Dr. Rolf Martin Schmitz
CEO of RWE AG
Annual General Meeting
Essen, 26 April 2018

Please check against delivery!

Ladies and gentlemen,
dear shareholders and members of the RWE Investor Club,
dear friends and guests,

I would like to welcome you to RWE's Annual General Meeting both personally and on behalf of my fellow Executive Board member Markus Krebber.

Ladies and gentlemen,

- **loyal shareholders,**
- **outstanding employees,**
- **a company with a long tradition**
- **and the willingness to reinvent itself time and again –**

that's your company, RWE.

Markus Krebber and I are proud to have the opportunity to work for RWE in its current setup.

***Yesterday* marked the 120^{th} anniversary of our company's foundation, which took place on 25 April 1898 – right here in Essen.**

With a capital stock of 2.5 million marks.

***Today* – 120 years later – we are continuing to write the RWE story.**

***A hundred and twenty years* – what a long time. What dramatic turns of events. They occurred frequently, not just in the political realm, but also in the energy industry.**

- **It started with the first power stations. They were capable of supplying electricity in a radius of 800 metres and**
- **were followed by the development of high-voltage lines;**
- **the rampant increase in demand for electricity;**
- **the start of nuclear energy;**
- **and the phase-out of nuclear energy;**
- **ending with renewable energy.**

Over the last 120 years, the world around us has been turned upside down time and again. And nevertheless, people could always be sure of one thing:

of us, of RWE – you can always place your trust in us.

We are a guarantor of electricity.

Day and night.

Three hundred and sixty-five days a year.

Be it in your living room, office or at your workbench – electricity flows from sockets – all the time and everywhere.

For many, this is a matter of course. But it isn't!
This is the result of hard work.
Of our work.

And this – ladies and gentlemen – is something that we at RWE *can all be proud of as a team*!

We are not just remembering the past for the sake of it. This helps us to look forward. Knowing where we came from gives us orientation.

Anyone who has worked as successfully as we have for over a century knows one thing about the future for certain: stagnation is extremely dangerous. This has

caused many companies to fall by the wayside. To disappear forever.

This is why we observe the market and society very closely. We seize opportunities for RWE wherever we see them. We constantly work on improving the prospects of our company.

A few weeks ago, we informed the public of the planned transaction between RWE and E.ON.

Last year, we clearly stated that we wanted to use our financial investment innogy to maximise value. We explored and weighed up the options. In the end – after numerous talks – it transpired that the sale of the whole package was the best option for RWE.

Fetching the highest possible purchase price was not the sole objective. Our sights were primarily set on providing the best prospects for RWE as a whole. This is why we chose E.ON in the end. Because a transaction with this partner results in the biggest potential for RWE. Both strategically and financially.

RWE

By selling our stake in innogy and swapping business fields with E.ON, we will permanently turn RWE into one of Europe's leading power producers.

To put the transaction in a nutshell:

- **We are selling our financial investment in innogy. In return, we will receive a large renewable energy platform. This is an ideal fit for our core operating activity, electricity generation.**

- **We will receive a 16.7 percent stake in E.ON SE. In the future, we will benefit from the dividends and growth in the company's value as its largest shareholder. Moreover, this gives us an additional option for financing large-scale projects.**

- **We will receive the stake in the Austrian regional utility Kelag held by innogy. Given its strong activities in the field of hydroelectric power, it's a good fit for our company.**

- **innogy's gas storage facilities will also be transferred to RWE. In light of the mounting significance of gas, this will give us good options.**

- **And we will acquire the minority interests held by PreussenElektra in our Gundremmingen and Lingen nuclear power stations.**

This transaction will ensure that RWE has a *future*.

We will transform ourselves into the second-largest offshore wind operator and the number 3 in renewable energy in Europe in one fell swoop.

Our installed wind, solar and hydro capacity will then total 8 gigawatts. Another 1.5 gigawatts of offshore wind are already under construction or firmly in the project pipeline.

It is above all in the field of renewable energy that critical mass is the decider of success. This is something that neither innogy nor E.ON had. We will combine the renewables operations of these two companies and place them under our roof. This will ensure the requisite power.

After the completion of this transaction, more than 60 percent of our generation portfolio will deliver

electricity with zero carbon emissions or a small carbon footprint. This electricity will come from the wind, sun, water, biomass, nuclear or highly efficient gas-fired power plants.

At the same time, we will guarantee security of supply. After all, we will provide secured capacity from 80 percent of our power plant portfolio, which encompasses 46 gigawatts.

