Fixed Income Investor Update

innogy SE · 17 July 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**

innogy at a glance

We are delivering on our IPO promises

IPO promises

Achievements since IPO

1. Clean play, no legacy liabilities, truly independent
2. Financial guidance 2016 achieved, guidance 2017 confirmed
3. Leverage factor 2016 of 3.7, innogy Ratings: Fitch BBB+, Moody's Baa2 and S&P BBB-, first innogy bond issued
4. ~100 MW renewable capacity added in 2016, >130 MW expected in 2017 - Belectric acquisition
5. Dividend of €1.60 (~80% payout ratio)

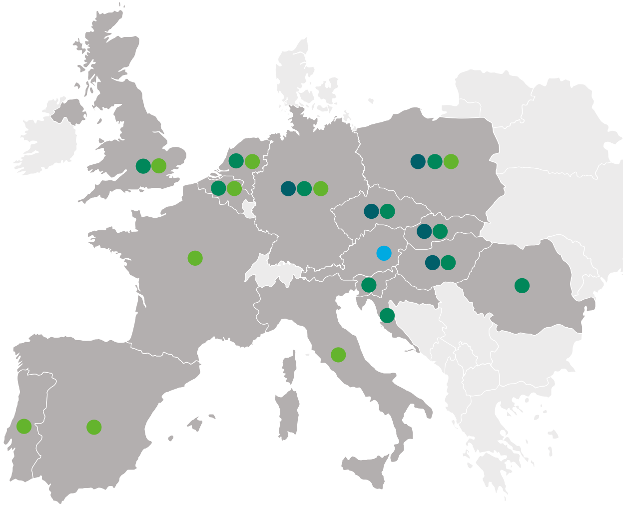
Unique asset mix and diversified European footprint

Leading positions across countries in Europe ...

3.7 GW
renewable capacity[1]

574,000 km
grid length[2]

5x #1
positions[3]



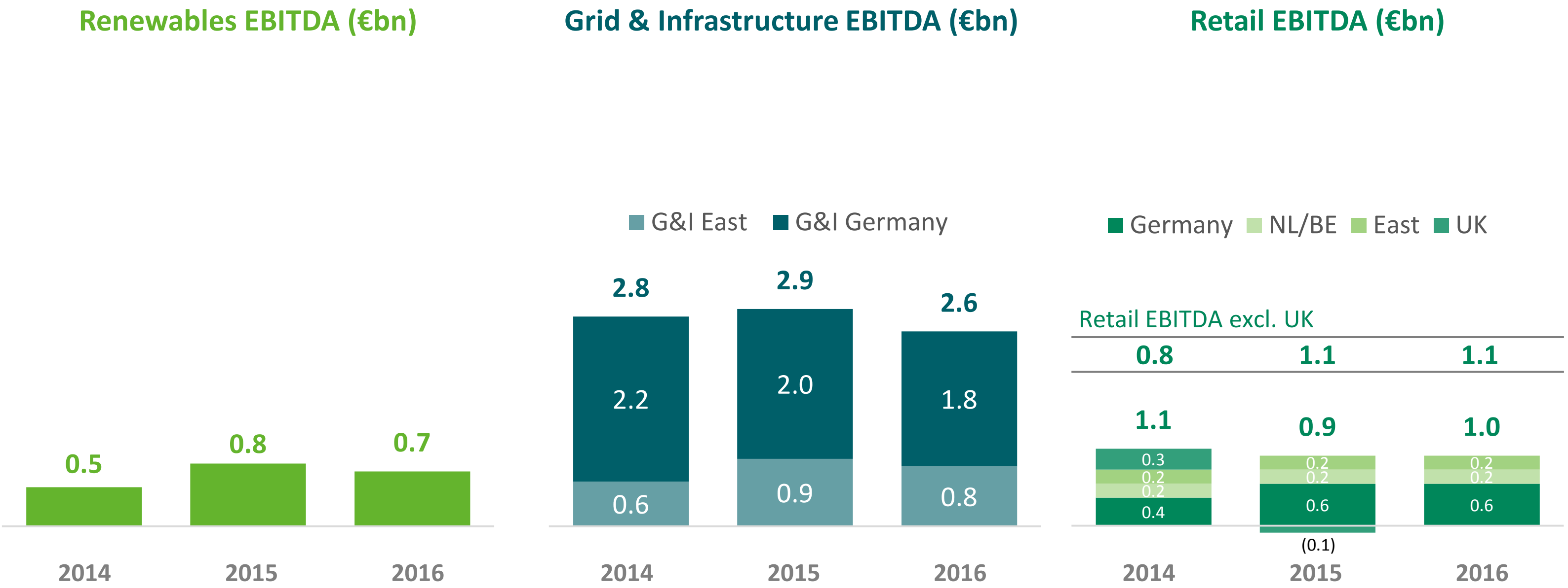
Market presence
- Renewables
- Grid & Infrastructure
- Retail
- Strategic partnership

