

# STEAG GmbH Essen

Short-form audit report  
Consolidated financial statements and combined management  
report of the Group and the Company  
31 December 2021

*Translation from the German language*

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft





*Translation from the German language*

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General Engagement Terms

**Note:**

We have issued the auditor's report presented below in compliance with legal and professional requirements subject to the conditions described in the enclosed "Engagement Terms, Liability and Conditions of Use."

If an electronic version of this document is used for disclosure in the *Bundesanzeiger* [German Federal Gazette], only the files containing the financial reporting and, in the case of a statutory audit, the auditor's report or the attestation report thereon are intended for this purpose.



*Translation of the German independent auditor's report concerning the audit of the consolidated financial statements and the group management report prepared in German*

## **Independent auditor's report**

To STEAG GmbH

### **Opinions**

We have audited the consolidated financial statements of STEAG GmbH, Essen, and its subsidiaries (the Group), which comprise the consolidated income statement and the consolidated statement of comprehensive income for the fiscal year from 1 January 2021 to 31 December 2021, the consolidated balance sheet as at 31 December 2021, consolidated statement of changes in equity and consolidated cash flow statement for the fiscal year from 1 January 2021 to 31 December 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of STEAG GmbH, which was combined with the management report of the Company, for the fiscal year from 1 January 2021 to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of the declaration on corporate governance pursuant to Sec. 289f (4) HGB ["Handelsgesetzbuch": German Commercial Code] in conjunction with Sec. 315d HGB included in section 2.5 "Non-financial performance indicators - Declaration on corporate governance with regard to gender quotas" of the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- ▶ the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and, in compliance with these requirements, give a true and fair view of the assets and financial position of the Group as at 31 December 2021, and of its earnings position for the fiscal year from 1 January 2021 to 31 December 2021, and
- ▶ the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the declaration on corporate governance referred to above.



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Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

### **Basis for the opinions**

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

### **Other information**

The executive directors are responsible for the other information. The other information comprises the explanations included in section 2.5 "Non-financial performance indicators - Declaration on corporate governance with regard to gender quotas" of the management report, which was combined with the group management report.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- ▶ is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- ▶ otherwise appears to be materially misstated.



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If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report**

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, financial position and earnings position of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.



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## **Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.



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- ▶ Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- ▶ Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, financial position and earnings position of the Group in compliance with IFRSs as adopted by the EU.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- ▶ Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.



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- ▶ Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Düsseldorf, 28 April 2022

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Hollweg  
Wirtschaftsprüfer  
[German Public Auditor]

Glückselig  
Wirtschaftsprüferin  
[German Public Auditor]

## Consolidated financial statements

### Income statement for the STEAG Group

in € million	Note	Year	
		2021	2020
Sales	(5.1)	2,766.5	2,018.4
Change in inventories of finished goods		8.8	2.2
Other own work capitalized		1.4	1.2
Other operating income	(5.2)	1,197.5	298.8
Cost of materials	(5.3)	-1,964.7	-1,241.3
Personnel expenses	(5.4)	-387.9	-441.2
Depreciation/amortization and impairment losses	(5.5)	-386.8	-393.9
Other operating expenses	(5.6)	-884.9	-300.5
<b>Income before the financial result and income taxes</b>		<b>349.9</b>	<b>-56.3</b>
Interest income	(5.8)	15.3	12.8
Interest expense	(5.8)	-85.5	-71.2
Result from investments recognized at equity	(5.9)	2.2	-2.8
Other financial income	(5.10)	0.1	0.1
<b>Financial result</b>		<b>-67.9</b>	<b>-61.1</b>
<b>Income before income taxes</b>		<b>282.0</b>	<b>-117.4</b>
Income taxes	(5.11)	25.6	-52.9
<b>Income after taxes</b>		<b>307.6</b>	<b>-170.3</b>
Thereof attributable to			
Non-controlling interests		52.5	60.8
Shareholders of STEAG GmbH (net income)		255.1	-231.1

## Statement of comprehensive income for the STEAG Group

in € million	Note	Year	2021	2020
<b>Income after taxes</b>			<b>307.6</b>	<b>-170.3</b>
Thereof attributable to				
Non-controlling interests			52.5	60.8
Shareholders of STEAG GmbH (net income)			255.1	-231.1
<b>Comprehensive income to be reclassified subsequently to profit or loss</b>			<b>34.8</b>	<b>-51.2</b>
Thereof attributable to				
Valuation of financial instruments in hedging relationships			29.8	-14.4
Differences arising from currency translation			18.3	-34.7
Investments recognized at equity			-0.8	-0.4
Deferred taxes			-12.5	-1.7
<b>Comprehensive income that will not be reclassified subsequently to profit or loss</b>			<b>129.3</b>	<b>-87.1</b>
Thereof attributable to				
Remeasurement of the net defined benefit liability from defined benefit plans			83.4	-90.0
Valuation of other investments			-11.5	-5.3
Deferred taxes			57.4	8.2
<b>Other comprehensive income after taxes</b>	<b>(6.10)</b>		<b>164.1</b>	<b>-138.3</b>
Thereof attributable to				
Non-controlling interests			25.6	-17.3
Shareholders of STEAG GmbH			138.5	-121.0
<b>Total comprehensive income</b>			<b>471.7</b>	<b>-308.6</b>
Thereof attributable to				
Non-controlling interests			78.1	43.5
Shareholders of STEAG GmbH			393.6	-352.1

## Balance sheet for the STEAG Group

in € million	Note	Dec. 31, 2021	Dec. 31, 2020
Intangible assets	(6.1)	139.4	161.9
Property, plant and equipment	(6.2)	1,160.1	1,481.2
Investment property	(6.3)	7.1	13.3
Investments recognized at equity	(6.4)	67.9	67.6
Financial assets	(6.5)	343.0	370.7
Deferred taxes	(6.15)	154.9	24.7
Contract assets	(6.7)	22.9	14.9
Other receivables	(6.7)	17.2	7.1
<b>Non-current assets</b>		<b>1,912.5</b>	<b>2,141.4</b>
Inventories	(6.6)	260.2	152.2
Currant income tax assets	(6.15)	12.3	8.6
Trade accounts receivable	(6.7)	587.8	357.9
Contract assets	(6.7)	42.1	41.4
Other receivables	(6.7)	195.1	91.6
Financial assets	(6.5)	814.7	169.3
Cash and cash equivalents	(6.8)	340.9	466.0
		<b>2,253.1</b>	<b>1,287.0</b>
Assets held for sale	(6.9)	325.3	336.3
<b>Current assets</b>		<b>2,578.4</b>	<b>1,623.3</b>
<b>Total assets</b>		<b>4,490.9</b>	<b>3,764.7</b>
Issued capital		128.0	128.0
Reserves		-363.8	-597.2
<b>Equity attributable to shareholders of STEAG GmbH</b>		<b>-235.8</b>	<b>-469.2</b>
Equity attributable to non-controlling interests		236.4	360.3
<b>Equity</b>	<b>(6.10)</b>	<b>0.6</b>	<b>-108.9</b>
Provisions for pensions and other post-employment benefits	(6.11)	1,229.7	1,321.3
Other provisions	(6.12)	221.7	214.2
Deferred taxes	(6.15)	26.9	39.6
Financial liabilities	(6.13)	759.6	1,006.3
Contract liabilities	(6.14)	12.6	8.1
Other liabilities	(6.14)	5.0	13.8
<b>Non-current liabilities</b>		<b>2,255.5</b>	<b>2,603.3</b>
Other provisions	(6.12)	684.7	402.0
Currant income tax liabilities	(6.15)	48.8	50.2
Financial liabilities	(6.13)	968.2	365.5
Trade accounts payable	(6.14)	264.4	206.2
Contract liabilities	(6.14)	68.5	63.7
Other liabilities	(6.14)	47.2	48.4
		<b>2,081.8</b>	<b>1,136.0</b>
Liabilities associated with assets held for sale	(6.9)	153.0	134.3
<b>Current liabilities</b>		<b>2,234.8</b>	<b>1,270.3</b>
<b>Total equity and liabilities</b>		<b>4,490.9</b>	<b>3,764.7</b>

## Statement of changes in equity for the STEAG Group

Note 6.10

in € million	Reserves				Equity attributable to shareholders of STEAG GmbH	Equity attributable to non-controlling interests	Total equity
	Issued capital	Capital reserve	Accumulated income/loss	Accumulated other comprehensive income			
<b>As at January 1, 2020</b>	<b>128.0</b>	<b>77.5</b>	<b>-293.4</b>	<b>-0.7</b>	<b>-88.6</b>	<b>406.1</b>	<b>317.5</b>
Capital increases/decreases	-	-	-	-	-	-10.3	-10.3
Profit transfer/dividend distribution	-	-	-	-	-	-79.0	-79.0
Changes in shareholdings in subsidiaries without loss of control	-	-	-29.7	0.0	-29.7	0.4	-29.3
Income after taxes	-	-	-231.1	-	-231.1	60.8	-170.3
Other comprehensive income after taxes	-	-	-84.1	-36.9	-121.0	-17.3	-138.3
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-315.2</b>	<b>-36.9</b>	<b>-352.1</b>	<b>43.5</b>	<b>-308.6</b>
Other changes	-	-	1.2 <sup>1</sup>	0.0	1.2	-0.4	0.8
<b>As at December 31, 2020</b>	<b>128.0</b>	<b>77.5</b>	<b>-637.1</b>	<b>-37.6</b>	<b>-469.2</b>	<b>360.3</b> <sup>2</sup>	<b>-108.9</b>
Capital increases/decreases	-	-	-	-	-	-15.8	-15.8
Profit transfer/dividend distribution	-	-	-134.9	-	-134.9	-51.8	-186.7
Changes in shareholdings in subsidiaries without loss of control	-	-	-20.9	0.0	-20.9	-134.2	-155.1
Income after taxes	-	-	255.1	-	255.1	52.5	307.6
Other comprehensive income after taxes	-	-	126.3	12.2	138.5	25.6	164.1
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>381.4</b>	<b>12.2</b>	<b>393.6</b>	<b>78.1</b>	<b>471.7</b>
Other changes	-	-	-4.4 <sup>1</sup>	-	-4.4	-0.2	-4.6
<b>As at December 31, 2021</b>	<b>128.0</b>	<b>77.5</b>	<b>-415.9</b>	<b>-25.4</b>	<b>-235.8</b>	<b>236.4</b> <sup>2</sup>	<b>0.6</b>

<sup>1</sup> This amount includes obligations to make compensation payments to non-controlling interests totaling minus € 4.6 million, recognized outside of profit or loss (prior year: € 1.4 million).

<sup>2</sup> As at December 31, 2021, accumulated other comprehensive income of minus € 7.4 million (prior year: minus € 29.9 million) was attributable to non-controlling interests.

## Cash flow statement for the STEAG Group

in € million	Note	January 1 - December 31	
		2021	2020
Income before the financial result and income taxes		349.9	-56.3
Depreciation, amortization, impairment losses/reversal of impairment losses on non-current assets		378.0	369.7
Gains/losses on disposal of non-current assets		-58.3	-4.8
Other non-cash income/expense		-	-
Change in inventories		-142.3	64.5
Change in trade accounts receivable		-251.4	190.3
Change in trade accounts payable and current advance payments received from customers		57.2	-175.0
Change in provisions for pensions and other post-employment benefits		-18.9	-18.8
Change in other provisions		317.1	50.9
Change in miscellaneous assets/liabilities		-195.6	-59.5
Cash outflows for interest payments		-69.5	-45.0
Cash inflows from interest		3.4	3.4
Dividend payments received		6.2	8.3
Cash outflows for income taxes		-52.9	-39.3
<b>Cash flow from operating activities</b>	<b>(7.1)</b>	<b>322.9</b>	<b>288.4</b>
Cash outflows for investments in intangible assets, property, plant and equipment and investment property		-90.7	-68.5
Cash outflows for investments in shareholdings		-6.7	-10.1
Cash inflows from divestments of intangible assets, property, plant and equipment and investment property		49.7	7.6
Cash inflows from divestments of shareholdings		148.5	8.0
Cash outflows for securities, deposits and loans		-16.7	-33.6
Cash inflows from securities, deposits and loans		96.6	3.7
<b>Cash flow from investing activities</b>	<b>(7.2)</b>	<b>180.7</b>	<b>-92.9</b>
Capital inflows/outflows		-15.8	-10.3
Cash outflows to non-controlling interests		-51.8	-79.0
Cash inflows/outflows relating to changes in shareholdings in subsidiaries without loss of control		-155.1	-24.1
Cash outflows for profit transfer for the prior year		-	-45.0
Cash inflows from additions to financial liabilities		67.9	265.5
Cash outflows for repayment of financial liabilities		-487.4	-221.7
<b>Cash flow from financing activities</b>	<b>(7.3)</b>	<b>-642.2</b>	<b>-114.6</b>
<b>Change in cash and cash equivalents</b>		<b>-138.6</b>	<b>80.9</b>
<b>Cash and cash equivalents as at January 1</b>		<b>466.0</b>	<b>413.9</b>
Change in cash and cash equivalents		-138.6	80.9
Changes in exchange rates and other changes in cash and cash equivalents		13.5	-28.8
<b>Cash and cash equivalents as at December 31</b>	<b>(6.8)</b>	<b>340.9</b>	<b>466.0</b>

## (1) General information

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

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

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

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

The consolidated financial statements were authorized for issue by the Board of Management of STEAG GmbH on April 25, 2022.

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

Taking into account the debt restructuring agreement concluded in 2021 and the related agreements, as well as the company's current liquidity planning, the consolidated financial statements have been prepared on the unchanged assumption of a continuation of the company's business activities.

## (2) Basis of preparation of the financial statements

### (2.1) Compliance with IFRS

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

### (2.2) Presentation of the financial statements

The consolidated financial statements cover the period from January 1 to December 31, 2021 and are presented in euros. To enhance clarity and comparability, all amounts are stated in millions of euros (€ million) except where otherwise indicated.

The consolidated financial statements provide a true and fair view of the 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 (OCI) after taxes.

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

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

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

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

## (2.3) Newly issued IFRS

### Accounting standards applied for the first time

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

In 2021, the European Commission did not endorse any new or amended standards or interpretations that had to be applied for the first time in the fiscal year and would have had a material impact on the consolidated financial statements of the STEAG Group.

The new and amended standards and interpretations listed in the following table, which became mandatory for the first time in fiscal 2021, did not have a material impact on the consolidated financial statements for the STEAG Group.

Standard	Content
<p>Amendments relating to the <i>Interest Rate Benchmark Reform – Phase 2</i>:</p> <ul style="list-style-type: none"> <li>• IFRS 9 <i>Financial Instruments</i></li> <li>• IAS 39 <i>Financial Instruments: Recognition and Measurement</i></li> <li>• IFRS 7 <i>Financial Instruments: Disclosures</i></li> <li>• IFRS 4 <i>Insurance Contracts</i></li> <li>• IFRS 16 <i>Leases</i></li> </ul>	<p>The amendments specify that the temporary exemptions from applying IFRS 9 due to the IBOR reform apply for the first time for fiscal years beginning on or after January 1, 2021.</p>
<p>Amendments to IFRS 4 <i>Insurance Contracts</i></p>	<p>The effective date of IFRS 17, which replaces IFRS 4, has been postponed to January 1, 2023. The temporary exemption from applying IFRS 9 in IFRS 4 has therefore also been extended.</p>
<p>Amendments to IFRS 16 <i>Leases</i></p>	<p>Amendments relating to Covid-19-Related Rent Concessions</p>

### Accounting standards that are not yet mandatory

Up to December 31, 2021, the IASB had issued further accounting standards and amendments to accounting standards that had not yet become mandatory in the EU in the reporting period. The standards and amendments to standards and interpretations presented in the following table are not expected to have a material impact on the consolidated financial statements of the STEAG Group.

Standard	Content	Application	Endorsement
Amendments to IFRS 3 <i>Business Combinations</i>	Amendments to references to the conceptual framework	Jan. 1, 2022	Yes
Amendments to IAS 16 <i>Property, Plant and Equipment</i>	Amendments relating to proceeds before intended use	Jan. 1, 2022	Yes
Amendments to IAS 37 <i>Provisions and Contingent Liabilities</i>	Amendments relating to the cost of fulfilling a contract.	Jan. 1, 2022	Yes
Annual Improvements 2018 - 2020	Annual improvements to IFRSs, 2018-2020 cycle.	Jan. 1, 2022	No
IFRS 17 <i>Insurance Contracts</i>	New standard relating to the provision of insurance services	Jan. 1, 2023	Yes
Amendments to IAS 1 <i>Presentation of Financial Statements</i>	Classification of liabilities as current or non-current and disclosure of accounting policies	Jan. 1, 2023	No
Amendments to IAS 1 <i>Presentation of Financial Statements</i>	Amendment of the accounting policy information to be disclosed and the definition of "material"	Jan. 1, 2023	No
Amendments to IAS 8 <i>Accounting Policies</i>	Amendment of the definition of "accounting estimates"	Jan. 1, 2023	No
Amendments to IAS 12 <i>Income Taxes</i>	Amendments relating to deferred taxes arising from a single transaction	Jan. 1, 2023	No
Amendments to IFRS 17 <i>Insurance Contracts</i> : Initial Application of IFRS 17 and IFRS 9 – Comparative Information	Presentation of comparative information	Jan. 1, 2023	No

## (2.4) Scope of consolidation and consolidation methods

### Scope of consolidation

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

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

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

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

### Consolidation methods

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

Capital is consolidated at the time of acquisition by offsetting the carrying amount of the business acquired against the pro rata revalued equity of the subsidiary. In accordance with IFRS 3 "Business Combinations", ancillary acquisition costs are recognized as expenses in the income statement rather than in the carrying amount of the subsidiary. The assets and liabilities (net assets) of the subsidiary are generally included at fair value. If shares in the subsidiary are held before acquiring control, they

must be revalued and any resultant change in value must be recognized in the income statement in other operating income or other operating expenses, depending on the classification of the stake already held. Any remaining excess of the acquisition cost over the fair value of the net assets is recognized as goodwill. Negative differences are included in the income statement following a renewed examination of the fair value of the net assets.

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

The subsidiary must be deconsolidated as at the date on which control is lost. This involves derecognition of the net assets of the subsidiary and non-controlling interests (proportionate net assets of the subsidiary). The gain or loss on the divestments must be calculated from the Group viewpoint. This is derived from the difference between the proceeds of the divestment (selling price less costs to sell) and the proportionate divested net assets of the subsidiary (including the remaining hidden reserves and liabilities, and any goodwill shown on the balance sheet). The shares in the former subsidiary still held by the STEAG Group are revalued at fair value as at the date on which control is lost. This comprises the fair value on initial recognition of the financial asset in accordance with IFRS 9 or the cost of the investment in the associate or joint operation in the event of downward consolidation. All gains and losses resulting from measurement of the shares still held are recognized in the income statement as other operating income or other operating expenses. Currency translation differences and other amounts attributable to the subsidiary being disposed of that were recognized in OCI and not through profit and loss while the subsidiary was part of the Group, must be deconsolidated as part of the equity being disposed of and are therefore recognized in profit or loss unless a different standard requires direct transfer to retained earnings.

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

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

## (2.5) Currency translation

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

The financial statements of foreign subsidiaries outside the euro zone are translated on the basis of their functional currency. In the consolidated financial statements, the assets and liabilities of all foreign subsidiaries are translated from the functional currency of the company into euros at closing

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

The exchange rates used for currency translation included:

€1 corresponds to	Annual average rates		Closing rates	
	2021	2020	Dec. 31, 2021	Dec. 31, 2020
Botswana pula (BWP)	13.14	13.07	13.31	13.22
Brazilian real (BRL)	6.38	5.88	6.31	6.37
British pound (GBP)	0.86	0.89	0.84	0.90
Indian rupee (INR)	87.49	84.58	84.23	89.66
Indonesian rupiah (IDR)	16,945.92	16,655.35	16,100.42	17,240.76
Qatari riyal (QAR)	4.33	4.19	4.14	4.45
Colombian peso (COP)	4,436.43	4,217.77	4,627.06	4,187.00
Philippine peso (PHP)	58.38	56.78	57.76	59.13
Polish zloty (PLN)	4.57	4.45	4.60	4.56
Romanian leu (RON)	4.92	4.84	4.95	4.87
Singapore dollar (SGD)	1.59	1.57	1.53	1.62
Turkish lira (TRY)	10.68	8.04	15.23	9.11
US dollar (USD)	1.19	1.15	1.13	1.23

## (2.6) Accounting policies and valuation principles

### Revenue recognition

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

#### (a) Sales

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

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

Recognition of revenue over time for the construction and conversion of plants is based on progress towards satisfying the performance obligation as at the reporting date. Normally, the percentage of

completion or progress is measured as the cost incurred as at the reporting date relative to the estimated total cost. If revenue is recognized at a point in time, revenue is recognized when the customer obtains control of the promised assets.

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

#### (b) Other revenues

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

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

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

#### Intangible assets

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

#### (c) Goodwill

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

#### (d) Other intangible assets

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

#### Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

#### Investments recognized at equity

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

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

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

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

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

#### Impairment test

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

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

When testing goodwill for impairment, the recoverable value of goodwill is determined from the fair value less costs to sell of the divisions in the STEAG Group. The fair value is the present value of future cash flows determined using a valuation model. The future cash flows are derived from the current five-year mid-term planning. The mid-term planning is based on a mixture of experience of past market trends and expectations of future market trends. The main economic data that affect the

impairment test include the development of interest rates, exchange rates, market prices for CO<sub>2</sub> allowances, renewable energy certificates, electricity and coal, and the regulatory environment. The mid-term planning is based on the corresponding market expectations, which are set centrally by STEAG GmbH. The specific growth rate is derived from experience and future expectations. It does not exceed the average long-term growth rates for the relevant markets.

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

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

Division	Risk-free interest rate		Risk-adjusted interest rate (WACC)		Growth discount	
	2021	2020	2021	2020	2021	2020
	%	%	%	%	%	%
Power	0.10	-0.20	5.75	5.23	0.25	0.25
Renewable Energies and Distributed Facilities	0.10	-0.20	5.75	5.23	0.25	0.25

For the purpose of impairment testing of property, plant and equipment, specific discount rates ranging from 4.1 percent to 9.1 percent (prior year: 4.0 percent to 7.2 percent) are applied. For information on the method used and principal assumptions, please see the comments on the impairment testing of groups of CGUs to which goodwill is allocated.

## Inventories

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

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

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

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

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

#### Cash and cash equivalents

The cash and cash equivalents comprise balances held at banks, checks, cash, securities that can be sold in the short term and overnight and time deposits with original terms of less than three months. Bank deposits held for a specific purpose and margining are not included in cash and cash equivalents; they are disclosed in other financial assets.

#### Provisions for pensions and other post-employment benefits

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

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

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

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

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

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

#### Other provisions

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

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

#### Deferred taxes, other income taxes

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

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

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

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

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

form part of the tax entity are their national tax rates. The foreign tax rates are between 19.0 percent (Poland) and 34.0 percent (Brazil).

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

### Financial instruments

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

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

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

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

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

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

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

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

#### Non-derivative financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Derivative financial instruments

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

rate derivatives are valued by discounting future cash flows using current market interest rates that are congruent with their remaining term.

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

The market price of energy contracts with fixed-price agreements and index-based price agreements is determined using established valuation methods, based on internal models. All market factors that other market participants would use to determine the price are taken into account. Alongside market parameters, parameters that are not directly observable on the market such as assumptions on the expansion of renewable energy and expected feed-in volumes are used in the assessment of pricing models for which power volumes are modeled. The results realized when the contracts mature are accounted for in sales or the cost of materials. Changes in the fair value of structured contracts are recognized in other operating income or other operating expenses.

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

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

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

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

The purpose of fair value hedges is to hedge the fair value of assets or liabilities recognized in the balance sheet or of an off-balance-sheet firm commitment. Changes in the fair value of the hedging instrument are recognized in the income statement together with the change in the value of the hedged item. These changes must relate to the hedged risk. If off-balance-sheet firm commitments are hedged, changes in the fair value of the firm commitment relating to the hedged risk give rise to

recognition of a financial asset or financial liability that impacts profit or loss. In view of this method, in the case of a perfect hedge changes in the value of the hedged item and the hedge cancel each other out in the income statement.

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

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

### Investment property

Property held as a financial investment to generate rental revenues or for capital appreciation is valued at the cost of acquisition or production, taking directly attributable transaction costs into account, and – insofar as it is subject to wear and tear – is depreciated over its useful life of 25-50 years using the straight-line method. If there are indications of a possible impairment, an impairment test is conducted, see Note (2.6) “Impairment test”.

The fair values of investment property shown in the Notes are essentially based on average land values, depending on the specific land use, and are assigned to level 2 of the fair value hierarchy. Leasehold properties are valued using a capitalized ground rent in a range between 6 percent and 8 percent and are assigned to level 3.

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

### Leasing

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

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

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

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

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

#### Assets held for sale and the associated liabilities

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

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

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

#### Government grants

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

#### Contingent liabilities and other financial commitments

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

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

## (2.7) Changes in accounting policies

The STEAG Group applied the same accounting policies as in the 2020 fiscal year, taking into account those IFRS standards and interpretations that had to be applied for the first time in 2021, which did not have any material effect.

### (3) Discussion of assumptions and estimation uncertainties

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

#### (a) Goodwill impairment

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

The lowest positive difference (comparison between the recoverable amount and carrying amount of a CGU or group of CGUs to which goodwill is allocated) is € 82 million for the Renewable Energies and Distributed Facilities division. A sensitivity analysis was conducted for the parameters to which the recoverable amount reacts most sensitively. The recoverable amount would correspond to the carrying amount of the assets and liabilities assigned to the division if the discount rate used for the valuation were just over 0.3 percent higher. Even if the EBITDA used in the terminal value were 10 percent lower, there would still be a positive difference.

#### (b) Impairment testing of German power plants

The impairment test on the German power plants is based on management assumptions and estimates regarding, for example, future cash flows, sustained earnings prospects, expected growth rates, operational lifetime and the expected future development of market prices.

