

# 2016 Full Year Results Presentation

Investor and Analyst Conference Call 14 March 2017

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# Notice

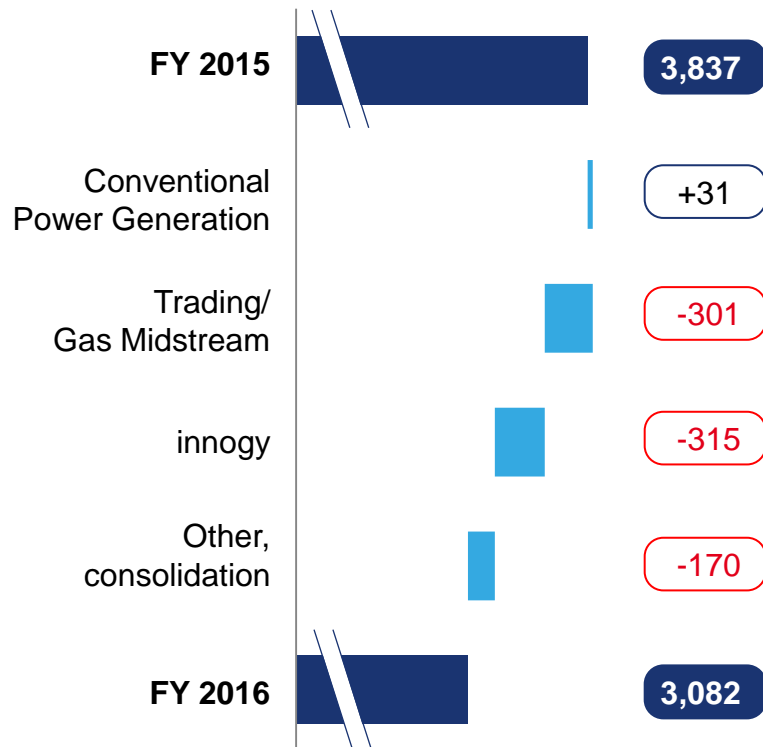
This document contains forward-looking statements. These statements are based on the current views, expectations, assumptions and information of the management, and are based on information currently available to the management. Forward-looking statements shall not be construed as a promise for the materialization 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.

# 2016 – a year of restructuring with solid operational performance and positive outlook

- > innogy stock market listing puts RWE back on solid financial ground (€2.6 bn in proceeds for RWE AG; €2.0 bn proceeds for innogy's growth agenda)
- > RWE Group's 2016 operational performance in line with guidance, at the upper end of expectations
- > Significant one-off effects (asset impairments and nuclear provisions) in non-operating and financial result
- > Financing of €6.8 bn for nuclear energy fund ('KFK') in place; agreement reached with government on supplementary public law contract
- > CHF-Hybrid called – S&P rating 'BBB- stable outlook' confirmed, despite loss of equity credit for all outstanding hybrid bonds
- > Outlook for 2017 above 2016 result: adjusted EBITDA €5.4 - €5.7 bn, adjusted net income: €1.0 - €1.3 bn
- > Proposal of suspension of 2016 dividend for common shares. For 2017, dividend of €0.50 per share envisaged

