



Dr. Rolf Martin Schmitz
Chairman of the Executive Board of RWE AG
Annual General Meeting

Essen, 27 April 2017

Check versus delivery.

RWE

Powering. Reliable. Future.

Ladies and gentlemen,

Dear shareholders and members of the RWE Investors Club,

Dear friends of the Company,

I'd like to begin by welcoming you here today at RWE's Annual General Meeting, also on behalf of my colleagues on the Executive Board, Markus Krebber and Uwe Tigges.

Today marks the first time that we are attending the Annual General Meeting as the Executive Board in this formation, and it will also be the last time. Because, as Mr. Brandt just mentioned, Uwe Tigges will be leaving the Executive Board of RWE AG at the end of April.



Uwe, over the last four years you contributed immensely to finding good solutions for our company, working closely with the employee representatives. You also helped to make the separation of RWE and innogy go very smoothly for our employees. This was one reason why you were a member of both of Executive Boards.

We wish you all the best!

Dear Shareholders,

Fiscal 2016 was a very demanding year. There were substantial changes at RWE, due to the public listing of our financial investment 'innogy'.

It was a bold decision to reorganise the Group in this manner. All of the responsible bodies and boards supported this decision.



Today, we can look back with a sense of satisfaction, as the strategy has proven its value, offering us new financial and entrepreneurial freedom.

We intend to use this freedom. Vigorously, pursuing a clear vision for the future.

What does this future look like?

To put it in a nutshell: electricity is the future, and the future is electric.

We are heading towards an “all electric society”, a world which is completely dependent on electricity.

This is supported by a study carried out by the Institutes of the Fraunhofer-Gesellschaft. Germany’s Federal government commissioned the Fraunhofer-Gesellschaft to estimate electricity demand in 2050.



The results are remarkable.

Over the next three decades, electricity demand in Germany will rise sharply, from the current level of 500 terawatt hours to almost 800 terawatt hours per year! And this is still the case even if we exploit every opportunity to reduce electricity consumption.

What's behind this massive rise in electricity demand?

It's the result of increasing use of electricity for industrial processes, and the spread of electricity use for heating and transportation.

This makes electricity a growth market.

Ladies and gentlemen,

This is a plausible view of the future, based on technologies and trends which we are already seeing today.

In my view, the key megatrend is the increasingly strong linkage between electricity production, electricity distribution, heating and transportation.

This is why it makes sense for political and business representatives to intensively discuss the progress in electrification from the perspective of sector coupling.



This is why it is good that Germany's federal government has included sector coupling in its Climate Action Plan 2050 and Electricity Market 2030 Initiative.

The more widespread use of electrical power can make a major contribution to achieving climate protection goals, and at the same time help to meet the important goals of security of supply and competitiveness.

Maintaining this three-way balance is the key.

But what does all of this mean specifically for RWE?

We have the know-how, the expertise and the infrastructure to keep the electrified world of the future running.

We make the supply of electricity reliable and stable.

We do this 24 hours a day, 365 days a year, anytime secured capacity is needed. We are always there.

We are:

Powering. Reliable. Future.

It is therefore our new claim, our mission what the "new" RWE stands for.

I hope you like this new claim!



Of course, this claim has to be instilled with substance and life and put into action through our work. Before I talk about that though, I'd like to first look back at the past fiscal year with you.

Dear Shareholders,

RWE is now a proud 119 years old. I think we can quite rightly say that 2016 was a special year in the history of our company. It was a year when all of our actions and all of our decisions were directed towards one goal: making RWE fit for the future.

Amidst difficult conditions, we achieved three important goals:

First: We successfully implemented our strategy of reorganising the company.

With this new organisation, we intended to restore our financial flexibility and expand our leeway for entrepreneurial action. We achieved this goal with the restructuring and IPO of innogy.

The IPO itself was a great success.

- **It was the largest public listing in Germany in the last 16 years;**
- **The shares were oversubscribed several times;**

- and were sold for an issue price of 36 euros per share and thus at the upper end of the price range.

Second: We are on track in operational terms.

We achieved our earnings goals in 2016 at the upper end of the expectations. This was no easy task, considering the market conditions, in particular in the field of conventional power generation.

