

Transforming RWE

Securing a sound financial base

Essen, 8 March 2016

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Officer

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 **This presentation contains certain forward-looking statements within the meaning of the US federal securities laws. Especially all of the following statements**

- > Projections of revenues, income, earnings per share, capital expenditures, dividends, capital structure or other financial items
- > Statements of plans or objectives for future operations or of future competitive position
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Agenda



A

Peter Terium

Strategy update

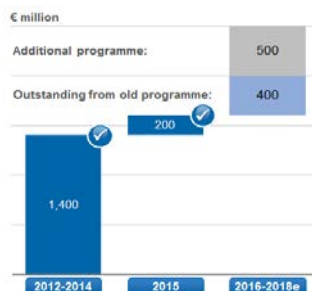
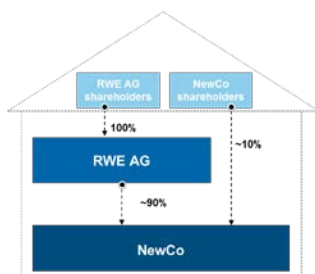
B

Bernhard Günther

Financial performance and outlook for 2016



3 steps to securing a sound financial base



NewCo

- > Listing of a unique and leading European utility comprising grid, retail and renewables businesses
- > ~10% capital increase at NewCo envisaged to fund future growth investments

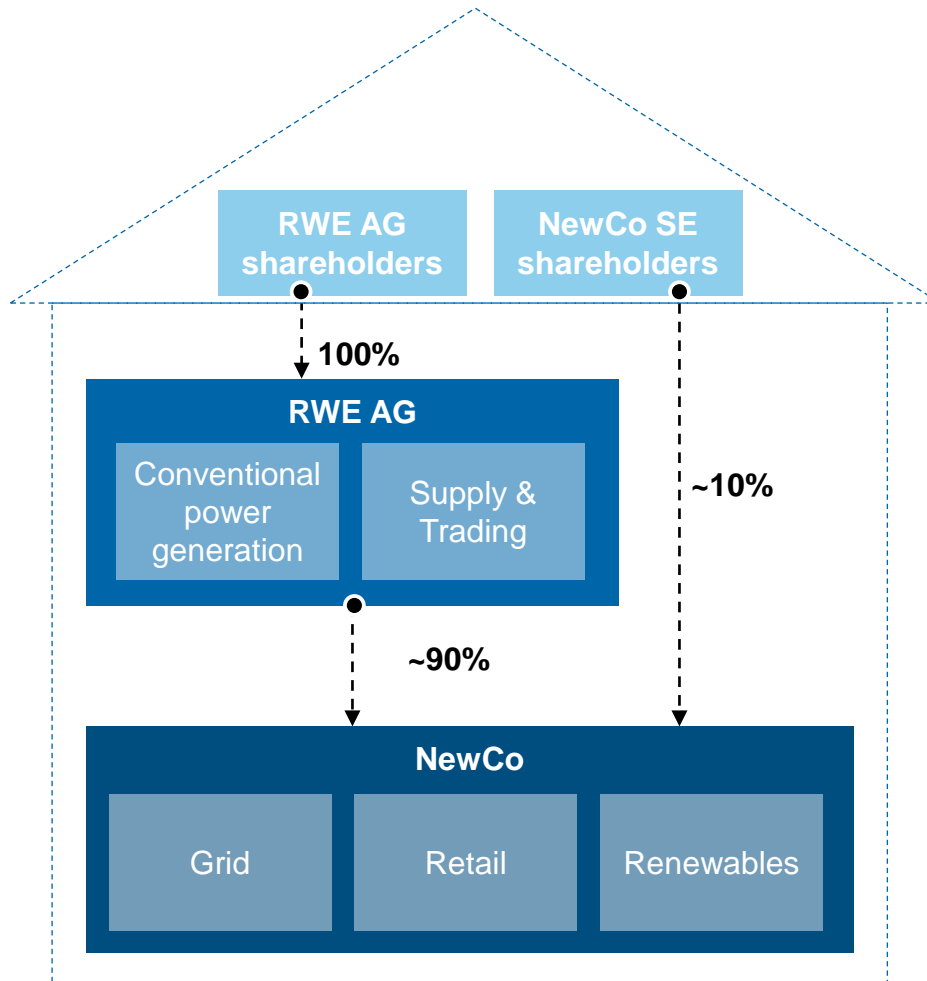
Efficiencies

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

Dividend

- > Dividend policy reflects the general business situation and market conditions
- > Proposal for fiscal 2015: suspension of payment for common shares and €0.13 per preferred share

Creation of a unique and leading European utility taking shape and well on track



Key milestones

- > **December 2015**
Supervisory Board approval
- > **March 2016**
Nomination of management team
- > **1 April 2016**
Operational start of NewCo planned
- > **30 June 2016**
Full implementation of new structure envisaged
- > **Q4 2016**
Planned IPO of NewCo

Designated management team for NewCo with long-standing experience and extensive industry knowledge



Peter Terium

- > Chief Executive Officer
- > 13 years sector experience



Bernhard Günther

- > Chief Financial Officer
- > 18 years sector experience



Uwe Tigges

- > Chief HR Officer
- > 32 years sector experience



Hildegard Müller

- > COO – Grid
- > 7 years sector experience



Martin Herrmann

- > COO – Retail
- > 14 years sector experience



Hans Bünting

- > COO – Renewables
- > 20 years sector experience

Operational progress in downstream and renewables businesses provide solid basis for future growth

Grid



- > Commissioning of power-to-gas storage facility to stabilise grid
- > RWE-led project “Designetz” selected for government funding

Retail



- > Expansion of retail activities in Slovenia, Poland and Hungary
- > Agreement to equip Daimler and VW with electric vehicle charging solutions

Renewables



- > Commissioning of Nordsee Ost and Gwynt y Môr offshore wind farms
- > Start of construction of Nordsee One and Galloper offshore wind projects



Start of numerous initiatives, including

- > Launch of communication protocol “Lemonbeat”
- > Introduction of “Bidgely” products in Germany
- > Collaboration with KnGrid to test smart electric vehicle infrastructure

Restructuring plan defined to put RWE npower back on track

Root causes

- > Over-customised billing system resulting in issues delivering accurate and timely bills
- > Absence of adequate operational controls to detect system issues

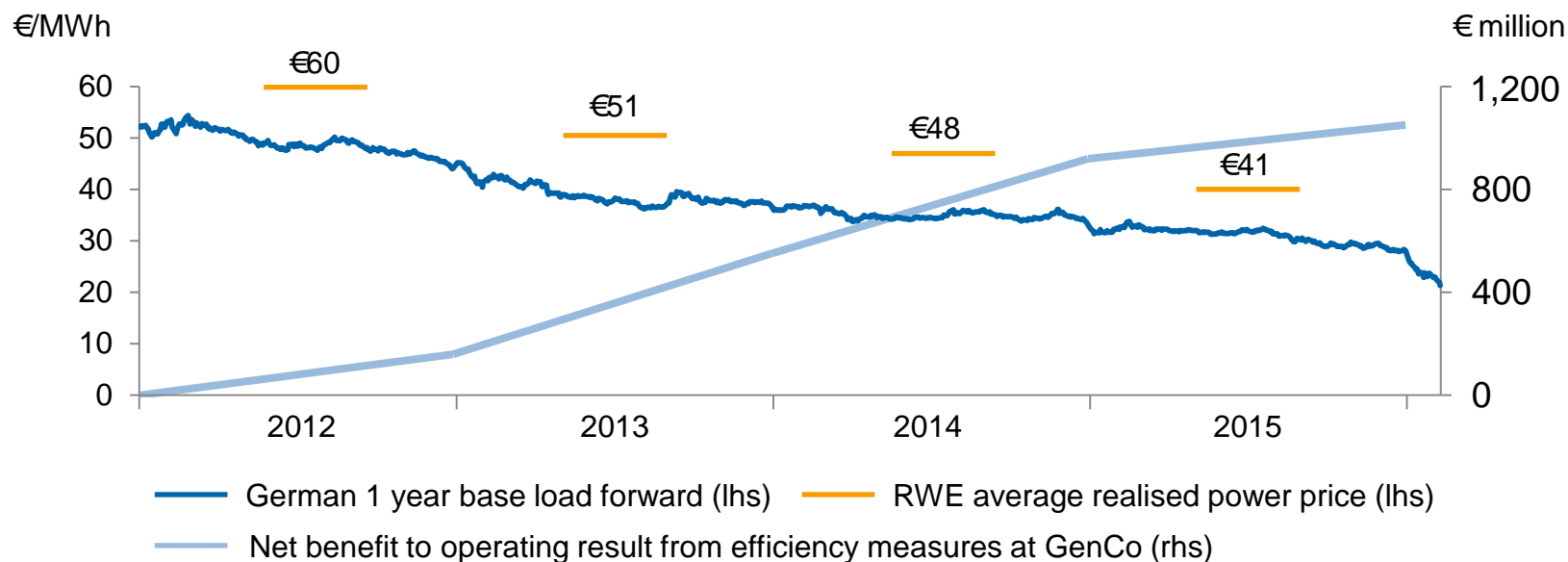
Implications

- > Write down of anticipated revenues due to erroneous and late billing
- > Higher provisions for bad debt
- > Increased levels of opex associated with customer service due to operating defective IT system
- > Increased levels of customer loss reducing overall margins

