



innogy

Fixed Income Investor Update

innogy SE · 13 Januar 2017

Notice



This document contains forward-looking statements. These statements are based on the current views, expectations, assumptions and information of the management, and are based on information currently available to the management. Forward-looking statements shall not be construed as a promise for the materialization of future results and developments and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those described in such statements due to, among other things, changes in the general economic and competitive environment, risks associated with capital markets, currency exchange rate fluctuations, changes in international and national laws and regulations, in particular with respect to tax laws and regulations, affecting the Company, and other factors. Neither the Company nor any of its affiliates assumes any obligations to update any forward-looking statements.

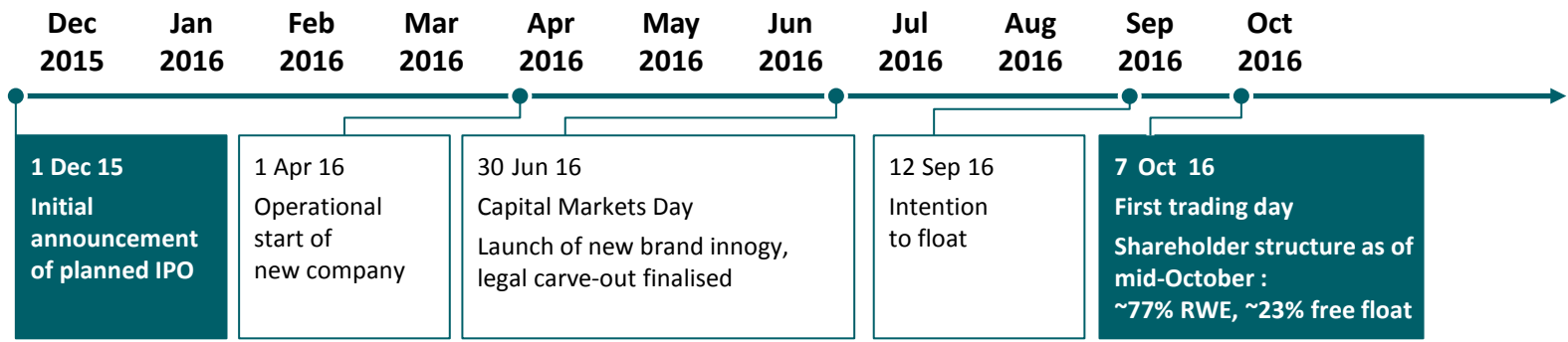


innogy at a glance

Financial review

innogy's credit profile

Successful implementation of innogy carve-out and IPO



Implementation of legal carve-out and intercompany relations

Implementation of capital structure, split of pensions

IPO as catalyst for corporate development



Unique asset mix and diversified European footprint

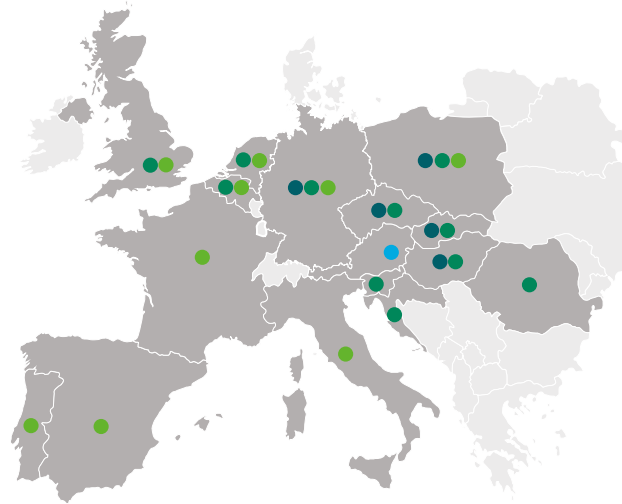


Leading market positions across countries in Europe ...

- #3**
worldwide in offshore wind¹
- 574,000 km**
total grid
- 4x #1**
positions²

Market presence

- Renewables
- Grid & Infrastructure
- Retail
- Strategic partnership



... with a distinct asset profile

- Focus on Europe – anchored in Germany
- Largely CO₂ free
- Limited exposure to commodity prices
- No nuclear liabilities
- Enabler of energy transition

Source: Company estimate based on competitors' disclosure, regulatory reports and research reports. Last data review date: 1 August 2016.

