Consolidated financial statements

Income statement for the STEAG Group

in € million	Note	Year	
		2020	2019
Sales	(5.1)	2,018.4	2,087.3
Change in inventories of finished goods		2.2	-5.5
Other own work capitalized		1.2	1.2
Other operating income	(5.2)	298.8	411.1
Cost of materials	(5.3)	-1,241.3	-1,329.9
Personnel expenses	(5.4)	-441.2	-371.3
Depreciation/amortization and impairment losses	(5.5)	-393.9	-175.7
Other operating expenses	(5.6)	-300.5	-337.2
Income before the financial result and income taxes		**-56.3**	**280.0**
Interest income	(5.8)	12.8	12.6
Interest expense	(5.8)	-71.2	-92.8
Result from investments recognized at equity	(5.9)	-2.8	-0.2
Other financial income	(5.10)	0.1	0.9
Financial result		**-61.1**	**-79.5**
Income before income taxes		**-117.4**	**200.5**
Income taxes	(5.11)	-52.9	-68.6
Income after taxes		**-170.3**	**131.9**
Thereof attributable to			
Non-controlling interests		60.8	48.4
Shareholders of STEAG GmbH (net income)		-231.1	83.5

Statement of comprehensive income for the STEAG Group

in € million	Note	2020	Year 2019
Income after taxes		**-170.3**	**131.9**
Thereof attributable to			
Non-controlling interests		60.8	48.4
Shareholders of STEAG GmbH (net income)		-231.1	83.5
Comprehensive income to be reclassified subsequently to profit or loss		**-51.2**	**42.3**
Thereof attributable to			
Valuation of financial instruments in hedging relationships		-14.4	41.2
Differences arising from currency translation		-34.7	9.3
Investments recognized at equity		-0.4	1.6
Deferred taxes		-1.7	-9.8
Comprehensive income that will not be reclassified subsequently to profit or loss		**-87.1**	**-113.1**
Thereof attributable to			
Remeasurement of the net defined benefit liability from defined benefit plans		-90.0	-142.8
Valuation of other investments		-5.3	4.2
Deferred taxes		8.2	25.5
Other comprehensive income after taxes	**(6.10)**	**-138.3**	**-70.8**
Thereof attributable to			
Non-controlling interests		-17.3	0.8
Shareholders of STEAG GmbH		-121.0	-71.6
Total comprehensive income		**-308.6**	**61.1**
Thereof attributable to			
Non-controlling interests		43.5	49.2
Shareholders of STEAG GmbH		-352.1	11.9

Balance sheet for the STEAG Group

in € million	Note	**Dec. 31, 2020**	Dec. 31, 2019
Intangible assets	(6.1)	161.9	211.9
Property, plant and equipment	(6.2)	1,481.2	1,938.5
Investment property	(6.3)	13.3	13.4
Investments recognized at equity	(6.4)	67.6	84.5
Financial assets	(6.5)	370.7	411.6
Deferred taxes	(6.15)	24.7	29.2
Contract assets	(6.7)	14.9	7.1
Other receivables	(6.7)	7.1	15.4
Non-current assets		**2,141.4**	**2,711.6**
Inventories	(6.6)	152.2	239.9
Other income tax assets	(6.15)	8.6	18.9
Trade accounts receivable	(6.7)	357.9	560.1
Contract assets	(6.7)	41.4	47.7
Other receivables	(6.7)	91.6	80.1
Financial assets	(6.5)	169.3	294.2
Cash and cash equivalents	(6.8)	466.0	413.9
		1,287.0	**1,654.8**
Assets held for sale	(6.9)	336.3	18.3
Current assets		**1,623.3**	**1,673.1**
Total assets		**3,764.7**	**4,384.7**

Issued capital		128.0	128.0
Reserves		-597.2	-216.6
Equity attributable to shareholders of STEAG GmbH		**-469.2**	**-88.6**
Equity attributable to non-controlling interests		360.3	406.1
Equity	(6.10)	**-108.9**	**317.5**
Provisions for pensions and other post-employment benefits	(6.11)	1,321.3	1,267.2
Other provisions	(6.12)	214.2	275.4
Deferred taxes	(6.15)	39.6	65.1
Financial liabilities	(6.13)	1,006.3	1,097.2
Contract liabilities	(6.14)	8.1	10.2
Other liabilities	(6.14)	13.8	9.0
Non-current liabilities		**2,603.3**	**2,724.1**
Other provisions	(6.12)	402.0	332.2
Other income tax liabilities	(6.15)	50.2	41.1
Financial liabilities	(6.13)	365.5	453.3
Trade accounts payable	(6.14)	206.2	395.2
Contract liabilities	(6.14)	63.7	78.3
Other liabilities	(6.14)	48.4	43.0
		1,136.0	**1,343.1**
Liabilities associated with assets held for sale	(6.9)	134.3	-
Current liabilities		**1,270.3**	**1,343.1**
Total equity and liabilities		**3,764.7**	**4,384.7**

Statement of changes in equity for the STEAG Group

Note 6.10

in € million	Issued capital	Reserves: Capital reserve	Reserves: Accumulated income/loss	Reserves: Accumulated other comprehensive income	**Equity attributable to shareholders of STEAG GmbH**	Equity attributable to non-controlling interests	**Total equity**
As at January 1, 2019	**128.0**	**77.5**	**-208.6**	**-36.9**	**-40.0**	**399.1**	**359.1**
Capital increases/decreases	-	-	-	-	**-**	-8.5	**-8.5**
Profit transfer/dividend distribution	-	-	-45.0	-	**-45.0**	-37.3	**-82.3**
Changes in shareholdings in subsidiaries without loss of control	-	-	-7.7	-0.2	**-7.9**	3.8	**-4.1**
Income after taxes	-	-	83.5	-	**83.5**	48.4	**131.9**
Other comprehensive income after taxes	-	-	-108.0	36.4	**-71.6**	0.8	**-70.8**
Total comprehensive income	**-**	**-**	**-24.5**	**36.4**	**11.9**	**49.2**	**61.1**
Other changes	-	-	-7.6 [1]	-	**-7.6**	-0.2	**-7.8**
As at December 31, 2019	**128.0**	**77.5**	**-293.4**	**-0.7**	**-88.6**	**406.1** [2]	**317.5**
Capital increases/decreases	-	-	-	-	**-**	-10.3	**-10.3**
Profit transfer/dividend distribution	-	-	-	-	**-**	-79.0	**-79.0**
Changes in shareholdings in subsidiaries without loss of control	-	-	-29.7	0.0	**-29.7**	0.4	**-29.3**
Income after taxes	-	-	-231.1	-	**-231.1**	60.8	**-170.3**
Other comprehensive income after taxes	-	-	-84.1	-36.9	**-121.0**	-17.3	**-138.3**
Total comprehensive income	**-**	**-**	**-315.2**	**-36.9**	**-352.1**	**43.5**	**-308.6**
Other changes	-	-	1.2 [1]	0.0	**1.2**	-0.4	**0.8**
As at December 31, 2020	**128.0**	**77.5**	**-637.1**	**-37.6**	**-469.2**	**360.3** [2]	**-108.9**

1 This amount includes obligations to make compensation payments to non-controlling interests totaling € 1.4 million, recognized outside of profit or loss (prior year: minus € 8.1 million).
2 As at December 31, 2020, accumulated other comprehensive income of minus € 29.9 million (prior year: minus € 15.6 million) was attributable to non-controlling interests.

Cash flow statement for the STEAG Group

in € million	Note	January 1 to December 31 2020	2019
Income before the financial result and income taxes		-56.3	280.0
Depreciation, amortization, impairment losses/reversal of impairment losses on non-current assets		369.7	136.1
Gains/losses on disposal of non-current assets		-4.8	-4.1
Other non-cash income/expense		-	-57.4
Change in inventories		64.5	42.7
Change in trade accounts receivable		190.3	49.5
Change in trade accounts payable and current advance payments received from customers		-175.0	28.0
Change in provisions for pensions and other post-employment benefits		-18.8	-16.1
Change in other provisions		50.9	-22.4
Change in miscellaneous assets/liabilities		-59.5	-93.3
Cash outflows for interest payments		-45.0	-52.4
Cash inflows from interest		3.4	4.1
Dividend payments received		8.3	8.9
Cash outflows for income taxes		-39.3	-77.8
Cash flow from operating activities	(7.1)	**288.4**	**225.8**
Cash outflows for investments in intangible assets, property, plant and equipment and investment property		-68.5	-71.3
Cash outflows for investments in shareholdings		-10.1	-17.3
Cash inflows from divestments of intangible assets, property, plant and equipment and investment property		7.6	11.1
Cash inflows from divestments of shareholdings		8.0	-
Cash outflows for securities, deposits and loans		-33.6	-77.1
Cash inflows from securities, deposits and loans		3.7	147.3
Cash flow from investing activities	(7.2)	**-92.9**	**-7.3**
Capital inflows/outflows		-10.3	-8.5
Cash outflows to non-controlling interests		-79.0	-37.3
Cash inflows/outflows relating to changes in shareholdings in subsidiaries without loss of control		-24.1	-4.1
Cash outflows for profit transfer for the prior year		-45.0	-45.0
Cash inflows from additions to financial liabilities		265.5	159.4
Cash outflows for repayment of financial liabilities		-221.7	-366.0
Cash flow from financing activities	(7.3)	**-114.6**	**-301.5**
Change in cash and cash equivalents		**80.9**	**-83.0**
Cash and cash equivalents as at January 1		**413.9**	**495.4**
Change in cash and cash equivalents		80.9	-83.0
Changes in exchange rates and other changes in cash and cash equivalents		-28.8	1.5
Cash and cash equivalents as at December 31	(6.8)	**466.0**	**413.9**

steag

(1) General information

STEAG GmbH is an energy corporation headquartered in Germany which operates internationally. As one of Germany's largest electricity producers, its business focuses on planning, building, acquiring and operating energy generating facilities and the related services. Further core competencies include procurement, marketing, sale and trading of energy, energy sources and other process media, as well as the production, acquisition and provision of the plants required for this purpose and the related services.

The company's registered office is Rüttenscheider Straße 1-3, Essen (Germany), and it is registered in the Commercial Register at Essen Local Court under no. HRB 19649.

STEAG GmbH is a wholly owned subsidiary of KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG (KSBG KG), a consortium of six municipal utility companies in the Rhine-Ruhr region. A profit and loss transfer agreement has been in place between KSBG KG and STEAG GmbH since July 1, 2011.

The present consolidated financial statements for STEAG GmbH and its consolidated affiliated companies (referred to jointly as the "STEAG Group") have been prepared on a voluntary basis and are not published in the Federal Gazette (Bundesanzeiger).

The consolidated financial statements were authorized for issue by the Board of Management of STEAG GmbH on October 25, 2021.

As at December 31 of each year, STEAG GmbH and its subsidiaries are fully consolidated in the consolidated financial statements of KSBG KG, as the main parent company of the Group, which are prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable for use in the European Union, and in conformance with Section 315e of the German Commercial Code (HGB). The consolidated financial statements of KSBG KG are published in the electronic Federal Gazette.

Taking into account the debt restructuring agreement and the related agreements, the consolidated financial statements have been prepared on the unchanged assumption of a continuation of the company's business activities. For the assumptions relating to the debt restructuring and the obligations arising from the financial agreements, together with the associated opportunities, risks, monitoring of the company and the principal sources of uncertainty, please refer to the information in the Management Report, section 3. "Events after the reporting date".

(2) Basis of preparation of the financial statements

(2.1) Compliance with IFRS

These consolidated financial statements have been prepared voluntarily on the basis of the IFRS adopted by the European Union. The IFRS comprise the standards (IFRS, IAS) issued by the International Accounting Standards Board (IASB), London (UK) and the interpretations (IFRIC, SIC) of the IFRS Interpretations Committee.

(2.2) Presentation of the financial statements

The consolidated financial statements cover the period from January 1 to December 31, 2020 and are presented in euros. To enhance clarity and comparability, all amounts are stated in millions of euros (€ million) except where otherwise indicated.

The consolidated financial statements provide a true and fair view of the net assets, financial position and results of operations.

The recognition and valuation principles and items presented in the consolidated financial statements are in principle consistent from one period to the next. To enhance the clarity of presentation, some items are combined in the income statement, statement of comprehensive income, balance sheet and statement of changes in equity and explained in detail in the Notes.

The income statement has been prepared using the total cost format.

The statement of comprehensive income is a reconciliation from income after taxes as shown in the income statement to the Group's total comprehensive income, taking into account other comprehensive income (OCI).

On the balance sheet, assets and liabilities are classified by maturity. They are classified as current if they are due or expected to be realized within twelve months from the reporting date. Accordingly, assets and liabilities are classified as non-current if they remain in the company for more than one year. Deferred tax assets and liabilities and provisions for defined benefit pension plans and other post-employment benefits are classified as non-current.

The statement of changes in equity shows changes in the issued capital and reserves attributable to shareholders of STEAG GmbH and non-controlling interests in the reporting period.

The cash flow statement provides information on the Group’s cash flows. Cash flows from operating activities are calculated using the indirect method; cash flows from investing activities and financing activities are calculated using the direct method.

The Notes contain basic information on the financial statements, supplementary information on the above components of the financial statements and additional disclosures.

(2.3) Newly issued IFRS

Accounting standards applied for the first time

The IASB regularly issues new and revised standards and interpretations. These have to be officially adopted into EU law by endorsement by the European Commission before they can be applied.

In 2020, the European Commission did not endorse any new or revised standards or interpretations that had to be applied for the first time in the fiscal year and would have had a material impact on the consolidated financial statements of the STEAG Group.

The new and revised standards and interpretations listed in the following table, which became mandatory for the first time in fiscal 2020, did not have a material impact on the consolidated financial statements for the STEAG Group.

Standard or interpretation	Content
Amendments to references to the conceptual framework in individual standards	References to the new conceptual framework
Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”	Definition of “material” amended
Amendments to IFRS 3 “Business Combinations”	Definition of a business amended
Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures”	Hedging relationships can be continued or designated despite the expected interest rate benchmark reform (IBOR reform).
Amendments to IFRS 16 leases	Exemption from assessing whether a Covid-19-related rent concession is a lease modification.

Accounting standards that are not yet mandatory

Up to December 31, 2020, the IASB had issued further accounting standards and amendments to accounting standards that had not yet become mandatory in the EU in the reporting period. The standards and amendments to standards and interpretations presented in the following table are not expected to have a material impact on the consolidated financial statements of the STEAG Group.

Standard or interpretation	Content	Application	Endorsement
Amendments relating to the Interest Rate Benchmark Reform – Phase 2: • IFRS 9 “Financial Instruments” • IAS 39 “Financial Instruments: Recognition and Measurement” • IFRS 7 “Financial Instruments: Disclosures” • IFRS 4 “Insurance Contracts” • IFRS 16 “Leases”	The amendments specify that the temporary exemptions from applying IFRS 9 due to the IBOR reform apply for the first time for fiscal years beginning after January 1, 2021.	Jan. 1, 2021	Yes
Amendments to IFRS 4 “Insurance Contracts”	The effective date of IFRS 17, which replaces IFRS 4, has been postponed to January 1, 2023. The temporary exemption from applying IFRS 9 in IFRS 4 has therefore also been extended.	Jan. 1, 2023	Yes
Amendments to IFRS 3 “Business Combinations”	Amended definition of a business	Jan. 1, 2022	Yes
Amendments to IAS 16 “Property, plant and equipment”	Amendments relating to proceeds before intended use.	Jan. 1, 2022	Yes
Amendments to IAS 37 “Provisions and Contingent Liabilities”	Amendments relating to the cost of fulfilling a contract.	Jan. 1, 2022	Yes
Annual Improvements 2018 - 2020	Annual improvements to IFRSs, 2018-2020 cycle.	Jan. 1, 2022	No
Amendments to IAS 1 “Presentation of Financial Statements”	Classification of liabilities as current or non-current.	Jan. 1, 2023	No
IFRS 17 “Insurance Contracts”	New standard	Jan. 1, 2023	No

(2.4) Scope of consolidation and consolidation methods

Scope of consolidation

Alongside STEAG GmbH, the consolidated financial statements include all material subsidiaries in Germany and abroad that are directly or indirectly controlled by STEAG GmbH. STEAG GmbH controls a company if it is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the subsidiary.

Associates and joint ventures are generally recognized using the equity method if the Group is able to exert a significant influence or exercises joint control.

Initial consolidation or deconsolidation takes place as at the date on which the company gains or loses control.

Changes in the scope of consolidation are outlined in Note (4.1).

Consolidation methods

The financial statements of the consolidated German and foreign subsidiaries are prepared using uniform accounting and valuation principles.

Capital is consolidated at the time of acquisition by offsetting the carrying amount of the business acquired against the pro rata revalued equity of the subsidiary. In accordance with IFRS 3 "Business Combinations", ancillary acquisition costs are recognized as expenses in the income statement rather than in the carrying amount of the subsidiary. The assets and liabilities (net assets) of the subsidiary are generally included at fair value. If shares in the subsidiary are held before acquiring control, they must be revalued and any resultant change in value must be recognized in the income statement in other operating income or other operating expenses, depending on the classification of the stake already held. Any remaining excess of the acquisition cost over the fair value of the net assets is recognized as goodwill. Negative differences are included in the income statement following a renewed examination of the fair value of the net assets

Changes in shareholdings in a previously consolidated subsidiary that do not result in a loss of control are recognized directly in equity as a transaction between owners. In this case, the shares attributable to the owners of the parent company and the other shareholders are adjusted to reflect the changes in their respective stakes in the subsidiary. Any difference between this adjusted amount and the fair value of the consideration paid or received is recognized directly in equity and allocated to the shares attributable to the owners of the parent company. Directly related transaction costs are also accounted for in other comprehensive income as a transaction between owners, with the exception of costs for the issuance of debt or equity instruments, which are still measured in accordance with the criteria for recognizing financial instruments.

The subsidiary must be deconsolidated as at the date on which control is lost. This involves derecognition of the net assets of the subsidiary and non-controlling interests (proportionate net assets of the subsidiary). The gain or loss on the divestments must be calculated from the Group viewpoint. This is derived from the difference between the proceeds of the divestment (selling price less costs to sell) and the proportionate divested net assets of the subsidiary (including the remaining hidden reserves and liabilities, and any goodwill shown on the balance sheet).

The shares in the former subsidiary still held by the STEAG Group are revalued at fair value as at the date on which control is lost. This comprises the fair value on initial recognition of the financial asset in accordance with IFRS 9 or the cost of the investment in the associate or joint operation in the event of downward consolidation. All gains and losses resulting from measurement of the shares still held are recognized in the income statement as other operating income or other operating expenses. Currency translation differences and other amounts attributable to the subsidiary being disposed of that were recognized in OCI and not through profit and loss while the subsidiary was part of the Group, must be deconsolidated as part of the equity being disposed of and are therefore recognized in profit or loss unless a different standard requires direct transfer to retained earnings.

Intragroup income and expenses, profits, losses, receivables and liabilities between consolidated subsidiaries are eliminated. Write-downs and write-ups of balance sheet items in consolidated affiliated companies recognized in the separate financial statements are reversed.

Shares in associates and joint ventures accounted for using the equity method are initially recognized at cost of acquisition, see Note (2.6) “Investments recognized at equity”.

(2.5) Currency translation

Foreign currency transactions are measured at the exchange rate on the transaction date. Any gains or losses resulting from the valuation of monetary assets and liabilities in foreign currencies as at the reporting date are recognized in other operating income or other operating expenses.

The financial statements of foreign subsidiaries outside the euro zone are translated on the basis of their functional currency. In the consolidated financial statements, the assets and liabilities of all foreign subsidiaries are translated from the functional currency of the company into euros at closing rates on the reporting date since they conduct their business independently in their functional currency. The equity of foreign investments accounted for at equity is translated analogously. As an asset pertaining to an economically autonomous foreign sub-entity, goodwill is translated at the closing rate. Income and expense items are translated at average exchange rates for the year. The average annual exchange rates comprise the mean of the exchange rates at month-end over the past 13 months. Translation differences compared to the prior year and translation differences between the income statement and balance sheet are recognized in OCI.

The exchange rates used for currency translation included:

	Annual average rates		Closing rates	
€1 corresponds to	**2020**	2019	**Dec. 31, 2020**	Dec. 31, 2019
Botswana pula (BWP)	13.07	12.04	13.22	11.89
Brazilian real (BRL)	5.88	4.42	6.37	4.52
British pound (GBP)	0.89	0.88	0.90	0.85
Indian rupee (INR)	84.58	78.85	89.66	80.19
Indonesian rupiah (IDR)	16,655.35	15,854.31	17,240.76	15,595.60
Qatari riyal (QAR)	4.19	4.09	4.45	4.10
Colombian peso (COP)	4,217.77	3,689.76	4,187.00	3,685.00
Philippine peso (PHP)	56.78	57.91	59.13	56.90
Polish zloty (PLN)	4.45	4.30	4.56	4.26
Romanian leu (RON)	4.84	4.74	4.87	4.78
Singapore dollar (SGD)	1.57	1.53	1.62	1.51
Turkish lira (TRY)	8.04	6.33	9.11	6.68
US dollar (USD)	1.15	1.12	1.23	1.12

(2.6) Accounting policies and valuation principles

Revenue recognition

Revenues from the sale of goods and services that constitute part of the company's normal business activity and other revenues are recognized as follows:

(a) Sales

The STEAG Group generates sales principally through the operation of power plants in Germany and abroad, the operation of energy supply facilities based on renewable energy resources, coal trading and the marketing of related products and services. In addition, interest and variable payments from finance leases and revenue from modifications of finance leases are recognized as sales if the STEAG Group is the lessor.

Revenue is recognized at the amount of the contractually agreed consideration that the STEAG Group expects to receive in return for transfer of the corresponding goods and services to the customer (transaction price). This involves allocating the transaction price for the goods transferred or services provided arising from the contract with the customer among the individual performance obligations using the relative stand-alone selling prices of each individual good or service.

Recognition of revenue over time for the construction and conversion of plants is based on progress towards satisfying the performance obligation as at the reporting date. Normally, the percentage of completion or progress is measured as the cost incurred as at the reporting date relative to the estimated total cost. If revenue is recognized at a point in time, revenue is recognized when the customer obtains control of the promised assets.

To enhance the information on the company's earnings position, for energy-related commodity derivatives from own-account trading, sales and the cost of materials are presented on a net basis per commodity, i.e. only the net result of the respective commodity derivative is recognized. Commodity derivatives used to optimize clean dark spread trading are also presented on a net basis, analogously to own-account trading. For management purposes, net amounts are also used in internal reporting.

(b) Other revenues

Other revenues are only recognized if they can be determined reliably, there is a legal claim to the receivable and it is sufficiently probable that the economic benefit will flow to the company.

To enhance the information on the company's earnings position, for certain types of derivatives used for own-account trading and to optimize clean dark spread and clean spark spread trading, the change in fair value is presented in other income and expenses on a net basis.