Mitigation plan

- > Simplification of current billing and customer service IT infrastructure
- > Introduction of effective management information systems and controls
- > Establishment of effective end to end business processes and accountability
- > Implementation of cost and efficiency measures
- > Focus on competitive pricing position and value adding product offerings

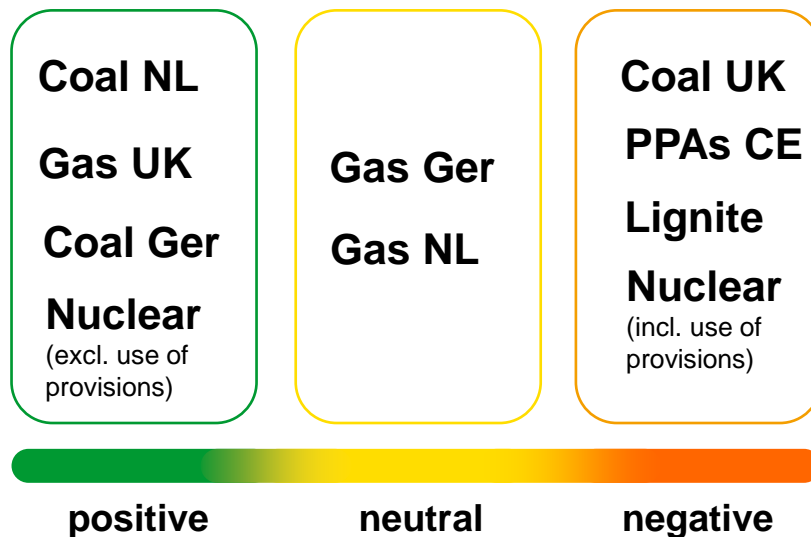
Persistent pressure on conventional power generation met by continued efficiency efforts



- > Accumulated cost savings and efficiency improvements of approximately €1 billion realised between 2012 and 2015
- > In total decisions taken for approx. 9 GW capacity measures: 3.7 GW of capacity (partially) mothballed; 2.5 GW of capacity shut or to be shut/ 3 GW of contracts cancelled
- > 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



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

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

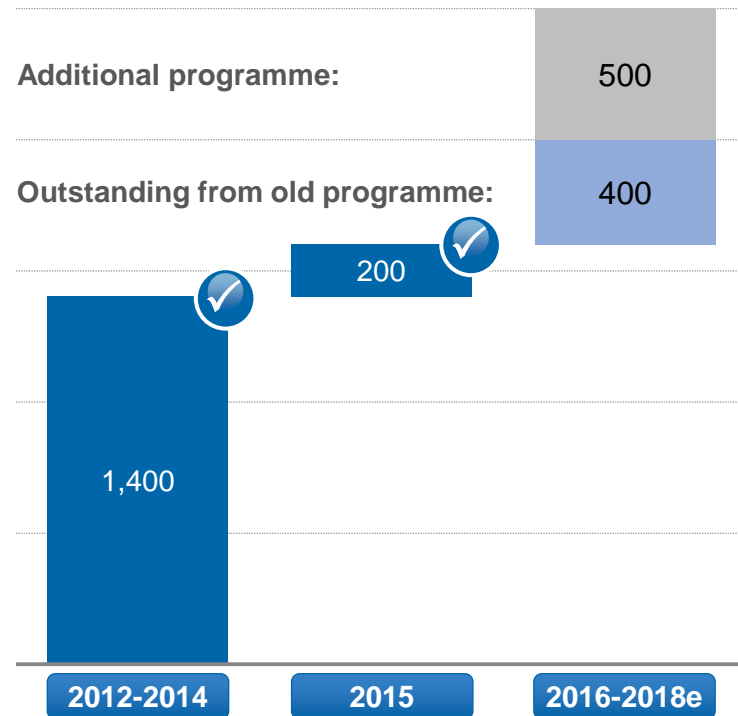
Efficiency programme reaches €2.5 billion through GenCo's efforts to identify improvement measures