¹ By installed capacity.

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

Introducing innogy – three strong segments...



Grid & Infrastructure

Germany
East

#1

largest electricity
DSO in
Germany¹

€13.3bn
total RAB²

+9% increase
expected for
German RAB²



Retail

Germany
Netherlands/Belgium
United Kingdom
East

#1

largest electricity
retailer in
Germany³

23m

customers⁴



Renewables

#3

worldwide in
offshore wind
by installed
capacity⁵

3.1GW
installed
capacity⁶

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.

Corporate governance – innogy with high degree of independence



Key principles governing innogy/RWE relationship

- Both parties – RWE AG and innogy – shall be in the position to pursue their strategic, operational and financial targets individually and independent from each other
- Shortly prior to the IPO the domination agreement between innogy and RWE will be terminated
- All intercompany relations and agreements to be carried out at arm's length
- Non-compete clause states that RWE is largely restrained from competing in innogy's core businesses until 31 December 2019
- RWE will manage innogy as a financial investment
 - RWE AG will not impose strategic and financial targets and is not involved in planning and management incentive discussions
 - Investment decisions at innogy will not be subject to approval by RWE AG

innogy's supervisory board structure

- Two-tier board structure
- 20 members, thereof 10 shareholder and 10 employee representatives
- Target composition:
 - RWE AG represented by one management board member (CFO Markus Krebber)
 - Werner Brandt and Frank Bsirske in personal union as supervisory board chairman and supervisory board deputy chairman for RWE AG and innogy



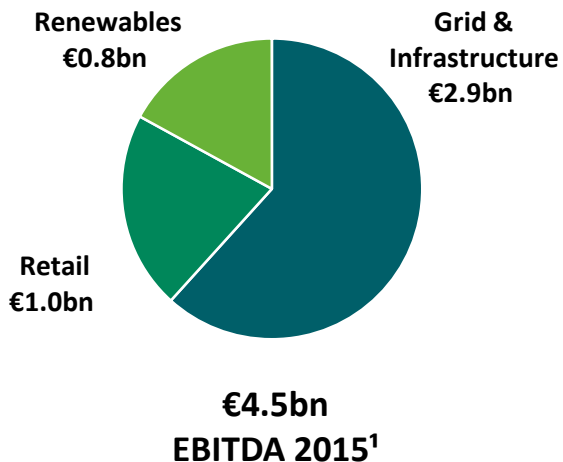
innogy at a glance

Financial review

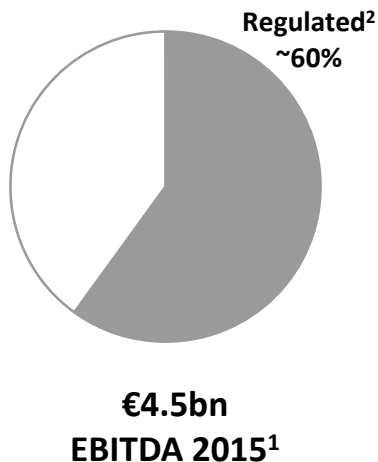
innogy's credit profile

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

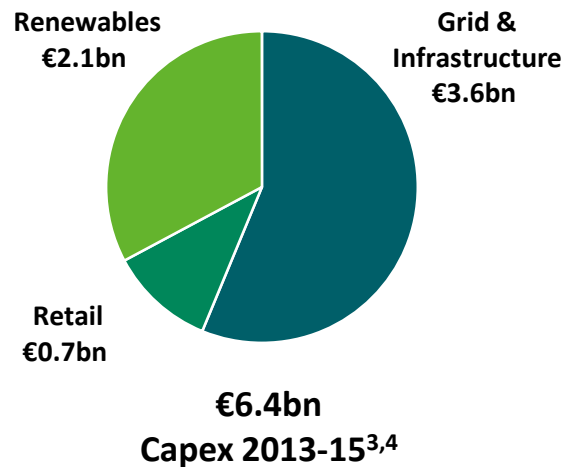
EBITDA breakdown



Share of regulated business



Capex breakdown



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".

innogy is infrastructure-like with roughly 60% regulated¹ earnings driven by stable grid business



Renewables EBITDA (€bn)

Share of quasi-regulated EBITDA 2015¹

~60%

Grid & Infrastructure EBITDA (€bn)

