Peter Terium
Chairman of the Executive Board
Statements on the occasion of
the Annual General Meeting of RWE AG
on 23 April 2015

Check against delivery.

Ladies and Gentlemen,
and all of our shareholders here today,

The film shows the diversity that is RWE.
And the commitment shown by our employees.

We have about 60,000 employees who are passionately committed to RWE, to their company.

Employees who are prepared to fight for their company.

Right now, we need that commitment more than ever before.

The reality, Ladies and Gentlemen, is that the company – your RWE – is in crisis.

In the course of the expansion of renewables, our gas and coal-fired power stations are earning too little money. Part of our power station fleet is no longer profitable.

This is nothing new.

At our last Annual General Meeting I outlined how serious the situation was.

Particularly with regard to conventional power generation.

But now the crisis has reached a new dimension.

The latest plans by the Federal Ministry for Economic Affairs and Energy to introduce a so-called "climate contribution" for conventional power stations affects our very existence.

This contribution would mean immediate closure for the majority of our lignite mines and lignite-fired power stations.

But we are not giving up. We will carry on fighting.

Together with our employees we are doing all in our power to overcome the challenges that RWE faces in terms of competitiveness, innovation and financial strength.

Ladies and Gentlemen, RWE – your RWE – is in the process of reinventing itself.

Let us be honest, however: this will not happen overnight, and it will require more than just strategy papers.

It will need time. And it will need a clear goal. And most importantly, it will need employees who are passionately committed to it.

We are standing our ground, and, here in Germany in particular, we are assuming our responsibility as a leading European energy utility.

We enable and shape change.

We do this by investing in renewables and in state-of-the-art network infrastructure.

We do this by offering our customers innovative products and services. So that they can use energy more efficiently. Without having to cut back on their quality of life.

And we do this by taking our own development further – in terms of our corporate culture, our customer focus and our dedication to working hard. And, we have the courage to take new paths.

We are staying true to our core principle:
We keep our promises.

This brings me to our review of the 2014 fiscal year.

As Bernhard Günther has already said:

We achieved our objectives for 2014. Our earnings before interest, taxes, depreciation and amortisation – EBITDA – were actually much better than we expected, at €7.1 billion.

The operating result, at €4 billion, and recurrent net income, at €1.3 billion, were well within the forecast range.

On this basis, the Executive Board and Supervisory Board are proposing to you today that the net profit be used to pay a dividend of €1 per share. This means that 48% of recurrent net income would go to you as shareholders.

We did a good job of achieving our earnings targets during the last fiscal year. Even so, this cannot hide one important fact: in 2014, as expected, we did not match the previous year's operating result.

There were three main reasons for the decline in earnings:

- **First: In 2013 we benefited from the successful gas price revision with Gazprom, which had a one-off effect.**
- **Second: The crisis in conventional power generation is far from over. Earnings by our power stations were once again much lower in 2014.**
- **Third: The extremely mild winter meant we sold less gas to our customers.**

But even so, we were able to lessen the decline in the result with our own efforts. Support came from the good progress made in implementing our efficiency enhancements.

Our progress here is faster and better than expected.

Our goal of achieving a sustained improvement of €1.5 billion in our result will be achieved this year: two years earlier than originally planned.

Let me repeat that: we have achieved this two years faster than planned. That is a tremendous achievement by all our employees!

We have therefore raised the bar even higher by expanding our efficiency-enhancement programme by a further €500 million, and are now aiming for a total of €2 billion by 2017.

This programme consists of several waves. That is nothing new, either for the market or for our employees.

But there is one thing we are keeping constantly in focus: we must, and we will, continue to bolster our efforts to improve our efficiency.

When we presented our business figures for 2014 in March this year, we announced the specific target of €500 million. And now we are working to put together the package of measures to enable us to achieve it.

Our objective of earning more money than we spend was also achieved by 2014. This was also earlier than originally planned, by one year in this case.

For the first time in six years we were able to fully finance our capital expenditure and dividend payments from operational cash flow.

Yes, we have a surplus of more than €1 billion. Here we also benefitted from one-off effects.

We fought hard to achieve this. And so we will keep aiming to maintain a balanced budget. However, fluctuations in cash flows may keep us from accomplishing this every year.

