

Explanatory Report

of the Executive Board

of innogy SE

in accordance with Section 176, Paragraph 1

of the German Stock Corporation Act (AktG) in conjunction with

Article 9, Paragraph 1 c) ii) of SE-Regulation

on Takeover-related Issues pursuant to Section 289a, Paragraph 1 and

Section 315a, Paragraph 1 of the German Commercial Code (HGB)

as of the Balance Sheet Date, December 31, 2017

The combined review of operations for innogy SE and the innogy-Group includes what are known as Takeover-related Issues in accordance with Sec. 289a, Para. 1 and Sec. 315a, Para. 1 of the German Commercial Code (HGB). An explanatory report by the Executive Board on this must be made available to the Annual General Meeting.

The capital stock of innogy SE amounts to €1,111,110,000.00 and is divided into 555,555,000 bearer shares (shares without par value). Each share grants the same rights.

As of 31 December 2017, one holding in innogy SE exceeded 10 % of the voting rights. It was owned by RWE Downstream Beteiligungs GmbH, headquartered in Essen, Germany, a subsidiary wholly owned by RWE AG.

Executive Board members are appointed and dismissed in accordance with Article 39, Paragraph 2 and Article 46 of Regulation (EC) No. 2157/2001 of the Council of 8 October 2001 on the Statute for a European Company (SE) (SE Regulation), Article 7, Paragraph 2 of the Articles of Incorporation and – subsidiarily – Section 84f et seq. of the German Stock Corporation Act. The members of the Executive Board are appointed by the Supervisory Board for a maximum of five years. Reappointments may be made for the aforementioned period. Amendments to the Articles of Incorporation are made pursuant to Article 59 of the SE Regulation and Section 51 of the German Act on the Implementation of the SE Regulation in conjunction with Article 19, Paragraph 5 of the Articles of Incorporation of innogy SE. According to Article 19, Paragraph 5 of the Articles of Incorporation, unless otherwise required by law or the Articles of Incorporation, the Annual General Meeting shall adopt all resolutions by a simple majority of the votes cast; if a majority of the capital stock represented is required, a simple majority of the capital shall suffice. This also applies to resolutions that result in amendments to the Articles of Incorporation if at least half of the capital stock is represented in the passage of the resolution. Pursuant to Article 13, Paragraph 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 30 August 2016, innogy SE 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 until 29 August 2021. 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 through a tender 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 and the amount allocable to the shares for sale may correspond to a maximum prorated 10 % of the company's capital stock as of the entry into force of this authorisation or – if this figure is lower – at the exercise of this authorisation. Other cash capital measures waiving subscription rights are considered when determining whether the 10 % threshold has been exceeded. The company may give shares bought back to the holders of option or convertible bonds if the prorated amount allocable to the shares to be transferred does not exceed 10 % of the capital stock as of the entry into force of this authorisation and at its exercise date. Other cash capital measures waiving subscription rights are also considered when determining whether the 10 % threshold has been exceeded in such cases. The company may also use the shares to fulfil its obligations resulting from employee share schemes or to pay a stock dividend. 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 30 August 2016, the Executive Board is authorized to increase the company's capital stock, subject to the Supervisory Board's approval, by up to €333,333,000.00 until 29 August 2021, through the issuance of up to 166,666,500 no-par-value shares in return for contributions in cash or in kind (authorised capital). This authorization 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, if the total prorated amount allocable to the new shares, for which subscription rights are excluded, does not exceed 20 % of the capital stock either as of the entry into force of the resolution or at the exercise date of this authorisation. 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 % of the capital stock as of the entry into force of this authorisation or at its exercise date. Other cash capital measures waiving subscription rights are considered when determining whether the 10 % threshold has been exceeded. Furthermore, subscription rights may be excluded in order to offer shares to 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.

Pursuant to the resolution passed by the Annual General Meeting on 30 August 2016, the Executive Board is authorised until 29 August 2021, subject to the Supervisory Board's approval, to issue option and/ or convertible bonds either once or several times and to back option and convertible bonds issued by subordinate Group companies. The total nominal amount is limited to €3,000,000,000.00. The capital stock has been conditionally increased by a maximum of €111,111,000.00, divided into a maximum of 55,555,500 bearer shares (conditional capital) in order to redeem convertible or option bonds. 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) and if the price at which the bonds are issued is not significantly lower than their fair value and the portion of the capital stock accounted for by the new shares, for which subscription rights are excluded, does not exceed 10 % of the capital stock as of the entry into force of this authorisation or at its exercise date. Other cash capital measures waiving subscription rights are considered when determining whether the 10 % threshold has been exceeded. Furthermore, subscription rights may be excluded in order to offer shares to holders of convertible or option bonds issued previously, commensurate to the rights to which they would be entitled as shareholders on conversion of the bond or on exercise of the option. Subject to the approval of the Supervisory Board, the Executive Board is authorised to establish a profit participation for new shares that deviates from the provisions of Section 60, Paragraph 2 of the German Stock Corporation Act as well as further details concerning the implementation of the conditional capital increase.

Our debt financing instruments often contain clauses that take effect in the event of a change of control. This also applies to our bonds. In the event of a change of control in conjunction with a drop in innogy SE's credit rating below investment- grade status, creditors may demand immediate redemption (nominal amount plus any accrued interest). innogy SE's €2 billion syndicated credit line also includes a change- of-control clause, which essentially has the following content: in the event of a change of control or majority at innogy SE, further drawings are suspended until further notice. The lenders shall enter into negotiations with us on a continuation of the credit line. If we are unable to

reach an agreement on a continuation of the credit line with lenders representing 2/3 of the agreed credit volume within 30 days from such a change of control, the lenders may cancel the line of credit and demand immediate payment of the outstanding amounts plus accrued interest.

Members of the Executive Board of innogy SE have a special right of termination in the event that shareholders or third parties take control of the company, resulting in major disadvantages for the Executive Board member in question. In such cases, within three months of the change of control they have the right to retire from the Executive Board within six months of the change of control and to request that their employment contract be terminated for good cause. Upon termination, the Executive Board member shall receive a one-off payment, the amount of which shall correspond to all compensation due until the end of the contractually agreed term of service, but no more than three times the total contractual annual compensation. Share-based payments under the Long-term Incentive Plan are not considered here. This rule is in line with the currently valid recommendations of the German Corporate Governance Code.

The Strategic Performance Plan (SPP), as the long-term incentive plan for the Executive Board and executives of innogy SE and subordinate affiliates, stipulates that all holders of performance shares are entitled to a compensatory payment in the event of a change in corporate control. Performance shares that are already fully vested and have not been paid out are paid out early. The sum paid out is calculated by multiplying the number of these performance shares by the sum of the average closing quotation of the innogy share during the last 30 stock exchange trading days before the announcement of the change of control and the dividend paid per share up until this point in time, calculated from the vesting date of the performance shares. The performance shares conditionally granted under the SPP on a provisional basis lapse on the date of the change of control.

Detailed information on the compensation of the Executive Board and executives can be found on pages 83 et seqq. and 152 et seqq. of the Annual Report.

Essen, 28 February 2018

innogy SE

The Executive Board

(Tigges)

(Dr. Günther)

(Dr. Bünting)

(Herrmann)

(Müller)