# Adjusted EBIT declined by 20% due to negative trading result and – as expected – lower innogy earnings

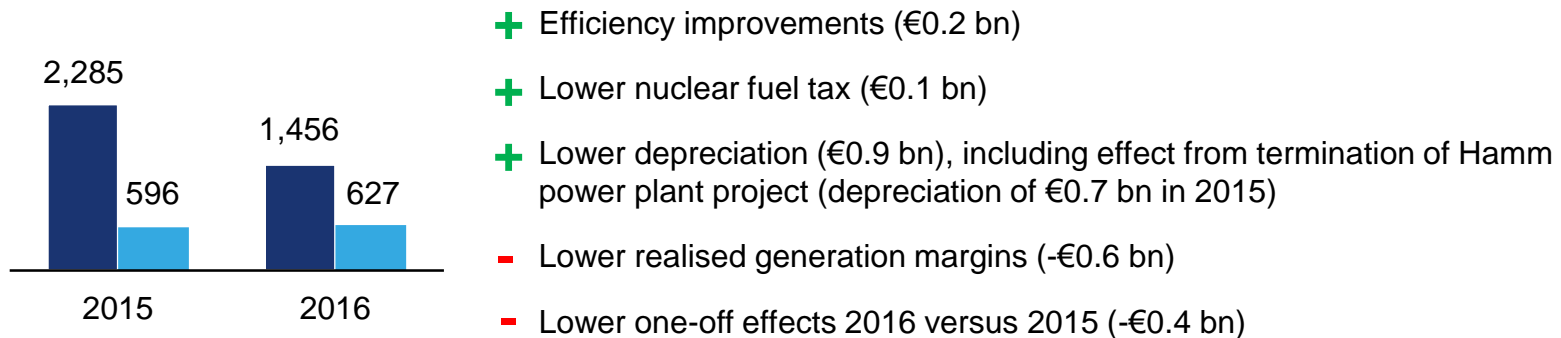
€ million



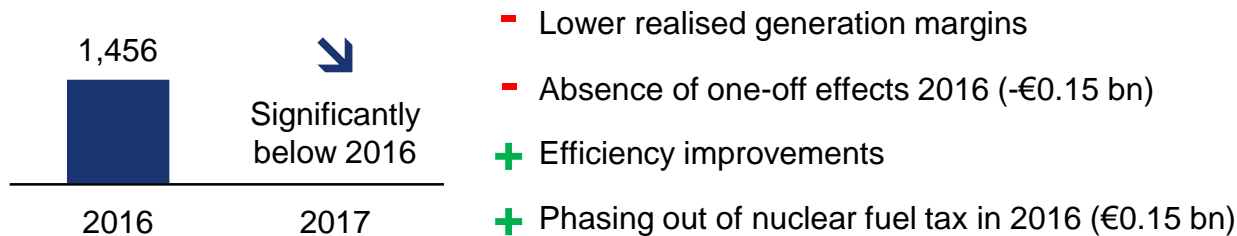
- > **Conventional Power Generation:**  
Efficiency improvements and lower depreciation overcompensate for lower realised generation margins
- > **Trading/Gas Midstream:**  
Dominated by negative trading performance
- > **innogy:**  
Higher expenses for grid infrastructure maintenance and one-off income in 2015 from revaluation of investment in VSE (Slovakia)
- > **Other, consolidation:**  
Negative development due to positive one-off in restated 2015 figure

# Conventional Power Generation dominated by declining margins and efficiency improvements

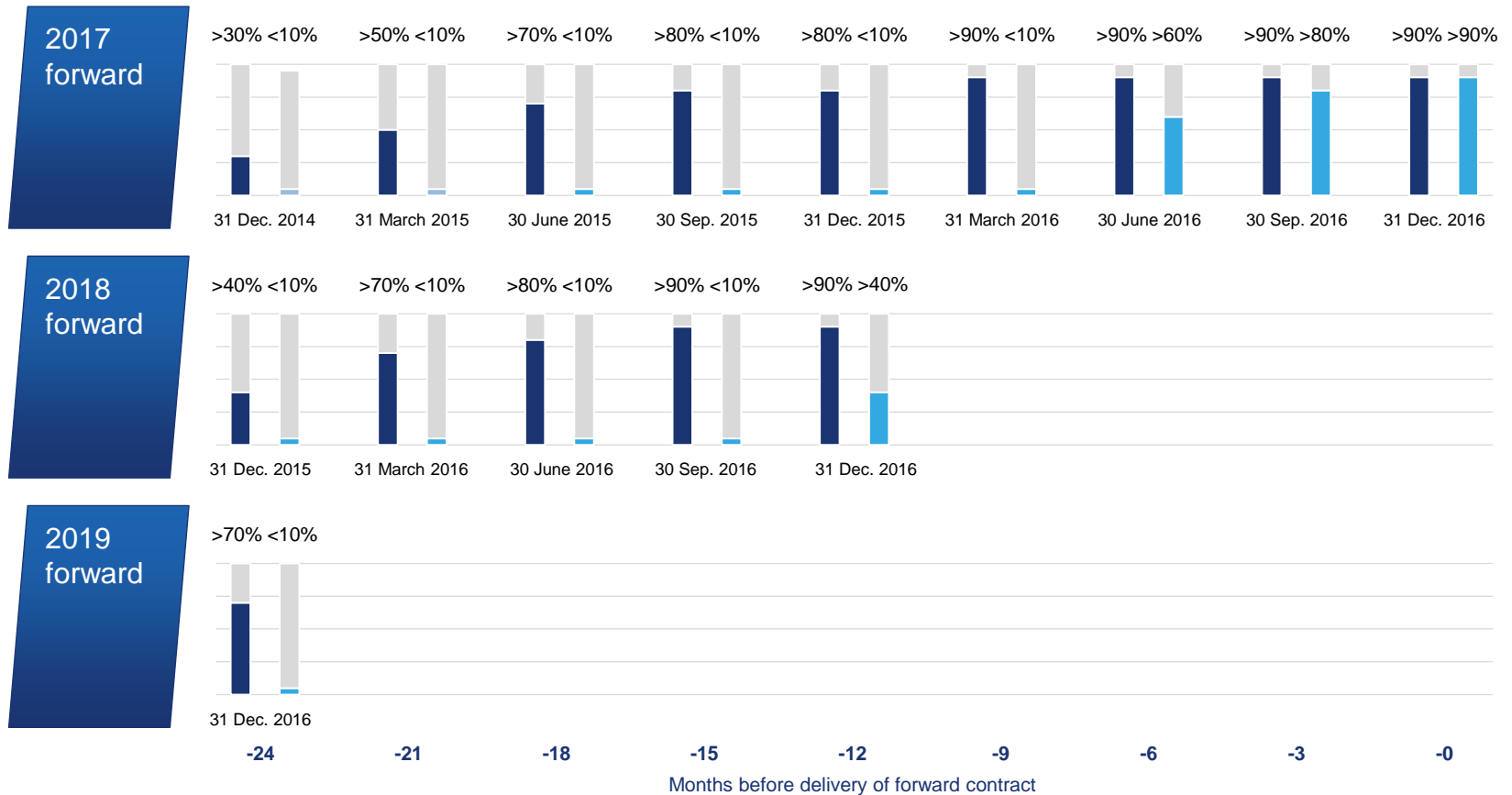
## Adjusted EBITDA and adjusted EBIT (€ million)



