RWE AG CAPITAL MARKET DAY
Introducing innogy

Glaziers Hall, London, UK
30 June 2016

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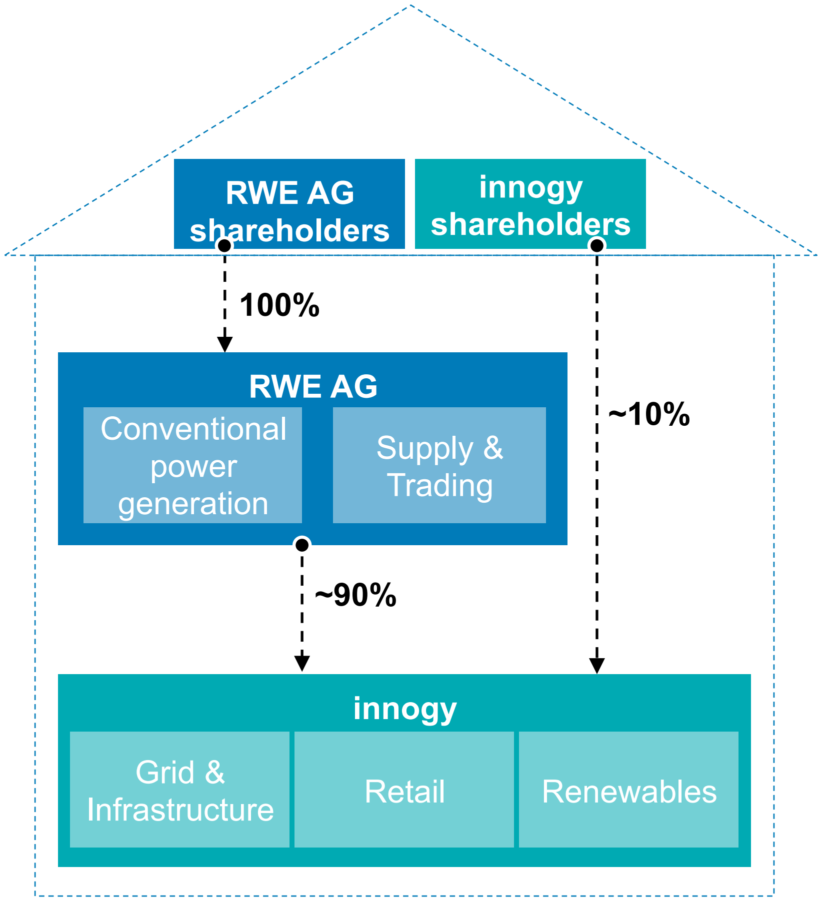
RWE
The energy to lead

Status of the envisaged innogy IPO

Target structure



Key milestones

Achieved

- ✓ December 2015: Supervisory Board approval
- ✓ March 2016: Nomination of management team
- ✓ 1 April 2016: Operational start

Today

- ✓ 30 June 2016: Capital Market Day

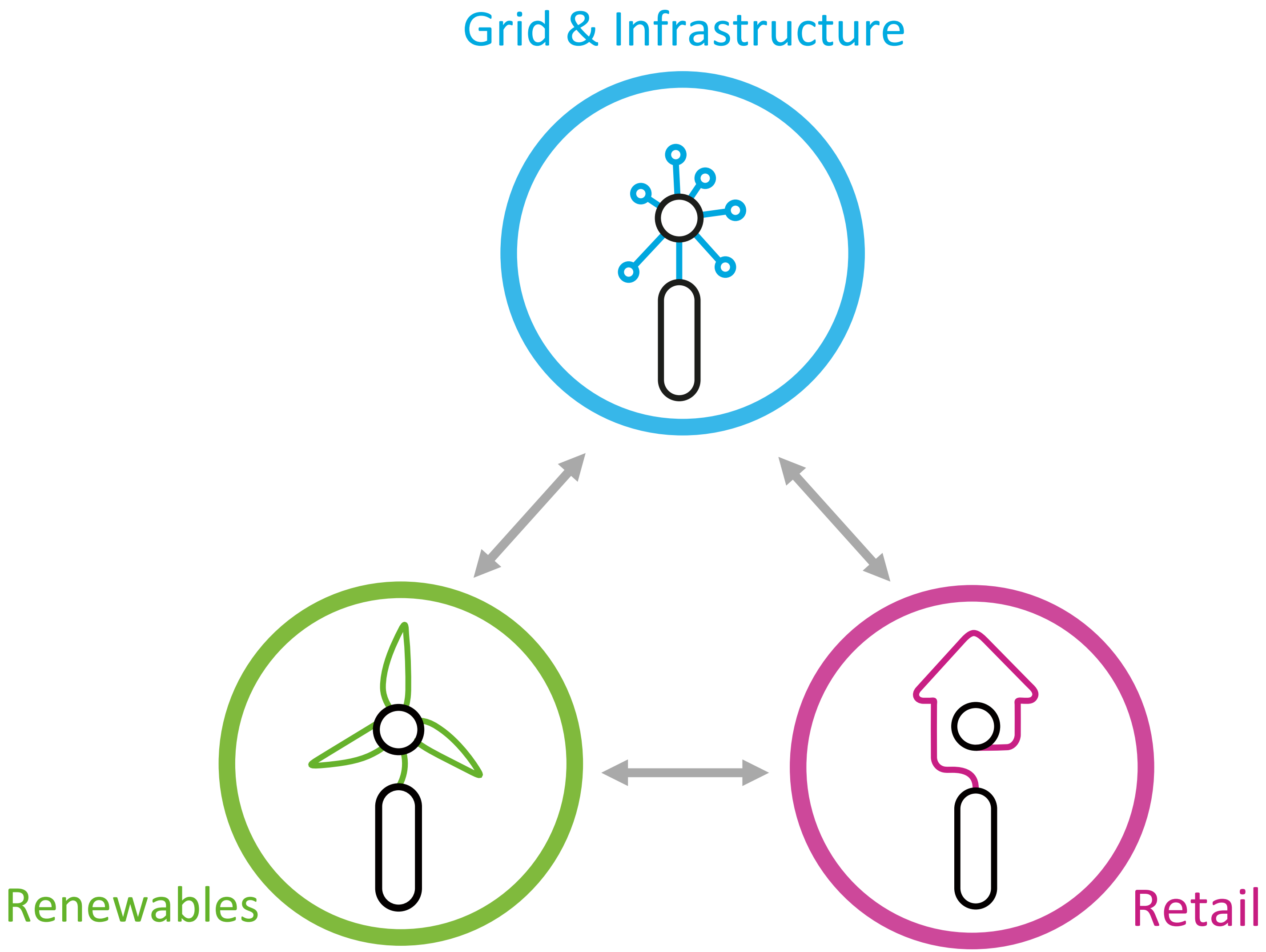
Late 2016

- Listing of ~10% of innogy via primary offering envisaged for late 2016, subject to market conditions
- 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
The energy to lead

innogy

Introducing innogy – blueprint for the utility of the future



Today's presenters

Peter Terium

Chief Executive Officer

Bernhard Günther

Chief Financial Officer

Hildegard Müller

COO Grid & Infrastructure

Martin Herrmann

COO Retail

Hans Bünting

COO Renewables

Agenda

innogy

- Introducing innogy
- Markets & Strategy
- Financial Highlights
- Grid & Infrastructure
- Retail
- Renewables
- Wrap-up

Introducing innogy

innogy comprises three strong segments...

Grid & Infrastructure

Germany
East

#1 largest electricity DSO in Germany[1]

€13.3bn total RAB[2]

+9% increase expected for German RAB[2]

Retail

Germany
United Kingdom
Netherlands/Belgium
East

#1 largest electricity retailer in Germany[3]

23m customers[4]

Renewables

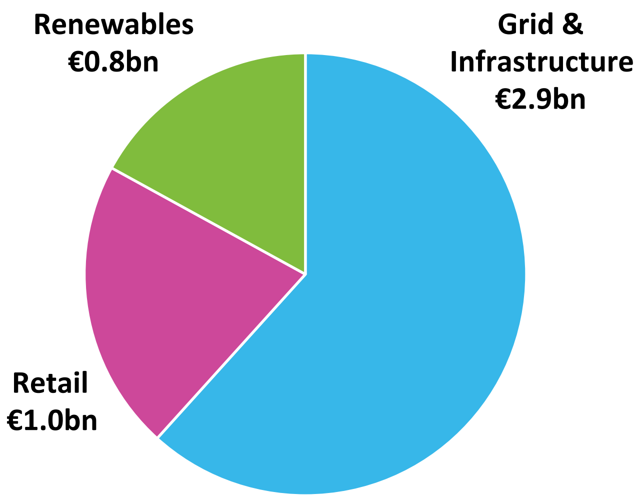
#3 in offshore wind by installed capacity[5]

3.1GW installed capacity[6]

1 Based on distributed volume; as of 2015.
2 Regulated asset base. Numbers based on latest notification by regulator or based on calculations in latest filings with regulators. Expected increase in German regulated asset base calculated as RAB 2010/2011 plus net investments (post concession gains/losses) in regulated assets in the years 2010/2011 to 2015/2016E, assuming full recognition by the regulator. Generally, RABs from different regulatory regimes are not directly comparable due to significant methodological differences (e.g. regulatory periods, regulatory depreciation periods). Also, throughout this presentation, RABs are always stated excluding pro-rata share of RAB from participations that are not fully consolidated.
3 Based on volume sold; as of 2014.
4 With respect to the Retail segment, the term customers refers to customer contracts (electricity and gas contracts counted separately) throughout the presentation.
5 Source: Bloomberg New Energy Finance; asset owner database; as of March 2016.
6 As of 31 December 2015; pro-rata view, excluding Zephyr portfolio. Excluding 0.3GW renewables capacity from fully consolidated participations related to the Grid & Infrastructure segment.

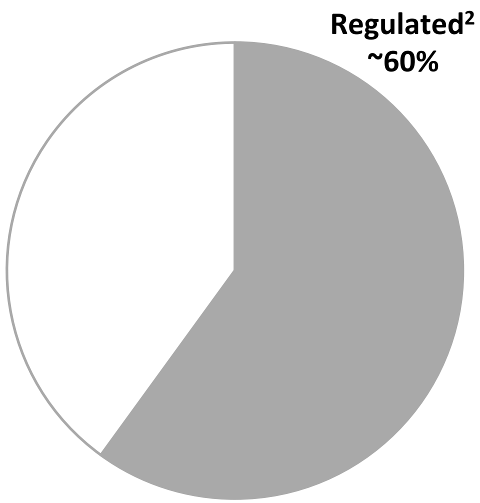
...combining a strong regulated profile with a solid platform for growth

EBITDA breakdown



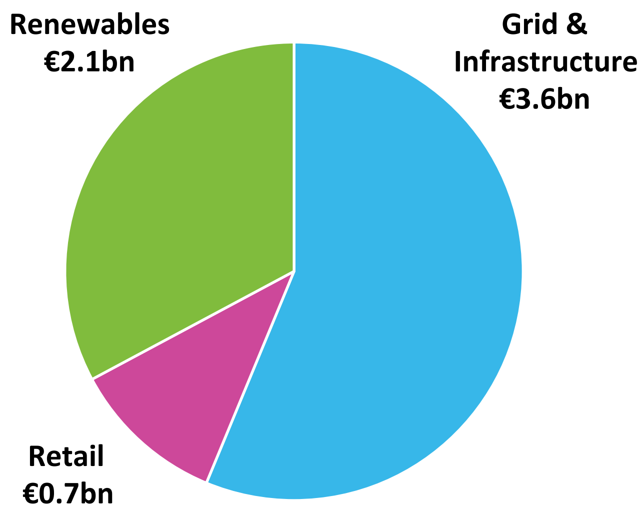
€4.5bn
EBITDA 2015[1]

Share of regulated business



€4.5bn
EBITDA 2015[1]

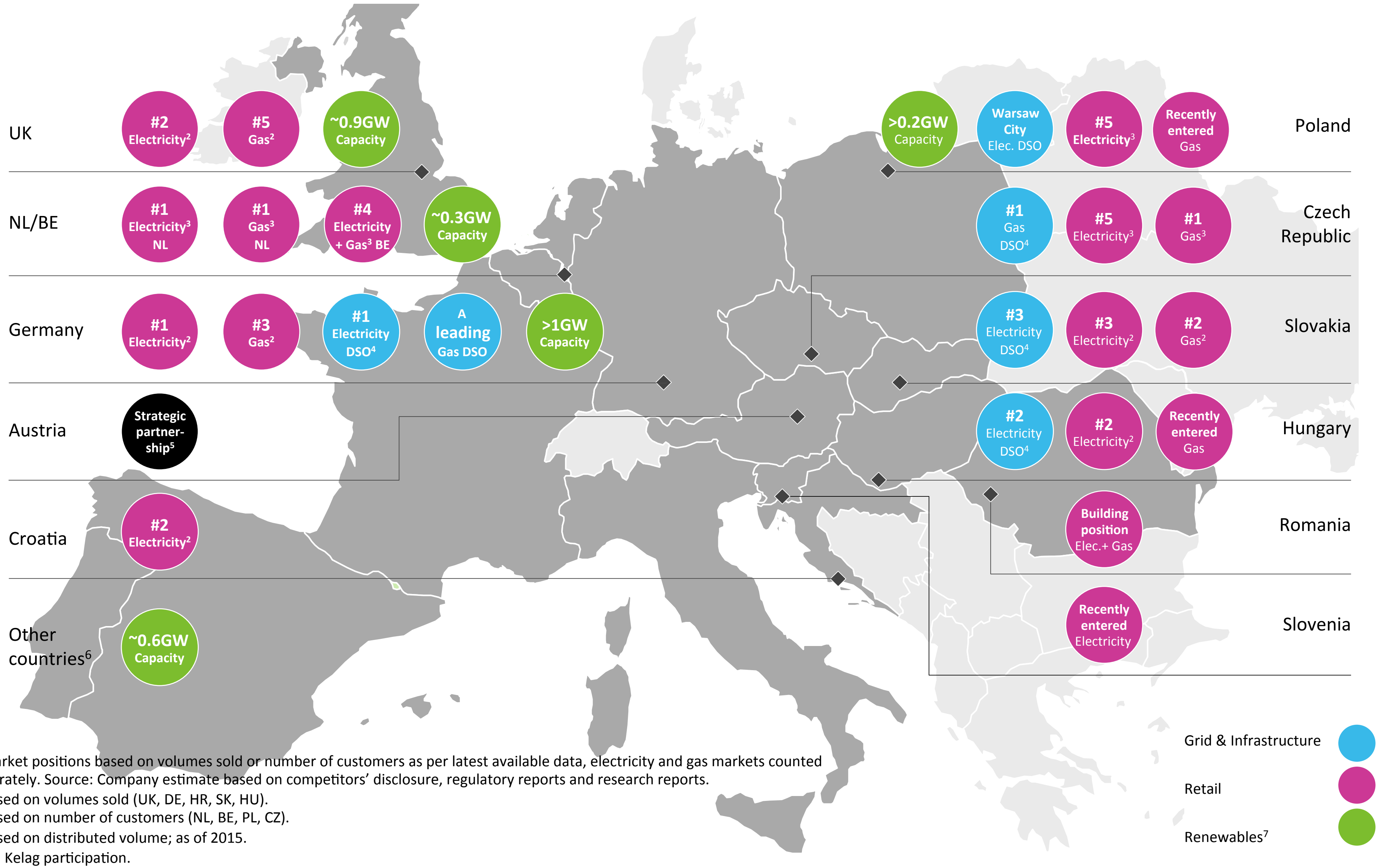
Capex breakdown



€6.4bn
Capex 2013-15[3,4]

1 Total includes €(0.2)bn presented as 'Other, consolidation' in the combined financial statements.
2 Includes regulated and quasi-regulated share of EBITDA.
3 The term 'Capex' throughout the presentation refers to capital expenditures on intangible assets, property, plant and equipment.
4 Includes Capex from 'Other, consolidation'.

Diversified European footprint with leading market positions across countries[1]

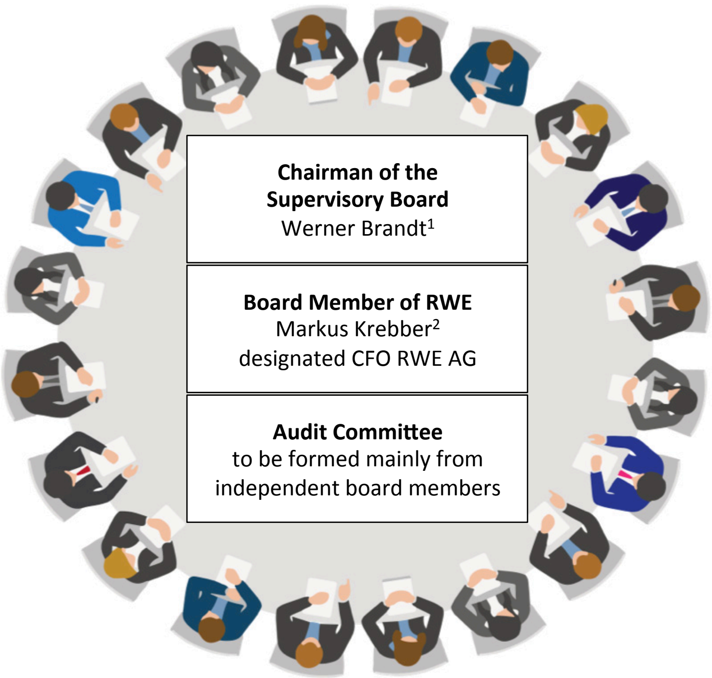


1 Market positions based on volumes sold or number of customers as per latest available data, electricity and gas markets counted separately. Source: Company estimate based on competitors' disclosure, regulatory reports and research reports.
2 Based on volumes sold (UK, DE, HR, SK, HU).
3 Based on number of customers (NL, BE, PL, CZ).
4 Based on distributed volume; as of 2015.
5 Via Kelag participation.
6 Spain, Portugal, France, Italy.
7 Capacities as of 31 December 2015; pro-rata view, excluding Zephyr portfolio.

Corporate Governance – innogy has a high degree of independence

Envisaged Supervisory Board composition

- innogy with **high degree of independence** reflected in its supervisory board structure
- **Two-tier board structure – 20 members**, thereof **10 shareholder and 10 employee representatives** (as per German law)

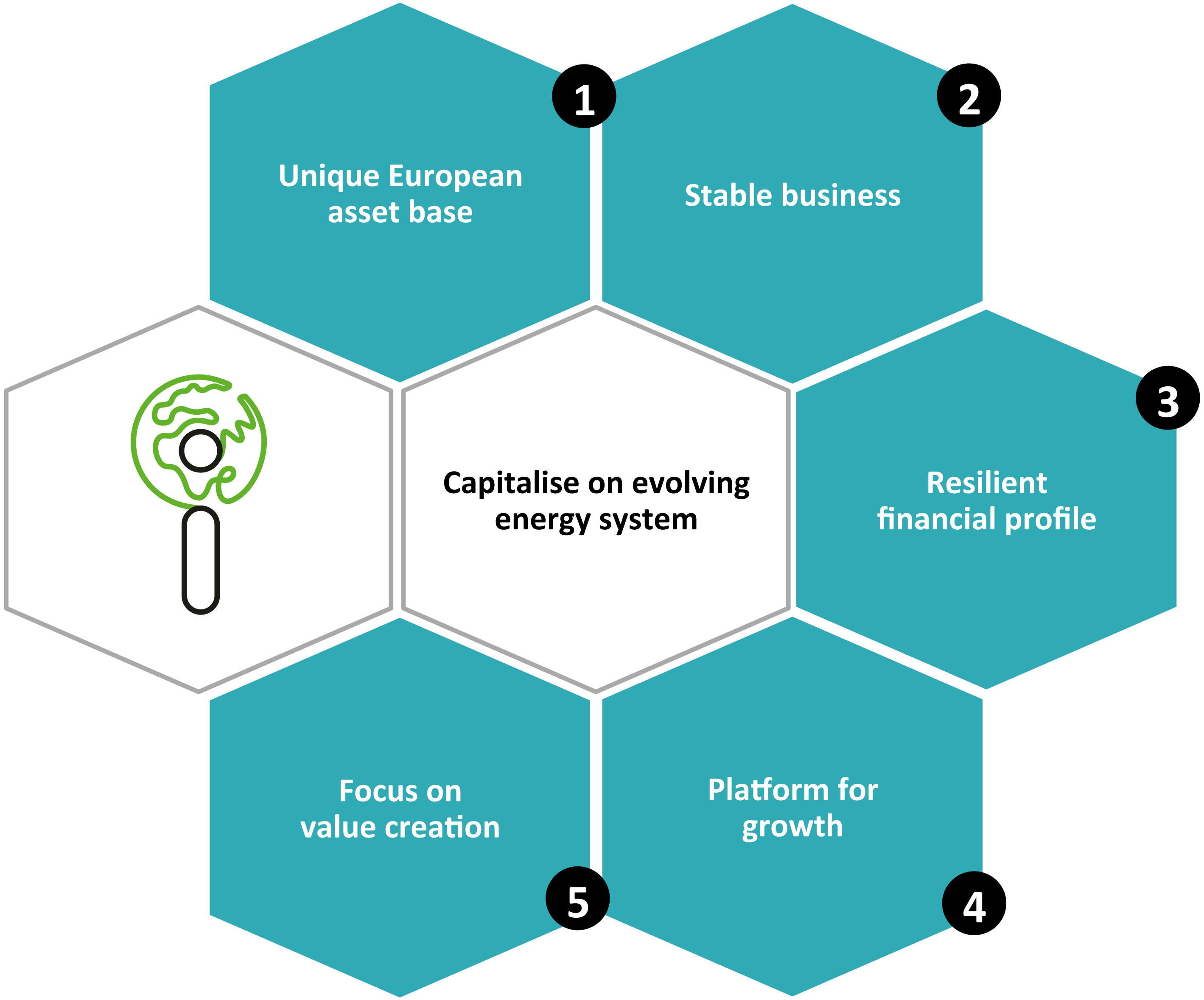


Key principles governing innogy/RWE relationship

- At IPO the **domination agreement** between **innogy** and **RWE will be terminated**
- As per the **Master Agreement** between **innogy** and **RWE**:
  - RWE will manage innogy as a **financial investment**
  - **Operational and strategic independence** of both companies acknowledged
  - **General principle of cooperation** and mutual support
  - **Non-compete clause** states that RWE is largely restrained from competing in innogy's core businesses until 31 December 2019
- All **intercompany relations and agreements** to be carried out **at arm's length**

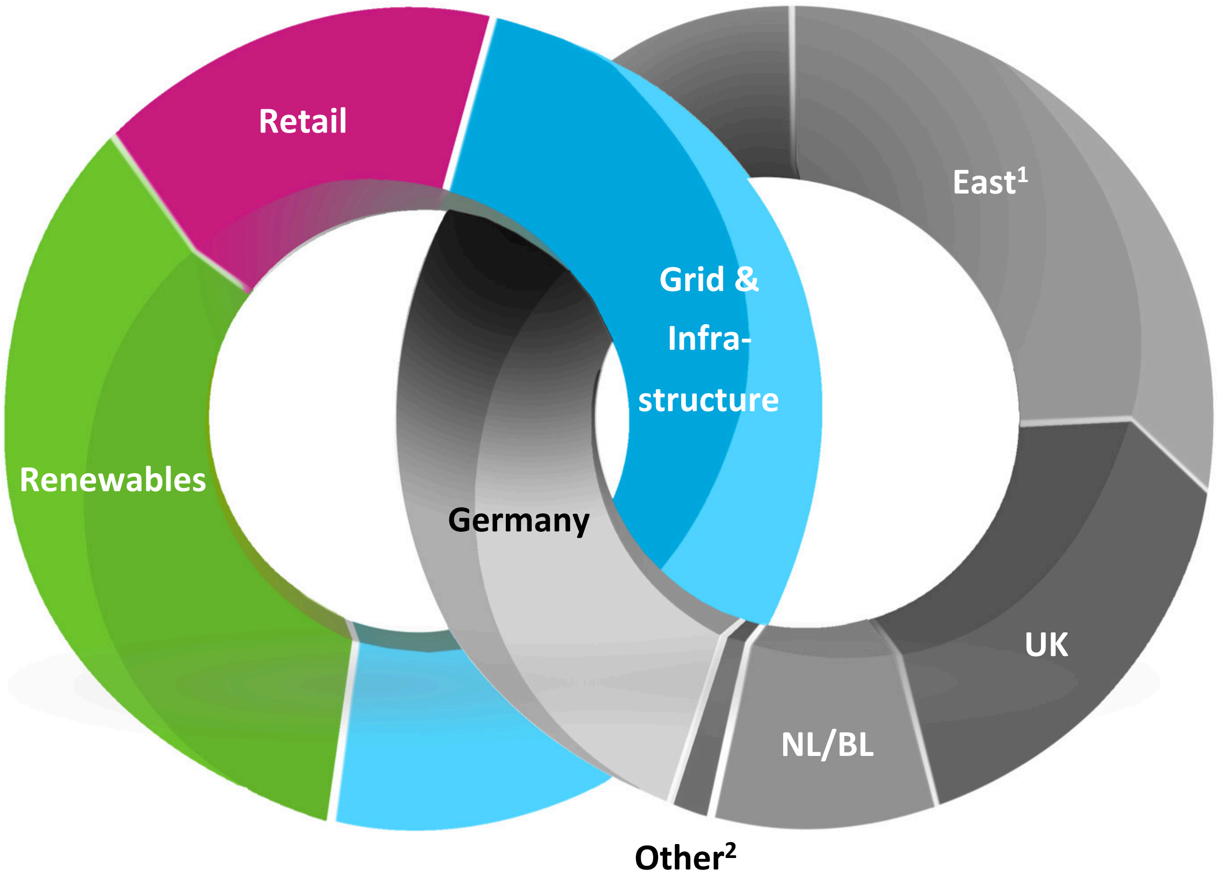
1 It is planned that Werner Brandt will become a Supervisory Board member of innogy.
2 It is planned that Markus Krebber will become a Supervisory Board member of innogy.

innogy offers a compelling value proposition



1 Unique asset mix in European utilities landscape

innogy



- Focus on Europe – anchored in Germany
- Largely CO_2 free
- Limited exposure to commodity prices
- No nuclear liabilities
- Enabler of energy transition

1 East comprises Poland, Czech Republic, Slovakia, Hungary, Slovenia, Croatia, Romania.
2 Other countries comprise mostly Western European countries, such as France, Italy, Portugal and Spain, where innogy also has renewables portfolios.