Interest income is recognized on a pro rata temporis basis using the effective interest method. Income from royalties is accrued on the basis of the commercial terms of the underlying contract and recognized on a pro rata basis. Dividend income is recognized as at the date of the right to receive the payment. Unrealized and realized income from interest rate swaps, options, currency forward agreements and commodity forward agreements are recognized in other income if they are stand-alone instruments and are not included in a valuation unit with the associated hedged item (hedge accounting).

Intangible assets

Intangible assets are capitalized at acquisition or production cost. Intangible assets with a finite useful life are amortized and an impairment test is conducted if there are specific indications of a possible impairment, see Note (2.6) “Impairment test”. Intangible assets with an indefinite useful life are not amortized; instead they are tested for impairment at least once a year. The assumptions regarding their indefinite useful life are also reviewed annually.

(c) Goodwill

Goodwill has an indefinite useful life and is tested for impairment at least once a year.

(d) Other intangible assets

Other intangible assets mainly comprise licenses and computer software. These are amortized over their estimated useful life of 3-30 years using the straight-line method.

Property, plant and equipment

Property, plant and equipment are carried at acquisition or production cost and depreciated over their expected useful life using the straight-line method. Expected useful lives and residual values are reviewed periodically.

If there are indications that an impairment loss needs to be recognized, an impairment test is conducted on the items of property, plant and equipment, see Note (2.6) “Impairment test”.

The cost of acquisition includes all expenses directly attributable to the acquisition. The cost of production of assets manufactured within the Group comprises all direct costs of materials and labor, plus the applicable proportion of material and manufacturing overheads, including depreciation. Costs relating to obligations to dismantle or remove non-current assets at the end of their useful life are capitalized as acquisition or production costs as at the date of acquisition or production. Acquisition and production costs may also include transfers from gains and losses on cash flow hedges entered into in connection with the purchase of property, plant and equipment in foreign currencies and recognized in OCI. Borrowing costs that can be allocated directly to the acquisition, construction or production of a qualifying asset are included in the cost of acquisition or production. A qualifying asset is an asset for which more than a year is required to get it ready for its intended use or for sale.

Property, plant and equipment are depreciated using the straight-line method over the expected useful life of the assets.

in years	
Buildings	7 - 50
Plant and machinery	
Power plants and related components	12 - 40
Distributed energy supply facilities	8 - 15
Other technical plant and machinery	3 - 25
Other plant, office furniture and equipment	3 - 25

For information on the remaining useful life of the power plants in Germany, see Note (3b).

Expenses for overhauls and major servicing (major repairs) are generally capitalized if it is probable that they will result in future economic benefits from an existing asset. They are then depreciated over the period until the next major repair date. Routine repairs and other maintenance work are expensed in the period in which they are incurred.

If there is a high probability that the project will be realized, costs incurred for planning and pre-engineering work for capital expenditure projects are capitalized. Depreciation is recognized in line with the useful life of the project.

If major components of an asset have different useful lives, they are recognized and depreciated separately.

Gains and losses from the disposal of assets are calculated as the difference between the net proceeds of sale and the carrying amount and recognized in other operating income or other operating expenses.

Investments recognized at equity

Associates and joint ventures are recognized using the equity method if the Group is able to exert a significant influence or exercises joint control.

Initially they are measured at cost of acquisition. The cost of acquisition also contains all ancillary acquisition costs directly attributable to the investment.

As the basis for the measurement of the investment in subsequent periods, the difference between the cost of acquisition and the proportionate equity must be determined. This is analyzed to see to what extent it contains hidden reserves or hidden liabilities. Any positive difference remaining after allocation of hidden reserves or liabilities is treated as goodwill and taken into account in the carrying amount of the investment.

Starting from the acquisition cost of the investment, in subsequent periods its carrying amount is increased or reduced by the proportionate net income. The financial statements of the companies recognized at equity are prepared using uniform accounting and valuation principles for the STEAG Group. Further adjustments to the carrying amount of the investment are necessary if the equity of the investment alters as a result of items contained in OCI. Subsequent measurement must take into account depreciation of hidden reserves on depreciable assets identified at the time of initial consolidation and deducted from the proportionate net income. To avoid dual recognition, any dividends received must be deducted from the carrying amount.

The investment must be tested for impairment if there are indications of impairment see Note (2.6) “Impairment test”. No separate impairment test is performed for the proportionate goodwill. The impairment test is performed for the entire carrying amount of the investment. Accordingly, impairment losses are not allocated to the proportionate goodwill included in the carrying amount of the investment and can be reversed in full in subsequent periods.

Impairment test

If there are indications of possible impairment, an impairment test in accordance with IAS 36 "Impairment of Assets" is conducted on intangible assets, property plant and equipment, investment property and investments recognized at equity. The impairment test on such assets is generally conducted for a cash-generating unit (CGU), which is the smallest identifiable group of assets that generates independent cash flows, or for a group of CGUs. Goodwill is allocated to the divisions, in other words, to a group of CGUs, that are expected to benefit from the synergies from the business combination to which the goodwill refers.

Goodwill is tested for impairment at least once a year. In addition, in accordance with IAS 36 impairment tests are carried out on certain assets as at the reporting date as a result of indications of possible impairment.

The impairment test comprises comparing the recoverable amount of the CGU or group of CGUs with its carrying amount. The recoverable amount is determined as the higher of the fair value less costs to sell and the value in use of the CGU or group of CGUs. An impairment loss is recognized if the recoverable amount of a CGU or group of CGUs is less than its carrying amount. The impairment loss is reversed – except in the case of goodwill – if the reason for the original impairment charge no longer applies, but the increased carrying amount may not be above the carrying amount less depreciation or amortization that would apply if no impairment loss had been recognized in previous years.

When testing goodwill for impairment, the recoverable value of goodwill is determined from the fair value less costs to sell of the divisions in the STEAG Group. The fair value is the present value of future cash flows determined using a valuation model. The future cash flows are derived from the current five-year mid-term planning. The mid-term planning is based on a mixture of experience of past market trends and expectations of future market trends. The main economic data that influence the impairment test include the development of interest rates, exchange rates, market prices for CO_2 allowances, renewable energy certificates, electricity and coal, and the regulatory environment. The mid-term planning is based on the corresponding market expectations, which are set centrally by STEAG GmbH. The specific growth rate is derived from experience and future expectations. It does not exceed the average long-term growth rates for the relevant markets.

The cost of capital used to discount the expected cash flows is calculated as the weighted average of equity and debt on the basis of a capital market-based model. The cost of equity is determined by the risk-free interest rate and a risk premium. The risk premium is the product of the beta factor and market risk premium plus a country risk premium. The beta factor is obtained from the capital market by comparison with the values for comparable companies (peer group). A terminal growth rate is assumed. The cost of debt for individual CGUs is derived from an analysis of the gearing and creditworthiness analysis of peer group companies. The discount rates are determined after taxes and refer to cash flow after taxes. As required by IAS 36, the recoverable amount determined on this basis corresponds to the value that would have been derived by discounting future cash flows before taxes using a pre-tax discount rate.

For the impairment test on goodwill, the following parameters are applied for the weighted average cost of capital:

Division	Risk-free interest rate		Risk-adjusted interest rate (WACC)		Growth discount	
	2020	2019	**2020**	2019	**2020**	2019
	%	%	%	%	%	%
Power	-0.20	0.20	5.23	5.35	0.25	0.25
Renewable Energies and Distributed Facilities	-0.20	0.20	5.23	5.35	0.25	0.25

For the purpose of impairment testing of property, plant and equipment, specific discount rates ranging from 3.99 percent to 7.22 percent are applied. For information on the method used and principal assumptions, please see the comments on the impairment testing of groups of CGUs to which goodwill is allocated.

Inventories

Inventories are measured at the lower of the cost of acquisition or production and net realizable value. The net realizable value corresponds to the net selling price that could be achieved in normal business operation less the production and selling expenses incurred prior to sale. To ensure risk-free valuation of inventories, adjustments are applied to inventories that have become obsolete.

If impairment losses are no longer applicable, they are reversed, but only up to the historical acquisition or production cost.

The cost of inventories of similar structure or for similar applications is determined uniformly as an average. The production cost of finished goods and work in progress comprises the cost of raw materials and supplies, further directly attributable production expenses such as production-related wages and general overheads that can be assigned to production (based on normal operating capacity). The cost of inventories may also contain gains and losses from qualifying cash flow hedges for the purchase of raw materials which have been reclassified from OCI.

Purchased emission allowances are recognized at the cost of acquisition. They are not depreciated but the provisions of IAS 36 “Impairment of Assets” and IAS 2 “Inventories” still need to be applied. Analogously to IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance", a token amount is recognized for each power plant for emission allowances allocated free of charge. Provisions are recognized for the obligation to surrender emission allowances insofar as such allowances are available at the amount capitalized for such allowances. If this obligation exceeds the allowances capitalized, the difference is recognized at the market price on the reporting date.

To ensure that recognition reflects the accounting period, allocated renewable energy certificates are recognized in the income statement at fair value as at the date of allocation in accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" and IAS 38 "Intangible Assets". For subsequent measurement, the fair value of allocated renewable energy certificates at initial recognition is taken to be the cost of acquisition. They are subsequently measured at the lower of the acquisition or production cost and net realizable value. Therefore, the value may be written down if the net realizable value is below the cost of acquisition.

Cash and cash equivalents

This item contains balances held at banks, checks, and cash.

Provisions for pensions and other post-employment benefits

Provisions for pensions and other post-employment benefits are measured using the projected unit credit method for defined benefit obligations in accordance with IAS 19 "Employee Benefits". This method takes account of expected future salary and pension increases as well as pension obligations and accrued entitlements as at the reporting date. For German companies valuation is generally based on the biometric data in the 2018 G mortality tables published by Dr. Klaus Heubeck. The probability of disability is based on modified data derived from company-specific factors. Pension obligations outside Germany are determined using country-specific accounting parameters and measurement principles. The fair value of plan assets is deducted from the benefit obligation.

The present value of the defined benefit obligation is the fair value of expected future payments without deduction of the plan assets. These payments are required to fulfill obligations arising from employees' services in the reporting period or previous periods.

Actuarial gains and losses relating to the present value of defined benefit obligations and income from plan assets (apart from interest income) are derived from the difference between the expected pension obligations and the actual obligation calculated at year end, and from deviations between the present value of the defined benefit obligation and the fair value of plan assets. The gains and losses from the remeasurement of the net benefit obligation are recognized in OCI in the year in which they arise.

The STEAG Group recognizes current and past service cost and any gains or losses resulting from changes in plans and plan curtailments in personnel expenses, while the net interest expense on the net benefit obligation is recognized in the interest result.

The benefit obligations at year end are compared with the fair value of the plan assets (funded status). Pension provisions are derived from the funded status, taking the asset ceiling into account.

Defined contribution plans exist for both company pension plans and state pension plans (statutory pension insurance). Risks arising from the investment of the contributions and actuarial parameters are not borne by the STEAG Group but by its employees. Defined contribution plans result in an expense in the period in which the contribution is made.

Other provisions

Other provisions are liabilities of uncertain timing or amount. They are established if there are legal or constructive obligations to third parties as at the reporting date, based on past events, that will probably lead to an outflow of resources. It must also be possible to reliably estimate the level of the obligation. If there are several obligations of the same type, the probability of an outflow of resources is calculated for these obligations as an aggregate. Restructuring provisions are only established if constructive obligations exist on the basis of a formal, detailed plan and those affected have been given justifiable expectations before the reporting date that the restructuring will be carried out.

Provisions are based on settlement obligations and take account of future cost increases. Non-current provisions are discounted using the specific discount rate for the provision. Current provisions and the current portion of non-current provisions are not discounted.

Deferred taxes, other income taxes

STEAG GmbH and KSBG KG form a single entity for income tax purposes. Consequently, STEAG GmbH is not a separate entity for income tax purposes. The presentation in the consolidated financial statements represents the economic view.

In compliance with IAS 12, deferred tax assets and liabilities are established for temporary valuation and recognition differences between the assets and liabilities recognized in the balance sheets prepared for tax purposes and those prepared in accordance with IFRS. Tax-deductible loss carryforwards that will probably be utilized in the future are capitalized at the amount of the deferred tax asset.

Deferred tax assets are recognized on the assumption that sufficient future taxable income is likely to be realized to cover these temporary differences. Where the realization of deferred tax assets is unlikely, they are written down.

Deferred tax assets and liabilities are offset if the company is permitted to net other income tax assets and liabilities and if the deferred tax assets and liabilities relate to income taxes in the same tax jurisdiction.

The tax rates used to calculate deferred taxes are those valid under current legislation or that have been announced as being applicable as at the date when the temporary differences will probably be settled. In view of the profit and loss transfer agreement with KSBG KG, the aggregate tax rate used to calculate deferred taxes for German companies in the tax entity is 16.0 percent. Since the main company in the tax entity is a partnership, the tax entity is not subject to corporation tax and the associated solidarity surcharge. The tax rates used for foreign companies and companies that do not form part of the tax entity are their national tax rates. The foreign tax rates are between 16.0 percent (Romania) and 33.0 percent (Colombia).

Other income taxes for the reporting period and prior periods are recognized on the basis of the expected payment or refund. They are derived from the company-specific tax rates applicable on the reporting date.

Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized as soon as the STEAG Group becomes a contractual party to the instrument. Financial instruments recognized as financial assets and financial liabilities are not netted. Exceptions are made if there is a netting right for the amounts at the present time and net settlement is planned.

A distinction is made between derivative and non-derivative financial instruments. Non-derivative financial instruments recognized as assets comprise, for example, trade accounts receivable, loans, cash and cash equivalents and equity instruments held. Financial instruments are carried at amortized cost or fair value on the reporting date, depending on their classification. On the liabilities side, non-derivative financial instruments comprise liabilities measured at amortized cost, e.g. trade accounts payable, loans, and liabilities to banks. Financial derivatives within the scope of IFRS 9 “Financial Instruments” are measured at their fair value on the reporting date.

Financial instruments are initially measured at fair value or the transaction price. Directly attributable transaction costs are included in the financial assets and financial liabilities, providing that these assets and liabilities are not subsequently measured at fair value through profit or loss. Subsequent measurement is based on the classification of the financial instruments mentioned above.

The fair value of financial instruments is normally the amount that the Group would receive or pay if the financial instruments were exchanged or settled on the reporting date. To determine the fair value, the default risk of the Group or the counterparty is taken into account. The fair value of financial instruments on the reporting date is allocated among three levels depending on the input factors used to determine the fair value. Financial instruments are allocated to the highest level (Level 1) if unadjusted quoted prices are available for identical financial instruments in an active market. The second level (Level 2) comprises financial instruments whose price can be derived from the price of similar financial instruments in an active market or an inactive market for identical or similar financial instruments. Further, other observable inputs from the market can be included in their valuation, for example, the development of interest rates, for which generally quoted ranges are observable, implicit volatilities, and credit spreads. For these financial instruments, future cash flows may be discounted using, for example, market interest rates that reflect the remaining term to maturity.

In all other cases, the valuation methods use one or more parameters that are not based on observable market data (Level 3). Discounted cash flow analyses or option pricing models have been selected as established valuation methods. To measure non-current financial instruments that do not bear interest at market rates, the expected future cash flows are discounted to the date of acquisition using the effective interest rate (present value). The effective interest rate takes account of all directly attributable/ incremental transaction costs. Where the inputs used to value the financial instrument are drawn from different levels, the significant valuation factor with the lowest classification determines the classification of the financial instrument.

The fair value of standardized linear derivatives is derived from quoted price indicators. For coal and emissions trading products, the prices on the Intercontinental Exchange (ICE) in London are used. For gas and electricity products, the prices on the European Energy Exchange (EEX) in Leipzig are used. The decision to use the ICE or EEX is based on maximum liquidity of the underlying products.

The valuation of structured and non-linear products (options) is based on recognized valuation models. These models use observable market parameters. In addition, internal assumptions and estimates are made. These are regularly validated. Validation takes place quarterly through external benchmarking and past data.

The use and valuation of financial derivatives in the STEAG Group is subject to stringent controls and regular monitoring based on guidelines, and is part of regular reporting. A regular market conformance test ensures the market conformity of financial statements in the STEAG Group.

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Non-derivative financial instruments

IFRS 9 introduced a new model for the classification and measurement of financial assets in the STEAG Group. Financial assets are classified in the following three categories on the basis of the business model used to manage them:

- At amortized cost
- At fair value through OCI
- At fair value through profit or loss

Where the cash flows from financial assets solely comprise payments of interest and repayments of principal, the financial assets are classified on the basis of the business model. Financial assets are measured at amortized cost if they are held within a business model whose objective is to collect the contractual cash flows. If the business model comprises holding but also trading the financial assets, e.g. to meet specific liquidity requirements, the assets are measured at fair value through other comprehensive income; so far the STEAG Group has not applied this business model.

Financial assets whose cash flows are not composed solely of payments of interest and repayments of the principal, for example, securities and derivatives, are measured at fair value through profit or loss. For equity instruments, IFRS 9 allows the option of measurement at fair value through other comprehensive income. The STEAG Group applied this option for equity instruments held as at the reporting date. If the equity instruments are sold, the gains and losses recognized in other comprehensive income up to this point are not reclassified to the income statement.

The impairment rules applied by the STEAG Group are based on expected credit losses, using the future-oriented prospective credit loss model set out in IFRS 9. This model is applied to all financial assets (debt instruments) measured at amortized cost.

Based on the impairment requirements of IFRS 9, the STEAG Group applies either

- the general approach for loans, securities and similar rights, other financial assets, lease receivables, credit commitments and financial guarantees, or
- the simplified approach for trade accounts receivable and contract assets.

The general approach uses a three-step procedure to determine loss allowances. For regular new financial assets and those where the credit risk has not increased significantly since initial recognition, the STEAG Group recognizes a provision for the 12-month expected credit losses (level 1). For contracts where the credit risk has increased significantly since initial recognition, a provision is recognized on the basis of the lifetime expected credit losses (level 2). At the next level (level 3), risk provisioning is also based on the lifetime expected credit losses. Unlike level 2, at level 3 the loss allowance is recognized on the basis of the actual default event. Objective indications of this comprise information that a debtor is in significant financial difficulties.

Establishing whether the credit risk associated with a financial asset has increased significantly is based on the assessment of the probability of default, taking into account both external ratings and internal information on the credit quality of the financial asset. A financial asset is transferred to level 2 if the credit risk has increased significantly since initial recognition.

The STEAG Group determines the expected credit risk for levels 1 and 2 using the logic for the expected loss model with respect to the probability and level of default based on counterparty ratings.

The simplified method is used for trade accounts receivable and contract assets. These receivables are allocated to level 2 when they are initially recognized. Therefore, for both initial recognition and on each subsequent reporting date, a loss allowance is recognized at an amount equal to the lifetime ECL. A simplified method is used to determine the loss allowance on the basis of an impairment matrix, which is based on historical default ratios for portfolios of customer receivables and which can be adjusted using appropriate prospective estimates.

Impairment losses are recognized in the income statement. If the original reason for the impairment loss no longer applies, it is reversed to income, but only up to the amortized cost.

Financial assets are derecognized when the contractual rights to receive payments lapse or are transferred and the STEAG Group has transferred substantially all opportunities and risks associated with ownership. There were no instances where the STEAG Group sold financial assets through securitization or a repurchase agreement and the assets were still reported in full or in part in the financial statements.

Derivative financial instruments

Derivatives are normally used to hedge the risk of changes in exchange rates, the price of goods and interest rates relating to existing or forecast transactions. For this purpose, interest rate swaps, forward exchange contracts, commodity futures, and options on standardized and structured products are used as hedging instruments. Derivatives are always measured at the fair value that corresponds to the price quoted on an active and accessible market. If no stock exchange or market price is available for the derivative from an active market, the fair value is determined using capital market pricing methods. For forward exchange contracts, the forward exchange rate as at the reporting date is used. Commodity derivatives are valued with the aid of spot prices and forward rates while interest rate derivatives are valued by discounting future cash flows using current market interest rates that are congruent with their remaining term.

The market price of options is determined using established valuation methods, based on internal models. All market factors that other market participants would use to determine the price are taken into account. Alongside market parameters, valuation based on the option pricing model uses parameters that are not directly observable in the market. Plausible assumptions are used for these parameters. Where physical delivery takes place, the realized revenues are recognized in sales. Changes in the fair value of options are recognized in other operating income or other operating expenses. In the event that no or only immaterial amounts are physically delivered, option premiums are presented retrospectively in other operating income. Derivatives are initially recognized on the trading date.

Contracts relating to the receipt or delivery of non-financial assets or non-financial liabilities, based on the company's expected purchase, sale or usage requirements, are accounted for as executory contracts and not as derivative financial instruments as per IFRS 9. If these contracts contain embedded derivatives that are not closely related to the economic characteristics and risks of the host contract, they are valued and accounted for separately from the host contract.

Stand-alone derivatives and derivatives that do not form part of an effective hedging relationship (hedge accounting) are classified at fair value through profit or loss and are therefore recognized at fair value through profit or loss.

Provided that certain criteria are met, IFRS 9 still permits the use of special rules for hedge accounting (fair value hedges, cash flow hedges and hedges of a net investment) to reduce the volatility of the income statement. Formal documentation of a hedging relationship is based on the STEAG Group's risk management activities and comprises a description of the risk management strategy, determination of the hedge ratio, designation of the hedging instrument, the hedged item and details of determination of the effectiveness of the hedging relationship. The derivatives included in hedge accounting are not allocated to any category.

When recognizing currency hedges as cash flow hedges, the interest component and the cross-currency basis spread are not designated as part of the hedging relationship and are recognized in the income statement.

The purpose of fair value hedges is to hedge the fair value of assets or liabilities recognized in the balance sheet or of an off-balance-sheet firm commitment. Changes in the fair value of the hedging instrument are recognized in the income statement together with the change in the value of the hedged item. These changes must relate to the hedged risk. If off-balance-sheet firm commitments are hedged, changes in the fair value of the firm commitment relating to the hedged risk give rise to recognition of a financial asset or financial liability that impacts profit or loss. In view of this method, in the case of a perfect hedge changes in the value of the hedged item and the hedge cancel each other out in the income statement.

The purpose of cash flow hedges is to minimize the risk of volatility of future cash flows from a recognized asset or liability or a forecast transaction that is considered highly probable. The effective portion of changes in the fair value of a hedging instrument is recognized in other comprehensive income (OCI) and the ineffective portion of the change in value is recognized in the income statement. Amounts recognized in OCI are reclassified to the income statement as soon as the hedged item has an impact on the income statement or the forecast transaction is no longer probable. In the case of interest rate hedges, such amounts are included in net interest income or expense, while in the case of sales hedges they are included in the corresponding sales revenues and for procurement hedges in the cost of sales. If the hedged future transaction comprises a non-financial asset or liability, the profit or loss previously recognized in OCI is included in the cost of acquisition of the asset or liability when it is initially recognized and is reflected in income e.g. as a result of use.

The purpose of a hedge of a net investment is to reduce the foreign currency risk involved in an investment in a company whose functional currency is not the euro. Such hedges are treated as cash flow hedges. Gains and losses recognized in OCI are reclassified to the income statement when the foreign subsidiary is divested or investment in it is reduced.

