Consolidated financial statements and management report as of December 31, 2013

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Income statement for the STEAG Group

		Year	
in € million	**Note**	**2013**	2012*
Sales	(5.1)	2,936.4	2,777.7
Change in inventories of finished goods		0.1	-6.8
Other own work capitalized		4.5	4.1
Other operating income	(5.2)	346.3	183.4
Cost of materials	(5.3)	-2,038.9	-1,903.0
Personnel expenses	(5.4)	-411.2	-387.2
Depreciation, amortization and impairment losses	(5.5)	-110.4	-103.5
Other operating expenses	(5.6)	-422.7	-313.7
Income before the financial result and income taxes		**304.1**	251.0
Interest income	(5.8)	25.5	7.4
Interest expenses	(5.8)	-64.0	-69.5
Result from investments recognized at equity	(5.9)	10.6	9.6
Other financial result	(5.10)	2.7	8.0
Financial result		**-25.2**	-44.5
Income before income taxes		**278.9**	206.5
Income taxes	(5.11)	-80.0	-21.4
Income after taxes		**198.9**	185.1
Thereof attributable to			
Non-controlling interests		88.5	65.2
Shareholders of STEAG GmbH (net income)		110.4	119.9

*Prior-year figures restated

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Statement of comprehensive income for the STEAG Group

in € million	Note	Year 2013	2012*
Income after taxes		**198.9**	**185.1**
Thereof attributable to			
Non-controlling interests		88.5	65.2
Shareholders of STEAG GmbH (net income)		110.4	119.9
Comprehensive income to be reclassified subsequently to profit or loss		**-10.8**	**-24.3**
Thereof attributable to			
Unrealized gains/losses on available-for-sale securities		0.1	0.1
Gains/losses on financial instruments in hedge relationships		26.9	-21.9
Differences arising from currency translation		-30.9	-10.8
Investments recognized at equity		2.4	0.0
Deferred taxes		-9.3	8.3
Comprehensive income not to be reclassified subsequently to profit or loss		**-16.6**	**-117.6**
Thereof attributable to			
Remeasurements of the net defined benefit liability from defined benefit plans		-19.9	-139.9
Deferred taxes		3.3	22.3
Comprehensive income after taxes directly recognized in equity	**(6.10)**	**-27.4**	**-141.9**
Thereof attributable to			
Non-controlling interests		-5.2	-13.4
Shareholders of STEAG GmbH		-22.2	-128.5
Total comprehensive income		**171.5**	**43.2**
Thereof attributable to			
Non-controlling interests		83.3	51.8
Shareholders of STEAG GmbH		88.2	-8.6

* Prior-year figures restated

Balance sheet for the STEAG Group

in € million	Note	Dec. 31, 2013	Dec. 31, 2012*	Jan. 1, 2012*
Intangible assets	(6.1)	101.5	100.5	82.2
Property, plant and equipment	(6.2)	1,712.0	1,404.0	1,283.6
Investment property	(6.3)	14.2	16.3	16.5
Investments recognized at equity	(6.4)	89.1	82.5	65.1
Financial assets	(6.5)	687.9	798.9	869.4
Deferred taxes	(6.14)	151.1	193.7	141.6
Other income tax assets	(6.14)	10.3	13.4	16.4
Other receivables	(6.7)	33.9	33.6	47.0
Non-current assets		**2,800.0**	**2,642.9**	**2,521.8**
Inventories	(6.6)	266.2	254.1	230.2
Other income tax assets	(6.14)	14.5	12.2	15.1
Trade accounts receivable	(6.7)	353.8	358.8	400.4
Other receivables	(6.7)	169.6	74.8	59.0
Financial assets	(6.5)	377.2	270.5	153.5
Cash and cash equivalents	(6.8)	576.4	544.1	706.7
		1,757.7	**1.514.5**	**1.564.9**
Assets held for sale	(6.9)	0.8	-	-
Current assets		**1,758.5**	**1,514.5**	**1,564.9**
Total assets		**4,558.5**	**4,157.4**	**4,086.7**
Issued capital		128.0	128.0	128.0
Reserves		608.1	609.9	720.8
Equity attributable to shareholders of STEAG GmbH		**736.1**	**737.9**	**848.8**
Equity attributable to non-controlling interests		520.2	476.9	424.7
Equity	**(6.10)**	**1,256.3**	**1,214.8**	**1,273.5**
Provisions for pensions and other post-employment benefits	(6.11)	826.0	790.8	635.2
Other provisions	(6.12)	252.1	223.9	187.4
Deferred taxes	(6.15)	71.7	88.1	90.6
Financial liabilities	(6.13)	818.8	877.3	961.1
Other liabilities	(6.14)	119.2	89.5	67.7
Non-current liabilities		**2,087.8**	**2,069.6**	**1,942.0**
Other provisions	(6.11)	403.2	163.7	148.7
Other income tax liabilities	(6.15)	39.0	29.0	26.0
Financial liabilities	(6.13)	400.2	350.4	316.9
Trade accounts payable	(6.14)	278.0	240.9	284.7
Other liabilities	(6.14)	94.0	89.0	94.9
Current liabilities		**1,214.4**	**873.0**	**871.2**
Total equity and liabilities		**4,558.5**	**4,157.4**	**4,086.7**

* Prior-year figures restated

Statement of changes in equity for the STEAG Group

Note 6.10

in € million	Issued capital	Capital reserve	Reserves: Accumulated income/loss	Reserves: Accumulated other comprehensive income	Attributable to shareholders of STEAG GmbH	Attributable to non-controlling interests	Total Equity
As of December 31, 2011	**128.0**	**77.5**	**700.4**	**-1.0**	**904.9**	**425.1**	**1,330.0**
Adjustments in accordance with IAS 8 (Note 2.7)	-	-	-56.1	-	**-56.1**	-0.4	**-56.5**
As of January 1, 2012*	**128.0**	**77.5**	**644.3**	**-1.0**	**848.8**	**424.7**	**1,273.5**
Capital increases/decreases	-	-	-	-	**-**	65.0	**65.0**
Dividend distribution/profit transfer	-	-	-103.2	-	**-103.2**	-64.8	**-168.0**
Changes in shareholdings in subsidiaries without loss of control	-	-	0.0	-	**0.0**	0.0	**0.0**
Income after taxes	-	-	119.9	-	**119.9**	65.2	**185.1**
Remeasurements of the net defined benefit liability from defined benefit plans, after taxes	-	-	-117.7	-	**-117.7**	0.1	**-117.6**
Other comprehensive income after taxes	-	-	-	-10.8	**-10.8**	-13.5	**-24.3**
Total comprehensive income	-	-	2.2	-10.8	**-8.6**	51.8	**43.2**
Other changes	-	-	0.9	-	**0.9**	0.2	**1.1**
As of December 31, 2012*	**128.0**	**77.5**	**544.2**	**-11.8**	**737.9**	**476.9**	**1,214.8**
Capital increases/decreases	-	-	-	-	**-**	56.2	**56.2**
Dividend distribution/profit transfer	-	-	-89.0	-	**-89.0**	-95.7	**-184.7**
Changes in shareholdings in subsidiaries without loss of control	-	-	0.2	-	**0.2**	-0.5	**-0.3**
Income after taxes	-	-	110.4	-	**110.4**	88.5	**198.9**
Remeasurements of the net defined benefit liability from defined benefit plans, after taxes	-	-	-16.5	-	**-16.5**	-0.1	**-16.6**
Other comprehensive income after taxes	-	-	-	-5.7	**-5.7**	-5.1	**-10.8**
Total comprehensive income	-	-	93.9	-5.7	**88.2**	83.3	**171.5**
Other changes	-	-	-1.2	-	**-1.2**	-	**-1.2**
As of December 31, 2013	**128.0**	**77.5**	**548.1**	**-17.5**	**736.1**	**520.2**	**1,256.3**

*Prior-year figures restated

Cash flow statement for the STEAG Group

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in € million	Note	2013	2012*
		Year	
Income before the financial result and income taxes		304.1	251.0
Depreciation, amortization, impairment losses/reversal of impairment losses on non-current assets		12.0	89.5
Gains/losses on disposal of non-current assets		-0.6	-1.8
Change in inventories		-13.6	-25.6
Change in trade account receivables		2.0	38.3
Change in trade accounts payable and current advance payments received from costumers		-29.6	-68.5
Change in provisions for pensions and other post-employment benefits		-13.2	-15.8
Change in other provisions		263.2	44.2
Change in miscellaneous assets/liabilities		19.6	69.5
Cash outflows for interest payments		-45.1	-45.1
Cash inflows for interest payments		3.6	3.1
Dividend payments received		14.0	7.8
Cash outflows for income taxes		-44.2	-40.2
Cash flow from operating activities	**(7.1)**	**472.2**	306.4
Cash outflows for investment in intangible assets, property, plant and equipment and investment property		-208.9	-160.2
Cash outflows for investments in shareholdings		-18.0	-31.3
Cash inflows from divestments of intangible assets, property, plant and equipment and investment property		8.8	1.8
Cash inflows from divestments of shareholdings		0.7	41.2
Cash inflows/outflows relating to securities, deposits and loans		-20.0	-64.5
Cash flow from investing activities	**(7.2)**	**-237.4**	-213.0
Cash inflows/outflows relating to capital contributions		41.0	65.0
Cash outflows to non-controlling interests		-95.7	-64.8
Cash inflows/outflows relating to changes in shareholdings in subsidiaries without loss of control		-0.2	0.0
Cash outflows for profit transfer for the prior year		-103.2	-99.9
Cash inflows from additions to financial liabilities		283.4	20.3
Cash outflows for repayment to financial liabilities		-318.3	-175.8
Cash flow from financing activities	**(7.3)**	**-193.0**	-255.2
Change in cash and cash equivalents		**41.8**	-161.8
Cash and cash equivalents as of January 1		**544.1**	706.7
Change in cash and cash equivalents		41.8	-161.8
Changes in exchange rates and other changes in cash and cash equivalents		-9.5	-0.8
Cash and cash equivalents as reported on the balance sheet as of December 31	**(6.8)**	**576.4**	544.1

*Prior-year figures restated

(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 power plants and the related services. Further core competencies include the procurement and marketing of energy, other process media and residues, 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 HRB No. 19649.

STEAG GmbH is a 51 percent subsidiary of KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG (KSBG KG), a consortium of seven German municipal utility companies in the Rhine-Ruhr region. The remaining 49 percent of the shares are held by RBV Verwaltungs-GmbH, a wholly owned subsidiary of Evonik Industries AG. A profit and loss transfer agreement has been in place between KSBG KG and STEAG GmbH since July 1, 2011.

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 EU, and in conformance with Section 315a of the German Commercial Code (HGB). The consolidated financial statements are published in the electronic Federal Gazette.

These consolidated financial statements of STEAG GmbH and its subsidiaries (referred to jointly as the “STEAG Group”) have been prepared on a voluntary basis and are not published.
The consolidated financial statements were authorized for issue by the Management Board of STEAG GmbH on March 10, 2014.

(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 as adopted by the European Union and comply with these standards. 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 (IFRS IC).

(2.2) Presentation of the financial statements

The consolidated financial statements cover the fiscal year from January 1 to December 31, 2013 and are presented in euros, which is the functional currency of STEAG GmbH. To enhance clarity and comparability, all amounts are stated in millions of euros (€ million) except where otherwise indicated.

The consolidated financial statements provide a snapshot of the actual situation as regards the company's 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.

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, reserves attributable to STEAG GmbH shareholders and changes in non-controlling interests in the reporting period. Transactions with shareholders in their capacity as owners are also shown separately here.

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 as well as additional disclosures.

(2.3) Newly issued accounting standards

Accounting standards applied for the first time

The IASB has amended or issued a number of standards and interpretations. These have to be officially adopted into European law by the European Union before they can be applied for the first time.
The STEAG Group applied the following new and amended standards and interpretations for the first time in fiscal year 2013:

Amendments to IFRS 7 “Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities”: The changes to IFRS 7 comprise supplementary note disclosure requirements on the offsetting of financial instruments. This amendment only relates to the presentation in the financial statements and therefore has no impact on the Group’s net assets, financial position and results of operations.

IFRS 13 “Fair Value Measurement”: This prescribes uniform rules for determining fair value and extends the disclosures on fair value. It does not provide information on when fair value is to be used but instead explains how fair value is to be applied in cases already required or permitted by standards. The application of IFRS 13 has no material impact on the measurement of the STEAG Group’s fair value. In accordance with the transitional provisions of IFRS 13, the STEAG Group has applied the new fair value measurement guidance prospectively. No year-on-year comparative information has been provided for the new disclosures. The Notes include prescribed disclosures on the assets and liabilities measured at fair value.

Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”: The amendments result in a different grouping of the items included in other comprehensive income after taxes. These are now classified into items that will be reclassified (“recycled”) to profit or loss in subsequent years and those that do not need to be reclassified to profit or loss. This amendment only relates to the presentation in the financial statements and therefore has no impact on the Group’s net assets, financial position and results of operations.

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Amendments to IAS 19 “Employee Benefits”: The new version of IAS 19 contains new regulations on identifying, valuing and presenting the extent of obligations and expenses for defined-benefit pension plans and termination benefits. In accordance with the transitional provisions, the STEAG Group applied to revised version of IAS 19 retrospectively in the reporting period.
The material amendments are as follows: Actuarial gains and losses must immediately be recognized in full in other comprehensive income in the year in which they occur. The previous option of deferral using the corridor approach or of immediate recognition in profit or loss are no longer permitted. Past service costs are now recognized in the period in which the underlying plan changes are made. Vested benefits are no longer allocated. The expected return on plan assets and interest expenses on defined-benefit obligations will be replaced by a uniform net interest result based on the discount rate.

The new version of IAS 19 also contains amended regulations on termination benefits. The main impact of this amendment is likely to be that top-up and settlement payments on German partial retirement programs can no longer be classified as termination benefits. Instead, they will be classified as long-term benefits and will therefore have to be accrued over the period in which they are earned.
More extended disclosures are also required; see Note (6.11). The effects of the amendments to IAS 19 on the consolidated financial statements are presented in Note (2.7).

The following accounting standards that were also applicable for the first time in fiscal year 2013 did not impact the consolidated financial statements:

- Amendments to IAS 12 “Income Taxes: Deferred Tax – Recovery of Underlying Assets”;
- IFRIC Interpretation 20 “Stripping Costs in the Production Phase of a Surface Mine”;
- Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”;
- Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards – Government Loans”;
- Annual Improvements to IFRS 2009-2011 Cycle (May 2012).

Accounting standards that are not yet mandatory

Standards already endorsed by the EU

The IASB issued further accounting standards and amendments to accounting standards up to December 31, 2013 that were not mandatory in the European Union in fiscal year 2013. The most important amendments are outlined below:

In May 2011, the IASB published three new and two revised accounting standards:
IFRS 10 “Consolidated Financial Statements” replaces the guidelines on control and consolidation contained in IAS 27 “Consolidated and Separate Financial Statements” and SIC-12 “Consolidation – Special Purpose Entities.” IFRS 10 alters the definition of “control” so that the same principles are applied to all entities, including special purpose entities, to determine a relationship of control. This definition is supported by extensive application guidance. The new standard does not alter the previous core principle set out in IAS 27 that consolidated financial statements present the parent company and its subsidiaries as a single economic entity, nor does it alter the consolidation procedure. IAS 27 is to be renamed “Separate Financial Statements” and will, in future, only deal with accounting for shares in subsidiaries, joint arrangements and associated companies in separate financial statements.

IFRS 11 “Joint Arrangements” replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities – Non-monetary Contributions by Venturers.” As a result of the amended definitions in IFRS 11, there are now only two types of joint arrangements: joint operations and joint ventures. In future, joint ventures will only be recognized using the equity method in accordance with the amended standard IAS 28 “Investments in Associates and Joint Ventures.” The previous option of pro rata consolidation has been abolished. Entities that have a stake in joint operations will in future have to apply regulations that are comparable to the present accounting standards for joint assets or joint operations.

IFRS 12 “Disclosures of Interests in Other Entities” brings together the revised and extended disclosures in the notes to financial statements required by the present standards IAS 27, IAS 28 and IAS 31.
The new and amended standards are mandatory for fiscal years beginning on or after January 1, 2014. Earlier application is permitted if all new and amended standards are applied earlier. The exception to this rule is IFRS 12. This standard on disclosures in the notes can also be applied earlier, without mandatory application of the other standards. The STEAG Group did not use the option of earlier application.

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Compared with the prior situation, the amendments to IFRS 10 require management to exercise a substantial degree of judgment in deciding which entities are under the control of the Group and therefore have to be fully consolidated in the consolidated financial statements. The results of the provisional analysis indicate that IFRS 10 will have no material impact on the categorization of shareholdings currently held by the STEAG Group. IFRS 11 will have no impact on the consolidated financial statements. Since IFRS 12 introduces new disclosure requirements in addition to those already in force, the Note disclosures provided by the Group on such entities will be more extensive in future.

In June 2012, the IASB published amendments to IFRS 10 “Consolidated Financial Statements,” IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities.” The purpose of this amendment is to clarify the transitional provisions of the three standards. The amendment to IFRS 10 clarifies that the “date of the first-time adoption” is the start of the fiscal year in which the standard is first adopted. As a result, decisions on whether or not investments have to be consolidated in accordance with IFRS 10 have to be taken at the start of this period.
The amendments also contain additional relief in the transition to IFRS 11 and IFRS 12. For first-time application of the new consolidation rules, comparative data for the mandatory disclosures on subsidiaries, associated companies and joint arrangements prescribed by IFRS 12 are only required for the comparative period immediately preceding the period of first-time application. The obligation to provide comparative information on non-consolidated structured entities for periods before the first-time application of IFRS 12 in the notes to the financial statements has been eliminated. The amendments are applicable for the first time for fiscal years beginning on or after January 1, 2013. However, the European Commission has postponed the date for first-time application to January 1, 2014. The disclosures made with regard to IFRS 10, IFRS 11 and IFRS 12 also apply to amendments to those standards. The amendments will have no material impact on the consolidated financial statements.

In October 2012, the IASB published further amendments to IFRS 10 “Consolidated Financial Statements,” IFRS 12 “Disclosure of Interests in Other Entities” and IAS 27 “Separate Financial Statements.” These state that in future, investment companies as newly defined in IFRS 10, i.e. mainly funds and similar entities, are exempt from the obligation to consolidate subsidiaries under their control in their consolidated financial statements. Instead, stakes in entities held for investment purposes will have to be recognized at fair value in the income statement. In addition, mandatory disclosures on investment companies in the notes to the financial statements have been inserted into IFRS 12. The revised standards are applicable for fiscal years beginning on or after January 1, 2014. Earlier application is permitted. The amended standards are not relevant for the consolidated financial statements.

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In May 2013, the IASB published amendments to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets.” In 2011, IAS 36 was adjusted as a consequential amendment to IFRS 13 “Fair Value Measurement,” so that the recoverable amount must be stated for all cash-generating units to which a significant portion of the carrying amount of goodwill has been allocated. However, the IASB had intended only to demand such disclosures for cash-generating units (or groups of units) if the entity has recognized or reversed an impairment loss during the reporting period. The amendment limits recoverable amount disclosure requirements. Moreover, the disclosure requirements were amended and clarification on these was provided for cases where an asset is impaired and the recoverable amount was determined using fair value less costs to sell. The amendments to IAS 36 are applicable for the first time for fiscal years beginning on or after January 1, 2014. Earlier application is permitted. The amendments must be applied retrospectively, but only to reporting periods in which IFRS 13 has also been applied. The STEAG Group did not use the option of earlier application.

In June 2013, the IASB added an easement to IAS 39 “Financial Instruments: Recognition and Measurement”, meaning that if contractual partners to a hedge change to a central counterparty or to a member of a central counterparty, this may, under certain circumstances, not result in a termination of the hedge accounting. Similar easement is also included in IFRS 9 “Financial Instruments.” The “Novation of Derivatives and Continuation of Hedge Accounting” amendment is applicable to reporting years beginning on or after January 1, 2014. Earlier application is permitted. These amendments benefit all entities with hedge accounting pursuant to IAS 39 that enter into novations of OTC derivatives. The impact on the consolidated financial statements is currently being examined.

The amendments to IAS 32 “Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities” only clarify the criteria applicable for offsetting financial assets and liabilities on the balance sheet. For instance, it explains the current legally enforceable right to offset and defines which systems with a gross offset can be regarded as a net offset within the meaning of the standard. The amendments to IAS 32 are to be applied for fiscal years beginning on or after January 1, 2014. Earlier application is permitted. The STEAG Group did not use the option of earlier application. The above amendments will not have a material impact on the consolidated financial statements.

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Standards not yet endorsed by the EU

As of December 31, 2013, the IASB adopted further standards and amendments to standards that have not yet been adopted into law in the European Union in the fiscal year using the comitology procedure. These new accounting standards will probably be applied for the first time – insofar as they are relevant for the Group's consolidated financial statements and are adopted into EU law – from the date on which they come into force.

In November 2009, the IASB published the new standard IFRS 9 "Financial Instruments." This standard is part of a project for a new standard to replace IAS 39 "Financial Instruments: Recognition and Measurement." In this first step, it is concerned exclusively with the classification and measurement of financial assets. IFRS 9 replaces the former valuation categories with the categories "at amortized acquisition cost" and "at fair value." The decision on whether to carry an instrument "at amortized acquisition cost" depends on the one hand on the entity's business model and on the other on the contractually agreed cash flows from the financial instrument. Debt instruments that do not meet the criteria for measurement "at amortized acquisition cost" are recognized in profit or loss "at fair value." Recognition of assets at fair value in other comprehensive income is permitted for selected equity instruments. The new standard is applicable retrospectively. The mandatory date for first-time application has been postponed to January 1, 2015. Earlier application is permitted. The impact on the consolidated financial statements is currently being examined.

Further, the IASB has extended standard IFRS 9 "Financial Instruments" and issued a new version in October 2010. Supplementary to IFRS 9 (2009), IFRS 9 (2010) contains regulations on the classification and measurement of financial liabilities as well as the derecognition of financial assets and liabilities. The main changes relating to financial liabilities refer to the fair value option. In future, changes in fair value resulting from the entity's credit risk must be recognized in other comprehensive income in the statement of comprehensive income, while all other changes in fair value must be recognized in the income statement. It takes over the present ruling on derecognition. The new standard is applicable retrospectively. The mandatory date for first-time application has been postponed to January 1, 2015. This extension of IFRS 9 is not relevant for the consolidated financial statements.

In December 2011, the IASB published amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures.” As a result of these amendments, the mandatory effective date of IFRS 9 has been postponed from January 1, 2013 to January 1, 2015 and the restatement of prior-year figures is not required when it is first applied. Moreover, additional disclosures specified by IFRS 7 are required in the transitional period to allow better assessment of the impact of first-time application of IFRS 9 on the measurement and valuation of financial instruments. Earlier application of IFRS 9 is still permitted. The impact on the consolidated financial statements is currently being examined.

In November 2013, within the scope of the third phase in the project to replace IAS 39 with IFRS 9 “Financial Instruments,” the IASB published an up-to-date version of IFRS 9 including a chapter on “Hedge Accounting.” The additions to IFRS 9 include a new general hedge accounting model. “Macro hedge accounting” continues to be covered in a separate project and was not included in the publication. The impact on the consolidated financial statements is currently being examined.

In May 2013, the IASB published IFRIS 21 “Levies”, an interpretation to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. The interpretation developed by IFRS IC addresses questions as to the accounting of levies that do not constitute income taxes within the meaning of IAS 12 “Income Taxes” and, in particular, clarifies when obligations to pay such levies are to be recognized as liabilities in the financial statements. The interpretation must be applied retrospectively for the first time in fiscal years beginning on or after January 1, 2014. Earlier application is permitted. This interpretation is not relevant for the consolidated financial statements.