In early 2016 the wholesale price of electricity slipped to 20 euros per megawatt hour. Over the long run, this would have been unbearably low for all producers. On average, the 2017 forward price ended up at EUR 27 per megawatt hour.

But even this price level is lower than anything that has been seen in more than ten years. So, there's no reason to sit back and relax.

It was mainly the altered expectations about the future development of wholesale prices for electricity which forced us to recognise impairments of EUR 4.3 billion, with around EUR 3.7 billion of this related to our power plant portfolio in Germany.

Still, we are doing everything we can to weather these conditions on the market. In particular, this involves pressing on with our efficiency enhancing measures in conventional power generation.



In 2016, these measures proceeded faster and more extensively than planned. As a result, we were able to partially offset the decline in electricity prices.

Third: Finally, the situation with nuclear energy has been clarified.

In December, a law was passed which restructured the responsibilities for nuclear waste disposal in Germany. This marks an important crossroads.

There is one thing we must all keep in mind in this regard: RWE is shouldering significant financial burdens by providing financing to the nuclear energy fund. In particular, this applies to the high risk surcharge of 35%, which results in a charge of EUR 1.8 billion.

Thanks to the law, however, we are no longer exposed to certain risks, over which we had almost no control over the long term. This gives us planning security and reliability.

An agreement on a supplementary contract under public law has been reached with the German government. It will be signed when the Act enters into force, after obtaining approval under EU subsidy law, and has already been initialled.

Dear Shareholders,

Let us now turn to the operating business.



RWE stands firmly on two strong pillars.

One of these is Conventional Power Generation.

With our widely diversified portfolio of power plants using gas, hard coal, lignite, nuclear energy, hydro and biomass, we are able to deliver electricity reliably and flexibly.

In the past fiscal year, our production amounted to around 130 billion kilowatt hours in Germany. Figuratively speaking, we supplied every fourth socket in the country.

The importance of conventional power generation for Germany can be highlighted with two figures:

- **in 2016, roughly 70% of Germany's electricity was produced conventionally;**
- **and even in 2030 this figure is still expected to be around 50%.**

Nevertheless, our role will change in the future. Instead of producing as many kilowatt hours as possible, ensuring the availability of secured capacity will become more and more important.

In doing so, RWE will make a valuable contribution to mitigating the increasing volatility in the electricity grid. This makes us a reliable partner in transforming the energy sector.



In particular, it makes us a partner for reliability. One thing is clear: our data networks, infrastructure, industry and economy are all increasingly dependent on electricity.

And since so much depends on electricity, security of supply is even more important, as it is a key prerequisite for security in society and thus forms a part of the security architecture of our country.

This must be kept in mind, and should not be jeopardised carelessly.

Ladies and gentlemen,

Our second pillar is RWE Supply & Trading, which handles energy trading.

It acts as the interface between the RWE Group and the global trading markets for energy and energy-related commodities, such as natural gas, coal and oil.

At Europe's largest trading floor here in Essen, RWE Supply & Trading functions as a hub for all tradable commodities and energy products. Liquid markets guarantee efficient security of supply for our European economy.

We also develop tailor-made energy supply solutions for our customers – industrial enterprises as well as trading partners and municipal utilities.



This includes the joint expansion of infrastructure for liquid natural gas together with the Duisburg harbour. Another example is the conclusion of a flexible gas supply contract with Qatargas, which places RWE's European gas supply on a broader basis.

In addition to these two closely interrelated operating business segments, we also have our financial investment in innogy. We expect that innogy will continue to pay stable, rising dividends.

Ladies and gentlemen,

As you can see, RWE is back on track again!

But it's also true that we posted a consolidated loss of EUR 5.7 billion for 2016. We have to face this fact.

The loss resulted from two extraordinary effects:

- **the impairments recognised for our power stations as I mentioned earlier; and**
- **the risk surcharge for the nuclear energy fund.**

We were on track in operating terms.

A detailed explanation of the development of our earnings can be found in the Annual Report, so I will concentrate on the most important aspects now.

Adjusted EBITDA amounted to EUR 5.4 billion, while plans called for a figure between EUR 5.2 and 5.5 billion.