Investment property

Property held as a financial investment to generate rental revenues or for capital appreciation is valued at the cost of acquisition or production, taking directly attributable transaction costs into account, and – insofar as it is subject to wear and tear – is depreciated over its useful life of 25-50 years using the straight-line method.

If there are indications of a possible impairment, an impairment test is conducted, see Note (2.6) “Impairment test”.

The fair values of investment property shown in the Notes are essentially based on average land values, depending on the specific land use, and are assigned to level 2 of the fair value hierarchy. Leasehold

properties are valued using a capitalized ground rent in a range between 6 percent and 8 percent and are assigned to level 3.

In the event of an increase (decrease) in the ground rent, the estimated fair value would rise (fall).

Leasing

A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. The STEAG Group is party to leases as both lessee and lessor (finance and operating leases).

A lease is classified as a finance lease if, under the lease agreement, the lessee bears substantially all opportunities and risks associated with ownership of the asset. In addition to contractually agreed finance leases, lease agreements relating to the use of assets, for example, long-term power distribution agreements, may be classified as finance leases if they meet certain cumulative criteria.

If the STEAG Group is the lessee, the corresponding right-of-use asset is recognized in the lessee's property, plant and equipment at the present value of the lease payments. Concurrently, a corresponding lease liability is recognized. This is discounted at the interest rate implicit in the lease. If the interest rate implicit in the lease cannot be determined, the lessee's incremental borrowing rate is used. In the STEAG Group, the right-of-use assets are not presented in a separate line item; they are included in the line items on the balance sheet in which the underlying assets would be recognized if they were owned by the company. Accordingly, the lease liabilities are not presented separately, but together with other financial liabilities.

The STEAG Group has elected to apply the recognition exemption for short-term leases (<12 months). The related lease payments are recognized as expenses in the income statement on a straight-line basis. Further, the STEAG Group uses the recognition exemption for leases for intangible assets, which are recognized in accordance with the provisions of IAS 38. Similarly, the Group uses the practical expedient allowing leases of a similar nature to be combined in a portfolio.

The STEAG Group does not apply the exemptions permitting the recognition of leases for low-value assets as an expense and the separation of lease and non-lease components.

Assets held for sale and the associated liabilities

Non-current assets are classified as "held for sale" if the corresponding carrying amount is to be realized mainly through a sale transaction rather than through continued use. They are recognized separately if the sale is considered to be highly probable and the assets are available for immediate sale. If the associated liabilities are to be sold with the asset as part of the transaction, these must also be presented separately.

The non-current assets or disposal groups classified as “held for sale” must be measured at the lower of their carrying amount and fair value less disposal costs. The carrying amount of an asset or disposal group is determined using the applicable IFRSs immediately prior to initial classification.

Unless the assets are classified as a discontinued operation, the results of the valuation and the sale of the assets are still included in income from continuing operations.

Government grants

Government grants for the purchase or construction of property, plant and equipment reduce the acquisition or production cost of such assets. They are recognized in profit or loss over the useful life of the assets through lower depreciation. Other grants are accrued and recognized as income over the same period as the expenses for which they are expected to compensate.

Contingent liabilities and other financial commitments

Contingent liabilities are possible or present obligations arising from past events, where an outflow of resources is not probable and the level of the obligation cannot be estimated with sufficient reliability. They are only recognized on the balance sheet if they are acquired as part of a business combination.

Other financial commitments result from non-onerous executory contracts, continuous obligations, statutory requirements and other commercial obligations that are not already included in the liabilities shown on the balance sheet or in contingent liabilities and that are of significance for an assessment of the company's financial position.

(2.7) Changes in accounting policies

The STEAG Group applied the same accounting policies as in the 2019 fiscal year, taking into account those IFRS standards and interpretations that had to be applied for the first time in 2020, which did not have any material effect.

(3) Discussion of assumptions and estimation uncertainties

The preparation of consolidated financial statements involves assumptions and estimates about the future. Evidently, the subsequent circumstances do not always match the estimates made. Adjustments to estimates are taken into account in the appropriate period as soon as better information is available. The estimates and assumptions that constitute a material risk that the carrying amounts of assets and liabilities may have to be adjusted within the next fiscal year are discussed below.

(a) Goodwill impairment

Intangible assets, especially goodwill, are tested for impairment on the basis of the best possible assumptions and estimates regarding, for example, future cash flows, sustained earnings prospects, expected growth rates, exchange rates and discount rates.

The lowest positive difference (comparison between the recoverable amount and carrying amount of a CGU or group of CGUs to which goodwill is allocated) is € 210.6 million (after non-controlling interests) for the Renewable Energies and Distributed Facilities division. A sensitivity analysis was conducted for the parameters to which the recoverable amount reacts most sensitively. The recoverable amount would correspond to the carrying amount of the assets and liabilities assigned to the division if the discount rate used for the valuation were just over 0.7 percent higher. Even if the EBITDA used in the terminal value were 10 percent lower, there would still be a considerable positive difference.

(b) Impairment testing of STEAG GmbH's power plants in Germany

The impairment test on STEAG GmbH's power plants (including district heating plants) is based on management assumptions and estimates regarding, for example, future cash flows, sustained earnings prospects, expected growth rates, operational lifetime and the expected future development of market prices. The phasing out of hard-coal power generation in Germany came into effect with the German Coal-Fired Power Termination Act (KVBG), which came into force on August 14, 2020. This legislation stipulates the complete withdrawal from coal-fired generation in Germany by 2038 at the latest and sets an earlier deadline for the exit from hard-coal generation. The order in which plants are to be decommissioned between 2020 and 2027 is determined by an auction process with declining maximum prices. After 2027, operators of hard-coal power plants will not receive any further financial compensation for the shutdown of their plants. The only exception is for the most recent hard-coal power plants which came into service after 2010. At STEAG GmbH this only applies to the Walsum 10 power plant. As a result of this legislation, the previous CGU has been split into the German power plants and the district heating plants of STEAG GmbH. The recoverable amounts of the power plants determined on the basis of shorter operating lives did not cover the carrying amounts of the new CGU for the German power plants. The recoverable amount of these plants was determined by estimating the fair value less costs to sell; see Note (2.6) “Impairment test”. As a result, an impairment loss was recognized for the full carrying amount of the property, plant and equipment of the power plants. The Walsum 10 power plant (carrying amount: € 557.3 million) comprises a separate CGU.

The estimation uncertainties outlined above, especially with regard to the operational lifetime, also apply to this power plant.

(c) Measurement of provisions for pensions and other post-employment benefits

The measurement of provisions for pensions and other post-employment benefits is based, inter alia, on assumptions about discount rates, expected future salary and pension increases and mortality tables. These assumptions may deviate from the actual data due to changes in economic or market conditions.

The sensitivity analysis for the main actuarial parameters is shown in Note (6.11).

(d) Measurement of other provisions

Other provisions, especially provisions for recultivation and environmental protection, dismantling obligations, litigation risks and restructuring, are naturally exposed to significant forecasting uncertainties regarding the level and timing of the obligation. The management has to make assumptions about the probability of occurrence of an obligation or future trends, such as the cost of obligations, on the basis of experience. Non-current provisions, in particular, are exposed to forecasting uncertainties. In addition, the level of non-current provisions depends to a large extent on the selection and development of the market-oriented discount rate and the estimate of the overall costs. The STEAG Group uses different interest rates for different currencies and terms to maturity. For further details, please refer to Note (6.12).

(e) Measurement of financial instruments

To hedge future transactions relating to the distribution of energy from STEAG's power plants, the marketing of third-party power plant output and coal trading, assumptions are made about the probability that the forecast transactions will take place. The STEAG Group hedges CDS and CSS trading volumes in order to successively hedge expected future cash flows from the distribution of power. Expected distribution volumes are estimated by modeling expected future hourly power prices on the basis of historical data and expected market trends. Marketing is based on the one hand on a model based on the full value of the underlying power supply model (delta hedging) and on the other on the sale of virtual shares of the power generated by power plants to third parties, which are valued using an in-house option pricing model. The assumptions and parameters used are regularly reviewed and adjusted to ensure the highest possible hedge quality. Alongside the futures price curves for power, a major factor influencing the volume to be hedged is the underlying power supply model. In the context of fuel trading, assumptions are made regarding the probability of sourcing and distribution volume for both long-term master agreements and shorter-term coal and sea freight contracts.

STEAG GmbH does not use hedge accounting to recognize the hedging relationships described above. For further information, please refer to Note (8.1).

(f) Measurement of development projects

In view of their long-term nature and the large amount of capital involved, investment decisions involve complex and wide-ranging risks.

Growth projects, in particular, are exposed to considerable uncertainty with regard to the estimates of future opportunities and risks due to the early project phase. At the same time, commercialization may depend on uncertain future events that can currently only be estimated on the basis of a sound opportunity/risk assessment.

In the case of the geothermal project in Indonesia, which involves investment in the exploration of a geothermal system, an impairment loss was recognized in 2020 for all project costs already capitalized due to limited progress with this project. In April 2021, all shares in the project company and the loans granted were sold for a symbolic amount of USD 1.00.

(g) Assumptions regarding joint ventures

The STEAG Group holds more than 50 percent of the capital and half of the voting rights in the following companies:

- Fernwärmeschiene Rhein-Ruhr GmbH
- BH Biomasse Handelsgesellschaft mbH & Co. KG
- BK Biomasse Kraftwerkversorgungs GmbH
- STEAG O&M Company Pvt. Ltd. (India).

In addition, stakes of less than 50 percent are held in the following companies that the Group controls jointly with several partners or with one partner, where the Group has more than half of the voting rights:

- ENNI RMI Windpark Kohlenhuck GmbH
- Projektgesellschaft "Radbod" mbH
- Windkraft Lohberg GmbH
- Cormetec Inc. (USA);
- Hawar Power Minerals W.L.L. (Qatar).

All of these companies are classified as joint ventures because the STEAG Group controls them jointly with one or more partners.

(h) Assumptions regarding associates

The Group holds 50 percent of the capital of Euroment B.V. (formerly Euroment Benelux B.V.) (Netherlands). However, since its proportion of the voting rights is lower, it can only exert a significant influence.

(4) Scope of consolidation

(4.1) General

Alongside STEAG GmbH, the consolidated financial statements include all material subsidiaries in Germany and abroad that are directly or indirectly controlled by STEAG GmbH. Associates and joint ventures are recognized at equity.

The scope of consolidation changed as follows:

Number of companies	Germany	Other countries	**Total**
STEAG GmbH and consolidated subsidiaries			
As at December 31, 2019:	55	38	93
Acquisitions/newly established companies	4	6	10
Other companies consolidated for the first time	1	-	1
Divestments	1	1	2
Intragroup mergers	2	2	4
Other companies derecognized	-	-	-
As at December 31, 2020:	**57**	**41**	**98**
Investments recognized at equity:			
As at December 31, 2019:	33	20	53
Acquisitions/newly established companies	1	1	2
Other first-time consolidations using the equity method	-	1	1
Divestments	-	1	1
Intragroup mergers	-	-	-
Other companies derecognized	-	1	1
As at December 31, 2020:	**34**	**20**	**54**
	91	**61**	**152**

The addition and derecognition of companies in the scope of consolidation did not have a material impact on the Group's assets, financial position and results of operations in the reporting period.

Effective January 1, 2019, the STEAG Group acquired the outstanding 51 percent of shares in Gemeinschaftskraftwerk Bergkamen A beschränkt haftende OHG. The STEAG Group previously held 49 percent of the shares in this company. In the transition consolidation, the shares previously held were remeasured and income of € 29.0 million was recognized. The difference between the purchase price for the 51 percent of shares purchased and the value of the remeasured shares, and the fair value of the net assets acquired was recognized in income as a negative difference of € 28.4 million. The derecognition of companies in the previous year did not have a material impact on the Group's assets, financial position and results of operations.

(4.2) Non-controlling interests

As in the previous year, there are non-controlling interests of 49.0 percent in each case in the following subsidiaries, which are material for the STEAG Group: STEAG Fernwärme GmbH (Germany), STEAG-EVN Walsum 10 Kraftwerksgesellschaft mbH (Germany), Iskenderun Enerji Üretim ve Ticaret A.S. (Turkey) and STEAG State Power Inc. (Philippines).

Condensed financial information for these subsidiaries is given below. It has been prepared in accordance with IFRS and adjusted for differences in the accounting policies used by the Group and any adjustment of the fair value as at the acquisition date. The amounts shown reflect the perspective of each subsidiary before intragroup elimination.

				2020
in € million	STEAG-EVN Walsum 10 Kraftwerks-gesellschaft mbH	Iskenderun Enerji Üretim ve Ticaret A.S.	STEAG State Power Inc.	STEAG Fernwärme GmbH
Non-current assets as at December 31	575.0	93.1	164.7	88.3
Current assets as at December 31	66.3	136.0	84.5	50.1
Non-current liabilities as at December 31	274.6	7.5	74.6	87.2
Current liabilities as at December 31	94.3	43.9	27.1	34.7
Net assets	**272.4**	**177.7**	**147.5**	**16.5**
Sales	164.6	321.6	64.6	105.0
Income after taxes	28.0	42.7	17.3	5.9
Other comprehensive income after taxes	-23.0	-31.8	9.9	-32.6
Total comprehensive income	**5.0**	**10.9**	**27.2**	**-26.7**
Net assets attributable to non-controlling interests	138.3	89.3	72.3	8.1
Income after taxes attributable to non-controlling interests	14.4	20.9	8.5	2.9
Dividends attributable to non-controlling interests	14.2	43.2	10.2	-

				2019
in € million	STEAG-EVN Walsum 10 Kraftwerks-gesellschaft mbH	Iskenderun Enerji Üretim ve Ticaret A.S.	STEAG State Power Inc.	STEAG Fernwärme GmbH
Non-current assets as at December 31	621.0	95.4	188.5	88.7
Current assets as at December 31	85.8	176.9	53.9	42.6
Non-current liabilities as at December 31	316.2	3.1	53.9	79.9
Current liabilities as at December 31	101.2	32.3	23.9	35.4
Net assets	**289.4**	**236.9**	**164.6**	**16.0**
Sales	195.1	265.9	77.1	107.6
Income after taxes	25.1	25.6	19.3	0.8
Other comprehensive income after taxes	3.7	4.8	2.7	-7.6
Total comprehensive income	**28.8**	**30.4**	**22.0**	**-6.8**
Net assets attributable to non-controlling interests	145.9	118.2	80.7	7.8
Income after taxes attributable to non-controlling interests	13.5	12.5	9.4	0.4
Dividends attributable to non-controlling interests	10.5	13.3	7.9	-

(5) Notes to the income statement

(5.1) Sales

in € million	2020	2019
Revenues from the sale of goods	1,424.3	1,556.5
Revenues from services	448.9	408.5
Revenues from long-term contracts	119.4	91.9
Revenues from finance leases	25.8	30.4
	2,018.4	**2,087.3**

The drop in revenues from the sale of goods was mainly due to a reduction in electricity production in Germany. By contrast, revenues from services and construction contracts increased.

Sales include revenues of € 2.0 million (prior year: € 2.4 million) from allocated renewable energy certificates.

All revenues apart from the revenues from finance leases are within the scope of IFRS 15. Revenues from long-term contracts mainly comprise long-term contracts for the construction and conversion of plants.

Revenues from finance leases contain interest income of € 1.4 million (prior year: € 1.8 million). The revenues from finance leases exclude both variable lease payments, which were not taken into account in the valuation of the net investment in the lease, and income from reassessment or modification of finance leases.

(5.2) Other operating income

in € million	2020	2019
Income from the valuation of derivatives (excluding interest rate derivatives)	129.8	195.3
Income from the reversal of provisions	47.1	42.0
Income from currency translation of monetary assets and liabilities	24.5	20.5
Income from the reversal of impairment losses	19.7	44.7
Income from the disposal of assets	9.3	5.6
Income from non-core operations	3.1	2.7
Income from insurance refunds	0.8	2.7
Income from other refunds and compensation for damage	0.7	1.1
Income from the reversal of deferred items	0.2	5.1
Income from initial consolidation	-	57.4
Miscellaneous income	63.6	34.0
	298.8	**411.1**

The income from the reversal of impairment losses comprises income of € 18.0 million (prior year: € 38.6 million) from the reversal of impairment losses on intangible assets, property, plant and equipment, € 1.4 million (prior year: € 5.6 million) from the reversal of impairment losses on loans and other receivables, and € 0.3 million (prior year: € 0.5 million) from the reversal of impairment losses on trade accounts receivable and finance leases.

The income from the reversal of provisions mainly results from the reversal of provisions for dismantling obligations and other obligations and relates mainly to the decommissioning of power plant sites and the release from all obligations in connection with the systemic relevance of power plant sites; see Note (6.12).

The income from the disposal of assets contains gains of € 3.5 million (prior year: € 4.2 million) from the disposal of property, plant and equipment, intangible assets and investment property. This item also contains gains of € 5.8 million (prior year: € 0.0 million) from the disposal of investments recognized at equity and subsidiaries.

The income from non-core operations contains rental income of € 1.9 million (prior year: € 1.7 million) from operating leases.

The income from initial consolidation in the prior year resulted from the acquisition in stages of Gemeinschaftskraftwerk Bergkamen A beschränkt haftende OHG. € 29.0 million of this amount related to the remeasurement of shares already held at the higher fair value.

The miscellaneous income comprises a large number of operating revenues, including revenues from decommissioning auctions and revenue from the reversal of purchase price liabilities.

The nominal value of receivables from future minimum lease payments for assets leased under operating leases have the following payment terms:

in € million	**Dec. 31, 2020**	Dec. 31, 2019
Due within 1 year	1.3	1.1
Due within 1-2 years	1.0	0.9
Due within 2-3 years	0.2	0.3
Due within 3-4 years	0.2	0.2
Due within 4-5 years	0.2	0.2
Due in more than 5 years	0.7	1.0
	3.6	**3.7**

(5.3) Cost of materials

in € million	2020	2019
Expenses for raw materials and supplies and goods and services sourced	1,233.0	1,321.1
Impairment losses on raw materials, supplies and goods sourced	17.2	11.4
Reversal of impairment losses on raw materials, supplies and goods sourced	-8.9	-2.6
	1,241.3	**1,329.9**

The expenses for raw materials, supplies and goods and services sourced mainly comprises expenses for the coal used in the power plants and expenses for the procurement of power in the trading business.

The € 88.6 million decline in the cost of materials was due to lower power generation in Germany.

(5.4) Personnel expenses

in € million	2020	2019
Wages and salaries	370.2	303.0
Social security contributions	50.7	50.1
Pension expenses	17.0	15.4
Other personnel-related expenses	3.3	2.8
	441.2	**371.3**

Personnel expenses were € 69.9 million higher than in the previous year. This was mainly due to additions of € 68.7 million to provisions for restructuring expenses in connection with the FUTURE transformation project and the shutdown of power plants due to implementation of the German Coal-Fired Power Generation Termination Act (KVBG).

The average number of employees in the STEAG Group decreased slightly from 6,295 to 6,148. The reduction was mainly in the Power division.

Net interest cost for pensions is reported in the interest result; see Note (5.8).

(5.5) Depreciation/amortization and impairment losses

This item includes depreciation and amortization resulting from the systematic allocation of the cost of acquisition or production over the useful life of assets. It also includes impairment losses on assets where the recoverable amount (see Note 2.6) was below the carrying amount.

in € million	2020	2019
Depreciation and amortization	161.6	164.9
Impairment losses	232.3	10.8
	393.9	**175.7**

Depreciation and amortization

Depreciation and amortization refer to the following groups of assets:

in € million	2020	2019
Intangible assets	11.4	9.0
Property, plant and equipment	150.2	155.9
	161.6	**164.9**

Impairment losses

Impairment losses refer to the following groups of assets:

in € million	2020	2019
Impairment losses pursuant to IAS 36:	**204.0**	**7.4**
Intangible assets	23.4	-
Property, plant and equipment	180.6	7.4
Impairment losses pursuant to IFRS 9:	**28.3**	**3.4**
Financial assets	25.9	1.0
Trade accounts receivable and other receivables	2.4	2.4
	232.3	**10.8**

(a) Impairment losses pursuant to IAS 36:

Impairment losses of € 204.0 million (prior year: € 7.4 million) were recognized for intangible assets, property, plant and equipment at power generating plants and other installations in Germany and abroad. The impairment losses on property, plant and equipment include € 156.2 million relating to the exit from hard-coal generation mandated by the German legislation (KVBG). In addition, an impairment loss of € 46.7 million was recognized on the entire carrying amount of the assets of the geothermal project in Indonesia.

The fair values were determined on the basis of recoverable value models, see the section on "Impairment test" in Note (2.6).

(b) Impairment losses pursuant to IFRS 9:

in € million	2020	2019
Financial assets	**25.9**	**1.0**
Loans	25.9	1.0
Trade accounts receivable and other receivables	**2.4**	**2.4**
	28.3	**3.4**

Impairment losses totaling € 2.4 million (prior year: € 2.4 million) were recognized for trade accounts receivable and other receivables. The impairment losses on loans totaled € 25.9 million (prior year: € 1.0 million). As in the previous year, impairment losses on loans outside Germany were negligible.

(5.6) Other operating expenses

in € million	2020	2019
Losses on the valuation of derivatives (excluding interest rate derivatives)	76.3	139.8
Administrative expenses	60.0	49.3
Losses on currency translation of monetary assets and liabilities	33.3	31.3
Insurance premiums	27.1	23.2
Miscellaneous tax expense	11.8	8.9
IT expenses	10.6	10.4
Expenses for leases	4.6	5.4
Expenses for maintenance and repairs	2.8	3.0
Losses on the disposal of assets	2.2	1.7
Selling expenses	0.5	2.3
Miscellaneous other operating expenses	71.3	61.9
	300.5	**337.2**

The decline in other operating expenses was mainly due to the reduction in expenses from the valuation of derivatives.

The expenses for leases are broken down as follows:

in € million	2020	2019
Expenses for leases with a term of up to 12 months	0.7	1.1
Variable lease expenses that cannot be capitalized	1.8	2.4
Other expenses for leases	2.1	1.9
Expenses from the reassessment of leases	-	-
	4.6	**5.4**

The losses on the disposal of assets are mainly due to the sale of property, plant and equipment.

The miscellaneous other operating expenses mainly comprise travel expenses, expenses for other external services, additions to provisions and expenses relating to the waiver of receivables.

(5.7) Research and development expenses

Research and development expenses amounted to € 1.4 million in 2020 (prior year: € 0.9 million). In the reporting period, as in the prior year, the majority of these expenses are included in the cost of materials.