In November 2013, the IASB published amendments to IAS 19 “Defined Benefit Plans: Employee Contributions.” This simplifies the accounting of defined benefit plans in which employees or third parties participate by compulsory contributions. The new regulations provide for employee contributions, which are specified in the formal provisions of a defined benefit plan and linked to job performance, to be allocated to years of service as benefits. In this case, the years of service can, independent of the plan formula, be reduced to the periods in which the corresponding work was performed. The regulations are applicable retrospectively for fiscal years beginning on or after July 1, 2014. Earlier application is permitted. This above amendment is not relevant for the consolidated financial statements.

In December 2013, the IASB published two additional improvements (Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle) with amendments to a total of eleven IFRS as part of the annual improvements process for standards and interpretations. Clarifications were made to the following standards and areas:

- IFRS 1: Applicable IFRS;
- IFRS 2: Definition of vesting conditions;
- IFRS 3: Exemptions from the scope of application for joint arrangements and reporting of contingent consideration in connection with business combinations;
- IFRS 8: Disclosures on combining segments and requirement of a reconciliation statement for segment assets;
- IFRS 13: Scope of application of the portfolio exception and waiver of discounting the fair value measurement of current assets and liabilities if the impact is immaterial;
- IAS 16 and IAS 38: Revaluation method – calculation of cumulative depreciation at the date of any revaluation;
- IAS 24: Extension of the definition of related parties to include management entities and regulation of associated disclosure requirements;
- IAS 40: Connection between IFRS 3 and IAS 40 when classifying “investment property” as “owner-occupied.”

The new regulations standards are applicable – prospectively or retrospectively - depending on the amendment for reporting periods beginning on or after July 1, 2014. Earlier voluntary application is permitted. The impact on the consolidated financial statements is currently being examined.

In January 2014, the IASB published IFRS 14 “Regulatory Deferral Accounts.” This enables entities preparing IFRS financial statements for the first time pursuant to IFRS 1, while recognizing regulatory deferral accounts together with price controlled activities pursuant to their previous domestic accounting regulations, to retain these items in the IFRS financial statements and to continue to account for these pursuant to previous accounting policies. However, the new standard stipulates that these items and their effects on income are to be reported separately in the balance sheet and the statement of comprehensive income. It also includes disclosure requirements on the nature of the underlying price controlling as well as the corresponding risks.
The new standard is intended to serve as an interim solution to simplify the transition to IFRS until such time as the regulation on the accounting of price controlling activities has been finalized. Entities that already prepare IFRS financial statements are explicitly excluded from the application of the regulations.
The regulations are applicable for reporting periods beginning on or after January 1, 2016. Earlier voluntary application is permitted. This accounting standard is not relevant for the consolidated financial statements.

(2.4) Scope of consolidation and consolidation methods

Scope of consolidation

Alongside STEAG GmbH, the consolidated financial statements include all material German and foreign subsidiaries directly or indirectly controlled by STEAG GmbH. The parent company exercises control if it can legally or actually determine a company's financial and business policy in order to derive economic benefit therefrom. Material associated companies and joint ventures are 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 of the date on which the Group gains or loses control.

Changes to the scope of consolidation are outlined in Note (4).

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 included at fair value. If shares in a 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. Gains or losses recognized in other comprehensive income must be derecognized in the same way as if the acquirer had divested the shares previously held. Any remaining excess of cost over fair value is recognized as goodwill. Negative differences are recognized 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 to the other shareholders are adjusted to reflect the changes in their respective stakes in the subsidiary. Any difference between this adjustment 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 attributable transaction costs are also recognized as a transaction between owners that has no impact on income, 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 of the date on which control is lost. The net assets of the subsidiary and non-controlling interests (proportionate net assets of the subsidiary) are derecognized. The gain or loss on the disposal must be calculated from the Group viewpoint. This is derived from the difference between the proceeds of the disposal (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 of the date on which control is lost. All resulting gains and losses are also recognized in the income statement as other operating income or other operating expenses. In addition, amounts shown in equity under other accumulated other comprehensive income are also reclassified to the income statement, except where another accounting standard requires direct transfer to reserves.
Intragroup income and expenses, profits, losses, receivables and liabilities between consolidated subsidiaries are eliminated. Write-downs on shares in such companies recognized in the separate financial statements are reversed.

The same consolidation principles apply for companies accounted for using the equity method and any goodwill is recognized in the carrying amount of the investment. The financial statements of the companies recognized at equity are prepared using uniform accounting and valuation principles, 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 eurozone 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 companies recognized at equity is translated in the same way. As an asset pertaining to an economically autonomous foreign sub-entity, goodwill is translated at the closing rate. Income and expenses 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 other comprehensive income.

The exchange rates used for currency translation included:

	Annual average rates		Closing rates	
1 € corresponds to	**2013**	2012	**Dec. 31, 2013**	Dec. 31, 2012
Brazilian real (BRL)	2.88	2.52	3.26	2.70
Colombian peso (COP)*	2,485.34	2,332.50	2,645.36	2,331.38
British pound (GBP)	0.85	0.81	0.83	0.82
Indian rupee (INR)	78.02	69.00	85.37	72.56
Philippine peso (PHP)*	56.57	54.59	61.29	54.11
Polish zloty (PLN)	4.20	4.19	4.15	4.07
Romanian leu (RON)**	4.42	4.45	4.47	4.44
Turkish lira (TRY)*	2.55	2.32	2.96	2.36
US dollar (USD)	1.33	1.29	1.38	1.32

*The functional currency of these consolidated subsidiaries is the US dollar.

**The functional currency of these consolidated subsidiaries is the euro.

(2.6) Accounting policies and valuation principles

Revenue recognition

Revenues from the sale of goods and the provision of 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 clean dark spread trading (CDS trade) as well as the marketing of related products and services. Where the customer bears substantially all risks and benefits arising from the ownership of the energy generating facilities, the interest component of finance leases is recognized as revenue.

Prices are contractually agreed between the parties to a transaction. Sales are measured as the fair value of the consideration received or to be received less value added tax and any discounts or bulk rebates granted. The general principle for revenue recognition is that both the revenues and the related costs can be measured reliably. It must also be sufficiently probable that the economic benefit will flow to the company.

Revenues from coal trading and from the sale of energy generated are recognized when ownership and the associated risks from the sale are transferred to the customer. Provisions are established for general risks arising from such sales on the basis of previous experience.

Revenues from services are recognized when the percentage of completion can be reliably measured.
They are recognized in the year in which the service is rendered. Where the provision of services extends over more than one fiscal year, sales are determined from the costs incurred as a proportion of the anticipated total cost. Where this method is more suitable for reliable determination, sales can be measured by assessing the services provided.

(b) Other revenues

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

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 payment.

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 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.

(a) Goodwill

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

(b) Other intangible assets

Other intangible assets comprise power supply rights, licenses and computer software. They are amortized over their estimated useful life of 3 – 25 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 useful life 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 cost of acquisition includes expenses directly attributable to the acquisition. The cost of production of assets manufactured within the Group comprises the direct cost 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 at the time of acquisition or production. Acquisition or 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 previously recognized in other comprehensive income. Borrowing costs that can be allocated directly to the acquisition, construction or production of a qualifying asset are included in the acquisition or production cost. A qualifying asset is an asset for which more than a year is required to make it ready for its intended use or 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 plant 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

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 property, plant and equipment 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.

Investment property

Property held as a financial investment to generate rental revenues and/or for capital appreciation is valued at the cost of acquisition or production 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 measured based on average land values depending on specific land use and are assigned to Level 2. Leasehold properties are valued with a capitalized ground rent and are assigned to Level 3.

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Significant unobservable inputs	Spread (weighted average)
Ground rent	6 percent to 7 percent

In the event of a significant increase (reduction) of ground rent, the estimated fair value would rise (fall).

Investments recognized at equity

Material associated companies 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 acquisition cost also contains all ancillary 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 whether it contains hidden reserves or hidden liabilities. Any positive difference remaining after allocation of hidden reserves or liabilities is treated as goodwill and recognized in the carrying amount of the investment. Negative differences are immediately recognized in the income statement by increasing 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. Further adjustments to the carrying amount of the investment are necessary if the equity of the investment changes as a result of items contained in other comprehensive income. Subsequent measurement must take into account depreciation of hidden reserves 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 a possible 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.

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Impairment test

If there are indications of possible impairment, an impairment test is conducted on intangible assets, property plant and equipment and investment property in accordance with IAS 36 "Impairment of Assets". 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. Goodwill and other intangible assets with indefinite useful lives are tested for impairment at least once a year. The impairment test is conducted on June 30.

The impairment test comprises comparing the recoverable amount of the CGU/group of CGUs with its carrying amount. The recoverable amount is determined as the higher of fair value less costs to sell (market value) and the value in use of the CGU/group of CGUs. An impairment loss is recognized if the recoverable amount of a CGU/group of CGUs is less than its carrying amount. The impairment loss is reversed and recognized in the income statement – except in the case of goodwill – if the reason for the original impairment charge no longer applies.

When testing goodwill for impairment, the recoverable amount of goodwill is determined from the market value of the STEAG Group. The market value is the present value of future cash flows determined using a valuation model. Future cash flows are derived from the current five-year mid-term plan. The mid-term planning is based on a mixture of experience and expectations of future market trends. The main economic data, such as growth in gross domestic product, the development of interest rates, exchange rates, raw material prices and the market price of CO_2 certificates, etc., used in mid-term planning are derived from market expectations and set centrally by STEAG GmbH. The specific growth rates are derived from experience and future expectations. The average long-term growth rates for the relevant markets are not exceeded.

Expected future cash flows are discounted using the weighted average cost of capital (WACC) after taxes. WACC is determined on the basis of capital market models and is the weighted average cost of debt and equity. The cost of equity is determined from the risk-free interest rate and a risk premium. The risk premium is derived by multiplying the beta factor by the market risk premium. The beta factor is obtained from the capital market by comparison with the values for comparable companies (peer group). In the case of the perpetuity a growth reduction is assumed. The cost of debt for the individual CGUs is derived from an analysis of the gearing of peer group companies and the resultant cost of debt.

The table shows the parameters used:

	Risk-free interest rate		Risk adjusted interest rate (WACC)		Growth discount	
Division	**2013**	2012	**2013**	2012	**2013**	2012
	%	%	%	%	%	%
Power	2.75	2.50	5.40	5.70	0.70	0.70
Renewable Energies and Distributed Facilities	2.75	2.50	5.20	5.40	0.70	0.70

In addition and in accordance with IAS 36, impairment tests were carried out on certain assets as at the reporting date as a result of indications of possible impairment. The parameters used are determined individually on the basis of the procedure outlined above. For the impairment tests performed they were as follows:

	Risk-free interest rate		Risk adjusted interest rate (WACC)		Growth discount	
CGUs in the divisions:	**2013**	2012	**2013**	2012	**2013**	2012
	%	%	%	%	%	%
Power						
- Walsum 10	2.75	2.50	5.40	5.90	0.70	0.70
- Other	2.75	2.50	5.40	5.70	0.70	0.70
Renewable Energies and Distributed Facilities	2.75	2.50	5.20	5.40	0.70	0.70

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.

Inventories

Inventories are measured at the lower of 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 where the inventory value is inaccurate for technical reasons and for inventories that have become obsolete.

Impairment losses are reversed if the reason for them is no longer applicable up to no more than 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, directly attributable personnel expenses, other direct costs and general overheads that can be assigned to production (based on normal operating capacity). The cost of inventories may also contain gains and losses for qualifying cash flow hedges for the purchase of raw materials which have been reclassified from other comprehensive income.

Purchased emissions allowances are recognized at the cost of acquisition. No scheduled depreciation is conducted, but the provisions of IAS 36 and IAS 2 still need to be applied. Analogously to IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance”, a token amount is recognized for emissions allowances allocated free of charge. Provisions are recognized for the obligation to surrender emissions allowances insofar as such allowances are available, at the amount capitalized for such allowances. If the return obligation exceeds the allowances capitalized, the difference is recognized at the average price for the three months preceding the reporting date.

Cash and cash equivalents

This item contains balances with banks, checks and cash. It also includes liquid financial securities that can be sold at short notice, which have terms of no more than three months from the date of acquisition and are only subject to negligible fluctuations in value. They are measured at fair value.

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 based on the biometric data in the 2005 G mortality tables published by Klaus Heubeck. 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 obligations is the fair value of expected future payments without deduction of the plan assets. This payments are required to fulfill obligations arising from employee services in the current or prior periods.

Actuarial gains and losses are derived from the difference between the expected pension obligations and the actual obligation calculated at year end, and from deviations between the expected and actual fair value of plan assets calculated at year end.

These gains or losses from the remeasurement of the net defined benefit liability are recognized in other comprehensive income in the year they arise.

The STEAG Group recognizes current and past service costs and any gains or losses arising from plan amendments or curtailments in personnel expenses and net interest expense on the net obligation in the interest result.

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

Defined contribution plans exist for both company pension plans and state pension plans (statutory pension insurance). Risks arising from the investment of 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.

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Other provisions

Other provisions are liabilities of uncertain timing or amount. They are established to cover a legal or constructive obligation 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. Current provisions and the current portion of non-current provisions are not discounted. Provisions are adjusted over time to take account of new findings.

Deferred taxes, other income taxes

STEAG GmbH has concluded a profit and loss transfer agreement with KSBG KG with effect from July 1, 2011. Consequently, it is not a separate entity for tax purposes. The presentation in the consolidated financial statements represents the economic view. This is based on the directive of the KSBG Group on the tax treatment of German companies that form a single entity for tax purposes.

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 accordance with 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 vary between 16.0 percent (Romania) and 37.2 percent (USA).

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

Financial instruments

Financial instruments comprise contractually agreed rights and obligations resulting in an inflow or outflow of financial assets or the issue of equity instruments. They are divided into primary and derivative financial instruments and are recognized on the balance sheet as financial assets or financial liabilities or as trade accounts receivable, trade accounts payable or cash and cash equivalents.

Financial instruments are initially measured at fair value or the transaction price plus any directly attributable transaction costs. Transaction costs for financial instruments measured at fair value through profit or loss are included directly in the income statement. Subsequent measurement is based on the classification of the financial instruments.

Fair value measurement is based on a three-level hierarchy taking into account counterparty and own default risks. The fair value is the quoted price in an active market for identical financial instruments accessible on the valuation date, if such price data are available (level 1). If such price data is not available, either the quoted price in an active market for similar financial instruments or in an inactive market for identical or similar financial instruments or a different valuation method based on inputs from observable price data should be used, such as interest rates and curves observable at commonly quoted intervals, implied volatilities and credit spreads where the parameters are based on observable market data (level 2). Therefore future cash flows are discounted using market interest rates that reflect the remaining term to maturity. In all other cases, valuation methods that are not based on observable market data are used (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 fees that are by nature interest. The significant valuation factor with the lowest classification determines the level of hierarchy for the overall result.

The regulations governing the STEAG Group set policies and procedures established for recurring and non-recurring measurement of the fair value of derivatives. These specifications are generated and adopted by the commercial division. If possible, stock exchange-listed products are used as an assessment basis for derivatives on energy trading products. For fuels and emissions trading products, the prices of the Intercontinental Exchange (ICE) in London are used; for electricity products, the prices of the European Energy Exchange (EEX) in Leipzig are used. The decision is based on the highest possible liquidity of the underlying products. Unobservable inputs are derived from listed products or obtained from established service providers.

Within the scope of a regular market conformity assessment, a continuous validation of the techniques and inputs used is carried out. The findings are analyzed, documented and presented in a report to management. In addition, actuarial methods are regularly validated and compared with available market information. Valuation assumptions are discussed and redefined as needed by a steering committee for the commodity area, which meets quarterly.

(a) Primary financial instruments

The STEAG Group classifies primary financial instruments as financial assets in the categories “Loans and receivables”, “At fair value through profit or loss – held for trading” or “Available-for-sale”. They are initially recognized at the settlement date. Financial assets are derecognized when the contractual rights to receive payments lapse or are transferred and the STEAG Group has substantially transferred 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.

Primary financial instruments that constitute financial liabilities are allocated to the “at amortized cost of acquisition” category. Financial liabilities are derecognized when the obligation has been settled, canceled or has expired.

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The categories used by the STEAG Group are outlined below.

The “Loans and receivables” category principally comprises trade accounts receivable and loans. The assets assigned to this category are valued at amortized cost of acquisition using the effective interest rate method. An impairment loss is recognized if there are objective indications based on historical empirical values that it will not be possible to collect the full amounts due under the customary conditions. This is measured as the difference between the carrying amount of the asset and the present value of the estimated future payments calculated using the effective interest rate. Impairment losses are recognized in the income statement. The impairment loss is reversed up to the amortized cost of acquisition and recognized in the income statement if the reason for the original impairment loss no longer applies.

The “at fair value through profit or loss – held for trading” category comprises other financial assets relating to the marketing of power plant capacity. Alongside market parameters, the valuation based on the option pricing model uses parameters that are not directly observable in the market. Plausible assumptions are used for these parameters. Changes in the fair value of options are recognized in the financial result. In the event that there are no or only immaterial amounts physically delivered, option premiums are recognized in other operating income. If physically delivered, the realized proceeds are recognized in sales.

The “Available-for-sale” category comprises equity instruments that are not consolidated or recognized at equity, other securities and similar claims. They are recognized at fair value.

The unrealized changes in fair value are recognized, net of deferred taxes, in other components of the statement of comprehensive income. If no fair value is available for such assets or the fair value cannot be determined reliably, as for example in the case of equity instruments that are not listed on a stock exchange, the assets are recognized at amortized cost of acquisition. Financial assets are examined for objective indications of impairment on every reporting date. A material or lasting reduction in the fair value to below the carrying amount is regarded as an indication of impairment. In the case of shares, this is considered to be the case if the fair value is 20 percent below the carrying amount. In such cases, the corresponding losses are derecognized from other comprehensive income and recognized in the income statement. If the reason for the impairment loss no longer applies, the reversal is recognized in other comprehensive income. Only debt instruments that are allocated to this category are written back by up to the amount of the original impairment in the income statement. Impairment losses are not reversed if they apply to investments and other financial assets whose fair value cannot be reliably determined.

The “at amortized cost of acquisition” category mainly refers to trade accounts payable and loans. The liabilities assigned to this category are valued at amortized cost of acquisition using the effective interest rate method.

(b) Derivative financial instruments

Derivative financial instruments (derivatives) are used primarily to hedge the risk of changes in exchange rates, the price of goods and interest rates. Hedges in the form of interest rate swaps, options, forward exchange contracts and commodity futures are recognized on the balance sheet either on a stand-alone basis or as a valuation unit with the corresponding hedged items (hedge accounting). Initial recognition is on the trading date. Derivatives are always measured at the fair value that corresponds to the price published in 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 actuarial methods. For forward exchange contracts, the forward exchange rate as at the reporting date is used. The market price of options is determined using established option pricing models, for which internal data 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 measured using current market interest rates congruent with the remaining term. All market factors other market participants would use for price fixing are taken into account. Depending on the type of hedge in each case, derivatives are recorded as follows:

Contracts relating to the receipt or delivery of non-financial assets or non-financial liabilities in accordance with the company's expected purchase, sale or usage requirements are not accounted for as a derivative financial instrument in accordance with IAS 39 but as executory contracts. If these contracts contain embedded derivatives not closely related to the economic characteristics and risks of the host contract, they will be evaluated and accounted for separately from the host contract.

Stand-alone financial derivatives are assigned to the “at fair value through profit or loss” category and classified as “held for trading”. Financial instruments assigned to this category are recognized at fair value on each reporting date. Any gain or loss resulting from a change in fair value is recognized in the income statement.

Specific criteria have to be met to qualify for hedge accounting. In particular, hedge accounting requires extensive documentation of the hedging relationship, together with evidence that the expected and actual effectiveness of the hedge is between 80.0 percent and 125.0 percent. A derivative no longer qualifies for hedge accounting if these conditions are not fulfilled. In the case of cash flow hedges, hedge accounting must also be halted if the forecast transaction no longer appears probable. In such cases, the amount recognized in other comprehensive income is reclassified 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. 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 resulting from changes in the hedged risk give rise to recognition of an asset or a liability in the income statement. In view of this method, 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 secure 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 and the ineffective portion of the change in value is recognized in the income statement. Amounts recognized in other comprehensive income are reclassified to the income statement as soon as the hedged item has an impact on the income statement. In the case of interest rate hedges, such amounts are included in the net interest income or expense, while in the case of sales hedges they are included in the corresponding sales and for procurement hedges directly in the cost of sales. If the hedged future transaction comprises a non-financial asset or liability, the profit or loss previously recognized in other comprehensive income is included in the cost of acquisition of the asset or liability when it is initially recognized.

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

Leasing

A lease comprises an agreement that transfers the right to use an asset for a certain period in return for a payment or series of payments. The STEAG Group is party to various operating and finance leases as either lessor or lessee.

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. Where the STEAG Group is the lessee, the assets are included in property, plant and equipment at the lower of fair value or the present value of the non-cancelable minimum lease payments. Payment obligations arising from future lease payments are recognized as a liability at the discounted settlement value. Where the STEAG Group is the lessor, it recognizes a receivable equivalent to the net investment value rather than the property, plant and equipment. Receivables and liabilities from finance leases are recognized on the balance sheet as financial assets or financial liabilities.

All leasing arrangements that are not finance leases are classified as operating leases. The related income and expenses are recognized in the income statement in the period in which they are received or incurred.

Construction contracts

Customer-specific construction contracts are accounted for using the percentage-of-completion (PoC) method. The pro rata income from work undertaken is recognized in sales on the basis of the percentage of completion of the contract. This is derived from the progress made in completing the contract. In other words, the amount of work completed as at the balance sheet date is viewed as a percentage of the total contract. Such contracts are recognized under receivables or liabilities from construction contracts. If the accumulated work performed (cost and income from the contract) exceeds advance payments made, the contract is capitalized under receivables from construction contracts. If the balance after deducting advance payments is negative, this amount is recognized as a liability under construction contracts. Expected losses are recognized on the basis of the discernible risks.

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Assets held for sale and associated liabilities

Non-current assets are classified "as held for sale" if the corresponding carrying amount is to be realized principally through a sale transaction rather than through continued use. Such assets must be available for immediate sale in their present condition, on terms that are usual and customary for the sale of such assets, and sale must be highly probable. If the associated liabilities are to be sold with the asset as part of the transaction, these must also be presented separately.

Assets and liabilities must be measured in accordance with the relevant accounting standards immediately before initial classification as "held for sale". They are subsequently valued at the lower of the carrying amount and fair value less costs to sell. Where the assets and liabilities do not fall within the scope of the measurement criteria set out in IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", subsequent revaluation is performed in accordance with the relevant accounting standards. In the STEAG Group these are mainly:

- IAS 2 "Inventories"
- IAS 12 "Income Taxes"
- IAS 19 "Employee Benefits"
- IAS 39 "Financial Instruments: Recognition and Measurement"

Unless they are classified as discontinued operations, the results of the valuation and the sale of the asset 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 obligations

Contingent liabilities are possible or present obligations arising from past events where an outflow of resources is not probable. 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

Provisions for pensions and other post-employment benefits

In fiscal year 2013, the STEAG Group applied the revised version of IAS 19 "Employee Benefits" for the first time with retrospective effect. This results in adjustments for the earliest comparative period (January 1, 2012), the comparative figures in the balance sheet and for prior year's figures in the income statement. The revised version of IAS 19 changes the accounting for defined benefit plans. Thus, it is no longer permissible to recognize deviations from expectations in benefit obligations and assets with a time delay. Rather, gains or losses from the remeasurements of the net defined benefit liability from defined benefit plans are to be recognized in full in other comprehensive income in the year they arise. It is no longer possible to recognize unvested past service cost over the vesting period. Unvested past service costs are recognized in income immediately upon emergence.

In another change from the revised version of IAS 19, expected returns on plan assets and interest cost on the benefit obligation are replaced by a net interest result on the basis of a uniform discount rate.

Furthermore, the revised version of IAS 19 changes the requirements for benefits upon termination of employment. Top-up amounts and settlement amounts in partial retirement programs may no longer be classified as benefits upon termination of employment but are rather to be qualified as other long-term benefits and must be accumulated over the earning period.

