

## Income statement for the STEAG Group

in €million	Note	Year	
		2014	2013
Sales	(5.1)	3,129.0	2,936.4
Change in inventories of finished goods		2.9	0.1
Other own work capitalized		1.6	4.5
Other operating income	(5.2)	302.8	346.3
Cost of materials	(5.3)	-2,242.9	-2,038.9
Personnel expenses	(5.4)	-405.6	-411.2
Depreciation, amortization and impairment losses	(5.5)	-204.1	-110.4
Other operating expenses	(5.6)	-408.2	-422.7
<b>Income before the financial result and income taxes</b>		<b>175.5</b>	<b>304.1</b>
Interest income	(5.8)	10.4	25.5
Interest expense	(5.8)	-102.9	-64.0
Result from investments recognized at equity	(5.9)	-8.7	10.6
Other financial income	(5.10)	14.2	2.7
<b>Financial result</b>		<b>-87.0</b>	<b>-25.2</b>
<b>Income before income taxes</b>		<b>88.5</b>	<b>278.9</b>
Income taxes	(5.11)	-55.0	-80.0
<b>Income after taxes</b>		<b>33.5</b>	<b>198.9</b>
Thereof attributable to			
Non-controlling interests		61.4	88.5
Shareholders of STEAG GmbH (net income)		-27.9	110.4

## Statement of comprehensive income for the STEAG Group

in € million	Note	Year	
		2014	2013
<b>Income after taxes</b>		<b>33.5</b>	<b>198.9</b>
Thereof attributable to			
Non-controlling interests		61.4	88.5
Shareholders of STEAG GmbH (net income)		-27.9	110.4
<b>Comprehensive income to be reclassified subsequently to profit or loss</b>		<b>61.9</b>	<b>-10.8</b>
Thereof attributable to			
Gains/losses on available-for-sale securities		-0.4	0.1
Gains/losses on financial instruments in hedge relationships		-21.4	26.9
Differences arising from currency translation		77.3	-30.9
Investments recognized at equity		-2.4	2.4
Deferred taxes		8.8	-9.3
<b>Comprehensive income that will not be reclassified subsequently to profit or loss</b>		<b>-199.1</b>	<b>-16.6</b>
Thereof attributable to			
Remeasurement of the net defined benefit liability from defined benefit plans		-237.0	-19.9
Deferred taxes		37.9	3.3
<b>Other comprehensive income after taxes</b>	(6.10)	<b>-137.2</b>	<b>-27.4</b>
Thereof attributable to			
Non-controlling interests		25.5	-5.2
Shareholders of STEAG GmbH		-162.7	-22.2
<b>Total comprehensive income</b>		<b>-103.7</b>	<b>171.5</b>
Thereof attributable to			
Non-controlling interests		86.9	83.3
Shareholders of STEAG GmbH		-190.6	88.2

## Balance sheet for the STEAG Group

in € million	Note	Dec. 31 2014	Dec. 31 2013
Intangible assets	(6.1)	128.6	101.5
Property, plant and equipment	(6.2)	1,948.4	1,712.0
Investment property	(6.3)	14.0	14.2
Investments recognized at equity	(6.4)	71.6	89.1
Financial assets	(6.5)	720.3	687.9
Deferred taxes	(6.15)	186.8	151.1
Other income tax assets	(6.15)	7.0	10.3
Other receivables	(6.7)	36.2	33.9
<b>Non-current assets</b>		<b>3,112.9</b>	<b>2,800.0</b>
Inventories	(6.6)	287.6	266.2
Other income tax assets	(6.15)	19.3	14.5
Trade accounts receivable	(6.7)	443.0	353.8
Other receivables	(6.7)	117.3	169.6
Financial assets	(6.5)	690.3	377.2
Cash and cash equivalents	(6.8)	686.9	576.4
		<b>2,244.4</b>	<b>1,757.7</b>
Assets held for sale	(6.9)	-	0.8
<b>Current assets</b>		<b>2,244.4</b>	<b>1,758.5</b>
<b>Total assets</b>		<b>5,357.3</b>	<b>4,558.5</b>
Issued capital		128.0	128.0
Reserves		339.6	608.1
<b>Equity attributable to shareholders of STEAG GmbH</b>		<b>467.6</b>	<b>736.1</b>
Equity attributable to non-controlling interests		510.7	520.2
<b>Equity</b>	(6.10)	<b>978.3</b>	<b>1,256.3</b>
Provisions for pensions and other post-employment benefits	(6.11)	1,085.6	826.0
Other provisions	(6.12)	286.8	252.1
Deferred taxes	(6.15)	70.5	71.7
Financial liabilities	(6.13)	1,373.5	818.8
Other liabilities	(6.14)	114.2	119.2
<b>Non-current liabilities</b>		<b>2,930.6</b>	<b>2,087.8</b>
Other provisions	(6.11)	403.6	403.2
Other income tax liabilities	(6.15)	49.6	39.0
Financial liabilities	(6.13)	501.5	400.2
Trade accounts payable	(6.14)	357.2	278.0
Other liabilities	(6.14)	136.5	94.0
<b>Current liabilities</b>		<b>1,448.4</b>	<b>1,214.4</b>
<b>Total equity and liabilities</b>		<b>5,357.3</b>	<b>4,558.5</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, 2013</b>	<b>128.0</b>	<b>77.5</b>	<b>544.2</b>	<b>-11.8</b>	<b>737.9</b>	<b>476.9</b>	<b>1,214.8</b>
Capital increases/decreases	-	-	-	-	-	56.2	<b>56.2</b>
Dividend distribution/profit transfer	-	-	-89.0	-	<b>-89.0</b>	-95.7	<b>-184.7</b>
Changes in shareholdings in subsidiaries without loss of control	-	-	0.2	-	<b>0.2</b>	-0.5	<b>-0.3</b>
Income after taxes	-	-	110.4	-	<b>110.4</b>	88.5	<b>198.9</b>
Other comprehensive income after taxes	-	-	-16.5	-5.7	<b>-22.2</b>	-5.2	<b>-27.4</b>
Total comprehensive income	-	-	93.9	-5.7	<b>88.2</b>	83.3	<b>171.5</b>
Other changes	-	-	-1.2	-	<b>-1.2</b>	-	<b>-1.2</b>
<b>As at December 31, 2013</b>	<b>128.0</b>	<b>77.5</b>	<b>548.1</b>	<b>-17.5</b>	<b>736.1</b>	<b>520.2</b>	<b>1,256.3</b>
Capital increases/decreases	-	-	-	-	-	-4.2	<b>-4.2</b>
Dividend distribution/profit transfer	-	-	-77.9	-	<b>-77.9</b>	-93.2	<b>-171.1</b>
Changes in shareholdings in subsidiaries without loss of control	-	-	-	-	-	-	-
Income after taxes	-	-	-27.9	-	<b>-27.9</b>	61.4	<b>33.5</b>
Other comprehensive income after taxes	-	-	-198.9	36.2	<b>-162.7</b>	25.5	<b>-137.2</b>
Total comprehensive income	-	-	-226.8	36.2	<b>-190.6</b>	86.9	<b>-103.7</b>
Other changes	-	-	0.0	-	-	1.0	<b>1.0</b>
<b>As at December 31, 2014</b>	<b>128.0</b>	<b>77.5</b>	<b>243.4</b>	<b>18.7</b>	<b>467.6</b>	<b>510.7</b>	<b>978.3</b>

## Cash flow statement for the STEAG Group

in € million	Note	Year	
		2014	2013
Income before the financial result and income taxes		175.5	304.1
Depreciation, amortization, impairment losses/reversal of impairment losses on non-current assets		142.0	12.0
Gains/losses on disposal of non-current assets		5.0	-0.6
Other non-cash income/expense		-1.5	-
Change in inventories		-15.1	-13.6
Change in trade accounts receivable		-76.0	2.0
Change in trade accounts payable and current advance payments received from customers		122.3	-29.6
Change in provisions for pensions and other post-employment benefits		-6.9	-13.2
Change in other provisions		-6.6	263.2
Change in miscellaneous assets/liabilities		136.3	19.6
Cash outflows for interest payments		-52.5	-45.1
Cash inflows from interest		4.6	3.6
Dividend payments received		13.8	14.0
Cash outflows for income taxes		-48.2	-44.2
<b>Cash flow from operating activities</b>	<b>(7.1)</b>	<b>392.7</b>	<b>472.2</b>
Cash outflows for investment in intangible assets, property, plant and equipment and investment property		-317.3	-208.9
Cash outflows for investments in shareholdings		-21.0	-18.0
Cash inflows from divestments of intangible assets, property, plant and equipment and investment property		8.3	8.8
Cash inflows from divestments of shareholdings		2.9	0.7
Cash inflows/outflows relating to securities, deposits and loans		-252.0	-20.0
<b>Cash flow from investing activities</b>	<b>(7.2)</b>	<b>-579.1</b>	<b>-237.4</b>
Cash inflows/outflows relating to capital contributions		-58.3	41.0
Cash outflows to non-controlling interests		-85.8	-95.7
Cash inflows/outflows relating to changes in shareholdings in subsidiaries without loss of control		-	-0.2
Cash outflows for profit transfer for the prior year		-89.0	-103.2
Cash inflows from additions to financial liabilities		666.0	283.4
Cash outflows for repayment of financial liabilities		-160.7	-318.3
<b>Cash flow from financing activities</b>	<b>(7.3)</b>	<b>272.2</b>	<b>-193.0</b>
<b>Change in cash and cash equivalents</b>		<b>85.8</b>	<b>41.8</b>
<b>Cash and cash equivalents as at January 1</b>		<b>576.4</b>	<b>544.1</b>
Change in cash and cash equivalents		85.8	41.8
Changes in exchange rates and other changes in cash and cash equivalents		24.7	-9.5
<b>Cash and cash equivalents as reported on the balance sheet as at December 31</b>	<b>(6.8)</b>	<b>686.9</b>	<b>576.4</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 power plants and the related services. Further core competencies include the procurement and marketing of energy, other process media and residues, as well as the production, acquisition and provision of the plants required for this purpose and the related services.

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

STEAG GmbH is a wholly owned subsidiary of KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG (KSBG KG), a consortium of seven German 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 subsidiaries (referred to jointly as the "STEAG Group") have been prepared on a voluntary basis and are not published. The consolidated financial statements of STEAG GmbH were authorized for issue by the Board of Management of STEAG GmbH on March 13, 2015.

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

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

### **(2.1) Compliance with IFRS**

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

### **(2.2) Presentation of the financial statements**

The consolidated financial statements cover the period from January 1 to December 31, 2014 and are presented in euros, which is the functional currency of STEAG GmbH. To enhance clarity and comparability, all amounts are stated in millions of euros (€ million) except where otherwise indicated.

The consolidated financial statements provide a snapshot of the actual situation as regards the company's net assets, financial position and results of operations.

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

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

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

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

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

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

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

## **Newly issued IFRS**

### **Accounting standards applied for the first time**

The IASB has amended or issued a number of standards and interpretations. These have to be officially adopted into European law by the European Union before they can be applied.

The STEAG Group applied the following new and amended standards and interpretations for the first time in fiscal 2014.

IFRS 10 "Consolidated Financial Statements": This standard replaces the guidelines on control and consolidation contained in IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation - Special Purpose Entities". It alters the definition of "control" so that the same principles are applied to all companies, including special purpose entities, to determine a relationship of control. The concept of control set out in IFRS 10 comprises three elements: power, variable returns and the ability to influence variable returns through the exercise of power. All three of these conditions must be fulfilled. This definition is supported by extensive application guidance. The new standard does not alter the previous core principle set out in IAS 27 that consolidated financial statements present the parent company and its subsidiaries as a single entity, nor does it alter the consolidation procedure. IAS 27 is to be renamed "Separate Financial Statements" and will in future only contain the unchanged rulings on the preparation of separate financial statements.

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

IFRS 12 "Disclosures of Interests in Other Entities": This standard brings together the revised and extended disclosures in the notes to financial statements required by standards IAS 27, IAS 28 and IAS 31. IFRS 12 requires companies to make quantitative and qualitative disclosures that enable the users of its financial statements to evaluate the nature, risks and financial effects associated with its interests in subsidiaries, joint entities, associates and unconsolidated structured entities.

Compared with the previous legal situation, the changes introduced by IFRS 10 require the exercise of considerable discretion by the management in assessing which companies the Group controls and whether they should therefore be fully consolidated in the financial statements for the Group. Initial application of IFRS 10 and IFRS 11 does not affect the classification of the interests currently held by the STEAG Group. The more extensive disclosures on the scope of consolidation prescribed by IFRS 12 are presented in Note (3), Note (4) and Note (6.4). The changes in the accounting policies and valuation principles compared with previous standards are outlined in Note (2.7).



Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities": The purpose of these amendments is to clarify the transition arrangements for these three standards. In the case of IFRS 10, the amendments explain that the "date of initial application" is the beginning of the annual reporting period in which the standard is applied for the first time. As a result, decisions on whether or not to consolidate investments in accordance with IFRS 10 have to be taken at the start of this reporting period.

The amendments also include additional relief for the transition to IFRS 11 and IFRS 12. When the new consolidation rules are applied for the first time, the comparative data for the disclosures required by IFRS 12 in connection with subsidiaries, associates and joint arrangements are only compulsory for the comparative period immediately prior to the reporting period. The requirement to present comparative information on periods prior to the initial application of IFRS 12 is eliminated for unconsolidated structured entities. The amendments are not relevant for the consolidated financial statements.

In June 2013, the IASB added an easement to IAS 39 "Financial Instruments: Recognition and Measurement" so that if a central counterparty or a member of a central counterparty becomes the contractual party of a hedging instrument, providing that certain conditions are met this does not result in termination of hedge accounting. This amendment benefits all companies with hedge accounting pursuant to IAS 39 that undertake novation of OTC derivatives. The amendments are not relevant for the consolidated financial statements.

The following other accounting standards that had to be applied for the first time in fiscal 2014 are not relevant for the consolidated financial statements:

- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities", and IAS 27 "Separate Financial Statements" - Investment Entities
- Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"
- Amendments to IAS 32 "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities"

### **Accounting standards that are not yet mandatory**

#### **Standards already endorsed by the EU**

Up to December 31, 2014 the IASB had issued further accounting standards and amendments to accounting standards that had not yet become mandatory in the European Union in the reporting period. The most important of these are outlined below.

In May 2013 the IASB issued IFRIC 21 "Levies", an interpretation to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". This interpretation, which was prepared by the IFRS IC, addresses the recognition of levies that do not constitute income taxes within the meaning of IAS 12 "Income Taxes" and clarifies, in particular, when obligations to pay such levies have to be recognized as liabilities in the financial statements. This interpretation must be applied retroactively for the first time for reporting periods beginning on or after June 17, 2014. Earlier, voluntary application is permitted. STEAG GmbH currently assumes that this interpretation will not have a material impact on the consolidated financial statements for the Group.

In November 2013 the IASB published amendments to IAS 19 "Defined Benefit Plans: Employee Contributions". These simplify recognition of defined benefit pension plans to which employees or third parties make mandatory contributions. The new rules specify that employee contributions that are set by the formal rules of a defined benefit pension plan and are linked to work performed should be allocated to the years in which the entitlement to the benefits is earned. In this case, the service cost can be reduced for the period in which the corresponding work was performed, irrespective of the formula used for the plan. The amendments have to be applied retrospectively for reporting periods beginning on or after February 1, 2015. Earlier, voluntary application is permitted. The amendments to this standard are not relevant for the consolidated financial statements.

