

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

Essen, 3 May 2019

**Please check against delivery!**

Ladies and gentlemen,

Dear shareholders and members of the  
RWE Investors Club,

Dear friends and guests,

I'd like to welcome you here today to RWE's Annual General Meeting, also on behalf of my colleague on the Executive Board, Markus Krebber.

Ladies and gentlemen,

Our world is changing every day. Week after week. Month by month. Year in, year out.

That's completely normal. Indeed, that's how it has always been. Some say that everything was better in the past. But that's wrong. It was just different.

The change from old to new is driven by technological progress and social development.

- Think about how we live today. It is easier to strike a better work-life balance. We have flexible working hours and pay more attention to our health.
- Think about how we work today. Making video calls on our mobile phones is completely normal. We can network wherever we are. With 5G and artificial intelligence, we're on the verge of another revolution in technology.
- Think about how we travel today. Nowadays, the ICE from Essen to Frankfurt am Main takes less than two hours. Electric motors and synthetic fuels are the future of transportation. We're reaping the benefits of mobility, which consist of much more than buying a car and driving it.

And of course, the way we generate electricity is also changing.

Right now, producing electricity is still very CO<sub>2</sub> intensive. We have to change this. And we are changing this.

The goal has been defined: through technological progress, we are aiming to cut CO<sub>2</sub> emissions as much as possible, as quickly as we can. This is a goal that we agree on:

- in society,
- in our economy,
- and of course, in our company.

And Germany can lead by example – with bold ideas and a wealth of expertise. This is a great opportunity for our country to strike a balance between protecting the climate and creating value.

This is why I think it's great that so many pupils are interested in this. Protecting our climate and environment are challenges faced by all generations – a task for all mankind. Something for which raising one's voice is worthwhile.

This is an opportunity that Germany can seize. If we as a society take a pragmatic approach to the transformation. And this is exactly what RWE is doing. No other company is placing its bets on rebuilding as resolutely as we are.

Fridays for Future has firmly placed the topic on the agenda, so that it becomes ingrained in everyone's awareness. But those who make demands must also take action. This is what we at RWE stand for. We have set the course in this direction. As we chart it, we will keep our eyes on the future and what's feasible.

I feel that what's achievable is short-changed in many debates. This is unfortunate. Competition for the most radical demand or the most far-reaching ban does more harm than good.

Many people are scared by this. And this leads to resistance and defensiveness. What Germany needs is a thirst for the new.

RWE upholds both national and European climate protection goals. We will stop investing in new coal-fired power plants. We are calling a halt to our plans for *BoAplus*, our modern, refined lignite-fired power station.

Generating clean, reliable electricity: that's the goal we want to reach. We want to be the growth engine for tomorrow's energy.

Confidence, performance and passion – these are three defining traits of RWE. They make us strong and creative so that we can meet the challenges of the future.

And they are the best prerequisites for transforming RWE into the 'new RWE'.



Ladies and gentlemen,

In just a year's time, you'll hardly recognise our company. Because we are continuing to evolve at great speed, pursuing a new vision with new growth opportunities.

Of course, RWE will still be written on your share certificates. But the company behind it will be different. It will be a company with an international scope of business. And with a clear focus on producing electricity with hardly any CO<sub>2</sub> emissions and on reliable electricity supply.

Just one year ago at this meeting, I laid out that path to you. Our transaction with E.ON is one of the biggest ever in the history of German industry. It will transform us into one of the world's leading producers of electricity from renewable sources. And it opens up outstanding opportunities for the future.

But in the midst of all this change, we will not forget our roots. We are and will always be *one* RWE. With a cultural diversity that we want and foster. We do this in various business fields and with shared values.

We are all working for the company's success, each in our own way. We produce electricity and ensure security of supply – in many different ways. Taking into account politics, the market and our society.

