

Joint Press Conference RWE AG and E.ON SE

CFO Dr. Markus Krebber

Essen, 13 March 2018

9 a.m. CET/8 a.m. GMT

*Check against delivery!*

Ladies and Gentlemen, good morning!

We are expanding RWE into one of Europe's leading power producers, while making our company future-proof and more robust in financial terms.

How will we do this?

E.ON will acquire our entire stake in innogy meaning 76.8%. Valued at 40 euros per share, we will realise an attractive price. It corresponds to a premium of some 28% on the share price disregarding market rumours.

In so doing, we will achieve our self-imposed goal of maximising value while leveraging our financial investment.

However, fetching the highest possible price was never our sole intention. We also wanted to provide RWE with long-term prospects. And this is what we will accomplish with today's transaction.

In exchange for our stake in innogy, we will receive a sizeable renewables business, become E.ON's largest shareholder, and obtain further assets that fit in well with our activities.

In so doing, we will expand our operating activities substantially, while improving our risk profile.

Once the transaction is completed, more than 60% of our generation portfolio will produce zero-carbon electricity or electricity with a lower carbon footprint. It will mainly come from wind, sun, water and biomass as well as highly efficient gas-fired power stations.

In addition, we will then be able to provide secured capacity from 80% of our generation fleet, thus guaranteeing security of supply.

Ladies and Gentlemen,

This brings me to the financial impacts of the transaction.

**First: Our earnings will grow significantly and become more widely diversified.**

Compared to RWE's stand-alone figures as of today – innogy is not fully consolidated in these figures; it is only included based on its dividend payment – our EBITDA, in other words earnings before interest, taxes, depreciation and amortisation, will roughly double once the transaction closes.

The composition of our earnings will change considerably as well:

- In the future, about 90% of our EBITDA will come from operating activities. Today, from the RWE stand-alone perspective, they account for approximately 60% plus the innogy dividend.
- From 2020 onwards, renewables will then account for about 60% of EBITDA. Our current conventional power generation and energy trading businesses will then deliver roughly 30%.  
After closing, another 10% or so will come from our financial investments: the minority stakes in E.ON, Amprion and Kelag.

## **Second: We will strengthen our financial profile**

- Our debt will only rise moderately as a result of the transaction. We will assume to take over a mere 2.8 billion euros in debt to be consolidated. This mostly consists of long-term provisions for dismantling and pensions belonging to the acquired operations.
- As our profitability will increase more than net debt in relative terms, our leverage factor will improve significantly. The ratio of net debt to EBITDA will drop from approximately 3.4x today to between 2.5x and below 3x on conclusion of the transaction.
- We will have additional financial flexibility, thanks to our financial investments.
- Our strong commitment to investment-grade rating will be underpinned by our fortified financial profile.

This transaction will give us significant room to manoeuvre, which we will take advantage of in order to grow – in the field of renewable energy as well as in conventional power generation – which provides security of supply – and trading.

What is important for our shareholders is that we strive to pay an attractive dividend over the long term. As announced earlier, we will propose to the Annual General Meeting to pay a special dividend of 1 euro and an ordinary dividend of 50 euro cents per share for fiscal 2017.

Against the backdrop of the good operational development last year and the economic prospects which give us reason to be optimistic – completely independent of the transaction – we intend to increase the ordinary dividend to 70 euro cents for the current year 2018, with upside for the following year.

Now, back to the transaction.

I would like to show you the steps required to complete the entire transaction based on the major milestones.

First of all, the executive and supervisory boards of both companies have approved the transaction.

So what are the next steps?

E.ON will make a voluntary public tender offer to all of innogy's free shareholders. This offer will be made as soon as the German financial services regulator, BaFin, has given clearance for the offer document. This is expected to occur in the second quarter of 2018.

- E.ON and RWE will need antitrust approvals at national and European levels, which we will apply for as quickly as possible.
- As soon as all the necessary approvals have been obtained, the first step of the transaction will be complete. This is scheduled for mid-2019.
  - At this point in time, E.ON will receive our 76.8% stake in innogy.
  - As a result of a capital increase conducted by E.ON, we will then receive approximately 440 million E.ON shares, corresponding to a 16.7% stake.
  - The minority stakes currently held by E.ON in the Gundremmingen and Emsland nuclear power stations operated by us will be transferred to RWE.
  - In addition, we will receive the innogy dividends due in 2018 and 2019.
  - In exchange, we will pay 1.5 billion euros to E.ON.
- After the innogy shares have been transferred to E.ON, E.ON will initiate the company's legal integration immediately. Once this has been accomplished, the transaction's second step will have been completed. This means that:

- The renewables activities of E.ON and innogy will be transferred to RWE.
- RWE will also receive the gas storage facilities and the 37.9% stake in Kelag.
  
- Irrespective of the timing of the legal implementation, we are entitled to the profits of the transferred assets from 1 January 2018 onwards.
  
- We currently expect that the entire transaction will be completed by the end of 2019.

Ladies and Gentlemen,

We will go ahead with our ongoing operations with relentless dedication for the duration of the transaction process.

As you can see, we are not losing sight of the current demands. At the same time, we will make RWE future-proof through the transaction I just presented to you.

I now hand the floor to Marc Spieker, who will give you further details from E.ON's perspective.