

# Transforming RWE

Essen, 01 Dec 2015

Peter Terium  
Chief Executive  
Officer

Bernhard Günther  
Chief Financial  
Officer

Stephan Lowis  
Vice President  
Investor Relations

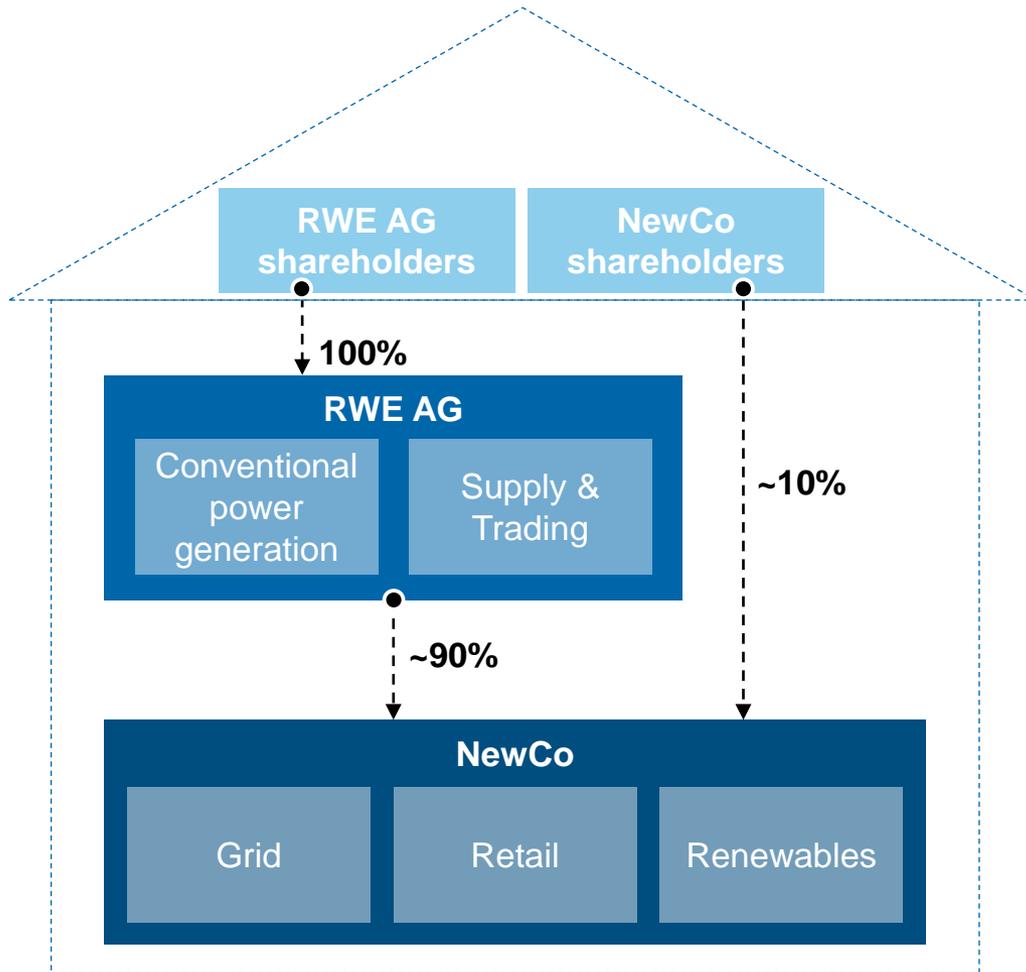


# Forward Looking Statement

 **This presentation contains certain forward-looking statements within the meaning of the US federal securities laws. Especially all of the following statements**