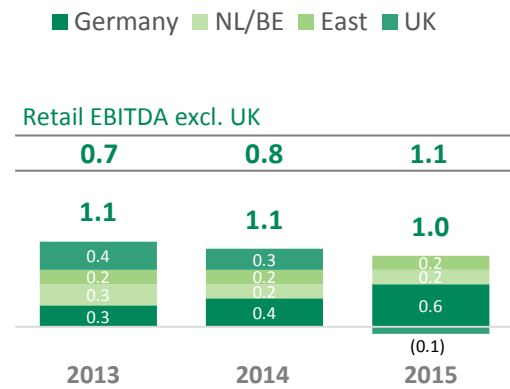
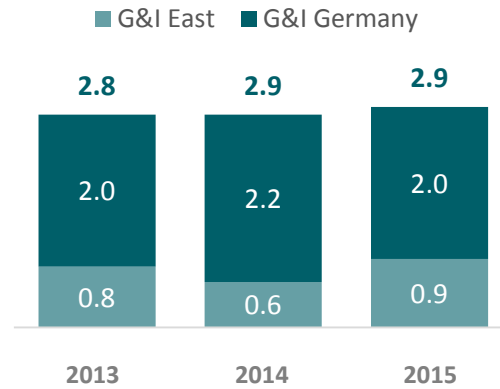
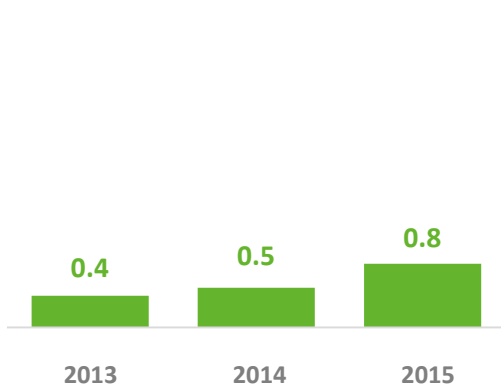
Share of regulated EBITDA 2015²

>80%

Retail EBITDA (€bn)

Capex intensity $\bar{\varnothing}$ 2013-15³

~20%



Source: Investor presentation - December 2016

Note: numbers may not add up due to rounding differences.

1 Includes long-term contracts.

2 Includes regulated and quasi-regulated business activities. 3 Capex intensity defined as capex/EBITDA. Capex excluding financial investments.

Reduced net debt following IPO



Key developments since H1

Net debt item (€bn)	31 Dec 2015	30 Jun 2016	30 Sep 2016
Cash & cash equivalents	0.6	0.6	0.5
Marketable securities	1.9	1.9	2.0
Other financial assets	12.4	1.7	0.3
A Financial assets	14.9	4.2	2.8
Bonds and bank debt	12.9	11.4	11.1
Adjustment for 'step-up' of bonds to market values	(1.2)	(1.1)	(1.0)
Other financial liabilities incl. intercompany loans	6.1	10.1	6.0
<i>t/o loans from RWE AG related to external debt push-down</i>	<i>not representative</i>	<i>~€6bn</i>	<i>~€5bn</i>
B Financial liabilities	17.7	20.4	16.1
C Provisions for pensions and similar obligations	3.5	4.5	5.0
D Provisions for wind farm decommissioning	0.3	0.3	0.4
Net debt (B - A + C + D)	not representative	21.0	18.7

- Finalisation of envisaged capital structure, in particular debt/equity swap and intercompany debt repayment (~€1.9bn)
- Settlement of 'other financial assets' and 'other financial liabilities' with no impact on net debt
- Increase in pension provisions driven by further lowering of interest rates
- Positive FX impacts from GBP-related debt
- €2bn of IPO proceeds not yet reflected

Financial discipline and strict investment criteria



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

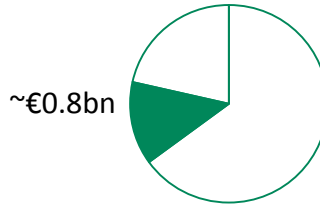
- > Execute current pipeline mainly in wind
- > Existing technologies in new markets
- > New technology: utility-scale solar

~€6.5bn planned capex¹ 2016-2018E

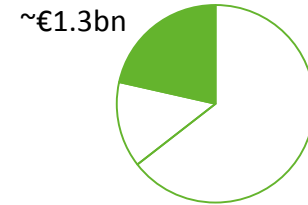
Indicative capex split 2016-2018E
ROI hurdle rates²



5%-7%



7%-8%



5%-8%
core business
5%-15%

new markets/new technologies

Note: rounding differences may occur.

