

Transforming RWE and securing a sound financial base



(as of December 2016)

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Three steps to securing a sound financial base

Reorganisation

- > Listing of innogy, a leading European utility comprising grid, retail and renewables businesses
- > 10% capital increase at innogy to fund future growth investments
- > 13.2% disposal of innogy shares by RWE to strengthen balance sheet

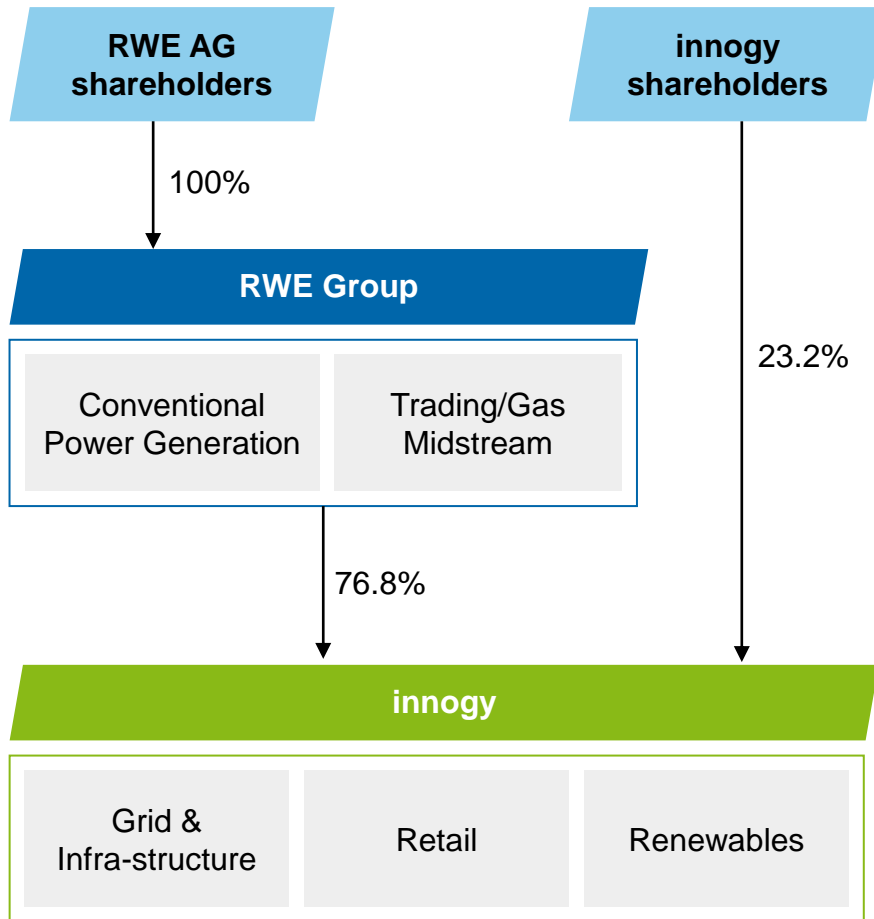
Efficiencies

- > Step up of efficiency programme by another €500 million to €2.5 billion by 2018
- > Additional measures largely stemming from conventional power generation

Dividend

- > Fiscal 2015: suspension of payment for common shares and €0.13 per preferred share
- > New RWE dividend policy to be introduced with strategy update in March 2017

RWE after the innogy IPO



- > Proceeds of approx. €2.6bn for RWE AG from sale of ~13.2% of innogy shares
- > ‘Agreement on basic principles’ between RWE and innogy:
 - Operational management of Conventional Power Generation and Trading/Gas Midstream
 - innogy as a financial investment; i.e. relevant for RWE is the dividend payment of innogy
- > RWE AG’s intention is to maintain a majority shareholding in innogy for the time being

New structure provides three upsides for RWE AG

Clear strategic focus

- > Creation of homogenous business portfolios with clear strategic focus
- > Increased management attention to address specific challenges and opportunities of different businesses

Value enhancement

- > Unlock value through enhanced transparency via separate listing of innogy
- > Improved access to funds for dedicated growth investments in innogy
- > Ability to set independent financial targets and dividend policies in line with companies' specific operational performance

Increased financial flexibility

- > Increased flexibility to cope with funding needs; innogy shareholding is a liquid asset
- > No dilution of asset base backing liabilities
- > Broad political acceptance as RWE will continue to take full responsibility for liabilities

RWE AG: Focused business portfolio with clear management mandate

Conventional Power Generation



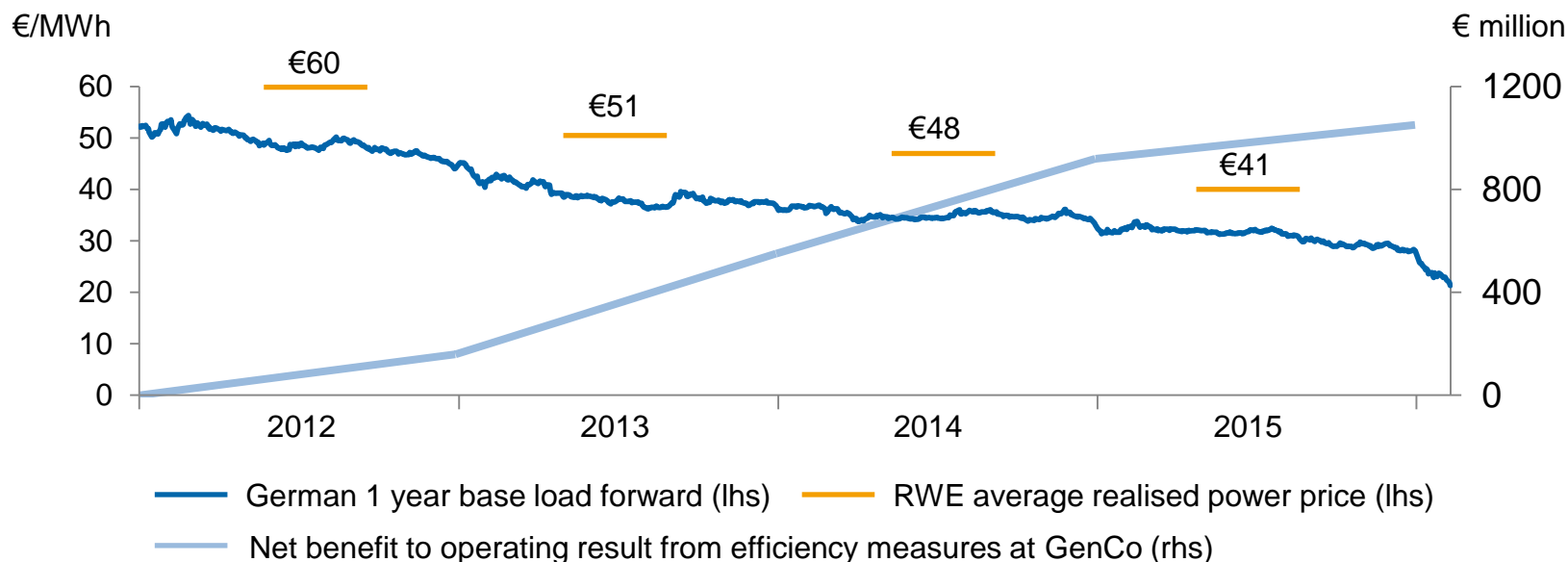
- > Highly efficient and modernised power plant portfolio
- > Reduction of lignite generation in line with national CO₂ targets
- > Secure financially manageable phase-out of nuclear
- > Extraction of option value from spread assets
- > Maintain positive free cash flow
- > Benefit from potential wholesale price recovery or new market design

