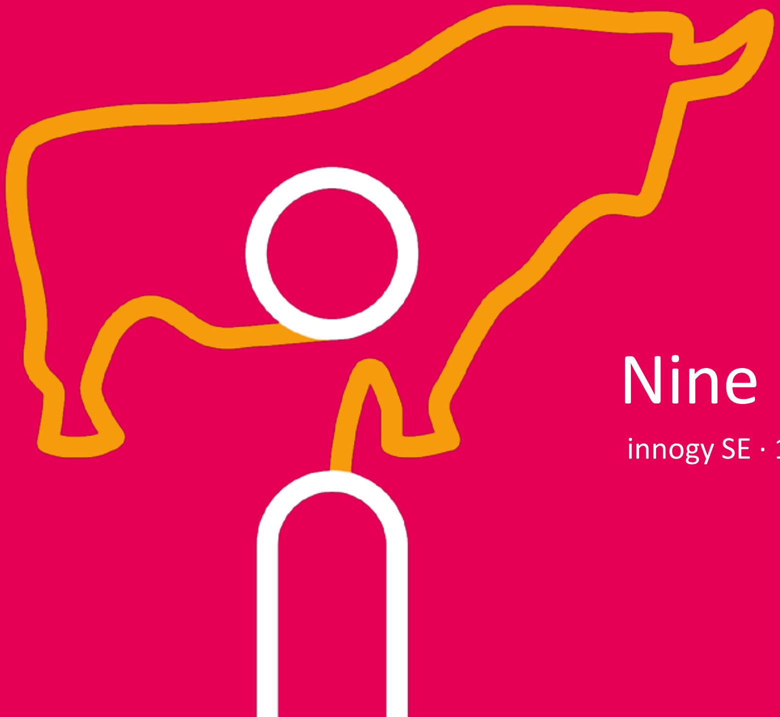

# Nine months 2016 results

innogy SE · 11 November 2016

# Disclaimer

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.

# Key messages

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Successful **listing** on 7 October

Agreement signed for acquisition of solar and battery specialist **BELECTRIC**

**9M 2016 EBITDA** down 7% year-on-year

Final determination of **RoE rates** for German gas and electricity distribution grids

**EBITDA guidance** for 2016 **confirmed** on group and segmental level

**Adjusted net income** for 2016 expected in the order of **€1.1bn**

Strong **investment grade rating of BBB+** with stable outlook and **senior unsecured rating of A-** from Fitch

# German grid business – regulator determines framework for 3rd regulatory period

Key changes to regulatory framework

- Return on equity: 6.91% / 5.12% for new/old assets (was 9.05%/7.14%)
- Bonus for most efficient DSOs/ general productivity factor
- Elimination of time-lag for return on investments[1]
- Increased transparency

## Further factors impacting G&I allowed returns

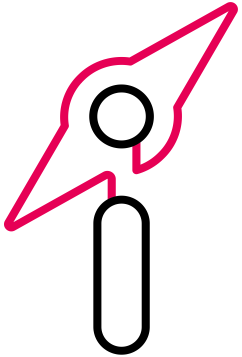
- Assessment of costs in base years 2015/2016 (gas/electricity)
- Efficiency benchmarking of DSO

## Timeline

- Main changes in regulatory framework only effective from 2018/2019 (gas/electricity) onwards
- Determination of general productivity factor expected in the course of 2017