The phasing out of hard-coal power generation in Germany came into effect with the German Coal-Fired Power Termination Act (KVBG), which came into force on August 14, 2020. This legislation stipulates the complete withdrawal from coal-fired power generation in Germany by 2038 at the latest and sets an earlier deadline for the exit from hard-coal generation. The order in which plants are to be decommissioned between 2020 and 2027 is determined by an auction process with declining maximum prices. After 2027, operators of hard-coal power plants will not receive any further financial compensation for the shutdown of their plants. The only exception is for the most recent hard-coal power plants which came into service after 2010. At STEAG GmbH this only applies to the Walsum 10 power plant. As a result of this legislation, in 2020 the previous CGU was split into the German power plants and the district heating plants of STEAG GmbH. The recoverable amounts of the power plants determined on the basis of shorter operating lives did not cover the carrying amounts of the new CGU for the German power plants. The recoverable amount of these plants was determined by estimating the fair value less costs to sell; see Note (2.6) "Impairment test". As a result, in 2020 an impairment loss was recognized for the full carrying amount of the property, plant and equipment of the power plants. Due to the short residual lifetime of these power plants, even the improvement in the market conditions in fiscal 2021 did not result in a reversal of impairment losses. As a result of a contractual agreement with the former project partner concluded in 2021 and the coalition agreement of 2021, an impairment loss of € 212.6 million was recognized on the Walsum 10 power plant in 2021. The measurement parameters and estimation uncertainties outlined above, especially with regard to the operational lifetime, also apply to this power plant.

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

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

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

#### (d) Measurement of other provisions

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

#### (e) Measurement of financial instruments

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

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

(f) Measurement of development projects

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

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

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

(g) Assumptions regarding joint ventures

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

- Fernwärmeschiene Rhein-Ruhr GmbH
- STEAG O&M Company Pvt.. Ltd. (India).

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

- ENNI RMI Windpark Kohlenhuck GmbH
- Projektgesellschaft "Radbod" mbH
- Windkraft Lohberg GmbH
- Cormetec Inc. (USA);
- GREEN SOURCE Holding Korlátolt Felelősségű Társaság (Hungary).

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

## (4) Scope of consolidation

### (4.1) General

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

The scope of consolidation changed as follows:

Number of companies	Germany	Other countries	Total
<b>STEAG GmbH and consolidated subsidiaries</b>			
As at December 31, 2020:	57	41	98
Acquisitions/newly established companies	1	1	2
Other companies consolidated for the first time	-	1	1
Divestments	6	8	14
Intragroup mergers	1	-	1
Other companies derecognized	-	1	1
<b>As at December 31, 2021:</b>	<b>51</b>	<b>34</b>	<b>85</b>
<b>Investments recognized at equity:</b>			
As at December 31, 2020:	34	20	54
Acquisitions/newly established companies	1	2	3
Other first-time consolidations using the equity method	-	-	-
Divestments	4	6	10
Intragroup mergers	-	-	-
Other companies derecognized	1	-	1
<b>As at December 31, 2021:</b>	<b>30</b>	<b>16</b>	<b>46</b>
	<b>81</b>	<b>50</b>	<b>131</b>

### (4.2) Acquisitions and divestments

As in the previous year, the addition of consolidated companies did not have a material impact on the Group's assets, financial position and results of operations.

STEAG divested a total of 15 subsidiaries to streamline its portfolio. These included a Romanian and a Turkish wind farm with their operating companies, a project company in Indonesia and the Steag Power Minerals Group. Apart from the project company in Indonesia, the assets and liabilities of the subsidiaries divested had been reclassified to assets and liabilities held for sale as at December 31, 2020.

The composition of the assets and liabilities divested was as follows:

in € million	2021
Intangible assets	31.7
Property, plant and equipment	210.1
Other non-current assets	32.8
Current assets	73.9
<b>Total assets</b>	<b>348.5</b>
Non-current provisions	62.1
Non-current financial liabilities	103.0
Other non-current liabilities	13.8
Current liabilities	33.0
<b>Total liabilities</b>	<b>211.9</b>
<b>Net assets</b>	<b>136.6</b>

The consideration for the divestments to streamline the portfolio amounted to € 156.3 million. Including the cash and cash equivalents of € 21.2 million of the companies divested, the cash flow for the divestment was € 135.1 million. With divestment of net assets of € 136.6 million, non-controlling interests in the net assets amounting to € 0.2 million and other comprehensive income of € 3.4 million to be reclassified to profit or loss, the deconsolidation result was € 23.3 million. € 28.2 million of this amount is contained in other operating income and minus € 4.9 million in other operating expenses.

In the previous reporting period, the companies derecognized did not have a material impact on the assets, financial position and results of operations.

### (4.3) Non-controlling interests

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

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

in € million	2021			
	Iskenderun Enerji Üretim ve Ticaret A.S.	STEAG State Power Inc.	STEAG Fernwärme GmbH	
Non-current assets as at December 31	110.2	170.3	91.8	
Current assets as at December 31	147.1	59.7	46.4	
Non-current liabilities as at December 31	6.8	67.2	83.0	
Current liabilities as at December 31	42.8	29.0	30.0	
<b>Net assets</b>	<b>207.7</b>	<b>133.8</b>	<b>25.2</b>	
Sales	364.9	60.4	116.6	
Income after taxes	45.0	17.8	3.9	
Other comprehensive income after taxes	-15.8	22.3	-27.8	
<b>Total comprehensive income</b>	<b>29.2</b>	<b>40.1</b>	<b>-23.9</b>	
Net assets attributable to non-controlling interests	101.7	65.6	12.4	
Income after taxes attributable to non-controlling interests	22.1	8.7	1.9	
Dividends attributable to non-controlling interests	17.5	21.5	-	

  

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

## (5) Notes to the income statement

### (5.1) Sales

in € million	2021	2020
Revenues from the sale of goods	2,144.4	1,424.3
Revenues from services	490.8	448.9
Revenues from long-term contracts	107.6	119.4
Revenues from finance leases	23.7	25.8
	<b>2,766.5</b>	<b>2,018.4</b>

The increase in revenues from the sale of goods was mainly due to the significant increase in commodity prices compared with the previous year and an increase in power generation in Germany. All revenues apart from the revenues from finance leases are within the scope of IFRS 15. Revenues from long-term contracts mainly comprise long-term contracts for the construction and conversion of plants.

The revenues from finance leases, which include interest income of an immaterial amount, exclude both variable lease payments, which were not taken into account in the valuation of the net investment in the lease, and income from reassessment or modification of finance leases.

### (5.2) Other operating income

in € million	2021	2020
Income from the valuation of derivatives (excluding interest rate derivatives)	400.0	129.8
Income from currency translation of monetary assets and liabilities	68.0	24.5
Income from the disposal of assets	65.3	9.3
Income from the reversal of provisions	6.5	47.1
Income from the reversal of impairment losses	5.1	19.7
Income from non-core operations	2.0	3.1
Income from insurance refunds	1.1	0.8
Income from other refunds and compensation for damage	0.2	0.7
Income from the reversal of deferred items	0.2	0.2
Miscellaneous income	649.1	63.6
	<b>1,197.5</b>	<b>298.8</b>

The increase in income from the valuation of derivatives is mainly attributable to the sharp rise in commodity prices, which led to significant market changes.

The income from the disposal of assets contains gains of € 31.4 million (prior year: € 3.5 million) from the disposal of property, plant and equipment, intangible assets and investment property. This item also contains gains of € 33.9 million (prior year: € 5.8 million) from the disposal of subsidiaries, investments recognized at equity and other investments.

In the previous year, the income from the reversal of provisions mainly resulted from the reversal of provisions for dismantling obligations, see Note (6.12).

The income from the reversal of impairment losses comprises income of € 4.0 million (prior year: € 1.4 million) from the reversal of impairment losses on loans and other receivables, € 1.1 million (prior year: € 0.3 million) from the reversal of impairment losses on trade accounts receivable and finance leases and € 0.0 million (prior year € 18.0 million) from the reversal of impairment losses on intangible assets, property, plant and equipment.

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

The miscellaneous income comprises a large number of operating revenues. In particular, these include the contractual agreement concluded in 2021 with the former project partner for the Walsum 10 power plant, revenues from decommissioning auctions and, in the prior year, revenue from the reversal of purchase price liabilities.

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

in € million	Dec. 31, 2021	Dec. 31, 2020
Due within 1 year	1.0	1.3
Due within 1-2 years	0.9	1.0
Due within 2-3 years	0.2	0.2
Due within 3-4 years	0.2	0.2
Due within 4-5 years	0.2	0.2
Due in more than 5 years	0.6	0.7
	<b>3.1</b>	<b>3.6</b>

### (5.3) Cost of materials

in € million	2021	2020
Expenses for raw materials and supplies and goods and services sourced	1,957.2	1,233.0
Impairment losses on raw materials, supplies and goods sourced	8.0	17.2
Reversal of impairment losses on raw materials, supplies and goods sourced	-0.5	-8.9
	<b>1,964.7</b>	<b>1,241.3</b>

The expenses for raw materials, supplies, goods and services sourced mainly contain expenses for the coal used in power plants, CO<sub>2</sub> allowances and expenses for electricity purchased for trading.

Like the rise in revenues, the increase in the cost of materials is attributable to the sharp hike in commodity prices and to higher capacity utilization at the power plants in Germany.

## (5.4) Personnel expenses

in € million	2021	2020
Wages and salaries	319.3	370.2
Social security contributions	49.9	50.7
Pension expenses	17.4	17.0
Other personnel-related expenses	1.3	3.3
	<b>387.9</b>	<b>441.2</b>

Personnel expenses were € 53.3 million lower than in the previous year. This was mainly due to lower provisions for restructuring expenses in connection with the FUTURE transformation project and the shutdown of power plants due to implementation of the German Coal-Fired Power Generation Termination Act (KVBG), which amounted to € 22.3 million in the reporting period (prior year: € 68.7 million).

The average number of employees in the STEAG Group decreased from 6,148 to 5,754. The reduction was mainly in the Power division.

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

## (5.5) Depreciation/amortization and impairment losses

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

in € million	2021	2020
Depreciation and amortization	135.8	161.6
Impairment losses	251.0	232.3
	<b>386.8</b>	<b>393.9</b>

### Depreciation and amortization

Depreciation and amortization refer to the following groups of assets:

in € million	2021	2020
Intangible assets	10.0	11.4
Property, plant and equipment	125.8	150.2
	<b>135.8</b>	<b>161.6</b>

## Impairment losses

Impairment losses refer to the following groups of assets:

in € million	2021	2020
<b>Impairment losses pursuant to IAS 36:</b>	<b>245.9</b>	<b>204.0</b>
Intangible assets	11.0	23.4
Property, plant and equipment	234.9	180.6
<b>Impairment losses pursuant to IFRS 9:</b>	<b>5.1</b>	<b>28.3</b>
Financial assets	2.0	25.9
Trade accounts receivable and other receivables	3.1	2.4
	<b>251.0</b>	<b>232.3</b>

### (a) Impairment losses pursuant to IAS 36:

Impairment losses of € 245.9 million (prior year: € 204.0 million) were recognized for intangible assets, property, plant and equipment at power generating plants and other facilities in Germany and abroad. The impairment losses on property, plant and equipment include € 212.6 million relating to the Walsum 10 power plant (see Note 3(b)). In addition, an impairment loss of € 26.3 million was recognized for property, plant and equipment at companies held for sale.

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

### (b) Impairment losses pursuant to IFRS 9:

in € million	2021	2020
<b>Financial assets</b>	<b>2.0</b>	<b>25.9</b>
Loans	1.5	25.9
Other financial assets	0.5	-
<b>Trade accounts receivable and other receivables</b>	<b>3.1</b>	<b>2.4</b>
	<b>5.1</b>	<b>28.3</b>

Impairment losses totaling € 3.1 million (prior year: € 2.4 million) were recognized for trade accounts receivable and other receivables. The impairment losses on loans totaled € 1.5 million (prior year: € 25.9 million). As in the previous year, impairment losses on loans outside Germany were negligible.

## (5.6) Other operating expenses

in € million	2021	2020
Losses on the valuation of derivatives (excluding interest rate derivatives)	601.7	76.3
Losses on currency translation of monetary assets and liabilities	67.6	33.3
Administrative expenses	46.8	36.8
Legal and consulting expenses	44.8	23.2
Insurance premiums	28.9	27.1
Expenses for additions to other provisions	17.6	17.8
Miscellaneous tax expense	11.3	11.8
IT expenses	10.9	10.6
Losses on the disposal of assets	7.8	2.2
Travel and hospitality expenses	7.2	7.2
Expenses for leases	4.4	4.6
Expenses for maintenance and repairs	2.3	2.8
Miscellaneous other operating expenses	33.6	46.8
	<b>884.9</b>	<b>300.5</b>

The increase in losses on the valuation of derivatives, like the increase in income from the valuation of derivatives, is mainly attributable to the sharp hike in commodity prices, which led to significant market changes.

As well as general administrative expenses, the administrative expenses contain the auditor's fees.

The losses on the disposal of assets are mainly due to the divestment of subsidiaries.

The expenses for leases are broken down as follows:

in € million	2021	2020
Expenses for leases with a term of up to 12 months	0.9	0.7
Variable lease expenses that cannot be capitalized	1.9	1.8
Other expenses for leases	1.6	2.1
Expenses from the reassessment of leases	0.0	0.0
	<b>4.4</b>	<b>4.6</b>

The miscellaneous other operating expenses comprise a large number of other expenses such as expenses for external services, advertising expenses, disposal costs and marketing expenses.

## (5.7) Research and development expenses

Research and development expenses amounted to € 1.1 million in 2021 (prior year: € 1.4 million). In the reporting period, as in the prior year, the majority of these expenses are included in the cost of materials.

## (5.8) Interest result

in € million	2021	2020
Interest income from financial assets	11.2	11.3
Interest and similar income from interest rate derivatives	0.9	0.7
Other interest-type income	3.2	0.8
<b>Interest income</b>	<b>15.3</b>	<b>12.8</b>
Interest expense for financial liabilities	-64.5	-43.8
Net interest expense for pensions	-9.4	-13.9
Interest expense from lease liabilities	-4.8	-5.5
Interest expense on accrued interest on other provisions	-0.4	-4.6
Interest and similar expenses for interest rate derivatives	-	-0.3
Other interest-type expenses	-6.4	-3.1
<b>Interest expense</b>	<b>-85.5</b>	<b>-71.2</b>
	<b>-70.2</b>	<b>-58.4</b>

The interest income from financial assets contains € 6.3 million (prior year: € 6.0 million) from the upstream loan granted by STEAG GmbH to KSBG KG; see Note (6.5).

The interest expense for financial liabilities comprises € 8.2 million (prior year: € 8.0 million) in connection with the bonded loans taken out by STEAG GmbH; see Note (6.13).

Borrowing costs of € 0.2 million (prior year: € 0.0 million) were capitalized.

The average cost of capital for capitalized borrowing costs in the STEAG Group is 4.2 percent (prior year: 2.9 percent).

## (5.9) Result from investments recognized at equity

in € million	2021	2020
Equity-method income	9.9	11.4
Equity-method expenses	-1.4	-2.2
Reversal of impairment losses	-	2.3
Impairment losses	-6.3	-14.3
	<b>2.2</b>	<b>-2.8</b>

In the prior year, the reversal of impairment losses related to the divestment of the joint venture Arenales Solar PS, S.L. in Spain. The impairment losses contain further impairment losses of € 5.9 million (prior year: € 11.2 million) on a joint venture in the USA, which is presented in assets held for sale, see Note (6.9).

## (5.10) Other financial income

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

## (5.11) Income taxes

Income taxes comprise the following:

in € million	2021	2020
Other income taxes	56.0	62.1
(thereof relating to other periods)	(2.4)	(1.3)
Deferred taxes	-81.6	-9.2
(thereof relating to other periods)	(0.6)	(1.3)
	<b>-25.6</b>	<b>52.9</b>

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

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

in € million	2021	2020
<b>Income before income taxes</b>	<b>282.0</b>	<b>-117.4</b>
Expected income taxes	45.1	-18.8
Variances/changes in tax rates	16.1	16.0
Change in the impairment of deferred taxes	-59.4*	11.6
Effects of the income tax entity with KSBG GmbH & Co. KG	-34.9	31.7
Non-deductible expense	7.5	14.3
Tax-free income	-11.7	-9.2
Other	11.7	7.3
<b>Effective income taxes</b>	<b>-25.6</b>	<b>52.9</b>

The variances between expected and effective income taxes are mainly due to deviations in foreign tax rates and to German companies that are subject to corporation taxes as well as to trade tax. Due to the more positive corporate planning, especially as a result of the increase in commodity prices, positive one-time effects and a sustained reduction in costs as a result of the restructuring program, the change in the impairment of deferred taxes comprises minus € 59.4 million (prior year: € 11.6 million), which relates to the reversal of deferred tax assets for the German tax entity, taking into account future tax planning, and minus € 34.9 million (prior year: € 31.7 million) on losses for which no deferred taxes were established. The other effects contain non-period taxes of € 2.4 million (prior year: € 1.3 million) and non-period deferred taxes of € 0.6 million (prior year: € 1.3 million). In addition, this item contains deferred taxes of € 8.3 million (prior year: € 6.4 million) in connection with exchange rate fluctuations at Iskenderun Enerji Üretim ve Ticaret A.S. (Turkey).

## (6) Notes to the balance sheet

### (6.1) Intangible assets

in € million	Goodwill	Other intangible assets	Total
<b>Acquisition/production cost</b>			
<b>As at January 1, 2020</b>	<b>87.3</b>	<b>263.5</b>	<b>350.8</b>
Currency translation	-1.6	-5.9	-7.5
Additions from business combinations	3.9	1.6	5.5
Other additions	1.8	4.9	6.7
Divestment of businesses	-0.2	-0.1	-0.3
Disposals	-	-4.8	-4.8
Reclassifications	-	8.1	8.1
Reclassification to assets held for sale	-8.9	-34.5	-43.4
<b>As at December 31, 2020</b>	<b>82.3</b>	<b>232.8</b>	<b>315.1</b>
Currency translation	0.3	3.4	3.7
Additions from business combinations	0.2	-0.3	-0.1
Other additions	-	1.8	1.8
Divestment of businesses	-	-22.7	-22.7
Disposals	-	-0.3	-0.3
Reclassifications	0.1	0.3	0.4
Reclassification to assets held for sale	-1.1	-27.3	-28.4
<b>As at December 31, 2021</b>	<b>81.8</b>	<b>187.7</b>	<b>269.5</b>
<b>Amortization and impairment losses</b>			
<b>As at January 1, 2020</b>	-	<b>138.9</b>	<b>138.9</b>
Currency translation	-	-3.5	-3.5
Amortization	-	11.4	11.4
Impairment losses	-	23.4	23.4
Reversal of impairment losses	-	-0.6	-0.6
Disposals	-	-4.6	-4.6
Reclassifications	-	-	-
Reclassification to assets held for sale	-	-11.8	-11.8
<b>As at December 31, 2020</b>	-	<b>153.2</b>	<b>153.2</b>
Currency translation	-	2.5	2.5
Amortization	-	10.0	10.0
Impairment losses	-	4.4	4.4
Reversal of impairment losses	-	-	-
Disposals	-	-0.2	-0.2
Divestment of businesses	-	-22.7	-22.7
Reclassifications	-	-	-
Reclassification to assets held for sale	-	-17.1	-17.1
<b>As at December 31, 2021</b>	-	<b>130.1</b>	<b>130.1</b>
<b>Carrying amounts as at December 31, 2020</b>	<b>82.3</b>	<b>79.6</b>	<b>161.9</b>
<b>Carrying amounts as at December 31, 2021</b>	<b>81.8</b>	<b>57.6</b>	<b>139.4</b>

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

The additions of € 0.2 million in the reporting period relate to the Power division and comprise an adjustment of the purchase price allocation for the acquisition of Krantz Ltd. The additions of € 5.7 million in the prior year related to the Power division and were mainly due to the purchase price allocation in connection with the acquisition of MINERALplus Stork GmbH & Co. KG and Krantz Ltd.

Goodwill disposals in the prior year related to the Power division. € 0.2 million resulted from the disposal of the operation STEAG Enerji Ticareti ve Hizmetleri A.Ş.

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

The table shows how it is broken down:

### Goodwill

in € million	Dec. 31, 2021	Dec. 31, 2020
Power	69.8	69.2
Renewable Energies and Distributed Facilities	12.0	13.1
	<b>81.8</b>	<b>82.3</b>

On the reporting date, there were other restrictions on the use of intangible assets totaling € 19.6 million (prior year: € 27.7 million). As in the prior year, there were no commitments to purchase intangible assets.

## (6.2) Property, plant and equipment

in € million	Land, land rights and buildings	Plant and machinery	Other plant, office furniture and equipment	Advance payments and construction in progress	Total
<b>Acquisition/production cost</b>					
<b>As at January 1, 2020</b>	<b>704.8</b>	<b>4,397.7</b>	<b>169.5</b>	<b>105.1</b>	<b>5,377.1</b>
Currency translation	-10.8	-19.7	-4.3	-5.8	-40.6
Additions from business combinations	0.4	1.1	0.3	0.1	1.9
Other additions	11.7	46.8	13.2	24.5	96.2
Disposals	-3.4	-19.8	-6.9	-0.9	-31.0
Divestment of businesses	-0.1	-	-0.1	-	-0.2
Reclassifications	1.5	13.3	1.0	-21.0	-5.2
Reclassification to assets held for sale	-25.1	-298.6	-9.4	-0.1	-333.2
<b>As at December 31, 2020</b>	<b>679.0</b>	<b>4,120.8</b>	<b>163.3</b>	<b>101.9</b>	<b>5,065.0</b>
Currency translation	4.7	3.2	2.9	2.9	13.7
Additions from business combinations	-	-	-	-	0.0
Other additions	11.9	48.4	8.1	39.9	108.3
Disposals	-11.2	-13.5	-2.0	-3.2	-29.9
Divestment of businesses	0.0	-	-0.6	-56.2	-56.8
Reclassifications	2.4	21.3	0.4	-24.3	-0.2
Reclassification to assets held for sale	-65.7	-111.3	-18.1	-3.2	-198.3
<b>As at December 31, 2021</b>	<b>621.1</b>	<b>4,068.9</b>	<b>154.0</b>	<b>57.8</b>	<b>4,901.8</b>
<b>Depreciation and impairment losses</b>					
<b>As at January 1, 2020</b>	<b>313.8</b>	<b>2,940.0</b>	<b>134.1</b>	<b>50.7</b>	<b>3,438.6</b>
Currency translation	-4.1	-8.2	-3.2	-4.5	-20.0
Additions from business combinations	-	-	-	-	0.0
Depreciation	22.1	116.7	11.4	0.0	150.2
Impairment losses	28.4	123.9	2.2	26.1	180.6
Reversal of impairment losses	-0.3	-17.2	-	-	-17.5
Disposals	-1.6	-16.8	-6.3	0.0	-24.7
Divestment of businesses	-0.1	-	-	-	-0.1
Reclassifications	-	0.0	0.0	0.0	0.0
Reclassification to assets held for sale	-10.7	-106.1	-6.5	-	-123.3
<b>As at December 31, 2020</b>	<b>347.5</b>	<b>3,032.3</b>	<b>131.7</b>	<b>72.3</b>	<b>3,583.8</b>
Currency translation	1.4	0.8	2.1	2.5	6.8
Additions from business combinations	-	-	-	-	0.0
Depreciation	19.5	96.1	10.2	0.0	125.8
Impairment losses	11.1	202.8	0.6	0.7	215.2
Reversal of impairment losses	-	-	-	-	0.0
Disposals	-2.1	-6.6	-1.7	-1.2	-11.6
Divestment of businesses	-	-	-0.6	-56.0	-56.6
Reclassifications	0.1	-0.1	-	-	0.0
Reclassification to assets held for sale	-34.8	-71.8	-15.1	-	-121.7
<b>As at December 31, 2021</b>	<b>342.7</b>	<b>3,253.5</b>	<b>127.2</b>	<b>18.3</b>	<b>3,741.7</b>
<b>Carrying amounts as at December 31, 2020</b>	<b>331.5</b>	<b>1,088.5</b>	<b>31.6</b>	<b>29.6</b>	<b>1,481.2</b>
<b>Carrying amounts as at December 31, 2021</b>	<b>278.4</b>	<b>815.4</b>	<b>26.8</b>	<b>39.5</b>	<b>1,160.1</b>

The impairment losses on property, plant and equipment contain € 212.6 on STEAG Walsum 10 Kraftwerksgesellschaft mbH; see Note 3(b).

The carrying amounts of property, plant and equipment pledged as collateral for Group liabilities amounted to € 158.7 million (prior year: € 390.3 million). A further € 136.1 million (prior year: € 568.3 million) are subject to other restrictions on use.

The Group has commitments of € 28.8 million (prior year: € 30.6 million) to purchase property, plant and equipment.

