ENERGIE STEIERMARK

BUSINESS REPORT 2020

CONSOLIDATED MANAGEMENT REPORT

FOR THE FINANCIAL YEAR 2020

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1 GENERAL ECONOMIC DEVELOPMENT

In the first half of 2020, the COVID-19 pandemic caused a dramatic collapse of the global economy. The containment measures were eased from May onwards, allowing for a recovery and strong growth in the third quarter. A second phase of economic and social containment measures instituted since October has once again flattened this recovery significantly. Due to the unclear course of the pandemic and the measures required to combat its progress, the forecasts provided by economic institutions regarding future developments are only very short-term and uncertain in nature.

In any case, the economic crisis will lead to a decline in global economic output (OECD area) of -5.4 percent in 2020 (after +1.7 percent in the previous year). A global economic growth rate of 5.5 percent is expected for 2021.

The collapse of the real GDP in the euro zone will amount to -7.5 percent in 2020. In 2021, the euro area is expected to grow by 4.8 percent.

For Austria, a decline in economic output of -7.3 percent is expected in 2020. The unemployment rate is expected to rise sharply from 7.4 percent in the previous year to 9.9 percent. From today's perspective, economic growth is expected to recover to 4.5 percent in 2021. Another lockdown would dampen GDP growth. The unemployment rate could decline to 9.3 percent.

Austria's inflation rate is projected to come in at 1.4 percent in 2020. A rate of 1.5 percent is expected for 2021.

Overall, the economic policy measures are resulting in a sharp increase in the budget deficit. The current comprehensive economic support measures could subsequently lead to a delayed wave of bankruptcies. In addition, the structural transformation triggered by the economic crisis is increasingly leading to permanent job losses.

2 ENERGY INDUSTRY ENVIRONMENT

The development of the Group's business is largely determined by the development of wholesale prices for electricity, gas and certificates, network tariffs, green electricity surcharges and energy efficiency measures, and weather conditions. The price of electricity and gas is influenced here by demand, decentralised generation and the development of global fuel/CO_2 markets.
In the case of electricity, crude oil, gas and coal, the price erosion within the already existing long-term downward trends intensified significantly due to the outbreak of the Covid-19 pandemic and the subsequent lockdowns. After the drastic price drops, which, with the exception of gas, lasted until the end of March, April or May (depending on the commodity), strong rallies ensued, which brought the most important primary energy sources for the European thermal power plants largely to or near the levels at the beginning of the year. As a result of this recovery in prices, the following commodities were listed at 31/12/2020 as follows: Coal front year API2 - USD 68,87/t vs. USD 62,00/t at year-end 2019, Brent crude oil - USD 51,34/bbl versus USD 64,97/bbl at year-end 2019, gas front year Net Connect Germany - EUR 17,03/MWh vs. EUR 17,10/MWh at year-end 2019. By far the strongest gains were recorded by emission certificates, which more than doubled from a low of EUR 15,30/t in March to a closing price of EUR 30,81/t. At the end of 2019, the price had been at EUR 25,08/t.

Power
Due to the lower consumption as a result of the March lockdowns, many thermal power plants were scaled back, which meant that the share of renewables within a more limited power plant supply was even more pronounced than usual. The average day-ahead price for electricity on the European spot market EPEX SPOT for the base load, which had been EUR 37,67/MWh in the previous year for the DE product, dropped to EUR 30,47/MWh as at 31/12/2020 for the DE contract.
The AT annual average price was EUR 33,14/MWh in 2020, compared to an average of EUR 40,06/MWh in 2019. The DE base futures for the years 2021 to 2023 were quoted at EUR 48,15/MWh, EUR 49,80/MWh and EUR 50,18/MWh on 31/12/2020, after closing at EUR 44,66/MWh, EUR 46,70/MWh and EUR 48,13/MWh at the end of the previous year. The progressive reduction of the thermal power plant fleet in Europe, the age-related increase in outages as well as the Go Green Policy and the weaker demand side lead to a reduction in supply. Underinvestment and the increasingly deteriorating financing conditions for coal, oil and gas projects are reflected in a lack of new projects as well as plant closures (power plants, wells,...), which translate into a lack of capacity on the supply side, leading to price increases when demand recovers.

Gas
The long-term downward trends of the NCG gas calendar year products described in last year's management report led to the fact that the rally countermovements in NCG Cal21 mentioned above did not set in until the beginning of August and, similar to coal API2, were significantly smaller than in the case of the other commodities mentioned. On the whole, the NCG Cal 22 remains range-bound between EUR 14/MWh and EUR 16/MWh. The contract closed at EUR 16,04/MWh on 31/12/2020 vs. EUR 18,08/MWh at the end of 2019. Storage levels in Europe at the end of 2020 were below the record storage year of 2019, but still above 2018 and 2017.

Heat
The European Union has created a roadmap for a sustainable EU economy with the Green Deal, in which it envisages Europe becoming the first climate-neutral continent in 2050. An important part of this Green Deal is the decarbonisation of the energy sector. In this context, the European Commission presented a draft of the 2030 Climate Target Plan, the aim of which being to reduce EU greenhouse gas emissions by "at least 55%" by 2030 compared to 1990 levels. Initiatives designed to contribute to

achieving the 55% target and also significantly affect the district heating sector include the planned "renovation wave" and the strengthening of the EU Emissions Trading Scheme (ETS).
The Austrian federal government still has a number of tasks to complete under valid EU directives (Renewable Energy Directive, Energy Efficiency Directive), which is set to impose numerous new obligations on the district heating industry. As of November 2020, there is only a draft law regarding the amendment of the Heating Costs Billing Act (HeizKG); there is no draft yet for the amendment to the Energy Efficiency Act.
In September, Federal Minister Gewessler presented a draft of the Renewable Energies Expansion Act (EAG). The district heating sector is only directly affected by the obligation to report a breakdown of the origin of the fuels used in the plants to E-Control once a year. The district heating industry is far more affected by the changes to the Heating and Cooling Pipeline Expansion Act (WKLG). In the future, applicants for funding would have to submit a conversion plan in which they would have to explain how a share of up to 80% renewable energy in the district heating supply can be achieved by 2030.

Grids

With the 2020 SNE-VO 2012 amendment (Ordinance on Use of System Charges) and the 2020 GSNE-VO 2011 amendment (Ordinance on Use of Gas System Charges), the system usage fees and the compensation payments for the electricity and gas network of the Energienetze Steiermark GmbH were determined for 2019. In accordance with EIWOG 2010 and GWG 2011, the Management Board of Energie-Control Austria (ECA) initially specified the cost basis, the objectives and the quantity structure in its notification. The system usage fees and the compensation payments are subsequently determined by E-Control's regulatory commission. For this purpose, the grid usage and grid loss charges for the Styrian grid, the recognised cost basis and the quantity structure of all grid operators (in the electricity segment with an annual sales volume of more than 50 GWh) are taken into account.
The Clean Energy Package (CEP) regulations for the design of the electricity market put customers at the centre of the energy transition and prepare the energy market for future challenges. Energy consumers and feeders (prosumers) should take an active role in the energy transition and benefit from a more digitalised and less centralised energy system. The EU's objective is to become the world leader in energy produced from renewable energy sources, with the switch to renewable energy sources being essentially in efforts to achieving carbon neutrality by 2050. The EAG, currently a draft law, will transpose the directive into national law.
In September 2020, the EAG package was sent for review by the Federal Ministry for Climate Action. The Renewable Energy Sources Expansion Act, the Green Electricity Act, the ElWOG and the Electricity Transmission Grid Act (StWG) are affected by the EAG package and include important matters such as having 100% of electricity supplied from renewable energy sources by 2030, renewable energy communities and citizen energy communities, simplified grid access for generation plants and the exemption from authorisation of medium-voltage transmission lines up to 45 kV according to the StWG. The network operators requested the necessary clarifications for practical suitability during the review. Unfortunately, contrary to what was announced in advance, the present EAG package lacks essential provisions required to mobilise renewable gases such as biomethane and hydrogen. The draft bill does not provide for regulations on developing the market or on preserving the gas infrastructure, which is so crucial for Austria's supply of industrial and indoor heating. Although the draft bill sets out tentative first steps towards a "green gas package", these cannot be assessed due to the lack of a complete package and are therefore to be rejected in their present, incomplete form. The industry therefore calls for a comprehensive "green gas package" to be taken up that enables both a rapid market build-up by means of a market premium model – in a similar vein to how green electricity was expanded – and an open technology solution for to have renewable gases used cost-effectively to supply industrial and indoor heating.
The new Network Codes (NC) issued by ENTSO-E and ACER aim to achieve an energy transition in Europe/Austria accompanied by a high level of security of supply in the future. These include a wide

range of adaptation and renewal requirements compared to the processes previously established with the network operators. In Austria, the specifics of how the NC will be designed is mainly carried out via the TOR (Technical and Organisational Regulations) in joint coordination between transmission system operators and distribution system operators as well as generators.

3 ECONOMIC DEVELOPMENT OF THE GROUP

Selected P&L, balance sheet and cash flow positions develop as follows in the 2020 financial year:

in EUR millions	Full year		Deviation	
	2020	**2019**	**absolute**	**%**
Sales revenues	1,584.9	1,373.0	211.9	15%
Cost of materials	-1,185.8	-938.2	-247.6	-26%
Operating result (EBIT)	73.5	123.0	-49.5	-40%
Result before income taxes	94.1	138.4	-44.4	-32%
Result after income taxes	66.7	99.4	-32.7	-33%
Equity	1,486.9	1,508.6	-21.8	-1%
Balance sheet total	3,063.8	3,058.4	5.4	0%
Net cash flow from ongoing operating activities	98.2	104.0	-5.9	-6%
Net cash flow resulting from investment activities	-91.7	-123.4	31.7	26%
Net cash flow resulting from financing activities	-7.4	3.7	-11.1	300%
Investments in property, plant and equipment	144.4	169.5	-25.1	-15%

In the 2020 financial year, the operating result (EBIT) was € 73.5 million, which is a decrease of € 49.5 million in comparison with the previous year.

Revenues mainly include energy revenues and grid revenues. Higher revenues in the electricity business were offset by a sharper rise in the cost of materials.
The coronavirus pandemic led to a drastic fall in market prices, which in turn had a negative impact on electricity contribution margins. Furthermore, the previous year included a roll-up of deferred income from previous years in the electricity grid area as a one-off effect.

In addition to sales revenues, changes in inventories, own work capitalised and other operating income also contributed to operating performance. Own work capitalised amounted to € 30.1 million in 2020 was above the level of the previous year. Other operating income amounts to € 12.3 million and decreases mainly due to a decline in third-party grants compared to 2019.

Personnel expenses in 2020 were € 5.9 million higher than in the previous year, mainly due to a higher number of employees and the wage rises under collective agreements.

Higher investments in the grid sector and the first full year of operation of the Murkraftwerk Graz resulted in higher levels of depreciation.

Other operating expenses are on a par with the previous year (€ 92.8 million) and mainly include third-party services.

In 2020, income from investments in associated companies mainly comprised income from Energie Graz GmbH & Co KG. The other result from shareholdings includes, among other things, the dividends from VERBUND Hydro Power GmbH and RAG-Beteiligungs-Aktiengesellschaft.

Overall, after taking into account the financial result and taxes, the consolidated net profit for 2020 amounted to € 66.7 million. Majority shareholders account for a result of € 65.6 million (previous year: € 98.2 million).

In 2020, investments in property, plant and equipment amounted to € 144.4 million. Investments in the energy grids and in renewable energies here are essential.

The following key figures were calculated for the 2020 financial year:

	Full year	
	2020	**2019**
EBITDA (EBIT + depreciation and amortisation) in € million	181.4	226.4
EBIT margin (EBIT/sales revenues)	4.6%	9.0%
Return on equity (taxed results/ø equity)	4.5%	6.6%
Capitalisation ratio (property, plant and equipment/balance sheet total)	50.0%	48.7%
Equity ratio (equity/total capital)	48.5%	49.3%

4 NON-FINANCIAL PERFORMANCE INDICATORS

Energy report

in GWh	Full year		Deviation	
	2020	**2019**	**absolute**	**%**
Sales				
Electrical energy				
Electricity sales on the customer market	**6,067**	5,915	152	3%
Portfolio and compensation energy sales	**13,294**	8,387	4,907	59%
Trading	**3,930**	2,569	1,361	53%
Total sales	**23,292**	16,871	6,421	38%
Gas energy				
Gas sales on the customer market	**3,277**	3,983	-706	-18%
Portfolio and compensation energy sales	**7,013**	4,404	2,609	59%
Trading	**3,969**	4,208	-239	-6%
Total sales	**14,260**	12,596	1,664	13%
Grids				
Electricity grid	**7,957**	8,278	-321	-4%
Gas network	**12,733**	13,511	-778	-6%
Heat				
Domestic heat sales	**1,487**	1,404	83	6%
Foreign heat sales	**570**	564	7	1%
Total sales	**2,057**	1,968	90	5%
Generation				
Electricity generation (including abroad)	**303**	265	38	14%

Electricity sales on the customer market increased compared to the previous year, which is mainly related to an increase in demand in the residential and small business segment. In contrast, the gas sector was unable to maintain the same level as in 2019 primarily due to decreased sales in the industrial segment.

Both portfolio and trading volumes are driven by market price volatility and can vary widely each year.

There was a minor change in the electricity grid compared with the previous year; the lower year-on-year sales volume in the gas grid is due to industrial-related demand fluctuations.

The higher level of heat sales results from different weather conditions compared to 2019.

The electricity is generated from hydropower (from the Murkraftwerk Graz) and from foreign investments, the amount of which is up from an annualised perspective.

- **Sales**

Energie Steiermark supplies electricity and gas via Energie Steiermark Kunden GmbH to the private customers, small businesses, agriculture, municipalities and small and medium-sized business customers segments, who have special labelling needs in particular. The COVID situation meant that there was little movement on the market in the reporting year. Prices were down at times, but the onslaught of low-priced offers from competitors didn't materialise. This resulted in the switching figures in the electricity segment remaining relatively constant. In the current year, the necessary steps were taken to develop a distribution partner network for private customers, small businesses and farms. The purpose of this new distribution channel is to lead to increased customer growth throughout Austria in the coming year, especially in the agricultural and small business sector. In the municipalities sector, all expiring contracts were successfully extended and some municipalities were also won back from competitors. In the business customer segment, it was possible to take advantage of the sharp drop in wholesale prices in the meantime to conclude large delivery volumes for the following years. Additional products in the area of e-mobility and photovoltaics support long-term customer loyalty. In the reporting year, there were COVID-related declines in sales in individual sectors, which were, however, kept low overall due to the fact that the customer portfolio was highly diversified across sectors.

- **Grids**

Energienetze Steiermark GmbH is an independent electricity grid and gas grid operator within the meaning of section 42(3) of the Electricity Industry and Organisation Act 2010 as amended (ElWOG) and section 106(1) of the Gas Industry Act 2011 as amended (GWG). Energienetze Steiermark GmbH operates its own electricity and gas transmission grids to distribute electricity and natural gas. The electricity grid covers a length of around 30,000 km in the high, medium and low voltage areas, while the natural gas grid covers around 4,100 km in the high and low pressure areas.

The new determination of the electricity grid fees (grid usage and grid losses) resulted in an average change in the electricity grid fees of +1.3 percent for Energienetze Steiermark GmbH as of 1 January 2020, with average grid usage fees increasing by +0.1 percent and average grid loss fees by +27.0 percent.

The revision of the gas grid fees resulted in a reduction of -0.1 percent for Energienetze Steiermark GmbH as of 1 January 2020, with an average reduction of +0.69 percent in grid level 2 and an average reduction of -1.08 percent in grid level 3.

In the electricity segment, the grid volumes sold from the electricity distribution grid in 2020 mainly related to Energienetze Steiermark GmbH with approx. 7,973 GWh and were -330 GWh below the previous year. This corresponds to a decrease of approximately -4.0 percent. The maximum grid load for 2020 was registered at 1,547 MW on 2 December 2020 and was thus +0.7 percent above the peak of 2019 at 1,536 MW. In the gas segment, the distributed natural gas volume for downstream grid operators and end customers amounted to 13,674 GWh in the year under review. This was a decrease of approximately -338.7 GWh or approx. -2.4 percent over the previous year.

The general situation for operations and disruptions in the supply area of Energienetze Steiermark was influenced by four extreme weather events (regionally unusual) in the period under review in 2020. In the first quarter of the reporting year, these were storm "Petra" (in the areas of Bruck an der Mur, Deutschlandsberg, Graz metropolitan area, Hartberg, Leibnitz, Leoben, Liezen, Mürzzuschlag, Voitsberg and Weiz) and storm "Sabine" in western Styria. In addition, storms and heavy rainfall in the summer in the areas of Graz, the Graz region and eastern Styria, as well as wet snow in December of the year under review in the areas of south-western Styria, the Graz region and Weiz had a noticeable impact on Energie Steiermark's operations and disruptions. Despite the above-mentioned events, the general incidence of disruptions in the supply area of Energienetze Steiermark in the observation period 2020 was, however, on a par with the average for the last few years.

- **Heating (excluding abroad)**

In 2020, 1,487 GWh was generated without disruption, with around 46.3 percent in the form of high-efficiency cogeneration heat, industrial waste heat and heat from biomass heating plants or thermal solar systems. The remaining amount was produced using natural gas, the most environmentally friendly fossil fuel. Flexible peak load coverage and failure reserves is technically feasible, economically justifiable and able to be implemented with as few pollutants as possible by using this energy source.
Energie Steiermark Wärme GmbH supplies about 13,700 heating customers heating networks in Styria. Sales in 2020 were focused on fleshing out existing district heating grids. In the year under review, the connected load of the customer systems was increased by around 1 percent through new contracts.

- **Generation**

Energie Steiermark Green Power GmbH is the generation company of Energie Steiermark AG and deals with power generation from renewable energies and resources management. On the one hand, the company operates its own generation plants and, on the other, it concentrates on energy efficiency and innovations. Customers benefit from services provided in the fields of hydroelectric power, wind power, photovoltaic, innovative projects, approval procedures and construction site coordination.

Abroad

Energie Steiermark AG has shareholdings in Slovakia (STEFE SK Group), the Czech Republic (Jihlavske Kotelny s.r.o.), Slovenia (Adriaplin d.o.o.) and Germany (E1 Energiemanagement GmbH), with the foreign countries being managed as a separate business field for the purpose of dedicated market development.
In the foreign markets relevant to Energie Steiermark AG, a drastic slump is also expected for 2020 due to the COVID-19 pandemic. In Slovakia and in the Czech Republic, a decline in GDP of around -5.9 percent and -5.6 percent, respectively, has been forecast. GDP in Slovenia is expected to fall by 2.6 percent. In Germany, the decline is expected to be -5.0 percent.

Sustainability

Energie Steiermark summarises all measures in a sustainability report, which is published every two years (most recently in the reporting year). It is part of transparency and fairness and documents the sustainable actions of the entire company and at the same time sets the sustainability goals for the coming years. Energie Steiermark is supported in this by what is called the Sustainability Advisory Board – a critical group of renowned stakeholders who provide the company with additional input and suggestions. As part of the Sustainability Report of Energie Steiermark, a materiality matrix was developed with the most important topics in the areas of companies and management, customers, environment and climate protection, employees, and social engagement. Topics were identified and evaluated at several levels: Stakeholders such as NGOs, political representatives and public authorities, experts and partner companies were involved through surveys and the regular "Green Round Table". External sources such as analyses by rating agencies, NGOs or research institutions were also taken into account. Several workshops and working groups with executives as well as experts of the company were held to collect, structure and prioritise the topics.

Fig.: Materiality Matrix of Energy Steiermark AG

sehr hoch	very high
Relevanz aus der Sicht der Anspruchsgruppen	Relevance from the perspective of stakeholders
hoch	high
Regionale Verantwortung als Investor, Arbeit- & Auftraggeber	Regional responsibility as an investor, employer and customer
Versorgungssicherheit Kundenorientierung Nachhaltige Energieerzeugung Energieeffizienz	Security of supply Customer orientation Sustainable energy production Energy Efficiency
Verantwortung in der Lieferkette	Responsibility in the supply chain
Luftemission Naturschutz & Artenvielfalt Informations- & Datensicherheit Arbeitszufriedenheit & Entwicklungsmöglichkeiten Bekämpfung Energiearmut	Air emissions Conservation & diversity Information and data security Job satisfaction and development opportunities Combating energy poverty
Umweltfreundliche Mobilität Intelligente Netze & Dezentrale Energieerzeugung	Environmentally friendly mobility Smart grids and decentralised energy production
Compliance & Korruptionsprävention	Compliance and preventing corruption
Arbeitssicherheit & Gesundheit	Occupational health and safety

Sponsoring und gesellschaftliches Engagement	Sponsorship and social commitment
Forschung & Innovation	Research and innovation
Bedeutung der ökonomischen, ökologischen und sozialen Auswirkungen der Energie Steiermark	Significance of the economic, environmental and social impact of Energie Steiermark
Unternehmen & Management	Company & Management
KundInnen	Customers
Umwelt & Klimaschutz	Environment & Climate Protection
MitarbeiterInnen	Employees
Dialog & gesellschaftliches Engagement	Dialogue & Social Commitment

Employees

Human Resources Management

The constant changes in the framework conditions of the energy industry and the increasing competitive and regulatory pressure require a flexible personnel policy more than ever.

The employees of Energie Steiermark are a central factor in the success of the company and form the basis of sustainable corporate success.
They jointly shape the energy future of our country in exciting fields of activity with innovative projects and lucrative development opportunities. The professional cooperation of managers at all levels is the fundamental prerequisite for achieving the ambitious strategic goals. All employees are called upon to play an active role, to help shape change and to tread new paths together with the company.

As an employer, Energie Steiermark is aware of its responsibility and not only fulfils its legally defined requirements, but also provides a range of voluntary benefits. Fundamental principles such as equal treatment, equal opportunities, personnel development and promotion, the compatibility of family and career, preventive health care, occupational health and safety shape the corporate culture.

The central focal points of human resources management in 2020 were human resources planning and development, human resources controlling, recruiting and junior staff development, human resources marketing and employer branding, labour and social law, fundamental issues of occupational health care as well as diversity and inclusion management.

Innovation and constant change are inextricably linked in the age of digitalisation, forcing a rethink in all work areas and processes. One of the primary objectives when it comes to HR is to prepare employees for the latest digital developments and skills on an ongoing basis, to design change processes efficiently and to implement them together with the acceptance of employees.

