Dr. Juergen Grossmann
CEO
Statements made at the
Annual General Meeting of RWE AG
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Check against delivery.

Ladies and Gentlemen,

Welcome to your RWE – here in the Grugahalle in Essen or via the internet – and an equally warm welcome to our guests and representatives of the media.

The first time I presented our annual accounts to you, the owners of RWE AG, in my capacity as CEO was in 2008.

Back then, we aimed to make RWE fit to rise to the impending challenges. Or – in maritime terms: "We must and will rejig the boat – and we must do so on high seas under full sail."

Since then, much has changed in the energy sector – some of it with unprecedented speed, some of it in contradictory directions – and we were even forced by choppy seas to throw some things overboard.

For you, the sovereigns of this company, it has not always been plain sailing – nor, I might add, for my board colleagues, the workforce and me.

But we have also demonstrated that, with storm-proof people

on the bridge and a great crew on and below deck, we can keep a good boat on course.

For one thing all the turbulence of the past few years has shown is that RWE has the strength and the substance to continue on its growth course. And here I am not just talking about growth in turnover but a return to long-term growth in net income.

Furthermore, we not only have all the prerequisites to play a leading role in shaping the future of energy supply, as I put it back in 2008, but we are an indispensable driver of the transformation of the energy industry, and have been for the past few years.

We did not wait around for all the upheaval to occur, but boldly invested with an eye to the future. Since 2008, we have spent around €23 billion on our own RWE energy transformation.

The result is that RWE is now more flexible, more diverse and more intelligent in its approach. In areas such as renewables, grids, storage systems, innovations and energy efficiency – we began at an early stage to prepare for the host of different demands ahead of us.

We are now starting to reap the rewards of our investments. Of the nine highly efficient and flexible gas and coal-fired

power plants in our new-build programme, four are already on the grid.

These state-of-the-art plants make a genuine contribution to climate change targets. Depending on the number of hours of operation, they emit many millions of tons less CO_2 than older plants – while still producing the same amount of electricity.

A further benefit is that they can be fired up quickly when insufficient solar or wind power is available. Flexible conventional power plants are therefore essential to the transformation of our energy system. It is fair to say that fossil fuels including lignite will remain essential for power generation for years to come and a supplementary pillar of energy transformation.

However it is also true that RWE is now one of the biggest investors in renewable energy sources in the whole of Europe. With RWE Innogy we are among the pacemakers in the expansion of renewables.

Our energy efficiency company RWE Effizienz, launched back in 2009, has become the number one address for energy efficiency in general, and electric mobility in particular.

With over 1,600 charging points, we are one of the leading European providers of system services in smart charging infrastructure for electric vehicles.

We have pooled all our innovative and forward-looking energy technologies on the supply and demand side under the "intelligent energy" label.

With everything from smart metering, energy advisory services, building automation and decentralised electricity generation in our toolkit – we are addressing the crucial issue of energy efficiency in all its diversity, and setting new product standards in the process. We are the sole provider in Europe to offer such an extensive product range in this field.

One of the tasks of the transformation of the energy industry – as every daily newspaper tells us – is to build new grids. Many talk the talk, while we act! Our investments in distribution networks in Germany alone are around €700 million annually – all with the aim of integrating and distributing the weather-dependent feeds from decentralised units like onshore wind farms and solar power plants.

In 2011, we integrated another 60,000 first-time suppliers into our grid, in particular photovoltaic systems – which was 50 percent more than in 2010. By the end of the year, a total of 180,000 plants were connected.

You see, RWE offers a cluster of energy expertise. We cover all areas – and we do so in-house: from production of oil and gas, to construction and operation of conventional power plants and provision of advice to our customers on matters of energy efficiency.

And RWE is involved in all the key issues of the future, from A for “Autostrom” and I for “intelligent energy” to Z for “zero-carbon” or green energy.

I call that “the energy to lead by example at RWE”. We keep on starting new chapters, as promised in this year’s title of our annual report.

The academic world confirms this.

The renowned European School for Management and Technology, the ESMT in Berlin, ranked us first out of 15 leading European energy providers on its Innovation Index.

This independent evaluation singled out the breadth of our research and development activities for special praise. We cover 14 of the 15 research fields considered by ESMT to be paramount. With our partners, we are working on around 200 different projects to develop the energy supply of the future.

We have also received recognition from a different quarter. The US business magazine “Fortune” recently ranked RWE in third place among the world’s most renowned energy supply companies. Some of the other big German providers did not even make it onto the ranking list this year. This reflects the opinion of some 4,000 top managers and analysts worldwide, who were asked by Fortune to name their favourites.

