

**Peter Terium
Chairman of the Executive Board
Statements on the occasion of the
Annual General Meeting of RWE AG
on 20 April 2016**

Check against delivery.

Ladies and Gentlemen,

Shareholders and members of the RWE Investor Club,

2015 hit us hard, it signalled the start of a new era. For our entire company. For our employees, and not least for you, as shareholders.

Our share price collapsed by around 50 percent last year. And we can't just argue away the reasons: our operating earnings situation has deteriorated. Our market environment remains difficult.

The operating result for the Group declined by 4.5% in the past fiscal year, to €3.8 billion. Adjusted net income fell by 12% to €1.1 billion. These are the facts. And they are anything but gratifying.

But it's also a fact that these figures were in line with our outlook.

In broad terms, we saw this development coming, and announced it. At last year's Annual General Meeting, we told it like it was. And we will tell you as it is again today.

One point to begin with: the disaster affecting our UK subsidiary npower had a tangible impact on our result for 2015. We had huge problems there with our customer invoicing system. It was embarrassing, and it was simply unacceptable.

That's why we took swift and thorough action to deal with it. We put a new management team in place, and they have already submitted a comprehensive restructuring plan. I am confident that we will have overcome the crisis by 2018!

The main reason for our difficult situation, however, is something else entirely: the collapsing margins in electricity generation.

The price on the energy exchange had already fallen substantially between 2012 and 2014. As you know, we normally sell our electricity up to three years in advance. So the full effect of this development has made itself felt only gradually.

What's worse is that the electricity exchange price has fallen by a further third since the beginning of 2015, and is now at a historic low of just over €20 per megawatt hour.

It's an exceptional situation – for our traditional core business, the conventional electricity generation business.

The consequences for our power station fleet have been dramatic.

Just a few years ago, we modernised our stations, making them more efficient and more environmentally friendly. We invested billions for this purpose, one reason being that we assumed future political framework conditions were secured. But today, many plants are not even covering their operating costs. Quite a lot of power stations have had to be mothballed or even decommissioned.

All of these factors had a negative impact on our result for 2015, and have narrowed our prospects.

We are expecting further earnings shortfalls for the current fiscal year.

A major contributing factor here is the fact that generation margins have continued to worsen.

There is also a need for substantial investment in the German network business. Investment is needed to maintain our very high quality of infrastructure.

We will also feel the absence of the special effects that still counted in our favour in 2015 but now no longer apply.

For 2016, we expect an operating result of €2.8 billion to €3.1 billion and adjusted net income of €0.5 billion to €0.7 billion.

Ladies and Gentlemen,

In accordance with the German Commercial Code (HGB), RWE AG's net loss for fiscal 2015 is €3.2 billion. Withdrawal from other retained earnings resulted in distributable profit of €5 million.

Today we are proposing to suspend payment of a dividend on common shares, and to pay a dividend of 13 cents for each preferred share.

The fact that the Supervisory Board unanimously approved this proposal shows that this decision, while difficult, was necessary.

As you know, the rating agencies are currently subjecting the ratings of European energy companies to extremely close scrutiny.

This is especially true of RWE – a downgrading of our rating is likely.

This is a reflection of the uncertainties we are facing, in particular the additional burdens in connection with the exit from nuclear energy. We are confronted here with considerable financial risk – in an already catastrophic market environment!

Ladies and Gentlemen,

Let me repeat once again: electricity exchange prices of less than €30, let alone €20, are exceptional.

So I'd like to make this very clear: this exceptional situation must not become a permanent one!

I don't want to cry wolf here, but if the low electricity price level becomes established for the longer term, the result will be economic collapse for conventional power generation. No-one will then provide investment to ensure that there is sufficient back-up capacity in place for renewables. Security of supply in Germany would be in extreme danger.

That's a horror scenario, and not just for the energy industry, but for Germany and for Europe as a whole.

It would mean that the market had failed. Under such conditions, an ever larger power station fleet would have to be forced by law to be on standby.

It may sound crazy, but that's actually what gives me hope!

There would be no benefit for anyone in ruining a market system that has functioned for many years. And that's precisely why things will never reach that stage. I'm absolutely sure of this.

Ladies and Gentlemen,

The capital market punishes political uncertainties with big drops in share prices. And in 2015, we had plenty of uncertainties.

We had to face the possibility of penalty payments for CO₂ emissions, in the form of the "climate levy". Definitive closure would have been the result for most open-cast mines and lignite-fired power stations.

But reason prevailed in the end.

Now, older power stations have a transitional role to play as a “standby service”. They will receive financial compensation for this and are subsequently closed down.

This also has its drawbacks for us. Now, plants are going off the grid earlier, whereas otherwise they would have remained in operation. And around another 1,000 jobs will be lost.

But, compared to the threat of a “climate levy”, it’s an acceptable compromise. Political hara-kiri has morphed into a “middle way” between what is desirable and what is feasible. I’ll be counting on that in future, too.

I’m not always happy with the decisions made in Berlin. But I do know that the German government has its eye on what’s happening on the electricity market right now.

It’s currently waiting to see whether the measures that have been introduced so far will be enough. If not, it will have to act. And we can be sure that it will.

So, basically, there are two options.

One, the electricity price will recover and the market will stabilise.

That would be good, but I don't think it's very likely.

or

Two, the electricity price will not recover, and the policymakers will make further adjustments.

If that happens, I am certain that there will be no alternative to a capacity market. Assured capacity would then come at a price. And once again it would pay to keep capacity available.

Both cases have one thing in common: market stability and planning certainty for our conventional power plant business.

That's what we hope. It's what we're counting on. But we aren't just sitting back and hoping for the best.