As regards HR policy today, it is important to challenge established concepts and to be open to new ideas and opportunities. On the one hand, HR management is faced with the tasks of replacing routine manual tasks with digitalisation processes and, on the other hand, ensuring high standards of data protection and IT security.

As part of a digitalisation strategy, experts from all areas of the company are working on ambitious projects to optimally implement and continuously develop digital solutions and transformation processes. Existing methods and instruments are further developed and perfected, and new tools are implemented.

Demographic change and the increasingly apparent shortage of junior staff also require long-term strategic personnel planning and safeguarding. Growing priority is therefore given to giving state-of-the-art training to apprentices of various professions in the company and will be further promoted.

Fresh commitment is brought into the company with the targeted recruitment of employees who think creatively, are willing to develop, able to teach themselves and are flexible, and resulting in a profitable mixture with the existing know-how.

Individual Framework Conditions

Another key area of concern for Energie Steiermark is ensuring a good balance between work and family life. The individual framework conditions offered correspond to those of a modern, efficient and visionary company. Energie Steiermark provides its employees with numerous instruments and opportunities to keep professional and private interests in balance. In this way, special needs of individual staff members can also be taken into account.

As such, employees can choose from a wide range of attractive working time models. In particular, women who return to work after maternity leave benefit from individual part-time models that go beyond what is required by law. The high flexibility of working hours brings significant benefits for both employees and the company.

The precautions put in place to contain the spread of COVID-19 included introducing an unrestricted possibility for all employees in the Group to work from home along with corresponding individual arrangements at short notice in coordination with the workers' representatives. The Group-wide availability of company/mobile phones and laptops has made it possible for all employees to switch quickly to working from home. In addition to providing the necessary security, this also increased flexibility – especially for those employees with family responsibilities.

Subsequently, Group-wide framework conditions for remote working were established, including in times of normal operations. These conditions include ensuring the voluntary nature of remote working on the part of both employees and employers, a cap for this amounting of 50% of working time, and the high degree of flexibility in respect of the location for remote working. This ensures a high degree of adaptability to operational circumstances or personal or family circumstances for the employees and for the employer.

A full-day company childcare service in the form of a crèche or kindergarten completes the offer for employees. The option of using decentralised workplaces close to home also continues to be utilised.

The company pension scheme in the form of a pension fund is an important component of the overall remuneration; it represents a stable pillar of old-age retirement and also contributes to the loyalty to the company.

High transparency of internal information

The COVID-19 pandemic means that 2020 was also characterised by ongoing information on the current COVID-19 situation as well as rules on hygiene and conduct being communicated via the intranet and email to each and every member of staff. These also included regular video messages from the Management Board or the COVID-19 crisis team, in addition to remarks on "virtual cooperation". Ensuring end-to-end transparency and regular updates were key issues.

Personnel Development

Technological achievements are fundamentally changing working and professional life as well as our society. The amount of information available is increasing and the growing dynamics of change pose a variety of challenges for companies and their employees. Energie Steiermark is facing up this change and focusing its strategic alignment on growth, innovation and digitalisation.

These developments were accelerated in 2020 by the coronavirus pandemic. Things that we inconceivable before quickly became reality: working from home, dealing with complexity, learning new media and programmes quickly, holding virtual meetings and working in geographically dispersed teams. Above all, skills such as flexibility, agility, goal orientation, digital skills, decision-making ability, resilience and leadership were the order of the day. A fundamental key to a successful digital transformation is LEARNING.

The annual employee appraisal is considered as a central development instrument which supports the employees on a need-oriented basis in their daily work and in future tasks.

On the one hand, the key tasks of strategic personnel development involve providing the best possible support for implementing the Group's overall strategy and, on the other hand, comprehensive support for the specific requirements of the respective business segments of Energie Steiermark. The comprehensive range of training and development offers covers everything from specialised training and courses on work methodology to targeted seminars to boost personal and social skills to comprehensive junior staff and management development programmes.

Systematic talent and generation management combined with structured knowledge transfer is a key success factor in securing the Group's key strategic business positions over the long term. On the one hand, this involves maintaining and further developing the necessary skills and abilities within the Group and, on the other, recognising the professional and personal development potential of skills and systematically building them up. Both individual development paths and target group-specific qualification programmes are intended to help prepare for successful, skills-based internal succession planning.

In the area of gender and diversity management, the initiatives already established for women in the Group were continued, the aim of these being to prepare women well for key positions by providing structured support in competence and personality development. Expertise on barrier-free communication and inclusive coexistence was also developed through workshops held in 2020 as part of the comprehensive inclusion strategy.

Cultural ambassadors have been established throughout the Group as contact persons to support the long-term development of corporate culture, to hone it in ongoing processes and adapt it to future challenges.

In addition to comprehensive development opportunities for a wide range of target groups within the company, strategic collaborations with schools, universities and universities of applied sciences are an important factor when it comes securing the long-term demand for qualified employees.

The coronavirus pandemic in 2020 meant that a large portion of the further education and training programme was moved online, new formats were developed and, in the period of time between lockdowns, the new e-campus was well utilised as a training and further education hub for all Energie Steiermark employees and apprentices. The SAP Success Factors performance and talent management software solution, with the LEARNING and RECRUITING modules implemented, also enabled effective and powerful people development processes in this year overshadowed by the coronavirus.

Focus on Young People

In December 2020, a total of 96 apprentices and qualified junior workers were being trained at Energie Steiermark in technical and commercial apprenticeship occupations. One specific goal of the annual hiring process for apprentices is to hire girls for technical professions. The objective of the training of these apprentices is to provide young people not only with a training but with an excellent technical know-how which prepares them best for later challenges in their future professional life. The quality of the apprentice training and the performance of apprentices was demonstrated once again in 2020 by the above-average exam results and several external awards.

In autumn 2019, Energie Steiermark opened a joint training and competence centre for all employees with an investment volume of approximately € 10.0 million at the Neuholdaugasse technical centre. In view of the expected age-related departures, this “E-Campus” training centre ensures that the next generation of skilled workers is guaranteed by taking on 40 percent more apprenticeships, thereby working to counteract a serious shortage of skilled workers. In its position as a reliable energy supplier, Energie Steiermark assumes the necessary responsibility for the future through the targeted promotion of our junior staff.

The integration and promotion of young employees are concerns of Energie Steiermark which go far beyond the training of the apprentices. Every year trainees from universities, technical colleges and secondary schools have the opportunity to familiarise themselves with a job in Energie Steiermark, enabling them to gain their first practical experience for their future everyday working life. At the same time, this offers the opportunity to position Energie Steiermark as an attractive employer.

Health and safety of employees

Energie Steiermark considers that it is one of its core duties to actively support its employees with a view to health promotion and to provide dedicated preventive measures.

A multifaceted occupational health care system with the support of company doctors, occupational psychologists and safety experts takes this endeavour into account and offers preventive measures that go far beyond the legal requirements.

Another important aspect is the avoidance of work-related accidents. The company ensures that both the legal requirements and internal guidelines for employee protection are strictly complied with. Reducing the number of accidents at work has top priority. Regular safety courses, targeted training and the constant improvement of safety standards raise the awareness of employees and actively help to prevent accidents.

Renewable Energy

Energie Steiermark AG is consequently oriented on the new needs of the market and positions itself as a modern service company. In generation, Energie Steiermark AG focuses on renewable energy from water, wind and sun. Special attention is given to the expansion of the energy services and the development of economic potentials of the regions in the field of renewable energy from wind.

Gössendorf and Kalsdorf Hydroelectric Power Plants
The Gössendorf and Kalsdorf hydroelectric power plants have supplied energy from regenerative hydroelectric power to the grid since 2012 and 2013, as planned. Verbund Hydro Power GmbH operates the power plants, which enjoy a high degree of acceptance among the population. Many people use the causeways and paths in their spare time.

Murkraftwerk Graz
The hydropower plant extends from the head of the reservoir near the Mur island in the city centre to the end of the underwater cavity on the southern edge of the city of Graz (Murfeld). This power plant in Graz ensures the generation of electricity directly at the centre of consumption and in compliance with the strictest ecological principles. The plant was commissioned in autumn 2019 and has since generated electricity for around 20,000 households. Completion is planned for the first half of 2021.

Gratkorn Hydroelectric Power Plant
The Gratkorn project is a cooperation project between Energie Steiermark Green Power GmbH and VERBUND Hydro Power GmbH. With a planned output of 11 MW and normal output capacity of 54 GWh, the project is located on the river Mur north of Graz between the power plant of Sappi Austria GmbH and the existing hydropower plant Weinzödl. The construction decision for the Gratkorn power plant was made in December 2020 and construction work will begin in 2021. The plant is scheduled for commissioning in 2024.

Leoben East power plant
The Leoben East power plant project is a cooperation project between Energie Steiermark Green Power GmbH and VERBUND Hydro Power GmbH. The project, with a planned capacity of 8 MW and a standard working capacity of around 40 GWh, is located on the River Mur in the urban area of Leoben between the existing Leoben power plant and the sewage treatment plant.

Other Hydroelectric Power Plants
In addition to the projects mentioned above, Energie Steiermark Green Power GmbH plans more hydroelectric power plants.

Freiländeralm Wind Park
The existing turbines have been feeding green electricity into the public grid since September 2014 and a fourth wind turbine installed during expansion work since 2018.

Handalm Wind Park
The West Styrian wind farm, consisting of 13 wind power plants with a capacity of 3 MWel/plant and an annual electricity production of approx. 76,000 MWh, was officially opened in October 2017 and since then the plants have been feeding renewable energy into the electricity grid.

Plankogel Wind Farm
The old turbine will be repowered with a Vestas V126 3.6 MW turbine. Work on the dismantling of the old facility as well as the construction work for paths, crane parking areas and foundations took place in summer 2020, and commissioning is scheduled for autumn 2021.

Stubalpe Wind Farm (Gaberl)
At the beginning of 2018, Energie Steiermark Green Power acquired a stake in Stubalm Windpark Penz GmbH, which aims to erect up to 18 wind turbines on Stubalpe in western Styria.

Other Wind Projects
In addition to the projects mentioned above, Energie Steiermark Green Power GmbH plans more wind power plants in Styria.

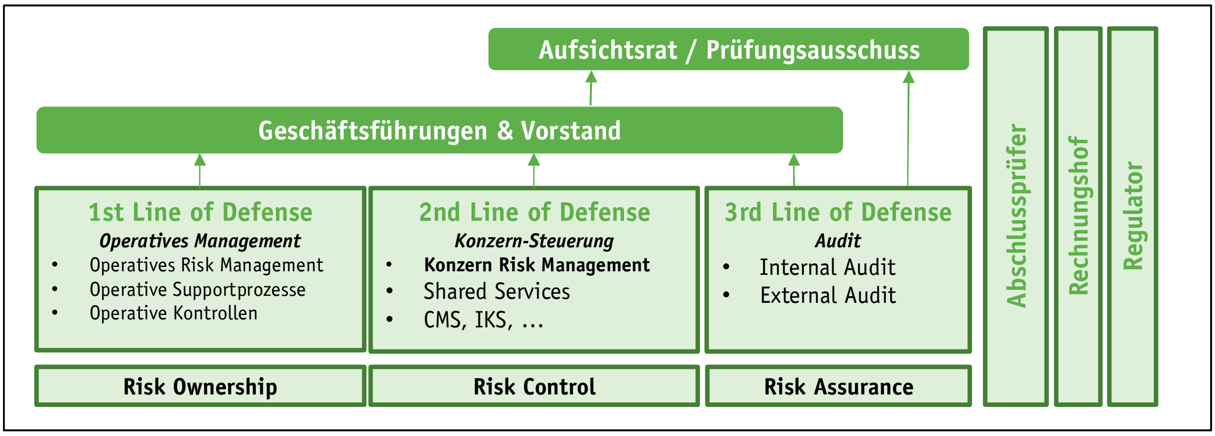
Photovoltaics
The PV open-space plant in Modriach has been feeding electrical energy into the grid since the end of March 2015. In 2020, an 800 kWp rooftop system was built in Peggau, with commissioning planned for January 2021. In line with the Group strategy, the focus for the coming years will also be on expanding free-standing photovoltaic systems.

Branches
Energie Steiermark AG does not have any registered branches.

5 RISK MANAGEMENT

Risk management system and risk management process

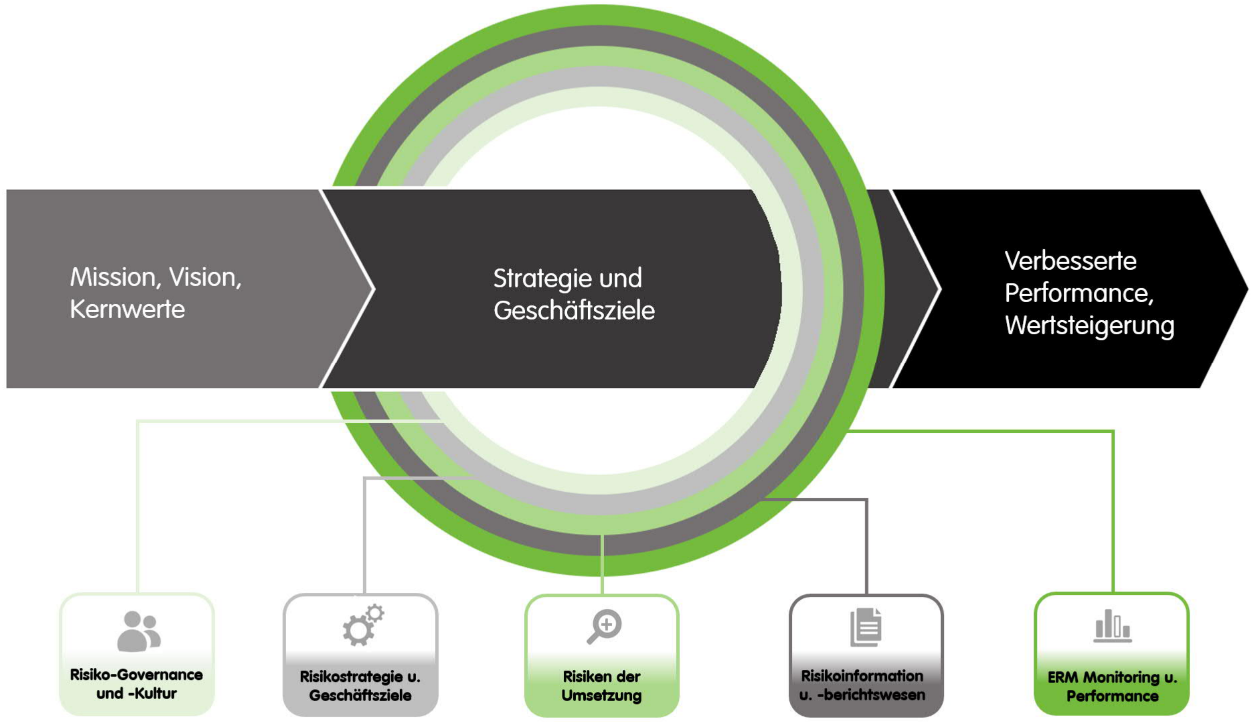
In line with its mission and its corporate strategy, Energie Steiermark pursues the objective of a sustainable company value increase. This long-term value creation through the systematic exploitation of opportunities at a tenable risk is inseparably linked to the corporate activity of Energie Steiermark for the benefit of its stakeholders. Thus, risks are generally defined and managed as being negative or positive deviations from company objectives. Recognising that target-oriented management of decisive opportunities and risks is a central component of all successful business activities, Energie Steiermark has operated a company-wide risk and opportunity management system as an integrated part of corporate decision-making processes for many years now. As part of its three lines of defence approach, all major risks are seamlessly coordinated between the operational business units and the crisis management, internal control system and compliance management functions, and audited by the company's internal audit department.



Enterprise risk management integration: the three lines of defence

Aufsichtsrat / Prüfungsausschluss	Supervisory Board / Audit Committee
Geschäftsführungen & Vorstand	Management and Management Board
Abschlussprüfer	Auditor
Rechnungshof	Court of Auditors
Regulator	Regulator
1st Line of Defense Operatives Management • Operatives Risk Management • Operative Supportprozesse • Operative Kontrollen	1st Line of Defense Operations Management • Operations Risk Management • Operations Support Processes Operations Controls
2nd Line of Defense Konzern-Steuerung • Konzern Risk Management • Shared Services • CMS, IKS, …	2nd Line of Defense Group Management • Group Risk Management • Shared Services CMS, ICS, …
3rd Line of Defense Audit • Internal Audit • External Audit	3rd Line of Defense Audit • Internal Audit External Audit
Risk Ownership	Risk Ownership
Risk Control	Risk Control
Risk Assurance	Risk Assurance

The company-wide risk management system was updated in accordance with COSO Enterprise Risk Management Framework 2017 in order to dovetail opportunities and risk aspects with strategy and performance to a greater extent and to effectively support and secure the achievement of strategic corporate goals by means of value-oriented corporate management.



COSO ERM 2017: Enterprise risk management is aligned with strategy and performance.

Mission, Vision, Kernwerte	Mission, vision, core values
Strategie und Geschäftsziele	Strategy and business targets
Verbesserte Performance, Wertsteigerung	Improved performance, added value
Risiko-Governance und –Kultur	Risk governance and culture
Risikostrategie u. Geschäftsziele	Risk strategy and business targets
Risiken der Umsetzung	Implementation risks
Risikoinformation u. –berichtswesen	Risk information and reporting
ERM Monitoring u. Performance	ERM monitoring and performance

In the risk management process, the risk inventory of all material risk positions of Energie Steiermark is updated and reported on a quarterly basis. In doing so, all existing and newly identified individual risks are analysed according to a standard method and quantitatively assessed by means of their potential financial effects and occurrence probabilities. After checking the most important individual risks and existing measures as well as the aggregated total risk position by taking corporate targets and risk strategy as a basis, where required, additional effective control measures are set according to cost-benefit criteria and monitored in the following. The entire risk management process is supported, illustrated and documented in audit proof manner and on an ongoing basis by means of a company-wide risk and opportunities management software. The risk management system is in accordance with the requirements of the international ISO 31000: Risk management for organisations and systems, implemented in full compliance with all legal requirements and corporate governance rules.

Risk Portfolio

Energie Steiermark has mapped its material risk positions in a risk portfolio in line with the corporate structure of a modern energy service provider.

<table>
<tr><th>GRID</th><th>PRODUCTION</th><th>SALES</th><th>GENERATION</th><th>HEATING</th><th>ABROAD</th></tr>
<tr><td>Regulatory Risks</td><td>Price volatility electricity, gas, certificates</td><td>Customer market risks</td><td>Subsidies for renewables</td><td>Heating degree days</td><td>Investment risks</td></tr>
<tr><td>Grid facility/grid operation/grid failure risks</td><td>Compliance and regulation</td><td>Market price risks Energy and services</td><td colspan="3">Equipment, operating and downtime risk</td></tr>
<tr><td colspan="2">Decentralised generation/feed-in</td><td>Competition and innovation risks</td><td>Levels of wind/sunlight</td><td>Generation/procurement risk</td><td>Regulatory Risks</td></tr>
<tr><td colspan="3">Credit and counterparty risks</td><td>Water supply</td><td>Heat sales risk</td><td>Country risks, political risk</td></tr>
<tr><td>Smart metering</td><td>Liquidity Risk</td><td>Digitalisation</td><td>Project development risks</td><td>Expansion of renewables</td><td>Governance, Compliance</td></tr>
<tr><td colspan="6">Environmental risks, sustainability risks, climate risks</td></tr>
<tr><th colspan="6">SHARED SERVICES</th></tr>
<tr><td>Balance sheet valuation risks</td><td>Rating change risk</td><td>Personnel cost risk</td><td>IT/OT operating risks</td><td>Material management risks</td><td>Organisational risks</td></tr>
<tr><td>Price risk for equities / social capital</td><td>Interest Rate Risk</td><td>Personnel development risks</td><td>Information security risks</td><td>Strategic risks</td><td>Process risks</td></tr>
<tr><td>Compliance and legal risks</td><td>Reputational risks</td><td>Counterparty/investment risks</td><td>Tax/duties risks</td><td>Investment risks</td><td>Governance, Compliance</td></tr>
</table>

Portfolio of substantial risks of Energie Steiermark in accordance with the company structure as a modern energy service provider

For the risk management, this structured risk map favours the reporting of a clear and transparent risk situation and thus a more efficient and effective management of the risk positions of the business segments and of the entire risk position of Energie Steiermark. The most important risk positions and measures are set out below.

Significant risks during the coronavirus crisis

During the coronavirus crisis, the goal of the risk management measures by the federal government was to minimise the health, social and economic damage caused by the SARS-CoV-2 pandemic, especially for vulnerable groups of people but also explicitly for system-relevant companies in supply-critical economic sectors such as Energie Steiermark. In the 2020 financial year, significant numbers of infections were successfully prevented in the company and it was possible to maintain supply in all key areas. The experienced crisis management team at Energie Steiermark managed the threat scenario of a pandemic caused by the COVID-19 outbreak in Austria in the best possible way with work that was both professional and forward-looking. In particular, it was ensured at an early stage that the threat situation for the company was correctly assessed, that the strategic overview was maintained and that all employees were protected through a variety of measures. The management organisation and internal communication remained intact, the exchange with other grid operators was fully functional at all times, and the supply of energy always guaranteed. Although Energie Steiermark did not have to declare a crisis, the consequences of the global coronavirus crisis and the subsequent preventive measures had a very real effect on the economy and Energie Steiermark will have to continue dealing with the serious impact on the overall economic and sector-specific development in the near future. The following main risk topics are presented, particularly with regard to the ongoing consequences of the coronavirus crisis.

Strategic Company Risks

Strategic risks such as trends in public opinion, changes in legal and regulatory frameworks and market rules, subsidy schemes for renewable energies as well as technological risks affect the medium-term development of the company as a whole and are managed in a structured strategy process and the business segment strategies derived from this. Strategic implementation projects are quantitatively mapped in the medium-term planning process from planning to implementation, and risks and opportunities are managed at the same time. In the revised strategy process, the impact of the COVID-19 pandemic on the business environment is explicitly taken into account, especially on the risk parameters for sales, turnover and default risks.

Market Risks

On the customer market, increased competition in the energy market from additional market participants constitutes a major risk with their own energy and system solutions, including smart metering and energy services. Increased willingness to change and increased expectations with regard to costs, performance, quality, service and sustainability as well as the trend towards digitalisation, individualisation and independence on the part of customers continue to fuel competition.

