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Further steps towards the planned innogy IPO

- **Placement of new shares and existing shares at the same time intended**
- **Listing on the Frankfurt Stock Exchange envisaged**
- **innogy SE is a well-established European energy company with an EBITDA of EUR 4.5 billion in fiscal year 2015**
- **For 2016 to 2018 investments of about EUR 6.5 billion in energy transition planned**

Essen, 12 September 2016

Further steps towards the planned IPO of the new RWE subsidiary innogy SE ("innogy"): the Executive Boards of innogy and RWE AG have decided to strive for a listing of the innogy shares on the Prime Standard sub-segment of the regulated market of the Frankfurt Stock Exchange. The planned offering is expected to consist of new shares that innogy plans to issue in a capital increase of about 10 per cent (calculated based on the capital post planned capital increase). In addition, it is intended to place further shares from the holdings of RWE AG at the same time. The exact number of shares, which are going to be sold, will be determined at a later point in time.

innogy shares are expected to be offered publicly in Germany and Luxembourg. In addition, private placements with investors outside these countries are envisaged. innogy still aims to complete the planned initial public offering in Q4 2016. The proceeds from the planned capital increase will accrue to innogy. It is intended to predominantly use them for growth investments in the core business areas of the company. Proceeds from the placement of the remaining shares are to flow to RWE AG.

"The preparations for innogy's listing are progressing according to plan. In the course of the initial public offering of new shares, we intend to offer further shares from RWE AG's holdings", explains Peter Terium, Chairman of the Executive Board of RWE AG and innogy SE. "innogy is well positioned to benefit from the three megatrends of the energy industry: decarbonisation, decentralisation and digitalisation. Following the planned initial public offering, innogy intends to further expand its position as an innovative energy company in Europe – and the more successful the subsidiary, the more beneficial for RWE AG," Peter Terium added.

A well-established European energy company

innogy combines the business segments Grid & Infrastructure, Retail and Renewables. In a radically changing energy market, innogy centers around clearly focused, future-orientated competencies and is already largely CO_2-free in power generation.

The Grid & Infrastructure segment operates one of the most efficient and modern distribution networks in Europe with about 570,000 km (as of 31 December 2015). The distribution networks are the backbone of the energy transition. They are key to integrating weather- and daytime-dependent electricity feed-ins from renewable sources and decentral power plants. The energy transition in Germany offers significant growth opportunities for distribution system operators. To use their grids even more effectively and flexibly, innogy wants to invest in upgrading and expanding its grid infrastructure in a targeted manner.

The Retail segment currently has approximately 23 million electricity and gas contracts with customers in eleven European markets. Measured by sales or number of customers, innogy is one of the largest electricity and gas retailers in Germany, the Netherlands and the United Kingdom. The company also has leading positions in power and/or gas supply in many markets of Central Eastern and South Eastern Europe. The focus of the Retail segment, in addition to organic growth in the existing business, rests on enhancing decentralised and smart customer solutions, especially in the area of digital applications. innogy also considers itself to be a pioneer in the area of electric vehicles. With more than 4,900 charging stations in more than 20 countries, the company operates one of the largest charging networks in Europe (as of December 2015).

The Renewables segment has a well-diversified portfolio across Europe. In offshore wind, innogy is the world's number three by installed capacity (as of March 2016) and one of the large companies in a highly fragmented European market for onshore wind parks. The focus in power generation from renewable sources will remain on offshore and onshore wind. In the solar/photovoltaics, the development of utility-scale projects is to support the company's growth.

On the basis of the combined financial statements, in 2015 the company generated revenue of about EUR 46 billion, an EBITDA of EUR 4.5 billion and net income of EUR 1.6 billion. After completing its carve-out transaction, innogy will employ about 40,000 employees of the total of about 60,000 RWE Group employees.

innogy combines a strong earnings profile with an attractive platform for future growth

Around 60 per cent of the total EBITDA are generated from regulated or quasi-regulated business.
On the basis of the combined financial statements, in 2015 Grid & Infrastructure generated an EBITDA of EUR 2.9 billion, of which more than 80 per cent came from its regulated business. Overall, the distribution grids consist of a regulated asset base (RAB) of EUR 13.3 billion.

Resulting from a strong customer base, the Retail segment generated attractive earnings over the financial years from 2013 to 2015. In 2015, on the basis of the combined financial statements, the EBITDA came in at about EUR 1 billion.

