

**Report of the Executive Board on items 7 and 8 on the Agenda of the Annual  
General Meeting doubling as the Report of the Executive Board to the Preferred  
Shareholders Meeting of RWE Aktiengesellschaft on 3 May 2019**

The shareholders cast a majority vote against the request for a supplement to the Agenda concerning the conversion of preferred to common shares at the 2018 Annual General Meeting. At the time, the Executive Board and the Supervisory Board of RWE Aktiengesellschaft were of the opinion that a conversion was not in the Company's interests and thus recommended in their statement in response to the request for a supplement to the Agenda that the motion for the passage of a resolution be denied. In addition, the Executive Board and the Supervisory Board had submitted in their statement that they generally favour a conversion of preferred to common shares and that the feasibility of such a conversion was regularly reviewed taking account of all relevant factors. Subsequent to the 2018 Annual General Meeting, the Executive Board and the Supervisory Board conducted a further such review. The development of the difference in price between the preferred share and the common share from 26 April 2018 to date and the further assumed development were considered, amongst other factors. This resulted in the Executive Board and the Supervisory Board deciding to propose to the shareholders at this year's Ordinary General Meeting on 3 May 2019 the passage of a resolution to convert all preferred shares to common shares. In so doing, the Executive Board and the Supervisory Board intend to simplify the Company's capital structure by focusing on the class of common shares in the interests of the Company and all its shareholders and thus fully do justice to the structural principle of "one share – one vote" established on international capital markets.

Therefore, in item 7 on the Agenda of the Ordinary General Meeting on 3 May 2019, the Executive Board and the Supervisory Board propose the conversion of non-voting preferred shares to voting common shares while abolishing the preferred dividend. Furthermore, in item 8 on the Agenda of the Annual General Meeting, the Executive Board and the Supervisory Board propose that the resolution of the Annual General Meeting regarding item 7 on the Agenda of the Annual General Meeting to convert the preferred shares to common shares be approved via a special resolution by the common shareholders. Moreover, the required approval of the preferred shareholders of the conversion of preferred shares to common shares is to be obtained via a special

resolution in a Preferred Shareholders Meeting also taking place on 3 May 2019, following the Annual General Meeting.

The Executive Board delivers the following written report on the aforementioned draft resolutions to the Company's Annual General Meeting convened for 3 May 2019 and to the Preferred Shareholders Meeting convened for the same day:

## **1. Current share and capital structure**

The Company's capital stock currently amounts to EUR 1,573,748,477.44. It is divided among 575,745,499 non-par value common shares and 39,000,000 non-par value non-voting preferred shares. The preferred shares thus account for 6.34% of all shares issued by the Company.

Both classes are admitted to trading on the regulated market on the Frankfurt Stock Exchange and on the section of the regulated market with additional post admission obligations (Prime Standard) as well as on the regulated market on the Düsseldorf Stock Exchange. In addition, the Company's common shares are included in the German Share Index (DAX).

The preferred shares are entitled to a preferred dividend in accordance with Article 4, Paragraph 4 of the Articles of Incorporation, which stipulates that the preferred shareholders are entitled to a preferred dividend of EUR 0.13 per preferred share when the distributable profit is appropriated. Pursuant to Article 18, Paragraph 1 of the Articles of Incorporation, the Company's distributable profit is appropriated in the following sequence: 1) backpayment of any arrears in preferred share dividends arising from prior years; 2) payment of a preferred dividend of EUR 0.13 per preferred share; 3) payment of a dividend on the common shares of up to EUR 0.13 per common share; 4) uniform payment of any further dividends on the common and preferred shares save as otherwise determined by the General Meeting. In line with statutory regulations, preferred shares do not bear voting rights.

