



Press Release

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New corporate strategy: E.ON to focus on renewables, distribution networks, and customer solutions and to spin off the majority of a new, publicly listed company specializing in power generation, global energy trading, and exploration and production

- **E.ON sets new strategic course and will set up its businesses differently, making them viable for the future**
- **Disposal of Spanish assets will increase financial flexibility for the new setup; divestment of E.ON's activities in Italy being evaluated, the exploration and production business in the North Sea under strategic review**
- **Fourth-quarter impairment charges of about €4.5 billion anticipated due to altered market environment**
- **Outlook for 2014 EBITDA and underlying net income confirmed**
- **Fixed dividend of €0.50 per share intended for the 2014 and 2015 financial years**

E.ON will focus on renewables, distribution networks, and customer solutions and combine its conventional generation, global energy trading, and exploration and production businesses in a new, independent company ("New Company"), a majority of which will be spun off to E.ON SE shareholders. This new organizational setup is the logical consequence of the new strategy that the E.ON SE Supervisory Board decided on at its meeting today.

E.ON Supervisory Board Chairman Werner Wenning said about the decision: "I'm pleased that the Supervisory Board unanimously approved the Board of Management's proposed new strategy, which will give our employees and our investors clear prospects in two strong companies that are viable for the future."

"We are convinced that it's necessary to respond to dramatically altered global energy markets, technical innovation, and more diverse customer expectations with a bold new beginning. E.ON's existing broad business model can no longer properly address these new challenges. Therefore, we want to set up our business significantly different. E.ON will tap the growth potential created by the transformation of the energy world. Alongside it we're going to create a solid, independent company that will safeguard security of supply for the transformation. These two missions are so fundamentally different that two separate, distinctly focused companies offer the best prospects for the future," E.ON SE CEO Johannes Teyssen said.

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In 2015 E.ON will take necessary preparatory steps for the New Company's public listing. Both E.ON and the New Company will be solidly financed, be positioned to secure jobs, and have prospects for creating new jobs in the future. "We firmly believe that creating two independent companies, each with a distinct profile and mission, is the best way to secure our employees' jobs. Our new strategy therefore isn't a job-cutting program," Teyssen said.

E.ON: customer-oriented, sustainable, innovative

E.ON SE will focus on the new energy world and customer businesses. It will have three core businesses: renewables, distribution networks, and customer solutions. These businesses fit together and reinforce each other, creating a business portfolio with stable earnings and strong growth potential. About 40,000 employees will be assigned to the distinctly focused company, which, by concentrating on customers' future needs, will ensure that employees have good development opportunities in a multinational energy corporation.

In its new setup E.ON will provide innovative solutions to meet the needs of its roughly 33 million customers. It will take new approaches to further developing each of its three core businesses. For this purpose E.ON will increase its investments already for the next year by about €0.5 billion compared to the previously planned 2015 capex of €4.3 billion. E.ON will place a particular emphasis on expanding its wind business in Europe and in other selected target markets. It will also strengthen its solar business. It will upgrade its energy distribution networks in its European markets and also in Turkey and make them smarter so that customers can take advantage of new products and services in areas like energy efficiency and distributed generation.

Thanks to numerous initiatives and competitive products and services, E.ON has substantially enhanced customer satisfaction in its core markets. The current year is the first in some time in which E.ON has enlarged its customer base in Germany. Through co-investments, E.ON already partners with European and American start-ups that are developing promising energy solutions that incorporate technologies of the future. In addition, the company's "agile" program supports innovative business ideas developed by employees and others and helps the entrepreneurs realize their vision. E.ON will position itself as a pioneer in innovative, customer-oriented solutions. It will identify trends and technical advances early and draw on them to develop solutions for customers. "These efforts will be guided by one objective: we want to be best in class in customer satisfaction in all our target markets," Teyssen said.

New impetus for the conventional energy world

"The transformation of the energy system will continue to require reliable backup capacity well into the future as well as access to global markets for energy products. With a portfolio consisting of conventional power generation, global energy trading, and exploration and production, the New Company will focus precisely on meeting these needs," Teyssen said. He added that the New Company's clear focus will put it



in an excellent position to lead the necessary consolidation of power generation in Europe and to offer attractive services for the system needs of the future.

Over the past decade E.ON has established leading positions in conventional power generation in Europe and Russia. In recent years E.ON has systematically optimized its generation fleet and production costs, laying the foundation for sustainable profitability. A strong natural gas portfolio—which encompasses exploration and production, gas transport pipelines to Europe, long-term gas procurement contracts, and substantial storage capacity in Germany—makes E.ON one of the leading players in the natural gas business of the future. These power and gas activities will continue to have E.ON's well-established trading unit as their interface with global commodity markets and European trading platforms. The New Company, which will have its headquarters in Germany's Rhine-Ruhr region and offer good prospects to about 20,000 employees, will create a better platform for securing jobs in an altered market environment.

