Uwe Tigges, CEO
innogy General Meeting
Essen, 30. April 2019
10:00 a.m. CET/9:00 a.m. UK time

Check against delivery.

Ladies and Gentlemen, Shareholders

We have an eventful twelve months behind us. But I'll tell you something that might come as a surprise: here at innogy, we feel these twelve months have vindicated us in many ways.

When we launched as a new company, we said we were going to lead the German energy industry into a new age. But other, sometimes quite emotional subjects occupied the public mind for a long time – the refugee crisis in particular. The energy industry was hardly on the radar.

That changed in 2018. In Germany we once again looked more closely at the question of how to make our country fit for the future. And we saw that this question is to a very significant extent also one of energy supply.

This debate too has its emotional side – not least in the Rhenish region, or within the "Friday for Future" demonstrations. But you need only look at the recommendations of the "Coal Commission" here in Germany to see a second, more pragmatic side.

It isn't just a matter of getting out of coal: we need to get further into a new energy age!

The key aspects here are:

- electric mobility and a stronger climate contribution from the housing and farming industries.
- Smart grids, for a stable and efficient power supply.
- Innovations, for the increasingly digital and electrical reality of life in our cities and communities.

In other words: here in Germany – and in principle worldwide – we have the opportunity to shape the future! And that's exactly where business potential lies for the energy industry.

That's something we recognised early on at innogy. We focused on these very trends more quickly and more consistently than others.

This is not yet reflected in our business success in every case – after all, it cannot happen overnight. But we have prepared the ground. We are doing a lot right at innogy, and we intend to continue on this path.

Of course, the last twelve months were also marked by the announced takeover of innogy by E.ON and RWE. These things are, however, not mutually exclusive. Remember two things I said last time:

First, we are being taken over because we are good.

And second, our mission is far from over. Our initiatives and projects will continue – regardless of the company name in future.

We as the Executive Board of innogy firmly believe this, and we are fighting for it.

Our goal is to take as much of innogy as possible into the new company. For us, that means projects, culture, and people. The most valuable asset in our portfolio, after all, is our employees.

I'd like to take this opportunity to thank them, as even in the special situation innogy is in at the moment, they remain completely engaged. And it is with them in mind that we have participated constructively in the integration process with E.ON and RWE over the past months. One precondition was that we had to be able to agree with RWE and E.ON on fair framework conditions. That was achieved in July last year. Before that, all three participating companies and the relevant unions Verdi and IGBCE issued a joint declaration on basic collective bargaining.

It is both positive and important that innogy is there at the negotiating table with E.ON and RWE. That wasn't the case yet at the time of our last Annual General Meeting. Even so, the final decisions will not be ours to make, which is standard in a takeover situation such as this.

I therefore ask for your understanding that I cannot comment at this point on how the takeover will proceed from here.

One thing I can say, however, and I'd like to repeat it here: Until the transaction is completed, innogy is an independent company. We are committed to our business. And we are committed to you, our shareholders. That also applies in the unlikely, yet still possible, event that the transaction does not go ahead.

We want to remain a pioneer in the energy industry. We want to generate profits and achieve value-added growth. And with regard to 2018, we can look back on a fiscal year that was quite presentable overall.

Of course, the forthcoming transaction remains an issue for us and our employees. And of course, it is linked to emotions and concerns, just like any other takeover. But we have not let these matters distract us. Operationally, innogy is on track, and our business is progressing as planned.

The only exception, which unfortunately cast a major shadow over fiscal 2018, is our UK retail business.

Here too we had a plan – a good plan, which came close to being achieved. We wanted to merge our UK retail subsidiary npower with the household energy and energy services business of SSE. This undertaking failed, however, due to a further worsening of the market environment.

The drastically worsened outlook for the new company would have made substantial extra financing necessary. Follow-up negotiations with SSE regarding this came to nothing.

The failure of this transaction and the fact that, as a consequence, we had to reincorporate our UK retail business in our accounts, impacted on innogy's result. In December, we accordingly had to adjust our forecast result for fiscal 2018 downwards. Adjusted EBIT in the Annual Financial Statements therefore amounts to EUR 2.6 billion. Adjusted net income is just over EUR 1 billion.

With this in mind, ladies and gentlemen, the Executive Board and Supervisory Board are proposing a dividend of EUR 1.40 per share. This represents a mid-point in the indicated range of 70 to 80 percent of our adjusted net income.

Ladies and Gentlemen,

The continued difficult market conditions in our UK retail business are a reality we do not ignore. The introduction of a price cap this year is having a significant impact. The UK regulatory authority expects that five of the "big six" energy retailers will post losses or generate lower profits in 2019.

npower will counter the substantial pressure on its result with a new programme to reduce costs. And we reserve the right to take further measures. Even so, we are still expecting a further decline in earnings for our UK retail business in the current fiscal year.