1 Previously time lag of up to 7 years.

# Fitch assigns innogy a strong and independent investment grade rating

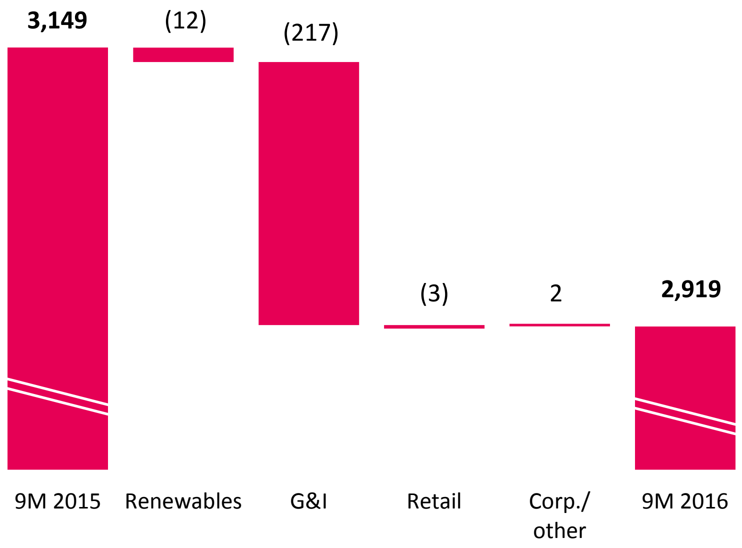


- Fitch assigns innogy a stand-alone long-term rating of **BBB+ (outlook stable)** and a short-term rating of F2.
- According to Fitch the ratings reflect **innogy's strong business profile** with the majority of earnings from **regulated networks** as well as a **large proportion of quasi regulated earnings** from renewables generation.
- Fitch takes into account innogy's **high degree of independence from RWE** (e.g. independent supervisory board, separate financing).
- Due to the high share of regulated business, **senior unsecured bonds** are rated even one notch higher at **A-**.

# EBITDA 7% down y-o-y mainly driven by G&I

## EBITDA development

**€ million**




## Key value drivers

- 9M 2015 included a €185m revaluation gain after first-time full consolidation of VSE in Slovakia (**G&I East** and **Retail East**)
- Higher costs to maintain and operate **German grid**
- Full contribution from new assets (mainly offshore windfarms) in **Renewables** more than offset by lower wholesale prices and fx effects; 2015 included one-off gain from sale of Gwynt y Môr grid assets
- Operational efficiency measures drive **Retail** performance – still competitive market environment in UK and NL/BE
  - UK: lower costs from billing issues
  - Germany: higher taxes, levies and fees could only partially be passed on to customers
  - In NL/BE: non-recurrence of 2015 provision release

# Adjusted net income of €0.7bn

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## Reconciliation of adjusted net income

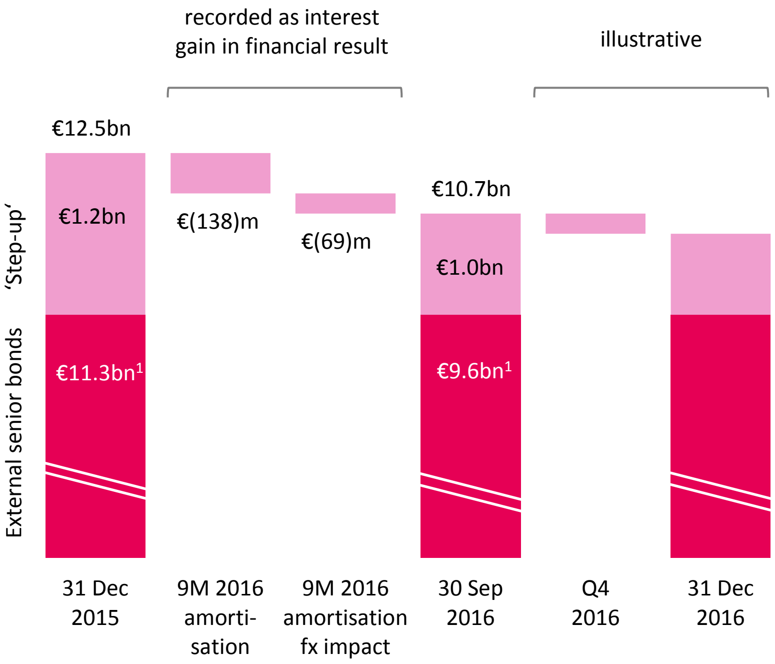
| € million | 9M 2016 reported | adjustment | 9M 2016 adjusted |
|---|---|---|---|
| **EBITDA** | **2,919** | **-** | **2,919** |
| Operating D&A | (1,077) | - | (1,077) |
| **Operating result** | **1,842** | **-** | **1,842** |
| Non-operating result | 389 | (389) | 0 |
| Financial result | (630) | (49) | (679) |
| **Income before taxes** | **1,601** | **(438)** | **1,163** |
| Taxes on income | (391) | 100 | (291) |
| *Tax rate* | *24%* | - | *25%* |
| **Income** | **1,210** | **(338)** | **872** |
| Non-controlling interest | (201) | - | (201) |
| **Net income** | **1,009** | **(338)** | **671** |

