innogy Annual General Meeting 2018
Uwe Tigges, CEO innogy SE
Essen, 24 April 2018

Check against delivery.

[Uwe Tigges]

Ladies and Gentlemen, Shareholders,

Recent months have certainly been eventful:

- In December 2017, Peter Terium stood down as Chief Executive Officer of innogy SE. The creation of this company, the vision underlying it, and much of the development of its operational business to date are all closely linked to him.
- In March 2018, our Chief Financial Officer Bernhard Günther was the victim of an unimaginable and cowardly acid attack. Bernhard has now left hospital, and he is doing well under the circumstances. Our hearts are with him and his family. And we hope to see progress by the authorities in resolving the case.
- And lastly, RWE AG has announced the sale of its 77 per cent shareholding in innogy to E.ON SE. RWE and E.ON intend to divide the business areas of innogy between the two companies.
- E.ON and RWE have also broadly outlined the form they think this potential transaction could take, and the future they envisage for their respective companies.
    - They have stated that the objective of this transaction is to make E.ON a focused provider of European energy networks and state-of-the-art customer solutions.
    - For RWE, the objective of the transaction would be to make it a leading European electricity producer in terms of renewables – combined with security of supply through its conventional power plants and energy trading.

- E.ON and RWE have also communicated a number of figures regarding the scope of the planned transaction and the general roadmap. Most of the details, however, remain open.

Ladies and Gentlemen,

It is very clear that how the matter progresses from here is of fundamental importance not only for us, as the Executive Board of innogy and for our employees, but of course also for you as shareholders in particular. So before I report on last year's business performance, I would like to provide a brief overview of the next milestones in this process.

The next steps are clearly defined by the German Securities Acquisition and Takeover Act:

- Within four weeks following publication of the decision to submit an offer, E.ON must submit detailed offer documentation to the Federal Financial Supervisory Authority (BaFin).
- BaFin then has ten working days to examine this documentation, unless there are grounds for extending the review period by up to five more working days. The offer documentation cannot be disclosed prior to that time.
- The offer documentation must be published immediately once it has been approved, or if it is not declined, within the review period.
- Publication then marks the start of an approval period of at least four weeks, during which you as our shareholders can decide in favour of, or against, accepting the offer by E.ON.
- As the Executive Board of innogy SE, we will thoroughly examine the offer documentation and adopt a position in a so-called "reasoned opinion" on the offer by no later than two weeks following the start of the official offer period. This applies equally to the Supervisory Board of innogy SE.

As you can see, there are clearly established legal procedures that we must observe.

The fact is that, as it stands today, innogy is an economically independent and strong energy company. And that is how it will remain until such time as the transaction has been concluded.

Here at innogy, we are focusing on what we are able to influence. We are concentrating on our business. And we are doing this in the interests of our customers, our employees and our shareholders. We will address with confidence the challenges we are facing.

Ladies and Gentlemen,

Of course: the latest developments impact the impression of recent months. But they cannot overshadow what has been achieved and what is continuing to be achieved within innogy. We had said we would build the energy company of the future. And in recent months we have come a lot closer to that goal: innogy is a well-established company at a structural level. In operating terms, it is fully on track. And it has had lots of positive news to report in its operational business, in particular recently.

Let me remind you of a few milestones we have achieved in the past six months.

- On 10 October, innogy acquired Statkraft’s 50 per cent shareholding in the Triton Knoll offshore wind project;
- On 27 November, Designetz, Germany’s most versatile energy transition project, entered its project phase under innogy’s leadership;
- On 21 December, the Nordsee One offshore wind farm began commercial operation;
- On 22 December, a new concession agreement for the supply of electricity was entered into with Hürth GmbH – just one among many examples of our successful concession business;

- On 15 January, innogy and Primus Energie agreed to cooperate on the development of a 400 MW onshore pipeline – a good example of how innogy is driving forward the expansion of renewables in Germany;
- On 6 February, innogy became the new eMobility partner to DHL, and at the same time entered the Italian eMobility market;
- On 6 March, innogy and DKV announced a joint venture to offer solutions to make Europe-wide barrier-free electric mobility a possibility for commercial fleet operators in particular;
- On 3 April, the Galloper offshore wind farm went into full operation.

I will discuss some other very important milestones later, in connection with our capital expenditure. But at least you can see that innogy is running full speed ahead. And there is something else I can observe at this point, even in the context of the planned transaction between RWE and E.ON: I am not alone in viewing innogy as a very attractive company.

The numbers speak for themselves:

- Generation capacity based on renewables has now reached 3.9 gigawatts;
- Development of renewables projects representing more than 7 gigawatts is in the pipeline;
- More than 22 million residential and corporate customers;
- And electricity and gas networks in Europe totalling about 570,000 kilometres.

Compared to many market players, innogy has a particularly attractive portfolio that is fully aligned with the future-oriented areas of the energy industry. And this strong business base gives our company a reliable source of revenue.

This also goes for fiscal 2017. It was certainly not a quiet year, but it was quite presentable overall, with adjusted net income of more than EUR 1.2 billion. This is an increase of 9 per cent compared to the previous year. As a result, we achieved the target that we forecast at the beginning of 2017 for this key indicator, which serves as the basis for our dividend.