Net benefit to operating result



Net benefit by division

€million



~10%
Holding and other

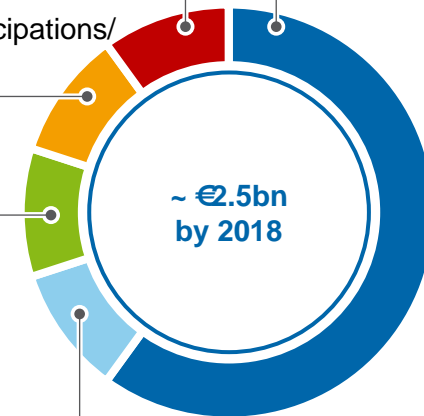
~10%
Grids/Participations/
Other

~10%
Supply

~10%
Trading/Gas Midstream

~60%
Conventional Power
Generation

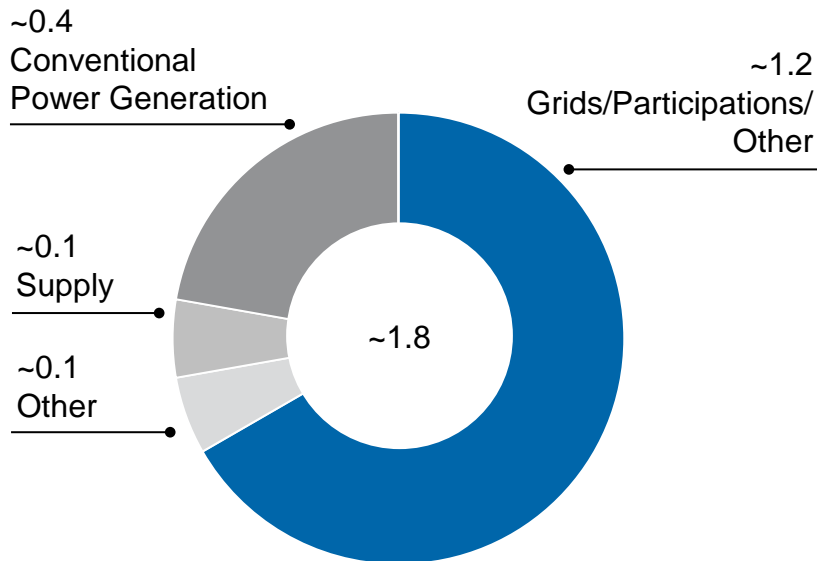
~ €2.5bn
by 2018



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

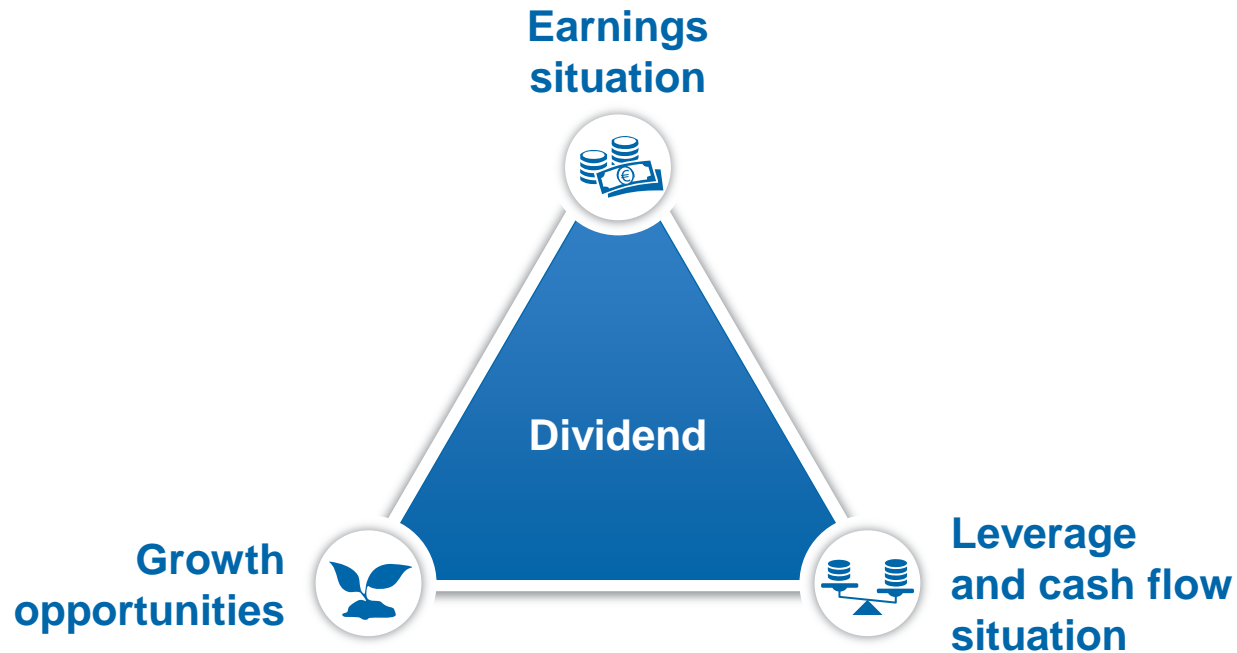


- > Total capex for 2016 expected to be between €2 – 2.5bn, depending on NewCo IPO
- > D-t-d investments planned of approx. €1.8bn
- > Approx. €1.1bn of d-t-d investments intended for regulated grid business
- > Approx. 50% of growth investments intended for renewables

Forward-looking dividend policy reflecting the general business situation



Dividend proposal for fiscal 2015: suspension of payment for common shares and €0.13 per preferred share



Agenda



A

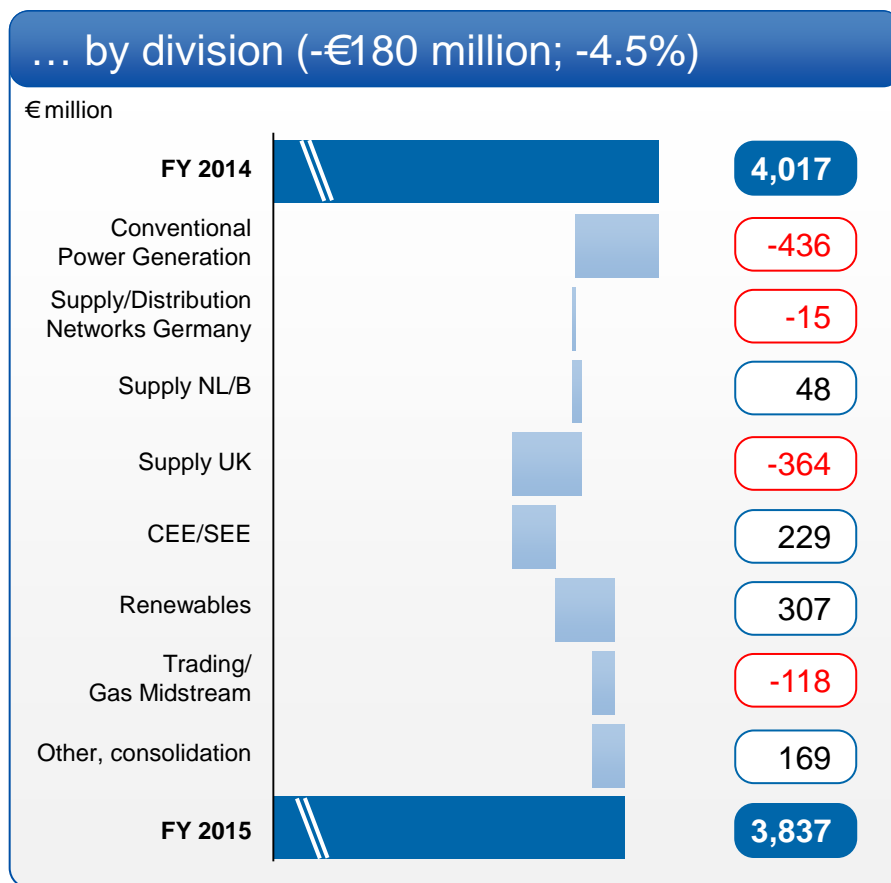
Peter Terium
Strategy Update

B

Bernhard Günther
Financial performance and outlook for 2016



Development of operating result in FY 2015



- Earnings in Conventional Power Generation under pressure mainly due to declining generation margins.
- Lower earnings from the disposal of grid assets in Germany but better performance in Supply NL/B.
- Strong earnings decline in Supply UK especially due to process and system-related problems for our B2C billing. Furthermore, customer losses and margin decline.
- Asset revaluation linked to the full consolidation of VSE group leads to a strong improvement of CEE/SEE operating result.
- Strong earnings increase of €307 million in our renewables business, mainly due to commissioning of two large offshore wind farms and the sale of shares in Galloper wind farm project and Gwynt y Môr grid connection.
- Lower result in trading business in comparison to the very good result in 2014.

A detailed overview of the individual value drivers is given on slides 23 to 33 and in the Annual Report on pages 51/52.

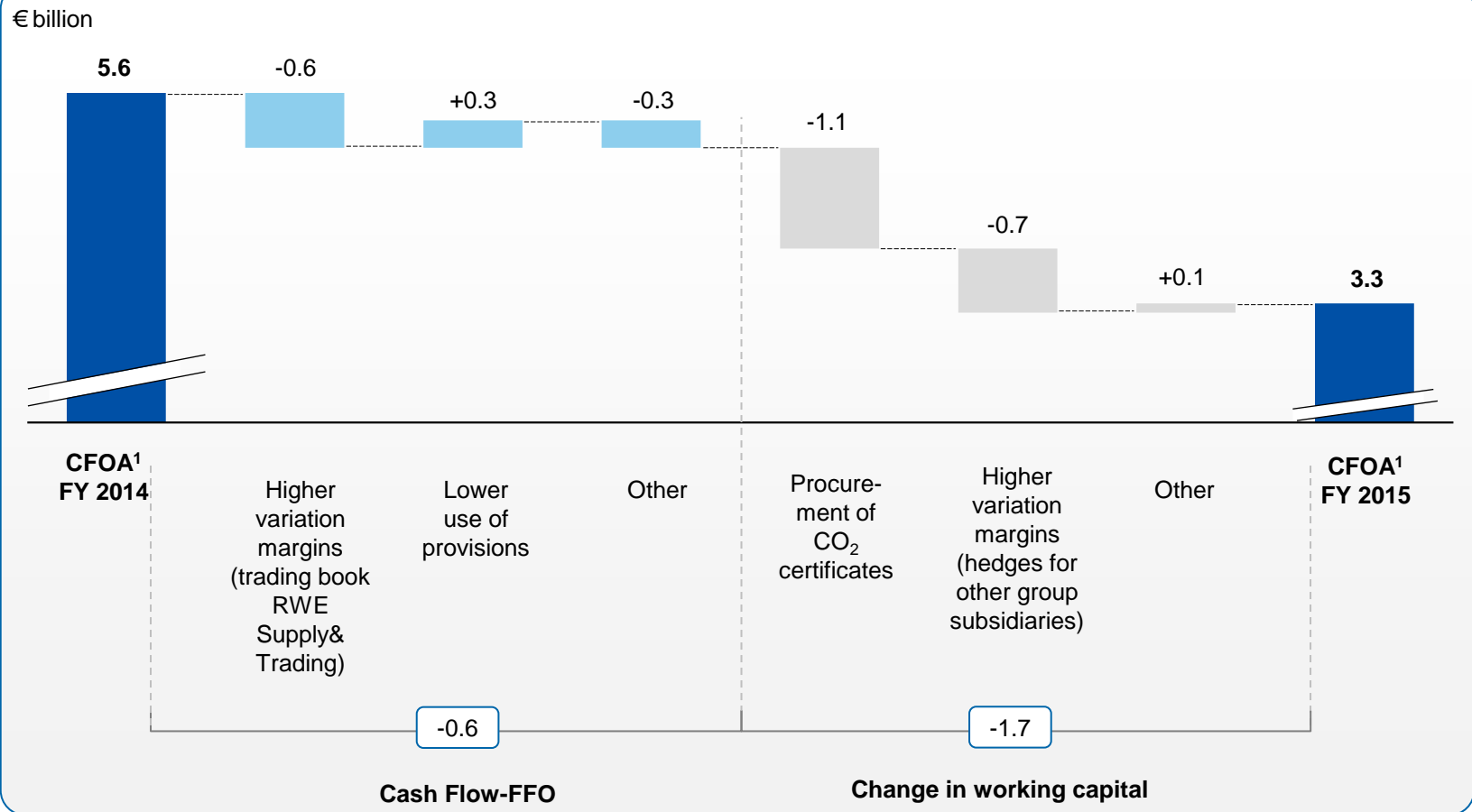
Development of the earning figures in FY 2015

€billion		FY 2015	+/- vs. FY 2014
EBITDA		7.0	-0.1
Depreciation		-3.2	-0.1
Operating result		3.8	-0.2
Non-operating result		-2.9	-3.0
Financial result		-1.6	0.3
Tax		-0.6	-0.1
Income from DCO ¹		1.5	1.2
Minorities/hybrids		-0.5	-0.1
Net income		-0.2	-1.9
Adjustments		+1.3	1.7
Adjusted net income²		1.1	-0.2

- EBITDA distorted by positive one-offs from Hamm D hard coal plant termination. Offsetting depreciation only in operating result line.
- Non-operating result (NOR) dominated by impairments for German und UK conventional power plants (€2.1bn)
- Financial result: improved interest accretion to non-current provisions and positive one-off from the sale of securities.
- Tax rate for adjusted net income: 31%, after adjustment for depreciation of deferred tax assets.
- Income from DCO dominated by book gain from sale of RWE Dea.
- Minorities/hybrids interest increased. For more details see Annual Report page 55, 56.
- Adjustments to net income comprise in particular non-operating result, depreciation of deferred tax assets and income from DCO.