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

in € million	Land, land rights and buildings	Plant and machinery	Other plant, office furniture and equipment	Total
<b>Acquisition/production cost</b>				
<b>As at January 1, 2020</b>	<b>104.4</b>	<b>71.3</b>	<b>13.0</b>	<b>188.7</b>
Currency translation	-0.6	-0.2	-0.4	-1.2
Additions from business combinations	0.4	-	-	0.4
Deconsolidation	-	-	-0.1	-0.1
Change due to IFRS 16	-	-	-	0.0
Other additions	6.4	23.9	6.1	36.4
Disposals	-1.1	-0.4	-0.3	-1.8
Reclassifications	-	-	1.3	1.3
Reclassification to assets held for sale	-3.6	-1.7	-0.8	-6.1
<b>As at December 31, 2020</b>	<b>105.9</b>	<b>92.9</b>	<b>18.8</b>	<b>217.6</b>
Currency translation	0.2	-	0.4	0.6
Additions from business combinations	-	-	-	0.0
Deconsolidation	-	-	-	0.0
Other additions	9.5	7.3	1.7	18.5
Disposals	-4.1	-	-0.2	-4.3
Reclassifications	-	-	-	0.0
Reclassification to assets held for sale	-2.8	-1.8	-	-4.6
<b>As at December 31, 2021</b>	<b>108.7</b>	<b>98.4</b>	<b>20.7</b>	<b>227.8</b>
<b>Depreciation and impairment losses</b>				
<b>As at January 1, 2020</b>	<b>9.5</b>	<b>35.7</b>	<b>6.0</b>	<b>51.2</b>
Currency translation	-0.1	-0.0	-0.1	-0.2
Additions from business combinations	-	-	-	0.0
Deconsolidation	-0.1	-	-	-0.1
Depreciation	9.4	6.2	3.8	19.4
Impairment losses	-	-	-	0.0
Reversal of impairment losses	-	-	-	0.0
Disposals	-0.2	-	-	-0.2
Reclassifications	-	-	-	0.0
Reclassification to assets held for sale	-0.8	-0.6	-0.4	-1.8
<b>As at December 31, 2020</b>	<b>17.7</b>	<b>41.3</b>	<b>9.3</b>	<b>68.3</b>
Currency translation	0.1	-	-	0.1
Additions from business combinations	-	-	-	0.0
Deconsolidation	-	-	-	0.0
Depreciation	9.1	5.9	3.8	18.8
Impairment losses	-	-	-	0.0
Reversal of impairment losses	-	-	-	0.0
Disposals	-0.4	-	-	-0.4
Reclassifications	-	-	-	0.0
Reclassification to assets held for sale	-0.8	-0.4	-	-1.2
<b>As at December 31, 2021</b>	<b>25.7</b>	<b>46.8</b>	<b>13.1</b>	<b>85.6</b>
<b>Carrying amounts as at December 31, 2020</b>	<b>88.2</b>	<b>51.6</b>	<b>9.5</b>	<b>149.3</b>
<b>Carrying amounts as at December 31, 2021</b>	<b>83.0</b>	<b>51.6</b>	<b>7.6</b>	<b>142.2</b>

## (6.3) Investment property

in € million	Land, land rights	Buildings	Total
<b>Acquisition/production cost</b>			
<b>As at January 1, 2020</b>	<b>13.4</b>	<b>0.6</b>	<b>14.0</b>
Other additions	-	-	-
Disposals	-0.1	-	-0.1
Reclassifications	-	-	-
<b>As at December 31, 2020</b>	<b>13.3</b>	<b>0.6</b>	<b>13.9</b>
Other additions	-	-	-
Disposals	-6.1	-0.2	-6.3
Reclassifications	-	-	-
<b>As at December 31, 2021</b>	<b>7.2</b>	<b>0.4</b>	<b>7.6</b>
<b>Depreciation and impairment losses</b>			
<b>As at January 1, 2020</b>	<b>0.3</b>	<b>0.3</b>	<b>0.6</b>
Depreciation	0.0	-	0.0
Impairment losses	-	-	-
<b>As at December 31, 2020</b>	<b>0.3</b>	<b>0.3</b>	<b>0.6</b>
Depreciation	-	0.0	0.0
Disposals	-	-0.1	-0.1
Impairment losses	-	-	-
Reclassifications	-	-	-
<b>As at December 31, 2021</b>	<b>0.3</b>	<b>0.2</b>	<b>0.5</b>
<b>Carrying amounts as at December 31, 2020</b>	<b>13.0</b>	<b>0.3</b>	<b>13.3</b>
<b>Carrying amounts as at December 31, 2021</b>	<b>6.9</b>	<b>0.2</b>	<b>7.1</b>

The fair value of investment property was € 11.2 million (prior year: € 16.4 million).

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

In addition, gains of € 15.6 million from the sale of investment property were recorded (prior year: € 0.6 million).

On the reporting date, all investment property was subject other restrictions on use as a result of real estate liens.

## (6.4) Investments recognized at equity

The STEAG Group holds shares in a number of associates and joint ventures. Apart from the joint venture GuD Herne GmbH, these are not material for the Group.

Through the joint venture GuD Herne GmbH, STEAG is building a gas and steam turbine power plant in Herne, Germany, together with Siemens Project Ventures GmbH. The power plant is expected to be commissioned in 2022.

The carrying amount of investments recognized at equity (€ 67.9 million; prior year: € 67.6 million) comprises € 49.2 million (prior year: € 48.4 million) for associates and € 18.7 million (prior year: € 19.2 million) for joint ventures.

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

The material financial information for the joint venture GuD Herne GmbH is presented below:

in € million	Dec. 31, 2021	Dec. 31, 2020
Non-current assets	290.3	114.8
Current assets	29.8	5.6
Non-current liabilities	312.4	114.7
Current liabilities	3.1	2.6
Equity	4.6	3.1
Interest in percent	50.0	50.0
Equity interest	2.3	1.5
Group adjustments	-	-
<b>Carrying amount of the joint venture</b>	<b>2.3</b>	<b>1.5</b>

in € million	Dec. 31, 2021	Dec. 31, 2020
Sales	-	-
Income after taxes	-0.6	-0.1
Other comprehensive income after taxes	2.1	-2.0
Total comprehensive income	1.5	-2.1
Dividends distributed	-	-
Interest in percent	50.0	50.0
Pro rata income after taxes	-0.3	-0.1
Pro rata other comprehensive income after taxes	1.1	-1.0
Group adjustments	-	-
<b>Pro rata total comprehensive income</b>	<b>0.8</b>	<b>-1.1</b>

A loan of € 41.9 million (prior year: € 24.8 million) was granted to the joint venture GuD Herne GmbH.

The following table shows the combined financial data from the latest available financial statements of the non-material investments recognized at equity:

in € million	Associates		Joint ventures	
	2021	2020	2021	2020
Income after taxes	15.8	14.7	-9.6	-8.5
Other comprehensive income after taxes	-	-	-	-
<b>Total comprehensive income</b>	<b>15.8</b>	<b>14.7</b>	<b>-9.6</b>	<b>-8.5</b>

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

## (6.5) Financial assets

in € million	Dec. 31, 2021		Dec. 31, 2020	
	Total	thereof non-current	Total	thereof non-current
Other investments	0.4	0.4	12.4	12.4
Loans	206.1	198.3	180.0	171.4
Receivables from finance leases	39.5	31.1	185.2	172.0
Receivables from derivatives	487.0	103.9	70.6	6.2
Other financial assets	424.7	9.3	91.8	8.7
	<b>1,157.7</b>	<b>343.0</b>	<b>540.0</b>	<b>370.7</b>

### (a) Other investments

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

### (b) Loans

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

### (c) Receivables from finance leases

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

in € million	Dec. 31, 2021	Dec. 31, 2020
<b>Gross investment</b>	<b>47.4</b>	<b>332.1</b>
(thereof non-guaranteed residual value)	(-)	(-)
Due within 1 year	11.2	36.2
Due within 1-2 years	10.6	34.6
Due within 2-3 years	8.7	35.7
Due within 3-4 years	8.6	32.9
Due within 4-5 years	7.9	32.8
Due in more than 5 years	0.4	159.9
Interest included therein	-7.8	-146.7
<b>Net investment</b>	<b>39.6</b>	<b>185.4</b>
Accumulated impairment losses	-0.1	-0.2
<b>Carrying amount of receivables from finance leases</b>	<b>39.5</b>	<b>185.2</b>
Less present value of non-guaranteed residual values	-	-
<b>Present value of outstanding minimum lease payments</b>	<b>39.5</b>	<b>185.2</b>
Due within 1 year	8.4	13.2
Due within 1-5 years	30.8	60.7
Due in more than 5 years	0.3	111.3

In the prior year, receivables from finance leases included a contract to provide capacity at the Mindanao power plant (Philippines) valued at € 149.0 million. As at December 31, 2021, the receivable of STEAG State Power Inc. (Philippines) was reclassified to assets held for sale; see Note (6.9).

In 2017, a finance lease was concluded with Ford-Werke GmbH for a block heating plant. This resulted in a lease receivable of € 7.1 million (prior year: € 6.8 million). This contract runs for 10 years and ends in December 2026.

Moreover, receivables from finance leases include € 26.2 million (prior year: € 19.1 million) relating to the lease agreement for the STEAG refinery power plant in the federal state of Saxony-Anhalt. This agreement runs until November 2026.

In 2021, there were further receivables from finance leases totaling € 6.2 million (prior year: € 10.3 million), none of which were individually material.

#### (d) Receivables from derivatives

The breakdown of receivables from derivatives is as follows:

in € million	Dec. 31, 2021	Dec. 31, 2020
Receivables from currency derivatives	3.4	7.5
Receivables from interest rate derivatives	-	-
Receivables from commodity derivatives	483.6	63.1
	<b>487.0</b>	<b>70.6</b>

For further information on receivables from derivatives, see Note (8.1).

#### (e) Other financial assets

Financial assets include cash and cash equivalents of € 383.7 million (prior year: € 51.3 million) where there are restrictions on use. Among other things, these include margining for exchange-traded forward contracts and cash security for guarantee facilities. Moreover, as at the reporting date, current assets invested at banks totaled € 10.2 million (prior year: € 29.3 million).

#### (f) Collateral pledged

Total financial assets pledged as collateral for Group liabilities amounted to € 56.6 million (prior year: € 94.0 million). A further € 138.3 million (prior year: € 99.5 million) was subject to other restrictions on use. In the prior year, the majority of the assets pledged as collateral related to receivables from finance leases of the project companies for the Mindanao power plant.

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

## (6.6) Inventories

in € million	Dec. 31, 2021	Dec. 31, 2020
Raw materials and supplies	202.7	143.5
Work in progress	9.7	6.6
Finished goods and merchandise	47.8	2.1
	<b>260.2</b>	<b>152.2</b>

The year-on-year increase of € 59.2 million in raw materials and supplies was mainly due to higher inventories of coal. The € 3.1 million increase in work in progress reflects the situation on the reporting date and was mainly due to a higher level of services that had not yet been completed. The € 45.7 million increase in finished goods and merchandise is attributable to higher inventories of merchandise.

Inventories totaling € 16.7 million (prior year: € 23.1 million) are recognized at net realizable value.

Inventories include € 1.1 million (prior year: € 0.5 million) for allocated renewable energy certificates.

Inventories of € 4.2 million were pledged as collateral for Group liabilities. Inventories totaling € 0.4 million (prior year: € 4.6 million) are subject to other restrictions on use.

## (6.7) Trade accounts receivable and other receivables

in € million	Dec. 31, 2021		Dec. 31, 2020	
	Total	thereof non-current	Total	thereof non-current
Trade accounts receivable	587.8	-	357.9	-
Contract assets	65.0	22.9	56.3	14.9
Advance payments made	27.2	0.3	12.6	-
Miscellaneous other receivables	179.1	16.3	80.2	6.1
Deferred expenses	6.0	0.6	5.9	1.0
	<b>865.1</b>	<b>40.1</b>	<b>512.9</b>	<b>22.0</b>

### (a) Trade accounts receivable

Trade accounts receivable increased considerably compared with the prior year, mainly due to an increase in contracts in the Generation business unit in Germany and abroad.

Trade accounts receivable include claims to reimbursement from third parties amounting to € 143.9 million (prior year: € 66.2 million). These relate to other provisions established for obligations to surrender emission allowances, see Note (6.12).

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

in € million	Dec. 31, 2021	Dec. 31, 2020
Germany	463.4	295.1
Turkey	20.3	9.3
Other countries in the European Union	22.4	23.6
Other regions	81.7	29.9
	<b>587.8</b>	<b>357.9</b>

### (b) Contract assets/contract liabilities

The revenues recognized in 2021 for contract liabilities reported in the prior year totaled € 71.8 million (prior year: € 88.5 million).

The transaction price for unsatisfied or partially unsatisfied performance obligations under construction contracts recognized over time, which are expected to run until 2023 or beyond, amounted to € 237.8 million. This amount will probably be recognized in sales in 2022 (€ 88.9 million), 2023 (€ 82.3 million), 2024 (€ 47.4 million), 2025 (€ 5.8 million), 2026 (€ 4.5 million) and between 2027 and 2030 (€ 8.9 million).

#### (c) Miscellaneous other receivables

As in the prior year, miscellaneous other receivables do not include any claims to reimbursement from third parties relating to other provisions for recultivation and environmental protection; see Note (6.12).

#### (d) Collateral pledged

Receivables pledged as collateral for Group liabilities amounted to € 120.8 million (prior year: € 1.7 million).

A further € 2.6 million (prior year: € 46.3 million) was subject to other restrictions on use.

### (6.8) Cash and cash equivalents

The cash and cash equivalents totaling € 340.9 million (prior year: € 466.0 million) include balances with banks, checks and cash. This item also includes financial securities with high liquidity and terms of no more than three months on the date of acquisition.

The carrying amounts of cash and cash equivalents pledged as collateral for Group liabilities amounted to € 216.0 million (prior year: € 6.0 million). A further € 9.6 million (prior year: € 92.4 million) are subject to other restrictions on use.

### (6.9) Assets and liabilities held for sale

The assets and liabilities held for sale as at December 31, 2021 comprise the assets and liabilities of the SFW Energia Group (Poland), STEAG State Power Inc. (Philippines) and the 45 percent interest in a joint venture in the USA. The assets and liabilities of the SFW Energia Group and STEAG State Power Inc. were reclassified as at December 31, 2021.

The assets and liabilities held for sale as at December 31, 2020 comprised the assets and liabilities of the Süloglu wind farm in Turkey, the Crucea wind farm in Romania, the Power Minerals companies and the 45 percent interest in a joint venture in the USA. All transactions except the divestment of the joint venture in the USA were completed by August 2021.

In connection with the valuation as at December 31, 2021, impairment losses totaling € 26.3 million were recognized on the assets of the SFW Energia Group and STEAG State Power Inc. In addition, a further impairment loss of € 5.9 million (prior year: € 11.2 million) was recognized on the interest in the joint venture in the USA; see Note (5.9).

The accumulated comprehensive income and accumulated other comprehensive income contain a total amount of € 7.4 million (prior year: minus € 9.2 million) relating to the assets held for sale and the associated liabilities. This includes minus € 0.3 million (prior year: minus € 10.4 million) that will not be reclassified to profit or loss.

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

in € million	Dec. 31, 2021	Dec. 31, 2020
Intangible assets	4.7	31.0
Property, plant and equipment	56.8	206.8
Investments recognized at equity	1.1	28.8
Financial assets	156.8	0.6
Deferred taxes	3.9	9.7
Inventories	42.9	16.0
Trade accounts receivable	20.7	12.3
Cash and cash equivalents	29.3	12.4
Miscellaneous assets	9.1	18.7
<b>Total assets</b>	<b>325.3</b>	<b>336.3</b>
Provisions for pensions and other post-employment benefits	1.2	30.7
Other provisions	24.2	45.1
Financial liabilities	83.0	31.3
Deferred taxes	21.7	12.1
Trade accounts payable	4.5	10.2
Miscellaneous liabilities	18.4	4.9
<b>Total liabilities</b>	<b>153.0</b>	<b>134.3</b>

## (6.10) Equity

### (a) Issued capital

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

### (b) Capital reserve

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

### (c) Accumulated income/loss

The accumulated loss of € 415.9 million (prior year: accumulated loss of € 637.1 million) comprises Group earnings from the fiscal year and prior years. It also includes the remeasurement of the net defined benefit liability from defined benefit plans after taxes and the valuation of other investments. Income after taxes corresponds to the net income attributable to shareholders of STEAG GmbH, as stated in the income statement for the 2021 fiscal year. As at December 31, 2021, STEAG GmbH's profit reserves (HGB) were unchanged at € 272.8 million. Earnings of € 134.9 million will be transferred under the profit and loss transfer agreement between STEAG GmbH and KSBG KG. No earnings were transferred in the prior year since STEAG GmbH only broke even.

#### (d) Accumulated other comprehensive income

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

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

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

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

The changes in accumulated other comprehensive income were as follows:

in € million	Changes in the fair value of financial instruments used in hedging relationships	Differences arising from currency translation	Investments recognized at equity	Total
<b>As at January 1, 2020</b>	<b>8.5</b>	<b>-7.8</b>	<b>-1.4</b>	<b>-0.7</b>
<b>Other comprehensive income after taxes</b>	<b>-18.3</b>	<b>-18.2</b>	<b>-0.4</b>	<b>-36.9</b>
Gains/losses recognized in OCI	-2.4	-21.0	-1.2	-24.6
Amounts reclassified to the income statement	-15.2	2.8	0.8	-11.6
Deferred taxes on OCI	-0.7	-	-	-0.7
<b>Changes in shareholdings in subsidiaries without loss of control</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>
<b>As at December 31, 2020</b>	<b>-9.8</b>	<b>-26.0</b>	<b>-1.8</b>	<b>-37.6</b>
<b>As at January 1, 2021</b>	<b>-9.8</b>	<b>-26.0</b>	<b>-1.8</b>	<b>-37.6</b>
<b>Other comprehensive income after taxes</b>	<b>5.9</b>	<b>7.1</b>	<b>-0.8</b>	<b>12.2</b>
Gains/losses recognized in OCI	-1.4	11.1	-0.9	8.8
Amounts reclassified to the income statement	14.0	-4.0	0.1	10.1
Deferred taxes on OCI	-6.7	-	-	-6.7
<b>Changes in shareholdings in subsidiaries without loss of control</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>
<b>As at December 31, 2021</b>	<b>-3.9</b>	<b>-18.9</b>	<b>-2.6</b>	<b>-25.4</b>

#### (e) Equity attributable to non-controlling interests

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

The change in other comprehensive income after taxes relating to non-controlling interests was € 25.6 million (prior year: € 17.3 million) and contains the change in accumulated profit/loss and accumulated other comprehensive income. The change in accumulated income/loss contains income of € 3.1 million (prior year: loss of € 3.0 million) from remeasurement of the net defined benefit liability from defined benefit pension plans after taxes in the reporting period.

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
<b>As at January 1, 2020</b>	<b>-14.1</b>	<b>-1.5</b>	<b>-15.6</b>
<b>Other comprehensive income after taxes</b>	<b>2.2</b>	<b>-16.5</b>	<b>-14.3</b>
Gains/losses recognized in OCI	-2.6	-16.5	-19.1
Amounts reclassified to the income statement	5.8	-	5.8
Deferred taxes on OCI	-1.0	-	-1.0
<b>Changes in shareholdings in subsidiaries without loss of control</b>	<b>-</b>	<b>0.0</b>	<b>0.0</b>
<b>As at December 31, 2020</b>	<b>-11.9</b>	<b>-18.0</b>	<b>-29.9</b>
<b>Other comprehensive income after taxes</b>	<b>11.3</b>	<b>11.2</b>	<b>22.5</b>
Gains/losses recognized in OCI	1.4	11.2	12.6
Amounts reclassified to the income statement	15.8	-	15.8
Deferred taxes on OCI	-5.9	-	-5.9
<b>Changes in shareholdings in subsidiaries without loss of control</b>	<b>-</b>	<b>0.0</b>	<b>0.0</b>
<b>As at December 31, 2021</b>	<b>-0.6</b>	<b>-6.8</b>	<b>-7.4</b>

Further, the change in accumulated income/loss is due to changes in shareholdings in subsidiaries without loss of control amounting to € 0.0 million (prior year: € 3.3 million).

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

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

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

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

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

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

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

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

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

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

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

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

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

in %	2021	2020
Discount rate as of December 31	1.22	0.73
Future salary increases	2.04	2.09
Future pension increases	1.50	1.25

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

in € million	Dec. 31, 2021	Dec. 31, 2020
Present value of all defined benefit obligations as of December 31	1,231.7	1,330.3
Less fair value of plan assets as of December 31	2.0	9.0
<b>Pension provisions included in the balance sheet</b>	<b>1,229.7</b>	<b>1,321.3</b>

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

in € million	Present value of defined benefit obligations	Fair value of plan assets	Net benefit obligation
<b>As at January 1, 2021</b>	<b>1,330.3</b>	<b>-9.0</b>	<b>1,321.3</b>
Current service cost	16.8	-	16.8
Interest expense (+)/interest income (-)	9.6	-0.3	9.3
Employee contributions	3.1	-	3.1
Employer contributions	-	-0.6	-0.6
Remeasurement	-80.8	-0.1	-80.9
thereof: return on plan assets excluding interest income	-	-0.1	-0.1
thereof: actuarial gains (-) / losses (+) from changes in demographic assumptions	0.0	-	0.0
thereof: actuarial gains (-) / losses (+) from changes in financial assumptions	-88.7	-	-88.7
thereof: actuarial gains (-) / losses (+) from changes empirical adjustments	7.9	-	7.9
Past service cost	0.2	-	0.2
Benefits paid	-39.4	0.7	-38.7
Reclassification pursuant to IFRS 5	-8.7	7.5	-1.2
Changes in the scope of consolidation/transfer of employees	-	-	-
Carried forward	0.6	-	0.6
Currency translation	0.0	-0.2	-0.2
<b>As at December 31, 2021</b>	<b>1,231.7</b>	<b>-2.0</b>	<b>1,229.7</b>

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

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

in € million	Dec. 31, 2021			Dec. 31, 2020		
	Quoted market price in an active market	Other	Total	Quoted market price in an active market	Other	Total
Investments	-	-	-	1.3	-	1.3
Bonds	-	-	-	3.9	1.2	5.1
Insurance contracts	0.8	1.2	2.0	0.7	1.2	1.9
Other investments	-	-	-	0.7	-	0.7
	<b>0.8</b>	<b>1.2</b>	<b>2.0</b>	<b>6.6</b>	<b>2.4</b>	<b>9.0</b>

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

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

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

Change in € million	Dec. 31, 2021	Dec. 31, 2020
<b>Actuarial interest rate</b>		
+ 100 basis points	-186.4	-212.6
- 100 basis points	244.6	282.8
<b>Pension adjustment</b>		
+ 25 basis points	27.8	16.4
- 25 basis points	-26.8	-40.8
<b>Salary trend</b>		
+ 50 basis points	7.1	10.5
- 50 basis points	-6.8	-9.8

Employer contributions to plan assets of € 0.1 million are expected for 2022.

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

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

in € million	2021	2020
Service cost	17.2	16.8
Net interest cost	9.4	13.9
<b>Net pension expense recognized in the income statement</b>	<b>26.6</b>	<b>30.7</b>

in € million	2021	2020
Actuarial gains and losses	-80.8	89.8
Return on plan assets excluding interest income	-0.1	0.3
<b>Expense from the remeasurement of the net defined benefit obligation from defined benefit plans recognized in OCI</b>	<b>-80.9</b>	<b>90.1</b>

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

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

Further, € 24.0 million (prior year: € 25.1 million) was paid into defined contribution state plans (statutory pension insurance) in Germany and abroad. This is reported in personnel expenses (expenses for social security contributions).

## (6.12) Other provisions

Other provisions comprise the following items:

in € million	Dec. 31, 2021		Dec. 31, 2020	
	Total	thereof non-current	Total	thereof non-current
Personnel-related	72.4	25.7	74.3	27.2
Recultivation and environmental protection	8.0	7.2	9.2	7.9
Restructuring	107.1	65.4	119.6	62.0
Dismantling obligations	103.4	99.5	105.1	100.5
Obligations to surrender emission allowances	464.0	-	166.2	-
Other obligations	151.5	23.9	141.8	16.6
	<b>906.4</b>	<b>221.7</b>	<b>616.2</b>	<b>214.2</b>

### (a) Personnel-related provisions

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

### (b) Provisions for recultivation and environmental protection

Provisions are established for recultivation and environmental protection on the basis of contracts, laws and regulatory requirements. They cover soil reclamation obligations, water protection, the recultivation of landfills and site decontamination obligations. The majority of the non-current portion of provisions will only result in payments between 2023 and 2026.

### (c) Provisions for restructuring

Provisions for restructuring may only be established on the basis of defined restructuring measures. Such measures are defined as a program that is planned and controlled by the company and will materially alter one of the company's areas of business activity or the way in which a business activity is carried out. Provisions for restructuring may only be established for costs that are directly attributable to the restructuring program. The additions to such provisions in the reporting period mainly relate to measures at the power plants that will be directly affected in the near future by the termination of coal-fired power generation in Germany, where the requirements for the establishment of provisions had not yet been met in the prior year. Provisions were mainly established for expenses relating to agreed personnel instruments such as topping up adjustment payments, severance payments and other measures included in the redundancy plan. The non-current portion of the provisions is expected to be used mainly between 2023 and 2026.

### (d) Provisions for dismantling obligations

Provisions for dismantling obligations relate to dismantling that is not part of a restructuring program for which a provision for restructuring has been established. These provisions are almost all non-current. The majority of the payments will not be made until after 2026.

(e) Provisions for obligations to surrender emission allowances

Provisions for the obligation to surrender emission allowances are established on the basis of Section 7 Paragraph 1 of the German Greenhouse Gas Emissions Trading Act (TEHG). Under this law, companies are required to surrender allowances by April 30 of the following year equivalent to the emissions generated in reporting period (calendar year). These provisions will be utilized in the following year. Trade accounts receivable contain claims for reimbursement relating to the obligation to surrender emission allowances under agreements with electricity clients amounting to € 143.9 million (prior year: € 66.2 million); see Note (6.7).

(f) Provisions for other obligations

Provisions for other obligations relate to decommissioning of power plants that are scheduled for shutdown and measures to safeguard the future of the sites, price discounts and price adjustment risks relating to sales and procurement, impending contract losses, other taxes, litigation risks, legal and consultancy expenses, and audit fees. Most of these provisions will be utilized within one year and the remainder will mainly result in payments between 2023 and 2026.