As a countermeasure, Energie Steiermark has competitively developed its sales as a modern energy service provider on an ongoing basis while maintaining traditional energy distribution work. In the field of energy efficiency, numerous energy efficiency products and services were designed and implemented (e.g. Energy Complete, E-Check, energy-saving shop, device replacement bonuses, contracting) as well as mobility solutions and other energy services. In the area of innovation and new business areas, the opportunities arising from digitalisation and disruptive technological developments are harnessed and implemented through the use of new products and services in order to be able to operate in a customer and market-oriented, economic and competitive manner in the future.

In the amount available for the energy business, the unutilised volumes had to be closed out at low market prices. The measures taken to limit volumes and prices for the customer portfolio for the purpose of risk mitigation have kept the financial damage within limits. Counterparty risks across all segments, which are reduced to the minimum required by operations through a stringent, rating-based limit system and standardised energy trading master agreements, including credit guarantees, did not become relevant in the 2020 financial year. For the planning period, non-payment risks are examined more closely and strictly limited to a minimum. Financial energy contracts with tight and daily verified and reported profit and loss as well as value-at-risk limits continue to be used on established electricity trading markets to a low extent for making profit.

Financial Risks

Liquidity, foreign exchange and interest rate change risks are combined in the central treasury and controlled based on the Group's targets and requirements and promptly reported. The most important proven elements of the financial risk management framework are limit systems, liquidity monitoring, sensitivity analyses and value-at-risk models. Derivative interest rate instruments are used only in combination with underlying transactions to fix the desired interest rates and financing structure. Counterparty risk in the field of cash investment at banks is managed to minimise risk within a strict limit system differentiated according to rating or balance sheet criteria. Through a counterparty diversification which is as wide as possible with investment grade ratings and through a conservative and risk-averse investment policy, the non-payment risk of financial counterparties in Energie

Steiermark is minimised, even under the more difficult framework conditions caused by the coronavirus crisis.

Regulatory Risks
A significant risk for the business conduct of Energie Steiermark is the regulatory planning uncertainty in connection with long-term regulatory system of electricity and gas as well as the shape of the energy market and grid design. In the regulated business area of energy networks, the most significant risk is a detrimental change in the regulatory system, including cost control by Energie-Control Austria (ECA). A regulatory change in the costs to be recognised for the operation of energy networks (OPEX) and the approved capitalisation of fixed assets (CAPEX) has a direct impact on the profitability of the grid segment. The active and creative participation of the managers and experts of the energy networks in the discussion and negotiation process with the ECA regarding the definition of the regulatory system minimises the uncertainties and risks here and ensures an acceptable return, as well as the best possible degree of coverage for additional costs attributable to the coronavirus within the applicable ECA regulatory system for network.

Valuation risks
Valuation risks for shareholdings of Energie Steiermark are mainly due to poorer planning assumptions regarding future business developments both in the regulated grid area and in the liberalised energy market. The most important measures to secure the value of the subsidiaries include having an appropriate, market-oriented corporate structure as a modern energy service provider, efficiency improvement programmes, a structured annual strategy process and the ongoing corporate culture project. Potentially significant valuation risks relate to the large affiliated companies, such as Energie Graz GmbH & Co KG, as well as to the large minority shareholdings, such as in VERBUND Hydro Power GmbH. These are minimised through timely and stringent monitoring by a central team responsible for managing investments. Despite the short-term negative effects of the COVID-19 pandemic so far, the investments have shown themselves to be resilient and valuable in a macroeconomic long-term view based on the current planning parameters.

Support Process Risks
The various operational risks of the centralised support processes and shared services in the areas of strategy and business development, communications, innovation management, internal audit, controlling, accounting, legal, IT and human resources are kept to a minimum by a high degree of organisation, qualitative development and standardisation of processes, company-wide standardised and integrated systems and uniform Group procedures.
The workload for the central IT division increased exponentially as a result of the coronavirus crisis with the sudden need for employees to work from home and the general progress of digitalisation in the company. The necessary licences as well as laptops and mobile phones for remote work (Citrix) had to be procured and set up for the staff at short notice. The availability and resilience of the remote working infrastructure has proven to be a key success factor in the current situation. The combination of a substantial rise in remote working and fewer available internal and external IT staff meant that all IT services were reviewed from the perspective of “remote working” and appropriate measures were taken. The rise of digitalisation in the company and decentralised working from home also means that the risk of IT downtime and cyber attacks are greater. The most important measure here is the information security management system (ISMS), certification for which was successfully re-obtained in accordance with ISO 27001 at the time of reporting. As part of this ISMS, information security, together with all technical and organisational components of IT, are maintained in accordance with the latest standards of technology, thereby sufficiently ruling out any risk of fault being attributable to the organisation.

Risks in the Business Environment

The grid company takes into account the risk of annual fluctuations in grid sales volumes in the regulatory system over the entire regulatory period. The coronavirus crisis led to there being significant decreases in grid sales volumes as a result of industry restrictions. These effects are taken into account in the valid ECA regulation, but are included in the Group result according to IFRS with an effect on profit and loss. The additional risk of fluctuations in the volume produced due to meteorological factors will continue to be borne by the company itself, or it will deliberately avoid taking costly hedging measures. For ensuring optimal supply security for customers, grid companies actively co-design the medium-term development of the grid tariffs as well as new strategic/technological topics, like the introduction of Smart Meter and Smart Grid, thanks to constructive collaboration with the regulatory authorities as well as active cooperation in the trade associations.
Appropriate adjustments to insurance were made for the grid segment and for the generation plants on the basis of quantitative risk analyses for event risks with significant negative effects. The in-depth work undertaken to prepare for the optimal management of unavoidable event risks, covering everything from damage limitation to the return to regular operations by the Group-wide crisis management, really paid off during the coronavirus crisis. Grid operations were kept fully functional throughout the COVID-19 pandemic.

Mandatory Project Risk Management for Investment Projects
As part of its corporate strategy, Energie Steiermark implements major investment projects, which are, naturally, associated with serious uncertainties. At Energie Steiermark, these are accompanied by proven project risk management. The objectives are to reliably recognise the decisive and significant project-specific opportunities and risks and/or to evaluate along strategic Group criteria, to determine a balanced and binding basis for planning investment decisions, taking risk and opportunity aspects into consideration, and to proactively control the project by specifying early measures which are appropriate to the corporate and risk strategy. In the 2020 financial year and in the planning period, high-risk projects were accordingly placed on hold, while projects with investment subsidies could be brought forward.

Overall Risk Position and Assessment
According to the basic principle of conducting a reliable and quantitative evaluation of circumstances carrying some degree of risk and prioritising measures from the perspective of a cost/benefit analysis, risk data must be correctly quantified and collected in a risk management system. This is especially true for rare events with widespread impact, such as the current COVID-19 pandemic. Conducting an objective assessment of the opportunity and risk landscape enables strategic risk-averse action to be taken, while at the same time taking advantage of opportunities stemming from factors currently driving positive development, such as supporting investments and expanding the production of renewable energy.
The risk environment of Energie Steiermark continues to be characterised by significant uncertainties, unknown factors and change trends that are difficult to assess. The full economic effects of the coronavirus crisis will only become apparent in the next few years, but growth is forecast again from 2021. Within these global framework conditions, the European and Austrian political direction with regard to a long-term climate, decarbonisation and energy policy provides the framework for the Energie Steiermark strategy. However, the legal, regulatory and technological framework conditions for this remain largely undefined. The future shape of subsidy regimes, especially for renewable energies, will remain very uncertain in the medium term. In the regulated grid sector, no improvement in the approved interest on capital employed in the current regulatory periods is to be expected in the current low-interest-rate environment, and further legislative and regulatory measures remain unclear.
As part of an uncertain global economic development, European energy markets will be affected by the flattening economic development. In conjunction with a renewed increase in energy consumption (among other things due to the long-term trends in e-mobility, digitalisation and electrification),

electricity prices are expected to continue rising in the medium-to-long term, accompanied by increasing volatility and distortions on the energy market.

The changed positioning of customers, producers and distributors in the energy market and the increasing decentralised feed-in of subsidised renewable energies in combination with the respectively applicable regulations make forecasts for future successful business models uncertain and risky. The unpredictable potential of advancing trends towards decentralisation, digitalisation and the incalculable consequences of potentially disruptive technologies in the energy industry exacerbate forecasting and planning uncertainty.

The far-reaching change in demand for energy supplies, feed-in and services is also the most important development opportunity for Energie Steiermark. Particularly in the household customers segment, there is considerable potential to be exploited and new business fields and models to be implemented that meet customer demand for automation, electrification, digitalisation and decentralised energy self-sufficiency on the basis of energy efficiency and renewable energies.

By providing relevant risk and opportunity information in a structured manner, Risk Management supports Energie Steiermark in its objective by improving its decision-making ability to assert itself from a sustainable overall risk position as a customer-oriented provider of green energy and services, economically and sustainably within the framework of the ongoing energy transition. With respect to the company’s equity, the occurrence of the total value-at-risk value would have only a minor effect on the equity ratio, which means that the total risk position of Energie Steiermark is to be considered as acceptable in any case.

The risk management system of Energie Steiermark did not identify any significant risks and uncertainties in the year under review that could have a lasting effect on the future of subsequent financial years for Energie Steiermark.

According to the Corporate Governance Code of Energie Steiermark, the functionality and effectiveness of the risk management system was confirmed by the group auditor.

6 RESEARCH, DEVELOPMENT AND INNOVATION

Subsidy Management

Energie Steiermark has a central competency centre for the topic of subsidies, which evaluates existing funding possibilities (EU, individual states, federal states, organisations, funds, etc.) in the context of segments within the Group and serves as a central contact partner and information hub.
As of 31 December 2020, a total of 33 projects with a focus on research and development were being actively handled in the company. Of these, 21 projects were carried out with research and development funding.

Innovative grid projects

The ongoing projects “Blockchain Grid” and “FeldBatt” were pursued further in the reporting year. The “Blockchain Grid” project has involved the blockchain being run in what is called a closed-loop operation since the beginning of November. The values pertaining to all participants are determined and stored in a blockchain. In the “FeldBatt” project, the protection and communication concept was completed, but economic simulations show that the project needs to be restructured. The “Clue” project, which investigates innovative solutions for Local Energy Communities, was launched. Work on constructing the battery and hydrogen storage facilities required for this has already begun. The “Pipesense” project, the aim of which was to conduct industrial research on creating an automated monitoring system for gas pipelines in the future, was completed. In the “LEC EvoLET” project, Energienetze Steiermark provides expertise on the topic of operating electricity and gas grids as well as feeding renewable gases into the gas grid, focusing on sector coupling and transmitting hydrogen in the gas grid. The aim of the “Renewable Gasfield” project is, on the one hand, to test and measure the addition of hydrogen to the natural gas grid and, on the other hand, to realise a showcase project on the topic of “Greening the Gas”. The project “MUKISANO – multisensor and AI-based self-positioning of multicopters for autonomous navigation to inspect buildings” was also launched.

Mobility

The “E-Mobility Master Plan” for the City of Graz has set itself the goal of determining which measures are needed to prepare the city for the anticipated arrival of e-mobility by the year 2030. The background for this master plan is the strategic objectives for achieving the climate targets (climate and energy strategy of the bmvit #mission2030) and the expected increase in the number of e-vehicles which will need to be charged in the future. The core work team consists of the City of Graz (Transport Planning, Urban Development Directorate and the Environmental Office), Holding Graz Linien, Energie Graz, Energie Steiermark, the Economic Chamber (Transport division), the Chamber of Workers (Energy division), Regionalmanagement Steirischer Zentralraum GmbH, and the Graz Energy Agency.
There are currently around 60 publicly accessible charging stations and 1,498 e-cars – also known as battery electric vehicles (BEVs) (as of December 2019, Statistics Austria) – in the Graz metropolitan area. Forecasts prepared as part of the e-mobility master plan show that there will be at least 32,376 BEVs in the city of Graz by 2030. The above figures show that there is an additional need for 96 publicly accessible charging stations (192 charging points) in 2021 and 312 charging stations (624 charging points) by 2030. This charging infrastructure should be created in semi-public and public spaces and not just to serve the expected fleet of e-cars. The expansion in the private sector (at home and in the workplace) must also be accelerated in order to help achieve overarching goals and strategic targets in the field of e-mobility.

Energy communities

With the aim of promoting decentralised energy production, reduced grid tariffs (local tariffs) for what are referred to as renewable energy communities can be expected when the Renewable Energy Expansion Act (EAG) comes into force. The aim of having local tariffs for such renewable energy communities is to make the local consumption of locally generated energy more economically feasible by taking into account the fact that the higher grid levels are used less. New business models for Energie Steiermark may come from combining renewable energy communities, citizen energy communities and P2P trading.

Electricity storage

The project “Electricity storage in agriculture and forestry” was jointly launched in 2020 in cooperation with the Styrian Chamber of Agriculture, E1 Wärme und Energie GmbH and Graz University of Technology. The agricultural sector in Styria offers great potential for generation and storage technologies. The aim of the demonstration project is to determine the possibilities of integrating storage technologies on agricultural and forestry farms in practical field trials. 10 different farms will be equipped with different storage systems (Li-ion, salt water, hydrogen, ice water and heat). From January 2021 to December 2022, the production and consumption of the farms will be measured in detail and analysed in cooperation with Graz University of Technology. This will provide valuable insights and recommendations on the correct use of storage technologies in agriculture and enable Energie Steiermark to position itself as a pioneer in storage technologies.

Innovation Management

Energie Steiermark AG operates a systematic innovation management system, which on the one hand acts as a driver for the continuous improvement process and incremental innovations (new products and services close to the core business) – on the other hand, through the incubator process “Next Incubator” (https://next-incubator.e-steiermark.com), in cooperation with startups, we also developed completely new radical business opportunities and prepared them for the operating business units. Current focus topics here are “life energy” (innovations in health, nutrition and lifestyle) as well as “energy internet” (digitalisation).

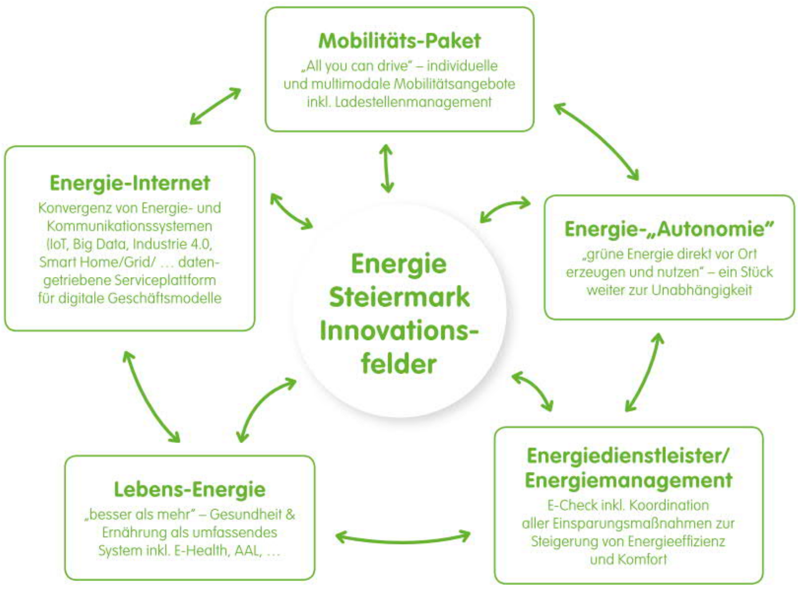


Fig: Strategic innovation fields of action

Mobilitäts-Paket	Mobility package

„All you can drive“ – individuelle und multimodale Mobilitätsangebote inkl. Ladestellenmanagement	“All you can drive” - individual and multimodal mobility offers incl. charging station management
Energie-„Autonomie“ „grüne Energie direkt vor Ort erzeugen und nutzen“ – ein Stück weiter zur Unabhängigkeit	Energy “autonomy” “Generate and use green energy directly on site” – a step closer to independence
Energiedienstleister/Energiemanagement E-Check inkl. Koordination aller Einsparungsmaßnahmen zur Steigerung von Energieeffizienz und Komfort	Energy service provider/energy management E-check incl. coordination of all saving measures to increase energy efficiency and comfort
Lebens-Energie „besser als mehr“ – Gesundheit & Ernährung als umfassendes System inkl. E-Health, AAL, …	Life energy “better than more” - health & nutrition as a comprehensive system incl. e-health, AAL, ...
Energie-Internet Konvergenz von Energie- und Kommunikationssystemen (IoT, Big Data, Industrie 4.0, Smart Home/Grid/ … datengetriebene Serviceplattform für digitale Geschäftsmodelle)	Energy Internet Convergence of energy and communication systems (IoT, Big Data, Industry 4.0, Smart Home/Grid/ ... data-driven service platform for digital business models)
Energie Steiermark Innovationsfelder	Energie Steiermark Fields of innovation

7 PROJECTIONS AND FUTURE OUTLOOK

In 2021, the euro zone is expected to grow by 4.8 percent. Austria will be slightly below this level at 4.5 percent. Furthermore, an uncertain development of the economic situation must be expected, depending on the duration and extent of the local restrictions, but also those in the surrounding neighbouring countries and the world as a whole. The looming wave of bankruptcies and the slow recovery of the economy will also have an impact on the development of electricity traders and grid operators in the coming year.

The challenges in the energy industry are increasing. After a massive economic downturn in 2020 due to the COVID-19 pandemic, the forecasts for 2021 point towards an increase in economic growth, although the medium-term consequences of the pandemic are still difficult to predict. The EU continues to maintain its energy management targets for 2021 and has set very ambitious targets for energy management for 2030. Energie Steiermark Business GmbH continues to focus on increasing the energy efficiency of its customers, which will also reduce industrial sales volumes in the long term.
The progressive electrification of mobility and heat has a compensatory effect. The regulatory framework conditions for the sales and trading business will also be tightened further due to various newly planned and/or already implemented laws and regulations – e.g. regarding financial market, expansion of renewables and energy efficiency. New providers, increased media presence of the "energy" topic as well as increased environmental awareness lead to more competition in the sales business. However, this also enables the development of new products, services and business opportunities, partly together with cooperation partners.

In the grid sector, both the future development and the company's success will be determined decisively by the regulative requirements of the regulatory authority and the overall economic development, against the backdrop of the COVID-10 pandemic and its influence on energy transfer to industry, trade, redistributors and private households. The current regulation system (4th regulation period incl. benchmarking) in the electricity sector will run until the end of 2023; in the gas sector, preparations are already starting for the new regulation period from 1 January 2023. The official decisions issued by ECA on the basis of the annual investigation procedure shape the current development of system usage fees, in particular since they determine the cost base, the fundamental regulation scheme for the annual development of the cost path as well as the benchmarking result (efficiency target). The grid usage fees in the Styria electricity grid sector will change by an average of +2.1 percent in 2021. The grid usage fees will increase by an average of +2.9 percent. Grid loss charges will reduce by an average of -11.4 percent. The gas segment will see an average tariff decrease of -1.94 percent in grid level 2 and, in grid level 3, an average tariff decrease of -0.67 percent.

Energienetze Steiermark GmbH is planning further investments in the electricity and gas grid in the coming years to maintain or further increase the security of supply. These include in particular continuing the selective cabling strategy and automation in the medium and low-voltage grid, the continued sharp rise in connecting decentralised solar and wind power generation plants to the grid, and the legally required roll-out of smart metering. Existing volumes in the general supply of gas are expected to stagnate in view of the current energy policy climate. The investment focus in 2021 in grid level 3 will therefore continue to be on expanding connections to flesh out the existing grid, on securing existing grid customers and on greening the natural gas product (greening the gas) by increasing the feed-in of renewable gases (biomethane/hydrogen).

As regards the production of heat, a slight increase in district heating sales is forecast for the next few years due to network densification, which will offset customer-side savings attributable to better

insulation, window replacement, etc. Heat sales to the largest customer, Energie Graz GmbH & Co KG, will increase moderately as a result of the planned densification of the Graz district heating network.
A further transition from fossil to renewable energy is planned in the decentralised district heating networks – in accordance with the approved strategy of Energie Steiermark Wärme GmbH –, a fact which is reflected, as already mentioned in the construction of two new existing biomass heating plants, and work to improve and increase the efficiency of two other ones. A “BioSolar Graz” concept is to be developed by autumn 2021 on the basis of a new feasibility study.

The main focus for generation in 2021 will be on the start of construction of the hydropower plants in Gratkorn and Leoben as well as the overall completion of the Mur power plant in Graz. At the Stubalpe wind farm, the proceedings at the Federal Administrative Court in Vienna must be awaited following the submission of complaints. In line with the Group strategy, the focus for the coming years will also be on expanding free-standing photovoltaic systems.

In order to continue to be able to meet business targets in sales and trade in the future, the current business segment strategy provides for two main strategic goals: the margin-optimised safeguarding of the existing business and the promotion of digital sales in new regions and new subject areas. Organic and acquisitive customer growth, the bundling of new products and services with energy, and the focus on customer centricity, sales excellence and sustainability are intended to safeguard the margin-optimised existing business. The acceleration of digital sales is planned by means of specialised Austria-wide B2C sales, by using the potential of smart meters, by indirect sales, by bundling the platform economy with energy, as well as by internationalisation and cross-industry collaborative work.

Also, the path to becoming a service provider will take an increasingly important role in the customer service segment. We work hard together with our clients on further developing digital contact channels and self-service portals using the methods of customer experience management. The introduction of smart meter technology for the metering process has been delayed, but continues to be a very important factor for the future process flows of Energie Steiermark Service GmbH. This means that call volumes are also expected to rise temporarily. An increase is also expected in the number of points of delivery to be serviced and the associated number of invoices to be issued as well as the number of contractual business transactions to be processed, in line with the planned development of our customers. Expanding operations by servicing other external customers is a permanent part of the company’s strategic thinking. This aspect has already become reality in some cases with a number of contracts being formed in the area of customer service, ASP billing and smart meters with external suppliers or redistributors in 2020.

Foreign market development is also heavily influenced by the coronavirus crisis, a crisis that has now hit the Eastern European countries harder than initially expected, ones which had previously enjoyed strong growth. While at the beginning of the pandemic it looked as if the region was coming through the crisis comparatively well, the picture has now changed. This is the conclusion of the latest economic forecast of the EBRD, the bank that promotes reconstruction and development in Eastern Europe. According to the forecast, the path back to pre-pandemic levels will be much longer.