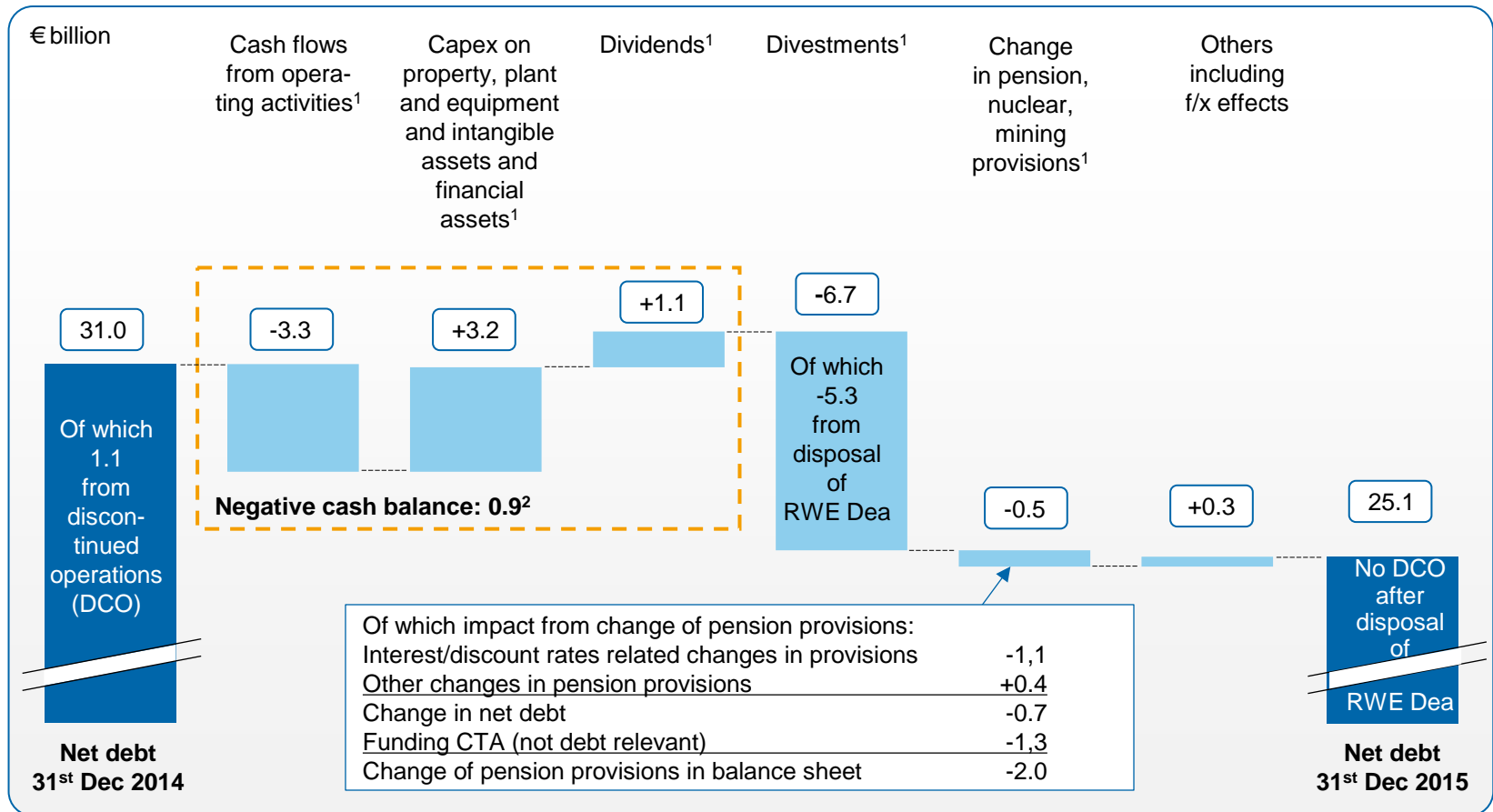
Development of cash flows from operating activities

Strong decline in cash flows¹ driven by movements in working capital



¹ CFOA = cash flows from operating activities.

Strong improvement of net debt after successful disposal of RWE Dea



Reliable access to the capital market is key to us



Significant reduction of net financial debt

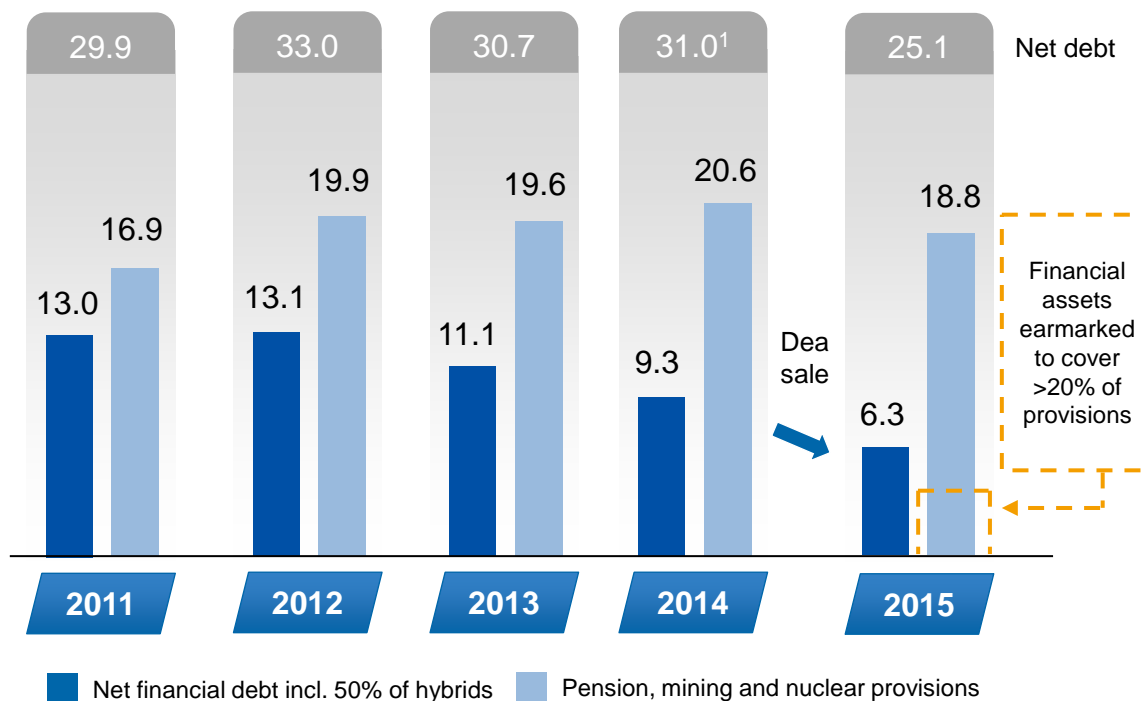
Achievements

- Strong decrease of net financial debt
- Net financial debt (incl. 50% hybrids)/ EBITDA < 1x (2015)
- Ample liquidity after Dea sale