Other provisions changed as follows in fiscal 2021:

in € million	Personnel-related	Recultivation, environmental protection	Restructuring	Dismantling obligations	Obligations to surrender emission allowances	Other obligations	Total
<b>As at January 1, 2021</b>	<b>74.3</b>	<b>9.2</b>	<b>119.6</b>	<b>105.1</b>	<b>166.2</b>	<b>141.8</b>	<b>616.2</b>
Additions	50.4	0.5	30.7	0.4	477.7	88.7	648.4
Utilization	-45.9	-0.4	-30.6	-0.2	-166.1	-66.1	-309.3
Reversal	-1.3	-0.1	-11.9	-0.5	0.0	-8.6	-22.4
Addition of accrued interest/ interest rate adjustments	0.0	-0.6	-0.1	-0.1	-	-0.5	-1.3
Other	0.0	0.0	-0.6	-1.3	-0.1	1.1	-0.9
Reclassification to liabilities of the disposal group	-5.1	-0.6	0.0	-	-13.7	-4.9	-24.3
<b>As at December 31, 2021</b>	<b>72.4</b>	<b>8.0</b>	<b>107.1</b>	<b>103.4</b>	<b>464.0</b>	<b>151.5</b>	<b>906.4</b>

## (6.13) Financial liabilities

in € million	Dec. 31, 2021		Dec. 31, 2020	
	Total	thereof non-current	Total	thereof non-current
Liabilities to banks	447.6	297.7	921.1	665.1
Loans from non-banks	186.9	174.6	175.6	140.3
Lease liabilities	157.5	139.3	166.5	148.0
Liabilities from derivatives	597.0	132.8	64.3	34.4
Other financial liabilities	338.8	15.2	44.3	18.5
	<b>1,727.8</b>	<b>759.6</b>	<b>1,371.8</b>	<b>1,006.3</b>

### (a) Liabilities to banks

The largest item within liabilities to banks is STEAG GmbH's bonded loan. At the reporting date, financial liabilities to banks relating to the bonded loan amounted to € 197.6 million (prior year: € 241.1 million). The change is mainly due to the regular and extraordinary repayments of principal under the debt restructuring agreement concluded in 2021.

In addition, in the prior year this item contained financing of € 235.9 million for the Walsum 10 power plant project. Under the agreement concluded with the project partner in the reporting period, loans outstanding as at this date were repaid prematurely.

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

In the prior year, this item included borrowing of € 83.4 million for the Mindanao power plant and the SFW Energia Group. As at the reporting date, this was recognized in the liabilities of the disposal group.

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

### (b) Loans from non-banks

Liabilities resulting from loans from non-banks increased slightly year-on-year in the reporting period.

### (c) Lease liabilities

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

The due dates of the lease liabilities are as follows:

in € million	Dec. 31, 2021	Dec. 31, 2020
Future minimum lease payments	185.1	196.5
Due within 1 year	22.0	22.4
Due within 1-5 years	71.4	73.9
Due in more than 5 years	91.7	100.2
Interest included therein	-27.6	-30.0
<b>Present value of future lease liabilities</b>	<b>157.5</b>	<b>166.5</b>
Due within 1 year	18.2	18.5
Due within 1-5 years	59.5	61.3
Due in more than 5 years	79.8	86.7

#### (d) Liabilities from derivatives

The breakdown of liabilities from derivatives is as follows:

in € million	Dec. 31, 2021	Dec. 31, 2020
Liabilities from currency derivatives	1.8	5.2
Liabilities from interest rate derivatives	5.4	38.4
Liabilities from commodity derivatives	589.8	20.7
	<b>597.0</b>	<b>64.3</b>

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

#### (e) Other financial liabilities

The increase in other financial liabilities was principally attributable to significantly higher margining of € 168.4 million as a result of the development of the commodity markets and the liability of € 134.9 million relating to the profit and loss transfer agreement with KSBG KG.

Furthermore, other financial liabilities include compensation payments to other shareholders and non-controlling interests in STEAG Windpark Ullersdorf GmbH & Co. KG.

## (6.14) Trade accounts payable, other liabilities

in € million	Dec. 31, 2021		Dec. 31, 2020	
	Total	thereof non-current	Total	thereof non-current
Trade accounts payable	264.4	-	206.2	-
Contract liabilities	81.1	12.6	71.8	8.1
Advance payments received from customers	1.1	1.0	3.1	0.8
Miscellaneous other liabilities	47.1	2.2	51.7	8.9
Deferred income	4.0	1.8	7.4	4.1
	<b>397.7</b>	<b>17.6</b>	<b>340.2</b>	<b>21.9</b>

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

## (6.15) Deferred taxes, other income taxes

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

in € million	Dec. 31, 2021		Dec. 31, 2020	
	Total	thereof non-current	Total	thereof non-current
Deferred tax assets	154.9	154.9	24.7	24.7
Other income tax assets	12.3	-	8.6	-
Deferred tax liabilities	26.9	26.9	39.6	39.6
Other income tax liabilities	48.8	-	50.2	-

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 relate to the following items:

in € million	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
<b>Assets</b>				
Intangible assets	0.5	0.6	5.7	8.8
Property, plant and equipment, investment property	23.9	24.1	58.1	50.2
Financial assets	1.3	14.7	78.5	65.3
Inventories	40.2	37.1	7.0	3.6
Receivables, other assets	7.3	2.6	6.4	26.4
<b>Liabilities</b>				
Provisions	132.4	167.0	4.0	0.6
Liabilities	85.0	53.1	7.9	29.1
Special reserves with an equity portion (based on local law)	-	-	1.2	1.4
Loss/interest carryforwards after changes in value	6.2	3.1	-	-
Other	-	-	-	-
<b>Deferred taxes (gross)</b>	<b>296.8</b>	<b>302.3</b>	<b>168.8</b>	<b>185.4</b>
Changes in value (temporary differences)	-	-131.8	-	-
Offsetting	-141.9	-145.8	-141.9	-145.8
<b>Deferred taxes (net)</b>	<b>154.9</b>	<b>24.7</b>	<b>26.9</b>	<b>39.6</b>

Deferred tax assets of € 6.2 million (prior year: € 3.1 million) were recognized for companies with tax loss carryforwards as they are expected to generate sufficient taxable income in the future.

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

in € million	Corporation taxes (Germany and foreign)		Local taxes (Germany and foreign)	
	2021	2020	2021	2020
Loss carryforwards	73.1	114.9	73.7	75.9
thereof with no expiration date	72.7	79.5	73.7	75.9

No deferred tax liabilities were recognized for temporary differences of € 49.9 million (prior year: € 70.8 million) between net assets and the carrying amount of subsidiaries as determined for tax purposes (outside basis differences). 5 percent of gains from profit distributions or the divestment of shareholdings would be subject to German taxation; in some cases, foreign withholding taxes would also be applicable. In addition, in the event of profit distributions from a subsidiary to an intermediate holding company, further income tax effects would have to be taken into account. Consequently, profit distributions and divestments generally result in additional tax expense. Calculating deferred taxes on the taxable temporary differences would therefore involve an unreasonable amount of work.

## (7) Notes to the cash flow statement

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

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

### (7.1) Cash flow from operating activities

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

### (7.2) Cash flow from investing activities

As at the reporting date, cash and cash equivalents totaling € 10.2 million were held in current fixed-term bank deposits (prior year: € 29.2 million).

### (7.3) Cash flow from financing activities

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

in € million	Non-current liabilities	Current liabilities	Lease liabilities	Profit transfer	Assets used to hedge liabilities	Components of financing activities
<b>As at Jan. 1, 2021</b>	<b>844.9</b>	<b>372.0</b>	<b>173.6</b>	-	-	<b>1,390.5</b>
Repayments of principal and profit transfer	-3.4	-462.8	-21.2	-	-	-487.4
Borrowing	-	67.9	-	-	-	67.9
<b>Changes affecting cash flow</b>	<b>-3.4</b>	<b>-394.9</b>	<b>-21.2</b>	-	-	<b>-419.5</b>
Changes due to business combinations	-	-	-	-	-	-
Currency translation	1.3	5.6	0.4	-	-	7.3
Interest, discounting, changes in fair value	0.7	15.3	4.5	-	-	20.5
Reclassifications	-335.0	398.0	14.9	-	-	77.9
Other changes	-	-	-3.6	-	-	-3.6
<b>Changes not affecting cash flow</b>	<b>-333.0</b>	<b>418.9</b>	<b>16.2</b>	-	-	<b>102.1</b>
<b>As at Dec. 31, 2021</b>	<b>508.5</b>	<b>396.0</b>	<b>168.6</b>	-	<b>0.0</b>	<b>1,073.1</b>

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

## (8) Other disclosures

### (8.1) Additional information on financial instruments

#### Net result from financial instruments

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

in € million	Result by valuation category						2021
	Debt instruments			Equity instruments at fair value	Liabilities at amortized cost	Not allocated to any category	
	At amortized cost	At fair value through profit or loss	Derivatives at fair value				
Valuation result	-	-	-201.7	-	-	-	-201.7
Impairment losses/reversals of impairment losses	0.0	-	-	-	-	0.0	0.0
Interest income	9.8	1.4	0.9	-	-	0.5	12.6
Interest expense	-	-	-1.1	-	-63.7	-5.5	-70.3
Income from other investments	-	-	-	0.1	-	-	0.1
Result from current fixed-term bank deposits	-	-	-	-	-	-	0.0
	<b>9.8</b>	<b>1.4</b>	<b>-201.9</b>	<b>0.1</b>	<b>-63.7</b>	<b>-5.0</b>	<b>-259.3</b>

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

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

## Carrying amounts and fair values of financial instruments

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

The following tables show the classification of financial assets:

in € million	Valuation category				Dec. 31, 2021	
	Equity instruments	Debt instruments and derivatives			Carrying amount	Fair value
	At fair value through OCI	Financial assets at amortized cost	At fair value through profit or loss	Not allocated to any category		
<b>Financial assets</b>	<b>0.4</b>	<b>630.8</b>	<b>487.0</b>	<b>39.5</b>	<b>1,157.7</b>	<b>1,210.0</b>
Other investments	0.4	-	-	-	0.4	0.4
Loans	-	206.1	-	-	206.1	254.0
Receivables from finance leases	-	-	-	39.5	39.5	43.9
Receivables from derivatives	-	-	487.0	-	487.0	487.0
Other financial assets	-	424.7	-	-	424.7	424.7
<b>Trade accounts receivable</b>	<b>-</b>	<b>587.8</b>	<b>-</b>	<b>-</b>	<b>587.8</b>	<b>587.8</b>
<b>Cash and cash equivalents</b>	<b>-</b>	<b>340.9</b>	<b>-</b>	<b>-</b>	<b>340.9</b>	<b>340.9</b>
	<b>0.4</b>	<b>1,559.5</b>	<b>487.0</b>	<b>39.5</b>	<b>2,086.4</b>	<b>2,138.7</b>

in € million	Valuation category				Dec. 31, 2020	
	Equity instruments	Debt instruments and derivatives			Carrying amount	Fair value
	At fair value through OCI	Financial assets at amortized cost	At fair value through profit or loss	Not allocated to any category		
<b>Financial assets</b>	<b>12.4</b>	<b>271.8</b>	<b>67.5</b>	<b>188.3</b>	<b>540.0</b>	<b>684.5</b>
Other investments	12.4	-	-	-	12.4	12.4
Loans	-	180.0	-	-	180.0	230.7
Securities and similar rights	-	-	-	-	-	0.0
Receivables from finance leases	-	-	-	185.2	185.2	279.0
Receivables from derivatives	-	-	67.5	3.1	70.6	70.6
Other financial assets	-	91.8	-	-	91.8	91.8
<b>Trade accounts receivable</b>	<b>-</b>	<b>357.9</b>	<b>-</b>	<b>-</b>	<b>357.9</b>	<b>357.9</b>
<b>Cash and cash equivalents</b>	<b>-</b>	<b>466.0</b>	<b>-</b>	<b>-</b>	<b>466.0</b>	<b>466.0</b>
	<b>12.4</b>	<b>1,095.7</b>	<b>67.5</b>	<b>188.3</b>	<b>1,363.9</b>	<b>1,508.4</b>

The following tables show the classification of financial liabilities:

in € million	Valuation category				Dec. 31, 2021	
	At fair value through profit or loss		Liabilities at amortized cost	Not allocated to any category	Carrying amount	Fair value
	Liabilities held for trading	Other liabilities				
<b>Financial liabilities</b>	<b>591.5</b>	<b>8.0</b>	<b>965.3</b>	<b>5.5</b>	<b>1,570.3</b>	<b>1,638.3</b>
Liabilities to banks	-	-	447.6	-	447.6	467.9
Loans from non-banks	-	-	186.9	-	186.9	234.6
Liabilities from derivatives	591.5	-	-	5.5	597.0	597.0
Other financial liabilities	-	8.0	330.8	-	338.8	338.8
<b>Trade accounts payable</b>	<b>-</b>	<b>-</b>	<b>264.4</b>	<b>-</b>	<b>264.4</b>	<b>264.4</b>
	<b>591.5</b>	<b>8.0</b>	<b>1,229.7</b>	<b>5.5</b>	<b>1,834.7</b>	<b>1,902.7</b>

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

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

- **Level 1:** The inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted price in an active market (e.g. exchange markets, dealer markets) provides the most reliable evidence of fair value and should be used without adjustment whenever available, apart from a few exceptional cases.
- **Level 2:** The inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These are, for example, quoted prices for identical or similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, input factors other than quoted prices that are observable for an asset or liability (e.g. interest rates, yield curves, volatilities or credit spreads) and market-corroborated inputs derived from observable market data by correlation or another technique.
- **Level 3:** The inputs are unobservable inputs for the asset or liability and take account of situations where there is little, if any, market activity for the asset or liability. Unobservable inputs must reflect the assumptions that market participants would use when pricing the asset or liability (e.g. assumptions about risk). Unobservable inputs are developed using the best information available (including internal information).

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

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

in € million	Fair value of financial instruments based on			Dec. 31, 2021
	Level 1	Level 2	Level 3	
<b>Financial assets</b>	-	<b>482.3</b>	<b>5.1</b>	<b>487.4</b>
Other investments	-	-	0.4	0.4
Receivables from derivatives	-	482.3	4.7	487.0
<b>Financial liabilities</b>	-	<b>601.0</b>	<b>4.0</b>	<b>605.0</b>
Liabilities from derivatives	-	593.0	4.0	597.0
Other financial liabilities	-	8.0	-	8.0

in € million	Fair value of financial instruments based on			Dec. 31, 2020
	Level 1	Level 2	Level 3	
<b>Financial assets</b>	-	<b>63.3</b>	<b>19.7</b>	<b>83.0</b>
Other investments	-	-	12.4	12.4
Securities and similar rights	-	-	-	0.0
Receivables from derivatives	-	63.3	7.3	70.6
Other financial assets	-	-	-	0.0
<b>Financial liabilities</b>	-	<b>71.5</b>	-	<b>71.5</b>
Liabilities from derivatives	-	64.3	-	64.3
Other financial liabilities	-	7.2	-	7.2

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

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

Significant unobservable input	Spread (weighted average)
Country-specific weighted average cost of capital before taxes (WACC)	9 percent to 16 percent

A higher (lower) weighted average cost of capital (WACC) before taxes decreases (increases) the fair value of other investments. A hypothetical shift in the country-specific WACC of 100 basis points would decrease the fair value by € 0.0 million (prior year: € 2.8 million) or increase it by € 0.0 million (prior year: € 3.1 million).

The fair values of energy contracts with an agreed fixed price for electricity from renewable resources are determined using a valuation model based on mathematical methods taking into account the electricity price as at the reporting date, the cannibalization effect of renewables and the expected amount of electricity. The amount of electricity and modeled feed expectations are based on weather scenarios. These energy contracts are assigned to Level 3 in the above table as receivables and liabilities from derivatives.

Assuming the other relevant parameters are unchanged, a hypothetical reduction of 10 percent in the electricity price in € per MWh would reduce the fair value by € 2.0 million. Assuming the other relevant parameters are unchanged, a hypothetical increase of 10 percent in the electricity price in € per MWh

would increase the fair value by € 2.0 million. No calculation is made for a hypothetical reduction or increase in the cannibalization effect of renewables, as this has a direct effect on the price of electricity.

Assuming other parameters are unchanged, a hypothetical reduction of 10 percent in the modeled feed expectations would increase the fair value by € 0.1 million. Assuming other parameters are unchanged, a hypothetical increase of 10 percent in the price of modeled feed expectations would reduce the fair value by € 0.1 million.

The fair values of the energy contracts with an index-based price agreement for electricity are determined as the difference between the electricity base price as at the reporting date and an index price, which contains both a fixed component and prices for hard coal (API#2) and CO<sub>2</sub> allowances. As receivables and liabilities from derivatives, in the above table, the energy contracts with an index-based price agreement are allocated to Level 3.

Assuming the other relevant price parameters are unchanged, a hypothetical reduction of 10 percent in the electricity price in € per MWh would increase the fair value by € 5.8 million. Assuming the other relevant price parameters are unchanged, a hypothetical increase of 10 percent in the electricity price in € per MWh would reduce the fair value by € 5.8 million.

Assuming other parameters are unchanged, a hypothetical reduction of 10 percent in the API2 price in € per mt would reduce the fair value by € 0.9 million. Assuming other parameters are unchanged, a hypothetical increase of 10 percent in the API2 price in € per mt would increase the fair value by € 0.9 million.

Assuming other parameters are unchanged, a hypothetical reduction of 10 percent in the price of CO<sub>2</sub> allowances in € per EUA would reduce the fair value by € 1.7 million. Assuming other parameters are unchanged, a hypothetical increase of 10 percent in the price of CO<sub>2</sub> allowances in € per EUA would increase the fair value by € 1.7 million.

In the prior year, the fair values of options for energy contracts (especially virtual shares of power generated by the Group's power plants) were determined using valuation models based on mathematical methods, using market prices, especially the clean dark spread, which represents revenues from the sale of power after the cost of inputs and their volatility. As receivables from derivatives, they are assigned to Level 3 in the above table for the prior year. As at December 31, 2021, there were no options for energy contracts.

A hypothetical reduction in the clean dark spread of € 1 per MWh would reduce the fair value by € 0.3 million. A hypothetical increase in the clean dark spread of € 1 per MWh would increase the fair value by € 0.3 million.

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

in € million	Jan. 1, 2021	Changes					Dec. 31, 2021
		Recognized in profit or loss	Recognized in OCI	Disposals	Issues	Adjustments	
Other investments	12.4	-	-12.0	-5.2	5.2	-	0.4
Receivables from derivatives	7.3	-2.6	-	-	-	-	4.7
Liabilities from derivatives	-	4.0	-	-	-	-	4.0

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

The issues presented for other investments in the prior year comprised amounts paid into capital reserves.

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

in € million	2021	Thereof attributable to financial instruments still held on the reporting date	2020	Thereof attributable to financial instruments still held on the reporting date
<b>Gains and losses, level 3</b>	<b>-6.6</b>	<b>0.7</b>	<b>0.2</b>	<b>0.2</b>
Other operating income	4.7	4.7	2.5	2.5
Other operating expenses	-11.3	-4.0	-2.3	-2.3

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

in € million	Recognized gross amount	Offsetting	Reported net amount	Financial instruments	Corresponding non-offset amounts	Net amount Dec. 31, 2021
					Cash collateral received/posted	
Derivatives (positive fair values)	1,151.8	-664.8	487.0	-	-168.4	318.6
Derivatives (negative fair values)	1,339.1	-742.1	597.0	-	-266.4	330.6

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

The amounts offset comprise the variation margin that has to be deposited by both parties in connection with stock exchange transactions. The associated amounts that are not offset comprise the margin payments (initial margin and non-offset variation margin) amounting to € 266.4 million that had to be provided upfront (prior year: € 51.3 million) and other collateral that is not offset amounting to € 168.4 million (prior year: € 2.0 million) and which, in the event of negative price trends, can be offset at any time against the cash collateral received.

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

These are shown in the following table:

in € million	Fair value as at Dec. 31, 2021	Dividends received
Hinduja National Power Corporation Limited	-	-
STEAG ENSIDA Energy Services Enerji Sistemleri Danışmanlık Mühendislik Tesis ve Ticaret Limited Şirketi	-	-
Other investments in equity instruments	0.4	0.1
	<b>0.4</b>	<b>0.1</b>

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

In the reporting period, investments in equity instruments with a fair value of € 0.4 million were consolidated in accordance with IFRS 10.

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

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

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

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

in € million	Fair value of financial instruments based on			Dec. 31, 2021
	Level 1	Level 2	Level 3	
<b>Financial assets</b>	<b>276.8</b>	<b>401.9</b>	<b>43.9</b>	<b>722.6</b>
Loans	-	254.0	-	254.0
Receivables from finance leases	-	-	43.9	43.9
Other financial assets	276.8	147.9	-	424.7
<b>Financial liabilities</b>	<b>168.4</b>	<b>727.3</b>	<b>2.7</b>	<b>898.4</b>
Liabilities to banks	-	467.9	-	467.9
Loans from non-banks	-	234.6	-	234.6
Other financial liabilities	168.4	24.8	2.7	195.9

in € million	Fair value of financial instruments based on			Dec. 31, 2020
	Level 1	Level 2	Level 3	
<b>Financial assets</b>	<b>80.7</b>	<b>241.8</b>	<b>279.0</b>	<b>601.5</b>
Loans	-	230.7	-	230.7
Receivables from finance leases	-	-	279.0	279.0
Other financial assets	80.7	11.1	-	91.8
<b>Financial liabilities</b>	<b>2.0</b>	<b>1,231.6</b>	<b>8.2</b>	<b>1,241.8</b>
Liabilities to banks	-	971.3	-	971.3
Loans from non-banks	-	233.4	-	233.4
Other financial liabilities	2.0	26.9	8.2	37.1

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

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

A higher (lower) weighted average cost of capital (WACC) before taxes decreases (increases) the fair value of receivables from finance leases. A hypothetical shift in the country-specific WACC of 100 basis points decreases their fair value by 2 percent (prior year: 4 percent) or increases it by 2 percent (prior year: 4 percent).

## Notional value of derivatives

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

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

in € million	Dec. 31, 2021					
	Total	thereof current	thereof 1-3 years	thereof 4-5 years	thereof 6-10 years	thereof > 10 years
Currency derivatives	364.2	364.2	-	-	-	-
Interest rate derivatives	93.9	-	-	28.6	65.3	-
Commodity derivatives	3,394.4	2,994.3	400.1	-	-	-
	<b>3,852.5</b>	<b>3,358.5</b>	<b>400.1</b>	<b>28.6</b>	<b>65.3</b>	-

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

Interest rate derivatives with a residual term of more than one year are stated in the period in which they mature at their present notional value, even if the notional value increases or decreases over their total term.

The notional amount does not contain any energy contracts with a fixed-price or index-based price agreement for electricity from renewable resources or options on energy contracts. Energy purchase contracts containing a fixed-price agreement for electricity from renewable resources total 155 MW (prior year: none) and expire on March 31, 2022. Energy contracts with an index-based price agreement for electricity from renewable resources total 250 MW and end in the first quarter of 2022. In the prior year, options on energy contracts totaled 175 MW.

The year-on-year change in the notional value of commodities mainly results from the sharp hike in commodity prices.

The table shows the respective average prices:

in € million	Dec. 31, 2021	Dec. 31, 2020
<b>Currency forward agreements</b>		
USD / EUR	1.149	1.186
EUR / USD	-	-
TRY / EUR	17.391	9.670
PLN / EUR	4.667	4.461
<b>Interest rate swaps</b>		
EUR	2.69%	2.36%
USD	-	2.48%
PLN	2.79%	2.79%
<b>Commodity derivatives</b>		
Power € / MWh	104.86	46.14
CO <sub>2</sub> allowances € / EUA	62.65	26.01
Coal € / mt	95.30	50.99
Gasoil € / t	515.94	384.32
Gas € / MWh	18.30	15.24

## Financial risk management

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

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

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

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

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

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

#### (a) Market risk

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

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

The aim of interest rate management is to protect net income from the effects of fluctuations in market interest rates. Interest rate risk is managed through derivative and non-derivative financial instruments, especially interest rate swaps. The aim is to achieve an appropriate ratio of fixed rates (with interest rates fixed for more than one year) and variable rates (terms of less than one year), taking costs and risks into account. Around 55.0 percent of floating rate loan liabilities (with an original term to maturity of more than one year) were hedged by interest rate swaps on December 31, 2021 (prior year: around 92.9 percent).

Several scenario analyses were carried out to measure exchange rate, interest rate and commodity risk as at December 31, 2021. The following tables show the impact on income before taxes and on OCI. The impact on equity, including the result for the period, is derived from the sum of the individual effects.

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

The results are summarized in the table:

US dollar vs. euro	Dec. 31, 2021		Dec. 31, 2020	
	Impact on income	OCI	Impact on income	OCI
<b>in € million</b>				
+1 percent	-1.7	-0.3	0.2	-0.4
-1 percent	1.7	0.3	-0.2	0.4
+5 percent	-8.2	-1.2	1.0	-2.0
-5 percent	8.9	1.3	-1.1	2.2
+10 percent	-16.0	-2.3	2.0	-3.8
-10 percent	18.3	2.8	-2.1	4.6

Polish zloty vs. euro	Dec. 31, 2021		Dec. 31, 2020	
	Impact on income	OCI	Impact on income	OCI
<b>in € million</b>				
+1 percent	-0.6	-	-0.6	-
-1 percent	0.6	-	0.6	-
+5 percent	-2.8	-	-2.9	-
-5 percent	3.1	-	3.1	-
+10 percent	-5.4	-	-5.5	-
-10 percent	6.5	-	6.6	-

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

in € million	Dec. 31, 2021		Dec. 31, 2020	
	Impact on income	OCI	Impact on income	OCI
+0.5 percent	0.0	1.8	0.1	6.5
-0.5 percent	0.1	-1.4	-0.1	-6.5
+1 percent	-0.1	3.3	0.1	12.7
-1 percent	0.1	-3.1	-0.1	-13.5
1.5 percent	-0.1	4.8	0.2	18.7
-1.5 percent	-0.2	-7.2	-0.2	-20.6

Commodity risks arise from changes in the market price of power, emission allowances and raw materials, including the sea freight required for logistics purposes. The market price risk from the marketing of own and third-party power plant output results from a change in the clean dark spread or clean spark spread as a combination of the market prices used (electricity price less currency-adjusted raw material costs and costs for the procurement of CO<sub>2</sub> allowances). Raw materials are purchased both to meet in-house requirements and for resale on the external market. Other factors of importance for the STEAG Group's risk position are the physical availability of raw materials and dependence on their price. The STEAG Group uses broadly based, all-round portfolio management for the procurement of fuel to reduce price dependency and procurement risks on the sourcing market.