We also successfully completed the sale of our gas and oil subsidiary RWE Dea at the beginning of March.

Although this was later than originally announced – partly because of the Ukraine crisis – it still worked out better and faster than many had expected.

As you can see: we delivered!

We got an extremely good price, around €5.1 billion. And that was despite declining prices on the oil and gas markets.

This helped bring our net debt down considerably, which will become evident for the first time in the report on the first quarter of 2015.

Moreover, we recorded a considerable reduction in our net financial debt last year, by €1.8 billion.

Owing to market interest rates, however, we had to increase our provisions for pensions. As a result, our debt as at the end of December was at the previous year's level, at €31 billion.

It is therefore not immediately obvious that there has been a positive change in our debt structure.

But actually, that is exactly what we have achieved!

About two-thirds of our debt is in the form of long-term provisions, with only one-third in financial debt on the capital market. That is a big difference. It means that RWE is not at risk of becoming insolvent in the short term, despite a high debt level.

The necessary internal restructuring within RWE is also already at a very advanced stage.

The best example for this is RWE Generation: from what were originally three independent generation companies, we created a single European electricity producer in just two years, which can be seen as a model of efficiency and cost awareness.

We have pooled our supply expertise within the new company RWE Retail, thus making RWE still more competitive. This gives us a faster time-to-market for new products and services, throughout Europe. Our achievements so far make me proud of the efforts by all of RWE's employees.

It shows that we can achieve what we have set out to do, even under difficult conditions.

And it shows that we can sometimes do this faster than expected.

But this in no way means that we can sit back and relax – quite the opposite.

The framework conditions are deteriorating faster than we are able to take countermeasures – particularly with regard to conventional electricity generation.

To give you a point of comparison: when I took on this position in the summer of 2012, one megawatt hour of electricity was still trading at €49 on the German forward market. Now, the price of electricity is down to about €32.

To put it another way, we are now earning about one-third less for exactly the same product!

At that price level, conventional power stations cannot be operated at a profit.

And yet gas and coal-fired power stations are still needed!

Without them, there would be regular interruptions in supply:
When the wind is not blowing.
Or when the sun is not shining.
Wind and solar power are not available at the flick of a switch.

One thing is clear in this regard: there is no way around a reform of the electricity market. We need a new market design. Building and operating the necessary gas and coal-fired power stations have to become economically appealing once again.

How can this be achieved? In other words, how can we ensure that there will still be enough conventional power stations available in the future to be able to produce electricity at any time?

As an industry, we advocate a decentralised capacity market. Using this model, electricity generators will also be remunerated for keeping power stations on standby. Power stations that can step in at any time when shortfalls occur. Just as football players get paid for sitting on the reserves' bench, ready for action if a player is sidelined.

The UK has already taken this path and has introduced what is known as a capacity market.

France and, more recently, Poland are also going with this model. The trend in Europe, particularly among our neighbouring countries, is clear.

As things stand, however, Germany will not follow their example. A key issues paper from the Federal Ministry for Economic Affairs and Energy was disclosed in mid-March, which rejects this model.

I am certain, however, that the discussion about capacity markets in Germany is not over yet, given the developments in our neighbouring countries.

One of the top subjects on the political agenda in Germany today is climate protection.

And I agree, climate protection is particularly important.

But I believe that it has to be combined with a reliable and affordable electricity supply. One that is affordable for everyone – residential and industrial customers alike.

We have only just pulled the plug on our nuclear power stations. And now the German government has put forward its plans for reaching the country's climate protection targets, to achieve a 40% reduction in CO_2 emissions compared to 1990 levels by the year 2020. Primarily via the energy industry. And at any price.

This target is to be reached by creating an additional climate protection instrument at a purely national level.

But as I said, right at the beginning of my speech:
If this undertaking by the Federal Ministry for Economic Affairs and Energy is implemented as planned, it will lead to major structural upheavals in the lignite industry.

That is simply a fact! Even if others refuse to acknowledge it.

These plans would lead, in the short term, to a disorganised, rushed exit from lignite-based electricity production.

The consequences would be far-reaching.

