

Transforming RWE and securing a sound financial base

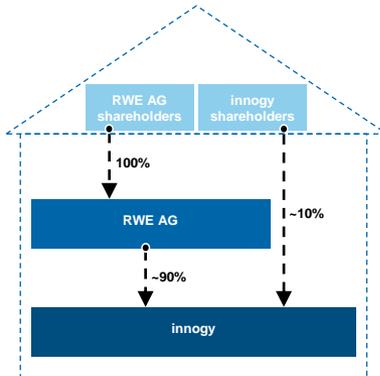


(as of August 2016)

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Three steps to securing a sound financial base



innogy

- > Listing of a leading European utility comprising grid, retail and renewables businesses
- > ~10% capital increase at innogy envisaged to fund future growth investments

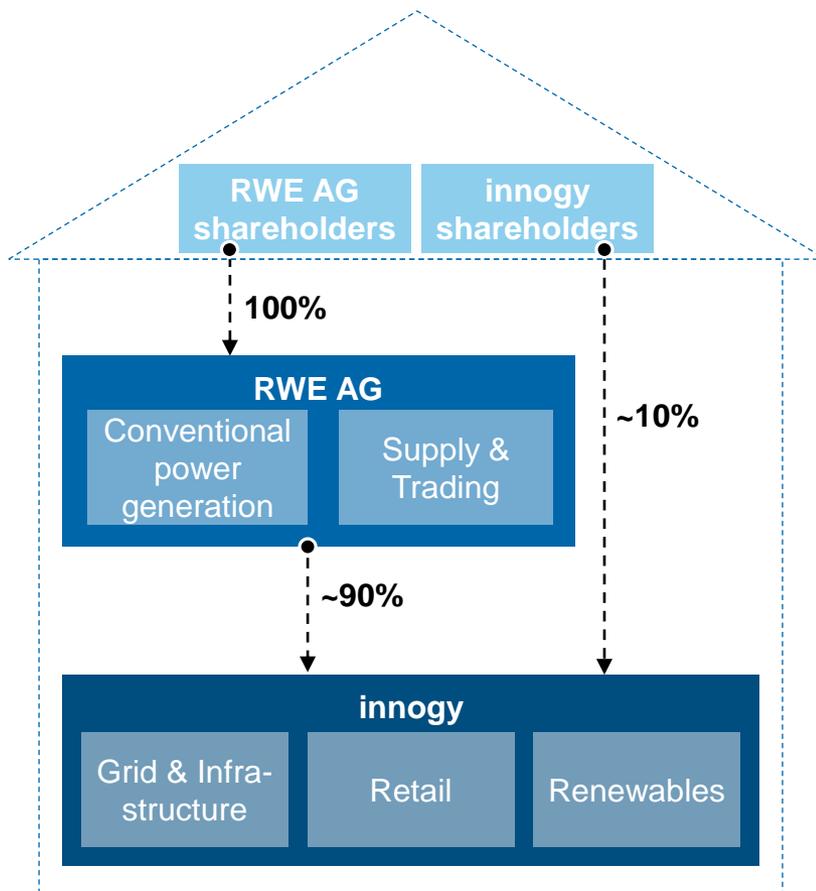
Efficiencies

- > Step up of efficiency programme by another €500 million
- > Additional measures largely stemming from conventional power generation

Dividend

- > Dividend policy reflects the general business situation and market conditions
- > Fiscal 2015: suspension of payment for common shares and €0.13 per preferred share

Formation of a unique and leading European utility



- > RWE to establish a new leading European utility comprising the grid, retail and renewables businesses
- > Conventional power generation and trading businesses retained as separate functional units with RWE AG
- > Key milestones:
 - December 2015: Supervisory Board approval
 - March 2016: Nomination of management team
 - 1 April 2016: Operational start
 - 30 June 2016: Full implementation of new structure
 - Listing of ~10% of innogy via primary offering envisaged for late 2016
- > IPO proceeds mainly to be used to finance growth investments in innogy
- > While considering all options, placing of further stakes of innogy by RWE AG via secondary offer possible at the same or later point in time
- > RWE AG plans to remain majority shareholder in innogy

Designated management team for innogy with long-standing experience and extensive industry knowledge



Peter Terium

- > Chief Executive Officer
- > 13 years sector experience



Bernhard Günther

- > Chief Financial Officer
- > 18 years sector experience



Uwe Tigges

- > Chief HR Officer
- > 32 years sector experience



Hildegard Müller

- > COO – Grid
- > 7 years sector experience



Martin Herrmann

- > COO – Retail
- > 14 years sector experience



Hans Bünting

- > COO – Renewables
- > 20 years sector experience

innogy: Strong downstream business with attractive renewables footprint

Grid & Infrastructure



- > innogy operates c. 570,000 km of grid assets in five European markets (GER, PL, CZ, HU, SK)
- > Leading positions in core markets (e.g., largest electricity DSO in GER¹, largest gas DSO in CZ¹)
- > Excellent distribution grid management for electricity and gas supply
- > EBITDA of €2.9bn (2015)

Retail



- > Strong retail organisation with 23m customers in 11 European markets
- > Leading electricity and gas retailer with four No. 1 market positions²
- > Well positioned in various B2C markets in terms of profitability, customer growth and satisfaction (e.g., GER, NL)
- > EBITDA of €1.0bn (2015)

Renewables



- > Renewables portfolio of more than 3.3 GW capacity mainly in six European markets (GER, UK, SPA, NL, PL, ITA)³
- > RWE has a leading position in the European offshore market with ~1 GW of capacity
- > Focus on operational excellence and value-adding growth across entire fleet
- > EBITDA of €0.8bn (2015)

1 Measured by distributed volumes.

2 Market positions based on volumes, or, in the case of Czech Republic, Poland, Netherlands and Belgium, based on customer numbers, as per latest available data, electricity and gas markets counted separately.

3 As of December 2015; Accounting view, excluding Zephyr and Markinch.

innogy: Opportunity to invest in one of the leading European utilities of tomorrow's energy world



Unique new utility stock

- > Unique new utility stock with exposure mainly to stable European markets
- > A leading distribution grid company in Europe
- > Market leading positions with four #1 and six further top 3 positions¹
- > Attractive renewables platform with >3.3 GW capacity installed²
- > Strong on- and offshore wind project pipeline



Attractive financial profile

- > Strong and stable cash flow generation
- > Currently ~60% EBITDA derived from regulated activities
- > Strong balance sheet
- > Profitable organic growth potential
- > Commitment to shareholder returns and attractive dividend

¹ Market positions based on volumes, or, in the case of Czech Republic, Poland, Netherlands and Belgium, based on customer numbers, as per latest available data, electricity and gas markets counted separately.