Supply & Trading



- > Commercial asset optimisation of generation fleet – full exploitation of optionality
- > Expansion of trading and origination business into new markets and commodities
- > Growth of Principal Investment activities
- > Commodity solutions for industrial customers
- > Management of long term gas supply, storage and transport contracts

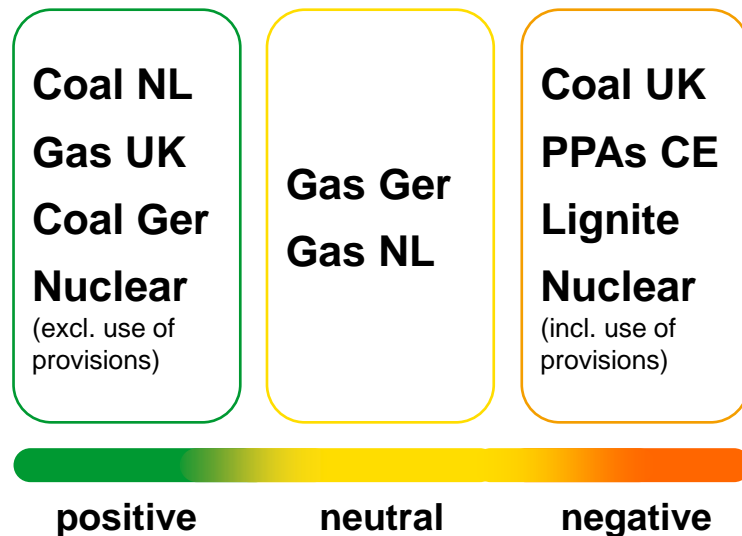
Persistent pressure on conventional power generation met by continued efficiency efforts



- > Accumulated cost savings and efficiency improvements of approximately €1 billion realised between 2012 and 2015
- > In total decisions taken for more than 11 GW capacity measures: 3.9 GW of capacity (partially) mothballed; 3.2 GW of capacity shut or to be shut / 3 GW of contracts cancelled; 1.4 GW for stand-by reserve
- > Headcount reduction of 3,600 FTEs since 2012

Additional measures identified to improve cash flow situation for conventional power generation

Indicative Free Cash Flow Situation¹



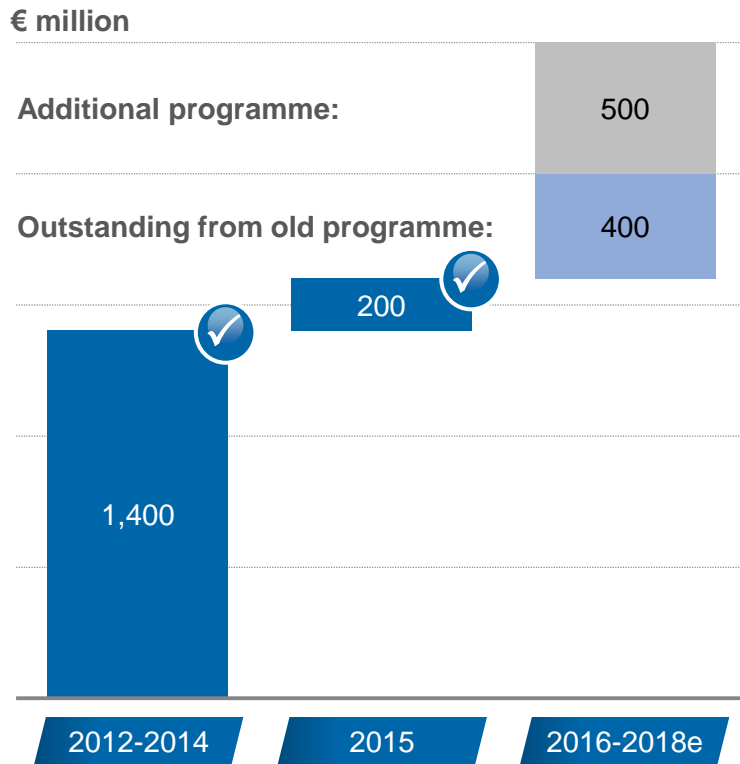
Measures to improve cash flow situation

- > Further optimisation of maintenance strategy including reduction of day-to-day capex and opex in order to take calculated risk vs. lower market prices/spreads (e.g. reduce overhauls, within overhaul spend less, and shortening the overhaul)
- > Renegotiations and further standardisations to reduce external spend
- > Optimisation of personnel costs
- > Increase margins via optimisation of technical plant parameters

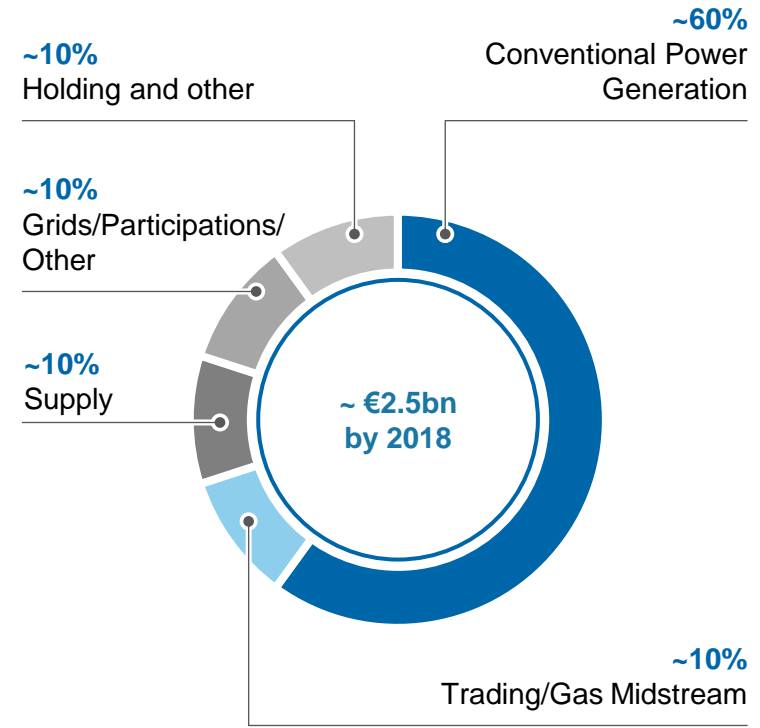
¹ Calculated as revenues - cash costs before financing and tax.
Based on market parameters as of January 2016.