As part of its annual improvements process, in December 2013, the IASB issued two further standards with minor improvements to standards and interpretations, "Annual Improvements to IFRSs 2011 – 2013 Cycle" containing amendments to three IFRSs, and "Annual Improvements to IFRSs 2010-2012 Cycle" containing amendments to a total of seven IFRSs. These provide clarification on the following standards and issues:

- IFRS 2: Definition of vesting conditions for share-based payment
- IFRS 3: Scope exceptions for joint ventures and accounting for contingent consideration in a business combination
- IFRS 8: Disclosures on aggregation of segments and requirements for reconciliation of segment assets
- IFRS 13: Scope of the "portfolio exception" and waiver of discounting for the fair value recognition of short-term receivables and payables if the impact is immaterial
- IAS 16 and IAS 38: Revaluation method - determination of accumulated depreciation as at the date of revaluation
- IAS 24: Extension of the definition of related parties to include "management entities" and rules on the associated disclosure requirements
- IAS 40: Interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property

Initial application of these amendments is set out in the relevant standards. The impact on the consolidated financial statements is currently being examined.

#### **Standards not yet endorsed by the EU**

Further, up to December 31, 2014, the IASB had adopted further accounting standards and amendments to accounting standards that had not been adopted into law by the European Union in the reporting period. This new accounting standards will probably be applied for the first time, insofar as they are relevant for the consolidated financial statements and have been endorsed by the EU - as of the date when they first come into effect.

In November 2009 the IASB published the new standard IFRS 9 "Financial Instruments". This is part of the replacement for IAS 39 "Financial Instruments: Recognition and Measurement". In this first step it is concerned exclusively with the classification and measurement of financial assets. IFRS 9 replaces the former valuation categories with the categories "at amortized cost" or "at fair value". The decision on whether to carry an instrument "at amortized cost" depends on the one hand on the entity's business model and on the other on the contractually agreed cash flows from the financial instrument.

Debt instruments that do not meet the criteria for measurement "at amortized cost" are recognized in income "at fair value". Recognition of assets at fair value in other comprehensive income is permitted for selected equity instruments. The new standard is to be applied retrospectively. Mandatory initial application has been postponed to January 1, 2018. Earlier application is permitted. The impact on the consolidated financial statements is currently being examined.

Further, the IASB has extended standard IFRS 9 "Financial Instruments" and a new version was issued in October 2010. Supplementary to IFRS 9 (2009), IFRS 9 (2010) contains rules on the classification and measurement of financial liabilities and derecognition of financial assets and liabilities. The main changes relating to financial liabilities refer to the fair value option. In future, changes in fair value relating to the company's own credit risk will be recognized in OCI while all other changes in fair value will be recognized in the income statement. It takes over the present ruling on derecognition. The new standard is to be applied retrospectively. The date for mandatory first-time application has been postponed to January 1, 2018. The extension of IFRS 9 is relevant for the consolidated financial statements.

In December 2011 the IASB published amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures". In view of the amendments, restatement of the prior-year figures on initial application is not required.

Moreover, additional disclosures specified by IFRS 7 are required in the transition period to allow better assessment of the impact of first-time application of IFRS 9 on the measurement and valuation of financial instruments. Earlier application of IFRS 9 is still permitted. The impact on the consolidated financial statements is currently being examined.

In November 2013 the IASB adopted new rules on hedge accounting to provide a closer link between hedge accounting on the balance sheet and risk management as practiced in business operations. Under IFRS 9, all types of non-derivative financial instruments may be designated as hedges provided that the financial instruments are measured at fair value. An exception is made for equity instruments for which the fair value option was selected because the change in valuation would never impact the income statement as they would not be reclassified to the income statement. Liabilities recognized at fair value through profit and loss, where changes in credit risk are recognized in OCI, can only be designated as hedges with relation to currency risks. The assessment of effectiveness pursuant to IFRS 9 is prospective. The retrospective effectiveness test prescribed by IAS 9 to determine the level of effectiveness within a range of 80.0 to 125.0 percent has been eliminated. The measurement of effectiveness focuses on the economic correlation between the hedged item and the hedging transaction. In addition, the default risk and the hedging ratio are taken into account. Macro hedge accounting is still being addressed by a separate project and has only been published in part. The impact on the consolidated financial statements is currently being examined.

In January 2014 the IASB published IFRS 14 "Regulatory Deferral Accounts". This permits first-time adopters of IFRS in accordance with IFRS 1 who recognized certain regulatory deferral account balances in connection with rate-regulated activities in accordance with their previous national accounting standards to retain such items in their IFRS statements and to continue to recognize them in accordance with the previous accounting standards.

However, the new standard requires these balances and their earnings impact to be shown as separate line items in the balance sheet or statement of comprehensive income. In addition, it specifies specific disclosures on the type of underlying price regulation and the associated risks.

The rules set out in this new standard are intended to serve as an interim solution to simplify the transition to IFRS up to full and final regulation of price-regulated activities. Application of this standard by companies that already use IFRS is explicitly excluded.

The standard has to be applied retrospectively for reporting periods beginning on or after January 1, 2016. Earlier, voluntary application is permitted. This standard is not relevant for the consolidated financial statements.

In May 2014 the IASB published amendments to IFRS 11 "Joint Arrangements" relating to the acquisition of shares in joint arrangements. These amendments govern the recognition of shares acquired in a joint arrangement that is classified as a joint operation pursuant to IFRS 3 "Business Combinations". In such cases, the acquirer has to apply the principles of accounting for business combinations set out in IFRS 3. In addition, the mandatory disclosures required by IFRS 3 apply.

The amendments are applicable for the first time for fiscal years starting on or after January 1, 2016. Earlier, voluntary application is permitted. The amendments to this standard will not have any impact on the consolidated financial statements.

In May 2014, the IASB also published amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets". These clarify, in particular, that revenue-based depreciation methods are not appropriate for property, plant and equipment. The same applies in principle for the amortization of intangible assets, but in this case the presumption is rebuttable. The amendments also clarify that a reduction in the selling price of goods and services may be an indication of commercial obsolescence and thus an indication of a reduction of the potential economic benefit of the assets used in their production.

Application of these amendments is mandatory for reporting periods years starting on or after January 1, 2016. Earlier, voluntary application is permitted. The amendments to these standards will not have an impact on the consolidated financial statements.

Further, in May 2014 the IASB and the Financial Accounting Standards Board (FASB) published IFRS 15 "Revenues from Contracts with Customers" as part of the joint project on revenue recognition. The purpose of the new standard is to combine a large number of rules previously contained in various standards and interpretations. IFRS 15 will therefore supersede IAS 11 "Construction Contracts", IAS 18 "Revenue" and the interpretations IFRIC 13 "Customer Loyalty Programs", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfer of Assets from Customers" and SIC-31 "Revenue - Barter Transactions Involving Advertising Services".

The core principle for revenue recognition set out in IFRS 15 is recognition of the delivery of goods or provision of services to customers at an amount corresponding to the consideration that the company is expected to receive in exchange for the goods or services.

Application of this standard is mandatory for the first time for reporting periods beginning on or after January 1, 2017. Earlier, voluntary application is permitted. Initial application must in principle be retrospective but various simplification options are allowed. STEAG GmbH is currently examining how application of IFRS 15 will impact the consolidated financial statements and will decide on the date of initial application and the transition method.

In June 2014 the IASB published amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture". Under IAS 41, all biological assets were previously recognized in the income statement at fair value less estimated costs to sell. This also applies for bearer plants, in other words, plants used for the production of agricultural produce whose period of use extends over more than one period and where it is unlikely that the asset will be sold as a live plant or consumed as agricultural produce. Since their use is comparable, under the amendments bearer plants will in future be recognized in the same way as property, plant and equipment. By contrast, their fruits will be accounted for under IAS 41.

Application of these amendments is mandatory for the first time for reporting periods starting on or after January 1, 2016. Earlier, voluntary application is permitted.

To ease transition to the new ruling, the fair value of the bearer plants can be used as their deemed cost instead of the acquisition or production cost. The mandatory disclosures required by IAS 8.28(f) are not required for the current period. The amendments to these accounting standards will not impact the consolidated financial statements.

In July 2014 the IASB published the fourth and final version of IFRS 9 "Financial Instruments". The revised standard contains rules on a new valuation category for the recognition of fair value through other comprehensive income (FVOCI) and on the impairment of financial instruments. The classification of financial liabilities has not changed compared with IAS 39 "Financial Instruments: Recognition and Measurement". The two valuation categories, "at fair value through profit and loss" for held-for-trading financial liabilities and "at amortized cost" for the remaining financial liabilities are retained. Only the provisions for recognition in the event of a change in the entity's credit risk have altered due to the fair value option for financial liabilities. Such changes are to be recognized in OCI. In the future, it will not be compulsory to separate embedded derivatives and classify them on a stand-alone basis. The possible effects of embedded derivatives and other contractual agreements on cash flows can be assessed using the new benchmark test.

The new rules on recognition of impairment losses are based on the expected loss model. Under the present provisions of IAS 39, impairment losses are only recognized if the loss has already been incurred (incurred loss model). Instead of this, it is now possible in principle to establish provisions for expected cash outflows.

Adoption of IFRS 9 supersedes the previous versions and the previous standard IAS 39. Mandatory initial application has been postponed to January 1, 2018. Earlier, voluntary application is permitted. STEAG GmbH does not currently expect the new valuation category and the other amendments and rules to have a material impact on the consolidated financial statements.

In August 2014 the IASB published amendments to IAS 27 "Separate Financial Statements". These reintroduce the equity method as an additional option for the recognition of shares in subsidiaries, joint ventures and associates in separate financial statements prepared in accordance with the IFRS. This means that investments can be accounted for at amortized cost in accordance with IFRS 9 "Financial Instruments" or using the equity method.

The amendments are to be applied for the first time for reporting periods starting on or after January 1, 2016. Earlier, voluntary application is permitted. The amendments to this standard are not relevant for the consolidated financial statements.

In September 2014 the IASB published amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" to eliminate an inconsistency between these two standards relating to recognition of the sale of assets or the contribution of assets to an associate or joint venture.

The amendments clarify when unrealized gains from transactions between an investor and an associate have to be recognized in full.

Gaining or losing control is a significant economic transaction that requires remeasurement and recognition of gains. Accordingly, full recognition of gains is necessary for transactions that constitute a business within the meaning of IFRS 3 "Business Combinations". If, by contrast, the assets do not constitute a business, pro rata recognition of the gains is permitted.

The amendments have to be applied for the first time for reporting periods starting on or after January 1, 2016. They are to be applied prospectively to the relevant transactions after they come into effect. Earlier, voluntary application is permitted. The amendments to these standards will not impact the consolidated financial statements.

As part of its annual improvements project, in September 2014 the IASB also published a further standard containing amendments to four IFRSs (Annual Improvements to IFRSs 2012-2014 Cycle). This contains clarification of the following standards and issues:

- IFRS 5: On the disposal of non-current assets and discontinued operations
- IFRS 7: Financial instruments: Disclosures
- IFRS 19: Employee Benefits
- IAS 34: Interim reporting

The new rules are mandatory - either prospectively or retrospectively depending on the amendment - for reporting periods starting on or after January 1, 2016. Earlier, voluntary application is permitted. The amendments to these standards are not expected to have an impact on the consolidated financial statements.

In December 2014 the IASB published amendments to IAS 1 "Presentation of Financial Statements". The amendments comprise clarification of materiality in the presentation of items of the balance sheet, statement of comprehensive income, cash flow statement, and statement of changes in equity, and disclosures in the notes. They specify that non-material disclosures must not be made, even if they are required by other standards. Further, they clarify how components of OCI are to be presented for investments recognized at equity. Instructions on the presentation of interim amounts, the structure of the notes to the financial statements and the disclosure of accounting policies have been added or clarified.

The amendments are applicable retrospectively for fiscal years starting on or after January 1, 2016. Earlier, voluntary application is permitted. The amendments to this standard are not expected to have a material impact on the consolidated financial statements.

In December 2014, the IASB also published amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures". They clarify aspects of applying the exemption from mandatory consolidation under IFRS 10 when the parent company meets the definition of an investment company.

The amendments are applicable retrospectively for fiscal years starting on or after January 1, 2016. Earlier, voluntary application is permitted. The amendments to these standards are not relevant for the consolidated financial statements.

## **(2.4) Scope of consolidation and consolidation methods**

### **Scope of consolidation**

Alongside STEAG GmbH, the consolidated financial statements include all material German and foreign subsidiaries directly or indirectly controlled by STEAG GmbH. 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. The STEAG Group does not have any joint operations.

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. Gains or losses recognized in OCI must be derecognized in the same way as if the acquirer had divested the shares previously 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 to the other shareholders are adjusted to reflect the changes in their respective stakes in the subsidiary. Any difference between this adjustment and the fair value of the consideration paid or received is recognized directly in equity and allocated to the shares attributable to the owners of the parent company. Directly related transaction costs are also recognized as a transaction between owners that has no impact on income, with the exception of costs for the issuance of debt or equity instruments, which are still measured in accordance with the criteria for recognizing financial instruments.

The subsidiary must be deconsolidated as at the date on which control is lost. The net assets of the subsidiary and non-controlling interests (proportionate net assets of the subsidiary) are derecognized. The gain or loss on the 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. All resulting gains and losses are also recognized in the income statement as other operating income or other operating expenses. In addition, amounts shown in equity under accumulated other comprehensive income are rebooked to the income statement, except where another accounting standard requires direct transfer to reserves.

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

The same consolidation principles apply for companies accounted for using the equity method and any goodwill is recognized in the carrying amount of the investment. The financial statements of the companies recognized at equity are prepared using uniform accounting and valuation principles, see Note (2.6) "Investments recognized at equity".

#### **(2.5) Currency translation**

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

The financial statements of foreign subsidiaries outside the Eurozone are translated on the basis of their functional currency.

In the consolidated financial statements, the assets and liabilities of all foreign subsidiaries are translated from the functional currency of the company into euros at closing rates on the reporting date, since they conduct their business independently in their functional currency. The equity of foreign companies recognized at equity is translated in the same way. As an asset pertaining to an economically autonomous foreign sub-entity, goodwill is translated at the closing rate. Income and 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. In the year under review, the Botswana pula was included in currency translation for the first time.



The exchange rates used for currency translation included:

€1 corresponds to	Annual average rates		Closing rates	
	2014	2013	Dec. 31, 2014	Dec. 31, 2013
Brazilian real (BRL)	3.12	2.88	3.22	3.26
Botswana pula (BWP)*	11.53	-	11.59	-
Colombian peso (COP)*	2,657.74	2,485.34	2,876.00	2,645.36
British pound (GBP)	0.81	0.85	0.78	0.83
Indian rupee (INR)	81.06	78.02	76.72	85.37
Philippine peso (PHP)*	58.96	56.57	54.44	61.29
Polish zloty (PLN)*	4.19	4.20	4.27	4.15
Romanian leu (RON)**	4.44	4.42	4.48	4.47
Turkish lira (TRY)*	2.90	2.55	2.83	2.96
US dollar (USD)	1.33	1.33	1.21	1.38

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

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

## (2.6) Accounting policies and valuation principles

### Revenue recognition

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

#### (a) Sales

The STEAG Group generates sales principally through the operation of power plants in Germany and abroad, the operation of energy supply facilities based on renewable energy resources, coal trading and clean dark spread trading (CDS trading), and the marketing of related products and services. Where the customer bears substantially all risks and benefits arising from the ownership of the energy generating facilities, the interest component of finance leases is recognized as revenue.

Prices are contractually agreed between the parties to a transaction. Sales revenues are measured as the fair value of the consideration received or to be received less value-added tax and any discounts or bulk rebates granted.

The general principle for revenue recognition is that both the revenues and the related costs can be measured reliably. It must also be sufficiently probable that the economic benefit will flow to the company.

Revenues from coal trading and CDS trading are recognized when title and the risks relating to the sale pass to the customer. Provisions are established for general risks arising from such sales on the basis of previous experience.

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

(b) Other revenues

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

Interest income is recognized on a pro rata temporis basis using the effective interest method. Income from royalties is accrued on the basis of the commercial terms of the underlying contract and recognized on a pro rata basis. Dividend income is recognized as at the date of the right to receive the payment.