In the preceding years, RWE was also highly ranked, and last year we even took the top spot. The fact that we, as the largest domestic power utility with a wide range of power plants, are constantly berated by German politicians and the media in particular is now starting to have an impact on our international reputation.

This brings me to the subject of politics. As you have seen, politicians set targets. But we are then the ones who have to work tirelessly to make those targets a reality.

By “we”, ladies and gentlemen, I mean first and foremost our 72,000 employees.

In times like these, when berating energy utilities has become the done thing in certain circles, they have received far too little thanks for their efforts. No doubt many an RWE staff member has even met with hostility in their private life of late. Yet they are the ones working day after day to provide this country with safe, clean and affordable energy.

We should be proud of these 72,000 people who, with their expertise and strong work ethic, keep the light and warmth coming for our customers – 24/7.

Our people are doing the work. And I am proud of them.

As the Executive Board, we are responsible for ensuring our employees all return home as safe and sound as they arrived

at work. Occupational safety is a top priority for us – for everyone from office workers to high-voltage technicians perched at dizzying heights above ground.

I am pleased that our safety record significantly improved again last year – and for the tenth time in succession. In 2011 only 2.8 accidents occurred Group-wide per million hours worked, which is a further decrease of 20 percent.

That is a huge success for all of us, and it just goes to show that RWE is far more than just a job to our workforce. RWE stands for personal responsibility put into daily practice by each and every one of our staff.

I think that is well worth a round of applause.

Ladies and Gentlemen,

This report, which I bring to you as always on behalf of the entire Executive Board, is divided into three parts:

1. How did RWE business perform in the past year? Where do we stand with our package of measures to increase our financial power?

2. What challenges does RWE have to overcome in the next few years?

3. What is RWE doing to ensure its long-term success?

Directly after this report, my Executive Board colleagues and I will be happy to answer your questions.

1. Review of fiscal 2011

Let's not beat around the bush – 2011 was a difficult business year for us, with some significant earnings shortfalls.

The operating result fell by 24 percent to €5.8 billion. EBITDA decreased by 18 percent. Recurrent net income, the basis for determining our dividend, declined by 34 percent to €2.5 billion.

Nevertheless, we still slightly exceeded our revised forecast of August 2011 on all performance indicators.

The future comes with a cost. Which is why our net debt at year-end 2011 had risen to almost €30 billion, primarily due to our investments in new power plants and wind farms.

We manage our debt in terms of the ratio of net debt to EBITDA, as that takes into account our ability to service the debt. In order to secure our good credit rating, we voluntarily set ourselves an upper threshold of 3.0. As expected, our year-end leverage ratio of 3.5 meant we did not meet that threshold, but we intend to bring it back to the target level very soon.

You may well ask what brought about this, at first glance, less than pleasing performance?

The three main reasons are as follows:

1. **As gas prices are no longer linked to the oil price, we were unable to cover some of our procurement costs in our gas business. We source gas from major producers like Statoil and Gazprom, based on long-term supply contracts indexed to the oil price. Spot market prices for gas have been well below the level of our gas procurement contracts since 2009. This puts substantial pressure on the earnings of RWE Supply and Trading, where we have pooled our gas contracts. It was responsible for a considerable part of last year's loss of €800 million by Supply & Trading.**

2. **The earnings situation in German power generation also declined significantly. The many heavily subsidised photovoltaic plants are a key reason for this decline. Priority is given to renewables, particularly over the midday period at peak-load times, when the sun is at its highest point. That may sound like a good thing. But in reality it is a real dilemma for power plant operators, as conventional power stations then have to supply power when it is dark, when there is no wind blowing. But if it is less and less profitable to operate such plants, the question is: who can afford to do it in the long term?**

This had the effect of reducing RWE Power's result by several hundred million euros last year.

3. **The accelerated exit from nuclear power in Germany was an added blow. This is also reflected in our figures for 2011. The immediate shut-down of our Biblis nuclear power plant and the accelerated exit from nuclear energy as well as the tax on nuclear fuels had a negative impact on our operating result of around €1.3 billion.**

We accept the primacy of politics but we consider the decisions made by the German government on nuclear energy to be unjust, which is why we have strived to take appropriate legal action in three cases.

In April last year, we submitted an appeal against the three-month moratorium on nuclear energy.

We also consider the tax on nuclear fuels to be unlawful.

Finally, in February of this year, we lodged a constitutional appeal against the 13th amendment to the German Atomic Energy Act.

Ladies and Gentlemen,

I do not wish to prejudge the outcome of these cases in any way. But I do think it is right that RWE was the first company to have the courage to file these appeals in the face of

massive political and public pressure. We owe that to you as the administrator of your investment in RWE shares. Others followed our example.

A judicial decision is in everyone's interests and will ultimately provide legal certainty for all. It will give some clarity to the company and to you, its owners.

