



Q1 2017 results

innogy SE · 12 May 2017
Bernhard Günther · CFO

Key messages



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)

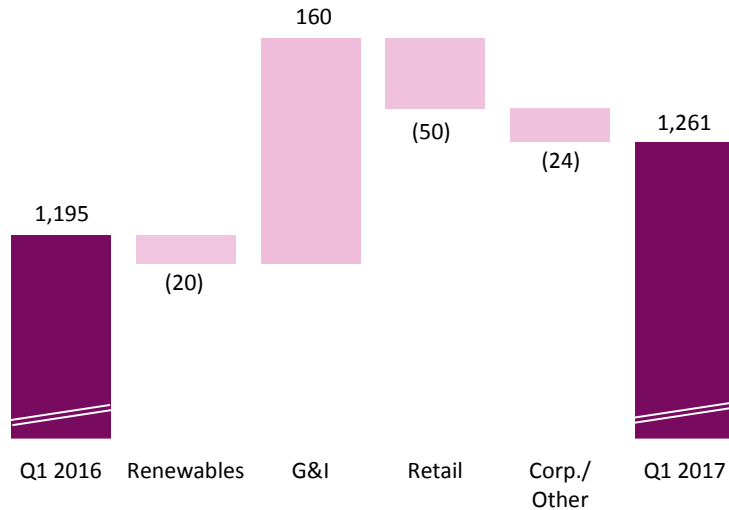
Adjusted net income: €684m

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

Adjusted EBIT up 6% y-o-y mainly driven by lower costs in the German G&I business



Adjusted EBIT development, € million



Key drivers¹

Renewables

- Lower wind and precipitation levels, a negative FX effect and absence of prior year one-off disposal gain only partially offset by higher yield and the contribution of new assets

Grid & Infrastructure

- Germany: lower costs to operate and maintain the grid; Q1 2016 included provision accruals for partial retirement measures
- East: positive impact from cold weather

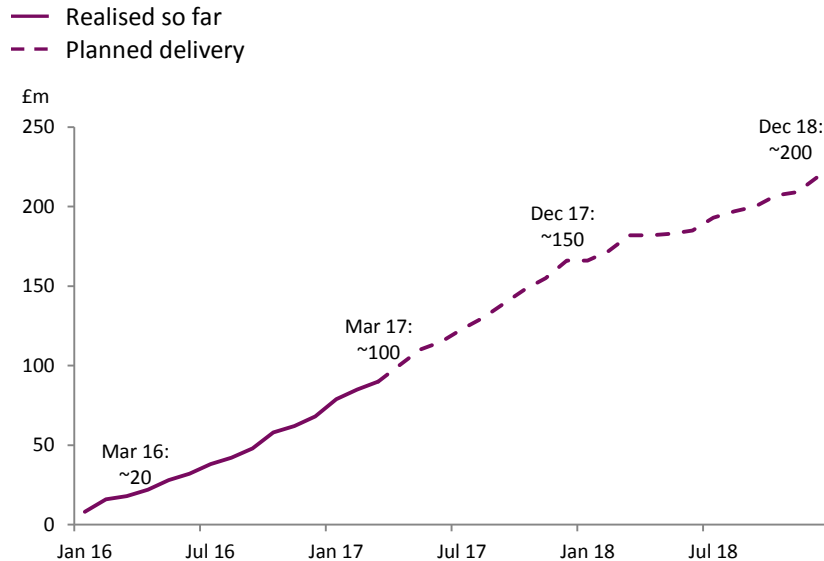
Retail

- Solid performance in Germany and East
- Lower customer numbers and volumes in NL/BE
- Negative market development and margin pressure in the UK only partially mitigated by positive contribution from recovery programme

¹ For details see backup slides 10-21.

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

npower opex savings (cumulative, on annual cost base)