² As of December 2015; Accounting view, excluding Zephyr and Markinch.

RWE AG: Focused business portfolio with clear management mandate

Conventional Power Generation



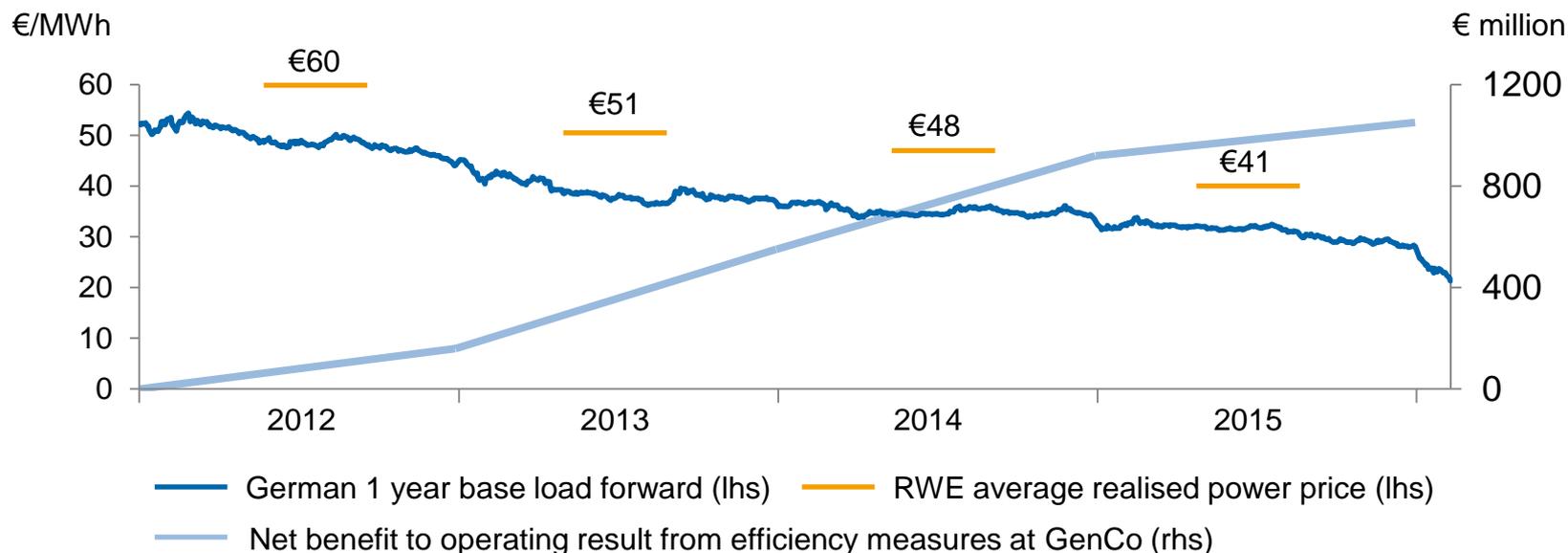
- > Highly efficient and modernised power plant portfolio
- > Reduction of lignite generation in line with national CO₂ targets
- > Secure financially manageable phase-out of nuclear
- > Extraction of option value from spread assets
- > Maintain positive free cash flow
- > Benefit from potential wholesale price recovery or new market design

Supply & Trading



- > Commercial asset optimisation of generation fleet – full exploitation of optionality
- > Expansion of trading and origination business into new markets and commodities
- > Growth of Principal Investment activities
- > Commodity solutions for industrial customers
- > Management of long term gas supply, storage and transport contracts

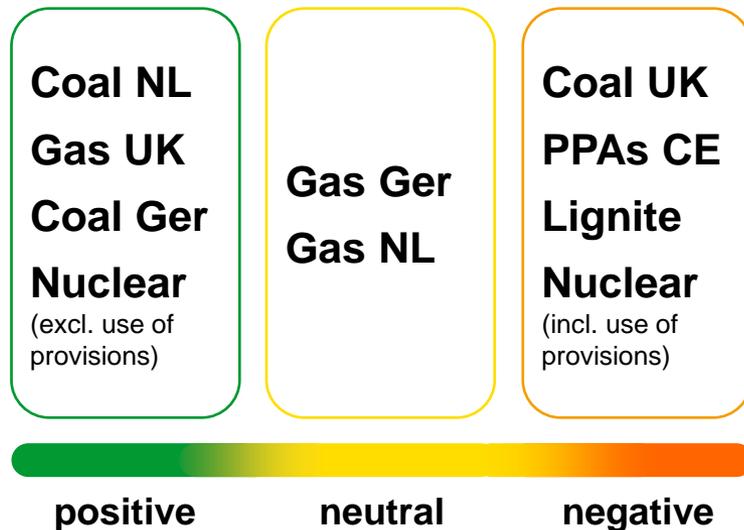
Persistent pressure on conventional power generation met by continued efficiency efforts



- > Accumulated cost savings and efficiency improvements of approximately €1 billion realised between 2012 and 2015
- > In total decisions taken for approx. 9 GW capacity measures: 3.7 GW of capacity (partially) mothballed; 2.5 GW of capacity shut or to be shut / 3 GW of contracts cancelled
- > Headcount reduction of 3,600 FTEs since 2012

Additional measures identified to improve cash flow situation for conventional power generation

Indicative Free Cash Flow Situation¹



Measures to improve cash flow situation

- > Further optimisation of maintenance strategy including reduction of day-to-day capex and opex in order to take calculated risk vs. lower market prices/spreads (e.g. reduce overhauls, within overhaul spend less, and shortening the overhaul)
- > Renegotiations and further standardisations to reduce external spend
- > Optimisation of personnel costs
- > Increase margins via optimisation of technical plant parameters

¹ Calculated as revenues - cash costs before financing and tax.
Based on market parameters as of January 2016.