The orientation toward a modern energy service provider caused a major change in thinking in the human resources management both in terms of organisation and structure. The conditions for human resource management needed to be adapted, new employees needed to be involved by dedicated recruiting. New, committed employees are needed to handle the many innovative business segments for the group to be able to master all current and future tasks. The E-Volution 2.0 project on corporate culture is in full swing. The aim is for people from the company to devote themselves even more intensively to the topics of managerial and employee development in order to anchor and strengthen corporate culture over the long term.

In total, it is expected that energy services and a comprehensive customer orientation and ecologisation will continue to gain in importance. The top priority is thus to optimise existing processes and also to comply with future trends by offering new concepts.

Graz, 18 February 2021

The Management Board

Dipl.-Ing. Christian Purrer

Dipl.-Ing. (FH) Mag. (FH) Martin Graf, MBA

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 DEZEMBER 2020
ACCORDING TO IFRS

CONTENTS

CONSOLIDATED PROFIT AND LOSS STATEMENT

	Notes	2020 K€	2019 K€
Sales revenues	**(1)**	**1,584,903**	**1,373,017**
Changes in inventories and own work capitalised	**(2)**	30,058	31,413
Other operating income	**(3)**	12,272	14,372
Cost of material and other purchased manufacturing services	**(4)**	-1,185,791	-938,219
Personnel costs	**(5)**	-167,259	-161,385
Amortisation and expenses from impairments of intangible assets and depreciation of tangible assets	**(6)**	-107,902	-103,440
Other operating expenses	**(7)**	-92,819	-92,763
Operating result		**73,463**	**122,995**
Other results from shareholdings	**(8)**	18,822	13,706
Financial income	**(9)**	2,990	3,072
Financial expenses	**(9)**	-9,693	-13,372
Financial result		**12,120**	**3,406**
Result from shares held in associated companies	**(10)**	8,479	12,044
Earnings before taxes		**94,062**	**138,444**
Income taxes	**(11)**	-27,389	-39,054
Consolidated net income		**66,672**	**99,390**
Of which:			
shareholders of the parent company		65,555	98,224
non-controlling interests		1,117	1,166
		66,672	**99,390**

CONSOLIDATED OTHER COMPREHENSIVE INCOME

	2020 K€	2019 K€
Consolidated net income	**66,672**	**99,390**
Items that will not be reclassified ("recycled") subsequently to the Profit and Loss Statement		
Revaluation of net debt from defined benefit obligations	4,779	-35,559
Deferred taxes on actuarial gains and losses from defined benefit obligations, recognised directly in equity	-1,195	8,890
Net change in the fair value of investments measured at fair value through equity	-134,135	207,509
Deferred taxes on value changes, offset directly against equity, resulting from the market evaluation investments measured at fair value through equity	33,534	-51,877
Other results from investments accounted for using the equity method (revaluation of net debt from defined benefit obligations)	1,175	-7,517
Sum of items that will not be subsequently reclassified (recycled) to the Profit and Loss Statement	**-95,842**	**121,446**
Items that will be reclassified (“recycled”) subsequently to the Profit and Loss Statement		
Market valuation of hedging instruments (cash flow hedges)		
Change not affecting the result	129,963	-144,295
Realisation affecting income	-40,071	-40,418
Deferred taxes on value changes of hedging instruments offset directly against equity	-22,473	46,178
Exchange rate differences resulting from the conversion of foreign businesses		
Change not affecting the result	-175	79
Realisation affecting income	0	0
Sum of items that will be reclassified (“recycled”) subsequently to the Profit and Loss Statement	**67,244**	**-138,455**
Total consolidated net income	**38,074**	**82,381**
Of which:		
shareholders of the parent company	37,043	81,176
non-controlling interests	1,031	1,205
	38,074	**82,381**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

K€	Share capital	Capital reserves	Accumulated results	Accumulated changes not affecting earnings	Capital attributable to the shareholders	Non-controlling interests	Total equity
Status as at 1.1.2019	**100,000**	**613,178**	**407,901**	**352,644**	**1,473,723**	**13,977**	**1,487,700**
Total of transactions with owners, recognised directly in equity	0	0	-61,802	0	-61,802	366	-61,437
Changes in the scope of consolidation	0	0	-135	0	-135	607	471
Capital increase	0	0	0	0	0	900	900
Dividends paid out	0	0	-61,667	0	-61,667	-1,141	-62,808
Total result	0	0	98,224	-17,048	81,176	1,205	82,381
Net income for the year	0	0	98,224	0	98,224	1,166	99,390
Other result	0	0	0	-17,048	-17,048	39	-17,009
Currency conversion	*0*	*0*	*0*	*40*	*40*	*39*	*79*
Actuarial gains/losses	*0*	*0*	*0*	*-35,559*	*-35,559*	*0*	*-35,559*
Change in hedging instruments	*0*	*0*	*0*	*-184,713*	*-184,713*	*0*	*-184,713*
Change in investments measured at fair value	*0*	*0*	*0*	*207,509*	*207,509*	*0*	*207,509*
Change in financial assets recognised at equity	*0*	*0*	*0*	*-7,517*	*-7,517*	*0*	*-7,517*
Taxes offset directly against equity	*0*	*0*	*0*	*3,191*	*3,191*	*0*	*3,191*
Status as at 31.12.2019	**100,000**	**613,178**	**444,323**	**335,596**	**1,493,097**	**15,547**	**1,508,644**
Total of transactions with owners, recognised directly in equity	0	0	-60,000	0	-60,000	147	-59,853
Changes in the scope of consolidation	0	0	0	0	0	1,152	1,152
Capital increase	0	0	0	0	0	100	100
Dividends paid out	0	0	-60,000	0	-60,000	-1,104	-61,104
Total result	0	0	65,555	-28,512	37,043	1,031	38,074
Net income for the year	0	0	65,555	0	65,555	1,117	66,672
Other result	0	0	0	-28,512	-28,512	-86	-28,598
Currency conversion	*0*	*0*	*0*	*-89*	*-89*	*-86*	*-175*
Actuarial gains/losses	*0*	*0*	*0*	*4,779*	*4,779*	*0*	*4,779*
Change in hedging instruments	*0*	*0*	*0*	*89,891*	*89,891*	*0*	*89,891*
Change in investments measured at fair value	*0*	*0*	*0*	*-134,135*	*-134,135*	*0*	*-134,135*
Change in financial assets recognised at equity	*0*	*0*	*0*	*1,175*	*1,175*	*0*	*1,175*
Taxes offset directly against equity	*0*	*0*	*0*	*9,866*	*9,866*	*0*	*9,866*
Status as at 31.12.2020	**100,000**	**613,178**	**449,878**	**307,083**	**1,470,140**	**16,726**	**1,486,865**

CONSOLIDATED BALANCE SHEET

	Notes	31/12/2020 K€	31/12/2019 K€
ASSETS			
Non-current assets			
Intangible assets	**(12)**	114,046	111,440
Property, plant and equipment	**(13)**	1,532,405	1,489,868
Financial investments recognised at equity	**(14)**	128,357	115,141
Financial assets	**(15)(33)**	781,089	891,773
Receivables and other assets	**(17)(33)**	2,633	3,147
Deferred tax assets	**(11)**	36,199	48,885
		2,594,728	**2,660,254**
Current assets			
Inventories	**(18)**	19,321	22,964
Contract assets	**(1)**	3,550	2,651
Financial assets	**(16)(33)**	89,794	58,004
Receivables and other assets	**(17)(33)**	246,942	204,180
Cash and cash equivalents	**(19)(33)**	109,426	110,358
		469,035	**398,157**
Total assets		**3,063,763**	**3,058,411**

	Notes	31/12/2020 K€	31/12/2019 K€
EQUITY			
Capital and reserves attributable to the shareholders of the parent company			
Share capital	**(20)**	100,000	100,000
Capital reserves	**(21)**	613,178	613,178
Accumulated results	**(22)**	449,878	444,323
Accumulated changes not affecting earnings	**(23)**	307,083	335,596
		1,470,140	**1,493,097**
Non-controlling interests	**(24)**	**16,726**	**15,547**
Total equity		**1,486,865**	**1,508,644**
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	**(25)(33)**	451,929	350,710
Non-current provisions and accruals	**(26)**	283,137	295,590
Deferred tax liabilities	**(11)**	137,666	157,169
Construction subsidies	**(28)**	205,545	189,090
Other non-current liabilities	**(31)(33)**	55,845	55,856
		1,134,122	**1,048,415**
Current liabilities			
Current financial liabilities	**(25)(33)**	30,444	75,176
Current provisions and accruals	**(27)**	53,230	53,802
Trade accounts payable	**(29)(33)**	154,805	142,988
Income tax liabilities	**(30)**	7,304	21,636
Contract liabilities	**(1)**	1,684	1,830
Other current liabilities and accruals/deferrals	**(32)(33)**	195,309	205,919
		442,775	**501,351**
Total liabilities		**1,576,898**	**1,549,767**
Total equity and liabilities		**3,063,763**	**3,058,411**

CONSOLIDATED CASH FLOW STATEMENT

		2020 K€	2019 K€
	Net cash flow from ongoing operating activities		
	Earnings before taxes	94,062	138,444
+	Depreciation (- appreciation) of intangible assets and Property, plant and equipment	107,822	103,359
-	Unrealised gains (+ losses) from financial assets and Liabilities	-306	-965
-	Reversal of building cost and investment subsidies	-17,595	-15,579
-	Gains (+ losses) from the disposal of non-current assets	-20	-559
±	Pro rata results exceeding distribution recognised at equity (incl. impairment losses)	-6,812	-10,606
-	Change in non-current provisions and accruals	-12,684	-15,428
±	Interest result recognised in profit or loss	5,403	6,142
-	Income from financial investments recognised in profit or loss	-19,967	-14,603
±	Other non-cash expenses/income	-57	10
	Net cash flow from the result	**149,846**	**190,215**
-	Increase (+ decrease) from inventories incl. payments made on account	3,672	2,685
+	Increase (- decrease) from payments received on account	3,033	-2,411
-	Increase (+ decrease) from receivables and other assets	-41,797	80,326
+	Increase (- decrease) from current provisions and accrued Liabilities	4,419	1,793
+	Increase (- decrease) from trade accounts payable and other liabilities	16,856	-145,952
	Cash flow from ongoing operating activities	**136,030**	**126,656**
-	Interest paid	-7,686	-8,671
-	Income taxes paid	-30,186	-13,947
	Net cash flow from ongoing operating activities	**98,157**	**104,038**

		2020 K€	2019 K€
	Net cash flow resulting from investment activities		
+	Payments received from the disposal of intangible assets and tangible assets	2,407	2,290
+	Payments received from the disposal of financial assets	3,128	3,209
+	Payments from building cost and investment subsidies	37,163	39,273
-	Payments made for investments in intangible assets and Property, plant and equipment	-152,192	-176,899
-	Payments made for investments in financial assets	-116	-5,316
+	Payments received from the disposal of business units	1,063	0
-	Payments made for the acquisition of business units less liquid assets acquired	-5,415	-3,122
+	Interest received	2,298	2,600
+	Dividends received	19,967	14,603
	Net cash flow resulting from investment activities	**-91,697**	**-123,360**
	Net cash flow resulting from financing activities		
+	Payments received from shareholder grants	0	900
-	Distribution to shareholders (profit distribution)	-60,000	-61,667
-	Distribution to non-controlling interests	-1,104	-1,141
+	Raising of bonds, loans and credits	125,832	138,831
-	Repayment of bonds, loans and credits	-69,927	-71,383
-	Repayment of lease liabilities	-2,173	-1,854
	Net cash flow resulting from financing activities	**-7,372**	**3,686**
	Cash flow		
±	Net cash flow from ongoing operating activities	98,157	104,038
±	Net cash flow resulting from investment activities	-91,697	-123,360
±	Net cash flow resulting from financing activities	-7,372	3,686
	Cash-effective net change in cash and cash equivalents	**-912**	**-15,637**
±	Exchange rate related and other value changes to cash and cash equivalents	-19	14
+	Cash and cash equivalents at the start of the period	110,358	125,981
	Cash and cash equivalents at the end of the period	**109,426**	**110,358**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1 GENERAL NOTES

Energie Steiermark AG ("Energie Steiermark" or "the company") – a stock corporation – is headquartered in Graz and registered at the Graz Commercial Court for Civil Matters under company registration number FN 148124 f. Energie Steiermark AG is located at Leonhardgürtel 10, 8010 Graz, Austria. The corporate purpose of Energie Steiermark mainly comprises the acquisition, management and sale of shareholdings in companies in the energy industry which are active in the fields of generation, distribution and sale of energy and energy-related services. As the Group's ultimate parent company, Energie Steiermark is obliged to prepare the Consolidated Financial Statements. On the balance sheet date, Energie Steiermark shares are held as follows: Land Steiermark (federal state of Styria) 75% (less 150 shares) and S.E.U. Holdings S.à r.l. 25% (plus 150 shares). The financial year of Energie Steiermark coincides with the calendar year.

At present, the Energie Steiermark Group mainly operates in the following segments:
generation of renewable energy; distribution of electricity, gas and heating; sale of and trade in electricity, gas, heat and energy-related certificates; design, set-up, operation and maintenance of energy installations as well as innovative energy services.

As of the date of the preparation of the consolidated financial statements, no material adverse effects on future business performance or customer payment behaviour due to the COVID-19 pandemic had been identified.

2 BASIS OF PREPARATION

The Consolidated Financial Statements of Energie Steiermark for the year ending 31 December 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), to be obligatorily applied at the balance sheet date, and the interpretations published by the International Financial Reporting Interpretations Committee (IFRIC). The Consolidated Financial Statements are in line with the EU Directives on group accounting. This means that only those standards which the Commission had adopted in applicable EU law by endorsement have been implemented. In accordance with Section 245a of the UGB (Austrian Business Code), the present Consolidated Financial Statements are exempting financial statements.

For more clarity, some report items in the Consolidated Balance Sheet, the Consolidated Profit and Loss Statement, the Consolidated Cash Flow Statement and the Statement of Changes in Consolidated Equity have been combined in conformity with the materiality principle; these items are discussed in the Notes. Moreover, all amounts are stated in thousand euro (K€) for the purpose of clarity. This also applies to the amounts of the previous year. Commercial rounding of individual items and percentage figures may result in minor calculation differences.

The Group's accounting and valuation meet uniform criteria. As a rule, the principle of historical cost is used, restricted by the fair value of available-for-sale financial assets and the measurement in profit or loss of financial assets and liabilities (including derivative financial instruments) at fair value. These Consolidated Financial Statements have been prepared based on the going concern principle.

The Energie Steiermark Group does not disclose segment information in accordance with IFRS 8.

As a principle, all financial statements are prepared as of the Group's balance sheet date. Differently to the Group's balance sheet date, Feistritzwerke-STEWEAG GmbH, which is included in the Consolidated Financial Statements under the equity method, uses a balance sheet date of 30 June. The proportionate result is included in the Consolidated Financial Statements on the basis of the interim financial statements prepared as of 31 December 2020.

Apart from the amendments described below, these Consolidated Financial Statements are subject to the same accounting and valuation methods which were applied in the preparation of the Consolidated Financial Statements for the 2019 financial year.

The following revised IFRS/IFRIC were applied obligatorily in the 2020 financial year, in addition to the standards and interpretations which needed to be applied as of 31 December 2019:

Amended standards and interpretations applied obligatorily for the first time in the 2020 financial year

Amended standards/interpretations		**applicable from [1)]**
IAS 1 and IAS 8	Amendments to IAS 1 and IAS 8 – Definition of Materiality	1. January 2020
IFRS 3	Amendments to IFRS 3 "Business Combinations" – Definition of a Business Operation	1. January 2020
IFRS 9, IAS 39 and IFRS 7	Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform	1. January 2020
IFRS 16	Amendments to IFRS 16 "Leases" – COVID-19 related rental concessions	1. January 2020
Framework concept	Amendments to various standards through references to the new conceptual framework	1. January 2020

1) According to the Official Journal of the EU, the standards are applicable for each financial year commencing on or after the date the standard comes into force.

The amendments to **IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** create a uniform and more precise definition of the materiality of financial statement information in IFRS. "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." Clarifications are also provided on the definition of "material" and on the newly introduced concept of "obscuring" of information.

The amendment to **IFRS 3 "Business Combinations"** clarifies that a business operation is a group of activities and assets that includes at least one input and a substantial process that together contribute significantly to the entity's ability to produce output. Furthermore, with regard to output, the focus is now on the provision of goods and services to customers; the reference to cost reductions no longer applies.

The **amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** are the IASB's response to the existing uncertainties connected to the IBOR reform. The proposed amendments relate to a certain set of hedge accounting rules and are intended to ensure that hedge accounting is continued as is the case now.

The main changes proposed are as follows:

- Amendment of certain hedge accounting rules so that undertakings apply these hedge accounting rules on the assumption that the interest rate benchmark on which the hedged cash flows and the cash flows from the hedging instrument are based is not changed by the interest rate benchmark reform;
- Requirement that specific disclosures about the extent to which the hedging relationships of undertakings are affected by the proposed amendments; and
- Requirement that the amendments be applied on a mandatory basis.

The coronavirus pandemic (COVID-19) means that lessees are granted rent concessions in some cases. These concessions can take various forms and include the suspension or deferral of lease payments. The **amendment to IFRS 16 "Leases"** gives lessees an option to simplify the accounting for concessions, such as deferral of rental payments or rental discounts, granted in connection with the outbreak of the coronavirus pandemic.

On the one hand, the **conceptual framework** serves the IASB in the development of accounting standards. On the other hand, it helps entities clarify accounting issues that are not directly regulated in IFRS. Ultimately, it should also help all other interested parties to better understand IFRS.

The conceptual framework consists of a new section entitled "Status and purpose of the conceptual framework" and now eight full sections. The sections entitled "The reporting entity" and "Presentation and disclosure" are now included; "Derecognition" has been added to the "Recognition" section. In addition, contents were changed: for example, the distinction between "income" and "revenues" on the one hand and "gains" on the other was abandoned.

The first-time adoption of the amended standards and interpretations above will not have a material effect on the Consolidated Financial Statements of Energie Steiermark AG.

With regard to the standards and interpretations adopted by the IASB, which are not yet mandatory for the 2020 financial year, see Note 10 "New standards that have not yet been applied".

3 SCOPE OF CONSOLIDATION

The Consolidated Financial Statements include all domestic and foreign entities in which Energie Steiermark holds, directly or indirectly, the majority of the voting rights or which are controlled by the company. Control exists when the company is exposed to variable returns from its investment and has the ability to affect those returns through its power.

The scope of consolidation is determined pursuant to the principles of IFRS 10, which includes a uniform definition of "control", thus governing the prerequisites under which companies are to be included in the consolidated financial statements by way of full consolidation. Besides Energie Steiermark AG as the parent company, the Consolidated Financial Statements include a total of 19 domestic (previous year: 18) and 11 foreign subsidiaries (previous year: 11) as fully consolidated companies. Thirteen (previous year: ten) associated companies were shown in the balance sheet using the equity method.

The financial statements of domestic and foreign subsidiaries included in the consolidation have been prepared according to uniform accounting and valuation methods (see Note (9) "Significant Accounting Policies").

According to the materiality principle, shares in an affiliated or associated entity are not included if such company is of subordinate significance. The balance sheet total, the sum of the pro rata equity capital as well as the sales revenues and the operating result of the subsidiary in relation to the consolidated total are used for the assessment thereof. Companies included in the scope of consolidation based on these criteria represent over 99.9 percent of the respective total. One (previous year: one) associated company was not consolidated because of its minor significance for the asset, financial and earnings position of the Group.

An overview of the companies included in the Consolidated Financial Statements is given in the table "Group Companies" in Note (8).

CHANGES IN THE SCOPE OF CONSOLIDATION

During the financial year, the scope of consolidation changed as follows:

Changes in the scope of consolidation

	Full consolidation	Equity measurement
As at 31.12.2019	29	10
Acquisition of companies/first-time consolidation	0	3
Increase in shareholding	1	0
Disposals/deconsolidation	0	0
As at 31.12.2020	30	13
Of which foreign companies	11	3

Acquisition of companies/first-time consolidation

Energie Steiermark AG acquired 34% of the shares in Stadtwerke Bruck an der Mur GmbH (STB) for K€ 4,650 by way of a purchase and assignment agreement dated 1 October 2019. The business purpose of STB is to supply electricity. STB and its subsidiary Brucker Kraftwerks-, Bau-, und Betriebs GmbH were consolidated for the first time using the equity method in March 2020. The acquisition of this share results in a goodwill of K€ 3,222 which is included in the carrying amount of the companies accounted for using the equity method.

Following the intra-Group transfer of 25.1% of the shares in IBIOLA Mobility Solutions GmbH from Next Vertriebs- und Handels GmbH to Energie Steiermark Kunden GmbH, Energie Steiermark Kunden GmbH acquired a further 50% of the shares in IBIOLA Mobility Solutions GmbH for K€ 490 by way of an assignment agreement dated 17 August 2020. Inclusion in the Consolidated Financial Statements of Energie Steiermark AG took place on 31 December 2020, retroactively as at 1 January 2020. Goodwill amounting to K€ 687 arose from the first-time consolidation.

Energie Steiermark Kunden GmbH acquired 25.1% of the shares in eAHL AbHofLaden GmbH (eAHL) in the course of a cash capital increase in the amount of K€ 275 when this was entered in the register of companies on 27 August 2020. The business purpose of eAHL is to provide web and mobile services. The company was included in the scope of the consolidated financial statements of Energie Steiermark AG using the equity method for the first time in December 2020. The acquisition of this share results in a goodwill of K€ 186 which is included in the carrying amount of the companies accounted for using the equity method.

The acquisition of companies and the first-time consolidation associated therewith had the following effects on the Consolidated Balance Sheet:

Effect of the Company Acquisition **K€**

	Fair value at the date of acquisition	Carrying amounts directly before the business combination
Non-current assets	305	38
Current assets	251	251
Non-current liabilities	76	10
Current liabilities	123	123

The effect of the company acquisitions on the Consolidated Profit and Loss Statement is of minor significance.

Share reduction

Energie Steiermark Kunden GmbH (KD) transferred 16.67% of the shares in homee GmbH (HOM) to Novaco Invest GmbH, a wholly owned subsidiary of WAREMA Renkhoff SE, in the form of a capital contribution on 15 October 2020 by way of this being entered in the German commercial register. The reduction in the shareholding created total income of K€ 204, which is shown in the item “Result from shares held in associated companies”.