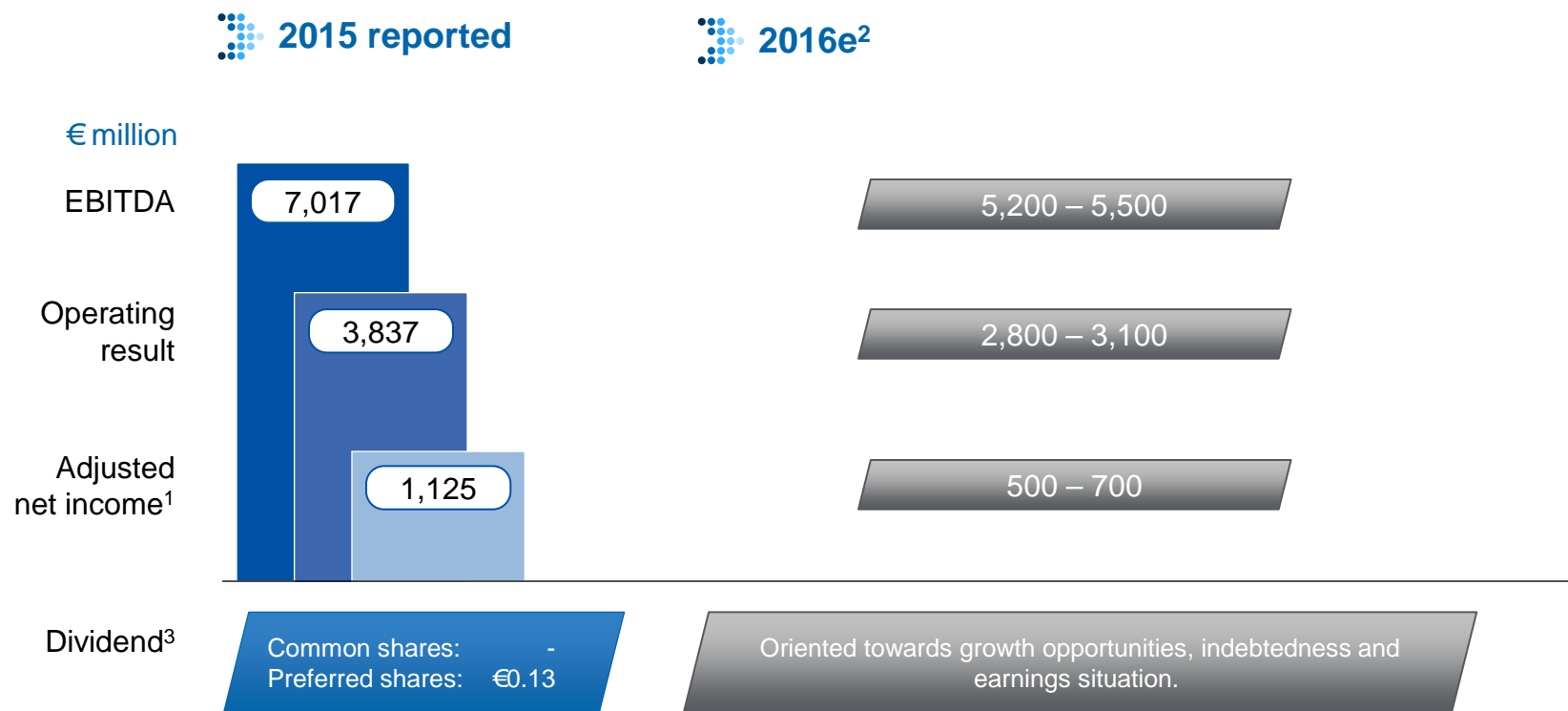
Financial policy

- Access to the capital market at all times through...
 - keeping solid investment grade rating
 - first funding of provisions
 - targeting ongoing positive cash balance

€ billion



Outlook for 2016





1 New term: formerly 'recurrent net income'.

2 The outlook considers the current status of the nuclear fuel tax law. In case the nuclear fuel tax is declared finally illegal and fully in our favour, we expect a positive earnings contribution of up to €1.7bn to EBITDA, operating result and adjusted net income.

3 Executive and Supervisory Board propose to the AGM on 20 April 2016 a suspension of the dividend payment to holders of common shares for fiscal 2015. For owners of preferred shares, the proposed dividend corresponds to the preferred share of profits of €0.13 per share stipulated by the Articles of Incorporation.

2016 divisional outlook for the operating result

€million	 2015 reported ¹	 2016 forecast ²
Conventional Power Generation ³	543	Significantly below 2015
Renewables	493	Significantly below 2015
Trading/Gas Midstream	156	Significantly above 2015
Grids/Participations/Other	2,008	Significantly below 2015
Supply	824	Moderately below 2015

1 Some figures are pro-forma due to the change in the reporting structure.

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

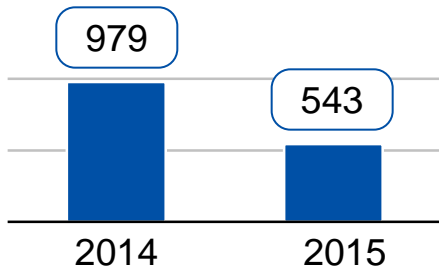
3 The outlook considers the current status of the nuclear fuel tax law.

Back-up charts

Performance of the Conventional Power Generation Division

January – December: operating result: -45% (-€436 million)

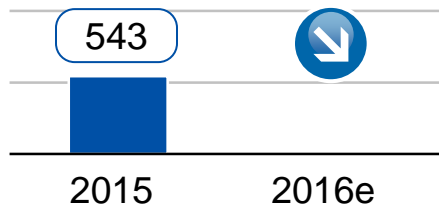
€ million



- ⊖ Lower realised electricity generation spreads
- ⊖ Termination of power plant project Hamm D
- ⊖ Impact from the change in nuclear and mining provisions
- ⊖ Restructuring provisions
- ⊕ Efficiency improvements

Outlook for fiscal 2016: significantly below previous year

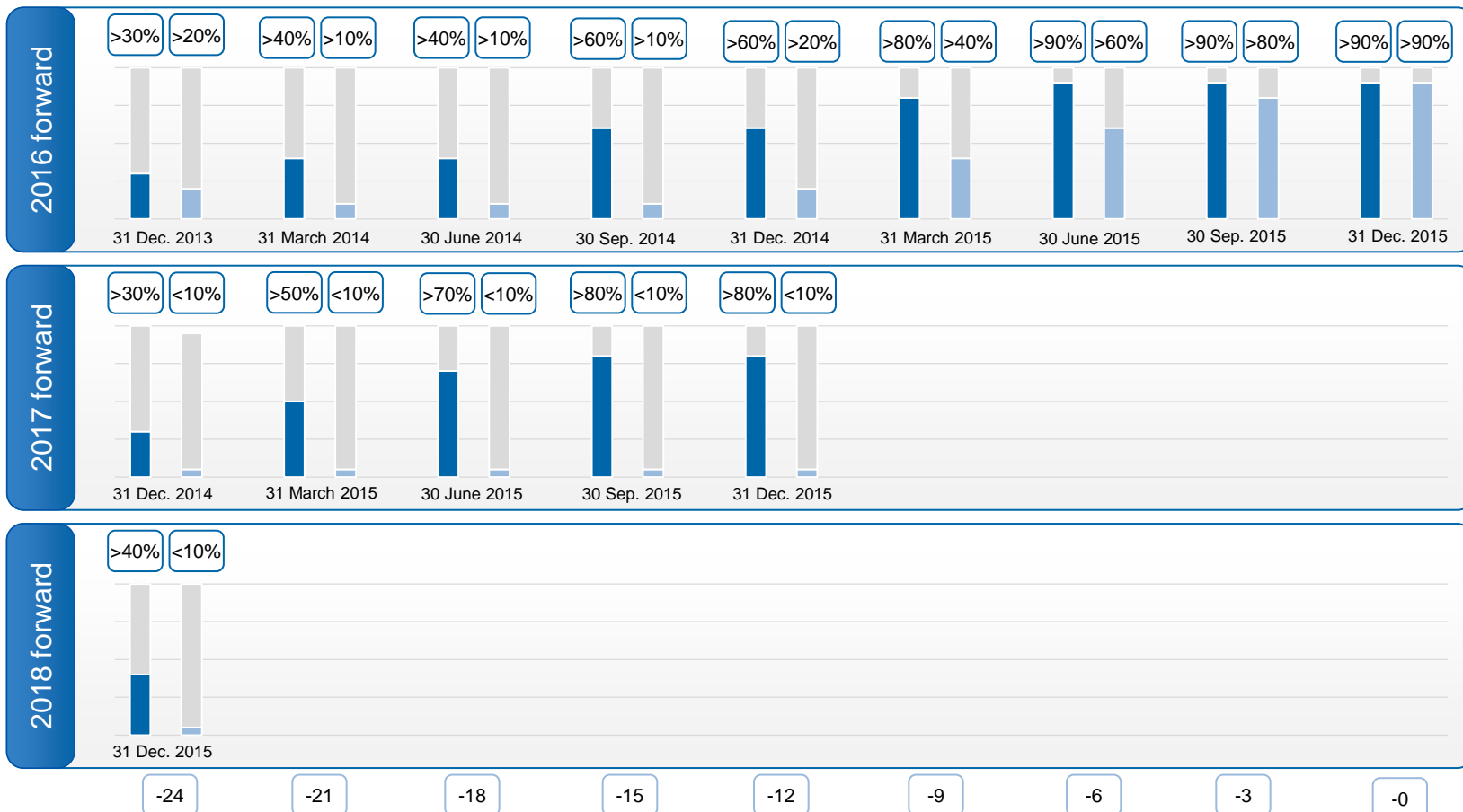
€ million



- ⊖ Lower realised electricity generation spreads
- ⊖ Higher costs due to larger plant revision programme
- ⊕ Absence of one-off costs from termination of power plant project Hamm D in 2015
- ⊕ Efficiency improvements