This will have the effect of reducing the result for innogy SE. In addition, the gas network business in the Czech Republic, which we sold in February, will no longer make a full contribution to the Group operating result for the current year.

Against this background, we expect adjusted EBIT of about EUR 2.3 billion and adjusted net income of about EUR 850 million for 2019. The payout ratio for the dividend will continue to lie between 70 per cent and 80 per cent of adjusted net income.

Ladies and Gentlemen,

However unsatisfactory the situation at npower may be, in all other respects our business performance is satisfactory.

Our retail business is successfully holding up against a difficult market environment in many countries. In our core market of Germany, for example, we have reinforced our number one position with almost 7.9 million electricity and gas customers. We have also driven down our sales costs, made the company more efficient, and developed new sales channels. A good example is our collaboration with Media Markt and Saturn.

The Grid & Infrastructure division is still the firm backbone of our business. Even in these eventful times, we enjoy the confidence of the municipal authorities as a concession partner. In 2018, we secured our mandate to supply about 730,000 citizens in Germany – via the renewal of concession contracts, partnership arrangements, or by waiving special termination options.

In our Renewables division, in turn, the last fiscal year was burdened by extremely poor wind conditions. The very dry weather in Germany also impacted on generation from our run-of-river hydroelectric stations. But not only did we get the best possible operational outcome from Renewables, we also added further capacity to the grid. We remain on course for growth. And that will then also be clearly reflected in our result for 2019.

Ladies and Gentlemen,

When we founded innogy in 2016, we became pioneers in the transformation of the energy industry: a trend that still continues unbroken. The business model adopted by many energy companies has not proved viable. Recent examples are the insolvencies of BEV, an energy discounter that focused on residential customers, and Deutsche Energie AG (DEG), which specialised in business customers.

That makes innogy's position all the more positive, with its three profitable divisions and stable company finances.

We are turning our attention to investments with a focus on value in business areas with long-term viability, and a responsible spending policy. I mentioned this at our last Annual General Meeting. In this connection, I also announced that we wanted to reduce our cost base still further.

Our objective is to achieve gross savings of about EUR 400 million in total by 2020, across all our divisions. We intended to reach savings in the mid eight-figure range by 2018. In the end, we achieved about EUR 70 million. This year we are well on the way to taking our savings into the nine-figure range. We are right on target.

However long innogy has left as a company, we are continuing to do our homework. We are moving into a new energy age with common sense and sound judgement. But we also have the Pioniergeist, the pioneering spirit that we need in these times.

innogy is so popular today because its business model anticipates the future transformation of the energy industry. innogy identified the major energy industry trends – decarbonisation, decentralisation and digitalisation – at an early stage, and organised its business more rigorously along those lines than others did. The recommendation of the "Coal Commission" here in Germany confirms we are on the right track, as do the developments in the energy industry around the world.

We have the courage to do something new. We give innovations and new business models a chance. We give them space and time to develop. After all, in particular the digitalisation of our industry is only just beginning.

We are doing all this in a calculated manner, however. Our focus is on developing our company further and maintaining its value. We pressed ahead with this in 2018, with targeted investments in our core business, in new markets and in growth fields.

Renewables, for example.

Some people thought it would be difficult for innogy to find profitable growth projects. But we now have projects in the pipeline representing about 7 gigawatts. We have developed new markets in the process – especially North America and, since 2018, the solar market in Australia too.

Here in Germany, even oil companies are participating with low prices in wind farm auctions. The market is highly competitive. But auction successes like our Triton Knoll and Kaskasi offshore wind projects are evidence of our competitive strength.

Another example: our Grid & Infrastructure division.

The regulated grid business remains the solid foundation for innogy as a company. But we are looking beyond that. In broadband, we have developed a growth field that offers synergies with our existing grid business. And there are prospects for growth in other business areas, too. Our Smart Poles, for example, are intelligent street lamps that also provide Wi-Fi and gather environmental data. The development phase is now complete, and the first major cities in Germany are putting them into operation.

And: Retail.

We aspire to be more than just an energy supplier. Looking at the situation from the customer's perspective, we have expanded our portfolio to include new and specifically digital business models. And when it comes to eMobility, one of the key areas of future interest, we are in pole position as one of the leading charging point operators and technology providers. Our acquisition of BTC Power last year, in particular, was an important factor in this regard, in addition to taking over the software provider Recargo. As a result, we have secured a full quick-charge portfolio for the USA, elements of which are now also in the process of being certified for the European market. At e-World in January, we also introduced a new, smart AC product line. This hardware portfolio is complemented by our software and a powerful back-end.

Last but not least, we have also created something fundamental with innogy: we have established a new working and corporate culture for the energy industry – away from rigid hierarchies and responsibilities, and towards more communicative and dynamic structures of working with each other. We are pioneers, not only in terms of the energy industry, but from a cultural perspective too.

In short, ladies and gentlemen, with innogy we create values. And regardless of the company name in future, these values will remain.

Thank you.