Disposals/deconsolidation

VERBUND Hydro Power GmbH (VHP) was granted a three-year option to acquire a further 12.6% of the shares in Murkraftwerk Graz Errichtungs- und BetriebsgmbH (MKG) by way of an assignment agreement dated 10 March 2017. At the same time, an agreement was reached for VERBUND Hydro Power GmbH to take over an equivalent amount of power supply rights of Energie Steiermark Green Power GmbH in the net generation of the Graz an der Mur hydropower plant. VHP exercised the call option in December 2019 within the deadlines stipulated in the option agreement. A further 12.6% of the shares in the fully consolidated MKG were therefore sold by Energie Steiermark Green Power GmbH (GP) to VHP for K€ 1,063 when approval was granted by the regulators in March 2020. The partial disposal did not have a material effect on the Group's assets, financial and earnings position.

4 NOTES ON THE CONSOLIDATED PROFIT AND LOSS STATEMENT

(1) Sales revenues

Sales revenues		**K€**
	2020	2019
Energy revenue	1,232,914	979,318
thereof electricity	*898,556*	*663,368*
thereof gas	*185,705*	*171,782*
thereof heat	*134,071*	*129,591*
thereof other	*14,582*	*14,577*
Network revenue	287,791	323,485
thereof electricity grid	*241,142*	*277,425*
thereof gas grid	*46,650*	*46,059*
Other sales revenue	64,198	70,214
Total	**1,584,903**	**1,373,017**

Sales revenues contain sales revenues from contracts with customers in the amount of K€ 1,583,254 (previous year: K€ 1,372,736).

Sales revenues are K€ 211,886 above the value of the previous year. This change is mainly the result of higher energy revenues and lower revenues from the grid sector.

With regard to grid revenues, please refer to the explanations on the regulatory system for electricity and gas grids in Note 9 “Significant Accounting Methods”.

Electricity trading activities (“Trading”) are disclosed as net amounts to provide an economic view. Revenue amounting to K€ 169,559 (previous year: K€ 108,784) will be balanced with expenses from the procurement of electricity in the amount of K€ 169,001 (previous year: K€ 106,789).

Gas trading activities (“Trading”) are presented in analogy to the electricity trading activities. Revenue amounting to K€ 35,957 (previous year: K€ 63,795) is offset by expenses from the procurement of gas in the amount of K€ 35,422 (previous year: K€ 62,601).

In addition, the energy revenue from derivative financial instruments held for trading comprises the following net profit/loss in connection with gas trading activities ("Trading"):

Net profit/loss from derivative financial instruments held for trading purposes K€

	2020	2019
Realised gains/losses from futures	-1,590	-1,752
Realised gains/losses from forwards	-353	-53
Unrealised gains/losses from the market valuation of futures	-40	-5
Unrealised gains/losses from the market valuation of forwards	1,612	280
Total	**-371**	**-1,530**

The table below shows the development of the consolidated sales quantities of the Group companies:

Gross sales quantities

	2020	2019
Electricity sales in GWh *)	23,292	16,871
Sales of electricity in the grid segment in GWh	7,957	8,278
Gas sales in GWh **)	14,260	12,596
Sales of gas in the grid segment in GWh	12,733	13,511
Heating sales in GWh		
Austria	1,487	1,404
Abroad	570	564

*) The item "Sales of electricity in GWh" includes electricity trading activities ("trading") in the amount of GWh 3,930 (previous year: GWh 2,569) which are disclosed as net figures in sales revenue.

**) The item "Sales of gas in GWh includes gas trading activities ("trading") in the amount of GWh 3,969 (previous year: GWh 4,208) which are disclosed as net figures in sales revenue.

Other sales revenue is as follows:

Other sales revenue		**K€**
	2020	2019
Management fees and revenue for other services	16,693	20,608
Sales revenue from the reversal of building cost contributions	14,338	13,452
Sales revenue from deliveries and services other than energy deliveries	9,874	11,876
Sales revenue from the implementation of energy measures in buildings and technical plants	6,244	5,521
Sales revenue from the installation of house connections	4,173	4,968
Sales revenue from the provision of telecommunication infrastructure	3,277	3,072
Rental and leasing revenue	1,933	2,032
Sales revenue from the valuation of CO2 futures	78	321
Other	7,588	8,363
Total	**64,198**	**70,214**

The following table provides information on receivables, contract assets and contract liabilities from contracts with customers:

Contract balances		**K€**
	2020	2019
Trade accounts receivable	200,304	162,541
Contract assets	3,550	2,651
Contract liabilities	-1,684	-1,830
Total	**202,170**	**163,363**

Contract assets relate to claims from services which are not yet billable. These are measured at the actual manufacturing costs incurred. The contract costs are recognised in proportion to the stage of completion on the balance sheet date. Contract assets are reclassified to receivables when an invoice is issued to the customer.

Contract assets include advance payments received in the current financial year amounting to K€ 4,848 (previous year: K€ 4,272).

Contract liabilities include deferred revenues for the Customer Club. The amount of K€ 1,830 reported as contract liabilities at the beginning of the period was already recognised as revenue in previous years.

(2) Changes in inventories and own work capitalised

This item includes decreases in inventories of K€ 65 (previous year: decreases in inventories amounting to K€ 523) and own work capitalised amounting to K€ 30,123 (previous year: K€ 31,936).

(3) Other operating income

Other operating income		K€
	2020	2019
Income from damage compensation	3,740	2,377
Income from the reversal of investment subsidies	3,257	2,128
Income from the disposal of fixed assets	1,389	1,343
Income from emission certificates	818	713
Income from the appreciation of receivables	814	3,147
Other income from ancillary services	541	552
Subsidies from third parties	443	2,605
Income from payments on account and penalties	150	79
Other	1,120	1,428
Total	**12,272**	**14,372**

(4) Cost of material and other purchased manufacturing services

Cost of material and other purchased manufacturing services		K€
	2020	2019
Energy procurement from third parties	1,113,446	858,175
Grid utilisation by third parties	62,648	70,103
Other expenses for materials	9,697	9,941
Total	**1,185,791**	**938,219**

The expenses for materials and other purchased production services are K€ 247,572 above the expenses of the previous year. This increase is due to increased turnover in electricity sales.

(5) Personnel costs

Personnel costs		K€
	2020	2019
Wages and salaries	126,734	122,647
Expenses for severance payments	1,865	1,996
Expenses for the pension scheme	5,017	3,955
Expenses for legally defined social security contributions as well as contributions and obligatory contributions dependent on remuneration	31,528	30,729
Other social expenses	2,114	2,057
Total	**167,259**	**161,385**

With regard to expenses from interest on personnel provisions in the amount of K€ 1,384 (previous year: K€ 3,451), please refer to Note (9) "Financial Income and Expenses".

In the financial year, payments in the scope of defined contribution pension plans amounted to K€ 5,202 (previous year: K€ 4,826).

(6) Amortisation and expenses from impairments of intangible assets and depreciation of tangible assets

Amortisation and expenses from impairments of intangible assets and depreciation of tangible assets		K€
	2020	2019
Depreciation of tangible assets	102,318	97,674
Impairments of tangible assets	23	87
Amortisation of intangible assets	5,560	4,936
Impairments of intangible assets	0	743
Total	**107,902**	**103,440**

Depreciation of tangible assets includes depreciation of rights of use recognised in accordance with IFRS 16 in the amount of K€ 2,275 (previous year: K€ 1,997).

The impairments of tangible assets include, both in the current financial year and in the previous year, required adaptations due to technological innovations and preliminary project costs for projects with long pre-planning phases and uncertain outcomes.

The item for impairments of intangible assets contains the unscheduled write-off of the goodwill for Next Vertriebs- und Handels GmbH and ENWA GesmbH pursuant to IAS 36 amounting to K€ 743 in the previous year. The fair value of the cash-generating unit was used as its recoverable amount.

For information on the important aspects for impairments of assets, please refer to Note 9 “Significant Accounting Methods”.

(7) Other operating expenses

Other operating expenses		**K€**
	2020	2019
Service and maintenance expense as well as various necessary operating expenses	42,688	43,605
Advertising	6,274	7,297
Commission payments	4,430	1,922
Expense allowances to employees and for training and further education.	4,315	5,343
Emission certificates	3,353	1,662
Security, cleaning and waste disposal expenses	3,182	2,474
Postage and telephone costs	3,106	2,928
Legal, audit and consultancy costs	2,795	3,479
Car expenses	2,398	2,601
Insurance policies	2,377	2,283
Expenses arising from the derecognition of receivables less value adjustments used	2,373	2,015
Taxes which are not dependent on income as well as contributions, fees and dues	1,913	1,904
Losses from the disposal of assets	1,573	784
Leasing expenses	468	626
Temporary staff	413	403
Expenses arising from the value adjustment of receivables	219	1,809
Damage claims	132	474
Expenses from the evaluation of CO2 futures	109	107
Miscellaneous other operating expenses	10,702	11,047
Total	**92,819**	**92,763**

Costs incurred in the research phase were K€ 508 (previous year: K€ 607) and were immediately recognised in profit or loss.

The leasing expenses for the current financial year include expenses for short-term leases of K€ 138 (previous year: K€ 261) and for low-value leases of K€ 330 (previous year: K€ 366).

(8) Other results from shareholdings

Other results from shareholdings	K€	
	2020	2019
Income from shareholdings measured at fair value through equity	18,212	12,881
Market value changes from shareholdings measured at fair value through profit or loss	318	541
Income from shareholdings recognised at fair value through profit or loss	293	284
Total other income from shareholdings	**18,822**	**13,706**
Expenses from the disposal of shareholdings measured at fair value through equity	0	0
Total other expenses from shareholdings	**0**	**0**
Balance of other income and expenses arising from shareholdings	**18,822**	**13,706**

Income from shareholdings measured at fair value through equity mainly comprises income from shares held in VERBUND Hydro Power GmbH and RAG-Beteiligungs-Aktiengesellschaft.

Net profits or net losses from shareholdings recognised at fair value through profit or loss include the changes in the fair value recognised impacting income and the results from the disposal of shareholdings allocated to this category. Net profits or net losses from financial assets available for sale are calculated from the results of the disposal and the recorded impairments of these financial instruments.

Net profits/losses	K€	
	2020	2019
Net profits/losses from shareholdings recognised at fair value through profit or loss	318	541
Net profits/losses from shareholdings recognised at fair value through equity	0	0
Total net profits/losses	**318**	**541**

(9) Financial income and expenses

Financial result		**K€**
	2020	2019
Interest income from:		
- loans and receivables	2,592	2,127
Total interest income from financial assets not measured at fair value through profit or loss	2,592	2,127
Market value changes from securities measured at fair value through profit or loss	56	520
Income from securities measured at fair value through profit or loss	309	400
Other income from financial assets measured at amortised cost	35	23
Income from derivative financial instruments recognised at fair value through profit or loss	0	1
Total financial income	**2,990**	**3,072**
Interest expenses from:		
- liabilities measured at amortised cost	-8,155	-9,054
- other interest and similar expenses	-1,462	-3,847
Total interest expense from financial liabilities not measured at fair value through profit or loss	-9,616	-12,902
Expenses under defined benefit obligations in non-controlling interests in partnerships	-9	-374
Market value changes from securities measured at fair value through profit or loss	-68	-97
Total financial expenses	**-9,693**	**-13,372**
Financial income and expenses balance	**-6,702**	**-10,301**

Interest income from loans and receivables consist mainly of interest income from loans granted by the company.

Other income from financial assets measured at amortised cost consists mainly of interest income from banks.

The effect from discounting leases pursuant to IFRS 16 amounting to K€ 359 (previous year: K€ 351) is included in interests expenses from liabilities recognised at amortised cost of acquisition.

Other interest and similar expenses contain primarily expenses arising from interest on personnel provisions in the amount of K€ 1,384 (previous year: K€ 3,451).

The amount of transaction costs of financial liabilities not forming part of the effective interest rate is of subordinate importance.

Net profits or net losses from financial instruments recognised at fair value through profit or loss include the changes in the fair value recognised impacting income and the results from the disposal of financial assets allocated to this category. Net profits or net losses from loans and receivables and liabilities recognised at amortised cost of acquisition include recognised impairments and appreciation. As to net gains or net losses of loans and receivables, please refer to Note (17) "Receivables and Other Assets".

Net profits/losses		**K€**
	2020	2019
Net profits/losses from assets recognised at fair value through profit or loss	-12	424
of which are from financial instruments measured at fair value	*-12*	*423*
of which are from financial instruments measured measured at fair value	*0*	*1*
Net profits/losses from financial liabilities valued at amortised cost.	0	0
Total net profits/losses	**-12**	**424**

(10) Result from shares held in associated companies

Result from shares held in associated companies		**K€**
	2020	2019
Income from associated companies	12,069	14,110
Expenses from associated companies	-1,799	-599
Impairments	-1,791	-1,468
Total	**8,479**	**12,044**

Income from shareholdings in companies valued "at equity" contains mainly income from Energie Graz GmbH & Co KG, of ADRIAPLIN, Podjetje za distribucijo zemeljskega plina d.o.o. and Feistritzwerke-STEWEAG GmbH. This item also includes income from the reduction of K€ 204 in shares held in homee GmbH during the current financial year.

Expenses from shareholdings in companies valued using the equity method mainly include expenses resulting from the consolidation of the current results of homee GmbH.

Impairment for the current financial year include the unscheduled amortisation of the goodwill of Energie Graz GmbH & Co KG amounting to K€ 1,710 and of Feistritzwerke-STEWEAG - GmbH amounting to K€ 81 in accordance with IAS 36. Impairments in the previous year include the unscheduled amortisation of the goodwill of Stubalm Windpark Penz GmbH amounting to K€ 1,468.

(11) Income taxes

Tax expenses on the result before income taxes are as follows:

Income taxes K€

	2020	2019
Current income taxes:		
Expenses for current income taxes	-18,939	-29,307
Income/expense from previous periods	-5,434	-7,026
Total current income taxes	**-24,373**	**-36,333**
Deferred taxes:		
Entry and reversal of temporary differences	-3,016	-2,721
Total deferred taxes	**-3,016**	**-2,721**
Income tax expenses	**-27,389**	**-39,054**

The table below shows the allocation of the income taxes in the Consolidated Financial Statements:

Allocation of income taxes in the consolidated financial statements K€

	2020	2019
Ongoing operating activities	-27,389	-39,054
Taxes included in other comprehensive income (OCI) of the year	9,866	3,191
Income taxes - total	**-17,523**	**-35,864**

Income tax expenses in the financial year are K€ 3,874 higher (previous year: K€ 4,443 higher) than the computed income tax expenses which would result by applying a tax rate of 25 percent to the profit before income tax.

Causes for the differences between the computed and the disclosed income tax expenses in the Group are as follows:

Tax rate reconciliation		K€
	2020	2019
Calculated tax expense	-23,515	-34,611
Differences resulting from deviating rates of taxation abroad	270	224
Tax-free dividend income	4,992	3,651
Pro rata at equity results which cannot be recognised for tax purposes	2,202	2,951
Profit and loss shares in partnerships	-1,971	-2,735
Amortisation of shareholdings	2,405	3,691
Goodwill amortisation	-443	-361
Balance of the consumption of non-capitalised losses carried forward from previous years and non-capitalised losses carried forward from the ongoing financial year	-195	-133
Other tax-free income and non-deductible expenses	-2,696	-2,030
Non-period tax expense (current and deferred)	-8,450	-9,747
Other	12	47
Reported income tax income/expenses	**-27,389**	**-39,054**
Effective corporation tax rate	**29.12%**	**28.21%**

The difference between effective tax rate and statutory tax rate stems mainly from tax-free income from shareholdings received as well as accounting for company tax audits.

With regard to the different interpretation of the start of the production period relating to the early write-off of the 'Südschiene' pipeline, an appeal was lodged. This was, however, rejected by the first instance tax authority, whereupon the company filed a motion for a decision on the appeals by the administrative court (application for referral).

At the end of October 2018, the decision of the Federal Finance Court (BFG) concerning the envisaged appeal proceedings 'early write-off of "Südschiene" 2009 - 2010' was transmitted. The BFG did not follow the legal view held by the company here. On 13 December 2018, an appeal was made against the judgement of the BFG by way of an ordinary appeal.

The early depreciation for tax results in temporary differences between the accounting expense and the tax payment date, and therefore postpones the payment date of the resulting income tax to a further point in the future. In this connection, deferred tax liabilities (provisions for future tax expenses) were created, which were released to income in the amount of K€ 10,187 in 2018 and almost entirely make up for the tax expenses resulting from the findings of the BFG.

On 11 May 2017, the hearing on the write-down to going concern value of the waste incineration plant of the Energy and Waste Utilization Company m.b.H. (ENAGES) was held before the senate of the BFG. The formerly fully consolidated company was sold back in May 2012. The proceedings ended with the court rejecting the appeal; this was followed by an extraordinary appeal being lodged against this verdict on 18 July 2017.

On 20 October 2017, the VwGH called on the tax authorities to issue a statement on the extraordinary appeal, thereby indicating that the preliminary proceedings had been opened pursuant to section 36 of the Federal Administrative Court Act (VwGG).

The VwGH rejected the second appeal by way of its decision of 27 February 2019, citing that the matter in question does not concern a legal issue of fundamental importance. Energie Steiermark had made provisions for this case insofar as it submitted a motion in advance that any balance sheet entry to be corrected before 2011 pursuant to section 4 para. 2 no. 2 of the Income Tax Act (EStG) in conjunction with section 293b of the Federal Regulation on Fees (BAO) should be taken into account in 2011 by means of a discount on income from commercial operations.

The suspended proceedings were resumed by way of a preliminary decision on the appeal dated 1 July 2019 and our motion for a balance sheet correction approved in its entirety. The write-down to the going concern value made in the 2011 accounts of K€ 10,893 is now all fully tax deductible in the form of a discount pursuant to section 4 para. 2 line 2 EStG.

These findings of the Federal Finance Court and the Administrative Court were included in the calculation of current taxes and deferred taxes.

The write-downs to going concern value of the shareholding in Energie Steiermark Technik GmbH (TK) and the shareholding in Energie Steiermark Kunden GmbH (KD) carried out in 2011 to 2013 and 2015 to 2017 were not recognised as being tax deductible by the tax authorities in the amount of the distribution made in the respective year (“distribution-related write-down to going concern value”). Tax law stipulates here that the write-down of a shareholding to its going concern value is spread over seven years for tax purposes (“one-seventh of the write-down each year”). The taxes officially assessed and paid that were not due in the company’s opinion were recognised as claims at the expected value. The company has taken legal recourse by way of a complaint against the respective notifications, but a decision has not yet been reached this matter. In the 2020 financial year, a value adjustment of K€ 5,620 (previous year: K€ 9,100) was made on the sevenths utilised up to that point. With a total potential risk of around K€ 27,271 (previous period: K€ 30,100), the level of value adjustments amounts to K€ 21,070 (previous period: K€ 15,450). The lower potential risk is due to the reduction of NEXT Vertriebs- und Handels GmbH (NX) in KD in the course of the transfer to Energie Steiermark AG, which had no effect on the result.

Moreover, Energie Steiermark AG formed a group of companies in the 2005 financial year in accordance with Section 9 KStG (Corporation Tax Act). A group and tax balancing agreement was concluded on 24 November 2005. The founding of the group of companies, under the terms of the notification, took place on 2 February 2006. The tax balancing agreement was concluded for an indefinite period of time and is dependent on the tax load method.

Three Austrian companies (previous year: three) participated in this group of companies as group members as at 31 December 2020 and have concluded a relevant group agreement with the main company, Energie Steiermark AG.

Deferred tax assets and liabilities resulting from different valuations in the tax balance sheet and the IFRS Balance Sheet as well as from loss carry-forwards existing at the balance sheet date are as follows:

Deferred tax				**K€**
	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	6,442	469	6,592	461
Property, plant and equipment	0	19,231	24	17,990
Financial assets	0	149,041	0	165,372
Inventories	8	0	5	0
Receivables and other assets	12,195	0	5,105	0
Untaxed reserves	0	8,946	0	9,217
Provisions and Accruals	36,607	79	39,080	0
Liabilities and other financial liabilities	14,760	1,620	24,893	1,814
Tax losses carried forward	170	0	76	0
Write-down to going concern value of shareholdings	1,623	0	4,217	0
Total deferred tax assets/liabilities	71,803	179,386	79,991	194,855
Add-on of supplementary tax balance sheets	8,761	2,645	8,862	2,282
Deferred tax assets/liabilities 31.12.	**80,564**	**182,031**	**88,853**	**197,137**
Offsetting of deferred tax assets and liabilities vis-à-vis the same tax authority	-44,365	-44,365	-39,968	-39,968
Offset deferred tax assets/liabilities	**36,199**	**137,666**	**48,885**	**157,169**

The following deferred tax assets and liabilities are disclosed in the Balance Sheet:

Net position from deferred taxes		**K€**
	31/12/2020	31/12/2019
Deferred tax assets	36,199	48,885
Deferred tax liabilities	137,666	157,169
Net position	**-101,467**	**-108,284**

The net position of the Group's deferred taxes developed as follows in the financial year:

Change in net position from deferred taxes		**K€**
	31/12/2020	31/12/2019
Status at the start of the year	-108,284	-108,594
Currency changes	34	-14
Recognised through profit or loss in the financial year	-3,016	-2,721
Changes not affecting the result	9,866	3,191
Addition of deferred tax assets/(liabilities) resulting from the acquisition of subsidiaries	-67	-146
Status at the end of the year	**-101,467**	**-108,284**

The corporation tax rate of each country in which the company is liable to pay its taxes is used to determine the deferred taxes.