The effects of changes on the balance sheet are as follows:

in € million	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Deferred taxes	34.2	33.0	11.2
Non-current assets	**34.2**	**33.0**	**11.2**
Total assets	**34.2**	**33.0**	**11.2**
Reserves	-179.1	-173.5	-56.1
Attributable to shareholders of STEAG	**-179.1**	**-173.5**	**-56.1**
Minority interests	-0.4	-0.3	-0.4
Equity	**-179.5**	**-173.8**	**-56.5**
Provisions for pensions and similar obligations	215.7	208.8	69.1
Other provisions	-1.8	-1.8	-1.7
Deferred taxes	-0.2	-0.2	0.3
Non-current liabilities	**213.7**	**206.8**	**67.7**
Total equity and liabilities	**34.2**	**33.0**	**11.2**

In the income statement, the transition to the revised version of IAS 19 leads to a € 13.0 million decrease in personnel expenses (prior year: € 0.4 million) and to a deferred tax income reduction of € 2.1 million (prior year: € 0.0 million). In the prior year, the interest expense incurred was € 0.1 million higher.

(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 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

Testing intangible assets, especially goodwill, for impairment also involves assumptions and estimates regarding, for example, future cash flows, expected growth rates, exchange rates and discount rates. The relevant assumptions may change, leading to impairment losses in future periods. A relative increase in the weighted cost of capital (WACC) of 10 percent as a result of changes in capital market interest rates would not result in any impairment losses.

(b) Impairment testing of deferred tax assets

Deferred tax assets may only be recognized if it is probable that sufficient taxable income will be available in the future. Deferred taxes are calculated on the basis of the tax rates applicable on the date when temporary differences are likely to be reversed. If these expectations were not met, an impairment loss would have to be recognized in profit or loss for the deferred tax assets.

(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, 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).

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(d) Measurement of other provisions

Other provisions, especially provisions for recultivation and environmental protection, dismantling, litigation risks and restructuring are naturally exposed to significant forecasting uncertainties regarding the level or timing of the obligation. The company has to make assumptions about the probability of occurrence of an obligation or future trends, such 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 general overheads. The STEAG Group uses different interest rates for different currencies and terms to maturity.

(e) Measurement of financial instruments

To hedge future transactions relating to the distribution of energy from STEAG's power plants and from coal trading (see also Note (8.1) "Hedge accounting"), assumptions are made about the probability that the forecast transactions will take place. The purpose of hedging clean-dark spread trading volumes in the STEAG Group is 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. Alongside the hourly future price curve for power, a major factor influencing the volume to be hedged is the underlying model for the provision of power. Alongside the virtual shares of power plants available for external distribution, this comprises an in-house option pricing model and a rolling intrinsic hedge valuation method. The assumptions and parameters used are regularly reviewed and adjusted to ensure the best possible hedge quality. In the context of fuel trading, assumptions are made regarding the probability of sourcing and distribution of volumes for both long-term master agreements and shorter-term coal and sea freight contracts.

(4) Scope of consolidation

Alongside STEAG GmbH, the consolidated financial statements include all material subsidiaries in Germany and abroad. Material associated companies and joint ventures are recognized at equity.

The scope of consolidation changed as follows:

Number of companies	Germany	Other	Total
STEAG GmbH and consolidated subsidiaries:			
As at Dec. 31, 2012:	30	20	50
Acquisitions/newly established companies	4	1	5
Other companies consolidated for the first time	9	-	9
Intragroup mergers	3	-	3
As at Dec. 31, 2013:	**40**	**21**	**61**
Investments recognized at equity:			
As at Dec. 31, 2012:	11	5	16
Acquisitions/newly established companies	-	1	1
Other disposals from the Group of consolidated companies	-	1	1
As at Dec. 31, 2013:	**11**	**5**	**16**
	51	**26**	**77**

The impact on the balance sheet of acquisitions made in the fiscal year was negligible.
No deconsolidation was carried out in the year under review.

(5) Notes to the income statement

(5.1) Sales

in € million	2013	2012
Revenues from the sale of goods	2,508.7	2,357.6
Revenues from services	291.6	245.9
Revenues from finance leases	112.3	132.1
Revenues from construction contracts	23.8	42.1
	2,936.4	**2,777.7**

The increase in revenues from the sale of goods in the amount of € 151.1 million is mainly the result of higher domestic energy sales.

(5.2) Other operating income

in € million	2013	2012
Income from the valuation of derivatives (excluding interest rate derivatives)	159.2	90.9
Income from the reversal of impairment losses	93.6	11.8
Income from arbitration proceedings	30.2	-
Income from currency translation of monetary assets and liabilities	13.9	18.5
Income from refunds of other taxes	6.0	14.9
Income from costs passed through	5.7	6.1
Income from the reversal of provisions	5.4	4.7
Income from the reversal of deferred items	4.8	4.8
Income from non-core operations	4.3	8.0
Income from the disposal of assets	4.2	2.6
Income from insurance refunds	3.4	3.1
Miscellaneous income	15.6	18.0
	346.3	**183.4**

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The income from reversals of impairment losses in accordance with IAS 39 includes € 1.4 million (prior year: € 0.8 million) relating to trade accounts receivable and € 0.3 million (prior year: € 0.7 million) relating to loans. In the prior year, reversals of impairment losses also included € 0.6 million relating to securities and other investments.
The remaining amount of € 91.9 million (prior year: € 9.7 million) relates to write-ups of property, plant and equipment in accordance with IAS 36. These write-ups were recognized among other things due to an adjustment of the discount rate (5.40 percent; prior year: 5.90 percent) in the risk assessment for the new construction of the Walsum 10 power plant. The recoverable amount corresponds to the value in use of the power plant.

The income from arbitration proceedings relates to project company Compania Electrica de Sochagota S.A.E.S.P. (Colombia). Of this amount, € 28.9 million constitutes reimbursement from prior years and € 1.3 million is for the current year.

Income from the disposal of assets comprised € 4.1 million (prior year: € 1.7 million) from the divestment of property, plant, and equipment as well as investment property, and € 0.1 million (prior year: € 0.9 million) from the sale of investments.
Miscellaneous income contains € 1.0 million (prior year: € 1.0 million) rental income from operating leases.

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

in € million	Dec. 31, 2013	Dec. 31, 2012
Due within 1 year	0.8	1.0
Due within 1 – 5 years	2.0	3.1
Due in more than 5 years	0.3	1.5
	3.1	**5.6**

(5.3) Cost of materials

in € million	2013	2012
Expenses for raw materials and supplies and goods and services sourced	2,037.3	1,899.1
Impairment losses on raw materials. supplies and goods sourced	2.3	5.0
Reversal of impairment losses on raw materials, supplies and goods sourced	-0.7	-1.1
	2,038.9	**1,903.0**

The cost of materials mainly comprises cost of acquisition or production of coal used in the power plants and for procuring coal from fuel trading. Year on year, the difference in the cost of materials is chiefly attributable to the following changes:
Expenses for raw materials and supplies increased by € 22.1 million, while expenses for goods sourced by € 114.1 million and repair and maintenance costs by € 27.3 million. Compared with the prior year, these effects were countered by a decrease of € 25.3 million in services sourced.
The increase in raw materials sourced corresponds to the risen sales revenues from higher energy sales and the associated higher domestic input costs; the increase in goods sourced mainly results from the higher purchase of electricity volumes for sale.

(5.4) Personnel expenses

in € million	2013	2012
Wages and salaries	345.2	321.7
Social security contributions	49.4	51.6
Pension expenses	15.7	12.2
Other personnel-related expenses	0.9	1.7
	411.2	**387.2**

Expenses for wages and salaries were € 23.5 million higher than in the prior year.
They include additions to provisions for restructuring costs of € 47.6 million (prior year: € 15.7 million), see Note (6.12).

Net interest expense from pensions is reported under the net interest result, see Note (5.8).

(5.5) Depreciation. amortization and impairment losses

This item includes depreciation and amortization resulting from the allocation of the cost of acquisition or production over the customary useful life of assets. It also includes impairment losses recognized in response to additional signs of impairment.

in € million	2013	2012
Depreciation and amortization	99.6	97.7
Impairment losses	10.8	5.8
	110.4	**103.5**

Depreciation and amortization

Depreciation and amortization refer to the following groups of assets:

in € million	2013	2012
Intangible assets	4.5	4.3
Property, plant and equipment	95.0	93.3
Investment property	0.1	0.1
	99.6	**97.7**

Impairment losses

Impairment losses identified in response to signs of additional asset impairment as defined in IAS 36 or IAS 39 relate to the following groups of assets:

in € million	2013	2012
Impairment losses pursuant to IAS 36:	**2.5**	**3.0**
Intangible assets	0.4	0.8
Property. plant and equipment	2.1	2.2
Impairment losses pursuant to IAS 39:	**8.3**	**2.8**
Financial assets	5.6	0.8
Trade accounts receivables, other receivables	2.7	2.0
	10.8	**5.8**

(a) Impairment losses pursuant to IAS 36:

In the current fiscal year, the impairment losses were mainly due to giving up several mine gas sites, with € 1.0 million relating to facilities for generating power from mine gas and € 0.4 million to mine gas exploitation rights. A biomass heating plant was also impaired at € 0.5 million based on reduced economic profitability. The impairment losses in the prior year according to IAS 36 comprised € 1.1 million on facilities for generating power from mine gas and € 0.6 million on a customer's facility.

The fair values are determined on the basis of the recoverable amount model, see "Impairment test" in Note (2.6).

(b) Impairment losses pursuant to IAS 39:

in € million	2013	2012
Financial assets	**5.6**	**0.8**
Loans	3.6	0.2
Receivables from finance leases	0.2	-
Other investments	1.8	0.6
Trade accounts receivable	**1.8**	**1.9**
Other receivables	**0.9**	**0.1**
	8.3	**2.8**

(5.6) Other operating expenses

in € million	2013	2012
Losses on the valuation of derivatives (excluding interest rate derivatives)	146.3	82.2
Administrative expenses	63.4	73.0
Selling expenses	40.3	11.3
Insurance premiums	19.3	20.5
Losses on currency translation of monetary assets and liabilities	17.6	14.8
Rental expenses under leasing agreements	16.5	16.6
IT expenses	11.1	8.2
Miscellaneous tax expense	7.1	3.8
Losses on the disposal of assets	3.9	1.8
Expenses for maintenance and repairs	2.9	2.7
Expenses for patents. trademarks and licenses	1.2	1.1
Miscellaneous operating expenses	93.1	77.7
	422.7	**313.7**

The increase in losses on the measurement of derivatives compared to the prior year mainly results from a higher volume of derivatives.
Losses on the disposal of assets comprise € 2.9 million (prior year: € 0.9 million) relating to the divestment of property, plant, and equipment and € 0.7 million (prior year: none) from the sale of investments as well as € 0.3 million (prior year: € 0.9 million) relating to the disposal of other loans and receivables.
Miscellaneous operating expenses mainly comprise other expenses for external services, additions to provisions and travel expenses.

(5.7) Research and development expenses

Research and development expenses amounted to € 1.5 million in the fiscal year (prior year: € 2.3 million). The majority of these expenses are included in the cost of materials and in other operating expenses.

(5.8) Interest result

in € million	2013	2012
Interest income from financial assets	8.4	5.3
Interest income from discounting other provisions	2.8	-
Interest and similar income from interest derivatives	0.1	0.0
Other interest-type income	14.2	2.1
Interest income	**25.5**	**7.4**
Net interest expense for pensions	-28.7	-31.3
Interest expenses for financial liabilities	-19.0	-17.1
Interest expenses on accrued interest on other provisions	-5.9	-13.7
Interest expenses for finance leases	-4.0	-4.6
Interest and similar expenses for interest derivatives	0.0	-0.7
Other interest-type expenses	-6.4	-2.1
Interest expenses	**-64.0**	**-69.5**
	-38.5	**-62.1**

The other interest-related income includes the interest income from the arbitration proceedings in favor of project company Compania Electrica de Sochagota S.A.E.S.P. (Colombia) at € 13.1 million. Borrowing costs of € 21.4 million (prior year: € 24.3 million) have been capitalized.

(5.9) Result from investments recognized at equity

in € million	2013	2012
Equity-method income	12.0	8.1
Equity-method expenses	-1.4	-0.1
Reversal of impairment losses	-	1.6
	10.6	**9.6**

(5.10) Other financial income

in € million	2013	2012
Income from other investments	7.2	5.4
Gains on the sale of short-term securities	0.3	-
Losses on the sale of short-term securities	-0.4	-
Other financial income	1.3	3.9
Other financial expenses	-5.7	-1.3
	2.7	**8.0**

The other financial income and expenses relate to changes in the fair value of options relating to energy contracts.

(5.11) Income taxes

Income taxes comprise the following:

in € million	2013	2012
Other income taxes	54.8	48.0
(thereof relating to other periods)	(-0.5)	(1.7)
Deferred taxes	25.2	-26.6
(thereof relating to other periods)	(-1.2)	(-1.1)
	80.0	**21.4**

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 other income taxes, income tax allocations and deferred taxes.

in € million	2013	2012
Income before income taxes	**278.9**	**206.5**
Expected income taxes	44.6	33.0
Variances/changes in tax rates	36.3	7.6
Change in the impairment of deferred taxes	-1.2	1.4
Non-deductible expense	0.9	7.6
Tax-free income	-13.0	-19.8
Other	12.4	-8.4
Effective income taxes	**80.0**	**21.4**

The variances between expected and effective income taxes are principally due to deviating tax rates abroad. In 2013, the tax exemption of STEAG State Power Inc. (Philippines) ceased to apply for the first time. The deviations due to tax-free income mainly comprise the tax-free compensation payment to Compania Electrica de Sochagota S.A.E.S.P. (Colombia). The other effects mainly comprise deferred taxes relating to exchange rate differences of € 11.7 million (prior year: € -8.4 million) 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 Jan. 1, 2012	**43.2**	**126.7**	**169.9**
Currency translation	1.3	-0.5	0.8
Additions from business combinations	0.8	18.5	19.3
Other additions	-	1.1	1.1
Disposals	-	-0.5	-0.5
Reclassifications	-	2.0	2.0
As at Dec. 31, 2012	**45.3**	**147.3**	**192.6**
Currency translation	-0.5	-1.3	-1.8
Additions from business combinations	14.4	1.2	15.6
Other additions	-	3.9	3.9
Disposals	-	-14.9	-14.9
Reclassifications	-	2.1	2.1
As at Dec. 31, 2013	**59.2**	**138.3**	**197.5**
Depreciation. amortization and impairment losses			
As at Jan. 1, 2012	**-**	**87.7**	**87.7**
Currency translation	-	-0.1	-0.1
Depreciation and amortization	-	4.3	4.3
Impairment losses	-	0.8	0.8
Disposals	-	-0.6	-0.6
As at Dec. 31, 2012	**-**	**92.1**	**92.1**
Currency translation	-	-0.4	-0.4
Additions from business combinations	-	0.0	0.0
Depreciation and amortization	-	4.5	4.5
Impairment losses	-	0.4	0.4
Disposals	-	-0.6	-0.6
Reclassifications	-	0.0	0.0
As at Dec. 31, 2013	**-**	**96.0**	**96.0**
Carrying amounts as at Dec. 31, 2012	**45.3**	**55.2**	**100.5**
Carrying amounts as at Dec. 31, 2013	**59.2**	**42.3**	**101.5**

The reported goodwill results from the acquisition of shares in subsidiaries.
With the purchase contract of July 11, 2013, the Group acquired 100 percent of the shares in Wollschläger Service GmbH. This acquisition serves to further boost the activities in the power plant service market segment. Goodwill of € 11.0 million is for the customer base, the industry expertise of the acquired company and the synergy effects expected from the integration of Wollschläger Service GmbH into the STEAG Group.
The remaining additions relate primarily to the acquisition of another company by the Power business unit.

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, 2013	Dec. 31, 2012
Power	52.6	39.4
Renewable Energies and Distributed Facilities	6.6	5.9
	59.2	**45.3**

On the reporting date, € 8.9 million (prior year: € 0.2 million) of the intangible assets were pledged as collateral for liabilities of the company. 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 con-struction in progress	Total
Acquisition/production cost					
As at Jan. 1, 2012	**462.4**	**2,986.1**	**122.8**	**832.6**	**4,403.9**
Currency translation	2.4	3.8	-0.4	0.6	**6.4**
Additions from business combinations	2.7	12.7	-	2.1	**17.5**
Other additions	4.4	48.7	9.9	129.9	**192.9**
Disposals	-1.5	-14.6	-7.4	-4.6	**-28.1**
Reclassifications	1.7	15.2	2.2	-16.3	**2.8**
As at Dec. 31, 2012	**472.1**	**3,051.9**	**127.1**	**944.3**	**4,595.4**
Currency translation	-2.4	-2.3	-1.3	-0.1	**-6.1**
Additions from business combinations	-	0.0	0.6	2.5	**3.1**
Other additions	8.3	185.2	9.5	118.2	**321.2**
Disposals	-1.3	-19.6	-6.3	-1.4	**-28.6**
Reclassifications	45.1	851.9	0.8	-899.6	**-1.8**
As at Dec. 31, 2013	**521.8**	**4,067.1**	**130.4**	**163.9**	**4,883.2**
Depreciation, amortization and impairment losses					
As at Jan. 1, 2012	**231.8**	**2,559.3**	**86.7**	**242.5**	**3,120.3**
Currency translation	1.4	2.4	-0.2	-	**3.6**
Additions from business combinations	0.0	0.3	-	-	**0.3**
Depreciation and amortization	13.0	69.1	11.2	-	**93.3**
Impairment losses	0.3	1.6	-	0.3	**2.2**
Reversal of impairment losses	-0.3	-9.4	-	-	**-9.7**
Disposals	-1.0	-10.2	-7.1	-0.3	**-18.6**
As at Dec. 31, 2012	**245.2**	**2,613.1**	**90.6**	**242.5**	**3,191.4**
Currency translation	-0.7	-1.3	-0.8	-	**-2.8**
Additions from business combinations	-	-	0.1	-	**0.1**
Depreciation and amortization	13.3	70.9	10.8	-	**95.0**
Impairment losses	0.1	1.3	0.5	0.2	**2.1**
Reversal of impairment losses	-	-	-	-91.9	**-91.9**
Disposals	-1.3	-15.2	-6.1	-0.1	**-22.7**
Reclassifications	6.3	142.7	-0.3	-148.7	**0.0**
As at Dec. 31, 2013	**262.9**	**2,811.5**	**94.8**	**2.0**	**3,171.2**
Carrying amounts as at Dec. 31, 2012	**226.9**	**438.8**	**36.5**	**701.8**	**1,404.0**
Carrying amounts as at Dec. 31, 2013	**258.9**	**1,255.6**	**35.6**	**161.9**	**1,712.0**

The carrying amounts recognized for finance lease contracts comprise € 1.5 million for land, land rights and buildings (prior year: € 1.7 million), and € 38.4 million for plant and machinery (prior year: € 44.4 million).

The carrying amounts of property, plant and equipment pledged as collateral for Group liabilities amounted to € 548.1 million (prior year: € 95.2 million). Property, plant and equipment totaling € 18.5 million (prior year: € 29.5 million) were pledged as collateral for third-party liabilities. A further € 508.4 million (prior year: € 99.6 million) was subject to other restrictions on title. The increase in assets pledged as collateral relates primarily to Walsum 10 since the power plant was pledged as additional collateral while maintaining the sponsor guarantee.

The Group has commitments of € 128.5 million (prior year: € 107.3 million) to purchase property, plant and equipment.

(6.3) Investment property

in € million	Land, land rights	Buildings	Total
Acquisition/production cost			
As at Jan. 1, 2012	**15.1**	**4.5**	**19.6**
Other additions	0.1	-	**0.1**
Disposals	-0.2	-	**-0.2**
As at Dec. 31, 2012	**15.0**	**4.5**	**19.5**
Other additions	0.0	-	**0.0**
Disposals	-0.4	-2.5	**-2.9**
Reclassifications	-0.4	-1.1	**-1.5**
As at Dec. 31, 2013	**14.2**	**0.9**	**15.1**
Depreciation, amortization and impairment losses			
As at Jan. 1, 2012	**0.3**	**2.8**	**3.1**
Depreciation and amortization	-	0.1	**0.1**
As at Dec. 31, 2012	**0.3**	**2.9**	**3.2**
Depreciation and amortization	0.0	0.1	**0.1**
Disposals	-	-2.2	**-2.2**
Reclassifications	0.0	-0.2	**-0.2**
As at Dec. 31, 2013	**0.3**	**0.6**	**0.9**
Carrying amounts as at Dec. 31, 2012	**14.7**	**1.6**	**16.3**
Carrying amounts as at Dec. 31, 2013	**13.9**	**0.3**	**14.2**

Additions did not involve any subsequent acquisition costs. The fair value of investment property is € 20.7 million (prior year: € 31.0 million).

The income statement contains operating expenses totaling € 0.8 million (prior year: € 1.2 million) that are directly related to investment property which generates rental revenues. Rental revenues amounted to € 1.7 million (prior year: € 1.7 million).

(6.4) Investments recognized at equity

This item comprises shares in associated companies and joint ventures recognized using the equity method. The carrying amount of € 89.1 million (prior year: € 82.5 million) mainly comprises shares in REG Raffinerie-Energie GmbH & Co. oHG, which have a carrying amount of € 25.6 million (prior year: € 26.5 million), Fernwärmeversorgung Niederrhein GmbH, which have a carrying amount of € 16.0 million (prior year: € 15.7 million), Arenales Solar PS, S.L. (Spain), which have a carrying amount of € 14.8 million (prior year: € 10.5 million) and Gichtgaskraftwerk Dillingen GmbH & Co. KG, which have carrying amount of € 11.6 million (prior year: € 9.4 million).

The STEAG Group's interest in the combined financial data from the last available financial statements of the companies recognized at equity is as follows:

	Associated companies		Joint ventures	
in € million	**2013**	2012*	**2013**	2012*
Non-current assets as at December 31	93.0	102.4	119.3	115.2
Current assets as at December 31	18.1	9.6	21.7	38.9
Non-current liabilities as at December 31	55.8	56.9	93.5	82.1
Current liabilities as at December 31	16.9	19.2	13.6	41.7
Income	38.3	36.2	66.6	68.4
Expenses	32.4	37.1	60.5	70.1

* In the prior year, the pro-rata carrying amounts of Arenales Solar PS. S.L. were still included under the associated companies. This year these amounts are reported under the joint ventures.

As at the reporting date, ownership rights to the shares of Arkad Deniz Taşımacılığı A.S. (Turkey) were no longer restricted due to the refinancing of Iskenderun Enerji Üterim ve Ticaret A.S. (Turkey) (prior year: € 2.3 million).

(6.5) Financial assets

in € million	Dec. 31, 2013 Total	Dec. 31, 2013 Thereof non-current	Dec. 31, 2012 Total	Dec. 31, 2012 Thereof non-current
Other investments	72.5	72.5	62.0	62.0
Loans	47.5	34.3	41.8	28.1
Securities and similar rights	51.8	0.1	46.5	0.1
Receivables from finance leases	654.9	535.7	793.2	680.1
Receivables from derivatives	165.2	45.3	92.3	28.6
Other financial assets	73.2	-	33.6	-
	1,065.1	**687.9**	**1,069.4**	**798.9**

(a) Other investments

Other investments comprise investments in unlisted equity instruments that are recognized at cost of acquisition if their fair value cannot be determined reliably.

(b) Loans

Loans are exposed to an interest rate risk, which can affect their fair value or future cash flows. They are recognized at cost of acquisition.
The risk and maturity structure of loans is as follows:

in € million	Dec. 31, 2013	Dec. 31, 2012
Impaired loans	**4.8**	**4.8**
Gross amount	10.0	6.1
Impairment losses	-5.2	-1.3
Non-impaired loans	**42.7**	**37.0**
Not yet due	42.7	37.0
	47.5	**41.8**

(c) Securities and similar rights

Securities and similar rights are exposed to an interest rate risk, which can affect their fair value or future cash flows. If no market price is available, they are valued at amortized cost of acquisition. Securities listed on a stock exchange are exposed to a risk of changes in their market price.