... with a distinct asset profile

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

Source: Group data as well as company estimates based on competitor publications, regulatory reports and analyst reports. 1 Capacity in the Renewables division as of 31 December 2016. Includes 0.4 GW of renewable generation capacity in the Grid & Infrastructure and Retail divisions. 2 Positions in the Grid & Infrastructure division are based on distributed volumes in 2015. 3 Market positions based on volumes sold; for Belgium, Poland and the Czech Republic, based on customer numbers and for the Netherlands, based on market research – all based on the latest information available as of 31 December 2016.

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



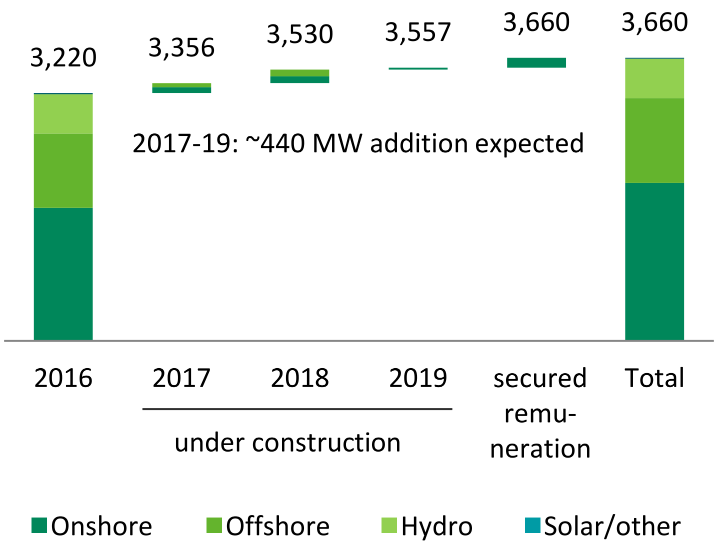
Note: numbers may not add up due to rounding differences.
1 Includes long-term contracts.

innogy at a glance

Renewables – leverage value in core markets

Capacity ramp-up[1]

MW, pro-rata



Short-term growth drivers

Operations	Operational excellence – reduce costs, increase yield		
Construction	Execute Onshore construction pipeline	Complete Galloper and Nordsee One in time, budget and quality	
Development	Offshore auctions: Triton Knoll and Kaskasi (2nd round in 2018)	Take FID for onshore projects with secured remuneration of ~100 MW	Further growth opport-unities/ pipeline

1 Excluding any growth potential in new technologies/markets. Ramp-up only includes Renewables division.

G&I – deliver robust results and optimise capex/opex strategy under regulatory frameworks

innogy

Key pillars of value creation for core business

Operational excellence

Regulatory management

Capex/opex strategy

Regulatory frameworks are mostly confirmed providing stability

Germany

Important parameters set for new regulatory periods from 2018/2019.

Clarity on outstanding items expected in 2017/2018.

Czech Republic

Most parameters for gas distribution stable.

Positive change of allocation of the allowed revenues.

Hungary

Allowed revenues agreed for new regulatory period from 2017.

In total, positive outcome of cost review.

Poland

Our DSO in Warsaw achieves ‘best in class’ recognition.

Slovakia

Regulatory environment for 2017 with no major changes.