New structure provides three upsides for RWE AG

Clear strategic focus

- > Creation of homogenous business portfolios with clear strategic focus
- > Increased management attention to address specific challenges and opportunities of different businesses

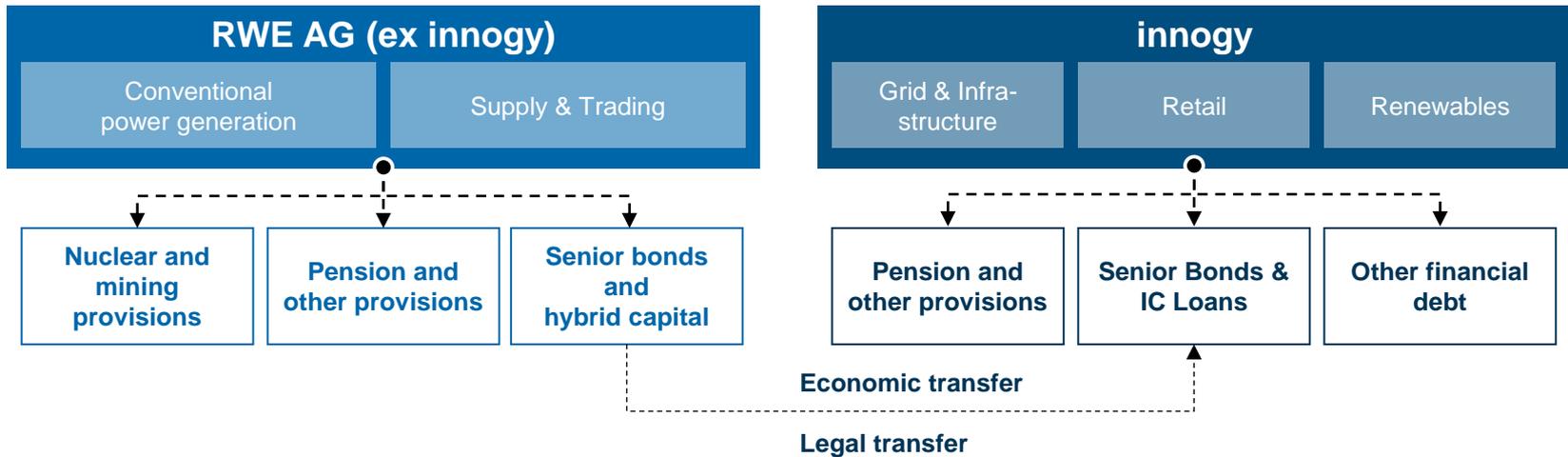
Value enhancement

- > Unlock value through enhanced transparency via separate listing of innogy
- > Improved access to funds for dedicated growth investments in innogy
- > Ability to set independent financial targets and dividend policies in line with companies' specific operational performance

Increased financial flexibility

- > Increased flexibility to cope with future funding needs; innogy shareholding is expected to be a liquid asset
- > No dilution of asset base backing liabilities
- > Broad political acceptance as RWE will continue to take full responsibility for liabilities

Efficient capital structure and allocation



RWE AG

- > Legacy provisions of generation business
- > Pension provisions and other RWE AG related provisions
- > Majority of cash and financial assets to remain with RWE AG to back provisions and provide liquidity for Supply & Trading business

innogy

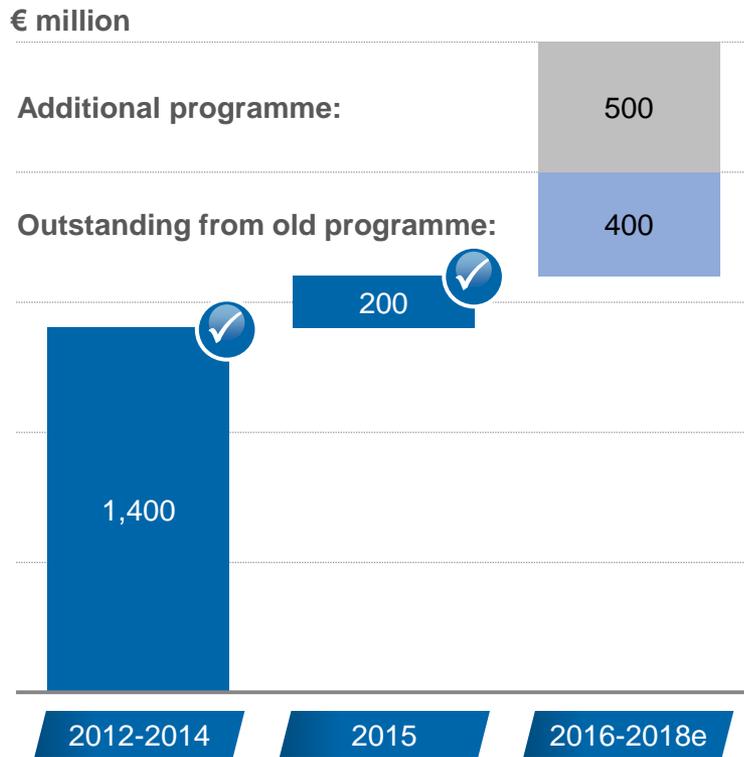
- > Transfer of financial debt to innogy, e.g. economically via intercompany loans
- > Sufficient liquidity allocated in form of cash and cash equivalents in the context, and as at the time of, the carve-out
- > Funds from IPO proceeds mainly for growth investments



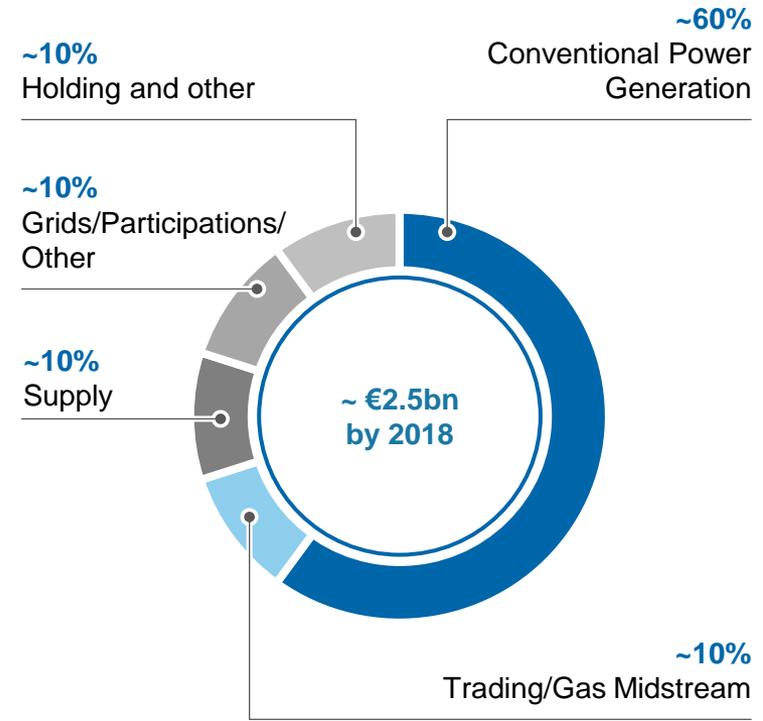
Aspiration to maintain investment grade rating