Ladies and Gentlemen,
What does the result of the past fiscal year mean for you?

We are proposing a dividend of €2 per share for 2011. That represents a dividend payout ratio of around 50 percent, in accordance with our long-term dividend policy.

However, I do not wish to gloss over the fact that our business performance means our proposed dividend is well below the total sum we paid out last year.

Based on the closing share price at the end of December, it gives you a dividend yield of 7.4 percent on ordinary shares and 7.9 percent on preference shares.

It also means we retain our leading position on the DAX.

The fact that the market has faith in the course we adopted after the turnaround in energy policy is evident from the value of the RWE share. After performing poorly last year, it is

maintaining a stable upward trend and also performing well against the DAX.

Last summer, we embarked on an ambitious package of measures, not least to be able to continue to offer you an attractive dividend in the future.

The primary aim of this programme is to maintain our “A” rating – which is indicative of a highly credit-worthy company. After all, for our capital-intensive infrastructure business, we need access to international lending markets at all times, in order to obtain the long-term financing required.

At the end of 2008 and beginning of 2009, for instance, at the height of the financial crisis, a stable “A” rating was the prerequisite for securing finance. In view of continuing turbulence on the capital markets, it is only prudent to aim to maintain this credit rating.

Since August 2011, we have made good progress – which has undoubtedly been one of the drivers of the positive share trend in the last few months. A large part of the package has already been implemented and consists of four elements:

Firstly: Increasing our capital base.

We have almost achieved this goal. In December, we succeeded in placing 52.3 million new and 28.1 million of our own ordinary shares on the capital market – despite the

difficult share market environment in the wake of the debt crisis within the eurozone.

With proceeds of €2.1 billion, slightly fewer funds than hoped for flowed into our coffers. Nevertheless, this transaction was one of the largest capital increases achieved by any European industrial company in recent years.

We are fully aware that this capital measure did not meet with thunderous applause from the long-term shareholders among you. But given the pressure of so many unexpected financial burdens last year, the increase in capital as part of a comprehensive package of measures was unavoidable. At the same time, we did try to keep the volume of transactions to a minimum.

Since the summer of 2011, we have therefore issued three further hybrid bonds – a mix of our own shares and third-party capital. Only half of the value of these bonds is thus included under net debt. In all, we issued hybrids with a total worth of around €1.5 billion. If market conditions allow, we intend to issue further hybrid bonds in due course.

I now come to the second element of our package of measures. We also intend to secure our good rating by divesting some parts of the business. We have refined our divestment programme accordingly and already implemented some of it.

The sale of Thyssengas, divestment of nearly 75 percent of transmission system operator Amprion and the sale of our 24.6 percent share in the Rostock hard-coal-fired power station are all complete.

In addition, at the end of February, we reached an agreement on the sale of around 19 percentage points of our 69 percent share in VSE. The purchasers are the Saarland municipal utilities and the federal state of Saarland.

We aim to generate proceeds of up to €7 billion from our proposed divestments. This is good news, because, just six months ago, we felt we needed to make much more substantial divestments. Now that the total volume of assets being sold is lower, we will also be losing fewer earnings.

At the top of our divestment list are activities associated with high investments that would not deliver returns in the short term. In particular, this includes a number of gas and oil production projects of RWE Dea. The above-average success rate of our exploration work enables us to transfer projects or stakes in projects without significantly reducing our growth prospects. RWE Dea itself is not up for sale.

We intend to dispose of the Czech gas transmission system operator NET4Gas, our share of Berlinwasser, selected power plant capacities and some German sales and network activities.

Now for the third element:
Thanks to cost reductions and revenue increases, we will improve earnings by a total of €1.5 billion in 2012 compared to 2006. Here too we have made faster progress than planned, so we now have a distinct head start as we turn into the home straight.

However, we are not content to rest on our laurels and have set ourselves some new and ambitious goals for the period beyond 2012. By the end of 2014 we intend to boost earnings by an additional €1 billion compared to 2012.

So how do we plan to do this?

We will certainly leave no stone unturned. For instance, we have scoured our power plant portfolio for potential synergies and come up trumps. For example, we operate 14 identical combined cycle gas turbine power plants in Germany, the United Kingdom and the Netherlands. Here, we aim to leverage savings potential in terms of maintenance and repairs. In addition, we have appointed “synergy managers” in our production companies, who will drive cost savings and knowledge transfer internationally. We will also be able to reduce maintenance costs by pooling our procurement activities in this area. The effect of such synergies will be in the double-digit millions – per year, I might add.

I would like to make one further point here. This kind of result should not be calculated in terms of headcount. For us, cost

savings do not automatically mean layoffs. The size of our workforce is not a defining parameter.