Retail – operational excellence and growth in Energy+

innogy

Keeping our excellent position in B2C and staying competitive in B2B

Operational excellence

B2C

- Churn prevention
- Digital customer journey end-to-end
- Improve customer satisfaction
- Cost excellence

B2B

- Cost excellence

Accelerate growth in Energy+ to support retention and create viable stand-alone products

Growth in Energy+

B2C

- Diversification of existing business (stand-alone Energy+)
- Build customer loyalty and support retention (commodity-linked Energy+)

B2B

- Build up the Energy+ business by pushing existing and launching new offerings

Target 2018

>€100m[1]

1 Adjusted EBIT (B2B+B2C).

Corporate governance – innogy with high degree of in-dependence

innogy

Key principles governing innogy/RWE relationship

- Both parties – RWE 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 has been terminated
- All intercompany relations and agreements are 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 manages innogy as a financial investment
  - RWE will not impose strategic and financial targets and is not involved in planning and management incentive discussions
  - Investment decisions at innogy are not subject to approval by RWE

Board structure

- Two-tier board structure:
  - Executive board (6 members)
  - Supervisory board (20 members, thereof 10 shareholder and 10 employee representatives)

Composition supervisory board

- 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 SE
- Audit committee mainly composed of independent supervisory board members

innogy

innogy at a glance

Financial review

innogy's credit profile

Key messages Q1 2017

innogy

Outlook 2017 confirmed on group and segmental level for adjusted EBITDA, adjusted EBIT and adjusted net income

€20bn **debt issuance programme** launched – successful issuance of **first senior bond** (€750m)

Q1 2017 financials

Adjusted EBITDA: €1,617m (+4% y-o-y)
Adjusted EBIT: €1,261m (+6% y-o-y)
Adjusted net income: €684m

Dividend of €1.60 per share for fiscal 2016 approved by AGM

Negative free cash flow in line with seasonal patterns and main driver for increase in net debt in Q1 2017

innogy

Cash flow statement (extract)[1]

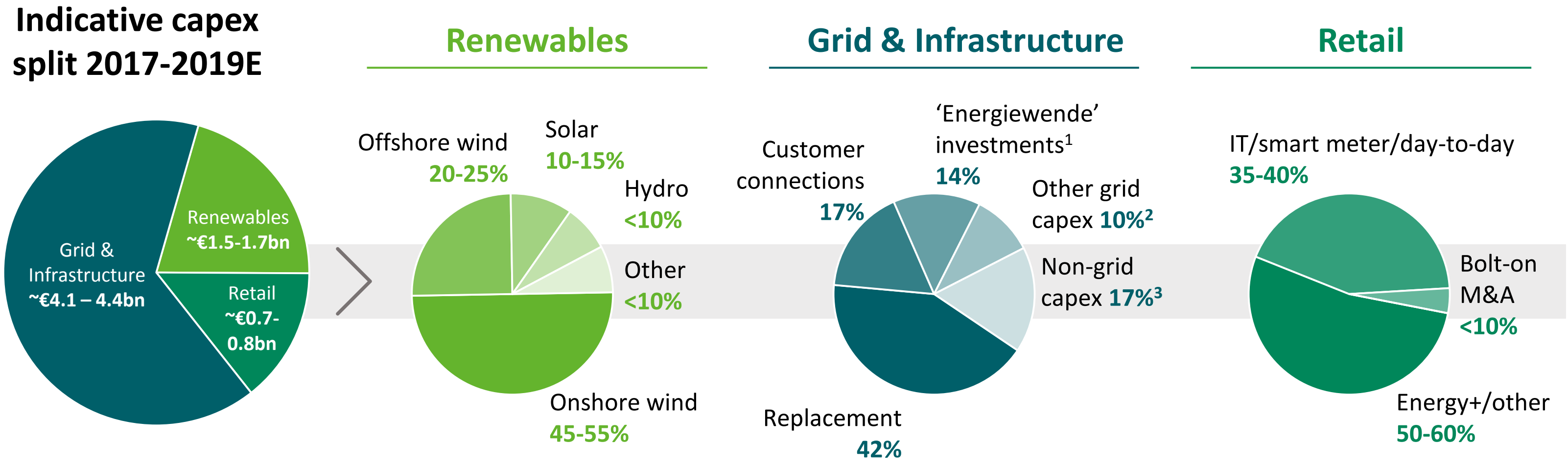
€ million	Q1 2017	Q1 2016	+/-
Adjusted EBITDA	**1,617**	**1,555**	**62**
Funds from operation (FFO)	**1,273**	**1,590**	**(317)**
Changes in working capital	(1,936)	(2,196)	260
Cash flow from operating activities (CFOA)	**(663)**	**(606)**	**(57)**
Capex[2]	(288)	(230)	(58)
Divestments	128	160	(32)
Free cash flow	**(823)**	**(676)**	**(147)**