**Intangible assets**

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

(a) Goodwill

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

(b) Other intangible assets

Other intangible assets comprise power supply rights, licenses and computer software. They are amortized over their estimated useful life of 3-25 years using the straight-line method.

**Property, plant and equipment**

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

If there are indications of a possible impairment, an impairment test is conducted as outlined in Note (2.6) "Impairment test".

The cost of acquisition includes expenses directly attributable to the acquisition. The cost of production of assets manufactured within the Group comprises the direct cost of materials and labor, plus the applicable proportion of material and manufacturing overheads, including depreciation. Costs relating to obligations to dismantle or remove non-current assets at the end of their useful life are capitalized as acquisition or production costs at the time of acquisition or production. Acquisition 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 previously 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

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 generally 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 whether it contains hidden reserves or hidden liabilities. Any positive difference remaining after allocation of hidden reserves or liabilities is treated as goodwill and recognized in the carrying amount of the investment. Negative differences are immediately included in income by increasing the carrying amount of the investment.

Starting from the acquisition cost of the investment, in subsequent periods its carrying amount is increased or reduced by the proportionate net income. Further adjustments to the carrying amount of the investment are necessary if the equity of the investment alters as a result of items contained in OCI.

Subsequent measurement must take into account depreciation of hidden reserves identified at the time of initial consolidation and deducted from the proportionate net income. To avoid dual recognition, any dividends received must be deducted from the carrying amount.

The investment must be tested for impairment if there are indications of 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. Goodwill is tested for impairment at least once a year. The impairment test is conducted on June 30.

The impairment test comprises comparing the recoverable amount of the CGU/group of CGUs with its carrying amount. The recoverable amount is determined as the higher of the fair value less costs to sell and the value in use of the CGU/group of CGUs.

If the recoverable amount is determined as fair value less costs to sell, the fair value is allocated to Level 2 of the fair value hierarchy, see Note (2.6) "Financial instruments". An impairment loss is recognized if the recoverable amount of a CGU/group of CGUs is less than its carrying amount. The impairment loss is reversed – except in the case of goodwill – if the reason for the original impairment charge no longer applies.

When testing goodwill for impairment, the recoverable value of goodwill is determined from the market value of the divisions in the STEAG Group. The market value is the present value of future cash flows determined using a valuation model. Future cash flows are derived from the current five-year mid-term plan. The mid-term planning is based on a mixture of experience and expectations of future market trends. The main economic data, such as growth in gross domestic product, the development of interest rates, exchange rates, raw material prices and the market price of CO<sub>2</sub> allowances, etc., used in the mid-term planning are derived from market expectations and set centrally by STEAG GmbH. The specific growth rates are derived from experience and future expectations. The average long-term growth rates for the relevant markets are not exceeded.

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

The table shows the parameters used:

Division	Risk-free interest rate		Risk-adjusted interest rate (WACC)		Growth discount	
	2014	2013	2014	2013	2014	2013
	%	%	%	%	%	%
Power	2.00	2.75	5.50	5.40	0.70	0.70
Renewable Energies and Distributed Facilities	2.00	2.75	5.20	5.20	0.70	0.70

In addition, in accordance with IAS 36 impairment tests were carried out on certain assets as at the reporting date as a result of indications of possible impairment. The same parameters are used for the CGUs within the division.

The discount rates are determined after taxes and refer to cash flow after taxes. As required by IAS 36, the recoverable amount determined on this basis corresponds to the value that would have been derived by discounting future cash flows before taxes using a pre-tax discount rate.

### Inventories

Inventories are measured at the lower of 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 where the inventory value is inaccurate for technical reasons and for 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, directly attributable personnel expenses, other direct costs and general overheads that can be assigned to production (based on normal operating capacity). The cost of inventories may also contain gains and losses for qualifying cash flow hedges for the purchase of raw materials which have been reclassified from OCI.

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

To ensure that recognition reflects the accounting period, renewable energy certificates allocated free of charge 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".

The fair value corresponds to the fictitious cost of acquisition of the certificates allocated and is allocated to Level 1 in the fair value hierarchy, see section on "Financial instruments" in Note (2.6).

### **Cash and cash equivalents**

This item contains balances held at banks, checks, and cash and cash equivalents. It also includes liquid financial securities that can be sold at short notice, which have terms of no more than three months from the date of acquisition and are only subject to negligible fluctuations in value. They are measured at fair value as determined from stock market prices or using recognized valuation methods.

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

Provisions for pensions and other post-employment benefits are measured using the projected unit credit method for defined benefit obligations in accordance with IAS 19 "Employee Benefits".

This method takes account of expected future salary and pension increases as well as pension obligations and accrued entitlements as at the reporting date. For German companies valuation is based on the biometric data in the 2005 G mortality tables published by Klaus Heubeck. Pension obligations outside Germany are determined using country-specific accounting parameters and measurement principles. The fair value of plan assets is deducted from the benefit obligation.

The present value of the defined benefit 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 to cover a legal or constructive obligation to third parties as at the reporting date, based on past events that will probably lead to an outflow of resources. It must also be possible to reliably estimate the level of the obligation.

If there are several obligations of the same type, the probability of an outflow of resources is calculated for these obligations as an aggregate. Restructuring provisions are only established if constructive obligations exist on the basis of a formal, detailed plan and those affected have been given justifiable expectations before the reporting date that the restructuring will be carried out.

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

Where necessary, provisions are adjusted over time to take account of new findings.

### **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. This is based on the directive of the KSBG Group on the tax treatment of German companies that form a single entity for tax purposes.

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

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

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

The tax rates used to calculate deferred taxes are those valid under current legislation or that have been announced as being applicable as at the date when the temporary differences will probably be settled. In 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 vary between 16.0 percent (Romania) and 37.3 percent (USA).

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

## Financial instruments

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

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

Fair value measurement is based on a three-level hierarchy taking into account counterparty and own default risks. The fair value is the quoted price of identical instruments in an active and accessible market on the valuation date, if such price data are available (Level 1). If such price data are not available, the quoted price in an active market for similar financial instruments or for identical or similar financial instruments in an inactive market or a different valuation method should be used, such as interest rates curves observable at commonly quoted intervals, implied volatilities and credit spreads, where parameters are based on observable market data (Level 2). In this case, future cash flows are discounted using market interest rates that reflect the remaining term to maturity. In all other cases, valuation methods that are not based on observable market data are used (Level 3). Discounted cash flow analyses or option pricing models have been selected as established valuation methods. To measure non-current financial instruments that do not bear interest at market rates, the expected future cash flows are discounted to the date of acquisition using the effective interest rate (present value). The effective interest rate takes account of all directly attributable fees that are by nature interest. The significant valuation factor with the lowest classification determines the hierarchical level of the overall result.

The STEAG Group's regulations define policies and procedures for recurring and non-recurring measurement of the fair value of derivatives. These are defined and adopted by the administrative organization. If possible, exchange-listed products are used as the basis for the valuation of derivatives on energy trading products. For fuels and emissions trading products, the prices on the Intercontinental Exchange (ICE) in London are used. For electricity products, the prices on the European Energy Exchange (EEX) in Leipzig are used. The decision is based on the highest possible liquidity of the underlying products. Inputs for which observable data are not available are derived from exchange-listed products or obtained from established service providers.

As part of the regular market conformity assessment, the techniques and inputs used are validated continuously. The findings are analyzed, documented and presented in a report to the management. In addition, actuarial methods are regularly validated and compared with available market information. Valuation assumptions are discussed and redefined where necessary by a steering committee for the commodity area, which meets quarterly.

### (a) Primary financial instruments

The STEAG Group classifies primary financial instruments as financial assets in the categories "loans and receivables", "at fair value through profit or loss - held for trading" or "available-for-sale".



They are initially recognized at the settlement date. Financial assets are derecognized when the contractual rights to receive payments lapse or are transferred and the 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.

Primary financial instruments that constitute financial liabilities are recognized at amortized cost. Financial liabilities are derecognized when the obligation has been settled or canceled or has expired.

The categories used by the STEAG Group are outlined below.

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

The category "at fair value through profit or loss - held for trading" comprises other financial assets relating to the marketing of power plant capacity. 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. Changes in the fair value of options are recognized in the financial result. In the event that no or only immaterial amounts are physically delivered, option premiums are recognized in other operating income. Where physical delivery takes place, the realized revenues are recognized in sales.

The "available-for-sale" category comprises equity instruments that are not consolidated or recognized at equity, other securities and similar rights. These are recognized at fair value.

The unrealized changes in fair value are recognized, net of deferred taxes, in OCI. If no fair value is available for such assets or the fair value cannot be determined reliably, for example, in the case of equity instruments that are not listed on a stock exchange, the assets are recognized at amortized cost. Financial assets are examined for objective indications of impairment on every reporting date. A material or lasting reduction in the fair value to below the carrying amount is regarded as an indication of impairment. In the case of shares, this is considered to be the case if the fair value is 20 percent below the carrying amount. In such cases, the corresponding losses are derecognized from OCI and recognized in the income statement.

If the reason for the impairment loss no longer applies, the reversal is recognized in OCI. Only debt instruments that are allocated to this category are written back by up to the amount of the original impairment in the income statement. Impairment losses are not reversed if they apply to investments and other financial assets whose fair value cannot be reliably determined.

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

(b) Derivative financial instruments

Derivative financial instruments (derivatives) are used primarily to hedge the risk of changes in exchange rates, the price of goods and interest rates. Hedges in the form of interest rate swaps, options, forward exchange contracts and commodity futures are recognized on the balance sheet either on a stand-alone basis or as a valuation unit with the corresponding hedged items (hedge accounting). Initial recognition is on the trading date. Derivatives are always measured at the fair value that corresponds to the price 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. The market price of options is determined using established option pricing models, for which internal data is used. Commodity derivatives are valued with the aid of spot prices and forward rates while interest rate derivatives are valued by discounting future cash flows using current market interest rates that are congruent with their remaining term. All market factors that other market participants would use to determine the price are taken into account. Derivatives are recognized as follows, depending on the type of hedge:

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 IAS 39. 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 separated from the host contract.

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

Specific criteria have to be met to qualify for hedge accounting. In particular, hedge accounting requires extensive documentation of the hedging relationship, together with evidence that the expected and actual effectiveness of the hedge is between 80.0 and 125.0 percent. A derivative no longer qualifies for hedge accounting if these conditions are not fulfilled.

In the case of cash flow hedges, hedge accounting must also be halted if the forecast transaction no longer appears probable. In such cases, the amount recognized in OCI is reclassified to the income statement.

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

The purpose of cash flow hedges is to 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 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. 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 directly in the cost of sales. If the hedged future transaction comprises a non-financial asset or liability, the profit or loss previously recognized in OCI is included in the cost of acquisition of the asset or liability when it is initially recognized.

The purpose of a hedge of a net investment in a foreign entity is to reduce the foreign currency risk involved in investment in an entity 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 and/or for capital appreciation is valued at the cost of acquisition or production, taking directly allocable 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 and are assigned to Level 3.

<b>Significant unobservable inputs</b>	<b>Spread (weighted average)</b>
Ground rent	6% - 8%

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

### **Leasing**

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

A lease is classified as a finance lease if, under the lease agreement, the lessee bears substantially all opportunities and risks associated with ownership of the asset. In addition to contractually agreed finance leases, lease agreements relating to the use of assets, for example, long-term power distribution agreements, may be classified as finance leases if they meet certain cumulative criteria. Where the STEAG Group is the lessee, the assets are included in property, plant and equipment at fair value or at the present value of the minimum lease payments, whichever is the lower.

The payment obligations arising from future lease payments are recognized as a liability at the discounted settlement value. Where the STEAG Group is the lessor, it recognizes a receivable equivalent to the net investment value rather than the property, plant and equipment.

Receivables and liabilities from finance leases are recognized on the balance sheet as financial assets or financial liabilities.

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

### **Construction contracts**

Customer-specific construction contracts are accounted for using the percentage-of-completion (POC) method. The pro rata income from work undertaken is recognized in sales on the basis of the percentage of completion of the contract. This is derived from the progress made in completing the contract. In other words, the amount of work completed as at the balance sheet date is viewed as a percentage of the total contract. Such contracts are recognized under receivables or liabilities from construction contracts.

If the accumulated work performed (cost and income from the contract) exceeds advance payments made, the contract is capitalized under receivables from construction contracts. If the balance after deducting advance payments is negative, this amount is recognized as a liability under construction contracts. Expected losses are recognized on the basis of the discernible risks.

### **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 principally through a sale transaction rather than through continued use. Such assets must be available for immediate sale in their present condition, on terms that are usual and customary for the sale of such assets, and sale must be highly probable. If the associated liabilities are to be sold with the asset as part of the transaction, these must also be presented separately.

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

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

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

### **Government grants**

Government grants for the purchase or construction of property, plant and equipment reduce the acquisition or production cost of such assets. They are recognized in profit or loss over the useful life of the assets through lower depreciation. Other grants are accrued as 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 obligations**

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**

#### **New and revised standards on consolidation, joint arrangements, associates and notes to the financial statements**

IFRS 10 replaces the previous regulations on consolidated financial statements contained in IAS 27 and SIC-12. Previously, control was defined as the ability to determine a company's financial and business policies in order to derive economic benefit from its business activities.

IFRS 10 contains additional application guidance outlining when a company is able to control a subsidiary. IFRS 10 introduces a uniform consolidation model for all companies based on control of a subsidiary by the parent company. A parent company is deemed to control a subsidiary if it is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

IFRS 11 supersedes IAS 31 and abolishes the previous option of pro rata consolidation of joint ventures. In future, mandatory application of the equity method for joint ventures is based on the provisions of IAS 28, which previously applied exclusively to associates. Its scope has now been extended to accounting for joint ventures.

Application of IFRS 10 and IFRS 11 does not result in any changes in the classification of investments held by the STEAG Group.

IFRS 12 bundles the disclosures in the notes required by IAS 27 and IFRS 10, IAS 31 and IFRS 11, and IAS 28 in a single standard. Overall, IFRS 12 results in far more detailed disclosures in the consolidated financial statements for the STEAG Group, see Notes (3), (4.2) and (6.4).

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

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

#### **(a) Goodwill impairment**

Testing intangible assets, especially goodwill, for impairment also involves assumptions and estimates regarding, for example, future cash flows, expected growth rates, exchange rates and discount rates. The relevant assumptions may change, leading to impairment losses in future periods.

A relative increase in the weighted cost of capital (WACC) of 10 percent as a result of changes in capital market interest rates would not result in any impairment losses.

#### **(b) Impairment testing of deferred tax assets**

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

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

The measurement of provisions for pensions and other post-employment benefits is based, inter alia, on assumptions about discount rates, expected future salary 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 company 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.

(e) Measurement of financial instruments

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

(f) Assumptions regarding subsidiaries

Although it holds less than 50 percent of the capital in GAL Fernwärmeschiene Saar-West Besitzgesellschaft mbH & Co. KG, the STEAG Group has control of this company as it has a majority of the voting rights. The company is not fully consolidated on materiality grounds.

(g) Assumptions regarding joint ventures

The STEAG Group holds more than 50 percent of the capital of the following companies:

- BH Biomasse Handelsgesellschaft mbH & Co. KG
- BK Biomasse Kraftwerkversorgungs GmbH
- Kraftwerk Voerde beschränkt haftende OHG
- REG Raffinerie-Energie GmbH & Co. oHG
- STEAG-ERB Serviços de Operação e Manutenção Ltda. (Brazil)
- STEAG O&M (India).

The STEAG Group holds more than half of the voting rights in these companies.

It holds 26 percent of the capital of Arenales Solar PS, S.L. (Spain).

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

(h) Useful life of property, plant and equipment

As outlined in the section on "Property, plant and equipment" in Note (2.6), the useful lives and residual values of property, plant and equipment are reviewed periodically. If former estimates are revised, depreciation is adjusted in the reporting period and subsequent periods.

