

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, 2013

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 in the name of the bearer and 39,000,000 no-par-value preferred shares in the name of the bearer without voting rights. 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 2013, one holding in RWE AG exceeded 10 % of the voting rights. It was held by RWEB GmbH, which is headquartered in Dortmund. In compliance with Sec. 21, Para. 1 of the German Securities Trading Act, the company informed us that it held 16.15 % of RWE AG's voting stock as of 25 September 2013. The voting rights of RWEB GmbH are allocable to RWB GmbH & Co. KG, which is also headquartered in Dortmund.

Executive 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 in 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 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 the resolution passed by the Annual General Meeting on 22 April 2009, the Executive Board is authorised to issue option or convertible bonds until 21 April 2014. The bonds' combined nominal value is limited to €6 billion. The shareholders' subscription rights can be excluded if the bonds are issued at a price in line with the market. In addition, new shares for which subscription rights have been waived may not account for more than 10 % of the share capital when the authorisation enters into force or when it is exercised. The 10 % limit is calculated taking into account other cash capital measures under exclusion of subscription rights, such as the €133,991,677.44 cash capital increase from authorised capital conducted in December 2011. Therefore, the authorisation to conduct cash capital measures waiving subscription rights has largely been exercised. The Executive Board may also exclude the shareholders' subscription rights in order to prevent the number of shares allocated from the subscription resulting in fractional amounts (fractions of shares). Furthermore, the subscription rights of holders of convertible or option bonds already issued may be excluded. They may be granted subscription rights commensurate to the rights to which they would be entitled as shareholders on conversion of the bond or on exercise of the option. Pursuant to Art. 4, Paras. 3a and 3b of the Articles of Incorporation, €143,975,680 in conditional capital, divided among 56,240,500 common shares in the name of the bearer, may be used to exercise conversion or option 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 investmentgrade 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 provisions: 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. A €645 million loan we were granted by the European Investment Bank (EIB) in October 2011 and a £350 million loan to which the EIB committed in September 2013, which we have not yet drawn on, 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 a special right of termination 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 requirements 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 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 affiliated companies includes a provision for a change of control. In such events, 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 final 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) planned for the Executive Board and executives of RWE AG and subordinated affiliated companies, which envisages performance-linked compensation in line with the leverage factor achieved by 31 December 2016 (see page 124 of the RWE Annual Report 2013), 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 detailed contractual conditions had not been established by the editorial deadline for this report.

Detailed information on Executive Board and executive compensation can be found on page 114 et seqq. of the RWE Annual Report 2013.

Essen, 26 February 2014

RWE Aktiengesellschaft

The Executive Board

(Terium)

(Dr. Schmitz)

(Dr. Günther)

(Tigges)