1 Nuclear free with an excellent carbon footprint

Sustainability indicators

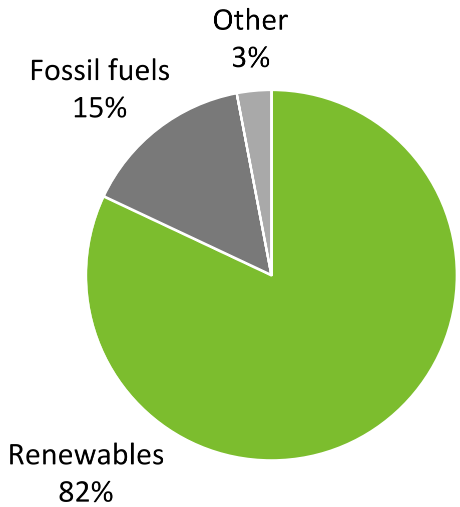
0%
nuclear generation capacity

0.06
metric tons of CO_2 per MWh of electricity

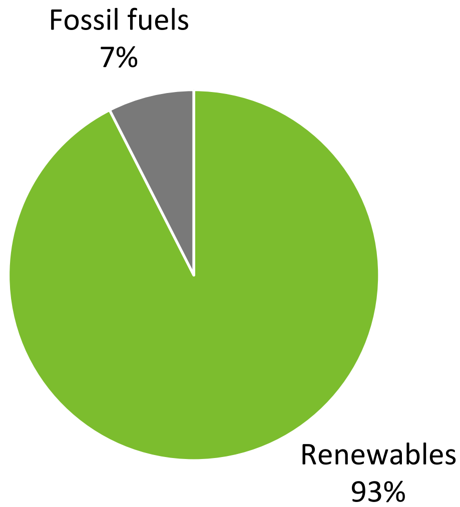
3.6GW
installed renewables capacity[1]

93%
share of renewables in power production

Generation capacity and electricity production



4.4GW
Generation capacity as of 31 December 2015



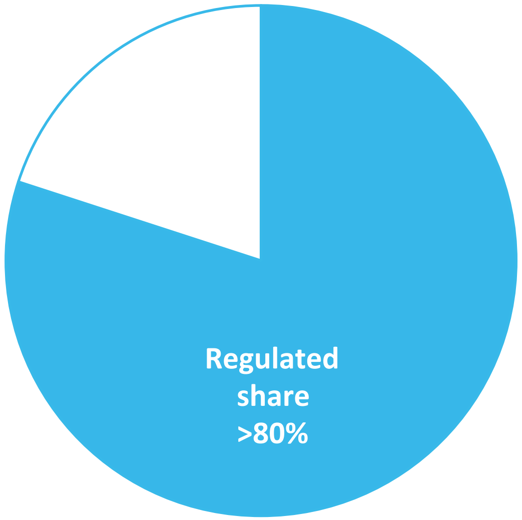
10.3TWh
Electricity production 2015

	Capacity (MW)	Production (TWh)
Renewables	3,614[1]	9.50
Fossil fuels	663[2]	0.83
Other	147[3]	<0.01[4]
Total	**4,424**	**10.33**

1 As of 31 December 2015; accounting view; includes 3.3GW from Renewables segment (excluding Zephyr portfolio) and 0.3GW of renewables capacity from consolidated participations related to the Grid & Infrastructure segment.
2 Thereof 247MW gas, 17MW lignite and 399MW hard coal.
3 Including pumped storage and oil.
4 Including pumped storage and waste.

2 Stable business profile across segments reflected in ~60% of group EBITDA from regulated activities[1]

Grid & Infrastructure

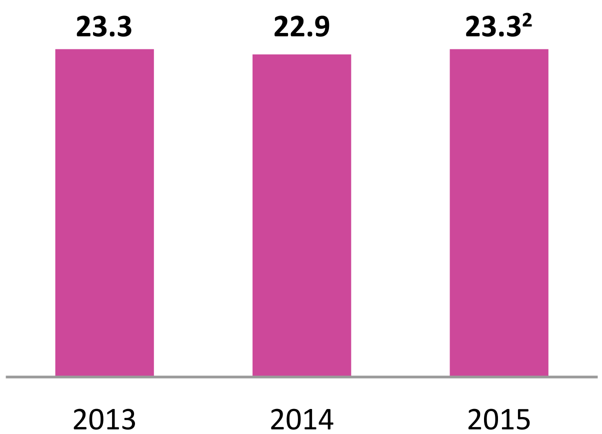


2015 EBITDA
€2.9bn

Largely regulated and predictable earnings

Retail

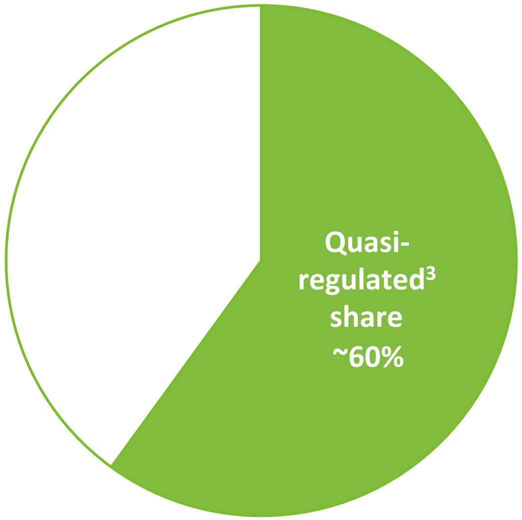
Customer base development (m)



2015 EBITDA
€1.0bn

Stable and diversified business in Continental Europe

Renewables



2015 EBITDA
€0.8bn

Quasi-regulated[3] earnings – platform for further growth

1 Includes regulated and quasi-regulated business activities.
2 Increase predominantly due to first-time consolidation of VSE.
3 Includes long-term contracts.

3 Solid capital structure as foundation for stringent business development

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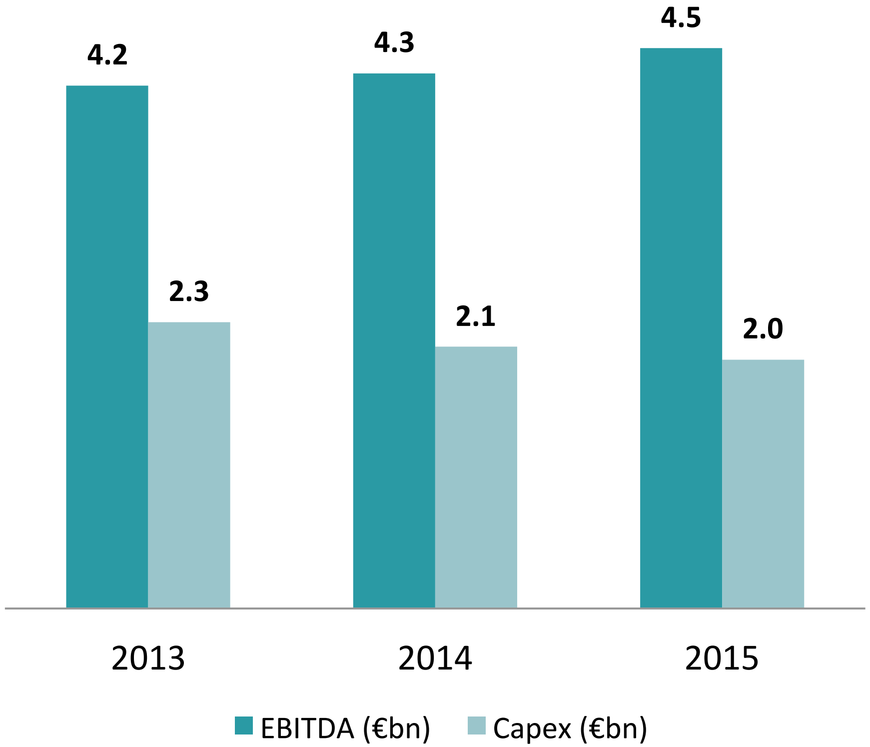
Resilient EBITDA supporting strong Capex spend ...

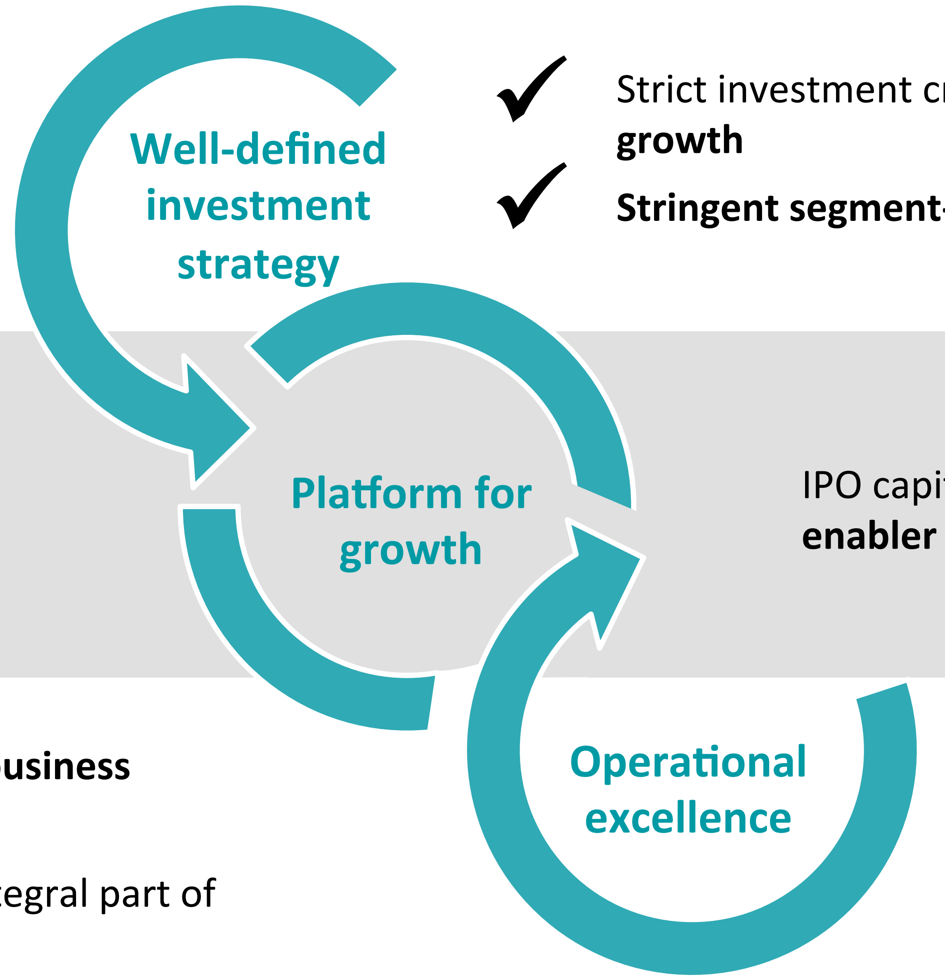


... additionally backed by solid capital structure

- ✓ **Attractive mix of** cash generative and **growth assets**
- ✓ **~4.0x target leverage** (Net Debt/EBITDA)
- ✓ Credit ratios commensurate with **strong rating profile**
- ✓ **Balance sheet strength** to enable **growth investments**

4 Solid platform for future growth

- Strict investment criteria to **ensure profitable growth**
- **Stringent segment-specific set of hurdle rates**



€6-7bn of Capex[1] 2016-18E

IPO capital increase as **enabler** for **future growth**

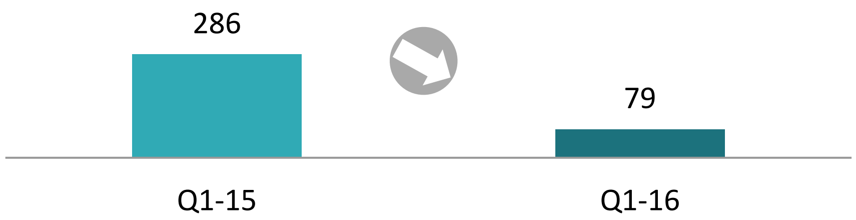
- **Turnaround of UK retail business** well on track
- **Efficiency programme**: integral part of management agenda

1 Including financial investments.

4 Return to profitability – Retail UK recovery is well on track

Operational improvement

Incoming complaints ('000s)



Late bills significantly down

Late bills ('000s)

Net customer losses almost halted

Net customer losses ('000s)

Selected highlights

- ✓ **New management team in place**
- ✓ Significantly **enhanced operational controls**
- ✓ **New IT operating model**
- ✓ Total **gross cost savings target of £200m by 2018** identified and backed up with individual measures

4 Management is committed to realise further cost and cash efficiencies

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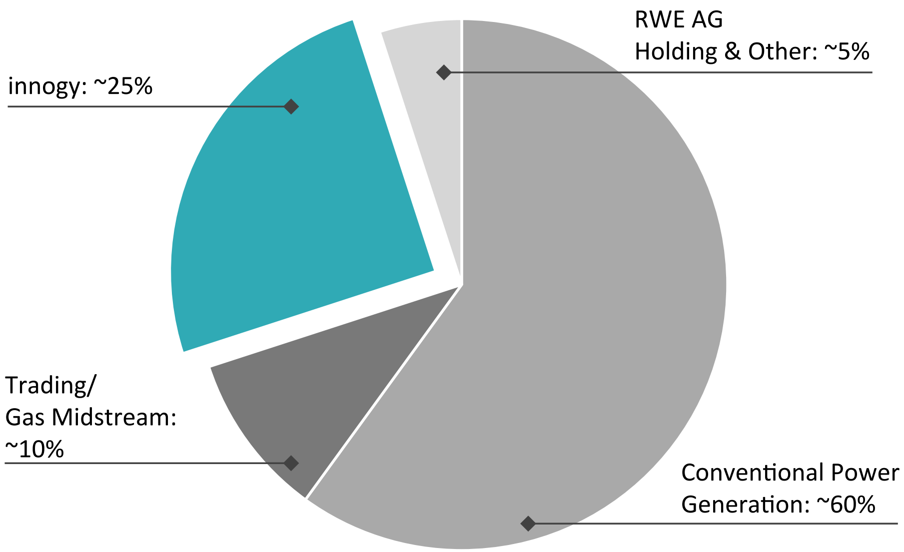
Strong track record in efficiency programmes …

RWE AG efficiency programmes announced since 2012: net benefit by division



€1.6bn
net benefit to RWE AG's Operating Result 2012-15

… to be continued at innogy

- ✓ **Strong track record** in implementing **efficiency enhancement programmes**
- ✓ New programme a **key priority** for innogy management; **full commitment to successful execution**

5 Our key investment principles to safeguard shareholder value

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- Majority of Capex into regulated business
- Focus on growth opportunities in core markets
- Strict investment framework with conservative hurdle rates
- Flexible capital allocation approach: competing projects across segments
- Management incentivised for value creation

Prudent capital allocation and investment profile

5 Focus on attractive shareholder returns

- Attractive dividend policy based on **payout ratio of 70-80%** of Adjusted Net Income[1]
- Payout ratio **supported by strong operating cash flows** and backed by solid financial structure
- Dividend policy **compatible with** innogy's target of an **Investment Grade Rating**
- Anticipated payment of **full dividend** for fiscal year **2016**

70-80% dividend payout ratio[2]

1 Adjusted Net Income generally excludes one-off effects, including the entire Non-Operating Result, as well as associated tax effects.
2 Based on Adjusted Net Income.

innogy's key characteristics – large and stable business with attractive growth prospects

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1	**Unique European asset base –** anchored in Germany, leading positions across many countries	**€13.3bn** total RAB[1]; **+9% increase** expected for German RAB[1]; **23m** customers; **3.6GW** renewables capacity[2]	
2	**Stable business –** well invested to yield largely regulated and predictable returns	**~60%** share of regulated[3] EBITDA	
3	**Resilient financial profile –** backed by strong cash generation and solid capital structure	**~70%** CFOA[4]/EBITDA (average 2013-15)	**~4.0x** target leverage Net Debt/EBITDA
4	**Solid platform for growth –** driven by operational excellence supported by IPO proceeds	**€6-7bn Capex[5]** (2016-18E)	Focus on further **efficiencies**
5	**Focus on value creation**	**70-80%** dividend payout ratio based on Adj. Net Income	**Strict capital discipline**

1 Numbers based on latest notification by regulator or based on calculations in latest filings with regulators. Expected increase in German regulated asset base calculated as RAB 2010/2011 plus net investments (post concession gains/losses) in regulated assets in the years 2010/2011 to 2015/2016E, assuming full recognition by the regulator. Generally, RABs from different regulatory regimes are not directly comparable due to significant methodological differences (e.g. regulatory periods, regulatory depreciation periods). Also, throughout this presentation, RABs are always stated excluding pro-rata share of RAB from participations that are not fully consolidated.
2 As of 31 December 2015; accounting view; includes 3.3GW from Renewables segment (excluding Zephyr portfolio) and 0.3GW renewables capacity from participations related to the Grid & Infrastructure segment.
3 Includes regulated and quasi-regulated business activities.
4 Cash Flow from operating activities after interest and tax.
5 Including financial investments.

Markets & Strategy

Megatrends – driving the transformation of the utility sector

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Climate change

Demographic changes

Accelerating urbanisation

Technological breakthroughs

1 Decarbonisation

- Significant global efforts to reduce carbon dioxide emissions
- Propelling significant growth in renewables underpinned by LCOE[1] reductions
- Focus to date on electricity generation, but will increasingly also impact other sectors (transport, heating)

2 Decentralisation

- Increasing decentralised renewable feed-in is making grid balancing more challenging
- Increasing role and importance of distribution system operators
- Requiring significant investments and smarter grid infrastructure

3 Digitalisation

- Facilitating the decentralised energy world by increasing connectivity and automation
- Empowering retail customers
- Leading to new non-commodity energy service offerings (Energy+)

1 Levelised cost of electricity is a measure of the overall competitiveness of different technologies. It represents the per-kilowatthour cost of building and operating a generating plant over an assumed financial life and duty cycle.

1 Decarbonisation – underpinned by broad policy commitment translating into strong renewables growth

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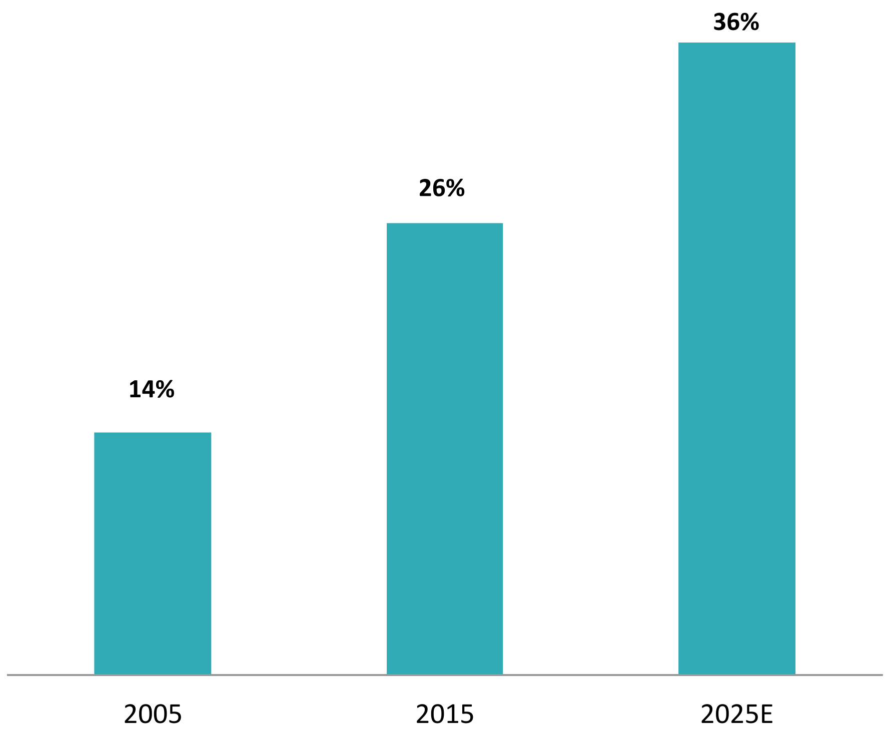
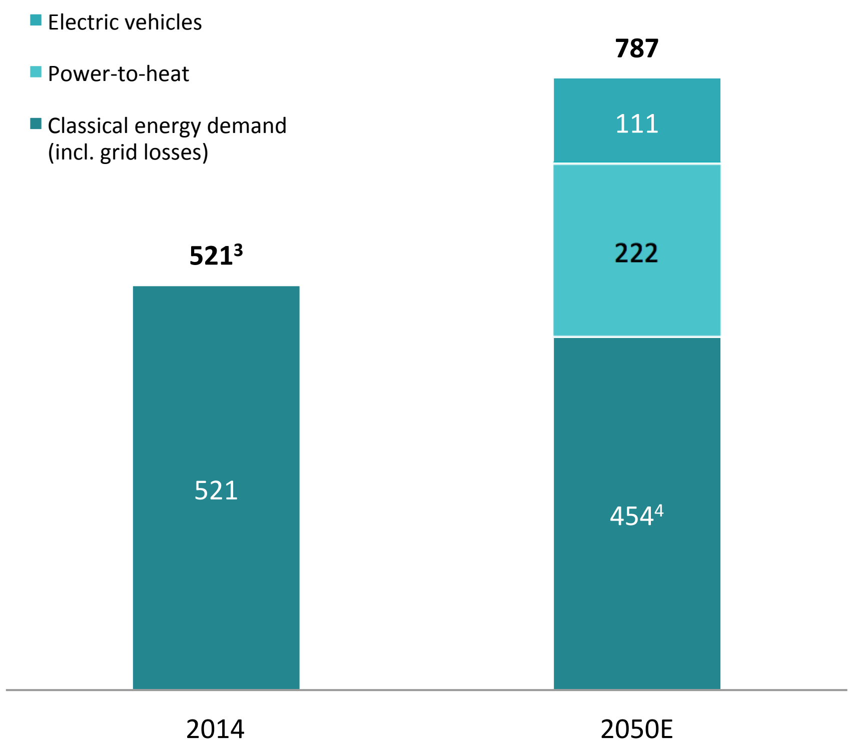
Ambitious growth outlook for renewables[1] …

Share of renewables in European energy production (EU28)



… and rising total electricity demand[2]

Final electricity demand 2015 vs. 2050 (TWh)
Germany as an example



1 Source: European Commission – 'Trends to 2050' (December 2013).
2 Source: ENTSO-E (2015 data), Fraunhofer Institut – 'Interaktion EE-Strom, Wärme und Verkehr', September 2015 (2050E data).
3 Including heat and electric vehicles.
4 Including efficiency gains compared to 2014.