## Adjusted EBITDA outlook (€ million)



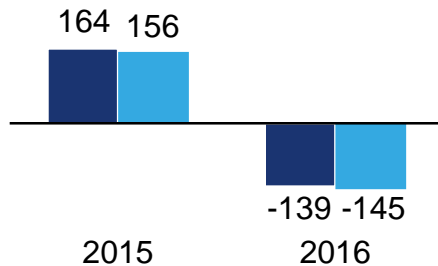
# RWE's forward hedging of conventional electricity production leaves upside in spread positions



- Outright, electricity hedged incl. CO<sub>2</sub> (GER nuclear and lignite based power generation)
- Spread, electricity and underlying commodity hedged incl. CO<sub>2</sub> (GER, UK and NL/B hard coal and gas based power generation)

# Trading/Gas Midstream driven by negative trading result in 2016

## Adjusted EBITDA and adjusted EBIT (€ million)



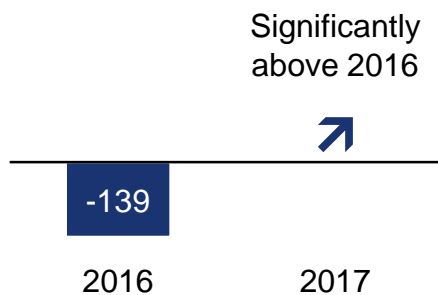
### Trading:

- Significantly lower earnings from trading activities

### Gas Midstream:

- + Out-of-court settlement with Gazprom, which ensures that our gas procurement contract will not expose us to earnings risks in the coming years

## Adjusted EBITDA outlook (€ million)



### Trading:

- + Normalised earnings after negative performance in 2016

# Non-operating result: High burdens from asset impairments and risk surcharge for nuclear energy fund

€ billion	2016	2015	Change
Capital gains	0.1	0.0	0.1
Impact of derivatives on earnings	-0.8	0.3	-1.1
Restructuring, other	-6.0	-3.2	-2.7
of which			
Impairment of German power plant portfolio	-3.7	-1.5	-2.2
Impairment of other power plant portfolio (UK, NL, Turkey)	-0.3	-0.7	0.4
Impairments of innogy assets	-0.3	-0.3	-0.0
Risk surcharge for nuclear energy fund	-1.8	-	-1.8
<b>Non-operating result</b>	<b>-6.7</b>	<b>-2.9</b>	<b>-3.8</b>



# Financial result: High impact from change of discount rates and lower income from sale of securities

€ billion	2016	2015	Change
Net interest	-0.6	-0.8	0.2
Interest accretion to non-current provisions	-1.3	-0.8	-0.5
of which			
adjustment of net present value of nuclear provisions due to change in real discount rate (net effect)	-0.4	-	-0.4
adjustment of net present value of other non current provisions due to change in discount rate	-0.1	0.0	-0.1
Other financial result	-0.3	0.0	-0.3
of which			
income from sale of securities	-0.1	+0.2	-0.3
<b>Financial result</b>	<b>-2.2</b>	<b>-1.6</b>	<b>-0.6</b>

> **Regular interest accretion to non-current provisions will c.p. come down by €0.4 – €0.5 billion in 2017 due to lower discount rates and reduction in nuclear provisions due to nuclear energy fund**

# Reconciliation to net income explained by high negative non-operating and financial result

€ billion	2016	+/- vs 2015	
<b>Adjusted EBITDA</b>	<b>5.4</b>	-1.6	> Tax credit of €0.3 bn mainly as a result of deferred tax assets from reorganisation
Depreciation	-2.3	+0.9	
<b>Adjusted EBIT</b>	<b>3.1</b>	-0.8	> No income from discontinued operations (DCO) in FY 2016, while in 2015 the sale of RWE Dea contributed €1.5 bn
Non-operating result	-6.7	-3.8	
Financial result	-2.2	-0.6	> Adjustments to adjusted net income 2016 comprise non-operating result, effects from nuclear one-offs in financial result and respective effects on tax and non-controlling interest
Tax	0.3	+0.9	
Income from DCO	-	-1.5	
Non controlling interest + hybrids	-0.2	+0.2	
<b>Net income/loss</b>	<b>-5.7</b>	-5.5	
Adjustments	6.5	+5.2	
<b>Adjusted net income</b>	<b>0.8</b>	-0.3	