- > Projections of revenues, income, earnings per share, capital expenditures, dividends, capital structure or other financial items
- > Statements of plans or objectives for future operations or of future competitive position
- > Expectations of future economic performance; and
- > Statements of assumptions underlying several of the foregoing types of statements are forward-looking statements. Also words such as “anticipate”, “believe”, “estimate”, “intend”, “may”, “will”, “expect”, “plan”, “project”, “should” and similar expressions are intended to identify forward-looking statements. The forward-looking statements reflect the judgment of RWE’s management based on factors currently known to it. No assurances can be given that these forward-looking statements will prove accurate and correct, or that anticipated, projected future results will be achieved. All forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. Such risks and uncertainties include, but are not limited to, changes in general economic and social environment, business, political and legal conditions, fluctuating currency exchange rates and interest rates, price and sales risks associated with a market environment in the throes of deregulation and subject to intense competition, changes in the price and availability of raw materials, risks associated with energy trading (e.g. risks of loss in the case of unexpected, extreme market price fluctuations and credit risks resulting in the event that trading partners do not meet their contractual obligations), actions by competitors, application of new or changed accounting standards or other government agency regulations, changes in, or the failure to comply with, laws or regulations, particularly those affecting the environment and water quality (e.g. introduction of a price regulation system for the use of power grid, creating a regulation agency for electricity and gas or introduction of trading in greenhouse gas emissions), changing governmental policies and regulatory actions with respect to the acquisition, disposal, depreciation and amortisation of assets and facilities, operation and construction of plant facilities, production disruption or interruption due to accidents or other unforeseen events, delays in the construction of facilities, the inability to obtain or to obtain on acceptable terms necessary regulatory approvals regarding future transactions, the inability to integrate successfully new companies within the RWE Group to realise synergies from such integration and finally potential liability for remedial actions under existing or future environmental regulations and potential liability resulting from pending or future litigation. Any forward-looking statement speaks only as of the date on which it is made. RWE neither intends to nor assumes any obligation to update these forward-looking statements. For additional information regarding risks, investors are referred to RWE’s latest annual report and to other most recent reports filed with Frankfurt Stock Exchange and to all additional information published on RWE’s Internet web site.

# Formation of unique and leading European utility



- > RWE to establish 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
- > Listing of ~10% of NewCo via primary offering envisaged for late 2016
- > IPO proceeds used to finance growth investments in NewCo
- > Placing of further stakes of NewCo by RWE AG via secondary offer possible at the same or later point in time
- > RWE AG to remain majority shareholder in NewCo

# Entering the next stage

## Execution of efficiency programme

- > In 2012, RWE started a Group-wide efficiency programme
- > € 1.5bn savings already effective by year end 2015
- > € 2bn net benefit to the operating result targeted by 2017
- > RWE's businesses today are lean and competitive
- > Divestment of non-core businesses (e.g. Dea)

## Implementation of lean functional setup

- > Decision to closer align corporate setup with business operations:
  - > Implementation of a functional steering model and matching management structure
  - > Reduction of legal entities and organisational complexity

## Transformation of corporate structure

- > Consequently, RWE is now transforming its structure to reflect the new functional focus
- > RWE to establish new leading European utility comprising the grid, retail and renewables businesses
- > New Structure will provide upside to RWE AG and unique investment opportunity in NewCo

Measures taken since 2012 have paved the way for the transformation of RWE

# 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 NewCo
- > Improved access to funds for dedicated growth investments in NewCo
- > 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; NewCo shareholding as liquid asset if needed
- > No dilution of asset base backing liabilities
- > Broad political acceptance as RWE will continue to take full responsibility for liabilities

# NewCo: Unique opportunity to invest in leading European utility of tomorrow's energy world



## Unique new utility stock

- > Unique new utility stock with exposure only to stable European markets
- > Leading distribution grid company in Europe
- > Amongst top 5 retailers in 7 markets with prominent smart product offerings
- > Attractive renewables platform with >3.5 GW installed
- > Strong on- and offshore wind project pipeline



## Attractive financial profile

- > Strong and stable cash flow generation
- > ~65% EBITDA derived from regulated activities
- > Strong balance sheet
- > Profitable organic growth potential
- > Commitment to shareholder returns and attractive dividend

# NewCo: Strong downstream business with attractive renewables footprint

## Grid



- > RWE operates 550,000 km of grid assets in five European markets (GER, PL, CZ, HU, SK)
- > Leading positions in core markets (e.g., largest electricity DSO in GER, largest gas DSO in CZ)
- > Excellent distribution grid management for electricity and gas supply
- > Operating result of ~€2.0bn (2014)

## Retail



- > Strong retail organisation with 23m customers in 12 European markets
- > RWE is No. 3 in terms of electricity sales and No. 5 in terms of gas sales in Europe
- > Well positioned in various B2C markets in terms of profitability, customer growth and satisfaction (e.g., GER, NL)
- > Operating result of ~€0.9bn (2014)