The transformation into the 'new RWE' must be carried out with precision and great attention to detail. It's in the hands of our highly qualified and motivated employees, who have made great progress in recent months:

- Last July, E.ON, innogy and RWE agreed on a fair integration process and innogy pledged its support for the transaction.
- In January 2019, we established the basic strategy for our future subsidiary, RWE Renewables. In addition, we appointed the management team, headed by Anja-Isabel Dotzenrath.
- In February, the European Commission granted its approval for the transaction between E.ON and us without any conditions. Germany's Federal Cartel Office agreed to the 16.7% financial investment in E.ON.
- And in early April, the UK competition authority gave us the go-ahead.

Essentially, we are proceeding right on schedule with the transaction and hope to have completed it in the second half of the year.

Ladies and gentlemen,

Starting from Day One, with its new subsidiary, RWE Renewables, your company will rank among the leading players on the international renewable energy market. Thanks to our concentrated know-how and financial options, we will develop the strength that's needed. In offshore wind generation, we will start out as No. 2 in the world. We also have solid market positions in onshore wind and solar power.

Our strategy is strongly focused on growth. Every year, we plan on adding 2 to 3 GW of renewable capacity. In order to achieve this, we will invest a net 1.5 billion euros annually in renewables and storage. We intend to reinforce this strong market position and in the process create value for you, our shareholders.

In addition to the existing installations, we have an attractive pipeline of projects, which E.ON and innogy will be contributing to RWE Renewables. This pipeline has continued to grow in recent months and is well filled, with around 17 GW of projects.

This stems from contractual provisions that we established for the transaction last year: regardless of when a project is completed from a legal point of view, we are entitled to the economic results of the swapped assets from 1 January 2018 onwards. Naturally, we will also bear the costs and take on the investments.

Consequently, all of the deals that E.ON and innogy have made in the field of renewables since then will go into the 'new RWE'.

Our future employees know that their dedication and hard work will also bear fruit at RWE. We have the ability and ambition to build and operate well-developed projects.

I think what the future RWE Renewables has achieved in the last twelve months is quite impressive:

- In Sweden, E.ON is currently building one of the largest onshore wind farms in Europe, with a capacity of 475 MW.
- The 385 MW offshore Arkona wind farm near Rügen, which was built in record time, went fully operational a few weeks ago. It is Germany's largest offshore wind farm.
- In Texas, E.ON has started construction of two onshore wind farms – Cranell, with a capacity of 220 MW, and Peyton Creek with a capacity of 151 MW – both of which are scheduled to go online this year.

- And innogy has launched a major onshore project at Scioto Ridge in Ohio, with a capacity of more than 240 MW.
- innogy is building the Triton Knoll wind farm off the east coast of England, with a planned capacity of 860 MW.
- innogy is also overseeing construction of the largest solar farm in Australia: Limondale in New South Wales will have an installed capacity of 349 MW.
- PV projects are also being developed by innogy in Canada and Spain. What makes these projects special is that they are being carried out without state subsidies. This shows that solar energy is already competitive in various markets.

Ladies and gentlemen,

Between 2012 and 2018, RWE reduced its specific CO<sub>2</sub> emissions by 60 million metric tons. That represents a decline of 34 percent, which is more than Germany as a whole has achieved since 1990, but in a much shorter period of time.

We intend to carry on with this. Let me just cite one example:

In the Netherlands, we are gradually retrofitting our two hard coal-fired plants in Amer and Eemshaven to use environmentally-friendly biomass.

This is work that pays off for the climate. Compared to using hard coal only, co-firing allows us to reduce CO<sub>2</sub> emissions at these two power plants by around 4 million metric tons per year. At the same time, we are supporting security of supply, as these plants can be used flexibly at any time.

I think this is a good argument for using biomass, as this solution combines CO<sub>2</sub>-neutral power generation with security of supply. This is an aspect that really needs to be included in the considerations on how the use of biomass should be supported in the future.

Ladies and gentlemen,

In making the transition from coal to renewables, there is no way to get around the more intensive use of natural gas, at least temporarily.

Conversely, this means that using gas for electricity generation will be more lucrative in the years ahead. RWE is well prepared for this, thanks to our fleet of gas-fired power stations – Europe's fourth largest in terms of capacity.

Consequently, by the end of 2020 we plan to recommission our Claus C gas-fired plant in the Dutch city of Maasbracht, which has been mothballed since 2014. This station has a net capacity of 1,300 MW and meets the highest efficiency standards, with a rating of 58 percent.