# Adjusted net income slightly above our guidance of €0.5 – €0.7 bn

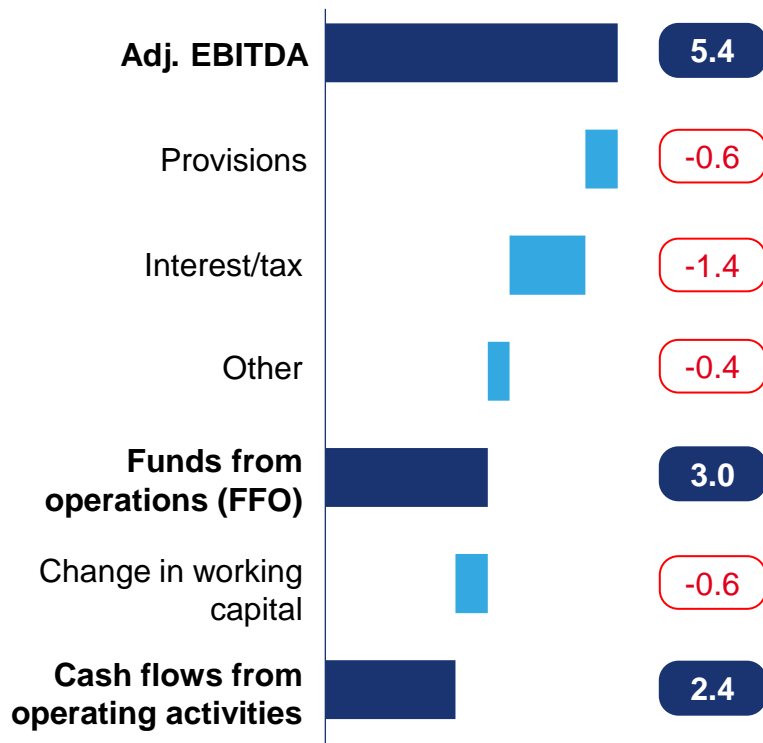
€ million (FY 2016)	Reported	Adjustments	Adjusted
<b>Adjusted EBIT</b>	<b>3,082</b>	<b>0</b>	<b>3,082</b>
Non-operating result	-6,661	6,661	0
Financial result	-2,228	410	-1,818
Taxes on income	323	-360	-37
<b>Income</b>	<b>-5,484</b>	<b>6,711</b>	<b>1,227</b>
- Non-controlling interests	-167	-224	-391
- Hybrid investors' interest	-59	0	-59
<b>Net income</b>	<b>-5,710</b>	<b>6,487</b>	<b>777</b>

## Adjustments for reconciliation of Adjusted Net Income:

- > Non-operating result
- > Nuclear one-off effects in financial result
- > Respective effects from non-operating result and one-offs in financial result on taxes and non-controlling interests

# Cash flows from operating activities partly affected by phasing out of working capital measures

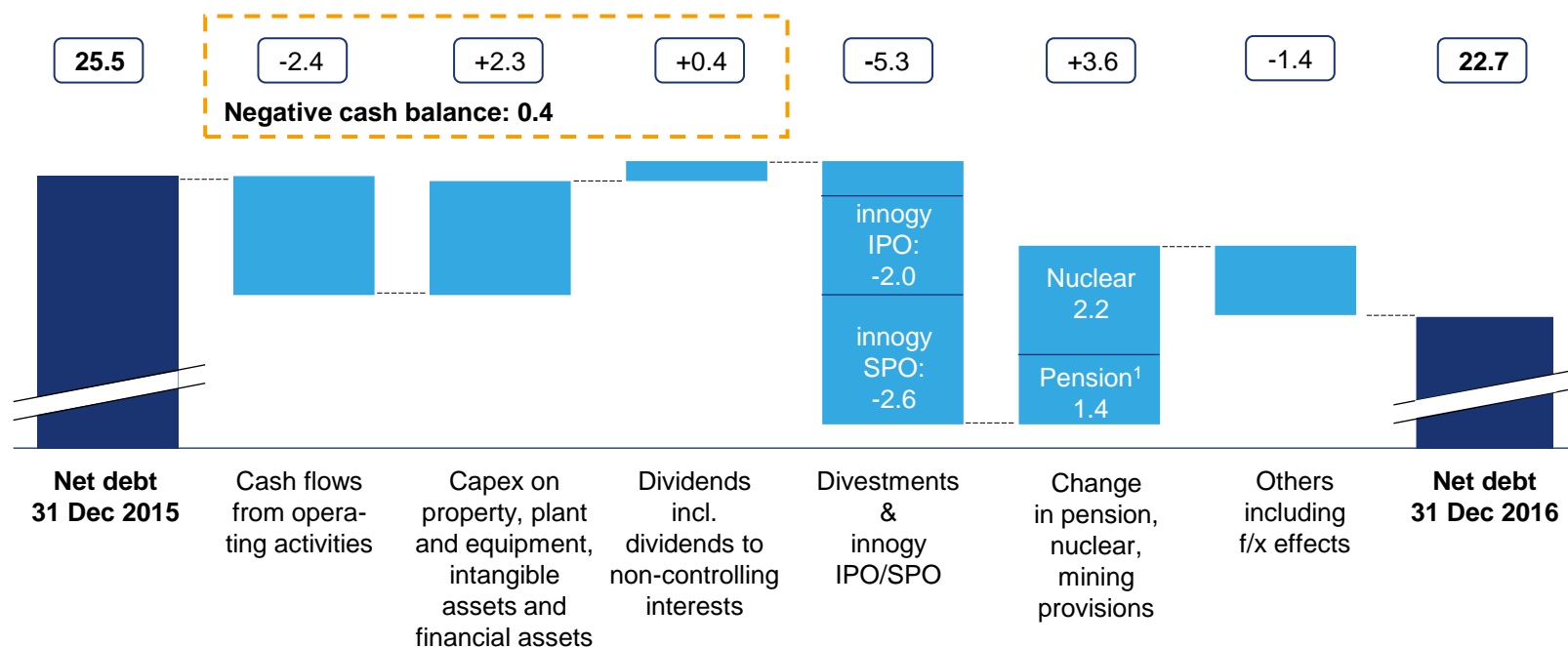
€ billion (FY 2016)