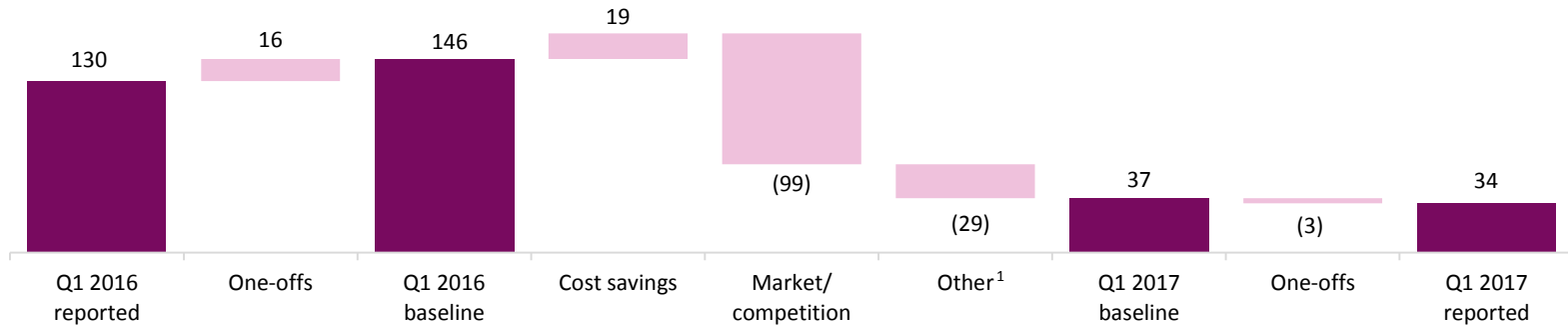


Key messages

- The recovery programme is delivering results according to plan: ~£100m by March 2017
- These savings primarily offset additional opex arising from regulatory costs (incl. smart meter)
- Further £100m will be delivered by end 2018
- 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 – turnaround measures more than offset by competitive margin pressure

€ million



Key drivers

- ↗ Cost savings and operational improvements from recovery programme
- ↘ Customer losses and shift to lower margin contracts in a very competitive environment
- ↘ Higher network costs and price increase for SVT² customers only effective mid March
- ↘ Lower volumes and higher commodity costs in the B2B business

¹ Includes a negative FX effect.
² SVT = Standard variable tariff.

Adjusted net income of €684m

Reconciliation of adjusted net income

€ million	Q1 2017 reported	adjustment	Q1 2017 adjusted
Adjusted EBITDA	1,617	-	1,617
Operating D&A ¹	(356)	-	(356)
Adjusted EBIT	1,261	-	1,261
Non-operating result	(48)	48	0
Financial result	(92)	(59)	(151)
Income before taxes	1,121	(11)	1,110
Taxes on income	(341)	63	(278)
<i>Tax rate</i>	<i>30%</i>	-	<i>25%</i>
Income	780	52	832
Non-controlling interests	(148)	-	(148)
Net income	632	52	684

Key drivers

- Non-operating result mainly driven by the valuation of derivatives to hedge price risks
- Financial result includes a positive effect of €53m from the amortisation of the step-up on bonds and a €6m one-off gain from the transfer of further debt from RWE to innogy – both effects are adjusted
- Effective tax rate is driven by a higher pre-tax contribution from German entities; this effect will diminish over the remainder of the year
- Normalised tax rate set to 25% to derive the adjusted net income
- Non-controlling interests: 29% above prior year levels due to improved earnings of German regional entities

¹ By definition, Operating D&A includes operating impairment losses.

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

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	-	3.7	-

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. See backup slide 22 for details.

4 Related to EIB loans (to be moved to innogy subject to approval by the EIB) and some RWE hybrid bonds. See backup slide 22 for details.

Outlook for 2017 confirmed

€ million unless stated otherwise	Q1 2017 reported	Q1 2016 reported ³	FY 2017 guidance	FY 2016 reported
Adjusted EBITDA¹	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 EBIT¹	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
Capex²	323	286	€2.0 - 2.5bn ✓	2,123

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.

✓ Outlook confirmed
! Outlook enhanced/adjusted



Backup



innogy

Renewables



€ million	Q1 2017	Q1 2016	+/-
Adjusted EBITDA	214	233	(8)%
Operating D&A ¹	(80)	(79)	(1)%
Adjusted EBIT	134	154	(13)%
Capex²	130	28	364%
<i>Capex/operating D&A</i>	<i>1.6x</i>	<i>0.4x</i>	-
Adjusted EBITDA – Capex	84	205	(59)%

Q1 2017 development

- ⤵ Lower volume due to lower wind and precipitation levels
- ⤵ Negative FX impact (adverse GBP development)
- ⤵ Absence of one-off gain in Q1 2016 from the sale of Hydro assets
- ↗ Higher yield, in particular in Wind offshore
- ↗ Contribution of new capacities in Q1 2017

Outlook for FY 2017

- ⤵ Absence of 2016 one-offs and negative FX impact
- ↗ Higher volumes from existing portfolio (subject to normal weather conditions) and new capacities (>130 MW expected³ in total)

¹ By definition, Operating D&A includes operating impairment losses.

² Including financial investments of €81m in Q1 2017 and €5m in Q1 2016.

³ Pro-rata view.