## Key value drivers

- Operating D&A in line with H1 2016 development – no major one-offs included and expected for full year
- Operating result of €1,842m, down 15% versus 9M 2015
- Non-operating result mainly driven by m-t-m valuation of derivates
- Financial result includes €207m positive impact from amortisation of ‚step-up‘ (including €69m fx effect) partially offset by €(158)m transaction related one-offs
- Tax adjustment applied to achieve a normalised tax rate for 9M 2016 of 25%
- Comparison of (adjusted) net income to prior year not meaningful; in 2015 items below operating result distorted as envisaged capital structure was only established in 2016

# Financial result 2016 impacted by structural 'step-up' effect and transaction related one-offs

## Development of 'step-up' of senior bonds




## 'Step-up' impact

- Amortisation of ‚step-up' individually per senior bond over the remainder of lifetime – will persist and impact future reporting periods
- As single senior bonds mature, absolute value of total 'step-up' effect will decrease
- Effect will consistently be adjusted for in both net debt and adjusted net income

## Transaction related one-offs in the financial result[2]

- €(120)m of one-off losses from early redemption of intercompany loans
- €(38)m one-off from amortisation of a 'balance sheet step-up´ of a loan towards RWE
- Both effects are adjusted for in the adjusted net income

1 Reduction of total external bonds driven by repayment of Apr 2016 bond and FX impact of €783m in 9M 2016.
2 Further one-offs are not listed nor adjusted for due to immateriality reasons.

# Cash flow from operating activities impacted by seasonal working capital development

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## Cash flow statement (extract)

| € million | 9M 2016 | 9M 2015 | +/- |
|---|---|---|---|
| EBITDA | 2,919 | 3,149 | (230) |
| **Funds from operations (FFO)** | **2,075** | **1,973** | **102** |
| Changes in working capital | (335) | 93 | (428) |
| **Cash flows from operating activities (CFOA)** | **1,740** | **2,066** | **(326)** |
| Capex[1] | (929) | (1,087) | 158 |
| **Free cash flow** | **811** | **979** | **(168)** |

## Key value drivers

- FFO development positively impacted by cash settlement in connection with the termination of gas storage contracts with RWE Supply & Trading in the amount of €250m and lower cash taxes, to a large extent offset by higher financing costs
- Decrease in CFOA due to adverse working capital movement, driven – inter alia – by a lower receivables position at the beginning of 2016 compared to 2015 (positive cash impact in December 2015)
- We currently expect a further reduction of working capital over the remainder of the year
- Lower capex mainly driven by the Renewables segment due to the completion of our offshore wind farms Nordsee Ost and Gwynt y Môr in 2015

1 Excluding financial investments.

# Net debt composition

| € billion | 30 Sep 2016 | 30 Jun 2016 | 31 Dec 2015 |
|---|---|---|---|
| Cash & cash equivalents | 0.5 | 0.6 | 0.6 |
| Marketable securities | 2.0 | 1.9 | 1.9 |
| Other financial assets | 0.3 | 1.7 | 12.4 |
| **Financial assets** | **2.8** | **4.2** | **14.9** |
| Bonds and bank debt | 11.1 | 11.4 | 12.9 |
| Adjustment for 'step-up' of bonds to market values | (1.0) | (1.1) | (1.2) |
| Other financial liabilities incl. liabilities to RWE AG | 6.0 | 10.1 | 6.1 |
| *t/o loans from RWE AG related to external debt push-down* | *~€5bn* | *~€6bn* | *-[1]* |
| **Financial liabilities** | **16.1** | **20.4** | **17.7** |
| Provisions for pensions and similar obligations | 5.0 | 4.5 | 3.5 |
| Provisions for wind farm decommissioning | 0.4 | 0.3 | 0.3 |
| **Net debt** | **18.7** | **21.0** | **-[1]** |

## Key developments since 30 June 2016

- Finalisation of envisaged capital structure, in particular debt/equity swap and intercompany debt repayment (~€1.9bn)
- 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

1 Not representative

# Outlook for 2016 confirmed

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€ million

| EBITDA | 2015 actuals | 2016 guidance | Key value drivers |
|---|---|---|---|
| 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** | |

**Adjusted net income**

| | | | |
|---|---|---|---|
| **innogy** | **not representative** | **~1,100** | **Dividend payout ratio of 70%-80% of adjusted net income** |