Net debt composition (extract)

€ billion	31 Mar 2017	31 Dec 2016	+/-
Financials assets	4.7	4.6	0.1
Financial liabilities	17.3	16.2	1.1
t/o senior bonds[3]	10.7	10.3	0.4
t/o loans towards RWE[4]	3.8	4.3	(0.5)
Net financial liabilities	**12.6**	**11.6**	**1.0**
Provisions for pensions and similar obligations	3.6	3.9	(0.3)
Provisions for wind farm decommissioning	0.4	0.3	0.1
Net debt	**16.6**	**15.7**	**0.9**
Leverage factor	**-**	**3.7x**	**-**

1 The definition of free cash flow has changed: it now includes financial investments and divestments from property, plant and equipment plus intangible and financial assets.
2 Including financial investments.
3 Adjusted for ‚step-up' effect of €981m.
4 Related to EIB loans (to be moved to innogy subject to approval by the EIB) and some RWE hybrid bonds.

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



€6.5bn – €7.0bn planned capex[4] 2017-2019E

	Renewables	Grid & Infrastructure	Retail
ROI hurdle rates[5]	5-7% core business 5-14% new markets/new technologies	5-7%	6-9% 5-10% Energy+

Note: rounding differences may occur. 1 E.g. smart meter investments. 2 Other grid capex includes investments for non-regulated grid assets such as street lightning or telco activities and includes investments in IT infrastructure. 3 Non-grid capex comprises of capex for innogy's German storage facitlities, shares of investment spend related to participations as well as capex for other activities, such as innogy's water business. 4 Including financial investments. Pie charts do not include ~€0.2bn of centrally accounted capex mainly for innovation projects. 5 Hurdle rates = after-tax WACC + project risk adjustment + country risk adjustment.

Strict investment criteria to focus on value creation

Investment framework – hurdle rate build up

Base WACC (post-tax)

+

Minimum value contribution for new projects

+

Risk premia
Technology risk
Construction risk
Regulatory risk

+

Country risk premium

Project specific hurdle rate
Project WACC (unlevered, post-tax)

Current hurdle rate ranges

	Core business[1]	New markets/ technologies[1]
Renewables	5-7%	5-14%
Grid & Infrastructure	5-7%	5-7%
Retail	6-9%	5-10% (Energy+)

1 The core business encompasses the conventional retail electricity and gas business as well as the activities in the Grid & Infrastructure division and the construction of renewable energy assets (wind farms and hydro power stations) in our core markets in Europe. We have different return criteria for new energy service products (referred to as the ‘Energy+‘ business) in the retail business and for new technologies and /or markets.

Outlook for 2017 confirmed

innogy

€ million unless stated otherwise	Q1 2017 reported	Q1 2016 reported[3]	FY 2017 guidance		FY 2016 reported
Adjusted EBITDA[1]	**1,617**	**1,555**	**~4,400**	√	**4,203**
Renewables	134	154	~350	√	359
Grid & Infrastructure	708	548	~1,900	√	1,708
Retail	490	540	~850	√	844
Adjusted EBIT[1]	**1,261**	**1,195**	**~2,900**	√	**2,735**
Adjusted financial result	(151)	-	(750)-(800)	!	(874)
Tax rate for adjusted net income	25%	-	at the lower end of 25-30%	!	25%
Adjusted net income	**684**		**>1,200**	√	**1,123**
Capex[2]	**323**	**286**	**€2.0 – 2.5bn**	√	**2,123**

√ Outlook confirmed

! Outlook enhanced/adjusted

1 Includes Corporate/other. 2 Including financial investments. 3 Adjusted net income not shown as transactions to establish the envisaged capital structure and the legal reorganisation of innogy Group were not completed by the end of Q1 2016.

innogy at a glance

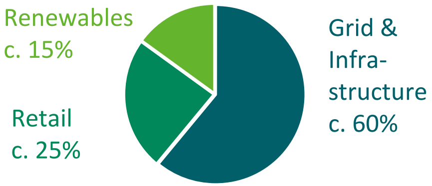
Financial review

Credit profile

Key drivers of innogy's prudent financial policy

A stable and attractive earnings profile …

By division



2016 EBITDA: **€4.2bn**

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

Cash conversion

~70%
(CFOA/ EBITDA)