## Renewables



- > Renewables portfolio of more than 3.5 GW mainly in six European markets (GER, UK, SPA, NL, PL, ITA)
- > RWE belongs to the top 5 in offshore wind globally with more than 1 GW of capacity
- > Shift from project driven business to operational excellence across entire fleet
- > Operating profit of ~€0.2bn (2014) with expected doubling for 2015

# NewCo: Solid platform for growth



## Renewables

- > Execution of existing offshore wind pipeline and development of projects
- > Expansion of onshore wind capacity
- > Build up of utility scale PV business



## Grid

- > Maintenance and expansion of distribution grid to integrate renewables
- > Investments into smart and communications technologies
- > Evaluation of opportunistic small-scale M&A in Eastern Europe



## Retail

- > Growth in non-commodity product (smart & connected market)
- > Development and offering of energy management services
- > Expansion of customer base in adjacent Eastern European markets



- > Development of new products and business models
- > Participation in start-ups and investments in intellectual property

## New markets

- > Evaluation of new markets
- > Development and execution of energy projects in the MENA region

# RWE AG: Focused business portfolio with clear management mandate

## Conventional Power Generation



- > Highly efficient and modernised power plant portfolio
- > Financially manageable phase-out of nuclear
- > Reduction of lignite generation in line with national CO<sub>2</sub> targets
- > Extraction of option value from spread assets
- > Maintain positive free cash flow
- > Benefit from potential wholesale price recovery or new market design

## Supply & Trading

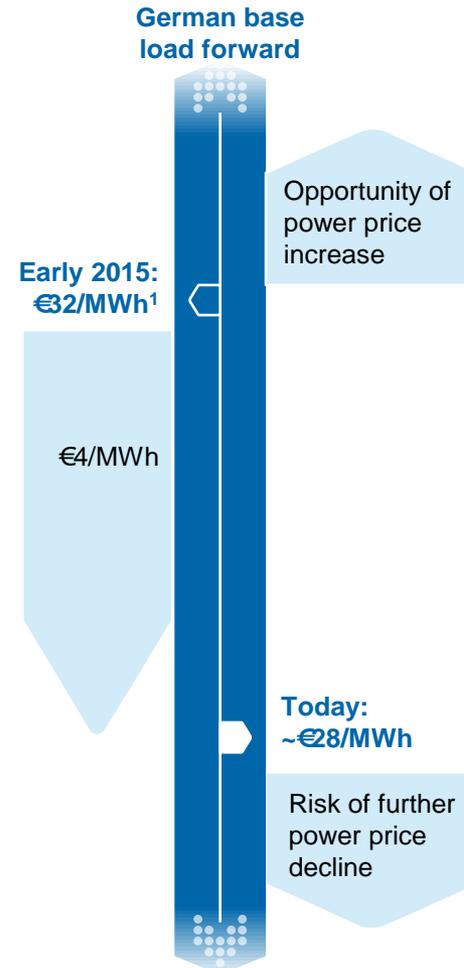


- > Commercial asset optimisation of generation fleet – full exploitation of optionality
- > Expansion of trading and origination business into new markets and commodities
- > Growth of Principal Investments activities
- > Commodity solutions for industrial customers
- > Management of long term gas supply,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