(d) Receivables from finance leases

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

in € million	Dec. 31, 2013	Dec. 31, 2012
Gross investment	**1,099.8**	**1,371.0**
(thereof non-guaranteed residual value)	(-)	(-)
Due within 1 year	210.2	226.3
Due within 1 - 5 years	553.9	701.2
Due in more than 5 years	335.7	443.5
Interest included therein	-444.6	-576.9
Net investment	**655.2**	**794.1**
Accumulated impairment losses	-0.3	-0.9
Carrying amount of receivables from finance leases	**654.9**	**793.2**
Less present value of non-guaranteed residual values	-	-
Present value of outstanding minimum lease payments	**654.9**	**793.2**
Due within 1 year	119.2	113.1
Due within 1 - 5 years	363.4	437.9
Due in more than 5 years	172.3	242.2

As in 2012, no contingent lease payments were received under finance leases. Part of the impairment losses recognized in prior years for uncollectible receivables from finance leases was utilized in full due to the conclusion of insolvency proceedings.

Receivables from finance leases include a contract for the supply of electricity by the Iskenderun power plant (Turkey) valued at € 339.3 million (prior year: € 431.3 million). This contract runs for 20 years and ends in November 2019.
The planning for the Iskenderun power plant until 2011 did not include any material earnings from the continued use of the power plant after the end of the finance lease. Based on a reassessment in the last year, there is an overriding probability of positive earnings contributions from continued use of the power plant by the company until probably 2035. In the light of this altered assessment, net revenues are anticipated for the period from 2020 to 2035. Their unrecognized present value was € 400.1 million on the reporting date (prior year: € 381.9 million).

A further € 156.6 million (prior year: € 165.8 million) relates to receivables from a supply contract for power from the Mindanao power plant (Philippines). 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.

Moreover, receivables from finance leases include € 85.5 million (prior year: € 108.9 million) relating to the lease agreement for STEAG-refinery power plant Sachsen-Anhalt (Germany). This lease dates from November 1996 and had an original term of twelve years. In 2006, it was extended for another eight years to November 2016.

Receivables from finance leases include a contract for the supply of electricity by the Termopaipa power plant (Colombia) valued at € 63.5 million (prior year: € 75.6 million). This contract expires in January 2019.

(e) Receivables from derivatives

The breakdown of receivables from derivatives is as follows:

in € million	Dec. 31, 2013	Dec. 31, 2012
Receivables from currency derivatives	13.8	6.6
Receivables from interest rate derivatives	0.2	0.2
Receivables from commodity derivatives	151.2	85.5
	165.2	**92.3**

€ 0.2 million (prior year: € 0.2 million) of the receivables from interest derivatives relate to interest rate caps.

(f) Other financial assets

Other financial assets include cash collateral of € 48.4 million (prior year: € 14.4 million) for exchange-traded futures contracts, which were concluded in response to market changes regarding the marketing of power plant capacities. Financial assets include no positive fair values of options relating to energy contracts on the reporting date (prior year: € 1.8 million).

(g) Collateral pledged

The sum of the financial assets pledged as security for Group liabilities amounted to € 56.6 million (prior year: € 168.5 million). A further € 175.8 million (prior year: € 516.3 million) was subject to other restrictions on title. The decrease in assets pledged as collateral mainly results from refinancing the project company for the Iskenderun power plant. The majority of the assets pledged as collateral relate to the receivables from finance leases of the project companies for the Sochagota and Mindanao power plants.

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, 2013**	Dec. 31, 2012
Raw materials and supplies	238.6	227.2
Work in progress	16.0	17.0
Finished goods and merchandise	11.6	9.9
	266.2	**254.1**

The € 11.4 million year-on-year increase in raw materials and supplies was mainly due to elimination of emission rights allocated free of charge, effective in 2013. The € 1.7 million increase in finished products and goods was caused by higher inventories of goods for resale than in the prior year.

In 2013, inventories totaling € 6.3 million (prior year: € 46.0 million) were subject to other restrictions on use.

(6.7) Trade accounts receivable and other receivables

in € million	Dec. 31, 2013 Total	Dec. 31, 2013 Thereof non-current	Dec. 31, 2012 Total	Dec. 31, 2012 Thereof non-current
Trade accounts receivable	353.8	-	358.8	-
Receivables from construction contracts	2.7	0.0	3.1	0.5
Advance payments made	7.6	-	9.2	1.1
Miscellaneous other receivables	182.2	31.7	84.8	29.4
Deferred expenses	11.0	2.2	11.3	2.6
	557.3	**33.9**	**467.2**	**33.6**

(a) Trade accounts receivable

Trade accounts receivable include reimbursement claims from third parties amounting to € 32.0 million (prior year: € 8.9 million) which relate to other provisions for other obligations that were recognized; see Note (6.12).

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The risk and maturity structure of trade accounts receivable is as follows:

in € million	Dec. 31, 2013	Dec. 31, 2012
Impaired receivables	**0.2**	**0.0**
Gross amount	4.8	5.4
Impairment losses	-4.6	-5.4
Non-impaired receivables	**353.6**	**358.8**
Not yet due	314.1	335.1
Overdue	39.5	23.7
Up to 3 months	31.9	18.1
More than 3 and up to 6 months	2.7	3.2
More than 6 and up to 9 months	0.1	0.3
More than 9 and up to 12 months	3.2	0.0
More than 1 year	1.6	2.1
	353.8	**358.8**

(b) Receivables from construction contracts

in € million	Dec. 31, 2013	Dec. 31, 2012
Cost incurred plus profits/less losses	19.3	44.2
Advance payments received for construction contracts	-16.6	-41.1
	2.7	**3.1**

Customers made advance payments of € 2.5 million (prior year: none) in the reporting period, prior to performance of the corresponding services.

(c) Miscellaneous other receivables
The miscellaneous other receivables include reimbursement claims from third parties amounting to € 32.8 million (prior year: € 28.2 million), which relate to miscellaneous other provisions, see Note (6.12).

(d) Collateral pledged
Receivables pledged as collateral for Group liabilities amounted to € 0.7 million (prior year: € 0.6 million). A further € 41.4 million (prior year: € 166.1 million) was subject to other restrictions on title. The decrease in other restrictions on title relates primarily to the Iskenderun Enerji Üretim ve Ticaret A.S. power plant (Turkey). Due to refinancing, no trade accounts receivable nor other receivables were pledged as collateral for the banks. In contrast, trade accounts receivable as well as other receivables of the Walsum 10 new construction project are subject to restrictions on title.

(6.8) Cash and cash equivalents

The cash and cash equivalents totaling € 576.4 million (prior year: € 544.1 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 amounted to € 308.0 million (prior year: € 75.3 million). The majority of the cash and cash equivalents pledged as collateral are related to the power plant projects in Iskenderun and Mindanao as well as the new construction project Walsum 10.

(6.9) Assets held for sale

The assets held for sale comprise the shares in Babadağ Elektrik Üretim Sanayi ve Ticaret A.S. (Turkey). While the investment was sold in the reporting period, the disposal was not completed by December 31. 2013.

(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

The capital reserve of STEAG GmbH 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 income/loss of € 548.1 million (prior year: € 544.2 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 fiscal year 2013. As at December 31, 2013, STEAG GmbH's profit reserves totaled € 272.8 million (prior year: € 229.8 million). Earnings of € 89.0 million (prior year: € 103.2 million) are to be transferred under the profit and loss transfer agreement between STEAG GmbH and KSBG KG.
The accumulated income also includes the remeasurements of the net defined benefit liability from defined benefit plans after taxes.

(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 available-for-sale securities contains gains and losses resulting from changes in the fair value of financial instruments that are not expected to be permanent and are thus not recognized in profit or loss.

The reserve for gains and losses on hedging instruments 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 currency translation adjustment comprises differences arising from the translation of foreign financial statements which are accounted according to IFRS.

The changes in accumulated other comprehensive income were as follows:

in € million	Changes in the fair value of available-for-sale securities	Changes in the fair value of financial instruments used in hedging relationships	Differences arising from currency translation	Investments recognized at equity	Total
As at Jan. 1, 2012	**0.0**	**51.6**	**-50.9**	**-1.7**	**-1.0**
Other comprehensive income as in the statement of comprehensive income:	**0.1**	**-6.3**	**-4.6**	**0.0**	**-10.8**
Gains/losses recognized in OCI	0.1	-14.2	-4.6	0.0	-18.7
Amounts reclassified to the income statement	-	-3.9	-	-	-3.9
Amounts reclassified to assets and liabilities	-	7.6	-	-	7.6
Deferred taxes on OCI	0.0	4.2	-	-	4.2
As at Dec. 31, 2012	**0.1**	**45.3**	**-55.5**	**-1.7**	**-11.8**
Other comprehensive income as in the statement of comprehensive income:	**0.2**	**9.9**	**-17.4**	**1.6**	**-5.7**
Gains/losses recognized in OCI	0.2	4.9	-17.4	2.4	-9.9
Amounts reclassified to the income statement	-0.1	0.2	-	-	0.1
Amounts reclassified to assets and liabilities	-	9.3	-	-	9.3
Deferred taxes on OCI	0.1	-4.5	-	-0.8	-5.2
As at Dec. 31, 2013	**0.3**	**55.2**	**-72.9**	**-0.1**	**-17.5**

In 2013, € -0.1 million (prior year: € 3.9 million) was reclassified from the reserve for changes in the fair value of available-for-sale securities and the reserve for changes in the fair value of financial instruments used in hedging relationships and transferred to the income statement as follows:

in € million	2013	2012
Sales	13.7	12.4
Cost of materials	-13.3	-7.7
Other operating income	0.1	-
Interest expense	-0.7	-0.8
Other financial result	0.1	-
	-0.1	**3.9**

(e) 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 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 Jan. 1, 2012	**-21.9**	**-43.3**	**-65.2**
Other comprehensive income as in the statement of comprehensive income:	-7.3	-6.2	-13.5
Gains/losses recognized in OCI	-19.3	-6.2	-25.5
Amounts reclassified to the income statement	0.5	-	0.5
Amounts reclassified to assets and liabilities	7.4	-	7.4
Deferred taxes	4.1	-	4.1
As at Dec. 31, 2012	**-29.2**	**-49.5**	**-78.7**
Other comprehensive income as in the statement of comprehensive income:	**8.4**	**-13.5**	**-5.1**
Gains/losses recognized in OCI	3.5	-13.5	-10.0
Amounts reclassified to the income statement	0.1	-	0.1
Amounts reclassified to assets and liabilities	8.9	-	8.9
Deferred taxes	-4.1	-	-4.1
As at Dec. 31, 2013	**-20.8**	**-63.0**	**-83.8**

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

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

In 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 of the STEAG Group are the pension regulation Ruhegeldordnung, the benefit plan of the Bochumer Verband (Bochumer Verband old), the benefit plan of the Bochumer Verband for employer-financed pension commitments (Bochumer Verband II – employer-financed) and the benefit plan of the Bochumer Verband – deferred compensation (Bochumer Verband II – employee-financed).

The benefit plans of Bochumer Verband II – employer- and employee-financed are contribution-related pension payment commitments. All plans are based on a company agreement and financed by the employer. The employer recognizes pension provisions for the pension commitments. Completion of the 65th year of life is the fixed age limit. In 2014, the pension regulation is to be amended for the increased statutory retirement age. The change in valuation was already implemented in the reporting period.

Under the Ruhegeldordnung and Bochumer Verband old, the employees by way of a direct entitlement were granted rights to lifelong old age benefits, disability benefits and survivor benefits. These are so-called final salary plans, with benefits depending on pensionable income, the contribution ceiling for statutory pension insurance and the number of eligible years of service. The pension regulations and the benefit plan of Bochumer Verband were closed to new entrants on June 30, 2002.

Effective from January 1st, 1982, the pension regulations grant occupational pension plans for employees under collective agreements. Employees with a date of entry prior to January 1st, 1982 have salary-based vested rights from a previous company agreement. If the old age benefit is claimed early, the benefits are reduced. Ongoing benefits are reviewed regularly for possible adjustments according to Section 16 Paragraph 1 of the German Company Pension Act (BetrAVG). Therefore, the volume of obligations for the pension commitments also depends on inflation.

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The benefit plan of Bochumer Verband old regulates the company pension plan for employees outside of collective agreements and for senior management staff by individual contract. The performance contributions of the groups are established by Bochumer Verband, also under consideration of the general development of salaries outside of collective agreements, with the application of a salary trend for valuation purposes. When pension benefits are claimed early, there is no reduction for most beneficiaries based on individual contracts. The ongoing benefits are reviewed by Bochumer Verband under consideration of the interests of the beneficiaries and the economic situation of the members and are adjusted at its equitable discretion where applicable. The amount of the adjustment to ongoing benefits is indirectly dependent on inflation.

Within the scope of Bochumer Verband II – employer-financed and Bochumer Verband II – employee-financed, employees under and outside of collective agreements as well as senior management staff were granted rights to lifelong old age benefits, disability benefits and survivor benefits on the basis of company and collective agreements. For employer-financed Bochumer Verband II, this is done by means of direct commitments and for employee-financed Bochumer Verband II by way of deferred compensation. The employer contributions as well as the amounts contributed by employees are respectively converted into pension components according to age, using conversion factors according to the respective actuarial tables. The sum of all pension components acquired by retirement results in the amount of pension benefits payable. When the old age benefit is claimed early (before the end of the 65th year of life), the pension benefits are reduced; premiums are granted when the pension is claimed after completing the 65th year of life. The guaranteed annual pension adjustment of 1 percent p.a. on current benefits relieves the employer of an additional adjustment review according to Section 16 of the German Company Pension Act (BetrAVG). Therefore the present value of the defined benefits does not depend on inflation for valuation purposes. Furthermore, the valuation is based on the present value of vested benefits according to Section 2 Paragraph 5a of the German Company Pension Act (BetrAVG), which means the valuation is not dependent on the salary either.

In employee-financed Bochumer Verband II, employees may choose a capital payout instead of the lifelong old age benefit according to the pension rules. Unlike the employer-financed commitment of Bochumer Verband II, there is no addition in the determination of a disability pension for deferred compensation.

For all four of the plans discussed above, the quantified obligation volume depends to a large extent on the applicable actuarial interest rate. For valuation purposes, the obligation volumes in regards to the pension regulations and the pension plans of Bochumer Verband old also depend on a salary trend and a pension trend, while the obligation volumes for the pension plans of Bochumer Verband II do not.

From the Group's perspective, the plans of foreign subsidiaries are of minor significance only. These are plans of subsidiaries in India, Poland, the Philippines and Turkey. The pension plans vary depending on the legal and economic conditions of the respective country in which the company operates.

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

in percent	2013	2012
Actuarial interest rate as at December 31	3.62	3.71
Future salary increases	2.58	2.53
Future pension increases	2.00	2.00

The pension provisions included on the balance sheet are as follows:

in € million	Dec. 31, 2013	Dec. 31,2012
Present value of all defined benefit obligations as at December 31	831.0	795.3
Fair value of plan assets as at December 31	5.0	4.5
Pension provisions included on the balance sheet	**826.0**	**790.8**

The present value of the defined benefit obligations and the present value of the plan assets changed as follows in fiscal year 2013:

in € million	Present value of the defined benefit obligations	Fair value of plan assets	Net obligation
As at Jan. 1, 2013	**795.3**	**-4.5**	**790.8**
Current service cost	18.4	-	18.4
Interest expenses (+) interest income (-)	29.0	-0.3	28.7
Employee contributions	2.7	-	2.7
Employer contributions	-	-0.7	-0.7
Remeasurements	20.0	-0.1	19.9
thereof: return on plan assets without interest income	-	-0.1	-0.1
thereof: actuarial gains (-) / losses (+) arising from changes in demographic assumptions	0.0	-	0.0
thereof: actuarial gains (-) / losses (+) from changes in financial assumptions	13.1	-	13.1
thereof: actuarial gains (-) / losses (+) from empirical adjustments	6.9	-	6.9
Past service cost	-2.9	-	-2.9
Benefits paid	-30.6	-	-30.6
Changes in the scope of consolidation/ transfer of employees	0.0	-	0.0
Currency translation	-0.9	0.6	-0.3
As at Dec. 31, 2013	**831.0**	**-5.0**	**826.0**

in € million	Present value of the defined benefit obligations	Fair value of plan assets	Net obligation
As at Jan. 1, 2012	**638.8**	**-3.6**	**635.2**
Current service cost	13.0	-	13.0
Interest expenses (+) interest income (-)	31.5	-0.2	31.3
Employee contributions	2.7	-	2.7
Employer contributions	-	-0.2	-0.2
Remeasurements	140.3	-0.4	139.9
thereof: return on plan assets without interest income	-	-0.4	-0.4
thereof: actuarial gains (-) / losses (+) arising from changes in demographic assumptions	-	-	0.0
thereof: actuarial gains (-) / losses (+) from changes in financial assumptions	136.6	-	136.6
thereof: actuarial gains (-) / losses (+) from empirical adjustments	3.7	-	3.7
Past service cost	-0.8	-	-0.8
Benefits paid	-30.3	-	-30.3
Changes in the scope of consolidation/ transfer of employees	0.1	-	0.1
Currency translation	0.0	-0.1	-0.1
As at Dec. 31, 2012	**795.3**	**-4.5**	**790.8**

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

	Dec. 31, 2013 Fair value			Dec. 31, 2012 Fair value		
in € million	Listed market price in an active market	Other	Total	Listed market price in an active market	Other	Total
Investments	0.4	-	0.4	0.4	-	0.4
Bonds	3.2	-	3.2	2.7	-	2.7
Insurance contracts	-	0.7	0.7	-	0.7	0.7
Other investments	0.7	-	0.7	0.5	0.2	0.7
	4.3	**0.7**	**5.0**	**3.6**	**0.9**	**4.5**

As in 2012, most of the plan assets apply to STEAG State Power Inc. (Philippines).

The sensitivity analysis that follows illustrates the effects of changes in the key valuation parameters on the scope of the obligation.
The chosen ranges represent the intervals that, in the opinion of STEAG GmbH, are reasonable for the expected changes of the respective parameters until the upcoming reporting date. The effects were determined in isolation for each of the stated valuation parameters.
To determine the expected change, the actuarial methods used for valuation on the reporting date were applied. Therefore, the reported effects are subject to the same restrictions regarding their information value as the calculation of the obligation scope on the reporting date. Next to possible deviations in the actuarial assumptions made, this applies in particular to uncertainty regarding the possible term of the obligations (duration). The statements made can therefore only be considered trends and not changes that will occur with unrestricted certainty.

Change in € million	**Dec. 31, 2013**
Actuarial interest rate	
+ 25 basis points	-31.1
- 25 basis points	33.1
Pension adjustment	
+ 25 basis points	20.1
- 25 basis points	-19.3
Salary trends	
+ 50 basis points	10.2
- 50 basis points	-9.4

Employer contributions of € 0.4 million to plan assets are expected for the year 2014.
The average weighted duration of the pension obligations for the STEAG Group is 16 years.

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

in € million	**2013**	2012
Service cost	15.5	12.2
Net interest expenses	28.7	31.3
Net pension expenses in the income statement	**44.2**	**43.5**
in € million	**2013**	2012
Actuarial gains and losses	20.0	140.3
Return on plan assets without interest income	-0.1	-0.4
Expense from the remeasurement of the net defined benefit liability from defined benefit plans recognized in OCI	**19.9**	**139.9**

The interest expenses are included in the interest result, see Note (5.8). The service cost is included in personnel expenses as pension expenses, see Note (5.4).

€ 0.2 million (prior year: € 0.0 million) was paid into defined contribution plans and this amount is also recorded as personnel expenses (pension expenses).
Further, € 25.8 million (prior year: € 26.7 million) was paid into defined-contribution state plans (statutory pension insurance) in Germany and abroad. This is reported in personnel expenses (expenses for social security contributions).

(6.12) Other provisions

Other provisions comprise the following items:

	Dec. 31, 2013		Dec. 31, 2012	
in € million	**Total**	Thereof non-current	**Total**	Thereof non-current
Personnel-related	72.3	33.3	74.0	39.0
Recultivation and environmental protection	27.0	16.1	28.6	21.4
Restructuring	101.7	82.3	65.5	53.3
Dismantling obligations	110.3	107.6	100.9	98.2
Obligations to surrender emissions certificates	76.8	-	16.8	-
Other obligations	267.2	12.8	101.8	12.0
	655.3	**252.1**	**387.6**	**223.9**

(a) Personnel-related provisions
Personnel-related provisions are established for bonuses and variable remuneration, statutory and other early retirement arrangements, redundancy plans, unused vacation entitlements, working lifetime arrangements and anniversary bonuses. Most of these provisions will be due for payment within one year.

(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. These obligations resulted in payments of € 0.4 million in 2013. The majority will only result in payments after 2018. As a counter item to the provisions, other receivables contain claims for reimbursement amounting to € 11.5 million (prior year: € 7.3 million), see Note (6.7).

(c) Provisions for restructuring

Provisions for restructuring are based on defined restructuring measures. Such measures comprise programs which are planned and controlled by the company and will materially alter one of the company's areas at business activity or the way in which a business activity is carried out. Restructuring provisions may only be established for costs that are directly attributable to the restructuring program. They mainly include severance packages, redundancy and early retirement arrangements, and expenses for the termination of contracts. The majority will be utilized between 2015 and 2018. In 2013, € 47.6 million (prior year: € 15.7 million) for personnel expenses was added to a provision for restructuring to safeguard competitiveness in the light of changes on the electricity market. This portion of the restructuring provision is subject to interest expense of € 1.7 million (prior year: € 1.8 million), see Note (5.4) and Note (5.8).

(d) Provisions for dismantling obligations

Provisions for dismantling obligations relate to dismantling that is not part of a restructuring program. These are almost all non-current. The majority of the payments will be made between 2015 and 2018. Other receivables contain capitalized claims for reimbursement amounting to € 21.3 million (prior year: € 20.9 million), see Note (6.7).

(e) Provisions for obligations to surrender emissions certificates

Provisions for the obligations to surrender emissions allowances mainly relate to Section 7 Paragraph 1 of the German Greenhouse Gas Emissions Trading Act (TEHG). Under this law, companies are required to surrender emissions allowances by April 30 of the following year equivalent to the emissions generated during the prior calendar year. These provisions will be utilized in the following year. Other receivables contain the claim for reimbursement relating to this obligation under agreements with electricity clients amounting to € 32.0 million (prior year: € 8.9 million), see Note (6.7).

(f) Provisions for other obligations

Provisions for other obligations include price discounts and the risk of price adjustments in sales and procurement, obligations under the German Renewable Energies Act (EEG), provisions for goods and services purchased for which no invoice has yet been received, other taxes, litigation risks, legal and consultancy expenses and audit fees. Most of these provisions will be utilized within one year and the remaining part will result in payments between 2015 and 2018. Of the increase compared to fiscal year 2012, € 129.6 million is due to precautionary measures regarding the ongoing arbitration proceedings against the general contractor consortium for the new construction project Walsum 10.

Other provisions changed as follows in fiscal year 2013:

in € million	Personnel-related	Recultivation, environmental protection	Restructuring	Dismantling obligations	Obligations to surrender emissions certificates	Other obligations	Total
As at Jan. 1, 2013	**74.0**	**28.6**	**65.5**	**100.9**	**16.8**	**101.8**	**387.6**
Additions	37.7	0.8	47.6	10.1	76.8	237.2	410.2
Utilization	-38.3	-0.4	-13.1	-0.1	-16.8	-58.4	-127.1
Reversal	-3.3	-1.4	-0.3	-0.3	-	-9.8	-15.1
Addition of accrued interest/interest rate adjustments	2.0	-0.6	2.2	-0.3	-	-0.1	3.2
Other	0.2	0.0	-0.2	0.0	0.0	-3.5	-3.5
As at Dec. 31, 2013	**72.3**	**27.0**	**101.7**	**110.3**	**76.8**	**267.2**	**655.3**

(6.13) Financial liabilities

	Dec. 31, 2013		Dec. 31, 2012	
in € million	**Total**	Thereof non-current	**Total**	Thereof non-current
Liabilities to banks	824.5	676.6	859.4	715.1
Loans from non-banks	14.5	14.0	10.0	9.5
Liabilities from finance leases	38.0	34.1	51.3	39.3
Liabilities from derivatives	220.2	88.9	182.7	107.6
Other financial liabilities	121.8	5.2	124.3	5.8
	1,219.0	**818.8**	**1,227.7**	**877.3**

(a) Liabilities to banks

The biggest item within liabilities to banks is financing of € 489.9 million (prior year: € 526.2 million) for the new construction project Walsum 10. During the operating phase, the lenders are secured by land mortgages, rights to liens on the Group’s project shareholding and assignment rights to future receivables.