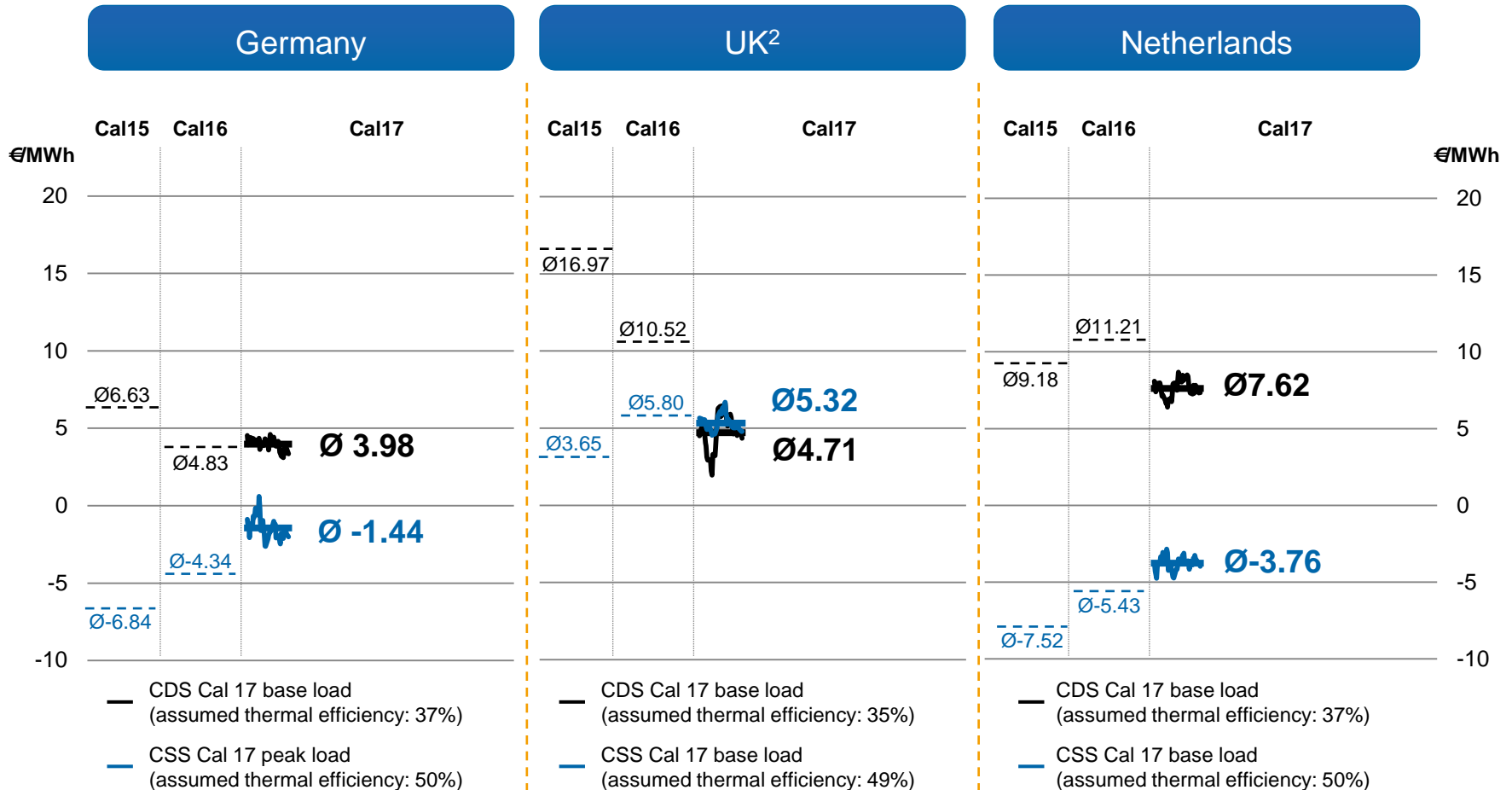
RWE's forward hedging of conventional electricity production (German, Dutch and UK portfolio)

As of 31 December 2015



- 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)

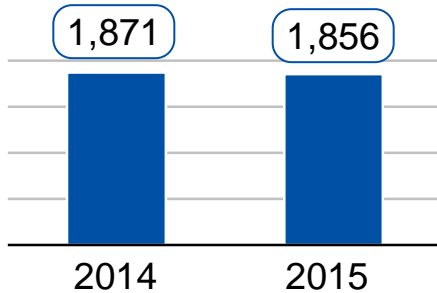
Clean Dark (CDS) and Spark Spreads (CSS) – 2015 - 2017 (forwards for Germany, UK and Netherlands¹)



Performance of the Supply/Distribution Networks Germany Division

January – December: operating result: -0.8% (-€15 million)

€ million



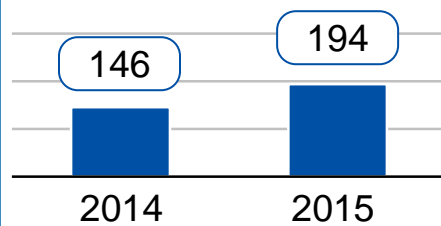
- ⊖ Lower earnings from the disposal of grid assets
- ⊕ Weather-induced higher gas demand
- ⊕ Improved customer base

Outlook for 2016 see new divisions 'Grids/Participations/Other' page 30 and 'Supply' page 31.

Performance of the Supply Netherlands/Belgium Division (Essent)

January – December: operating result: +33% (+€48 million)

€ million



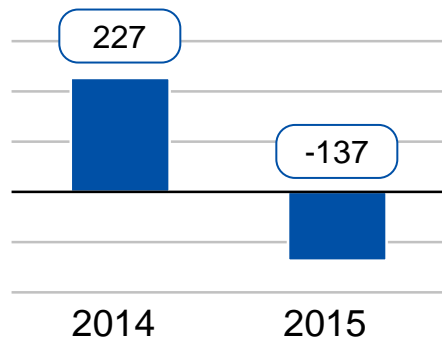
- ⊕ Weather-induced higher gas demand
- ⊕ Marketing of new supply offerings

Outlook for 2016 see new division 'Supply' page 31.

Performance of the Supply United Kingdom Division (RWE npower)

January – December: operating result: -€364 million

€ million



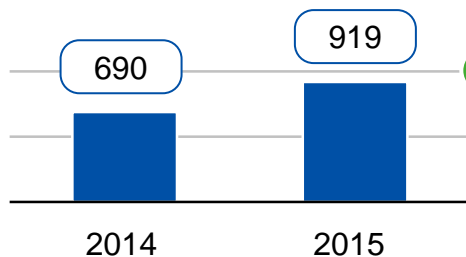
- ➖ Significant process and system-related problems in B2C billing system
- ➖ Shift to tariffs with lower margins
- ➖ Customer losses and lower energy consumption in the B2C segment
- ⊕ Lower costs for 'Energy Companies Obligation' (ECO) programme

Outlook for 2016 see new division 'Supply' page 31.

Performance of the Central Eastern and South Eastern Europe Division

January – December: operating result: +33% (+€229 million)

€ million



⊕ Efficiency improvements

Slovakia:

⊕ VSE: One-off effect from asset revaluation linked to the full consolidation (+€185 million)

Czech Republic:

⊖ Lower gas storage margins

⊕ Improved regulatory conditions for gas distribution grid

⊕ Weather-induced improvement in gas business

Hungary:

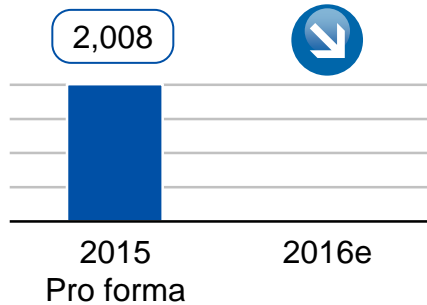
⊖ Lower earnings from electricity generation (Mátra)

Outlook for 2016 see new divisions 'Grids/Participations/Other' page 30 and 'Supply' page 31.