Leverage

~4.0x
net debt/ EBITDA

… for investors

Rating

Solid investment grade rating

Prudent growth

Strict investment criteria

innogy's credit ratings[1]

innogy

Fitch

- Fitch assigned innogy a BBB+ rating (outlook stable) on 31 October 2016. 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 30 June 2017 Moody's assigned innogy a Baa2 (outlook stable) senior unsecured rating. The same rating is also assigned to innogy‘s debt issuance programme.
- The ratings reflect the low business risk of innogy. The improved credit quality of RWE is also seen as supportive

S&P

- On 29 June 2017, S&P affirmed innogy's BBB- (positive outlook) corporate and senior bond ratings
- The positive outlook reflects the potential for a one-notch differential to RWE's rating. S&P assesses innogy's stand alone credit profile of bbb, however it is currently capped by RWE's rating

1 Solicited ratings

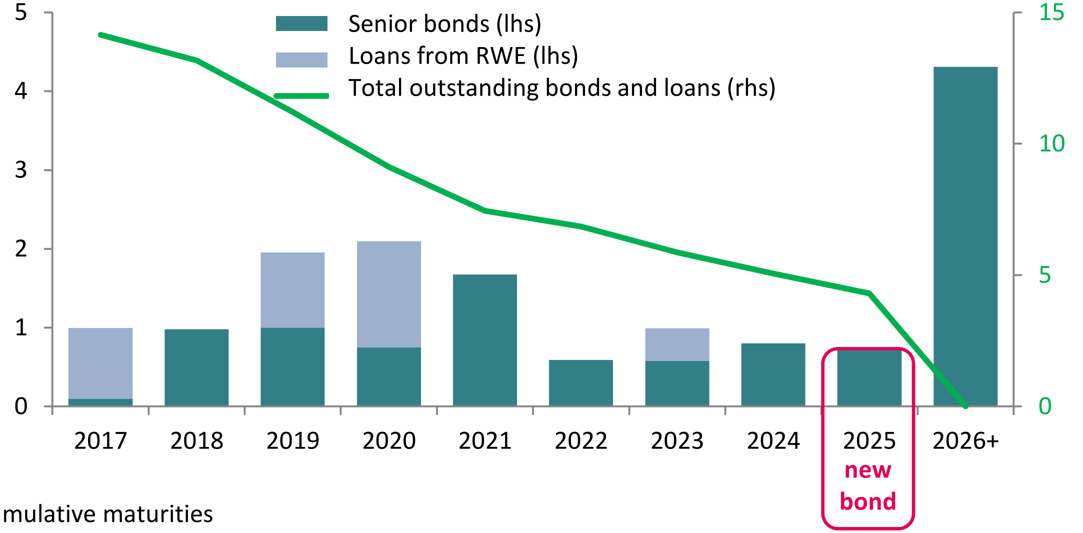
innogy's funding programmes established, a stand-alone capital market access achieved

Debt issuance programme	• Independent innogy debt issuance programme established • Nominal volume: €20bn • First senior bond successfully issued (€750m due in 2025)
Commercial paper programme	• Stand-alone programme up and running (since end 2016) • Nominal volume: €3bn • First commercial papers issued
Revolving credit facilities	• innogy SE has access to RWE AG's €4bn syndicated credit line (up to €1.5bn) • Stand-alone RCF to be established in 2017

➢ **innogy has established its own capital market access to be able to finance its operational business going forward**

innogy issued its first senior bond in April 2017 (€750m, 1%, maturity 2025)

Maturity profile as of 30 April 2017 (in €bn)



- Total outstanding gross financial debt of innogy amounts to ~€15bn
- It currently consists of senior bonds of innogy (~€11bn) and of intercompany-loans from RWE AG (~€4bn)

Cumulative maturities

As of 30 April 2017	2017-2019	2020-2022	2023-2025	2026+
Senior bonds and RWE loans *(€bn)	3.9	4.4	2.5	4.3
% of total debt	26%	29%	17%	28%

Credit highlights

innogy

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 (CFOA/EBITDA)

Capital structure

- Solid investment grade ratings
- ~4.0× leverage (Net Debt/EBITDA)
- Solid balance sheet

APPENDIX

Appendix

Senior bonds of innogy (As of 31 March 2017, by maturity[1])