The fourth and last part of our package of measures involves streamlining our investment budget. By spending €6.4 billion on property, plant and equipment in both 2010 and 2011, we reached the tipping point of our programme.

In 2012, we are planning investments of about €6 billion, and by 2014 the total volume of investment will be around €16 billion.

About half of the funds are earmarked for growth projects. We want to continue to grow with RWE Innogy and RWE Dea, but we also want to achieve further growth in Central Eastern and South Eastern Europe, where we see potential in Poland and Turkey in particular.

At the same time, we have decided not to pursue the idea of building new nuclear power plants in the United Kingdom. We now consider the financial risk of investing in nuclear power there, with the extremely long pre-financing periods, as significantly higher than before. We are therefore investigating the sale of our proposed nuclear power sites in the UK.

Irrespective of that decision, the UK market remains attractive to us, as our investments show. In the past four years, we have invested around €4.5 billion there – in such things as the

construction of three off-shore wind farms, two state-of-the-art, gas-fired power plants and increased gas and oil production.

Ladies and Gentlemen,

In the past few years, we have deliberately invested more than we have earned in cash flow. In return, our power plant portfolio is now one of the most modern in Europe and we have made significant strides with renewables.

When our new-build power plant programme is completed in 2015 at the latest, our investments will no longer exceed our operating cash flow – net of the dividend. We intend to maintain our payout ratio of 50-60 percent of recurrent net income. No change there!

You see, we respond to unexpected financial burdens by taking specific action and not by hesitating or a adopting a wait and see approach. Of course we need some time to adapt to the new situation. However, we are benefiting from the fact that we did not wait until the turnaround in energy policy to begin preparing for a tougher market environment.

With the restructuring of the Group in 2009 and 2010, we have already eliminated any duplicate roles and become leaner and more flexible in the process.

We brought our German sales and distribution networks business, including our regional companies, under the umbrella of the new RWE Deutschland AG, while pooling our activities in Eastern Europe in the Prague-based RWE East.

To us, effective organisation and customer proximity are by no means a contradiction in terms. For instance, we have reinforced our local operational units, as a further means of outdoing our competitors when it comes to concession agreements.

The decision by the Mühlheim City Council to extend its concession agreement with RWE is evidence that our approach is paying off. Together with Essen, Mülheim is one of the largest of the almost 2,000 concession districts of RWE Deutschland.

We have been supplying electricity to that city for over 100 years. We are delighted that the city of Mülheim has shown their continuing trust in our partnership. The city of Siegen has also resolved to continue its 85-year-old partnership with us. Proven reliability is more valuable now in these uncertain times than ever before.

RWE and the local authorities – a success story for many decades!

In other words, everywhere it makes sense to do so, we are increasingly devolving and delegating responsibility to the

regions. Some 44 newly or reopened customer centres and service points since 2008 and 136 energy efficiency projects with around 100 local authorities in Germany alone speak for themselves, and for our commitment.

At the same time, we have opted for more clarity in all areas where we once spread ourselves rather thinly in decentralised structures.

We set up RWE Technology to pool our expertise in building conventional power plants and brought our project management work onto a more professional level. This is already paying off.

Let me give you an example. Like our competitors, we are using the new material T24 in the boilers of our new coal-fired power plants. This high-tech steel enables operation at particularly high steam temperatures and thus achieves high levels of efficiency.

However, in the case of our competitors' plants, some stress corrosion appeared on first firing of these boilers and led to substantial delays and additional costs.

Thanks to a sophisticated procedure developed by the engineers of RWE Technology for first firing of our new BoA 2&3 units, no such damage to the T24 material occurred with our boilers.

Our engineers' experience will also be applied to our coal-fired power plant projects in Westphalia and Eemshaven – further proof of the dedication and inventiveness of our employees.

Given the wealth of expertise we have in our engineers, technicians and salespeople, I have no qualms about the future of RWE. On the contrary, with our widely recognised strengths, your company is well equipped to face the future with confidence.

2. Challenges

Ladies and Gentlemen,

I now come to the second subject of my report: "What are the future challenges facing RWE?"

Here I would like to pick up the all-too familiar phrase of the "transformation of the German energy industry". You are aware of how this works: the government defines the goals and we are supposed to achieve them.

Firstly: Transformation of the energy industry is achievable. By the year 2050, it will be possible for our German electricity supply to be carbon neutral.

However, such a sea change does not happen of its own accord – as some theorists would have us believe. Some of the required changes do not seem to make commercial sense.

We are all part of an economic and social experiment that is taking place in this form only here in Germany. Other countries are watching with a mixture of curiosity and scepticism.