2 Decentralisation – networks need to integrate increasing amounts of scattered renewable feed-in

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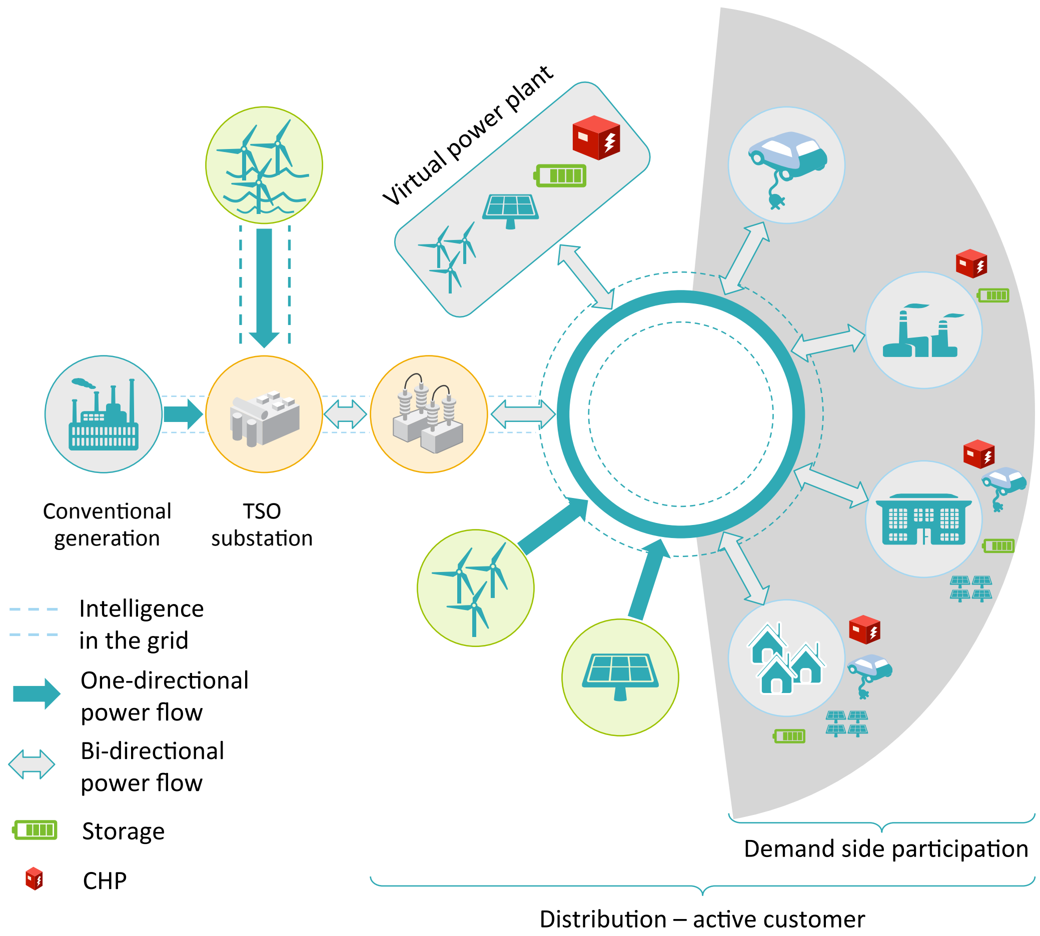
Dynamic system with decentralised generation ...

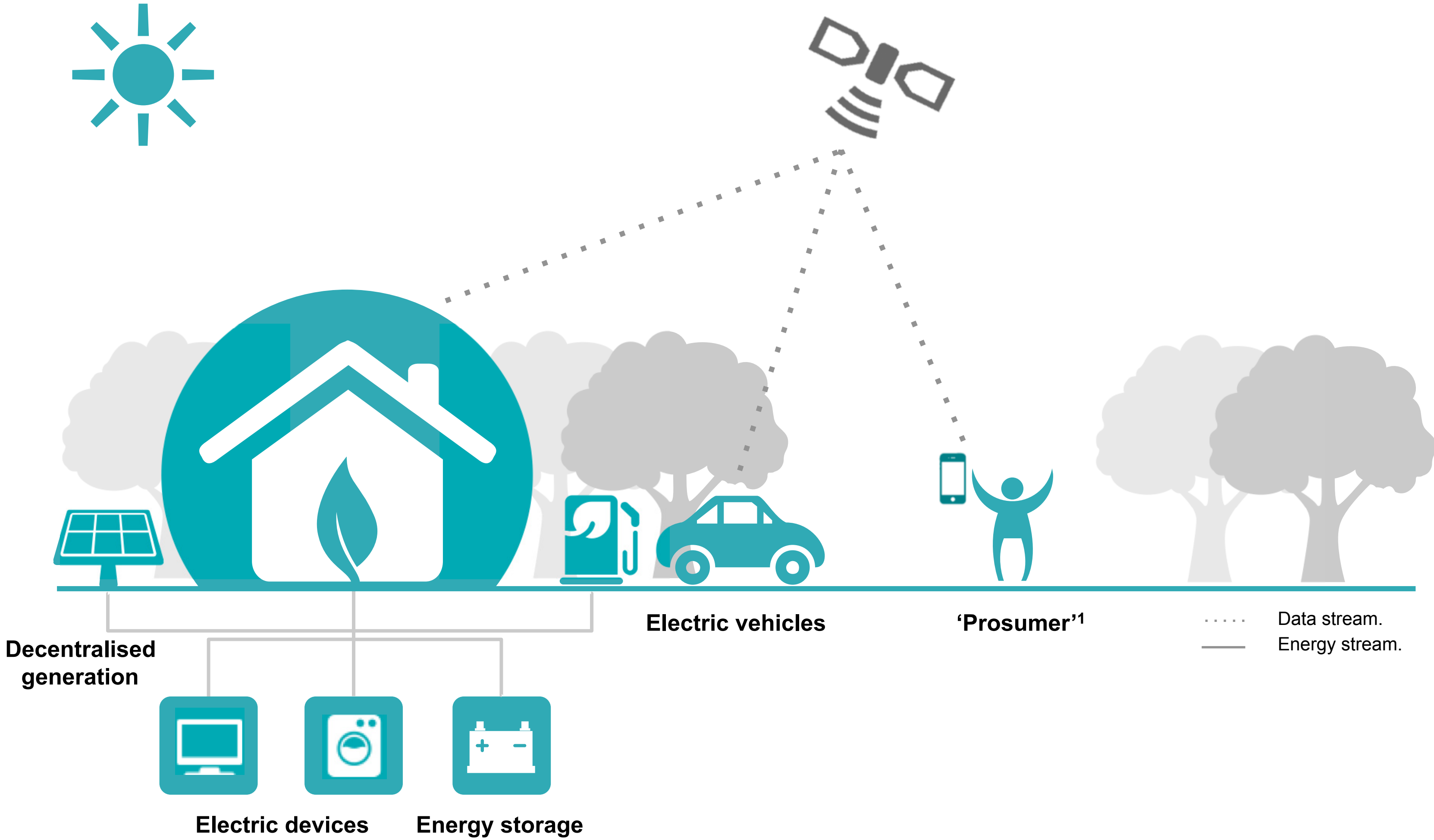


... poses challenges to existing unidirectional system

- Decentralised electricity generation requires high degree of flexibility and state-of-the-art assets
- Automated interaction between individual participants of the distribution grid becomes essential
- New storage capacity required for high shares of renewables in energy generation

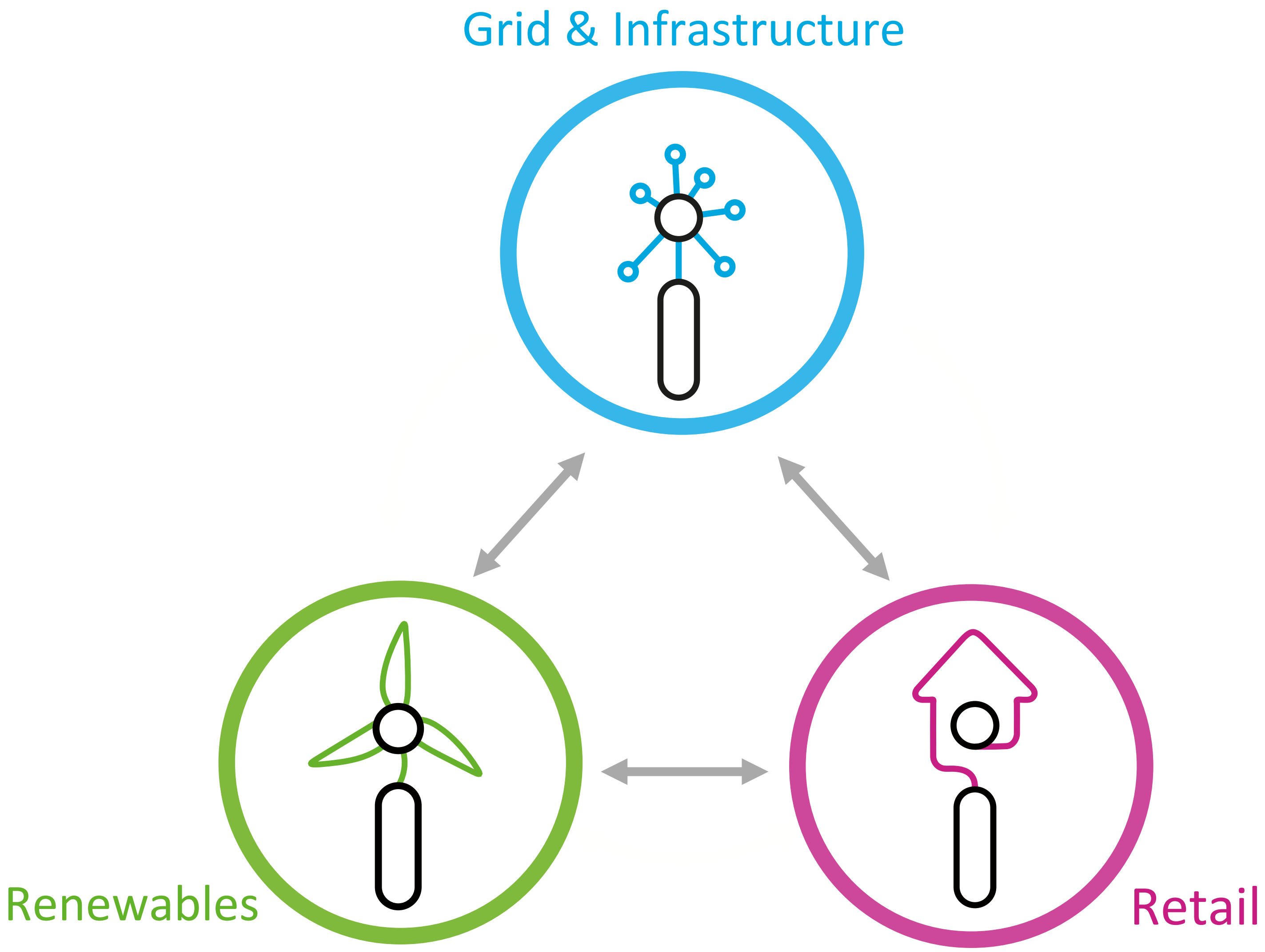
Source: Based on Eurelectric – '10 Steps to Smart Grids'.

3 Digitalisation – enables new energy world, empowers customers and leads to new products



1 Prosumer = producer + consumer.

innogy has the ingredients to be the utility of the future



We aspire to actively drive the transformation of our sector

We are taking measured steps to capture the opportunities of the future

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Create options for the future

- Develop new business models
- Enable innovation

Capture new business opportunities

- Enter new markets and new technologies
- Grow in adjacent business areas

Lever core competencies

- Expand and upgrade existing asset base
- Focus on efficiencies and operational improvements

We are continuing to build on our core competencies

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Grid & Infrastructure

Germany
East

Green investments
– Support the integration of renewable energy sources

Smart investments
– Manage the costs of the energy transition

Retail

Germany
United Kingdom
Netherlands/Belgium
East

Customer focus
– Capture the increased strategic value of customers

Energy+
– Proactively manage emerging customer needs

Renewables

Market opportunities
– Benefit from continued support for renewable energy sources

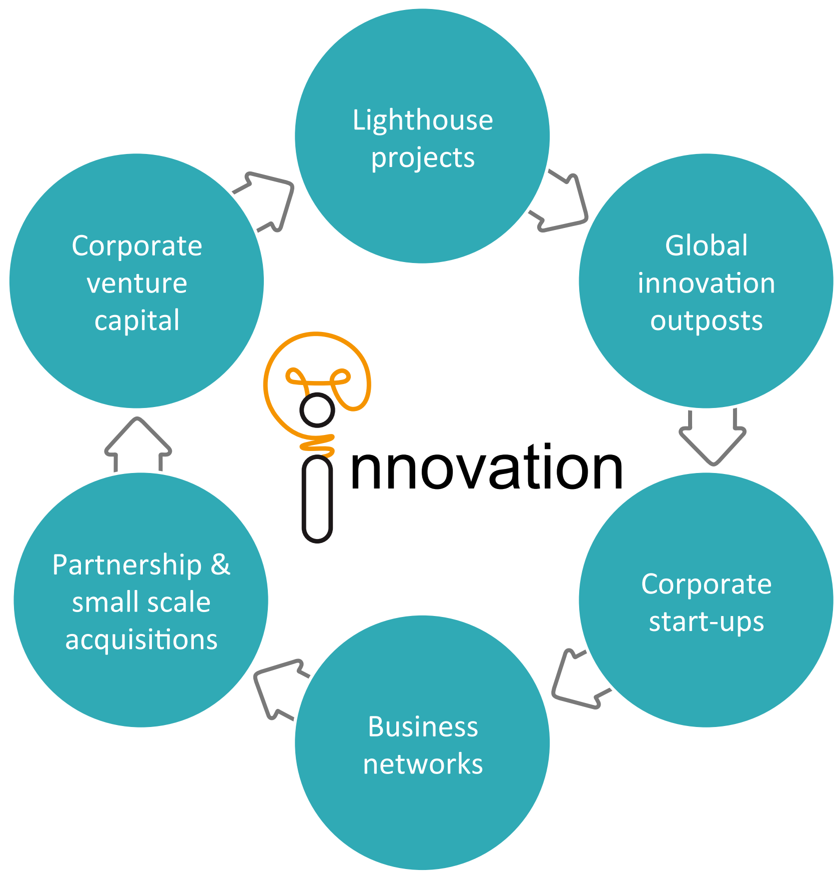
Expansion opportunities
– Growth in new markets and new technologies

Creating options through our multifaceted approach to business model innovation

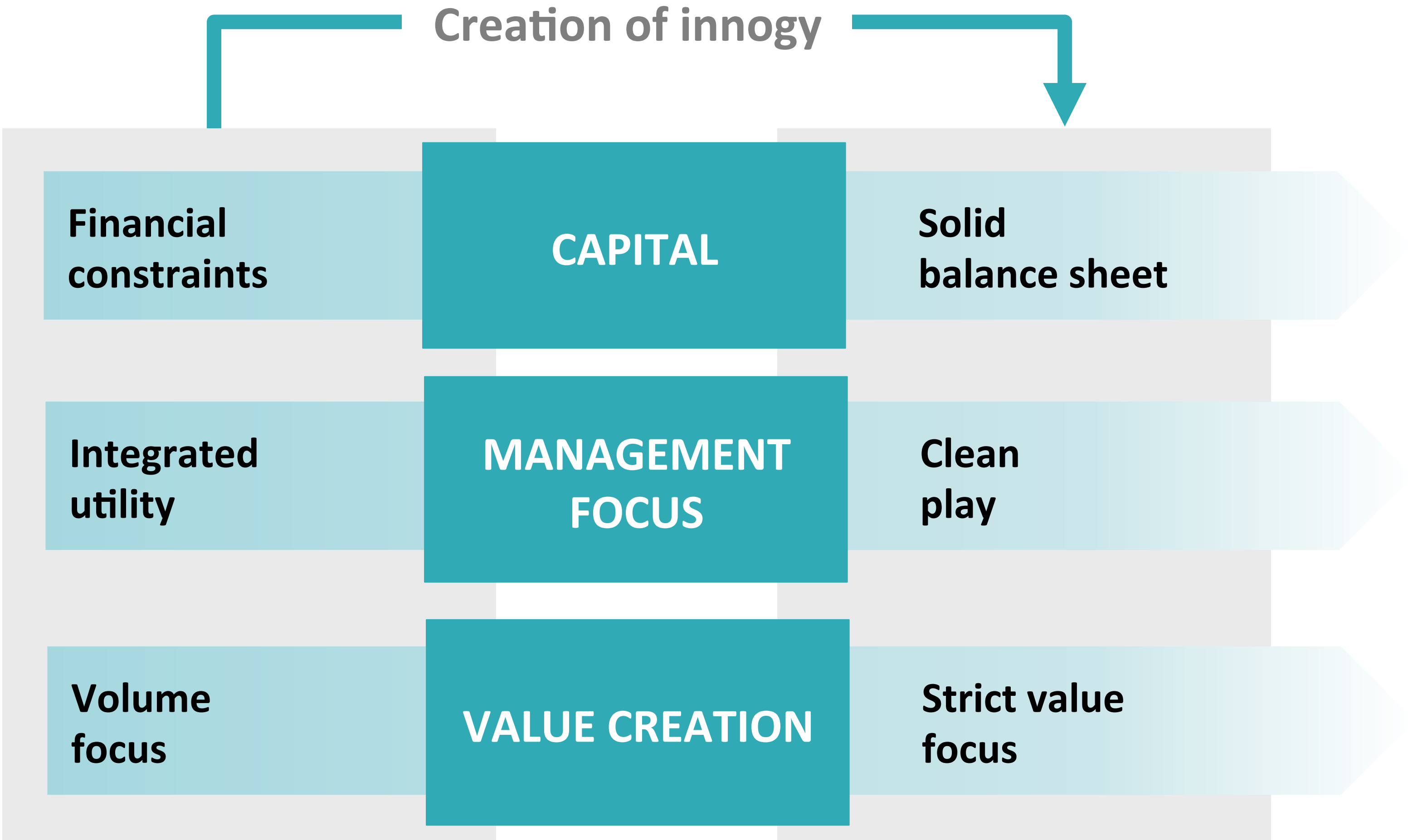
Our innovation activities are designed to accomplish five key tasks …

1. Build innovative business models
2. Define and explore our focus topics
3. Facilitate rapid implementation
4. Forge valuable partnerships
5. Build a culture of innovation

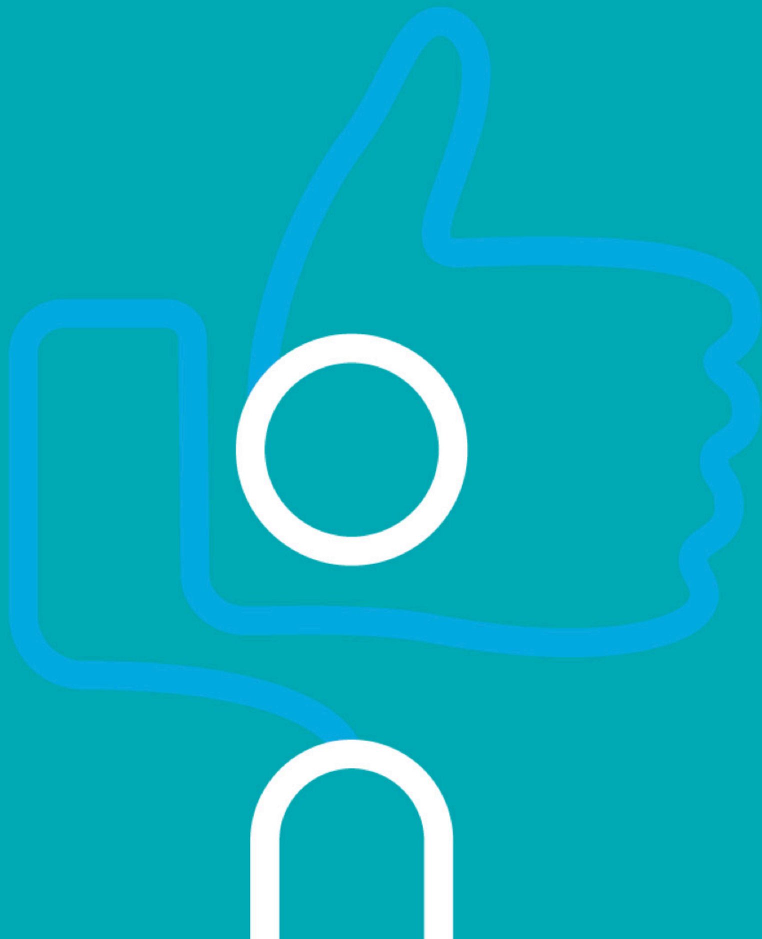
… using a set of complementary approaches



IPO of innogy as catalyst for corporate development



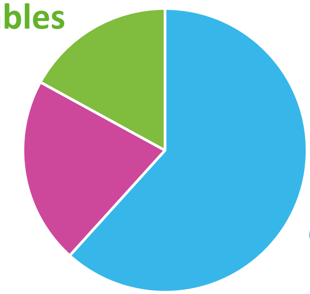
Financial Highlights



Creating value for innogy shareholders – based on stable earnings and a strong financial profile

A stable and attractive earnings profile …

By division[1]



By regulated share

… translates into strong cash generation and a solid capital structure …

CFOA/EBITDA

~70%
avg. 2013-15

Target leverage

~4.0x
Net Debt/
EBITDA

… creating shareholder value

Attractive dividend policy

70-80%
of Adjusted
Net Income
payout ratio

Prudent growth

Strict
investment
criteria

1 Segment breakdown based on sum of operating segment results (€4.7bn). Total includes €(0.2)bn presented as 'Other, consolidation' in the combined financial statements.
2 Includes regulated and quasi-regulated business activities.