Efficiency programme reaches €2.5 billion through GenCo's efforts to identify improvement measures

Net benefit to operating result



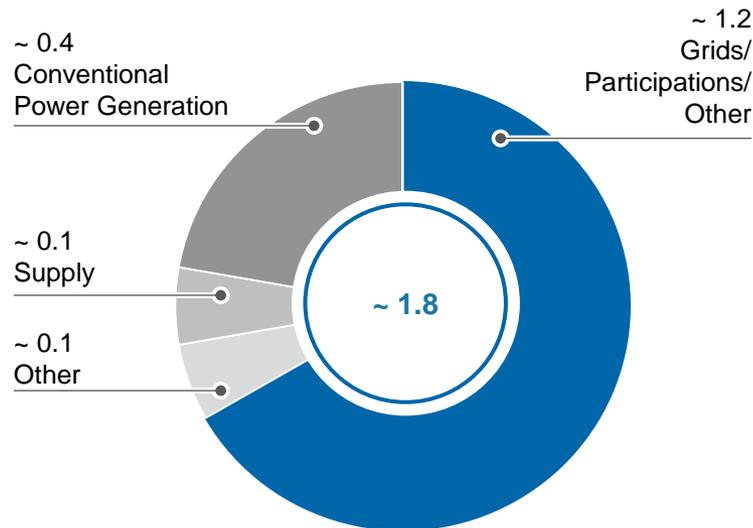
Net benefit by division



RWE maintains disciplined capex approach and secures investment opportunities

 Day-to-day/maintenance capex of €1.8 billion complemented with up to €700 million in potential growth investments

Day-to-day investments in € billion for 2016



- > Total capex for 2016 expected to be between €2 – 2.5bn, depending on innogy IPO
- > D-t-d investments planned of approx. €1.8bn
- > Approx. €1.1bn of d-t-d investments intended for regulated grid business
- > Approx. 50% of growth investments intended for renewables

Reliable access to the capital market is key to us



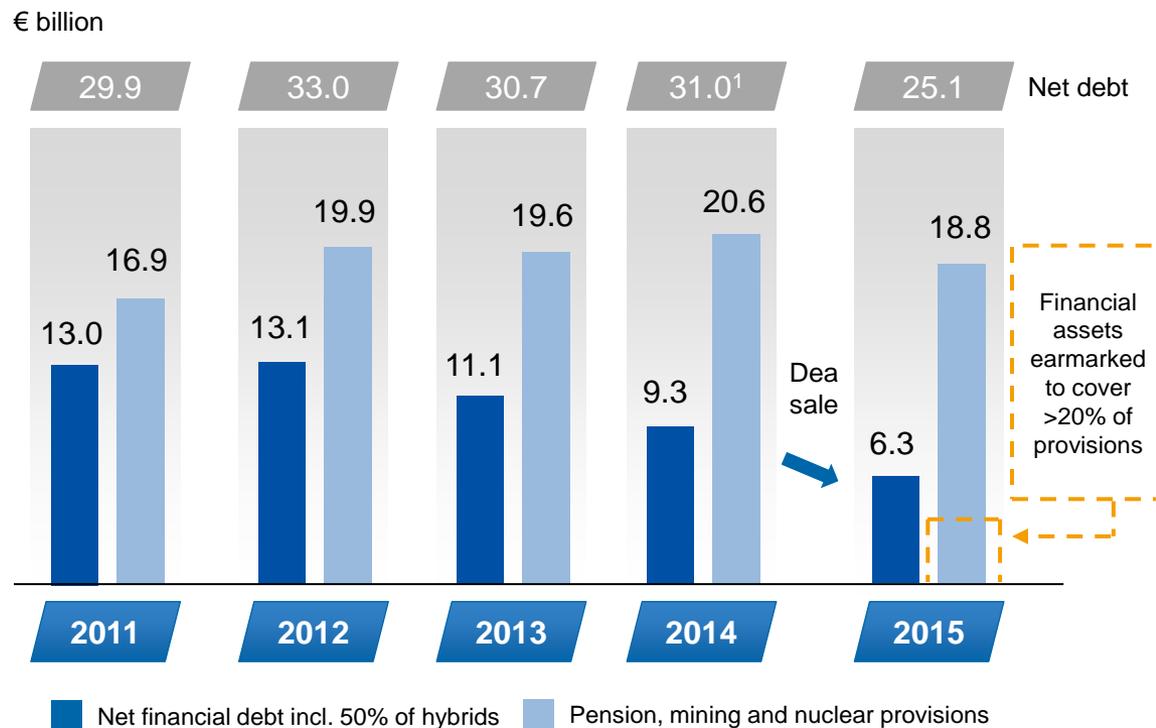
Significant reduction of net financial debt

Achievements

-  Strong decrease of net financial debt
-  Net financial debt (incl. 50% hybrids)/ EBITDA < 1x (2015)
-  Ample liquidity after Dea sale