Issuer	Notional amount (LCY[2], million)		Carrying amount (in EUR million)	Coupon (%)	Maturity
innogy SE	EUR	100	100	6M Euribor + 0 .67	Nov 17
innogy Finance B.V.	EUR	980	1,041	5.125	Jul 18
innogy Finance B.V.	EUR	1,000	1,104	6.625	Jan 19
innogy Finance B.V.	EUR	750	765	1.875	Jan 20
innogy Finance B.V.	GBP	570	740	6.50	Apr 21
innogy Finance B.V.	EUR	1,000	1,206	6.50	Aug 21
innogy Finance B.V.	GBP	500	634	5.50	Jul 22
innogy Finance B.V.	GBP	488	619	5.625	Dec 23
innogy Finance B.V.	EUR	800	845	3.00	Jan 24
innogy Finance B.V.	GBP	760	981	6.25	Jun 30
innogy Finance II B.V.	EUR	600	732	5.75	Feb 33
innogy SE	USD	50[3]	47	3.173[4]	Apr 33
innogy Finance B.V.	GBP	600	655	4.75	Jan 34
innogy SE	EUR	468	514	3.50	Oct 37
innogy Finance B.V.	GBP	1,000	1,258	6.125	Jul 39
innogy SE	JPY	20,000[3]	198	4.762[4]	Feb 40
innogy SE	EUR	100	100	3.50	Dec 42
innogy SE	EUR	150	150	3.55	Feb 43
Total	**-**	**-**	**11,690**	**5.19[5]**	**-**
thereof: step-up effect			981		

1 Excl. EUR750m bond issued in April 2017 (matures 2025).

2 Local currency.

3 Swapped in EUR: USD50m in EUR39m; JPY20,000m in EUR159m.

4 Interest rate after swap in Euro.

5 Notional-weighted average coupon.

Loans from RWE AG

Instrument	Notional amount (LCY[1], million)		Carrying amount (in EUR million)	Coupon (%)	Maturity
Intercompany loan	EUR	204	204	0.06	Apr 17
Intercompany loan	EUR	125	125	0.19	Jul 17
Intercompany loan	EUR	771	771	0.22	Oct 17
Intercompany loan	EUR	956	956	0.56	Mar 19
Intercompany loan	EUR	700	700	0.86	Oct 20
Intercompany loan	EUR	645	699	3.23	Oct 20
Intercompany loan	GBP	350	376	2.14	Feb 23
Total	-	-	**3,831**	**1.13[5]**	-

1 Local currency.

As of 31 March 2017

‘Bond pushdown’ successfully completed – largest corporate liability management transaction in Europe

innogy

Milestones

15 Nov 2016	Launch date of - consent solicitations/invitation to vote without meeting (CSM I + II bonds) - the exchange offer (EO bonds)
13 Dec 2016	Announcement of results of the consent solicitation and exchange offers
21 Dec 2016	EO bonds exchanged to new bonds of innogy SE
10/11 Jan 2017	Adjourned noteholder meetings
11 Jan 2017	Announcement of results of the adjourned noteholder meetings
01 March 2017	Transaction concluded; change of guarantor for all CSM I + II to innogy SE

Transaction highlights

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

No solicitation fee was paid to bond investors

Note: For external bonds; transfer of EIB loans still outstanding.

Offshore Wind: strong competition with first subsidy-free auction bids in Germany

Technological levers to reduce costs

- Wind farm development (standardisation in design)
- Offshore installation & logistics
- Innovative foundation concepts
- Next generation turbines (higher annual energy production - AEP)
- More efficient O&M
- Electrical interconnectivity

Beyond the obvious – further levers

- O&M concepts: inhouse & portfolio-based
- EPC: high quality partner with competitive margin
- Economies of scale from project portfolio
- De-risking via asset rotation
- Analysis of future market price assumptions

Critical success factor

Derive valuable bid price propositions to secure remuneration levels for viable growth projects

Renewables – enter new markets and new technologies

	Onshore wind	Offshore wind	Solar
MID-TERM STRATEGY	• Build on core capabilities to foster growth • Successfully enter new markets	• Expand business beyond core markets as opportunities arise – also outside of Europe • Target role of lead developer and operator	• Setup utility scale business • Integrate Belectric and leverage business capabilities in EPC and O&M
SHORT-TERM ACTIONS TAKEN	• US office opened and support for onshore secured (PTC[1] /'safe harbour investment') • Preparation of market entry in Ireland • Brownfield project development in progress	• In-depth discussions with potential partners for promising growth projects	• Successful closing of Belectric transaction in Jan 2017 • Multiple opportunities under review – mainly in Europe and North America • Successful acquisition of project rights >200 MW[2] in Canada

