

**Explanatory Report**  
**of the Executive Board**  
**of RWE Aktiengesellschaft**

**in accordance with Section 175, Paragraph 2 and Section 176, Paragraph 1**  
**of the German Stock Corporation Act (AktG)**  
**on Takeover-related Issues pursuant to Section 289, Paragraph 4 and**  
**Section 315, Paragraph 4 of the German Commercial Code (HGB)**  
**as of the Balance Sheet Date, December 31, 2014**

The combined review of operations for RWE Aktiengesellschaft and the Group includes what are known as Takeover-related Issues in accordance with Sec. 289, Para. 4 and Sec. 315, Para. 4 of the German Commercial Code (HGB). An explanatory report by the Executive Board on this must be made available to the Annual General Meeting.

RWE AG's subscribed capital consists of 575,745,499 no-par-value common shares and 39,000,000 no-par-value preferred shares without voting rights, each in the name of the bearer. They account for 93.66 % and 6.34 % of the subscribed capital, respectively. Holders of preferred shares are given priority when distributable profit is distributed. Pursuant to the Articles of Incorporation, it is appropriated in the following order: 1) to make any back payments on shares of the profit allocable to preferred shares from preceding years; 2) to pay a preferred share of the profit of €0.13 per preferred share; 3) to pay the share of the profit allocable to common shares of up to €0.13 per common share; and 4) to make consistent payments of potential further portions of the profit allocable to common and preferred shares unless the Annual General Meeting decides in favour of a different appropriation. The composition of the subscribed capital and the rights and obligations of the shareholders comply with the requirements of the law and the Articles of Incorporation.

As of 31 December 2014, only one holding in RWE AG exceeded 10 % of the voting rights. It was held by RWEB GmbH, which is headquartered in Dortmund, Germany. On 25 September 2013, the company exceeded a reportable threshold in accordance with Sec. 21, Para. 1 of the German Securities Trading Act, upon which it informed us that it held 16.15 % of RWE AG's voting stock as of that date.

Board members are appointed and dismissed in accordance with Sec. 84 et seq. of the German Stock Corporation Act in connection with Sec. 31 of the German Co-Determination Act. Amendments to the Articles of Incorporation are made pursuant to Sec. 179 et seqq. of the German Stock Corporation Act in connection with Art. 16, Para. 6 of the Articles of Incorporation of RWE AG. According to Art. 16, Para. 6 of the Articles of Incorporation, unless otherwise required by law or the Articles of Incorporation, the Annual General Meeting shall adopt all resolutions with a simple majority of the votes cast; if a majority of the capital stock represented is required, the simple majority of the capital shall suffice. The legal right to determine a majority of the capital required to amend the Articles of Incorporation that differs from the majority required by law was thus exercised. Pursuant to Art. 10, Para. 9 of the Articles of Incorporation, the Supervisory Board is authorised to pass resolutions to amend the Articles of Incorporation that only concern the wording without changing the content.

Pursuant to a resolution passed by the Annual General Meeting on 16 April 2014, the company is authorised to buy back up to 10 % of its capital stock as of the entry into force of

said resolution or – if this figure is lower – at the exercise of this authorisation in shares of any kind until 15 April 2019. At the Executive Board's discretion, the acquisition shall be made on the stock exchange or via a public purchase offer.

Shares purchased following this procedure may then be cancelled. Furthermore, the purchased shares may be transferred to third parties or sold otherwise in connection with mergers or acquisitions of companies, parts of companies, operations, or of stakes in companies. Shares that are not sold on the stock exchange or by making a purchase offer to all shareholders may only be sold for cash. Moreover, in such cases, the sale price may not be significantly lower than the price at which the shares are listed on the stock market. The company may transfer shares bought back to the holders of option or convertible bonds. The company may also use the shares to fulfil its obligations resulting from employee share schemes. In the aforementioned cases, shareholder subscription rights are excluded. These authorisations may be exercised in full or in part, or once or several times for partial amounts.

Pursuant to the resolution passed by the Annual General Meeting on 16 April 2014, the Executive Board is authorised to increase the company's capital stock, subject to the Supervisory Board's approval, by up to €314,749,693.44 until 15 April 2019, through the issuance of up to 122,949,099 new bearer common shares in return for contributions in cash or in kind (authorised capital). These authorisations may be exercised in full or in part, or once or several times for partial amounts.