(5.8) Interest result

in € million	2020	2019
Interest income from financial assets	11.3	10.5
Interest and similar income from interest rate derivatives	0.7	0.8
Other interest-type income	0.8	1.3
Interest income	**12.8**	**12.6**
Interest expense for financial liabilities	-43.8	-43.6
Net interest expense for pensions	-13.9	-21.1
Interest expense from lease liabilities	-5.5	-5.2
Interest expense on accrued interest on other provisions	-4.6	-17.1
Interest and similar expenses for interest rate derivatives	-0.3	-2.5
Other interest-type expenses	-3.1	-3.3
Interest expense	**-71.2**	**-92.8**
	-58.4	**-80.2**

The interest income from financial assets contains € 6.0 million (prior year: € 6.4 million) from the upstream loan granted by STEAG GmbH to KSBG KG; see Note (6.5).

The interest expense for financial liabilities comprises € 8.0 million (prior year: € 8.6 million) in connection with the bonded loans taken out by STEAG GmbH; see Note (6.13).

Borrowing costs of € 0.0 million (prior year: € 0.7 million) were capitalized.

The average cost of capital for capitalized borrowing costs in the STEAG Group is 2.9 percent (prior year: 2.8 percent).

(5.9) Result from investments recognized at equity

in € million	2020	2019
Equity-method income	11.4	13.0
Equity-method expenses	-2.2	-4.8
Reversal of impairment losses	2.3	-
Impairment losses	-14.3	-8.4
	-2.8	**-0.2**

In 2020, as in the prior year, the result came from investments recognized at equity that were individually non-material.

The reversal of impairment losses relates to the divestment of the joint venture Arenales Solar PS S.L. in Spain. The impairment losses contain further impairment losses of € 11.2 million (prior year: € 6.7 million) on a joint venture in the USA, which is presented in assets held for sale, see Note (6.9).

(5.10) Other financial income

As in the previous year, the other financial income of € 0.1 million (prior year: € 0.9 million) almost entirely comprises income from other investments.

(5.11) Income taxes

Income taxes comprise the following:

in € million	2020	2019
Other income taxes	62.1	48.2
(thereof relating to other periods)	(1.3)	(-5.7)
Deferred taxes	-9.2	20.4
(thereof relating to other periods)	(1.3)	(0.4)
	52.9	**68.6**

The tax reconciliation shows the development of expected income taxes relative to the effective income taxes stated in the income statement.

The expected income taxes are based on an aggregate tax rate of 16.0 percent (prior year: 16.0 percent). This comprises the average domestic trade tax. The effective income taxes include income taxes and deferred taxes.

in € million	2020	2019
Income before income taxes	**-117.4**	**200.5**
Expected income taxes	-18.8	32.0
Variances/changes in tax rates	16.0	17.9
Change in the impairment of deferred taxes	43.3	21.1
Non-deductible expense	14.3	5.9
Tax-free income	-9.2	-5.2
Other	7.3	-3.1
Effective income taxes	**52.9**	**68.6**

The variances between expected and effective income taxes are mainly due to deviations in foreign tax rates and to German companies that are subject to corporation taxes as well as to trade tax. The change in the impairment of deferred taxes comprises € 7.8 million (prior year: minus € 2.5 million), which relates to the impairment of deferred tax assets for the German tax entity, taking into account future tax planning, and € 35.5 million (prior year: € 23.5 million) on losses for which no deferred taxes were established. € 7.4 million of the tax-free income results from the reversal of impairment losses on assets. In the prior year, € 4.8 million related to the remeasurement of shares. The other effects contain non-period taxes of € 1.3 million (prior year: minus € 5.7 million) and non-period deferred taxes of € 1.3 million (prior year: € 0.4 million). In addition, this item contains the effects of permanent differences totaling minus € 1.9 million (prior year: € 0.2 million) and deferred taxes of € 6.4 million (prior year: € 2.7 million) in connection with exchange rate fluctuations at Iskenderun Enerji Üretim ve Ticaret A.S. (Turkey).

(6) Notes to the balance sheet

(6.1) Intangible assets

in € million	Goodwill	Other intangible assets	Total
Acquisition/production cost			
As at January 1, 2019	**77.3**	**253.6**	**330.9**
Currency translation	0.3	1.6	1.9
Additions from business combinations	2.6	0.2	2.8
Other additions	7.5	8.2	15.7
Disposals	-0.4	-1.0	-1.4
Reclassifications	-	0.9	0.9
As at December 31, 2019	**87.3**	**263.5**	**350.8**
Currency translation	-1.6	-5.9	-7.5
Additions from business combinations	3.9	1.6	5.5
Other additions	1.8	4.9	6.7
Divestment of businesses	-0.2	-0.1	-0.3
Disposals	-	-4.8	-4.8
Reclassifications	-	8.1	8.1
Reclassification to assets held for sale	-8.9	-34.5	-43.4
As at December 31, 2020	**82.3**	**232.8**	**315.1**
Amortization and impairment losses			
As at January 1, 2019	**-**	**132.0**	**132.0**
Currency translation	-	0.4	0.4
Amortization	-	9.0	9.0
Reversal of impairment losses	-	-1.6	-1.6
Disposals	-	-0.9	-0.9
Reclassifications	-	-	-
As at December 31, 2019	**-**	**138.9**	**138.9**
Currency translation	-	-3.5	-3.5
Amortization	-	11.4	11.4
Impairment losses	-	23.4	23.4
Reversal of impairment losses	-	-0.6	-0.6
Disposals	-	-4.7	-4.7
Reclassifications	-	-	-
Reclassification to assets held for sale	-	-11.7	-11.7
As at December 31, 2020	**-**	**153.2**	**153.2**
Carrying amounts as at December 31, 2019	**87.3**	**124.6**	**211.9**
Carrying amounts as at December 31, 2020	**82.3**	**79.6**	**161.9**

The reported goodwill results from acquisitions of shares in subsidiaries and business operations.

The additions of €5.7 million in the reporting period relate to the Power division. They mainly comprise the purchase price allocations relating to the acquisition of MINERALplus Stork GmbH & Co. KG (€ 2.1 million) and Krantz Ltd. (€ 1.8 million). The additions of € 10.1 million in the prior year related to the Power division and were due to the purchase price allocation in connection with the acquisition of the SENS Group.

Goodwill disposals relate to the Power division. € 0.2 million results from the disposal of the operation STEAG Enerji Ticareti ve Hizmetleri A.Ş.

The goodwill is allocated to the Power and Renewable Energies and Distributed Facilities CGUs.

The table shows how it is broken down:

Goodwill

in € million	Dec. 31, 2020	Dec. 31, 2019
Power	69.2	67.5
Renewable Energies and Distributed Facilities	13.1	19.8
	82.3	**87.3**

On the reporting date, there were other restrictions on the use of intangible assets totaling € 27.7 million (prior year: € 35.1 million). As in the prior year, there were no commitments to purchase intangible assets.

(6.2) Property, plant and equipment

in € million	Land, land rights and buildings	Plant and machinery	Other plant, office furniture and equipment	Advance payments and construction in progress	Total
Acquisition/production cost					
As at January 1, 2019	**587.2**	**4,619.6**	**157.2**	**134.3**	**5,498.3**
Initial measurement, initial application of IFRS 16	102.3	27.2	4.4	-	133.9
Change due to IFRS 16	-8.4	-0.4	-0.2	-	-9.0
Currency translation	1.5	3.5	0.7	2.1	7.8
Additions from business combinations	24.5	59.7	0.1	14.3	98.6
Other additions	10.7	33.7	9.6	28.8	82.8
Disposals	-37.7	-395.4	-3.1	-0.8	-437.0
Reclassifications	24.7	49.8	0.8	-73.6	1.7
As at December 31, 2019	**704.8**	**4,397.7**	**169.5**	**105.1**	**5,377.1**
Currency translation	-10.8	-19.7	-4.3	-5.8	-40.6
Additions from business combinations	0.4	1.1	0.3	0.1	1.9
Other additions	11.7	46.8	13.2	24.5	96.2
Disposals	-3.4	-19.8	-6.9	-0.9	-31.0
Divestment of businesses	-0.1	-	-0.1	-	-0.2
Reclassifications	1.5	13.3	1.0	-21.0	-5.2
Reclassification to assets held for sale	-25.1	-298.6	-9.4	-0.1	-333.2
As at December 31, 2020	**679.0**	**4,120.8**	**163.3**	**101.9**	**5,065.0**
Depreciation and impairment losses					
As at January 1, 2019	**326.2**	**3,237.9**	**125.6**	**29.1**	**3,718.8**
Currency translation	0.7	1.4	0.5	0.5	3.1
Additions from business combinations	-	0.8	0.1	13.6	14.5
Depreciation	23.0	122.0	10.8	0.1	155.9
Impairment losses	-	-	-	7.4	7.4
Reversal of impairment losses	-1.0	-36.0	0.0	-	-37.0
Disposals	-35.1	-386.1	-2.9	-	-424.1
Reclassifications	-	-	-	-	0.0
As at December 31, 2019	**313.8**	**2,940.0**	**134.1**	**50.7**	**3,438.6**
Currency translation	-4.1	-8.2	-3.2	-4.5	-20.0
Depreciation	22.1	116.7	11.4	0.0	150.2
Impairment losses	28.4	123.9	2.2	26.1	180.6
Reversal of impairment losses	-0.3	-17.2	-	-	-17.5
Disposals	-1.6	-16.8	-6.3	0.0	-24.7
Divestment of businesses	-0.1	-	-	-	-0.1
Reclassifications	-	0.0	0.0	0.0	0.0
Reclassification to assets held for sale	-10.7	-106.1	-6.5	-	-123.3
As at December 31, 2020	**347.5**	**3,032.3**	**131.7**	**72.3**	**3,583.8**
Carrying amounts as at December 31, 2019	**391.0**	**1,457.7**	**35.4**	**54.4**	**1,938.5**
Carrying amounts as at December 31, 2020	**331.5**	**1,088.5**	**31.6**	**29.6**	**1,481.2**

The impairment losses on property, plant and equipment contain € 156.2 million due to the exit from hard-coal power generation mandated by the German legislation (KVBG).

The carrying amounts of property, plant and equipment pledged as collateral for Group liabilities amounted to € 390.3 million (prior year: € 477.1 million). A further € 568.3 million (prior year: € 578.7 million) are subject to other restrictions on use.

The Group has commitments of € 30.6 million (prior year: € 7.3 million) to purchase property, plant and equipment.

In the STEAG Group, leases are mainly for land, office premises and plant. The following table shows the development of the carrying amounts of the right-of-use assets recognized in accordance with IFRS 16.

in € million	Land, land rights and buildings	Plant and machinery	Other plant, office furniture and equipment	Total
Acquisition/production cost				
As at January 1, 2019	**102.3**	**27.2**	**4.4**	**133.9**
Currency translation	0.1	0.0	0.0	0.1
Additions from business combinations	0.6	-	0.1	0.7
Change due to IFRS 16	-8.4	-0.4	-0.2	-9.0
Other additions	9.3	2.3	3.2	14.8
Disposals	-0.2	-	-	-0.2
Reclassifications	0.7	42.2*	5.5	48.4
As at December 31, 2019	**104.4**	**71.3**	**13.0**	**188.7**
Currency translation	-0.6	-0.2	-0.4	-1.2
Additions from business combinations	0.4	-	-	0.4
Deconsolidation	-	-	-0.1	-0.1
Other additions	6.4	23.9	6.1	36.4
Disposals	-1.1	-0.4	-0.3	-1.8
Reclassifications	-	-	1.3	1.3
Reclassification to assets held for sale	-3.6	-1.7	-0.8	-6.1
As at December 31, 2020	**105.9**	**92.9**	**18.8**	**217.6**
Depreciation and impairment losses				
As at January 1, 2019	**-**	**-**	**-**	**0.0**
Currency translation	0.0	0.0	0.0	0.0
Additions from business combinations	-	-	-	0.0
Depreciation	9.0	6.6	2.9	18.5
Impairment losses	-	-	-	0.0
Reversal of impairment losses	-	-	-	0.0
Disposals	-	-0.1	-0.1	-0.2
Reclassifications	0.5	29.2*	3.2	32.9
As at December 31, 2019	**9.5**	**35.7**	**6.0**	**51.2**
Currency translation	-0.1	-0.0	-0.1	-0.2
Additions from business combinations	-	-	-	0.0
Deconsolidation	-0.1	-	-	-0.1
Depreciation	9.4	6.2	3.8	19.4
Impairment losses	-	-	-	0.0
Reversal of impairment losses	-	-	-	0.0
Disposals	-0.2	-	-	-0.2
Reclassifications	-	-	-	0.0
Reclassification to assets held for sale	-0.8	-0.6	-0.4	-1.8
As at December 31, 2020	**17.7**	**41.3**	**9.3**	**68.3**
Carrying amounts as at December 31, 2019	**94.9**	**35.6**	**7.0**	**137.5**
Carrying amounts as at December 31, 2020	**88.2**	**51.6**	**9.5**	**149.3**

* Prior-year figures restated

(6.3) Investment property

in € million	Land, land rights	Buildings	Total
Acquisition/production cost			
As at January 1, 2019	**13.5**	**0.5**	**14.0**
Other additions	-	0.1	0.1
Disposals	-0.1	-	-0.1
Reclassifications	-	-	-
As at December 31, 2019	**13.4**	**0.6**	**14.0**
Other additions	-	-	-
Disposals	-0.1	0.0	-0.1
Reclassifications	-	-	-
As at December 31, 2020	**13.3**	**0.6**	**13.9**
Depreciation and impairment losses			
As at January 1, 2019	**0.3**	**0.3**	**0.6**
Depreciation	0.0	-	0.0
Impairment losses	-	-	-
As at December 31, 2019	**0.3**	**0.3**	**0.6**
Depreciation	-	0.0	0.0
Impairment losses	-	-	-
As at December 31, 2020	**0.3**	**0.3**	**0.6**
Carrying amounts as at December 31, 2019	**13.1**	**0.3**	**13.4**
Carrying amounts as at December 31, 2020	**13.0**	**0.3**	**13.3**

The fair value of investment property was € 16.4 million (prior year: € 16.6 million).

The income statement contains operating expenses totaling € 0.1 million (prior year: € 0.3 million) that are directly related to investment property that generates rental revenues. Rental revenues amounted to € 1.6 million (prior year: € 1.6 million).

In addition, gains of € 0.6 million from the sale of investment property were recorded (prior year: € 0.2 million).

(6.4) Investments recognized at equity

The STEAG Group holds shares in a number of associates and joint ventures, which are individually non-material for the Group.

The carrying amount of investments recognized at equity (€ 67.6 million; prior year: € 84.5 million) comprises € 48.4 million (prior year: € 48.2 million) for associates and € 19.2 million (prior year: € 36.3 million) for joint ventures.

In the reporting period, six investments recognized at equity in the STEAG Power Minerals Group, with total carrying amounts of € 21.7 million, were reclassified to assets held for sale.

The following table shows the combined financial data from the latest available financial statements of these investments:

in € million	Associates		Joint ventures	
	2020	2019	**2020**	2019
Income after taxes	14.7	13.2	-8.5	-6.1
Other comprehensive income after taxes	-	-	-	-
Total comprehensive income	**14.7**	**13.2**	**-8.5**	**-6.1**

A credit facility of € 6.4 million was made available to the joint venture Fernwärmeschiene Rhein-Ruhr GmbH. A total of € 5.7 million (prior year: € 5.4 million) of this amount had been drawn as at year-end 2020. An impairment loss was recognized for the full amount of the loan as at December 31, 2020.

Furthermore, a loan of € 24.8 million was granted to the joint venture GuD Herne GmbH.

(6.5) Financial assets

in € million	**Dec. 31, 2020**		Dec. 31, 2019	
	Total	thereof non-current	**Total**	thereof non-current
Other investments	12.4	12.4	17.3	17.3
Loans	180.0	171.4	186.9	181.3
Securities and similar rights	-	-	0.0	0.0
Receivables from finance leases	185.2	172.0	212.2	194.7
Receivables from derivatives	70.6	6.2	228.1	13.2
Other financial assets	91.8	8.7	61.3	5.1
	540.0	**370.7**	**705.8**	**411.6**

(a) Other investments

Other investments comprise investments in unlisted equity instruments that are recognized at fair value through other comprehensive income.

(b) Loans

Loans are exposed to an interest rate risk, which can affect their fair value or future cash flows. They are carried at amortized cost. Impairment losses on loans are outlined in Note (8.1).

(c) Receivables from finance leases

The reconciliation from gross investment to the present value of outstanding minimum lease payments and their due dates are as follows:

in € million	Dec. 31, 2020	Dec. 31, 2019
Gross investment	**332.1**	**397.3**
(thereof non-guaranteed residual value)	(-)	(-)
Due within 1 year	36.2	43.7
Due within 1-2 years	34.6	37.4
Due within 2-3 years	35.7	35.8
Due within 3-4 years	32.9	37.0
Due within 4-5 years	32.8	34.7
Due in more than 5 years	159.9	208.7
Interest included therein	-146.7	-184.9
Net investment	**185.4**	**212.4**
Accumulated impairment losses	-0.2	-0.2
Carrying amount of receivables from finance leases	**185.2**	**212.2**
Less present value of non-guaranteed residual values	-	-
Present value of outstanding minimum lease payments	**185.2**	**212.2**
Due within 1 year	13.2	17.5
Due within 1-5 years	60.7	56.6
Due in more than 5 years	111.3	138.1

Receivables from finance leases include a contract to provide capacity at the Mindanao power plant (Philippines) valued at € 149.0 million (prior year: € 169.0 million). This contract of STEAG State Power Inc. (Philippines) runs for 25 years and ends in November 2031. The leased assets will be transferred to the lessee when the contract ends.

In 2017, a finance lease was concluded with Ford-Werke GmbH for a block heating plant. This resulted in a lease receivable of € 6.8 million (prior year: € 10.4 million). This contract runs for 10 years and ends in December 2026.

Moreover, receivables from finance leases include € 19.1 million (prior year: € 20.6 million) relating to the lease agreement for the STEAG refinery power plant in the federal state of Saxony-Anhalt. This agreement runs until November 2026.

In 2020, there were further receivables from finance leases totaling € 10.3 million (prior year: € 12.2 million), none of which were individually material.

(d) Receivables from derivatives

The breakdown of receivables from derivatives is as follows:

in € million	Dec. 31, 2020	Dec. 31, 2019
Receivables from currency derivatives	7.5	23.2
Receivables from interest rate derivatives	-	-
Receivables from commodity derivatives	63.1	204.9
	70.6	**228.1**

The change in the reporting period results from price changes and a reduction in the amount of collateral.

(e) Other financial assets

Financial assets include margining of € 51.3 million (prior year: € 42.8 million) for stock exchange forward contracts. As at the reporting date, current assets invested at banks totaled € 29.3 million (prior year: € 10.0 million).

(f) Collateral pledged

Total financial assets pledged as collateral for Group liabilities amounted to € 94.0 million (prior year: € 52.9 million). A further € 99.5 million (prior year: € 162.8 million) was subject to other restrictions on use. The majority of the assets pledged as collateral related to receivables from finance leases of the project companies for the Mindanao power plant.

The collateral can only be utilized by the financing banks in the event of permanent non-performance of contractual obligations, for example, non-payment of interest and repayment installments, or failure to achieve agreed financial covenants. Utilization of the collateral is not anticipated.

(6.6) Inventories

in € million	Dec. 31, 2020	Dec. 31, 2019
Raw materials and supplies	143.5	206.9
Work in progress	6.6	3.4
Finished goods and merchandise	2.1	29.6
	152.2	**239.9**

Raw materials and supplies were € 63.4 million lower than in the prior year. This was mainly due to lower inventories of coal and impairment losses on stocks of spare parts and materials (€ 14.3 million) in connection with the exit from coal-fired power generation in Germany (KVBG). The € 3.2 million increase in work in progress reflects the situation on the reporting date and was mainly due to a higher level of services that had not yet been completed. The € 27.5 million reduction in finished goods and merchandise was caused by lower inventories of goods for resale compared with the prior year and reclassifications to assets held for sale.

Inventories totaling € 23.1 million (prior year: € 38.4 million) are recognized at net realizable value.

Inventories include € 0.5 million (prior year: € 2.1 million) for allocated renewable energy certificates.

As in the previous year, no inventories were pledged as collateral for Group liabilities. Inventories totaling € 9.9 million (prior year: € 12.9 million) are subject to other restrictions on use.

(6.7) Trade accounts receivable and other receivables

in € million	**Dec. 31, 2020** Total	**Dec. 31, 2020** thereof non-current	Dec. 31, 2019 Total	Dec. 31, 2019 thereof non-current
Trade accounts receivable	357.9	-	560.1	-
Contract assets	56.3	14.9	54.8	7.1
Advance payments made	12.6	-	8.0	-
Miscellaneous other receivables	80.2	6.1	79.8	14.8
Deferred expenses	5.9	1.0	7.7	0.6
	512.9	**22.0**	**710.4**	**22.5**

(a) Trade accounts receivable

Trade accounts receivable decreased by € 202.2 million to € 357.9 million (prior year: € 560.1 million), mainly due to fewer contracts in the Generation business unit in Germany and abroad.

Trade accounts receivable include claims to reimbursement from third parties amounting to € 66.2 million (prior year: € 63.2 million). These relate to other provisions established for obligations to surrender emission allowances, see Note (6.12).

Impairment losses on trade accounts receivable are outlined in Note (8.1). The geographic split of trade accounts receivable by location of the STEAG Group companies was as follows:

in € million	**Dec. 31, 2020**	Dec. 31, 2019
Germany	295.1	491.3
Turkey	9.3	10.8
Other countries in the European Union	23.6	21.4
Other regions	29.9	36.6
	357.9	**560.1**

(b) Contract assets/contract liabilities

The revenues recognized in 2020 for contract liabilities reported in the prior year totaled € 88.5 million (prior year: € 100.8 million).

The transaction price for unsatisfied or partially unsatisfied performance obligations under construction contracts recognized over time, which are expected to run until 2022 or beyond, amounted to € 292.3 million. This amount will probably be recognized in sales in 2021 (€ 122.7 million), 2022 (€ 110.6 million), 2023 (€ 50.3 million), 2024 (€ 4.0 million), 2025 (€ 2.9 million) and 2026 (€ 1.8 million).

(c) Miscellaneous other receivables

Miscellaneous other receivables do not include any claims to reimbursement from third parties relating to other provisions for recultivation and environmental protection (prior year: € 13.5 million), see Note (6.12).

(d) Collateral pledged

Receivables pledged as collateral for Group liabilities amounted to € 1.7 million (prior year: € 3.7 million).

A further € 46.3 million (prior year: € 67.5 million) was subject to other restrictions on use.

(6.8) Cash and cash equivalents

The cash and cash equivalents totaling € 466.0 million (prior year: € 413.9 million) include balances with banks, checks and cash. This item also includes financial securities with high liquidity and terms of no more than three months on the date of acquisition.

The carrying amounts of cash and cash equivalents pledged as collateral for Group liabilities amounted to € 6.0 million (prior year: € 6.9 million). A further € 92.4 million (prior year: € 63.4 million) are subject to other restrictions on use.

(6.9) Assets and liabilities held for sale

The assets and liabilities held for sale as at December 31, 2020 comprise the assets and liabilities of the Süloglu wind farm in Turkey, the Crucea wind farm in Romania, the Power Minerals companies and the 45 percent interest in a joint venture in the USA.