Totalling EUR 3.1 billion, adjusted EBIT also landed at the upper end of our forecast range.

Adjusted net income amounted to EUR 0.8 billion, compared to a forecast of EUR 0.5 to 0.7 billion.

Dear Shareholders,

I would like to ask for your approval of our proposal not to distribute a dividend to ordinary shareholders.

I know that we are asking a lot of you for the second year in a row. But the results and burdens from the previous year are clear to see. The Supervisory Board took a similar view of the situation and unanimously supported the Executive Board's proposal.

As stipulated by the Articles of Incorporation, this proposal also includes the payment of a dividend of 13 cents per share for the preferred shares. To do this, we intend on distributing to the preferred shareholders RWE AG's balance-sheet profit of EUR 5.1 million, as reported in the financial statements prepared in accordance with the German Commercial Code.

Ladies and gentlemen,

Looking to 2017, we are confident about the future. We expect to see improvement in adjusted EBITDA and adjusted net income.



Earnings for the Conventional Power Generation Division will probably fall short of the previous year, due to declining margins, but we project much better results for our trading business compared to last year. Our financial investment innogy is also forecasting a mild improvement.

Based on these prognoses, we currently have a positive outlook for dividends.

For the current fiscal year, we intend to pay a dividend of 50 cents per common and preferred share. This represents a dividend yield of more than 3% on the current share price.

We are also happy to report that the improvement in RWE's prospects is being reflected on the stock exchange. During the first quarter, the RWE share actually led the DAX, with a price increase of 31.5%.

We want to at least maintain the dividend level of 50 cents per share in the following years as well.

Ladies and gentlemen,

Dear Shareholders,

Financial stability is the basis upon which we can continue to transform our business into the guarantor of a secure and reliable supply of energy.



That's our main job. It's at the core of our strategy. More than ever before, electricity is a product with fantastic potential. Electricity is a growth market.

And if we want to provide a reliable supply of power for our society, for many decades to come we will still need plants that can deliver power when the weather is cloudy and the winds are calm for an extended period of time.

Providing secured capacity is becoming more and more important, but the supply of secured capacity is shrinking. One need but take a look at the Federal Network Agency's plant decommissioning list: It has 75 shut-down notifications totalling 19 gigawatts, compared to a power plant fleet with total generation capacity of 107 gigawatts.

And the lignite-fired units which will be placed on stand-by and the nuclear power plants which are to be shut down by 2022 in Germany – nearly another 14 gigawatts in total – are not even included in this list.

It hardly comes as a surprise that a study by the European Network of Transmission System Operators forecasts that covering demand in the coming decade is no longer possible under any circumstances.

Supply gaps can already occur, as was seen this last winter. On some days, wind and solar generation was practically unavailable, due to the 'dark doldrums'.



Only the use of conventional power plants in Germany was able to guarantee the supply of electricity, especially since imports from neighbouring countries were also not available, as these countries were also struggling with low supply. This is a phenomenon that we will face in the future again. I am more convinced than ever that power plants and large-scale storage are absolutely necessary as back-ups. And that makes RWE indispensable.

This is why capacity will have to be priced in Germany sooner or later, as it already is in France and the United Kingdom.

Dear Shareholders,

At this juncture, I cannot predict exactly how our future and our markets will develop over the next 30 to 40 years. And so, we are pursuing a strategy which gives us flexibility and room for manoeuvre.

We have defined three main elements in this regard:

First: We will continue to optimise our power generation operations.

Second: We will leverage the potential linked to our core business.

Third: We will actively pursue new solutions to ensure security of supply.



In relation to the first goal:

In recent years, we have made our power stations more flexible and faster. We manage our plants with a close eye to cash flow and place them on the market accordingly.

We have the largest flexible fleet of power plants in Germany, and highly efficient power plants in the United Kingdom and the Netherlands. This diversified portfolio makes us resilient to the market risks of individual energy sources.

We have a broad base in natural gas, hard coal, hydro and biomass.

When increased flexibility is the goal, our gas-fired plants in particular play a key role over a long-term perspective.