1 Production tax credit.
2 Anticipated full project capacity.

Renewables – projects under construction and development pipeline

	Nordsee 1	Galloper	Brechfa West	Goole 2	Mynydd y Gwair	Bad a Cheo	Eschweiler Nord	Eschweiler Fronhoven	Wiedenfelder Höhe	Grudie
Country	GER	UK	UK	UK	UK	UK	GER	GER	GER	UK
Technology	Offshore	Offshore	Onshore	Onshore	Onshore	Onshore	Onshore	Onshore	Onshore	Hydro
Full capacity (MW)	332	336	57	35	33	27	13	29	13	2
innogy stake	15%	25%	100%	100%	100%	100%	51%	51%	100%	100%
Expected CoD	Q4-17	Q1-18	Q1-18	Q1-17	Q4-18	Q2-19	Q2-17	Q3-17	Q3-17	Q1-17
Support scheme	EEG '14	ROC	ROC	ROC	CfD	CfD	EEG '14	EEG '14	EEG '14	FiT/ Wholesale
Capex[1] (innogy share)	€43m	£95m	£89m	£50m	£52m	£35m	€10m	€21m	€19m	£8m
IRR[2] ranges	Offshore: ~13%		Onshore: 6-11%							Hydro: ~9%

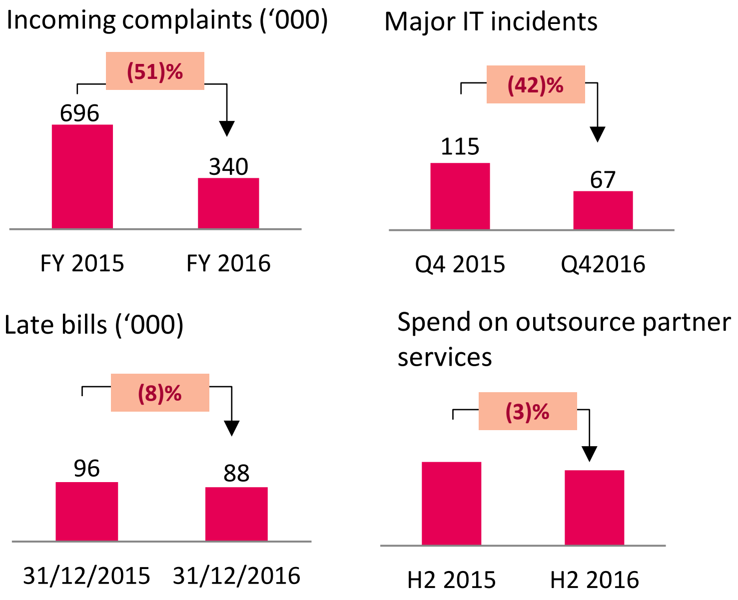
Development pipeline

- About 4 GW[3] of project opportunities mainly in our established core markets
- ~ 2GW Offshore, ~ 1.2GW Solar, ~ 0,9GW Onshore

Note: Final 15 MW (2 turbines) of onshore wind project Zuidwester (90MW in total) commissioned in February 2017.
1 Excluding historical investments at FID.
2 For Onshore: project (asset) IRR post tax excluding historical costs; for Offshore equity IRR post tax excl. historical costs.
3 Subject to auctions or bilateral PPA negotiations; not probability weighted.

Retail UK turnaround on track – market and regulatory environment remains challenging

Operational KPI development (B2C business)