Power plant financing totaling € 202.9 million (prior year: € 195.9 million) for the Iskenderun power plant,€ 35.8 million (prior year: € 43.7 million) for the Mindanao plant and € 16.7 million (prior year: € 15.5 million) for the Sochagota plant is in the repayment phase.
Borrowing for these three foreign power plants has been arranged exclusively via the respective companies as non-recourse financing.

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

(b) Liabilities from finance leases

Liabilities from finance leases are recognized if the leased assets are capitalized under property, plant and equipment as economic assets belonging to the STEAG Group.

The reconciliation of future minimum lease payments with their present values along with their due dates is shown below:

in € million	Dec. 31, 2013	Dec. 31. 2012
Future minimum lease payments	**55.1**	**72.1**
Due within 1 year	7.0	16.5
Due within 1 - 5 years	27.4	28.4
Due in more than 5 years	20.7	27.2
Interest included therein	-17.1	-20.8
Present value of future minimum lease payments (liabilities from finance leases)	**38.0**	**51.3**
Due within 1 year	3.9	12.0
Due within 1 - 5 years	18.1	17.7
Due in more than 5 years	16.0	21.6

The liabilities from finance leases mainly comprise € 28.1 million (prior year: € 29.3 million) for the rental of heating power plants and € 9.5 million (prior year: € 19.3 million) for district heating lines leased by Fernwärme-Verbund Saar GmbH.

(c) Liabilities from derivatives

The breakdown of receivables from derivatives is as follows:

in € million	Dec. 31, 2013	Dec. 31, 2012
Liabilities from currency derivatives	26.6	12.3
Liabilities from interest rate derivatives	69.4	98.0
Liabilities from commodity derivatives	124.2	72.4
	220.2	**182.7**

(d) Other financial liabilities

In 2013, other financial liabilities included liabilities under the profit and loss transfer agreement including the tax allocation to KSBG KG amounting to € 96.0 million (prior year: € 110.0 million). Further, financial liabilities include the negative fair values of options relating to energy contracts amounting to € 2.6 million (prior year: € 1.3 million).
Negative fair values from pending hedged transactions recognized as fair value hedges total € 8.8 million (prior year: € 0.6 million).

(6.14) Trade accounts payable and other liabilities

	Dec. 31, 2013		Dec. 31, 2012	
in € million	Total	Thereof non-current	Total	Thereof non-current
Trade accounts payable	278.0	-	240.9	-
Liabilities from construction contracts	8.3	7.6	20.6	19.2
Advance payments received from customers	118.0	75.6	55.7	36.5
Miscellaneous other liabilities	49.3	5.3	64.2	5.5
Deferred income	37.6	30.7	38.0	28.3
	491.2	**119.2**	**419.4**	**89.5**

Advance payments received from customers include an advance payment of € 95.4 million (prior year: none) received in fiscal year 2013 for future power deliveries.

Liabilities from construction contracts comprise advance payments on long-term contracts and are composed of the following items:

in € million	**Dec. 31, 2013**	Dec. 31, 2012
Cost incurred plus profits/minus losses	-16.8	-14.3
Advance payments received for construction contracts	25.1	34.9
	8.3	**20.6**

(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:

	Dec. 31, 2013		Dec. 31, 2012	
in € million	Total	Thereof non-current	Total	Thereof non-current
Deferred tax assets	151.1	81.9	193.7	106.4
Other income tax assets	24.8	10.3	25.6	13.4
Deferred tax liabilities	71.7	42.6	88.1	62.6
Other income tax liabilities	39.0	-	29.0	-

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

Deferred taxes related to the following balance sheet items:

	Deferred tax assets		Deferred tax liabilities	
in € million	**Dec. 31, 2013**	Dec. 31, 2012	**Dec. 31, 2013**	Dec. 31, 2012
Assets				
Intangible assets	0.6	1.3	5.8	8.4
Property, plant, and equipment, investment property	166.2	232.4	34.7	26.9
Financial assets	2.9	2.6	187.7	207.4
Inventories	2.9	2.5	1.2	0.3
Receivables, other assets	8.1	2.4	10.8	1.8
Liabilities				
Provisions	81.3	79.7	3.5	17.7
Liabilities	57.6	56.0	3.2	3.6
Special tax allowance reserves (based on local law)	-	-	3.3	3.7
Loss carryforwards	14.0	4.2	-	-
Other	0.1	0.8	0.3	-
Deferred taxes (gross)	**333.7**	**381.9**	**250.5**	**269.8**
Write-downs	-3.8	-6.5	0.0	0.0
Offsetting	-178.8	-181.7	-178.8	-181.7
Deferred taxes (net)	**151.1**	**193.7**	**71.7**	**88.1**

Deferred tax assets of € 14.0 million (prior year: € 4.2 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 table, together with their expiration dates:

	Corporation taxes (Germany and foreign)		Local taxes (Germany and foreign)	
in € million	**2013**	2012	**2013**	2012
Loss carryforwards by expiration date, unlimited	41.4	49.1	35.8	47.9
	41.4	**49.1**	**35.8**	**47.9**

(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 on 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 at € 472.2 million exceeded the prior year´s amount of € 306.4 million. The increase is due among other things to the receipt of cash and cash equivalents from drawing a contract performance guarantee related to the new construction of the Walsum 10 power plant.

(7.2) Cash flow from investing activities

The cash inflows from divestments and outflows for investments in shareholdings include the following:

The total purchase price for shares in subsidiaries consolidated for the first time was € 10.3 million in 2013 (prior year: € 16.2 million). Purchase prices of € 10.3 million (prior year: € 0.8 million) resulted in cash outflows. The cash and cash equivalents acquired in 2013 with subsidiaries consolidated for the first time amounted to € 0.2 million (prior year: € 0.7 million).
Further, the cash outflows for investments in shareholdings mainly comprise the acquisition of shares in EC Gorlice S.p.zo.o. (Poland) and payments into the capital reserve of Arenales Solar PS, S.L. (Spain).

No subsidiaries were divested in the fiscal year.

(7.3) Cash flow from financing activities

In both the fiscal and prior year, the cash flow from financing activities were dominated by the principal repayments in project financing. Further, a refinancing transaction of Iskenderun Enerji Üretim ve Ticaret A.S. (Turkey) caused both borrowing and the repayment of financial liabilities to increase sharply.

(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 IAS 39.

Result by valuation category **2013**

in € million	Available-for-sale assets	Loans and receivables	Held for trading (derivatives only)	Liabilities at amortized cost	
Result from disposals	-0.7	-0.1	-	-	-0.8
Result from valuations of derivatives	-	-	12.9	-	12.9
Impairment losses/reversal of impairment losses	-1.8	-3.8	-	-	-5.6
Interest result	0.7	7.8	0.0	-40.4	-31.9
Result from other investments	7.2	-	-	-	7.2
Other financial result	-	-	-4.4	-	-4.4
	5.4	**3.9**	**8.5**	**-40.4**	**-22.6**

Result by valuation category 2012

in € million	Available-for-sale assets	Loans and receivables	Held for trading (derivatives only)	Liabilities at amortized cost	
Result from disposals	0.0	-0.3	-	-	-0.3
Result from valuations of derivatives	-	-	8.6	-	8.6
Impairment losses/reversal of impairment losses	0.0	-0.6	-	-	-0.6
Interest result	0.1	5.1	-0.5	-41.4	-36.7
Result from other investments	5.4	-	-	-	5.4
Other financial result	-	-	2.6	-	2.6
	5.5	**4.2**	**10.7**	**-41.4**	**-21.0**

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In 2013, changes in the valuation of available-for-sale assets totaling € 0.2 million (prior year: € 0.1 million) were recognized in other comprehensive income (OCI) which did not impact the income statement. € 0.1 million (prior year: none) in gains or losses were reclassified from OCI to the income statement.

Result from the valuation of derivatives does not include results from derivative financial instruments for which hedge accounting is applied.

Interest income of € 8.5 million (prior year: € 5.3 million) and interest expenses of € 23.0 million (prior year: € 21.7 million) relate to financial instruments not allocated to the "held for trading" category. Interest expenses include interest expenses from finance leases. The interest result does not include any interest income on the impaired portion of financial assets or trade accounts receivable.

Carrying amounts and fair values of financial instruments

Financial instruments that fall within the scope of IFRS 7 have to be disclosed by classes that take into account the characteristics of the financial instruments. In the STEAG Group, the classification is based on the presentation on the balance sheet. The carrying amounts of each class are presented on the basis of the valuation categories defined in IAS 39 and are reconciled to the carrying amounts of the balance sheet items. Financial instruments not assigned to a valuation category are presented separately. Further, the fair value of each class as at the balance sheet date is disclosed. The carrying amounts of financial assets also show the maximum default risk.

The following tables provide a reconciliation of the financial assets:

in € million	Available-for-sale assets	Loans and receivables	Assets held for trading	Not allocated to any category	**Carrying amount**	Fair value
	Result by valuation category				**Dec. 31, 2013**	
Financial assets	**124.3**	**70.8**	**144.2**	**725.8**	**1,065.1**	**1,682.5**
Other investments	72.5	-	-	-	72.5	-
Loans	-	47.5	-	-	47.5	47.5
Securities and similar claims	51.8	-	-	-	51.8	51.8
Receivables from finance leases	-	-	-	654.9	654.9	1,344.8
Receivables from derivatives	-	-	94.9	70.3	165.2	165.2
Other financial assets	-	23.3	49.3	0.6	73.2	73.2
Trade accounts receivable	**-**	**353.8**	**-**	**-**	**353.8**	**353.8**
Cash and cash equivalents	**-**	**576.4**	**-**	**-**	**576.4**	**576.4**
	124.3	**1,001.0**	**144.2**	**725.8**	**1,995.3**	**2,612.7**

in € million	Available-for-sale assets	Loans and receivables	Assets held for trading	Not allocated to any category	**Carrying amount**	Fair value
	Result by valuation category				Dec. 31, 2012	
Financial assets	**108.5**	**59.1**	**82.3**	**819.5**	**1,069.4**	**1,801.6**
Other investments	62.0	-	-	-	62.0	76.5
Loans	-	41.8	-	-	41.8	41.8
Securities and similar claims	46.5	-	-	-	46.5	46.5
Receivables from finance leases	-	-	-	793.2	793.2	1,510.9
Receivables from derivatives	-	-	66.0	26.3	92.3	92.3
Other financial assets	-	17.3	16.3	-	33.6	33.6
Trade accounts receivable	-	**358.8**	-	-	**358.8**	**358.8**
Cash and cash equivalents	-	**544.1**	-	-	**544.1**	**544.1**
	108.5	**962.0**	**82.3**	**819.5**	**1,972.3**	**2,704.5**

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The following tables provide a reconciliation of the financial liabilities:

in € million	Liabilities held for trading	Liabilities at amortized cost	Not allocated to any category	Carrying amount	Fair value
	Result by valuation category			Dec. 31, 2013	
Financial liabilities	**94.4**	**949.4**	**175.2**	**1,219.0**	**1,235.5**
Liabilities to banks	-	824.5	-	824.5	833.3
Loans from non-banks	-	14.5	-	14.5	15.1
Liabilities from finance leases	-	-	38.0	38.0	45.1
Liabilities from derivatives	91.8	-	128.4	220.2	220.2
Other financial liabilities	2.6	110.4	8.8	121.8	121.8
Trade accounts payable	**-**	**278.0**	**-**	**278.0**	**278.0**
	94.4	**1,227.4**	**175.2**	**1,497.0**	**1,513.5**

in € million	Liabilities held for trading	Liabilities at amortized cost	Not allocated to any category	Carrying amount	Fair value
	Result by valuation category			Dec. 31, 2012	
Financial liabilities	**65.4**	**991.8**	**170.5**	**1,227.7**	**1,258.2**
Liabilities to banks	-	859.4	-	859.4	882.4
Loans from non-banks	-	10.0	-	10.0	10.0
Liabilities from finance leases	-	-	51.3	51.3	58.8
Liabilities from derivatives	64.1	-	118.6	182.7	182.7
Other financial liabilities	1.3	122.4	0.6	124.3	124.3
Trade accounts payable	-	**240.9**	-	**240.9**	**240.9**
	65.4	**1,232.7**	**170.5**	**1,468.6**	**1,499.1**

The derivative financial instruments and other financial assets and liabilities for which hedge accounting is applied are not allocated to any of the categories defined in IAS 39.

The fair value determination of those financial instruments that are carried on the balance sheet at fair value is based on a three-level hierarchy:

Level 1: Quoted price in an active and accessible market
Level 2: Quoted price in an active market for similar financial instruments, or for identical or similar financial instruments in an inactive market, or input factors other than quoted market prices where the applied parameters are based on observable market data
Level 3: Valuation methods where the applied parameters are not based on observable market data

There were no reclassifications between Level 1 and Level 2 of the valuation hierarchy in the reporting period.

The following table shows the assignment of the fair values to the levels of the hierarchy:

in € million	Fair value of financial instruments based on Level 1	Level 2	Level 3	Dec. 31, 2013
Financial assets	**101.1**	**165.2**	**-**	**266.3**
Securities and similar claims	51.8	-	-	51.8
Receivables from derivatives	-	165.2	-	165.2
Other financial assets	49.3	-	-	49.3
Financial liabilities	**-**	**220.2**	**2.6**	**222.8**
Liabilities from derivatives	-	220.2	-	220.2
Other financial liabilities	-	-	2.6	2.6

in € million	Fair value of financial instruments based on Level 1	Level 2	Level 3	Dec. 31, 2012
Financial assets	**61.0**	**92.3**	**1.8**	**155.1**
Securities and similar claims	46.5	-	-	46.5
Receivables from derivatives	-	92.3	-	92.3
Other financial assets	14.5	-	1.8	16.3
Financial liabilities	**-**	**182.7**	**1.3**	**184.0**
Liabilities from derivatives	-	182.7	-	182.7
Other financial liabilities	-	-	1.3	1.3

The fair values of options under energy contracts are determined using valuation models on the basis of actuarial methods and are based on the clean dark spreads. In the above table, these fair values are assigned to level 3.

Significant non-observable input factors	Spread (weighted average)
Clean Dark Spread	+€ 1 per MWh to € -7 per MWh

A hypothetical reduction of power prices and therefore a reduction of the clean dark spread by € 0.10 per MWh leads to a € 0.8 million reduction in fair value (prior year: € 0.5 million). A hypothetical increase of power prices and therefore an increase of the clean dark spread by € 0.10 per MWh leads to a € 0.8 million increase in fair value (prior year: € 0.5 million).

The following overview shows the financial assets and financial liabilities that are offset according to IAS 32:

in € million	Recognized gross amount	Offsetting	Reported net amount	Corresponding non-offset amounts		Net amount Dec. 31, 2013
				Financial instruments	Cash collateral received/ posted	
Derivatives (positive market values)	165.2	-	165.2	-	-	165.2
Derivatives (negative market values)	220.2	-	220.2	-	-49.3	170.9
Options (negative market values)	2.6	-	2.6	-	-	2.6

in € million	Recognized gross amount	Offsetting	Reported net amount	Corresponding non-offset amounts		Net amount Dec. 31, 2012
				Financial instru-ments	Cash collateral received/ posted	
Derivatives (positive market values)	92.3	-	92.3	-	-	92.3
Derivatives (negative market values)	182.7	-	182.7	-	-14.5	168.2
Options (positive market values)	1.8	-	1.8	-	-	1.8
Options (negative market values)	1.3	-	1.3	-	-	1.3

The corresponding non-offset amounts comprise collateral required in advance in the form of cash deposits for stock market transactions.

The following presentation shows the development of financial instruments recognized at fair value in level 3:

in € million	Jan. 1, 2013	Changes: Recognized in the income statement	Changes: Recognized in OCI	Changes: Adjust-ments	Dec. 31, 2013
Other financial assets	1.8	-	-	-1.8	0.0
Other financial liabilities	1.3	8.7	-	-7.4	2.6

Gains and losses based on level 3 were recognized as follows in the income statement:

in € million	2013	Thereof: attributable to financial instru-ments still held on the reporting date
Gains and losses. level 3	**-8.7**	**-8.7**
Other operating expenses	-4.3	-4.3
Other financial income	1.3	1.3
Other financial expenses	-5.7	-5.7

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 and liabilities from finance leases, the fair value is equal to the minimum lease payments discounted at the country-specific weighted average cost of capital before taxes. For liabilities to banks, loans from non-banks and non-current loans, the fair value is determined as the present value of the future cash inflows or outflows under the assumption of valuation at an appropriate interest rate for the term.
In all other cases, the carrying amounts on the reporting date do not differ significantly from the fair values for trade accounts receivable and payable, loans, other financial assets and liabilities as well as cash and cash equivalents in view of their short maturities.

The following presentation shows the assignment of the fair values of financial instruments that are not included in the balance sheet at fair value:

	Fair value of financial instruments based on			Dec. 31, 2013
in € million	Level 1	Level 2	Level 3	
Financial assets	**23.0**	**48.1**	**1,344.7**	**1,415.8**
Loans	-	47.5	-	47.5
Receivables from finance leases	-	-	1,344.7	1,344.7
Other financial assets	23.0	0.6	-	23.6
Financial liabilities	**-**	**858.8**	**45.1**	**903.9**
Liabilities to banks	-	833.3	-	833.3
Loans from non-banks	-	15.1	-	15.1
Liabilities from finance leases	-	-	45.1	45.1
Other financial liabilities	-	10.4	-	10.4

The significant, non-observable input factors in determining the fair value of receivables and liabilities from finance leases are as follows:

Significant non-observable input factors	Spread (weighted average)
Country-specific weighted average cost of capital before taxes (WACC)	6 percent to 8.5 percent

A higher (lower) weighted average cost of capital before taxes decreases (increases) the fair value of the receivable or liability from finance leases. A hypothetical shift of the country-specific WACC by 100 basis points leads to a decrease in the fair values of receivables from finance leases by 6 percent or an increase by 7 percent. The fair values of liabilities from finance leases decrease or increase by 4 percent when the country-specific WACC shifts by 100 basis points.

Notional value of derivatives

The notional value of currency derivatives is the foreign exchange amount converted into the hedged currency. The notional value of interest derivatives is the sum of the hedged items during their term to maturity while the notional value of commodity derivatives is the hedged cost of acquisition translated into euros. The notional value of embedded derivatives corresponds to one of the above definitions of notional value, depending on the type of derivative.

The notional value of derivatives comprises the following items:

	Dec. 31, 2013		Dec. 31, 2012	
in € million	**Total**	Thereof non-current	**Total**	Thereof non-current
Currency derivatives	1,148.9	335.2	680.0	231.2
Interest rate derivatives	513.3	472.9	710.5	698.8
Commodity derivatives	2,409.1	923.3	1,510.0	525.8
	4,071.3	**1,731.4**	**2,900.5**	**1,455.8**

Derivatives with a remaining term to maturity of more than one year are recognized as non-current, even if their notional value rises or declines over their term.

Financial risk management

Since it operates internationally, the STEAG Group is exposed to financial risks in the normal course of business. A major objective of corporate policy is to minimize the impact of market, liquidity and default risks both 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. It is geared specifically to securing present and future potential for success and avoiding, preventing, managing and minimizing risks. Due to the fields in which it operates, the STEAG Group is exposed to constantly changing political, societal, 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 circumstances 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. A large proportion of debt, especially relating to the foreign power plants, is structured in a manner that ensures that – apart from limited exceptions – liability is confined to the relevant foreign project company.

Financial derivatives are used to reduce financial risks. They are entered into exclusively 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 forward exchange contracts and currency options, interest rate and currency swaps and interest rate caps. To hedge commodity risks arising from power, coal, freight and emissions certificates, 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. Scope, accountability and controls are defined in 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, and value at risk (VaR), accompanied by 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 relate to 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.

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 primary and 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. Hedging of floating rate loan liabilities (with an original term to maturity of more than one year) by interest rate swaps was almost 99 percent on December 31, 2013 (prior year: almost 99 percent).

Several scenario analyses were carried out to measure exchange rate and interest rate risk as at December 31, 2013. The table shows the impact on income before taxes and on other comprehensive income (OCI). The impact on equity, including the result for the period, is derived from the sum of the individual effects.

A change of 5.0 percent, 10.0 percent and 1.0 percent in the exchange rate of the US dollar, which is the most important currency for the STEAG Group, versus the euro was modeled to simulate the possible loss of value of primary and derivative financial instruments.

The scenarios are summarized in the table:

	Dec. 31, 2013		Dec. 31, 2012	
in € million	Impact on result	OCI	Impact on result	OCI
+5 percent	0.4	15.8	0.9	3.4
-5 percent	-0.5	-16.0	-0.9	-3.4
+10 percent	0.8	31.3	1.8	6.9
-10 percent	-1.1	-32.4	-1.8	-6.9
+1 percent	0.1	3.2	0.2	0.7
-1 percent	-0.1	-3.2	-0.2	-0.7

Several scenarios were also simulated for interest rates. These analyzed shifts of 50, 100 and 150 basis points 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. For this reason the possible loss of value of primary and derivative financial instruments is simulated. The results are shown in the table:

	Dec. 31, 2013		Dec. 31, 2012	
in € million	Impact on result	OCI	Impact on result	OCI
+ 50 basis points	-0.1	12.7	0.1	15.1
- 50 basis points	0.1	-13.8	0.0	-16.2
+ 100 basis points	-0.1	24.7	0.2	29.3
- 100 basis points	0.2	-28.2	-0.1	-33.5
+ 150 basis points	-0.2	36.0	0.5	42.6
- 150 basis points	0.3	-41.4	-0.1	-51.9

Commodity risks arise from changes in the market price of power, emissions certificates and raw materials, including the sea freight required for logistics purposes. The market price risk resulting from the marketing of the power generated by the Group comprises a change in the clean-dark spread as a combination of the market price (electricity price less currency-adjusted costs for the procurement of coal and carbon certificates). 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 relevant 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.

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The price risks arising from procurement and resale are logged and effective measures are defined to minimize the risks. These include, for example, agreeing on sliding price clauses and hedging via forward contracts. The principle is that financial derivatives may only be used in connection with the corresponding hedged transaction and the hedged item and hedging instrument must have opposite risk 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 1 percent in their market price was determined.

The following table shows the impact on income before taxes and on equity:

		Dec. 31, 2013		Dec. 31, 2012*	
in € million		Impact on result	OCI	Impact on result	OCI
CDS trading					
Power	+ 100 basis points	0.0	-5.4	-0.3	-2.5
	- 100 basis points	0.0	5.4	0.3	2.5
CO_2-certificates	+ 100 basis points	0.0	0.5	0.0	0.3
	- 100 basis points	0.0	-0.5	0.0	-0.3
Coal	+ 100 basis points	0.0	2.3	0.2	1.3
	- 100 basis points	0.0	-2.3	-0.2	-1.3
Fuel trading	+ 100 basis points	0.0	-0.2	0.0	-0.8
	- 100 basis points	0.0	0.2	0.0	0.8

* The results of energy contract options were still included in the prior year. This year they are reported separately, see Note (8.1).

The table shows the sensitivity of commodity derivatives. It does not show the opposite change in the value of the corresponding physical transactions. Commodity derivatives increased significantly compared with the prior year as there was a considerable increase in marketing of STEAG's generating capacity.

Where the criteria for hedge accounting are fulfilled, commodity, currency and interest derivatives are accounted for as fair value hedges, cash flow hedges or hedges of a net investment.

Hedge accounting

The use of hedge accounting for these derivative instruments underlines their role as hedges.

