

Check against delivery.

Were you somewhat surprised at the rather unconventional start to my presentation this year? That's perfectly understandable.

I wanted to offer an example to illustrate what we do. What we are working on. Which way we are heading.

I wanted to show you that we are doing more than just talking about the future of energy. I wanted to show you that we are shaping it. That we have the right products for the job. And that we are getting them to our customers.

We are now relying more on partner entities to achieve this. Take, for example, our cooperation with Nest – the company that is now owned by Google since the beginning of the year. RWE npower is the only utility in the UK to sell the Nest Learning Thermostat.

And we are looking to do even more with Nest: We are confident that the thermostat is the right product not only for the UK but also for our other markets in Europe. That's why we are expanding our collaboration with Nest.

So as you can see: we are doing more than just talking about our energy future. We are following what has always been our guiding principle in our work:

We say what we do.

And we do what we say!

Our Future Picture is also based on this principle:

“We will be the most trusted and high-performing partner for the sustainable transformation of the European energy system.”

This is something that we are working on every day.

- **In our offices.**
- **In our power stations.**
- **In the system control centre.**
- **And in your homes.**

“The most trusted and high-performing partner for the sustainable transformation of the European energy system” – that is the concept that drives me on, and the more than 66,000 colleagues working with me.

It is these colleagues – all of our employees – that I want to thank on behalf of the entire Executive Board for all of their efforts during the past year.

Our employees ensure every day that computers, mobile phones, washing machines and production facilities are all able to operate.

They are passionate about RWE, about their company. They are committed to overcoming the challenges that RWE faces in terms of competitiveness, innovation and financial strength.

They surely also deserve a big thank-you from everyone here today.

Ladies and Gentlemen,

My fellow members of the Executive Board and I will be happy to answer any questions that you may have shortly. To begin with, however, I would like to provide our answer to three important questions:

- **First: How serious is the situation for your company, RWE?**
- **Second: What can we do about it?**
- **Third: What does the future look like for us?**

Ladies and Gentlemen,

We are going through a difficult stage right now. The question is, “Just how serious is the situation?”

We must not beat about the bush: it is very serious indeed. Our balance sheet is weighed down by heavy debts. Because we invested billions in new gas- and coal-fired power stations. After all, despite the expansion of renewables, they remain essential. Without them, we cannot guarantee a supply of electricity at all times.

As a result of our investment offensive we have state-of-the-art facilities at our disposal.

These facilities offer major advantages: they can respond better to fluctuating demand for electricity. And they can balance out the fluctuating feed-in of green power better than ever before.

Take our new lignite-fired power station in Neurath, for example: in just fifteen minutes, we can increase or decrease capacity per unit by 500 megawatts. Even a new gas-fired power plant cannot beat that level of flexibility.

Our power stations also emit much less carbon dioxide now. In 2013, no-one in Germany had more environmentally-benign gas-fired power plants than we did.

In other words, our plants are state-of-the-art. But even so, our conventional power stations now fall well short of earning the money that they need. In some cases, the revenues are not even enough to cover wages and salaries for the personnel on-site.

Why are conventional power stations in such a difficult situation?

There is one reason in particular: highly subsidised solar electricity. This is driving gas- and coal-fired power stations out of the market. The result is a fundamental change in the electricity generation market. The market design no longer suits conventional power stations.

This has to have consequences. It had a serious impact on our consolidated accounts in 2013.

RWE recorded a net loss of €2.8 billion for the first time in over 60 years. We are in the red for the first time.

The problem is not in our operating result. We earned exactly what we forecast: €5.9 billion. Eight percent down on the previous year. As expected.

The problem was the €4.8 billion in extraordinary impairment losses. These have pushed our net income into the red.

We had to post major impairments on our power stations. Solar electricity is flooding the transmission and distribution systems. Electricity from plants whose operators receive a fixed remuneration. Electricity from facilities that do not have to compete because they enjoy priority feed-in. This solar electricity is driving gas and coal-fired power stations out of the market. This is why our power stations are earning much less money. And their value has declined as a result. This affects the Netherlands in particular.

A glance at electricity prices reveals the enormity of the situation:

In December 2012, we earned €45 for one megawatt hour of electricity on the German futures market. By the end of last week it was down to €33. A drop in price of almost 27 percent in just 15 months.

In other words, our power stations are going to earn even less in the years to come.

The crisis in conventional electricity generation has been reflected in the RWE share price for a long time now. Since the disaster in Fukushima in March 2011, the price for ordinary shares in RWE has fallen by about 40%.

Why? Because past successes have no relevance on the capital market. Earnings prospects are far more important. And these earnings prospects have worsened.