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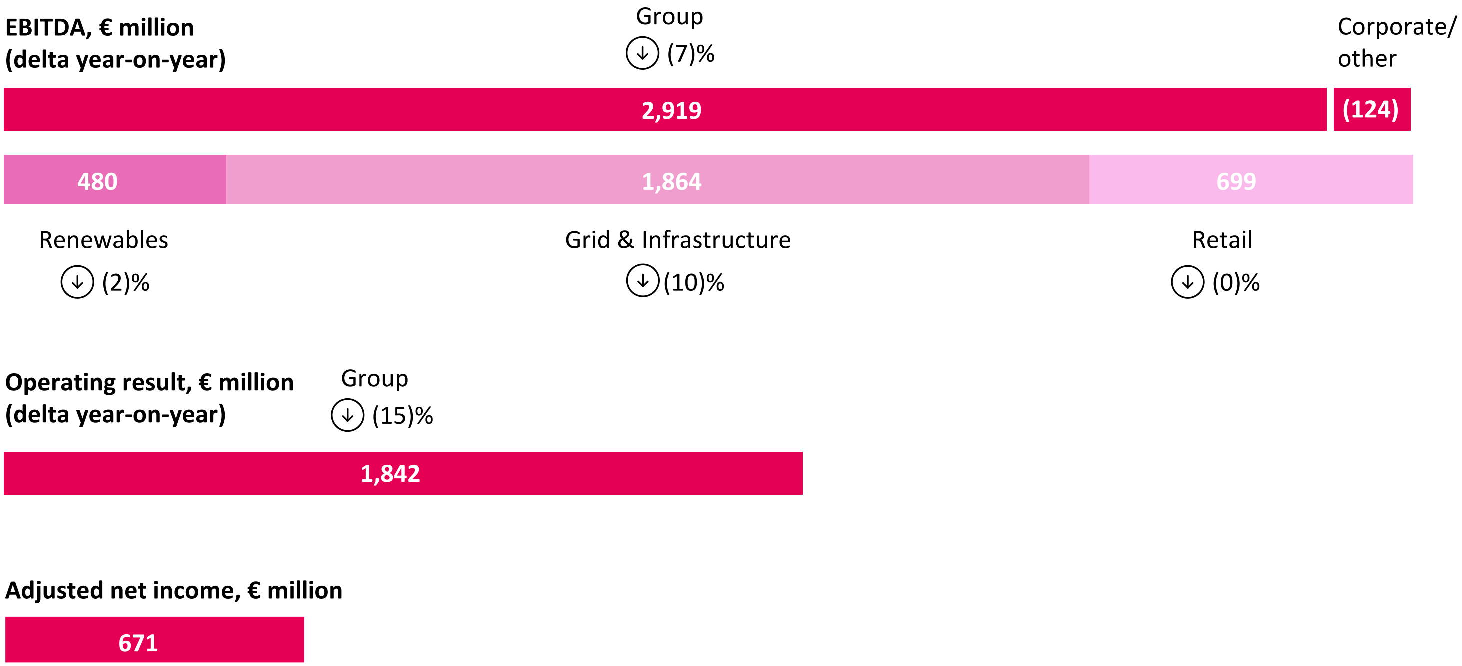
# Nine months 2016 results
**Backup**

# 9M 2016 financials at a glance



# Renewables

| € million | 9M 2016 | 9M 2015 | +/- |
|---|---|---|---|
| **EBITDA** | **480** | **492** | **(2)%** |
| Operating D&A | (236) | (208) | (13)% |
| **Operating result** | **244** | **284** | **(14)%** |
| **Capex** | **134** | **268** | **(50)%** |
| *Capex/operating D&A* | *0.6x* | *1.3x* | - |
| **EBITDA – Capex** | **346** | **224** | **54%** |

**9M 2016 development**

- Increased EBITDA contribution from Nordsee Ost and Gwynt y Môr offshore wind farms
- Lower wholesale prices achieved by assets that are not or no longer subject to a support scheme
- Absence of positive one-offs in H1 2015, mainly book gain from disposal of GyM grid infrastructure
- Negative fx impact
- Increase in Operating D&A mainly due to the commissioning of new offshore assets (see above)
- Decrease in capex mainly driven by the completion of new offshore assets in H1 2015

