innogy SE:
Half-year press conference
Essen, 10 August 2018, 10:00 a.m. CEST/ 9:00 a.m. UK time
Uwe Tigges, CEO of innogy SE
Bernhard Günther, CFO of innogy SE

**Check against delivery.**

[Uwe Tigges]

Ladies and Gentlemen,

Good morning from Essen. And welcome to this year's half-year press conference for innogy SE. Thank you for being here with us today.

A lot has been said in recent months about the deal between RWE and E.ON. A lot has been said about the future of innogy. Today I would like to focus on our current situation. Right now innogy is operating as an independent company, and that is how it will remain until the transaction has been completed.

I have nothing but praise for our employees, who have remained undeterred by the unusual circumstances that have characterised this fiscal year. Every day, they put all of their effort into working for our company, and it shows!

No matter how unusual and difficult 2018 has been so far, innogy has not missed a beat. We are in line with our expectations, and confirm our outlook for the current fiscal year. For 2018, we expect adjusted EBIT of about EUR 2.7 billion, and adjusted net income of more than EUR 1.1 billion.

Bernhard Günther will look at our half-year figures in more detail in just a moment. But one point to begin with: we are working every day to make innogy stronger and better.

The constant expansion of our Renewables portfolio is clear evidence of the way our business is focussing on value-added growth.

Our Galloper offshore wind farm went into full operation in April. We also put additional capacity onto the grid with Nordsee One, as well as our onshore wind farms in the UK, Italy and Germany.

After Triton Knoll, the auction success we had with Kaskasi is further proof of innogy's strength in a highly competitive market. We have also leveraged further potential for growth through acquisitions and a number of collaborative projects. A good example here is our new 400-megawatt onshore pipeline in Thuringia.

In its new target markets, too, innogy has improved its market position in recent months. Evidence for this came with the acquisition of a 2-gigawatt onshore project pipeline in the US and our entry into the utility-scale solar business in Australia.

In the US in particular, innogy established a good starting position for future growth in recent months, not only for renewables but also in the area of eMobility.

With the acquisition of the leading technology company BTCPower, we gained a complete fast-charging product portfolio for the US market. This further supported our vision of becoming a leading eMobility company in the US.

We have the same vision in Europe. Our entry into the eMobility market in Italy takes us further towards this goal, as does our collaborative project with mobility services provider DKV. The planned joint venture with DKV will enable us to provide end-to-end supply solutions for e-fleets throughout Europe.

In Germany, we have built on our pole position as a supplier of charging infrastructure. Nationwide, innogy operates 6,000 charging points, or 25 per cent of the country’s total. This year we entered into important partnerships with Aldi Süd and Deutsche Post DHL Group. This underscores the fact that innogy is, and will remain, a strong market player that is seen as a welcome cooperation partner.

Ladies and Gentlemen,

We are aware of the challenges that face our business. There is intense competition in renewables and the new growth areas. But with targeted investment in value-added growth, we can enhance our future prospects. These investments will then gradually pay off in our financial results.

We are also investing in our Grid & Infrastructure division, in expanding and modernising our distribution systems, and in the expansion of broadband. These are all ways in which we are contributing to the success of the energy transition and digitalisation. In the short term, we need to do some spending so that we secure a strong foundation for our business in the longer term.

This also applies to municipal partner management in our German grid business. In the area of concessions, we can see the continuation of a positive trend, with local authorities continuing to decide in our favour. Thus, for example, between January and June 2018, we achieved positive decisions on the renewal of expiring concession agreements representing about 200,000 residential users. We have entered into grid cooperation agreements with four municipalities, comprising 60,000 residential users. During this period, not one local authority decided against renewing its agreement with innogy. And lastly, four municipalities with about 30,000 residential users, which we did not previously supply, have opted for a future partnership with innogy.

The challenges are particularly great in the area of retail. With about 22 million electricity and gas customers, innogy is one of Europe’s leading energy retailers. We lead the field in Germany with 7.7 million customers. But customer numbers are not everything: we are setting our sights on long-term value. We are deliberately focusing on those customers that have high expectations of their energy providers. We want long-term customer relationships that are beneficial to both parties.