Partner for regulators and policymakers

E.ON's strategic transformation represents an important and attractive opportunity for regulators and policymakers as well. E.ON is clearly separating power and gas production and trading from its end-customer businesses, thereby making both even more transparent for regulators. The new setup will enable E.ON to accelerate the deployment of new technologies and at the same time make a significant contribution to supply security. Both parts of today's E.ON will be developed in ways that ensure their future viability.

New setup will secure jobs

In keeping with E.ON's long tradition of social partnership, management will work closely with employee representatives to work out the details of the new setup and to implement it. Under the new setup, E.ON's current businesses will be continued in two companies that are viable for the future, thereby improving the conditions for securing jobs. The spinoff will not be accompanied by a job-cutting program. E.ON's proven tradition of codetermination will continue, including for employees outside Germany.

New setup built on robust financial foundation, ensuring stability and value

The first step of the spinoff will involve E.ON transferring a majority of New Company's capital stock to its shareholders, with the result that New Company will be deconsolidated. E.ON intends—over the medium term and in a way that puts minimum pressure on the stock price—to sell the shares of its remaining minority. This will enhance E.ON's financial flexibility for future growth investments.

E.ON's financial flexibility is further enhanced by the divestment of its entire businesses in Spain and Portugal, which it has agreed to sell to Macquarie, an Australian investment firm, for an enterprise value of €2.5 billion. The new owner will



operate and further develop E.ON's conventional and renewable operations in both countries and be the future partner for its distribution and retail customers there. "We are pleased that in Macquarie we have found a good employer for our people. Macquarie has already proven its trustworthiness in the acquisition of our gas transmission business in Germany," Teysse said. In addition, prior to implementing the new setup, E.ON is exploring the disposal of its activities in Italy and will conduct a strategic review of its exploration and production business in the North Sea.

All of the current Group's bonds will remain at E.ON, giving the Group's lenders a proven, strong, growth-oriented counterparty.

The New Company will be set up with a strong net financial position, ensuring that it can obtain a solid investment-grade rating.

Existing provisions for the dismantling and disposal of nuclear and conventional assets will be fully covered in New Company's balance sheet. Because it will not have any of the Group's existing capital-market liabilities and thanks to its solid financing, the publicly listed New Company will be financially robust.

Shareholders to receive attractive investments in distinctly focused companies

E.ON and New Company's respective business portfolios will differ considerably in terms of growth, risk, innovation tempo, and cash flow profile. Each company will face different strategic challenges and will therefore have different requirements for capital. The new setup will create another attractive stock. The two publicly listed companies will appeal to different investor groups. E.ON SE will offer its investors attractive earnings with low volatility and clear growth opportunities. New Company's investors will benefit from the cash flow from its current business portfolio in Europe and Russia and from additional opportunities created by the anticipated restructuring of generation markets in Europe. E.ON is therefore convinced that the new setup will offer E.ON's current shareholders additional value potential.

New setup to be implemented by 2016

The New Company's business units do not yet constitute a corporation. In 2014 and 2015 E.ON will therefore take the necessary legal steps to combine these units. To ensure reporting continuity, E.ON's current reporting units will, for the time being, remain unchanged.

The implementation of the new setup will be accompanied by certain costs and taxes, the details of which cannot be clarified until preparatory work is conducted in the year ahead. E.ON does not anticipate a lasting increase to its cost base, since new costs will be offset by the reduced requirements of the two companies' simpler organizational setup.

E.ON expects to carry out the spinoff after approval by the E.ON Shareholders Meeting in 2016.



Altered market environment necessitates in impairment charges

As part of the process of preparing the annual financial statements and the new medium-term plan, the E.ON Board of Management recently tested the Group's assets for impairment. Beyond the roughly €700 million in impairment charges already disclosed in the first three quarters, E.ON expects to record additional impairment charges of about €4.5 billion in 2014, primarily on its operations in Southern Europe and on generation assets. Although not cash-effective, the impairment charges will result in E.ON reporting substantial negative net income. However, E.ON expressly reaffirmed its forecast for full-year 2014 EBITDA and underlying net income.

Dividend proposal for the 2014 and 2015 financial years creates transparency for investors

In view of these strategic developments, the company's restructuring, and the related foreseeable uncertainties, the Supervisory Board agreed to the E.ON Board of Management's proposal that the company should pay a fixed dividend of €0.50 per share for both the 2014 and 2015 financial years. The dividend proposal applies regardless of issues such as the possible consequences of portfolio streamlining, the accounting treatment of the new setup, and the outcome of the pending court cases regarding Germany's nuclear-fuel tax.

This press release may contain forward-looking statements based on current assumptions and forecasts made by E.ON Group management and other information currently available to E.ON. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. E.ON SE does not intend, and does not assume any liability whatsoever, to update these forward-looking statements or to conform them to future events or developments.