1 Including financial investments. Pie charts do not include ~€0.2bn of centrally accounted capex mainly for innovation projects.

2 Hurdle rates = after-tax WACC + project risk adjustment + country risk adjustment.

Outlook for 2016 and 2017



€ million

EBITDA	2015 actuals	2016 guidance	2016 key value drivers	2017 guidance
Renewables	818	600 – 800	⬇️ Absence of positive one-off effects, e.g. gain on Galloper disposal	-
Grid & Infrastructure	2,878	2,500 – 2,700	⬇️ Higher operating and maintenance costs in German distribution network business	-
Retail	988	1,000 – 1,200	⬆️ Operational efficiencies and UK recovery	-
Corporate/other	(163)	-	-	-
innogy	4,521	4,100 – 4,400		4,300 – 4,700

Adjusted net income

innogy	not representative	~1,100	Dividend payout ratio of 70%-80% of adjusted net income	-
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innogy at a glance

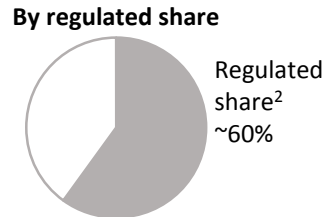
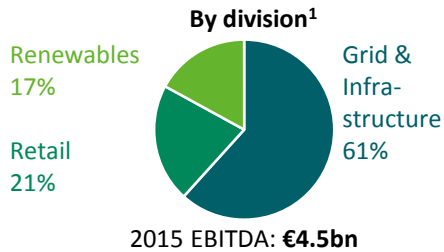
Financial review

Credit profile and debt push down

Key drivers of innogy's prudent financial policy



A stable and attractive earnings profile ...



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

CFOA/EBITDA



Target leverage



... for investors

Rating



Prudent growth



¹ Segment breakdown based on sum of operating segment results (€4.7bn). Total includes €(0.2)bn presented as 'Corporate/other' in the combined financial statements. Numbers might not add up due to rounding differences.

² Includes regulated and quasi-regulated business activities.

Rating agencies recognize innogy as potentially stronger rating compared to RWE

Fitch¹

- Fitch as the first rating agency assigned innogy a stand-alone rating of BBB+ (outlook stable) on 31 October. Due to assumed high recovery rates senior unsecured bonds are rated even higher at A-
- Fitch takes into account innogy's high degree of independence from RWE (e.g. independent supervisory board, separate financing)

Moody's

- On 3 November 2016 Moody's affirmed Baa3 (stable outlook) senior unsecured rating for RWE AG and innogy Finance BV bonds guaranteed by RWE AG
- However, Moody's put the MTN programme of RWE AG on negative outlook

S&P²

- On 14 November 2016, S&P assigned BBB- (positive outlook) corporate and senior bond ratings to innogy
- The positive outlook reflects the potential for a one-notch differential to RWE's rating. S&P assesses innogy's stand alone rating at BBB, however it is currently capped by RWE's rating

Credit highlights

Business Model



- Clear focus on grid, renewables and retail business
- No nuclear liabilities
- Experienced management team and sound organisational set-up
- Strict investment criteria