The assets and liabilities of the Süloglu wind farm were reclassified as at September 30, 2020. A purchase agreement for the shares in STEAG Rüzgar Süloğlu Enerji Uretim ve Ticaret A.S. and the operating company STEAG Turkey Enerji Yatirimlari ve Hizmetleri A.S. was signed on December 17, 2020.

The assets and liabilities of the Crucea wind farm and the Power Minerals companies were reclassified as at December 31, 2020. The purchase agreement for the shares in Crucea Wind Farm S.A. and the operating company STEAG Energie Romania S.R.L. was signed on December 23, 2020. On March 10, 2021, STEAG and EP Power Europe, a.s. signed an agreement on the sale of 100 percent of the shares in STEAG Power Minerals GmbH and its subsidiaries.

In connection with the valuation as at December 31, 2020, an impairment loss of € 11.2 million was recognized on the shares in the joint venture in the USA; see Note (5.9).

The accumulated comprehensive income and accumulated other comprehensive income contain a total amount of minus € 9.2 million (prior year: € 0.0 million) relating to the assets held for sale and the associated liabilities. This includes minus € 10.4 million (prior year: € 0.0 million) that will not be reclassified to profit or loss.

All transactions except the divestment of the joint venture in the USA were completed by August 2021.

The following overview shows the main groups of assets and liabilities that were recognized as held for sale as at the reporting date:

in € million	Dec. 31, 2020	Dec. 31, 2019
Intangible assets	31.0	-
Property, plant and equipment	206.8	-
Investments recognized at equity	28.8	18.3
Deferred taxes	9.7	-
Inventories	16.0	-
Trade accounts receivable	12.3	-
Cash and cash equivalents	12.4	-
Miscellaneous assets	19.3	-
Total assets	**336.3**	**18.3**
Provisions for pensions and other post-employment benefits	30.7	-
Other provisions	45.1	-
Financial liabilities	31.3	-
Deferred taxes	12.1	-
Trade accounts payable	10.2	-
Miscellaneous liabilities	4.9	-
Total liabilities	**134.3**	**-**

(6.10) Equity

(a) Issued capital

The company's fully paid-up capital stock was unchanged at €128,000,000 on the reporting date.

(b) Capital reserve

As in the prior year, the capital reserve of STEAG GmbH totaling € 77.5 million contains all other payments received from shareholders pursuant to Section 272 Paragraph 2 Nos. 1 and 4 of the German Commercial Code (HGB).

(c) Accumulated income/loss

The accumulated loss of € 650.1 million (prior year: accumulated loss of € 293.4 million) comprises Group earnings from the fiscal year and prior years. Income after taxes corresponds to the net income attributable to shareholders of STEAG GmbH, as stated in the income statement for the 2020 fiscal year. As at December 31, 2020, STEAG GmbH's profit reserves (HGB) were unchanged at € 272.8 million. Earnings of € 45.0 million were transferred in the previous fiscal year under the profit and loss transfer agreement between STEAG GmbH and KSBG KG. Since the company only broke even in 2020, STEAG GmbH will not transfer any earnings for 2020.

The accumulated income/loss also includes the remeasurement of the net defined benefit liability from defined benefit plans after taxes and the valuation of other investments.

(d) Accumulated other comprehensive income

Accumulated other comprehensive income contains gains and losses that are not recognized in the income statement.

The reserve for changes in the fair value of financial instruments used in hedging relationships comprises net gains or losses resulting from changes in the fair value of the effective portion of hedging instruments that are accounted for as cash flow hedges or net investment hedges.

The reserve for differences arising from currency translation comprises differences arising from the translation of foreign financial statements to the euro, which is the Group's reporting currency.

The reserve for investments recognized at equity contains the pro rata change in the equity of the companies that is recognized without any impact on profit or loss.

The changes in accumulated other comprehensive income were as follows:

in € million	Changes in the fair value of financial instruments used in hedging relationships	Differences arising from currency translation	Investments recognized at equity	Total
As at January 1, 2019	**-21.4**	**-12.5**	**-3.0**	**-36.9**
Other comprehensive income after taxes:	**29.9**	**4.9**	**1.6**	**36.4**
Gains/losses recognized in OCI	-23.6	10.0	0.1	-13.5
Amounts reclassified to the income statement	52.3	-5.1	1.5	48.7
Amounts reclassified to assets and liabilities	10.0	-	-	10.0
Deferred taxes on OCI	-8.8	-	-	-8.8
Changes in shareholdings in subsidiaries without loss of control	**-**	**-0.2**	**-**	**-0.2**
As at December 31, 2019	**8.5**	**-7.8**	**-1.4**	**-0.7**
Other comprehensive income after taxes:	**-18.3**	**-18.2**	**-0.4**	**-36.9**
Gains/losses recognized in OCI	-2.4	-21.0	-1.2	-24.6
Amounts reclassified to the income statement	-15.2	2.8	0.8	-11.6
Amounts reclassified to assets and liabilities	-	-	-	-
Deferred taxes on OCI	-0.7	-	-	-0.7
Changes in shareholdings in subsidiaries without loss of control	**-**	**0.0**	**-**	**0.0**
As at December 31, 2020	**-9.8**	**-26.0**	**-1.8**	**-37.6**

(e) Equity attributable to non-controlling interests

Non-controlling interests comprise shares in the issued capital and reserves of consolidated subsidiaries that are not attributable to the shareholders of STEAG GmbH.

The change in OCI relating to non-controlling interests was minus € 17.3 million (prior year: € 0.8 million) and contains the change in accumulated income/loss and accumulated other comprehensive income.

The change in accumulated income/loss contains minus € 3.0 million (prior year: minus € 5.1 million) from remeasurement of the net defined benefit liability from defined benefit pension plans in the reporting period. Further, the change in accumulated income/loss is due to changes in shareholdings in subsidiaries without loss of control amounting to € 3.3 million (prior year: € 0.0 million).

The changes in accumulated other comprehensive income relating to non-controlling interests were as follows:

in € million	Changes in the fair value of financial instruments used in hedging relationships	Differences arising from currency translation	Total
As at January 1, 2019	**-15.6**	**-6.1**	**-21.7**
Other comprehensive income after taxes:	**1.5**	**4.4**	**5.9**
Gains/losses recognized in OCI	-4.0	4.4	0.4
Amounts reclassified to the income statement	6.5	-	6.5
Deferred taxes on OCI	-1.0	-	-1.0
Changes in shareholdings in subsidiaries without loss of control	**-**	**0.2**	**0.2**
As at December 31, 2019	**-14.1**	**-1.5**	**-15.6**
Other comprehensive income after taxes:	**2.2**	**-16.5**	**-14.3**
Gains/losses recognized in OCI	-2.6	-16.5	-19.1
Amounts reclassified to the income statement	5.8	-	5.8
Deferred taxes on OCI	-1.0	-	-1.0
Changes in shareholdings in subsidiaries without loss of control	**-**	**0.0**	**0.0**
As at December 31, 2020	**-11.9**	**-18.0**	**-29.9**

(6.11) Provisions for pensions and other post-employment benefits

As in the prior year, German companies accounted for most of the pension provisions on the reporting date.

At the German companies, occupational pension plans are predominantly defined benefit plans. They are primarily funded by provisions.

The main defined benefit pension plans for the German companies in the STEAG Group comprise the "Ruhegeldordnung" pension regulation, the Bochumer Verband benefit plan (Bochumer Verband old), the Bochumer Verband benefit plan for employer-financed pension commitments (Bochumer Verband II - employer-financed) and the Bochumer Verband benefit plan - deferred compensation (Bochumer Verband - employee-financed).

The Bochumer Verband II employer- and employee-financed plans are defined contribution plans. Most of these plans are based on a company agreement. The Bochumer Verband II benefit plan was closed to new entrants on December 31, 2019. The employer recognizes pension provisions for the associated commitments.

Under the "Ruhegeldordnung" and "Bochumer Verband old" plans, all employees were granted rights to lifelong retirement pension benefits, disability benefits and surviving dependents' benefits by way of direct commitments. These are final-salary plans. Benefits depend on pensionable income, the contribution ceiling for statutory pension insurance and the number of eligible years of service. The “Ruhegeldordnung” and “Bochumer Verband old” plans were closed to new entrants on June 30, 2002.

Starting on January 1, 1982, the "Ruhegeldordnung" granted non-managerial employees a company pension plan. Employees hired prior to January 1, 1982 have salary-based vested rights from a previous company agreement. Current benefits are reviewed regularly in accordance with Section 16 Paragraph 1 of the German Company Pensions Improvement Act (BetrAVG). Therefore, the benefit obligation for these pension commitments is dependent on inflation.

The "Bochumer Verband old" pension plan provides pensions for exempt and managerial employees through individual contractual arrangements. The contributions made by these groups are set by the Bochumer Verband, taking into account the general development of salaries for exempt employees, by applying a salary trend for valuation purposes. Current benefits are reviewed by Bochumer Verband and adjusted at its discretion, with due consideration being given to the interests of the beneficiaries and the economic situation of the members. The adjustments to the benefits are indirectly related to inflation.

The Bochumer Verband II - employer-financed - and Bochumer Verband II - employee-financed - plans grant employees covered by collective agreements, exempt employees and senior management staff rights to lifelong retirement benefits, disability benefits and surviving dependents' benefits. For the employer-financed Bochumer Verband II plan, rights are granted as direct commitments, while the employee-financed Bochumer Verband II plan is financed through deferred compensation. The employer and employee contributions are converted into pension increments on the basis of age using conversion factors set out in the relevant actuarial tables. The pension benefits payable are derived from the sum of all pension increments accrued up to the date of eligibility. The guaranteed annual pension increase of 1 percent p.a. based on current benefits relieves the employer from the additional review in accordance with Section 16 of the German Company Pensions Improvement Act (BetrAVG). Therefore, the present value of the defined benefit obligation used for valuation purposes is not dependent on inflation. Furthermore, the valuation is based on the present value of the benefits earned in accordance with Section 2 Paragraph 5a BetrAVG, so it is not dependent on salary either.

The pension rules for the employee-financed Bochumer Verband II plan allow employees to opt for a lump-sum payment rather than lifelong pension benefits. Unlike the employer-financed commitments under the Bochumer Verband II plan, the deferred compensation plan does not provide for disability benefits.

For all four of the plans outlined above, the quantified benefit obligation depends to a large extent on the discount rate applied. In addition, the benefit obligations for the "Ruhegeldordnung" and the commitments under the "Bochumer Verband old" plan also depend on a salary trend and pension trend. By contrast, the benefit obligation under the Bochumer Verband II plans does not.

From the Group's perspective, the pension plans of foreign subsidiaries are only of minor significance. They relate to the subsidiaries in India, Poland, Italy, the Philippines and Turkey. The benefit obligations vary depending on the legal and economic circumstances in the various countries in which the companies operate.

The table shows the weighted average assumptions used for the actuarial valuation of the obligations:

in %	**2020**	2019
Discount rate as of December 31	0.73	1.14
Future salary increases	2.09	2.10
Future pension increases	1.25	1.25

The pension provisions included in the balance sheet were as follows:

in € million	Dec. 31, 2020	Dec. 31, 2019
Present value of all defined benefit obligations as at December 31	1,330.3	1,276.2
Less fair value of plan assets as at December 31	9.0	9.0
Pension provisions included in the balance sheet	**1,321.3**	**1,267.2**

The present value of the defined benefit obligation and the fair value of the plan assets changed as follows in the reporting period:

in € million	Present value of defined benefit obligations	Fair value of plan assets	Net benefit obligation
As at January 1, 2020	**1,276.2**	**-9.0**	**1,267.2**
Current service cost	16.7	-	16.7
Interest expense (+)/interest income (-)	14.3	-0.4	13.9
Employee contributions	1.6	-	1.6
Employer contributions	-	-0.6	-0.6
Remeasurement	89.8	0.3	90.1
thereof: return on plan assets excluding interest income	-	0.3	0.3
thereof: actuarial gains (-) / losses (+) from changes in demographic assumptions	0.0	-	0.0
thereof: actuarial gains (-) / losses (+) from changes in financial assumptions	94.2	-	94.2
thereof: actuarial gains (-) / losses (+) from changes empirical adjustments	-4.4	-	-4.4
Past service cost	0.1	-	0.1
Benefits paid	-37.3	0.3	-37.0
Reclassification pursuant to IFRS 5	-30.8	-	-30.8
Changes in the scope of consolidation/transfer of employees	-	-	-
Carried forward	0.5	-	0.5
Currency translation	-0.8	0.4	-0.4
As at December 31, 2020	**1,330.3**	**-9.0**	**1,321.3**

in € million	Present value of defined benefit obligations	Fair value of plan assets	Net benefit obligation
As at January 1, 2019	**1,127.6**	**-8.0**	**1,119.6**
Current service cost	15.1	-	15.1
Interest expense (+)/interest income (-)	21.7	-0.6	21.1
Employee contributions	1.8	-	1.8
Employer contributions	-	-0.2	-0.2
Remeasurement	143.0	-0.2	142.8
thereof: return on plan assets excluding interest income	-	-0.2	-0.2
thereof: actuarial gains (-) / losses (+) from changes in demographic assumptions	0.0	-	0.0
thereof: actuarial gains (-) / losses (+) from changes in financial assumptions	140.1	-	140.1
thereof: actuarial gains (-) / losses (+) from changes empirical adjustments	2.9	-	2.9
Past service cost	0.1	-	0.1
Benefits paid	-36.5	0.4	-36.1
Reclassification pursuant to IFRS 5	-	-	-
Changes in the scope of consolidation/transfer of employees	0.2	-	0.2
Carried forward	3.0	-	3.0
Currency translation	0.2	-0.4	-0.2
As at December 31, 2019	**1,276.2**	**-9.0**	**1,267.2**

The composition of plan assets valued at fair value is as follows:

			Dec. 31, 2020			Dec. 31, 2019
in € million	Quoted market price in an active market	Other	Total	Quoted market price in an active market	Other	Total
Investments	1.3	-	1.3	1.7	-	1.7
Bonds	3.9	1.2	5.1	4.0	1.2	5.2
Insurance contracts	0.7	1.2	1.9	-	1.2	1.2
Other investments	0.7	-	0.7	0.2	0.7	0.9
	6.6	**2.4**	**9.0**	**5.9**	**3.1**	**9.0**

As in the prior year, most of the plan assets relate to a subsidiary in the Philippines.

The sensitivity analysis below illustrates the effects of changes in the key valuation parameters on the benefit obligation.

The chosen range represents increments that, in the opinion of STEAG GmbH, are reasonable for the expected changes in the respective parameters up to the next reporting date. The effects were determined separately for each of the valuation parameters.

The actuarial method used to determine the expected changes is the same as the method used for the valuation as at the reporting date. The effects shown are therefore subject to the same reservations regarding their information value as the calculation of the benefit obligation as at the reporting date. Alongside possible deviations in the actuarial assumptions applied, this applies in particular to uncertainty with regard to the possible duration of the obligations. The statements should therefore only be regarded as a trend, not as changes that will occur with unrestricted certainty.

Change in € million	Dec. 31, 2020	Dec. 31, 2019
Actuarial interest rate		
+ 100 basis points	-212.6	-200.4
- 100 basis points	282.8	265.4
Pension adjustment		
+ 25 basis points	16.4	17.6
- 25 basis points	-40.8	-40.2
Salary trend		
+ 50 basis points	10.5	10.3
- 50 basis points	-9.8	-9.8

Employer contributions to plan assets of € 0.8 million are expected for 2021.

The average weighted duration of the pension obligations for the STEAG Group is 18 years (prior year: 17 years).

The total expense for the defined benefit plans is broken down as follows:

in € million	**2020**	2019
Service cost	16.8	15.2
Net interest cost	13.9	21.1
Net pension expense recognized in the income statement	**30.7**	**36.3**

in € million	**2020**	2019
Actuarial gains and losses	89.8	143.0
Return on plan assets excluding interest income	0.3	-0.2
Expense from the remeasurement of the net defined benefit obligation from defined benefit plans recognized in OCI	**90.1**	**142.8**

Interest cost is included in the interest result, see Note (5.8). Service cost is included in the personnel expenses, see Note (5.4).

€ 0.2 million (prior year: € 0.2 million) was paid into defined contribution plans. This amount is also recorded in personnel expenses (pension expenses).

Further, € 25.1 million (prior year: € 25.1 million) was paid into defined contribution state plans (statutory pension insurance) in Germany and abroad. This is reported in personnel expense (expenses for social security contributions).

(6.12) Other provisions

Other provisions comprise the following items:

	Dec. 31, 2020		Dec. 31, 2019	
in € million	**Total**	thereof non-current	**Total**	thereof non-current
Personnel-related	74.3	27.2	73.3	35.6
Recultivation and environmental protection	9.2	7.9	35.8	26.4
Restructuring	119.6	62.0	77.7	53.4
Dismantling obligations	105.1	100.5	116.6	113.3
Obligations to surrender emission allowances	166.2	-	160.3	-
Other obligations	141.8	16.6	143.9	46.7
	616.2	**214.2**	**607.6**	**275.4**

(a) Personnel-related provisions

Personnel-related provisions are established for, among other things, bonuses and variable remuneration, statutory and other early retirement arrangements, redundancy plans, unused vacation entitlements, life-time worktime arrangements and anniversary bonuses.

(b) Provisions for recultivation and environmental protection

Provisions are established for recultivation and environmental protection on the basis of contracts, laws and regulatory requirements. They cover soil reclamation obligations, water protection, the recultivation of landfills and site decontamination obligations. The majority of the non-current portion of provisions will only

result in payments after 2025. As a counter item to the provisions, other receivables contain claims for reimbursement amounting to € 0.0 million (prior year: € 13.5 million); see Note (6.7).

(c) Provisions for restructuring

Provisions for restructuring may only be established on the basis of defined restructuring measures. Such measures are defined as a program that is planned and controlled by the company and will materially alter one of the company's areas of business activity or the way in which a business activity is carried out. Provisions for restructuring may only be established for costs that are directly attributable to the restructuring program. The additions to such provisions in the reporting period relate to measures for the Group-wide FUTURE transformation program, which comprises the transformation into a stronger and more flexible energy company. This has been made necessary as a result of changing market conditions, the phasing out of coal-fired power generation in Germany and measures relating to power plant units that will specifically be affected in the near future by the termination of coal-fired power generation in Germany. Where the requirements for the establishment of provisions for individual power plants were not met in the reporting period, provisions will be established if these conditions are met at a later point in time. Provisions were mainly established for expenses relating to agreed personnel instruments such as topping up adjustment payments, severance payments, expenses in connection with a retraining company, and other measures included in the redundancy plan. The non-current portion of the provisions is expected to be used mainly between 2022 and 2025.

(d) Provisions for dismantling obligations

Provisions for dismantling obligations relate to dismantling that is not part of a restructuring program for which a provision for restructuring has been established. These provisions are almost all non-current. The majority of the payments will not be made until after 2025.

(e) Provisions for obligations to surrender emission allowances

Provisions for the obligation to surrender emission allowances are established on the basis of Section 7 Paragraph 1 of the German Greenhouse Gas Emissions Trading Act (TEHG). Under this law, companies are required to surrender allowances by April 30 of the following year equivalent to the emissions generated in reporting period (calendar year). These provisions will be utilized in the following year. Trade accounts receivable contain claims for reimbursement relating to the obligation to surrender emission allowances under agreements with electricity clients amounting to € 66.2 million (prior year: € 63.2 million); see Note (6.7).

(f) Provisions for other obligations

Provisions for other obligations relate to decommissioning of power plants that are scheduled for shutdown and measures to safeguard the future of the sites, price discounts and price adjustment risks relating to sales and procurement, impending contract losses, other taxes, litigation risks, legal and consultancy expenses, and audit fees. Most of these provisions will be utilized within one year and the remainder will mainly result in payments between 2022 and 2025.

Other provisions changed as follows in fiscal 2020:

in € million	Personnel-related	Recultiva-tion, en-vironmental protection	Restructur-ing	Dismantling obligations	Obligations to surrender emission allowances	Other obligations	Total
As at January 1, 2020	**73.3**	**35.8**	**77.7**	**116.6**	**160.3**	**143.9**	**607.6**
Additions	44.3	2.6	69.0	0.2	166.2	98.0	380.3
Utilization	-35.7	-0.8	-21.9	-0.2	-159.9	-55.9	-274.4
Reversal	-1.3	0.0	-4.4	-6.8	0.0	-41.6	-54.1
Addition of accrued interest/ interest rate adjustments	0.6	2.0	1.7	0.7	-	0.0	5.0
Other	-0.6	0.0	-	-0.2	-0.4	-1.3	-2.5
Reclassification to liabilities of the disposal group	-6.3	-30.4	-2.5	-5.2	-	-1.3	-45.7
As at December 31, 2020	**74.3**	**9.2**	**119.6**	**105.1**	**166.2**	**141.8**	**616.2**

(6.13) Financial liabilities

in € million	**Dec. 31, 2020** Total	Dec. 31, 2020 thereof non-current	Dec. 31, 2019 Total	Dec. 31, 2019 thereof non-current
Liabilities to banks	921.1	665.1	956.4	805.5
Loans from non-banks	175.6	140.3	80.1	79.1
Lease liabilities	166.5	148.0	156.5	137.9
Liabilities from derivatives	64.3	34.4	240.8	40.8
Other financial liabilities	44.3	18.5	116.7	33.9
	1,371.8	**1,006.3**	**1,550.5**	**1,097.2**

(a) Liabilities to banks

The largest item within liabilities to banks is STEAG GmbH’s bonded loan. In 2014, a bonded loan totaling € 400.0 million was taken out. € 366.0 million of this amount comprised liabilities to banks. At the reporting date, financial liabilities to banks relating to the bonded loan amounted to € 241.1 million (prior year: € 272.1 million). The change is mainly due to the transfer of € 30.0 million from a creditor to a pension institution.

Further, this item contains financing of € 235.9 million (prior year: € 272.2 million) for the Walsum 10 power plant project. The creditors will receive security in the form of pro rata guarantees from sponsors until the end of the financing term. The proportion sponsored by STEAG GmbH totals 51.0 percent. Since the start of the operating phase creditors’ rights have also been secured by land mortgages, liens on the Group’s project shareholding and the assignment of rights to future receivables.

In addition to the existing project financing for the power plant in Mindanao, the project company borrowed further funds to refinance intragroup loans. Total liabilities as at the reporting date were € 59.6 million (prior year: € 37.8 million). Security for the financing of this foreign power plant is arranged exclusively via the company as non-recourse financing.

In addition, various Group companies have liabilities arising from project financing and refinancing of intragroup loans.

Power prepayment agreements with a financing character concluded in 2016 expired in the reporting period. In the prior year, the liabilities to banks included € 4.7 million for these agreements.

Liabilities with variable interest rates are exposed to an interest rate risk. This risk may affect future cash flows.

(b) Loans from non-banks

Liabilities due to loans from non-banks increased in the reporting period, mainly due to a € 70.0 million registered bond issued by a Group company.

