innogy SE: Interim Report on the first three quarters of 2016
Online press conference for journalists
Essen, 11 November 2016, 10:00 a.m. CET/9:00 a.m. UK time
Speech notes for Dr. Bernhard Günther

Check against delivery.

Ladies and Gentlemen,

A very good morning to you all from Essen, and a warm welcome to our first conference call and the first public release of business figures for innogy SE.

In the space of just ten months, we have set up innogy as a company and very successfully launched it on the stock market. We have created a new, fresh brand that is becoming more and more recognisable.

As the Chief Financial Officer, whose job it is to deal with the tedious yet essential business of numbers, I do have to say however: our marketing people aren’t making life easy for me right now!

innogy has to be young, bold and unconventional – in the words of German musician Herbert Grönemeyer, “Everything stays different”. But I for one have had to ask myself: how will that work when it comes to reporting on the company balance sheet?

Ladies and Gentlemen,

I'm <u>not</u> wearing a colourful innogy T-shirt today. The effect would be lost in a conference call anyway. But, to look at things a little more seriously, we really have been asking ourselves: what can we do differently?

And the answer is: rather than sticking steadfastly to protocol we want to concentrate more on the essentials.

Our Interim Report and the accompanying press release contain all the facts about our business performance during the first nine months of 2016, condensed into just a few pages. I don't need to repeat it all now in different words. Instead, I'd like to concentrate on providing an overview and a few core points – things that are important to me.

In doing this, I also hope to cover the topics that will be of interest to you as journalists. And of course I'll be available to take questions about further details at the end. I think this is an efficient approach for all of us, and that, in turn, is something I'm familiar with as CFO.

As you know: "it's all about the money". So, first, let's look at our result. We can summarise it in one sentence: <u>fiscal 2016 is a year of calculated transition</u>!

EBITDA was **€2.9 billion** and our operating result was **€1.8 billion**. That's a decrease of 7% and 15%, respectively, for the comparable divisions year-on-year.

The high proportion of regulated business means we are able to obtain a very accurate view of our business performance. Our business performance during the first three quarters is therefore no surprise, but rather confirms our expectations precisely. We first informed you about this at the beginning of August.

EBITDA for fiscal 2016 as a whole is expected to be between **€4.1 billion** and **€4.4 billion**, as forecast. For the first time, we are also offering a forecast for adjusted net income – this ensures that innogy is providing full transparency for its investors.

Adjusted net income differs from net income in that the non-operating result, which is characterised by one-off effects, and further special items are deducted from it. For 2016, we expect adjusted net income to be in the order of **€1.1 billion**. We intend to pay out 70% to 80% of this as dividends to our shareholders.

We are also confirming our forecast for the coming fiscal year. We expect that the 2017 result will be higher, with EBITDA being in a range between **€4.3 billion** and **€4.7 billion.**

Ladies and Gentlemen,

The reason we restructured was to launch a company that would be able to address the challenges of a changing energy market, and reflect those changes at a structural level. innogy is a company with good prospects.

Our highly successful IPO on 7 October showed that the capital market also takes a positive view of innogy's prospects. Our own first, brand-new BBB+ rating from rating agency Fitch also confirms that innogy is a good and safe investment. innogy's senior unsecured rating, which is relevant to senior bonds, was even rated a notch higher, at A-.

The capital increase effected during the IPO brought around **€2 billion** to innogy. We look on these funds as an early vote of confidence.

Targeted investments in the energy world of the future provide the basis for this to happen.

You could say we've adopted the principle of keeping one leg firmly on the ground at all times. In other words, regulated business offers a reliable source for the bulk of our income, one that we can plan for. And at the same time we are seeking to expand our business, especially in innovative, dynamic business areas.

In recent weeks and months, we have set in motion half-a-dozen new partnerships and participations in innovative companies and start-ups. You might say innogy is pressing the start-up button!

- An agreement is in place to acquire BELECTRIC Solar & Battery, which will catapult innogy to international player status on the market for open-air solar power plants and battery storage systems.
- Increasing our shareholding in solar film manufacturer Heliatek means we are investing further in innovative solutions for a decentralised energy system.
- With Tank&Rast, we want to give electric mobility in Germany a further boost, by further expanding the network of charging systems.
- Our new cooperation with the port of Duisburg helps us drive forward the transformation of the energy market here in the Ruhr district, creating a visible structural change in the heart of the steel and coal industry.
- Our involvement with removal company Move24 shows we are thinking outside the box, and taking a further step in evolving from a pure power provider into a caring utility.
- And then there are our own projects, particularly those from our Innovation Hub. People often ask me about these, so here’s an example: our start-up “Share&Charge” lets private individuals use an app to share their charging station with other E-car owners. That means we can multiply the number of available charging points at a single stroke. After all, there are up

to ten times as many private charging points as public ones in Germany right now.

Ladies and Gentlemen,

We are also making progress in areas where things weren't looking too good just a short while ago. It isn't long since the words "London calling" filled us with dread. But the recovery plan for npower in the UK, which we presented in March, is bearing fruit. We are making good progress.

EBITDA for our UK retail business has improved from **minus €20 million** to **minus €6 million**. Our customer numbers have been stable during the past nine months, compared to our competitors. And there has been a huge reduction in the number of new and unresolved customer complaints.

This is where we want to and have to stay on the ball. For in the UK, too, innogy has to stand for customer focus and quality of service. <u>innogy wants to build confidence by offering good customer solutions and being highly reliable</u>. Our on-line provider eprimo is a role model in this regard. It has recently received awards twice in succession for its customer service.

And now for the last topic I would like to address today – innogy's debt situation. This raises a quite fundamental question: what does the fact that we have developed innogy as a company actually mean?

As you know, we transferred three of RWE’s business areas to the new structures of innogy SE. That basically means we transferred assets from the parent company to the subsidiary.

As is usually the case, opposite these assets stood liabilities. In other words, bonds that were issued, or loans that were incurred – for network investments, for example. That explains why innogy’s net debt as at 30 September 2016 amounted to **€18.7 billion**, which was much higher than the previous year’s figure. Putting it another way: prior-year pro-forma figures are of limited informational value.

In addition to our net financial debt of **€13.3 billion,** provisions for pensions are the second-largest element making up our debt. But this also makes perfect sense: after all, about 40,000 employees have transferred from RWE to innogy.

By the way, we have set a leverage factor of about 4.0 as a target for our debt level. That means that net debt should be four times our EBITDA. We consider that ratio to be reasonable in a largely regulated market environment.

At this point I would like to let the good rating that we received from Fitch speak for itself. It emphasises that innogy as a company is well positioned, with a solid financial structure.

I now look forward to taking your questions! Thank you for your attention!