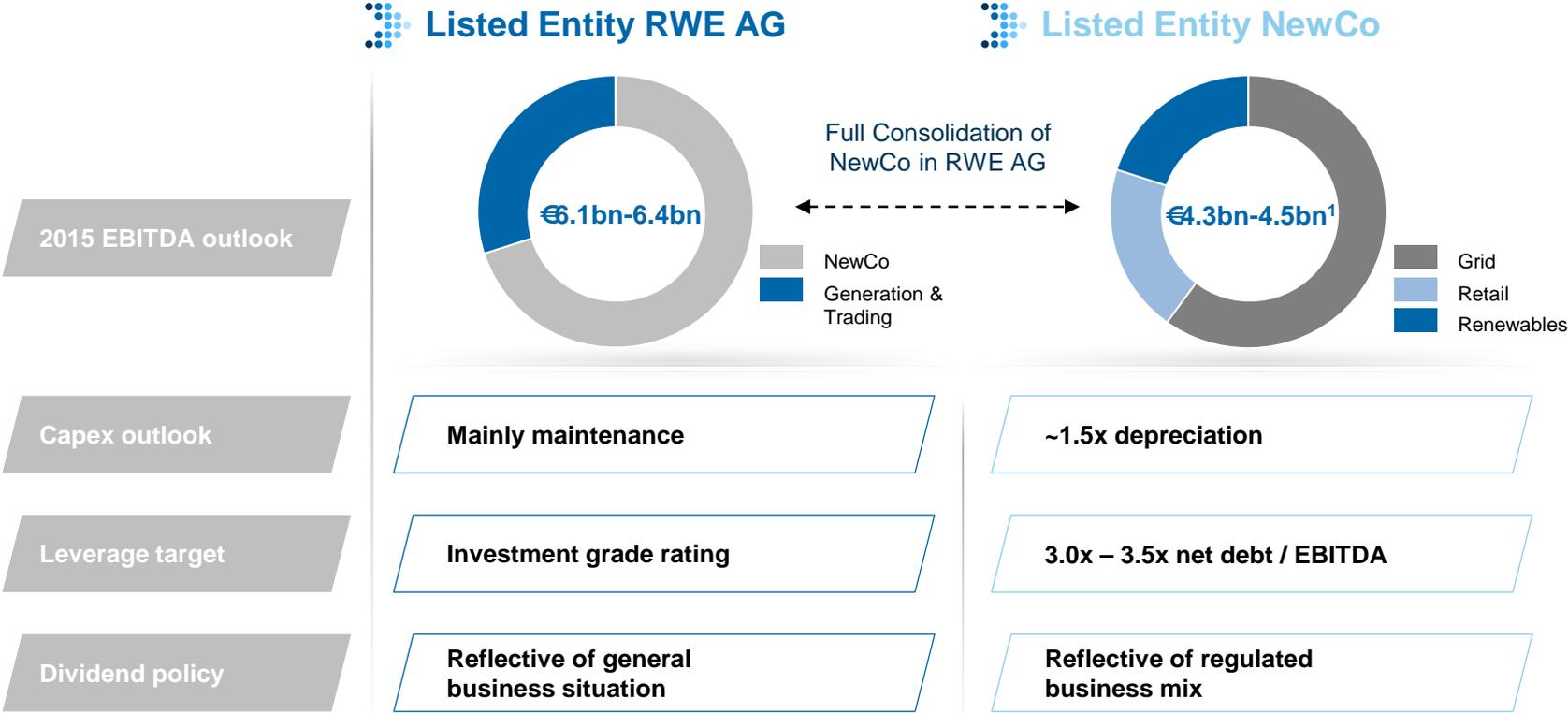
# RWE AG: Focus on maintaining positive free cash flow in conventional power generation

## Measures to offset commodity price drop

- > Further optimisation of maintenance strategy including reduction of day-to-day capex and opex
- > Renegotiations and further standardisations to reduce external spend
- > Reduction of staff costs in operations and central technical teams as well as of overheads
- > Optimisation of technical plant parameters to increase margins



# Two companies with distinct financial profile for investors



**Two separately listed companies with solid financial outlook, stable capital structures and strong financial liquidity**

<sup>1</sup> Pro-forma based on divisional outlook for Supply/Distribution Networks Germany, Supply/Netherlands Belgium, Supply United Kingdom, Central Eastern and South Eastern Europe and Renewables

# Majority of overall capex will be invested in NewCo – IPO proceeds to strengthen NewCo growth

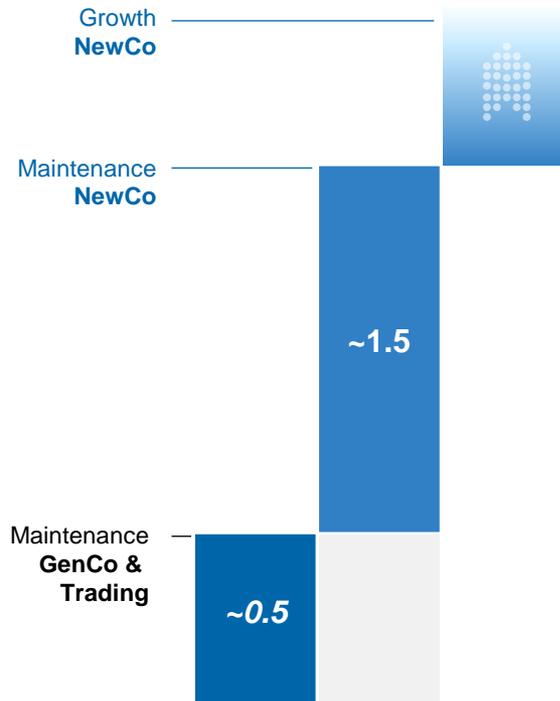


## Overall annual capex spend post NewCo IPO

Average annual capex spend of Group post IPO

Indicative split

€bn



- Renewables
- Grid
- Retail
- Innovation



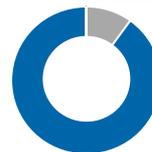
IPO proceeds will be exclusively used for growth investments at NewCo



