

e.on

**Nuclear provisions -
Change in accounting principles (SFAS 143)
- Example -**

E.ON Group - Changes in accrual methods of nuclear provisions (1)

Nuclear power plant (fictitious example)

Start-up date: January 1, 1980

End date: December 31, 2012

Accumulated depreciation as of December 31, 2002: **90%** (number of years in operation ÷ useful life of 25 years)

Fair value of nuclear decommissioning obligations as of December 31, 2002/January 1, 2003: **€ 130 million**

(based on third party valuations)

Accumulated nuclear provisions as of December 31, 2002 through cost-accumulation measurement approach: **€ 90 million**

(Fair value ÷ expected technical life based on German nuclear consensus of 32 years x number of years in operation (130 ÷ 32 x 22))

Discount rate: 5.7%

Calculation of Asset Retirement Cost (ARC) as of January 1, 2003

Cost of acquisition: Discount of Asset Retirement Obligation (ARO) as of January 1, 1980: € 130 million ÷ 1.057²³ = **€ 36 million**

Accumulated Depreciation: € 36 million x 90% = **€ 32 million**

Net ARC: € 36 million - € 32 million = **€ 4 million**

Changes as of January 1, 2003

	€ in millions	Effects on financial statements
+ Provisions for decommissioning nuclear power plants as of January 1, 2003	130	Liabilities
- Provisions for decommissioning nuclear power plants as of December 31, 2002	90	Liabilities
- Net ARC	4	Assets
	36	
- Deferred taxes	14	Assets
Results from the first-time application of new US-GAAP standards	22	P&L
Shown under „Change in accounting principles“		

E.ON Group – Changes in accrual methods of nuclear provisions (2)

Nuclear power plant (fictitious example)

New fair value of nuclear decommissioning obligations as of December 31, 2003: **€ 145 million**

(based on third party valuations)

Calculation of ARC and ARO as of December 31, 2003

Accretion of existing ARO: € 130 million x 1.057 = **€ 137 million**

Additional ARO (new fair value - accreted ARO): € 145 million - € 137 million = **€ 8 million**

New net ARC (existing net ARC based on remaining technical life): € 4 million - (€ 4 million ÷ 10 years = € 0.4 million) = **€ 3.6 million**

Capitalization of additional ARO into new net ARC: € 3.6 million + € 8 million = **€ 11.6 million net ARC**

<u>Changes as of December 31, 2003</u>	€ in millions	Effects on financial statements
+ Provisions for decommissioning nuclear power plants as of December 31, 2003	145	Liabilities
- Provisions for decommissioning nuclear power plants as of January 1, 2003	130	Liabilities
+ Net ARC as of January 1, 2003	4	Assets
- Net ARC as of December 31, 2003	11.6	Assets
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Total expense (included internal operating profit)	7.4	P&L
thereof accretion expense (€ 137 million - € 130 million)	7	
thereof ARC depreciation	0.4	