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

To measure the market risk arising from commodity derivatives, which are accounted for at fair value and assigned to Level 2 in the valuation hierarchy, the sensitivity of the fair value of these instruments to an increase or decrease of 10 percent in their market price was determined. The results are shown in the table:

in € million	Dec. 31, 2021		Dec. 31, 2020	
	Impact on income	OCI	Impact on income	OCI
<b>CDS trading</b>				
Power				
+10 percent	-34.1	-	-20.6	-
-10 percent	44.0	-	20.6	-
CO <sub>2</sub> allowances				
+10 percent	14.0	-	10.2	-
-10 percent	-10.1	-	-10.2	-
Coal				
+10 percent	4.4	-	7.6	-
-10 percent	-3.7	-	-7.6	-
Gasoil				
+10 percent	0.2	-	0.2	-
-10 percent	-0.2	-	-0.2	-
<b>CSS trading</b>				
Power				
+10 percent	-18.9	-	-8.8	-
-10 percent	20.0	-	8.8	-
CO <sub>2</sub> allowances				
+10 percent	4.7	-	1.9	-
-10 percent	-4.2	-	-1.9	-
Gas				
+10 percent	11.9	-	4.8	-
-10 percent	-11.5	-	-4.8	-
<b>Other trading</b>				
Power				
+10 percent	3.6	-	-1.1	-
-10 percent	-3.9	-	-1.1	-
CO <sub>2</sub> allowances				
+10 percent	30.4	-	-8.8	-
-10 percent	-29.8	-	-8.8	-
Coal				
+10 percent	-0.5	-	-0.8	-
-10 percent	0.6	-	0.8	-
<b>Trading in renewable energies</b>				
Power				
+10 percent	-9.1	-	-	-
-10 percent	9.2	-	-	-
CO <sub>2</sub> allowances				
+10 percent	-	-	-	-
-10 percent	-	-	-	-
Coal				
+10 percent	-	-	-	-
-10 percent	-	-	-	-

The table shows the sensitivity of commodity derivatives measured at fair value and assigned to Level 2 of the valuation hierarchy. It does not show the opposite change in the value of the corresponding physical transactions.

## Hedge accounting

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

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

### Interest rate hedges

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

### Currency hedging

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

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

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

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

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

#### Cash flow hedge accounting

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

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

Most interest payments relating to the financing of power plant projects have been hedged up to 2031 via interest rate swaps.

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

in € million	Change in the value of the hedged item as the basis of ineffectiveness	Dec. 31, 2021	
		Cash flow hedge reserve	
		From hedging relationships still in effect	From hedging relationships no longer in effect
CDS trading	-	-	-
Fuel for own use	-	-	-
Other trading	-	-	-
Financing costs with variable interest rates	4.6	5.7	-1.1
	4.6	5.7	-1.1

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

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

								Dec. 31, 2021
in € million	Carrying amount of the hedging instrument		Change in the value of the hedge as the basis of ineffectiveness	Notional value	In the fiscal year			
	Financial assets	Financial liabilities			Gains and losses from hedging relationships recognized in OCI	Amount reclassified to profit or loss or assets	Item showing reclassified amount	
	Currency derivatives	-			-	-	-	-
Interest rate derivatives	-	5.3	-5.3	88.8	5.3	33.3	Interest expense	
Commodity derivatives	-	-	-	-	-	-		
	-	5.3	-5.3	88.8	5.3	33.3		

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

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

### Hedge of a net investment

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

Dec. 31, 2021			
in € million	Change in the value of the hedged item as the basis of ineffectiveness	Reserve for hedges of a net investment	
		From hedging relationships still in effect	From hedging relationships no longer in effect
Currency gains and losses on foreign power plant projects	0.7	0.2	0.5
	<b>0.7</b>	<b>0.2</b>	<b>0.5</b>

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

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

Dec. 31, 2021										
in € million	Carrying amount of the hedging instrument			Change in the fair value of the hedge as the basis of ineffectiveness	Notional value in million	Currency	Hedging gains or losses recognized in the reserve for hedges of a net investment	Gains and losses from hedging relationships recognized in OCI	Amount reclassified to profit or loss	Item showing reclassified amount
	Financial assets	Financial liabilities	in million							
Currency derivatives	0.0	-0.2	0.2	29.1	USD	-0.7	-4.9	-4.0	Other operating income	
	-	-	-	-	COP	0.0	0.0	-		
	<b>0.0</b>	<b>-0.2</b>	<b>0.2</b>			<b>-0.7</b>	<b>-4.9</b>	<b>-4.0</b>		

Dec. 31, 2020										
in € million	Carrying amount of the hedging instrument			Change in the fair value of the hedge as the basis of ineffectiveness	Notional value in million	Currency	Hedging gains or losses recognized in the reserve for hedges of a net investment	Gains and losses from hedging relationships recognized in OCI	Amount reclassified to profit or loss	Item showing reclassified amount
	Financial assets	Financial liabilities	in million							
Currency derivatives	3.0	-	3.0	51.2	USD	8.2	2.3	-22.6	Other operating income	
	0.1	-	0.1	7,392.6	COP	-0.0	1.0	-		
	<b>3.1</b>	<b>-</b>	<b>3.1</b>			<b>8.2</b>	<b>3.3</b>	<b>-22.6</b>		

## (b) Liquidity risk

The liquidity risk comprises a risk that there might not be sufficient cash and cash equivalents to meet financial obligations. To ensure that it remains solvent, the STEAG Group has adequate means to meet capital requirements for day-to-day business, investments and payments of principal and interest on financial debt. A key focus is optimizing net working capital.

The bonded loans taken out in 2014 and 2019 are another major aspect. Here, STEAG GmbH is required to meet certain covenants. There is a basic risk that it will not meet the financial indicators defined for these covenants. Under the agreements, failure to meet these covenants constitutes grounds for termination with the possible consequence that the outstanding loans would be repayable immediately. That would result in an immediate outflow of funds. All agreed covenants and the resulting information obligations were met as at December 31, 2021. The liquidity risk to STEAG GmbH of non-fulfillment of the financial covenants is classified as low.

In connection with forward marketing, STEAG GmbH concludes trading agreements, some of which contain financial covenants that have to be fulfilled; if the indicators are below the level set, the contractual party has a right to additional collateral. In principle, there is a risk that this would have to be paid in the form of cash margin payments or guarantees. Not all agreed covenants were met as at December 31, 2021. The related information obligations were met and the necessary collateral was provided. The amount of relevance for margining was € 24.1 million on the reporting date. As a result of changes in market prices and the counter-effect of liquidity inflows from exchange trading, the risk is considerably lower as at the date of preparation of these financial statements. The total risk to STEAG GmbH of non-fulfillment of the financial covenants is therefore classified as low.

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

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

in € million	Payments due in				Dec. 31, 2021
	up to 1 year	more than 1 - 3 years	more than 3 - 5 years	more than 5 years	
<b>Financial liabilities</b>	<b>569.8</b>	<b>321.6</b>	<b>206.0</b>	<b>270.1</b>	<b>1,367.5</b>
Liabilities to banks	177.8	220.2	107.1	69.6	574.7
Loans from non-banks	21.2	55.0	67.2	100.1	243.5
Lease liabilities	21.9	40.4	31.1	91.7	185.1
Other financial liabilities	348.9	6.0	0.6	8.7	364.2
<b>Trade accounts payable</b>	<b>264.4</b>	-	-	-	<b>264.4</b>

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

The above presentation is based on the contractual agreements on the payment of interest and repayments of principal valid at the reporting date. At the end of September 2021, the STEAG Group concluded a restructuring agreement with the guarantee providers, the creditors of the bonded loans, the creditors of a money market loan and the other financial creditors. This agreement runs until December 31, 2023 and contains changes to payments of interest and repayments of principal, insofar as there are claims to payments out of auction proceeds or strategy-driven divestments of equity investments.

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

in € million	Payments due in				Dec. 31, 2021
	up to 1 year	more than 1 - 3 years	more than 3 - 5 years	more than 5 years	
<b>Receivables from derivatives</b>	<b>1,301.1</b>	<b>212.5</b>	<b>0.1</b>	<b>-</b>	<b>1,513.7</b>
Currency derivatives	3.4	-	-	-	3.4
Cash inflows	197.5	-	-	-	197.5
Cash outflows	-194.1	-	-	-	-194.1
Interest rate derivatives	0.2	0.6	0.1	-	0.9
Commodity derivatives	1,297.5	211.9	-	-	1,509.4
<b>Liabilities from derivatives</b>	<b>-1,442.9</b>	<b>-189.2</b>	<b>-1.9</b>	<b>-1.9</b>	<b>-1,635.9</b>
Currency derivatives	-2.7	-	-	-	-2.7
Cash inflows	212.2	-	-	-	212.2
Cash outflows	-214.9	-	-	-	-214.9
Interest rate derivatives	-0.1	-1.0	-1.9	-1.9	-4.9
Commodity derivatives	-1,440.1	-188.2	-	-	-1,628.3

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

### (c) Default risk

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

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

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

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

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

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

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

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

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

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

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

The credit risk for a financial instrument is classified as low if the financial instrument has a low default risk, the borrower is able to satisfy the contractually agreed cash flow obligations in the near future and adverse long-term changes in the economic and business conditions could but would not

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

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

in € million	General approach			Simplified approach	Dec. 31, 2021
	Level 1	Level 2	Level 3		
Gross carrying amount as at January 1	786.0	164.1	0.5	423.5	1,374.1
Loss allowance as at January 1	-0.6	-26.5	-0.5	-9.3	-36.9
Net carrying amount as at January 1	785.4	137.6	0.0	414.2	1,337.2
Foreign currency translation differences	17.6	-	-	2.4	20.0
Impairment losses	-2.1	-	-0.0	-3.1	-5.2
Reversal of impairment losses	0.3	-	-	1.1	1.4
Accrued interest	1.6	-	-	-	1.6
Reclassifications	-0.3	0.3	-	-	0.0
to/from Level 1	-0.3	-	-	-	-0.3
to/from Level 2	-	0.3	-	-	0.3
to/from Level 3	-	-	-	-	-
Newly issued or acquired financial assets	15,118.5	0.3	-	2,074.5	17,193.3
Financial assets derecognized during the period due to repayment, sale, etc.	-15,057.7	-0.3	0.0	-1,836.3	-16,894.3
Gross carrying amount as at December 31	869.1	170.6	-	659.6	1,699.3
Loss allowance as at December 31	-5.8	-22.7	-	-6.8	-35.3
Net carrying amount as at December 31	863.3	147.9	-	652.8	1,664.0

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

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

The simplified method is used for trade accounts receivable and contract assets without significant financing components. The loss allowance of € 6.8 million (prior year: € 9.3 million) determined using the simplified approach contains around € 0.7 million (prior year: around € 0.5 million) in each case relating to receivables that are up to 90 days past due.

## (8.2) Related parties

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

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

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

in € million	KSBG KG		STEAG affiliates		Joint ventures		Associates		Other related parties	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Goods and services:										
supplied	0.1	0.1	-	0.1	25.5	23.1	11.8	9.0	0.2	1.8
sourced	-	-	-	0.2	0.7	13.1	3.2	1.5	-	-
Other income	6.9	6.6	0.1	0.1	2.8	2.4	5.5	5.8	-	0.0
Other expense	-	0.7	0.2	0.1	0.1	3.6	0.2	0.2	-	0.0
Receivables as at Dec. 31	146.3	156.6	-	0.5	42.8	0.7	1.7	1.7	-	0.1
Liabilities as at Dec. 31	160.3	-	0.3	0.0	5.7	3.7	0.4	0.1	-	-

The receivables from KSBG KG mainly comprise the upstream loan granted to this company. As at December 31, 2021, the loan amounted to € 146.3 million (prior year: € 156.6 million). The liabilities to KSBG KG mainly result from the profit and loss transfer agreement.

In the reporting period, write-downs of € 7.7 million (prior year: € 6.9 million) were recognized for uncollectable and doubtful financial receivables from companies classified as related parties. As in the prior year, the write-downs related to joint ventures.

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

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

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

in € million	Board of Management of STEAG GmbH		Other management members	
	2021	2020	2021	2020
Short-term remuneration	7.5	5.2	2.8	3.4
Long-term incentive (LTI) plans	1.2	1.2	0.6	-
Current service cost for pensions and other post-employment benefits	0.4	0.4	0.2	0.4

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

The present value of defined benefit obligations is € 2.0 million for the Board of Management (prior year: € 8.6 million) and € 10.4 million (prior year: € 15.8 million) for other management members.

The total remuneration of members of the Supervisory Board of STEAG GmbH was € 0.5 million (prior year: € 0.5 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, 2021	Dec. 31, 2020
Guarantee obligations	82.5	83.3
Obligations under warranties and indemnity agreements	161.7	192.6
	<b>244.2</b>	<b>275.9</b>

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

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

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

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

### (8.4) Events after the reporting date

At year-end 2021, Joachim Rumstadt stepped down from his position as Chairman of the Board of Management of STEAG GmbH at his own request. Effective January 1, 2022, Dr. Andreas Reichel succeeded him as Chairman of the Board of Management of STEAG GmbH.

Following conclusion of the trust agreement between the municipal utilities that hold interests in STEAG GmbH through KSBG KG and Atlantik Advisors GmbH & Co. KG and KSBGTH GmbH, there was also a change on the Supervisory Board of STEAG GmbH: Guntram Pehlke, Chairman of the

Board of Management of Dortmunder Stadtwerke AG – DSW21, who had been Chairman of STEAG's Supervisory Board since the beginning of 2013, resigned from his position at an Extraordinary Meeting of the Supervisory Board on February 9, 2022. As his successor, the Supervisory Board elected Gerhard Jochum, who has been member of the Supervisory Board since fall 2014.

On February 10, 2022, STEAG, SPC Power Corporation and Intrepid Holdings LLP signed an agreement on the sale of the 51 interest in the Philippine power plant company STEAG State Power Inc. This transaction is contingent upon the preemptive right of purchase of the co-owners Aboitiz Power Corp. and La Filipina Uy Gongco Corporation. The transaction is expected to be closed in the second quarter of 2022.

STEAG is embarking on another important stage in its transformation through the “Sunrise” project. On February 23, 2022, an option and feasibility study on the division of STEAG into a coal business and a growth business was sent to various target groups with different perspectives and interests. At the end of March, the stakeholders addressed took a basic decision to undertake further preparations for the separation. This provides for the coal activities in Germany and abroad (coal business) and the activities in the field of renewable energies, decarbonization of industry, hydrogen and storage technologies and digitalization (growth business) to be separated under the auspices of STEAG GmbH. This would entail an extensive separation, i.e., in terms of company law, organization and personnel. By separating these two business areas, STEAG is proactively taking the biggest step in its current transformation. This takes into consideration the future demands of the energy markets as well as tougher capital market requirements and the EU taxonomy, which make it increasingly difficult for companies with coal-related activities to gain banks, insurers and investors as partners. The separation of the coal and growth businesses under the umbrella of STEAG will pave the way for a significant increase in the value of the green growth business and improve scope for the refinancing of STEAG. To accompany this process, STEAG has embarked on a strategy review. A stress test will be performed on the corporate strategy developed in the FUTURE project in 2020 on the basis of the changes in external and internal parameters since then and the project will then be merged with the Sunrise process.

In his recent recognition of the separatist territories of Donetsk and Luhansk as independent states and the military offensive in Ukraine, President Putin of Russia broke off diplomatic efforts and started a war of aggression in Ukraine on the evening February 24, 2022. As a consequence, the USA, EU and some other countries have imposed massive sanctions, which are successively being tightened. The political situation is unclear and constantly changing. STEAG has analyzed the potential impact of these developments on the Group from the present perspective. As a result of Russia's invasion of Ukraine, STEAG is affected by market-induced factors, especially in respect of the supply of raw materials and market volatility. With regard to the procurement of raw materials, STEAG purchased a low proportion of coal from Russia so the embargo on coal from Russia adopted by the EU member states is not expected to have a material impact on the STEAG Group's business activities. The volumes can be offset by procurement from other countries. Based on the present assessment, for the STEAG Group the risk is not the supply of coal but the development of the price of coal on the world market. Moreover, there could be bottlenecks in domestic logistics, in other words, the transportation of coal from ocean ports to power plants. For 2023, most of the gas required for the gas and steam power plant in Herne, which is currently under construction, has been secured via the futures market. It remains to be seen what the future impact will be on the assets, financial position and results of operations of the STEAG Group as this cannot be quantified at present. Based on the analyses, the Board of Management does currently consider the continuation of the company as going concern to be in jeopardy.

On March 14, 2022, the transmission network operator Amprion submitted an application to the Federal Network Agency that both blocks of the Völklingen-Fenne heating power plant and the Bergkamen power plant should be declared systemically relevant until October 31, 2024. The decision by the Federal Network Agency is still pending.

On March 25, 2022, STEAG and EnBW Energie Baden-Württemberg AG ("EnBW") signed an agreement on early termination of the existing contract on capacity and electricity sourcing rights. This agreement terminates the sourcing agreement by mutual agreement at the end of December 31, 2023. As compensation, STEAG is to receive a termination payment, payable in two installments on April 1, 2022 and July 5, 2023.

At the end of February 2022, the Ukraine crisis led to extreme turbulence on the energy markets with unusually high price volatility. As a result, market participants were required to make additional margin payments for existing hedging transactions. STEAG funded the short-term liquidity requirements resulting from this external shock from its own funds. However, since further exceptionally high market volatility cannot be ruled out in the coming months, in April 2022 STEAG signed a revolving credit line of € 400.0 million with KfW, Frankfurt am Main (Germany). This facility runs until October 31, 2022 and can be drawn to meet margining obligations under energy and commodity trading contracts concluded for non-speculative purposes.

Essen, April 25, 2022  
STEAG GmbH  
Board of Management

Dr. Reichel

Dr. Schiele

Schmitz

## Combined management report as at December 31, 2021

This management report is a combined report on STEAG GmbH and the STEAG Group (STEAG GmbH and its subsidiaries). Business development at STEAG GmbH is reported 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 in accordance with the provisions of the German Commercial Code (HGB) and the German legislation on limited liability companies (GmbH-Gesetz).

## (1) Basic information on the STEAG Group

### (1.1) Business model

#### Business activities

The STEAG Group operates in Germany and internationally. Based on its integrated business model, it offers customers solutions and services in key areas of the energy value chain.

Its core competencies include the planning, construction and operation of energy generating, renewable energy and distributed facilities, trading in electricity and fuels, and technical services related to energy generation. Alongside fossil fuels, energy is generated from solar power, wind energy, substitute fuels and special fuels.

#### Ownership structure

As at December 31, 2021, STEAG GmbH was wholly owned by KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG (KSBG KG), Essen (Germany), a consortium of six German municipal utilities in the Rhine-Ruhr region.

#### Organizational structure of the STEAG Group

STEAG GmbH, which is headquartered in Essen (Germany), is the lead company in 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 STEAG Group's organizational units, which previously comprised the Power division (comprising the Generation, Trading & Optimization (T&O), District Heating, Power Minerals (divested effective May 31, 2021), Energy Services and Technical Service business units), and the Renewable Energies and Distributed Facilities division (New Energies, Waste to Energy and CHP Poland business units).

As a key outcome of the "FUTURE" project, in the light of changing market conditions and Germany's withdrawal from coal-fired power generation, STEAG has initiated the necessary transformation process and reorganized its structure into the strategic business units "**Renewables**" (renewable energy), "**Energy Solutions**" (energy solutions and services), "**Asset Management**" (facilities and equity investments") and "**STEAG Verbundkraftwerke**" (exit route from coal-fired power generation at the power plants in Germany). The new strategic business units are supplemented by the "**Trading**" and "**Digital**" units and the management and support functions (internal processes and administrative functions). This structure will be used for reporting for the first time in fiscal 2022.

## Products and services

### Technology-independent energy generation

As at December 31, 2021, the STEAG Group still operated large power plants at four sites in Germany. As a consequence of the German Coal-Fired Power Generation Termination Act (KVBG), STEAG has already registered four power plant blocks for decommissioning through the auction process and will successively be taking further coal-fired power plants in Germany out of service, followed by final decommissioning.

In 2021, STEAG Beteiligungsgesellschaft mbH and Siemens Project Ventures GmbH drove forward the project for turnkey construction, operation and long-term maintenance of a state-of-the-art combined gas and steam power plant at the established site in Herne (Germany) (Herne 6). The new power plant is scheduled to come into service commercially in 2022.

Internationally, the STEAG Group operates its own large power plants in Turkey, the Philippines and Colombia, based on close and long-term partnerships. The investments in the Philippine and Colombian companies are currently being divested.

In Germany, the STEAG Group has around 193 facilities to generate energy from renewable resources, distributed facilities serving industry and local authorities, and heating plants.

In addition, the STEAG Group generates electricity and heat from mine gas and the incineration of domestic refuse. It is also active in the generation of heat from thermal energy. Furthermore, it is a major supplier of district heating and a contractor and operator of biomass plants in Germany.

### A competent trading partner

Based on many years of experience in the power, coal and CO<sub>2</sub> business, the STEAG Group has a broad portfolio of products and services, and extensive expertise in trading. This includes the procurement and marketing of electricity, fuel and CO<sub>2</sub> emission allowances, along with marketing of capacity and of heat and steam energy. In addition, the STEAG Group is one of Germany's leaders in the import and marketing of hard coal.

### A professional service provider

Offering energy services is becoming more and more important for the STEAG Group. Over the years the STEAG Group has accrued expertise in modernizing and optimizing energy generating plants and now has a reputation as a provider of all-round solutions for customized energy supply that is both environmentally-friendly and profitable.

The STEAG Group's competencies include engineering and operating solutions for every type of power generation. The experts at its subsidiary STEAG Energy Services GmbH work internationally through its companies in Brazil, Botswana, Spain, Turkey, Switzerland, the USA and India. This company is engaged in projects involving technologies from the areas of renewable energies, conventional energy, nuclear power and energy storage systems.

## Organizational changes

The STEAG Group's FUTURE project comprises the strategic restructuring of divisions and optimization of the Group's structures and workflows. An organizational realignment supports both planned administrative cost savings and improvements in the management of the operational business.

At the first decommissioning auction for hard-coal power plants on December 1, 2020, the Walsum 9 bid was accepted. For the STEAG Group, this decision meant that the Walsum 9 unit could no longer participate in the electricity market from January 2021. Final removal from the grid took place on July 1, 2021. The success of the Walsum 9 tender ensures that the employees affected by the shutdown have a legal claim to adjustment benefits (APG) for early retirement. STEAG also participated in the second decommissioning auction on January 4, 2021, but was not successful.

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

On May 4, 2021, STEAG registered both units at the Völklingen-Fenne heating plant and the Bergkamen power plant with the Federal Network Agency for provisional closure. On July 14, 2021, the Federal Network Agency announced that in the third decommissioning auction STEAG's bid for decommissioning premiums for the shutdown of the Bergkamen power plant and the heating plant and model power plant in Völklingen had been accepted. The acceptance of the bid in the third decommissioning auction means that these three STEAG power plants may not generate any electricity from coal for commercial purposes from October 31, 2022. After examining the case over several months, in March 2022, the transmission network operator Amprion classified the plants as systemically relevant. The Federal Network Agency has not yet completed its assessment of this recommendation.

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

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

On March 10, 2021 STEAG and EP Power Europe, a.s. (EPPE), a subsidiary of Energetický a průmyslový holding, a.s. (EPH), signed an agreement on the divestment of STEAG's shares in STEAG Power Minerals GmbH and its subsidiaries. This transaction was closed on May 31, 2021.

On September 24, 2021, STEAG Walsum 10 Kraftwerksbeteiligungsgesellschaft and EVN Kraftwerks- und Beteiligungsgesellschaft mbH (EVN) concluded a contract on the purchase and transfer of shares. Under this agreement, STEAG assumed EVN's 49 percent shareholding in the Walsum 10 power plant project, becoming the sole shareholder. The power supply agreement with EVN was terminated

early in return for payment of compensation. The amounts received were mainly used to repay the project financing for the power plant.

On February 12, 2021, Carsten König was appointed to the Board of Management of STEAG GmbH as Chief Transformation Officer (CTO). Following many rounds of negotiation on the overall financing concept for STEAG and its owner KSBG and the improvement in company's economic situation, STEAG embarked on a new transformation phase with different priorities. As a consequence, there was a further change on the Board of Management at the start of August. Ralf Schmitz was appointed to the Board of Management of STEAG GmbH effective August 2, 2021 and Carsten König left the Board of Management. Dr. Heiko Sanders resigned from his position on the Board of Management of STEAG GmbH on September 15, 2021.

At year-end 2021, Joachim Rumstadt stepped down from his position as Chairman of the Board of Management of STEAG GmbH at his own request. Effective January 1, 2022, Dr. Andreas Reichel succeeded him as Chairman of the Board of Management of STEAG GmbH.

## (1.2) Strategy

With a business model based on more than eight decades of experience in solving complex problems in the energy sector, the Board of Management is convinced that the STEAG Group will continue to create significant value for its customers in the future and gain access to promising growth areas for its business. The focus is on three aspects of the energy sector: services, digitalization and decarbonization.

The **Renewables** business unit will continue to expand the use of renewable energy sources through EPC projects and selective project development. While it will flexibly serve international markets in the PV sector, the development of wind power projects is concentrated on France. The marketing of PV facilities and wind farms will be complemented by marketing by Trading via green PPAs (long-term "green" power purchase agreements).