With 15 gigawatts of installed generation capacity of our gas power plants, we are in the vanguard of Europe and rank as the market leader in Germany.

Lignite is and remains an important factor for an affordable, secure supply of energy. In Germany, 25% of electricity is currently generated using lignite.

Lignite must also contribute to climate protection.

And it does.

As early as the end of 2015, RWE presented a well-defined schedule for reducing CO₂ emissions:



- **15% less CO₂ by 2020 due to plants placed on stand-by;**
- **40%-50% less CO₂ by the early 2030s, thanks to the end of opencast mining at Inden, and the related closure of the Weisweiler power plant;**
- **and a further reduction of CO₂ emissions after 2030 with the end of opencast mining in Hambach and Garzweiler around the middle of this century.**

I wish that critics would also finally acknowledge these facts.

We're not just talking about climate protection, we are doing something!

I know of no other sector which is cutting CO₂ emissions so much and on such a well-defined schedule, thus contributing to achieving the national and European climate protection goals for 2050.

Based on this schedule, we are also developing proactive adjustment strategies for lignite and the related structural change. Change in the energy sector and in climate policy that is both socially and regionally compatible.

As you can see, we know full well that the lignite business will shrink.

Let me briefly mention nuclear power as well.



We will continue to operate our facilities at Gundremmingen and Emsland with the utmost care until the very last second. Safety is and remains our absolute top priority.

This is also true for dismantling the plants, which will be a job that lasts many years.

Ladies and gentlemen,

Our second goal is to leverage the potential linked to our core business areas. This means the following:

- **We intend to continue developing our portfolio of flexible assets.**
- **We are targeting organic growth in the energy trading business and aim to be profitable over the long term. We see growth opportunities in neighbouring areas and regions. Let me just present one current example of this:**

Working in cooperation with the Leipzig power exchange EEX, we have now also taken on the role of “market maker” for France, Italy and Spain. This means that we submit binding purchase and sell bids for trading.

- **We want to participate in the strongly growing energy markets in the dynamic economies in Asia.**



Our third goal is to actively seek new solutions to ensure security of supply.

Here again, let me just cite a few examples:

Technologies such as power to gas, power to liquid and large-scale batteries are still in the development phase and are not yet economically viable.

Nevertheless, we are already pursuing these options, so that we can learn, and recognize and exploit developments at an early stage.

- **For instance, we are installing a 6 megawatt hour battery storage system at our power station in Herdecke.**
- **We are supporting the marketing of an innovative energy-hybrid, grid-oriented storage solution developed by one of our partners. This system uses a combination of lead and lithium-ion batteries to temporarily store large amounts of power.**

Ladies and gentlemen,

As you can see, we continue to play an important role in the energy market, thanks to:

- **our integrated production and trading business,**
- **our operating excellence and commercial optimization,**
and
- **our stable financial situation.**

All of this allows us to look forward to the future with optimism.



We stand for a secure supply of energy, which is growing ever more important as a component of our country's vital infrastructure.

We function as part of society and are committed to transparency and reliability.

We participate actively in shaping the future of the company, as a partner in transforming the energy sector.

Ladies and gentlemen,

Dear Shareholders,

Great changes are not abstract processes – they are driven by people. With this in mind, I would like to thank all of the employees, whose motivation and competence underpin RWE's success every day. I would also like to thank you, our shareholders. You placed your trust in us, even though the last few years have been anything but easy.

Together, we will continue to overcome the challenges.

Together, we are POWERING. RELIABLE. FUTURE.

Thank you!



Forward-looking statements

This speech contains forward-looking statements. These statements reflect the current views, expectations and assumptions of the management and are based on information currently available to the management. Forward-looking statements do not guarantee the occurrence of future results and developments and are subject to known and unknown risks and uncertainties. Actual future results and developments may deviate materially from the expectations and assumptions expressed in this document due to various factors. These factors primarily include changes in the general economic and competitive environment. Furthermore, developments on financial markets and changes in currency exchange rates as well as changes in national and international laws, in particular in respect of fiscal regulation, and other factors influence the company's future results and developments. Neither the company nor any of its affiliates undertakes to update the statements contained in this speech.