Historical financials are reflective of the current scope of innogy – capital structure not yet finalised

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General structure	• Combined Financial Statements for the years 2013, 2014 and 2015: – IFRS financials, audit opinion expected for 1 July 2016 • Consolidated Financials for innogy Group will be prepared as of 1H 2016
Scope of companies	• Based on today's scope of innogy – excluding businesses sold during 2013-15 (e.g. NET4GAS)[1] • innogy Group is composed of RWE's three segments GPO, Retail and Renewables, with only a few carve-out transactions where assets remained with RWE (e.g. Mátra and Markinch)
Capital structure	• 2015 balance sheet not representative of innogy's capitalisation going forward • Final stand-alone capital structure will be established prior to IPO
Other	• One-offs and non-recurring effects in innogy financials affecting comparability of historic performance

1 An exception applies to companies that are part of the business of innogy, e.g. to shares in windfarms that were sold by RWE Innogy, or the sale of certain entities with the simultaneous signing of a long-term supply contract that just resulted in a change of the sales channel during the reporting periods of the combined financial statements. These entities are included in the combined financial statements until their respective sales.

innogy is a big player with strong and stable EBITDA and Operating Result

innogy

Reconciliation from EBITDA to Net Income

€m	2013	2014	2015
EBITDA	**4,194**	**4,297**	**4,521**
Operating D&A[1]	(1,350)	(1,438)	(1,471)
Operating Result	**2,844**	**2,859**	**3,050**
Non-Operating Result	(832)	(83)	50
Financial Result	(567)	(555)	(302)
Income before tax	**1,445**	**2,221**	**2,798**
Taxes on Income	(551)	(523)	(860)
Effective Tax Rate	*38.1%*	*23.5%*	*30.7%*
Income	**894**	**1,698**	**1,938**
t/o Non-Controlling Interests	*230*	*231*	*325*
Net Income	**664**	**1,467**	**1,613**

Not representative yet

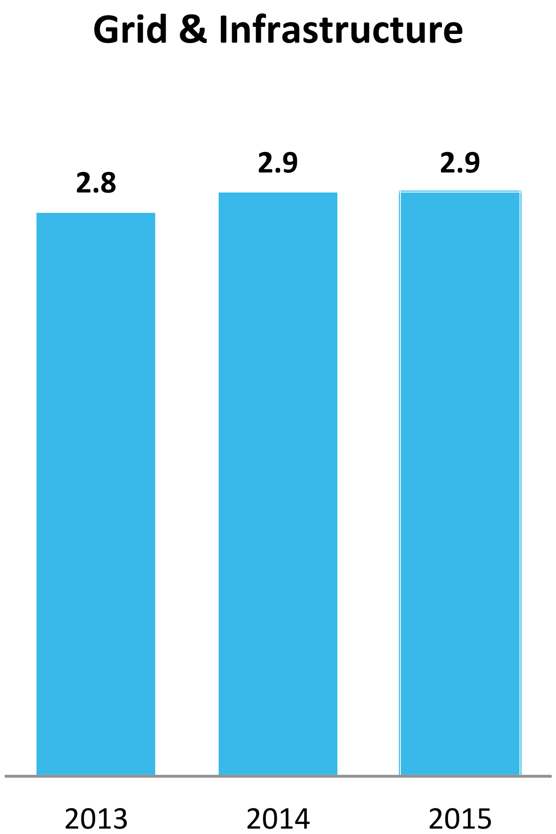
Highlights

- 2013-15 EBITDA growth driven by **strong increase in Renewables and Retail Germany**, partly offset by **adverse development in Retail UK**
- **Non-operating result** in 2013 includes impairments for German Wind Offshore and Spanish Wind Onshore
- **Financial result not representative** of target capital structure post-IPO
- **Effective tax rate adversely impacted by special effects** incl. non-usability of tax assets and not taking account of potential from tax groups in Germany

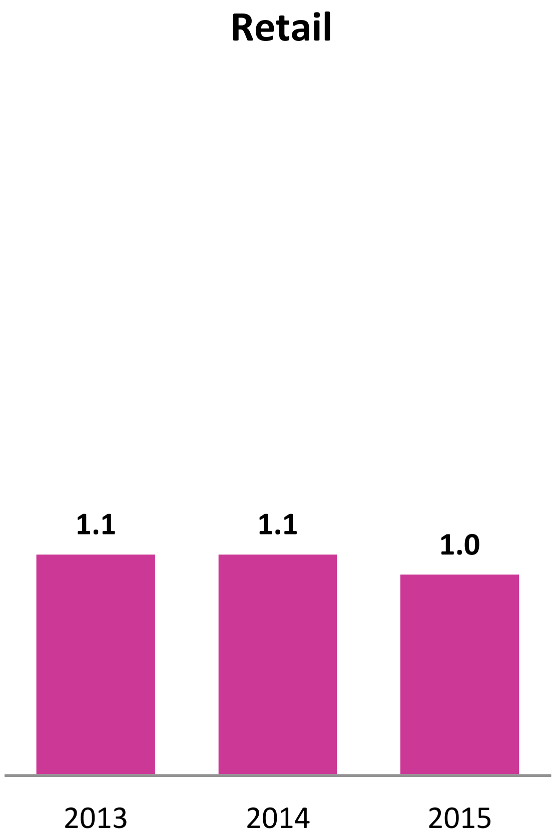
1 Depreciation & Amortisation.

innogy is infrastructure-like with roughly 60% regulated[1] earnings driven by stable grid business

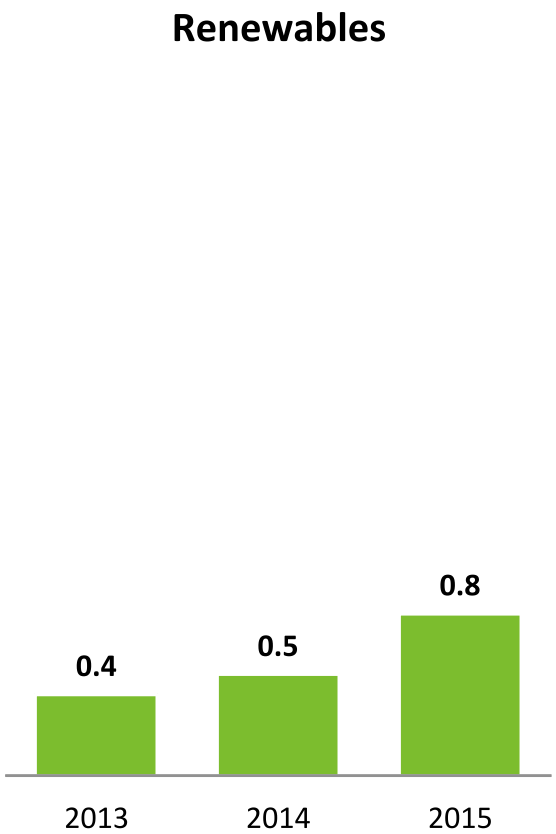
EBITDA development



Share of regulated EBITDA 2015 **>80%**



Capex intensity[2] 2015 **29%**



Share of quasi-regulated[3] EBITDA 2015 **~60%**

1 Includes regulated and quasi-regulated business activities.
2 Capex intensity = Capex/EBITDA.
3 Includes long-term contracts.

Grid & Infrastructure – stable regulatory returns with focus on operational excellence

innogy

€m	2013	2014	2015
EBITDA	**2,790**	**2,861**	**2,878**
t/o operating income from investments[1]	*299*	*301*	*294*
Operating D&A	(852)	(957)	(948)
Operating Result	**1,938**	**1,904**	**1,930**
Capex	(1,117)	(1,131)	(1,305)

Comments

- Regulatory asset base of €13.3bn[2]
- Underlying G&I earnings reflective of stable nature of business and reliable regulatory frameworks in Germany and Eastern European countries
- Ongoing focus on efficiency improvements
- Capex increase in 2015 driven by intensified measures to improve electricity and gas networks
- Capex constantly exceeding operating D&A

1 Income from not fully consolidated participations.
2 Generally, RABs from different regulatory regimes are not directly comparable due to significant methodological differences (e.g. regulatory periods, regulatory depreciation periods). Also, throughout this presentation, RABs are always stated excluding pro-rata share of RAB from participations that are not fully consolidated. Numbers based on latest notification by regulator or based on calculations in latest filings with regulators.

Retail – reliable earnings contribution from Germany, Netherlands/Belgium and East; focus on UK turnaround

innogy

€m	2013	2014	2015
EBITDA	**1,113**	**1,069**	**988**
Operating D&A	(182)	(162)	(158)
Operating Result	**931**	**907**	**830**
Capex	(158)	(212)	(287)

Comments

- A leading market position in Germany – largest and growing earnings contributor
- Strong market position in stable Dutch and Belgian markets
- Growing Eastern markets show strong profit contribution and provide optionality for cross-selling
- Adverse EBITDA development 2013-15 driven by UK, mainly from billing issues and customer losses
- Focus remains on UK: recovery well on track with operational KPIs showing significant improvements already
- Retail business generally highly cash generative and capital light; majority of funds invested in IT and Energy+

Renewables – strong track record of growth supported by successful partnering approach

innogy

€m	2013	2014	2015
EBITDA	**448**	**524**	**818**
Operating D&A	(248)	(271)	(330)
Operating Result	**200**	**253**	**488**
Capex	(975)	(677)	(404)

Comments

- Increase in EBITDA particularly driven by commissioning of offshore wind farms Nordsee Ost and Gwynt y Môr in 2015
- 2015 EBITDA included ~€120m gain from disposal of Galloper stake and Gwynt y Môr OFTO[1] assets
- Capex spending significantly reduced between 2013-15, mainly as a result of RWE's overall Capex discipline
- Recent focus on partnering approach, in particular in Wind Offshore, to reduce Capex and optimise risk-return profile

1 Offshore Transmission Owner.

Strong cash generation with a CFOA/EBITDA of around 70% post tax on average

€bn	2013	2014	2015
EBITDA	4.2	4.3	4.5
Funds from Operations (FFO)	**3.3**	**2.9**	**2.5**
Changes in working capital	0.3	0.1	0.2
Cash flows from operating activities (CFOA)	**3.7**	**3.0**	**2.8**
Capex[1]	(2.3)	(2.1)	(2.0)
Free Cash Flow	**1.4**	**0.9**	**0.7**

Comments

Operating Cash Flow

- Funds from operations (FFO) declines among others due to
  - higher use of provisions
  - deterioration in the UK retail business
  - higher tax in 2014 and 2015 compared to 2013, partly driven by one-offs
- Working capital with low volatility in absolute terms

Capex

- Mainly lower Capex in Renewables after finalisation of major investment projects (Nordsee Ost and Gwynt y Môr)

Note: Rounding differences may occur.
1 Capex on intangible assets, property, plant and equipment

Robust stand-alone capital structure for innogy to be created prior to the IPO – target leverage of around 4.0x

innogy

Expected changes prior to IPO

Equity		• **Equity to decrease significantly** as a result of intercompany transactions
Selected Net Debt items	Cash	• **Cash & cash equivalents:** Changes – in addition to normal cash flow movements – due to – intercompany transactions – capital contribution prior to set-up of target capital structure
	Financial assets	• **Other financial assets:** significant changes – settlement of majority of intercompany receivables
	Financial debt	• **External debt to decrease by ~€800m** due to bond repayment[1] (along with reduction in other financial assets) • **Intercompany debt** to change as a result of transactions
	Pension provisions	• Potential effects from **change in discount rates** as well as additional transfers of employees

Target leverage

- Capital structure calibrated to achieve:

~4.0x
Net Debt/
EBITDA

1 April 2016

innogy to achieve independent access to funding

innogy

Overarching goal: standalone access to debt capital markets

All senior financial debt to be moved to innogy

Hybrids will stay with RWE AG

Ambition for an independent rating for innogy as soon as possible

Financial discipline and strict investment criteria: foundation for growing shareholder value

innogy

Investment focus

Grid & Infrastructure

- ‘Green’ investments in grid infrastructure driven by energy transition in Germany
- ‘Smart’ maintenance driven by digitalisation
- Growth in selected markets

Retail

- Market entry in adjacent markets
- ‘Smart’ investments in technologies partly backed by public grants
- ‘New Products’ driven by changing role of consumers

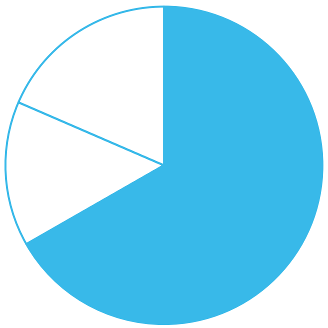
Renewables

- Execute current pipeline mainly in wind
- Existing technologies in new markets
- New technology: utility scale solar

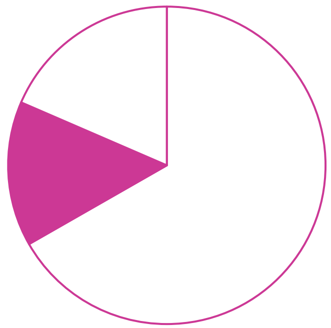
€6-7bn planned Capex[1] 2016-2018E

Indicative Capex split 2016-2018E

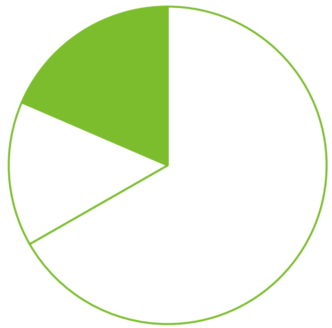
Grid & Infrastructure



Retail



Renewables



ROI hurdle rates[2]

Grid & Infrastructure	Retail	Renewables
5% - 7%	**7% - 8%**	**5% - 8%** core business **5% - 15%** new markets/new technologies

1 Including financial investments.
2 Hurdle rates = after-tax WACC + project risk adjustment + country risk adjustment; ranges illustrative for investments based on current business scope.

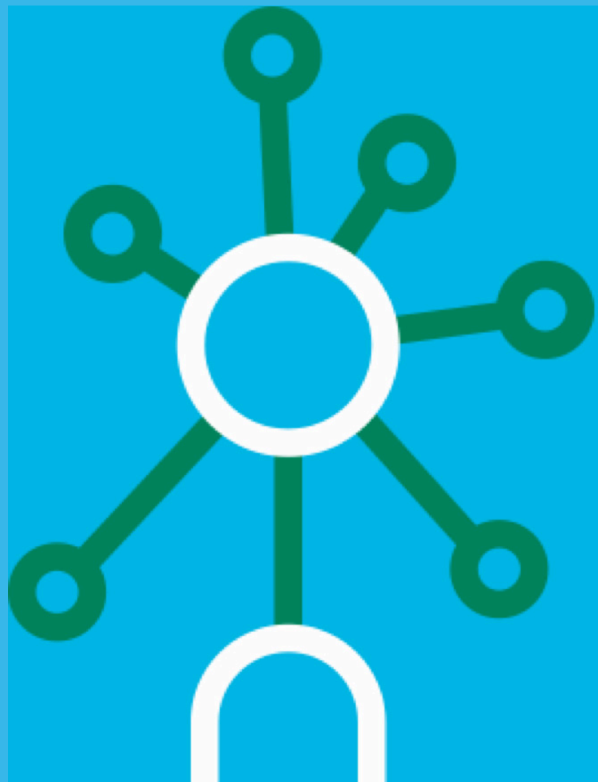
innogy's financial profile – three takeaways

innogy

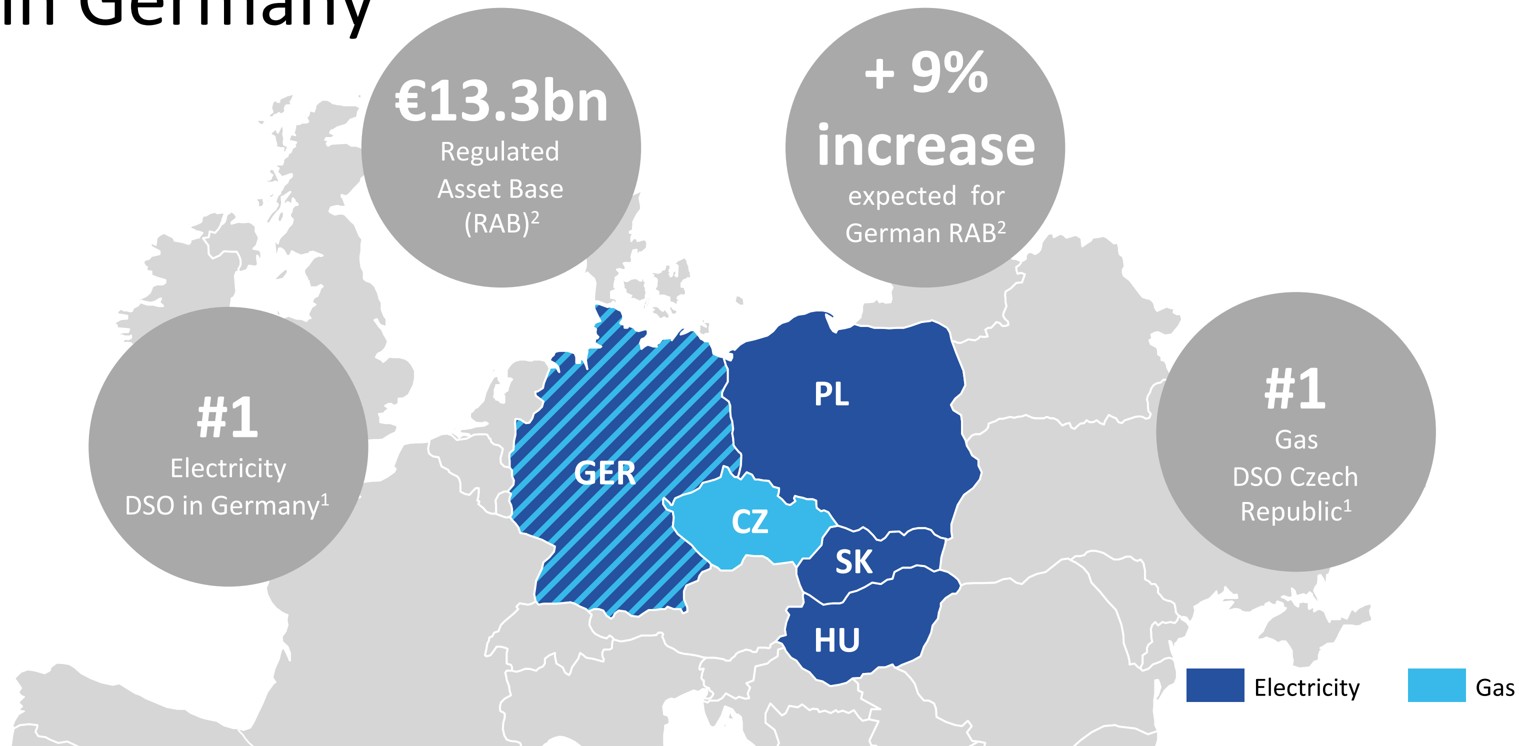
1	**Stable and highly regulated earnings**	**~60%** share of regulated[1] EBITDA	
2	**Strong cash generation and solid capital structure**	**~70%** CFOA/EBITDA (average 2013-15)	**~4.0x** target leverage Net Debt/EBITDA
3	**Shareholder value creation**	**70-80%** dividend payout ratio based on Adj. Net Income	**Strict capital discipline**

1 Includes regulated and quasi-regulated business activities.

Grid & Infrastructure



A leading European distribution grid operator anchored in Germany



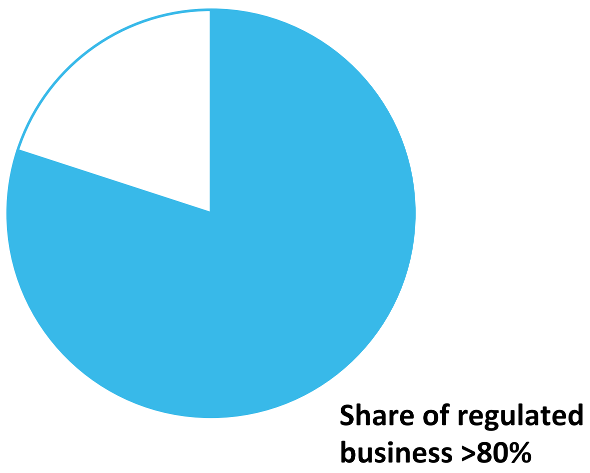
	GER	GER	CZ	HU	PL	SK
Distributed volume (GWh)	**142,000**	**73,000**	**66,500**	**16,800**	**7,200**	**3,700**
Grid customers (m)[3]	9.3	1.0	2.3	2.3	1.0	0.6
Grid area ('000 km^2)	92	35	46	20	0.5	16
Grid length ('000 km)[4]	356	47	65	67	17	22
RAB (local GAAP)[2]	**€9.7bn**		**€1.6bn**	**€0.9bn**	**€0.7bn**	**€0.5bn**

Note: All figures (except for RAB) as per 2015. Rounding differences may occur.
1 Based on distributed volume.
2 Numbers based on latest notification by regulator or based on calculations in latest filings with regulators. Expected increase in German regulated asset base calculated as RAB 2010/2011 plus net investments (post concession gains/losses) in regulated assets in the years 2010/2011 to 2015/2016E, assuming full recognition by the regulator. Generally, RABs from different regulatory regimes are not directly comparable due to significant methodological differences (e.g. regulatory periods, regulatory depreciation periods). Also, throughout this presentation, RABs are always stated excluding pro-rata share of RAB from participations that are not fully consolidated.
3 Grid customers are defined as supplied delivery points.
4 Based on operated grid.