The Executive Board is of the opinion that the current discount of the price of the preferred share relative to that of the common share and in particular the discount of the price of the preferred share relative to that of the common share in the run-up to

the publication of the ad-hoc release of 13 December 2018, in which the planned conversion of preferred shares to common shares was announced, is primarily due to the very limited liquidity and in the reduced acceptance of the preferred share on the capital market: Investors want more than a profitable equity interest, instead demanding to have a say via voting rights in accordance with the “one share – one vote” principle. Furthermore, many investors do not invest in share classes with low liquidity. The latter is compounded by the fact that the preferred share is not included in the DAX precisely due to its lower liquidity compared to the common share.

## **2. Future share and capital structure**

The conversion of non-voting preferred shares to voting common shares will not change the amount of the Company’s capital stock. It will remain EUR 1,573,748,477.44. However, in the future, the capital stock will consist of 614,745,499 non-par value common shares.

The conversion will abolish the preferred dividend to which preferred shares are entitled, as a result of which all shares will have equal dividend entitlements. If the envisaged conversion is implemented as planned, the preferred dividend pursuant to Article 4, Paragraph 4 of the Articles of Incorporation will be considered for the last time when the distributable profit of fiscal 2018 is appropriated. To compensate for the abolishment of the preferred dividend, the former preferred shareholders will receive the right to vote at the Annual General Meeting once their shares have been converted. Then every share in the Company will bear the same voting right of one vote per share. Therefore, all shareholders will be subject to the statutory regulations applicable to holders of voting shares in listed companies, which primarily encompass the notification duties applicable in accordance with Section 33 et seqq. of the German Securities Trading Act.

## **3. Conversion procedure**

The non-voting preferred shares will be converted to voting common shares by abolishing the preferred dividend associated with the preferred shares by amending the Articles of Incorporation. This brings the features of the preferred shares in line with those of the common shares, completely abolishing the preferred share class.

Consequently, there will not be a stock swap. Instead, the rights associated with the preferred shares will be adjusted by replacing the preferred dividend with the voting right. The proportionate share of each shareholder in the Company's capital stock will remain unchanged. There is no need for the preferred shareholders to pay a cash adjustment.

The conversion of the non-voting preferred shares to voting common shares requires a resolution by the Annual General Meeting to amend the Articles of Incorporation, which pursuant to Section 179, Paragraph 2 of the German Stock Corporation Act in conjunction with Article 16, Paragraph 6 of the Company's Articles of Incorporation, must be passed by a simple majority of the votes cast and of the capital stock represented during the passage of the resolution. This resolution is to be passed by the Annual General Meeting on 3 May 2019 under item 7 on the Agenda. Furthermore, as a precautionary measure, the common shareholders are to be asked to approve the resolution by the Annual General Meeting via a special resolution in accordance with Section 179, Paragraph 3 of the German Stock Corporation Act. Pursuant to Section 179, Paragraphs 2 and 3 of the German Stock Corporation Act in conjunction with Article 16, Paragraph 6 of the Company's Articles of Incorporation, this special resolution also requires a simple majority of the votes cast and of the capital stock represented during the passage of the resolution and is to be passed by the Annual General Meeting on 3 May 2019 under item 8 on the Agenda. In addition, the resolution on the conversion of the preferred shares to common shares requires the approval of the preferred shareholders, which will reach a decision on this via a special resolution on 3 May 2019 as well, at a Preferred Shareholders Meeting following the Annual General Meeting. Pursuant to Section 141, Paragraph 3, Sentence 2 of the German Stock Corporation Act, this special resolution requires a majority of at least three quarters of the votes cast. If the required resolutions are passed, the amendment to the Articles of Incorporation will be filed with the Commercial Register. The entry of the amendment to the Articles of Incorporation in the Commercial Register causes the amendment to the Articles of Incorporation, the adjustment of the features of the shares held by the preferred shareholders to those of the common shares, and the abolishment of the special class of preferred shares existing thus far to become effective.

