

innogy is the blueprint for the energy company of the future

- **RWE AG presents new subsidiary on capital market day**
- **A balanced combination of regulated business and value-creating investments**
- **The three business segments Grid & Infrastructure, Retail and Renewables will make an important contribution to the transformation of the energy sector**
- **Project pipeline of 4.4 gigawatts for renewables**
- **Roughly 60% of the overall EBITDA – of €4.5 billion last year – comes from regulated and quasi-regulated business activities**
- **Dividend payout ratio of between 70% and 80% targeted**

Essen, 30 June 2016

“Our new subsidiary innogy is the blueprint for the energy company of the future. innogy is in an excellent position to benefit from the mega trends of decarbonisation, decentralisation and digitalisation and to actively drive the transformation of the energy sector.” These were the words of CEO Peter Terium to introduce the new subsidiary at today’s RWE AG capital market day. innogy bundles the business segments Grid & Infrastructure, Retail and Renewables with leading market positions in eleven European countries under one umbrella. Due to this focus, innogy is largely CO₂ free.

“innogy is a balanced combination of stable, regulated business, a strong customer base and value-creating investments in renewables. We thus represent stability and growth in equal measure.”

innogy’s Board team introduced itself at the capital market day in London today.

Peter Terium explained the company strategy, CFO Bernhard Günther the attractive financial profile. The three COOs, Hildegard Müller (Grid & Infrastructure), Martin Herrmann (Retail)

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and Hans Bunting (Renewables), each provided an insight into their respective business segments.

Leading positions in European markets

innogy stands on three strong pillars: with its state-of-the art, more than 550,000-kilometre-long distribution grid, the company's Grid & Infrastructure segment is one of the leading operators in Europe. As the largest electricity distribution system operator in Germany, innogy will play a key role in the successful transformation of the German energy sector. The Grid & Infrastructure segment operates a state-of-the-art electricity and gas distribution infrastructure with a regulated asset base (RAB) of €13.3 billion spread across five European countries. Based on the number of customer contracts, the Retail segment of innogy has about 23 million customers in eleven European countries and is the largest electricity retailer in Germany based on volume sold. The Renewables segment has a portfolio of in total some 3.1 gigawatts renewable capacity and a strong focus on wind energy. In offshore wind, innogy is number three in Europe by installed capacity. Based on the combined financial statements for 2015, the company achieved a revenue of around €46 billion, an EBITDA of €4.5 billion and a net income of €1.6 billion. innogy is expected to employ around 40,000 out of a total of around 60,000 employees of the RWE Group once the restructuring process has been completed.

Stable cash flows and a solid capital structure

innogy combines a strong and resilient financial profile with a solid platform for future growth. Roughly 60% of the overall EBITDA comes from regulated and quasi regulated business activities in the Grid & Infrastructure and Renewables segments. The three innogy segments generate stable cash flows. Efficiency improvements to support this form an integral part of innogy's management agenda. Based on the combined financial statements, the Renewables segment looks back on a significant growth in profits since 2013, while the Grid & Infrastructure and Retail segments have achieved stable results. This forms the basis for a solid capital structure. The leverage factor, the net debt to EBITDA ratio, is targeted to be in the order of 4.0.

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“innogy has a strong operational and financial base. We want to leverage this to make the most of our opportunities for growth and to increase the value of our company in the long term”, CFO Bernhard Günther explained.

A leading European distribution grid operator

The Grid & Infrastructure segment operates one of the most powerful and modern distribution grids in Europe, and is among the leading companies in Germany (electricity/gas), the Czech Republic (gas), Hungary (electricity), Poland (electricity) and Slovakia (electricity). Due to the stable regulatory framework, the operational earnings are only subjected to minor fluctuations. Based on the combined financial statements, EBITDA in this segment showed a very high level of around €2.9 billion per annum for the years from 2013 to 2015. This makes the grid business innogy’s strongest segment. The distribution grids are the backbone of the transformation of the energy sector. They play a crucial role in integrating renewable energy sources that depend on the weather and the time of day, as well as decentralised generating systems. The transformation of the German energy sector presents considerable growth opportunities for distribution grids. In order to make grids more effective and more flexible, innogy will continue to invest in the modernisation and expansion of its grid infrastructure.

One of the largest electricity retailers in Europe

The Retail segment has a base of around 23 million customers in eleven European markets. Based on volumes sold respectively number of customers, innogy is among the largest electricity and gas retailers in Germany, the Netherlands and the UK. In addition, the company has leading positions in electricity and/or gas supply in many markets in Central Eastern and South Eastern Europe. Apart from organic growth, the focus in Retail will be mainly on the further development of decentralised and smart solutions for customers, especially in the area of digital applications. innogy also sees itself as a pioneer in electric mobility. The company’s current network of more than 4,900 charging points is one of the biggest in Europe. innogy is active in a total of 20 countries in these “new” business areas. In the years from 2013 to 2015 the Retail segment generated an EBITDA of approximately €1 billion per annum.

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A leading European wind farm operator

The Renewables segment has a well-diversified portfolio of renewable capacity across Europe. In offshore wind, it is currently the number three in Europe by installed capacity. In onshore wind too, innogy is one of the leading companies in Europe. innogy's project pipeline has a total capacity of 4.4 gigawatts. Investment decisions for some of these projects are imminent. It is planned that the focus will remain on wind energy – offshore and onshore. In the area of solar energy/photovoltaics, the development of large-scale projects is intended to support the growth of the company. The segment has already grown considerably over the past few years. In the years from 2013 to 2015, EBITDA almost doubled to more than €800 million.

innogy focuses on value creation and attractive returns

With its three future-oriented business segments and a solid capital structure, innogy has a solid position to be an attractive platform for growth and value creation. The company has set out clear investment principles: the majority of capex will be allocated into regulated businesses and is intended to drive growth in the core markets in particular. A policy of careful capital allocation and an attractive risk/earnings profile will be strictly adhered to for all investments. It is planned to pay out between 70% and 80% of adjusted net income to the shareholders.

“Since the first announcement was made at the end of 2015, all of us at RWE have worked hard to build the launch pad for Europe's first energy company that is geared towards the requirements of a green, decentralised and digital energy system in equal measure”, said Peter Terium. “innogy stands for a clear strategy and a strong company.”

Corporate governance to ensure that innogy has a high degree of independence

RWE AG intends to remain the majority shareholder after innogy's planned IPO. The two companies intend to conclude an agreement that will ensure a high degree of independence for innogy. It is planned, for example, that RWE AG will have one representative on innogy's 20-member Supervisory Board from 1 September 2016 on, namely RWE AG's designated CFO Markus Krebber. Furthermore, it is planned that Werner Brandt will become

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Chairman of the Supervisory Board of innogy, who is also Chairman of the Supervisory Board of RWE AG. RWE AG intends to manage its holdings in innogy purely as a financial investment.

IPO still planned towards the end of 2016

innogy is expected to strive for a stock market listing towards the end of this year. In combination with the shares issued at the IPO, a capital increase for innogy is planned. However, the exact timing of the IPO will depend on market conditions. It is intended to use the proceeds from the IPO mainly to finance growth. In addition to the capital increase, it is also possible that further shares will be placed by RWE AG at the same time or at a later date.

Peter Terium: "Preparing an IPO in such a short space of time is an enormous task. I would like to thank all those involved in the project. Thanks to their commitment the preparations are going very much to schedule."

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