Depending on the type of transaction and the associated hedging strategy, the associated directives and procedures distinguish between the following types of commodity hedge:

Clean Dark Spread - CDS trading:

In forward sales of power generated by the Group's power plants, the focus is on hedging the margin between the cost of power generation (cost of fuel and emissions certificates) and the revenues from marketing the power. The forecast future cash flows are therefore hedged via standardized forward contracts. Wherever possible, these are accounted for as cash flow hedges. Individual transactions that are outside the marketing of the STEAG Group's own power plant capacity meet the own-use exemption criteria set out in IAS 39.6 and are therefore not recognized on the balance sheet.

Fuel for own use:

Regarding the procurement of fuel to generate power for own use, there may be a discrepancy in the timing of power procurement and its distribution. In addition, price risks may arise from the fact that the underlying pricing may be asynchronous. In such cases, prices are hedged via swaps. Depending on the physical hedged underlying transaction, these hedging instruments may be recognized as cash flow or fair value hedges.

Fuel trading on the external market:

The Group has long-term master agreements on the procurement and sale of imported coal, including the associated sea freight, and also utilizes short-time distribution opportunities. Where procurement and sale do not take place concurrently on the same price basis, price risks arise from the pending transactions. These risks are hedged using coal and freight swaps. Depending on the physical underlying transaction, they are accounted for either as cash flow or fair value hedges.

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

(1) Cashflow Hedge Accounting

To hedge fuel required for the external market, derivatives contracts with a fair value of € -0.1 million on the reporting date (prior year: € 4.6 million) were concluded. All of these expire in the coming fiscal year.

In the area of CDS trading, commodity derivatives with a fair value of € 9.8 million on the reporting date (prior year: € 6.8 million) were concluded. Of these, derivatives with a fair value of € 9.0 million will expire in 2014. Further, planned purchases of goods were hedged against exchange rate fluctuations with forward exchange transactions in the amount of € -7.0 million (prior year: € -7.0 million). Of these, derivatives with a fair value of € 6.2 million will expire in 2014. All other hedging instruments used for CDS trading are classified as non-current and have expiration dates between 2015 and 2018.

The value of the physical hedged items had moved in the opposite direction as at the reporting date.

Interest payments relating to the financing of power plant projects have been hedged up to 2027 with interest rate swaps and interest rate caps. The designated interest rate derivatives had a negative fair value of € 69.4 million (prior year: negative fair value of € 98.0 million), and the currency derivatives had a negative fair value of € 0.3 million (prior year: positive fair value of € 0.6 million).

For interest rate hedges, where interest rate options are used as the hedging instrument, evidence of effectiveness is provided using the intrinsic value method. As in the prior year, only a negligible amount was recognized in income as the ineffective portion of the valuation of cash flow hedges.

The option of hedge accounting provided for by IAS 39 prevents an accounting mismatch by ensuring that highly effective economic hedging relationships do not result in the recognition of profit 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 transaction is not recognized in the financial statements until its expiration date.
The compensatory changes in the value of the hedged item and hedging instrument are shown in income as at the expiration date. If a hedging relationship is highly effective, it has no or only little impact on profit or loss.

The effectiveness of the hedge relationships is proven at every reporting date using the hypothetical derivatives method. A regression analysis is used for this. Any ineffectiveness is determined using the dollar offset method.

A net hedging result of € 0.2 million was reclassified from the reserve for changes in the fair value of financial instruments used in hedging relationships to the income statement in 2013. This comprised € 13.7 million from currency and commodity hedges recognized in sales, € -13.3 million recognized in the cost of materials and € 0.1 million in other operating income. € -0.7 million from an interest rate hedge was recognized in the interest result. Further, € 9.3 million was capitalized as borrowing costs.

(2) Fair Value Hedge Accounting

Derivatives with a fair value of € 2.5 million (prior year: € 0.6 million) on the reporting date were concluded to hedge fuel required for own use. Thereof, hedging instruments in the amount of € 2.2 million (prior year: € 0.3 million) are maturing in 2014. The remaining hedging instruments have terms of 2015 to 2016. In the area of CDS trading, derivatives with a fair value of € 5.7 million (prior year: none) on the reporting date were concluded. Thereof, hedging instruments in the amount of € 1.3 million are maturing in 2014. All remaining hedging instruments have terms of 2015 to 2018.

Evidence of effectiveness is provided analogously to the procedure for cash flow hedge accounting.

In the case of fair value hedges, the fair value of both the derivative and the hedged underlying transaction is recognized in the income statement. In 2013, the hedged underlying transaction made a loss of € 8.2 million, while the derivative realized a gain of € 8.2 million.

(3) Hedge of a Net Investment

Investments in power plant projects are hedged against currency risks on a rolling basis using currency derivatives. As at December 31, 2013, the outstanding contracts had a notional value of US$ 126.3 million and expiration dates up to November 2015 (prior year: US$ 123.6 million and expiration dates up to July 2015). The corresponding positive fair value of the upcoming expiration of hedging instruments was € 0.6 million (prior year: negative fair value of € 0.1 million). On the reporting date, the reserve for gains/losses on hedging instruments contained income of € 73.8 million (prior year: € 72.4 million) from this net investment hedge.

(b) Liquidity risk

The liquidity risk comprises a risk that there might not be sufficient cash and cash equivalents to meet financial obligations. The STEAG Group has a flexible range of corporate financing instruments to meet capital requirements for day-to-day business, investments and the repayment of financial debt. A key focus is optimizing net working capital.

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Liquidity risk is managed through business planning to ensure 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 a financing status and rolling monthly liquidity planning. 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. The liquidity risk is classified as low.

The table shows the remaining maturity of the primary financial instruments based on the agreed dates for payment of the sum of interest and installment payments.

	Payments due in				**Dec. 31, 2013**
in € million	up to 1 year	more than 1-3 years	more than 3-5 years	more than 5 years	
Financial liabilities	**284.7**	**265.0**	**141.1**	**411.0**	**1.101.8**
Liabilities to banks	158.7	245.2	125.7	388.4	918.0
Loans from non-banks	8.4	5.5	0.7	0.5	15.1
Liabilities from finance leases	7.0	13.5	13.9	20.7	55.1
Other financial liabilities	110.6	0.8	0.8	1.4	113.6
Trade accounts payable	**278.0**	**-**	**-**	**-**	**278.0**

	Payments due in				Dec. 31, 2012
in € million	up to 1 year	more than 1-3 years	more than 3-5 years	more than 5 years	
Financial liabilities	**296.7**	**264.2**	**131.1**	**461.4**	**1.153.4**
Liabilities to banks	154.0	244.2	113.8	432.6	944.6
Loans from non-banks	1.5	5.3	3.0	1.5	11.3
Liabilities from finance leases	16.5	14.2	14.0	26.8	71.5
Other financial liabilities	124.7	0.5	0.3	0.5	126.0
Trade accounts payable	**240.9**	**-**	**-**	**-**	**240.9**

The STEAG Group has not infringed the payment terms agreed for its financial liabilities.

The breakdown of the sum of interest and installment payments by maturity in the following table relates to derivative financial instruments with positive and negative fair values. The table shows the net value of cash inflows and outflows. Since netting was not agreed for currency derivatives, they are presented as gross amounts.

	Payments due in				Dec. 31, 2013
in € million	up to 1 year	more than 1-3 years	more than 3-5 years	more than 5 years	
Receivables from derivatives	**714.8**	**471.9**	**1.9**	**-**	**1,188.6**
Currency derivatives	8.8	1.3	0.0	-	10.1
Cash inflows	311.5	100.4	21.6	-	433.5
Cash outflows	-302.7	-99.1	-21.6	-	-423.4
Commodity derivatives	706.0	470.6	1.9	-	1,178.5
Liabilities from derivatives	**-494.3**	**-255.4**	**-14.5**	**-12.7**	**-776.9**
Currency derivatives	-21.4	-5.3	-	-	-26.7
Cash inflows	482.1	208.1	-	-	690.2
Cash outflows	-503.5	-213.4	-	-	-716.9
Interest rate derivatives	-17.6	-27.2	-14.5	-12.7	-72.0
Commodity derivatives	-455.3	-222.9	0.0	-	-678.2

	Payments due in				Dec. 31, 2012
in € million	up to 1 year	more than 1-3 years	more than 3-5 years	more than 5 years	
Receivables from derivatives	**310.1**	**211.5**	**0.1**	**-**	**521.7**
Currency derivatives	4.0	1.3	0.1	-	5.4
Cash inflows	186.6	50.8	1.6	-	239.0
Cash outflows	-182.6	-49.5	-1.5	-	-233.6
Commodity derivatives	306.1	210.2	-	-	516.3
Liabilities from derivatives	**-235.4**	**-72.7**	**-22.4**	**-26.7**	**-357.2**
Currency derivatives	-5.3	-6.5	-	-	-11.8
Cash inflows	247.8	169.6	-	-	417.4
Cash outflows	-253.1	-176.1	-	-	-429.2
Interest rate derivatives	-18.9	-33.6	-22.4	-26.7	-101.6
Commodity derivatives	-211.2	-32.6	-	-	-243.8

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(c) Default risk

Credit risk management divides default risk into three categories, which are analyzed separately on the basis of their specific features: 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 company's biggest foreign customers include state-owned corporations, whose payment obligations are secured by state guarantees. 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 and debt are insured against political risks (expropriation, transfer risks, etc.). On the basis of this analysis, a maximum risk exposure limit is set for the contracting party. The credit standing of contracting parties is updated constantly via ratings or scoring processes.

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 our own internal credit analyses. In the case of investments with banks, the bank's liable capital and insurance limits in the deposit insurance system are also taken into account.

(8.2) Related parties

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

Related parties are KSBG KG and its shareholder Dortmunder Stadtwerke AG with the companies controlled by it. Insofar as a limited partner can exercise a material influence over STEAG GmbH, the companies under its control are regarded as related parties. In addition, Evonik Industries AG and the companies under its control are related parties.

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

	KSBG KG		Evonik Industries AG		STEAG affiliates		Joint ventures		Associated companies		Other related parties	
in € million	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Goods and services:												
supplied	0.1	0.1	0.7	1.5	0.2	0.1	5.1	3.0	19.2	9.2	36.3	62.3
sourced	-	-	0.1	-	4.6	-	1.0	0.6	-	-	7.2	12.1
Other income	0.4	0.7	-	0.6	0.3	0.2	5.8	1.2	0.0	0.1	0.0	0.1
Other expense	1.6	1.3	0.4	0.2	0.0	-	0.4	-	0.0	-	10.6	9.7
Receivables as at Dec. 31	21.7	17.4	0.2	0.4	3.9	7.1	27.3	0.2	1.6	1.5	14.5	15.6
Liabilities as at Dec. 31	96.0	110.0	0.0	0.1	0.6	0.3	6.3	3.4	-	-	0.6	1.0

On the reporting date, receivables and liabilities to KSBG KG mainly related to attributable taxes or tax allocations and the profit and loss transfer agreement.
The receivables from joint ventures mainly consist of a loan to Arenales Solar PS, S.L. (Spain).
Most of the transactions with associated companies and other related parties relate to fuel trading.

As at December 31, 2013, uncollectible receivables from related parties were impaired in the amount of € 3.9 million (prior year: none).

Related parties also include members of management who are directly or indirectly responsible for corporate planning, management and oversight of the activities of the STEAG Group, and members of their families. Within the STEAG Group, these are the Board of Management and Supervisory Board of STEAG GmbH, the 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 Power Saar GmbH, STEAG New Energies GmbH and STEAG Technischer Service GmbH.
The supervisory boards of the subsidiaries STEAG Power Saar GmbH, STEAG New Energies GmbH and STEAG Technischer Service GmbH cannot exercise a major influence on the STEAG Group.

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

	Board of Management of STEAG GmbH		Other management members	
in € million	**2013**	2012	**2013**	2012
Short-term remuneration	4.1	3.3	3.0	2.8
Current service costs for pension and other post-employment benefits	0.6	0.6	0.4	0.2
Termination benefits	1.7	-	-	-

Short-term remuneration comprises both amounts not related to performance and short-term performance-related payments.
The present value of the defined benefit obligations is € 9.5 million (prior year: € 8.0 million) for the Board of Management and € 8.6 million (prior year: € 7.4 million) for other members of management.
The total remuneration of members of the Supervisory Board of STEAG GmbH was € 0.4 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, 2013	Dec. 31, 2012
Guarantee obligations	72.8	46.8
Obligations under warranties and indemnity agreements	112.2	124.0
	185.0	**170.8**

Obligations under warranties and indemnity agreements include letters of comfort, some of which were issued in conjunction 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 obligations under guarantees, warranties and indemnity agreements is omitted for reasons of practicality.

Other financial commitments are outlined below:
The table shows the nominal value of obligations from future minimum lease payments for assets leased under operating leases with the following payment terms:

in € million	Dec. 31, 2013	Dec. 31, 2012
Due within 1 year	9.7	9.5
Due within 1 - 5 years	30.9	24.3
Due in more than 5 years	24.5	18.6
	65.1	**52.4**

There were no contingent rental payments in 2013 (prior year: none).

Income from subleases in the amount of € 0.5 million was recorded in 2013 (prior year: € 0.5 million). The future income from subleases totals € 2.6 million (prior year: € 3.2 million).

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(8.4) Events after the reporting date

No reportable events have occurred since the end of the reporting period.

Essen, March 10, 2014
STEAG GmbH
Board of Management

Rumstadt

Baumgärtner Dr. Cieslik Geißler

Combined management report as of December 31, 2013

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This management report is a combined report on the STEAG Group and STEAG GmbH. Business development at STEAG GmbH will be dealt with in a separate chapter. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU while the individual financial statements have been drawn up as per the provisions of the German Commercial Code (Handelsgesetzbuch).

Basis of STEAG Group

Business activities and corporate structure

Business activities

As a business with international scope, STEAG Group (STEAG for short) offers its customers integrated solutions in the fields of power and heat generation and provides technical services as well. Among the company's core competencies are the planning, construction and operating of both large power plants and distributed energy facilities, along with asset-based power trading. The Group's power and heat generation capacities are based on fossil fuels and renewable energy sources.

As one of Germany's largest electricity producers, STEAG operates power stations at ten sites and more than two hundred distributed plants to generate energy from renewable sources and distributed facilities serving industry and supplying heat. In December 2013, Walsum 10, one of Europe's most modern hard coal fired power plants, entered into operation. Based on many years of experience in the electrical energy, coal and CO_2 business, STEAG has accumulated comprehensive expertise in energy trading and has established a broad portfolio of products and services. In the fuels sector, STEAG is one of the leading importers and marketers of hard coal in Germany. STEAG purchases hard coal from the major producing nations to supply STEAG power plants and customers in the coal trading business alike. Overseas, STEAG operates its own hard coal fired power plants in Colombia, Turkey and the Philippines, working closely with local partners in each case. The power plant in Turkey is the largest foreign investment held by STEAG with an output of 1,320 megawatts (MW). The Group's total installed capacity worldwide comes to approximately 10,200 MW. Around 8,500 MW of this generating capacity is located in Germany.

STEAG has great expertise in modernizing existing power plants and offers solutions for customized energy supply, which are both environment-friendly and profitable. STEAG is a pioneer in high-efficiency technologies for hard coal based power generation. These technologies make a major contribution to resource conservation. STEAG is an expert in optimizing the entire value chain associated with power plant operation. STEAG is the European leader when it comes to reusing waste materials from hard coal power plants. In Germany, the Group occupies leading positions both in generating electricity and heat from mine gas and in recovering heat from geothermal sources. In addition, STEAG is one of Germany's leading operators of district heating systems, a major energy services contractor, and also operates biomass-based cogeneration plants in Germany. STEAG develops projects around the world, both to generate energy from renewable sources and for power plants using gas or coal. Comprehensive services and professional engineering solutions for every type of power generation are within the STEAG competence spectrum. The engineers at our subsidiary, STEAG Energy Services GmbH, are active around the world. Affiliated companies maintain operations in India, Brazil, Turkey, Switzerland and the United States. STEAG Energy Services (India) Pvt. Ltd., with its staff of over one thousand, is the STEAG foreign subsidiary with the largest workforce.

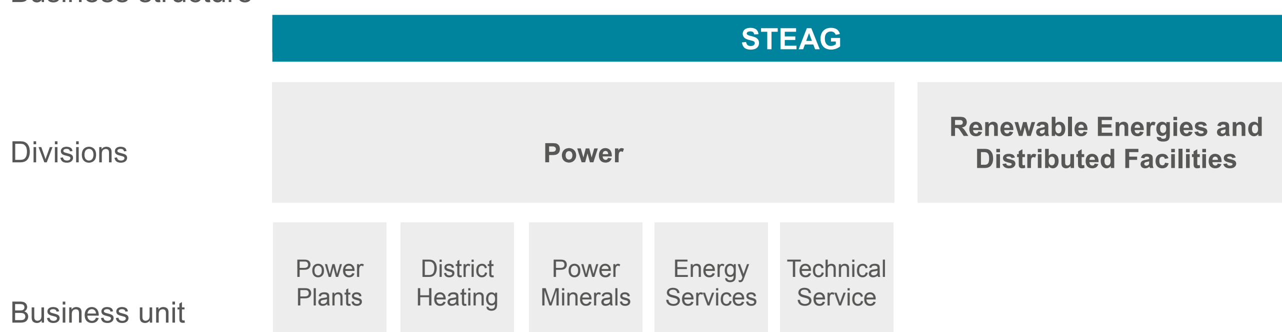
Ownership structure

On December 31, 2013, KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG (KSBG) held 51 percent of the shares in STEAG GmbH, while 49 percent of the shares were owned by RBV Verwaltungs-GmbH (RBV, a wholly owned subsidiary of Evonik Industries AG).

Evonik Industries AG, RBV and KSBG have concluded an agreement according to which RBV, during the period from January 1 to December 31, 2016, will be able to transfer all its STEAG GmbH shares to KSBG. Additionally, KSBG has an option, stipulated by contract, to purchase the remaining 49 percent of the shares from RBV during the period from January 1, 2014 to December 31, 2017.

Integrated business model

STEAG GmbH, headquartered in Essen, Germany, is the flagship and parent company of the Group. It holds the shares in the Group's subsidiaries, either directly or indirectly. STEAG GmbH is charged with the strategic and operational management of the Group's divisions, these being the Power division (with the Power Plant, District Heating, Power Minerals and Energy Services, Technical Service business units) and the Renewable Energies and Distributed Facilities division. This organizational structure mirrors the integrated business model adopted by STEAG.



In the Power division, both domestic and foreign projects form the basis for ambitious technical solutions in power plant operation. STEAG operates hard coal fired power plants at eight sites and oil refinery power plants at two locations in Germany. The three hard coal fired power plants in Turkey, Colombia and the Philippines are also attached to the Power Plant business unit. The District Heating business unit complements electrical generation activities in Germany by marketing the heat produced by cogeneration plants. The Power Minerals business unit is charged with profitable and sensible utilization of waste materials from hard coal fired power plants, destined primarily for the construction industry. For many years now, the engineers in the Energy Services business unit have been developing concepts for plants using both conventional and renewable fuels. They design and build these plants, offer environment-related technical services and provide IT-based solutions used to optimize power stations. STEAG will pool the expertise it gained through decades of experience in services, with particular emphasis on power plant maintenance and electrical grid services, in the Technical Service business unit.

Activities associated with distributed energy production (on the basis of both renewable energy sources and industrial and/or municipal power concepts) are pooled in the Renewable Energies and Distributed Facilities division.

Organizational changes

In order to successfully uphold its position in a tough market environment, the Supervisory Board of STEAG GmbH decided to make changes to the Board of Management of STEAG GmbH. It decided to create an additional business division and to combine the Technical and Market divisions. This will allow for closer correlation between production and marketing.

The foundation of STEAG Technischer Service GmbH enables STEAG to pool its 75 years of expertise in power generation, networks and industry and thereby offer maintenance services increasingly to third parties. These activities were further strengthened by the takeover of Wollschläger Service GmbH in 2013.

Important contracts

With the contract between Trianel GmbH, Fortum Service GmbH and STEAG GmbH of October 9, 2013, the operation of the coal fired power plant Lünen was transferred from Trianel GmbH to STEAG GmbH as of November 2013. The contract will initially run for eight years and includes the option to extend for another five years.

A marketing agreement was signed between RWE Generation S.E. and STEAG GmbH for the electricity generated at the Bergkamen Joint Venture Plant. RWE Generation S.E. previously held exclusive marketing rights. In future, STEAG will independently market its 49 percent share of the electricity of the Bergkamen Joint Venture Plant. STEAG will continue to operate the power plant.

Strategy

Strategic development

STEAG's strategy is based on three goals: the first is to diversify its power generation base even further, both inside Germany and abroad. The objective is to achieve a 25 percent share of renewable energy over the long term and to further enhance its expertise with regard to fossil-fueled power plants and the marketing of generated power. The second is to continue expanding STEAG's global activities and to become an international leader in engineering services associated with energy generation. The third is to establish STEAG as a leading municipal generating, trading and services platform in Germany and to expand business with industrial customers.

Having KSBG – a consortium of municipal utility companies – as its majority shareholder strengthens STEAG's position in the German energy market. The objectives are to keep the domestic power plants competitive in a changing business setting, while broadening the company's trading expertise. The trend toward distributed energy production offers opportunities for expanding business with municipal utility companies and local authorities with their strong local presence. This also includes enhancing the use of renewable energies (particularly in the fields of wind power, bioenergy and geothermal sources).

Thanks to its own approved plant sites in Germany, STEAG is flexibly positioned and is preparing, for instance, to invest in new projects such as gas fired power plants in cooperation with other companies, where economically viable. The planned expansion of the Ruhr district heating networks offers good opportunities. STEAG intends to grow internationally as well. The objective, on the one hand, is to participate in the growing global market for renewable energies and, on the other hand, to profit from the continued strong demand for high-efficiency coal-fired power plants. Particularly in countries showing strong growth in electricity demand, two examples being Turkey and India, STEAG's expertise in the construction and operation of fossil-fueled power plants is highly valued. STEAG's international business network, numerous reference projects in more than 60 countries, decades of engineering practice and expertise in plant operation all put the Group in an excellent position.

The future of the domestic power industry

Gas- and coal-fired power plants are under considerable pressure due to the rapid rise in the supply of renewable energies, the preference given to them as regards integration into the overall energy supply, the full auctioning of carbon credits beginning in 2013, the de-linking of natural gas prices from crude oil prices and the weak economic growth in the EU. Seen from today's perspective, this altered market environment will lead to a decline in domestic conventional power plant capacities. STEAG is meeting the challenges posed by the changes on the market head-on. In asset-based trading, the power plant network will be managed and operated as a single entity, taking into account the business environment as determined by the market.

In 2011, STEAG adopted a program to enhance its competitive position, resulting in a broadening of electricity commercialization and of the services being offered. This makes a contribution to optimizing power plant operations. In addition, measures have been implemented to reduce administration costs. All in all, the cost and revenue situation at the domestic power plants has already been significantly improved.

In light of the anticipated market situation, STEAG will introduce further improvements to power plant operations and administrative processes. It will also undertake measures to enable the Group to respond flexibly to market trends. These will include both expanding the spectrum of services and the currently required phasing out of operations at certain power plants. By setting up STEAG Technischer Service GmbH, the Group's expertise in maintenance operations will be pooled and continue to be available not only within the Group, but also increasingly to external customers. The need for phasing out power plants will be constantly reviewed in the light of the prevailing market conditions. Operations will continue at the individual generating units for as long as positive cash flows can be sustainably achieved. When power plants are inspected and significant repairs are deemed necessary, it will be essential to determine whether the required expenditures can be amortized. STEAG reserves the right to wait until the very last moment before making a decision on plant closures.

Flexible coal fired and other thermal power plants are at the heart of the required reorganization of Germany's energy system. Thermal power plants are indispensable in compensating for the fluctuation in power generation from renewable energy sources and the lack of sufficient storage capacities.

Research and development

Focus of research activities

The Group's research and development activities focus on advancing technologies which directly relate to STEAG's business. STEAG does not carry out any basic research as the primary interest is in optimizing power plant operation. Great importance is attached to making existing power plants more flexible. This includes lowering the minimum loads required for plant operation and finding alternatives for supplying start-up heat. Making conventional power plants more flexible is also the objective of the joint research project "partner steam power plants," which was initiated by Rhein-Ruhr Power e.V.