So, has this situation caught us totally unprepared? No. We saw the storm coming. And we prepared for it.

And so the second question is, “What are we doing about it?”

Two-and-a-half years ago we started battening down the hatches. With our “RWE 2015” programme, we are putting the right measures in place to bolster our financial strength. We took the long view when we planned these measures. And we are implementing them rigorously.

Our first objective was to improve our operating result by €1 billion. And not just on a one-off basis but permanently. That was our intention for 2014.

In November last year we added a second billion – as originally set down in the “RWE 2015” programme. We want to make lasting savings of €2 billion.

This €2 billion will not improve our operating result by exactly that amount. After all, we have to offset general cost increases. But, unlike the situation in other industries – we cannot pass these on as part of our selling prices.

However, most of the cost savings will show in our operating result: we can expect an improvement of at least €1.5 billion.

When will this happen?

Originally, we wanted to achieve an improvement of €750 million in our results by the end of 2013. The actual figure is €1 billion. A year earlier than planned!

And this pace will continue: just a few months ago the plan was to implement the entire programme by the end of 2017. Now it looks like we will achieve this a year earlier than planned, too.

Of course, it will only happen if we can keep the fast pace up. And not become complacent.

What are we doing, in specific terms?

Firstly, we are changing our structure. We are making it even leaner. Key functions are being combined.

Here are a few examples:

- **At the start of 2013, we bundled electricity generation from fossil fuels and nuclear energy to form RWE Generation. This resulted in significant savings.**
- **At the start of this year, we established RWE Retail. This combines the skills of our most important supply units in all of the countries in which we do business. This creates synergy potentials between our supply activities and speeds up our product innovation processes.**
- **Standard, Group-wide processes such as accounting and purchasing are now performed under one roof by a single service company.**
- **Expert knowledge such as taxation and law is also pooled in central units on a Group-wide basis.**

The savings are noticeable. And we will become still more competitive.

In any case, “RWE 2015” is not merely an exercise in cost-reduction and reorganisation. That would not be enough on its own.

**We are also making changes in terms of “How”:
How we approach matters.
How we deal with each other.
And how we challenge and encourage our employees.**

The demand for creativity and a spirit of initiative is stronger than ever. In all fields of activity and in all divisions of the company.

Anyone with a good idea to help RWE advance should not wait for encouragement from above. If innovations were only ever top-down, we would be far too slow to survive in the competition.

And that is what it is all about. Surviving in the competition.

The change in culture in the company is already bearing fruit. One of the reasons why our measures to improve our net income are proceeding faster than planned is that we do not just dictate from on high.

This is how we create the basis for future growth. Getting the finances in order is the basic precondition.

The judgment in our favour in the appeal proceedings against Russian gas group Gazprom at the end of June 2013 helps in this regard. The arbitration court promised us improved price conditions for the natural gas that we buy in from Gazprom. And compensation of about €1 billion.

By way of background: the long-term procurement contract with Gazprom was causing us excessive burdens because it was tied to the oil price. Following a second round of negotiations, this is now structured to ensure that, by mid-2016, it will no longer cause us losses.

We are also making good progress in reducing our debts: in 2013 we achieved a reduction of more than €2 billion, to less than €31 billion. In other words: we managed to bring our debts down by seven percent in one year.

Our level of debt is still not in proportion to our revenues, however. Even so, the ratings agencies Moody's and Standard & Poor's still give RWE a high credit rating, even if it is not as high as it used to be.

Our highest priority is to ensure that we can continue to obtain the debt capital that we need at any time and on acceptable terms. Even during crises on the financial markets.

We have to keep our indebtedness under control if we want to obtain debt capital whenever we need it.

This is why we pay close attention to our leverage factor, the ratio of net debt to EBITDA.

In the past three years, we have had a leverage factor of 3.5. In other words, our net debt was three-and-a-half times as high as our earnings before tax and depreciation.

We want to bring this leverage factor down to 3.0 in the medium term. This means that we must reduce our debts. Or increase our EBITDA. Or both.

How well we succeed will have a direct financial effect in future on us, on the Executive Board and on our 1,600 top managers. We have set ourselves a goal: by the end of 2016 our leverage factor must be brought down to 3.0. To achieve that we need to have, and implement, many new ideas. If we exceed 3.0, our remuneration will drop accordingly.

You can see that we take this seriously. We are making rigorous efforts to improve our financial situation.

This includes the tried-and-tested rule: in the long term, we must not spend more than we earn.

Every year since 2008 we have invested more, and paid out more to our shareholders, than we made in the year in question. In 2013 we almost found a balance. And from 2015, we want to limit what we pay out on investments and dividends to what we earn from our operating activities.