Renewables – capacity overview (accounting view)

As of 31 March 2017

Megawatt (MW)	Onshore	Offshore	Hydro	Biomass	Biogas	Solar PV	Total
Germany	567	295	380	5	1	1	1,249
United Kingdom	304	630	82	-	-	-	1,016
Spain	447	-	12	-	-	-	459
Netherlands	295	-	-	-	-	-	295
Poland	242	-	-	-	-	-	242
Italy	67	-	-	-	-	-	67
France	-	-	50	-	-	-	50
Portugal	-	-	16	-	-	-	16
Belgium	-	-	-	-	-	-	0
Total	1,921	925	540	5	1	1	3,393

Renewables – capacity overview (pro-rata view)

As of 31 March 2017

Megawatt (MW)	Onshore	Offshore	Hydro	Biomass	Biogas	Solar PV	Total
Germany	503	295	355	5	1	1	1,160
United Kingdom	239	585	82	-	-	-	906
Spain	443	-	10	-	-	6	459
Netherlands	295	-	-	-	-	-	295
Poland	226	-	-	-	-	-	226
Italy	34	-	-	-	-	-	34
France	-	-	50	-	-	-	50
Portugal	3	-	15	-	-	-	18
Belgium	-	87	-	-	-	-	87
Total	1,743	967	511	5	1	7	3,236

Grid & Infrastructure



€ million	Q1 2017	Q1 2016	+/-
Adjusted EBITDA	930	766	21%
Operating D&A ¹	(222)	(218)	(2)%
Adjusted EBIT	708	548	29%
Capex²	150	184	(18)%
<i>Capex/operating D&A</i>	<i>0.7x</i>	<i>0.8x</i>	-
Adjusted EBITDA – Capex	780	582	34%

1 By definition, Operating D&A includes operating impairment losses.

2 Including financial investments of €23m in Q1 2017 and €21m in Q1 2016.

Grid & Infrastructure – Germany

€ million	Q1 2017	Q1 2016	+/-
Adjusted EBITDA	656	528	24%
Operating D&A ¹	(157)	(156)	(1)%
Adjusted EBIT	499	372	34%
Capex²	113	146	(23)%
<i>Capex/operating D&A</i>	<i>0.7x</i>	<i>0.9x</i>	-
Adjusted EBITDA – Capex	543	382	42%

Q1 2017 development

- ⤴ Lower costs to operate and maintain the distribution grid
- ⤴ Absence of partial retirement measures
- ⤵ Lower earnings from gas storage business due to full effect of settlement of contracts with RWEST in early 2016

Outlook for FY 2017

- ⤴ Lower costs to operate and maintain the distribution grid
- ⤴ Absence of partial retirement measures
- ⤴ Efficiency improvements
- ⤵ Lower earnings from gas storage business due to full effect of settlement of contracts with RWEST in early 2016

¹ By definition, Operating D&A includes operating impairment losses.

² Including financial investments of €23m in Q1 2017 and €21m in Q1 2016.

Grid & Infrastructure – East



€ million	Q1 2017	Q1 2016	+/-
Adjusted EBITDA	274	238	15%
Operating D&A ¹	(65)	(62)	(5)%
Adjusted EBIT	209	176	19%
Capex	37	38	(3)%
<i>Capex/operating D&A</i>	<i>0.6x</i>	<i>0.6x</i>	-
Adjusted EBITDA – Capex	237	200	19%

Q1 2017 development

- ↗ Higher distributed volumes due to colder weather and higher distribution tariff in Czech gas business
- ↗ Positive impact from delayed acknowledgement of regulatory costs in Slovakia (to be eliminated over the remainder of the year)

Outlook for FY 2017

- ↗ Higher distributed volumes due to colder weather and higher distribution tariff in Czech gas business
- ↘ Lower income from Czech gas storage business

¹ By definition, Operating D&A includes operating impairment losses.

Retail



€ million	Q1 2017	Q1 2016	+/-
Adjusted EBITDA	535	595	(10)%
Operating D&A ¹	(45)	(55)	18%
Adjusted EBIT	490	540	(9)%
Capex²	33	60	(45)%
<i>Capex/operating D&A</i>	<i>0.7x</i>	<i>1.1x</i>	-
Adjusted EBITDA – Capex	502	535	(6)%

1 By definition, Operating D&A includes operating impairment losses.

2 Including financial investments of €1m in Q1 2017 and €8m in Q1 2016.

Retail – Germany



€ million	Q1 2017	Q1 2016	+/-
Adjusted EBITDA	272	225	21%
Operating D&A ¹	(7)	(16)	56%
Adjusted EBIT	265	209	27%
Capex²	9	17	(47)%
<i>Capex/operating D&A</i>	<i>1.3x</i>	<i>1.1x</i>	-
Adjusted EBITDA – Capex	263	208	26%

Q1 2017 development

- ↗ Efficiency improvements
- ↗ Positive development of Energy+ business

Outlook for FY 2017

- ↗ Efficiency improvements
- ↘ Intensified competition and lower volumes due to energy efficiency measures

¹ By definition, Operating D&A includes operating impairment losses.