In a nutshell:

We will enlarge our operating activities significantly. And we will improve our risk profile.

We are pleased that our transaction has been received positively across the board. By policymakers. By the trade unions. And by the capital market. This is demonstrated by the increase in RWE's share price after the announcement of the transaction.

There is only a handful of companies in Europe that have a setup as broad and strong as we do.

Now let's go back to 2017, the year on which we are rendering accounts to you today.

A year ago, we presented our new strategy to you here at the Annual General Meeting. 'Powering. Reliable. Future.'

We can safely say the following: The strategic realignment was and remains the right one. In 2017, we achieved our operating goals and repositioned ourselves financially.

Before commenting on each of the events that occurred in the fiscal year, I would like to remind you in particular of a matter that had very special ramifications for our company: the reorganisation of responsibility for nuclear waste disposal.

In 2016, the commission for reviewing the financing of the nuclear phase-out had worked long and hard to come up with a solution. This resulted in an extremely far-reaching change. The solution makes the federal government responsible for handling and financing the interim and final storage of radioactive waste. Plant shutdowns, dismantling and waste packaging remain the responsibility of the companies.

This new allocation of tasks was completed by taking three major steps in 2017.

RWE

- **The law on the reorganisation of responsibility for nuclear waste disposal entered into force in June.**
- **The power plant operators and the Federal Republic of Germany concluded a supplementary contract under public law and put an end to a large number of lawsuits.**
- **And, the nuclear energy fund was fully financed by 24.1 billion euros contributed by the power plant operators.**

RWE paid its share of 6.8 billion euros into the fund on 3 July. This sum placed a huge burden on us. But, at the same time, it has eliminated the risks connected with interim and final storage that can hardly be influenced over the long term.

Moving on to the results achieved in fiscal 2017.

All segments – Lignite & Nuclear, European Power, Supply & Trading and the financial investment in innogy – recorded positive results in 2017.

In sum, our adjusted EBITDA – earnings before interest, taxes, depreciation and amortisation – totalled 5.8 billion euros in the past financial year. This exceeded our expectations.

Net of all exceptional effects, our net income amounted to 1.2 billion euros.

Reducing debt was another goal for 2017. We accomplished this as well. We cut the RWE Group's net debt by 2.5 billion to 20.2 billion euros.

The improved financial strength is clearly reflected in equity. By the end of fiscal 2017, it had risen by 4 billion to 12 billion euros. Our equity ratio therefore advanced by some 11 to over 17 percent.

The aforementioned key earnings indicators relate to the fully consolidated RWE Group including innogy. As part of our strategic repositioning, we have been providing additional key indicators for 'RWE stand-alone' since last year. In this context, we regard innogy as a pure financial investment, from which we receive a dividend. We manage RWE and our operating activities in the fields of electricity supply and trading based on the 'stand-alone key indicators'. A look at these figures clearly shows how well we progressed in 2017.

- **The adjusted EBITDA of 'RWE stand-alone' amounted to 2.1 billion euros, as opposed to the 1.6 to 1.9 billion euros we had expected.**

- **At 973 million euros, adjusted net income was at the upper end of the anticipated range.**
- **The net debt directly allocable to RWE decreased, dropping by 2.3 billion euros. As of 31 December 2017, it amounted to 4.5 billion euros.**
- **The equity ratio of 'RWE stand-alone' improved from 21 to 35 percent.**

Let me give you a brief outlook on the year underway: We expect our earnings to decline compared to 2017. Since, as you know, we sell our electricity forward, the floor hit by wholesale prices two to three years ago is hitting us now.

Therefore, our adjusted EBITDA will probably total between 4.9 and 5.2 billion euros, with adjusted net income amounting to between 700 million and 1.0 billion euros. We had anticipated this and therefore it is no surprise to us.

Our strategy 'Powering. Reliable. Future.' Has been received well by the market. We are charting the right course with it. The earnings posted last year provide impressive evidence of this.

Today, RWE has a robust financial structure, much less debt, and a stable investment grade.

The Executive Board and the Supervisory Board therefore propose that the dividend paid to holders of common and preferred shares for fiscal 2017 be made up of the two following parts:

First, 50 cents as an ordinary dividend.

Second, a special dividend resulting from the nuclear fuel tax refund.

This is because the good earnings we posted last year were positively affected by the refund. It was a huge success for us in the legal arena. However, it was a long journey, winding up before the Federal Constitutional Court.