The changes in the deferred tax assets and liabilities in the current financial year developed as follows:

Changes in deferred tax assets and liabilities — **K€**

	2020	2019
DEFERRED TAX ASSETS		
Differences between depreciation for accounting and for tax purposes	-174	2,731
Non-deductible provisions for pensions	-1,888	1,158
Other non-deductible provisions	-585	3,911
Losses from the measurement at fair value	-3,043	9,381
Tax losses carried forward and unused tax credits	94	74
Write-down to going concern value of shareholdings	-2,595	-2,287
Add-on of supplementary tax balance sheets	-101	2,266
Other deductible temporary differences	3	1
Offsetting of deferred tax assets and liabilities vis-à-vis the same tax authority	-4,397	-3,080
Change in deferred tax assets	**-12,686**	**14,155**
DEFERRED TAX LIABILITIES		
Differences between depreciation for accounting and for tax purposes	-1,249	-5,402
Other non-deductible provisions	-79	1
Income from the measurement at fair value	16,525	-11,610
Other taxable temporary differences	271	345
Add-on of supplementary tax balance sheets	-363	-259
Offsetting of deferred tax assets and liabilities vis-à-vis the same tax authority	4,397	3,080
Change in deferred tax liabilities	**19,503**	**-13,845**
Change in the net position	**6,817**	**310**

No deferred tax assets were recognised for tax losses carried forward amounting to K€ 3,911 (previous year: K€ 3,629), since it is not probable that there will be taxable results in the future which can be offset by the Group against deferred tax liabilities.

Non-capitalised loss carry-forwards relate, almost exclusively, to loss carry-forwards of Austrian and German companies, which may be carried forward without restrictions.

5 NOTES ON THE CONSOLIDATED BALANCE SHEET

NON-CURRENT AND CURRENT ASSETS

(12) Intangible assets

Intangible assets include electricity, gas and heat purchase rights, natural gas pipeline transportation rights, software and goodwill. The Group does not have any internally generated intangible assets eligible for capitalisation.

Goodwill consists of the following:

Goodwill K€

	31/12/2020	31/12/2019
Energie Steiermark Kunden GmbH	48,756	48,756
Energie Steiermark Green Power GmbH	7,288	7,288
Elektrizitätswerke Bad Radkersburg GmbH	954	954
E1 Energiemanagement GmbH	937	937
Energie Steiermark Wärme GmbH	890	890
STEFE ECB, s.r.o.	137	137
IBIOLA Mobility Solutions GmbH	687	0
Total	**59,649**	**58,962**

Besides assets having unlimited useful lives, CO_2 emission certificates are disclosed under “Other non-amortisable intangible assets”. In the current financial year, emission certificates assigned, free of charge, were valued at a fair value of K€ 745 (previous year: K€ 774). Amortised costs of acquisition are K€ 211 as at 31 December 2020 (previous year: K€ 198).

The carrying amount of intangible assets developed as follows:

Changes in intangible assets K€

	Usage rights, electricity, gas and heating purchase rights, supply rights	Advance payments	Goodwill	Other non-amortisable intangible assets	Total
Acquisition/manufacturing costs 1.1.2019	112,701	8	71,539	2,479	186,727
Additions from the acquisition of shares	924	0	0	0	924
Currency changes	3	0	0	3	6
Additions	6,250	0	1,229	1,943	9,423
Disposals	-2,795	0	-743	-1,200	-4,737
Reclassifications	303	0	0	0	303
Acquisition/manufacturing costs 31.12.2019	117,386	8	72,026	3,225	192,646
Accumulated amortisation/depreciation 1.1.2019	65,731	0	13,064	221	79,017
Currency changes	2	0	0	3	4
Scheduled amortisation/depreciation	4,936	0	0	0	4,936
Impairments (Note (6))	0	0	743	0	743
Disposals	-2,751	0	-743	0	-3,494
Accumulated amortisation/depreciation 31.12.2019	67,918	0	13,064	224	81,206
Carrying amount 1.1.2019	46,970	8	58,475	2,258	107,711
Carrying amount 31.12.2019	**49,468**	**8**	**58,962**	**3,002**	**111,440**
Acquisition/manufacturing costs 1.1.2020	117,386	8	72,026	3,225	192,646
Additions from the acquisition of shares	278	0	0	0	278
Currency changes	-8	0	0	-7	-15
Additions	4,839	0	687	3,712	9,239
Disposals	-196	-4	0	-1,396	-1,596
Reclassifications	62	-3	0	0	59
Acquisition/manufacturing costs 31.12.2020	122,361	0	72,713	5,535	200,610
Accumulated amortisation/depreciation 1.1.2020	67,918	0	13,064	224	81,206
Currency changes	-4	0	0	-7	-11
Scheduled amortisation/depreciation	5,560	0	0	0	5,560
Disposals	-192	0	0	0	-192
Accumulated amortisation/depreciation 31.12.2020	73,282	0	13,064	217	86,564
Carrying amount 1.1.2020	49,468	8	58,962	3,002	111,440
Carrying amount 31.12.2020	**49,079**	**0**	**59,649**	**5,318**	**114,046**

(13) Property, plant and equipment

The carrying amount of tangible assets changed as follows:

Changes in tangible assets K€

	Properties and buildings on other plots	Undeveloped plots	technical plant and machinery	Other equipment, technical and office equipment	Properties under construction	Total
Acquisition/manufacturing costs 1.1.2019	370,837	24,873	2,595,870	66,206	117,155	3,174,941
Recognition of rights-of-use assets from the first-time adoption of IFRS 16	6,298	0	289	74	0	6,662
Adjusted acquisition/manufacturing costs 1.1.2019	377,135	24,873	2,596,160	66,280	117,155	3,181,602
Additions from the acquisition of shares	311	2	661	499	1,232	2,705
Currency changes	53	0	194	3	8	257
Additions	17,795	167	88,782	11,905	55,669	174,317
Disposals	-622	-1	-21,114	-12,600	-94	-34,431
Reclassifications	46,469	796	46,514	831	-94,913	-303
Acquisition/manufacturing costs 31.12.2019	441,142	25,836	2,711,197	66,917	79,056	3,324,148
Accumulated amortisation/depreciation 1.1.2019	147,165	475	1,567,740	50,111	4,215	1,769,705
Currency changes	30	0	113	2	0	145
Scheduled amortisation/depreciation	9,455	0	79,985	8,235	0	97,674
Impairments (Note (6))	54	0	33	0	0	87
Appreciation	-78	0	-3	0	0	-81
Disposals	-457	0	-20,323	-12,472	0	-33,252
Accumulated amortisation/depreciation 31.12.2019	156,170	475	1,627,544	45,876	4,215	1,834,280
Carrying amount 1.1.2019	223,672	24,398	1,028,130	16,095	112,940	1,405,235
Carrying amount 31.12.2019	**284,972**	**25,361**	**1,083,653**	**21,041**	**74,841**	**1,489,868**

Changes in tangible assets K€

	Properties and buildings on other plots	Undeveloped plots	technical plant and machinery	Other equipment, technical and office equipment	Properties under construction	Total
Acquisition/manufacturing costs 1.1.2020	441,142	25,836	2,711,197	66,917	79,056	3,324,148
Additions from the acquisition of shares	0	0	0	26	0	26
Currency changes	-140	0	-519	-7	-5	-672
Additions	11,207	258	63,486	8,712	63,349	147,011
Disposals	-1,254	0	-16,328	-6,166	-2,153	-25,901
Valuation changes	-32	0	-6	100	0	62
Reclassifications	12,079	0	45,644	416	-58,198	-59
Acquisition/manufacturing costs 31.12.2020	463,002	26,094	2,803,474	69,997	82,049	3,444,616
Accumulated amortisation/depreciation 1.1.2020	156,170	475	1,627,544	45,876	4,215	1,834,280
Currency changes	-75	0	-270	-5	0	-349
Scheduled amortisation/depreciation	10,447	0	82,910	8,961	0	102,318
Impairments (Note (6))	1	0	22	0	0	23
Appreciation	-32	0	-1	0	-46	-80
Disposals	-943	0	-14,831	-6,109	-2,098	-23,982
Accumulated amortisation/depreciation 31.12.2020	165,568	475	1,695,375	48,722	2,071	1,912,211
Carrying amount 1.1.2020	284,972	25,361	1,083,653	21,041	74,841	1,489,868
Carrying amount 31.12.2020	**297,434**	**25,619**	**1,108,100**	**21,274**	**79,978**	**1,532,405**

Investments in property, plant and equipment amounted to K€ 144,385 in the past financial year (previous year: K€ 169,479), where K€ 81,037 were invested in finished plants and K€ 63,349 in plants under construction. Finished plants mainly concern the expansion and renewal of power transformer and distribution stations, transmission technology, smart meters, expansion of gas distribution grids and fibre optic cables, the expansion of heat supply grids, power generation facilities, buildings for educational activities (e-campus phase 1) and wind turbines as well as district heating generation plants. Plants under construction primarily result from investments in power transformer and distribution stations, smart meters, the expansion of gas and heat supply grids and fibre-optic cables, as well as heat generation plants and buildings for educational activities (e-campus phase 2). Carrying amounts increased by 3 percent in the year under review.

The decreases of the carrying amount of K€ 1,919 (previous year: K€ 1,180) relate mainly to technical plants and machinery.

No interest on borrowing capital as defined in IAS 23 was capitalised in the financial year.

Rights-of-use assets from leases pursuant to IFRS 16 are reported under property, plant and equipment, where they are then divided into three categories: land and buildings, technical plants and machinery and office and business equipment.

The development of rights-of-use assets from leases is presented as follows:

Development of rights-of-use assets from leases K€

	Land and buildings	Technical plants and machinery	Office and business equipment
Carrying amount as at 1.1.2019	**6,298**	**289**	**2,900**
Additions	1,418	0	3,420
Disposals	-1	0	-59
Amortisation	-811	-32	-1,154
Carrying amount as at 31.12.2019	**6,904**	**257**	**5,107**
Currency changes	-4	-1	0
Additions	542	6	2,078
Valuation changes	-32	-6	100
Amortisation	-842	-33	-1,399
Carrying amount as at 31.12.2020	**6,568**	**224**	**5,886**

The category office and business equipment includes vehicles leases amounting to K€ 4,682 (previous year: K€ 3,949). We refer to Note (25) “Non-current and current financial liabilities” as regards lease liabilities.

(14) Financial investments recognised at equity

Investments in associated companies are at-equity recognised participations in companies with a participation quota of between 20 percent and 50 percent, if significant control can be exercised.

The carrying amount of entities recognised at equity developed as follows:

Change in companies included at equity		**K€**
	2020	2019
Status as at 1.1.	115,141	110,037
Additions	6,358	2,900
Disposals	-1,129	-885
Other changes not affecting income	1,175	-7,517
Pro rata results	10,066	13,512
Distributions	-1,463	-1,438
Impairments	-1,791	-1,468
Status as at 31.12.	**128,357**	**115,141**

Pro rata results contain mainly income from Energie Graz GmbH & Co KG, of ADRIAPLIN, Podjetje za distribucijo zemeljskega plina d.o.o. and Feistritzwerke-STEWEAG GmbH. The distributions mainly result from Feistritzwerke-STEWEAG GmbH.

With regard to impairments, please refer to Note (10) "Result arising from Shareholdings in Associated Companies".

Other changes not affecting earnings relate to profits and losses from the revaluation of the net debt from defined-benefit obligations, from assets held for sale recognised as not affecting earnings in the associated company, and cash flow hedges.

The additions in the current financial year relate to the acquisition of 34% of the shares in Stadtwerke Bruck an der Mur GmbH and Brucker Kraftwerks-, Bau-, und Betriebs GmbH, 25.1% of the shares in eAHL AbHofLaden GmbH and shareholder grants to homee GmbH and Stubalm Windpark Penz GmbH (SWP). Additions in the previous year comprise the acquisition of 50 percent of the shares in homee GmbH and shareholder contributions to SWP.

As regards disposals in the current financial year, we refer to the notes on changes in the scope of consolidation under Note (3) “Scope of consolidation”.

Goodwill included in the carrying amount of companies recognised at equity consists of:

Goodwill		**K€**
	31/12/2020	31/12/2019
Energie Graz GmbH & Co KG	77,957	79,667
Stadtwerke Bruck an der Mur GmbH	3,222	0
Feistritzwerke-STEWEAG GmbH	2,569	2,650
STEFE Trnava, s.r.o.	2,558	2,558
homee GmbH	0	1,269
Stadtwerke Hartberg Energieversorgungs GmbH	992	992
eAHL AbHofLaden GmbH	186	0
Stubalm Windpark Penz GmbH	51	0
Total	**87,534**	**87,136**

Summarised financial information in respect of the individually material entities included in the Consolidated Financial Statements at equity is presented in the tables below:

Financial information about material associated companies **K€**

	31/12/2020				**31/12/2019**			
associated company	**EGG KG**	**SGG KG**	**Feistritz-werke[1]**	**Adriaplin[2]**	**EGG KG**	**SGG KG**	**Feistritz-werke[1]**	**Adriaplin[2]**
Balance sheet								
Non-current assets	516,130	28,271	94,911	57,730	500,014	27,427	84,145	57,582
Current assets	26,276	17,187	3,973	8,091	23,799	15,876	2,760	12,727
Non-current liabilities	-250,780	-35,595	-39,697	-15,572	-255,786	-34,349	-30,427	-23,420
Current liabilities	-91,201	-11,518	-10,272	-8,829	-90,953	-8,756	-8,130	-7,967
Reconciliation to the carrying amount of the interest in the associated company								
Net assets	200,425	-1,655	48,915	41,420	177,074	197	48,348	38,921
Share in the net assets in %	49%	49%	27%	38%	49%	49%	27%	38%
Share in the net assets	98,208	-811	13,207	15,740	86,766	97	13,054	14,790
+/- Revaluations	-87,043	-2,105	-200	-2,973	-87,043	-2,105	-268	-2,817
Carrying amount of the interest in the associated company (excl. goodwill)	11,166	-2,916	13,007	12,767	-276	-2,008	12,786	11,973

[1] The balance sheet date of Feistritzwerke-STEWEAG - GmbH is 30 June. The proportionate result is included in the Consolidated Financial Statements on the basis of the interim financial statements prepared as at 31 December.

[2] The figures of ADRIAPLIN, Podjetje za distribucijo zemeljskega plina d.o.o. relate to the 2019 financial year and, in the previous year, to the 2018 financial year.

Financial information about material associated companies K€

	2020				2019			
associated company	**EGG KG**	**SGG KG**	**Feistritz-werke[1]**	**Adriaplin[2]**	**EGG KG**	**SGG KG**	**Feistritz-werke[1]**	**Adriaplin[2]**
Profit and loss statement								
Sales revenues	204,213	410,838	23,270	40,037	190,016	40,225	22,473	42,798
Result after income taxes	21,041	-1,951	3,067	3,513	24,168	-957	2,957	3,663
Other result	2,310	99	0	-14	-14,487	-860	0	8
Total result	23,351	-1,852	3,067	3,499	9,681	-1,817	2,957	3,672
Dividend paid to Energie Steiermark	-	-	675	380	-	-	675	380

[1] The balance sheet date of Feistritzwerke-STEWEAG - GmbH is 30 June. The proportionate result is included in the Consolidated Financial Statements on the basis of the interim financial statements prepared as at 31 December.
[2] The figures of ADRIAPLIN, Podjetje za distribucijo zemeljskega plina d.o.o. relate to the 2019 financial year and, in the previous year, to the 2018 financial year.

Summarised financial information in respect of individually immaterial associated companies is presented in the table below:

Summarised financial information of other associated companies K€

	2020	2019
Result after income taxes	179	974
Other result	0	0
Total result	179	974
Carrying amount of the interest in the associated companies (excl. goodwill)	6,799	5,531

(15) Non-current financial assets

Non-current financial assets consist of the following:

Non-current financial assets		**K€**
	2020	2019
Loans granted by the company	20,009	22,530
Assets at fair value through equity	675,663	810,865
of which investments measured at fair value through equity (level 2)	675,663	810,865
Assets at fair value through profit and loss	85,17	58,378
of which investments measured at fair value through profit or loss (level 1)	41,803	41,802
of which investments measured at fair value through profit or loss (level 1)	7,435	7,117
of which derivative financial instruments (level 1)	19,715	229
of which derivative financial instruments (level 2)	16,463	9,229
Total	**781,089**	**891,773**

As of 1 January 2018, the Group designated the following investments as equity instruments at fair value through equity, as the Group intends to hold these investments for strategic purposes in the long term.

Investments held at fair value through equity include both immaterial shareholdings in associated companies not recognised at equity and other shareholdings with a percentage interest of less than 20 percent.

Shareholdings measured at fair value through equity in the amount of K€ 616,053 (previous year: K€ 751.699) mainly comprise the shares held in VERBUND Hydro Power GmbH (VHP).

Shareholdings valued at fair value through equity (Level 2)	**K€**	
	Fair value as at 31/12/2020	Recognised dividend income in 2020
VERBUND Hydro Power GmbH	616,053	13,275
RAG-Beteiligungs- Aktiengesellschaft	50,235	4,000
ARGONET GmbH	5,016	0
E 1 Wärme und Energie GmbH	1,990	15
AGGM Austrian Gas Grid Management AG	1,021	205
AQUASYSTEMS Gospodarjenje z vodami d.o.o.	884	613
APCS Power Clearing and Settlement AG	131	14
AGCS Gas Clearing and Settlement AG	115	13
CISMO Clearing Integrated Services and Market Operations GmbH	104	77
EXAA Abwicklungsstelle für Energieprodukte AG	69	0
Other shareholdings	45	0
Total	**675,663**	**18,212**

Long-term loans granted by the company are as follows:

Long-term loans granted by the company	**K€**	
	2020	2019
Energie Graz GmbH & Co KG	20,000	22,500
Other	9	30
Total	**20,009**	**22,530**

As at 31 October 2013, Energie Graz GmbH & Co KG was granted a subordinated, long-term loan of K€ 40,000 at a fixed interest rate of 7.5 percent until 31 October 2023.

The market value of the long- and short-term loans which results from discounting of expected cash flows using current market interest rates amounts to K€ 29,251 (previous year: K€ 31,250). Short-term loans granted by the company are explained under Note (16) “Current Financial Assets”.

The loans granted were examined on the basis of the future-oriented model of “expected loan defaults” in accordance with IFRS 9. External ratings could be allocated for the material amounts. No impairment requirement was determined based on published default rates.

Securities recognised at fair value through profit and loss in the amount of K€ 41,803 (previous year: K€ 41,802) consist of fund shares and equities and are recognised at market value on the balance sheet date.

Fund shares to the amount of K€ 41,786 (previous year: K€ 41,785) had an average stock market price of € 99.15 on the balance sheet date (previous year: € 99.18).

Shareholdings recognised at fair value through profit and loss in the amount of K€ 7,435 (previous year: K€ 7,117) contain mainly shares in Burgenland Holding Aktiengesellschaft, whose fair value is K€ 7,425 as at 31 December 2020 (previous year: K€ 7,110).

Derivative financial instruments recognised at fair value through profit or loss in the amount of K€ 35,396 (previous year: K€ 9,151) include derivative financial instruments with positive market values to hedge against unexpected price developments in the energy trading business. For a detailed explanation, refer to Note (7) "Other Disclosures" (see table p. 77). This item also includes electricity derivatives not designated for hedging purposes, which have a positive fair value as at the balance sheet date, as well as derivative financial instruments that serve to hedge risks economically but do not qualify as hedging instruments in the balance sheet in the amount of K€ 782 (previous year: K€ 307) if their fair value is positive as of the balance sheet date.

For information on net profits and losses from assets recognised at fair value through profit and loss and derivative financial instruments held for trading, please refer to Note (1) "Sales Revenues" and Note (9) "Financial Income and Expenses".

The change in non-current financial assets is as follows:

Change in non-current financial assets K€

	Loans granted by the company	Financial assets valued at fair value through equity	Derivative financial instruments with hedging relationships	Other financial assets valued at fair value through profit or loss
As at 1.1.2019	**25,031**	**598,548**	**69,402**	**66,349**
Additions	0	5,016	2,353	109
Change in scope of consolidation	0	0	0	18
Disposals	-2,501	-208	-62,579	-17,792
Unrealised profits/losses	0	207,509	-25	542
As at 31.12.2019	**22,530**	**810,865**	**9,151**	**49,226**
Change in scope of consolidation	0	2	0	0
Additions	0	3	33,333	768
Disposals	-2,521	-1,071	-7,107	-279
Unrealised profits/losses	0	-134,135	18	306
As at 31.12.2020	**20,009**	**675,663**	**35,396**	**50,021**

(16) Current financial assets

Current financial assets consist of the following:

Current financial assets		**K€**
	2020	2019
Loans granted by the company	7,792	6,882
Assets at fair value through profit and loss	82,002	51,122
of which derivative financial instruments (level 1)	10,783	22,482
of which derivative financial instruments (level 2)	71,219	28,640
Total	**89,794**	**58,004**

Loans granted are loans to associated companies and other shareholdings.

Short-term loans granted by the company are as follows:

Short-term loans granted by the company		**K€**
	2020	2019
Energie Graz GmbH & Co KG	2,787	2,819
E 1 Wärme und Energie GmbH	5,004	4,062
Other	1	1
Total	**7,792**	**6,882**

The market value of the long- and short-term loans which results from discounting of expected cash flows using current market interest rates amounts to K€ 29,251 (previous year: K€ 31,250). Long-term loans granted by the company are explained under Note (15) "Non-current Financial Assets".

Derivative financial instruments recognised at fair value through profit or loss in the amount of K€ 72,879 (previous year: K€ 31,389) include derivative financial instruments with positive market values to hedge against unexpected price developments in the energy trading business. For a detailed explanation, refer to Note 7 "Other Disclosures" (see table p. 77). This item also includes electricity derivatives not designated for hedging purposes, which have a positive fair value as at the balance sheet date, as well as derivative financial instruments that serve to hedge risks economically but do not qualify as hedging instruments in the balance sheet in the amount of K€ 9,124 (previous year: K€ 19,733) if their fair value is positive as of the balance sheet date.

For information on net profits and losses from assets recognised at fair value through profit and loss and derivative financial instruments, disclosed in the previous year, please refer to Note (1) "Sales Revenues" and Note (9) "Financial Income and Expenses".

(17) Receivables and other assets

Receivables and other assets consist of the following:

Receivables and other assets K€

	Residual term at 31.12.2020			Residual term at 31.12.2019		
	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Trade accounts receivable	200,170	134	200,304	162,432	110	162,541
Receivables from companies with which a shareholding relationship exists	434	0	434	270	0	270
Other receivables and assets	46,339	2,499	48,837	41,478	3,038	44,516
Total	**246,942**	**2,633**	**249,575**	**204,180**	**3,147**	**207,327**

Current trade accounts receivable include receivables due from associated companies amounting to K€ 12,536 (previous year: K€ 10,079).

In the 2020 financial year, current trade accounts receivable were netted with trade accounts payable arising from electricity trading activities (“Portfolio”) in the amount of K€ 87,976 (previous year: K€ 75,301) based on agreements with the respective counterparties, which provide for financial clearing of trading positions on a standardised key date once a month, and the net amount was reported in the balance sheet.