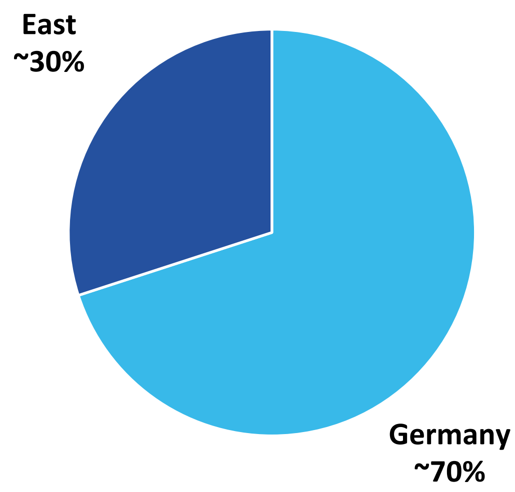
G&I with largely regulated and predictable earnings accounting for over 60% of innogy Group EBITDA

Breakdown of FY2015 EBITDA

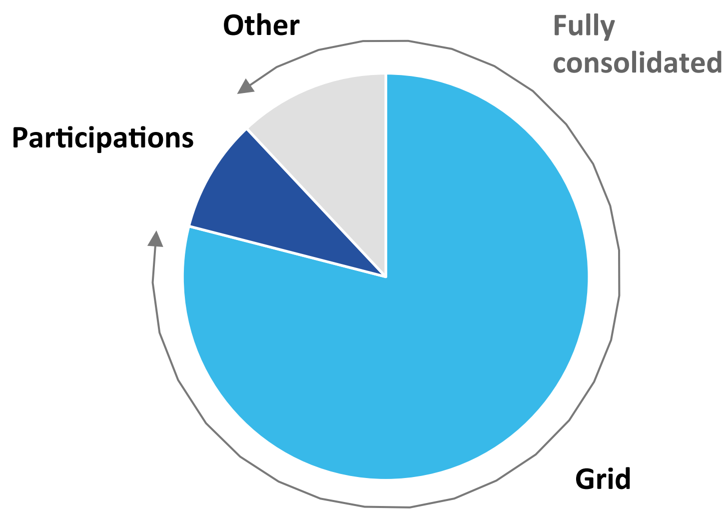
By regulated business



By geography



By area



2015 EBITDA: €2.9bn

- ✓ No. 1 electricity DSO in Germany[1]
- ✓ Strong track record of profitable growth in Eastern Europe
- ✓ High share of regulated business

1 In terms of distributed volume. As of 2015.

Clear strategic imperatives – efficiency and capitalising on regulatory expertise to drive earnings growth

innogy

B Operational excellence

- Exploit operational synergies from scale of business and best-practice transfer
- Drive efficiency via further digitalisation and process optimisation

A Regulatory management

- Stable regulatory framework leads to predictable earnings
- Close interaction with regulators as proven way to prepare for regulatory change

C Business development

- Optimised Capex strategy for sustained earnings growth across markets
- Anticipate changing role of DSO and benefit from new business models
- Small scale acquisitions

A German incentive regulation provides for a predictable and stable remuneration framework

innogy

Cornerstones of German network regulation

- Ex-ante revenue cap regulation
- Cost recognition based on actual DSO's cost base
- RAB remuneration determined for entire regulatory period
- Remuneration mechanisms for green investments

Current discussion on regulatory review for 3rd regulatory period

- Elimination of time-lag for investments
- Shortening adoption time for eliminating inefficiency
- Setting of new imputed return on equity
- Adjustment of productivity development

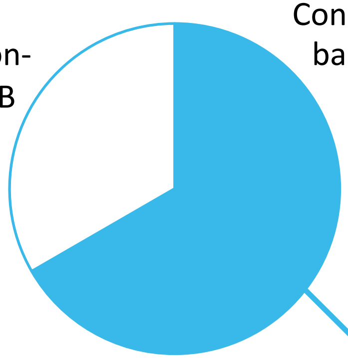
A Concession renewals – a process well managed by innogy

innogy

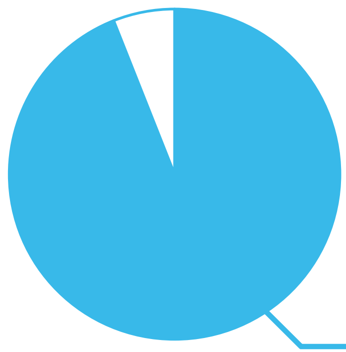
Concession awarding process overview

Call for applications	First round	Second round	Decision
• **Official announcement** about new concession contract prior to expiration • **Submission** of call for **expressions of interest** for concession contract by interested parties	• Interested parties to give **proof of suitability** • Announcement of **grid data and award criteria** by municipality • **Submission of tentative offer**	• **Negotiation** • **Submission of binding offer**	• **Rating** based on announced award criteria • **Announcement** on selection decision • **Conclusion of concession contract**

Overview of innogy's existing concessions



~1/3 of German RAB not based on concessions, thus providing further **earnings stability**



Strong concession portfolio

Total concessions[2] ~3,800

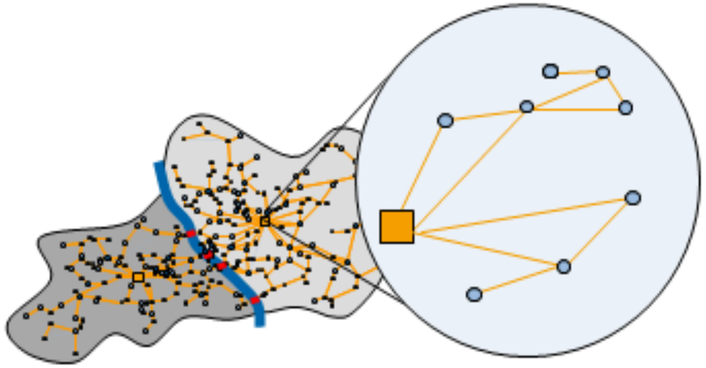
1 Refers to grid participations for which an innogy entity is the grid operator.
2 Based on 2015A. Includes electricity, gas and water concessions.

B Smart replacement investments – further enhancing operational performance and RAB development

innogy

Optimisation of distribution grids[1] …

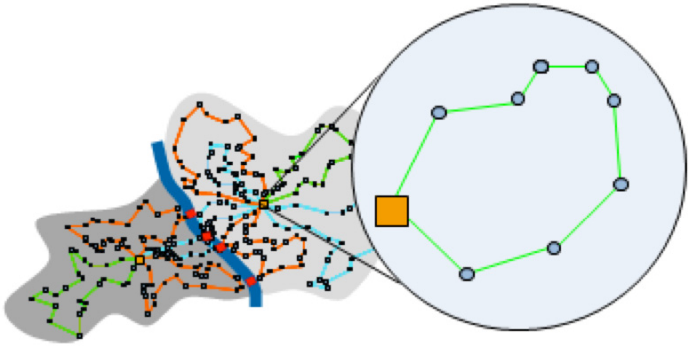
Before



Optimisation of

✓ **Investments** ✓ **O&M costs**

After

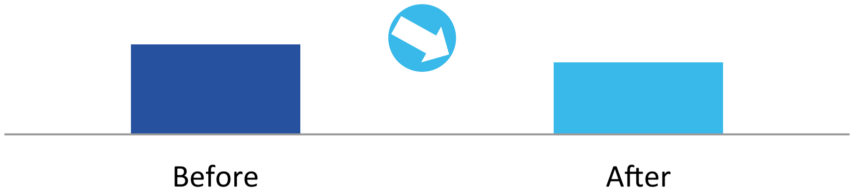


✓ **Constantly improving operational performance through smart replacement Capex**

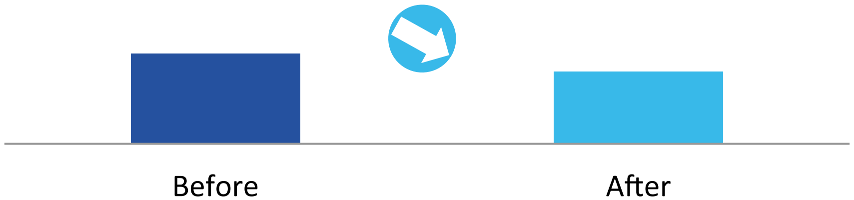
… leading to increased operational efficiency and reduced O&M costs

Improvement of operating metrics

Grid length (km)



Switchgears (#)



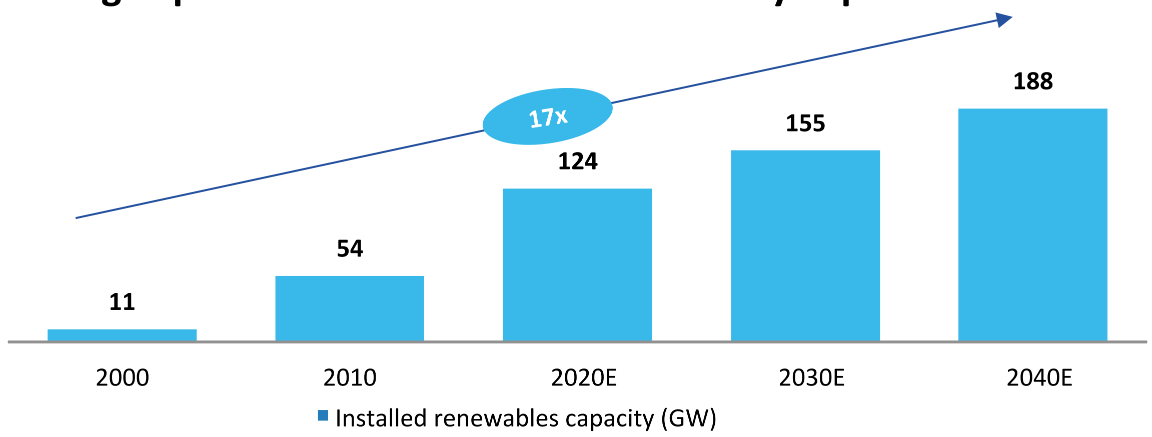
Degree of cabling[2] (%)

1 Optimisation example of a medium voltage distribution grid.
2 Degree of cabling = underground cables/total grid length.

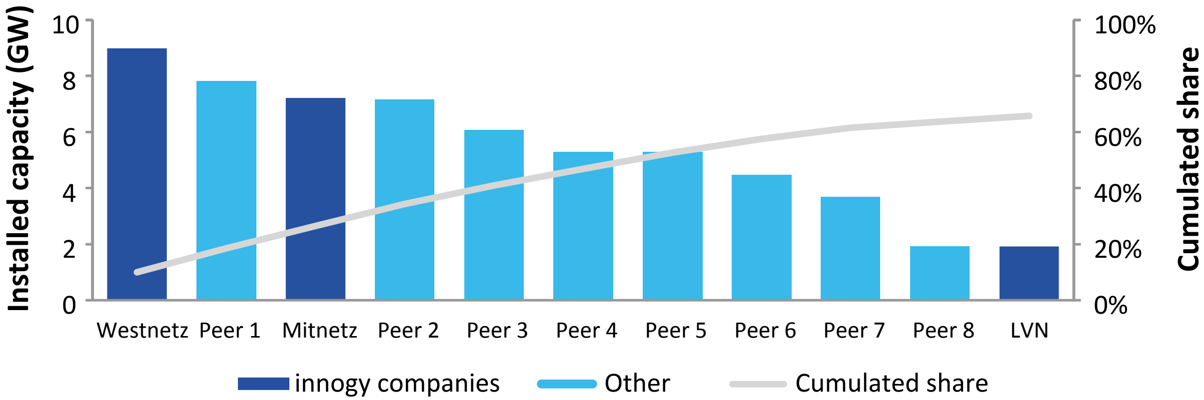
C German 'Energiewende' opens up growth opportunities for distribution grids

innogy

Strong expansion of renewables in Germany expected[1]



Largest network operators – integrated decentral renewables capacity[2]



€23 - 49bn

investment needs in distribution grids until 2032 as **opportunity for RAB growth**[3]

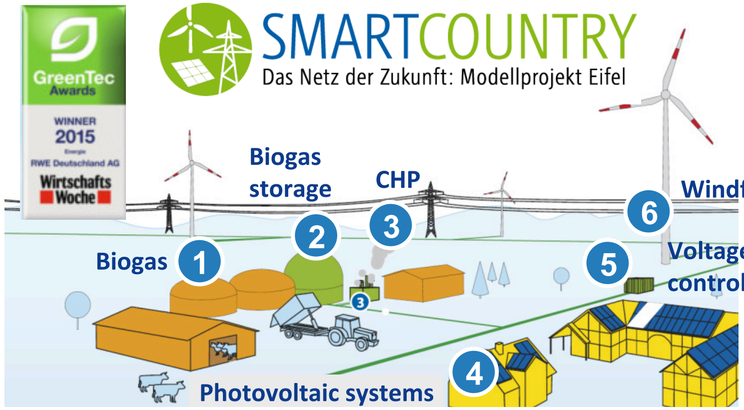
- **DSOs** will play a **central role in** integrating and coordinating **the transition towards renewables**
- **innogy at the forefront** of this development
- **Among the leading RES-integrators** in Germany
- **Smart technology** expected to enable **affordable expansion** of grid infrastructure

1 Source: CERA. Excludes conventional hydro (pumped storage).
2 Source: EnergyMap.info; largest German network operators in terms of integrated decentral RES capacity as of August 2015.
3 Source: 'Moderne Verteilernetze für Deutschland' (Verteilernetzstudie) – study for the German Ministry of Economics and Energy (BMWi).

C innogy has multiple innovative tools in place to enable the ‘Energiewende’

innogy

Smart Country

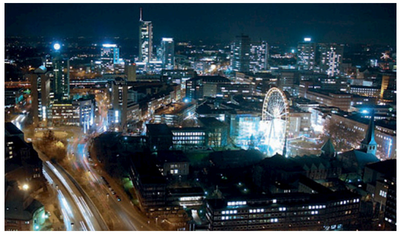


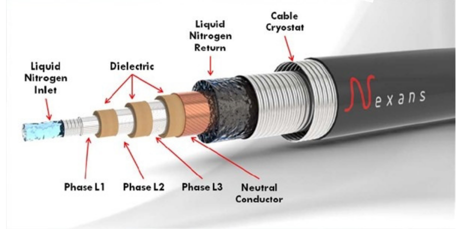
✓ Successful smart grid solution for rural areas

AMPACITY

AMPACITY
Intelligente Netze für die Stadt

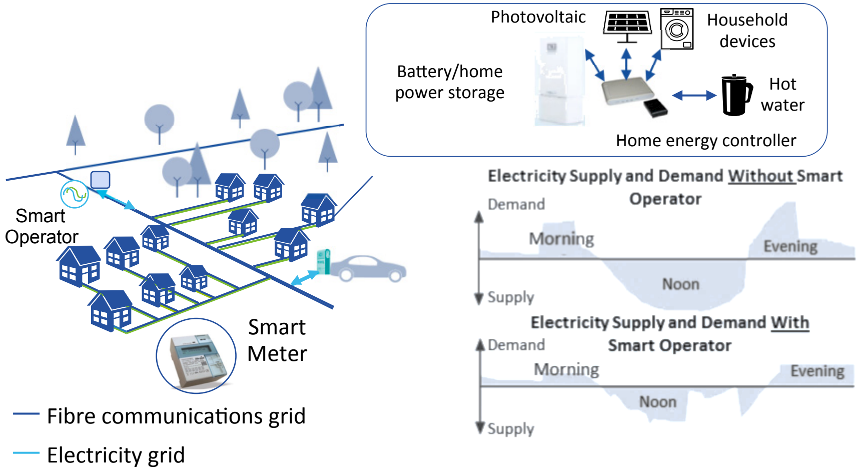
Awarded KU Der Innovationspreis für Klima und Umwelt 2015





✓ High-end technology using superconductivity

Smart Operator



✓ More ‘intelligent’ solutions in the low voltage grid

Storage solutions

Example storage projects

ElChe Wettringen
- Lithium-Ion-storage battery (250 kW/1 MWh)

Smart Power Flow
- Vanadium-Redox-Flow-battery (200 kW, 400 kWh)

Power2Gas Ibbenbüren
- 150 kW_{el}, hydrogen production of 30 m^3/h

✓ Cost-efficient and flexible energy storage solutions

Leading positions in Eastern markets based on diverse electricity and gas portfolio in four different countries

	CZ	HU	PL	SK
Distributed volume (GWh)	**66,500**	**16,800**	**7,200**	**3,700**
Grid customers (m)	2.3	2.3	1.0	0.6
Grid area ('000 km²)	46	20	0.5	16
Grid length ('000 km)	65	67	17	22
RAB (local GAAP)[1]	**€1.6bn**	**€0.9bn**	**€0.7bn**	**€0.5bn**

Note: All figures as per 2015.
1 Generally, RABs from different regulatory regimes are not directly comparable due to significant methodological differences (e.g. regulatory periods, regulatory depreciation periods). Also, throughout this presentation, RABs are always stated excluding pro-rata share of RAB from participations that are not fully consolidated. Numbers based on latest notification by regulator or based on calculations in latest filings with regulators.

A Regulation diversified across countries with near-term stability of regulatory parameters

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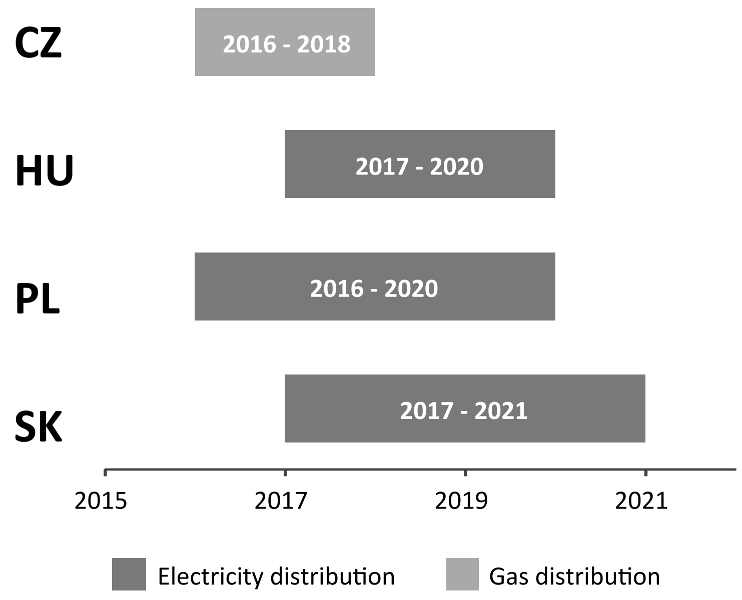
Regulatory model overview

- **Transparent** regulatory framework
- **Close interaction** with regulators based on years of trust and reliability
- Similar formulae for regulated revenues/prices in all four countries
- **Stable returns from RAB**
  - For 2/3 of East RAB (CZ/PL) confirmed until 2018/2020 due to regulatory periods starting in 2016
  - For 1/3 of East RAB (SK/HU) constructive discussions ongoing on new regulatory period starting 2017

Regulatory period overview

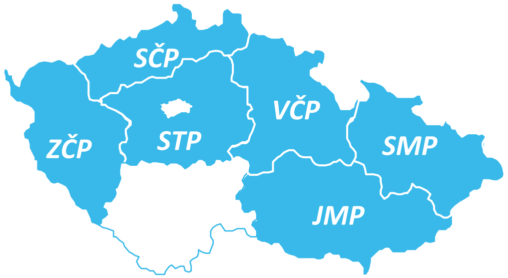


Largest RABs in stable countries → **Broadly similar regulation systems** → **Overlapping regulatory periods provide stability**

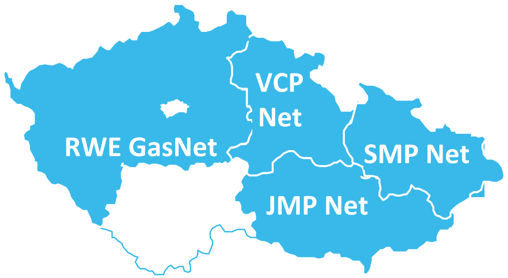
B Proven track record of successful business integration and cost efficiencies

The way to one entity in Czech Republic

2002



2009



2013

2002
Six regional integrated companies

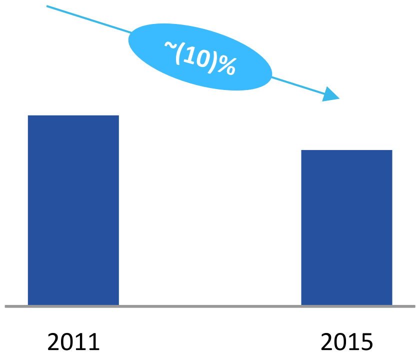
2007
Six regional DSOs

2009
RWE GasNet + three regional DSOs

2013
RWE GasNet

Success story Czech Republic

Employee development (avg. # of FTEs, indexed vs. 2011)



- **Significant simplification of legal and governance structures**
- **Strong improvement** of operational efficiency, also manifested in reduced headcount

Partnership

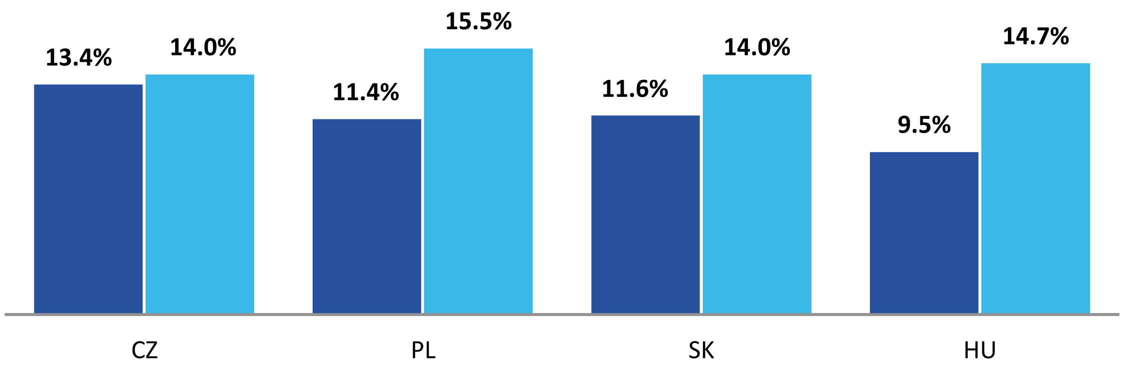
- **2013: Macquarie** becomes **co-shareholder** (34.96%) in RWE Grid Holding
- **2015: Macquarie increases** its **co-shareholding** to 49.96%

- **Establishment of a successful partnership with Macquarie**
- **Continuous focus on operational cost efficiency**

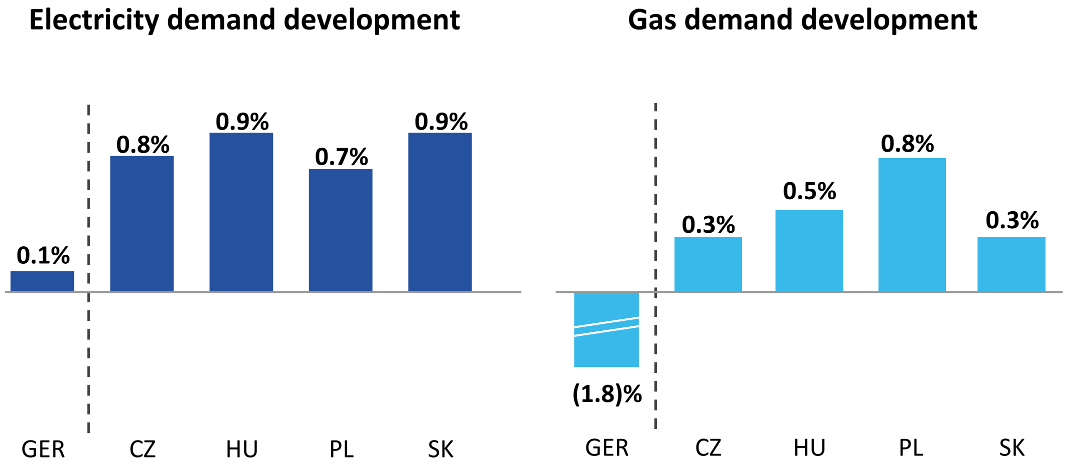
C Economic and policy developments provide distinct growth opportunities in Eastern Europe

innogy

National renewables targets[1]



Electricity and gas demand development: 2015-2030[2]



- **Significantly stronger** electricity and gas **demand growth** in Eastern European countries vs. Germany
- **Renewables targets** will require increasing **integration into distribution networks**
- **First policy implications** can be seen in CEE legislation requiring national **smart meter rollout**
- **Ability to leverage know-how** acquired through the management of the German 'Energiewende'

1 Source: Eurostat (actuals), National Renewables Action Plans (targets). Figures stated represent the national target set out in the respective document (*'overall RES share'*).
2 Electricity – predicted consumption ENTSO-E TYNDP 2016, average of extreme scenarios, CAGR 2015-2030 (own calculation). Gas – predicted consumption ENTSO-G TYNDP 2015, average of consumption without electricity generation scenarios, CAGR 2015-2030 (own calculation).