The **Energy Solutions** business unit mainly addresses the expansion and ongoing development of smart, end-to-end energy solutions for customers that harness the trends to decarbonization, digitalization and decentralization, together with market-oriented plant operation. In this way, STEAG is positioning itself as an all-round solution provider and investment partner for industrial and municipal decarbonization projects. Energy-related expertise plays a key role in the initiation, development and realization of projects, so this will be undertaken in collaboration with Trading. By utilizing its full expertise and experience to date, STEAG is continuing to position itself as a planning specialist in the growing market for energy projects of all types. The future focus will also include hydrogen and energy storage projects.

**Asset Management** ensures a holistic approach to the investments in large international power plants and national and international partnerships and is responsible for administration, valuation and optimization as well as for the procurement of asset services. This business unit pools the technical and business competencies required for STEAG's own investments and major plants and is developing a new understanding of asset management.

**STEAG Verbundkraftwerke** is responsible for the operation and maintenance of the German power plants and for preparing and implementing the decommissioning of the hard-coal power plants in the Ruhr and Saarland regions.

**Trading** is realigning the trading activities with a high degree of standardization and automation. The focus is shifting from managing the company's hard-coal power plants in Germany to developing new marketing solutions for distributed facilities, flexibility and green PPAs (green power purchase agreements), also for third parties.

**Digital** is repositioning STEAG for the development and commercialization of digital business models. The focus is on developing a digital service platform that will bundle services and tools, primarily for performance monitoring, to ensure transparency on the status and economic feasibility of energy facilities, and optimized management of energy systems. This platform will be offered to a broad international customer base, both independently and through partnerships. In addition, STEAG is driving forward further initiatives for the digitalization of business models.

### (1.3) Research and development

In 2021, as in previous years, the STEAG Group continued to focus on application-related research and development rather than basic research. The special significance of digitalization was driven forward by building up new digital business models. This applies to both central research and development at STEAG GmbH and research and development at its subsidiaries.

The "Designnetz" project launched at the start of 2017 with a total of 46 partners was completed in March 2021. This project was part of the SINTEG initiative for smart digital energy applications established by the Federal Ministry for Economic Affairs and Energy to support the new energy policy. The SINTEG initiative developed and demonstrated sample solutions for reliable, economical and environmentally compatible energy supply, in some cases with 100 percent power generation from renewables, which can be upscaled for large-scale model regions. Along with other pilot projects, the electrode boiler erected at the Fenne site as part of this project and the district heating storage solution of Fernwärme-Verbund Saar GmbH have been connected to an overarching "system cockpit" via modern methods of data interchange ("Internet of Things").

In 2019, the Federal Ministry for Economic Affairs and Energy invited entries for a competition called "Real labs for the energy turnaround". In July 2019, the Federal Minister for Economic Affairs and Energy announced that the HydroHub Fenne project outline for the erection of an electrolyzer at the Fenne site was one of 20 winners of this ideas-based competition. This project was continued with Siemens in 2021 with the aim of building up a cross-border hydrogen economy in the Saarland region, France and Luxembourg. Together with the project components contributed by Creos and Stahl-Holding-Saar, HydroHub was chosen in a national pre-selection process as an Important Project of Common European Interest (IPCEI) and is now in the pre-registration phase of the European Commission's funding approval process.

Digital business models will be key elements of the portfolio of tomorrow's companies. In 2021, STEAG therefore started to implement the concept drawn up in the previous year to realize and market a digital platform. This platform is designed as an operating system for the energy sector worldwide, as a single source of affordable and scalable software and services for the distributed renewable energy systems of the future. A letter of intent on expansion of the collaboration with a potential partner (Software AG) was signed in April 2021. Within this framework, a joint proof of concept for further development of the platform was drawn up in the period to October 2021. This partnership has since been terminated. New approaches for collaboration with potential partners are currently being developed.

Realization of the digital platform will be accompanied by establishing know-how in the use of artificial intelligence, especially in the context of renewable energies: in 2021, the "Digital Service Center" research project, which started in 2020, received further public funding as part of the "leading industrial innovation cluster" in the federal state of NRW. In this project, Mitsubishi Hitachi Power Systems, the STEAG Group and the Fraunhofer Institute for Intelligent Analysis and Information Systems are working on potential industrial applications of machine learning to make these methods usable for intelligent monitoring of relatively small distributed facilities in the future energy landscape. The project is scheduled to run until mid-2023. To complement this project, the STEAG Group is an associated partner in the ADVENTURE project of the Fraunhofer Institute for Energy Economics and Energy System Technology, which aims to develop an early warning system for malfunctions at wind energy installations.

## (2) Economic report

### (2.1) Economic background

#### General economic development<sup>1</sup>

The German economy is emerging from the pandemic more slowly than had been expected because recurrent flare-ups have repeatedly held back recovery, especially in the service sector. Despite full order books, industry is suffering from the global disruption of supply chains for key industrial starting products. As a result, exports have weakened considerably. Capital expenditure by companies has also been adversely affected by supply bottlenecks because capital goods producers have also been impacted by the supply bottlenecks for various raw materials and starting products as well as logistics problems. The labor market picked up slowly during the year. The number of workers on short time shot up to well over three million at times as a result of the lockdowns from November 2020, but has halved since spring 2021. As well as employees returning from short-time working to regular working hours, employment increased during the year. Inflation increased appreciably in Germany, driven by a sharp hike in energy prices and the end of the temporary reduction in value-added tax at the start of 2021. Overall, inflation increased significantly to 3.1 percent in 2021 (2020: 0.5 percent). In all, the gross domestic product grew by 2.8 percent in 2021, having contracted by 4.6 percent in the previous year.

#### Energy consumption and energy generation<sup>2</sup>

In 2021, primary energy consumption in Germany was 2.6 percent higher than in 2020. This was mainly due to the macroeconomic recovery and to cooler weather than in the previous year. All fossil fuels apart from oil were affected by the increase in energy consumption. For example, consumption of both hard coal and lignite increased by around 18 percent. The almost 4 percent rise in consumption of natural gas was mainly attributable to the far cooler and less windy weather in the first five months, which resulted in increased use of natural gas to generate both heat and electricity. Consumption of mineral oil was down 5.1 percent year-on-year in 2021, especially consumption of light heating oil, because consumers had filled their tanks in the previous year when prices were low. Use of nuclear power also increased significantly, by 7.2 percent. By contrast, there was only a slight drop of 0.2 percent in the contribution made by renewable resources to primary energy consumption. In 2021, renewables accounted for 16.1 percent of energy consumption in Germany (2020: 16.5 percent).

#### Power consumption

In 2021, overall consumption of electricity was 565.3 TWh, around 7.8 TWh higher than in 2020. Gross power generated increased by 1.9 percent (2021: 584.5 TWh vs. 2020: 573.6 TWh). The export surplus was 19.2 TWh (2020: 18.9 TWh).

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<sup>1</sup> The comments in this section are based mainly on the economic reports published by the Kiel Institute for the World Economy (IFW) Kiel, no. 86 (2021/Q3) on the German economy, the weekly report by the German Institute for Economic Research (DIW) Berlin, no. 37/2021, and the REI economic report no. 72 (2021) vol. 3, joint economic forecast fall 2021, Joint Economic Forecast Group of the Leibniz Institute for Economic Research (RWI), Essen (Germany).

<sup>2</sup> All data on energy generation and consumption and power consumption are provisional data from AG Energiebilanzen e.V. (as at December 2021).

## Development of energy prices

A significant rise in prices was observed on some international commodity markets in 2021, especially in the second half of the year.

The average price of natural gas in the Net Connect Germany/Trading Hub Europe<sup>3</sup> market area rose by around 390 percent year-on-year to € 46.6 per MWh in 2021 (2020: € 9.5 per MWh). The sharp rise in the price of natural gas in 2021 was due to low storage levels following a long winter in 2019/2020. Moreover, gas storage levels only increased slowly in the summer, partly because the Nord-Stream 2 gas pipeline did not come into service and because of maintenance work on Europe's gas infrastructure. The economic recovery led to a further demand-driven shortage. Rising demand for LNG in Asia resulted in lower LNG imports into Europe at times. The spot price for natural gas rose considerably during the year. In January, it was just under € 20 per MWh; in the fourth quarter, it rose to highs of up to € 183 per MWh.

Compared with the previous year, the API#2, the price index for hard coal that is relevant for Europe, rose by around 142 percent as a result of the significant hike in gas prices and the related increase in demand for coal. Demand for coal was also driven by the rapid recovery of the global economy in the reporting period. Since supply did not keep pace with the hike in demand, e.g., in China, coal prices rose on the international markets, reaching historic highs of almost USD 300 per tonne. The average price of hard coal was US\$ 50.4 per tonne in 2020. In 2021, it rose to \$ 122.2 per tonne.

In European emissions trading, 2021 marked the start of the fourth trading period and the UK's exit from the European trading system. Driven by expectations of future shortages, prices for European emission allowances rose to a new high of almost € 90 per tonne in 2021. Prices of the EU allowances ("EUA") were propelled upwards by lower supply, the announcement of tougher climate targets for the EU for 2030 and an influx of speculators. Furthermore, prices were driven by higher emissions from the power sector due to a renewed rise in coal-fired generation in 2021. All in all, the average price in 2021 was € 53.2 per tonne, which was considerably higher than the previous year's level (€ 24.7 per tonne).

Following the downward trend in electricity prices in the previous years, a clear rise was recorded in 2021. The average spot price on the European electricity exchange EPEX rose by more than 217 percent year-on-year to € 96.9 per MWh (2020: € 30.5 per MWh). The peak contract also rose by around 221 percent to an average of € 105.2 per MWh (2020: € 32.8 per MWh). This price rise was mainly due to relatively low generation from renewable resources and the sharp rise in generating costs.

## (2.2) Business performance

Business performance in 2021, as in 2020, was mainly dominated by one-time earnings effects. Fiscal 2020 was chiefly affected by the coronavirus pandemic, the adoption of the German Coal-Fired Power Generation Termination Act (KVBG) and the FUTURE transformation project. By contrast, in 2021, the one-time effects from the third decommissioning auction and the compensation payment by EVN for termination of the electricity supply agreement had a positive effect on earnings.

<sup>3</sup> The two previous gas market areas GASPOOL (GPL) and NetConnect Germany (NCG) were merged on October 1, 2021 to form a new nationwide gas market area, the Trading Hub Europe (THE).

The price of gas, coal and electricity rose significantly in the third quarter of 2021. This improved the margins at the German coal-fired power plants. Following the price rises, to limit the liquidity risks relating to clearing and margining under the Trading business unit's risk concept it was necessary to undertake counter-transactions to previously concluded forward agreements. As a consequence, the German power plants were marketed principally via the spot market, with the corresponding market opportunities and risks. These transactions, in particular, resulted in extraordinary expense of € 179.0 million from the valuation of unrealized derivatives and financial instruments in 2021. This will have a counter-effect until the end of the first quarter of 2022 and will be more than offset by higher revenue from the spot market.

## (2.3) Business situation

### (a) Earnings position

#### Performance in 2021

EBITDA and EBIT are used for internal management purposes and as indicators of the sustained earning power of the Group. As part of the realignment of the STEAG Group, the definitions of EBIT, EBITDA and the non-operating result were altered as at December 31, 2021. Income from investments, equity-method income and other financial income, which are included in the financial result, are no longer added to EBIT and EBITDA. In addition, the definition of the portion of earnings formerly designated as the "non-operating result" has been changed and will be referred to as the "extraordinary result" in future. EBITDA (earnings before interest, taxes, depreciation and amortization) and EBIT (earnings before interest and taxes) are both earnings parameters after adjustment for exceptional items (extraordinary result).

The earnings from ordinary activities stated in the income statement are adjusted for extraordinary effects that are material for an assessment of the earnings position but not an indicator of the company's operational value added, in order to calculate and disclose the underlying operating performance. These effects include, in particular, earnings due to changes in accounting policies, restructuring expenses, impairment losses/reversal of impairment losses, the results of other extraordinary business transactions, and unrealized effects resulting from the valuation of derivatives.

In the 2021 fiscal year, the STEAG Group's sales, EBITDA and EBIT developed as follows:

#### STEAG Group: EBITDA\* and EBIT\*

in € million	2021	2020	2020**	Change in %
Sales	2,766.5	2,018.4	2,018.4	37.1
EBITDA	376.8	370.5	368.0	1.7
EBIT	234.0	195.0	200.1	20.0
<b>EBITDA margin in %</b>	<b>13.6%</b>	<b>18.4%</b>	<b>18.2%</b>	
<b>EBIT margin in %</b>	<b>8.5%</b>	<b>9.7%</b>	<b>9.9%</b>	

\* Using the STEAG definition 2021, adjusted for extraordinary effects

\*\* Using the STEAG definition 2020, adjusted for non-operating effects

Sales increased by 37.1 percent to € 2.8 billion and therefore clearly exceeded the previous year's expectation that sales would rise to € 2.2 billion.

EBIT was € 234.0 million, which was € 86.0 million higher than budgeted and € 39.0 million above the figure of € 195.0 million reported for the previous year. It was therefore higher than had been forecast. The EBIT margin (EBIT/sales) declined from 9.9 percent to 8.5 percent.

EBITDA was € 376.8 million, which was € 102.0 million higher than budgeted and above the 2020 figure of € 370.5 million. The EBITDA margin (EBITDA/sales) was 13.6 percent, which was below the prior-year margin of 18.2 percent.

The following reconciliation from earnings before the financial result and income taxes to EBIT and EBITDA adjusted for extraordinary effects shows that in 2021 exceptional items again had a high impact on these earnings parameters.

#### Reconciliation of EBIT\* and EBITDA\* for the STEAG Group

in € million	2021	2020
<b>Income before the financial result and income taxes</b>	<b>349.9</b>	<b>-56.3</b>
Extraordinary effects from the KVBG	-105.0	158.7
Extraordinary restructuring provisions for KVBG and FUTURE	22.3	68.7
Extraordinary effects from termination of the agreement with EVN	-213.0	-
Extraordinary effects from the FUTURE transformation program and STEAG 2022	41.6	8.3
Other extraordinary impairment losses/reversal of impairment losses	-2.4	57.1
Extraordinary effects from commodity hedging	179.0	6.0
Extraordinary effects from portfolio adjustments	-27.8	-
Other effects	-10.6	-42.4
<b>EBIT</b>	<b>234.0</b>	<b>200.1</b>
Depreciation/amortization and impairment losses as in the income statement	386.8	393.9
Reversals of impairment losses as in the income statement	-5.1	-19.7
Impairment losses on investments recognized at equity	-	12.0
Reversal of impairment losses on investments recognized at equity	-	-
Plus extraordinary impairment losses/reversals of impairment losses	-238.9	-218.3
<b>EBITDA</b>	<b>376.8</b>	<b>368.0</b>

\* Using the STEAG definition, adjusted for extraordinary effects

The extraordinary effects from the termination of the agreement with EVN comprise income from the compensation payment for termination of the energy supply agreement and the resulting extraordinary impairment losses on the Walsum 10 power plant.

The extraordinary effects relating to the KVBG mainly comprise impairment losses on property, plant and equipment and inventories at the German power plants, adjustments to provisions and revenue from decommissioning auctions.

The other extraordinary impairment losses and reversals of impairment losses are write-ups of financial investments. In the prior year they mainly comprised impairment losses on the geothermal project in Indonesia, the district heating activities, a joint venture in the USA and the loans granted to KSBG as well as reversals of impairment losses on a wind farm in Romania and a solar power plant in Spain.

### Income statement for the STEAG Group

in € million	2021	2020
Sales	2,766.5	2,018.4
Change in inventories of finished goods	8.8	2.2
Other own work capitalized	1.4	1.2
Other operating income	1,197.5	298.8
Cost of materials	-1,964.7	-1,241.3
Personnel expenses	-387.9	-441.2
Depreciation/amortization and impairment losses	-386.8	-393.9
Other operating expenses	-884.9	-300.5
<b>Income before the financial result and income taxes</b>	<b>349.9</b>	<b>-56.3</b>
Interest income	15.3	12.8
Interest expense	-85.5	-71.2
Result from investments recognized at equity	2.2	-2.8
Other financial income	0.1	0.1
<b>Financial result</b>	<b>-67.9</b>	<b>-61.1</b>
<b>Income before income taxes</b>	<b>282.0</b>	<b>-117.4</b>
Income taxes	25.6	-52.9
<b>Income after taxes</b>	<b>307.6</b>	<b>-170.3</b>
Thereof attributable to		
Non-controlling interests	52.5	60.8
Shareholders of STEAG GmbH (net income)	255.1	-231.1

### External sales by division

in € million	2021	2020	Change in %
Power	2,470.1	1,662.8	48.6
Renewable Energies and Distributed Facilities	296.4	355.6	-16.6
<b>STEAG Group</b>	<b>2,766.5</b>	<b>2,018.4</b>	<b>37.1</b>

Sales increased by 37.1 percent to € 2,766.5 million (prior year: € 2,018.4 million). The increase in revenues from the sale of goods was mainly due to a rise in electricity production in Germany and higher market prices. The increase in revenues from services mainly resulted from new projects. By contrast, revenues from construction contracts decreased.

Total volume sales of energy from the Group's own facilities and those operated on behalf of its customers declined by 2.8 percent year-on-year to 14,919 GWh<sup>4</sup> (prior year: 15,355 GWh<sub>e</sub>). The decline in the volume of energy sold was mainly due to the reduction in power plant output marketed outside Germany to 8,634 GWh<sub>e</sub> (prior year: 10,350 GWh<sub>e</sub>). By contrast, the power plant output marketed in Germany increased to 6,285 GWh<sub>e</sub> (prior year: 5,005 GWh<sub>e</sub>).

Volume sales of heat by the Renewable Energies and Distributed Facilities division increased by 7.1 percent to 2,277 GWh<sub>th</sub> (prior year: 2,127 GWh<sub>th</sub>), while the volume of power sold by this division dropped by 20.0 percent to 2,082 GWh<sub>el</sub> (prior year: 2,603 GWh<sub>el</sub>).

The 16.6 percent drop in sales in the Renewable Energies and Distributed Facilities division was mainly due to the divestment of the wind farms in Turkey and Romania and the resulting lack of sales from these companies.

<sup>4</sup> Energy sales in GWh<sub>e</sub> comprise both electric and thermal energy; thermal energy has been converted into the equivalent amount of electric power.

The change in inventories of finished goods was € 8.8 million (prior year: € 2.2 million), which was € 6.6 million higher than the prior-year change; other own work capitalized was almost unchanged year-on-year at € 1.4 million (prior year: € 1.2 million).

The other operating income increased by € 898.7 million, from € 298.8 million in 2020 to € 1,197.5 million in the reporting period. The year-on-year increase was mainly due to a € 270.2 million rise in income from the valuation of derivatives (excluding interest rate derivatives) to € 400.0 million (prior year: € 129.8 million). The income from the reversal of provisions was € 6.5 million, a year-on-year decline of € 40.6 million (prior year: € 47.1 million). This was mainly due to the reversal of provisions in connection with the reduction in the obligation to maintain the Voerde power plant site in the prior year (€ 28.2 million). The income of € 5.1 million from the reversal of impairment losses mainly related to loans and other receivables. In the prior year, reversals of impairment losses mainly comprised € 19.7 million for the wind farm in Romania. The miscellaneous income of € 649.1 million comprises a wide range of operating income. For example, it includes the compensation payment for termination of the energy supply agreement with the Austrian utility EVN and revenues from the third decommissioning auction.

The increase of € 723.4 million in the cost of materials is connected to the rise in expenses for CO<sub>2</sub> emission allowances and higher capacity utilization at the power plants in Germany.

Personnel expenses declined by € 53.3 million to € 387.9 million (prior year: € 441.2 million). The average number of employees in the STEAG Group decreased from 6,148 to 5,754. The reduction in personnel expenses was mainly due to lower provisions for restructuring expenses in connection with the FUTURE transformation project and the shutdown of power plants due to implementation of the German Coal-Fired Power Generation Termination Act (KVBG), which amounted to € 22.3 million in the reporting period (prior year: € 68.6 million).

Depreciation, amortization and impairment losses totaled € 386.8 million (prior year: € 393.9 million) and included depreciation and amortization of property, plant and equipment, intangible assets and investment property amounting to € 135.8 million (prior year: € 161.6 million). The impairment losses of € 251.0 million comprised impairment losses of € 224.7 million on discontinued operations (prior year: € 232.3 million) and € 26.3 million on assets held for sale (prior year: € 0.0 million).

The other operating expenses increased by € 584.4 million from € 300.5 million in the prior year to € 884.9 million in the reporting period. The year-on-year increase was mainly due to higher expenses for the valuation of derivatives (excluding interest rate derivatives), which amounted to € 601.7 million (prior year: € 76.3 million). Consulting expenses increased by € 21.6 million to € 44.8 million, mainly due to the FUTURE project and the arrangement of refinancing.

Income before the financial result and income taxes improved by € 406.2 million year-on-year to € 349.9 million, mainly due the above one-off effects.

The interest income contained in the financial result increased by € 2.5 million in 2021. Interest expense rose by € 14.3 million in 2021, mainly due to higher expenses for financial liabilities.

The € 5.0 million rise in the result from investments recognized at equity had a positive impact on the financial result. As in the prior year, the impairment loss on a joint venture in the USA had a negative effect.

Income before income taxes increased from minus € 117.4 million to € 282.0 million, mainly due to the one-off effects already mentioned.

Income tax expense decreased by € 78.5 million, from € 52.9 million in 2020 to plus € 25.6 million in 2021. The change in income tax expense mainly resulted from the change of € 72.4 million in deferred taxes due to reversal of the impairment loss on net deferred tax assets in connection with positive future earnings expectations.

## (b) Financial position

### Financial risk management

The central objectives of financial management are to coordinate financing and liquidity requirements within the Group, guarantee financial independence, ensure sufficient liquidity at all times, and limit the refinancing risks for the STEAG Group.

STEAG GmbH manages borrowing, guarantees, sureties and guarantee facilities for Group companies centrally. It has sufficient means of meeting capital requirements for day-to-day business, investment and the repayment of financial debt.

Another important objective of financial management is ensuring that the covenants relating to STEAG GmbH's financing agreements and E-FET contracts (contracts that comply with the standards of the European Federation of Energy Traders) are met. The main covenants set out in the agreements comprise financial indicators to be calculated on the basis of the consolidated financial statements of STEAG GmbH. These comprise the net debt ratio, which is the ratio of net debt to adjusted EBITDA, and covenants in the E-FET contracts on tangible net worth and/or the equity ratio.

### Debt restructuring agreement

Given the earnings performance in recent years and the tougher market and competitive situation resulting from the energy transition, a restructuring and recovery concept has been developed since 2019 within the framework of the FUTURE transformation project. This contains a variety of measures. The debt restructuring agreement presented below is a key element in this concept. At the end of September 2021, the guarantee providers, creditors of the bonded loans, creditors of a money market loan and the other financial creditors concluded a debt restructuring agreement with STEAG. This runs until December 31, 2023. It sets out the principal aspects of the contribution of the various creditor groups to the debt restructuring concept and the collateral, payments and restructuring contributions to be made by the companies in the STEAG Group.

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

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

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

On the basis of the debt restructuring agreement, terms have been concluded on the financial conditions for STEAG until December 31, 2023 and the complete repayment of the restructured bonded loans and the money market loan.

### Financing policy

STEAG GmbH provides funding for the companies in the STEAG Group and manages surplus liquidity on their behalf on market terms. To a certain extent, non-project companies also borrow funds directly from banks and invest surplus liquidity with banks. In these cases, borrowing is secured by STEAG GmbH. The projects companies' liability is secured through their cash flows and assets, and financing is generally non-recourse. In these cases, no recourse to the parent company STEAG GmbH is possible.

In Germany, cash pooling is managed by STEAG GmbH. To minimize external borrowing, surplus liquidity in Germany is placed in a cash pool at Group level which is used to optimize overall financing requirements in the Group.

### Financing structure

The main components of financial assets are loans of € 206.1 million (prior year: € 180.0 million), receivables from finance leases of € 39.5 million (prior year: € 185.2 million) and receivables from derivatives of € 487.0 million (prior year: € 70.6 million). € 7.8 million, € 8.4 million and € 383.1 million (prior year: € 8.6 million, € 13.2 million and € 64.4 million) of these amounts are current receivables. Further, there are cash and cash equivalents totaling € 383.7 million (prior year: € 51.3 million) with restrictions on use in connection with margining for exchange-traded forward agreements and cash security for guarantee facilities.

As at December 31, 2021, STEAG had financial liabilities of € 1,727.8 million (prior year: € 1,371.8 million) and cash and cash equivalents of € 340.9 million (prior year: € 466.0 million). In addition, € 10.2 million (prior year: € 29.3 million) were held in short-term deposits.

The main components of the non-current financial liabilities of € 759.6 million (prior year: € 1,006.3 million) are liabilities to banks amounting to € 297.8 million (prior year: € 665.1 million), liabilities from non-banks amounting to € 174.6 million (prior year: € 140.3 million), lease liabilities (€ 139.3 million; prior year: € 148.0 million) and liabilities from derivatives (€ 132.8 million; prior year: € 34.4 million).

Current financial liabilities totaled € 968.2 million (€ 365.5 million) and comprise liabilities from derivatives of € 464.2 million (prior year: € 29.9 million), liabilities to banks of € 149.9 million (prior year: € 256.0 million), and liabilities for the profit transfer to KSBG of € 134.9 million (prior year: € 0.0 million).

As at December 31, 2021, the STEAG Group had no material off-balance-sheet financing instruments that could have a material impact on its present or future assets, financial position and results of operations.

The financing and liquidity of the STEAG Group were always secure in the reporting period.

### Capital expenditure

The STEAG Group 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 appropriate returns. Every project undergoes detailed strategic and economic analyses, including sensitivity analyses and scenario analyses to reflect major risks. Projects have to meet business-specific and risk-adjusted minimum return requirements.