Efficiency programme reaches €2.5 billion through GenCo's efforts to identify improvement measures

Net benefit to operating result



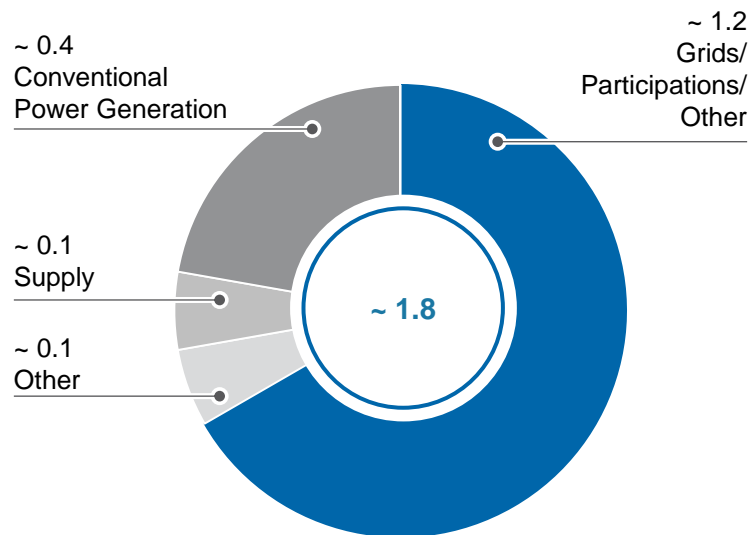
Net benefit by division



RWE maintains disciplined capex approach and secures investment opportunities

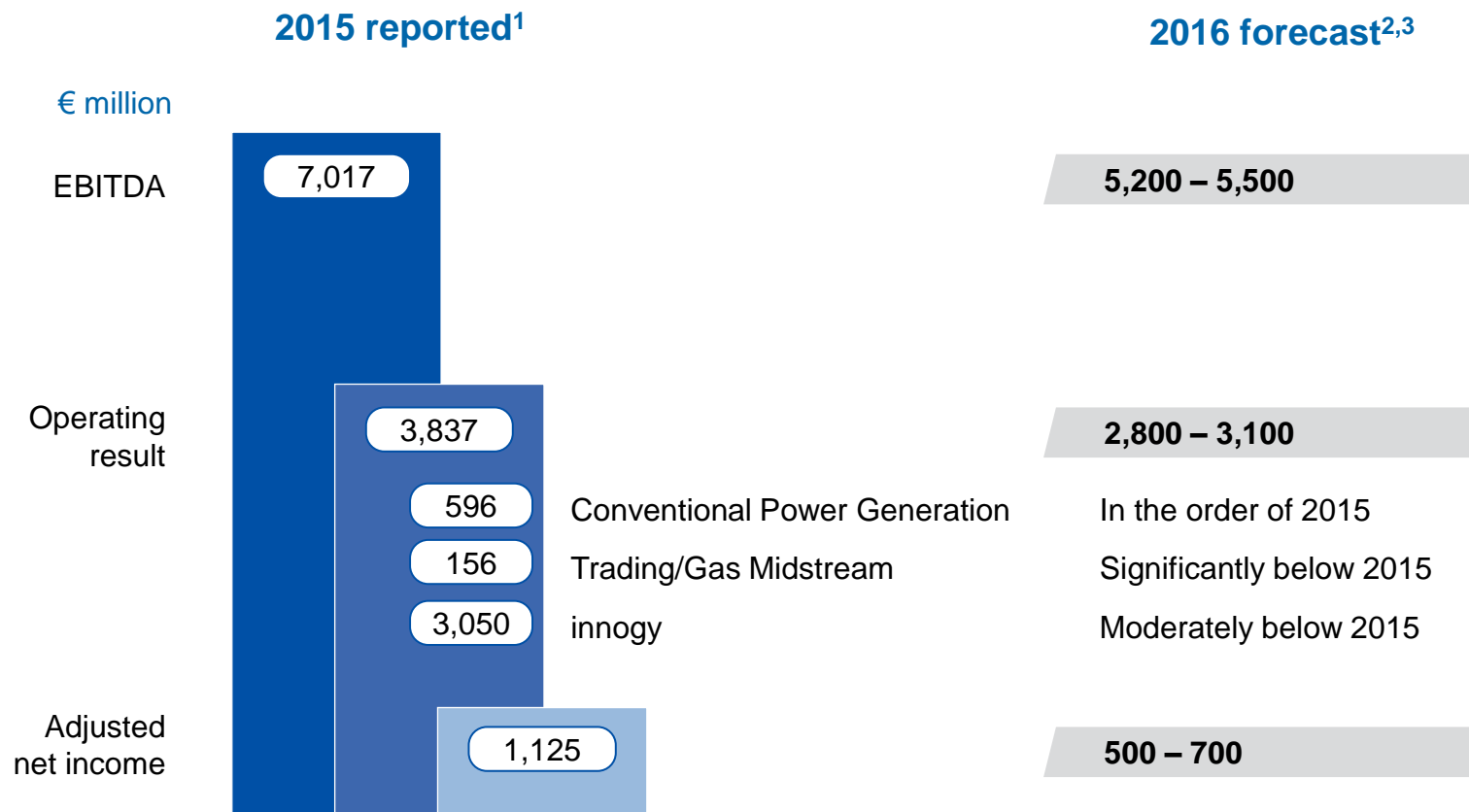
 Day-to-day/maintenance capex of €1.8 billion complemented with up to €700 million in potential growth investments

Day-to-day investments in € billion for 2016



- > Total capex for 2016 expected to be between €2 – 2.5bn
- > D-t-d investments planned of approx. €1.8bn
- > Approx. €0.4bn of d-t-d investments for maintaining power plants and mining operations