After all, the risks are enormous. For instance, last year 40 percent of German nuclear power plant capacity was removed from the grid in one fell swoop. Ever since then, we have been operating very close to the limit of our load capacities. This is increasingly being criticised by representatives of German industry, and high-volume energy consumers in particular.

So far things have gone well with the energy transformation – thanks to European market networks, the fact that conventional power plants were there when they were needed, a lot of intervention by the transmissions systems operators – and thanks to a comparatively mild winter.

Let's take a look at that winter for a moment. In December, the average temperature in Germany was an almost record 3.9 degrees above zero. By comparison, in December 2010, we had an average of 3.7 degrees below zero. January too was almost spring-like compared to previous years. Electricity consumption therefore remained moderate throughout most of the winter. We only saw real winter conditions in the first

weeks of February, when the cold front "Dieter" came through to Europe from Russia. During this period, the power plant operators managed to achieve an availability rate of 95% – probably another record. At the beginning of February there was hardly a power plant in Germany that was not online. Technology and the weather played ball – at least this time.

Just how short the power supply really was is evident from electricity prices over that period. In early February we saw spot market prices peak at €210 per megawatt hour.

Our neighbours suffered even more than Germany did. Over the past few years, the French, for instance, have always been able to rely on imports from Germany in the winter, when all the electric heaters in the south of France have to be turned on. But the electricity shortage in France this winter was very apparent on the exchange, where the price of short-term supply shot up to around €2,000 per megawatt hour in a single hour.

This shows that Europe is increasingly becoming a single electricity market –in both economic and technical terms.

In order to stabilise the grid in Germany, recourse was also made to reserve capacity, including that of an old oil-fired power station in Austria which would not receive a license to operate in Germany today. It seems that energy transformation and climate protection do not always go hand-in-hand.

In Germany, we have rightly spent many billions of euros over the past few decades on expanding the electricity grid to accommodate the conventional system. That stability of the grid goes some way to helping us when bottlenecks occur.

By "we" I mean our skilled engineers on the one hand, who have made the technical design of the system so secure, and on the other hand all of us as electricity customers, who continue to finance grid expansion with our network utilisation fees.

However, the fact is that our system is not yet geared to handle the ambitious goals of the energy transformation. In particular, there is a shortage of North-South connections here in Germany, which in excessive wind periods in particular presents a substantial threat to grid stability.

Sometimes there is huge over-capacity in the German electricity market – followed by dramatic shortages. We all know that the task of keeping the grid stable is not about having an average amount of electricity available, but about maintaining a constant balance between supply and demand, every minute and every second of every day.

In the past year, grid operators had to intervene three times as frequently as in 2010 in order to ensure security of supply. In 2011 they registered 990 incidents on 300 different days,

while in the previous year there were only 298 incidents on 161 days.

Let's be honest. So far, expansion of the grid cannot keep pace with the transformation of the energy industry. Let me give you a practical example of this. Europe's largest solar power facility is currently being planned in Lusatia.

The existing plant is to be expanded from 170 to 300 megawatts. The construction period for such a solar complex is about 9 months. Yet erecting the transmission lines, depending on the length of any delays in the consent process due to local opposition, can take three to ten years.

Just because a solar facility is capable of producing power does not necessarily mean any power actually flows into the grid. The operator of such a facility, however, receives guaranteed grid feed payments, irrespective of whether the lines are ready or not. And electricity customers end up paying for this.

The solar power operators bear neither price nor production risks. And when the lines are ready, they do not have to worry about balancing out the fluctuating amount of solar power fed into the grid. All of that is taken care of by the conventional system.

This example also shows that renewables are not really decentralised. In particular with wind but also to a certain

extent with solar energy, the power generators are located a long distance away from the consumer.

It remains to be seen whether changes to solar subsidies will provide some relief in this regard. But the fact that there will soon be elections in the state of North Rhine-Westphalia and presumably next year at the federal level, does little to increase my degree of optimism.

Calling for the transformation of the energy industry and only then starting to think about expanding the grid is like trying to run before you can walk. Fortunately this dilemma is increasingly being acknowledged and discussed by the media and the public.

The grid problem shows that, rather than a continuous succession of new, ambitious goals, we need icebreakers to clear the way for implementation of central infrastructure projects.

For that to happen, above all else, we need the acceptance of the public. Everyone must be on board!
Even those who live in areas where new power lines have to be built.

Finally, we need European cooperation on this, for isolated national initiatives would not only be inefficient but pose risks in terms of security of supply. We may be sailing different fleets, but we still all have to navigate the same seas.

The politically prescribed transformation of the German energy industry is only possible if government, society and industry work together. As long as our energy supply system is not adapted to cope with an accelerated transformation process, we will be sailing by sight and into the fog. Meanwhile, our security of supply remains at risk and we remain in the dark on the cost of it all.