Outlook Grids/Participations/Other

Outlook for fiscal 2016: significantly below previous year

€ million

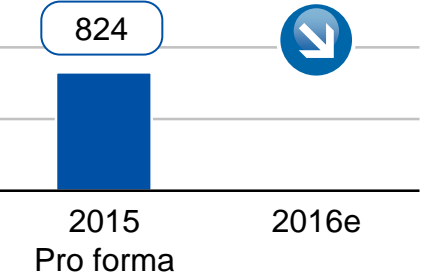


- ⊕ Efficiency improvements
- ⊖ Increased costs to operate and maintain the distribution grid
- ⊖ Lower earnings from the disposal of grid assets in Germany
- ⊖ VSE: One-off effect from asset revaluation linked to the full consolidation in 2015 (-€143 million)

Outlook Supply

Outlook for fiscal 2016: moderately below previous year

€ million



East:

- VSE: One-off effect from asset revaluation linked to the full consolidation in 2015 (-€42 million)

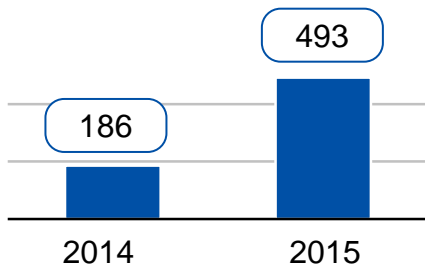
UK:

- Improved earnings from operating activities
- Burdens from restructuring programme

Performance of the Renewables Division (RWE Innogy)

January – December: operating result: +165% (+€307 million)

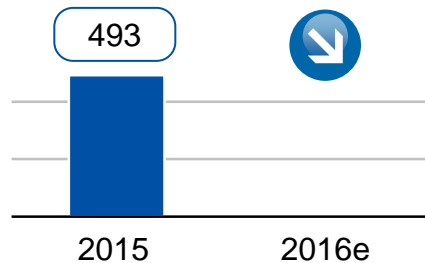
€ million



- ⊕ Increased earnings contribution from growth investments, mainly Nordsee Ost and Gwynt y Môr and sale of grid connection asset of the latter project
- ⊕ Weather-induced higher utilisation of wind farms
- ⊕ One-off from disposal of stake in Galloper wind farm project (+€93 million)
- ⊕ Positive f/x effects from our UK business
- ⊕ Impact of impairments in 2014
- ⊖ Impairments on UK onshore wind projects and Dutch onshore wind farms

Outlook for fiscal 2016: significantly below previous year

€ million

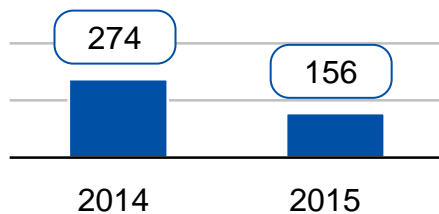


- ⊖ One-off from disposal of stake in Galloper wind farm project and grid connection asset of Gwynt y Môr in 2015
- ⊕ Full-year earnings contribution from new offshore wind farms Nordsee Ost and Gwynt y Môr
- ⊕ Commissioning of new generation capacity
- ⊕ Impact of impairments in 2015

Performance of the Trading/Gas Midstream Division (RWE Supply & Trading)

January – December: operating result: -43% (-€118 million)

€ million



Trading:

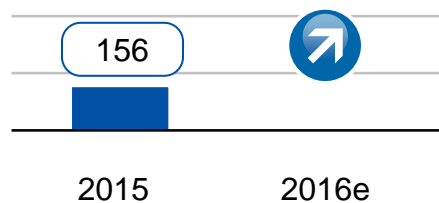
⊖ Trading activities did not reach high earnings level of 2014

Supply:

Still suffering from out of the money long-term gas storage contracts

Outlook for fiscal 2016: significantly above previous year

€ million



Trading:

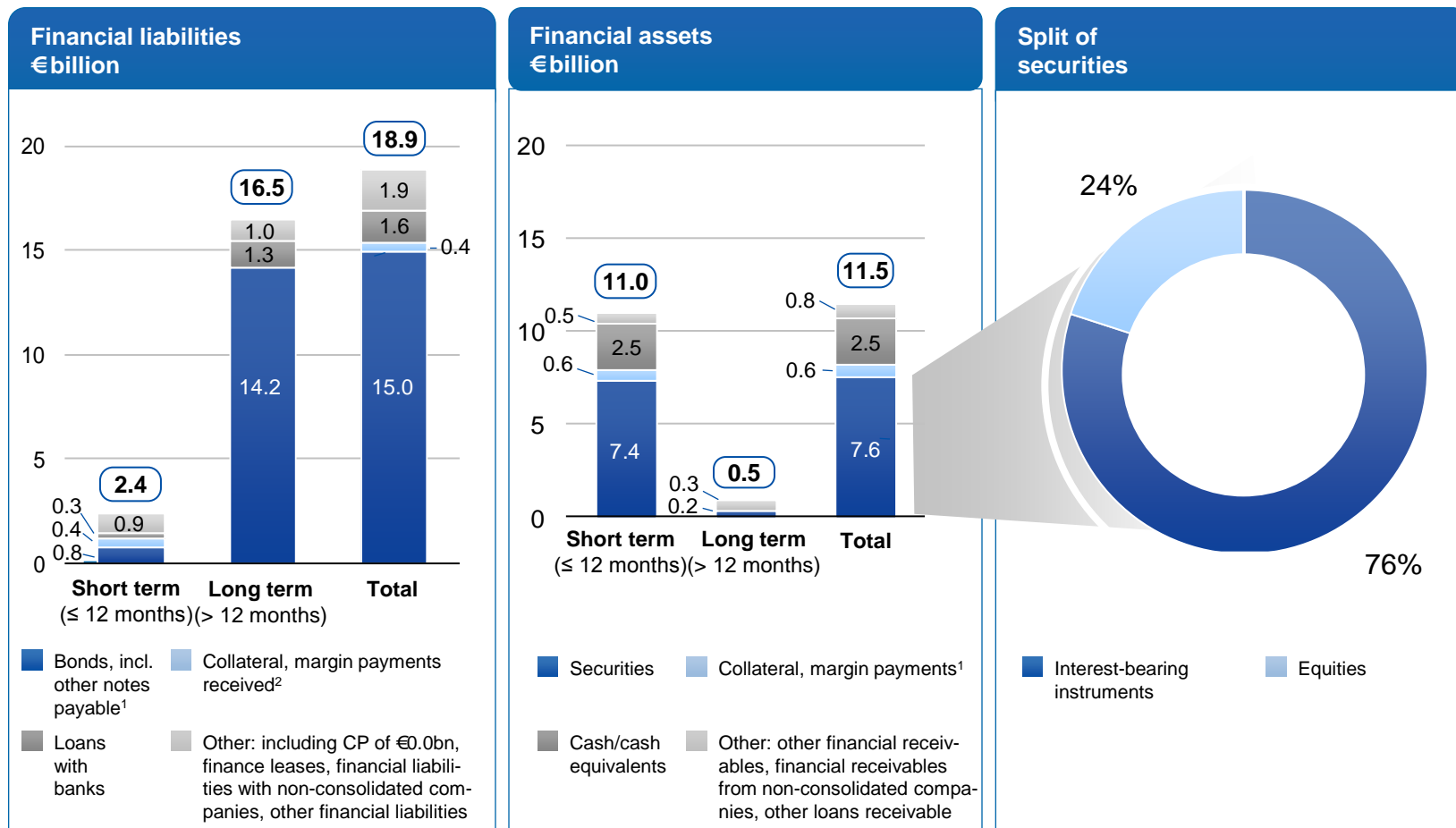
⊕ Improvement after below average earnings contribution in 2014

Supply:

Still suffering from out of the money long-term gas storage contracts

Financial liabilities and assets

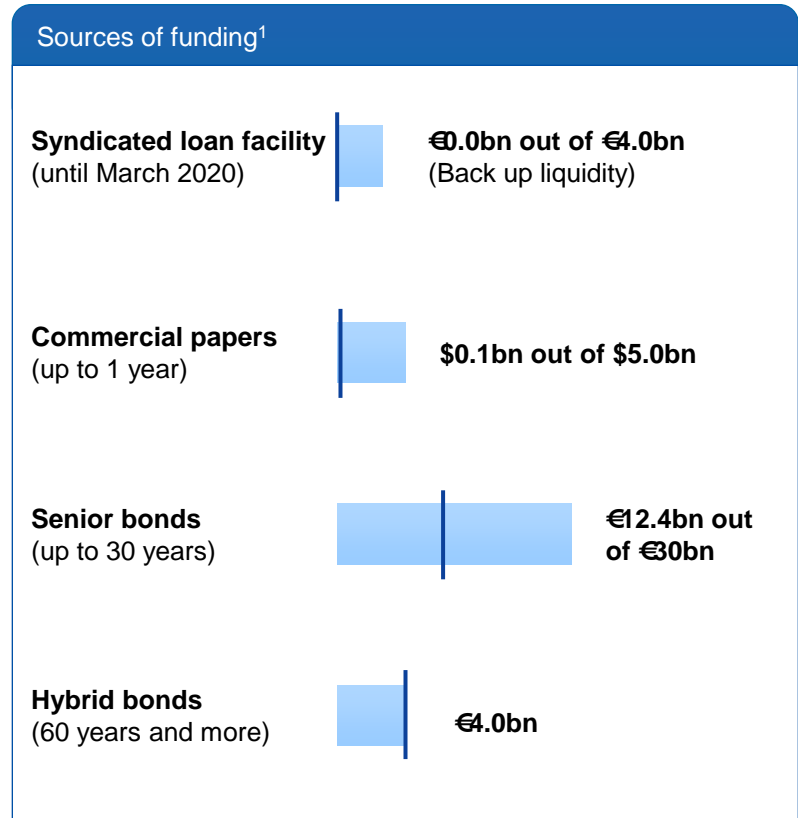
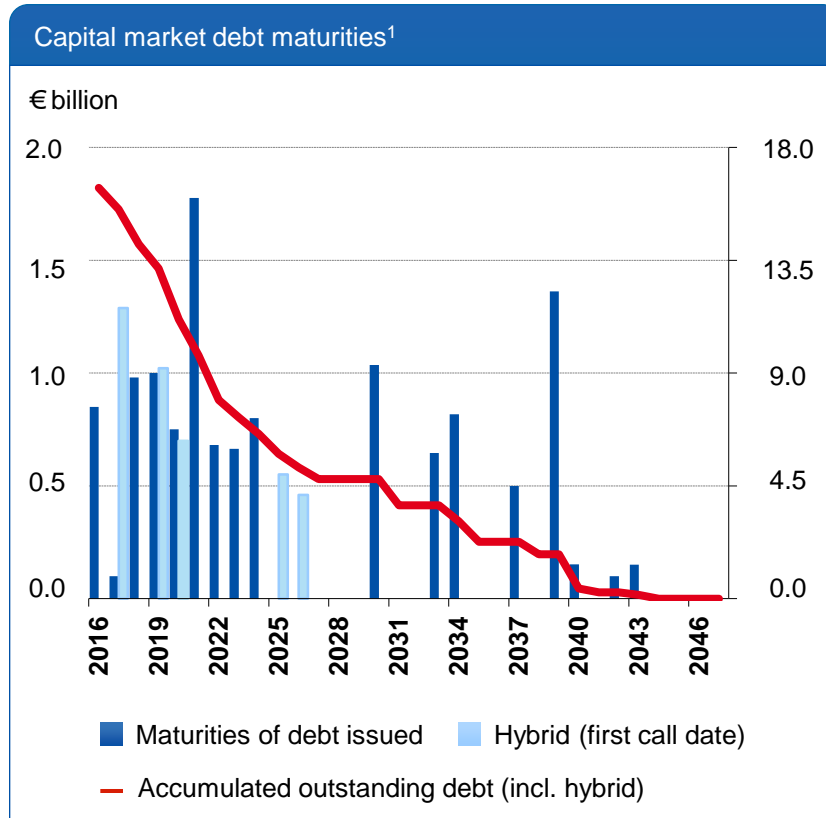
(Excluding hybrid capital as of 31 December 2015)



1 Including currency rate hedges of bonds.

2 Excluding variation margins which are netted against the fair values of the respective derivatives.

Capital market debt maturities and sources of financing

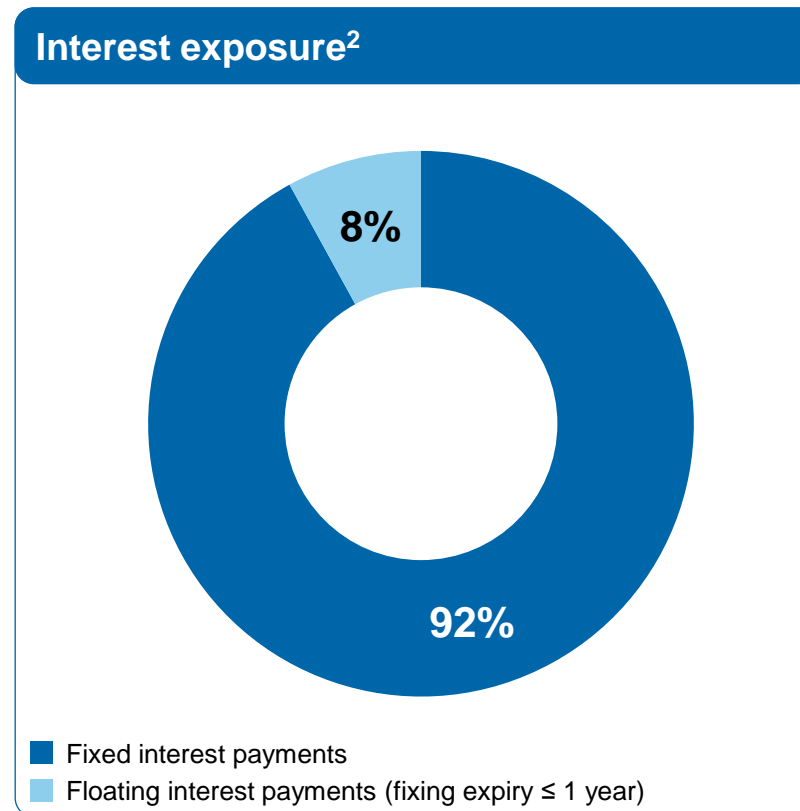
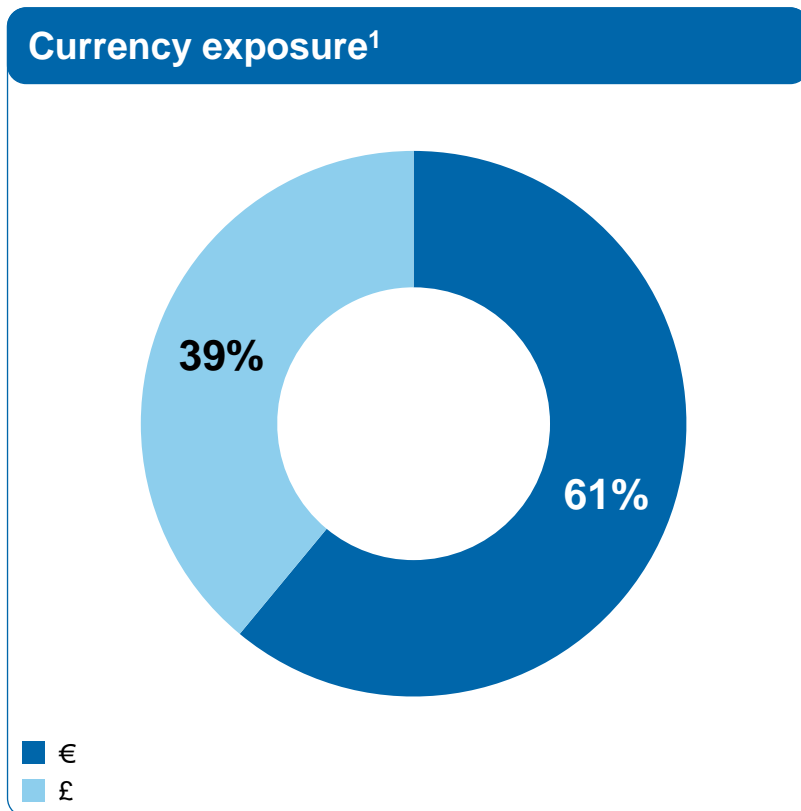


Balanced profile with limited maturities up to end of 2016 (~ €0.85 billion)

¹ RWE AG, RWE Finance B.V. and RWE Finance II B.V. as of 31 December 2015.

Capital market debt: Currency and interest exposure

(as of 31st December 2015)



1 Capital market debt (senior bonds and hybrids) including cross-currency swaps.

2 Capital market debt (senior bonds and hybrids) including cross-currency and interest rate swaps.

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Consensus of analysts' estimates
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Financial Calendar



20 April 2016
Annual General Meeting



12 May 2016
Results release on the first quarter of 2016



11 August 2016
Interim report on the first half of 2016



14 November 2016
Results release on the first three quarters of 2016

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