Group outlook for 2016 confirmed



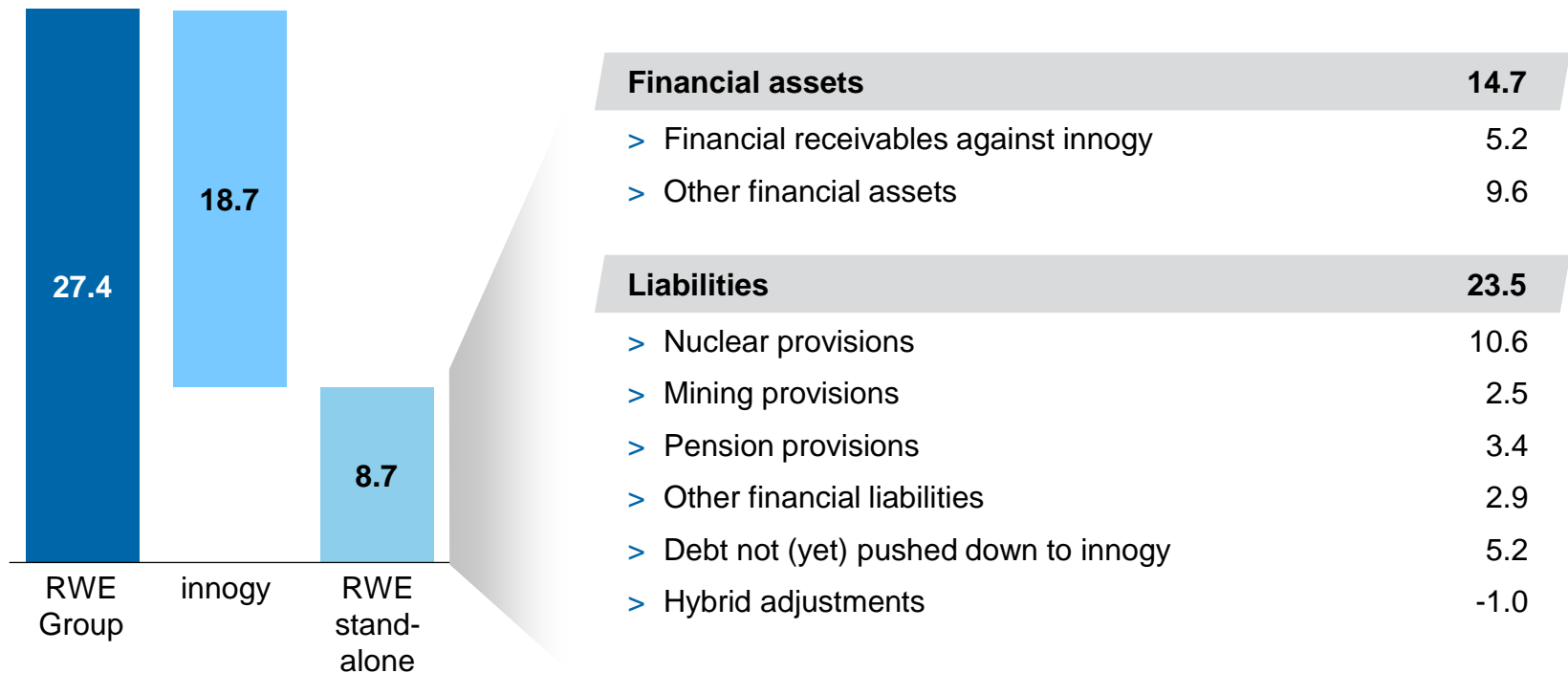
1 Some figures adjusted; see Interim Statement Q1-Q3 2016 page 1 et seq.

2 Qualifiers such as 'moderately', and 'significantly' indicate percentage deviations from the previous year's figures.

3 The outlook accounts for the current status of the nuclear fuel tax law. If the Constitutional Court declares the tax illegal and decides fully in our favour, we expect a positive earnings contribution of up to €1.7bn to EBITDA, operating result and adjusted net income.

Net debt breakdown of RWE Group

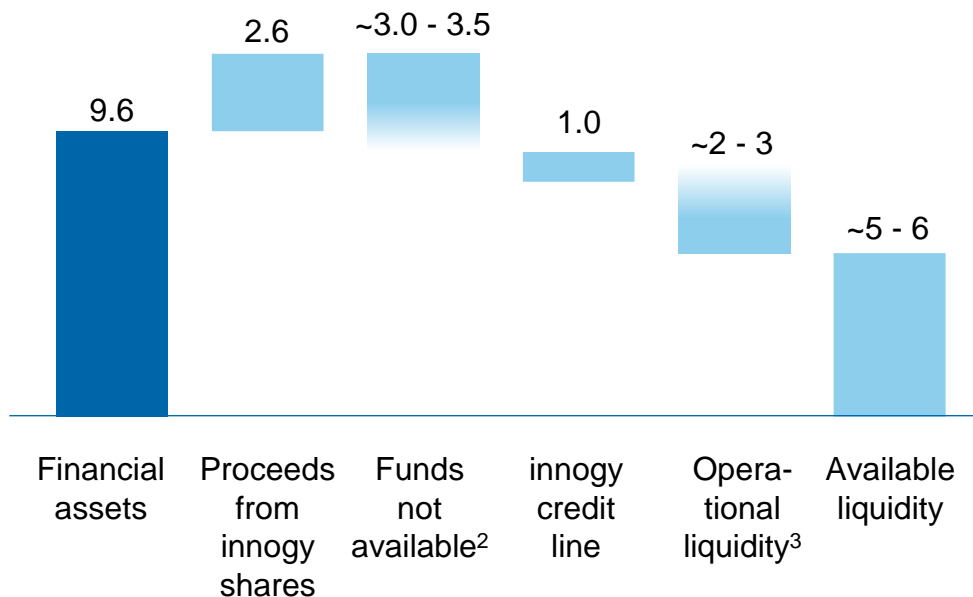
€bn as of 30 Sep 2016



Rounding differences may occur.

RWE stand-alone with solid liquidity position

Liquidity position of RWE stand-alone¹ (€ bn)



- > Comfortable liquidity position for short-term financing requirements
- > Ample options to finance externalisation of provisions for nuclear storage:
 - Existing liquidity
 - Deferred payment option provided by Government
 - Debt financing
 - innogy shares
- > Syndicated credit line of €2.5 billion and commercial paper programme as additional liquidity reserve

¹ RWE's view excluding innogy: Cash and cash equivalents, marketable securities, other financial assets as of 30.09.2016; see page 12.

² Other financial assets which can not be used short- to mid-term for other financing purposes and funds earmarked for special purposes, e.g. repayment of outstanding commercial paper.

³ Liquidity required for day-to-day business.

Nuclear law: Transfer of financing and duties of the disposal of nuclear waste

- > Independent foundation constituted under public law – responsible for the financing of nuclear waste disposal and interim storage
- > Financial obligation consists of existing provisioned future liabilities (base amount) as well as a risk premium of 35.47%
- > 3 options for payment of financial obligation:
 - Full payment of base amount and risk premium on 1 July 2017; interest of 4.58% from 1 Jan 2017 onwards only for base amount
 - Payment of base amount on 1 July 2017, with subsequent payment of risk premium (latest to year end 2022); additional interest of 4.58% on risk premium from 1 July 2017 onwards
 - Payment in instalments until 2026 possible; interest payment of 4.58%; requirement to provide guarantees
- > Transfer of liability triggered by payment of full amount or first instalment. However, obligation to cover cost increases until full payment of risk premium