#### Capital expenditure and financial investments

in € million	2021	2020	Change in %
Power	240.1	74.1	224.0
Renewable Energies and Distributed Facilities	54.3	44.5	22.0
Other	1.4	36.5	-96.2
<b>STEAG Group</b>	<b>295.8</b>	<b>155.1</b>	<b>90.7</b>

Capital expenditure totaled € 295.8 million (prior year: € 155.1 million), which was above depreciation, which amounted to € 135.8 million (prior year: € 161.6 million). In 2021, capital expenditure for property, plant and equipment increased by 10.5 percent to € 110.9 million (prior year: € 100.4 million).

49.9 percent of capital expenditure for property, plant and equipment was allocated to the Power division (€ 55.3 million; prior year: € 50.9 million). € 16.0 million of this amount was for the Iskenderun power plant in Turkey, € 15.1 million for STEAG Fernwärme and € 4.9 million for Krantz. A further 48.9 percent of capital expenditure for property, plant and equipment was allocated to the Renewable Energies and Distributed Facilities division (€ 54.2 million; prior year: € 44.4 million). € 48.5 million of this amount was allocated to STEAG New Energies.

The Group has commitments of € 28.8 million (prior year: € 30.6 million) to purchase property, plant and equipment.

Financial investments amounted to € 184.9 million in the reporting period (prior year: € 54.7 million). The increase mainly resulted from the acquisition of the 49 percent minority interest in the Walsum 10 power plant project.

## Cash flow

### Cash flow statement for the STEAG Group (condensed version)

in € million	2021	2020
Cash flow from operating activities	322.9	288.4
Cash flow from investing activities	180.7	-92.9
Cash flow from financing activities	-642.2	-114.6
Changes in exchange rates and other changes in the value of cash and cash equivalents	13.5	-28.8
<b>Cash and cash equivalents as at December 31</b>	<b>340.9</b>	<b>466.0</b>

The cash flow from operating activities was € 322.9 million, which was € 34.5 million above the prior-year level of € 288,4 million. It mainly comprised the change in trade accounts receivable and payable, inventories and changes in other provisions and miscellaneous assets and liabilities as at the reporting date. The outflow of cash and cash equivalents for interest payments increased by € 24.5 million year-on-year to € 69.5 million. Outflows for income taxes were € 52.9 million in 2021, which was € 13.6 million more than in the prior year (€ 39.3 million).

The cash flow from investing activities was € 180.7 million, which was above the outflow of € 92.9 million in the previous year. Cash outflows for investments amounted to € 97.4 million, which was € 18.8 million more than in the prior year. However, at the same time, cash inflows from the divestment of intangible assets, property, plant and equipment and shareholdings in companies were € 182.6 million higher than in the previous year due to the portfolio adjustments. Moreover, the balance of cash inflows and outflows for securities, deposits and loans increased by € 109.8 million. As at the reporting date, cash and cash equivalents totaling € 10.2 million were held in current fixed-term deposits (prior year: € 29.2 million).

The cash outflow for financing activities was € 642.2 million, which was far greater than the outflow of € 114.6 million in the previous year. The cash outflows for dividend payments to non-controlling interests declined from € 79.0 million to € 51.8 million. In the reporting period, cash inflows/outflows relating to the divestment of shareholdings without loss of control were € 131.0 million higher than in the previous year. The net balance of borrowing and repayment of financial debt was minus € 419.5 million in 2021, compared with net borrowing of € 43.8 million in the prior year. The high repayment of financial debt in the reporting period was mainly due to the complete repayment of the project financing for the Walsum 10 power plant in connection with the exit of EVN and further repayments in compliance with the terms of the debt restructuring agreement.

In all, cash and cash equivalents contracted by € 125.1 million year-on-year. In the prior year, cash and cash equivalents of € 29.3 million were included in assets held for sale.

The carrying amount of cash and cash equivalents pledged as collateral amounted to € 225.6 million (prior year: € 98.4 million).

## (c) Asset structure

### Structure of the balance sheet

Assets in € million	Dec. 31, 2021		Dec. 31, 2020		Difference
		%		%	
Non-current assets	1,912.5	42.6%	2,141.4	56.9%	-228.9
Current assets	2,578.4	57.4%	1,623.3	43.1%	955.1
<b>Total assets</b>	<b>4,490.9</b>	<b>100.0%</b>	<b>3,764.7</b>	<b>100.0%</b>	<b>726.2</b>

Equity and liabilities in € million	Dec. 31, 2021		Dec. 31, 2020		Difference
		%		%	
Equity	0.6	0.0%	-108.9	-2.9%	109.5
Non-current liabilities	2,255.5	50.2%	2,603.3	69.2%	-347.8
Current liabilities	2,234.8	49.8%	1,270.3	33.7%	964.5
<b>Total equity and liabilities</b>	<b>4,490.9</b>	<b>100.0%</b>	<b>3,764.7</b>	<b>100.0%</b>	<b>726.2</b>

Total assets increased by € 726.2 million from € 3,764.7 million as at December 31, 2020 to € 4,490.9 million as at December 31, 2021.

Non-current assets decreased by € 228.9 million to € 1,912.5 million (prior year: € 2,141.4 million). The decline was mainly due to impairment losses on intangible assets, property, plant and equipment and to the divestment-driven reclassification of non-current assets of the SFW Energia Group and STEAG State Power Inc. to assets held for sale. Non-current deferred taxes increased by € 130.2 million. This was mainly due to the reversal of the impairment loss on net deferred tax assets.

Capital expenditure was € 295.8 million (prior year: € 155.1 million), while depreciation and amortization of intangible assets, property, plant and equipment and investment property totaled € 135.8 million (prior year: € 161.6 million) and impairment losses were € 245.9 million (prior year: € 204.0 million).

Non-current assets accounted for 42.6 percent of total assets (prior year: 56.9 percent). Coverage of non-current assets by non-current capital was 118.0 percent (prior year: 116.5 percent).

Current assets totaled € 2,578.4 million (prior year: € 1,623.3 million), an increase of € 955.1 million compared with year-end 2020. The change mainly resulted from the increase in financial assets to € 814.7 million (prior year: € 169.3 million) due to the rise of € 318.7 million in receivables from derivatives and the increase of € 351.4 million in miscellaneous other financial assets.

Trade accounts receivable increased by € 229.9 million to € 587.8 million (prior year: € 357.9 million), mainly due to a rise in the amounts invoiced.

The increase of € 108.0 million in inventories from € 152.2 million to € 260.20 million was mainly due to higher inventories of coal. In addition, finished goods and merchandise increased by € 45.7 million to € 47.8 million due to higher inventories of merchandise.

Current assets exceeded current liabilities by 14.1 percent (prior year: 27.8 percent).

Equity increased by € 109.5 million to € 0.6 million (prior year: minus € 108.9 million). Minus € 235.8 million of this amount (prior year: minus € 469.2 million) comprised the equity attributable to shareholders of STEAG GmbH and € 236.4 million (prior year: € 360.3 million) comprised equity attributable to non-controlling interests. The equity ratio rose from minus 2.9 percent to 0.0 percent.

Non-current liabilities decreased by € 347.8 million or 13.4 percent to € 2,255.5 million (prior year: € 2,603.3 million). The € 367.3 million reduction in liabilities to banks was partly offset by the increase of € 34.3 million in loans from non-banks and the increase of € 98.4 million in liabilities from derivatives. Deferred tax liabilities decreased by € 12.7 million, while non-current provisions declined by a total of € 84.1 million.

Current liabilities increased by € 964.5 million to € 2,234.8 million (prior year: € 1,270.3 million). Financial liabilities increased by € 602.7 million to € 968.2 million (prior year: € 365.5 million) due to the price- and volume-driven rise of € 434.3 million in liabilities from derivatives. At the same time, other provisions rose by € 282.7 million to € 684.7 million (previous year: € 402.0 million), mainly due to the rise of € 297.8 million in the provision for obligations to surrender CO<sub>2</sub> emission allowances. Trade accounts payable were € 58.2 million higher than in the prior year at € 264.4 million and liabilities associated with assets held for sale increased by € 18.7 million.

## (2.4) 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 € 1,734.1 million and total assets of € 3,730.1 million. The main subsidiaries in Germany are linked to it through control and 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), in the version applicable for these financial statements, taking into account the German legislation on limited liability companies (GmbH-Gesetz).

### Income statement for STEAG GmbH

in € million	2021	2020
Sales	1,734.1	693.3
Change in inventories, own work capitalized	82.9	65.1
Other operating income	487.9	240.6
Cost of materials	-1,727.2	-689.4
Personnel expenses	-172.3	-161.4
Depreciation/amortization and impairment losses	-12.8	-71.6
Other operating expenses	-390.9	-237.3
Financial result	140.7	169.2
Income taxes	-5.7	-4.7
<b>Income after taxes</b>	<b>136.7</b>	<b>3.8</b>
Other taxes	-1.9	-3.8
Profit and loss transfer	-134.9	-
<b>Net income</b>	<b>-</b>	<b>-</b>

Sales grew by € 1,040.8 million year-on-year to € 1,734.1 million (prior year: € 693.3 million). The rise was mainly due to increased marketing of power output in Germany, higher market prices and higher sales from coal trading.

In the reporting period sales mainly comprised € 1,193.8 million (prior year: € 369.0 million) from the supply of energy and other media, € 351.2 million (prior year: € 174.7 million) from the supply of coal, € 3.1 million (prior year: € 5.1 million) from the gas business, and € 149.9 million (prior year: € 106.6 million) from operating and management fees. The revenues were from customers in Germany, other European countries and North and South America.

The change in inventories increased by € 17.8 million to € 82.9 million (prior year: € 65.1 million) due to project progress relating to a long-term customer order.

The other operating income increased by € 247.3 million year-on-year to € 487.9 million (prior year: € 240.6 million). This item mainly contains income from the realized fair values of derivatives that have been settled, which amounted to € 86.7 million (prior year: € 122.0 million). Other operating income also contains reversals of provisions amounting to € 48.4 million (prior year: € 65.2 million), principally due the reversal of provisions to cover future power marketing losses (€ 42.0 million). Furthermore, in the reporting period this item included income from disposals of non-current assets (€ 13.3 million) and from factoring (€ 11.1 million). The miscellaneous other income comprises a large number of operating items, including revenues from the third decommissioning auction.

The year-on-year increase in the cost of materials basically mirrored the rise in sales revenues.

Personnel expenses were € 172.3 million (prior year: € 161.4 million), which was roughly in line with the prior year. Analogously to the prior year, the personnel expenses included expenses for planned restructuring measures.

The considerable reduction in depreciation/amortization and impairment losses to € 12.8 million (prior year: € 71.6 million) is attributable to one-off effects in the prior year in connection with the phasing out of hard-coal power generation under the German Coal-Fired Power Generation Termination Act (KVBG).

The increase in other operating expenses to € 390.9 million (prior year: € 237.3 million) was mainly due to the increase in realized expenses from derivatives that have been settled, which amounted to € 184.0 million. Similarly, legal and consulting expenses were € 20.7 million higher, mainly due to the FUTURE project and the refinancing agreement. By contrast, expenses for additions to other provisions, especially for pending losses on power marketing and measures to safeguard the future of sites and decommissioning of power plant sites were € 39.2 million lower.

Furthermore, the other operating expenses comprise other selling and administrative expenses, currency losses on foreign exchange transactions, lease and rental payments, insurance premiums, transportation costs for trade transactions and expenses for the establishment of provisions for risks relating to pending transactions and pending losses in connection with financial derivatives.

The company's financial result was positive at € 140.7 million in the reporting period (prior year: € 169.2 million). This was mainly due to profit transferred under profit and loss transfer agreements amounting to € 209.3 million (prior year: minus € 195.2 million), especially the profit transfer of € 221.9 million from STEAG Walsum 10 Kraftwerksgesellschaft mbH, and income from investments of € 31.2 million (prior year: € 431.8 million). In the prior year, income from investments mainly comprised profit distributions resulting from withdrawals from capital reserves at STEAG 1. Beteiligungs-GmbH and STEAG 2. Beteiligungs-GmbH totaling € 358.4 million, which were recognized in profit or loss at STEAG GmbH. Further, the financial result was reduced by the negative interest result of minus € 70.8 million (prior year: minus € 66.1 million) – mainly due to accrued interest on pension obligations and other non-current provisions, and interest expense for non-current loans. The write-downs of financial assets and current loans totaling € 29.0 million (prior year: € 1.3 million) mainly comprised write-downs of shares in subsidiaries.

The income tax result of minus € 4.7 million (prior year: minus € 4.7 million) mainly resulted from non-deductible taxes and foreign withholding taxes.

Income after income taxes and other taxes of € 134.9 million for the reporting period will be transferred to KSBG KG under the profit and loss transfer agreement.

## Balance sheet for STEAG GmbH

### Assets

in € million	Dec. 31, 2021	Dec. 31, 2020
Intangible assets	8.7	12.1
Property, plant and equipment	67.9	72.0
Financial assets	1,502.5	1,767.7
<b>Non-current assets</b>	<b>1,579.1</b>	<b>1,851.8</b>
Inventories	361.4	161.7
Receivables and other assets	1,625.3	862.9
Cash and cash equivalents	161.4	237.2
<b>Current assets</b>	<b>2,148.1</b>	<b>1,261.8</b>
<b>Deferred items</b>	<b>2.9</b>	<b>2.7</b>
<b>Total assets</b>	<b>3,730.1</b>	<b>3,116.3</b>

### Equity and liabilities

in € million	Dec. 31, 2021	Dec. 31, 2020
Issued capital	128.0	128.0
Capital reserve	77.5	77.5
Profit reserves	272.8	272.8
<b>Equity</b>	<b>478.3</b>	<b>478.3</b>
Special items	-	-
<b>Provisions</b>	<b>1,492.4</b>	<b>1,161.6</b>
<b>Liabilities</b>	<b>1,757.4</b>	<b>1,473.7</b>
<b>Deferred items</b>	<b>2.0</b>	<b>2.7</b>
<b>Total equity and liabilities</b>	<b>3,730.1</b>	<b>3,116.3</b>

Total assets of STEAG GmbH increased by € 613.8 million to € 3,730.1 million. Non-current assets declined by a total of € 272.7 million to € 1,579.1 million (prior year: € 1,851.8 million). Capital expenditure for intangible assets reported as non-current assets and for property, plant and equipment was € 3.5 million in the reporting period (prior year: € 5.0 million). Capital expenditure was below depreciation and amortization, which was € 5.1 million. In addition, write-downs of € 1.4 million were recorded. The ratio of depreciation and amortization on property, plant and equipment and intangible assets reported in non-current assets (cumulative depreciation and amortization relative to the historical cost of acquisition or production) was 95.6 percent (prior year: 95.2 percent).

Financial assets declined by € 265.2 million to € 1,502.5 million (prior year: € 1,767.7 million). The main reason for this was the divestment of the subsidiary Crucea Wind Farm S.A., which entailed corresponding derecognition of the carrying amount of the investment, which was € 48.2 million, and the derecognition of a non-current loan of € 78.9 million, which had been recognized in loans to affiliated companies. Furthermore, in the reporting period the shares in STEAG Rüzgar Süloglu Enerji Yatirim Üretim ve Ticaret A.S. were sold, there was a capital decrease at the subsidiary STEAG Walsum 10 Kraftwerksbeteiligungsgesellschaft mbH and the shares in STEAG State Power Inc. and STEAG Walsum 10 Kraftwerksbeteiligungsgesellschaft mbH were written down. This reduced shares in affiliated companies by € 128.3 million. In addition, there was a net decline of € 136.5 million in loans to affiliated companies. Alongside the derecognition of the shareholder loan to Crucea Wind Farm S.A. outlined above, this was attributable to the balance of repayments of principal and drawings on credit lines by subsidiaries and interest on the upstream loan granted by STEAG GmbH to its owner KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG.

Current assets rose by € 886.3 million to € 2,148.1 million (prior year: € 1,261.8 million). Inventories increased by € 199.7 million to € 361.4 million (prior year: € 161.7 million). As well as price- and volume-driven changes in inventories of coal and merchandise in a net amount of € 126.4 million, the main factor here was the increase of € 82.9 million in work in progress to € 201.2 million (prior year: € 118.3 million) due to a long-term customer contract.

Receivables and other assets were € 762.4 million higher than in the previous year. The increase was mainly due to the rise of € 532.3 million in other assets to € 619.8 million (prior year: € 87.5 million). Other assets mainly comprise collateral from power marketing. Receivables from affiliated companies increased by € 108.0 million to € 716.3 million (prior year: € 608.3 million) and contain receivables from financial relationships and profit and loss transfer agreements. Trade accounts receivable also increased by € 121.2 million to € 288.1 million on the reporting date (prior year: € 166.9 million).

Deferred expenses were € 2.9 million, which was around the prior-year level. They comprised advance payment of retirement and surviving dependents' pensions and accruals relating to bonded loans, which are released over the term of the loans.

There was no change in equity compared with the prior year. As a consequence of the change in total equity and liabilities, the equity ratio is now 12.78 percent (prior year: 15.3 percent). Equity coverage of non-current assets is 30.3 percent (prior year: 25.8 percent).

Provisions rose by € 330.8 million to € 1,492.4 million (prior year: € 1,161.6 million). Provisions for pensions and other post-employment obligations increased by € 62.8 million to € 738.5 million (prior year: € 675.7 million), mainly because of higher interest accruals. Pension provisions accounted for 49.5 percent and thus the largest share of provisions (prior year: 58.2 percent). The other provisions increased by € 268.7 million compared with the prior year to € 750.9 million (prior year: € 482.2 million). This was mainly due to the € 305.6 million rise in provisions for the obligation to surrender emission allowances. Furthermore, provisions for dismantling obligations at power plant sites increased by € 11.4 million. The main countereffect was a net reduction of € 53.7 million in provisions to cover impending losses from future power marketing.

Liabilities increased by a total of € 283.7 million to € 1,757.4 million (prior year: € 1,473.7 million). The change mainly resulted from the increase of € 217.5 million in other liabilities to € 334.2 million (prior year: € 116.7 million), which was principally attributable to collateral received for energy products. The increase in advances received for orders (€ 243.2 million; prior year: € 150.4 million) related primarily to a long-term customer order. As at the reporting date, trade accounts payable were € 53.8 million higher at € 196.2 million (prior year: € 142.4 million). This was countered by the reduction in liabilities to banks (€ 197.8 million; prior year: € 292.3 million), which was due, among other things, to the repayment of bonded loans. Liabilities to affiliated companies rose by € 14.1 million to € 786.0 million (prior year: € 771.9 million). This included the liability of € 134.9 million (prior year: € 0.0 million) under the profit and loss transfer agreement with KSBG KG.

The reduction in deferred income was mainly attributable to the reversal of accruals recognized in the previous year for compensation payments in connection with a change in the clearing partner.

## (2.5) Non-financial performance indicators

### Employees

#### Headcount

At the end of December 2021, the STEAG Group had 5,689 employees. Worldwide, the proportion of female employees was 13 percent and the average age of the workforce was 44. 47 percent of the workforce was employed outside Germany.

The number of employees in the Group was 569 lower than in the previous year, mainly due to changes in the Power division (minus 445 employees). Within this division, the headcount was reduced, among other things, by 156 employees due to the divestment of the Power Minerals Group; there was also a reduction of 10 employees in the Trading & Optimization business unit, 55 employees in the Generation business unit, 19 employees at investments allocated to the Power division and 163 employees in Energy Services. The headcount in the Renewable Energies and Distributed Facilities division decreased by 42 and the number of employees in Administration decreased by 82 (thereof 48 apprentices).

Employees by division	Dec. 31, 2021	Dec. 31, 2020
Power	4,404	4,849
Renewable Energies and Distributed Facilities	956	998
Administration	329	411
<b>STEAG Group</b>	<b>5,689</b>	<b>6,258</b>
thereof in Germany	2,995	3,307
thereof in other countries	2,694	2,951

In 2021, the headcount reductions resulting from the decommissioning of power plants and from the FUTURE transformation program were again carried out in a socially acceptable manner, i.e. without dismissals for business-related reasons, on the basis of the agreed redundancy plan for the Group and the framework for the reconciliation of interests.

#### Occupational health and safety and environmental protection

Preventing accidents at work and avoiding environmental and health risks are corporate goals. Safety in the STEAG Group improved further thanks to our systematic policy of occupational health and safety and the related targets and measures. A certified workplace health and safety management system supports the health and safety goals. There were no fatal accidents. The lost time injury frequency (LTIF) indicator was 2.3 accidents per 1 million working hours in December 2021, continuing the downward trend of recent years.

The coronavirus pandemic did not result in any significant operational restrictions. The crisis management team for the Group – which includes management members and experts – and the local crisis management teams are continuing to monitor infection patterns closely and define suitable protective measures.

#### Declaration on corporate governance with regard to gender quotas

The German law on equal participation of men and women in management positions in the public and private sectors came into effect on May 1, 2015. Based on the provisions of this law, the Supervisory Board and Board of Management have defined the following objectives:

The target for the percentage of women on the Supervisory Board of STEAG GmbH has been set at a minimum of 10 percent by spring 2022 at the latest.

The target for the percentage of women on the Board of Management of STEAG GmbH has been set at 0 percent as at December 31, 2023. The target was achieved as at December 31, 2021.

For the first management level below the Board of Management at STEAG GmbH, the target is 19-22 percent women by June 30, 2022 at the latest, while the target set for the second management level is 18-21 percent women.

### (3) Events after the reporting period

Following conclusion of the trust agreement between the municipal utilities that hold interests in STEAG GmbH through KSBG Kommunale Beteiligungsgesellschaft GmbH (KSBG) and Atlantik Advisors GmbH & Co. KG and KSBGTH GmbH, there was a change on the Supervisory Board of STEAG GmbH: Guntram Pehlke, Chairman of the Board of Management of Dortmunder Stadtwerke AG – DSW21, who had been Chairman of STEAG’s Supervisory Board since the beginning of 2013, resigned from his position at an Extraordinary Meeting of the Supervisory Board on February 9, 2022. As his successor, the Supervisory Board elected Gerhard Jochum, who has been member of the Supervisory Board since fall 2014.

On February 10, 2022, STEAG, SPC Power Corporation and Intrepid Holdings LLP signed an agreement on the sale of the 51 interest in the Philippine power plant company STEAG State Power Inc. This transaction is contingent upon the preemptive right of purchase of the co-owners Aboitiz Power Corp. and La Filipina Uy Gongco Corporation. The transaction is expected to be closed in the second quarter of 2022.

STEAG is embarking on another important stage in its transformation through the “Sunrise” project. On February 23, 2022, an option and feasibility study on the division of STEAG into a coal business and a growth business was sent to various target groups with different perspectives and interests. At the end of March, the stakeholders addressed took a basic decision to undertake further preparations for the separation. This provides for the coal activities in Germany and abroad (coal business) and the activities in the field of renewable energies, decarbonization of industry, hydrogen and storage technologies and digitalization (growth business) to be separated under the auspices of STEAG GmbH. This would entail an extensive separation, i.e., in terms of company law, organization and personnel. By separating these two business areas, STEAG is proactively taking the biggest step in its current transformation. This takes into consideration the future demands of the energy markets as well as tougher capital market requirements and the EU taxonomy, which make it increasingly difficult for companies with coal-related activities to gain banks, insurers and investors as partners. The separation of the coal and growth businesses under the umbrella of STEAG will pave the way for a significant increase in the value of the green growth business and improve scope for the refinancing of STEAG. To accompany this process, STEAG has embarked on a strategy review. A stress test will be performed on the corporate strategy developed in the FUTURE project in 2020 on the basis of the changes in external and internal parameters since then and the project will then be merged with the Sunrise process.

In his recent recognition of the separatist territories of Donetsk and Luhansk as independent states and the military offensive in Ukraine, President Putin of Russia broke off diplomatic efforts and started a war of aggression in Ukraine on the evening February 24, 2022. As a consequence, the USA, EU and some other countries have imposed massive sanctions, which are successively being tightened. The political situation is unclear and constantly changing. STEAG has analyzed the potential impact of these developments on the Group from the present perspective. As a result of Russia's invasion of Ukraine, STEAG is affected by market-induced factors, especially in respect of the supply of raw materials and market volatility. With regard to the procurement of raw materials, STEAG purchased a low proportion of coal from Russia so the embargo on coal from Russia adopted by the EU member states is not expected to have a material impact on the STEAG Group's business activities. The volumes can be offset by procurement from other countries. Based on the present assessment, for the STEAG Group the risk is not the supply of coal but the development of the price of coal on the world

market. Moreover, there could be bottlenecks in domestic logistics, in other words, the transportation of coal from ocean ports to power plants. For 2023, most of the gas required for the gas and steam power plant in Herne, which is currently under construction, has been secured via the futures market. It remains to be seen what the future impact will be on the assets, financial position and results of operations of the STEAG Group as this cannot be quantified at present. Based on the analyses, the Board of Management does currently consider the continuation of the company as going concern to be in jeopardy.

On March 14, 2022, the transmission network operator Amprion submitted an application to the Federal Network Agency that both blocks of the Völklingen-Fenne heating power plant and the Bergkamen power plant should be declared systemically relevant until October 31, 2024. The decision by the Federal Network Agency is still pending.

On March 25, 2022, STEAG and EnBW Energie Baden-Württemberg AG ("EnBW") signed an agreement on early termination of the existing contract on capacity and electricity sourcing rights. This agreement terminates the sourcing agreement by mutual agreement at the end of December 31, 2023. As compensation, STEAG is to receive a termination payment, payable in two installments on April 1, 2022 and July 5, 2023.

At the end of February 2022, the Ukraine crisis led to extreme turbulence on the energy markets with unusually high price volatility. As a result, market participants were required to make additional margin payments for existing hedging transactions. STEAG funded the short-term liquidity requirements resulting from this external shock from its own funds. However, since further exceptionally high market volatility cannot be ruled out in the coming months, in April 2022 STEAG signed a revolving credit line of € 400.0 million with KfW, Frankfurt am Main (Germany). This facility runs until October 31, 2022 and can be drawn to meet margining obligations under energy and commodity trading contracts concluded for non-speculative purposes.