Thanks to its location, Claus C can be connected to the Belgian power grid without great expense.

Ladies and gentlemen,

Gas also plays an increasingly important role in our energy trading activities, in particular business with LNG. In 2018, we traded 10 million metric tons of LNG, more than doubling the volume within 2 years.

The latest outlook for the LNG market published by Shell forecasts strong growth in consumption, which is expected to grow rapidly in Asia especially, leading to stronger demand for LNG.

With this in mind, we are reinforcing our position. Both at the international level and in Germany. Last year, we secured significant marketing capacities at a possible LNG terminal in Brunsbüttel.

All the while, we continue to expand our global LNG portfolio. Since November, we have been working with Tokyo Gas, one of the world's largest purchasers of LNG. We have similar cooperation agreements with African, Australian and US partners.

Another interesting area for our trading business is selling green electricity. This is not only interesting for the 'new RWE'. But we supply the German railway with green electricity for many years now.

Or take another current example: we have an exclusive marketing agreement with the Belgian partner Parkwind to sell the entire production of the Northwester 2 wind farm. Following completion of the wind farm next year, this will amount to around 800 GWh annually.

Ladies and gentlemen,

We are researching just about everything you can think of in the energy sector, from generating electricity to modern storage solutions. Because this enables us to recognise trends and developments at an early stage and get involved in the decisions that shape the future.

One current example is the planned construction of a power-to-gas plant in Lingen with a capacity of 105 MW. Together with our

partners, we want to turn electricity from wind power into 'green hydrogen' at this facility. Clean hydrogen can be stored and transported, allowing it to be integrated into existing infrastructures.

The common goal of all the partners is to show an example of the entire value chain, working at an industrial scale. However, this requires a suitable regulatory environment.

Ladies and gentlemen,

All of our employees are out there working hard for RWE every day. Despite our quick reorientation, we are not neglecting our existing business.

This is reflected by the figures for our three operating segments:

- Lignite & Nuclear,
- European Power,
- and Supply & Trading.

Despite the difficult conditions, these divisions all developed in line with expectations in 2018, and the results were on target.

As usual, you can find the details in our Annual Report.

As in previous years, we present the data for 'RWE stand-alone', which we will use to manage the company and our businesses until the transaction has been completed. We treat innogy as a pure financial investment.

In 2018, on a stand-alone basis, RWE generated adjusted EBITDA – earnings before interest, taxes and depreciation and amortisation – of 1.5 billion euros. We had forecast a figure between 1.4 and 1.7 billion euros. In the previous year, we posted EBITDA of 2.1 billion

euros.

'RWE stand-alone' recorded adjusted net income of 591 million euros, compared to 973 million euros in the preceding year. This was also in line with the guidance of 500 to 800 million euros.

The decline compared to the previous year was anticipated, for two reasons:

- *First:* Because we generated less electricity. This was mainly due to the shutdown of Unit B of the Gundremmingen nuclear power plant at the end of 2017.
- *And second:* Because lower margins were realised, due to the lower electricity prices in past years.

Furthermore, the sudden suspension of payments in the UK capacity market cost us 50 million euros last year. We do not expect payments to resume in 2019, as a result of which we expect to lose 180 million euros.

Back in 2016, we launched a further cost-cutting programme. By working more efficiently, we wanted to permanently lower our annual cost base by 300 million euros by 2019.

We had already almost achieved this goal by the end of 2018.

RWE delivered results. Ahead of schedule.

Ladies and gentlemen,

There's also good news on our financial situation: over the last two years, we have reduced our debt and called or redeemed hybrid bonds early. Right now the outstanding volume of hybrid bonds is

about 1.1 billion euros, down from about 3.9 billion euros at the end of 2016.

Our rating situation is stable and we continue to have an investment-grade rating. Both rating agencies, Moody's and Fitch, confirmed the outlook as 'stable' in 2018.

In preparation for the acquisition of the renewables businesses of E.ON and innogy, we concluded a new credit agreement worth 5 billion euros in April. This syndicated credit line replaces the existing agreement with a volume of 3 billion euros and ensures the Group's liquidity.