Market and regulatory environment

Switching is at its highest levels since 2010

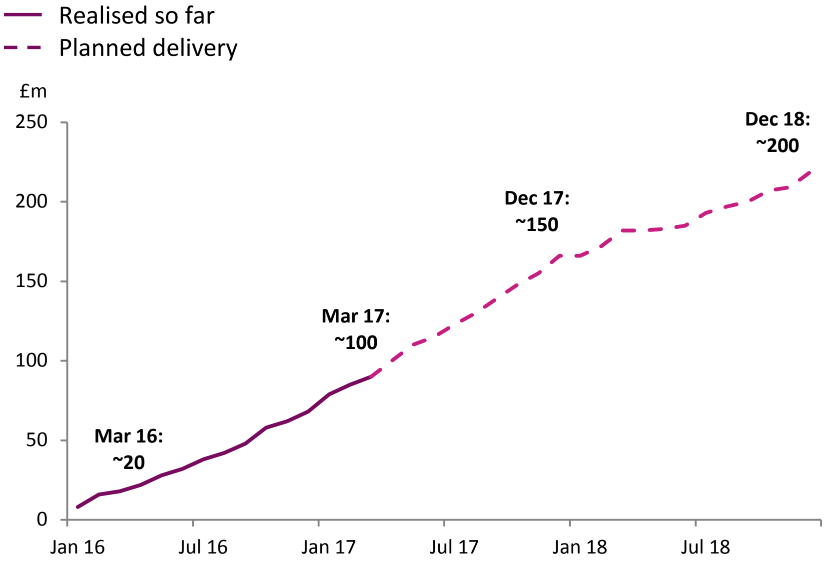
Growing risk of further intervention on retail energy prices

Increased commodity and regulatory induced costs

CMA remedies partly implemented

Retail UK – around £200m of cost savings will be delivered by year-end 2018

npower opex savings (cumulative, on annual cost base)



Key messages

The Recovery Programme is delivering results according to plan: ~£100m by March 2017

Further £100m will be delivered by end 2018

These savings primarily offset additional opex arising from regulatory costs (incl. smart meter)

We are examining further efficiency opportunities in excess of the envisaged £200m cost savings within the context of a sustainable operating model and to reach our goal of a market average cost base

Retail UK - Overview of account and customer mix

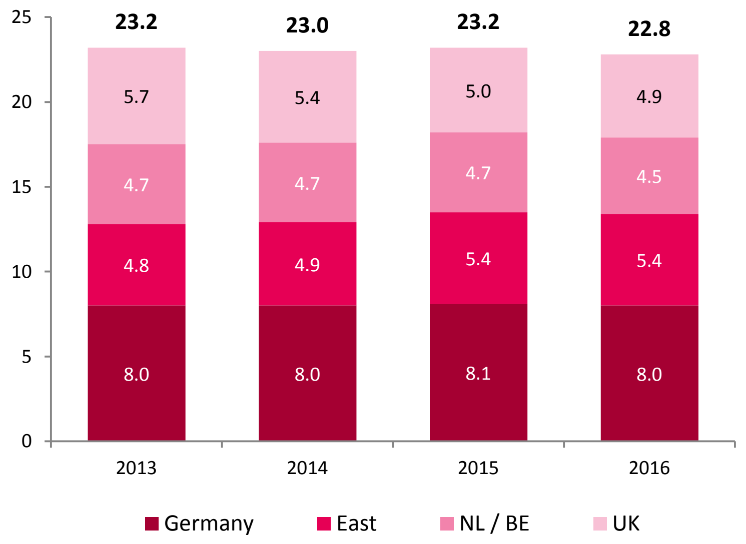
(Domestic B2C, million)	Standard (SVT)	% of total	Non standard	% of total	Total
Customers (Accounts)	**2.3**	***52***	**2.2**	***48***	**4.5**
% of dual fuel	*54*		*74*		*62*
Accounts excl. prepay	1.9	*47*	2.1	*53*	4.0
% of total accounts	*80*		*99*		*89*
Customers (dual fuel customers are counted as one customer)	**1.6**	***55***	**1.3**	***45***	**2.8**
Customers excl. prepay	1.3	*49*	1.3	*51*	2.6
% of total customers	*79*		*98*		*87*

SVT = Standard variable tariff.

As of June 2017

Retail – stable customer basis in the key markets

Number of customers (electricity and gas) in million



- Stable and well diversified portfolio of some 23m customers across Europe
- Increasing competition leads to fluctuation in the customer basis

Contacts

Marcel Rohrbach
T +49 201 12-15043
marcel.rohrbach@innogy.com

Britta Wöhner
T +49 201 12-44794
britta.woehner@innogy.com

Holger Perlwitz
Fixed Income
T +49 201 12-15141
holger.perlwitz@innogy.com

Martin Jäger
T +49 201 12-15106
martin.jaeger@innogy.com

Lars Korinth
T +49 201 12-48329
T +44 7557-198194
lars.korinth@innogy.com