In fiscal 2014, the review of the operating efficiency of several power plants resulted in an increase in their expected useful life. The impact of this change on the actual and expected depreciation charges in fiscal 2014 and subsequent years is as follows:

<b>in € million</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>from 2019</b>
Reduction (+) / increase (-) in depreciation	6.8	6.5	3.2	-5.4	-5.3	-6.2



## (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, 2013:	40	21	61
Acquisitions/newly established companies	7	2	9
Other companies consolidated for the first time	-	6	6
Intragroup mergers	1	-	1
Other companies deconsolidated	-	1	1
<b>As at December 31, 2014:</b>	<b>46</b>	<b>28</b>	<b>74</b>
<b>Investments recognized at equity:</b>			
As at December 31, 2013:	11	5	16
Acquisitions/newly established companies	-	2	2
Divestments	-	1	1
Other companies derecognized	1	-	1
<b>As at December 31, 2014:</b>	<b>10</b>	<b>6</b>	<b>16</b>
	<b>56</b>	<b>34</b>	<b>90</b>

The impact on the balance sheet of acquisitions made in the fiscal year was negligible. Crucea North Wind Holding S.R.L. (Romania) was deconsolidated in 2014.

### (4.2) 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: Iskenderun Enerji Üretim ve Ticaret A.S. (Turkey), STEAG State Power Inc. (Philippines), Compania Electrica de Sochagota S.A.E.S.P. (Colombia), and STEAG-EVN Walsum 10 Kraftwerksgesellschaft mbH (Germany).

Most of the cash and cash equivalents of these companies are pledged as collateral, see Note (6.8).

Condensed financial information for these subsidiaries is given below. The amounts shown reflect the perspective of each subsidiary before intragroup elimination.

2014	Iskenderun Enerji Üretim ve Ticaret A.S.	STEAG State Power Inc.	Compania Electrica de Sochagota S.A.E.S.P.	STEAG-EVN Walsum 10 Kraftwerks- gesellschaft mbH
<b>in €million</b>				
Non-current assets as at December 31	259.5	199.5	56.2	1,061.8
Current assets as at December 31	371.1	58.3	60.5	209.0
Non-current liabilities as at December 31	82.5	80.0	30.2	531.3
Current liabilities as at December 31	162.5	31.3	22.0	311.1
<b>Net assets</b>	<b>385.6</b>	<b>146.5</b>	<b>64.5</b>	<b>428.4</b>
Sales	344.1	67.4	42.8	223.9
Income after taxes	49.4	9.1	1.0	18.4
Other comprehensive income after taxes	44.3	20.4	6.7	-18.9
<b>Total comprehensive income</b>	<b>93.7</b>	<b>29.5</b>	<b>7.7</b>	<b>-0.5</b>
Earnings after taxes attributable to non-controlling interests	24.2	4.4	0.5	26.9
Dividends attributable to non-controlling interests	49.4	22.9	5.7	7.8

2013	Iskenderun Enerji Üretim ve Ticaret A.S.	STEAG State Power Inc.	Compania Electrica de Sochagota S.A.E.S.P.	STEAG-EVN Walsum 10 Kraftwerks- gesellschaft mbH
<b>in €million</b>				
Non-current assets as at December 31	314.9	179.9	62.9	1,091.4
Current assets as at December 31	356.9	55.3	41.1	164.1
Non-current liabilities as at December 31	149.7	45.9	14.4	524.0
Current liabilities as at December 31	129.4	25.6	21.2	277.9
<b>Net assets</b>	<b>392.7</b>	<b>163.7</b>	<b>68.4</b>	<b>453.6</b>
Sales	376.1	83.8	37.3	5.6
Income after taxes	51.6	17.2	36.3	-1.1
Other comprehensive income after taxes	-17.9	-7.4	-3.5	17.6
<b>Total comprehensive income</b>	<b>33.7</b>	<b>9.8</b>	<b>32.8</b>	<b>16.5</b>
Income after taxes attributable to non-controlling interests	25.3	8.4	17.8	29.7
Dividends attributable to non-controlling interests	59.0	19.6	11.2	-

## (5) Notes to the income statement

### (5.1) Sales

in €million	2014	2013
Revenues from the sale of goods	2,719.9	2,508.7
Revenues from services	295.2	291.6
Revenues from finance leases	94.6	112.3
Revenues from construction contracts	19.3	23.8
	<b>3,129.0</b>	<b>2,936.4</b>

The increase in sales was almost entirely due to revenues from the sale of goods totaling €211.2 million and mainly resulted from higher energy sales due to the first full year of operation of the Walsum 10 power plant and from power trading.

Sales include €3.9 million (prior year: €0.9 million) for renewable energy certificates allocated free of charge.

### (5.2) Other operating income

in €million	2014	2013
Income from the valuation of derivatives (excluding interest rate derivatives)	181.5	159.2
Income from the reversal of impairment losses	48.6	93.6
Income from currency translation of monetary assets and liabilities	19.2	13.9
Income from the reversal of provisions	6.9	5.4
Income from insurance refunds	6.1	3.4
Income from the reversal of deferred items	5.0	4.8
Income from non-core operations	4.2	4.3
Income from costs passed through	3.7	5.7
Income from refunds of other taxes	3.3	6.0
Income from the disposal of assets	2.9	4.2
Income from arbitration proceedings	-	30.2
Miscellaneous income	21.4	15.6
	<b>302.8</b>	<b>346.3</b>

The income from reversals of impairment losses includes write-ups in accordance with IAS 39. These include €1.4 million (prior year: €1.4 million) relating to trade accounts receivable and €0.2 million (prior year: €0.3 million) relating to loans.

Further, they include write-ups of €0.3 million (prior year: none) on other receivables.

The remaining €46.7 million (prior year: €91.9 million) relates to write-ups of property, plant and equipment in accordance with IAS 36.

These were recognized, among other things, due to a revaluation of individual market parameters in the planning calculations for the Walsum 10 power plant. The recoverable amount corresponds to the value in use of the power plant.

The income from arbitration proceedings in 2013 related to the project company Compania Electrica de Sochagota S.A.E.S.P. (Colombia).

Income from the disposal of assets comprises €2.7 million (prior year: €4.1 million) from the divestment of property, plant and equipment and investment property.

Miscellaneous income contains €1.9 million (prior year: €1.0 million) in rental income from operating leases.

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

in €million	Dec. 31, 2014	Dec. 31, 2013
Due within 1 year	1.2	0.8
Due within 1-5 years	1.4	2.0
Due in more than 5 years	-	0.3
	<b>2.6</b>	<b>3.1</b>

### (5.3) Cost of materials

in €million	2014	2013
Expenses for raw materials and supplies and goods and services sourced	2,239.4	2,037.3
Impairment losses on raw materials, supplies and goods sourced	4.3	2.3
Reversal of impairment losses on raw materials, supplies and goods sourced	-0.8	-0.7
	<b>2,242.9</b>	<b>2,038.9</b>

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

#### (5.4) Personnel expenses

in €million	2014	2013
Wages and salaries	333.9	345.2
Social security contributions	50.6	49.4
Pension expenses	19.7	15.7
Other personnel-related expenses	1.4	0.9
	<b>405.6</b>	<b>411.2</b>

Expenses for wages and salaries were €11.3 million lower than in the prior year. They include additions to restructuring provisions of €29.4 million (prior year: €47.6 million), see Note (6.12).

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 allocation of the cost of acquisition or production over the customary useful life of assets. It also includes impairment losses recognized in response to additional signs of impairment.

in €million	2014	2013
Depreciation and amortization	139.1	99.6
Impairment losses	65.0	10.8
	<b>204.1</b>	<b>110.4</b>

#### Depreciation and amortization

Depreciation and amortization refer to the following groups of assets:

in €million	2014	2013
Intangible assets	5.1	4.5
Property, plant and equipment	134.0	95.0
Investment property	0.0	0.1
	<b>139.1</b>	<b>99.6</b>

## Impairment losses

Impairment losses refer to the following groups of assets:

in € million	2014	2013
<b>Impairment losses pursuant to IAS 36:</b>	<b>1.5</b>	<b>2.5</b>
Intangible assets	-	0.4
Property, plant and equipment	1.5	2.1
<b>Impairment losses pursuant to IAS 39:</b>	<b>63.5</b>	<b>8.3</b>
Financial assets	55.5	5.6
Trade accounts receivable and other receivables	8.0	2.7
	<b>65.0</b>	<b>10.8</b>

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

In fiscal 2014, the impairment losses mainly comprised € 0.7 million (€ 1.0 million) relating to facilities used to generate power from mine gas following the closure of several mine gas sites. Further, an impairment loss of € 0.8 million (prior year: € 0.5 million) was recognized for a biomass heating plant due to a reduction in profitability.

In 2013, impairment losses pursuant to IAS 36 included € 0.4 million for mine gas exploitation rights.

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

### (b) Impairment losses pursuant to IAS 39

in € million	2014	2013
<b>Financial assets</b>	<b>55.5</b>	<b>5.6</b>
Loans	42.7	3.6
Receivables from finance leases	0.4	0.2
Other investments	12.4	1.8
<b>Trade accounts receivable</b>	<b>7.9</b>	<b>1.8</b>
<b>Other receivables</b>	<b>0.1</b>	<b>0.9</b>
	<b>63.5</b>	<b>8.3</b>

The impairment losses on loans mainly comprise € 32.9 million relating to a loan to the joint venture Arenales Solar PS S.L. (Spain), and € 9.6 million relating to a loan to a project company in Brazil that was divested in 2014. Further, an impairment loss of € 12.2 million was recognized in other investments in connection with the withdrawal from the project in Brazil.

Impairment losses of € 3.1 million were recognized for trade accounts receivable from the operation of power plants. Impairment losses of a further € 4.0 million relate to trade accounts receivable from the leasing of power plants.

### (5.6) Other operating expenses

in €million	2014	2013
Losses on the valuation of derivatives (excluding interest rate derivatives)	161.1	146.3
Administrative expenses	66.2	63.4
Losses on currency translation of monetary assets and liabilities	34.2	17.6
Selling expenses	28.4	40.3
Insurance premiums	21.2	19.3
Rental expenses under leasing agreements	17.8	16.5
IT expenses	11.5	11.1
Losses on the disposal of assets	8.2	3.9
Miscellaneous tax expense	6.9	7.1
Expenses for maintenance and repairs	3.8	2.9
Expenses for patents, trademarks and licenses	1.4	1.2
Miscellaneous other operating expenses	47.5	93.1
	<b>408.2</b>	<b>422.7</b>

The increase in losses from the valuation of derivatives compared to the prior year mainly results from a higher volume of derivatives.

Losses on the disposal of assets comprise €7.9 million (prior year: €2.9 million) relating to the disposal of intangible assets, property, plant and equipment, and €0.3 million (prior year: €0.3 million) relating to the disposal of other loans and receivables. In the prior year, losses of €0.7 million from the disposal of investments were recognized.

Miscellaneous other operating expenses mainly comprise expenses for other external services, additions to provisions, and travel expenses.

### (5.7) Research and development expenses

Research and development expenses amounted to €0.7 million in 2014 (prior year: €1.5 million). The majority of these expenses are included in other operating expenses.

### (5.8) Interest result

in €million	2014	2013
Interest income from financial assets	8.0	8.4
Interest income from discounting other provisions	-	2.8
Interest and similar income from interest rate derivatives	0.0	0.1
Other interest-type income	2.4	14.2
<b>Interest income</b>	<b>10.4</b>	<b>25.5</b>
Interest expense for financial liabilities	-39.6	-19.0
Net interest expense for pensions	-29.3	-28.7
Interest expenses on accrued interest on other provisions	-23.3	-5.9
Interest expense for finance leases	-3.1	-4.0
Interest and similar expenses for interest rate derivatives	-0.1	0.0
Other interest-type expenses	-7.5	-6.4
<b>Interest expense</b>	<b>-102.9</b>	<b>-64.0</b>
	<b>-92.5</b>	<b>-38.5</b>

The interest income from financial assets contains € 1.9 million from the € 150.0 million upstream loan granted by STEAG GmbH to KSBG KG in the reporting period, see Note (6.5).

In the prior year, other interest-type income contained interest income of € 13.1 million from the arbitration proceedings relating to the project company Compania Electrica de Sochagota S.A.E.S.P. (Colombia).

The interest expense for financial liabilities comprises €2.5 million in connection with the bonded loans taken out in 2014.

Borrowing costs of €2.6 million (prior year: €21.4 million) are capitalized.

The average cost of capital for capitalized borrowing costs in the STEAG Group is 2.6 percent (prior year: none).

### (5.9) Result from investments recognized at equity

in €million	2014	2013
Equity-method income	7.7	12.0
Equity-method expenses	-13.4	-1.4
Impairment losses	-3.0	-
	<b>-8.7</b>	<b>10.6</b>

The result from investments recognized at equity mainly comprises the pro rata income and impairment losses on shares in the joint venture Arenales Solar PS, S.L. (Spain) totaling €15.2 million.



#### (5.10) Other financial income

in € million	2014	2013
Income from other investments	5.1	7.2
Gains on the sale of current securities	0.1	0.3
Losses on the sale of current securities	-0.4	-0.4
Other financial income	9.4	1.3
Other financial expenses	-	-5.7
	<b>14.2</b>	<b>2.7</b>

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

#### (5.11) Income taxes

Income taxes comprise the following:

in € million	2014	2013
Other income taxes	53.0	54.8
(thereof relating to other periods)	(-0.5)	(-0.5)
Deferred taxes	2.0	25.2
(thereof relating to other periods)	(-1.6)	(-1.2)
	<b>55.0</b>	<b>80.0</b>

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

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

in € million	2014	2013
<b>Income before income taxes</b>	<b>88.5</b>	<b>278.9</b>
Expected income taxes	14.2	44.6
Variances/changes in tax rates	19.7	36.3
Change in the impairment of deferred taxes	1.3	-1.2
Non-deductible expense	14.1	0.9
Tax-free income	-0.6	-13.0
Other	6.3	12.4
<b>Effective income taxes</b>	<b>55.0</b>	<b>80.0</b>

The variances between expected and effective income taxes are principally due to deviations in foreign tax rates. The other effects mainly comprise deferred taxes of €5.2 million (2013: €11.7 billion) 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, 2013</b>	<b>45.3</b>	<b>147.3</b>	<b>192.6</b>
Currency translation	-0.5	-1.3	-1.8
Additions from business combinations	14.4	1.2	15.6
Other additions	-	3.9	3.9
Disposals	-	-14.9	-14.9
Reclassifications	-	2.1	2.1
<b>As at December 31, 2013</b>	<b>59.2</b>	<b>138.3</b>	<b>197.5</b>
Currency translation	0.3	5.0	5.3
Additions from business combinations	3.0	12.6	15.6
Other additions	-	9.2	9.2
Disposals	-	-0.3	-0.3
Reclassifications	-	3.5	3.5
<b>As at December 31, 2014</b>	<b>62.5</b>	<b>168.3</b>	<b>230.8</b>
<b>Amortization and impairment losses</b>			
<b>As at January 1, 2013</b>	<b>-</b>	<b>92.1</b>	<b>92.1</b>
Currency translation	-	-0.4	-0.4
Additions from business combinations	-	0.0	0.0
Amortization	-	4.5	4.5
Impairment losses	-	0.4	0.4
Disposals	-	-0.6	-0.6
Reclassifications	-	0.0	0.0
<b>As at December 31, 2013</b>	<b>-</b>	<b>96.0</b>	<b>96.0</b>
Currency translation	-	1.2	1.2
Additions from business combinations	-	0.0	0.0
Amortization	-	5.1	5.1
Disposals	-	-0.1	-0.1
Reclassifications	-	0.0	0.0
<b>As at December 31, 2014</b>	<b>-</b>	<b>102.2</b>	<b>102.2</b>
<b>Carrying amounts as at December 31, 2013</b>	<b>59.2</b>	<b>42.3</b>	<b>101.5</b>
<b>Carrying amounts as at December 31, 2014</b>	<b>62.5</b>	<b>66.1</b>	<b>128.6</b>

The reported goodwill results from acquisitions of shares in subsidiaries.

