

Joint press release

October 10, 2015

Nuclear-energy provisions fully reflect future obligations and are high compared with other countries

The report commissioned by the German Federal Ministry for Economic Affairs and Energy to assess the asset retirement obligations of the country's nuclear power plant (NPP) operators has found no ground for objecting to their accounting practices. It therefore accepts the accounting practices that have been used by the operators for decades and which have also been certified by the world's leading auditing firms. In view of this unequivocal finding, speculation about a possible need for higher provisions has no basis in fact.

Beyond this key finding, the report also includes sensitivity analyses based on alternative stress-test parameters. The analyses make certain assumptions regarding future interest rates and cost growth, resulting in the calculation of different amounts. This will not alter the companies' recognized accounting practices, since the underlying assumptions of such sensitivities are unrealistic and have never been used in any sector. In extreme cases, these stress-test sensitivities assume that interest rates will remain very low well into the future and will be accompanied by extremely high cost and price increases rates, resulting in long-term negative specific real interest rates.

When examining these sensitivity analyses, it is important to remember that discount and inflation rates should be derived using a similar methodology and viewed together. These are the accounting practises applied by German NPP operators. They assume a specific real interest rate (derived from discount and inflation rates) of 1.0 percent on average. This conservative figure reflects the principle that the accounting treatment of provisions should be cautious. This is also underscored by the fact that German provisions for nuclear obligations are at a high level.

In a white paper on implementing the energy transition issued on July 1, 2015, Germany's governing coalition announced that it intended to study how to ensure, for the long term, that the country's NPP operators will meet their decommissioning, dismantling, intermediate-storage, and final-storage obligations while remaining financially sound. German NPP operators will play a constructive role in the forthcoming policy debate. It goes without question that they will meet their current nuclear-energy obligations.

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