

**Report of the Board of Management of E.ON SE
on the reasons for the exclusion of the subscription right
as part of the capital increase against contribution in kind from Authorized Capital 2017**

On March 12, 2018, E.ON SE and RWE AG concluded an agreement to acquire the 76.79 percent stake in innogy SE held by RWE via a far-reaching exchange of assets and participations ("**Overall Transaction**"). Under the agreement on the Overall Transaction, E.ON will grant RWE, in exchange for its 76.79 percent stake in innogy SE, inter alia an effective stake in E.ON SE amounting to approximately 16.67 percent.

By the resolution that took effect on March 12, 2018, the Board of Management resolved, with the approval of the Supervisory Board, to make almost full use of the Authorized Capital 2017 resolved by the Annual General Meeting on May 10, 2017 and to increase the share capital of E.ON SE by EUR 440,219,800.00 from EUR 2,201,099,000.00 to EUR 2,641,318,800.00 by issuing 440,219,800 new registered shares against contribution in kind, excluding shareholders' subscription rights pursuant to Sections 203 para. 2 and 186 para. 3 of the German Stock Corporation Act (*Aktiengesetz*). This corresponds to a 20 percent increase in E.ON SE's share capital at the time the Authorized Capital 2017 becomes effective and at the same time at the time it is utilized. The new shares to be issued will participate in profits from the beginning of the financial year for which no resolution on the appropriation of the balance sheet profit has yet been passed by the Annual General Meeting at the time the capital increase is registered, but at the earliest in the profits for the financial year beginning on January 1, 2019. The volume limitation provided for in the Authorized Capital 2017 for shares issued against contribution in kind under exclusion of subscription rights was complied with; E.ON SE had not previously taken any other measures to be offset against this volume limitation. The shareholders' subscription rights were excluded. The issue price for all new shares was set at EUR 1.00 per share.

Only RWE Downstream Beteiligungs GmbH with its registered office in Essen, registered in the commercial register of the Essen District Court under HRB 26911, was authorised to subscribe for and acquire the new shares. RWE Downstream Beteiligungs GmbH is a wholly owned subsidiary of RWE AG. Subject of the contribution in kind is the contribution of a total of 100,714,051 no-par value bearer shares (shares without par value) of innogy SE with its registered office in Essen, registered in the commercial register of Essen District Court under HRB 27091, with a pro rata amount of the share capital of EUR 2.00 each by way of transfer of ownership by RWE Downstream Beteiligungs GmbH to E.ON SE. The capital increase and its implementation have not yet been registered for entry in the commercial register. This is to take place after the occurrence of certain conditions precedent, such as the required antitrust approvals of the Overall Transaction. The capital increase and the issue of the new shares will only become effective upon implementation of the capital increase and its entry in the commercial register of E.ON SE.

Against this background, the Board of Management reports on the reasons for exercising the authorization to exclude the shareholders' subscription rights as follows:

On March 12, 2018, E.ON SE concluded an agreement with RWE AG to acquire the entire stake in innogy SE held by RWE in the amount of 76.79 percent of the share capital of innogy SE. Approximately 18.2 percent of the share capital of innogy SE is to be contributed by RWE Downstream Beteiligungs GmbH into E.ON SE in return for the issue of the new shares as part of the resolved capital increase.

Following the capital increase, RWE Downstream Beteiligungs GmbH will hold a 16.67 percent stake in E.ON SE. The acquisition of innogy SE is an essential part of an overall transaction agreed with RWE AG, the key elements of which were announced by E.ON SE on March 11 and 12, 2018.

By excluding the shareholders' subscription rights, the Board of Management, with the approval of the Supervisory Board, made use of the option granted to it by the Annual General Meeting to exclude subscription rights in the event of capital increases against contribution in kind. The exclusion of shareholders' subscription rights in connection with the capital increase from the Authorized Capital 2017 serves a purpose in the interest of E.ON SE and is appropriate, necessary and proportionate to achieve this purpose.

The acquisition of a majority stake in innogy SE makes E.ON a leading company with a clear focus on intelligent power grids and customer solutions. The combination of these businesses of innogy SE and E.ON SE offers significant development and synergy potential in the intelligent power grids and customer solutions business areas and is therefore highly attractive for shareholders also in terms of value enhancement. Overall, the acquisition of innogy SE offers E.ON SE considerable strategic and financial advantages in a changing and challenging business environment.

The exclusion of subscription rights was necessary to secure RWE's 16.67 percent stake in E.ON SE that was agreed upon as part of the Overall Transaction. RWE's stake in E.ON SE made an overall transaction possible, resulting in two highly focused, leading European energy companies. The realignment of the two companies including RWE's financial participation in E.ON was one of the main prerequisites for the conclusion of the Overall Transaction. In addition, the exchange of assets and the capital increase through contribution in kind resulted in a minimum use of cash. This enabled a structure of the Overall Transaction with attractive valuations for E.ON SE and a limitation of the impact on E.ON's debt-equity ratio.

The interests of the shareholders were also adequately safeguarded. Before the resolution on the utilization of the Authorized Capital 2017 was adopted, the Board of Management and the Supervisory Board examined in detail the appropriateness of the consideration for the issue of the new shares as part of the Overall Transaction. In this context, the Board of Management and the Supervisory Board also took into account the assessment of the investment banks Perella Weinberg Partners and BNP Paribas. These examined the appropriateness of the financial conditions of the transaction agreed with RWE, within the scope of which, among other things, the present capital increase against contribution in kind with exclusion of subscription rights is to take place. From the perspective of the Board of Management and the Supervisory Board, the advantages for E.ON SE associated with the Overall Transaction are decisive, as the capital increase is an essential component in the valuation of the Overall Transaction. Both the strategic opportunities and the added value from the shareholders' perspective must be taken into account. These include, in particular, fundamental value creation through significant synergies of 600 to 800 million euros per year, which are to be fully realized for the first time from 2022, and an improvement in earnings quality through a higher contribution to earnings from regulated business areas.

As part of the capital increase, RWE will receive approximately 4.37 new E.ON shares for each innogy share contributed. Even if the respective stock market price of the innogy share and of the share of E.ON SE is not the only decisive factor for the assessment of appropriateness from the perspective of the Board of Management, the appropriateness of the equivalent value was also checked on the basis of the stock market prices.

For this purpose, various stock market prices, namely volume-weighted average prices as well as spot prices influenced and not influenced by rumors, were included in the analysis. On average, this results in a purely arithmetical premium to the innogy shares contributed by RWE of around 1 to 1.5 percent in relation to the new E.ON shares to be issued. From the perspective of the Board of Management, however, this purely arithmetical premium is negligible, as the new E.ON shares to be issued to RWE under the capital increase do not grant dividend rights for the 2017 and 2018 financial years and must therefore be valued at a discount to the current share price. The E.ON SE management has proposed a dividend payment of EUR 0.30 per share for the 2017 financial year and EUR 0.43 per share for the 2018 financial year in accordance with the management proposal announced on March 12, 2018. These missing dividend rights already compensate for the purely arithmetical premium resulting from the above analysis.

However, even a premium would not have been significant and justified due to the strategic advantages for E.ON SE and its shareholders, as this was the only way to ensure the acquisition of a qualified majority stake in innogy SE and to achieve the advantages expected from the merger with innogy in the opinion of the Board of Management.

As a result, no significant dilution of the assets of the existing shareholders is expected.

Taking into account the aforementioned considerations, the exclusion of shareholders' subscription rights in the utilization of Authorized Capital 2017 is in total objectively justified.

Essen, March 20, 2018

E.ON SE

The Board of Management