STEAG Rüzgar Süloglu Enerji Yatirim Üretim ve Ticaret AS (Turkey) was consolidated for the first time in fiscal 2014. The resulting goodwill of €2.3 million is allocated to the Renewable Energies and Distributed Facilities Division. The acquisition comprised the purchase of all shares in this company for €12.0 million.

Other additions comprised the acquisition or first-time consolidation of two companies in the Renewable Energies and Distributed Facilities Division.

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

The table shows how it is broken down:

### Goodwill

in €million	Dec. 31, 2014	Dec. 31, 2013
Power	52.7	52.6
Renewable Energies and Distributed Facilities	9.8	6.6
	<b>62.5</b>	<b>59.2</b>

On the reporting date, €18.4 million (prior year: €8.9 million) of the intangible assets was pledged as collateral for liabilities of the company. As in the prior year, there were no commitments to purchase intangible assets.

## (6.2) Property, plant and equipment

in € million	Land, land rights and buildings	Plant and machinery	Other plant, office furniture and equipment	Advance payments and construction in progress	Total
<b>Acquisition/production cost</b>					
<b>As at January 1, 2013</b>	<b>472.1</b>	<b>3,051.9</b>	<b>127.1</b>	<b>944.3</b>	<b>4,595.4</b>
Currency translation	-2.4	-2.3	-1.3	-0.1	-6.1
Additions from business combinations	-	0.0	0.6	2.5	3.1
Other additions	8.3	185.2	9.5	118.2	321.2
Disposals	-1.3	-19.6	-6.3	-1.4	-28.6
Reclassifications	45.1	851.9	0.8	-899.6	-1.8
<b>As at December 31, 2013</b>	<b>521.8</b>	<b>4,067.1</b>	<b>130.4</b>	<b>163.9</b>	<b>4,883.2</b>
Currency translation	3.8	2.5	3.3	1.3	10.9
Additions from business combinations	2.5	17.5	0.1	6.8	26.9
Other additions	1.9	106.3	9.8	191.3	309.3
Disposals	-7.0	-13.4	-6.1	-1.2	-27.7
Reclassifications	5.2	267.9	2.4	-277.7	-2.2
<b>As at December 31, 2014</b>	<b>528.2</b>	<b>4,447.9</b>	<b>139.9</b>	<b>84.4</b>	<b>5,200.4</b>
<b>Depreciation and impairment losses</b>					
<b>As at January 1, 2013</b>	<b>245.2</b>	<b>2,613.1</b>	<b>90.6</b>	<b>242.5</b>	<b>3,191.4</b>
Currency translation	-0.7	-1.3	-0.8	-	-2.8
Additions from business combinations	-	-	0.1	-	0.1
Depreciation and amortization	13.3	70.9	10.8	-	95.0
Impairment losses	0.1	1.3	0.5	0.2	2.1
Reversal of impairment losses	-	-	-	-91.9	-91.9
Disposals	-1.3	-15.2	-6.1	-0.1	-22.7
Reclassifications	6.3	142.7	-0.3	-148.7	0.0
<b>As at December 31, 2013</b>	<b>262.9</b>	<b>2,811.5</b>	<b>94.8</b>	<b>2.0</b>	<b>3,171.2</b>
Currency translation	0.6	1.3	2.2	-	4.1
Additions from business combinations	-	0.0	0.0	-	0.0
Depreciation and amortization	12.4	110.5	11.1	-	134.0
Impairment losses	-	0.8	-	0.7	1.5
Reversal of impairment losses	-1.8	-44.9	-	-	-46.7
Disposals	-0.5	-5.0	-5.9	-0.7	-12.1
Reclassifications	0.0	0.1	-0.1	-	0.0
<b>As at December 31, 2014</b>	<b>273.6</b>	<b>2,874.3</b>	<b>102.1</b>	<b>2.0</b>	<b>3,252.0</b>
<b>Carrying amounts as at Dec. 31, 2013</b>	<b>258.9</b>	<b>1,255.6</b>	<b>35.6</b>	<b>161.9</b>	<b>1,712.0</b>
<b>Carrying amounts as at Dec. 31, 2014</b>	<b>254.6</b>	<b>1,573.6</b>	<b>37.8</b>	<b>82.4</b>	<b>1,948.4</b>

The carrying amounts recognized for finance lease contracts comprise €1.4 million for land, land rights and buildings (prior year: €1.5 million), €31.6 million for plant and machinery (prior year: €38.4 million), and €1,3 million for other plant, office furniture and equipment (prior year: none).

The carrying amounts of property, plant and equipment pledged as collateral for Group liabilities amounted to €685.7 million (prior year: €548.1 million). Property, plant and equipment totaling €15.6 million (prior year: €18.5 million) was pledged as collateral for third-party liabilities. A further €653.7 million (prior year: €508.4 million) was subject to other restrictions on title. The increase in assets pledged as collateral relates primarily to Crucea Wind Farm S.A. (Romania).

The Group has commitments of €53.8 million (prior year: €128.5 million) to purchase property, plant and equipment.

### (6.3) Investment property

in € million	Land, land rights	Buildings	Total
<b>Acquisition/production cost</b>			
<b>As at January 1, 2013</b>	<b>15.0</b>	<b>4.5</b>	<b>19.5</b>
Other additions	0.0	-	0.0
Disposals	-0.4	-2.5	-2.9
Reclassifications	-0.4	-1.1	-1.5
<b>As at December 31, 2013</b>	<b>14.2</b>	<b>0.9</b>	<b>15.1</b>
Other additions	0.0	-	0.0
Disposals	-0.2	-0.1	-0.3
<b>As at December 31, 2014</b>	<b>14.0</b>	<b>0.8</b>	<b>14.8</b>
<b>Depreciation and impairment losses</b>			
<b>As at January 1, 2013</b>	<b>0.3</b>	<b>2.9</b>	<b>3.2</b>
Depreciation	0.0	0.1	0.1
Disposals	-	-2.2	-2.2
Reclassifications	0.0	-0.2	-0.2
<b>As at December 31, 2013</b>	<b>0.3</b>	<b>0.6</b>	<b>0.9</b>
Depreciation	-	0.0	0.0
Disposals	-	-0.1	-0.1
<b>As at December 31, 2014</b>	<b>0.3</b>	<b>0.5</b>	<b>0.8</b>
<b>Carrying amounts as at Dec. 31, 2013</b>	<b>13.9</b>	<b>0.3</b>	<b>14.2</b>
<b>Carrying amounts as at Dec. 31, 2014</b>	<b>13.7</b>	<b>0.3</b>	<b>14.0</b>

Additions did not involve any additional acquisition costs. The fair value of investment property was €19.2 million (prior year: €20.7 million).

The income statement contains operating expenses totaling €0.7 million (prior year: €0.8 million) that are directly related to investment property that generates rental revenues. Rental revenues amounted to €1.8 million (prior year: €1.7 million).

#### **(6.4) Investments recognized at equity**

This item comprises shares in associates and joint ventures recognized using the equity method.

The STEAG Group holds shares in a number of associates and joint ventures, which are individually non-material. The carrying amount of associates is €40.4 million (prior year: €38.9 million) and the carrying amount of joint ventures is €31.2 million (prior year: €50.2 million).

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

in € million	Associates		Joint ventures	
	2014	2013	2014	2013
Income after taxes	17.0	17.4	-22.4	6.7
Other comprehensive income after taxes	-0.1	-	-	-
<b>Total comprehensive income</b>	<b>16.9</b>	<b>17.4</b>	<b>-22.4</b>	<b>6.7</b>

The STEAG Group has given a guarantee of €71.3 million (prior year: €69.0 million) to the consortium of financing banks in favor of the joint venture Arenales Solar PS, S.L. (Spain).

Further, there is a contingent liability of €9.4 million for an obligation to make equity payments to Arenales Solar PS., S.L., (Spain). In the prior year, an equity payment obligation of €14.1 million was recognized as a liability for a guarantee, see Note (8.3).

A land charge of €7.8 million (prior year: €9.0 million) was registered for an operating building in favor of the joint venture REG Raffinerie-Energie GmbH & Co. oHG as collateral for current credit agreements for this company.

### (6.5) Financial assets

in € million	Dec. 31, 2014		Dec. 31, 2013	
	Total	Thereof non-current	Total	Thereof non-current
Other investments	46.3	46.3	72.5	72.5
Loans	175.2	160.7	47.5	34.3
Securities and similar rights	20.0	0.1	51.8	0.1
Receivables from finance leases	599.7	448.9	654.9	535.7
Receivables from derivatives	258.4	64.3	165.2	45.3
Other financial assets	311.0	-	73.2	-
	<b>1,410.6</b>	<b>720.3</b>	<b>1,065.1</b>	<b>687.9</b>

#### (a) Other investments

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

#### (b) Loans

Loans are exposed to an interest rate risk, which can affect their fair value or future cash flows. They are recognized at the cost of acquisition.

In 2014, an upstream loan of €150.0 million was granted to KSBG KG, see Note (7.2). Including capitalized interest, include lending to KSBG KG totaling €151.9 million (prior year: none).

The risk and maturity structure of loans is as follows:

in € million	Dec. 31, 2014	Dec. 31, 2013
<b>Impaired loans</b>	<b>3.8</b>	<b>4.8</b>
Gross amount	48.0	10.0
Impairment losses	-44.2	-5.2
<b>Non-impaired loans</b>	<b>171.4</b>	<b>42.7</b>
Not yet due	171.4	42.7
	<b>175.2</b>	<b>47.5</b>

#### (c) Securities and similar rights

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



(d) Receivables from finance leases

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

in € million	Dec. 31, 2014	Dec. 31, 2013
<b>Gross investment</b>	<b>1,000.3</b>	<b>1,099.8</b>
(thereof non-guaranteed residual value)	(-)	(-)
Due within 1 year	230.8	210.2
Due within 1-5 years	449.6	553.9
Due in more than 5 years	319.9	335.7
Interest included therein	-400.2	-444.6
<b>Net investment</b>	<b>600.1</b>	<b>655.2</b>
Accumulated impairment losses	-0.4	-0.3
<b>Carrying amount of receivables from finance leases</b>	<b>599.7</b>	<b>654.9</b>
Less present value of non-guaranteed residual values	-	-
<b>Present value of outstanding minimum lease payments</b>	<b>599.7</b>	<b>654.9</b>
Due within 1 year	150.8	119.2
Due within 1-5 years	289.7	363.4
Due in more than 5 years	159.2	172.3

No contingent lease payments were received under finance leases in 2014 or 2013.

Receivables from finance leases include a contract for the supply of electricity by the Iskenderun power plant in Turkey valued at €295.5 million (prior year: €339.3 million). This contract runs for 20 years and ends in November 2019.

The original planning for the Iskenderun power plant did not include any material earnings from the continued use of the power plant after the end of the finance lease. Based on the present assessment, it is assumed that positive earnings will be generated by continued use of the power plant by the company until probably 2035. In the light of this assessment, net revenues are anticipated for the period 2020 to 2035. Their unrecognized present value was €479.6 million on the reporting date (prior year: €400.1 million).

A further €175.6 million (prior year: €156.6 million) relates to receivables from a supply contract for power from the Mindanao power plant in the Philippines. This contract with STEAG State Power Inc. (Philippines) runs for 25 years and ends in November 2031. The leased assets will be transferred to the lessee when the contract ends.

Moreover, receivables from finance leases include €59.3 million (prior year: €85.5 million) relating to the lease agreement for the STEAG refinery power plant in Leuna (Germany). This contract dates from November 1996 and had an original term of twelve years. In 2006 it was extended for another eight years to November 2014. In 2014 a new contract was concluded up to November 2016.

Receivables from finance leases include a contract for the supply of electricity by the Termopaipa power plant (Colombia) valued at €60.7 million (prior year: €63.5 million). This contract ends in January 2019.

(e) Receivables from derivatives

The breakdown of receivables from derivatives is as follows:

in €million	Dec. 31, 2014	Dec. 31, 2013
Receivables from currency derivatives	65.7	13.8
Receivables from interest rate derivatives	0.1	0.2
Receivables from commodity derivatives	192.6	151.2
	<b>258.4</b>	<b>165.2</b>

€0.1 million (prior year: €0.2 million) of the receivables from interest rate derivatives related to interest rate caps.

(f) Other financial assets

Financial assets include margining of €89.7 million (prior year: €48.4 million) for stock exchange forward contracts. Further, on the reporting date this item contained the positive fair values of options under energy supply contracts amounting to €6.6 million (prior year: none).

(g) Collateral pledged

Financial assets pledged as collateral for Group liabilities amounted to €101.4 million (prior year: €56.6 million). A further €228.5 million (prior year: €175.8 million) was subject to other restrictions on title. In fiscal 2014, the majority of the assets pledged as collateral related to receivables from finance leases of the project companies for the Termopaipa and Mindanao power plants.

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

### (6.6) Inventories

in € million	Dec. 31, 2014	Dec. 31, 2013
Raw materials and supplies	252.5	238.6
Work in progress	19.0	16.0
Finished goods and merchandise	16.1	11.6
	<b>287.6</b>	<b>266.2</b>

The €13.9 million year-on-year increase in raw materials and supplies was mainly due to increased consumption of certain emissions allowances. The €4.5 million increase in finished goods and merchandise was caused by higher inventories of goods for resale than in the prior year.

Inventories totaling €44.1 million (prior year: €42.9 million) are recognized at net realizable value.

Inventories include €2.6 million (prior year: €0.5 million) for renewable energy certificates allocated free of charge.

Inventories of €10.9 million (prior year: €6.3 million) were subject to restrictions on use.

### (6.7) Trade accounts receivable and other receivables

in € million	Dec. 31, 2014		Dec. 31, 2013	
	Total	Thereof non-current	Total	Thereof non-current
Trade accounts receivable	443.0	-	353.8	-
Receivables from construction contracts	2.6	0.2	2.7	0.0
Advance payments made	14.8	-	7.6	-
Miscellaneous other receivables	123.4	33.4	182.2	31.7
Deferred expenses	12.7	2.6	11.0	2.2
	<b>596.5</b>	<b>36.2</b>	<b>557.3</b>	<b>33.9</b>

#### (a) Trade accounts receivable

Trade accounts receivable include claims to reimbursement from third parties amounting to €34.4 million (prior year: €32.0 million) which relate to other provisions for the obligation to surrender emissions allowances, see Note (6.12).

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

in € million	Dec. 31, 2014	Dec. 31, 2013*
<b>Impaired receivables</b>	<b>0.0</b>	<b>0.2</b>
Gross amount	10.1	4.8
Impairment losses	-10.1	-4.6
<b>Non-impaired receivables</b>	<b>443.0</b>	<b>353.6</b>
Not yet due	422.6	329.3
Overdue	20.4	24.3
Up to 30 days	10.2	11.8
30 to 60 days	3.9	3.6
60 to 90 days	1.7	1.3
More than 90 days	4.6	7.6
* Prior-year figures restated	<b>443.0</b>	<b>353.8</b>

(b) Receivables from construction contracts

in € million	Dec. 31, 2014	Dec. 31, 2013
Costs incurred plus profits/less losses	11.1	19.3
Advance payments received for construction contracts	-8.5	-16.6
	<b>2.6</b>	<b>2.7</b>

Customers made advance payments of € 1.8 million (2013: € 2.5 million) in the reporting period, prior to the performance of the corresponding work.

(c) Miscellaneous other receivables

Miscellaneous other receivables include claims to reimbursement from third parties amounting to € 36.0 million (prior year: € 32.8 million) which relate to other provisions for recultivation and environmental protection, see Note (6.12).