- Renewables
- Grid
- Retail



Capex largely for grid maintenance and upgrade - Investments higher than RAB<sup>1</sup> depreciation

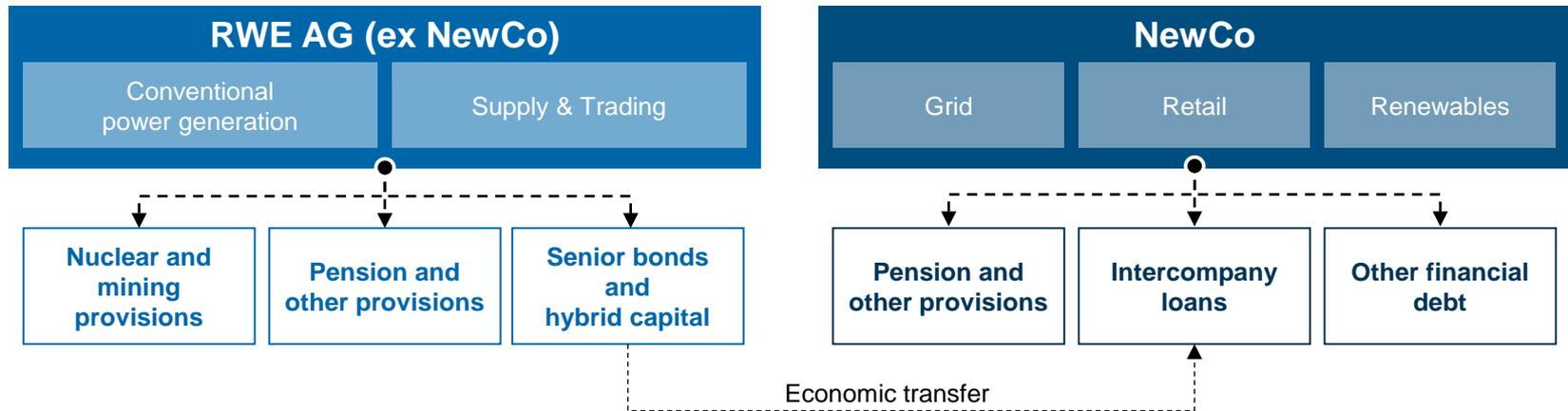


- Conventional Generation
- Trading



Limited investment mainly for maintenance of existing power generation assets

# 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

## NewCo

- > Conservative leverage target of ~ 3.0x – 3.5x net debt / EBITDA post IPO
- > Economic transfer of financial debt to NewCo via intercompany loans
- > Sufficient liquidity in form of cash and cash equivalents
- > Funds from IPO proceeds for growth investments



Aspiration to maintain investment grade rating

# Transformation already started

Today



## Strategic transformation

- > Internal re-organisation and streamlining of legal entities
- > Discussions with rating agencies
- > Development of service functions concept for NewCo
- > Stakeholder management

## Creation of NewCo

- > Foundation of NewCo
- > Development of corporate governance model
- > Appointment of NewCo management
- > Preparation of IPO documentation

## IPO of NewCo

- > Analyst presentation
- > Management roadshows
- > Listing of NewCo

# Investor summary



RWE to establish new leading European utility comprising the grid, retail and renewable businesses



Listing of ~10% of NewCo via primary offering envisaged



The new structure will yield several key benefits for RWE AG:  
Increased strategic focus, value enhancement, improved financial flexibility



NewCo represents unique new utility stock with attractive financial profile – leading position in German grid and multiple retail markets together with strong renewables growth platform



Focused business portfolio with clear management mandate remains in RWE



Transformation is already underway with IPO targeted for late 2016

# Backup

# Grid business with excellent track record and growing RAB

## Key facts, 2014



## Business highlights

- > **Grid length** (thousand km)
  - > Electricity 440
  - > Gas 110
- > **Geographical presence**  
in Germany, Czech Republic, Hungary, Poland and Slovakia
- > **Financials**
  - > Operating result ~€ 2.0bn
  - > Group RAB >€ 10bn