And please don’t assume any Schadenfreude on my part. We know exactly what a power outage means for our customers, and for German industry as a whole.

Any major blackout would be a lose/lose situation. This is why RWE, as one of the biggest investors in renewables, is doing everything it can to stabilise a fragile system, in its own interests as much as everyone else’s.

The trial run of our new lignite-fired power plant BoA 2&3 was a lucky coincidence. Just as the weather began to turn really cold at the beginning of February, an additional 2,100 megawatts came onto the grid. And in the early evening of 15 February 2012, we experienced the highest volume of electricity ever fed into the grid in the Rhenish lignite region, of 11,503 megawatts.

But this production record will not be repeated. For – as promised – we will be gradually shutting down older plants by the end of this year.

We have also demonstrated our flexibility in terms of the decommissioned Biblis nuclear power plant. Transmission system operator Amprion and RWE Power recently reached an agreement to convert the generator of Unit A in the non-nuclear section to provide a "phase shifting mode" for grid servicing purposes.

"Phase shifting" means that the generator can now manage the so-called idle capacity, which is urgently needed to ensure voltage levels within the grid are maintained. That "phase shifter" started operating in late February this year.

The Biblis generator is thus making a crucial contribution to stabilisation of the grid in the south of Germany.

As you can see, transformation of the German energy industry is a huge technical and economic challenge. But it is also much more. It means discarding the old, reliable methods before new alternatives have had a chance to prove themselves.

Innovations are an essential, but long-term factor in the success of the transformation. And this makes RWE a crucial player in the future of Germany's energy supply. For we are working on over 200 projects across the supply chain for the energy of tomorrow.

To make the grid more flexible and more effective, we are working with partners to develop new control and regulating methods. One small but fitting example of that is our "Smart Country" project.

With partners from industry, science and government, we are working to turn the Bitburg-Prüm district in the Eifel into a pilot region for smart grids. Thankfully enraged citizens do not rule the roost everywhere, as there are plenty of engaged ones around too. Only a coalition of the constructive will be able to advance the transformation of the German energy industry.

3. The future

Ladies and Gentlemen,

In this third section I will now turn my attention to the future of your RWE. Believe me when I tell you that, in the past twelve months, we have reviewed our strategy thoroughly, critically and many times over. In the process, we have come to the conclusion that we must not abandon our core principles.

Which means RWE will become more international, more robust and more sustainable.

By "more international" we do not mean China or South

America but Europe, because this is where we have the opportunity to optimise our assets and commodities. That works for electricity and gas between the Netherlands and Germany but not beyond the borders of Europe.

The prevailing external conditions also point clearly to Europe. Germany is not an island but an integral part of the internal European energy market. This applies to commodity trading and increasingly to the regulatory framework as well.

We want to be consistent in securing the high earnings contributions made by our core markets of Germany, the UK and the Netherlands. In the regions of Central-Eastern and South-Eastern Europe we intend to grow organically and expand our earnings contributions on a continual basis.

For the economy is growing there at an accelerated rate, and the demand for energy is rising. This presents us with all kinds of opportunities to help expand the energy infrastructure of those countries.

In Turkey, which for us is part of the afore-mentioned European context, construction of our Denizli gas-fired power station will be complete by the end of the year, while in Poland the wind turbines of RWE Strom are already producing power.

In the field of renewables we are also investing in Italy and Spain, which will help us better offset local weather events

beyond the limits of our own portfolio; for example, when there is insufficient wind in the north of Europe and the solar power yielded in the south is all the more abundant. At the same time, we are naturally keeping a very watchful eye on the growing economic risks in southern Europe.

Our investments are thus distributed with a high degree of risk awareness. In the next few years, we plan to place over 60 percent of our investments outside our German domestic market.

Secondly: RWE will become more robust.

This means:

- **that we intend to maintain our presence at all levels of the value chain in order to generate stable returns**
- **that we intend to deploy a wide range of market-ready technologies, i.e. not only major power stations but also smaller, decentralised plants**
- **that we want to maintain a good mix of regulated and non-regulated business**
- **that we hedge against fluctuations on the global commodity markets**
- **and that we will be sticking to the guiding principle of our growth: increasing corporate value.**

Thirdly, we want to become “more sustainable”.

Initially, this is a matter of continuing to improve our carbon footprint by, first and foremost, generating electricity with fewer CO_2 emissions.

By 2020, we want to reduce the carbon dioxide emissions of our power plant portfolio per megawatt hour of electricity by more than 20 percent compared to 2005. We have set ourselves a target of 0.62 tons of CO_2 per megawatt hour.