(c) Lease liabilities

Since January 1, 2019, all leases held as lessee are recognized on the balance sheet as a right-of-use asset and a corresponding liability, with the exception of short-term leases with a term of less than 12 months; see Note (2.3).

The due dates of the lease liabilities are as follows:

in € million	**Dec. 31, 2020**	Dec. 31, 2019
Present value of future lease liabilities	**166.5**	**156.5**
Due within 1 year	18.5	18.6
Due within 1-5 years	61.3	64.8
Due in more than 5 years	86.7	73.1

(d) Liabilities from derivatives

The breakdown of liabilities from derivatives is as follows:

in € million	**Dec. 31, 2020**	Dec. 31, 2019
Liabilities from currency derivatives	5.2	13.3
Liabilities from interest rate derivatives	38.4	41.9
Liabilities from commodity derivatives	20.7	185.6
	64.3	**240.8**

The change in the reporting period results from price changes and a reduction in the amount of collateral.

(e) Other financial liabilities

This item mainly comprises liabilities for obligations to make compensation payments to non-controlling interests amounting to € 12.2 million (prior year: € 28.0 million). Further, as at the reporting date, this item contained liabilities from the acquisition of shares totaling € 6.5 million and liabilities from earn-out agreements for the acquisition of STEAG Solar Energy Solutions (Italia) S.r.l. and STEAG Solar Energy Solutions GmbH of € 5.5 million and € 1.7 million respectively (prior year: € 4.9 million and € 0.9 million respectively). Further, the non-controlling interest in STEAG Windpark Ullersdorf GmbH & Co. KG totaling € 9.4 million (prior year: € 8.2 million) is recognized in other financial liabilities.

In the prior year, this item also included liabilities of € 45.0 million under a profit and loss transfer agreement with KSBG KG and liabilities of € 12.2 million for drawings on a credit line.

(6.14) Trade accounts payable, other liabilities

in € million	Dec. 31, 2020 Total	Dec. 31, 2020 thereof non-current	Dec. 31, 2019 Total	Dec. 31, 2019 thereof non-current
Trade accounts payable	206.2	-	395.2	-
Contract liabilities	71.8	8.1	88.5	10.2
Advance payments received from customers	3.1	0.8	4.4	0.7
Miscellaneous other liabilities	51.7	8.9	36.1	2.2
Deferred income	7.4	4.1	11.5	6.1
	340.2	**21.9**	**535.7**	**19.2**

For further information on contract liabilities, see Note (6.7).

(6.15) Deferred taxes, other income taxes

The breakdown of deferred taxes and other income taxes reported on the balance sheet by due date is shown in the table:

in € million	Dec. 31, 2020 Total	Dec. 31, 2020 thereof non-current	Dec. 31, 2019 Total	Dec. 31, 2019 thereof non-current
Deferred tax assets	24.7	24.7	29.2	29.2
Other income tax assets	8.6	-	18.9	-
Deferred tax liabilities	39.6	39.6	65.1	65.1
Other income tax liabilities	50.2	-	41.1	-

In accordance with IAS 1, the current elements of deferred taxes are reported on the balance sheet under non-current assets and liabilities.

In the reporting period, the impairment loss on deferred tax assets increased by € 19.3 million from € 112.5 million to € 131.8 million. € 8.5 million (prior year: € 2.7 million) of this amount was recognized outside of profit or loss.

Deferred taxes relate to the following items:

in € million	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2020	Dec. 31, 2019	**Dec. 31, 2020**	Dec. 31, 2019
Assets				
Intangible assets	0.6	0.7	8.8	18.0
Property, plant and equipment, investment property	24.1	28.2	50.2	74.4
Financial assets	14.7	4.6	65.3	90.4
Inventories	37.1	14.3	3.6	3.1
Receivables, other assets	2.6	6.4	26.4	5.4
Liabilities				
Provisions	167.0	154.7	0.6	2.3
Liabilities	53.1	65.9	29.1	7.4
Special reserves with an equity portion (based on local law)	-	-	1.4	1.5
Loss carryforwards	3.1	4.3	-	-
Other	-	-	-	-
Deferred taxes (gross)	**302.3**	**279.1**	**185.4**	**202.5**
Impairment losses	-131.8	-112.5	-	-
Offsetting	-145.8	-137.4	-145.8	-137.4
Deferred taxes (net)	**24.7**	**29.2**	**39.6**	**65.1**

Deferred tax assets of € 3.1 million (prior year: € 4.3 million) were recognized for companies with tax loss carryforwards as they are expected to generate sufficient taxable income in the future.

In addition to tax loss carryforwards for which deferred taxes were recognized, there are tax loss carryforwards that are not utilizable and for which no deferred taxes are recognized. These are shown in the following table:

in € million	Corporation taxes (Germany and foreign)		Local taxes (Germany and foreign)	
	2020	2019	**2020**	2019
Loss carryforwards	114.9	128.4	75.9	63.2
thereof with no expiration date	79.5	68.0	75.9	63.2

No deferred tax liabilities were recognized for temporary differences of € 70.8 million (prior year: € 83.9 million) between net assets and the carrying amount of subsidiaries as determined for tax purposes (outside basis differences). 5 percent of gains from profit distributions or the divestment of shareholdings would be subject to German taxation; in some cases, foreign withholding taxes would also be applicable. In addition, in the event of profit distributions from a subsidiary to an intermediate holding company, further income tax effects would have to be taken into account. Consequently, profit distributions and divestments generally result in additional tax expense. Calculating deferred taxes on the taxable temporary differences would therefore involve an unreasonable amount of work.

(7) Notes to the cash flow statement

The cash flow statement shows the changes in cash and cash equivalents of the STEAG Group in the reporting period. It is broken down into cash flows from operating, investing and financing activities. The impact of changes in the scope of consolidation has been eliminated.

Interest paid and interest and dividends received are included in operating activities while dividends paid and profit and loss transfers are assigned to financing activities.

(7.1) Cash flow from operating activities

The cash flow from operating activities is calculated using the indirect method. Income before the financial result and income taxes from the continuing operations is adjusted for the effects of non-cash income and expenses and items that are allocated to investing or financing activities. Certain other changes in amounts shown on the balance sheet are calculated and added to the result.

The cash flow from operating activities is € 288.4 million, which is above the prior-year figure of € 225.8 million. The change in inventories and trade accounts payable of € 254.8 million (prior year: € 92.2 million) resulting from the operating business was largely offset by the change in trade accounts payable and other assets and liabilities totaling minus € 234.5 million (prior year: minus € 65.3 million. The outflow of liquid funds for interest payments decreased by € 8.2 million year-on-year to € 45.0 million. The outflows for income taxes were € 39.3 million in the reporting period. That was € 38.5 million less than in the previous year (€ 77.8 million).

(7.2) Cash flow from investing activities

The cash outflow for investing activities was € 92.9 million, which was above the prior-year outflow of € 7.3 million. Cash outflows for investing activities amounted to € 78.6 million, which was € 10.0 million lower than in the prior year, while cash inflows from disposals were € 4.5 million higher. However, the balance of cash inflows and outflows for securities, deposits and loans was € 100.1 million lower. This was mainly due to the disposal of current fixed-term deposits totaling € 60.1 million in 2019. As at the reporting date, cash and cash equivalents totaling € 29.2 million were held in current fixed-term deposits (prior year: € 10.0 million).

As at the reporting date, cash and cash equivalents totaling € 29.2 million were held in current fixed-term bank deposits (prior year: € 10.0 million).

(7.3) Cash flow from financing activities

The cash outflow for financing activities was €114.6 million, which was above the prior-year outflow of € 301.5 million. The cash outflows for dividend payments to non-controlling interests increased from € 37.3 million to € 79.0 million. The cash inflows/outflows relating to the divestment of shareholdings without loss of control were € 20.0 million lower than in the previous year. The net balance of borrowing and repayment of financial debt was €43.8 million, which was well above the prior-year net balance of minus € 206.6 million.

Cash inflows of € 70.0 million result from a registered bond issued by a Group company in the reporting period. The prior-year figure mainly comprised changes in the bonded loan. Tranches totaling € 140.5 million were repaid and new tranches totaling € 84.0 million were issued.

The table shows the reconciliation of the cash flow from financing activities to balance sheet items:

in € million	Non-current liabilities	Current liabilities	Lease liabilities	Profit transfer	Assets used to hedge liabilities	**Components of financing activities**
As at January 1, 2020	**920.8**	**199.9**	**160.2**	**45.0**	**-**	**1,325.9**
Repayments of principal and profit transfer	-16.3	-138.3	-22.1	-45.0	-	-221.7
Borrowing	66.2	199.4	-0.1	-	-	265.5
Changes affecting cash flow	**49.9**	**61.1**	**-22.2**	**-45.0**	**-**	**43.8**
Changes due to business combinations	0.5	0.3	0.3	-	-	1.1
Currency translation	7.4	-4.6	-1.0	-	-	1.8
Interest, discounting, changes in fair value	1.2	15.9	5.1	-	-	22.2
Reclassifications	-134.9	99.4	32.1	-	-	-3.4
Other changes	-	-	-0.9	-	-	-0.9
Changes not affecting cash flow	**-125.8**	**111.0**	**35.6**	**-**	**-**	**20.8**
As at December 31, 2020	**844.9**	**372.0**	**173.6**	**-**	**0.0**	**1,390.5**

in € million	Non-current liabilities	Current liabilities	Lease liabilities	Profit transfer	Assets used to hedge liabilities	**Components of financing activities**
As at January 1, 2019	**1,078.3**	**205.0**	**32.7**	**45.0**	**-0.8**	**1,360.2**
Repayments of principal and profit transfer	-5.5	-356.7	-20.1	-45.0	-	-427.3
Borrowing	5.7	138.5	16.6	-	-	160.8
Changes affecting cash flow	**0.2**	**-218.2**	**-3.5**	**-45.0**	**-**	**-266.5**
Changes due to business combinations	-	12.0	0.6	-	-	12.6
Currency translation	1.7	0.7	0.1	-	-	2.5
Interest, discounting, changes in fair value	2.1	12.1	5.1	-	0.8	20.1
Reclassifications	-161.5	188.3	-	-	-	26.8
Other changes	-	-	125.2	45.0	-	170.2
Changes not affecting cash flow	**-157.7**	**213.1**	**131.0**	**45.0**	**0.8**	**232.2**
As at December 31, 2019	**920.8**	**199.9**	**160.2**	**45.0**	**-**	**1,325.9**

(8) Other disclosures

(8.1) Additional information on financial instruments

Net result from financial instruments

The income and expenses, gains and losses from financial instruments reflected in the income statement are reported as the net result for each of the valuation categories defined in IFRS 9.

	Result by valuation category						
	Debt instruments						
in € million	At amortized cost	At fair value through profit or loss	Derivatives at fair value	Equity instruments at fair value	Liabilities at amortized cost	Not allocated to any category	**2020**
Valuation result	-	-	53.5	-	-	-	53.5
Impairment losses/reversals of impairment losses	-26.5	-	-	-	-	0.0	-26.5
Interest income	9.8	1.5	0.7	-	-	-	12.0
Interest expense	-	-	-0.8	-	-43.4	-5.8	-50.0
Income from other investments	-	-0.1	-	0.1	-	-	0.0
Result from current fixed-term bank deposits	-	0.0	-	-	-	-	0.0
	-16.7	**1.4**	**53.4**	**0.1**	**-43.4**	**-5.8**	**-11.0**

	Result by valuation category						
	Debt instruments						
in € million	At amortized cost	At fair value through profit or loss	Derivatives at fair value	Equity instruments at fair value	Liabilities at amortized cost	Not allocated to any category	2019
Valuation result	-	-	55.6	-	-	-0.1	55.5
Impairment losses/reversals of impairment losses	-2.5	-	-	-	-	0.1	-2.4
Interest income	9.6	0.9	0.8	-	-	-	11.3
Interest expense	-	-	-3.2	-	-43.6	-5.5	-52.3
Income from other investments	-	1.4	-	0.9	-	-	2.3
Result from current fixed-term bank deposits	-	0.0	-	-	-	-	0.0
	7.1	**2.3**	**53.2**	**0.9**	**-43.6**	**-5.5**	**14.4**

The valuation result comprises the valuation of foreign exchange and commodity derivatives and contains all valuation effects up to the expiration date. Impairment losses/reversals of impairment losses comprises impairment losses and income from the reversal of impairment losses on financial assets (e.g. loans, finance leases, trade accounts receivable), excluding current securities and current fixed-term bank deposits, as IFRS 9 specifies that impairment losses/reversals of impairment losses for these must be recognized separately in the result from current securities. Income from other investments comprises income from investments and the effect of changes in the fair value of an option on equity instruments.

Carrying amounts and fair values of financial instruments

In the following table, financial instruments are allocated to groups (classes) in accordance with their underlying characteristics. In the STEAG Group, the classification is based on the presentation on the balance sheet. The carrying amounts of each class have to be presented at fair value on the reporting date on the basis of the valuation categories defined in IFRS 9. This includes receivables from finance leases and receivables and liabilities relating to derivatives for which hedge accounting is applied, which do not belong to any of the valuation categories defined in IFRS 9. They are presented separately. The carrying amount of financial assets is also the maximum default risk.

The following tables show the classification of financial assets:

	Valuation category					
	Equity instruments	Debt instruments and derivatives			**Dec. 31, 2020**	
in € million	At fair value through OCI	Financial assets at amortized cost	At fair value through profit or loss	Not allocated to any category	**Carrying amount**	Fair value
Financial assets	**12.4**	**271.8**	**67.5**	**188.3**	**540.0**	**684.5**
Other investments	12.4	-	-	-	12.4	12.4
Loans	-	180.0	-	-	180.0	230.7
Receivables from finance leases	-	-	-	185.2	185.2	279.0
Receivables from derivatives	-	-	67.5	3.1	70.6	70.6
Other financial assets	-	91.8	-	-	91.8	91.8
Trade accounts receivable	**-**	**357.9**	**-**	**-**	**357.9**	**357.9**
Cash and cash equivalents	**-**	**466.0**	**-**	**-**	**466.0**	**466.0**
	12.4	**1,095.7**	**67.5**	**188.3**	**1,363.9**	**1,508.4**

	Valuation category					
	Equity instruments	Debt instruments and derivatives			Dec. 31, 2019	
in € million	At fair value through OCI	Financial assets at amortized cost	At fair value through profit or loss	Not allocated to any category	**Carrying amount**	Fair value
Financial assets	**17.3**	**248.2**	**227.8**	**212.5**	**705.8**	**883.4**
Other investments	17.3	-	-	-	17.3	17.3
Loans	-	186.9	-	-	186.9	249.3
Securities and similar rights	-	0.0	-	-	0.0	0.0
Receivables from finance leases	-	-	-	212.2	212.2	327.4
Receivables from derivatives	-	-	227.8	0.3	228.1	228.1
Other financial assets	-	61.3	-	-	61.3	61.3
Trade accounts receivable	**-**	**560.1**	**-**	**-**	**560.1**	**560.1**
Cash and cash equivalents	**-**	**413.9**	**-**	**-**	**413.9**	**413.9**
	17.3	**1,222.2**	**227.8**	**212.5**	**1,679.8**	**1,857.4**

The following tables show the classification of financial liabilities:

	Valuation category					
	At fair value through profit or loss				Dec. 31, 2020	
in € million	Liabilities held for trading	Other liabilities	Liabilities at amortized cost	Not allocated to any category	**Carrying amount**	Fair value
Financial liabilities	**27.1**	**7.2**	**1,133.8**	**37.2**	**1,205.3**	**1,313.3**
Liabilities to banks	-	-	921.1	-	921.1	971.3
Loans from non-banks	-	-	175.6	-	175.6	233.4
Liabilities from derivatives	27.1	-	-	37.2	64.3	64.3
Other financial liabilities	-	7.2	37.1	-	44.3	44.3
Trade accounts payable	**-**	**-**	**206.2**	**-**	**206.2**	**206.2**
	27.1	**7.2**	**1,340.0**	**37.2**	**1,411.5**	**1,519.5**

	Valuation category					
	At fair value through profit or loss				Dec. 31, 2019	
in € million	Liabilities held for trading	Other liabilities	Liabilities at amortized cost	Not allocated to any category	**Carrying amount**	Fair value
Financial liabilities	**199.6**	**14.6**	**1,138.6**	**41.2**	**1,394.0**	**1,469.0**
Liabilities to banks	-	-	956.4	-	956.4	1,013.7
Loans from non-banks	-	-	80.1	-	80.1	97.8
Liabilities from derivatives	199.6	-	-	41.2	240.8	240.8
Other financial liabilities	-	14.6	102.1	-	116.7	116.7
Trade accounts payable	**-**	**-**	**395.2**	**-**	**395.2**	**395.2**
	199.6	**14.6**	**1,533.8**	**41.2**	**1,789.2**	**1,864.2**

Wherever possible the fair value of a financial instrument is determined using observable market data. Based on the input parameters used in the valuation methods, the fair values are allocated to the following levels in the valuation hierarchy:

- Level 1: The inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted price in an active market (e.g. exchange markets, dealer markets) provides the most reliable evidence of fair value and should be used without adjustment whenever available, apart from a few exceptional cases.

- Level 2: The inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These are, for example, quoted prices for identical or similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, input factors other than quoted prices that are observable for an asset or liability (e.g. interest rates, yield curves, volatilities or credit spreads) and market-corroborated inputs derived from observable market data by correlation or another technique.

- Level 3: The inputs are unobservable inputs for the asset or liability and take account of situations where there is little, if any, market activity for the asset or liability. Unobservable inputs must reflect the assumptions that market participants would use when pricing the asset or liability (e.g. assumptions about risk). Unobservable inputs are developed using the best information available (including internal information).

There were no reclassifications between the various levels of the valuation hierarchy in the reporting period.

The following table shows the assignment of the financial instruments carried at fair value to the three levels of the hierarchy:

	Fair value of financial instruments based on			
in € million	Level 1	Level 2	Level 3	**Dec. 31, 2020**
Financial assets	**-**	**63.3**	**19.7**	**83.0**
Other investments	-	-	12.4	12.4
Receivables from derivatives	-	63.3	7.3	70.6
Financial liabilities	**-**	**71.5**	**-**	**71.5**
Liabilities from derivatives	-	64.3	-	64.3
Other financial liabilities	-	7.2	-	7.2

	Fair value of financial instruments based on			
in € million	Level 1	Level 2	Level 3	Dec. 31, 2019
Financial assets	**0.0**	**223.8**	**21.6**	**245.4**
Other investments	-	-	17.3	17.3
Securities and similar rights	0.0	-	-	0.0
Receivables from derivatives	-	223.8	4.3	228.1
Other financial assets	-	-	-	0.0
Financial liabilities	**-**	**255.4**	**-**	**255.4**
Liabilities from derivatives	-	240.8	-	240.8
Other financial liabilities	-	14.6	-	14.6

The fair values of other investments are determined using discounted income amounts and are based on planning data discounted using the cost of capital for discounting expected cash flows. These are assigned to Level 3 in the above table.

In addition to the planning values mentioned above, another significant unobservable input used to determine the fair value of other investments is the following parameter:

Significant unobservable input	**Spread (weighted average)**
Country-specific weighted average cost of capital before taxes (WACC)	7% to 12%

A higher (lower) weighted average cost of capital (WACC) before taxes decreases (increases) the fair value of other investments. A hypothetical shift in the country-specific WACC of 100 basis points decreases the fair value by € 2.8 million (prior year: € 3.3 million) or increases it by € 3.1 million (prior year: € 3.5 million).

The fair values of options for energy contracts (especially virtual shares of power generated by the Group's power plants) are determined using valuation models based on mathematical methods, using market prices, especially the clean dark spread, which represents revenues from the sale of power after the cost of inputs and their volatility. As receivables from derivatives, they are assigned to Level 3 in the above table.

A hypothetical reduction in the clean dark spread of € 1 per MWh reduces the fair value by € 0.3 million (prior year: € 1.1 million). A hypothetical increase in the clean dark spread of € 1 per MWh increases the fair value by € 0.3 million (prior year: € 1.1 million).

The following table shows the development of Level 3 financial instruments recognized at fair value:

		Changes					
in € million	**Jan. 1, 2020**	Recognized in profit or loss	Recognized in OCI	Disposals	Issues	Adjustments	**Dec. 31, 2020**
Other investments	17.3	-	-5.3	-	0.4	-	12.4
Receivables from derivatives	4.3	0.2	2.8	-	-	-	7.3

		Changes					
in € million	Jan. 1, 2019	Recognized in profit or loss	Recognized in OCI	Disposals	Issues	Adjustments	Dec. 31, 2019
Other investments	13.6	-	3.7	-	-	-	17.3
Receivables from derivatives	-	4.3	-	-	-	-	4.3
Liabilities from derivatives	4.2	-4.2	-	-	-	-	-

The issues presented for other investments comprise amounts paid into capital reserves.

Gains and losses assigned to Level 3 were recognized as follows in the income statement:

in € million	**2020**	Thereof attributable to financial instruments still held on the reporting date	2019	Thereof attributable to financial instruments still held on the reporting date
Gains and losses, level 3	**0.2**	**0.2**	**8.5**	**-4.3**
Other operating income	2.5	2.5	8.5	-
Other operating expenses	-2.3	-2.3	-	-4.3

The following overview shows the financial assets and financial liabilities that are offset in accordance with IAS 32:

in € million	Recognized gross amount	Offsetting	Reported net amount	Corresponding non-offset amounts		**Net amount Dec. 31, 2020**
				Financial instruments	Cash collateral received/ posted	
Derivatives (positive fair values)	123.7	-53.1	70.6	-	-2.0	68.6
Derivatives (negative fair values)	116.3	-52.0	64.3	-	-51.3	13.0

in € million	Recognized gross amount	Offsetting	Reported net amount	Corresponding non-offset amounts		Net amount Dec. 31, 2019
				Financial instruments	Cash collateral received/ posted	
Derivatives (positive fair values)	330.4	-102.3	228.1	-	-2.9	225.2
Derivatives (negative fair values)	355.8	-115.0	240.8	-	-42.7	198.1

The amounts offset comprise the variation margin that has to be deposited by both parties in connection with stock exchange transactions. The associated amounts that are not offset comprise the margin payments (initial margin and non-offset variation margin), amounting to € 51.3 million that had to be provided upfront (prior year: € 42.7 million) and other collateral that is not offset amounting to € 2.0 million (prior year: € 2.9 million) and which, in the event of negative price trends, can be offset at any time against the cash collateral received.

Other investments are investments in equity instruments and are recognized at fair value through other comprehensive income because they are neither held for trading nor do they constitute contingent consideration in connection with a business combination pursuant to IFRS 3 and are assigned to this category by the Board of Management of STEAG GmbH.