As of 16 Dec 2016

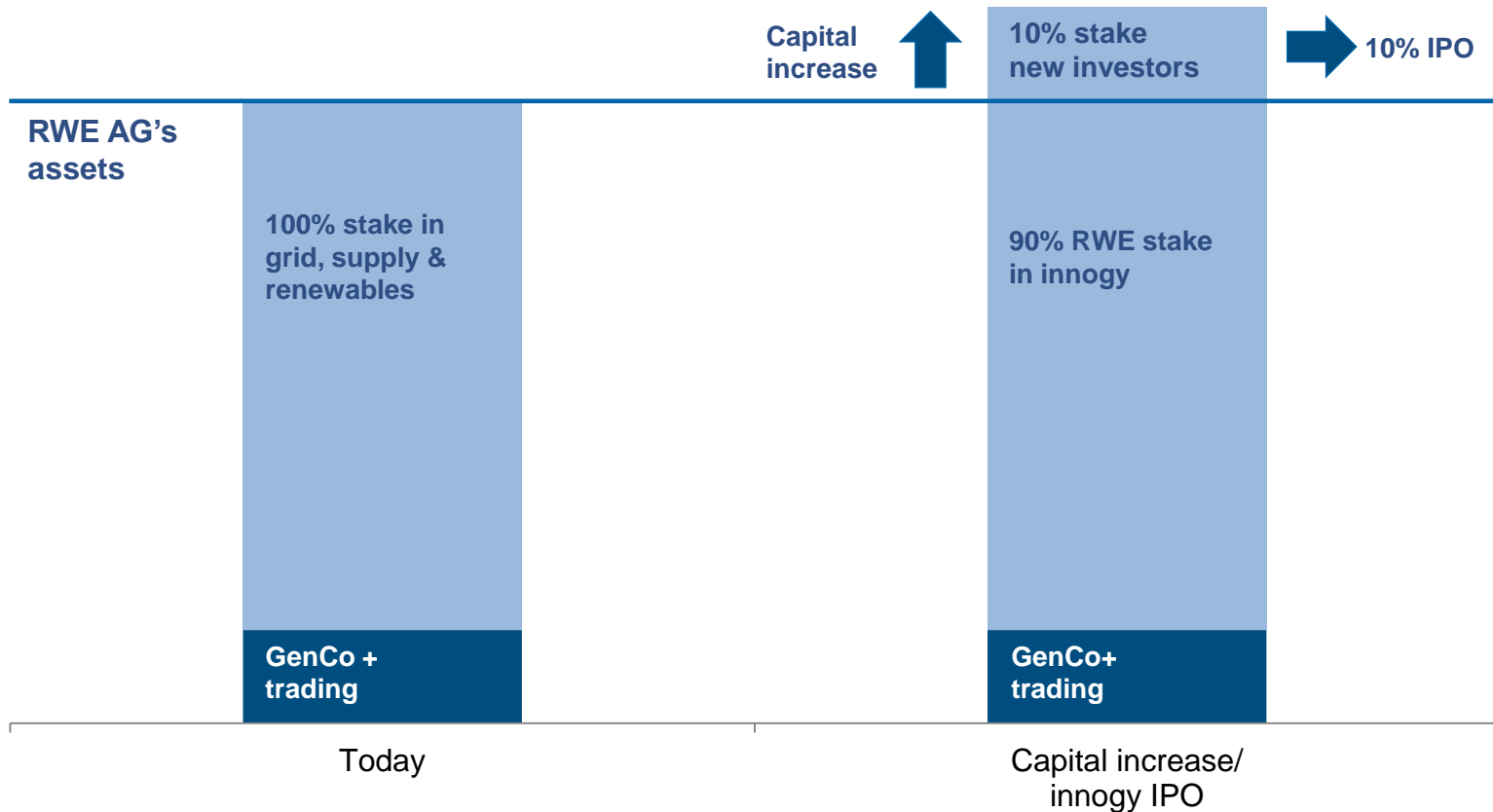
Financial calendar

- > 14 March 2017: Annual Report on fiscal 2016
- > Late March 2017: Capital Markets Day
 - > Strategic update and management agenda
 - > Key financial performance and steering parameters
 - > Revised dividend policy
- > 27 April 2017: Annual General meeting

Back-up charts

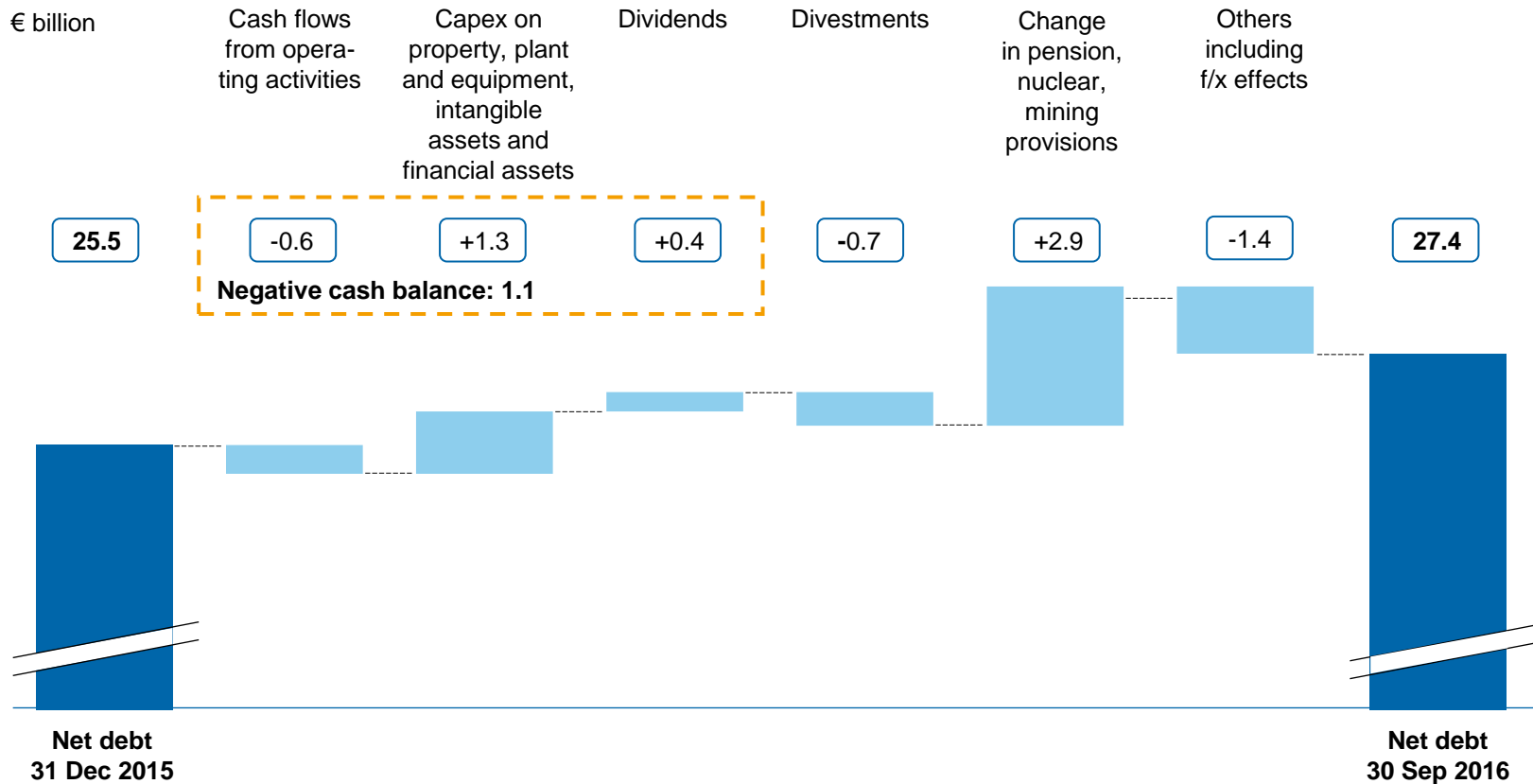
RWE AG's asset base remains unchanged in light of the innogy IPO

illustrative



Development of net debt¹

Higher net debt due to negative cash balance and interest driven higher pension provisions