Financials



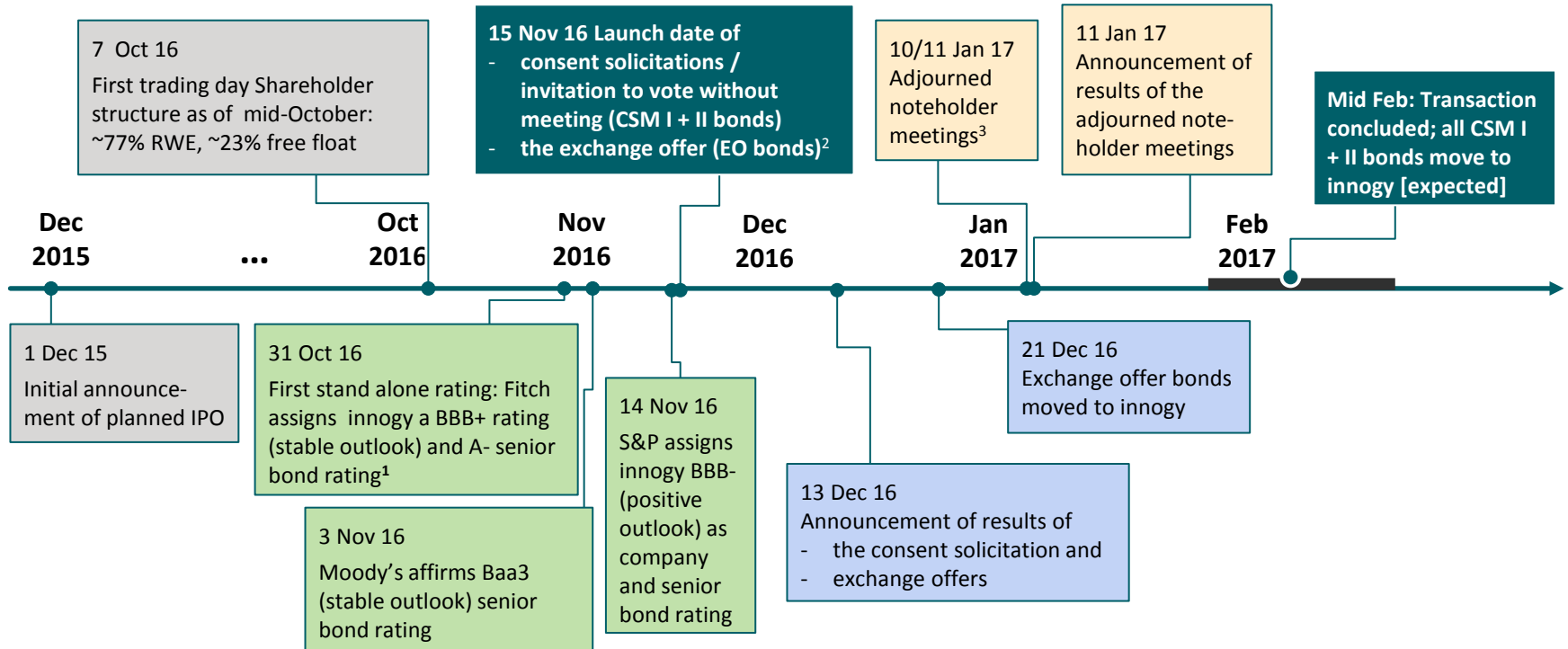
- Stable and highly regulated earnings and investment focus
- Value creation through mix of cash generative and growth assets
- ~70% cash conversion on average, i.e. CFOA / EBITDA

Capital structure



- Solid investment grade ratings
- ~4.0× envisaged leverage (Net Debt/EBITDA)
- Solid balance sheet and highly cash generative

Update on innogy's / RWE's 'debt push down'



1 assigned ratings are 'expected' (exp) 2 The specific bonds are listed in the Annex 3 For bonds where quorum was not met in ,votes without meeting'

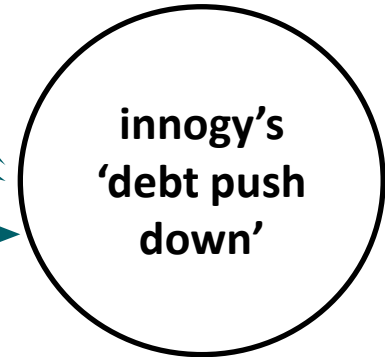
Characteristics of innogy's liability management transaction



Largest liability management transaction in Germany

Largest European corporate bond transfer

First application of the 2009 German Bond Act in context of an international jumbo liability management transaction (excluding distressed restructurings)



innogy's funding programmes

Debt issuance programme



- Independent innogy debt issuance programme planned for **H1 2017** (based on full year 2016 figures)
- Nominal volume: **€20bn**

Commercial paper programme



- Stand-alone programme up and running (since end 2016)
- Nominal volume: **€3bn**

