soon be making greater use of the potential offered by large-scale photovoltaic power plants. Power generation costs for photovoltaics are already lower than with new conventional power stations. Bavaria and Baden-Württemberg have taken the lead: they recently expanded the permissible areas available for tender. Other German federal states are likely to follow next.



Ladies and Gentlemen,

We are also looking beyond our own horizons in the Grid & Infrastructure division.

The expansion of broadband, for example, is a basic precondition for the digital, networked world. As a business area this is growing in relevance for innogy. This is underlined by our broadband partnership with Deutsche Telekom.

The world is becoming more digital, and more electric. And innogy is contributing to this with its products and services.

Take electric mobility as an example: innogy is now a leading European provider of charging infrastructure, with more than 5,700 charging points. We want to continue to expand this position in 2017. Since January this year, a dedicated business unit has bundled together the Group's manifold activities in the area of electric mobility.

Moreover, the company car fleets run by innogy SE and Westnetz GmbH will run on electric and hybrid systems in future.

Our 23 million electricity and gas customers form a strong basis for our retail business. The innogy brand is well received in the markets where it has a presence. And just a few months after its market launch its familiarity is growing: in our home region, three out of every four consumers are already familiar with innogy, and already more than half in a market like Czechia.

The important thing now is to secure and expand our customer base. The competition is tough, and the regulatory environment does not always make things easy for us. In some markets, we are not yet satisfied with our retail result, in the UK in particular. But our growth history in our Eastern European retail business gives us confidence.



We have two clear objectives: we want to build up an equally strong position in the electricity and gas market in all of our retail markets. And we are striving to achieve a market share of at least 10 percent in each of these countries.

Ladies and Gentlemen,

With innogy, we made a promise. To our employees. To our shareholders. And in particular to our customers. We are taking the energy transition to their cities, villages and houses. We are modernising the way they live, and making their daily routines more convenient.

Keeping our word, staying on course – we want to be faster, more digital, more innovative – and yes, more daring. With “Energy+” products, in other words, products that go beyond merely supplying electricity and gas, we want to increase both our revenue and customer loyalty. We are working on this, in 2017 and in the future.

But this must not hide the fact that profitability and efficiency are the standard by which innogy is measured. We also apply that standard at an internal level – to the company and its structures.

innogy’s philosophy leaves no room for silo mentalities. In each and every division, we want to perform even better and more efficiently. But at the heart of every decision and every investment lies our overall performance.

Anyone seeking to invest must generate income! The individual projects from the various divisions within innogy are competing for investment funding. That gives us opportunities to exercise control and offer you, as shareholders, reliability and future prospects. Performance is an on-going task, not a passing fad.

The same goes for our innovations business. As our new, fourth division, it will need to assert itself in the same way as all the others. We intend to use innovations as a way of hedging our



existing business against disruptive trends, while refining it and tapping into new options. That ranges from minor improvements in day-to-day business through to technologies capable of changing entire value chains, like Big Data or Blockchain technology.

Ladies and Gentlemen,

For innogy, reliability and future prospects are two sides of the same coin. This is our way of contributing to the transformation that our energy system and the industry as a whole are experiencing. To the benefit of this company. And to you as shareholders.

Keeping our word, staying on course. We want to be inspired in our thinking, and level-headed in our planning. So innogy can remain what I said at the beginning: a strong dividend stock with growth potential!

Thank you!