The accelerated exit from nuclear power, however, has had a substantial impact on our carbon footprint. For instance, we have posted an emission rate for 2011 that is around 8 percent higher than that of the previous year, which we now have to compensate for.

In addition, we intend to increase the share of renewables in our generating capacity to at least 20 percent by 2020.

Both of these goals are very closely aligned with the transformation of the German energy industry. We plan to make the most of any opportunities open to us – wherever commercially sensible and feasible.

The energy transformation will not fail for lack of effort on the part of RWE – on the contrary. We create solutions rather than problems. Since RWE Innogy was founded, we have invested more than €4.4 billion in the expansion of renewables. And we

are continuing to invest too, with a further €4 billion earmarked for the period 2012 to 2014.

The total generating capacity of RWE Innogy, installed and/or under construction, will rise to around 4,500 megawatts by then. And the operating result of RWE Innogy will grow in 2014 to €500 million accordingly.

As well as RWE Innogy, other RWE companies are investing in renewables, and in biomass in particular. For instance, last year we converted our coal-fired power station in Tilbury (UK) to make it suitable for wood pellets. With 750 megawatts of capacity, Tilbury is the largest biomass power plant of its kind in the world.

The fuel comes from sources like our wood pellet factory in Georgia. These sustainably produced pellets will account for around 30% of that fuel. They are also used to run our Dutch hard-coal power station, Amer.

But I would also like to mention some of the technical challenges we face. In late February, a fire broke out in one of the pellet bunkers of the Tilbury power plant. Luckily no one was hurt as a result. We launched a full-scale internal investigation into the incident to identify the exact cause of the fire. At the moment we are assuming that unit 8 of the power plant will be able to return to the grid in June and the other two units 9 and 10 will follow in September and October.

Those who demonstrate the energy to lead, like RWE, must also accept the occasional setback. But we are determined not to let such things throw us off course. Biomass is a sustainable energy source that is available 24/7, no matter what the wind or the sun is currently doing. Large-scale utilisation of biomass therefore remains an essential part of any renewables strategy with a focus on base load.

The same also applies to off-shore wind power. Both independently and with strategic partners, we are currently working on four major projects with a total capacity of 1,670 megawatts: Gwynt y Môr off the coast of North Wales, Greater Gabbard in the English North Sea, Thornton Bank off the coast of Belgium and here in Germany, Nordsee Ost near Helgoland. This makes RWE one of the biggest investors in off-shore wind farms in Europe.

Yet here too, growth is being hampered by inadequate expansion of the grid. As a result, grid connection of our Nordsee Ost wind farm will be delayed by about a year, which means some considerable financial burdens.

It is almost incomprehensible that a Dutch state-owned company should invest billions in a company and not make the necessary investments in grid expansion.

Not only high-performing grids but also new flexible gas and coal-fired power plants are essential if the transformation of the energy industry is to succeed, when wind and solar

sources cannot deliver sufficient power for weather-related reasons. With our new power plants, we can maximise the contribution made by renewables and still reduce greenhouse gases – while producing the same volume of electricity.

Just what can be achieved is best illustrated by the example I mentioned earlier of our dual, lignite-fired unit in Neurath near Cologne, BoA 2&3. While maintaining almost the same capacity, we will be reducing our CO_2 emissions by around 6 million tons – per year.

The efficiency rate of the new power plant of over 43 percent exceeds that of the older plants by up to 13 percentage points. Commercial commissioning is planned for the summer of this year.

Our new gas-fired power stations Claus C and Moerdijk 2 in the Netherlands are already online. In the second half of the year, the Pembroke gas-fired power plant in the UK will follow with a capacity of nearly 2,200 megawatts. And finally, by the end of the year, construction of our Denizli gas-fired power station in Western Turkey will be complete. All in all this year, RWE will be commissioning a total of 6,800 megawatts of new capacity generated by highly efficient conventional power stations.

By the end of the year 2014, our Hamm and Eemshaven hard-coal power stations will add a further 3,100 megawatts of capacity. At that point, we will have replaced 25 percent of our

generation portfolio, and the average thermal efficiency of our fossil fuel-fired power plants will rise to around 42 percent. By comparison, the average efficiency rate of coal-fired power plants in north-western Europe is currently 38 percent.

You will find full details of our RWE sustainability policy in our Corporate Responsibility Report 2011, which we have published as an online resource for the first time this year.

Running a sustainable business is about more for us, however, than merely cleaning up our carbon footprint. We act in harmony with society – as a reliable partner for customers and local communities. This includes the many different voluntary activities we undertake in the areas of education, culture and social integration.

However we can only achieve our ambitious goals if we have the right crew on board. Qualified, experienced and motivated employees are therefore our most important asset.