Revolving credit facilities

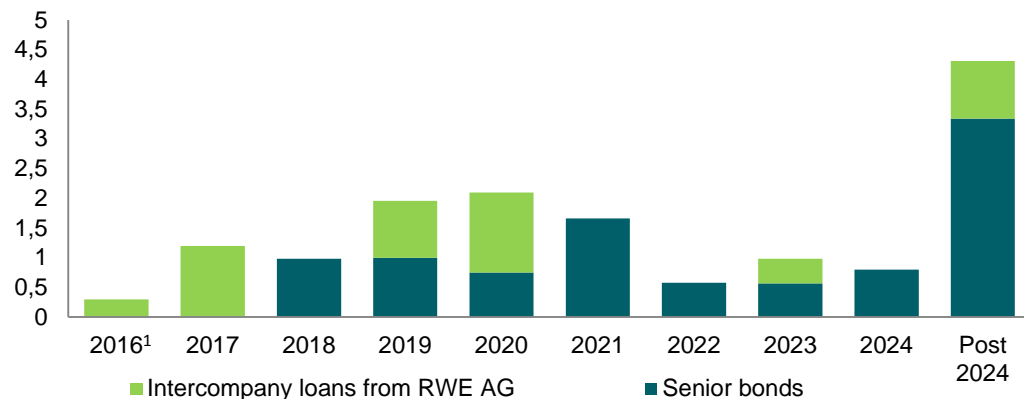


- innogy SE has access to RWE AG's €4bn syndicated credit line (up to **€1.5bn**) plus a bilateral line of **€1.0bn** granted by RWE AG until **31 Dec 2018**
- Stand-alone RCF to be established in **2017** (based on full year 2016 figures)

➤ **innogy is establishing its own capital market access to be able to finance its operation going forward**

Striving for a balanced debt maturity profile

Maturity profile as of 30 September 2016 (€bn)



- Total outstanding gross financial debt of innogy amounts to ~€15bn
- It currently consists of senior bonds of innogy Finance BVs (~€10bn) and of intercompany-loans from RWE AG (~€5bn)
- The senior bonds were issued under the debt issuance programme (DIP) of RWE AG

Cumulated maturities of innogy debt

As of 30 September 2016	2016 – 2018	2019 – 2021	2022 – 2024	Post 2024
Senior bonds and IC-loans (€bn)	2.5	5.7	2.4	4.3
% of total senior bonds	17%	38%	16%	29%

¹ The IC-loan of €0.3bn was already paid back on 11 October 2016.

APPENDIX

Overview of senior bonds (CSM I bonds)



Issuer	Notional amount (million)	Carrying amount pre-transfer (€m) (18 Dec 2015)	Coupon (%)	Maturity
innogy Finance B.V.	EUR 980	980	5.125%	Jul 18
innogy Finance B.V.	EUR 1,000	996	6.625%	Jan 19
innogy Finance B.V.	EUR 750	746	1.875%	Jan 20
innogy Finance B.V.	GBP 570	778	6.50%	Apr 21
innogy Finance B.V.	EUR 1,000	998	6.50%	Aug 21
innogy Finance B.V. CSM I bonds	GBP 500	677	5.50%	Jul 22
innogy Finance B.V.	GBP 488	663	5.625%	Dec 23
innogy Finance B.V.	EUR 800	800	3.00%	Jan 24
innogy Finance B.V.	GBP 760	1,038	6.25%	Jun 30
innogy Finance II B.V. ¹	EUR 600	595	5.75%	Feb 33
innogy Finance B.V.	GBP 600	813	4.75%	Jan 34
innogy Finance B.V.	GBP 1,000	1,342	6.125%	Jul 39
Total		10,426	~5%²	

1 Note that €600m senior bond was transferred into innogy scope as per 28 Dec 2015 only. 2 Notional-weighted coupon average. Conversion of GBP bonds as per 31 Dec 2015 FX rate

Overview of intercompany loans¹ (as of 31 Jul 2016)