These are shown in the following table:

in € million	Fair value as at **Dec. 31, 2020**	Dividends received
Hinduja National Power Corporation Limited	10.6	-
STEAG ENSIDA Energy Services Enerji Sistemleri Danışmanlık Mühendislik Tesis ve Ticaret Limited Şirketi	1.0	-
Other investments in equity instruments	0.8	0.2
	12.4	**0.2**

in € million	Fair value as at Dec. 31, 2019	Dividends received
Hinduja National Power Corporation Limited	15.8	-
STEAG ENSIDA Energy Services Enerji Sistemleri Danışmanlık Mühendislik Tesis ve Ticaret Limited Şirketi	1.0	-
Other investments in equity instruments	0.5	0.1
	17.3	**0.1**

In the reporting period, investments in equity instruments with a fair value of € 0.1 million were consolidated in accordance with IFRS 10. In the prior year, € 0.4 million was derecognized due to intragroup mergers.

Fair value measurement of financial instruments that are not included in the balance sheet at fair value is based on the following method:

Non-current receivables are valued using a variety of parameters. Impairment losses are recognized for any expected defaults on receivables. Accordingly, the net carrying amount of these receivables basically corresponds to their fair value. For receivables from finance leases, the fair value is the country-specific weighted average cost of capital before taxes. For loans granted, liabilities to banks and loans from non-banks, the fair value is determined as the present value of future cash inflows or outflows on the assumption that they are valued using the appropriate interest rate for their term.

In view of their short maturity, in all other cases the carrying amounts of trade accounts receivable and payable, other financial assets, other financial liabilities, and cash and cash equivalents on the reporting date do not differ significantly from their fair values.

The following table shows the assignment of the fair values of financial instruments that are not recognized on the balance sheet at fair value. It does not contain information on financial assets and financial liabilities if their carrying amount is an appropriate approximation of their fair value.

	Fair value of financial instruments based on			
in € million	Level 1	Level 2	Level 3	**Dec. 31, 2020**
Financial assets	**80.7**	**262.0**	**279.0**	**621.7**
Loans	-	250.9	-	250.9
Receivables from finance leases	-	-	279.0	279.0
Other financial assets	80.7	11.1	-	91.8
Financial liabilities	**2.0**	**1,231.6**	**8.2**	**1,241.8**
Liabilities to banks	-	971.3	-	971.3
Loans from non-banks	-	233.4	-	233.4
Other financial liabilities	2.0	26.9	8.2	37.1

	Fair value of financial instruments based on			
in € million	Level 1	Level 2	Level 3	**Dec. 31, 2019**
Financial assets	**52.8**	**257.8**	**327.4**	**638.0**
Loans	-	249.3	-	249.3
Receivables from finance leases	-	-	327.4	327.4
Other financial assets	52.8	8.5	-	61.3
Financial liabilities	**2.9**	**1,160.4**	**5.3**	**1,168.6**
Liabilities to banks	-	1,013.7	-	1,013.7
Loans from non-banks	-	97.8	-	97.8
Other financial liabilities	2.9	48.9	5.3	57.1

The significant unobservable input used to determine the fair value of lease receivables is as follows:

Significant unobservable input	**Spread (weighted average)**
Country-specific weighted average cost of capital before taxes (WACC)	4 percent

A higher (lower) weighted average cost of capital (WACC) before taxes decreases (increases) the fair value of receivables from finance leases. A hypothetical shift in the country-specific WACC of 100 basis points decreases their fair value by 4 percent (prior year: 6 percent) or increases it by 4 percent (prior year: 7 percent).

Notional value of derivatives

The notional value of currency derivatives is the foreign exchange amount converted into euros. The notional value of interest derivatives is the sum of the present nominal value of the hedged items translated in euros, while the notional value of commodity derivatives is the hedged cost of acquisition translated into euros. The changes in the absolute level of the notional value of financial derivatives cannot be transferred to the level of the net risk position as some risk positions offset each other. Consequently, there is not necessarily a direct correlation between the sensitivities derived from the net risk position and the development of notional value.

The notional amount of the derivatives used in hedge accounting and those not used in hedge accounting is as follows:

						Dec. 31, 2020
in € million	**Total**	thereof current	thereof 1-3 years	thereof 4-5 years	thereof 6-10 years	thereof > 10 years
Currency derivatives	397.1	360.5	36.6	-	-	-
Interest rate derivatives	452.8	99.5	1.2	269.9	33.2	49.0
Commodity derivatives	1,504.0	1,122.6	381.4	-	-	-
	2,353.9	**1,582.6**	**419.2**	**269.9**	**33.2**	**49.0**

						Dec. 31, 2019
in € million	**Total**	thereof current	thereof 1-3 years	thereof 4-5 years	thereof 6-10 years	thereof > 10 years
Currency derivatives	801.9	754.3	37.0	10.6	-	-
Interest rate derivatives	506.6	8.1	99.5	1.5	340.7	56.8
Commodity derivatives	4,232.2	3,569.0	663.2	-	-	-
	5,540.7	**4,331.4**	**799.7**	**12.1**	**340.7**	**56.8**

Interest rate derivatives with a residual term of more than one year are stated in the period in which they mature at their present notional value, even if the notional value increases or decreases over their total term. The notional value does not include any options on energy contracts. These options have a volume of 175 MW (prior year: 350 MW) and expiration dates up to 2021.

The change in the notional value of commodities mainly results from a volume-driven adjustment of marketing of power plant output.

The table shows the respective average prices:

in € million	Dec. 31, 2020	Dec. 31, 2019
Currency forward agreements		
USD / EUR	1.186	1.183
EUR / USD	-	0.866
PLN / EUR	4.461	4.347
Interest rate swaps		
EUR	2.36%	2.41%
USD	2.48%	2.48%
PLN	2.79%	2.79%
Commodity derivatives		
Power € / MWh	46.14	46.31
CO_2 allowances € / EUA	26.01	23.91
Coal € / mt	50.99	63.20
Gasoil € / t	384.32	511.98
Gas € / MWh	15.24	-

Financial risk management

The objective of capital management at STEAG is to achieve a long-term increase in value in the interests of its customers, employees and shareholders. Maintaining financial flexibility in order to implement the present FUTURE transformation program and the associated growth strategy is very important. For this reason, STEAG's capital management is geared to guaranteeing long-term equity and debt financing. The focus is on ensuring adequate liquidity. As part of opportunity and risk management at STEAG, the members of the Board of Management receive weekly reports on the liquidity situation and monthly reports on the company's earnings performance. The equity situation at subsidiaries is monitored regularly.

Since it operates internationally, the STEAG Group is exposed to financial risks in the course of its operating business. A major objective of corporate policy is to minimize the impact of market, liquidity and default risks on the value of the company and on the profitability of the STEAG Group in order to check adverse fluctuations in cash flows and earnings without forgoing the opportunity to benefit from positive market trends. For this purpose, a systematic financial and risk management system has been established as a central element of the management of the company. This is geared specifically to securing present and future potential for success and avoiding, preventing, countering and minimizing risks. Due to its fields of activity, the STEAG Group is exposed to constantly changing political, social, demographic, legal and economic operating conditions. The resultant risks are addressed by monitoring and analyzing the entire operating environment and anticipating the associated market developments. The findings are used to systematically develop STEAG's portfolio in accordance with the strategy for the Group. That includes strategic and operational planning, preparations for investment decisions, monthly reporting and projections, and, from a certain level, immediate reporting of risks. The organizational units conduct an extensive annual inventory of opportunities and risks in connection with the mid-term planning process. All relevant factors are systematically identified and documented and the probability of the risks occurring and the potential damage are evaluated.

Interest rate and currency risks are managed centrally at STEAG GmbH. In principle, a large proportion of debt is structured in a manner that ensures that – apart from limited exceptions – liability is confined to the relevant project company.

Financial derivatives are used to reduce financial risks. They are entered into in connection with an underlying transaction (hedged item) relating to normal operating business, which provides a risk profile directly opposite to that of the hedge. The instruments used to manage exchange rate and interest rate risks are customary products found on the market such as currency forwards, interest rate and currency swaps and interest rate caps. To hedge commodity risks arising from power, gas, coal, freight, oil and emission allowances, forward contracts are used (forwards, futures, swaps, options).

An appropriate, documented and functioning risk management system monitors financial risks and the efficiency of measures taken to minimize risk. The scope, accountability and controls are defined in binding internal directives.

The parameters used to control commodity trading in the STEAG Group are the daily calculation of changes in market prices and their impact on the pending result, value at risk (VaR), and a sensitivity analysis. Limits are set centrally and monitored and reported daily, thus effectively limiting the risk of changes in market prices.

(a) Market risk

Market risk can basically be subdivided into exchange rate, interest rate and commodity risks.

Exchange rate risks arise from both the sourcing of raw materials and the sale of end-products in currencies other than the functional currency of the company concerned. The aim of currency management is to protect the company's operating business from negative fluctuations in earnings and cash flows resulting from changes in exchange rates. Account is taken of the opposite effects arising from procurement and sales activities. The remaining currency risks to the STEAG Group chiefly relate to changes in the exchange rate of the euro versus the US dollar and the Polish zloty.

The aim of interest rate management is to protect net income from the effects of fluctuations in market interest rates. Interest rate risk is managed through derivative and non-derivative financial instruments, especially interest rate swaps and interest rate caps. The aim is to achieve an appropriate ratio of fixed rates (with interest rates fixed for more than one year) and variable rates (terms of less than one year), taking costs and risks into account. Around 92.9 percent of floating rate loan liabilities (with an original term to maturity of more than one year) were hedged by interest rate swaps on December 31, 2020 (prior year: around 95.6 percent).

Several scenario analyses were carried out to measure exchange rate, interest rate and commodity risk as at December 31, 2020. The following tables show the impact on income before taxes and on OCI. The impact on equity, including the result for the period, is derived from the sum of the individual effects.

With regard to currency risk, the exchange rates for the most important currencies for the STEAG Group, the US dollar versus the euro, and the Polish zloty versus the euro, were altered by 1 percent, 5 percent and 10 percent. In this way, the possible loss of value of derivative and non-derivative financial instruments is simulated.

The results are summarized in the table:

US dollar vs. euro	**Dec. 31, 2020**		Dec. 31, 2019	
in € million	Impact on income	OCI	Impact on income	OCI
+1 percent	0.2	-0.4	1.1	-0.7
-1 percent	-0.2	0.4	-1.1	0.7
+5 percent	1.0	-2.0	5.4	-3.2
-5 percent	-1.1	2.2	-5.1	3.5
+10 percent	2.0	-3.8	11.1	-6.1
-10 percent	-2.1	4.6	-9.9	7.4

Polish zloty vs. euro	**Dec. 31, 2020**		Dec. 31, 2019	
in € million	Impact on income	OCI	Impact on income	OCI
+1 percent	-0.6	-	-0.7	-
-1 percent	0.6	-	0.7	-
+5 percent	-2.9	-	-3.2	-
-5 percent	3.1	-	3.5	-
+10 percent	-5.5	-	-6.1	-
-10 percent	6.6	-	7.3	-

Several scenarios were also simulated for interest rates. These analyzed shifts of 0.5 percent, 1 percent and 1.5 percent in interest rates or the interest rate curve. The changes modeled relate to the interest rate curves for all foreign currencies and for the euro. In this way, the possible loss of value of derivative and non-derivative financial instruments is simulated. The results are shown in the table:

	Dec. 31, 2020		Dec. 31, 2019	
in € million	Impact on income	OCI	Impact on income	OCI
+0.5 percent	0.1	6.5	0.4	8.1
-0.5 percent	-0.1	-6.5	-0.3	-8.0
+1 percent	0.1	12.7	0.7	15.7
-1 percent	-0.1	-13.5	-0.7	-16.5
1.5 percent	0.2	18.7	1.1	23.0
-1.5 percent	-0.2	-20.6	-1.1	-25.3

Commodity risks arise from changes in the market price of power, emission allowances and raw materials, including the sea freight required for logistics purposes. The market price risk from the marketing of own and third-party power plant output results from a change in the clean dark spread or clean spark spread as a combination of the market prices used (electricity price less currency-adjusted raw material costs and costs for the procurement of CO_2 allowances). Raw materials are purchased both to meet in-house requirements and for resale on the external market. Other factors of importance for the STEAG Group's risk position are the physical availability of raw materials and dependence on their price. The STEAG Group uses broadly based, all-round portfolio management for the procurement of fuel to reduce price dependency and procurement risks on the sourcing market.

The price risks arising from procurement and resale are logged and effective measures to minimize the risks are defined. These include, for example, agreeing sliding price clauses and hedging via forward contracts. The principle is that financial derivatives and the corresponding hedged transaction must have opposite profiles.

To measure the market risk arising from commodity derivatives, the sensitivity of the fair value of these instruments to an increase or decrease of 10 percent in their market price was determined. The results are shown in the table:

	Dec. 31, 2020		Dec. 31, 2019	
in € million	Impact on income	OCI	Impact on income	OCI
CDS trading				
Power				
+10 percent	-20.6	-	-23.1	-
-10 percent	20.6	-	23.1	-
CO_2 allowances				
+10 percent	10.2	-	19.9	-
-10 percent	-10.2	-	-19.9	-
Coal				
+10 percent	7.6	-	6.1	-
-10 percent	-7.6	-	-6.1	-
Gasoil				
+10 percent	0.2	-	0.3	-
-10 percent	-0.2	-	-0.3	-
CSS trading				
Power				
+10 percent	-8.8	-	-	-
-10 percent	8.8	-	-	-
CO_2 allowances				
+10 percent	1.9	-	-	-
-10 percent	-1.9	-	-	-
Gas				
+10 percent	4.8	-	-	-
-10 percent	-4.8	-	-	-
Other trading				
Power				
+10 percent	1.1	-	0.0	-
-10 percent	-1.1	-	0.0	-
CO_2 allowances				
+10 percent	8.8	-	0.0	-
-10 percent	-8.8	-	0.0	-
Coal				
+10 percent	-0.8	-	-0.2	-
-10 percent	0.8	-	0.2	-

The table shows the sensitivity of commodity derivatives. It does not show the opposite change in the value of the corresponding physical transactions.

Hedge accounting

Where the criteria for hedge accounting are fulfilled, currency derivatives used to hedge the net assets of foreign power plants are accounted for as hedges of a net investment and interest rate derivatives are normally accounted for as cash flow hedges.

Depending on the type of transaction and the associated hedging strategy, the following distinctions are made in accordance with the applicable policies and procedures:

Interest rate hedges

To hedge financing costs against future interest rate rises, floating rate debt instruments are swapped for fixed-interest payments and interest rate caps are used to limit interest payments. The risk strategy includes rebalancing interest hedging transactions in the event of major deviations in forecast cash flows by adjusting the notional amount and interest payments in the interest hedging contract. The adjustment is reflected in a change in the fixed interest rate or a cash settlement. Alternatively, a further hedge may be entered into. Wherever possible, these are accounted for as cash flow hedges.

Currency hedging

Currency hedges have been concluded to hedge the currency gains and losses resulting from currency translation of the net assets of foreign power plant projects in the course of consolidation. They are accounted for as hedges of a net investment.

STEAG GmbH’s hedging policy only allows economically effective hedging relationships. The effectiveness of the hedging relationship is determined at the date of initial recognition. To ensure an effective hedging relationship, the first step comprises documenting the economic relationship between the hedged item and the hedging instrument at STEAG GmbH. The contractual terms of the hedging transactions are those of the forecast, highly probable transactions or firm commitments. The underlying risk of the hedging instrument must be identical to the hedged risk components. Consequently, the hedge ratio for the Group's hedging relationship and the hedge ratio for the hedged item and hedging instrument is normally 100 percent.

The effectiveness of the hedging relationships is proven prospectively at every reporting date using the hypothetical derivatives method. A regression analysis is used for this. For interest rate hedges where option-type instruments are used as the hedging instrument, evidence of effectiveness is provided using the intrinsic value method.

Any ineffectiveness is determined using the dollar offset method. Ineffectiveness of a hedge of a net investment may occur if the amount of the investment in the foreign power plant project is below the amount of the forward currency agreement. Ineffectiveness of an interest rate hedge may be influenced by (partial) derecognition of hedged items, for example, one-time payments under agreed repayment schedules or by taking into account different default risks.

As at the reporting date, the impact of the hedging transactions outlined above on the balance sheet was as follows:

Cash flow hedge accounting

The option of hedge accounting provided for by IFRS 9 prevents an accounting mismatch by ensuring that highly effective economic hedging relationships do not result in the recognition of income or loss. In hedge accounting, the change in the value of the derivatives used as hedging instruments is therefore recognized in equity, while the change in the value of the physical underlying is not recognized in the financial statements until the expiration date.

At the expiration date, the compensatory changes in the value of the hedged item and hedging instrument are shown in income or as part of the cost of acquisition in the carrying amount of the related non-financial asset. If a hedging relationship is highly effective, it has no or only little impact on income.

Most interest payments relating to STEAG GmbH's floating rate bonded loans and the financing of power plant projects have been hedged up to 2031 via interest rate swaps and interest rate caps.

The following table shows the changes in the value of the hedged items:

			Dec. 31, 2020
		Cash flow hedge reserve	
in € million	Change in the value of the hedged item as the basis of ineffectiveness	From hedging relationships still in effect	From hedging relationships no longer in effect
Financing costs with variable interest rates	43.2	37.5	5.7
	43.2	**37.5**	**5.7**

			Dec. 31, 2019
		Cash flow hedge reserve	
in € million	Change in the value of the hedged item as the basis of ineffectiveness	From hedging relationships still in effect	From hedging relationships no longer in effect
Financing costs with variable interest rates	48.2	38.0	10.2
	48.2	**38.0**	**10.2**

The impact of hedging instruments designated in hedging relationships on the balance sheet, other comprehensive income and the income statement, including any resulting ineffectiveness, is as follows:

							Dec. 31, 2020
	Carrying amount of the hedging instrument				In the fiscal year		
in € million	Financial assets	Financial liabilities	Change in the value of the hedge as the basis of ineffectiveness	Notional value	Gains and losses from hedging relationships recognized in OCI	Amount reclassified to profit or loss or assets	Item showing reclassified amount
Interest rate derivatives	-	37.2	-37.2	401.4	-8.3	13.3	Interest expense
	-	**37.2**	**-37.2**	**401.4**	**-8.3**	**13.3**	

							Dec. 31, 2019
	Carrying amount of the hedging instrument				In the fiscal year		
in € million	Financial assets	Financial liabilities	Change in the value of the hedge as the basis of ineffectiveness	Notional value	Gains and losses from hedging relationships recognized in OCI	Amount reclassified to profit or loss or assets	Item showing reclassified amount
Currency derivatives	-	-	-	-	-14.0	6.9	Other operating expenses
						2.7	Inventories
Interest rate derivatives	-	40.5	-40.5	455.4	-10.9	14.5	Interest expense
Commodity derivatives	-	-	-	-	-1.4	5.8	Sales
						32.3	Other operating expenses
						7.3	Inventories
	-	**40.5**	**-40.5**	**455.4**	**-26.3**	**69.5**	

The hedging instruments are recognized as receivables from derivatives or liabilities from derivatives in the balance sheet item financial assets or financial liabilities. The corresponding basis for determining ineffectiveness is the change in the carrying amount of the hedging instruments before offsetting of the variation margin to be provided by both parties in connection with stock exchange transactions. € 0.3 million (prior year: minus € 2.5 million) was recognized in income as interest expense for the ineffective portion of the valuation of cash flow hedges.

Hedge of a net investment

Currency derivatives are used to hedge the foreign exchange risk of currency gains and losses from currency translation of the net assets of foreign power plant projects, which have to be recognized in the course of consolidation. The following table shows the changes in the value of the hedged items:

			Dec. 31, 2020
		Reserve for hedges of a net investment	
in € million	Change in the value of the hedged item as the basis of ineffectiveness	From hedging relationships still in effect	From hedging relationships no longer in effect
Currency gains and losses on foreign power plant projects	-8.2	-3.1	-5.1
	-8.2	**-3.1**	**-5.1**

			Dec. 31, 2019
		Reserve for hedges of a net investment	
in € million	Change in the value of the hedged item as the basis of ineffectiveness	From hedging relationships still in effect	From hedging relationships no longer in effect
Currency gains and losses on foreign power plant projects	-27.5	0.4	-27.9
	-27.5	**0.4**	**-27.9**

The impact of the hedging instruments designated in hedging relationships on the balance sheet, other comprehensive income and the income statement is as follows:

	Carrying amount of the hedging instrument					In the fiscal year			**Dec. 31, 2020**
in € million	Financial assets	Financial liabilities	Change in the fair value of the hedge as the basis of ineffective-ness	Notional value	in million	Hedging gains or losses recognized in the reserve for hedges of a net investment	Gains and losses from hedging relationships recognized in OCI	Amount reclassified to profit or loss	Item showing reclassified amount
Currency derivatives	3.0	-	3.0	51.2	USD	8.2	2.3	-22.6	Other operating expenses
	0.1	-	0.1	7392.6	COP	-0.0	1.0	-	
	3.1	**-**	**3.1**			**8.2**	**3.3**	**-22.6**	

	Carrying amount of the hedging instrument					In the fiscal year			Dec. 31, 2019
in € million	Financial assets	Financial liabilities	Change in the fair value of the hedge as the basis of ineffective-ness	Notional value	in million	Hedging gains or losses recognized in the reserve for hedges of a net investment	Gains and losses from hedging relationships recognized in OCI	Amount reclassified to profit or loss	Item showing reclassified amount
Currency derivatives	0.3	0.6	-0.3	75.9	USD	28.5	-1.2	-0.6	Other operating income
	0.0	0.1	-0.1	28,640.3	COP	-1.0	-0.1	-	
	0.3	**0.7**	**-0.4**			**27.5**	**-1.3**	**-0.6**	

(b) Liquidity risk

The liquidity risk comprises a risk that there might not be sufficient cash and cash equivalents to meet financial obligations. To ensure that it remains solvent, the STEAG Group has adequate means to meet capital requirements for day-to-day business, investments and payments of principal and interest on financial debt. A key focus is optimizing net working capital. Reference is also made to the information in section “(3) Events after the reporting date” in the management report.

The bonded loans taken out in 2014 and 2019 are another major aspect. Here, STEAG GmbH is required to meet certain covenants. There is a basic risk that it will not meet the financial indicators defined for these covenants. Under the agreements, failure to meet these covenants constitutes grounds for termination with the possible consequence that the outstanding loans would be repayable immediately. That would result in an immediate outflow of funds. All agreed covenants and the resulting information obligations were met as at December[1] 31, 2020. The liquidity risk to STEAG GmbH of non-fulfillment of the financial covenants is classified as low.

In connection with forward marketing, STEAG GmbH concludes trading agreements, some of which contain financial covenants that have to be fulfilled; if the indicators are below the level set, the contractual party has a right to additional collateral. In principle, there is a risk that this would have to be paid in the form of cash margin payments. Not all agreed covenants were met as at December 31, 2020. The related information obligations were met and the necessary collateral was provided. The amount of relevance for margining was up to € 15.0 million on the reporting date. As a result of changes in market prices and the

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counter-effect of liquidity inflows from exchange trading, the risk is considerably lower as at the date of preparation of these financial statements. The total risk to STEAG GmbH of non-fulfillment of the financial covenants is therefore classified as low.