Storing electricity is rapidly gaining importance and STEAG's research and development activities have been focused on further appraisal of this technology. In 2013, vital experience was gained with battery systems and their use for primary and secondary control. The related "Lessy" joint project at our power plant Fenne is being phased out. STEAG is planning to conduct complementary experiments and gain additional experience with commercially available battery systems for this purpose. In the current energy turnaround, such system services are becoming increasingly important. Small scale storage facilities can be used both in a power plant setting and also on a distributed basis. Depending on the location, various synergies can be exploited.

STEAG supported investigations into CO_2-capture techniques at its plants in Herne and Lünen. It is STEAG's goal to develop options so that CO_2 need not be stored but can instead be used as a raw material in the chemical industry, for example, or as a storage medium (power to gas).

Turning fly ash into a product optimized for use by the cement industry saves landfill capacities and reduces CO_2 emissions. This is why potential applications are constantly being further developed. Photoment® is one such example. This involves catalytic active construction materials, which when applied to a large area, reduce pollutants through direct contact with the materials' surfaces. Photoment® can also be used to improve the quality of area in congested cities and to keep surfaces clean for longer and maintain their color.

Biomass will also play a pivotal role in the generation of renewable energies in future. As part of our research and development activities, we are also looking into how small hybrid solutions and torrefaction plants can be driven.

Economic report

Economic background

General economic development

Global economic growth revived during the course of 2013 on the back of an increase in industrial activity. However, global growth remained weak at the beginning of 2013 due to weak momentum in the second half of 2012. Subsequently, Germany's gross domestic product (GDP) again grew at a slower pace of 2.7 percent compared to the prior year (2012: 3.2 percent). The impact of the debt crisis in the Eurozone was contained and key reforms were initiated. The oppressive debt burden and ongoing structural problems remain risks for the European and global economies. The process of change initiated in the Eurozone will take time and will continue to have an impact on the global economy. China remains the main driving force behind the global economy. The Chinese economy grew by 7.6 percent in 2013, compared with 7.7 percent in 2012. Although the overall growth rate in emerging markets dropped (2013: 4.8 percent; 2012: 5.4 percent), it is still far higher than in industrialized countries. Besides economic factors, the expected tightening of monetary policy in the United States, which affected numerous currencies through the outflow of capital, poor refinancing conditions and severe depreciation pressure, led to a slowdown in economic growth.

The European debt crisis undermined overall economic output in Germany at the beginning of the year. However, the German economy revived during 2013 on the back of domestic growth. Private consumption and residential construction are benefiting from sustained growth in employment and low interest rates. The expected economic upswing has not yet materialized. GDP most likely grew 0.4 percent in 2013 after an increase of 0.7 percent in the prior year. Owing to the slowdown in economic growth, the labor market trend in Germany was flat. The unemployment rate based on the total civilian workforce was 6.7 percent in December.

Energy consumption and energy generation[1]

As a result of colder weather in the first half of the year, energy consumption in Germany increased around 2.6 percent in 2013 compared to the prior year. The economy hardly caused any effects leading to an increase in demand. The consumption of renewable energy was up almost 6 percent year-on-year, with the proportion of renewables in the primary energy mix remaining at just about 12 percent. There was a rise in consumption of natural gas (up 7 percent), hard coal (up 4 percent) and mineral oil (up 2 percent) due to the increase in heat generation in connection with the cold weather. Mineral oil and hard coal also benefited from the low world market prices. The consumption of nuclear energy (down 3 percent) and lignite (down 1 percent) declined.

Electrical power consumption declined slightly year on year by around 1.8 percent, but power generation remained practically unchanged, at 630 TWh in 2012 and 629 TWh in 2013 due to an increase in export surplus. Renewables now account for around 147 TWh of total power generated, which is approximately 23 percent of the total. By contrast, there was a sharp drop (down 14 percent) in the use of natural gas to generate power. Reasons for this were increasing use of renewable energy sources and the continued discrepancy between coal and gas prices. Energy generation from hard coal rose 6.5 percent to around 124 TWh. This led to an increase to around 20 percent in the share of total power generated. As in 2012, lignite accounted for the highest share of power generation at 25.8 percent, and increased by around 1 percent to about 162 TWh. Power generation from nuclear energy continued to fall and was down almost 3 percent to 97 TWh, with a share of just 15 percent of total power.

1 All data on energy generation and consumption are provisional data from AG Energiebilanzen e. V. and the German water and energy Industry association (BDEW).

Development of energy prices

The global economic slowdown, production of oil and gas from unconventional sources in the United States and the uncertain development in demand in China, the United States and in countries particularly affected by the European debt crisis, pushed down prices on the international commodity markets. Ongoing tension in the Middle East, particularly in Syria, had a counteractive effect. Crude oil prices were fairly stable in 2013. North Sea Brent Crude hit a high of US$ 118.90 per barrel (bbl) at the beginning of February 2013 but fell to US$ 97.69 per bbl in April 2013. The last time Brent traded in such a narrow range was in 2006. The average Brent price in 2013 was US$ 108.74 per bbl and US$ 2.97 per bbl higher than in 2012. The downward trend in hard coal prices registered in the prior year continued in 2013. The API #2, the relevant price index for hard coal in Europe, registered an annual average of US$ 81.68 per metric ton and hit an annual low in June with a monthly average of US$ 74.55 per metric ton. The global hard coal market is generally oversupplied. The production of oil and gas from unconventional sources in the United States and curtailed growth in China is hurting demand. On the supply side, the build-up of capacities in the past had an impact, as they were barely adjusted despite low margins.

In 2013, the European Parliament and EU Council of Ministers approved backloading, the temporary withholding of 900 million CO_2 certificates, within the third trading period. Nevertheless, the price for CO_2 certificates remained at a low level due to the weak economy and the fast pace of expansion of renewable energies. The average annual price was € 4.47 per metric ton and backloading is expected to be implemented in summer 2014.

The downward trend in electricity prices continued in 2013. The base price on EEX was € 37.82 per MWh in 2013, around 12 percent lower than in 2012 (€ 42.80 per MWh). The peak contract was down some 9 percent (average € 48.74 per MWh in 2013; € 53.70 per MWh in 2012). As in the prior year, the continued expansion of renewable energies was responsible for the decline in electricity prices in 2013. Low commodity and CO_2-prices also contributed.

Earnings position

Performance in 2013

In Germany, power consumption was slightly higher than in 2012. Due to weather conditions during the year, sales in 2013 were around 6 percent higher than the forecast for the current fiscal year. In 2013, overall earnings were far higher than in 2012 owing to the one-off factors in the current year. They include the reversal of impairment losses due to an adjustment of the discount rate for the risk assessment of the new power plant Walsum 10 (€ 91.9 million) and income from the arbitration proceedings in favor of the project company Compania Electrica de Sochagota S.A.E.S.P. (€ 43.3 million).

Income statement for the STEAG Group

in € million	2013	2012*
Sales	2,936.4	2,777.7
Change in inventories of finished goods	0.1	-6.8
Other own work capitalized	4.5	4.1
Other operating income	346.3	183.4
Cost of materials	-2,038.9	-1,903.0
Personnel expenses	-411.2	-387.2
Depreciation, amortization and impairment losses	-110.4	-103.5
Other operating expenses	-422.7	-313.7
Income before the financial result and income taxes	**304.1**	**251.0**
Interest income	25.5	7.4
Interest expenses	-64.0	-69.5
Result from investments recognized at equity	10.6	9.6
Other financial result	2.7	8.0
Financial result	**-25.2**	**-44.5**
Income before income taxes	**278.9**	**206.5**
Income taxes	-80.0	-21.4
Income after taxes	**198.9**	**185.1**
Thereof attributable to		
Non-controlling interests	88.5	65.2
Shareholders of STEAG GmbH (net income)	110.4	119.9

*Prior-year figures restated

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External sales by division

in € million	2013	2012	Change
			in %
Power	**2,692.3**	2,538.2	6.1
Renewable Energies and Distributed Facilities	**244.1**	239.5	1.9
STEAG Group	**2,936.4**	**2,777.7**	**5.7**

Sales increased 5.7 percent to € 2,936.4 million (prior year: € 2,777.7 million) primarily due to higher energy sales in domestic power plants. Sales also improved slightly year on year in Renewable Energies and Distributed Facilities largely on the back of the positive development in contracting and mine gas.

Depreciation, amortization and impairment losses totaled € 110.4 million (prior year: € 103.5 million) and included depreciation and amortization of intangible assets, property, plant and equipment and investment property amounting to € 99.6 million (prior year: € 97.7 million). The other operating expenses of € 422.7 million (prior year: € 313.7 million) include expenses from the valuation of derivatives (€ 146.3 million; prior year: € 82.2 million) and exchange losses from the valuation of foreign currency items (€ 17.6 million; prior year: € 14.8 million). These expenses compare to income from the valuation of derivatives (€ 159.2 million; prior year: € 90.9 million), and exchange gains from the valuation of foreign currency items (€ 13.9 million; prior year: € 18.5 million).

Income before the financial result and income taxes increased year-on-year from € 53.1 million to € 304.1 million. The interest result was minus € 38.5 million, above the prior year's level of minus € 62.1 million. Income before income taxes increased from € 206.5 million to € 278.9 million. Income tax expense was € 80.0 million (prior year: € 21.4 million). Income after taxes rose from € 185.1 million in 2012 to € 198.9 million in 2013.

EBITDA STEAG Group

	2013	2012*	Change in %
Sales in € million	**2,936.4**	2,777.7	5.7
EBITDA in € million	**366.1**	385.3	-5.0
EBITDA margin in %	**12.5%**	13.9%	

*Prior-year figures restated

EBITDA amounted to € 366.1 million after adjustment for one-off items amounting to € 54.6 million, which included additions of minus € 49.3 million including interest expenses to restructuring provisions and the reversal of impairment losses for the new Walsum 10 power plant of € 91.9 million. The year-on-year 5.0 percent drop was principally attributable to lower earnings from the Power division. The EBITDA margin decreased from 13.9 percent in 2012 to 12.5 percent in 2013.

Net income at € 110.4 million was slightly down on the prior year (€ 119.9 million).

Volume sales of energy

Total volume sales of energy from the Group's own facilities and those operated on behalf of its customers rose by 36.7 percent year on year to 52,083 $GWh_{ä}$[2] (prior year: 38,096 $GWh_{ä}$[2]).Volume sales of heat by the Renewable Energies and Distributed Facilities division fell by 0.5 percent to 2,103 GWh_{th} (prior year: 2,113 GWh_{th}) while the volume of power increased by 6.3 percent to 1,600 GWh_{el} (prior year: 1,506 GWh_{el}).

Peak utilization hours in the Power division amounted to 6,478 h_{el} (prior year: 4,739 h_{el}) and in the Renewable Energies and Distributed Facilities 4,604 h_{el} (prior year: 4,670 h_{el}).

2 Energy sales in GWh_{a} comprise both electric and thermal energy; thermal energy has been converted into the equivalent amount of electric power.

Financial condition

Financial risk management

The central objectives of STEAG's financial management are to safeguard the financial independence of the STEAG Group and limit refinancing risks.

STEAG GmbH manages borrowing, guarantees and sureties for Group companies centrally. STEAG GmbH has a flexible range of corporate financing instruments to meet capital requirements for day-to-day business, investments and the repayment of financial debt.

Financing policy

STEAG GmbH provides funding for the companies in the STEAG Group and manages surplus liquidity on their behalf at arm's length terms and conditions. To a limited extent, companies in the STEAG Group also borrow funds directly from banks and invest surplus liquidity with banks. In these cases, borrowing is secured by STEAG GmbH. The project companies' liabilities are basically secured through their cash flows and assets, and there is no recourse to the parent company STEAG GmbH. The three foreign power plant companies are financed through non-recourse project financing.

In Germany, cash pooling is managed by STEAG GmbH. To minimize external borrowing, surplus liquidity is used in a cash pool at Group level. This is used to cover financing requirements at other companies in the Group.

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Financing structure

As of December 31, 2013, STEAG had financial liabilities of € 1,219.0 million (prior year: € 1,227.7 million) and cash and cash equivalents of € 576.4 million (prior year: € 544.1 million).

The main components of non-current financial liabilities are liabilities to banks, principally for the Walsum 10 power plant and the foreign power plant companies.

€ 96.0 million (prior year: € 110.0 million) of the current financial liabilities of € 400.2 million (prior year: € 350.4 million) relate to the liability to KSBG under the profit and loss transfer agreement, including the corresponding share of taxes.

The main components of financial assets are receivables from finance leases totaling € 654.9 million (prior year: € 793.2 million), including current receivables of € 119.2 million (prior year: € 113.1 million).

STEAG has no other off-balance-sheet financing instruments which could have a material impact on its present or future earnings, financial position, liquidity or other balance sheet items.

Credit facilities have been arranged with banks. These exceed current needs. As the banks give STEAG GmbH a positive creditworthiness rating, the Group was able to obtain favorable terms for these credit lines.

The STEAG Group’s liquidity is secure.

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Capital expenditure

STEAG uses selective investment projects to maintain its good competitive position and expand into business activities and markets where it sees potential for sustained profitable growth and opportunities to generate reasonable returns. Every project undergoes detailed strategic and economic analyses, including sensitivity analyses and scenario analyses to reflect major risks. These projects have to meet business-specific, risk-adjusted minimum return requirements, which include covering the cost of central functions.

Capital expenditure and financial investments

in € million	2013	2012	Change
			in %
Power	**225.1**	163.2	37.9
Renewable Energies and Distributed Facilities	**134.8**	92.6	45.6
Other	**3.9**	6.1	-36.1
STEAG Group	**363.8**	261.9	**38.9**

Capital expenditure totaled € 363.8 million (prior year: € 261.9 million), well above depreciation and amortization, which amounted to € 99.6 million (prior year: € 97.7 million). In 2013, capital expenditure for property, plant and equipment increased by 67.5 percent to € 324.9 million (prior year: € 194.0 million).

At 65.5 percent, the Power division accounted for the lion's share of the capital expenditure for property, plant and equipment (€ 212.9 million; prior year: € 145.1 million). As in 2012, the largest single project was the construction of a 790 MW hard coal fired power plant in Duisburg-Walsum, Germany. The Renewable Energies and Distributed Facilities division accounted for a further 33.3 percent of capital expenditure for property, plant and equipment (€ 108.2 million; prior year: € 47.6 million). This capital expenditure primarily relates to wind parks in Romania, Germany and Poland. Regionally, the focus of capital expenditure in the STEAG Group was Germany, which accounted for 75.8 percent of the total (€ 246.4 million; prior year: € 149.3 million).

A key financial investment was the acquisition of a 100 percent share in Wollschläger Service GmbH.

Cash flow

Cash flow statement for the STEAG Group (condensed version)

in € million	2013	2012*
Cash flow from operating activities	472.2	306.4
Cash flow from investing activities	-237.4	-213.0
Cash flow from financing activities	-193.0	-255.2
Changes in exchange rates and other changes in cash and cash equivalents	-9.5	-0.8
Cash and cash equivalents as at December 31	576.4	544.1

* Prior-year figures restated

Cash flow from operating activities was € 472.2 million, up from year-on-year of € 306.4 million. The increase is partly attributable to the inflow of cash from the utilization of a performance guarantee related to the new Walsum 10 power plant. A final decision by the arbitration court on the claims is still pending.

Cash outflows for investing activities were € 237.4 million, below the prior year's level, which comprised cash outflows of € 213.0 million. The higher cash outflow is largely due to the increase in capital expenditure for property, plant and equipment. Cash flows for financing activities comprised net outflows of € 193.0 million, up from € 255.2 million in the prior year, mainly due to the increase in financial debt related to refinancing.

Asset structure

Structure of the balance sheet

STEAG Group: Structure of the balance sheet

in € million	2013*	2012*/**	2013*	2012*/**	
Non-current assets	2,800.0 (61.4%)	2,642.9 (63.6%)	1,256.3 (27.6%)	1,214.8 (29.2%)	Equity
			2,087.8 (45.8%)	2,069.6 (49.8%)	Non-current liabilities
Current assets	1,758.5 (38.6%)	1,514.5 (36.4%)	1,214.4 (26.6%)	873.0 (21.0%)	Current liabilities
Total assets	**4,558.5**	**4,157.4**	**4,558.5**	**4,157.4**	

* As at December 31

** Prior-year figures restated

Total assets increased by € 401.1 million from € 4,157.4 million in 2012 to € 4,558.5 million as of December 31, 2013. Non-current assets increased by € 157.1 million to € 2,800.0 million (prior year: € 2,642.9 million). This is mainly a result of expenditure on property, plant and equipment of € 324.9 million (prior year: € 194.0 million) and a reversal of impairment losses of € 91.9 million (prior year: € 9.7 million). Compared to capital expenditure, depreciation and amortization of intangible assets, property, plant and equipment and investment property amounted to € 99.6 million (prior year: € 97.7 million) and impairment losses totaled € 2.5 million (prior year: € 3.0 million). Current assets totaled € 1,758.5 million (prior year: € 1,514.5 million), an increase of € 244.0 million compared with year-end 2012. Non-current assets accounted for 61.4 percent of total assets (prior year: 63.6 percent). Coverage of non-current assets by non-current capital is 119.4 percent (prior year: 124.3 percent). Current assets exceed current liabilities by 44.8 percent (prior year: 73.5 percent).

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Equity rose by € 41.5 million to € 1,256.3 million (prior year: € 1,214.8 million). Owing to the increase in total assets, the equity ratio declined from 29.2 percent to 27.6 percent. Non-current liabilities increased by € 18.2 million, or 0.9 percent, to € 2,087.8 million (prior year: € 2,069.6 million). While liabilities to banks dropped by € 38.5 million to € 676.6 million (prior year: € 715.1 million), provisions increased. Pension provisions were up by € 35.2 million to € 826.0 million (prior year: € 790.8 million) due to an increase in benefit entitlements earned by employees. The € 28.2 million increase in other provisions to € 252.1 million (prior year: € 223.9 million) is primarily attributable to the increase in restructuring provisions. Current liabilities increased by € 341.4 million to € 1,214.4 million (prior year: € 873.0 million), mainly due to a € 239.5 million increase in other current provisions to € 403.2 million (prior year: € 163.7 million). Of this increase, precautionary measures relating to the ongoing arbitration proceedings against the consortium of general contractors for the new Walsum 10 power plant accounted for € 129.6 million.

Despite the negative one-off effects arising from restructuring measures, STEAG reported good results. Sales improved in both the Power and Renewable Energies divisions. Through targeted investments STEAG Group will strengthen its earnings power in future. The Group's financing and liquidity will remain a stable basis in fiscal year 2014.

Performance of STEAG GmbH

STEAG GmbH, which is headquartered in Essen, Germany, is the parent company of the STEAG Group. It holds the shares in the Group's subsidiaries, either directly or indirectly. STEAG GmbH is responsible for strategic and operational management of the Group's business activities. In addition, it is the largest single company in the Group with sales of € 2,141.9 million and total assets of € 2,521.0 million. The main subsidiaries in Germany are connected through control as well as profit and loss transfer agreements.

The annual financial statements of STEAG GmbH have been prepared in accordance with the accounting principles set out in the German Commercial Code (HGB). Owing to the separation of the business unit "Technical Service" with economic effect from January 1, 2013, comparison of individual items as of December 31, 2013 with those of 2012 are limited.

Income statement for STEAG GmbH

in € million	2013	2012
Sales	2,141.9	1,619.1
Change in inventories, own work capitalized	3.2	2.0
Other operating income	65.3	130.0
Cost of materials	-1,880.5	-1,420.7
Personnel expenses	-165.1	-176.3
Depreciation, amortization and impairment losses	-24.8	-25.8
Other operating expenses	-155.0	-145.7
Financial result	124.2	157.7
Result of ordinary business activities	**109.2**	**140.3**
Extraordinary result	**40.3**	**-31.2**
Taxes	-17.5	-5.9
Profit transfer	-89.0	-103.2
Net income/loss	**43.0**	**0.0**
Allocations to profit reserves	-43.0	-
Net profit	**0.0**	**0.0**

In 2013, STEAG GmbH's sales increased by € 522.8 million year on year to € 2,141.9 million (2012: € 1,619.1 million). The increase was achieved largely on the back of a rise in the supply of energy and other media, whereas sales from coal trading registered a decline. In 2013, sales mainly comprised € 1,270.3 million (2012: € 609.5 million) from the supply of energy, € 714.6 million (2012: € 893.0 million) from the supply of coal and € 128.2 million (2012: € 67.4 million) from operating and management fees. Revenues were generated with customers in Germany, other European countries and Latin America.

Other operating income of € 65.3 million (2012: € 130.0 million) mainly comprised income from the reversal of provisions, corporate charges, income from investment disposals and income relating to other periods in connection with the settlement of CO_2 certificates. Under Section 246 Paragraph 2 of the German Commercial Code (HGB), income from CO_2 certificates cannot be offset; other operating expenses of the same amount were recognized.

The cost of materials increased year on year in line with the increase in sales from the supply of energy.

The decline in personnel expenses compared to the prior year was due to the transfer of 295 employees to STEAG Technischer Service GmbH as part of the spin-off. On the other hand, higher expenses were incurred for restructuring measures in the amount of € 30.1 million.

Other operating expenses of € 155.0 million (2012: € 145.7 million) mainly comprised transportation costs and expenses relating to other periods in connection with the settlement of CO_2 certificates. In addition, other operating expenses include administrative and marketing costs, legal and consultancy fees, rents and insurance premiums as well as expenses from foreign currency valuations.

The financial result was € 124.2 million in the reporting period (2012: € 157.7 million). This was mainly a result of income of € 106.9 million (2012: € 111.4 million) from investments and income from profit and loss transfer agreements netted of € 54.6 million (2012: € 71.5 million).

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The extraordinary result in the prior year was due to impacts on income in connection with the Walsum 10 project relating to income from the revaluation of financial assets and the increase in provisions for impending losses from the marketing of power. Risk provisioning was re-assessed in the reporting period, resulting in net extraordinary income of € 57.7 million. Expenses from the write-down of the STEAG Power Saar GmbH interest amounting to € 13.7 million were recognized under extraordinary expenses. Risk provisions also include € 3.7 million to cover differences in the valuation of pension provisions resulting from application of the German Accounting Law Modernization Act (BilMoG). The remaining difference will be added to pension provisions in annual installments up to December 31, 2024.

Tax expenses primarily comprise income taxes of € 16.4 million (2012: € 9.1 million). This is largely a result of higher foreign withholding taxes of € 4.8 million (2012: € -2.3 million). This item includes trade tax of € 7.0 million (2012: € 6.8 million) paid to KSBG as the main company in the fiscal entity.

The company reported earnings before profit transfer of € 132.0 million. After profit transfer of € 89.0 million to KSBG, net income amounts to € 43.0 million. This was retained in accordance with Section 272 Paragraph 3 of the German Commercial Code (HGB).

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Balance sheet for STEAG GmbH

Assets

in € million	Dec. 31, 2013	Dec. 31, 2012
Intangible assets	3.9	4.9
Property, plant and equipment	160.3	153.6
Financial assets	1,254.3	1,062.3
Non-current assets	**1,418.5**	**1,220.8**
Inventories	152.9	120.9
Receivables and other assets	643.7	420.8
Securities	51.6	46.2
Cash and cash equivalents	252.1	382.4
Current assets	**1,100.3**	**970.3**
Deferred items	**2.2**	**2.3**
Total assets	**2,521.0**	**2,193.4**

Equity and liabilities

in € million	Dec. 31, 2013	Dec. 31, 2012
Issued capital	128.0	128.0
Capital reserve	77.5	77.5
Profit reserves	272.8	229.8
Equity	**478.3**	**435.3**
Special items with reserve allowance	11.5	12.7
Special items for investment subsidies for property, plant and equipment	0.8	1.0
Provisions	**794.2**	**659.2**
Liabilities	**1,228.7**	**1,080.8**
Deferred items	**7.5**	**4.4**
Total equity and liabilities	**2,521.0**	**2,193.4**

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Total assets of STEAG GmbH increased by € 327.6 million to € 2,521.0 million. Non-current assets increased by € 197.7 million to € 1,418.5 million (2012: € 1,220.8 million). Capital expenditure in property, plant and equipment and intangible assets amounted to € 28.4 million (2012: € 27.4 million), thus exceeding depreciation and amortization at € 17.2 million. Additions to property, plant and equipment in 2013 resulted from capital expenditure at power plant sites (€ 24.5 million; 2012: € 26.0 million), which were basically completed by the reporting date. The ratio of depreciation and amortization on property, plant and equipment and intangible assets (cumulative depreciation and amortization relative to the historical acquisition or production cost) was 90.4 percent (2012: 91.1 percent).