## (4) Opportunity and risk report and forecast

### (4.1) Risk report

#### Risk strategy

Opportunities and risks constantly arise for the STEAG Group through its diverse business activities. Risk management is therefore a central element in the management of the company and is geared specifically to securing present and future potential for success, especially by avoiding and reducing risks and their consequences. Early identification and utilization of opportunities can heighten the success of the Group.

Due to its fields of activity, the STEAG Group is exposed to constantly changing political, social, demographic, legal and economic operating conditions. The resultant risks are addressed by monitoring and analyzing the entire operating environment and anticipating 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

The basis of operational risk management in the STEAG Group is an internal, Group-wide management system that focuses equally on risks arising from potentially negative deviations from objectives and on positive deviations by highlighting opportunities.

The structure of the risk management is decentralized. 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 in the organizational units are responsible for coordinating the relevant risk management activities. The Corporate Controlling department coordinates and oversees the processes and systems in the STEAG Group. 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. Alongside organizational measures and an internal control system, risk management is supported by the Audit department as a process-unrelated controlling body.

Risk management is a central element in controlling processes at all levels of the STEAG 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. The items are analyzed for a short-term period of one year and a mid-term period of at least five years. All relevant factors 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 early warning indicators for the opportunities and risks identified in the risk inventory and these are monitored. A monthly opportunity and risk report is derived from the inventory. This documents changes in the items identified and any new items in the current year.

## Overall risk assessment

Based on all identified risks (divided into strategic, operational, financial and other risks), as of the present date no risks to the position of either the STEAG Group or STEAG GmbH as a going concern could be identified – either on a stand-alone basis or taking into account interdependencies between risks and measures that are planned or have already been initiated. For details of the present uncertainties and measures taken by the management, please refer to the information in “(3) Events after the reporting date”.

## Strategic risks

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

Therefore, the withdrawal of coal-fired power plants from the market is not driven solely by the development of fuel prices (gas, coal and CO<sub>2</sub> allowances) and the demand-unrelated subsidization and prioritization of renewables; above all, it is due to the regulatory intervention of the German Coal-Fired Generation Termination Act (KVBG), which came into effect on August 14, 2020.

This legislation stipulates the complete withdrawal from coal-fired power generation in Germany by 2038 at the latest and sets an earlier deadline for the exit from hard-coal generation. The order in which plants are to be decommissioned between 2020 and 2027 is determined by an auction process with declining maximum prices.

The STEAG Group has participated in auctions under the KVBG. In the first auction, STEAG's bid for the decommissioning of the Walsum 9 power plant was accepted and the plant was taken out of service at the end of 2020. The review of the systemic relevance of this power plant by the Federal Network Agency was negative, so the ban on coal-fired generation at the Walsum 9 power plant took effect at the start of July 2021. In the third auction, STEAG received approval to shut down the Bergkamen power plant, the Völkingen-Fenne model power plant and the Völkingen-Fenne heating plant. The ban on coal-fired generation at these plants takes effect at the end of October 2022 but the transmission network operator Amprion has submitted an application to classify them as systemically relevant until October 31, 2024. The other power plants will be taken out of service on the basis of the results of participation in past and possible future auctions, taking into account further economic factors and the threat of mandatory decommissioning. The decisions of the new German government, which ideally wants to end coal-fired power generation in Germany by 2030, also have to be taken into consideration.

The closure of the German power plants has had an extensive impact on the STEAG Group and is expected to have further far-reaching effects. Where necessary, these have already been taken into account to some extent in provisions. Positive effects come from the revenues from the auctions, the reduction in operating costs for these plants and scope for alternative use or sale of the power plant sites. The main countereffects are costs for the mandatory dismantling of certain power plants and for personnel reductions, which will be mitigated by government-funded adjustment benefits.

In the countries where STEAG operates its foreign power plants – in Iskenderun (Turkey), Mindanao (Philippines) and Termopaipa (Colombia) – political risks are secured through investment guarantees from the Federal Republic of Germany. For the Iskenderun power plant in Turkey, there is a guarantee

issued by the Federal Republic of Germany, which runs to 2025. This means that loss of STEAG GmbH's capital investment is essentially excluded. A contract of sale has been signed for the Mindanao power plant. A process has been initiated to sell the Termopaipa power plant in Colombia. Both divestments are planned for 2022.

### Operational risks

In the operation of large central power plants and distributed power and heating plants, preventive risk management is particularly important on commercial, societal, political, technological and environmental grounds. In view of the high capital intensity and long-term nature of the business, risks must be mitigated before undertaking such investments by careful analysis of the market conditions and general framework, the selection of high-quality technology, and ensuring acceptance of the facility by the local community. Open and transparent communication with customers, suppliers and partners also contributes to early identification and avoidance of risks in the erection of such facilities.

During the operation of central and distributed power and heating plants, the main risks to successful operation come from constantly changing market conditions. On the one hand, facilities are dependent on the development of prices on the electricity and commodity markets, which are also influenced by the global market. On the other hand, there are constantly rising statutory and technical requirements and costs relating to CO<sub>2</sub> emissions. The yields at the wind power installations in Germany, France and Poland are determined to a large extent by how windy it is. At the large central power plants in Germany, in particular, there is an economic risk arising from low utilization due to the shift to increasing use of renewables and gas-fired power plants. Furthermore, the German Coal-Fired Power Generation Termination Act (KVBG), which came into effect in August 2020, and regulatory changes relating to environmental and safety requirements have a significant influence on the success and ongoing operation of power and heating plants. The STEAG Group constantly monitors market changes and new and amended regulations to enable it to respond quickly and mitigate any risks. Other risks in the operation of energy generating facilities, apart from the risk of technical outages and fuel supply risks, are, in particular, societal risks such as the risk of IT hacker attacks, the risk of demonstrators gaining illegal access to technical facilities and the risk of vandalism.

With the exception of the German legislation on phasing out coal-fired power generation, the same risks apply to the operation of the foreign power plants. In most cases, however, economic policy developments are a further risk. The main focus here is on Turkey in view of its political situation and because it is the STEAG Group's most important foreign investment. The STEAG Group continuously monitors economic policy developments in Turkey. The depreciation of the Turkish lira has not had any direct impact on the STEAG Group's business activities because the power plant's functional currency is the US dollar and the US dollar is also used for trading on the commodity markets. In 2021, the situation in this country was still adversely affected by the coronavirus pandemic. Moreover, there was a sharp drop in the exchange rate of the Turkish lira from mid-2021. The STEAG Group's engagement in Turkey mainly comprises the Iskenderun hard-coal power plant, whose output is sold on the open market. In the middle of the year, the merit order for the power plant in Turkey developed detrimentally so operation was scaled back greatly. In particular, the decision taken by the state-owned gas company BOTAS to raise the gas price considerably in November 2021 had a positive effect on capacity utilization and earnings at the power plant. In the coming year, the main risks comprise a sharp rise in commodity prices, which could potentially lead to regulatory intervention on the Turkish power market. The development of the lira is not a direct risk factor because the relevant transactions are in US dollars. Only the time lag between the depreciation of the lira and adjustment of the electricity price in US dollars could have an effect.

Policies that are agreed internally provide a framework for managing financial risks relating to trading prices (commodity prices, exchange rates) and the related counterparty default and liquidity risks. Corresponding indicators such as position limits, loss limits and value-at-risk thresholds are used to remain within the limits set. While price risks relating to the use of derivatives can be managed with the aid of appropriate financial models, with regard to counterparty default risk the focus is on examining the creditworthiness of contractual partners, the appropriateness of the underlying master agreements, and continuous monitoring of the associated credit lines. In the trading business, all relevant indicators are monitored by the trading back office. The risk framework for trading activities is reviewed regularly and adjusted if necessary.

In connection with forward marketing, STEAG GmbH concludes trading agreements that include the obligation to provide collateral for credit, but which are contingent on fulfilling certain financial covenants. Some financial covenants agreed in E-FET contracts could not be met. In these cases, there is a risk that the contractual partner could require a cash margin as security. The resulting information obligations were met and the necessary collateral was provided. Some market participants took a critical view of the more difficult financing situation that arose at least temporarily in 2021. In the future, the conclusion of forward agreements will therefore depend on a stable financing situation at STEAG. As a consequence of the sharp rise in the wholesale prices of power and of CO<sub>2</sub> and commodities at the end of September 2021, and the related margining obligations, most of the related hedges had to be closed out. The corresponding transactions were therefore exposed to market risk. However, new marketing agreements were concluded in the remainder of the year to reduce the risk into 2022.

In view of their long-term nature and the large amount of capital involved, investment decisions involve multidimensional risks. In the early project phase, new projects are exposed to considerable uncertainty with regard to the estimates of future opportunities and risks. At the same time, commercialization may depend on uncertain future events that can currently only be estimated on the basis of a sound opportunity/risk assessment. The STEAG Group has therefore defined structured responsibilities and approval procedures for the preparation and implementation of such decisions.

The STEAG Group's business processes are supported by data processing systems. Security is ensured by high standards and regular software and hardware updates. As well as active vulnerability management and active monitoring of possible cyberattacks, this includes regular update management for software and hardware. Nevertheless, cyberattacks cannot be ruled out and could have detrimental effect on the STEAG Group's business processes.

### Financial risks

To remain solvent and guarantee its financial flexibility at all times, the STEAG Group draws up a multi-year financial plan and rolling monthly liquidity plans for a period of 24 months. These form the basis for long-term credit facilities and other financing measures. Cash pooling and external financing are concentrated primarily at STEAG GmbH and special project companies. Cash pooling channels funds internally to companies in the Group as needed.

The STEAG Group has defined the minimum level of liquidity required for operational purposes to enable it to meet margining requirements. Margining requirements arise from hedging of trading based on forward prices and therefore determine future earnings and liquidity flows. As a result of the rise in commodity and electricity prices, which has been exacerbated by the war in Ukraine, prices have been very volatile and further price volatility is to be expected. Therefore, the STEAG Group has adjusted its

marketing portfolio and reduced hedging transactions with margining requirements. To limit future earnings and liquidity volatility, for some power plant output alternative hedging transactions have been concluded with trading partners that do not impose any margining requirements on the STEAG Group. Moreover, a credit line has been concluded with KfW for a limited period of time. This can be used for margining. Margins are returned to STEAG when the hedge is realized.

Based on the present liquidity planning, over the entire 24-month planning period the STEAG Group should have sufficient liquidity in excess of the defined minimum level. Possible deviations from the defined debt restructuring plan are regularly validated by the restructuring appraiser Roland Berger.

The STEAG Group has various financial liabilities for financing purposes. In particular, the debt restructuring agreement concluded in 2021 requires the fulfillment of specific financial covenants, which are applicable from 2022. All covenants set out in the financing agreements were met as at December 31, 2021. Failure to comply with the covenants is not expected during the liquidity planning period.

The STEAG Group's earnings may be affected by fluctuations in interest rates and exchange rates.

Market interest rates affect refinancing costs and the assessment of the credit standing of the STEAG Group. This is also determined in part by the market situation for conventional power plants. The result could be a deterioration in the assessment of creditworthiness, making borrowing more difficult or more expensive. Banks and insurance companies increasingly use the EU's ESG taxonomy. This is reflected, for example, in revised environmental standards. Companies that no longer meet these standards will increasingly notice the impact in the future, e.g. with regard to the granting of loans.

The assessment of provisions is also affected by market interest rates. Declining interest rates increase the level of provisions and vice versa.

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 euro zone are hedged in a structured manner against fluctuations in exchange rates.

In a letter dated March 2, 2021, the German Bundesbank classified STEAG GmbH as "not meeting the central bank eligibility criteria".

#### Other risks

The STEAG Group is exposed to normal business risks arising 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 for these risks where the relevant conditions are satisfied.

## Risks relating to STEAG GmbH

As the parent company 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 the Group's principal risks in Germany. The risk situation for the STEAG Group outlined above therefore essentially applies to STEAG GmbH as well. For details of the present uncertainties and measures taken by the management, please refer to the information in "(3) Events after the reporting date".

## (4.2) Opportunity report

The STEAG Group is currently positioned nationally and internationally in conventional power generation, renewables, distributed energy generation and related services. In view of the massive change in market conditions and Germany's aim of phasing out coal-fired power generation through state regulation, the new strategic objective for the STEAG Group is to develop innovative energy solutions with a focus on industrial customers, renewables and distributed energy facilities.

In 2019, the FUTURE project initiated the entire transformation process to realize this strategic objective. As part of this project, new business models have been developed and existing structures realigned. This gives the STEAG Group the opportunity to reposition itself through its own efforts and to secure and improve the economic viability of the Group.

The business models defined as part of the FUTURE project utilize opportunities arising from the present trends to decarbonization, digitalization and decentralization. The STEAG Group is becoming a provider of end-to-end energy solutions, especially for decarbonization projects in industry. Here, the STEAG Group is providing all-round support for its customers in the design, planning and realization of energy facilities, up to and including operation and marketing of the energy output. Technically, the focus is on the use of renewable resources, distributed facilities and innovative supply solutions as well as, for example, the use of hydrogen. Using existing energy trading capacities and energy trading experience opens up the opportunity to gain a foothold in the development of new marketing solutions with a focus on green PPA.

Alongside the operation of facilities for third parties, the STEAG Group continues to operate its own power plants and other energy facilities. That enables it to maintain and expand its technical and commercial competence in plant operation and to continue to participate in the opportunities for power generation on foreign markets or in the areas of district heating and the incineration of refuse. In this context, the STEAG Group will be extending its portfolio of photovoltaic and wind power installations and offering services for the erection and operation of photovoltaic installations.

Another business model defined by the FUTURE project is the development of a digital service platform that will bundle services and tools, especially for performance monitoring, to ensure transparency with regard to the status and economic viability of energy facilities and the optimization of energy systems. This platform will be offered to a broad international customer base.

In this way, the STEAG Group is striving to utilize market opportunities and global trends in all areas of business, both in Germany and in an international context. In addition, structuring the management

and support functions more efficiently will increase flexibility and speed up the response to market trends.

STEAG hopes that the planned separation of the coal business and the growth business (Sunrise project) will make the new strategic alignment more resilient. At the same time, this should make the growth business more attractive to the capital market.

#### Opportunities for STEAG GmbH

As the parent company 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. Therefore, STEAG GmbH has a significant role in identifying, evaluating and realizing material potential opportunities for the Group. The above presentation of the opportunities in the STEAG Group therefore also covers the main opportunities for STEAG GmbH.

### (4.3) Outlook

#### General economic development<sup>5</sup>

The Russian war of aggression against Ukraine is clouding the outlook for the global economy and creating great political uncertainty. According to the updated economic outlook of the German Council of Economic Experts, economic growth will slow down considerably, especially in the European Union. Reliance on imports of Russian energy poses a particular risk for some member states. Moreover, cuts to supply or an embargo on imports from Russia cannot be ruled out.

Before the outbreak of the war, global economic development was robust. Consumer demand remains the main support of the macroeconomic recovery. On the supply side, the availability of starting products and repeated restrictions as a result of the coronavirus pandemic had an impact. Russia's war of aggression against Ukraine and the sanctions imposed in response are expected to exacerbate the disruptions of global supply chains and inflationary pressure will increase. The economic fallout from the repeated waves of the pandemic is fading and pandemic-related bottlenecks, at least, should play less of a role in the course of 2022.

The Council of Economic Experts expects German GDP to grow by 1.8 percent in 2022 and 3.6 percent in 2023. For the euro zone, it projects growth of 2.9 percent in both of these years. Its forecast for inflation rates in Germany 6.1 percent in 2022 and 3.4 percent in 2023, while for the euro zone it is forecasting inflation rates of 6.2 percent in 2022 and 2.9 percent in 2023. In these forecasts, the Council of Economic Experts assumes that energy prices will remain high but that Russian energy supply will not be halted. In addition, it points out that the heavy reliance on energy supply from Russia results in a considerable risk of a reduction in economic output or even a recession, accompanied by considerably higher inflation rates.

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<sup>5</sup> Cf. the updated economic outlook of the German Council of Economic Experts for 2022 and 2023 on the macroeconomic development and the monthly report of the German Bundesbank March 2022

## Development of the energy sector

The business performance of the STEAG Group is still dominated by energy policy and the economic framework, which affect both the German business and international business operations.

The transformation of the energy industry resulting from the socially and politically driven turnaround in energy policy in Germany is continuing under the new coalition government of the SPD, BÜNDNIS 90/DIE GRÜNEN and the FDP. The coalition agreement contains a clear acceptance of the 1.5 °C target and an exit from fossil fuels. The review phase for the phasing out of coal has been brought forward from 2026 to the end of 2022. “Ideally”,<sup>6</sup> coal-fired power generation should be halted by 2030. At the same time, the new government remains committed to phasing out nuclear power<sup>7</sup> and promises to speed up the expansion of renewables and the necessary networks. Solar power is given great significance. The aim is that all “suitable roof areas”<sup>8</sup> should be used for solar power in the future. Expansion of wind energy will also be accelerated. There are indications that electricity demand will outstrip supply in the coming years. The plan is to expand renewables and the network infrastructure to plug this gap. Moreover, the KVBG legislation, which came into force in 2020, will continue to have a strong impact on the development of the energy sector in the coming years.

Starting in the third quarter of 2021, wholesale prices for energy raw materials, electricity and CO<sub>2</sub> rose considerably. The outbreak of Russia's war of aggression and the economic sanctions imposed in response led to a further massive rise in the price of energy resources. Expansion of renewables and diversification of energy imports can help to reduce dependence on Russian energy supply. Moreover, coal-fired power plants make a significant contribution to ensuring reliability of supply.

Internationally, the impact of the Paris Climate Agreement on the expansion and restructuring of the global energy system needs to be monitored. This will depend on the extent to which the agreement is translated into national energy policy, especially in the G20 states, and on the extent to which the promises made about financing and technology transfer – especially for the energy-hungry developing countries and emerging markets – are kept. At the UN Climate Conference in Glasgow in 2021 the participating countries gave a far greater commitment to the goal of limiting global warming to a maximum of 1.5 °C compared with the pre-industrial era. The Glasgow Climate Pact calls on them to revise their climate targets by 2030. For the first time, the 197 parties at the climate conference signed a document setting out specific action to protect the climate. The community of nations aims to achieve a considerable reduction in the use of coal.

On April 29, 2021, Germany's Federal Constitutional Court ruled that parts of the government's Climate Protection Act were unconstitutional. The 2019 Climate Protection Act therefore has to be revised; the measures to reduce emissions from 2031 were declared inadequate. With the amendment of the legislation, the German government has tightened its climate protection requirements and set out the goal of achieving greenhouse gas neutrality by 2045. By 2030, emissions should be cut by 65 percent compared with 1990. The amended law came into effect on August 31, 2021.

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<sup>6</sup> See the coalition agreement between the SPD, Bündnis 90/ DIE GRÜNEN and FDP: “Mehr Fortschritt wagen, Bündnis für Freiheit, Gerechtigkeit und Nachhaltigkeit” (*Dare more progress - an alliance for freedom, justice and sustainability*), p. 58.

<sup>7</sup> Ibid. p. 55.

<sup>8</sup> Ibid. p. 56.

## Strategic and operational challenges

The German energy market continues to be dominated by massive upheaval as a result of the need to reduce the heavy reliance on Russian energy supply, the Coal-Fired Power Generation Termination Act (KVBG), expansion of capacity for renewable energy and the adjustment of capacity at thermal power plants. The STEAG Group will support this transformation to the best of its ability through its asset portfolio and energy expertise.

In view of the massive and ongoing change in market conditions, the STEAG Group launched a far-reaching transformation process, known as the FUTURE project, at the end of 2019. This has initiated extensive measures for a strategic refocusing followed by an organizational realignment of the entire Group.

In parallel with the phasing out of coal in Germany, the FUTURE project has driven forward new business models. The STEAG Group is speeding up its transformation to an integrated service-provider for end-to-end energy solutions, including the planning and operation of energy facilities and the marketing of energy output. The focus is on industrial customers, renewables and distributed energy solutions. In this context, it is also developing a digital service platform to provide bundled services and monitor and optimize energy facilities. To provide optimal support for the new business processes, the existing administrative and support functions are also being aligned to the new requirements. Far-reaching measures were implemented in 2021 and these should have a positive effect on the STEAG Group's earnings situation in the coming years.

In addition, the STEAG Group is continuing to operate its own energy facilities and is active in renewables and the supply of heating in order to utilize market opportunities and maintain and expand its expertise in plant operation. Therefore, it is also expanding the Renewables business area, which focuses on the development, construction and operation of photovoltaic installations and wind farms.

## Operating performance

In the past fiscal year, sales amounted to € 2.8 billion. That was above the budgeted level (€ 2.2 billion). The significant rise in wholesale electricity prices from the third quarter had a particularly positive effect. Alongside the large power plants in Germany, this benefited the distributed facilities and refuse incineration plants. Moreover, there was a significant improvement in margins at the Turkish power plant in Iskenderun so the STEAG Group's EBIT was well above budget at € 234.0 million. Systematic implementation of the measures developed in the FUTURE project also contributed to this.

Sales of € 2.1 billion are forecast for fiscal 2022. The considerable rise in the price of raw materials for energy generation and CO<sub>2</sub> allowances since the third quarter of 2021 have led to a significant rise in electricity prices, which mainly affects marketing of power plant output in Germany and the output of the Iskenderun power plant in Turkey. Consequently, sales are currently expected to rise considerably in 2022. Moreover, it is assumed that EBIT will be well above the budgeted level of € 157 million in 2022. Far higher margins were achieved in the first three months of 2022.

Capital expenditure of up to € 184 million is planned for 2022. Growth investments are focused on photovoltaics, wind energy and distributed facilities. Heat storage facilities are to be built for district heating in the Ruhr region to increase flexibility. In addition, selective investment in maintenance will be undertaken at various sites, taking into account the German legislation on phasing out coal-fired power generation, in order to ensure the already high availability and efficiency of plants at all (power plant) sites.

In connection with the FUTURE transformation project and the shutdown of power plants under the German Coal-Fired Power Generation Termination Act (KVBG), STEAG has announced that it will be shedding around 1,000 jobs in Germany by 2024. A considerable reduction in headcount was achieved in 2021.

#### General information on expected developments

As a result of Russia's invasion of Ukraine, STEAG GmbH is affected by market-induced factors, especially in respect of the supply of raw materials and market volatility. With regard to the procurement of raw materials, STEAG GmbH purchased a low proportion of coal from Russia so the embargo on coal from Russia adopted by the EU member states is not expected to have a material impact on the STEAG Group's business activities. The volumes can be offset by procurement from other countries. Based on the present assessment, for the STEAG Group the risk is not the supply of coal but the development of the price of coal on the world market. Moreover, there could be bottlenecks in domestic logistics, in other words, the transportation of coal from ocean ports to power plants. For 2023, most of the gas required for the gas and steam power plant in Herne, which is currently under construction, has been secured via the futures market. STEAG's business activities could be affected by the fallout from further sanctions or restrictions on the commodity markets, but this cannot be quantified at present. The developments on the commodity markets are being monitored so that further countermeasures can be taken in good time.

The increase in the price of energy raw materials has led to a significant rise in electricity prices. This has improved capacity utilization and margins at STEAG's power plants. On the financial side, the main risks relate to margining (collateral for forward transactions) as a consequence of increased market volatility, especially as a result of the Russian war of aggression. To reduce the resulting risk, the marketing portfolio has been adjusted and hedging transactions requiring margins have been reduced. To limit future earnings and liquidity volatility, for some power plant output alternative hedging transactions have been concluded with trading partners that do not impose any margining requirements on the STEAG Group. Moreover, a credit line has been concluded with KfW for a limited period of time. This can be used for margining.

The STEAG Group assumes that the opportunities arising from its new strategic focus and, in particular, the planned investment in growth areas will help it position itself successfully in the altered energy market. In parallel with this, the risks associated with the Group's business environment and activities are systematically identified, managed and monitored through its risk strategy.

### Expected development of STEAG GmbH

STEAG GmbH reported a profit after taxes in 2021, mainly because of one-time effects such as revenue from the third decommissioning auction and the compensation payment from EVN for cancellation of the power supply agreement. One-time effects on this scale cannot be expected in 2022 so lower but positive earnings are expected. However, we assume that the higher electricity prices will improve earnings. In view of the profit and loss transfer agreement, the earnings will be transferred to the sole shareholder, KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG.

Essen, April 25, 2022  
STEAG GmbH  
Board of Management

Dr. Reichel

Dr. Schiele

Schmitz

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.



*Translation from the German language*

## **Engagement Terms, Liability and Conditions of Use**

We, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, conducted our audit of this financial reporting on behalf of the Company. Besides satisfying the legal disclosure requirement (Sec. 325 HGB ["Handelsgesetzbuch": German Commercial Code]) for statutory audits, the auditor's report is addressed exclusively to the Company and was issued for internal purposes only. It is not intended for any other purpose or to serve as a decision-making basis for third parties. The result of voluntary audits summarized in the auditor's report is thus not intended to serve as a decision-making basis for third parties and must not be used for purposes other than those intended.

Our work is based on our engagement letter for the audit of this financial reporting and the "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" as issued by the Institute of Public Auditors in Germany ["Institut der Wirtschaftsprüfer": IDW] on 1 January 2017.

To clarify, we point out that we assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the auditor's report to reflect events or circumstances arising after it was issued, unless required to do so by law.

It is the sole responsibility of anyone taking note of the summarized result of our work contained in this auditor's report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

# General Engagement Terms

for

## Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]

as of January 1, 2017

DokID:

### 1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

### 2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

### 3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

### 4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

### 5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

### 6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

### 7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translators Note: *The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

### 8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of *Wirtschaftsprüfer*: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

### 9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

## 10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

## 11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

## 12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

## 13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

## 14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

## 15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.