- > Impact from net change of provisions mainly for nuclear, restructuring and pension provisions
- > Other: adjustment of non-cash book gains/ losses; non-cash earnings impact from derivatives
- > Negative change in working capital largely driven by phasing out of working capital measures

# Lower net debt despite higher nuclear and pension provisions due to innogy transaction

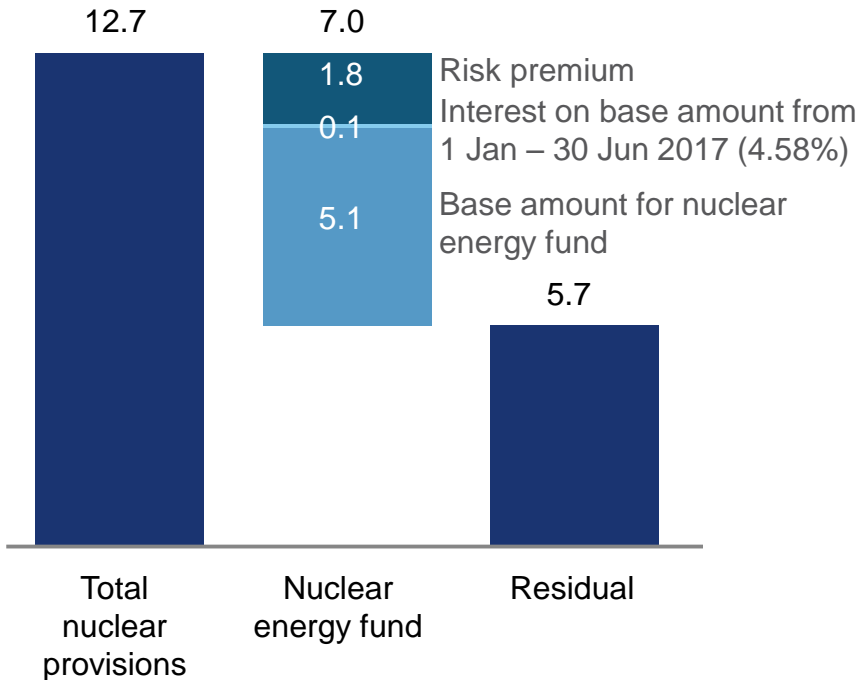
€ billion



<sup>1</sup> Mainly adjustment of discount rates and value of plan assets. After funding of CTA/pension plan of €0.4 billion, reported pension provisions including f/x effect increased by €0.9 billion.

# More than half of RWE's nuclear provisions will be externalised by 1 July 2017

€ billion (as of 31 Dec 2016)