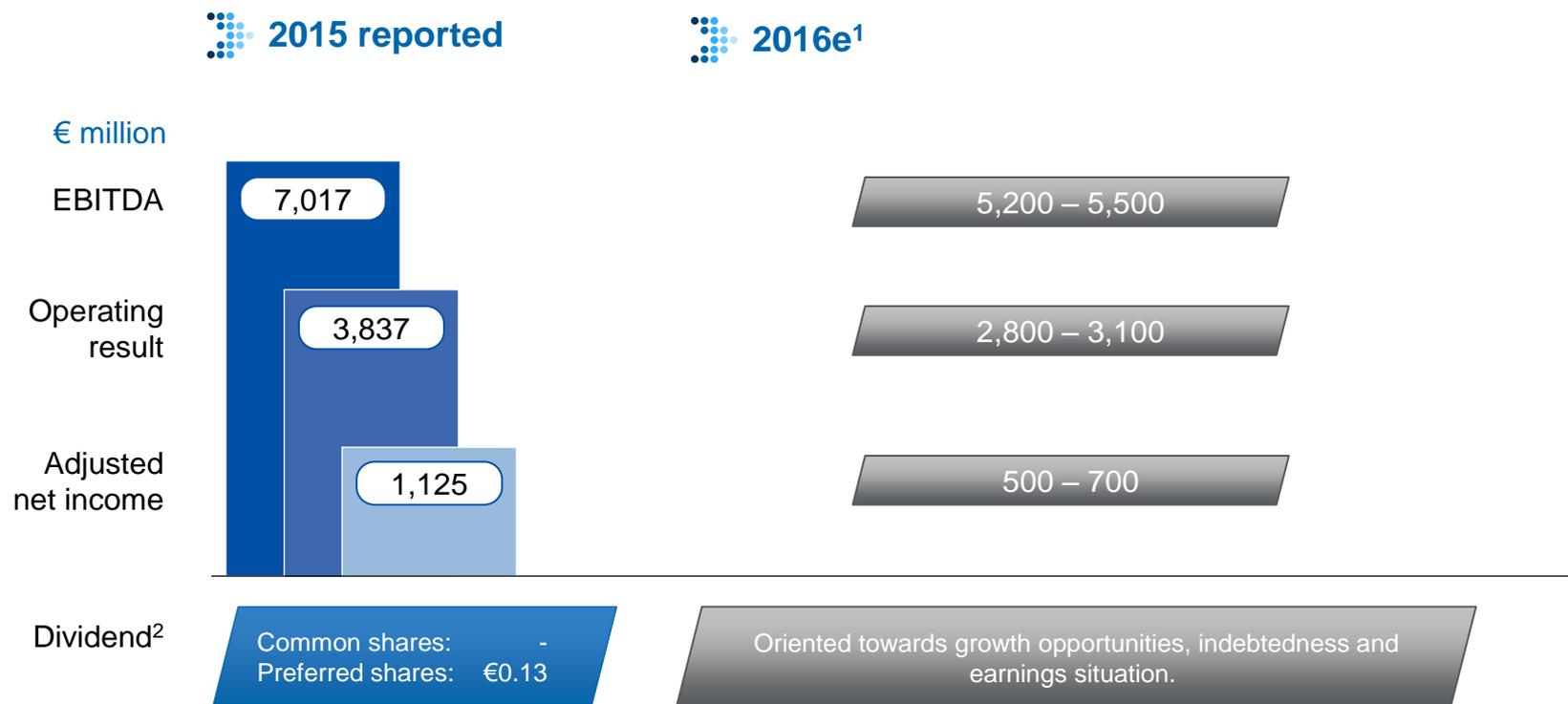
Financial policy

-  Access to the capital market at all times through...
 - > striving for a solid investment grade rating
 - > first funding of provisions
 - > targeting ongoing positive cash balance



¹ Including €1.1bn net debt from discontinued operations (= RWE Dea).
Rounding differences may occur.

Outlook for 2016 confirmed



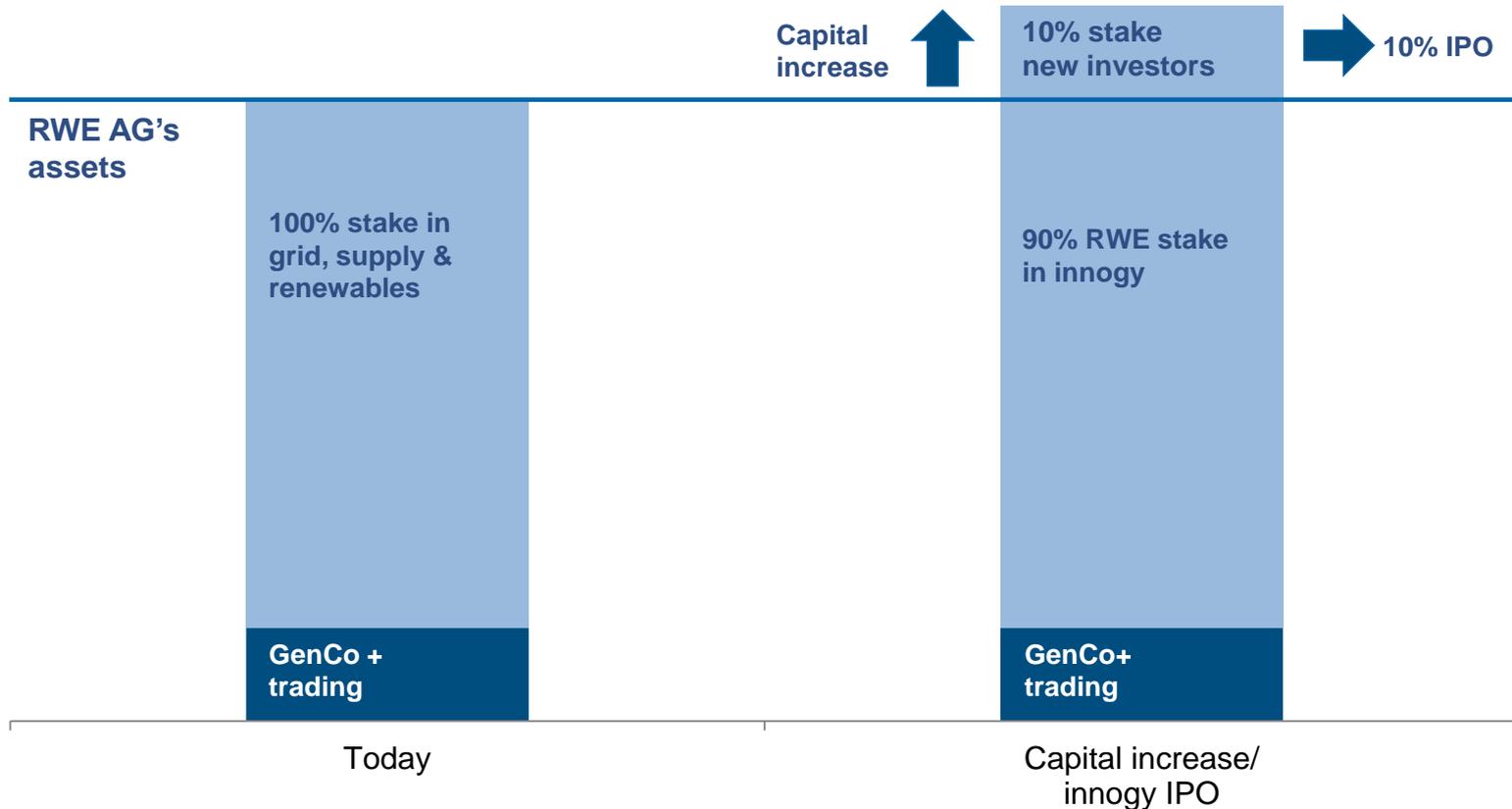
¹ The outlook accounts for the current status of the nuclear fuel tax law. In case the Constitutional Court declares the tax illegal and decides fully in our favour, we expect a positive earnings contribution of up to €1.7bn to EBITDA, operating result and adjusted net income.

² Suspension of the dividend payment to holders of common shares for fiscal 2015. For owners of preferred shares, dividend corresponds to the preferred share of profits of €0.13 per share stipulated by the Articles of Incorporation.