The table below shows the effects on the Balance Sheet:

Offsetting information K€

	31/12/2020		
Class	Gross amount before offsetting	Gross amount offset	Net amount disclosed in the balance sheet
Trade accounts receivable	288,279	-87,976	200,304

	31/12/2019		
Class	Gross amount before offsetting	Gross amount offset	Net amount disclosed in the balance sheet
Trade accounts receivable	237,843	-75,301	162,541

Other receivables and assets consist of the following:

Other receivables and assets K€

	Residual term at 31.12.2020			Residual term at 31.12.2019		
	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Receivables from the hedging of derivative financial instruments	22,584	0	22,584	11,712	0	11,712
Tax refund claims	17,190	0	17,190	23,579	0	23,579
Advance payments for expenses affecting the subsequent periods	2,624	843	3,468	1,353	1,398	2,750
Receivables from allowances granted for broadband expansion not yet received	108	0	108	108	0	108
Receivables from payroll	43	1,474	1,517	13	1,493	1,505
Energy efficiency measures	0	0	0	710	0	710
Other receivables and assets	3,790	181	3,972	4,003	147	4,151
Total	**46,339**	**2,499**	**48,837**	**41,478**	**3,038**	**44,516**

Receivables from the hedging of derivative financial instruments result from granted financial securities for forward transactions in electricity trade. There were no pledges of trade accounts receivable as collateral.

In accordance with IFRS 7.37, an analysis of financial assets past-due on the balance sheet date but not yet impaired must be disclosed. The ageing analysis of past due assets is shown below:

Analysis of overdue assets K€

2020	Carrying amount	of which amount overdue at the balance sheet date	of which not impaired at balance sheet date and overdue in the following time bands			
			less than 3 months	between 3 and 6 months	between 6 and 12 months	more than 12 months
Trade accounts receivable	200,304	7,299	5,565	242	163	1,330
Other receivables and assets *)	49,272	303	241	6	54	2

2019	Carrying amount	of which amount overdue at the balance sheet date	of which not impaired at balance sheet date and overdue in the following time bands			
			less than 3 months	between 3 and 6 months	between 6 and 12 months	more than 12 months
Trade accounts receivable	162,541	8,937	7,011	655	366	905
Other receivables and assets *)	44,786	427	357	57	13	0

*) including receivables from companies in which a shareholding is held and receivables from affiliated companies

Depending on the respective business model and customer segment, the Group uses individual impairment models to determine the expected credit losses on trade receivables from individuals that comprise a very large number of small balances. The loss rates here are determined either on the basis of arrears or dunning levels. In addition, a general allowance of 0.6 percent (previous year: 0.4 percent) is recognised in the Group for trade receivables that are not overdue or have not been subjected to dunning. Collateral received for past-due receivables on the balance sheet date was of subordinate significance.

In addition, individual value adjustments are made to financial assets for which there is a specific need for impairment. Value adjustments made result mainly from uncollectible payments and delays in payment. Impairments of receivables are recognised using value adjustment accounts. Actual losses result in the derecognition of the respective receivables.

The development of value adjustments on trade receivables in the course of the year was as follows.

Impairments, trade accounts receivable K€

	Level 1 Expected 12-month credit loss	Level 2 Expected credit loss over the term – no impaired credit rating	Level 3 Expected credit loss over the term – impaired credit rating	Total
As at 31.12.2018	**2,181**	**1,355**	**5,260**	**8,796**
Change in scope of consolidation	1	86	0	88
Expenses for value adjustments	1,441	759	823	3,024
Use of value adjustments	0	-149	-926	-1,075
Reversal of value adjustments	-867	-665	-1,558	-3,091
As at 31.12.2019	**2,757**	**1,386**	**3,599**	**7,742**
Expenses for value adjustments	528	583	475	1,586
Use of value adjustments	0	-466	-915	-1,382
Reversal of value adjustments	-561	-208	-45	-813
As at 31.12.2020	**2,724**	**1,295**	**3,114**	**7,133**

The development of value adjustments in respect of other receivables in the course of the year was as follows.

Impairments, other receivables and assets	Level 1 Expected 12-month credit loss	Level 2 Expected credit loss over the term – no impaired credit rating	Level 3 Expected credit loss over the term – impaired credit rating	Total K€
As at 31.12.2018	**7**	**19**	**380**	**406**
Expenses for value adjustments	0	0	21	21
Use of value adjustments	-6	0	-155	-161
Reversal of value adjustments	0	-19	-37	-56
As at 31.12.2019	**1**	**0**	**210**	**211**
Expenses for value adjustments	0	0	31	31
Use of value adjustments	-1	0	-16	-16
Reversal of value adjustments	0	0	-1	-1
As at 31.12.2020	**0**	**0**	**224**	**224**

Expenses for derecognition amount to K€ 2,287 (previous year: K€ 1,844) for trade accounts receivable and to K€ 87 (previous year: K€ 171) for other receivables and assets.

(18) Inventories

Inventories consist of the following items:

Inventories (K€)	31/12/2020	31/12/2019
Primary energy inventories and supplies	7,395	7,227
Trade goods	11,834	15,580
Finished and unfinished goods	92	157
Total	**19,321**	**22,964**

Primary energy stocks mainly comprise biofuels. Trade goods mainly consist of natural gas designated for sale to third parties.

In the current financial year, value adjustments of inventories amounting to K€ 113 (previous year: K€ 175) were made to the lower net selling value.

The impairments are recognised in cost of materials and other purchased services (please refer to Note (4)).

No inventories were pledged or used as a security for liabilities in any other way or manner.

(19) Cash and cash equivalents

A list of cash and cash equivalents is shown below:

Cash and cash equivalents		**K€**
	31/12/2020	31/12/2019
Cash in hand	131	139
Bank balances	109,295	110,219
Total	**109,426**	**110,358**

Cash in hand and bank balances include short-term liquid funds in foreign currency in the amount of K€ 1,303 (previous year: K€ 637).

The average interest rate for bank balances available as at 31 December 2020 is approximately 0.01 percent.

Cash and cash equivalents are deposited with banks or financial institutions. Based on the external ratings of banks and financial institutions and based on published default rates per rating category, an impairment of K€ 41 (previous year: K€ 19) was determined, which was not recognised for reasons of materiality.

EQUITY

The individual components and the development of equity are shown in a separate table (“Statement of Changes in Consolidated Equity”, p. 5).

(20) Share capital

The share capital amounts to K€ 100,000 and consists of 100,000,200 no-par value shares (previous year: 100,000,200 no-par value shares). Two interim certificates for 75,000,000 no-par value shares registered in the federal state of Styria and 25,000,200 no-par value shares registered in the name of S.E.U. Holdings S.à r.l. were issued. The share capital was fully paid up.

(21) Capital reserves

Capital reserves include that part of reserves not formed from previous years’ period results. Of which K€ 611,152 (previous year: K€ 611,152) is not available for distribution to shareholders.

(22) Accumulated results

Accumulated results come from accumulated earnings within the Group. Any amount of these accumulated results might be distributed to the shareholders of the parent company which is disclosed as “Balance sheet profit” in the parent company’s separate financial statements as at 31 December 2020, which are prepared according to the accounting principles applicable in Austria.

The dividend per share amounts to € 0.60 (previous year: € 0.62).

(23) Accumulated changes not affecting earnings

Other reserves developed as follows:

Other reserves K€

	Profits and losses from					
	currency conversion	Revaluations in accordance with IAS 19	Cash flow hedges	Fair value changes	Shareholdings recognised at equity	Total
As at 1.1.2019	**5,459**	**-60,037**	**118,338**	**300,453**	**-11,570**	**352,644**
Change not affecting the result	40	-35,559	-144,295	207,509	-7,517	20,179
Realisation affecting income	0	0	-40,418	0	0	-40,418
Taxes offset directly against equity	0	8,890	46,178	-51,877	0	3,191
As at 31.12.2019	**5,500**	**-86,707**	**-20,196**	**456,085**	**-19,086**	**335,596**
Change not affecting the result	-89	4,779	129,963	-134,135	1,175	1,693
Realisation affecting income	0	0	-40,071	0	0	-40,071
Taxes offset directly against equity	0	-1,195	-22,473	33,534	0	9,866
As at 31.12.2020	**5,411**	**-83,122**	**47,223**	**355,484**	**-17,912**	**307,083**

The currency translation reserve comprises all foreign currency differences due to the translation of financial statements of foreign operations.

The revaluations pursuant to IAS 19 consist of actuarial gains and losses from the revaluation of net debt from defined-benefit obligations.

Profits and losses from cash flow hedges are reserves for hedging transactions in connection with cash flow hedging (see Note (9) "Significant Accounting Methods" and Note (7) "Other Disclosures"). The reserve comprises the effective portion of the cumulative net changes in the fair value of hedging instruments used to hedge cash flows until the future recognition of the hedged cash flows or hedged items in profit or loss.

Profits and losses from changes in fair value include the cumulative net changes in the fair value of financial assets at fair value through equity.

Profits and losses from at equity recognised shareholdings reflect gains and losses from the revaluation of the net debt from defined-benefit obligations, value changes of assets held for sale recognised as not affecting earnings at associates, and cash flow hedges.

(24) Non-controlling interests

The development of non-controlling interests is reported in the Statement of Changes in Consolidated Equity.

Non-controlling interests include the minority interests in the equity capital of fully consolidated subsidiaries shown in the table below. All other fully consolidated companies are directly or indirectly 100 percent shareholder property of Energie Steiermark AG (see Note (3) "Scope of Consolidation").

Non-controlling interests

%	31/12/2020	31/12/2019
Jihlavske Kotelny s.r.o. (Czech Republic)	49.16%	49.16%
easy green energy GmbH & Co KG (Austria)	49.00%	49.00%
easy green energy GmbH (Austria)	49.00%	49.00%
STEFE Rimavska Sobota, s.r.o. (Slovakia)	41.34%	41.34%
ENWA GmbH (Austria)	40.00%	40.00%
Murkraftwerk Graz Errichtungs- und BetriebsgmbH (Austria)	37.60%	25.00%
STEFE Martin, a.s. (Slovakia)	34.07%	34.07%
STEFE Banska Bystrica, a.s. (Slovakia)	34.00%	34.00%
STEFE Zvolen, s.r.o. (Slovakia)	34.00%	34.00%
Elektrizitätswerke Bad Radkersburg GmbH (Austria)	25.10%	25.10%
IBIOLA Mobility Solutions GmbH (Austria)	24.90%	-

The following table provides information on fully consolidated subsidiaries with non-controlling interests before intra-group eliminations. For reasons of materiality, they are summarised per country.

Significant items of subsidiaries with non-controlling interests

Subsidiaries (combined per country)	31/12/2020 Slovakia	31/12/2020 Czech Republic	31/12/2020 Austria	31/12/2019 Slovakia	31/12/2019 Czech Republic	31/12/2019 Austria
Profit and loss statement						
Sales revenues	41,769	5,219	49,409	33,007	5,596	42,903
Result after income taxes	2,260	701	-60	2,233	726	138
Result after income taxes attributable to the non-controlling interests	790	344	-17	780	357	29
Balance sheet						
Non-current assets	43,967	10,326	90,552	45,613	10,547	85,828
Current assets	12,153	1,809	27,744	11,885	1,464	22,607
Non-current liabilities	-21,458	-4,127	-79,258	-20,974	-3,822	-75,250
Current liabilities	-10,603	-1,702	-24,877	-12,695	-1,674	-19,579
Net assets attributable to the non-controlling interests	8,487	3,100	5,139	8,404	3,203	3,940
Cash flow statement						
Cash flow resulting from ongoing operating activities	6,375	1,734	6,871	6,496	1,272	1
Cash flow resulting from investment activities	-2,373	-862	-637	-4,448	-1,245	0
Cash flow resulting from financing activities	-4,687	-194	-5,820	-1,347	-493	0
Dividends paid to non-controlling interests during the year [1]	708	361	35	690	346	105

[1] Included in cash flows from financing activities

NON-CURRENT AND CURRENT LIABILITIES

(25) Non-current and current financial liabilities

Non-current and current financial liabilities are composed of:

non-current and current financial liabilities recognised at amortised cost of acquisition — **K€**

	Residual term at 31.12.2020			Residual term at 31.12.2019		
	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Liabilities due to banks	27,901	441,009	468,910	73,104	339,797	412,902
Lease liabilities	2,515	10,448	12,963	2,043	10,398	12,441
Liabilities to others	28	473	501	28	515	543
Total	**30,444**	**451,929**	**482,374**	**75,176**	**350,710**	**425,886**

Non-current financial liabilities contain liabilities with a residual term of more than five years in the amount of K€ 446,625 (previous year: K€ 345,498).

The maturity analysis of lease liabilities is presented as follows:

Maturity analysis of lease liabilities — **K€**

2020	up to 1 year	1 to 5 years	over five years
Land and buildings	901	2,013	3,820
Technical plants and machinery	30	101	99
Office and business equipment	1,584	3,944	470
Total	**2,515**	**6,059**	**4,389**

2019	up to 1 year	1 to 5 years	over five years
Land and buildings	750	2,191	4,057
Technical plants and machinery	29	103	128
Office and business equipment	1,264	3,438	480
Total	**2,043**	**5,732**	**4,666**

The category office and business equipment includes vehicles leases amounting to K€ 4,682 (previous year: K€ 3,949). Please refer to Note (13) “Property, plant and equipment” for information on rights-of-use assets in accordance with IFRS 16.

In the year under review, the average interest rate for financing in local and foreign currency is as follows:

Average interest

	2020	2019
in EUR	1.57%	1.81%
in CZK	1.71%	1.94%

In detail, non-current and current financial liabilities are composed of:

Non-current and current financial liabilities recognised at amortised cost of acquisition K€

	Maturity	Emission volumes	31.12. of the financial year Exposure		Residual term	
			In foreign currencies	In €	up to 1 year	more than 1 year
Liabilities due to banks					**27,901**	**441,009**
In foreign currencies					**567**	**2,259**
Fixed interest rate	2009-2029	161,200	74,105	2,826	567	2,259
Interest accrued					0	
In euro currencies					**27,334**	**438,750**
Fixed interest rate	2009-2041	540,900	0	433,871	19,469	414,402
Variable interest rate	2005-2030	114,354	0	29,640	5,292	24,348
Interest accrued					2,573	
Lease liabilities					**2,515**	**10,448**
In foreign currencies					**18**	**134**
Fixed interest rate	2019-2035	3,980	3,980	152	18	134
Interest accrued					0	
In euro currencies					**2,497**	**10,314**
Fixed interest rate	2017-2100	12,811	0	12,811	2,497	10,314
Interest accrued					0	
Financial liabilities to others					**28**	**473**
In euro currencies					**28**	**473**
Fixed interest rate	2018-2040	51	0	51	0	51
Variable interest rate	2016-2042	450	0	450	28	422
Interest accrued					0	
Total financial liabilities					**30,444**	**451,929**

The market value of financial liabilities is determined as the present value of expected future cash flows. Current market interest rates are used for discounting. The market value of financial liabilities is as follows:

Market value of financial liabilities K€

	2020		2019	
	Market value	**Exposure**	**Market value**	**Exposure**
Liabilities to banks in foreign currencies	2,791	2,826	2,295	2,359
Liabilities to banks in euro	493,291	463,511	429,942	407,950

(26) Non-current provisions and accruals

Non-current provisions and accruals are as follows:

Non-current provisions and accruals K€

	31/12/2020	31/12/2019
Provisions for pensions and similar obligations	159,943	172,101
Provisions for severance payments	85,610	87,246
Provisions for service anniversary bonuses	20,632	19,678
Provisions for part-time retirement	1,685	1,693
Accrued liabilities for severance pay	7,705	11,860
Accruals for other personnel expenses	541	556
Total personnel-related provisions and accruals	**276,116**	**293,134**
Provisions for imminent losses from pending transactions	5,056	10
Provisions for damages and process risks	1,429	1,562
Other accrued liabilities	536	884
Total other provisions and accruals	**7,021**	**2,456**
Total	**283,137**	**295,590**

Provisions for pensions and similar obligations

Provisions for pensions and similar obligations are composed of the following items:

Changes in liabilities for defined benefit pension obligations and other obligations similar to pensions					K€
	2020	2019	2018	2017	2016
Present value (DBO) of obligations covered by fund assets	21,137	18,803	19,406	18,722	18,984
Fair value of plan assets	-10,066	-11,066	-10,631	-11,304	-11,239
Provision recognised for obligations covered by fund assets	11,070	7,736	8,775	7,418	7,745
Provision recognised for obligations not covered by fund assets	148,873	164,364	145,494	157,338	159,112
Experience adjustments of plan liabilities	-0.1%	3.4%	-2.5%	-0.6%	-6.6%
Provision recognised as at 31.12.	**159,943**	**172,101**	**154,269**	**164,755**	**166,857**

Experience adjustments of plan liabilities are relative divergences between the predicted value of previous years' obligations and the real amount of the obligation calculated in the following year.

The adjustment-related expense for defined benefit pension commitments consists of actuarial gains and losses from changes in financial assumptions of K€- 187 (previous year: K€ +2.921).

The following table shows the components of the plan assets of the funds:

Composition of plan assets		
	2020	2019
Shares in euro	10.8%	11.1%
Shares in foreign currencies	26.8%	26.0%
Government bonds	18.6%	21.8%
Corporate bonds	26.6%	27.4%
Other bonds	6.8%	5.5%
Bank/finance market	6.1%	3.5%
Real estate	4.4%	4.6%

Plan assets changed as follows:

Change in plan assets		K€
	2020	2019
Fair value of the plan assets on 1.1.	11,066	10,631
+ Expected income from the plan assets	53	143
+ Actuarial gain/loss	-242	1,038
- Benefits paid	-811	-747
Fair value of the plan assets on 31.12.	**10,066**	**11,066**

Value fluctuations occurring from plan assets were K€ -189 (previous year: K€ +1,182).

Pension obligations are covered by pension provisions or pension funds. In the event that claims transferred to the pension fund require additional payments, they are recognised in the Balance Sheet if the assets of the pension fund fall below the projected benefit obligation.

Provisions for pensions developed as follows in the 2020 and 2019 financial years:

Change in provision for pensions and similar obligations		K€
	2020	2019
Present value of defined benefit obligations (DBO) on 1.1.	172,101	154,269
+ Current service cost	275	229
+ Interest cost	851	2,175
- Actual benefit payments	-9,644	-10,035
- Actuarial gain/loss	-3,639	25,463
Present value of defined benefit obligations (DBO) on 31.12.	**159,943**	**172,101**

Expected pension payments in 2021 are K€ 9,887 (previous year: K€ 10,488).

<u>Change in parameters</u>
The change in the interest rate and salary trend in the financial year (see table p. 101 for actuarial assumptions) led to a release of K€ -836. The change in interest rate and salary trend in the previous year resulted in an allocation to provisions in the amount of K€ 18,760. The parameter changes are contained in the “Actuarial gain/loss” item.

As at 31 December 2020, the weighted average residual term of pension and similar obligations is 10.4 years.

Sensitivity analysis of the provision for pensions and similar obligations K€

Calculation bases/assumptions	Change in the assumption	31/12/2020 Decrease in parameter/change in DBO	31/12/2020 Increase in parameter/change in DBO
Interest rate	0.10%	1.2%	-1.2%
Salary increase	0.10%	-0.1%	0.1%
Pension increase	0.10%	-1.3%	1.3%
Remaining life expectancy	1 year	-7.8%	7.5%

Calculation bases/assumptions	Change in the assumption	31/12/2019 Decrease in parameter/change in DBO	31/12/2019 Increase in parameter/change in DBO
Interest rate	0.10%	1.2%	-1.2%
Salary increase	0.10%	-0.1%	0.1%
Pension increase	0.10%	-1.3%	1.3%
Remaining life expectancy	1 year	-7.3%	7.0%

The sensitivity analysis was performed separately for each actuarial key parameter. Only one key parameter was changed in the analysis, all other variables being held constant (ceteris paribus). The changed pension obligation was determined in the same manner as the actual obligation. Interdependencies between the individual actuarial parameters were not taken into account.

Provisions for Severance Pay

Provisions for severance pay developed as follows in the 2020 and 2019 financial years:

Change in severance pay provisions K€

		2020	2019
	Present value of defined benefit obligations (DBO) on 1.1.	87,246	76,602
+	Change in scope of consolidation	0	105
+	Current service cost	1,001	854
+	Interest cost	435	1,072
-	Actual benefit payments	-1,932	-1,482
-	Actuarial gain/loss	-1,140	10,097
	Present value of defined benefit obligations (DBO) on 31.12.	**85,610**	**87,246**

Expected severance payments in 2021 are K€ 2,901 (previous year: K€ 2,703).

As at 31 December 2020, the weighted average residual term of severance pay obligations is 11.4 years.

The following table shows the experience adjustments of the plan obligations showing the relative divergences between the predicted value of previous years' obligations and the actual amount of the obligations calculated in the following year:

Change in provisions for defined benefit obligations K€

	2020	2019	2018	2017	2016
Balance sheet provision for defined benefit obligations	85,610	87,246	76,602	74,003	75,855
Experience adjustments of plan liabilities	0.6%	0.9%	3.0%	1.3%	-3.0%
Provision recognised as at 31.12.	**85,610**	**87,246**	**76,602**	**74,003**	**75,855**

Change in parameters
The change in the interest rate and salary trend in the financial year (see table p. 101 for actuarial assumptions) led to a release of K€ -776. The change in interest rate and salary trend in the previous year resulted in an allocation to provisions in the amount of K€ 9,634. The parameter changes are contained in the "Actuarial gain/loss" item.

Sensitivity analysis of the severance pay provision K€

Calculation bases/assumptions	Change in the assumption	**31/12/2020** Decrease in parameter/change in DBO	Increase in parameter/change in DBO
Interest rate	0.10%	1.1%	-1.1%
Salary increase	0.10%	-1.1%	1.1%

Calculation bases/assumptions	Change in the assumption	**31/12/2019** Decrease in parameter/change in DBO	Increase in parameter/change in DBO
Interest rate	0.10%	1.2%	-1.2%
Salary increase	0.10%	-1.2%	1.2%

The sensitivity analysis was performed separately for each actuarial key parameter. Only one key parameter was changed in the analysis, all other variables being held constant (ceteris paribus). The changed pension obligation was determined in the same manner as the actual obligation. Interdependencies between the individual actuarial parameters were not taken into account.