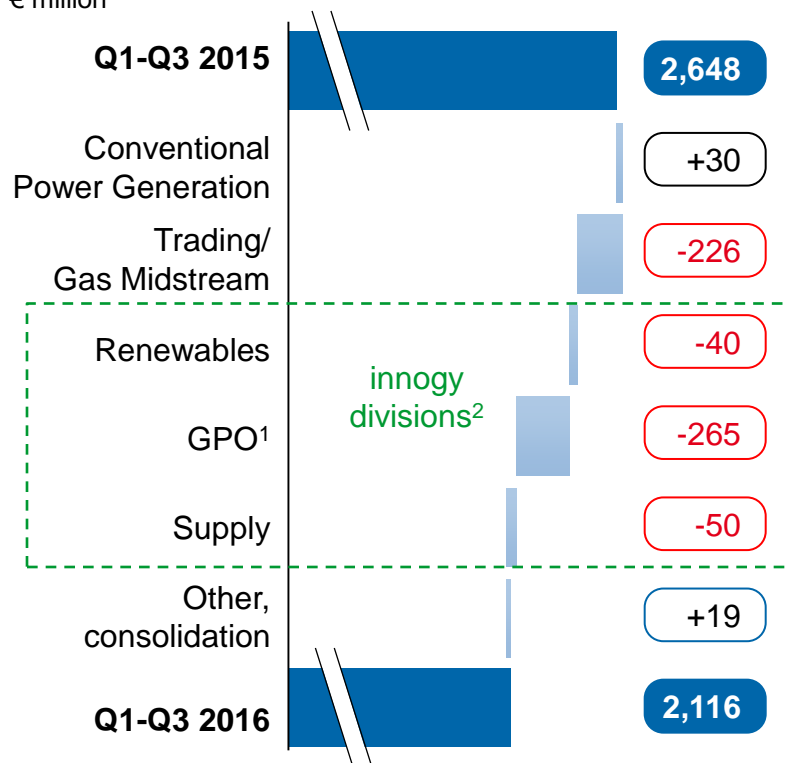


¹ Positive prefix means increase in net debt. We have started including provisions for dismantling wind farms in net debt in H1 2016. Figures for 2015 have been adjusted accordingly.

Development of operating result in Q1-Q3 2016

By division (-€532 million; -20%)

€ million



- > Conventional Power Generation: Cost reductions and positive one-off effects as well as lower depreciation overcompensate lower realised generation spreads.
- > Trading/Gas Midstream: Positive earnings in Q3 could not offset the negative trading performance in Q2 2016.
- > 'innogy divisions'² show in total an earnings decline of €355 million.

A detailed overview of the individual value drivers is given on slides 15 and 18 and in the Interim Statement on pages 7 to 8.

1 GPO: Grid/Participations/Other.

2 Divisions which will in future be reported under innogy. 'Other, consolidation' not yet included.

Development of the earnings figures in Q1-Q3 2016

	Q1-Q3 2016	+/- vs. Q1-Q3 2015
EBITDA	3.8	-0.6
Depreciation	-1.7	+0.1
Operating result	2.1	-0.5
Non-operating result	-0.4	-0.2
Financial result	-1.4	-0.3
Tax	-0.1	+0.4
Income from DCO ¹	-	-1.5
Minorities + hybrids	0.2	-0.1
Net income	0.0	-1.9
Adjustments	0.2	+1.6
Adjusted net income	0.2	-0.3

- > Non-operating result: Down, mainly as a result of timing effects from asymmetrical accounting for derivatives and impairment on German gas storage assets.
- > Financial result: mainly impacted by losses from the sale of securities compared to realised profits in 2015.
- > Tax rate for reconciliation of reported net income at 33% and for adjusted net income at 36%.
- > No income from DCO in Q1-Q3 2016, while in 2015 the sale of RWE Dea contributed €1.5bn.
- > Adjustments to net income 2016 comprise non-operating result and respective tax effect on it.

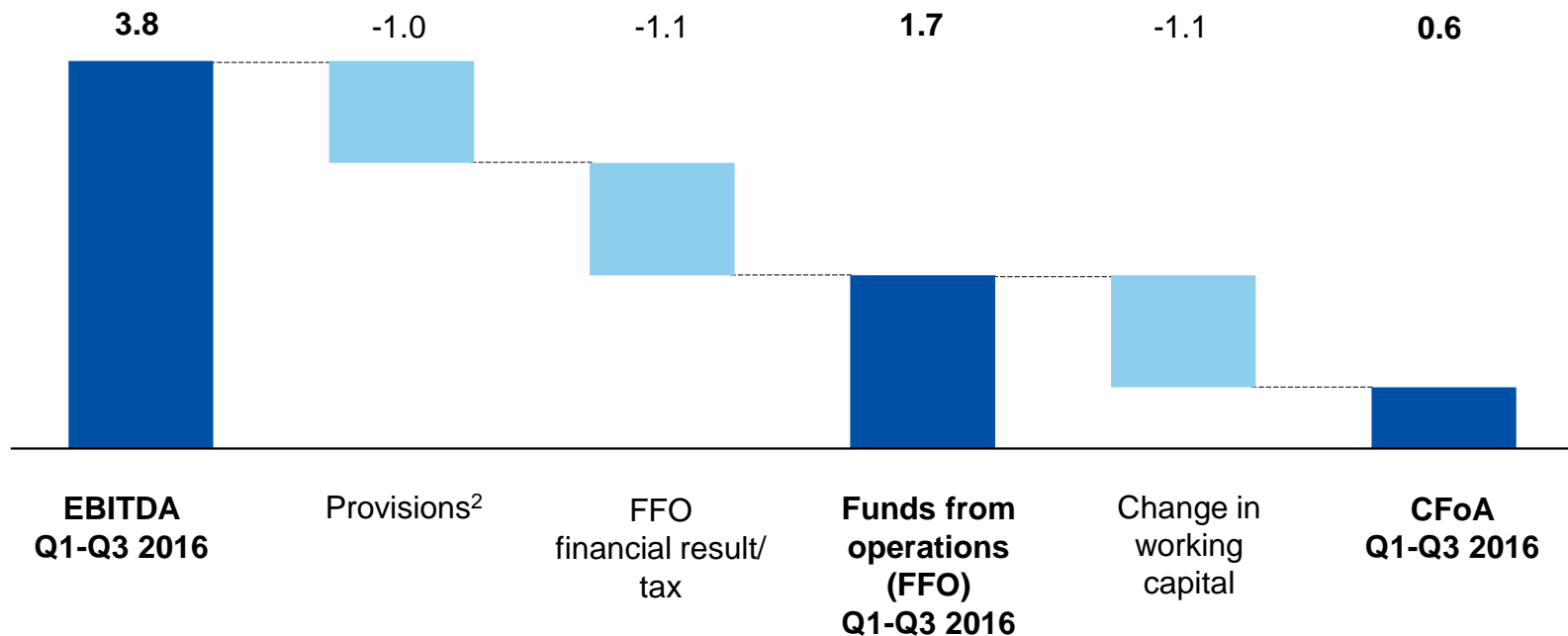
¹ Income from discontinued operations (DCO).