That is why we have taken the red marker to our investment activities. But of course, we cannot continue doing this forever.

Selling assets has also helped to improve our financial situation.

In the last year, for instance, we sold our Czech long-distance gas network operator Net4Gas. Divestments brought us a total of €2.2 billion in 2013.

The sale of our upstream subsidiary RWE Dea is a success. After just 12 months, the contract of sale has been signed. That is very fast indeed for such a complicated transaction!

Our underlying company value is about €5.1 billion, which is better than many financial analysts expected. This is another very important step forward for us as we seek to improve our financial strength. The revenues from this sale mean we do not need to re-finance the loans that will fall due in the next two years.

One thing I would like to emphasise is that the sale of RWE Dea was based mainly on strategic considerations. Because we can obtain enough gas on the wholesale market now, there is no longer any strategic value in having access to our own gas sources. In addition, there are hardly any synergies between RWE Dea and our other core business.

Ladies and Gentlemen,

We still have to do more to improve our financial strength. This includes adjusting our dividends to our current earnings situation and the uncertain framework conditions.

Today, we are proposing a dividend of €1 per share for fiscal 2013. The benefit to our company year-on-year would be more than €600 million.

We realise that most of you were counting on a higher dividend.

We realise that you will not welcome this reduction with open arms.

And we realise that falling dividends and a falling share price will hit some of you very hard. This applies to both our private and our municipal shareholders.

That is why the Executive Board and Supervisory Board did not take this decision lightly. But we feel obliged to do it – for the long-term benefit of the company that we share.

Ladies and Gentlemen,

RWE is not the only entity being hurt by loss-making gas- and coal-fired power stations. Anyone operating a conventional power station in Western Europe today faces a problem. This is a direct consequence of the rapid and highly subsidised expansion of renewables.

Our generating business, which has come under serious pressure, must be made profitable once more. And we want to secure our position as one of Europe's leading power station operators for the long term.

Whether we succeed will depend only partly on us.

Like other energy providers, we have already announced that we will mothball loss-making power stations. Or decommission them entirely. This includes our gas-fired power plant Claus C in the Netherlands. It is brand-new. The technology is state-of-the-art. But it is not earning enough to cover its ongoing operating costs. So we are taking it off the grid.

Accepting this is not only difficult for me. It primarily hurts the team in the plant itself.

It is no consolation that many of our competitors are in a similar situation.

Future policy directions will also affect our net income.

I believe we have come to realise that all too clearly in recent years.

However, we are not just sitting back and doing nothing. We are not waiting to see what happens in Berlin and Brussels.

The government determines the scope of the energy transformation, but our success depends on us.

Which brings me to my third point:

“What does the future look like for us?”

The priority is to achieve long-term growth on a robust financial base. No matter what efforts we make in future in terms of growth, we will not be able to make up for the revenue shortfalls in our power plant business in the short term. They are simply too large.

We need to keep an eye on our finances. That is why we will not buy growth. We will work for it. Bit by bit.

- **Firstly, we will check out and use opportunities for growth in our existing areas of business.**
- **Secondly, we will drive innovations forward and turn them into economic success.**
- **Thirdly, we will make efficiency gains a fixed part of our day-to-day work to help bring other costs down.**

Granted, our new revenue base is lower than we have been used to. But it is stable. From here on, we are switching to growth in the medium term. Our integrated business model offers a number of approaches in this regard. RWE is based on four pillars:

Besides generation, we have networks, sales and trading. These last three are in good shape.

We are continuing to invest in renewables, which remain a strategic growth area.

We are spreading our investments and our risks. In other words, we are getting more public and private investors on board. However, our technical expertise means we are still the ones that develop and operate the facilities.

In future, we will concentrate mainly on land-based wind turbines. We are investing in Germany, the UK, the Netherlands and Poland.

We are also constructing two offshore wind farms. One off the coast of Wales. And one near Heligoland. We expect to have these completed by the end of this year or by next spring at the latest.

Once these plants are on the grid, RWE Innogy will double its net income – to €400 to 500 million.

Our network business will continue to generate stable revenues. It is broadly based: we supply almost one in every four municipalities in Germany with electricity and gas. This is a highly competitive area.

But with our expertise and the input from our employees, we have about 4,000 concession agreements with over 3,000 municipalities. This puts us in a strong position on the market.

All told, we operate one of the longest distribution systems for electricity in Germany – about 330,000 km in total.

And our transmission and distribution systems are among the most efficient: about 14.5 million people in Germany get their electricity via RWE's distribution systems. That is about one in five people. To guarantee a reliable electricity supply, we are investing in maintaining and expanding our transmission and distribution systems: about €650 million until 2016 – each year!