² Including financial investments of €1m in Q1 2017 and €8m in Q1 2016.

Retail – United Kingdom



€ million	Q1 2017	Q1 2016	+/-
Adjusted EBITDA	57	154	(63)%
Operating D&A ¹	(23)	(24)	4%
Adjusted EBIT	34	130	(74)%
Capex	12	23	(48)%
<i>Capex/operating D&A</i>	<i>0.5x</i>	<i>1.0x</i>	-
Adjusted EBITDA – Capex	45	131	(66)%

Q1 2017 development

- ⤵ Customer losses and shift to lower margin contracts
- ⤵ Higher network costs
- ⤵ Lower volumes and higher commodity costs in the B2B business
- ↗ Cost savings and operational improvements from recovery programme

Outlook for FY 2017

- ⤵ Pressure on margins due to high competition and regulatory scrutiny
- ⤵ The magnitude of the price increase for SVT customers not fully covering the increase in network, commodity, and other market costs
- ↗ Further positive impact from restructuring programme and cost reductions

¹ By definition, operating D&A includes operating impairment losses.

Retail – United Kingdom

Overview of account and customer mix

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

Retail – Netherlands/Belgium



€ million	Q1 2017	Q1 2016	+/-
Adjusted EBITDA	104	113	(8)%
Operating D&A ¹	(11)	(10)	(10)%
Adjusted EBIT	93	103	(10)%
Capex	10	10	0%
<i>Capex/operating D&A</i>	<i>0.9x</i>	<i>1.0x</i>	-
Adjusted EBITDA – Capex	94	103	(9)%

Q1 2017 development

- ⬇ Customer losses due to intensified competition and lower volumes
- ⬆ Efficiency improvements

Outlook for FY 2017

- ⬇ Intensified competition
- ⬆ Efficiency improvements

¹ By definition, Operating D&A includes operating impairment losses.

Retail – East



€ million	Q1 2017	Q1 2016	+/-
Adjusted EBITDA	102	103	(1)%
Operating D&A ¹	(4)	(5)	20%
Adjusted EBIT	98	98	0%
Capex	2	10	(80)%
<i>Capex/operating D&A</i>	<i>0.5x</i>	<i>2.0x</i>	-
Adjusted EBITDA – Capex	100	93	8%

Q1 2017 development

> Solid performance on prior year level

Outlook for FY 2017

> Stable development expected

¹ By definition, Operating D&A includes operating impairment losses.

Overview of senior bonds and loans towards RWE

As of 31 March 2017, by maturity

Senior bonds

Issuer		Notional amount (LCY ¹ , 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 ²	47	3.173% ³	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 ²	198	4.762% ³	Feb 40
innogy SE	EUR	100	100	3.50%	Dec 42
innogy SE	EUR	150	150	3.55%	Feb 43
Total	-	-	11,690	5.19⁴	-
thereof: step-up effect			981		

Loans towards RWE⁵

Instrument		Notional amount (LCY ¹ , million)	Carrying amount (in EUR million)	Coupon (%)	Maturity
Intercompany loan ⁶	EUR	204	204	0.06%	Apr 17
Intercompany loan ⁶	EUR	125	125	0.19%	Jul 17
Intercompany loan ⁶	EUR	771	771	0.22%	Oct 17
Intercompany loan ⁶	EUR	956	956	0.56%	Mar 19
Intercompany loan ⁶	EUR	700	700	0.86%	Oct 20
Intercompany loan ⁷	EUR	645	699	3.23%	Oct 20
Intercompany loan ⁷	GBP	350	376	2.14%	Feb 23
Total	-	-	3,831	1.13⁴	-

1 Local currency. 2 Swapped in Euro: USD50m in EUR 39m; JPY20,000m in EUR159m. 3 Interest rate after swap in Euro. 4 Notional-weighted average coupon.

5 Three additional loans with a total volume of €28m not included. 6 Related to hybrids issued by RWE. 7 Related to EIB loans to be moved to innogy, subject to approval by the EIB.

Note: rounding differences may occur.

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Financial calendar



11/08/2017

Half-year report 2017



13/11/2017

Interim report 9M 2017



12/03/2018

Annual report 2017



24/04/2018

Annual General Meeting



27/04/2018

Dividend Payment