It was provided by 27 international banks and was significantly oversubscribed. The strong interest shown by our banking partners reflects their confidence in our business strategy.

Ladies and gentlemen,  
dear Shareholders,

Our good operating and financial performance, along with an excellent outlook due to the planned transaction with E.ON, was well received by the capital market.

On March 12, 2018, the day the transaction was announced, your share stood at 19.65 euros. At the end of April 2019, your share stood at 22.77 euros. That is an increase of 16 percent.

So, for the second time in a row, your RWE share was among the top 3 performers in the DAX in 2018. RWE is an attractive investment.

At last year's Annual General Meeting, we presented the goal of increasing the regular dividend from 50 to 70 cents per share. And we are delivering on our promise in this case as well.

The Executive Board and the Supervisory Board will propose a dividend of 70 cents for common and preferred shares for fiscal 2018.

Dear Shareholders, I ask for your support in this matter.

Ladies and gentlemen,

In 2019, adjusted EBITDA for 'RWE stand-alone' is expected to come in at 1.2 to 1.5 billion euros. We are forecasting adjusted net income of 300 to 600 million euros.

What is the basis for this forecast?

- On the one hand, the order to stop clearance at the Hambach opencast mine and the suspension of payments from the UK capacity market have negative effects.
- On the other hand, the slight recovery in electricity prices has a positive effect.

Nevertheless, on the whole, we expect to see a decline in our earnings this year.

But we already see opportunities for the 'new RWE' starting from next year. We have a strategy which is clearly focused on growth, with purposive investments in attractive markets and projects. A well-founded strategy. And as our shareholders, you should benefit from this as well.

With this in mind, in 2019 we intend to raise the dividend again, this time to 80 cents. This underlines our goal of paying a sustainable dividend.

After completion of the transaction with E.ON, we want to adjust our dividend policy and return to a defined payout ratio. Going forward, the dividend should be at least as high as the 2019 level.

Ladies and gentlemen,

Clearly, the effects of the 'new RWE' are already being felt. At the same time, however, we should not forget that the 'new RWE' would not be possible without the profits we earned in the past, especially in the field of conventional power generation. Building innogy's renewable energy portfolio was only possible thanks to the margins realised in the conventional generation business.

Our conventional generation business will thus continue to play a major role in our future success.

The employees working in this segment in the past, the present and the future have my great respect.

They, too, are faced with great challenges. Amidst changing conditions, they are the ones behind the transformation of the energy sector:

- With production that is declining, but is still always available.
- With top-notch recultivation at the opencast mines in the decades ahead.
- And the responsible decommissioning we have been practicing at our closed Mülheim-Kärlich, Biblis, Gundremmingen and Lingen nuclear power stations for quite some time.

We live up to our responsibilities – both in this area and elsewhere.

On the first of January this year, we transferred our intermediate storage facilities including the containers there in perfect condition to the federal government, as required by the law passed in 2016.

With regard to the nuclear phaseout, last year a decision of the federal government was relevant for us. In May 2018, as called for by the Constitutional Court, the government adopted a regulation for compensation for residual electricity quotas. It will not be possible to precisely determine the amount of compensation that our company will receive before 2023. We anticipate a payment in mid-range triple-digit million euro territory.

Ladies and gentlemen,

Changes in society and political developments have a strong effect on the energy sector. Hardly any other sector of the economy is affected so acutely. We are quite aware of this. And we stand ready to face the resulting challenges.

For example, we welcome the proposals made by the Growth, Structural Change and Employment Commission.

The Commission proposes to end the use of coal for electricity production by 2038. Now it is up to the politicians to turn these proposals into reality. We are ready to do our part.

In return, we need a reliable overall framework, with regard to compensation, solutions for employees and the operation of the rest of the company.

The Commission's proposal on phasing out coal can be an important part of ensuring a successful energy transition in Germany.

But whether we will be able to transform the energy system itself does not depend on ending the use of coal. What's far more important is the expansion of renewables and, in particular, grids.