Consequently, we ensure there are plenty of good reasons to work for RWE: attractive training, advancement and professional development options, supportive programmes and family-friendly workplaces – all of which allow us to prevail in the competitive recruitment market for the best minds in the business. And the degree of competition is likely to intensify in the years ahead. Naturally even a traditionally more male-dominated company like RWE has to make more

effort to support female staff these days, and also promote them into management roles.

At the end of 2011, some 11 percent of our management employees were female. We want to double this figure by the end of 2018. To achieve this, we have opted for a mentoring programme, which has already been taken up by more than 80 female participants since it was introduced in 2007. In addition, we have set up an international network for women in leadership roles at RWE.

Finally, we want to encourage our stakeholders to make a constructive contribution to corporate decision-making. With many of our infrastructure projects, we have to deal with some perfectly understandable acceptance problems. This applies equally to our work on state-of-the-art power stations, expansion of the grids and even the erection of wind turbines.

We have learned from experience to consult with all stakeholders, listen to their concerns and ideas, explain our own position and then work with those people to develop solutions that make the project successful for all concerned.

But it is also true to say that even the most extensive collaborative efforts do not always meet with public approval. When factual matters become issues of personal conviction, it is rarely possible to gain 100 percent acceptance. Compromise requires a willingness to refrain from ultimatums and extreme positions. And naturally that applies to us too.

OUTLOOK

Ladies and Gentlemen,

I have explained how we geared up for rough seas last year to help us ride out the storms and navigate our way past some tricky obstacles. I can assure you, RWE is on a sound course. The outlook for us now is much more positive than it was a year ago.

Despite our planned divestments, we are working on the assumption of a stable earnings position for 2012. By which I mean that EBITDA and the operating result of the RWE Group in 2012 are likely to be in the order of the previous year.

We also anticipate our recurrent net income will be on a par with the level of 2011. This is good news, because we expect to be able make up for any lost earnings contributions from divested activities.

The fact that we also anticipate matching our performance of 2011 in 2013 is even better news – particularly in view of the fact that we will no longer be receiving any free allocation of CO_2 emission rights by then.

In addition, as a result of our divestments, further earnings contributions will be lost, but we are confident that we will be able to make up for such shortfalls.

In fact, EBITDA may even resume an upward trajectory. We now anticipate a figure of around €9 billion.

We will be sticking to our dividend policy too, by which I mean we plan to continue paying out at least half of our recurrent net income.

Our European competitors are cutting back on their payout ratio. We are not. This means RWE is and remains an attractive investment.

Let me close by making a few personal comments. An internationally experienced manager from within our own crew will take up the helm here on 1 July in the form of Peter Terium. He is a good man who has everything it takes to be a fine captain.

I was able to see this for myself in the past few months. I believe I can say with some pride that the transition phase between Peter and me has been an extremely smooth one.

The fact that almost nothing has been written about it in the papers is a telling sign. That has not always been the case at RWE. Changes at the helm of other DAX companies have been accompanied by some rather vociferous reporting.

Peter Terium has already trimmed the Group's sails in crucial areas to prepare it for growth and future challenges. He

previously led our Dutch subsidiary Essent to its successful incorporation within the RWE Group.

Peter Terium and the rest of the Executive Board stand for professional excellence and continuity of RWE Group governance and strategy.

The “RWE 2015” programme co-initiated by Peter Terium will bring about further changes to ensure we reach our strategic goals.

Bernhard Günther is another executive from our own ranks to be newly appointed as a member of the Executive Board of RWE AG, with effect from 1 July. He will succeed Rolf Pohlig as Chief Financial Officer (CFO) of RWE AG as planned on 1 January 2013, after Rolf completes his active service for RWE at the age of sixty, on 31 December 2012. Bernhard Guenther has been with RWE since 1999 and is currently CFO of RWE Supply & Trading.

In addition, at its meeting today the Supervisory Board appointed Uwe Tigges a member of the Executive Board with effect from 1 January 2013. As of 1 April 2013 Uwe Tigges will succeed Alwin Fitting as Chief Human Resource Officer. Alwin Fitting will retire at the end of his 60th year on 31 March 2013. Uwe Tigges has been with the RWE Group since 1984 and is currently Chairman of the Group Works Council of RWE AG.

Ladies and Gentlemen,

Good sailors stand out in rough weather. RWE is a highly seaworthy vessel, with a clever and experienced crew behind it and the right people on the bridge.

The fact that it remains so strong is something I am privileged to have had a hand in. I have experienced some turbulent yet equalling fulfilling years at the helm of this outstanding company.

I would like to thank you for the faith you have shown in this – your – company.

And I trust that RWE will continue to count on your support.

Do stay on board – it will be worth the ride.

Thank you very much.