Rounding differences may occur.

From EBITDA to cash flows from operating activities

Change in provisions and change in working capital leads to low CFoA¹ in Q1-Q3 2016

€ billion



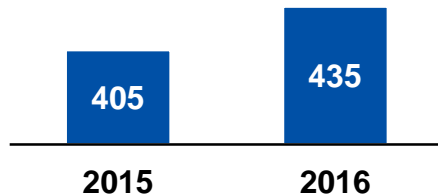
¹ Cash flows from operating activities.

² Net effect from use of provisions and additions/release of provisions in EBITDA.

Performance of the Conventional Power Generation Division

Jan – Sep: operating result: +7.4% (+ €30 million)

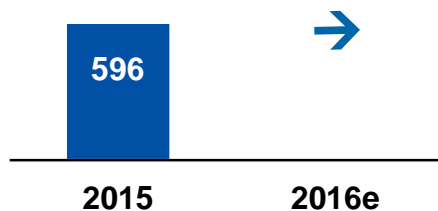
€ million



- + Efficiency improvements
- + Lower depreciation
- + Income from sale of real estate
- + Lower nuclear fuel tax
- + Settlement for damages for new hard coal power plant in Hamm
- Lower realised electricity generation spreads

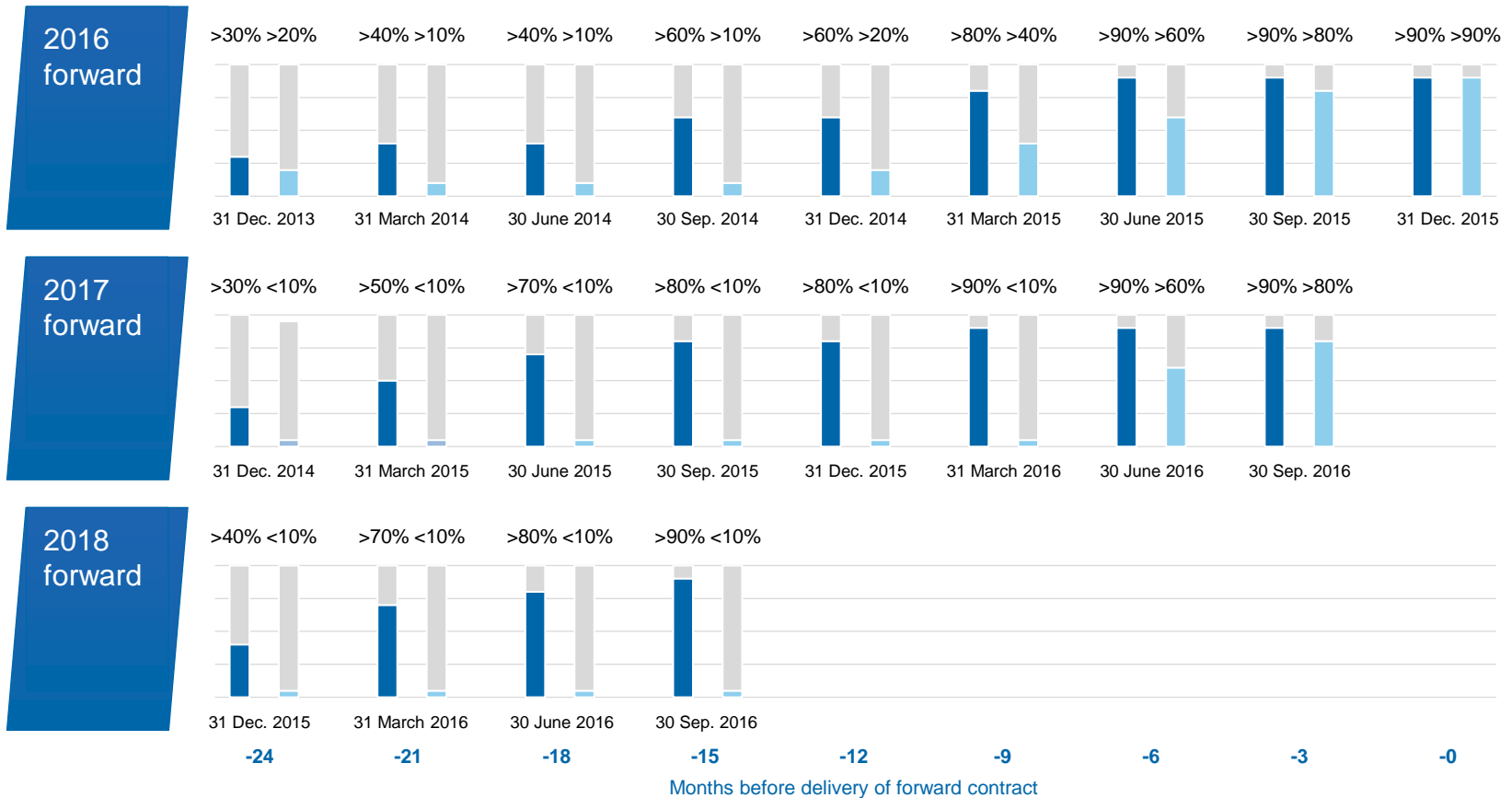
Outlook for fiscal 2016: in the order of 2015