The main components of financial assets are the payments to the capital reserve of STEAG Walsum 10 Kraftwerksbeteiligungsgesellschaft mbH (€ 72.4 million), the capital contributions to Crucea Wind Farm S.A. (€ 26.1 million) and to Steag 1. Beteiligungs-GmbH for the Arenales solar thermal plant project in Spain (€ 12.4 million). The additional expenses arising from the delayed completion of Walsum 10 resulted in over-budget capital expenditure volumes and a subsequent write-down on the carrying amount of the STEAG Walsum 10 Kraftwerksbeteiligungsgesellschaft mbH investment. Due to a positive subsequent measurement and the adjustment of the discount rate, € 83.2 million of the impairment was reversed. An impairment of € 13.7 million was conducted for the STEAG Power Saar GmbH investment.

Current assets increased by € 130.0 million to € 1,100.3 million (2012: € 970.3 million). Inventories rose on the back of the acquisition of emissions certificates required for the first time since 2013 to € 152.9 million (2012: € 120.9 million). Inventories therefore rose to 6.1 percent of total assets (2012: 5.5 percent). Receivables and other assets increased by € 222.9 million to € 643.7 million (2012: € 420.8 million). This increase was mainly attributable to the increase in receivables from financial relationships from associated companies by € 60.1 million (€ 194,7 million; 2012: € 134.6 million), the sales-related increase in trade accounts receivable by € 37,7 million (€ 150.8 million; 2012: € 113.1 million) and the increase in other assets by € 79.5 million (€ 132.1 million; 2012: € 52.6 million). Cash and cash equivalents on the other hand were down € 130.3 million to € 252.1 million (2012: € 382.4 million).

In the fiscal year, a one-off € 43.0 million amount of reported net income was paid to profit reserves in accordance with Section 272 Paragraph 3 of the German Commercial Code for future capital expenditure in Renewable Energies. The equity ratio (excluding the special item with a reserve allowance) is now 19.0 percent (2012: 19.8 percent). Equity coverage of non-current assets is 33.7 percent (2012: 35.7 percent).

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Provisions increased by € 135.0 million to € 794.2 million (2012: € 659.2 million), while provisions for pensions and other post-employment obligations remained unchanged at € 433.8 million (2012: € 433.5 million). Pension provisions accounted for the lion's share of provisions at 54.6 percent (2012: 65.8 percent). Other provisions to cover impending losses from the marketing of power from the Walsum 10 project increased € 29.0 million to € 128.9 million (2012: € 99.9 million). Another increase in other provisions stemmed from the obligation to return emissions certificates and the increase in provisions for restructuring measures.

Liabilities increased by € 147.9 million to € 1,228.7 million (2012: € 1,080.8 million). This was mainly attributable to an increase in trade accounts payable to associated companies of € 58.2 million (2012: € 22.6 million) and an advance payment for future electricity supply of € 95.4 million received in 2013. In accordance with the profit and loss transfer agreement, a liability to KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG of € 96.0 million (2012: € 110.0 million) was recognized for profit transfer and tax allocations.

Non-financial performance indicators

Employees

Changes in the workforce

At the close of 2013, the STEAG Group employed 6,034 persons, 12 percent of whom were women. The average age of the staff worldwide was 43. Almost 38 percent of the employees worked outside Germany. The number of employees remained unchanged over the prior year. This was due to the following changes: The headcount increased due to additions for the operation of the coal fired power plant Lünen from Trianel GmbH and as part of the acquisitions of Wollschläger Service GmbH and STEAG Powitec GmbH (up 109 employees) and the expansion of foreign operations in Energy Services (up 81 employees). On the other hand, the headcount at the Power division was reduced (down 164 employees).

Employees by divisions

	Dec. 31, 2013	Dec. 31, 2012
Power	4,928	4,884
Renewable Energies and Distributed Facilities	772	783
Administration	334	366
STEAG Group	**6,034**	**6,033**

Apprenticeship training

Apprenticeship training at STEAG remains popular, as the constantly high number of applications demonstrates. In December 2013, 310 apprentices were being trained in various professions. This corresponds to a Group-wide ratio of 5.4 percent or 8.4 percent at STEAG GmbH. For years, STEAG has attached great importance to attractive and high-quality training programs, thereby assuming social responsibility and securing the company's future in terms of skilled employees.

Personnel development

In November 2013, the first “Network for High-Potential Junior Employees” was completed after two years. STEAG Energy Services GmbH initiated the first international development program, the Emotion group, with participants from Brazil, Germany, India, South Africa and the United States. Emotion stands for “Energy in Motion” and is an integral part of the employee development scheme SES. More than 30 employees in Germany have already begun to cooperate on projects, thereby expanding their networks.

For the participants of the EDP (“Energy-Development-Program”), the primary focus is on building and acquiring additional skills and establishing personal networks. Three other groups with a total of 43 employees from various business units of the STEAG Group started STEAG’s internal development program in 2013.

Managing occupational health and safety, and environmental protection

STEAG has been able to further reduce the number of accidents by systematically applying health and safety measures at the workplace. The Mindanao power plant in the Philippines is particularly noteworthy, as no accidents have been reported there in seven years. The number of operational accidents fell 12 percent from 51 to 45 reported accidents.

Certified occupational health and safety management systems were introduced in Germany in 2008; these comply with OHSAS 18001:2007 standards and have played a major role in improving outcomes in every business unit. The high health and safety standards at the workplace were confirmed by the recertification of various locations by the trade association. The Group’s foreign locations have similar high certified standards and the protection of health and safety at the workplace and are regularly audited.

As part of the initial inspections conducted by the authorities in accordance with industrial emissions directive (IED) for environmental protection, the management system and compliance with the relevant standards were reviewed. No deficiencies were detected in the reviewed power plants.

Company health management

Efficient and motivated workers are a necessary prerequisite for the company's ongoing success. STEAG's company health management is a strategic component of the company's demographic management.

Results of an evaluation of health matters form the basis of the system's further development. A second survey conducted in this regard provided fundamental insight into the health of the company's employees. The goal of STEAG's demographic strategy is to develop a health management system with the involvement of social security agencies.

STEAG was awarded by the Landschaftsverband Rheinland (LVR) for its operational integration management concept, which was lauded as an example for other companies. STEAG is putting all its effort into reducing sickness rates and to minimize the pressures of long-term sick leave or recurring sickness for both the company and in particular the employees.

The employment ratio of severely disabled or equivalent employees currently stands at around nine percent.

Company suggestion program

In 2013, STEAG was honored twice by the German Association for Business Administration. In the energy and energy supply sector, first prize went to the idea management system operated by STEAG Power Saar GmbH / STEAG New Energies GmbH. Second place was awarded to the company suggestion program implemented by STEAG GmbH.

The suggestions evaluated and implemented at STEAG in 2013 represented a measurable net annual benefit of € 5.6 million. In recognition of this, employees received bonuses totaling € 0.8 million.

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Corporate governance

Corporate Governance sets out the totality of principles and rules according to which the company is to be managed and supervised. It comprises mandatory and voluntary measures. Good corporate governance means lawful and responsible conduct which is both transparent and leads to sustained success. These principles are laid out in the German Corporate Governance Code, on which the Board of Management and Supervisory Board of STEAG bases their conduct and which forms an integral part of STEAG's corporate culture.

STEAG's compliance management system supports both management and employees in the observance and implementation of these principles. In order to prevent risks and infringements, the Compliance department regularly conducts training and information sessions. Well into 2013, the majority of employees Group-wide received several training sessions on anti-corruption and STEAG's code of conduct where they were made aware of these issues. Compliance officers provided active support to employees within the companies as well as on specific issues, thereby ensuring that compliance is guaranteed on a Group- and business-wide basis.

Compliance principles are also an integral part of contractual relationships as well as the operational activities of STEAG and its business partners. Moreover, the internal guideline system in STEAG's organizational handbook was expanded and specified with regard to compliance.

In additional to lawful and legal conduct and compliance with internal guidelines, responsible and ethical conduct in the workplace is part of STEAG's corporate culture.

STEAG is a signatory of the UN Global Compact and supports compliance with its ten principles in the areas of human rights, labor standards, environmental protection and fighting corruption. STEAG also applies the International Labor Standards of the International Labor Organization (ILO) and complies with the OECD directives for multinational companies. We also expect our business partners to adhere to these principles. This is also expressly governed in the contractual agreements with our business partners.

STEAG continues to build on the system of a sustainable supply chain. Suppliers may be informed of STEAG's principles through visits in person, by survey or by comprehensive checks in terms of possible infringements, and are contractually obliged to comply with these principles.

Within the STEAG Group, the Compliance department provides advice and support to management and employees in matters of day-to-day business as well as situations involving potential conflicts and risks. All Group employees implement the compliance principles.

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Events after the reporting period

No material changes in the situation of the company or the sector environment have occurred since the start of fiscal year 2014. However, the debate about the structure of the German power market and the system of subsidizing renewable energies in Europe has continued. Both issues could have an impact on the future development of STEAG's business activities.

Forecast, opportunities and risk report

Risk report

Risk strategy

Opportunities and risks constantly arise for STEAG in the course of its business activity. Risk management forms a central element in the management of the company and is geared specifically to securing present and future potential for success and avoiding, preventing, countering and minimizing risk. Early identification and utilization of opportunities can heighten the success of the Group.

Due to its fields of activity, STEAG 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

Structure and organization of risk management

STEAG has a Group-wide internal risk management system. Alongside organizational measures and internal control systems, risk management is supported by the Audit department as a process-unrelated controlling and consulting body.

The risk management system is organized on a decentralized basis in line with STEAG's organizational structure. The organizational units bear prime responsibility for the early identification of risks, estimating their implications, introducing suitable preventive and control measures and for the related internal communication of opportunities and risks. Risk officers within the organizational units are responsible for coordinating the relevant risk management activities. The Corporate Controlling department coordinates and oversees the processes and systems at STEAG. It is the contact for all risk officers and is responsible for information, documentation and coordination at Group level. Further responsibilities include ongoing development of the methodology used by the risk management system.

Risk management is a central element in STEAG's controlling processes at all levels, and covers 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 circumstances are systematically identified and documented, and the probability of the risks occurring and the potential damage are evaluated. All organizational units are required to provide details of action to be taken with regard to the opportunities and risks identified in the risk inventory, and their implementation is monitored. The inventory, which looks at opportunities and risks over a short-term period of one year as well as for a medium-term period of at least five years, is supplemented by monthly reports on changes in opportunities and risk factors previously identified and those newly identified relating to the current year.

Overall risk assessment

Taking into account measures that are planned and have been implemented, no risks have been identified that — either individually or in aggregate — could jeopardize STEAG's as a going concern.

Risks are subdivided into strategic, operational, financial and other risks.

Strategic risks

Changes in the present regulatory framework could have a significant impact on STEAG's planned investments and earnings position. Its business activities are exposed to strong and dynamic competition, which increases volume and price risks.

At present, it seems that the altered market conditions in Germany could result in a decline in domestic power generating capacity on economic grounds. This would be driven first and foremost by the promotion of renewable energies, which is unrelated to demand, and the priority given to feeding it into the grid. This preferential treatment is likely to drive out both power plants that stabilize the system and highly efficient co-generation plants, thereby holding back the systems and market integration of renewable energies. Unless the present energy policy is modified, STEAG will be forced to scale back its present power plant capacity in Germany in the medium term and will not be able to invest in conventional energy generating facilities in this country as the present market model does not give it any incentive to do so.

Political risks in emerging markets where STEAG operates its foreign power plants are covered through investment guarantees from the Federal Republic of Germany and credit insurance from the states that have granted export credits. Consequently, loss of STEAG's capital investment is essentially excluded.

Operational risks

In view of the long-term nature of the power plant business, preventive risk management is particularly important. Central elements are careful analysis of market conditions and the general business framework, risk limitation through mid- to long-term contracts, the use of high-quality technology and acceptance of the plants by the local community. The quality of communication with customers, suppliers and local residents and operation of the plants in conformance with the highest environmental standards form the basis for long-term success.

Price trends on the fuel markets and their impact on electricity prices, coupled with the altered energy mix in Germany, have a major influence on STEAG's earnings. In the past, its business model in Germany has been based on conclusion of long-term agreements involving the provision of capacity reserves. Since 2013, a rising proportion of the power generating capacity can be marketed on the open market. The structure of the company's contractual partners is also far more diversified. STEAG started to alter its business model at an early stage to take account of the higher dependency on market prices resulting from changing marketing conditions (for example, the development of the price of coal and gas, and peak shaving as a reflection of the preferential treatment given by grid operators to power from renewable resources, and the increase in the number of photovoltaic installations). The company therefore combined its power, coal and CO_2

activities in a single unit. Alongside trading in imported coal and contracts requiring the provision of capacity reserves, a diversified product and customer portfolio was built up. The objective is to ensure a balanced opportunity/risk profile.

New rules and management systems have therefore been established to address market price and credit default risks so that the available power generating capacity can be marketed within clearly defined value limits.

The basis is an overall risk framework that has been approved by the owners of STEAG GmbH. The main risks and the associated value limits refer to power generating capacity at STEAG in Germany that has not yet been marketed and its current treatment by the energy trading unit as a basis for marketing it in a specific future period. Against this background, the new risk framework defines the scope for business activities, including coal trading activities. The potential risk arising from these trading activities is monitored and restricted through value at risk and mark-to-market indicators. Operational controlling of price risks is undertaken by the trading unit's back office. All positions, their fair value, value at risk and utilization of limits are determined and evaluated on a daily basis.

Given STEAG's power plant infrastructure in Germany, one challenge facing the Group is the reduction in the mining of hard coal with a high ballast content, especially in view of the alternative sources of imported coal. Technical and process-related measures are being taken to address this challenge.

Risk factors for STEAG arise from the regulatory framework for the operation of power plants. The environmental requirements for the operation of power plants are met in full. Further risks arise from the energy policy framework, which could affect STEAG's business performance. These include, in particular, future regulatory measures to further reduce CO_2 emissions. STEAG therefore has a clear focus on work designed to reduce the specific CO_2 emissions of its power plants by further increasing efficiency and using innovative technologies. In view of their long-term nature and the large amount of capital involved, investment decisions involve complex and wide-ranging risks. STEAG has defined structured responsibilities and approval procedures for the preparation, implementation and monitoring of such decisions. It identifies price risks related to the procurement and resale of coal, freight, CO_2 certificates and electricity, and takes effective measures to minimize them.

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Financial risks

Foreign currency risks mainly relate to the procurement and pricing of fuel requirements. They are hedged using suitable financial instruments.

For details of risk reporting on the use of financial instruments, please refer to the relevant section in the notes to the consolidated financial statements.

Planned dividend payments by the Group's foreign companies outside the Eurozone are hedged against fluctuations in exchange rates. In addition, at Compania Electrica de Sochagota S.A.E.S.P. (CES) (Colombia), COP-based costs are hedged against fluctuations in the exchange rate of the US dollar. By contrast, the risks arising from translation of the annual financial statements of foreign subsidiaries into euros at actual exchange rates compared with budgeted exchange rates (translation risks) are not hedged.

Other risks

The STEAG Group is exposed to normal legal risks arising in the course of business from contractual relationships with customers and business partners, and technical risks relating to the operation of plants, especially large-scale plants. Adequate provisions are recognized in the event of legal disputes with contractual partners, in consultation with the relevant specialist departments.

In the construction of the Walsum 10 power plant, it was necessary to replace boiler components, which put construction work behind the original schedule. This gave rise to a risk of additional expenditures, delayed earnings resulting from late start-up and the need for bridging finance. Since the 2011 annual report, this has been taken into account through a thorough valuation. Commercial operation started in December 2013. The legal dispute with the consortium of general contractors consisting of Hitachi Ltd. and Hitachi Power Europe GmbH began with the initiation of arbitration proceedings.

Risks relating to STEAG GmbH

As the parent company and head of the STEAG Group, STEAG GmbH, which is based in Essen, Germany, has control and profit and loss transfer agreements with most subsidiaries in Germany. It therefore manages most of the Group's risks in Germany. At the same time, it is the largest single company in the Group. The risks outlined for the STEAG Group therefore essentially apply to STEAG GmbH as well.

Opportunity report

STEAG's optimization program comprised projects to cut costs, optimize processes and structures, broaden marketing and develop new business activities. Rapid and successful implementation of the measures associated with these projects could improve earnings.

There are good opportunities for further successful development of the business in the relevant target markets of STEAG. In Germany, STEAG now has a strong position in renewable energies, a field that is to be extended further. STEAG's international focus is to be pushed over the next few years. The focus in past years on gaining a foothold in high-growth markets and attractive regions is paying off.

Growth in selective international markets

STEAG will focus on developing projects in those countries where it has already gained extensive business experience.

The Turkish energy market also offers future potential for STEAG. It is currently developing a 60 MW wind farm.

STEAG has had a presence in Romania as an engineering services and project development company for about ten years. In the wind energy segment, the Group is currently involved in Crucea North, a major wind farm project of over 100 MW on Romania's Black Sea coast.

The Asia-Pacific region also offers considerable growth potential for STEAG. In particular, there are very good opportunities in India, where STEAG has had a successful presence for years. This is an area where STEAG can offer its special expertise in the planning, construction and operation of hard coal fired power plants. Further business opportunities are emerging in Southeast Asia, where STEAG is currently working on several project concepts, primarily in Indonesia.

STEAG also has many years of experience in the Brazilian energy sector. It is currently working on several biomass projects, which serve both public and industrial energy supply.

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Municipal partnerships and renewable energies in Germany

STEAG supports municipal partners in Germany by making its expertise in energy generation available to them. It has worked successfully with local authorities for many decades, either through joint ventures or under contract to special purpose entities. Through its new ownership structure, these links have been strengthened since 2011. For example, the ownership structure offers opportunities for growth in renewable energies. In Germany, municipal utilities account for more than half of power sales although they have only few generating facilities of their own. STEAG offers them access to its generating capacity and is planning to realize new energy generation projects in collaboration with municipal utilities.

The STEAG Group wants to utilize the opportunities offered by expansion of renewable energies Germany. STEAG is currently realizing a wind farm in Brandenburg with a total output of 43 MW. The last section of construction is expected to enter operation in October 2014. It benefits from its long-standing experience as a project developer and especially its expertise in permitting procedures and necessary contracts, including financing and project realization.

Opportunities for STEAG GmbH

As the parent company of the STEAG Group, STEAG GmbH manages most of the Group's business opportunities. The main opportunities correspond to those outlined for the Group.

Outlook

General economic development

The German central bank (Bundesbank) forecasts a sharp 1.7 percent rise in Germany's GDP. The main factors which support this forecast are the good condition of the German economy, low interest rates and a revival in foreign trade thanks to the brighter economic outlook in industrialized countries and signs of an improvement in the Eurozone. Risk factors here are the huge debt burden and continued structural problems, which can potentially destabilize the European and global economy. On the other hand, the domestic economy could be impacted by a series of measures outlined in the coalition agreement.

It is assumed that global economic growth is gradually picking up. The driving force behind this is not emerging markets, as has been the case in the last five years, but industrialized countries. In the Eurozone, huge discrepancies between member countries will continue to exist. Production in crisis countries will only rise marginally or contract. Stable economies on the other hand will see an upturn.

Development of the energy sector

Continued expansion of energy generation from renewable sources will result in a further reduction in conventional power generation in Germany and have a perceptible impact on electricity prices. Analysts and traders assume that the prices on the electricity exchanges will trade at low levels in the midterm. At the same time, the prices charged to consumers will rise as they also include costs for distribution, expansion of the grid, taxes and levies. Owing to the Federal Government's goals to reduce primary energy consumption and increase energy efficiency, electricity consumption in Germany is expected to stagnate or decline in the next few years despite the positive economic outlook.

Strategic and operational challenges

STEAG is facing specific challenges in the coming years. The shift in German energy policy has significantly altered the framework for power plant operators. The preferential treatment of renewable energies is putting pressure on the earnings of operators of fossil fuel power plants. In view of the altered operating conditions for hard coal fired power plants in Germany, the Group is optimizing cost and revenue structures at its power plants. In addition, administrative structures and processes are being reviewed and, where necessary, adjusted. These measures should bring considerable savings in the years ahead. Further, STEAG aims to adapt to the rising demands in the marketing of power generating capacity and power. Here, it is taking action so that it can respond flexibly to changing market conditions. This includes the expansion of the service portfolio and the current need to shut down power plants. A decision on the timing of such shutdowns will be taken as late as possible. Generating power and heat in Germany are key elements in STEAG's business model. The Group will therefore utilize every opportunity that allows economic operation of its present power plant capacities.

STEAG is already an established market partner for the operation of power plants for third parties in Germany and abroad. It also provides external partners with operatives with a wide range of qualifications, either for the operation of power stations or for assignments in related sectors. The business unit Technical Services pools the company's expertise in the services field, with particular emphasis on power plant maintenance and electrical grid services. The increasing marketing of services to third parties will strengthen the service portfolio.

After the successful start-up of the power plant Walsum 10, the follow-up to the initiated arbitration proceedings against the consortium of general contracts consisting of Hitachi Ltd. and Hitachi Power Europe GmbH remains an important task. The asserted claims refer to construction deficiencies and the delay in the completion of the Walsum 10 power plant.

Turning to STEAG's strategic alignment, one focal area of planned growth will be renewable energies with a view to increasing the diversification of the generating portfolio. Growth should be both national and international and requires stable financial conditions. To implement this growth strategy, STEAG will be focusing principally on the realization of wind energy projects. Furthermore, the present business activities in the fields of geothermal energy and biomass are to be stepped up.

The strategic focus and possible leveraging of synergies between STEAG and its majority owner provide an opportunity to improve the Group's market presence. We also expect this collaboration to provide impetus for the District Heading and Energy Services operations.

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Operating result

We are forecasting sales of € 2.7 billion for the Group in fiscal year 2014, which is slightly below the prior year's level. EBIT[3] in 2014 is expected to be in line with the level of 2013. Declining income from finance leases at foreign power plants will probably be offset by the start-up of the Walsum 10 power plant.

The future development of the Group will be influenced principally by the planned capital expenditure. Nearly € 440 million in capital expenditure is scheduled for 2014 and will focus on building up new business activities; almost € 340 million is scheduled for new construction projects. Within the established business, selective capital expenditure will be channeled to raising the operating efficiency of power plants.

General information on expected developments

STEAG assumes that the opportunities arising from its strategic focus and, in particular, the planned investment in growth areas will help it maintain its good position in the energy market and expand into key segments.

[3] This refers to earnings before the financial result and income taxes after adjustment for the non-operating result. For details how it is derived, please refer to the section "Earnings position".

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Expected development of STEAG GmbH

The planned operating result for 2014 should improve slightly compared to 2013. Maintenance expenditure is expected to fall sharply once the measures undertaken at the Voerde site are completed. Major overhauls are planned at the sites in Walsum, Herne, Fenne and Welher, and at Voerder, Bergkamen and Bexbach, where the Group has operation and maintenance contracts.

Essen, March 10, 2014
STEAG GmbH
The Board of Management

Rumstadt

Baumgärtner	Dr. Cieslik	Geißler

This report contains forward-looking statements based on the present expectations, assumptions and forecasts made by the Board of Management and the information available to it. These forward-looking statements do not constitute a guarantee of future developments and earnings expectations. Future performance and developments depend on a wide variety of factors which contain a number of risks and unforeseeable factors and are based on assumptions that may prove incorrect.