**Outlook for FY 2016**

- Same value drivers as in 9M 2016; absence of positive Galloper gain in Q4 2015

# Grid & Infrastructure

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| € million | 9M 2016 | 9M 2015 | +/- |
|---|---|---|---|
| **EBITDA** | **1,864** | **2,081** | **(10)%** |
| Operating D&A | (666) | (637) | (5)% |
| **Operating result** | **1,198** | **1,444** | **(17)%** |
| | | | |
| **Capex** | **656** | **639** | **3%** |
| *Capex/operating D&A* | *1.0x* | *1.0x* | - |
| **EBITDA – Capex** | **1,208** | **1,442** | **(16)%** |

# Grid & Infrastructure – Germany

| € million | 9M 2016 | 9M 2015 | +/- |
|---|---|---|---|
| **EBITDA** | **1,309** | **1,440** | **(9)%** |
| Operating D&A | (480) | (490) | 2% |
| **Operating result** | **829** | **950** | **(13)%** |
| **Capex** | **437** | **467** | **(6)%** |
| *Capex/operating D&A* | *0.9x* | *1.0x* | - |
| **EBITDA – Capex** | **872** | **973** | **(10)%** |

**9M 2016 development**

- ↘ Higher costs to operate and maintain the distribution grid
- ↘ Higher provisions for early retirement programme
- ↗ Lower D&A mainly due to impairment on gas storage assets in 2015

**Outlook for FY 2016**

- ↘ Same value drivers as in 9M 2016
- ↘ Lower grid sales
- ↗ Efficiency improvements

# Grid & Infrastructure – East

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| € million | 9M 2016 | 9M 2015 | +/- |
|---|---|---|---|
| **EBITDA** | **555** | **641** | **(13)%** |
| Operating D&A | (186) | (147) | (27)% |
| **Operating result** | **369** | **494** | **(25)%** |
| **Capex** | **219** | **172** | **27%** |
| *Capex/operating D&A* | *1.2x* | *1.2x* | - |
| **EBITDA – Capex** | **336** | **469** | **(28)%** |

## 9M 2016 development

- Absence of one-off revaluation gain from first-time full consolidation of VSE in Slovakia in 9M 2015
- As now being fully consolidated, VSE contributed to EBITDA in 9M 2016 but also to operating D&A
- Higher distributed volumes due to favourable weather conditions in Czech gas business

## Outlook for FY 2016

- Same value drivers as in 9M 2016

# Retail

| € million | 9M 2016 | 9M 2015 | +/- |
|---|---|---|---|
| **EBITDA** | **699** | **702** | **(0)%** |
| Operating D&A | (152) | (105) | (45)% |
| **Operating result** | **547** | **597** | **(8)%** |
| **Capex** | **148** | **167** | **(11)%** |
| *Capex/operating D&A* | *1.0x* | *1.6x* | - |
| **EBITDA – Capex** | **551** | **535** | **3%** |

# Retail – Germany

| € million | 9M 2016 | 9M 2015 | +/- |
|---|---|---|---|
| **EBITDA** | **364** | **338** | **8%** |
| Operating D&A | (28) | (26) | (8)% |
| **Operating result** | **336** | **312** | **8%** |
| **Capex** | **32** | **23** | **39%** |
| *Capex/operating D&A* | *1.1x* | *0.9x* | - |
| **EBITDA – Capex** | **332** | **315** | **5%** |

## 9M 2016 development

- ↗ Efficiency improvements
- ↘ Higher fees, taxes and levies in Germany could only partially be passed on to customers

## Outlook for FY 2016

- ↘ Absence of one-offs from provision releases as occurred in 2015, mainly in the amount of €81m for legal risks in connection with customer supply contracts
- ↗ Efficiency improvements

# Retail – United Kingdom

| € million | 9M 2016 | 9M 2015 | +/- |
|---|---|---|---|
| **EBITDA** | **(6)** | **(20)** | **70%** |
| Operating D&A | (75) | (46) | (63)% |
| **Operating result** | **(81)** | **(66)** | **(23)%** |
| **Capex** | **71** | **119** | **(40)%** |
| *Capex/operating D&A* | *0.9x* | *2.6x* | - |
| **EBITDA – Capex** | **(77)** | **(139)** | **45%** |