Grid & Infrastructure – key takeaways

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Stability	1	**A leading European distribution grid operator**	**€13.3bn** RAB[1] / **9% RAB increase** expected for German RAB[1]
Stability	2	**Predictable, regulated earnings contribution** – secured by stable regulatory frameworks	**9.05%[2] until 2017/18** return on equity for current regulatory period in Germany
Perfor-mance	3	**Highly efficient operations** with excellent network reliability	**~97%** efficiency factor in Germany
Growth	4	**Investment opportunities** from renewables expansion	**Among the leading RES-integrators in Germany**
Growth	5	Further **growth** through **dedicated investments** as key driver for **regulated profit growth**	**€3.6bn** 2013-15 G&I Capex

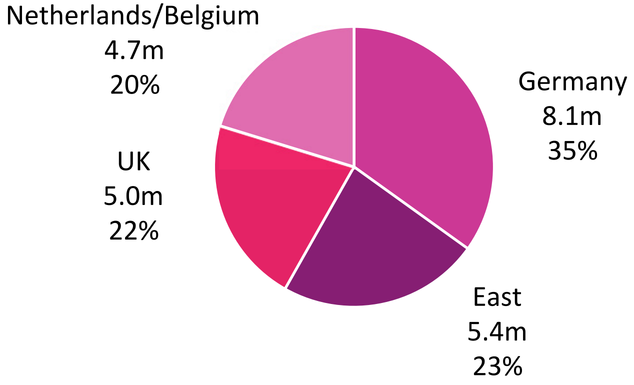
1 Numbers based on latest notification by regulator based on calculations in latest filings with regulators. Expected increase in German regulated asset base calculated as RAB 2010/2011 plus net investments (post concession gains/losses) in regulated assets in the years 2010/2011 to 2015/2016E, assuming full recognition by the regulator. Generally, RABs from different regulatory regimes are not directly comparable due to significant methodological differences (e.g. regulatory periods, regulatory depreciation periods). Also, throughout this presentation, RABs are always stated excluding pro-rata share of RAB from participations that are not fully consolidated.
2 Return on equity on existing RAB until 2017/18 according to German ARegV for new assets (post 2006); 7.14% for old assets (pre 2006); stated returns pre corporate tax.

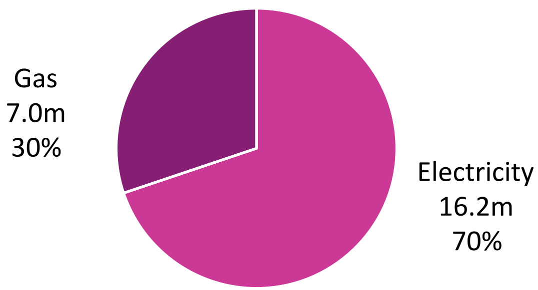
Retail

European leader serving 23m customers[1] with energy and Energy+ products

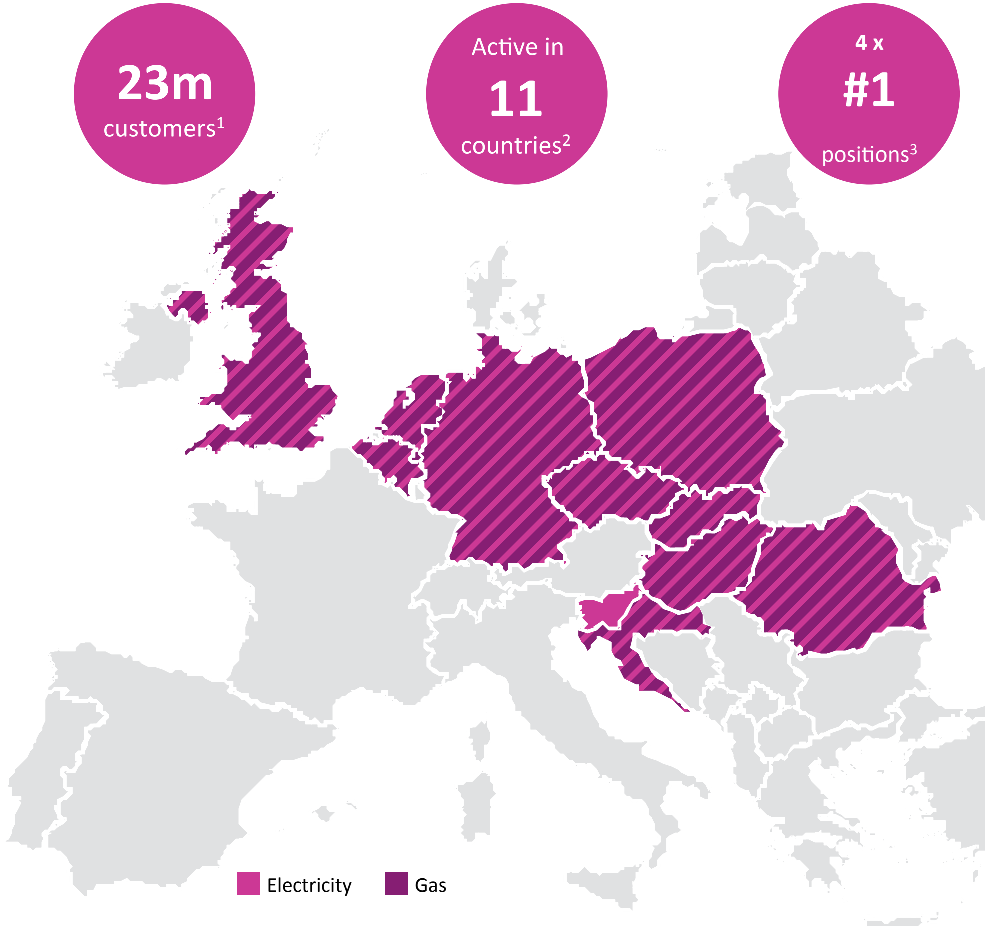
Diversified electricity and gas customer base

contracts 2015





Total
23m customers

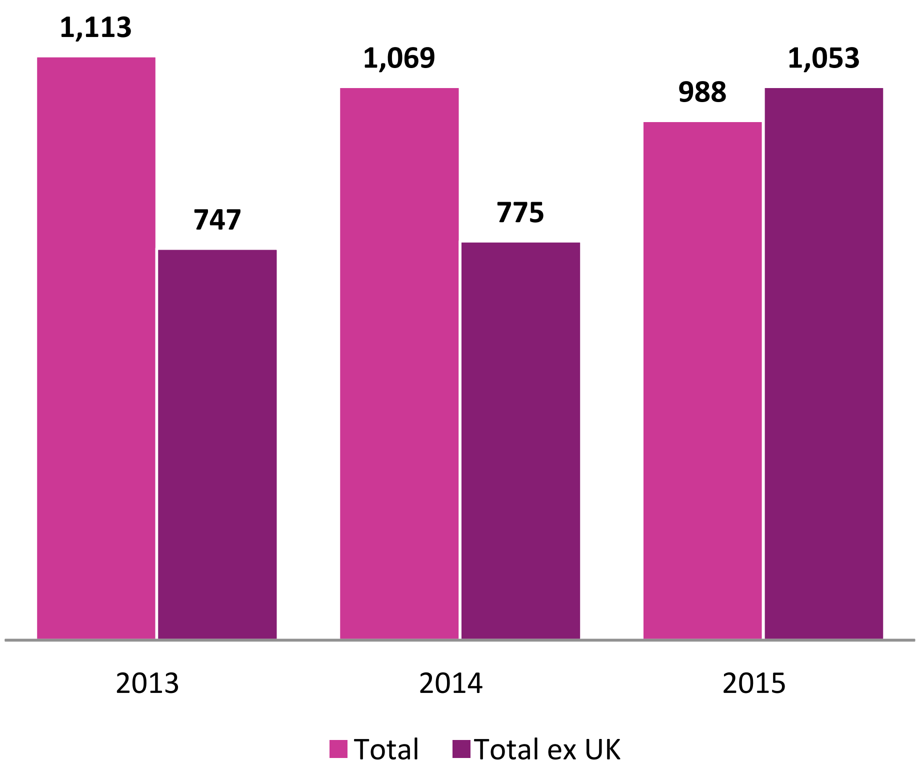


1 With respect to the Retail segment, the term customers refers to customer contracts (electricity and gas counted separately) throughout the presentation.
2 In terms of electricity and gas supply. Active in more than 20 countries with Energy+ and electric vehicle infrastructure.
3 Market positions based 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.
Source: Company estimate based on competitors' disclosure, regulatory reports and research reports.

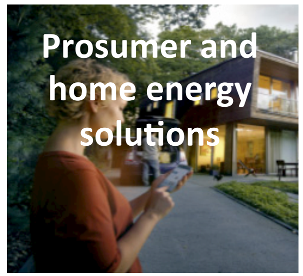
Stable earnings contributor and growing share of non-commodity business

Stable earnings contributor …

EBITDA (€m)



… with significant increase in Energy+ profits expected in the upcoming years



Energy+ EBIT

Strong momentum and growth potential

~€70m
2015A

Focus on sustainable increase of customer value in existing business by growing Energy+ and by creating optionality

innogy

B Grow Energy+ business

- Extend CHP solutions and heating products and services
- Flexible roll-out of Energy + product range
- Grow in prosumer/home energy solutions

A Maximise value of commodity business

- Optimise along value drivers and across markets
- Achieve turnaround in UK
- Cross-selling of second commodity and expansion into new markets

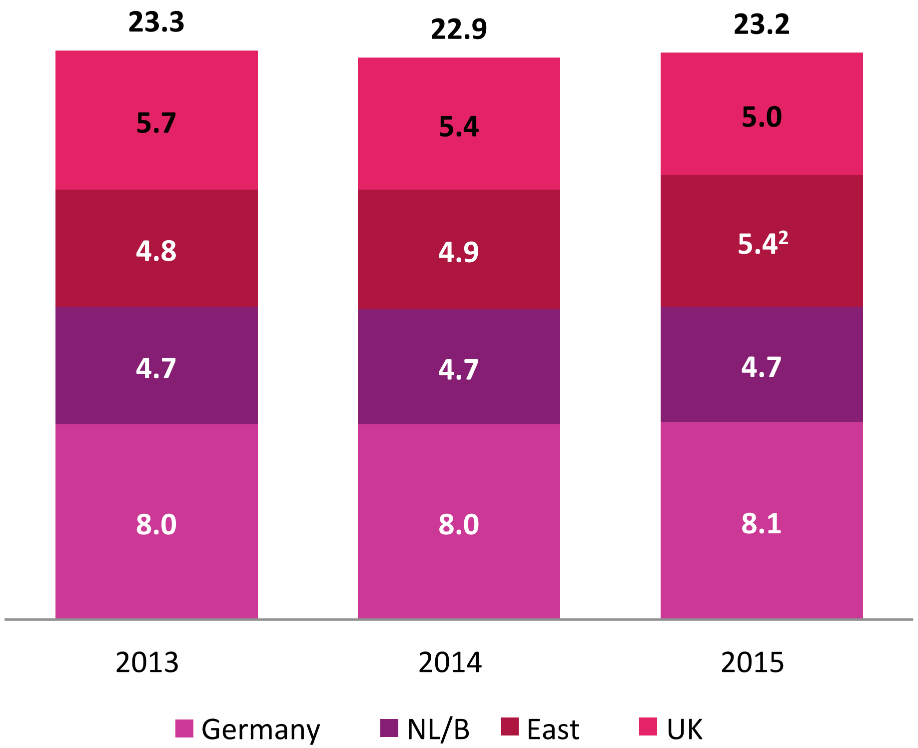
C Create options for new business

- Build on front runner positions to capture future growth (e.g. electric vehicle charging stations)
- Become active innovator in the new energy world
- Identify and commercialise emerging opportunities early on

A Actively managed stable and loyal customer portfolio

Largely stable customer base[1]…

 # contracts in m



… with high customer satisfaction

CSAT[3]	2015A	Change[4]
GER	**78%**	**+1pp**
NL	**78%**	**+4pp**
UK	**69%**	**+4pp**
East[5]	**83%**	**+6pp**

Awards achieved

1 Rounding differences may occur.
2 Increase predominantly due to first-time consolidation of VSE.
3 Customer satisfaction index, measuring % of customers being 'very satisfied' or 'satisfied' with the service provided; data collected by multiple external service providers. Underlying methodologies may differ by country and results are mapped into percentage scale to facilitate comparability. Exception: Germany where the score is defined as index value where 0 is the lowest and 100 is the highest score.
4 Change 2014A to 2015A (B2B, B2C equally weighted) in percentage points.
5 CSAT score East only including Poland, Czech Republic, Slovakia and Hungary.

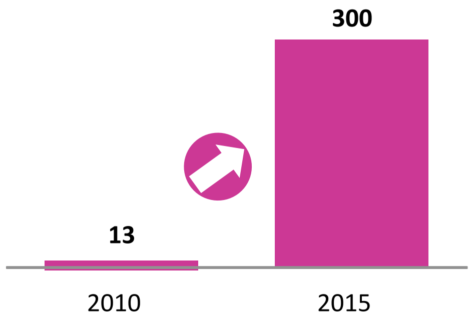
A Winning new customers supported by cross-selling, multi-brand strategy and in new or adjacent markets

innogy

Significant track record in second commodity cross-selling

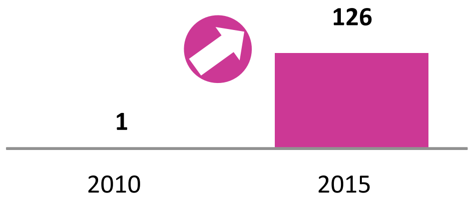
Czech Republic

electricity contracts ('000s)



Slovakia

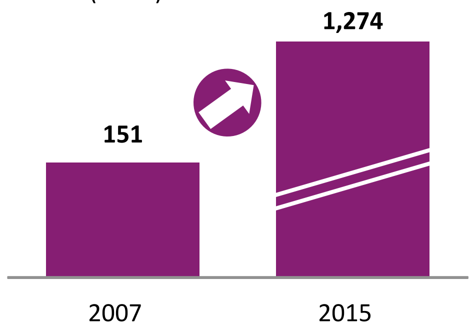
gas contracts ('000s)



Second brands to cement market positions

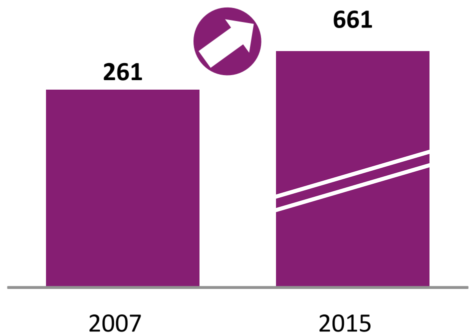
eprimo der energiediscounter MEHR KUNDE. WENIGER KOSTEN.

contracts ('000s)



energiedirect.nl

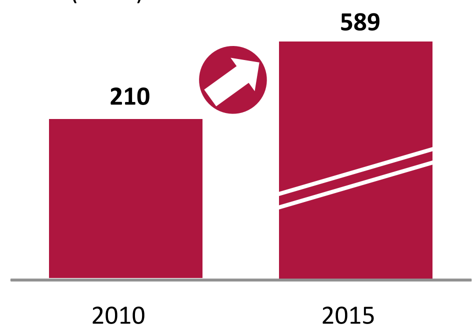
contracts ('000s)



Success in entering new markets

Belgium

contracts ('000s)



Croatia

contracts ('000s)

Source: Company data.

A UK: restructuring programme targeting operational and financial improvements well on track

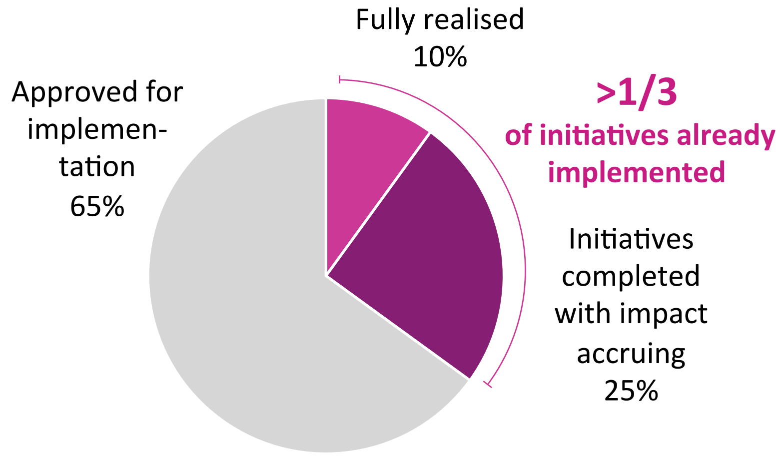
innogy

Recovery programme established to remedy root causes of underperformance

Area	Key measures
Management and operational oversight	• New management team and strengthened key departments • Enhanced operational and financial controls • Sharpened commercial focus
IT	• Resolution of defects in SAP platform • Reduction in platform customisations • Enhanced IT capability and model
OPEX	• Operational and overhead cost improvement, bad debt reduction • Reduction of 2,400 direct and indirect employees • Consolidation of premises within UK property portfolio
Customer relationships	• Customer service process deficiencies addressed • Agile and competitive pricing strategy introduced • Complaints handling enhanced
Management of outsourcing partners and suppliers	• Review of outsourcing partner management and model • Optimisation of relationships with supply chain partners

Key targets for 2018

Implementation status of targeted gross cost savings[1]



£200m targeted gross cost savings

- **Consistently high customer satisfaction**
- **New commercial offerings and routes to market**
- **Cost base in-line with competitors**
- **Return to profitability consistent with market potential**
- **Positioned for growth: sustainably improved competitiveness**

1 As of May 2016.

B innogy adapts to customer needs shifting to more automation and decentralised electricity production

innogy

More customers to produce self-generated power and enabled to manage their consumption, generation and electricity feed-in

Customer type		Product needs	Targeted innogy product offering
Classic consumer		• Commodities • Fix, flexible	• Electricity • Gas
Advanced consumer		• Targeted tariffs • Energy related tools and services (smart, energy efficient)	• Insurance/assistance services • Energy audits and savings solutions • Security solutions • Home automation
Prosumer		• Own, decentral production (CHPs, solar, wind) and storage • Customised offers	• PV • CHP/Micro CHP • Batteries • O&M services
Energy manager		• 'Trading' energy • Optimising energy usage (demand-response)	shine powerhouse

B Broad range of products and sales initiatives

e.g. PV, heating solutions, home automation, energy consulting, LED bulbs

Heating businesses and services

Stable and profitable business based on long-term customer relationships

Basic Energy+

Flexible and opportunistic addressing of changing customer needs

Prosumer and home energy solutions

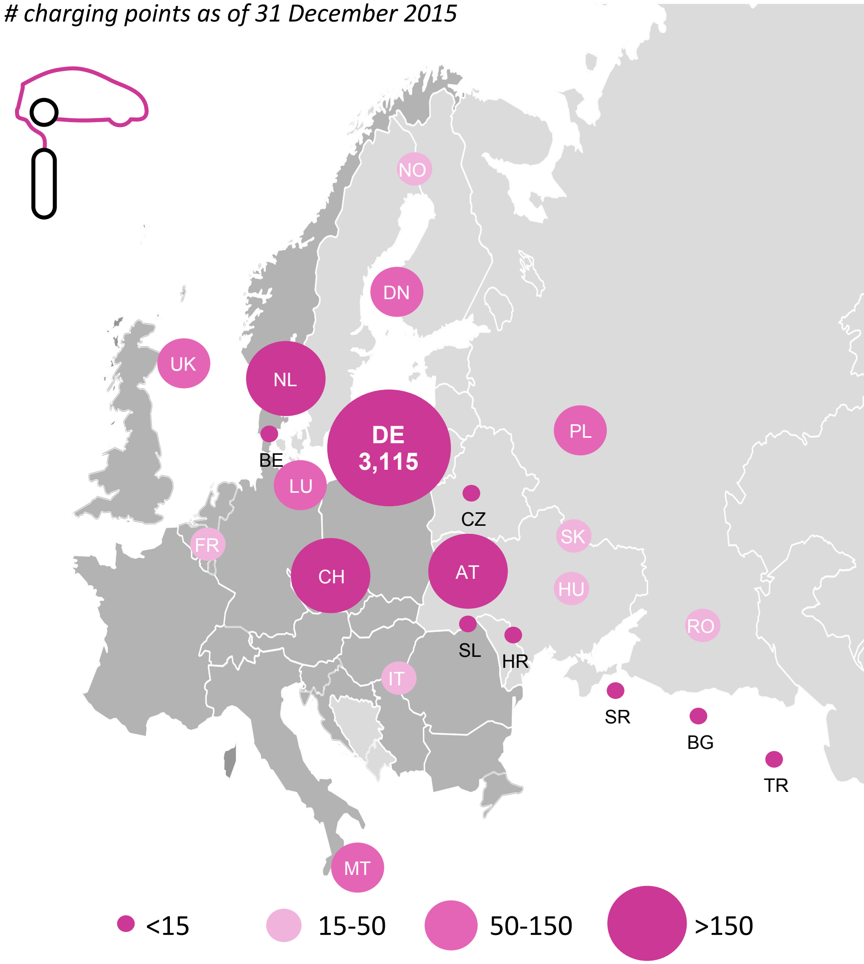
Addressing upcoming energy-related needs of our customers

C Well positioned for future potential: head start for electric vehicles in Europe

innogy

Broad coverage of charging points throughout Europe with a focus on Germany

 # charging points as of 31 December 2015



- 1,760 charging systems sold in 2015
- Services comprise maintenance, access and billing solutions, utilisation monitoring
- Over 4,900 overall charging points
- 430,000 charging processes in 2015
- 4.1GWh electricity charged in 2015
- More than 100 (municipal) utility partners

Trusted solution provider for growing network of large corporates

C State-of-the-art electric charging solutions

innogy

eLine: easy and secure

eLine smart: everything is possible

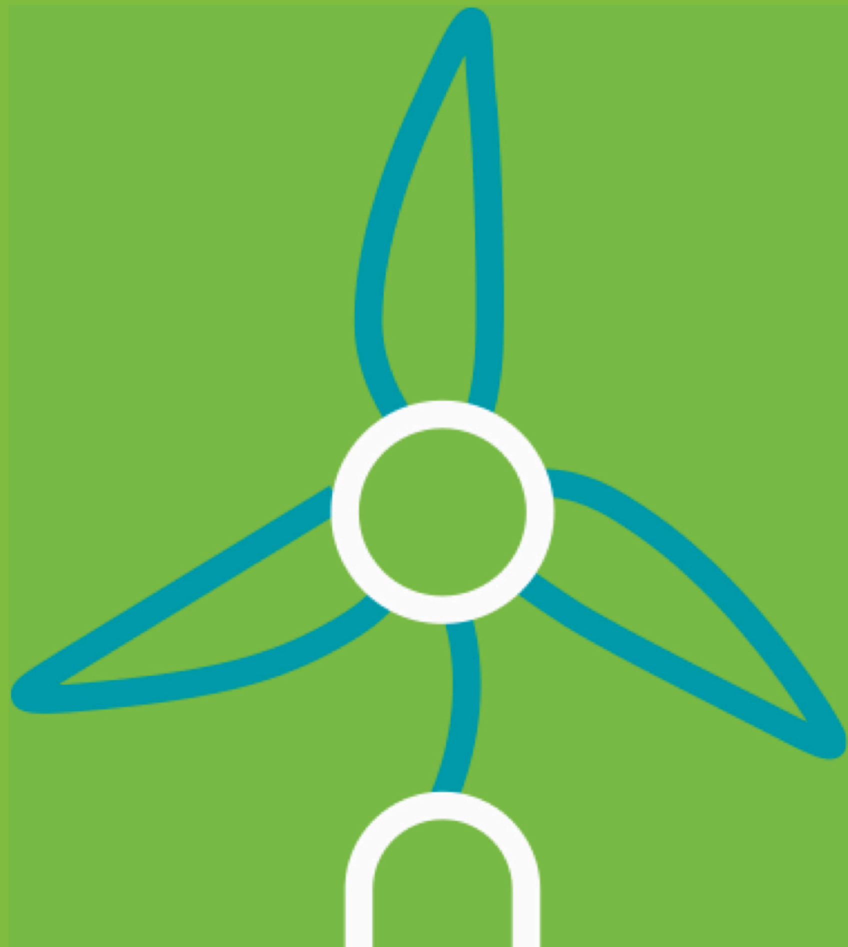
eOperate: customised services

Retail – key takeaways

Maximise value of commodity business	1	Well established European player	**23m** customers in 11 countries[1] · 4x **#1** positions · Stable customer base
	2	Resilient financials with UK rebound potential	**€1bn** EBITDA 2015
Grow Energy+ business	3	Capitalise on development in Energy+	**~€70m** Energy+ EBIT 2015
	4	Grow in heat, prosumer and home energy solutions	**~2,800MW$_{th}$** installed heat capacity[2] · **~800k** SmartHome devices sold
Future options	5	Build front runner positions to capture future growth	**A leading position** in offering charging solutions for electric mobility

1 In terms of electricity and gas retail (electricity and gas contracts counted separately).
2 In Germany; assets of Energiedienstleistungen GmbH.