Back-up charts

RWE AG's asset base remains unchanged in light of the envisaged transaction

illustrative



Overview of capacity measures

Measure	Plant	MW ¹	Fuel	Location	Date
Decommissioning	Amer 8	610	Hard coal	NL	Q1-2016
	Goldenbergwerk	110	Lignite	DE	Q3-2015
	Westfalen C ²	285	Hard coal	DE	Q1-2016
	Gersteinwerk K2	610	Hard coal	DE	Q1-2019
	Voerde	1,390	Hard coal	DE	Q1-2017
Long-term mothballing ³	Claus C	1,300	Gas	NL	Q3-2014
	Gersteinwerk F	355	Gas – steam turbine	DE	Q3-2013
	Gersteinwerk G	355	Gas – steam turbine	DE	Q2-2014
	Weisweiler H	270	Topping gas turbine	DE	Q3-2013
	Weisweiler G	270	Topping gas turbine	DE	Q3-2013
	Mid-size units	35	Gas	NL	Q1-2013
Summer mothballing	Emsland B ⁴	360	Gas – steam turbine	DE	Q2-2014
	Emsland C ⁴	360	Gas – steam turbine	DE	Q2-2014
Termination of contracts	Confidential	2,960	Hard coal	DE	Q4-2013 – Q2-2015
Stand-by reserve ⁵	Frimmersdorf P & Q	560	Lignite	DE	Q4-2017
	Niederaußem E & F	590	Lignite	DE	Q4-2018
	Neurath C	290	Lignite	DE	Q4-2019
Total		10,710MW			

1 Net nominal capacity, rounded.

2 Summer mothballing between April and September 2015.

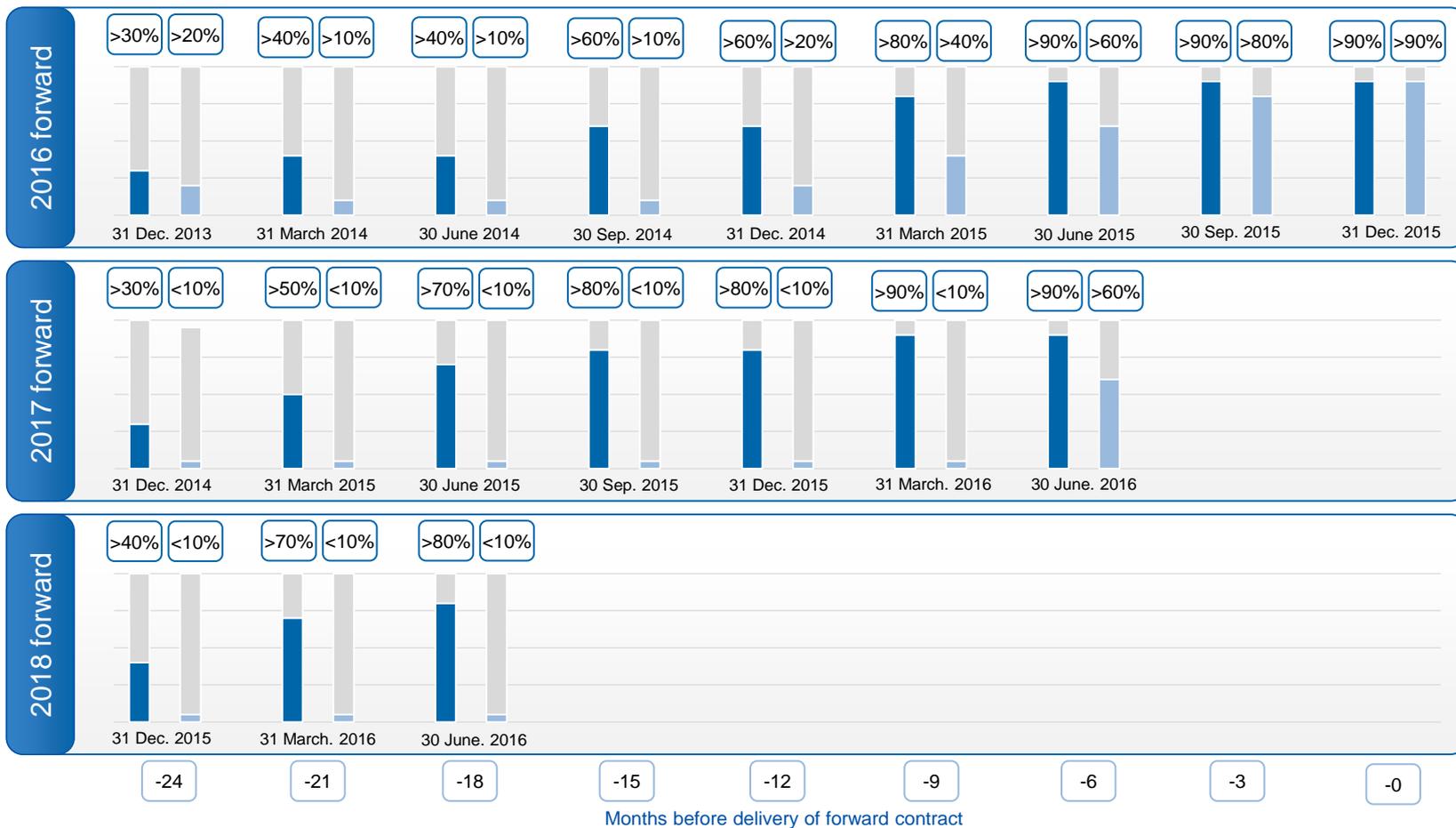
3 In times of market tightness mothballed plants might return temporarily to the system.