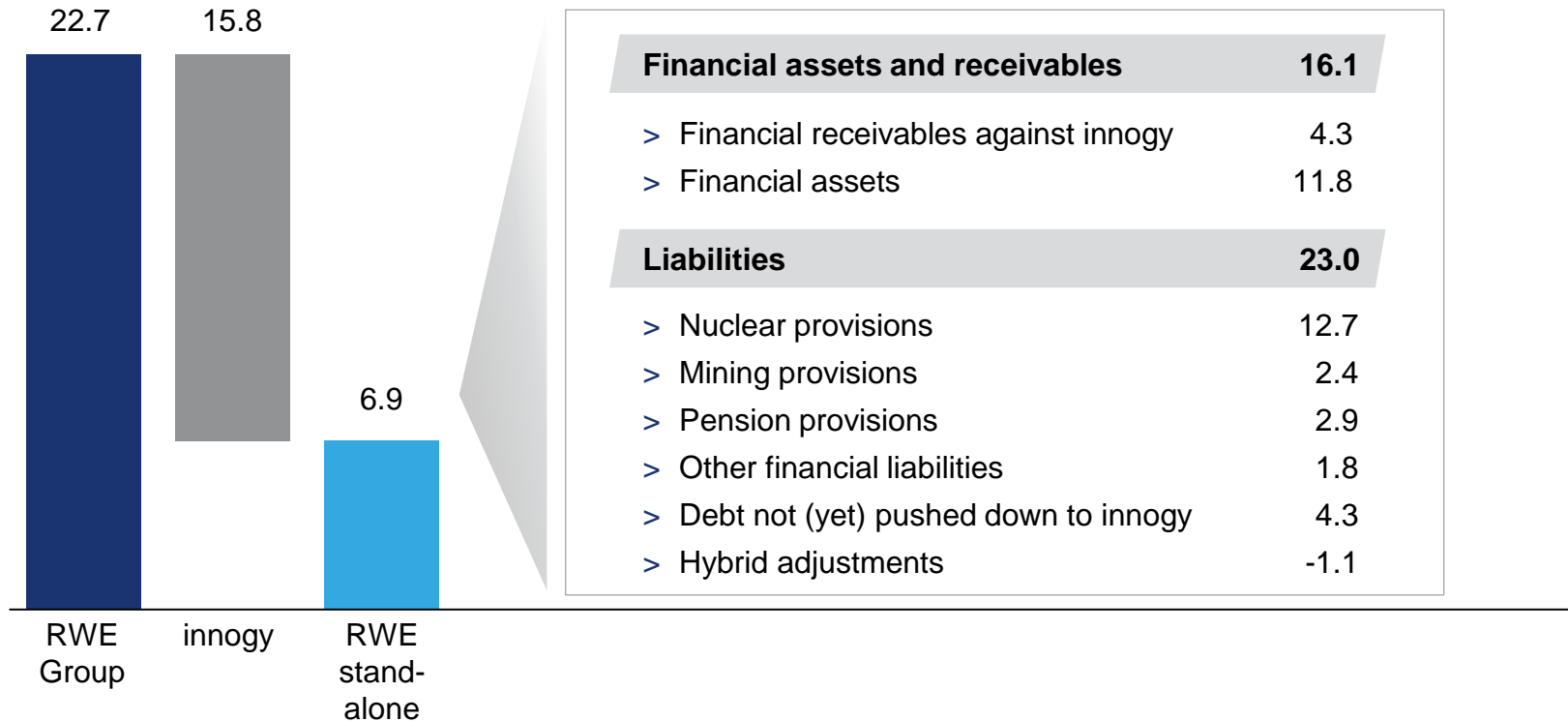


- > RWE will transfer €7.0 bn into the nuclear energy fund on 1 July 2017<sup>1</sup>
- > Figures reflect the consolidated view, including minority interest of E.ON in the Emsland nuclear power plant. RWE's economic share is €5.0 bn for the base amount including interest until 30 June 2017 and €1.8 bn for the risk premium (in total €6.8 bn)
- > Due to lower maturity of residual provisions, real discount rate was lowered from 0.9% to -0.9% (nominal discount rate from 4.5% to 0.4% and escalation rate from 3.6% to 1.3%); net present value of residual provisions increased by approx. €0.9 bn
- > Release of €0.5bn of residual nuclear provisions due to expected lower decommissioning costs
- > Sensitivity of residual nuclear provisions to a change in real discount rate of 0.1% is approx. €50 million

<sup>1</sup> Amount will be adjusted for amounts used that might occur between 1 Jan and 30 Jun 2017. Further adjustments may occur from alignment of assumed amounts used for the years 2015 and 2016 and actual amounts used.

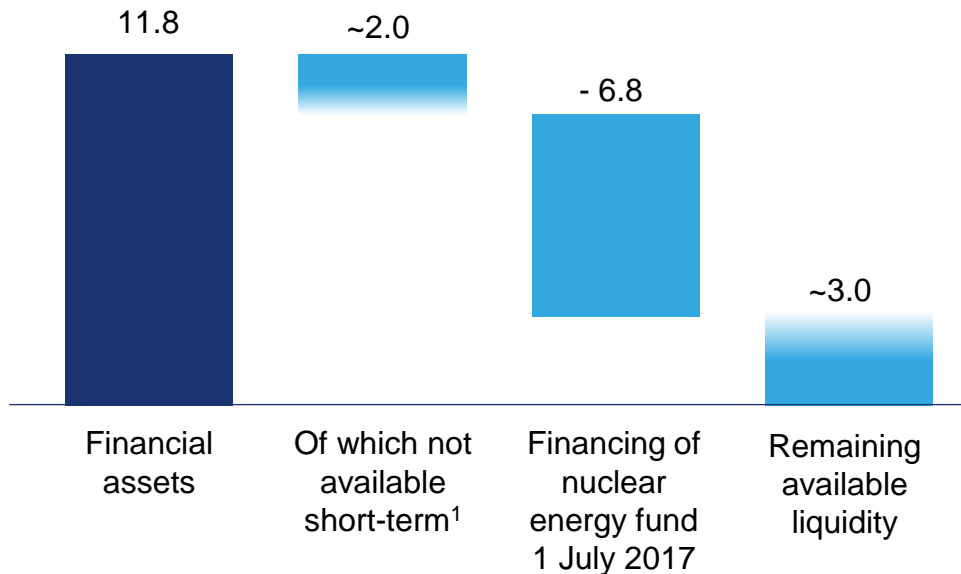
# Net debt for RWE stand-alone significantly lower than RWE's stake in innogy's market value