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With brands like eprimo, innogy shows that first-class service can be compatible with attractive prices. But loss leaders that do not cover costs and cause quality to suffer are not an option for us. Quite the opposite: we want to make our processes even more efficient, more digital, and more service-oriented.

Customer satisfaction is proof that this strategy is working: innogy's retail and customer service as well as its individual brands once again achieved top grades in independent market studies in the first half of 2018. In May and June, we gained new customers again in Germany, following losses in the first months of the year.

We also took an important step forward in our British retail business. The Annual General Meeting of SSE agreed with plans to develop a new energy supply and services company. The positions of CEO and CFO have been filled. We are therefore right on schedule and expect the transaction to be completed by the end of 2018 or the beginning of 2019.

On that note I will hand you over to Bernhard Günther.

**[Bernhard Günther]**

Thank you, Uwe.

Ladies and Gentlemen,

Good morning from me, too.

I will now go into our result for the first half of 2018 in a little more depth. As always, we will be available to take any questions afterwards.

Our half-year figures confirm what Uwe has just said: innogy's financial performance is entirely in line with our expectations.

That does also mean, however, that our year-on-year result has declined: our adjusted EBIT in the first half of 2018 was down by 10 per cent, to about EUR 1.55 billion.

The main reasons for this included:

- Low wind levels at the locations of many of our wind turbines in Europe;
- The loss of positive one-off effects, such as the consolidation effects in our Retail division, which had a positive impact on the result in 2017;

- And a lower return on equity in our Grid & Infrastructure division caused by the new regulatory period for gas.

Our adjusted net income was down 23 per cent year on year, to EUR 662 million. This is due to a lower financial result, in addition to the lower adjusted EBIT.

Ladies and Gentlemen,

Uwe Tigges has already outlined how we are dealing with the challenges facing our business today. And the important operational steps we took in the first half of the year show that innogy is making progress.

It was also clear, however – as we have always said – that we would not have an easy period ahead of us in this fiscal year in particular. This can be seen in our three divisions.

In the Renewables division, adjusted EBIT in the first half of 2018 declined by 7 per cent to EUR 167 million, despite the commissioning of new plants in which we have a share amounting to just under 160 megawatts. The low wind levels in particular had a limiting effect on our electricity generation. The generation capacities that were put in place step by step during recent months will, however, exercise their full effect on the result for the second half of the year. Furthermore, we intend to put about 40 megawatts of additional capacity into operation.

Looking at our Retail business, we are pleased to say that the Netherlands/Belgium and Eastern Europe segments proved very robust. Negative weather influences, in the Netherlands in particular, affected business during the first quarter. But as at 30 June, both segments accounted for a higher proportion of the expected full-year result than in the previous year.

The picture is the opposite when we look at the figures for our Retail business in Germany. But we need to qualify our German Retail result a little, especially because the costs are not evenly distributed between the two halves of the year for 2018. A number of negative effects have already been posted for the first half of the year; these will not apply in the second half, or not to the same extent. Examples are the already concluded customer loyalty projects and the digitalisation of our Retail business.

Nevertheless, competition in our core markets remains very tight. At times, we have been able to retain customers only by offering them more favourable terms. But as Uwe has already noted, these were not short-term loss leaders but focused instead on long-term customer relationships and good service. That is why we are not looking only at customer numbers. We are concentrating on a customer portfolio with added value – and we are sticking to this approach.

Now let me move to our third business division. I can be brief here. By far the most profitable of our divisions is Grid & Infrastructure, which remains the stable and strong foundation on which innogy is based. We are right on target here.

All in all, as Uwe said at the outset, innogy thus remains on course, despite some unusual prevailing conditions. We confirm our outlook for the current fiscal year, both for innogy as a whole and for the individual divisions.

Despite all the challenges, innogy is on course!

Thank you!