These two elements are crucial to the energy transition. The federal government has recognised this. As I understand from the media, what is referred to as the 'Climate Cabinet' wants to focus sharply on expansion. And that's good, because Germany needs to pick up the pace.

For environmental associations, grid expansion in particular will be the litmus test. If you want to switch to renewables, you can't oppose everything, everywhere.

In this spirit, I'd like to call on the environmental associations to withdraw their lawsuits and live up to their responsibilities.

I also call on the communities and the federal states to give their backing to the energy transition and support the expansion of the grids as best they can.

Ladies and gentlemen,

Let me now address the proposals of the Coal Commission from our perspective:

*First:*

If the results are implemented by policymakers, we will then have the necessary planning security to significantly reduce coal use in our society over the coming two decades, while doing this in a responsible manner.

For our company, the proposals will probably mean that more lignite-fired power plants are taken offline by 2023, as the first major step.

How this will work in detail will be the subject of upcoming talks with the federal government.

In this context, it is important to note that neither the employees nor you as shareholders should have to suffer from the state's intervention in private enterprise.

Nor should the people being relocated in the Rhenish coal mining region have to live with uncertainty. The Commission made a conscious decision not to call into question the relocation plans, which are already at a very advanced stage.

Relocation in Garzweiler must be carried out completely and according to the plans, taking matters of social and energy policy into consideration. Because the coal in these areas will be needed in the early 2020s to supply the remaining power plants with fuel. This is in line with the Commission's recommendations.

The environmental associations have also agreed to the compromise proposed by the Coal Commission. By doing so, they have assumed a great deal of social responsibility, as have all members of the Commission. One must stand by one's decisions. I agree with the Chancellor: there should be no cherry-picking.

*Second:*

The Commission made sensible proposals for the employees. The most important message is that no-one will be left in the lurch. That's extremely important for the employees and for us as well, as employers.

I've been to Hambach and spoken with employees there. Most of the employees at the opencast mines and power plants would like to continue working in their jobs, preferably until they retire. They don't want government aid, they want to keep working. However, because

of political decisions, this will not be possible for all of them. This is something we have to accept, as painful as it may be for many people. That's why it is all the more important that the social hardships be cushioned. And we know that the unions are by our side in this regard.

This brings me to my *third point*:

The Commission found it desirable to leave Hambach Forest standing.

We will review the technical options with regard to site safety, recultivation and water management issues. A whole new lignite plan will be necessary for this. This will take several years.

In March, our legal position on Hambach Forest was confirmed once again by the Cologne Administrative Court: it is not a special protection area. This strengthens our position in the ongoing legal proceedings.

Regardless of this, we agreed with the government of North Rhine-Westphalia that there will be no further clearing of Hambach Forest until the autumn of 2020.

We had hoped that the violent attacks against the police, our employees and our operations would finally come to an end. Unfortunately, this was not the case, and the attacks have continued.

Ladies and gentlemen,

In closing, I'd like to address an issue that is personally important to me.

In three weeks time, the citizens of the European Union will have the opportunity to participate in the EU's parliamentary elections.

I am committed to European values: Together, instead of against each other; respect, instead of isolation.

I support a free, open and unified Europe. All of us who can now raise their voice in favour of Europe should do so. Brexit shows how quickly a majority can be formed against a unified Europe. It is an unmistakable symptom of recurrent nationalist thinking. And it moves our world in the wrong direction.

In my opinion, the European Union is the right answer for the future. In keeping with this, I will be casting my vote on 26 May. Because as a citizen of Europe, I support Europe. And because I want to see our children and grandchildren grow up on a united continent.

I hope that you feel the same way.

Ladies and gentlemen,

In summary, I'd like to stress that

we're on course. The 'new RWE' is on the horizon. Everything is proceeding according to plan.

- We have a sharp focus on renewables and storage.
- We are starting out with a powerful market position and will keep growing at the international level.
- We are expanding our trading business.

- We are taking our responsibility for an orderly exit from nuclear power and coal very seriously.
- And we are working hard to ensure a clean, reliable supply of electricity.

In other words:

Your RWE will continue to be a source of great pleasure for you in the future.

Thank you!

### *Forward-looking statements*

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