We know that capacity markets work in other countries – in the UK and France, for example. Even so, it takes time to get them up and running. And so far there is no indication of any market recovery, nor for the introduction of a capacity market.

And this is precisely the problem. Because we don't have much time. We are in a difficult financial situation. And we can't afford further massive losses in our power station business in the long

run. But as you know, we are doing everything in our power to improve our situation.

That's why we're going on the offensive. We are focusing on what we can do. We are giving the Group a new face: we're making it greener, more efficient, and more innovative.

Ladies and Gentlemen,

RWE is already greener than many imagine. You can see that from how much of our overall capacity is accounted for by renewables. If you deduct the capacities that have been temporarily closed down, the figure is getting close to exceeding ten percent!

In autumn, we also presented to the public a roadmap for lignite.

We are aiming for an acceptable transition towards renewable electricity. Acceptable for our company, for its employees, for customers, suppliers and the immediate environment, and for German industry as a whole. And in harmony with both national and European climate protection goals.

However, restructuring the Group also takes us another important step further. We are building the innovative, decentralised energy

company of the future! And all of you as majority shareholders will benefit from that!

Ladies and Gentlemen,

We are in a good starting position to make the transformation of the energy system a success.

RWE is already earning well from the renewables, retail and network businesses. These areas have always been profitable, and I'm convinced they will continue to be profitable for the foreseeable future.

That formed the starting point for restructuring the Group. We are pooling these business areas into a subsidiary company with its own access to the capital market.

In the areas where we are already experiencing growth, we want to grow faster. The new company will create the ideal framework within which to achieve this.

It will therefore start out, not as a lightweight, but as a heavyweight, and one with ambitions.

Let me make it quite clear: we want the new company to be the “Number 1” energy transition company in Germany! And we want to export our expertise in this area throughout Europe – and beyond.

One thing is certain: the electricity supply of the future will be greener, more decentralised, and more complex. There will be close interplay with other trends, digitisation in particular.

Digitisation of industry, the so called “Industrie 4.0”, is increasingly taking shape. Likewise, the Internet of Things and the digital Sharing Economy. New business models are emerging. Established concepts are being called into question.

At some point, the majority of electricity consumers will also be producers. The old model of the full-service supplier will then become obsolete.

At that point, the production of megawatt hours will have lost importance. Instead, the key thing will be expertise. The ability to manage systems intelligently is what will count. Along with innovative products and services. Our Group restructuring will also be an investment in this!

Because, as I have noted already, we are building the state-of-the-art, decentralised energy company of the future!

Ladies and Gentlemen,

You will have doubtless noticed that my mood is very clearly one of a new beginning. We have a plan, and we are making good progress. Better progress than we expected, in some areas.

This is also true in terms of improving our financial strength.

Since 2012, our ambitious programme has achieved a positive impact on our operating result of around €1.6 billion. We have raised our original goal of €2 billion by a further €500 million.

In rough terms, RWE will have saved the equivalent of the national budget of Macedonia between 2012 and 2018. And as I noted, this is not a one-off effect but a lasting earnings contribution.

In other words, these are permanent savings, which we will continue to benefit from in the years to come. The positive effect on our balance sheet will continue from year to year. The energy giant that is RWE is growing healthier and fitter.

This makes us less susceptible to crises, which will boost our competitiveness. That's the task that faces us now!

Ladies and Gentlemen,

Following a period of transition, I will concentrate on the Chairmanship of the Executive Board of the new subsidiary.

But I'm only doing this for one reason: I am convinced it's the best way to help the Group as a whole. And the Supervisory Board thinks so too.

One thing that's certain is that if the new company succeeds, it will mean success for the whole Group!

I'm very aware of the fact that you, our investors, are going through difficult times right now. And that's why I consider it all the more important to ensure RWE becomes a good investment once again.

In turn, for this to work at a macro level, we have to start at the micro level.

Last year, for example, we brought wind farms with a capacity of just under 1,000 megawatts onto the grid. But we did it in collaboration with partners. We convinced them our projects were worth it, and they invested in them.

That's exactly how it should be in future. Manageable equity input, acceptable risks, maximum success. I want to contribute to this.

A year ago, I said here that our situation was difficult, but we had a plan.

This plan is taking shape now. I'd like to mention three points.

First: Our project has a clear focus.

Two strong companies under one roof! That's the goal, everything else is secondary.

We're talking about the whole Group. After all, RWE AG stands to benefit most from the new company.

It will benefit from growth and dividends. And it can sell further shares at any time. That means it's in a position to create liquidity to serve its own commitments and move forward with its own business. In short, the younger company will help to ensure stability and long-term prospects for its parent.

Second: The success of our project is measurable.

We are transferring about 40,000 employees to our new company.

The first 3,000 are already on board.

The company is earning money from day one. And money to ensure growth will come from an increase in capital in the course of the initial public offering.

Third: Our project has met with acceptance.

Our RWE will no longer be the old Group as we knew it. We are in the process of changing RWE's DNA.

And that requires a high level of acceptance and readiness to change – at every level of the Group.

The change in attitude is already tangible. Many of the employees at RWE were quick to understand that our realignment meant an opportunity for everyone.

More than 1,500 RWE employees are working with passion on this project. They are going the extra mile to make the restructuring of the Group a success. It's my project, and it's our project!

Ladies and Gentlemen,

The new company will serve as a strong driving force for this Group as a whole. But RWE AG also still has its own appeal.

There are three solid pillars underpinning RWE AG. On the one hand, the shareholding in the new company and energy trading. On the other hand, conventional power generation. This pillar is a little shaky right now. But we will stabilise it again.