Liquidity risk is managed through business planning to ensure that that the funds required to finance the current operating business and current and future investments at all Group companies are available at the right time and in the right currency at optimum cost. Liquidity requirements for business operations, investments and other financial activities are derived from rolling monthly liquidity planning with a planning horizon of 24 months, based on suitable risk management. In light of the coronavirus pandemic, in particular, an additional working group was established. This also examines liquidity on a weekly basis. Liquidity is pooled in a central cash management pool at STEAG GmbH where this makes economic sense and is legally permissible. Central liquidity risk management facilitates low-cost borrowing and advantageous offsetting of financial requirements. These measures ensure that the Group has sufficient liquidity to cover payments at all times. Based on the present liquidity planning and taking the measures outlined above into account, the STEAG Group is fully financed over the entire 24-month planning period. The liquidity risk of STEAG GmbH is therefore classified as low. For information on the present uncertainties and the measures taken by the management, please refer to section "(3) Events after the reporting date" in the management report.

The table shows the remaining maturity of the non-derivative financial instruments based on the agreed dates for payment as the sum of the expected interest and repayments of principal.

	Payments due in				
in € million	up to 1 year	more than 1 - 3 years	more than 3 - 5 years	more than 5 years	**Dec. 31, 2020**
Financial liabilities	**415.7**	**772.9**	**339.8**	**448.5**	**1,976.9**
Liabilities to banks	310.7	584.0	276.1	198.4	1,369.2
Loans from non-banks	51.7	142.1	32.4	143.6	369.8
Lease liabilities	22.4	41.5	30.9	96.9	191.7
Other financial liabilities	30.9	5.3	0.4	9.6	46.2
Trade accounts payable	**206.2**	**-**	**-**	**-**	**206.2**

	Payments due in				
in € million	up to 1 year	more than 1 - 3 years	more than 3 - 5 years	more than 5 years	Dec. 31, 2019
Financial liabilities	**275.2**	**426.8**	**289.2**	**449.5**	**1,440.7**
Liabilities to banks	163.6	362.2	248.7	275.4	1,049.9
Loans from non-banks	10.0	6.6	10.6	85.4	112.6
Liabilities from finance leases	20.7	38.7	29.9	72.1	161.4
Other financial liabilities	80.9	19.3	-	16.6	116.8
Trade accounts payable	**395.2**	**-**	**-**	**-**	**395.2**

The above presentation is based on the contractual agreements on the payment of interest and repayments of principal valid at the reporting date. At the end of September 2021, the STEAG Group concluded a restructuring agreement with the guarantee providers, the creditors of the bonded loan, the creditors of a money market loan and the other financial creditors. This agreement runs until December 31, 2023 and contains changes to payments of interest and repayments of principal. For further information, please refer to section "(3) Events after the reporting date" in the management report.

The breakdown of payments of interest and repayments of principal by residual maturity in the following tables relates to derivative financial instruments with positive and negative fair values. The tables show the

net value of cash inflows and outflows. Since netting was not agreed for currency derivatives, they are presented as gross amounts:

in € million	Payments due in up to 1 year	more than 1 - 3 years	more than 3 - 5 years	more than 5 years	Dec. 31, 2020
Receivables from derivatives	**503.9**	**200.4**	**-**	**-**	**704.3**
Currency derivatives	6.3	0.9	-	-	7.2
Cash inflows	233.0	15.2	-	-	248.2
Cash outflows	-226.7	-14.3	-	-	-241.0
Interest rate derivatives	-	-	-	-	-
Commodity derivatives	497.6	199.5	-	-	697.1
Liabilities from derivatives	**-493.4**	**-170.7**	**-9.8**	**-5.7**	**-679.6**
Currency derivatives	-4.1	-1.3	-	-	-5.4
Cash inflows	123.7	20.0	-	-	143.7
Cash outflows	-127.8	-21.3	-	-	-149.1
Interest rate derivatives	-9.9	-12.7	-9.8	-5.7	-38.1
Commodity derivatives	-479.4	-156.7	-	-	-636.1

in € million	Payments due in up to 1 year	more than 1 - 3 years	more than 3 - 5 years	more than 5 years	Dec. 31, 2019
Receivables from derivatives	**1,623.4**	**259.8**	**-**	**-**	**1,883.2**
Currency derivatives	24.9	-0.1	-	-	24.8
Cash inflows	490.0	4.2	-	-	494.2
Cash outflows	-465.1	-4.3	-	-	-469.4
Interest rate derivatives	-	-	-	-	-
Commodity derivatives	1,598.5	259.9	-	-	1,858.4
Liabilities from derivatives	**-1,640.4**	**-234.3**	**-10.2**	**-8.5**	**-1,893.4**
Currency derivatives	-15.0	0.3	-	-	-14.7
Cash inflows	288.4	44.2	-	-	332.6
Cash outflows	-303.4	-43.9	-	-	-347.3
Interest rate derivatives	-10.5	-15.9	-10.2	-8.5	-45.1
Commodity derivatives	-1,614.9	-218.7	-	-	-1,833.6

(c) Default risk

Credit risk management divides default risk into three categories, which are analyzed separately on the basis of their specific features. The three categories are debtor and creditor risk, country risk and the risk of default by financial counterparties.

The debtor and creditor default risks are analyzed and monitored continuously with the aid of an internal limit system. The payment obligations of the state customer of the Philippine project company are also secured through a state guarantee. Political risk (country risk) is also taken into account in foreign investment and export orders so that the overall risk assessment takes account of both political and economic risk factors.

Wherever it makes sense, equity is insured against political risks (expropriation, transfer risks, etc.). On the basis of this analysis, a maximum limit is set for the risk exposure of each contractual party.

In addition, a specific limit is set for financial and trading counterparties for each type of risk (money market, capital market and derivatives). Maximum limits for each contracting party are set on the basis of the creditworthiness analyses. These are predominantly based on the ratings issued by international rating agencies and external credit analyses and are continuously updated. In the case of funds deposited with banks, the bank's liable capital and insurance limits in the deposit insurance system are also taken into account in the creditworthiness and risk analysis. In addition, the prospective expected credit loss (ECL) model is used. This model has a strong focus on the future. It is applied to amortized cost, loan valuations, securities and similar rights, lease receivables, trade accounts receivable and contract assets, using one of the following approaches:

- the general approach, which is applicable for most loans, securities and similar rights, and lease receivables, and
- the simplified approach, which is applicable for most trade accounts receivable and contract assets.

The probability of default by individual customers, which is required for the general approach, is determined centrally at STEAG GmbH. The general approach is used to calculate the loss allowance for individual instruments in the categories of financial assets listed above.

Whether there has been a significant increase (or decrease) in the credit risk is assessed at every reporting date on the basis of the change in the lifetime expected credit loss of the financial instrument. Risk provisioning for a fully secured asset is based on the lifetime ECL, even if no loss is expected. The assessment of whether the credit risk has increased significantly is performed on an aggregated basis, taking into account the type of instrument, the characteristics of the financial instrument, the characteristics of the borrower and geographical factors.

In certain circumstances, qualitative rather than quantitative factors can be used to determine whether a financial instrument meets the criteria for recognition of a lifetime ECL. In such cases, a statistical model or credit rating process is not applied to assess whether there has been a significant increase in the credit risk. In other cases the assessment can be based on quantitative factors or a mixture of quantitative and qualitative factors.

When assessing whether it is necessary to recognize a lifetime expected credit loss, various factors and indicators have to be taken into account, including significant changes in price indicators, the economic, financial and business conditions of the market or borrower, changes in payment status or even breach of contract.

For classification as significant, the credit risk at the time of initial recognition and the expected maturity structure are decisive.

When applying the general approach, there are various practical expedients and assumptions that help a company assess whether there has been a significant increase in the credit risk since initial recognition. These include a global “investment grade” credit rating, payments that are more than 30 days past-due, changes in the default risk within the next twelve months and an assessment at the level of the portfolio or the counterparty.

The credit risk for a financial instrument is classified as low if the financial instrument has a low default risk, the borrower is able to satisfy the contractually agreed cash flow obligations in the near future and adverse

long-term changes in the economic and business conditions could but would not necessarily impair the borrower's ability to meet the contractually agreed cash flow obligations. The existence of collateral does not normally have any influence on the determination of whether a financial instrument has a low credit risk. The description of a low credit risk largely corresponds to the rating agencies' definition of the investment-grade range. This corresponds to a BBB- or higher rating from Standard & Poor's and Fitch or a rating of Baa3 or above from Moody's. However, it should be noted that the default ratios used by the rating agencies are based on historical data. To assess expected credit losses or to assess whether credit quality has deteriorated, it is necessary to consider the origin of the data. Where necessary, the present and future-oriented information must be updated and expected changes in the ratings must be taken into account.

The development of the loss allowance is presented below, based on a comparison of the situation at the beginning and end of the year for risk provisioning for assets carried at amortized cost.

	General approach				
in € million	Level 1	Level 2	Level 3	Simplified approach	**Dec. 31, 2020**
Gross carrying amount as at January 1	901.6	7.7	9.9	623.2	1,542.4
Loss allowance as at January 1	-34.9	0.0	-9.9	-8.3	-53.1
Net carrying amount as at January 1	866.7	7.7	0.0	614.9	1,489.3
Foreign currency translation differences	-32.4	-	-	-6.1	-38.5
Impairment losses	0.0	-25.8	0.0	-2.4	-28.2
Reversal of impairment losses	1.5	-	-	0.2	1.7
Accrued interest	6.0	-	-	-	6.0
Reclassifications	-156.9	156.9	-	-	0.0
to/from Level 1	-156.9	-	-	-	-156.9
to/from Level 2	-	156.9	-	-	156.9
to/from Level 3	-	-	-	-	-
Newly issued or acquired financial assets	10,734.9	0.3	-	1,774.9	12,510.1
Financial assets derecognized during the period due to repayment, modifications, sale, etc.	-10,634.4	-1.5	0.0	-1,967.3	-12,603.2
Gross carrying amount as at December 31	786.0	164.1	0.5	423.5	1,374.1
Loss allowance as at December 31	-0.6	-26.5	-0.5	-9.3	-36.9
Net carrying amount as at December 31	785.4	137.6	0.0	414.2	1,337.2

in € million	General approach Level 1	Level 2	Level 3	Simplified approach	Dec. 31, 2019
Gross carrying amount as at January 1	1,104.9	-	16.3	665.8	1,787.0
Loss allowance as at January 1	-33.4	-	-16.1	-6.4	-55.9
Net carrying amount as at January 1	1,071.5	-	0.2	659.4	1,731.1
Foreign currency translation differences	5.6	-	-	2.5	8.1
Impairment losses	-0.8	0.0	-0.3	-2.4	-3.5
Reversal of impairment losses	0.8	-	-	0.4	1.2
Accrued interest	6.4	-	-	-	6.4
Reclassifications	-8.5	8.2	0.3	-	0.0
to/from Level 1	-8.5	-	-	-	-8.5
to/from Level 2	-	8.2	-	-	8.2
to/from Level 3	-	-	0.3	-	0.3
Newly issued or acquired financial assets	14,843.6	0.8	-	1,745.6	16,590.0
Financial assets derecognized during the period due to repayment, modifications, sale, etc.	-15,051.9	-1.3	-0.2	-1,790.6	-16,844.0
Gross carrying amount as at December 31	901.6	7.7	9.9	623.2	1,542.4
Loss allowance as at December 31	-34.9	0.0	-9.9	-8.3	-53.1
Net carrying amount as at December 31	866.7	7.7	-	614.9	1,489.3

In the reporting period, the upstream loan granted by STEAG GmbH to KSBG KG was reclassified from Level 1 to Level 2. The loss allowance was therefore measured over the lifetime of the expected credit loss. This significant change, which results in loss allowance of € 20.2 million, is based on a change in the rating assessment based on external rating information and the specific financial situation of KSBG KG.

The simplified method is used for trade accounts receivable and contract assets without significant financing components. The loss allowance of € 9.3 million (prior year: € 8.3 million) determined using the simplified approach contains around € 0.5 million (prior year: around € 0.4 million) in each case relating to receivables that are up to 90 days past-due.

(8.2) Related parties

In addition to the affiliated companies included in the consolidated financial statements, the STEAG Group maintains relationships with related parties.

Related parties within the meaning of IAS 24 are KSBG KG and its partner Dortmunder Stadtwerke AG, together with the companies under its control.

The transactions between the STEAG Group and these companies are shown in the table:

in € million	KSBG KG		STEAG affiliates		Joint ventures		Associates		Other related parties	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Goods and services:										
supplied	0.1	0.1	0.1	0.2	23.1	24.2	9.0	5.8	1.8	-
sourced	-	-	0.2	0.1	13.1	11.7	1.5	1.8	-	-
Other income	6.6	6.9	0.1	0.1	2.4	0.8	5.8	0.1	0.0	0.0
Other expense	0.7	0.6	0.1	0.1	3.6	0.4	0.2	0.3	0.0	0.0
Receivables as at Dec. 31	156.6	160.4	0.5	0.4	0.7	7.4	1.7	1.7	0.1	0.0
Liabilities as at Dec. 31	-	45.0	0.0	0.0	3.7	0.2	0.1	0.2	-	-

* Prior-year figure restated

The receivables from KSBG KG mainly comprise the upstream loan granted to this company. As at December 31, 2020, the loan amounted to € 156.6 million (prior year: € 150.6 million). In the prior year, the liabilities to KSBG KG mainly related to the profit and loss transfer agreement.

In the reporting period, write-downs of € 6.9 million (prior year: € 1.2 million) were recognized for uncollectable and doubtful financial receivables from companies classified as related parties. These relate to joint ventures. In the prior year, they related to a foreign joint venture.

Related parties also include members of the management who are directly or indirectly responsible for corporate planning, management and oversight of the activities of the STEAG Group, and close family members. Within the STEAG Group these are the Board of Management and Supervisory Board of STEAG GmbH, KSBG GmbH, which is the managing partner of KSBG KG, and other members of the management of the STEAG Group. The other management members comprise the directors of STEAG Fernwärme GmbH, STEAG Power Minerals GmbH, STEAG Energy Services GmbH, STEAG New Energies GmbH and STEAG Technischer Service GmbH.

The supervisory boards of the subsidiaries STEAG New Energies GmbH and STEAG Technischer Service GmbH are not able to exercise any material influence on the STEAG Group.

The remuneration paid to related parties is shown in the table:

in € million	Board of Management of STEAG GmbH		Other management members	
	2020	2019	**2020**	2019
Short-term remuneration	5.2	3.8	3.4	3.1
Long-term incentive (LTI) plans	1.2	1.1	-	-
Current service cost for pensions and other post-employment benefits	0.4	0.9	0.4	0.4

Remuneration comprises both amounts not related to performance and performance-related components.

The present value of defined benefit obligations is € 8.6 million for the Board of Management (prior year: € 18.3 million) and € 15.8 million (prior year: € 15.5 million) for other management members.

The total remuneration of members of the Supervisory Board of STEAG GmbH was € 0.5 million (prior year: € 0.4 million).

Apart from the relationships stated above, the STEAG Group did not have any other significant business relationships with related parties.

(8.3) Contingent liabilities and other financial commitments

Contingent liabilities were as follows on the reporting date:

in € million	Dec. 31, 2020	Dec. 31, 2019
Guarantee obligations	83.3	70.8
Obligations under warranties and indemnity agreements	192.6	68.4
	275.9	**139.2**

Obligations under warranties and indemnity agreements include letters of comfort, some of which were issued jointly with third parties.

There are legal liabilities in respect of investments in partnerships, collectively owned enterprises and as the general partner of limited liability partnerships.

The disclosure of uncertainties regarding the amounts and maturity dates of the reported guarantee obligations and obligations under warranties and indemnity agreements is omitted for cost-benefit reasons.

Through the joint venture GuD Herne 6 GmbH, which is recognized at equity, STEAG and a partner are building a state-of-the-art gas and steam turbine power plant at the existing site in Herne (Germany). Work on this continued in the reporting period and is scheduled for completion in 2022. In this connection, STEAG will make a capital contribution of nearly € 50 million to this joint venture in 2021 and 2022.

There are administrative, regulatory, court, and arbitration proceedings concerning STEAG GmbH and/or its affiliated companies. Their outcome could affect the future economic and financial situation of these companies. In some cases, out-of-court claims are also being pursued. However, these cases are not expected to have a material impact on the net assets, financial position and results of operations of the STEAG Group.

(8.4) Events after the reporting date

On February 2, 2021, STEAG notified the Federal Network Agency that it planned to permanently shut down its Weiher 3 and Bexbach power plant units in the Saarland region, which have been kept available as grid reserve plants since 2017. In response, Amprion applied to extend the systemic relevance of the plants beyond 2022, until March 31, 2025. The Federal Network Agency has already approved this application in a preliminary decision. Final shutdown of the two units is only permitted when they are no longer classed as systemically relevant.

On February 12, 2021, Carsten König was appointed to the Board of Management of STEAG GmbH as Chief Transformation Officer (CTO). Following many rounds of negotiation on the overall financing concept of STEAG and KSBG and the improvement in company's economic situation, STEAG embarked on a new transformation phase with different priorities. As a consequence, there was also a change on the Board of Management at the start of August. Ralf Schmitz was appointed to the Board of Management of STEAG

GmbH effective July 30, 2021 and Carsten König left the Board of Management. Dr. Heiko Sanders left the Board of Management of STEAG GmbH on September 15, 2021.

On March 10, 2021, STEAG and EP Power Europe, a.s. signed an agreement on the sale of 100 percent of the shares in STEAG Power Minerals GmbH and its subsidiaries. This transaction was closed on May 31, 2021.

On December 23, 2020, STEAG and Societatea de Producere a Energiei Electrice în Hidrocentrale Hidroelectrica S.A. (Hidroelectrica) signed an agreement on the sale of STEAG's shares in its Romanian subsidiary Crucea Wind Farm S.A. (Crucea Wind Farm) and STEAG Energie Romania S.R.L. (STEAG Energie Romania). This transaction was closed on March 11, 2021.

On December 17, 2020, an agreement was signed on the sale of all shares in the Turkish wind farm STEAG Rüzgar Süloğlu Enerji Uretim ve Ticaret A.S. and the operating company STEAG Turkey Enerji Yatirimlari ve Hizmetleri. This transaction was closed on August 4, 2021.

On April 20, 2021, STEAG signed an agreement on the sale and transfer of the shares in the Indonesian project company PT Sejahtera Alam Energy and the loan extended to this company. The transaction took effect on April 22, 2022.

On May 4, 2021, STEAG registered the Völklingen-Fenne heating plant and the Bergkamen power plant with the Federal Network Agency for provisional closure. On July 14, 2021, the Federal Network Agency announced that in the third decommissioning auction STEAG's bid for decommissioning payments for the shutdown of the Bergkamen power plant, and the heating plant and the model power plant in Völklingen had been accepted. This means that these three STEAG power plants may no longer operate with coal from October 31, 2022, assuming that the Federal Network Agency, in consultation with the transmission network operator Amprion, does not class the plants as systemically relevant in the multi-month review process.

In accordance with the strategy for the FUTURE project, in July 2021 STEAG offered its shares in the project company STEAG State Power Inc., including the power plant in the Philippines, for sale via a tender process. In August, the shares in SFW Energie Sp. z.o.o, together with the subsidiary for conventional heat generation in Poland, were offered for sale via a tender process. Through these divestments, STEAG is driving forward its transformation and the concentration on its future business focuses: renewable energies, including hydrogen, and decarbonization solutions for industrial customers. Alongside the realignment of business operations, the transformation process includes geographic concentration on selected focus markets.

At its meeting in late July 2021, the Board of Management of STEAG GmbH approved the sale of the site of the West power plant in Voerde. All existing pollution and safety obligations will be transferred to the buyer of this land. The shorter operating period was taken into account when calculating the provision for public safety obligations in the financial statements as at December 31, 2020.

In connection with the former investment in the Arenales solar park in Spain, on August 17, 2021 the ICSID tribunal in Washington awarded STEAG compensation of € 27.6 million plus 1.5 percent p.a. interest (from the investment date, compounded quarterly) plus the reimbursement of costs of around € 1.4 million. STEAG is in promising negotiations on the sale of this claim on the Kingdom of Spain.

On September 24, 2021, STEAG Walsum 10 Kraftwerksbeteiligungsgesellschaft and EVN Kraftwerks- und Beteiligungsgesellschaft mbH (EVN) concluded a contract on the purchase and transfer of shares. Under this agreement, STEAG will assume EVN's 49 percent shareholding in the Walsum 10 power plant project, becoming the sole shareholder. The power supply agreement with EVN will be terminated early in return for payment of compensation. The amounts received were mainly used to repay the project financing for the power plant.

The price of gas, coal and electricity rose significantly in the third quarter of 2021. This improved the margins at the German coal-fired power plants. Following the price rises, to limit the liquidity risks relating to clearing & margining under the Trading business unit's risk concept it was necessary to undertake counter-transactions to previously concluded forward agreements. As a consequence, the German power plants are marketed principally via the spot market, with the corresponding market opportunities and risks.

Debt restructuring agreement

Given the earnings performance in recent years and the tougher market and competitive situation resulting from the energy transition, a restructuring and recovery concept has been developed since 2019 within the framework of the FUTURE transformation project. This contains a variety of measures. The debt restructuring agreement presented below is a key element in this concept.

At the end of September 2021, the guarantee providers, creditors of the bonded loan, creditors of a money market loan and the other financial creditors concluded a debt restructuring agreement with STEAG. This runs until December 31, 2023. It sets out the principal aspects of the contribution of the various creditor groups to the debt restructuring concept and the collateral, payments and restructuring contributions to be made by the companies in the STEAG Group.

A master credit guarantee agreement concluded at the same time sets out the terms for the old and new guarantees. All facilities now run until December 31, 2023. Use will be based in each case on the bilateral credit guarantee agreements between STEAG GmbH (or Group companies) and the relevant guarantee provider.

The maturity of the restructured bonded loans and the money market loan was extended to December 31, 2023 as part of the debt restructuring agreement.

The debt restructuring agreement provides for cash margining on senior pledged and frozen accounts for the benefit of the guarantee providers as collateral for the guarantee facilities. The cash margining rises over time. In addition, further collateral, e.g., the assignment of shares in businesses, assignment of security, pledging of bank accounts, real estate liens and the assignment of revenue due from the Federal Republic of Germany as a result of decommissioning auctions, has been established as a collateral pool to secure the liabilities to the guarantee providers, creditors of the bonded loan and creditors of the money market loan and other financing creditors.

The debt restructuring agreement was contingent on various conditions, which were fulfilled on September 24, 2021. The corresponding confirmation has been provided. Therefore, the debt restructuring agreement took effect on September 24, 2021.

Finally, the appointment of a trustee for KSBG's shares has been agreed on terms that are satisfactory to the guarantee providers and creditors of the bonded loans.

On the basis of the debt restructuring agreement, agreement has been reached on the financing conditions for STEAG until December 31, 2023 and the complete repayment of the restructured bonded loans and the money market loan.

Essen, October 25, 2021
STEAG GmbH
Board of Management

Rumstadt Dr. Reichel Dr. Schiele Schmitz