## 9M 2016 development

- ↗ Recovery from process- and system-related problems in B2C billing system in previous year
- ↘ Loss of customers and shift to lower margin contracts in 2015 have full negative effect on margins in 2016
- ↘ Increase in Operating D&A mainly due to the capitalisation of IT infrastructure projects in 2015 and the start of depreciation in 2016
- › Decrease in capex mainly a result of lower project expenditures in large IT infrastructure projects

## Outlook for FY 2016

- ↗ Absence of 2015 one-off burdens and positive impact from restructuring programme

# Retail – Netherlands/Belgium

| € million | 9M 2016 | 9M 2015 | +/- |
|---|---|---|---|
| **EBITDA** | **167** | **194** | **(14)%** |
| Operating D&A | (32) | (29) | (10)% |
| **Operating result** | **135** | **165** | **(18)%** |
| **Capex** | **22** | **17** | **29%** |
| *Capex/operating D&A* | *0.7x* | *0.6x* | - |
| **EBITDA – Capex** | **145** | **177** | **(18)%** |

**9M 2016 development**

- Absence of one-off from provision release in 2015
- Customer losses due to intensified competition and lower volumes

**Outlook for FY 2016**

- Absence of one-off from provision release in 2015

# Retail – East

| € million | 9M 2016 | 9M 2015 | +/- |
|---|---|---|---|
| **EBITDA** | **174** | **190** | **(8)%** |
| Operating D&A | (17) | (4) | (325)% |
| **Operating result** | **157** | **186** | **(16)%** |
| **Capex** | **23** | **8** | **188%** |
| *Capex/operating D&A* | *1.4x* | *2.0x* | - |
| **EBITDA – Capex** | **151** | **182** | **(17)%** |

## 9M 2016 development

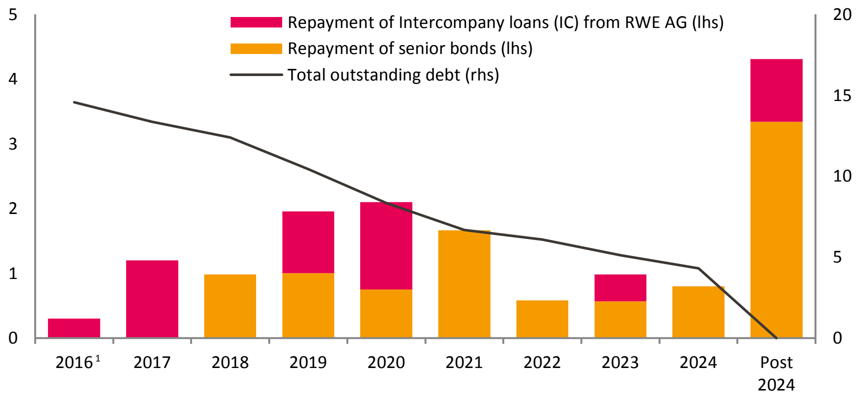
- Absence of one-off revaluation gain from first-time full consolidation of VSE in Slovakia in 9M 2015
- As now being consolidated, VSE contributed to earnings in 9M 2016

## Outlook for FY 2016

- Absence of one-off revaluation gain from first-time full consolidation of VSE in Slovakia in 9M 2015

# Financial debt profile of innogy

**Maturity profile as of 30 Sep 2016 (€bn)**




**Cumulated maturities of innogy debt**

| as of 31 Jul 2016 | 2016-2018 | 2019-2021 | 2022-2024 | Post 2024 |
|---|---|---|---|---|
| Senior bonds and IC-loans (€bn) | 2.5 | 5.7 | 2.4 | 4.3 |
| Share of total senior bonds | 17% | 38% | 16% | 29% |

- Total outstanding gross financial debt of innogy amounts to ~€15bn
- It consists currently 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-Program (DIP) of RWE AG
- ~€1.3bn are due in 2017
- innogy will establish its own Debt-Issuance-Program and as well as Commercial-Paper-Program to be able to finance its operation going forward

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

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# Financial calendar

| | |
|---|---|
| **13/03/2017** | Annual Report 2016 |
| **24/04/2017** | Annual General Meeting |
| **27/04/2017** | Dividend payment |
| **12/05/2017** | Interim report Q1 2017 |
| **11/08/2017** | Interim report H1 2017 |
| **13/11/2017** | Interim report 9M 2017 |