4 Continuous operation decided for 2016.

5 Capacity will be decommissioned after 4 years in the reserve.

RWE's forward hedging of conventional electricity production (German, Dutch and UK portfolio)

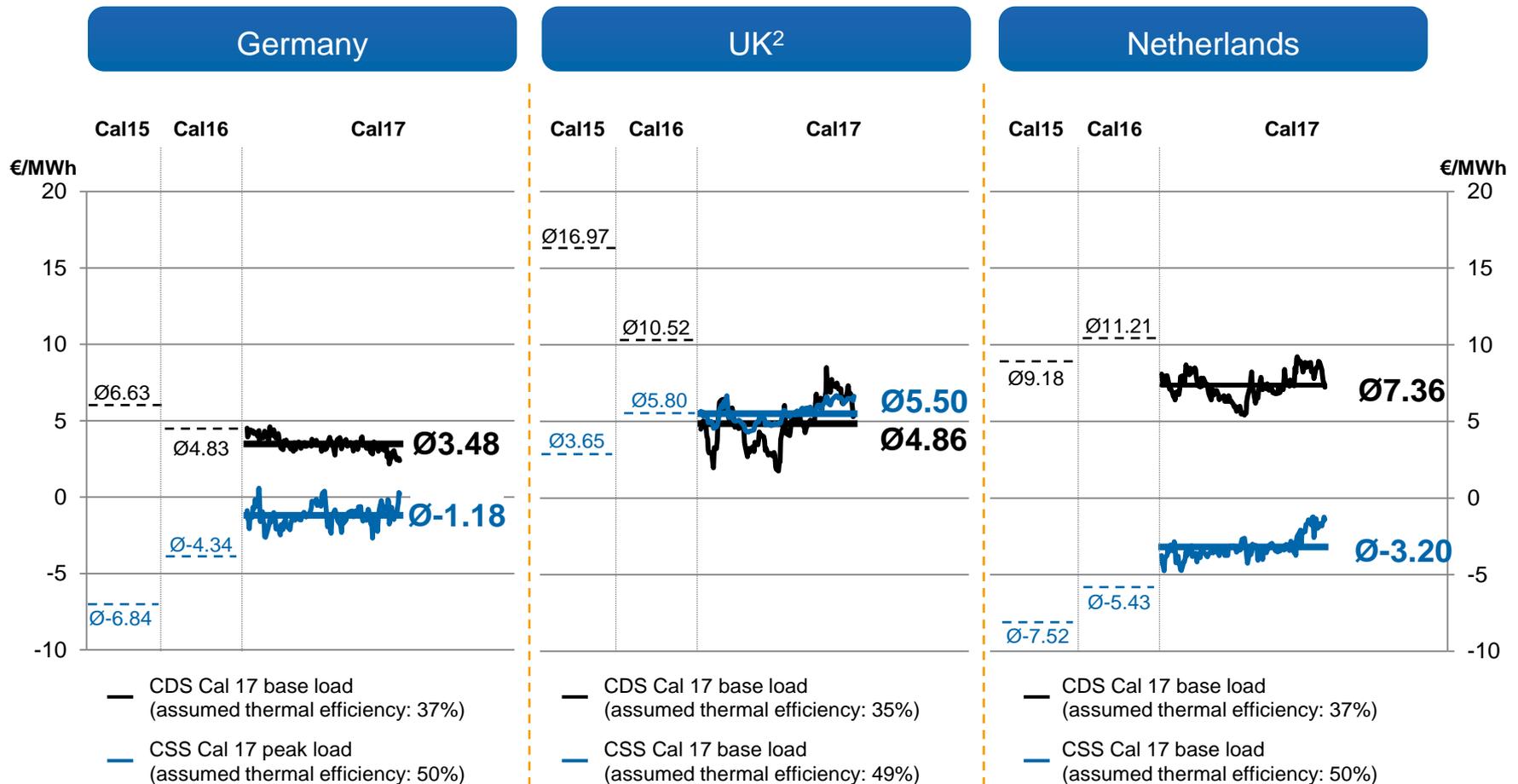
As of 30 June 2016



■ Outright, electricity hedged incl. CO₂ (GER nuclear and lignite based power generation)
 ■ Spread, electricity and underlying commodity hedged incl. CO₂ (GER, UK and NL/B hard coal and gas based power generation)



Clean Dark (CDS) and Spark Spreads (CSS) – 2015 - 2017 forwards for Germany, UK and Netherlands¹



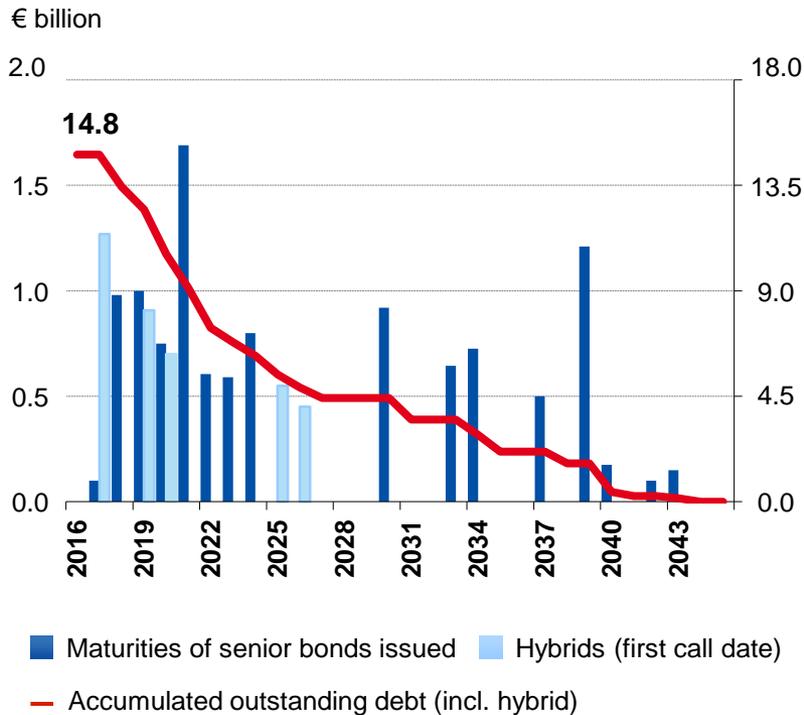
¹ Settlement one year ahead (Cal+1)

² Including UK carbon tax.

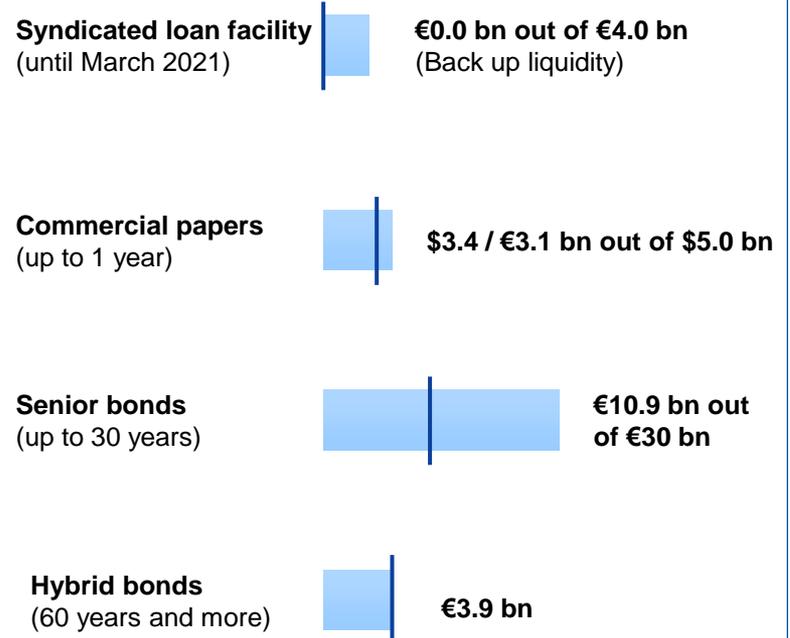
Source: RWE Supply & Trading, prices through to 29 July 2016.