(d) Collateral pledged

Receivables pledged as collateral for Group liabilities amounted to € 2.5 million (prior year: € 0.7 million).

A further € 56.6 million (prior year: € 41.4 million) was subject to other restrictions on title.

### **(6.8) Cash and cash equivalents**

The cash and cash equivalents totaling €686.9 million (prior year: €576.4 million) include balances with banks, checks and cash. This item also includes financial securities with high liquidity and terms of no more than three months on the date of acquisition. The carrying amounts of cash and cash equivalents pledged as collateral amounted to €224.8 million (prior year: €308.0 million) and mainly related to the Iskenderun, Mindanao, Termopaipa and Crucea North projects outside Germany and the Walsum 10 power plant project in Germany.

### **(6.9) Assets held for sale**

In the prior year, the assets held for sale comprised the shares in Babadağ Elektrik Üretim Sanayi ve Ticaret A.S. (Turkey). This disposal was completed in fiscal 2014.

### **(6.10) Equity**

#### **(a) Issued capital**

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

#### **(b) Capital reserve**

The capital reserve of STEAG GmbH contains all other payments received from shareholders pursuant to Section 272 Paragraph 2 Nos. 1 and 4 of the German Commercial Code (HGB).

#### **(c) Accumulated income/loss**

The accumulated income of €243.4 million (prior year: €548.1 million) comprises Group earnings from fiscal 2014 and prior years. Income after taxes corresponds to the net income attributable to shareholders of STEAG GmbH, as stated in the income statement for the 2014 fiscal year. As at December 31, 2014, STEAG GmbH's profit reserves were unchanged at €272.8 million. Earnings of €77.9 million (prior year: €89.0 million) are to be transferred under the profit and loss transfer agreement between STEAG GmbH and KSBG KG.

The accumulated income also includes the remeasurement of the net defined benefit liability from defined benefit plans after taxes.

#### **(d) Accumulated other comprehensive income**

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

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

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 prepared in accordance with IFRS.

The changes in accumulated other comprehensive income were as follows:

in € million	Changes in the fair value of available-for-sale securities	Changes in the fair value of financial instruments used in hedging relationships	Differences arising from currency translation	Investments recognized at equity	Total
<b>As at January 1, 2013</b>	<b>0.1</b>	<b>45.3</b>	<b>-55.5</b>	<b>-1.7</b>	<b>-11.8</b>
<b>Other comprehensive income after taxes:</b>	<b>0.2</b>	<b>9.9</b>	<b>-17.4</b>	<b>1.6</b>	<b>-5.7</b>
Gains/losses recognized in OCI	0.2	4.9	-17.4	2.4	-9.9
Amounts reclassified to the income statement	-0.1	0.2	-	-	0.1
Amounts reclassified to assets and liabilities	-	9.3	-	-	9.3
Deferred taxes on OCI	0.1	-4.5	-	-0.8	-5.2
<b>As at December 31, 2013</b>	<b>0.3</b>	<b>55.2</b>	<b>-72.9</b>	<b>-0.1</b>	<b>-17.5</b>
<b>Other comprehensive income after taxes:</b>	<b>-0.4</b>	<b>-3.4</b>	<b>41.6</b>	<b>-1.6</b>	<b>36.2</b>
Gains/losses recognized in OCI	-0.7	-9.1	41.6	-2.4	29.4
Amounts reclassified to the income statement	0.3	2.9	-	-	3.2
Deferred taxes on OCI	0.0	2.8	-	0.8	3.6
<b>As at December 31, 2014</b>	<b>-0.1</b>	<b>51.8</b>	<b>-31.3</b>	<b>-1.7</b>	<b>18.7</b>

(e) Non-controlling interests

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

The change in OCI relating to non-controlling interests was €25.5 million (prior year: minus €5.2 million) and contains the change in accumulated income and accumulated other comprehensive income.

The change in other comprehensive income contains minus €0.2 million (prior year: minus €0.1 million) from remeasurement of the net defined benefit obligation from defined benefit pension plans after taxes.

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, 2013</b>	<b>-29.2</b>	<b>-49.5</b>	<b>-78.7</b>
<b>Other comprehensive income after taxes:</b>	<b>8.4</b>	<b>-13.5</b>	<b>-5.1</b>
Gains/losses recognized in OCI	3.5	-13.5	-10.0
Amounts reclassified to the income statement	0.1	-	0.1
Amounts reclassified to assets and liabilities	8.9	-	8.9
Deferred taxes on OCI	-4.1	-	-4.1
<b>As at December 31, 2013</b>	<b>-20.8</b>	<b>-63.0</b>	<b>-83.8</b>
<b>Other comprehensive income after taxes:</b>	<b>-10.0</b>	<b>35.7</b>	<b>25.7</b>
Gains/losses recognized in OCI	-24.0	35.7	11.7
Amounts reclassified to the income statement	8.8	-	8.8
Deferred taxes on OCI	5.2	-	5.2
<b>As at December 31, 2014</b>	<b>-30.8</b>	<b>-27.3</b>	<b>-58.1</b>

#### (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 II - employee-financed).

The Bochumer Verband II employer- and employee-financed are defined-contribution plans. All of these plans are based on a company agreement and are financed by the employer who recognizes provisions for these 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 Act (BetrAVG). Therefore, the benefit obligation for these pension commitments is dependent on inflation.

The "Bochumer Verband old" pension plan provided 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 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, the Philippines and Turkey. The benefit obligations vary depending on the legal, tax 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 %	2014	2013
Actuarial interest rate as at December 31	2.12	3.62
Future salary increases	2.57	2.58
Future pension increases	2.00	2.00

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

in € million	Dec. 31, 2014	Dec. 31, 2013
Present value of all defined benefit obligations as at Dec. 31	1,091.7	831.0
Fair value of plan assets as at Dec. 31	6.1	5.0
<b>Pension provisions included in the balance sheet</b>	<b>1,085.6</b>	<b>826.0</b>

The present value of the defined benefit obligation changed as follows in fiscal 2014:

in € million	Present value of defined benefit obligations	Fair value of plan assets	Net benefit obligation
<b>As at January 1, 2014</b>	<b>831.0</b>	<b>-5.0</b>	<b>826.0</b>
Current service cost	19.5	-	19.5
Interest expense (+)/interest income (-)	29.6	-0.3	29.3
Employee contributions	2.8	-	2.8
Employer contributions	-	-0.4	-0.4
Remeasurement	236.9	0.1	237.0
thereof: return on plan assets excluding interest income	-	0.1	0.1
thereof: actuarial gains(-)/ losses(+)	-	-	-
from changes in demographic assumptions	-0.1	-	-0.1
thereof: actuarial gains (-) / losses (+) from changes in financial assumptions	236.6	-	236.6
thereof: actuarial gains (-) / losses (+) from changes empirical adjustments	0.4	-	0.4
Past service cost	0.0	-	0.0
Benefits paid	-32.0	0.1	-31.9
Changes in the scope of consolidation/transfer of employees	0.1	-	0.1
Transfers	3.2	-	3.2
Currency translation	0.6	-0.6	0.0
<b>As at December 31, 2014</b>	<b>1,091.7</b>	<b>-6.1</b>	<b>1,085.6</b>

in € million	Present value of defined benefit obligations	Fair value of plan assets	Net benefit obligation
<b>As at January 1, 2013</b>	<b>795.3</b>	<b>-4.5</b>	<b>790.8</b>
Current service cost	18.4	-	18.4
Interest expense (+)/interest income (-)	29.0	-0.3	28.7
Employee contributions	2.7	-	2.7
Employer contributions	-	-0.7	-0.7
Remeasurement	20.0	-0.1	19.9
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	13.1	-	13.1
thereof: actuarial gains (-) / losses (+) from changes empirical adjustments	6.9	-	6.9
Past service cost	-2.9	-	-2.9
Benefits paid	-30.6	-	-30.6
Changes in the scope of consolidation/transfer of employees	0.0	-	0.0
Currency translation	-0.9	0.6	-0.3
<b>As at December 31, 2013</b>	<b>831.0</b>	<b>-5.0</b>	<b>826.0</b>

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

in € million	Dec. 31, 2014			Dec. 31, 2013		
	Quoted market price in an active market	Other	Total	Quoted market price in an active market	Other	Total
Investments	1.1	-	1.1	0.4	-	0.4
Bonds	3.7	-	3.7	3.2	-	3.2
Insurance contracts	-	0.7	0.7	-	0.7	0.7
Other investments	0.6	-	0.6	0.7	-	0.7
	<b>5.4</b>	<b>0.7</b>	<b>6.1</b>	<b>4.3</b>	<b>0.7</b>	<b>5.0</b>

As in the prior year, most of the plan assets relate to STEAG State Power Inc. (Philippines).

The sensitivity analysis that follows 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 change was 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, 2014	Dec. 31, 2013
<b>Actuarial interest rate</b>		
+ 25 basis points	-47.0	-31.1
- 25 basis points	50.3	33.1
<b>Pension adjustment</b>		
+ 25 basis points	27.1	20.1
- 25 basis points	-25.9	-19.3
<b>Salary trend</b>		
+ 50 basis points	14.2	10.2
- 50 basis points	-13.1	-9.4

Employer contributions of € 0.4 million to plan assets are expected for 2015.

The average weighted duration of the pension obligations for the STEAG Group is 18 years (prior year: 16 years).

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

in € million	2014	2013
Service cost	19.5	15.5
Net interest cost	29.3	28.7
<b>Net pension expenses recognized on the income statement</b>	<b>48.8</b>	<b>44.2</b>

in € million	2014	2013
Actuarial gains and losses	236.9	20.0
Return on plan assets excluding interest income	0.1	-0.1
<b>Expense from the remeasurement of the net defined benefit obligation from defined benefit plans recognized in OCI</b>	<b>237.0</b>	<b>19.9</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, €26.3 million (prior year: €25.8 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, 2014		Dec. 31, 2013	
	Total	Thereof non-current	Total	Thereof non-current
Personnel-related	70.4	32.4	72.3	33.3
Recultivation and environmental protection	24.9	14.1	27.0	16.1
Restructuring	117.9	96.2	101.7	82.3
Dismantling obligations	134.0	131.4	110.3	107.6
Obligations to surrender emissions allowances	106.1	-	76.8	-
Other obligations	237.1	12.7	267.2	12.8
	<b>690.4</b>	<b>286.8</b>	<b>655.3</b>	<b>252.1</b>

(a) Personnel-related provisions

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

(b) Provisions for recultivation and environmental protection

Provisions are established for recultivation and environmental protection on the basis of contracts, laws and regulatory requirements. They cover soil reclamation obligations, water protection, the recultivation of landfills and site decontamination obligations. These obligations resulted in payments of €0.4 million in 2014. The majority will only result in payments after 2019. As a counter item to the provisions, other receivables contain claims for reimbursement amounting to € 12.6 million (prior year: € 11.5 million), see Note (6.7).

(c) Provisions for restructuring

Provisions for restructuring are based on defined restructuring measures. Such measures comprise programs which are planned and controlled by the company and will materially alter one of the company's areas at business activity or the way in which a business activity is carried out. Restructuring provisions may only be established for costs that are directly attributable to the restructuring program. They mainly include severance packages, redundancy and early retirement arrangements, and expenses for the termination of contracts. The majority will be utilized between 2016 and 2019. In 2014, a further addition of €29.4 million (prior year: €47.6 million) was made to a provision for restructuring to safeguard competitiveness in the light of changes on the electricity market. Interest expense of €5.9 million (prior year: €1.7 million) relates to this restructuring provision, see Notes (5.4) and (5.8).

(d) Provisions for dismantling obligations

Provisions for dismantling obligations relate to dismantling that is not part of a restructuring program. These provisions are almost all non-current. The majority of the payments will not be made until after 2019. Other receivables contain capitalized claims for reimbursement of €23.4 million (prior year: €21.3 million), see Note (6.7).

(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 €34.4 million (prior year: €32.0 million), see Note (6.7).

(f) Provisions for other obligations

Provisions for other obligations relate to price discounts and the risk of price adjustments in sales and procurement, obligations under the German Renewable Energies Act (EEG), provisions for goods and services purchased for which no invoice has yet been received, other taxes, litigation risks, legal and consultancy expenses, and audit fees.

Most of these provisions will be utilized within one year and the remainder will result in payments between 2016 and 2019. Provisions of €129.8 million (prior year: €129.6 million) were made for litigation costs and a contract performance guarantee that has already been received in connection with the Walsum 10 project.

Other provisions changed as follows in fiscal 2014:

<b>in € million</b>	Personnel -related	Recultiva- tion, environ- mental protection	Restructu- ring	Dis- mantling obliga- tions	Obligations to surrender emission allowances	Other obliga- tions	<b>Total</b>
<b>As at January 1, 2014</b>	<b>72.3</b>	<b>27.0</b>	<b>101.7</b>	<b>110.3</b>	<b>76.8</b>	<b>267.2</b>	<b>655.3</b>
Additions	35.0	2.2	29.4	5.9	106.1	79.5	258.1
Utilization	-38.7	-0.4	-15.5	-0.1	-76.7	-100.3	-231.7
Reversal	-2.4	0.0	-0.7	-1.9	-0.1	-10.1	-15.2
Addition of accrued interest/interest rate adjustments	3.6	1.8	6.2	11.5	-	1.1	24.2
Other	0.6	-5.7	-3.2	8.3	0.0	-0.3	-0.3
<b>As at December 31, 2014</b>	<b>70.4</b>	<b>24.9</b>	<b>117.9</b>	<b>134.0</b>	<b>106.1</b>	<b>237.1</b>	<b>690.4</b>

### (6.13) Financial liabilities

<b>in € million</b>	<b>December 31, 2014</b>		December 31, 2013	
	Total	Thereof non-current	Total	Thereof non-current
Liabilities to banks	1,346.2	1,145.6	824.5	676.6
Loans from non-banks	48.0	47.1	14.5	14.0
Liabilities from finance leases	34.8	30.4	38.0	34.1
Liabilities from derivatives	317.7	137.5	220.2	88.9
Other financial liabilities	128.3	12.9	121.8	5.2
	<b>1,875.0</b>	<b>1,373.5</b>	<b>1,219.0</b>	<b>818.8</b>

#### (a) Liabilities to banks

The biggest item within liabilities to banks is financing of €453.6 million (prior year: €489.9 million) for the Walsum 10 power plant project. During the operating phase lenders' rights are secured by land mortgages, liens on the Group's project shareholding and the assignment of rights to future receivables.

Further, in fiscal 2014 STEAG GmbH took out bonded loans totaling €400.0 million, see Note (7.3). €366.0 million of this amount comprises liabilities to banks. At the end of the fiscal year, financial liabilities to banks relating to the bonded loans amounted to €365.9 million.

Power plant financing totaling €146.6 million (prior year: €202.9 million) for the Iskenderun power plant, €68.3 million (prior year: €35.8 million) for the Mindanao plant, and €27.3 million (prior year: €16.7 million) for Termopaipa is in the advanced repayment phase.

Borrowing for these three foreign power plants is arranged exclusively via the respective companies as non-recourse financing.

The main new project financing assumed in the fiscal year comprised €92.4 million for the Crucea North wind energy project and €67.7 million for the Ullersdorf wind farm.

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

(b) Liabilities from finance leases

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

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

in €million	Dec. 31, 2014	Dec. 31, 2013
<b>Future minimum lease payments</b>	<b>48.7</b>	<b>55.1</b>
Due within 1 year	7.3	7.0
Due within 1-5 years	25.5	27.4
Due in more than 5 years	15.9	20.7
Interest included therein	-13.9	-17.1
<b>Present value of minimum lease payments (liabilities from finance leases)</b>	<b>34.8</b>	<b>38.0</b>
Due within 1 year	4.4	3.9
Due within 1-5 years	17.4	18.1
Due in more than 5 years	13.0	16.0

The liabilities from finance leases mainly comprise €22.6 million (prior year: €28.1 million) for the rental of heating power plants and €7.8 million (prior year: €9.5 million) for leased district heating lines.