We ensure that the electricity is fed into the grid where it is generated. And that it arrives where it is needed.

It is our transmission and distribution systems that make the transformation of the energy industry possible in the first place: almost 300,000 renewables units are currently connected.

This also means, however, that our transmission and distribution systems have to be able to respond even better to the fluctuating feed-in of green power. This is

why we are developing new instrumentation and control systems. To make the grid fit for the future. For instance, our “Smart Country” project is driving the development of smart grids forward in rural areas.

These innovations are vital to the success of the transformation of the energy market.

We are at the forefront in this regard. By way of evidence: the European School of Management and Technology compared the innovative strength of 16 major European energy providers. RWE was rated third, making us the best among the energy providers in Germany.

Ladies and Gentlemen,

Developing new growth areas and driving innovations are among our core interests.

We combine our expertise in energy supply and information technology. We develop new business models that expand our established electricity and gas sales business.

We already supply more than 23 million households and businesses with electricity and gas. We are one of the leaders in Europe in this regard, which is an excellent position to start from!

To develop new products and establish new sales channels, we are relying more on arrangements with third parties.

The result is a range of innovative products and services tailored to our customers' needs.

We want to work together with our customers to drive forward the future of energy. We have the right products for our customers.

Let me offer three examples.

First, RWE Smart Home, to improve energy efficiency. I showed you that a little earlier.

Second, RWE HomePower Solar. If you generate your own electricity, using a solar plant, for instance, you can store it using this system. You are not obliged to feed the electricity that you have generated into the grid. You can use it later yourself. This is becoming more and more attractive, since grid feed payments are falling and the price of electricity is on the way up.

Third, RWE SmartCompany. This is a service for small and medium sized enterprises. It can be used to optimise energy consumption across several locations. And costs can be cut by up to 20 percent.

These are only three examples. There is plenty of information available in the foyer during the AGM about the full range of products and services that we offer. And at any time on our web pages or in any of our customer service centres.

Besides the product, quality of service also has to be right.

That is why I am really pleased that the customer support staff at RWE Vertrieb were awarded the German Service Prize in 2013. In the “Energy” category, RWE came out ahead of 64 competitors. In January we achieved a seamless follow-up to this positive rating, when RWE took first place in a brand survey by the prominent consultancy company imug.

For us, this is both an award and an incentive: We aim to provide all our customers with the best service all of the time. To satisfy customer requirements even better. And not only in Germany, but in all the countries we do business in. We are putting all our efforts into achieving this.

Ladies and Gentlemen,

Stable finances, innovative products and customer focus – these are key elements in the future of our company. Last year we said we expected to experience a further substantial decrease in earnings in 2014.

One reason is that they will not include the one-off payment resulting from the Gazprom ruling. Another is that revenues from the power plant business are continuing to fall. This cannot be otherwise.

At the moment, we are still benefiting from our hedging strategy. We sell our electricity production two to three years in advance. This is why the current very low prices for electricity will not be reflected in our net income until 2016.

Where will we be at the end of 2014?

From today's perspective, we expect our EBITDA to be in the order of €7.6 to 8.1 billion, about ten percent less than in 2013. The decrease year-on-year is likely to be rather greater in the case of our operating result.

From 2014, our dividend policy will be to pay out 40 to 50 per cent of our recurrent net income, for which we are anticipating a figure of about €1.3 to 1.5 billion.

All of our forecast figures still include RWE Dea on a full-year basis.

At the beginning of this week, the finance court in Hamburg passed its initial judgement on reimbursement of the nuclear fuel tax for our Emsland nuclear power station. We had applied for reimbursement of the nuclear power tax paid so far. The finance court in Hamburg approved the application – we see this as a positive result.

However, this has no impact on our result, as the tax will continue to affect it until the Federal Constitutional Court or the European Court of Justice have passed judgement on the matter. We do not expect this to happen this year.

This brings me to the question of what will happen beyond 2014.

We do not expect the dramatic trends of recent years to continue to quite the same extent. Based on what we know now, we expect our net income to largely stabilise, although at a lower level than in previous years.

We are adjusting to this new normality, and want to take this new position as our base for new growth. Whether we will achieve this as early as the coming year is something we cannot judge yet. To succeed, the prevailing conditions would also have to remain stable.

Ladies and Gentlemen,

I would like to end with a quote from Albert Einstein. He said:

“The future interests me far more than the past, as I intend living in it.”

Thank you for the confidence that you have shown during recent years. I would be delighted to see you stay with us as shareholders on the road ahead.

Thank you very much.