Renewables



Well diversified 3.1GW renewables portfolio across Europe

3.1GW portfolio[1]

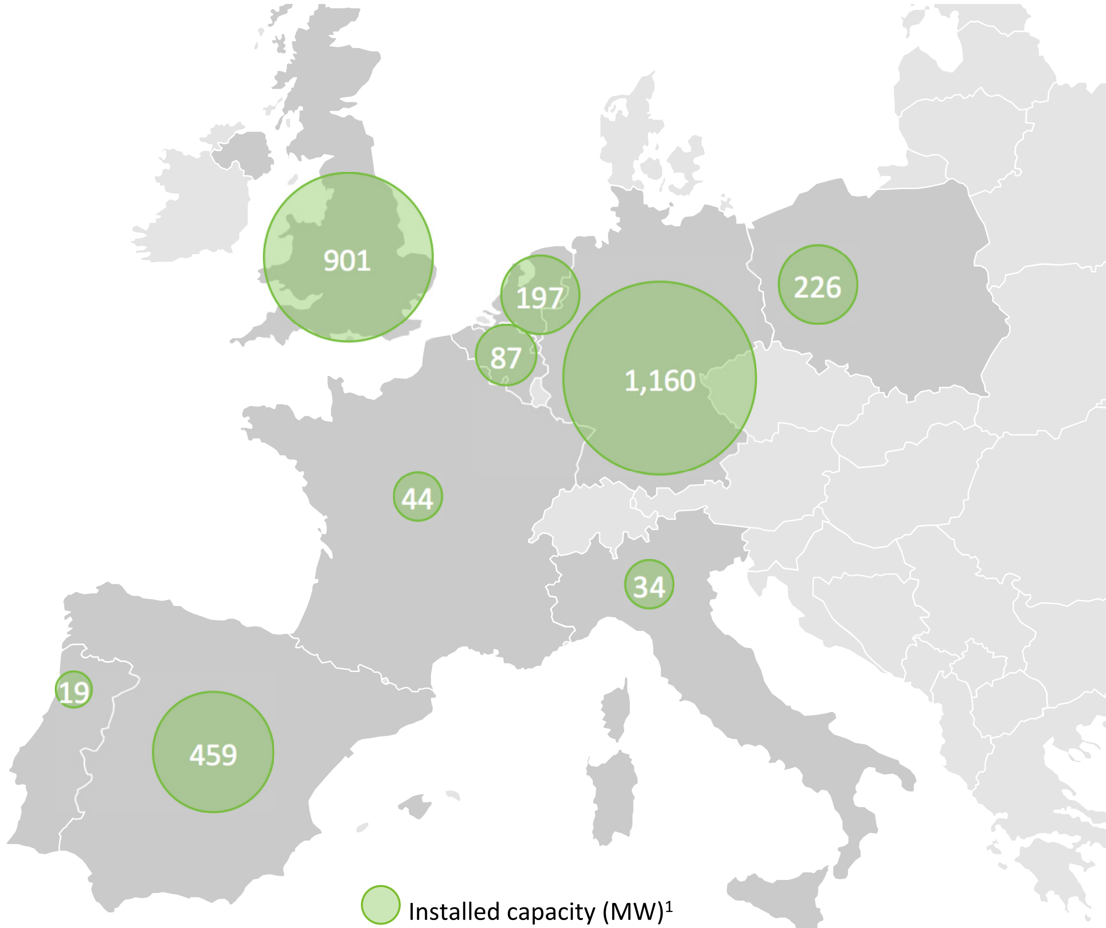
0.3GW under construction[2]

#3 offshore wind player[3]

4.4GW development pipeline[2]

~12 years avg. wind support tenor[4]

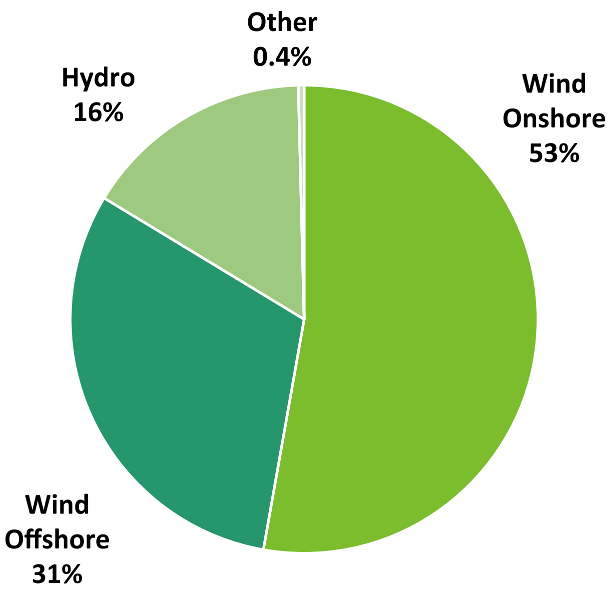
Successful **partnership** management



1 As of 31 December 2015; pro rata view, excluding Zephyr portfolio. innogy has further renewable capacity of 0.3GW in consolidated participations related to the Grid & Infrastructure segment.
2 Pro rata view.
3 By capacity; source: Bloomberg New Energy Finance; asset owner database, as of March 2016.
4 Capacity-weighted company estimate for offshore and onshore wind farms subject to an unexpired support tariff for ~ 2.5GW; pro-rata view as of 2015.

Focus on competitive technologies and core competencies of wind and hydro

Technology split by capacity[1]



3.1 GW
total capacity

Wind Onshore

- Mature technology with grid parity reached
- Focus on organic growth
- Current focus markets include UK, Germany, Spain, Netherlands, Italy and Poland

Wind Offshore

- Substantial industry progress to reduce LCOE
- Organic growth strategy within partnerships
- Focus markets include UK and Germany

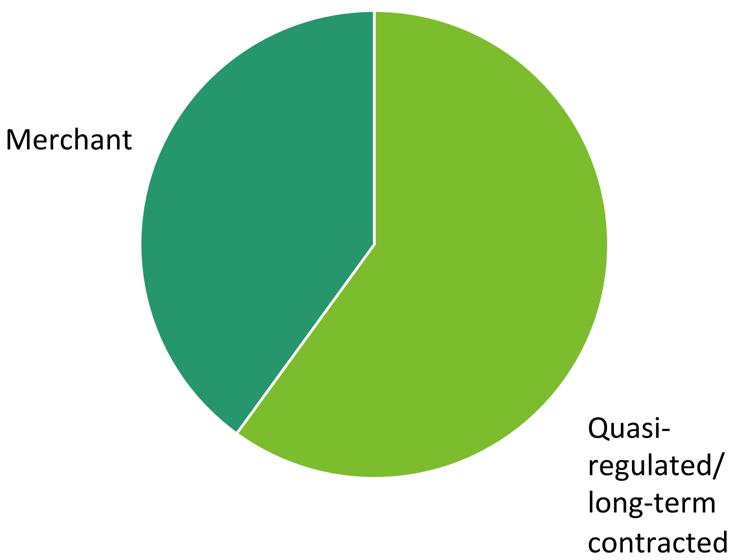
Hydro

- Very mature technology
- Operational excellence in hydro run-of-river
- Selective development options

1 As of 31 December 2015; pro rata view, excluding Zephyr. innogy has further renewable capacity of 0.3GW in participations related to the Grid & Infrastructure segment.

Strong and resilient financial profile through support schemes

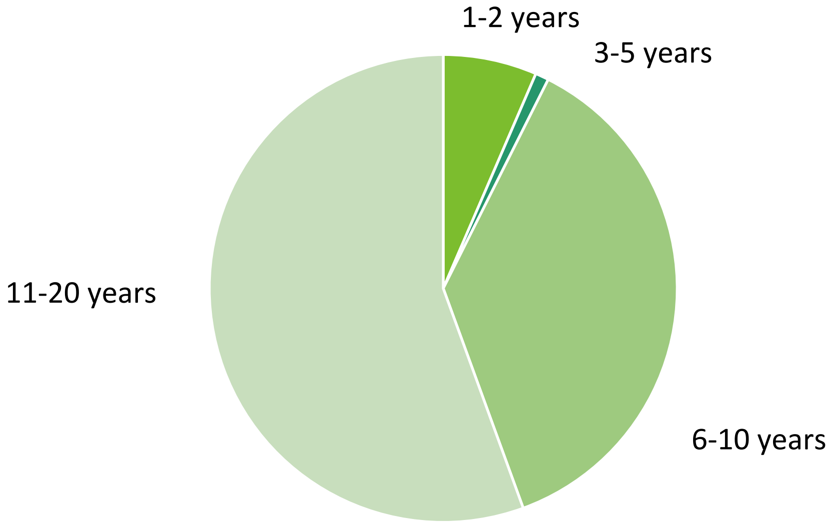
Quasi-regulated/long-term contracted EBITDA share (2015)



~60%
EBITDA from quasi-regulated earnings

- ✓ Trend towards FiTs[1] and CfDs[2] will further increase stability

Remaining wind regulatory support tenor (2015)



~12 years
average remaining wind regulatory support tenor[3]

- ✓ Young asset fleet, limited capacity with expiring support by 2020[3]

1 Feed-in tariffs.
2 Contracts for difference.
3 Capacity-weighted company estimate for offshore and onshore wind farms subject to an unexpired support tariff for ~2.5GW; pro-rata view as of 2015.

Clear strategic priorities – operational excellence, growth in existing markets and broader focus

innogy

B Leverage growth opportunities in existing markets

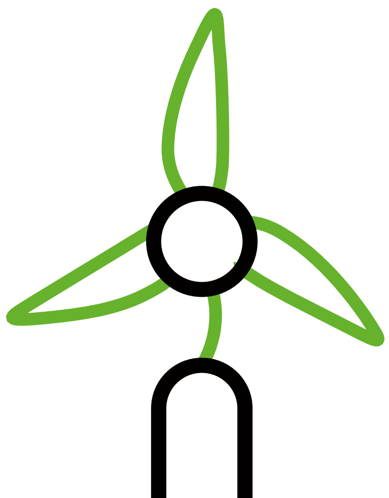
- Attractive project pipeline and significant development expertise
- innogy with flexible capital approach
- Partnership strategy to optimise risk-return allocation

A Optimisation of existing business

- Maximise energy yield and availability
- Continue to reduce O&M costs
- Execute existing construction projects on time and on budget

C Enter new regions and technologies

- Selective growth by leveraging core competencies and using partnership models
- Increase scope for new investment opportunities
- Develop skills for solar as competitiveness increases



A Business model leverages core competencies at all stages of the value chain

	Development	Construction	Operation
innogy capabilities	• Market intelligence, engineering, procurement, financial structuring • Identification and development of promising sites • Profitable sale of projects	• Management and delivery of complex projects • Management of project partners and suppliers	• Experienced operator • Innovative O&M concepts fit for purpose • Trusted service partner for JVs
KPIs	• Delivery of MW to consent/FID • Hurdle rates per technology and country • IRR > Hurdle rate @FID	• Delivery on time • Delivery on budget • Delivery on quality	• O&M cost per MWh • Availability

Partner and stakeholder management[1]

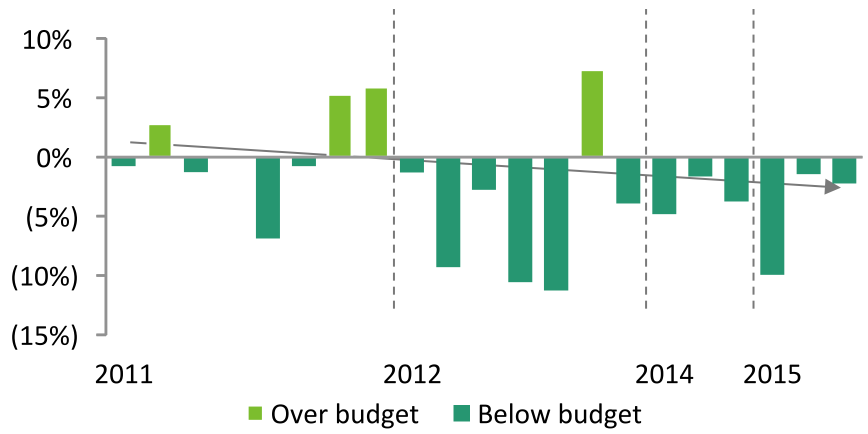
1 Only logos of partners shown.

A Delivering onshore wind projects on time and on budget and achieving cost savings

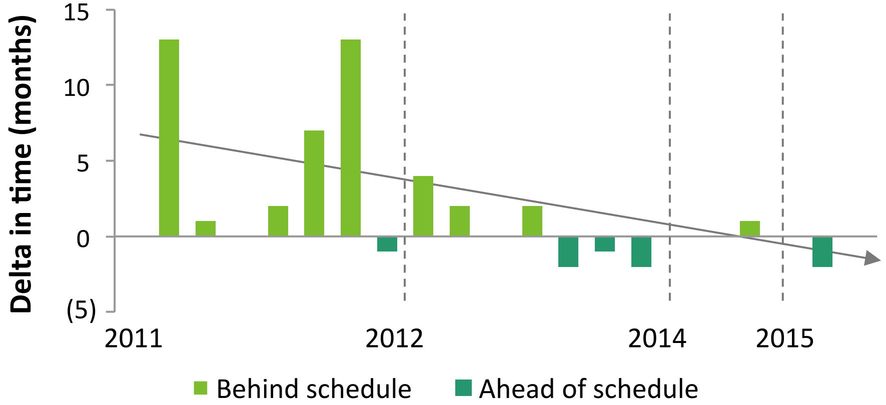
innogy

Track record of delivering construction projects …

Delivering projects on/below budget …

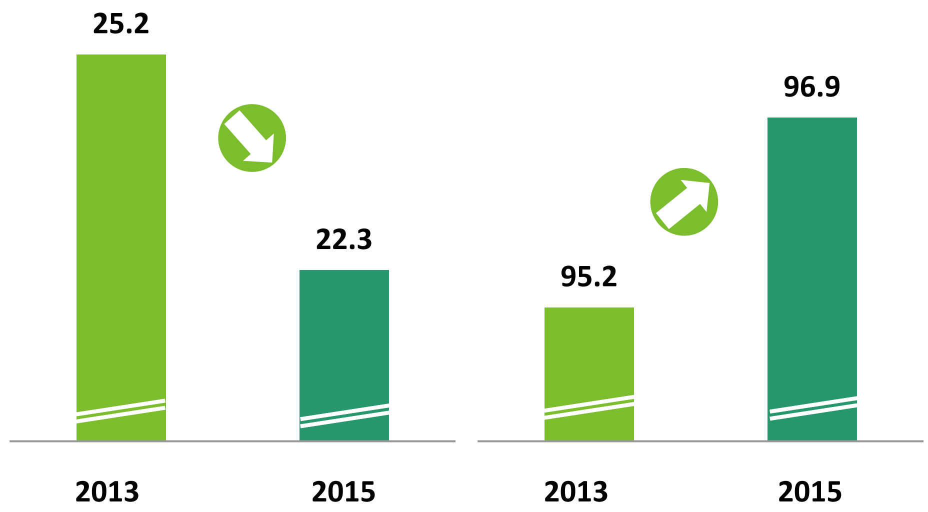


… and on/ahead of schedule



… and significant reduction in O&M costs while increasing availability

O&M costs (€/MWh) **Time-based availability (%)**

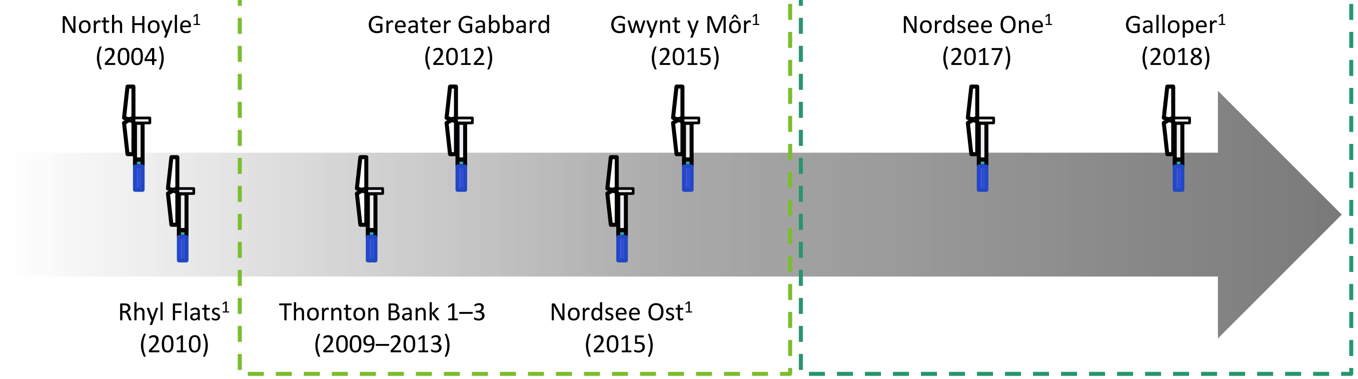


- Maintenance optimisation; e.g. maintenance timing based on weather prediction maximises energy yield
- Centralisation of engineering team making expertise accessible for complete fleet
- Active ownership; in-sourcing of expensive O&M service contracts

Source: Company estimates.

A Steep learning curve in offshore wind projects with significantly improved risk-reward proposition

	Approach in the past	Current approach	Benefits
Contracting	• Multi-contracting approach • Own vessels used	• Single lot with few key contracts • Vessels supplier responsibility	✓ Reduces interfaces and complexity
Financing	• Predominantly corporate level financing	• Non-recourse project level financing	✓ Limits capital requirement per project
Partnering	• Ambition and preference to do most projects independently	• JVs with experienced financial and strategic players	✓ Provides higher capital diversification, risk sharing and de-biasing

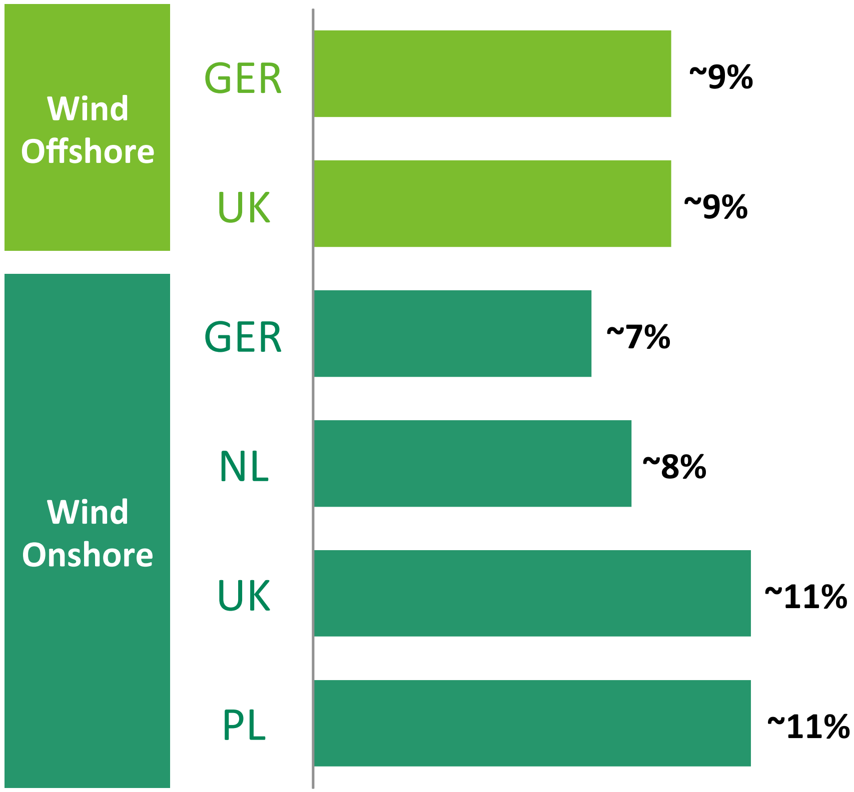


Note: Years refer to commissioning date.
1 innogy operatorship or main service provider to JV.

B Strict investment criteria to focus on value creation

innogy

Attractive returns from recent projects (average project IRRs[1])



Investment criteria

- ✓ Strict investment framework with conservative hurdle rates
- ✓ Project specific IRRs at FID generally well above prevailing hurdle rates
- ✓ Project specific hurdle rates determined by adjusting renewables base WACC for risk premia and minimum value contribution
- ✓ Separate risk premia for technology, construction, regulatory and country risks

1 Post-tax project IRRs at FID.
Note: Projects since 2011. Wind Offshore UK including Greater Gabbard and Gwynt y Môr; Galloper not included as only equity IRR available; Wind Offshore Germany including Nordsee Ost. Wind Onshore including four projects in UK, eight projects in Germany, four projects in NL and five projects in Poland.
Source: Company estimates.