(c) Liabilities from derivatives

The breakdown of liabilities from derivatives is as follows:

in €million	Dec. 31, 2014	Dec. 31, 2013
Liabilities from currency derivatives	41.9	26.6
Liabilities from interest rate derivatives	105.9	69.4
Liabilities from commodity derivatives	169.9	124.2
	<b>317.7</b>	<b>220.2</b>

(d) Other financial liabilities

In 2014, other financial liabilities included liabilities under the profit and loss transfer agreement, including the tax allocation to KSBG KG, amounting to € 86.0 million (prior year: € 96.0 million). In 2013, financial liabilities included the negative fair values of options relating to energy contracts amounting to € 2.6 million.

Negative fair values from pending hedged transactions recognized as fair value hedges totaled € 24.6 million (prior year: € 8.8 million).

**(6.14) Trade accounts payable, other liabilities**

in € million	Dec. 31, 2014		Dec. 31, 2013	
	Total	Thereof non-current	Total	Thereof non-current
Trade accounts payable	357.2	-	278.0	-
Liabilities from construction contracts	5.5	5.3	8.3	7.6
Advance payments received from customers	150.0	77.0	118.0	75.6
Miscellaneous other liabilities	56.4	3.9	49.3	5.3
Deferred income	38.8	28.0	37.6	30.7
	<b>607.9</b>	<b>114.2</b>	<b>491.2</b>	<b>119.2</b>

Advance payments received from customers include advance payments of € 115.1 million (prior year: € 95.4 million) for future power deliveries.

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

in € million	Dec. 31, 2014	Dec. 31, 2013
Costs incurred plus profits/less losses	-30.0	-16.8
Advance payments received for construction contracts	35.5	25.1
	<b>5.5</b>	<b>8.3</b>



### (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, 2014		Dec. 31, 2013	
	Total	Thereof non-current	Total	Thereof non-current
Deferred tax assets	186.8	138.9	151.1	81.9
Other income tax assets	26.3	7.0	24.8	10.3
Deferred tax liabilities	70.5	35.5	71.7	42.6
Other income tax liabilities	49.6	-	39.0	-

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

Deferred taxes related to the following balance sheet items:

in € million	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
<b>Assets</b>				
Intangible assets	0.7	0.6	8.9	5.8
Property, plant and equipment, investment property	141.8	166.2	33.5	34.7
Financial assets	4.7	2.9	193.5	187.7
Inventories	6.3	2.9	2.4	1.2
Receivables, other assets	3.3	8.1	8.1	10.8
<b>Liabilities</b>				
Provisions	129.5	81.3	3.9	3.5
Liabilities	80.3	57.6	3.2	3.2
Special tax allowance reserves (based on local law)	-	-	2.2	3.3
Loss carryforwards	8.8	14.0	-	-
Other	0.5	0.1	0.5	0.3
<b>Deferred taxes (gross)</b>	<b>375.9</b>	<b>333.7</b>	<b>256.2</b>	<b>250.5</b>
Impairment losses	-3.4	-3.8	0.0	0.0
Offsetting	-185.7	-178.8	-185.7	-178.8
<b>Deferred taxes (net)</b>	<b>186.8</b>	<b>151.1</b>	<b>70.5</b>	<b>71.7</b>

Deferred tax assets of € 8.8 million (prior year: € 14.0 million) were recognized for companies with tax loss carryforwards as they are expected to generate sufficient taxable income in the future.

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

in € million	Corporation taxes (German and foreign)		Local taxes (German and foreign)	
	2014	2013	2014	2013
Loss carryforwards by expiration date, unlimited	22.1	41.4	21.6	35.8
	<b>22.1</b>	<b>41.4</b>	<b>21.6</b>	<b>35.8</b>

No deferred tax liabilities were recognized for temporary differences of €103.4 million (prior year: €136.1 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 on non-cash income and expenses and items that are allocated to investing or financing activities. Certain other changes in amounts shown on the balance sheet are calculated and added to the result.

The cash flow from operating activities was €392.7 million, which was below the prior year figure of €472.2 million. In 2013, the cash flow from operating activities was increased, above all, by the inflow of cash and cash equivalents from drawing a contract performance guarantee in connection with the Walsum 10 power plant project.

### **(7.2) Cash flow from investing activities**

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

The total purchase price for shares in subsidiaries consolidated for the first time in the financial statements for the STEAG Group was €1.7 million in 2014 (prior year: €10.3 million). Of this amount, €1.7 million (prior year: €10.3 million) comprised cash outflows. The cash and cash equivalents acquired with subsidiaries consolidated for the first time amounted to €2.8 million in 2014 (prior year: €0.2 million).

Further, the cash outflows for investments in shareholdings mainly comprised the payment of the purchase price for the shares in Crucea Wind Farm S.A. (Romania) acquired in 2012 and contributions to the capital reserve of Arenales Solar PS, S.L. (Spain).

No material subsidiaries were divested in the fiscal year.

The cash outflow for securities, deposits and loans mainly related to the granting of a €150.0 million upstream loan to KSBG KG.

### **(7.3) Cash flow from financing activities**

In 2014, the cash flow from financing activities was dominated by bonded loans totaling EUR 400.0 million taken out by STEAG GmbH. €150.0 million of this was passed through to KSBG KG as an upstream loan, see Note (7.2).

The cash flow from financing activities was also influenced by project financing and repayment installments. The main borrowing and refinancing activities in fiscal 2014 were undertaken by Crucea Wind Farm S.A. (Romania), STEAG Windpark Ullersdorf GmbH & Co. KG (Germany), STEAG State Power Inc. (Philippines), Compania Electrica de Sochagota S.A.E.S.P. (Colombia), A4E2 SAS (France) and STEAG Rüzgar Süloglu Enerji Yatirim Üretim ve Ticaret AS (Turkey). In the previous year there was a sharp increase in financial debt, mainly because of a refinancing transaction at Iskenderum Enerji Üretim Ticaret A.S. (Turkey), and borrowings and repayments.

## (8) Other disclosures

### (8.1) Additional information on financial instruments

#### Net result from financial instruments

The income and expenses, gains and losses from financial instruments reflected in the income statement are reported as the net result for each of the valuation categories defined in IAS 39.

in €million	Result by valuation category				2014
	Available-for-sale assets	Loans and receivables	Held for trading (derivatives only)	Liabilities at amortized cost	
Result from disposals	0.1	-0.1	-	-	0.0
Valuation result	-	-	20.4	-	20.4
Impairment losses/reversal of impairment losses	-12.4	-49.1	-	-	-61.5
Interest result	0.2	7.8	-0.1	-42.2	-34.3
Income from other investments	5.2	-	-	-	5.2
Other financial result	-	-	9.4	-	9.4
	<b>-6.9</b>	<b>-41.4</b>	<b>29.7</b>	<b>-42.2</b>	<b>-60.8</b>

in €million	Result by valuation category				2013
	Available-for-sale assets	Loans and receivables	Held for trading (derivatives only)	Liabilities at amortized cost	
Result from disposals	-0.7	-0.1	-	-	-0.8
Valuation result	-	-	12.9	-	12.9
Impairment losses/reversal of impairment losses	-1.8	-3.8	-	-	-5.6
Net interest expense	0.7	7.8	0.0	-40.4	-31.9
Income from other investments	7.2	-	-	-	7.2
Other financial result	-	-	-4.4	-	-4.4
	<b>5.4</b>	<b>3.9</b>	<b>8.5</b>	<b>-40.4</b>	<b>-22.6</b>

In 2014, changes in the valuation of available-for-sale assets totaling minus €0.7 million (prior year: €0.2 million) were recognized in OCI and therefore did not impact the income statement. €0.3 million (prior year: minus €0.1 million) in gains or losses were reclassified from OCI to the income statement.

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

Interest income of €8.0 million (prior year: €8.5 million) and interest expense of €42.7 million (prior year: €23.0 million) relate to financial instruments in the category "held for trading".

Interest expense also includes interest expense for finance leases. The interest result does not include any interest income on the impaired portion of financial assets or trade accounts receivable.

### Carrying amounts and fair values of financial instruments

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

The following tables provide a reconciliation of the financial assets:

in €million	Result by valuation category				Dec. 31, 2014	
	Available-for-sale assets	Loans and receivables	Assets held for trading	Not allocated to any category	Carrying amount	Fair value
<b>Financial assets</b>	<b>66.3</b>	<b>320.6</b>	<b>282.6</b>	<b>741.1</b>	<b>1,410.6</b>	<b>2,153.6</b>
Other investments	46.3	-	-	-	46.3	-
Loans	-	175.2	-	-	175.2	250.5
Securities and similar rights	20.0	-	-	-	20.0	20.0
Receivables from finance leases	-	-	-	599.7	599.7	1,313.7
Receivables from derivatives	-	-	117.0	141.4	258.4	258.4
Other financial assets	-	145.4	165.6	-	311.0	311.0
<b>Trade accounts receivable</b>	-	<b>443.0</b>	-	-	<b>443.0</b>	<b>443.0</b>
<b>Cash and cash equivalents</b>	-	<b>686.9</b>	-	-	<b>686.9</b>	<b>686.9</b>
	<b>66.3</b>	<b>1,450.5</b>	<b>282.6</b>	<b>741.1</b>	<b>2,540.5</b>	<b>3,283.5</b>

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

The following tables provide a reconciliation of the financial liabilities:

in €million	Result by valuation category			Dec. 31, 2014	
	Liabilities held for trading	Liabilities at amortized cost	Not allocated to any category	Carrying amount	Fair value
<b>Financial liabilities</b>	<b>113.5</b>	<b>1,497.8</b>	<b>263.7</b>	<b>1,875.0</b>	<b>2,016.0</b>
Liabilities to banks	-	1,346.2	-	1,346.2	1,482.6
Loans from non-banks	-	48.0	-	48.0	48.4
Liabilities from finance leases	-	-	34.8	34.8	39.0
Liabilities from derivatives	113.5	-	204.2	317.7	317.7
Other financial liabilities	-	103.6	24.7	128.3	128.3
<b>Trade accounts payable</b>	-	<b>357.2</b>	-	<b>357.2</b>	<b>357.2</b>
	<b>113.5</b>	<b>1,855.0</b>	<b>263.7</b>	<b>2,232.2</b>	<b>2,373.2</b>

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

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

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

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

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

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

in €million	Fair value of financial instruments based on			Dec. 31, 2014
	Level 1	Level 2	Level 3	
<b>Financial assets</b>	<b>179.0</b>	<b>258.4</b>	<b>6.6</b>	<b>444.0</b>
Securities and similar rights	20.0	-	-	20.0
Receivables from derivatives	-	258.4	-	258.4
Other financial assets	159.0	-	6.6	165.6
<b>Financial liabilities</b>	<b>-</b>	<b>317.7</b>	<b>-</b>	<b>317.7</b>
Liabilities from derivatives	-	317.7	-	317.7

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

The fair values of options under energy contracts are determined using valuation models based on mathematical methods, on the basis of clean dark spreads. These are assigned to Level 3 in the above table.

A hypothetical reduction in power prices and thus in the clean dark spread of €0.10 per MWh leads to a €0.6 million (prior year: €0.8 million) reduction in the fair value. A hypothetical increase in power prices and thus in the clean dark spread of €0.10 per MWh leads to a €0.6 million (prior year: €0.8 million) increase in the fair value.



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

in € million	Recognized gross amount	Offsetting	Reported net amount	Corresponding non-offset amounts		Net amount Dec. 31, 2014
				Financial instruments	Cash collateral received/posted	
Derivatives (positive fair values)	258.4	-	258.4	-	-	258.4
Derivatives (negative fair values)	317.7	-	317.7	-	-89.7	228.0
Options (negative fair values)	6.6	-	6.6	-	-	6.6

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

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

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

in €million	Jan. 1, 2014	Changes			Dec. 31, 2014
		Recognized in the income statement	Recognized in OCI	Adjustments	
Other financial assets	-	6.3	-	0.3	6.6
Other financial liabilities	2.6	-	-	-2.6	0.0

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

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

in €million	2014	Thereof attributable to financial instruments still held on the reporting date	
		2014	2013
<b>Gains and losses, level 3</b>	<b>6.3</b>	<b>6.3</b>	<b>-8.7</b>
Other operating expenses	-3.1	-3.1	-4.3
Other financial income	9.4	9.4	1.3
Other financial expenses	-	-	-5.7

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

Non-current receivables are valued using a variety of parameters. Impairment losses are recognized for any expected defaults on receivables. Accordingly, the net carrying amount of these receivables basically corresponds to their fair value. For receivables and liabilities relating to finance leases, the fair value is the country-specific weighted average cost of capital before taxes. For liabilities to banks, loans from non-banks and non-current loans the fair value is determined as the present value of 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, loans, other financial assets and 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:

in € million	Fair value of financial instruments based on			Dec. 31, 2014
	Level 1	Level 2	Level 3	
<b>Financial assets</b>	<b>144.8</b>	<b>250.4</b>	<b>1,313.7</b>	<b>1,708.9</b>
Loans	-	250.4	-	250.4
Receivables from finance leases	-	-	1,313.7	1,313.7
Other financial assets	144.8	-	-	144.8
<b>Financial liabilities</b>	<b>-</b>	<b>1,556.3</b>	<b>39.0</b>	<b>1,595.3</b>
Liabilities to banks	-	1,482.6	-	1,482.6
Loans from non-banks	-	48.4	-	48.4
Liabilities from finance leases	-	-	39.0	39.0
Other financial liabilities	-	25.3	-	25.3

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

The significant unobservable inputs used to determine the fair value of receivables and liabilities from finance leases are as follows:

Significant unobservable inputs	Spread (weighted average)
Country-specific weighted average cost of capital (WACC)	6% - 9%

A higher (lower) weighted average cost of capital (WACC) before taxes decreases (increases) the fair value of receivables / liabilities from finance leases. A hypothetical shift in the country-specific WACC of 100 basis points decreases the fair values of receivables by 6 percent or increases it by 7 percent. A shift of 100 basis points in the country-specific WACC reduces the fair values of liabilities from finance leases by 3 percent or increases it by 4 percent.

### Notional value of derivatives

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

The notional value of derivatives comprises the following items:

in € million	Dec. 31, 2014		Dec. 31, 2013	
	Total	Thereof non-current	Total	Thereof non-current
Currency derivatives	1,229.5	341.0	1,148.9	335.2
Interest rate derivatives	847.4	800.1	513.3	472.9
Commodity derivatives	3,025.2	941.2	2,409.1	923.3
	<b>5,102.1</b>	<b>2,082.3</b>	<b>4,071.3</b>	<b>1,731.4</b>

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

### Financial risk management

Since it operates internationally, the STEAG Group is exposed to financial risks in the normal course of business. A major objective of corporate policy is to minimize the impact of market, liquidity and default risks 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 the fields in which it operates, the STEAG Group is exposed to constantly changing political, societal, demographic, legal and economic operating conditions. The resultant risks are addressed by monitoring and analyzing the entire operating environment and anticipating the associated market developments. The findings are used to systematically develop STEAG's portfolio in accordance with the strategy for the Group. That includes strategic and operational planning, preparations for investment decisions, monthly reporting and projections, and, from a certain level, immediate reporting of risks. The organizational units conduct an extensive annual inventory of opportunities and risks in connection with the mid-term planning process. All risks are systematically identified and documented and the probability of the risks occurring and the potential damage are evaluated.