#### **4. Impact on the stock market listing**

At present, both the preferred shares and the common shares of the Company are admitted to trading on the regulated market on the Frankfurt Stock Exchange and on the section of the regulated market with additional post-admission obligations (Prime Standard) as well as on the regulated market on the Düsseldorf Stock Exchange. The stock market listing of the preferred shares will be cancelled as a result of their conversion to common shares. However, it is envisaged that the common shares resulting from the conversion be admitted to trading on the regulated market on the Frankfurt Stock Exchange and on the section of the regulated market with additional post-admission obligations (Prime Standard) as well as on the regulated market on the Düsseldorf Stock Exchange.

The conversion of the preferred shares to common shares will be implemented in accordance with German company law by entering the resolution by the Annual General Meeting on the conversion and the associated amendments to the Articles of Incorporation into the Commercial Register. The depositary banks will adjust the holdings of their customers in preferred shares to common shares immediately following the entry of the amendments to the Articles of Incorporation into the Commercial Register. No action is required by the shareholders themselves. The conversion will not cause them to bear additional costs. It is envisaged that the common shares newly created by the conversion of the preferred shares be admitted to trading on the stock market under the securities identification numbers of the common shares (ISIN/WKN), as the existing common shares are. The Company cannot influence the exact timing of the entry into the Commercial Register or the related actions by the stock exchanges and depositary banks. However, it is envisaged to conduct the conversion as smoothly as possible, by taking a very coordinated approach with the stock exchanges and the related Commercial Register. A temporary interruption of the stock market trading of the current preferred shares before the admission of the common shares is to be avoided if possible. The Company will provide a notification of the precise time of the conversion in its publications and through public announcements.

## **5. Advantages of the conversion**

The conversion of the preferred shares to common shares is in the interests of the Company and shareholders. It renders the features of RWE Aktiengesellschaft's shares uniform, simplifying the capital structure while making it more transparent. In the future, all of the Company's shares will have the same rights – in particular voting rights – and partake of the Company's distributable profit to the same extent.

The envisaged uniformity and simplification will create a higher degree of transparency, through which the attractiveness of an investment in the Company can be increased further – especially from the perspective of international investors. At the same time, the future focus on a single share class is in line with the internationally accepted and applied corporate governance principle, according to which every share entitles its holder to cast a vote (“one share – one vote”).

This rise in attractiveness will be further strengthened as the creation of a single share class will increase the liquidity of the RWE share on the capital market.

In addition, the combination of the share classes will lessen the Company's administrative workload and simplify reporting. The unification will eliminate cost positions for the Company resulting from the concurrent listing of the common shares and preferred shares on the Frankfurt Stock Exchange and the Düsseldorf Stock Exchange.

The aforementioned advantages for the Company are not contrasted by disadvantages bearing any weight. The conversion will cause the Company to incur one-off costs, but it expects that the conversion will reduce costs overall in the future. The shareholders will benefit from the aforementioned advantages and the conversion will not put them at any significant disadvantage. The preferred shareholders will relinquish the preferred dividend associated with the preferred share, but they will receive the right to vote at the Annual General Meeting. The voting right quota of the common shareholders to date will be reduced, but they will benefit from the abolishment of the preferred dividend associated with the preferred share, because all of the Company's shareholders will partake of the Company's profits equally and uniformly in the future.

The Executive Board also considered the difference in price between the preferred share and the common share, in particular through to 13 December 2018, the date on which the ad-hoc release was published. The Executive Board is of the opinion that the proposed conversion is reasonable in this respect as well, in view of the advantages for the Company and its shareholders associated with the conversion.

In the final analysis, converting preferred shares to common shares is clearly in both the Company's and the shareholders' interest. The advantages imparted by making the Company's capital structure uniform cannot be attained in any other way. As the conversion does not have any significant disadvantages, the Executive Board has the conviction, which is endorsed by the Supervisory Board, that there is no doubt that the proposed measure is objectively justified. In agreement with the Supervisory Board, the Executive Board thus recommends to the common shareholders and preferred shareholders to give the proposed unification of the share classes the required approval.

Essen, 8 March 2019

RWE Aktiengesellschaft

The Executive Board

(Dr. Rolf Martin Schmitz)

(Dr. Markus Krebber)