Instrument		Notional amount (million)		Notional amount (€ million) ²	Interest rate (%)	Maturity
PP intercompany loan ³		EUR	100	100	EURIBOR + 0.67	Nov 17
PP intercompany loan ³	CSM II bonds	USD	50	45	3.80	Apr 33
PP intercompany loan ³		EUR	100	100	3.50	Dec 42
PP intercompany loan ³		EUR	150	150	3.55	Feb 43
PP intercompany loan ³		Exchange offer	EUR	500	500	3.50
PP intercompany loan ³	JPY		20,000	174	3.31	Feb 40
EIB intercompany loan ⁴	Exchange of borrower	EUR	645	645	3.23	Oct 20
EIB intercompany loan ⁴		GBP	350	415	2.14	Feb 23
Additional intercompany loan		EUR	204	204	0.06	Apr 17
Additional intercompany loan		EUR	125	125	0.19	Jul 17
Additional intercompany loan		EUR	771	771	0.22	Oct 17
Additional intercompany loan		EUR	956	956	0.56	Mar 19
Additional intercompany loan		EUR	700	700	0.86	Oct 20
Total				~€4.9bn	< 2%⁵	

Note: unaudited financials. Rounding differences may occur. 1 Loans established between innogy and RWE AG. 2 Notional amounts converted to EUR using spot FX rates as per 31 Jul 2016 (EUR/USD 1.1113, EUR/JPY 114.83, EUR/GBP 0.8440). 3 Based on bonds issued by RWE AG via private placement transactions. 4 Based on loans granted to RWE AG by the European Investment Bank (EIB).

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

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	Set for mid-term growth	~€6.5bn capex⁵ (2016-18E)	Focus on further efficiencies	
5 Focus on value creation	70-80% dividend pay-out ratio based on adjusted net income		Strict capital discipline	

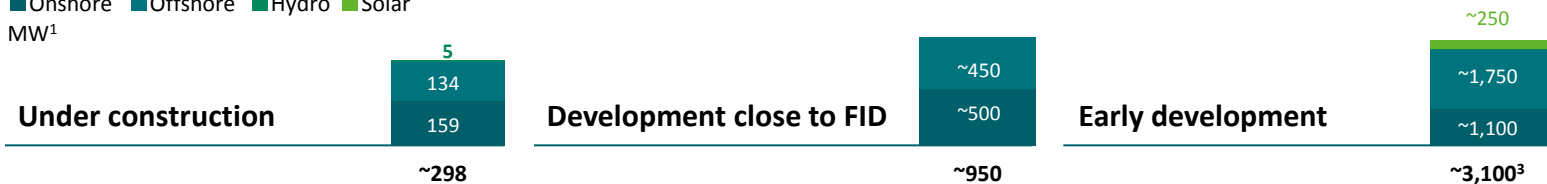
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2 As of 31 December 2015; accounting view; includes 3.3GW from Renewables segment (excluding Zephyr portfolio) and 0.3GW renewables capacity from participations related to the Grid & Infrastructure segment.

3 Includes regulated and quasi-regulated business activities. 4 Cash flow from operating activities after interest and tax. 5 Including financial investments.

Strong pipeline of projects under construction and in development

■ Onshore ■ Offshore ■ Hydro ■ Solar
MW¹

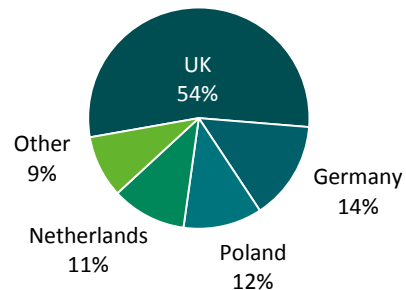


Major projects

	Nordsee 1	Goole 2	Zuidwester	Galloper
Country	GER	UK	NL	UK
Technology	Offshore	Onshore	Onshore	Offshore
Full capacity (MW)	332	35	90	336
innogy stake	15%	100%	100%	25%
Expected CoD	Q4/17	Q1/17	Q2/17	Q1/18
Support scheme	FiT (EEG 2014 ²)	0.9 ROC	SDE+ €80/MWh	1.8 ROC

- Offshore includes Triton Knoll project in UK (50% of total maximum capacity of 900 MW)
- Onshore includes more than 200 MW from 4 projects in UK with secured remuneration scheme (ROC and CfD through auctions won)
- In addition, onshore includes a portfolio of projects across Europe (Netherlands, Poland, Germany)

- Offshore includes Kaskasi project in Germany
- Further projects according to following regional split:



Note: capacities in Close to FID and Early development categories rounded to nearest 50MW. Numbers may not add up due to rounding differences.
 1 Pro-rata capacity. 2 EEG compression model: €194/MWh; €154/MWh; €39/MWh. 3 Includes <25MW Hydro.

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