€ million



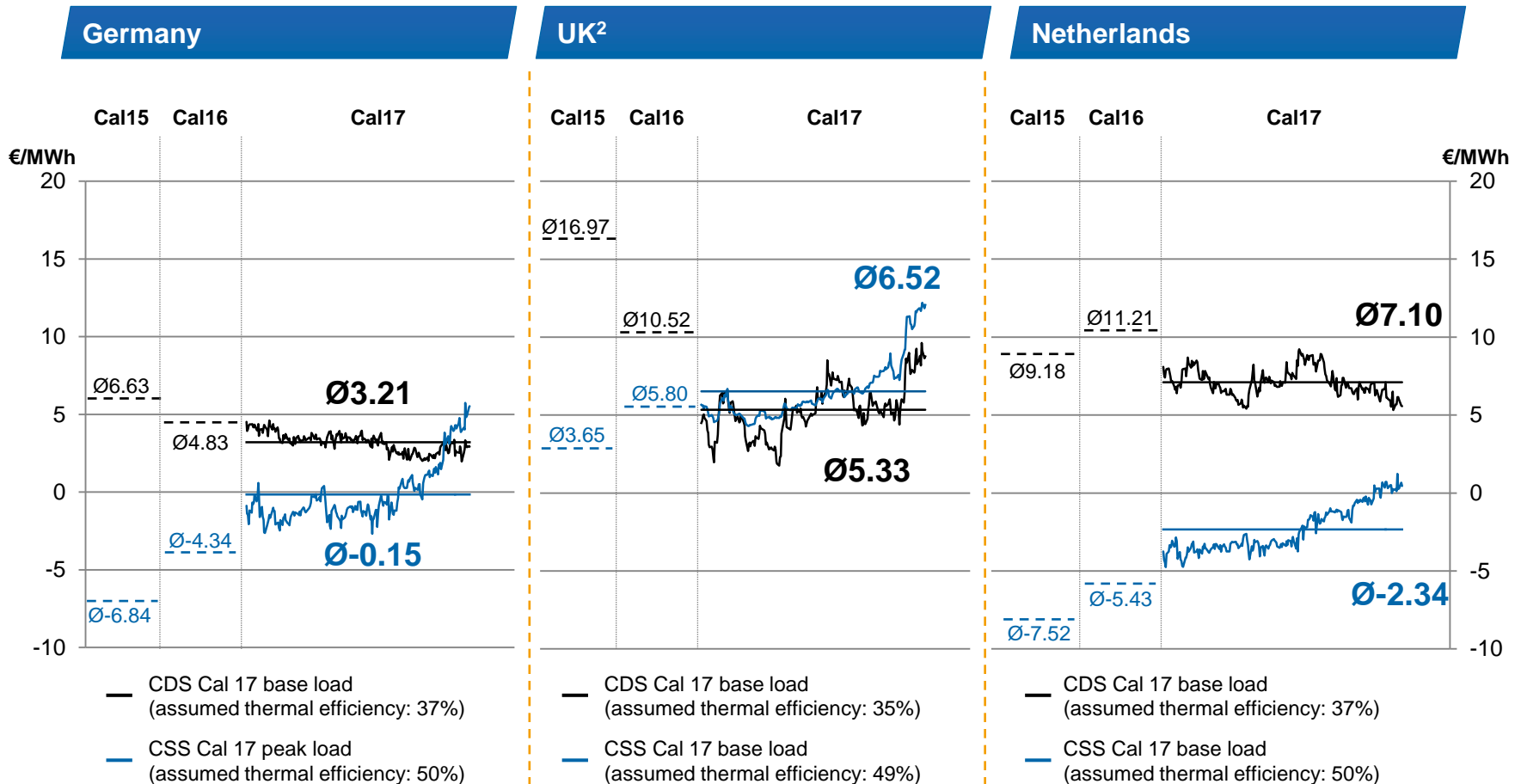
- Lower realised electricity generation spreads
- Higher costs due to larger plant revision programme
- + Efficiency improvements and lower depreciation
- + Absence of one-off costs from termination of power plant project Hamm D in 2015 as well as income from sale of real estate and settlement for damages for new hard coal power plant in Hamm

RWE's forward hedging of conventional electricity production (German, Dutch and UK portfolio) – As of 30 September 2016



- Outright, electricity hedged incl. CO₂ (GER nuclear and lignite based power generation)
- Spread, electricity and underlying commodity hedged incl. CO₂ (GER, UK and NL/B hard coal and gas based power generation)

Clean Dark (CDS) and Spark Spreads (CSS) – 2015 - 2017 forwards for Germany, UK and NL¹



¹ Settlement one year ahead (Cal+1).

² Including UK carbon tax.

Source: RWE Supply & Trading, prices through to 1 November 2016.

Overview of capacity measures

Measure	Plant	MW ¹	Fuel	Location	Date
Decommissioning	Goldenbergwerk	110	Lignite	DE	Q3-2015
	Amer 8	610	Hard coal	NL	Q1-2016
	Westfalen C	285	Hard coal	DE	Q1-2016
	Mid-size units	190	Gas	NL	Q4-2016
	Voerde A/B	1.390	Hard coal	DE	Q1-2017
	Gersteinwerk K2	610	Hard coal	DE	Q1-2019
Long-term mothballing ²	Claus A	610	Gas	NL	Q1-2012
	Weisweiler H	270	Topping gas turbine	DE	Q3-2013
	Weisweiler G	270	Topping gas turbine	DE	Q3-2013
	Gersteinwerk F	355	Gas – steam turbine	DE	Q3-2013
	Gersteinwerk G	355	Gas – steam turbine	DE	Q2-2014
	Claus C	1,300	Gas	NL	Q3-2014
	Moerdijk 1	339	Gas	NL	Q1-2018
	Moerdijk 2	430	Gas	NL	Q1-2018
Termination of contracts	Confidential	2,960	Hard coal	DE	Q4-2013 – Q2-2015
Stand-by reserve ³	Frimmersdorf P & Q	560	Lignite	DE	Q4-2017
	Niederaußem E & F	590	Lignite	DE	Q4-2018
	Neurath C	290	Lignite	DE	Q4-2019
Total		11,524			

1 Net nominal capacity, rounded.

2 In times of market tightness mothballed plants might return temporarily to the system.

3 Capacity will be decommissioned after 4 years in the reserve.

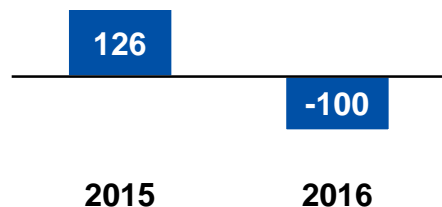
Performance of the Trading/Gas Midstream Division

Jan – Sep: operating result: -€226million

€ million

Trading:

- Significantly lower earnings from trading activities in Q2

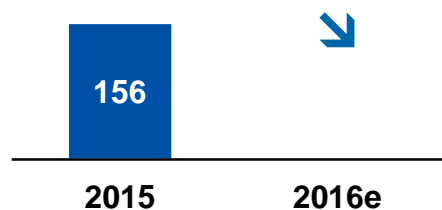


Outlook for fiscal 2016: significantly below previous year

€ million

Trading:







- Lower earnings after weak performance in Q2 2016



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Important links

-  Annual and Interim Reports
<http://www.rwe.com/ir/reports/>
-  Investor and Analyst Conferences
<http://www.rwe.com/ir/investor-and-analyst-conferences/>
-  Facts & Figures – the Guide to RWE and the Utility Sector
<http://www.rwe.com/ir/facts-figures/>
-  IR presentations & further factbooks
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-  IR videos
<http://www.rwe.com/ir/videos/>
-  Consensus of analysts' estimates
<http://www.rwe.com/ir/consensus-estimates>

Financial Calendar

-  14 March 2017
Annual Report for fiscal 2016
-  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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