In principle, shareholders are entitled to subscription rights. However, subject to the approval of the Supervisory Board, the Executive Board may exclude subscription rights in the following cases:

Subscription rights may be excluded in order to prevent the number of shares allocated from the subscription resulting in fractional amounts (fractions of shares). Subscription rights may also be excluded in order to issue shares in exchange for contributions in kind for the purposes of mergers or acquisitions of companies, parts of companies, operations, or of stakes in companies. Subscription rights may be excluded in the event of a cash capital increase if the price at which the new shares are issued is not significantly lower than the price at which shares are quoted on the stock market and the portion of the capital stock accounted for by the new shares, for which subscription rights are excluded, does not exceed 10 % in total. Furthermore, subscription rights may be excluded in order to offer shares to potential holders of convertible or option bonds commensurate to the rights to which they would be entitled as shareholders on conversion of the bond or on exercise of the option.

The Executive Board is authorised, subject to the approval of the Supervisory Board, to determine the further details and conditions of the share issuance.

In sum, the capital stock may not be increased by more than 20 % through the issuance of new shares excluding subscription rights.

Our debt financing instruments often contain clauses that take effect in the event of a change of control. This also applies to our bonds. The following rule applies to non-subordinated paper: in the event of a change of control in conjunction with a drop in RWE AG's credit rating below investment-grade status, creditors may demand immediate redemption. RWE has the right to cancel its subordinated hybrid bonds within the defined change of control period. If the hybrid bonds are not redeemed and RWE's credit rating falls below investment-grade status within the change of control period, the annual compensation payable on the hybrid bonds increases by 500 basis points.

RWE AG's €4 billion syndicated credit line also has a change of control clause including the following main provision: in the event of a change of control or majority at RWE, further drawings are suspended until further notice. The lenders shall enter into negotiations with us on a continuation of the credit line. Should we fail to reach an agreement with the majority of them within 30 days from such a change of control, the lenders may cancel the line of credit. Loans of €645 million and £350 million to which the European Investment Bank (EIB) committed in October 2011 and September 2013, respectively, have a similar provision. Both of the contracts with the EIB stipulate that the continuation of the loans be negotiated within a 30-day time limit. If the talks fail, the EIB has the right to cancel the loans.

Members of the Executive Board of RWE AG have the right to terminate their employment contract in the event of a change of control. On exercise of this right, they receive a one-off payment covering the contract's agreed term, which shall correspond to at least twice and no more than three times their annual contractual compensation. This is in line with the recommendations of the version of the German Corporate Governance Code which has been in force since 2008.

Furthermore, in the event of a change of control, retained Executive Board bonuses are prematurely valued and possibly paid. This is done on the basis of the average bonus malus factor (see page 100 of the RWE Annual Report 2014) of the three preceding years. This is what determines whether retained bonuses are paid out and the amount of the payout.

The RWE 2010 performance share plan (Beat 2010) for the Executive Board and executives of RWE AG and of subordinated affiliated companies includes a provision for a change of control. In such an event, all holders of performance shares receive a compensatory payment. It is determined by multiplying the price paid for RWE shares as part of the

takeover by the number of performance shares as of the date of the takeover offer, in line with the corresponding plan conditions.

In the event of a change of control, the Mid-Term Incentive Plan (MTIP) for the Executive Board and executives of RWE AG and of subordinated affiliated companies, which envisages compensation in line with the leverage factor achieved by 31 December 2016 (see page 101 of the RWE Annual Report 2014), can lead to a compensation payment to its participants before the end of its term. This payment is based on the leverage factor forecast for 31 December 2016 at the time of the change of control. The payment determined following this procedure is made on a prorated basis for the period until the change of control.

Detailed information on Executive Board and executive compensation can be found on pages 98 et seqq. of the RWE Annual Report 2014.

Essen, 25 February 2015

RWE Aktiengesellschaft

The Executive Board

(Terium)

(Dr. Schmitz)

(Dr. Günther)

(Tigges)