€ billion (as of 31 Dec 2016)



# RWE stand-alone with solid liquidity position

€ billion (as of 31 Dec 2016)

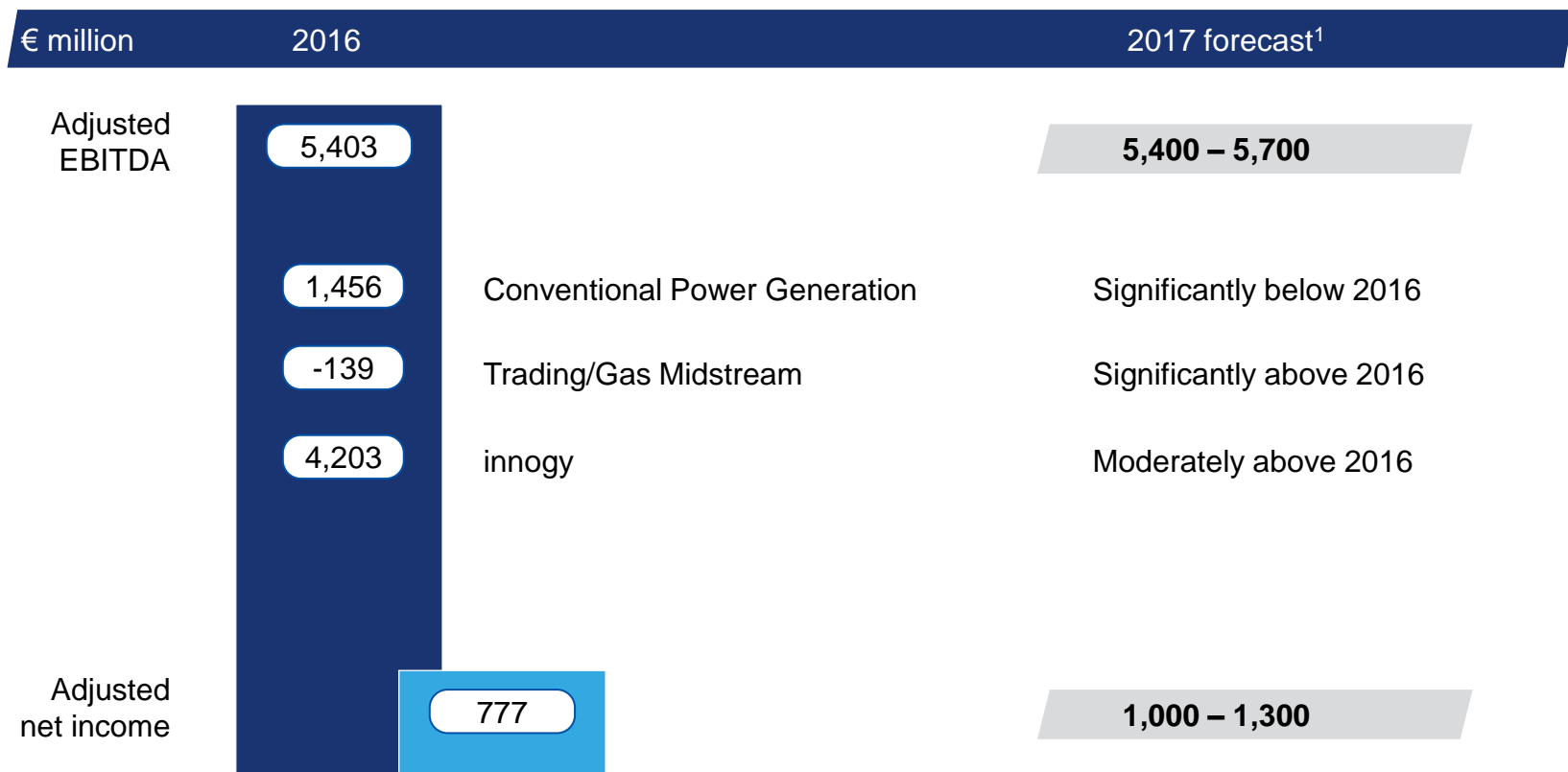


- > Solid liquidity position even after the financing of the nuclear energy fund
- > Remaining available liquidity covers operating liquidity for margin payments and collaterals as well as further working capital needs
- > Further financing back-up via our Commercial Paper programme of which €0.5 billion was used at 31 Dec 2016
- > Committed syndicated credit line of €2.5 billion and uncommitted bank guarantees of €2.3 billion as additional reserve

<sup>1</sup> E.g. collaterals and securities of the non-current assets.