An early exit from lignite would mean the loss of a secure, low-cost and subsidy-free source of energy, in and for Germany.

This would have a tangible impact on security of supply.

As an industrial location, Germany would suffer hugely as wholesale electricity prices increased.

These plans also threaten tens of thousands of otherwise secure jobs that are either directly or indirectly connected with the lignite industry.

And at the end of the day, nothing would have been gained for the climate under the European energy trading system.

If the energy transition is to succeed, it must be managed in a way that is socially and economically bearable.

We must not lose sight of the importance of climate protection, but it cannot take precedence over everything else.

For Germany as an industrial location, competitiveness, security of supply and jobs are all equally valuable goals.

That is why we are doing everything we can to find solutions with policy-makers that will make the energy transition work. Europe-wide solutions are always better than individual, national approaches in this context.

Also in the interests of both our employees and our shareholders.

Ladies and Gentlemen,

The crisis in conventional electricity generation is one thing. But crises cannot be solved just by making savings!

As they put it so nicely in a German football context: we are switching to a controlled offensive.

In other words, we are increasingly looking for new growth opportunities – particularly smart growth ideas that do not require huge capital input on our part.

We have worked hard in the past two years to achieve the prerequisites for this.

That is why I would like to give everyone a clear message today:

We will bring RWE back on course for growth in the medium term, but without losing sight of the need for strict financial discipline.

We are still in a difficult financial situation, which means we must carefully weigh up what we spend our limited resources on.

We are focussing here on three growth areas:

First: renewable energy
Second: networks
And third: supply

We will continue to invest in renewables. A total of €1 billion spread over this year and the next two years. This will be earmarked mainly for wind farms, both on and off-shore.

These capital investments are increasingly paying off.

Our two large offshore wind farms, Gwynt y Môr off the coast of Wales and Nordsee Ost near Heligoland, will begin producing electricity at full capacity by this summer as planned, and will be contributing strong and stable earnings.

In 2015, the result of our renewables subsidiary, RWE Innogy, will therefore be significantly above the previous year's level.

We are relying more on partnerships when it comes to new facilities. By selling shares in our projects, we are spreading our risks and costs more broadly. It also means we can initiate a larger number of projects. One example is our planned Nordsee One offshore wind farm, in which we have reduced our shareholding to just 15%.

The electricity network also plays a key role in the implementation of the energy transition. More than 300,000 electricity generation systems based on renewable energy are currently connected to our grid. And that number is growing every year.

That is why we are investing in maintaining and expanding our networks, to the tune of about €1 billion – every year!

To spell it out: our network is becoming more and more efficient.

In this context, a regulatory framework that is set in place for a period of years guarantees stable returns.

We also want our supply business to grow. Here, we are going above and beyond just the sale of electricity and gas.

We are in a very good starting position. We already supply 16 million customers with electricity and more than seven million with gas. We have extensive expertise in the area of energy supply. And, we know the markets.

And we are bringing all of this together:

We are developing new business models for all customer groups.

This requires no major investment, just creativity and the necessary leeway to shape the future. This is why I have put the topic of "innovation" at the top of my personal agenda.

I am absolutely convinced that innovations will help us stand out from our competitors.

In Germany alone, we currently generate revenue of €500 million – per year! – from energy-related products and services. While that is an excellent result, it is still just the beginning.

You are already familiar with our "RWE SmartHome" product. I presented it here myself at the Grugahalle last year. We have further products on display in the foyer today, for you to get to know and try out.

I should mention that RWE SmartHome is being very well received by our customers: we have sold several hundred thousand of these devices since the product was launched four years ago. And we have

developed SmartHome into a platform that makes it possible to incorporate products from other manufacturers too. Just in time for its fourth birthday, we were able to establish a new partnership arrangement with Samsung to supply high-performance security cameras. Thanks to SmartHome, our customers can constantly keep track of what is happening at home.

I also talked last time about our cooperation with the Google company NEST.

We have been selling the Google NEST smart thermostat in the UK since April 2014, since September on an exclusive basis in the Netherlands, and since December in Belgium.
In addition, we are marketing our energy efficiency expertise to commercial enterprises and medium-sized industrial businesses. Our experts use state-of-the-art measuring techniques and the RWE Energy Controlling System to analyse energy consumption and develop tailored optimisation measures.