In June 2017, the country's highest court declared the tax null and void. The federal government had to refund the payments of 1.7 billion euros made between 2011 and 2016 plus interest to us.

The Supervisory Board and the Executive Board would like to give you as shareholders a fair share of this refund. This is why we propose a special dividend of one euro per share. This represents about a third of the total tax refund and is intended to compensate you for having gone without a dividend for two years.

In summary:

An ordinary dividend of 50 cents.

Plus a special dividend of one euro.

1.50 euros. That's our proposal.

Dear shareholders, we are asking for your approval.

The economic outlook makes us optimistic over the medium term. We therefore intend to raise the dividend for 2018 to 70 cents. We see further upside potential for 2019. We are seeking attractive dividends for you – also over the long term.

Now what are our goals for 2018 – besides the transaction with E.ON?

- **We will continue to optimise our operating activities in 2018.**

- **We will fully tap the potential of our core business. We intend to grow further and supplement our portfolio through choice transactions – primarily in the field of gas, the installed capacity of which already accounts for nearly 40 percent of our power plant capacity. We will decide whether to acquire existing plants or build new stations, for example to stabilise the grids, on a case-by-case basis.**
- **And we will continue to spur innovative solutions for security of supply.**

This year, we will once again spend up to 400 million euros on our power station fleet. We are keeping it in good condition. So that it can handle the market's changing requirements.

A portion of our capital expenditure is earmarked for small growth projects. For instance, our Great Yarmouth gas-fired power station will receive a new turbine. This will enable the plant to go online much faster. At the same time, we will increase both capacity and efficiency.

RWE

RWE is well equipped for the future. Electricity will remain in demand in the future – more than ever. Contrary to what was predicted just a few years ago, demand for electricity will not drop. It will rise.

It will rise because electrification is becoming increasingly important in our daily lives. We are en route to becoming a digital society that needs more and more electricity. For instance in industry, in the heating sector and in transportation.

And this electricity has to be available around the clock. Day and night. This will become much more difficult in the years ahead. More and more secured capacity is coming off the market. The security margins are shrinking.

There are three main reasons for this:

- **the shutdown of all nuclear power stations by 2022;**
- **the conventional power plants that have already been registered for shutdown with the Federal Network Agency for reasons of profitability; and**
- **the lignite units that are gradually being put into standby, after which they will be shut down.**

All told, we are talking about approximately 20 gigawatts, which will be taken off the market in this

manner. But how much more secured capacity can Germany do without?

The four major transmission system operators 50 Hertz, Amprion, Tennet and TransnetBW presented a forecast in this regard in January. They arrived at the following conclusion: it is conceivable that Germany will no longer be capable of coping with extreme situations in the electricity network of its own accord in less than 24 months.

This is an unsettling finding. It is therefore all the more important that the Federal Network Agency and the transmission system operators conduct a joint stress test.

Germany's current carbon emission figures were presented just a few weeks ago.

It is extremely obvious that RWE is making its contribution to climate protection.

In 2017, significant declines in greenhouse gas emissions were *only achieved by the energy sector*. Last year, a total of 13.7 million metric tons in carbon dioxide savings were achieved in our sector.

In 2017, RWE lowered its specific carbon emissions in Germany alone by 10 million metric tons. Throughout

Europe, the reduction amounted to as much as 16 million metric tons.

However, if we want to achieve the overall climate goals, we must direct our attention to *all* sectors.

***We* are making our contribution. We have done our homework for 2020. And we will manage to do this for 2030 as well. A lot more remains to be done in the other sectors.**

The Federation of German Industries, the BDI, reaffirms this view. It recently published a highly regarded study on the climate protection goals for 2050. Some 200 experts spent a year working on it. Sixty-eight associations were involved. RWE also made a significant contribution to the study. Scientists, businessmen and unionists discussed all the scenarios of future energy supply in over 40 workshops.

The conclusions are impressive, filling 300 pages.

The upshot is that Germany can achieve the goal of reducing carbon emissions by 80 percent by 2050. But only if major savings are achieved in *all branches of industry*, namely in the transportation, construction and agricultural sectors as well.

This is what a conceivable scenario could look like:

- **Twenty-six million electric vehicles must be registered.**
- **Four thousand kilometres of aerial power lines would be required for heavy-duty traffic.**
- **The building modernisation rate would almost have to almost double.**

All of this represents a huge technological challenge.