### Position

- > Leading positions in core markets (e.g., largest electricity DSO in Germany, largest gas DSO in Czech Republic)
- > Strong track record in grid business especially in Germany with high operational efficiency allowing solid returns

### Market

- > Stable and regulated business with reliable returns
- > Increasing RAB driven by “Energiewende”, e.g., via strong penetration of renewables, smart grids

### Growth prospects

- > Planned investments of € 3bn for 2015-17
- > Out of this € 2.5bn in Germany which will lead to an increasing RAB

# Retail activities well-positioned in many countries

## Key facts, 2014



## Business highlights

- > **Customers** (million)
  - > **Electricity**, of which **16.0**
    - > Germany 6.7
    - > UK 3.4
    - > NL 2.2
    - > Hungary 2.1
    - > Other 1.6
  - > **Gas**, of which **7.2**
    - > UK 2.2
    - > NL 2.0
    - > Czech Republic 1.4
    - > Germany 1.3
    - > Other 0.3
- > **Geographical presence**  
in 12 European markets
- > **Financials**
  - > Operating result ~€0.9bn

### Position

- > Largest electricity retailer in Germany, NL/Belgium and amongst top 3 in UK and Hungary
- > Largest gas retailer in Czech Republic, amongst top 5 in Germany, UK, NL/Belgium, Slovakia

### Market

- > Attractive and stable margins and development in B2C, more competitive in B2B
- > Additional growth via energy services

### Growth prospects

- > Based on strong position additional growth via energy services; doubling of energy+ result to EUR >100 million by 2018 planned
- > Issues in UK addressed with mid-term recover potential
- > Upside potential in B2B business

# Innogy amongst Top 5 offshore wind players, heading to leverage pipeline for future growth

## Key facts



## Business highlights

### > Installed capacity (GW)

- > Renewables, of which >3.5
  - > Offshore wind >1.0
  - > Onshore wind ~2.0
  - > Hydro ~0.5

### > Geographical focus on Europe with main countries UK, Germany, Spain, NL and Poland

### > Financials

- > 2014 operating result ~€0.2bn
- > Strong increase for 2015 expected

### Current position

- > Amongst top 5 players in offshore wind globally; Gwynt y Môr and Nordsee Ost recently finished
- > Well-positioned in selected European onshore wind markets (e.g., amongst top 5 in Germany)

### Market

- > Renewables key growth area within utilities business
- > Especially wind with expected strong growth path (e.g., >20 GW offshore wind in Europe by 2020)

### Growth prospects

- > Several growth options short- to mid-term based on current pipeline (e.g., Nordsee One, Galloper)
- > Mid-term opportunities to further build on offshore wind pipeline (e.g., Triton Knoll, Kaskasi, Nordsee 2/3, Dogger Bank)

# Overview of renewable growth projects

## Projects in development



## Overview of key project



### Offshore wind

- > Galloper (UK, 2017<sup>1</sup>) – 336 MW with Macquarie, Green Investment Bank & Siemens
- > Nordsee One (GER, 2017<sup>1</sup>) – 332 MW with Northland Power
- > Kaskasi II (GER, 2019<sup>1</sup>) – 210 MW
- > Borsselle I & II (NL, 2021<sup>1</sup>) – 700 MW with EDP Renewables and Macquarie
- > Nordsee II & III (GER, open<sup>1</sup>) – 664 MW (tbc)
- > Triton Knoll (UK, 2021<sup>1</sup>) – 600-900 MW with Statkraft
- > Dogger Bank (UK, 2021<sup>1</sup>) – up to 4,800 MW with SSE, Statoil and Statkraft

### Onshore wind

- > More than 10 projects in the pipeline in UK, Germany, the Netherlands and Poland, with further in development for post 2017
- > Development of ~150-200 MW p.a., including
  - > Eschweiler (D, 2017<sup>1</sup>) – 54 MW
  - > Brechfa West (UK, 2017<sup>1</sup>) – 70 MW
  - > Dolice, stage 1 (PL, 2017<sup>1</sup>) – 46 MW
  - > Clocaenog Forest (UK, 2018<sup>1</sup>) – 67 MW
  - > Mynydd y Gwair (UK, 2018<sup>1</sup>) – 40 MW

### Hydro

- > Analysis of various projects in Scotland and Wales

<sup>1</sup> Expected commissioning