# Outlook for 2017 above 2016 results



<sup>1</sup> Qualifiers such as 'moderately', and 'significantly' indicate percentage deviations from the previous year's figures.

# Return to an attractive dividend from 2017 onwards

## Dividend proposal FY 2016

- > Finalisation of significant corporate restructuring
- > Heavy burdens from impairments and new law on nuclear energy fund
- > Significant liquidity requirements to pay into nuclear energy fund in 2017



- > **Dividend suspension for common shares**
- > **€0.13 per preferred share**

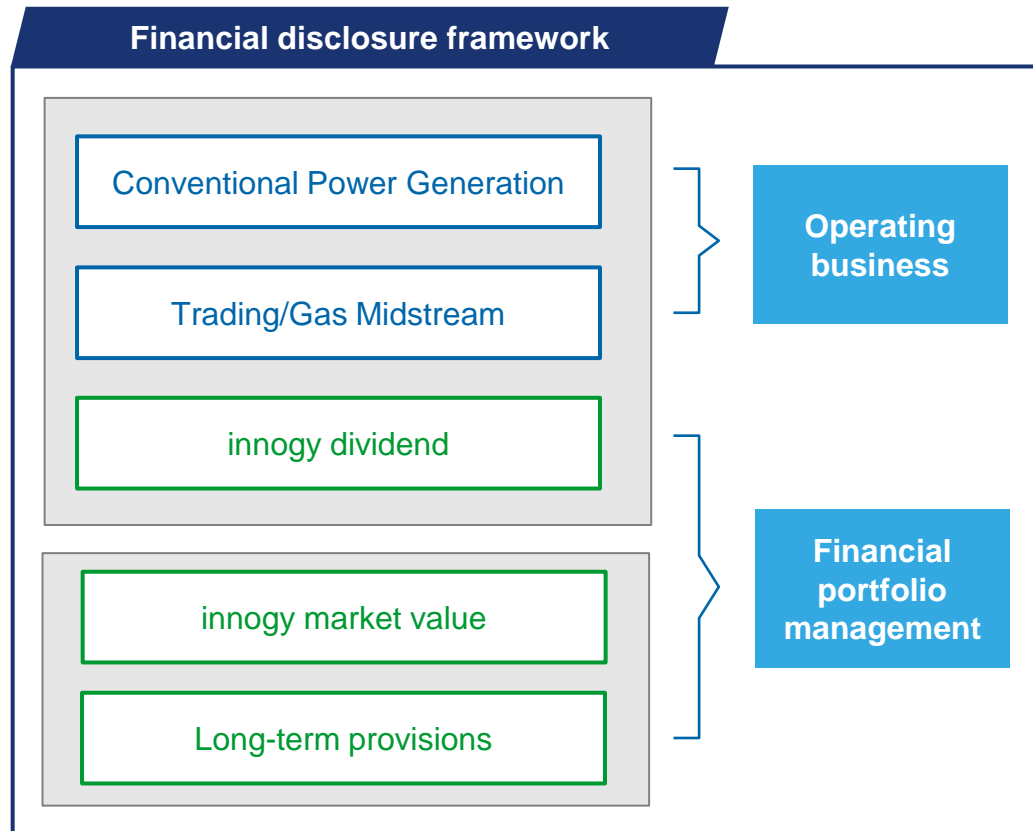
## Dividend policy 2017 onwards

- > Orientation towards operating cash flows that are freely available
- > Sustainable dividend with upside potential



- > **€0.50 per share for FY 2017**
- > **Target to at least maintain level in subsequent years**

# Preview on RWE's Capital Market Day








## Focus on financial transparency

- ✓ Separate P&L and balance sheet for RWE stand-alone
- ✓ Transparency on cash flows of core business and utilisation of provisions
- ✓ Outlook for RWE stand-alone

# Keep up with RWE ...

## Important links

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-  Annual and Interim Reports  
<http://www.rwe.com/ir/reports/>
-  Investor and Analyst Conferences  
<http://www.rwe.com/ir/investor-and-analyst-conferences/>
-  IR presentations & further factbooks  
<http://www.rwe.com/ir/presentations/>
-  IR videos  
<http://www.rwe.com/ir/videos/>
-  Consensus of analysts' estimates  
<http://www.rwe.com/ir/consensus-estimates>

## Financial Calendar

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-  28 March 2017  
Capital Market Day
-  27 April 2017  
Annual General Meeting
-  3 May 2017  
Dividend payment
-  15 May 2017  
Interim statement on the first quarter of 2017
-  14 August 2017  
Interim report on the first half of 2017
-  14 November 2017  
Interim statement on the first three quarters of 2017

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