And, it costs a lot of money. Money which the state should not procure more of via electricity prices. The burden on industry, commerce, services and households is already huge. More than half of the price of electricity consists of levies, cost apportionments and taxes.

Our industry must return to competitive electricity prices. Hundreds of thousands of jobs depend on this.

The BDI study clearly demonstrates that Germany is facing huge challenges. It is up to policymakers to come up with the right incentives and management tools.

The industrial and energy sectors already have such an instrument: the European Emissions Trading

Scheme. This is how the criteria for the market economy are ensuring that greenhouse gases decrease.

By 2050, they will have dropped by nearly 90 percent. However, additional measures such as a national carbon floor will not be helpful to the ETS. On the contrary, this weakens the system and places a burden on German industry.

As you know, the Growth, Structural Change and Employment Commission is due to take up work during the summer holidays. It is often reduced to a coal phase-out commission when it is referred to. But this is far off the mark. After all, a total of four federal ministries are involved: Business and Energy, Employment and Social Affairs, Environment and the Ministry of the Interior. This allows one to intuit just how important the Commission is at the political level.

The topics with which the Commission has been entrusted are far-reaching. Climate protection and coal-based electricity will play a role. Of course. However, steering the decisive courses for Germany's economic structure is also on the agenda. Here, planning security for the energy sector is the objective.

As are security of supply and affordable electricity for German industry.

The Commission will provide opportunities. Opportunities to take on the challenges of the energy transition seriously and in detail.

It is important for the Commission to be able to rely on a sufficient amount of expertise to this end. We will be happy to make our contribution.

It is also important for the Commission to safeguard the interests of all stakeholders. The following points are key to us:

- **our ownership rights must be safeguarded,**
- **the consequences for the legal permits of the plants must be considered,**
- **entrepreneurial room for manoeuvre must be maintained and – above all –**
- **the interests of our employees must always take centre stage.**

There is one result that the Commission's work absolutely must not lead to: that structural rifts occur and entire regions are left behind. Therefore, it is good and proper that the Commission intends to address long-term structural change in Germany's energy

regions. After all, structural change cannot occur overnight. It takes time and is an arduous process.

For example, two weeks ago, we gave the go-ahead for new industrial estates in Eschweiler in close cooperation with two municipalities, the development company Indeland and Innovationsregion Rheinisches Revier. Approximately 500 jobs will be created in the new industrial zone.

Good networking, numerous talks with companies and major expertise on all sides – these are the elements that make such estates possible.

But as I said, what structural change needs besides money is time and the huge dedication of everyone involved.

The Commission will also conduct consultations on the future of coal.

It is imperative that one thing is not lost sight of in this context: an industrial nation such as Germany needs security of supply and affordable electricity. That is reliable. Around the clock.

It would be too much to phase out both nuclear energy and electricity from coal at the same time.

About a quarter of the electricity produced in Germany currently comes from coal.

However, after the nuclear phase-out, every kilowatt hour of renewable electricity will replace a kilowatt of generation from fossil fuels.

In turn, conventional power plants are increasingly changing their role. They jump in whenever electricity cannot be generated from the wind or the sun. They are the safety net of the energy transition in Germany, and not just the suppliers of an amount of carbon-producing kilowatt hours.

As you can see, Renewable and conventional energy are two sides of the same coin. And we're on both sides. Generating as many kilowatt hours of zero-carbon or low-carbon electricity as possible – secured by conventional power stations and storage.

The Commission has the opportunity to establish the reliable framework required to accomplish this.

Ladies and gentlemen,

dear shareholders,

Powering. Reliable. Future.

- **of both renewable and conventional generation**
- **with zero-carbon and low-carbon production**
- **and a large portfolio of secured capacity.**

This is what RWE is all about.

One of Europe's leading power producers.

Perfectly set up to take on the future.

Thank you for your attention.

Forward-looking statements

This speech contains forward-looking statements. The statements reflect management's current assessments, expectations and assumptions and are based on the information currently available to management. Forward-looking statements provide no assurance that future events or developments will occur and are subject to known and unknown risks and uncertainties. As a result of various factors, actual future events and developments may differ materially from the expectations and assumptions expressed herein. In particular, these factors include changes in the general economic environment and the competitive situation. Above and beyond this, developments on the financial markets, fluctuations in exchange rates, changes to national and international law, especially with regard to tax regulations, and other factors can influence the future results and performance of the Company. Neither the Company nor any of its associated companies undertake to update the statements contained in this speech.