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

Financial derivatives are used to reduce financial risks. They are entered into exclusively in connection with an underlying transaction (hedged item) relating to normal operating business, which provides a risk profile directly opposite to that of the hedge. The instruments used to manage exchange rate and interest rate risks are customary products found on the market such as forward exchange contracts and currency options, interest rate and currency swaps and interest rate caps. To hedge commodity risks arising from power, coal, freight and emissions 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 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 relate to both the sourcing of raw materials and the sale of end-products in currencies other than the functional currency of the company concerned. The aim of currency management is to protect the company's operating business from negative fluctuations in earnings and cash flows resulting from changes in exchange rates. Account is taken of the opposite effects arising from procurement and sales activities. The remaining currency risks to the STEAG Group chiefly relate to changes in the exchange rate of the euro versus the US dollar.

The aim of interest rate management is to protect net income from the effects of fluctuations in market interest rates. Interest rate risk is managed through primary and derivative financial instruments, especially interest rate swaps and interest rate caps. The aim is to achieve an appropriate ratio of fixed rates (with interest rates fixed for more than one year) and variable rates (terms of less than one year), taking costs and risks into account. Almost 96 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, 2014 (prior year: almost 99 percent).

Several scenario analyses were carried out to measure exchange rate and interest rate risk as at December 31, 2014. The table shows 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.

A change of 5 percent, 10 percent and 1 percent in the exchange rate of the US dollar, which is the most important currency for the STEAG Group, versus the euro was modeled to simulate the possible loss of value of primary and derivative financial instruments.

The results are summarized in the table:

in € million	Dec. 31, 2014		Dec. 31, 2013	
	Impact on result	OCI	Impact on result	OCI
+5%	-5.0	16.7	0.4	15.8
-5%	5.7	-16.3	-0.5	-16.0
+10%	-9.4	33.8	0.8	31.3
-10%	12.2	-32.0	-1.1	-32.4
+1%	-1.1	3.3	0.1	3.2
-1%	1.1	-3.3	-0.1	-3.2

Several scenarios were also simulated for interest rates. These analyzed shifts of 50, 100 and 150 basis points in interest rates or the interest rate curve. The changes modeled relate to the interest rate curves for all foreign currencies and for the euro. In this way, the possible loss of value of primary and derivative financial instruments is simulated. The results are shown in the table:

in € million	Dec. 31, 2014		Dec. 31, 2013*	
	Impact on result	OCI	Impact on result	OCI
+ 50 basis points	-0.1	24.2	-0.1	15.3
- 50 basis points	0.1	-23.0	0.1	-16.3
+ 100 basis points	-0.2	47.3	-0.1	29.9
- 100 basis points	0.3	-31.9	0.2	-33.3
+ 150 basis points	-0.3	69.3	-0.2	43.7
- 150 basis points	0.4	-33.0	0.3	-49.2

\* Prior-year figures restated

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 resulting from the marketing of the power generated by the Group's power plants comprises a change in the clean dark spread as a combination of the market price (electricity price less currency-adjusted costs for the procurement of coal and 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 the majority of financial derivatives must be connected with corresponding hedged transactions and the hedged items and hedging instruments must have opposite risk profiles.

To measure the market risk arising from commodity derivatives, the sensitivity of the fair value of these instruments to an increase or decrease of 1 percent in their market price was determined.

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

in € million	Dec. 31, 2014		Dec. 31, 2013		
	Impact on result	OCI	Impact on result	OCI	
<b>CDS trading</b>					
Power	+ 100 basis points	0.1	-7.3	0.0	-5.4
	- 100 basis points	-0.1	7.3	0.0	5.4
CO <sub>2</sub> allowances	+ 100 basis points	0.0	1.2	0.0	0.5
	- 100 basis points	0.0	-1.2	0.0	-0.5
Coal	+ 100 basis points	0.0	3.7	0.0	2.3
	- 100 basis points	0.0	-3.7	0.0	-2.3
<b>Other trading</b>					
Power	+ 100 basis points	0.0	-	-	-
	- 100 basis points	0.0	-	-	-
CO <sub>2</sub> allowances	+ 100 basis points	0.0	-	-	-
	- 100 basis points	0.0	-	-	-
Coal	+ 100 basis points	-0.2	0.2	0.0	-0.2
	- 100 basis points	0.2	-0.2	0.0	0.2

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

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

## Hedge Accounting

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

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

- Clean dark spread (CDS) trading

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

- Fuel for own use:

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

- Other trading:

The Group has long-term master agreements on the procurement and sale of imported coal, including the associated sea freight, and also utilizes short-time distribution opportunities. Where procurement and sale do not take place concurrently on the same price basis, price risks arise from the pending transactions. These risks are hedged using coal and freight swaps. Depending on the physical underlying transaction, they are accounted for either as cash flow hedges or as fair value hedges. In addition, to extend marketing activities, forward delivery of power and emissions allowances are bought and sold. The price risks are generally reduced by counter-transactions of the same volume or value.

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

(1) Cash flow hedge accounting

To hedge fuel trading, derivatives contracts with a fair value of minus € 1.2 million as at December 31, 2014 (prior year: minus € 0.1 million) were concluded. All of these expire in 2015.

In the area of CDS trading, there were commodity derivatives with a net fair value of minus € 7.9 million on the reporting date (prior year: € 9.8 million). Of these, derivatives with a fair value of € 1.6 million will expire in 2015.

Further, planned purchases of goods were hedged against exchange rate fluctuations via forward exchange contracts with a net value of € 35.6 million (prior year: minus € 7.0 million). Of these, derivatives with a fair value of € 22.6 million will expire in 2015. All other hedging instruments used for CDS trading are classified as non-current and have expiration dates between 2016 and 2017.



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

Interest payments relating to floating rate bonded loans to STEAG GmbH and the financing of power plant projects have been hedged up to 2031 via interest rate swaps and interest rate caps. Further, forward exchange contracts are used to hedge foreign power plant projects against exchange rate fluctuations. The designated interest rate derivatives had a negative fair value of €105.4 million (prior year: negative fair value of €69.4 million), and the currency derivatives had a negative fair value of €2.4 million (prior year: negative fair value of €0.3 million).

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

The option of hedge accounting provided for by IAS 39 prevents an accounting mismatch by ensuring that highly effective economic hedging relationships do not result in the recognition of 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 its expiration date.

The compensatory changes in the value of the hedged item and hedging instrument are shown in income as at the expiration date. If a hedging relationship is highly effective, it has no or only little impact on income.

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

A net hedging result of minus €11.7 million was reclassified from the reserve for changes in the fair value of hedging instruments to the income statement in 2014 (prior year: €0.3 million).

<b>in € million</b>	<b>2014</b>	<b>2013*</b>
Sales	38.7	13.7
Cost of materials	-32.5	-13.3
Other operating income	0.0	0.3
Interest expense	-17.9	-1.0
	<b>-11.7</b>	<b>-0.3</b>

\* Prior-year figures restated

No borrowing costs were reclassified and capitalized in the reporting period (prior year: €18.2 million).

(a) Fair value hedge accounting

Derivatives with a fair value of €6.1 million as at the reporting date were concluded to hedge fuel required for own use (prior year: €2.5 million). All of these expire in 2015. In the area of CDS trading, there were derivatives with a fair value of €17.5 million on the reporting date (prior year: €5.7 million). Of these, hedging instruments amounting to €5.3 million expire in 2015. All other hedging instruments have expiration dates between 2016 and 2018.

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

In the case of fair value hedges, both the derivative and the hedged underlying transaction are recognized in the income statement at fair value. A loss of €24.6 million was recorded for hedged underlying transactions in 2014 (prior year: €8.2 million), while a gain of €23.6 million was realized on the derivatives (prior year: gain of €8.2 million).

(c) Hedge of a net investment

Investments in power plant projects are hedged against currency risks on a rolling basis using currency derivatives. As at December 31, 2014, the outstanding contracts had a notional value of US\$ 116.0 million and expiration dates up to November 2016 (prior year: US\$ 126.3 million and expiration dates up to November 2015). These hedging instruments had a negative fair value of €5.3 million (prior year: positive fair value of €0.6 million). The reserve for gains/losses on hedging instruments amounted to €66.5 million on the reporting date (prior year: €73.8 million).

(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 a flexible range of corporate financing instruments to meet capital requirements for day-to-day business, investments and the repayment of financial debt. A key focus is optimizing net working capital.

The bonded loans taken out in 2014 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 consequence that the outstanding loans would be repayable immediately. That would reduce future interest payments but would also result in an immediate outflow of funds.

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 based on suitable risk management. Liquidity is pooled in a central cash management pool at STEAG GmbH where this makes economic sense and is legally permissible. Central liquidity risk management facilitates low-cost borrowing and advantageous offsetting of financial requirements. These measures ensure that the Group has sufficient liquidity to cover payments at all times. The liquidity risk of STEAG GmbH is classified as low.

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

in €million	Payments due in				Dec. 31, 2014
	up to 1 year	more than 1 to 3 years	more than 3 to 5 years	more than 5 years	
<b>Financial liabilities</b>	<b>338.4</b>	<b>329.2</b>	<b>338.5</b>	<b>698.1</b>	<b>1,704.2</b>
Liabilities to banks	220.4	303.8	324.0	637.2	1,485.4
Loans from non-banks	7.7	11.1	3.3	44.4	66.5
Liabilities from finance leases	7.3	14.3	11.2	15.9	48.7
Other financial liabilities	103.0	0.0	-	0.6	103.6
<b>Trade accounts payable</b>	<b>357.2</b>	-	-	-	<b>357.2</b>

in €million	Payments due in				Dec. 31, 2013
	up to 1 year	more than 1 - to 3 years	more than 3 to 5 years	more than 5 years	
<b>Financial liabilities</b>	<b>284.7</b>	<b>265.0</b>	<b>141.1</b>	<b>411.0</b>	<b>1,101.8</b>
Liabilities to banks	158.7	245.2	125.7	388.4	918.0
Loans from non-banks	8.4	5.5	0.7	0.5	15.1
Liabilities from finance leases	7.0	13.5	13.9	20.7	55.1
Other financial liabilities	110.6	0.8	0.8	1.4	113.6
<b>Trade accounts payable</b>	<b>278.0</b>	-	-	-	<b>278.0</b>

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

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

in €million	Payments due in				Dec. 31, 2014
	up to 1 year	more than 1 to - 3 years	more than 3 to 5 years	more than 5 years	
<b>Receivables from derivatives</b>	<b>1,049.9</b>	<b>517.5</b>	<b>4.3</b>	-	<b>1,571.7</b>
Currency derivatives	44.7	22.9	-	-	67.6
Cash inflows	495.3	262.8	-	-	758.1
Cash outflows	-450.6	-239.9	-	-	-690.5
Commodity derivatives	1,005.2	494.6	4.3	-	1,504.1
					-
<b>Liabilities from derivatives</b>	<b>-714.1</b>	<b>-255.2</b>	<b>-25.5</b>	<b>-33.2</b>	<b>-1,028.0</b>
Currency derivatives	-33.3	-8.1	-1.1	-	-42.5
Cash inflows	436.7	89.1	11.6	-	537.4
Cash outflows	-470.0	-97.2	-12.7	-	-579.9
Interest rate derivatives	-19.5	-34.1	-24.1	-33.2	-110.9
Commodity derivatives	-661.3	-213.0	-0.3	-	-874.6

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

### (c) Default risk

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

The debtor and creditor default risks are analyzed and monitored continuously with the aid of an internal limit system. The company's biggest foreign customers include state-owned corporations whose payment obligations are secured by state guarantees.

Political risk (country risk) is also taken into account in foreign investment and export orders so that the overall risk assessment takes account of both political and economic risk factors.

Wherever it makes sense, equity and debt are insured against political risks (expropriation, transfer risks, etc.). On the basis of this analysis, a maximum risk exposure limit is set for the contracting party. The credit standing of contracting parties is updated constantly via ratings or scoring processes.

In addition, a specific limit is set for financial and trading counterparties for each type of risk (money market, capital market and derivatives). Maximum limits for each contracting party are set on the basis of the creditworthiness analyses. These are predominantly based on the rating issued by international rating agencies and our own internal credit analyses. In the case of investments with banks, the bank's liable capital and insurance limits in the deposit insurance system are also taken into account.

## (8.2) Related parties

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

Related parties are KSBG KG and its shareholder Dortmunder Stadtwerke AG, 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	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Goods and services:										
supplied	0.1	0.1	3.4	0.2	8.4	5.1	20.5	19.2	6.0	36.3
sourced	-	-	2.7	4.6	0.1	1.0	-	-	0.0	7.2
Other income	2.0	0.4	0.4	0.3	5.3	5.8	0.6	0.0	-	0.0
Other expense	1.1	1.6	0.6	0.0	34.0	0.4	0.2	0.0	-	10.6
Receivables as at Dec. 31	167.2	21.7	13.9	3.9	0.8	27.3	1.3	1.6	-	14.5
Liabilities as at Dec. 31	86.0	96.0	1.2	0.6	5.9	6.3	0.2	-	-	0.6

The receivables from KSBG KG mainly comprise the upstream loan granted to this company, including capitalized interest of €151.9 million and the attributable taxes. On the reporting date, the liabilities to KSBG KG related to income tax allocations and the profit and loss transfer agreement.

As at December 31, 2014, uncollectable receivables from related parties were impaired in the amount of €33.3 million (prior year: €3.9 million). In 2014, these mainly related to a shareholder loan to Arenales Solar PS, S.L. (Spain).

Write-ups of €0.2 million (prior year: none) were made for receivables from related parties that were recognized as impaired in previous years.

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 members of their families. 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 Power Saar GmbH, STEAG New Energies GmbH and STEAG Technischer Service GmbH.

The supervisory boards of the subsidiaries STEAG Power Saar GmbH, STEAG New Energies GmbH and STEAG Technischer Service GmbH 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	
	2014	2013	2014	2013
Short-term remuneration	5.1	4.1	3.2	3.0
Current service cost for pensions and other post-employment benefits	0.8	0.6	0.4	0.4
Termination benefits	-	1.7	-	-

Short-term remuneration comprises both amounts not related to performance and short-term performance-related payments.

The present value of defined benefit obligations is €10.9 million for the Board of Management (prior year: €9.5 million) and €13.6 million (prior year: €8.6 million) for other management members.

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

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

### (8.3) Contingent liabilities and other financial commitments

Contingent liabilities were as follows on the reporting date:

in € million	Dec. 31, 2014	Dec. 31, 2013
Guarantee obligations	60.1	72.8
Obligations under warranties and indemnity agreements	151.4	112.2
	<b>211.5</b>	<b>185.0</b>

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

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

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

Other financial commitments are outlined below.

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

in € million	Dec. 31, 2014	Dec. 31, 2013
Due within 1 year	12.8	9.7
Due within 1-5 years	37.3	30.9
Due in more than 5 years	45.1	24.5
	<b>95.2</b>	<b>65.1</b>

There were no contingent rental payments in 2014 or the prior year.

Income from subleases of €0.5 million was recorded in 2014 (prior year: €0.5 million). Future income from subleases totals €1.8 million (prior year: €2.6 million).

A tax audit was conducted at Iskenderun Enerji Üretim ve Ticaret A.S. (Turkey) in the reporting period. The audit report and tax assessment were submitted to the company on January 27, 2015. The fiscal authorities in Turkey require a retroactive payment of €96.9 million, comprising tax claims of €35.3 million, fines of €48.8 million and interest of €12.8 million. There is a counter-claim to a refund of €2.4 million relating to overpayment of withholding tax. The fiscal authorities demand taxation of distributed profits that were previously tax-free. A further point of contention is whether the distribution of taxed income is subject to the tax rate under the double taxation agreement (up to 2010: 15 percent; since 2011: 5 percent) or the tax rate of 19.8 percent generally applicable for Iskenderun Enerji Üretim ve Ticaret A.S. (Turkey).

Based on all carefully examined documents, the management considers that the demands made by the fiscal authorities in Turkey are not justified and classifies the risk probability as low. The normal appeal procedure in the country has been initiated.

**(8.4) Events after the reporting date**

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

Essen, March 13, 2015  
**STEAG GmbH**  
**Board of Management**

Rumstadt

Baumgärtner

Dr. Cieslik

Geißler