In the Renewables segment, a majority of the production capacities benefits from various national support schemes with a stable framework. In 2015 the segment generated an EBITDA of about EUR 0.8 billion on the basis of the combined financial statements, of which approximately 60 per cent were quasi-regulated earnings. The average remaining regulatory support tenor for the wind farms is currently twelve years.

The resilient earnings profile of innogy is combined with a solid capital structure. innogy targets a leverage ratio (net debt to EBITDA) in the order of 4.0x.

"Mostly plannable, regulated earnings and a solid capital structure are the basis for investments and sustainable growth of innogy. We want to let our investors participate in this performance with an attractive dividend policy," says Bernhard Günther, Chief Financial Officer.

Between 70 and 80 per cent of the adjusted net income are to be distributed to shareholders as a dividend. At the same time, the solid earnings profile provides the freedom to finance necessary growth investments using the company's own resources.

Targeted growth investments along the megatrends of the energy industry – decarbonisation, decentralisation and digitalisation

The foundations for the medium-term growth strategy have been laid: for the years from 2016 to 2018, investments of around EUR 6.5 billion are planned. For all investments, innogy strictly observes a prudent capital allocation and an attractive risk/return profile. The majority of the investments is expected to go into regulated businesses and to support growth perspectives. In this process, innogy applies clear investment principles: applying core competencies, developing new growth areas and establishing and expanding innovative future business opportunities.

The further expansion of the distribution grids is key for the successful restructuring of the energy system. In particular in Germany, as a result of the energy transition further significant investments in the distribution grids are necessary, offering innogy additional opportunities to expand its regulated asset base. Already today, innogy sees itself Germany-wide in a strong position to integrate electricity feed-ins from decentralised and renewable energy sources. This also opens up options for innovative offers in collaboration with the Retail segment.

In the consumer business, innogy focusses amongst other things on innovative products and solutions to further strengthen customer relationships. Based on the dynamic offerings relating to energy+, ever more customers are becoming partners as so-called 'prosumers' with their own power generation. The focus rests on decentralised and smart customer solutions, in particular in the area of digital applications.

In the Renewables segment, innogy can look back on strong earnings growth since 2013. Starting from the successful focus on competitive technologies, innogy aims to utilise the continuing strong global demand for renewables to grow further. Based on the experience in the development and operation of complex systems, innogy plans, for instance, to tap into new growth areas, such as onshore wind in the US and utility-scale photovoltaic plants outside the European core markets. To further accelerate the growth strategy, innogy announced the takeover of Belectric Solar & Battery Holding GmbH just at the end of August. The company focusses on the design, construction, operation and maintenance of utility-scale photovoltaic power plants and battery storage technologies.

Planned IPO creates opportunities for corporate development

"Following the planned IPO, innogy intends to focus on the future of the energy market and benefits from its development. We intend to invest the proceeds from the planned capital increase predominantly in strongly growing business areas, such as Renewables. We therefore view innogy as a strong combination of stability and growth," says Peter Terium.

After the planned initial public offering, RWE is set to remain the majority shareholder of innogy. RWE will have one representative on innogy's Supervisory Board which consists of 20 members; this will be the designated Chief Financial Officer of RWE AG, Markus Krebber. Werner Brandt is, in addition to his role as Chairman of the Supervisory Board of RWE AG, also Chairman of the Supervisory Board of innogy SE.

The two companies have entered into an agreement that is to ensure a high degree of independence for innogy. The independence will improve the risk profile of innogy. Amongst other things, the responsibility for dismantling the nuclear power plants remains with RWE AG after the reorganisation of the Group. The listing of innogy will grant RWE AG additional financial flexibility. The success of the subsidiary is therefore also always beneficial for RWE AG.

Deutsche Bank and Goldman Sachs are acting as the Joint Global Coordinators in the planned transaction. Together with BNP Paribas, BofA Merrill Lynch, Credit Suisse and UBS Investment Bank, they are the Joint Bookrunners. Banco Santander, Berenberg and RBC were appointed as Co-Lead Managers.

Contacts Media Relations

Sabine Jeschke
T +49 201 12 17441
sabine.jeschke@innogy.com

Vera Bücker
T +49 201 12 15140
vera.buecker@innogy.com

Contacts Investor Relations

Stephan Lowis
T +49 201 12 15030
stephan.lowis@innogy.com

Gunhild Grieve
T +44 207 015 5459
gunhild.grieve@rwe.com

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

Martin Vahlbrock
T +49 201 12 15055
martin.vahlbrock@rwe.com

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