The performance of our German grid business in particular was positive. The market environment for our UK retail business, however, remained difficult. Despite successful restructuring measures by our subsidiary npower, this was a contributing factor in our decision to revise our forecast for adjusted EBITDA and adjusted EBIT slightly downward at the end of the year.

We achieved this revised forecast, with adjusted EBITDA for fiscal 2017 of about EUR 4.3 billion, and adjusted EBIT of about EUR 2.8 billion. These figures each represent increases of 3 per cent compared to the previous year.

Ladies and Gentlemen Shareholders,

In line with our earnings, the Executive Board and Supervisory Board are proposing to you today a dividend of EUR 1.60 per share for fiscal 2017. This corresponds to a dividend payout ratio of about 73 per cent of adjusted net income.

For the current fiscal year, we forecast about EUR 2.7 billion in adjusted EBIT and adjusted net income of more than EUR 1.1 billion. We can therefore confirm our outlook for 2018, which we published back in December. We also confirm our intention to continue paying 70 to 80 per cent of adjusted net income as a dividend.

Ladies and Gentlemen,

innogy is a company on a very solid foundation, with good operational prospects in its individual business areas, and a sound financial structure.

We know there is strong competitive pressure in the energy industry. That is why we have done a lot in recent months to strengthen the basis for our business still further.

Our revised corporate strategy has set the bar very high for our business. That is why we took the decision to merge npower with the UK retail business and energy services activities of SSE. The aim is to create a strong and independent retail company in the UK that will be able to face the difficult market environment with confidence.

Katie Bickerstaffe will be CEO of this new company. She comes from UK electronics retailer Dixons Carphone plc, where she serves as a member of the Board with responsibility for business in the UK and Ireland. Ms Bickerstaffe will take up her new position during the year and will lead the development of the new company.

In other areas, we intend to adopt a considered approach to expanding our business. Our investment activity focuses on our strong core business. We also perceive valuable investment opportunities in new markets – and in the solar, electric mobility and broadband business areas, which offer particularly strong potential.

We have made very good progress in recent months. In Australia, for example, we made a major entry into the utility-scale photovoltaic business. And in the USA, we have signed contracts – pending completion of the transaction – to take over a 2-gigawatt onshore pipeline. In Europe, we have developed a new market in Ireland. In Croatia, innogy has now taken up the leading position in the privatisation of the gas network with the acquisition of two municipal utilities.

Of particular importance was the auction success for our UK offshore wind farm Triton Knoll. With this project, innogy has clearly emphasised its competitive strength in the area of renewables. And the planned 860-megawatt wind farm offers huge potential to drive our business forward with attractive returns.

The objective with projects like these is always to generate the greatest possible value for our company and its shareholders. From the perspective of profitability, therefore, we are examining a number of options for the best ownership structure of the wind farm. As things currently stand, we will issue shares to co-investors.

Ladies and Gentlemen,

Following the IPO, some were concerned that there would not be enough investment opportunities. The reality, however, is that we have identified a gross investment potential of up to EUR 10 billion for the period up to 2020 alone, including more than EUR 5 billion for possible growth projects. We are in a position to select the best from among the many interesting projects.

The selection is focused entirely on developing and adding value to our business areas and implementing a responsible spending policy. This also means that we want to finance growth opportunities in some cases via partnership models. It is important for us to maintain a healthy ratio of net debt to adjusted EBITDA, as reflected by the leverage factor. We aim for a leverage factor of about 4. This takes your expectations as shareholders into account, Ladies and Gentlemen.

In the last fiscal year, our leverage factor fell from 3.7 to 3.6. This created a buffer for planned growth in capital expenditure during the coming years.

In consideration of all these points, the Executive Board has approved a net investment budget of about EUR 2.5 billion for the current fiscal year. This figure takes income from the sale of plant and/or shareholdings into account.

Ladies and Gentlemen,

We would like to bolster the foundation underlying innogy's business for the long term, through a process of continuously reviewing and adapting our portfolio and making valuable investments in our core business and growth areas. We are also constantly improving our processes and structures.

In autumn, we set up performance initiatives in all business segments. These include numerous activities to expand the customer base, improve the revenue situation and curb costs. In parallel, we followed the mandate set by the Supervisory Board to review discretionary expenditure. This involves higher-level supplementary and project costs, from innogy's brand positioning to digitalisation and innovation projects.

Overall, we are factoring savings of a total of roughly EUR 400 million into our current planning through to 2020 – across all company divisions. These are gross savings, i.e. we will use most of them to offset inflation-driven cost increases. But we are also using them to compensate for increased expenditure on growth projects, as well as negative margin effects in the retail business in particular.

Ladies and Gentlemen,

These are turbulent times for innogy. And as we have said, the Executive Board will adopt a position on the takeover situation at the appropriate time.

But regardless of this:

- We have built up an excellent company;
- It is by no means only through our IPO that we have established ourselves successfully on the capital market;
- We have built an attractive and valuable brand that has been very well accepted within a very short timeframe;
- And we have plenty of projects to propel the company still further forward;
- We are doing this with around 40,000 qualified and motivated employees. A heartfelt thanks to them for what they are achieving every day!

Regardless of what is currently happening at RWE and E.ON: here at innogy, we are concentrating on what we are able to influence. And we are following a clearly focused course for growth based on financial discipline.

Thank you!