But that isn't all:
We are developing new business models that take us into different industries.

Housing management, for example.

Last year, as a pilot project, we worked with housing company LEG to introduce a "tenant's electricity" model in a housing estate containing more than 700 residential units. Four state-of-the-art, environmentally

friendly cogeneration plants were installed instead of oil heating. These provide the residential units not only with heat, but also with electricity on an optional basis.

This has two major advantages:

First: it reduces CO_2 emissions.

Second: having in-house "tenant's electricity" enables the residents to make cash savings, since their own locally generated electricity is cheaper than the local electricity tariff.

Initial results have been positive, and so we have now established a joint energy management company together with LEG. The new company will be responsible for the entire energy supply and management for more than 110,000 residential units owned by LEG.

In other words: RWE and LEG will manage a number of residential units equivalent to a medium-sized city such as Oberhausen.

Our cooperation with LEG is only one of our many projects that show how we are helping to shape the transformation of the energy market on the ground and make it a success.

**As you can see: we are clearly aligning our capital investment and future growth with the energy transition – focusing on renewables, networks, and innovative products and services.
But we are going even further than that.**

There are interesting regions that have not previously been the focus of our business activities, but still offer opportunities.

Romania and Croatia, for instance.

And also a number of regions beyond Europe.

The trading business is one area where we see opportunities for growth. We are also increasingly applying our expertise in energy trading in markets outside Europe. The extra cost is minimal and it pays off. Following New York and Singapore, we recently opened new trading offices in Mumbai and Jakarta.

We also want to increase our level of activity in the Arabian Peninsula and in North Africa. Since last year we have been providing comprehensive consulting services from our base in Dubai.

One example is that we support the government of Dubai in developing an integrated energy strategy. Our team there advises the emirate on all matters of energy supply and use – from selecting the energy mix to electricity generation and innovative solutions to improve energy efficiency.

Winning this project was a major success for us. After all, our experts were competing in an intensive selection procedure against prominent global consulting companies. It shows that our expertise in energy matters is sought after, and that we enjoy a good reputation in the region.

We are also looking at different types of cooperation with an investor from the Arab world who approached us a few months ago. No agreement has been signed yet, other than a confidentiality agreement.

Ladies and Gentlemen,

Stable finances, new business areas and strong partnerships are the key elements in the future of your company.

But as I noted earlier: we are still faced with a difficult market environment, and that level of difficulty is currently increasing.

The crisis in conventional electricity generation will continue to impact on RWE's earnings situation this year.

Our efforts to strengthen our earnings situation and our efficiency-enhancement programme will help dampen the effects of this crisis. But we cannot offset them completely.

We will therefore probably not succeed in keeping our operating result at the same level as in 2014. For the current fiscal year it will probably be somewhere between €3.6 and €3.9 billion, or between three and ten percent less than in 2014.

We expect our EBITDA to be in the order of €6.1 to €6.4 billion, and recurrent net income will likely be between €1.1 and €1.3 billion.

With effect from fiscal 2015, we have changed our dividend policy. We no longer link our dividend with a target payout ratio of 40-50% of recurrent net income.

The Executive Board decided to take this step in December, with the support of the Supervisory Board.

In future, the dividend proposal will more closely reflect the overall economic situation of RWE, and it will thus be determined mainly on the basis of the earnings situation of the Group as a whole, cash flows from operating activities and our debt situation.

Opportunities for growth investments will also be taken into consideration.

In agreement with the Supervisory Board, we plan to make an announcement about the 2015 dividend as the year progresses.

Ladies and Gentlemen,
Shareholders and Investors,

A difficult path lies ahead. Through strict financial discipline and a stronger focus on growth opportunities we intend to get through it.

We will remain a reliable partner in the transformation of the European energy system – by helping to shape change.

Thank you for the confidence that you continue to show in us.

As an additional service for you as our shareholders, we have today become the first DAX-listed company to introduce a club for our investors. You can register and find out more at our "All About RWE Shares" booth in the lobby.

I hope that we can continue to count on your support in future, and I would be delighted to see you stay with us as shareholders on the road ahead.

Thank you very much.