Capital market debt maturities and sources of financing

Capital market debt maturities¹



Sources of funding¹

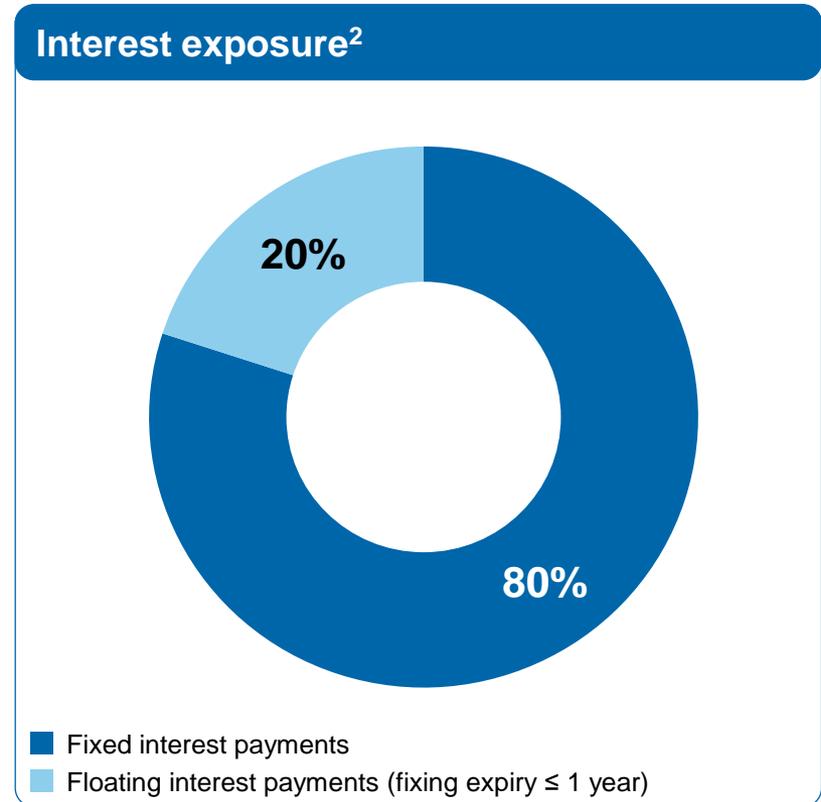
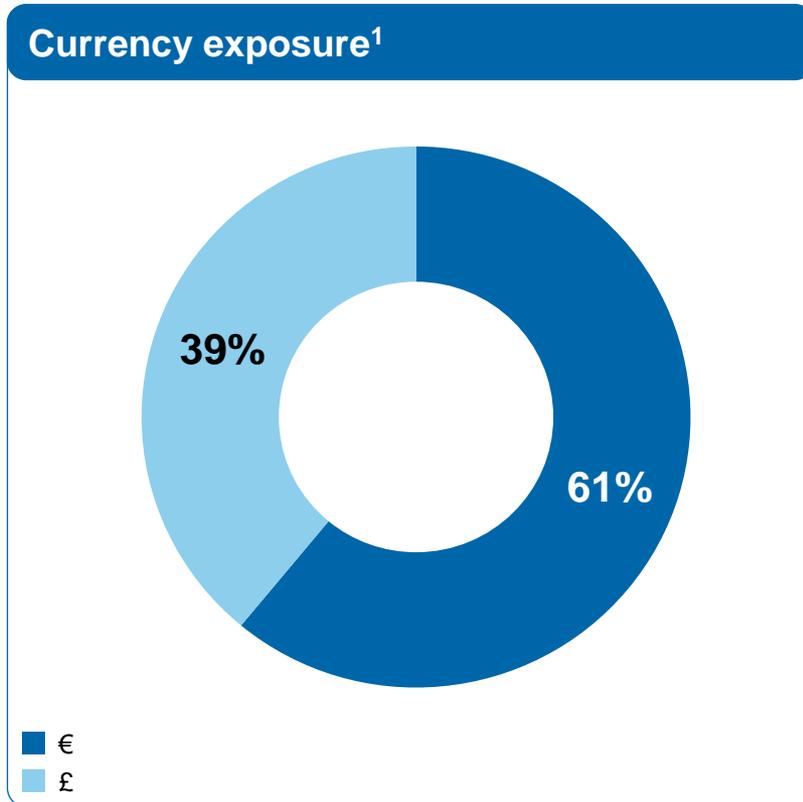


Balanced profile with limited maturities up to end of 2018 (~ €1.1 billion²)

¹ RWE AG, RWE Finance B.V. and RWE Finance II B.V. as of 30 June 2016.
² Excluding first call dates of hybrids.

Capital market debt: Currency and interest exposure

(as of 30 June 2016)



1 Capital market debt (senior bonds and hybrids) including cross-currency swaps. Total €14.6 bn.

2 Capital market debt (senior bonds and hybrids) + commercial paper including cross-currency and interest rate swaps. Total €17.7 bn.

RWE's 2016 divisional outlook for the operating result

€ million	 2015 ¹	 2016 forecast ²
Conventional Power Generation ³	596	Significantly below 2015
Renewables	488	Significantly below 2015
Trading/Gas Midstream	156	Significantly below 2015
Grids/Participations/Other	1,955	Significantly below 2015
Supply	830	In the order of 2015

1 Some figures adjusted; see Interim Report H1 2016 page 13.

2 Qualifiers such as 'moderately', and 'significantly' indicate percentage deviations from the previous year's figures.

3 The outlook takes into account the current status of the nuclear fuel tax law.

innogy's 2016 and 2017 outlook for EBITDA

	 2015 (€ million)	 2016 forecast (€ billion)	 2017 forecast (€ billion)
Renewables	818	0.6 – 0.8	
Grid & Infrastructure	2,878	2.5 – 2.7	
Retail	988	1.0 – 1.2	
Total	4,521	4.1 – 4.4	4.3 – 4.7

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Financial Calendar



14 November 2016
Interim Report on the first three quarters of 2016



14 March 2017
Annual Report

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