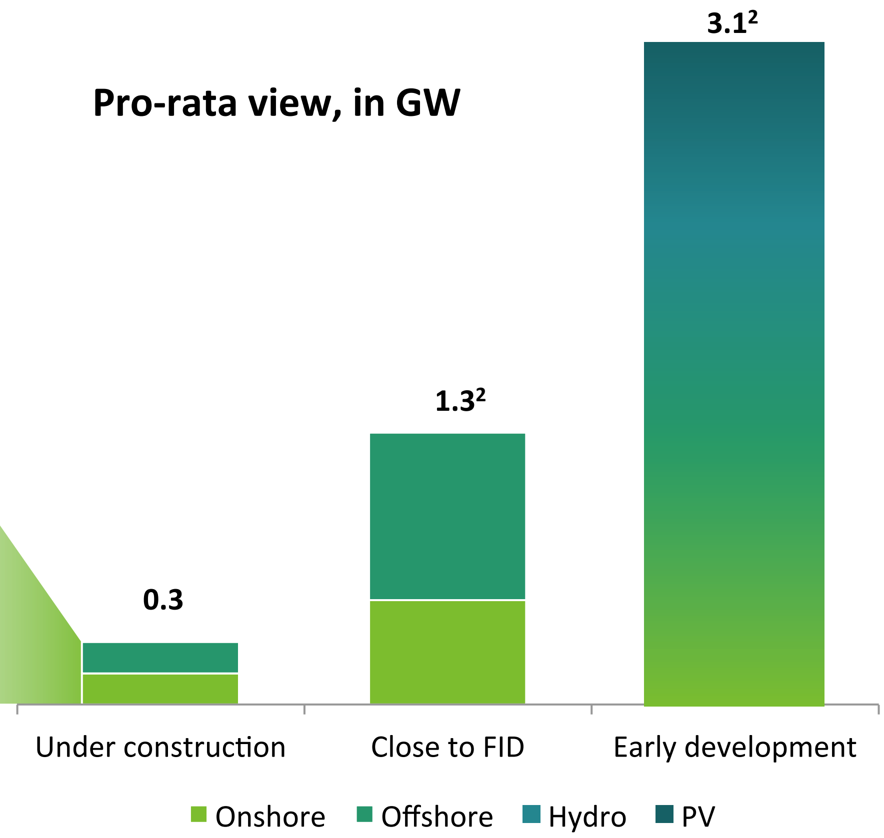
B Growing asset base through near-term project pipeline

innogy

Construction and development pipeline

CoD	Pro-rata view MW	Full view (100%) MW	Projects
2016E	31	31	Batsworthy[1], Cia Aig, Kattenberg
2017E	183	465	Goole 2, Grudie, Nordsee One, Sommerland, Zuidwester
2018E	84	336	Galloper

Pro-rata view, in GW



Source: Company estimates.
1 Build to sell project.
2 Not probability weighted.

C Development of growth optionality through selective and prudent new market entry

innogy priorities for new market entry	Wind Onshore in new markets	Solar
		
Rationale	**US** Very large market with strong growth potential, resource availability and government support **TR** Growth potential, excellent meteorological conditions and demand for capacity **IE** Natural expansion of existing UK market	• Technology expected to become highly cost competitive • Business model comparable to Wind Onshore with similar required skill set • Short construction period and limited risks • Low technological complexity
Approach	• Leverage existing capabilities • Cooperation with local and financial partners • Brownfield approach to accelerate market entry	• Build-up of skills and capabilities • Utility-driven approach to asset management and commercialisation (e.g. system integration/storage)

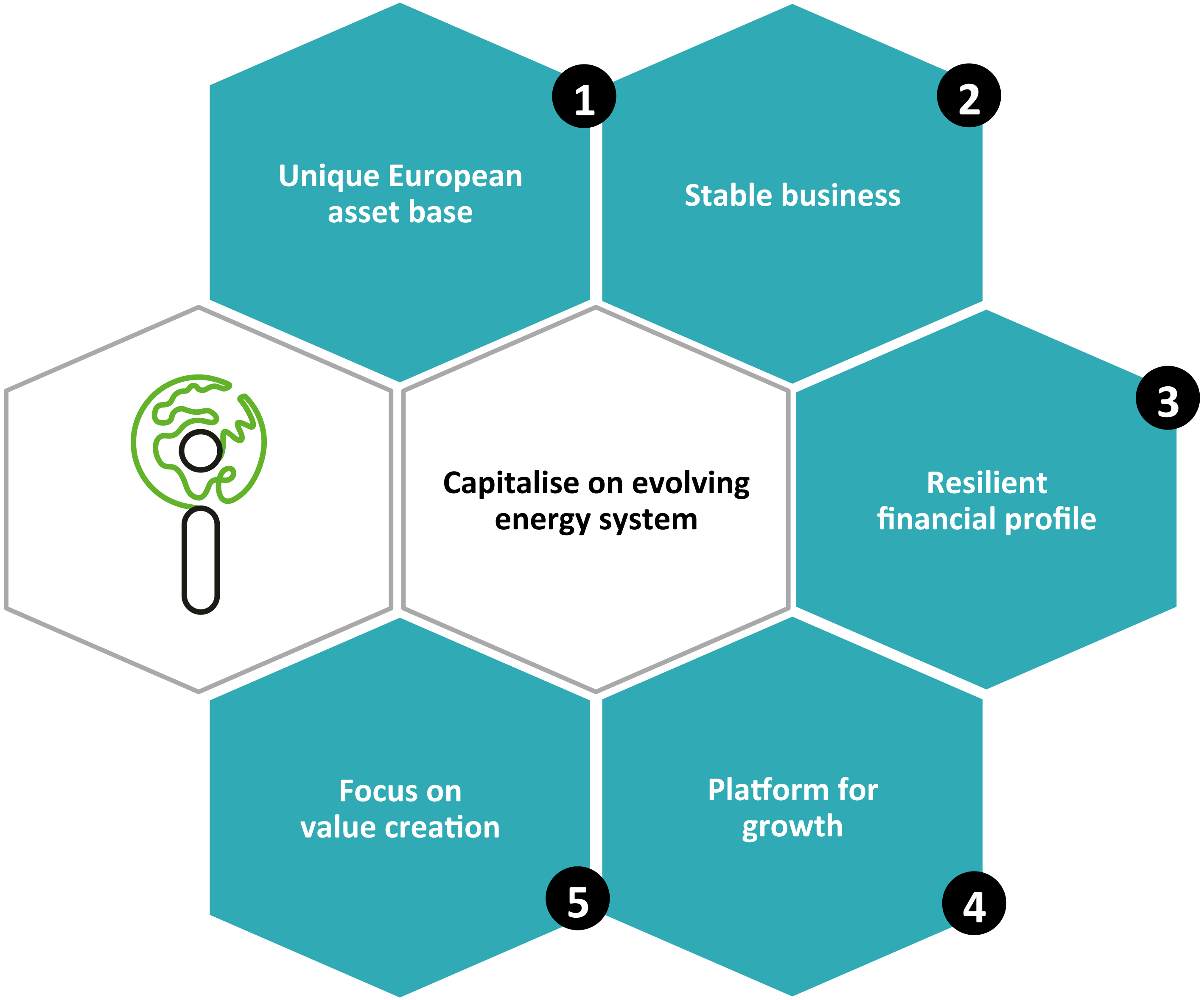
Renewables – key takeaways

Operational excellence	1	Well diversified European Renewables portfolio	**3.1GW**[1]	**#3** in offshore wind
	2	Resilient quasi-regulated earnings set to grow further	**~60%** quasi-regulated[2] EBITDA share in 2015A	
Expansion in core markets	3	Business model generating value throughout the value chain	**83%** of Wind Onshore projects on time and on budget[3]	Strong track record in offshore wind
	4	High quality assets under construction and significant development pipeline	**0.3GW**[4] under construction	**4.4GW**[4] total development pipeline[5]
Broader focus	5	New growth optionality through selective and prudent new market entry	Leverage existing capabilities	High growth potential

1 As of 31 December 2015; pro-rata view, excluding Zephyr portfolio. innogy has further renewable capacity of 0.3GW in consolidated participations related to the Grid & Infrastructure segment.
2 Includes long-term contracts.
3 Onshore wind 2013A – 2015A.
4 Pro rata view.
5 Includes projects close to FID.

Wrap-up

innogy offers a compelling value proposition



Appendix

innogy to achieve independent access to funding

Key principles and policies of debt financing at innogy

General principle		• RWE and innogy acting as separately funded companies with independent capital markets access • Funding from RWE to innogy envisaged for intermediary period. No funding/guarantees from innogy to RWE • innogy to assume all capital market debt (excl. hybrids) and establish as issuer going forward
Rating		• Group rating for combined RWE/innogy for the time being – separation of ratings intended
Capital market debt	**Senior bonds, Private Placements and EIB loans**	• First wave transferred with Finance B.V. to innogy (exchange of guarantor to follow) • Second wave transferred via Intercompany ('IC') loans to innogy with mirroring terms and conditions • Migration of legal title to follow (subject to bondholder consent)
	Hybrid bonds	• Hybrids will stay with RWE AG • RWE remains committed to the hybrid capital; no change in policy vis-à-vis deferral and call/replacement envisaged
Funding		• innogy receives access to RWE's existing syndicated loan facility as additional borrower – plus new revolving loan facility from RWE • innogy to set-up own bank facilities post IPO; timing to be specified • Intercompany credit relations between RWE as lender and innogy as borrower stemming from carve-out process; currently ~€6bn ICs from RWE to innogy in place • Mid-term separation envisaged; innogy envisages to refinance the ICs

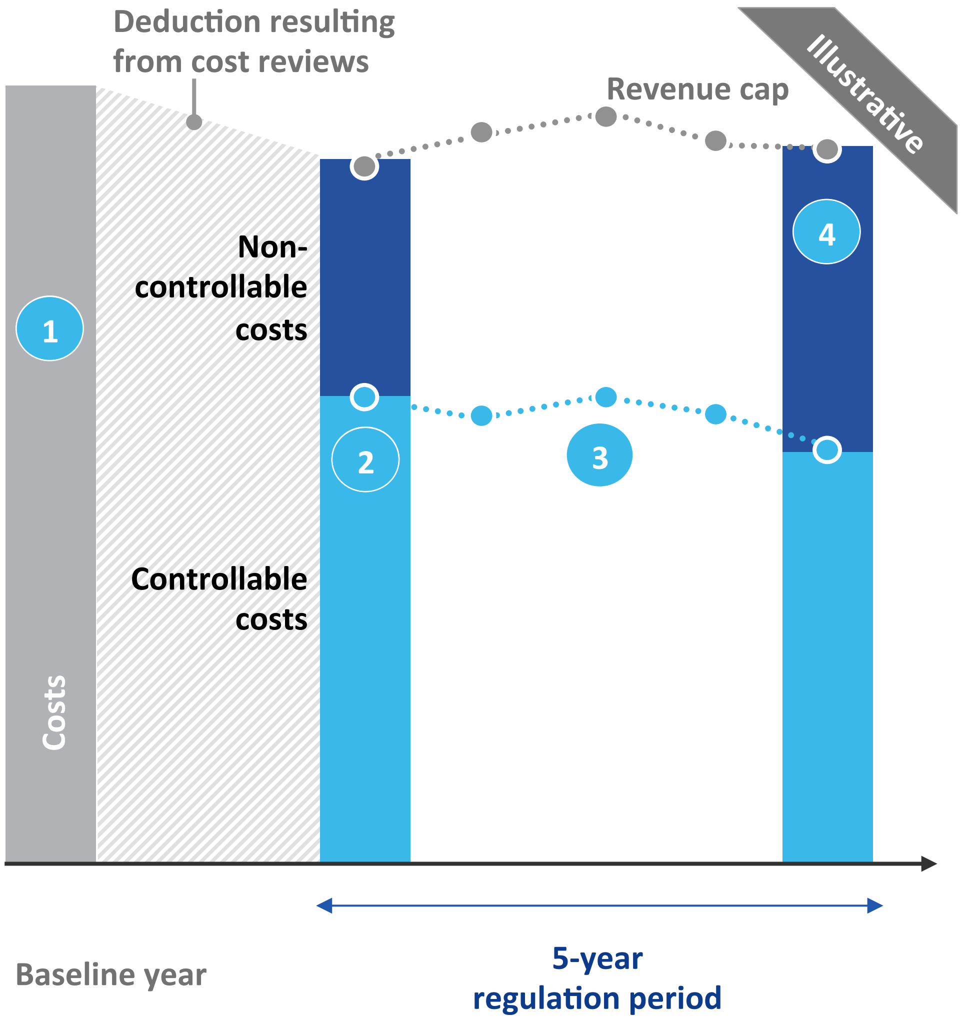
Cash flow statement (extract)

€bn	2013	2014	2015
Net Income	0.9	1.7	1.9
Depreciation, amortisation, impairment losses/reversals	2.2	1.5	1.6
Changes in provisions	0.4	(0.1)	(0.2)
Other non-cash items	(0.1)	(0.1)	(0.8)
Funds from Operations	**3.3**	**2.9**	**2.5**
Changes in working capital	0.3	0.1	0.2
Cash flows from operating activities	**3.7**	**3.0**	**2.8**
Capital Expenditure			
Intangible Assets, PP&E, Equipment/Investment Property	(2.3)	(2.1)	(2.0)
Acquisitions, investments	(0.2)	(0.1)	(0.1)
Proceeds from Disposal of Assets/Divestitures			
Intangible Assets, PP&E, Equipment/Investment Property	0.3	0.2	0.7
Acquisitions, investments	0.3	0.3	0.3
Changes in marketable securities and cash investments	(0.6)	(1.5)	0.7
Initial/subsequent transfer to pension plans	(0.1)	(0.5)	(0.6)
Cash flows from investing activities[1]	**(2.6)**	**(3.7)**	**(1.1)**

Cash flows from operating activities	3.7	3.0	2.8
Capital Expenditure[2]	(2.3)	(2.1)	(2.0)
Free Cash Flow	**1.4**	**0.9**	**0.7**

Note: Rounding differences may occur.
1 After initial/subsequent transfer to pension plans.
2 Capex for intangible assets/property, plant and equipment/investment property.

G&I Germany – regulatory management: How does it work?

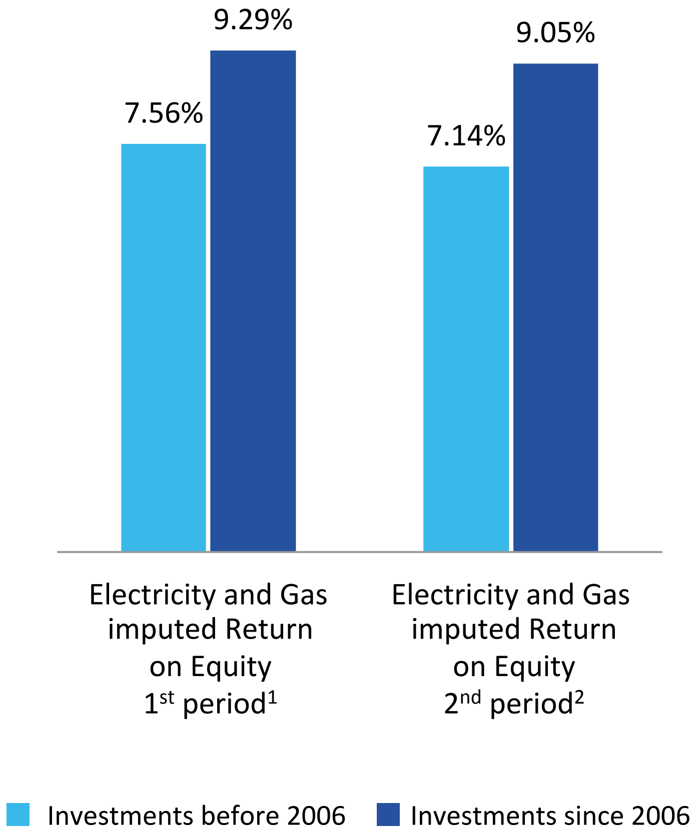


Key revenue drivers

1. **Cost assessment**: recognised sustainable cost base
2. **Determination of the efficiency figure**: based on total cost benchmarking against other grid operators
3. Annual adjustment of **controllable costs**: Consumer Price Index minus x factor (CPI-X) and the expansion factor for the integration of renewables, among other things
4. Annual adjustment of **non-controllable costs**: e.g. TSO grid fees/avoided grid fees, investment measures, incidental staff costs

G&I Germany: grid fee calculation (I)

Investments before/since 2006



Framework conditions	• There is an **ex ante approval of** the **revenue caps**, but no ex ante approval of the **grid fees**
Imputed Return on Equity (RoE)	• The permitted **proportion of equity-financed assets is restricted to 40%** • Current cost accounting for rate of return and imputed depreciation will continue to apply for all investments before 31 December 2005 • All investments as **from 1 January 2006**, will yield interest based on the method of **inflation-adjusted historic cost accounting** and be **subjected to imputed depreciation** • We **expect a lower imputed Return on Equity in the next regulatory period**, as the base rate is derived from a ten-year average on interest rates. However, the **exact rate** cannot be calculated today and **will be determined by the Bundesnetzagentur in 2016**
Tax treatment	• **Recognition of corporation** taxes since incentive regulation has become effective (2009) • Reflected in higher RoE • **Full recognition of trade tax** (pass-through)

1 Electricity 2009 – 2013, Gas 2009 – 2012.
2 Electricity 2014 – 2018, Gas 2013 – 2017.

G&I Germany: grid fee calculation (II)

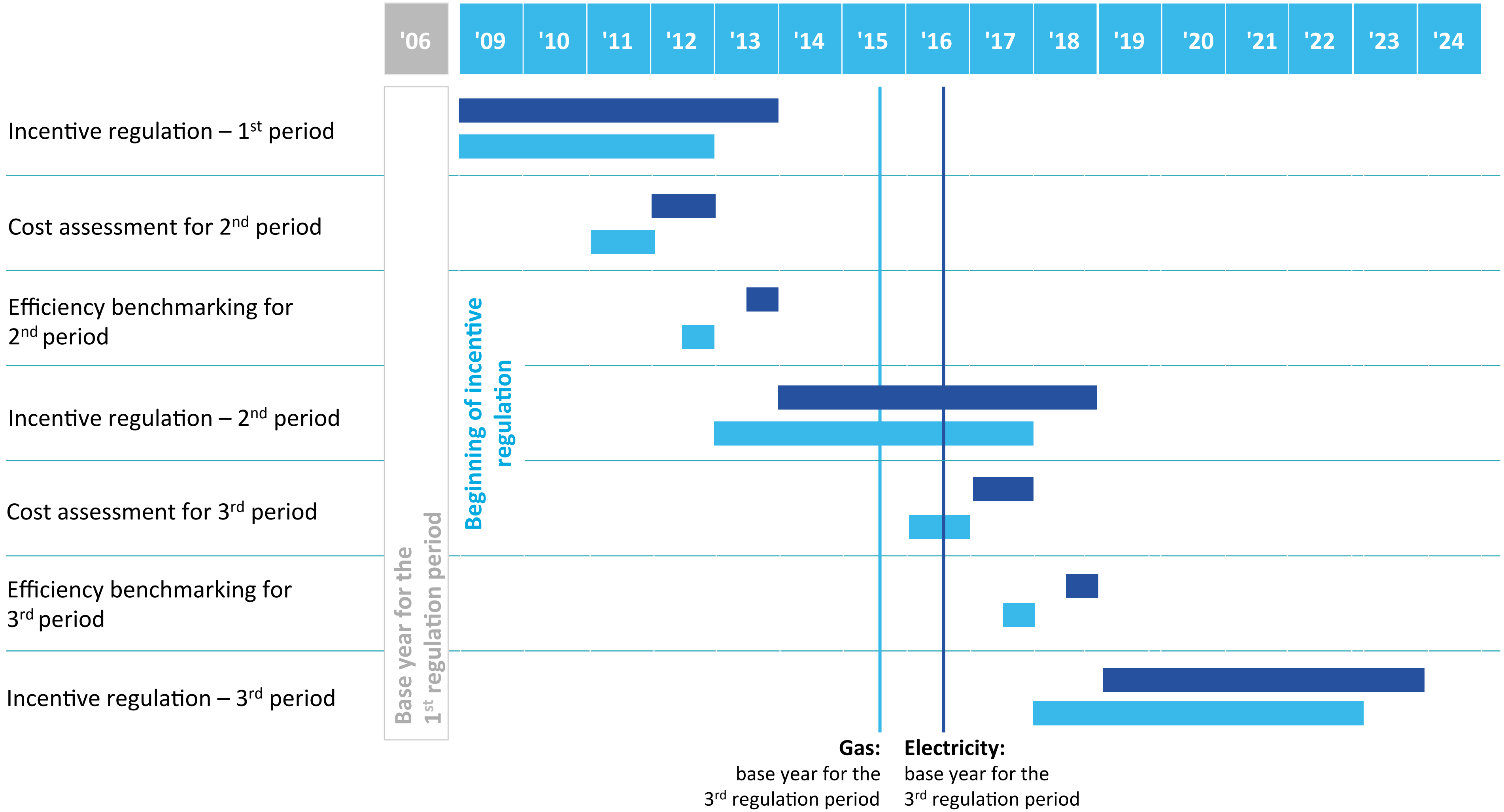
innogy

Conditions for incentive-based regulation

Returns on Equity	• **7.14%** for **existing** electricity and gas **assets** and **9.05% for new investments** in the second regulatory period
Special treatment of investment in growth and restructuring	• **Fast-track treatment of large budgeted growth investment** projects by the regulator to ensure adequate and timely remuneration for grid operators. But mostly applicable for transmission system operators and high voltage distribution system operators. Distribution system operators can **adjust the revenue cap** for mid voltage/low voltage **by an expansion factor**, which **covers the sustainable expansion of the networks** within the regulatory period. • Average efficiency of small German electricity distribution companies underlying the so called simplified procedure at 96% indicating **average company-specific efficiency targets** of 0.8% p.a. ('individual x factor') in the second regulatory period. The **individual inefficiency has to be eliminated by** the **end** of the **period.** • **Quality component** has been **established**: electricity distribution companies with a high quality level in relation to others get a bonus, companies with a low quality get a penalty. Opportunities and risks are limited by a cap.

G&I Germany: incentive regulation timeline

- Timeline for electricity to be read as follows: In 2017, assessment of costs of year 2016 (base year) for benchmarking in 2018, beginning of 3rd regulatory period in 2019
- Gas and electricity with different timelines to relieve the process of cost assessment



Operational capacity overview Renewables segment[1]

Pro-rata view, MW	Onshore	Offshore	Hydro	Biomass	Biogas	Solar PV	Total
Germany	506	295	353	5	1	1	**1,160**
United Kingdom	239	585	77	-	-	-	**901**
Spain	443	-	10	-	-	7	**459**
Netherlands	197	-	-	-	-	-	**197**
Poland	226	-	-	-	-	-	**226**
Italy	34	-	-	-	-	-	**34**
France	-	-	44	-	-	-	**44**
Portugal	3	-	16	-	-	-	**19**
Belgium	-	87	-	-	-	-	**87**
Total	**1,648**	**967**	**500**	**5**	**1**	**8**	**3,129**

Accounting view, MW	Onshore	Offshore	Hydro	Biomass	Biogas	Solar PV	Total
Germany	567	295	375	5	1	1	**1,244**
United Kingdom	304	630	77	-	-	-	**1,011**
Spain	447	-	12	-	-	-	**459**
Netherlands	197	-	-	-	-	-	**197**
Poland	242	-	-	-	-	-	**242**
Italy	67	-	-	-	-	-	**67**
France	-	-	44	-	-	-	**44**
Portugal	-	-	16	-	-	-	**16**
Belgium	-	-	-	-	-	-	**0**
Total	**1,823**	**925**	**525**	**5**	**1**	**1**	**3,280**

Note: figures may not add up due to rounding differences.
1 As of 31 December 2015; excluding Zephyr portfolio.

Onshore Offshore Hydro Biomass Biogas Solar PV innogy