As regards severance pay obligations, sensitivity of the remaining life expectancy was not taken into account due its minor significance.

Other Personnel-related Provisions and Accruals

Provisions for service anniversary bonuses have been determined by using the other personnel provisions calculation factors (see Note (9), "Significant Accounting Methods"). The change in the interest rate and salary trend in the financial year (see table p. 102 for actuarial assumptions) led to an allocation of K€ 207. The change in interest rate and salary trend in the previous year resulted in an allocation to provisions in the amount of K€ 1,781.

Eight Group companies form the provision for part-time retirement based on a "Betriebsvereinbarung betreffend Altersteilzeitmodell" (corporate agreement on part-time retirement model) or based on individual part-time retirement agreements.

Accrued liabilities for severance pay are related to restructuring measures based on corporate agreements.

Other Non-Current Provisions

Other non-current provisions changed as follows:

Change in other non-current provisions			**K€**
	Provisions for imminent losses from pending transactions	Provisions for damages and other risks	Total
As at 1.1.2019	**4,520**	**1,707**	**6,228**
Allocation	0	422	422
Transfer	-4,500	0	-4,500
Utilisation	-10	-551	-561
Reversal	-1	-17	-17
As at 31.12.2019	**10**	**1,562**	**1,572**
Allocation	37	80	117
Transfer	5,010	10	5,020
Utilisation	-1	-32	-33
Reversal	0	-191	-191
As at 31.12.2020	**5,056**	**1,429**	**6,484**

Provisions for imminent losses from pending transactions comprise provisions for contractual obligations arising from supply agreements for electricity and natural gas.

Provisions for damages and other risks contain provisions for damage compensation payments and litigation risks and are calculated based on estimates in the amount of the outflow of funds expected in the future.

Non-current provisions are discounted at the EUR-swap rate commensurate with the projected residual term.

Furthermore, there are contingent liabilities from lawsuits arising from contractual agreements, which according to IAS 37.26 did not require provisions. In view of the subordinate significance to the Group's assets, financial and earning position, more detailed information is not provided according to IAS 37.86.

(27) Current provisions and accruals

Current provisions and accruals are as follows:

Current provisions and accruals		**K€**
	31/12/2020	31/12/2019
Provisions for part-time retirement	892	484
Accrued liabilities for severance pay	4,345	5,758
Deferred holiday which has not yet been taken	15,842	15,008
Accruals for other personnel expenses	10,871	11,097
Total personnel-related provisions and accruals	**31,949**	**32,347**
Provisions for imminent losses from pending transactions	9,931	15,125
Provisions for damages and process risks	269	674
Other accrued liabilities	11,081	5,657
Total other provisions and accruals	**21,280**	**21,456**
Total	**53,230**	**53,802**

Personnel-related Provisions and Accruals

Provisions for part-time retirement refer to the current portion that is due for disbursement next year.

Accrued liabilities for severance pay are related to restructuring measures based on corporate agreements.

Accruals for other personnel expenses primarily include accruals for credit hours and bonuses not yet applied.

Other accrued liabilities include accruals for auditing and maintenance costs; legal, audit and consulting costs; and costs for preparing expert opinions.

Other current provisions

Provisions for imminent losses from pending transactions comprise provisions for contractual obligations.

Provisions for damages and litigation risks means compensation for damage, mandatory restoration, litigation and evaluation costs as well as litigation risks.

Current provisions developed as follows:

Development of other current provisions			K€
	Provisions for imminent losses from pending transactions	Provisions for damages and process risks	Total
As at 1.1.2019	**14,381**	**271**	**14,653**
Change in scope of consolidation	57	0	57
Allocation	3,343	427	3,771
Transfer	4,500	0	4,500
Utilisation	-6,062	-25	-6,087
Reversal	-1,096	0	-1,096
As at 31.12.2019	**15,125**	**674**	**15,799**
Allocation	3,097	76	3,172
Transfer	-5,020	0	-5,020
Utilisation	-3,234	-409	-3,643
Reversal	-37	-72	-109
As at 31.12.2020	**9,931**	**269**	**10,200**

(28) Construction subsidies

Building cost contributions received from customers or project partners in the amount of K€ 220,691 (previous year: K€ 204,108) are one-off contributions to be made for the output-specific granting of grid access and power supply rights. Building cost contributions are reversed analogously to the useful life of the affected plants and are disclosed under other sales revenues. If the term in the contract with the customer is shorter than the useful life of the asset, the building cost contribution is reversed over the contract term. The current portion in the amount of K€ 15,146 (previous year: K€ 15,018) comprises the amount to be reversed in the next financial year and is recognised in the “Other current liabilities and accruals/deferrals” item.

(29) Trade accounts payable

In the current financial year, current liabilities were offset against trade accounts receivable from electricity trading activities ("Portfolio"), based on agreements with the respective counterparties, which provide for financial clearing of trading positions on a standardised key date once a month, and the net amount was reported in the Balance Sheet.

The table below shows the effects on the Balance Sheet:

Offsetting information K€

Class	31/12/2020 Gross amount before offsetting	Gross amount offset	Net amount disclosed in the balance sheet
Trade accounts payable *)	244,960	-87,976	156,985

*) including non-current trade accounts payable amounting to K€ 2,180.

Class	31/12/2019 Gross amount before offsetting	Gross amount offset	Net amount disclosed in the balance sheet
Trade accounts payable *)	218,729	-75,301	143,428

*) including non-current trade accounts payable amounting to K€ 439

(30) Income tax liabilities

Income tax liabilities are comprised as follows:

Income tax liabilities K€

	31/12/2020	31/12/2019
Corporation tax	7,304	21,636
Other taxes	0	0
Total	**7,304**	**21,636**

(31) Other non-current liabilities

Other non-current liabilities and accruals/deferrals are as follows:

Other non-current liabilities		**K€**
	31/12/2020	31/12/2019
Investment grants	38,633	35,374
Trade accounts payable	2,180	439
Citizen participation in renewable energy projects	868	877
Payments received for income affecting the subsequent periods	206	1,059
Taxes and social security	39	35
Other financial liabilities	279	140
Liabilities recognised at amortised cost of acquisition	**42,205**	**37,924**
Derivative financial instruments recognised at fair value through profit or loss	13,641	17,932
of which derivative financial instruments (level 1)	645	6,177
of which derivative financial instruments (level 2)	12,995	11,754
Derivative financial instruments	**13,641**	**17,932**
Total	**55,845**	**55,856**

Investment grants are mainly grants and contributions made and provided for wind power plants, high and medium-voltage lines, gas lines and expanding the broadband network, which are reversed through profit or loss according to the useful life of the associated tangible asset.

The category “Derivative financial instruments with hedging relationships” discloses derivative financial instruments with negative market values used to hedge unexpected price developments in energy trading. For a detailed explanation, refer to Note (7) “Other Disclosures”.

Derivative financial instruments at fair value through profit or loss include K€ 12,853 (previous year: K€ 17,620) of derivative financial instruments with negative market values to hedge against unexpected price developments in the energy trading business. For a detailed explanation, refer to Note 7 “Other Disclosures” (see table p. 77). This item also includes electricity derivatives not designated for hedging purposes in the amount of K€ 788 (previous year: K€ 312), which have a negative fair value as of the balance sheet date, as well as other derivative financial instruments that serve to hedge risks economically but do not qualify as hedging instruments in the balance sheet if their fair value is negative as of the balance sheet date.

For information on net profits and losses from derivative financial instruments held for trading, please refer to Note (1) “Sales Revenues” and Note (9) “Financial Income and Expenses”.

(32) Other current liabilities and accruals/deferrals

Other current liabilities as well as deferrals and accruals are as follows:

Other current liabilities and accruals/deferrals		**K€**
	31/12/2020	31/12/2019
Taxes and social security	81,809	62,348
Liabilities due to companies in which a participating interest is held	32,856	29,694
Liabilities from the hedging of derivative financial instruments	16,167	0
Construction subsidies	15,146	15,018
Advance payments received on account of orders	7,507	4,473
Payments received for income affecting the subsequent periods	1,218	2,206
Investment grants	1,779	2,035
Employee liabilities	1,276	742
Other financial liabilities	5,494	4,506
Liabilities recognised at amortised cost of acquisition	**163,252**	**121,021**
Derivative financial instruments recognised at fair value through profit or loss	32,057	84,899
of which derivative financial instruments (level 1)	13,726	8,131
of which derivative financial instruments (level 2)	18,331	76,768
Derivative financial instruments	**32,057**	**84,899**
Total	**195,309**	**205,919**

Derivative financial instruments at fair value through profit or loss include K€ 24,478 (previous year: K€ 76,041) of derivative financial instruments with negative market values to hedge against unexpected price developments in the energy trading business. For a detailed explanation, refer to Note 7 “Other Disclosures” (see table p. 77). This item also includes electricity derivatives not designated for hedging purposes in the amount of K€ 7,576 (previous year: K€ 8,857), which have a negative fair value as of the balance sheet date, as well as other derivative financial instruments that serve to hedge risks economically but do not qualify as hedging instruments in the balance sheet if their fair value is negative as of the balance sheet date.

For information on net profits and losses from derivative financial instruments held for trading, please refer to Note (1) “Sales Revenues” and Note (9) “Financial Income and Expenses”.

(33) Information on Classes and Categories of Financial Instruments

Assets - balance sheet items K€

Classes	Valuation category in accordance with IFRS 9	Level	31/12/2020 Carrying amount	31/12/2020 Fair value	31/12/2019 Carrying amount	31/12/2019 Fair value
Shareholdings measured at fair value	@FVOCI *)	2	675,663	675,663	810,865	810,865
Shareholdings measured at fair value	@FVTPL	1	7,435	7,435	7,117	7,117
Securities measured at fair value	@FVTPL	1	41,803	41,803	41,802	41,802
Loans granted by the company	FAAC	2	20,009	21,294	22,530	24,184
Derivative financial instruments	@FVTPL	1	19,715	19,715	229	229
Derivative financial instruments	@FVTPL	2	16,463	16,463	9,229	9,229
Non-current financial assets			**781,089**	**-**	**891,773**	**-**
Trade accounts receivable	FAAC	2	134	134	110	110
Other receivables	FAAC	2	1,745	1,745	1,741	1,741
Non-financial assets	-		754	-	1,297	-
Non-current receivables and other assets			**2,633**	**-**	**3,147**	**-**
Loans granted by the company	FAAC	2	7,792	7,957	6,882	7,065
Derivative financial instruments	@FVTPL	1	10,783	10,783	22,482	22,482
Derivative financial instruments	@FVTPL	2	71,219	71,219	28,640	28,640
Current financial assets			**89,794**	**-**	**58,004**	**-**
Contract assets	**FAAC**	**2**	**3,550**	**3,550**	**2,651**	**2,651**
Trade accounts receivable	FAAC	2	187,632	187,632	152,317	152,317
Receivables from companies with which a shareholding relationship exists	FAAC	2	12,971	12,971	10,384	10,384
Other receivables	FAAC	2	42,806	42,806	38,517	38,517
Non-financial assets	-	0	3,533	-	2,961	-
Current receivables and other assets			**246,942**	**-**	**204,180**	**-**
Cash and cash equivalents			**109,426**	**109,426**	**110,358**	**110,358**

*) Recognised at cost of acquisition if fair values cannot be determined reliably.

Summarised by measurement categories					
Financial assets valued at fair value through equity	@FVOCI	675,663	675,663	810,865	810,865
Financial assets valued at fair value through profit or loss	@FVTPL	167,419	167,419	109,500	109,500
Financial assets at cost	FAAC	386,067	387,516	345,491	347,328

Liabilities - balance sheet items

Classes	Valuation category in accordance with IFRS 9	Level	31/12/2020 Carrying amount	31/12/2020 Fair value	31/12/2019 Carrying amount	31/12/2019 Fair value
Liabilities due to banks	FLAC	2	441,009	466,564	339,797	355,709
Liabilities to others	FLAC		10,921	-	10,913	-
Non-current financial liabilities	**FLAC**		**451,929**	**466,564**	**350,710**	**355,709**
Liabilities recognised at amortised cost of acquisition	FLAC		3,366	3,366	1,491	1,491
Non-financial liabilities	-		38,839	-	36,433	-
Derivative financial instruments	@FVTPL	1	645	645	6,177	6,177
Derivative financial instruments	@FVTPL	2	12,995	12,995	11,754	11,754
Other non-current liabilities			**55,845**	**-**	**55,856**	**-**
Liabilities due to banks	FLAC	2	27,901	29,518	73,104	76,528
Liabilities to others	FLAC		2,543	-	2,071	-
Current financial liabilities			**30,444**	**29,518**	**75,176**	**76,528**
Trade accounts payable	**FLAC**		**154,805**	**154,805**	**142,988**	**142,988**
Contract liabilities	**FAAC**		**1,684**	**1,684**	**1,830**	**1,830**
Liabilities recognised at amortised cost of acquisition	FLAC		145,109	145,109	101,762	101,762
Non-financial liabilities	-		18,143	-	19,258	-
Derivative financial instruments	@FVTPL	1	13,726	13,726	8,131	8,131
Derivative financial instruments	@FVTPL	2	18,331	18,331	76,768	76,768
Other current liabilities			**195,309**	**-**	**205,919**	**-**
Summarised by measurement categories						
Financial liabilities at amortised cost of acquisition	FLAC		787,337	801,045	673,958	680,309
Financial liabilities valued at fair value through profit or loss	@FVTPL		45,697	45,697	102,830	102,830

@FVOCI at fair value through other comprehensive income
@FVTPL at fair value through profit or loss
FAAC financial assets at cost
FLAC financial liabilities at cost

6 NOTES ON THE CONSOLIDATED CASH FLOW STATEMENT

The Consolidated Cash Flow Statement is presented using the indirect method. The composition of cash and cash equivalents is shown in the table below. Effects of changes in exchange rates are disclosed separately.

Composition of cash and cash equivalents **K€**

	31/12/2020	31/12/2019
Cash in hand, cheques, cash in banks (required retention period of less than three months)	109,426	110,358
Other current borrowing (required retention period of less than three months)	0	0
Cash and cash equivalents at the end of the period	**109,426**	**110,358**

Income tax payments and interest payments are reported separately under operating activities. Dividends and interest received are allocated to investment activities. Dividends paid are disclosed as part of the financing activity.

Cash flow arising from the acquisition and sale of consolidated companies are contained in the net cash flow from investment activities. For information on company acquisitions and disposals, reference is made to Note 3 “Scope of Consolidation”.

In the current financial year, the item “Payments for the acquisition of parts of companies” includes the purchase price for the acquisition of the shares in Stadtwerke Bruck an der Mur GmbH (STB), the shares in eAHL AbHofLaden GmbH (eAHL) and the shares in IBIOLA Mobility Solutions GmbH (IMS). In the previous year, this item included the acquisition of shares in Elektrizitätswerke Bad Radkersburg GmbH (EBR), shares in V.I.Trade s.r.o. (VIT), the shares in homee GmbH (HOM), the shares in ENWA GmbH and the shares in STEFE Martin, a.s. (STEFE MT).

The table below shows a summary of the assets and liabilities acquired as well as the amount of cash of the acquired subsidiaries in the previous year:

Payments made for the acquisition of business units less liquid assets acquired **K€**

2020	STB *)	eAHL *)	IMS	Total
Share acquisition in %	34.00%	25.10%	-	-
Successive acquisition of shares in %	-	-	50.00%	-
Non-current assets	19,802	474	305	20,581
Current assets	9,454	336	250	10,040
Non-current liabilities	-16,916	-146	-76	-17,139
Current liabilities	-8,138	-308	-123	-8,569
Equity	-4,201	-356	-356	-4,914
Share in equity capital acquired	1,428	89	178	1,696
Goodwill				4,095
Purchase price liability				-375
Total purchase price paid in cash				5,415
				5,415

2019	EBR	VIT	HOM *)	ENWA	STEFE MT	Total
Share acquisition in %	74.90%	100.00%	50.00%	-	-	-
Successive acquisition of shares in %	-	-	-	30.00%	8.70%	-
Cash and cash equivalents	417	214	0	0	0	631
Non-current assets	2,522	20	9	1,348	0	3,899
Current assets	412	651	2,949	116	0	4,127
Non-current liabilities	-849	-2	0	0	0	-851
Current liabilities	-875	-304	-295	-181	0	-1,655
Equity	-1,627	-580	-2,662	-1,282	-3,615	-9,766
Share in equity capital acquired	1,218	580	1,331	385	315	3,828
Goodwill						2,524
Purchase price liability						-2,600
Total purchase price paid in cash						3,752
Cash and cash equivalents						-631
						3,122

*) Balance sheet items are shown at 100%

The reconciliation of debt movements to net cash flow from financing activities is shown below:

Reconciliation of movements in liabilities to cash flows from financing activities K€

		Liabilities			Equity				
	Notes	Liabilities due to banks	Liabilities due to other parties	Liabilities from finance leases	Share capital / Capital reserves	Accumulated results	Accumulated changes not recognised in profit and loss	Non-controlling interests	Total
Balance sheet as at 31/12/2018		**345,462**	**490**	**2,862**	**713,178**	**407,901**	**352,644**	**13,977**	**1,836,514**
Adjustment from the first-time Application of IFRS 16		0	0	6,662	0	0	0	0	6,662
Balance sheet as at 01/01/2019		**345,462**	**490**	**9,524**	**713,178**	**407,901**	**352,644**	**13,977**	**1,843,176**
Changes in net cash flow from financing activities									
Payments received from shareholder grants	(21)	0	0	0	0	0	0	900	900
Distribution to shareholders (profit distribution)	(22)	0	0	0	0	-61,667	0	0	-61,667
Distribution to non-controlling interests	(24)	0	0	0	0	0	0	-1,141	-1,141
Raising of bonds, loans and credits	(25)	138,778	53	0	0	0	0	0	138,831
Repayment of bonds, loans and credits	(25)	-71,383	0	0	0	0	0	0	-71,383
Repayment of lease liabilities	(25)	0	0	-1,854	0	0	0	0	-1,854
Total change in net cash flow from financing activities		**67,395**	**53**	**-1,854**	**0**	**-61,667**	**0**	**-241**	**3,686**
Change in scope of consolidation		**72**	**0**	**0**	**0**	**-135**	**0**	**607**	**543**
Currency changes		**-26**	**0**	**0**	**0**	**0**	**0**	**0**	**-26**
Other changes in respect of liabilities									
New leases	(13)	0	0	4,838	0	0	0	0	4,838
Termination of leases	(13)	0	0	-66	0	0	0	0	-66
Interest expenses	(9)	8,239	81	351	0	0	0	0	8,670
Interest paid		-8,240	-81	-351	0	0	0	0	-8,671
Total other changes in respect of liabilities		**-1**	**0**	**4,771**	**0**	**0**	**0**	**0**	**4,770**
Total other changes in respect of equity		**0**	**0**	**0**	**0**	**98,224**	**-17,048**	**1,205**	**82,381**
Balance sheet as at 31/12/2019		**412,902**	**543**	**12,441**	**713,178**	**444,323**	**335,596**	**15,547**	**1,934,530**

Reconciliation of movements in liabilities to cash flows from financing activities

K€

		Liabilities			Equity				
	Notes	Liabilities due to banks	Liabilities due to other parties	Lease liabilities	Share capital / Capital reserves	Accumulated results	Accumulated changes not recognised in profit and loss	Non-controlling interests	Total
Balance sheet as at 31/12/2019		**412,902**	**543**	**12,441**	**713,178**	**444,323**	**335,596**	**15,547**	**1,934,530**
Changes in net cash flow from financing activities									
Distribution to shareholders (profit distribution)	(22)	0	0	0	0	-60,000	0	0	-60,000
Distribution to non-controlling interests	(24)	0	0	0	0	0	0	-1,104	-1,104
Raising of bonds, loans and credits	(25)	125,832	0	0	0	0	0	0	125,832
Repayment of bonds, loans and credits	(25)	-69,876	-51	0	0	0	0	0	-69,927
Repayment of lease liabilities	(25)	0	0	-2,173	0	0	0	0	-2,173
Total change in net cash flow from financing activities		**55,957**	**-51**	**-2,173**	**0**	**-60,000**	**0**	**-1,104**	**-7,372**
Change in scope of consolidation		**0**	**10**	**0**	**0**	**0**	**0**	**1,251**	**1,261**
Currency changes		**72**	**0**	**7**	**0**	**0**	**0**	**0**	**78**
Changes in fair value		**0**	**0**	**62**	**0**	**0**	**0**	**0**	**62**
Other changes in respect of liabilities									
New leases	(13)	0	0	2,626	0	0	0	0	2,626
Termination of leases	(13)	0	0	0	0	0	0	0	0
Interest expenses	(9)	7,307	0	359	0	0	0	0	7,666
Interest paid		-7,327	0	-359	0	0	0	0	-7,686
Total other changes in respect of liabilities		**-20**	**0**	**2,626**	**0**	**0**	**0**	**0**	**2,606**
Total other changes in respect of equity		**0**	**0**	**0**	**0**	**65,555**	**-28,512**	**1,031**	**38,074**
Balance sheet as at 31/12/2020		**468,910**	**501**	**12,963**	**713,178**	**449,878**	**307,083**	**16,726**	**1,969,239**

7 OTHER DISCLOSURES

FINANCIAL RISK MANAGEMENT

The Energie Steiermark Group is exposed to various financial risks, particularly to credit risks, liquidity risks, currency exchange risks and interest rate risks.

Financial risk management is performed centrally by corporate treasury and is based on a corporate guideline provided by the management. Central treasury identifies and assesses the financial risks in close cooperation with the operative business units and hedges them, if necessary.

For several years, Energie Steiermark AG has employed a company-wide risk and opportunity management system as an integrated component of corporate decision-making processes. The risk management system ensures that all legal requirements and regulations of the Energie Steiermark AG Corporate Governance Code with regard to risk management are fully complied with.

Risk Factors

Credit Risk

Credit risk means the risk arising when business partners are in non-compliance with contractual obligations, which might result in a loss of assets. Risk concentrations might result from financial instruments having the same or similar characteristics. Counterparty risks arising in the fields of financing and investment as well as in energy trading are minimised and excessive risk concentration is avoided by a strict limit system, continuing credit rating monitoring, guarantee commitments and the conclusion of accepted, standardised master agreements. In the operating business, outstanding accounts are continuously monitored in each business unit. As a reaction to the crisis on the international financial markets, the limits for bank investments were reduced to further limit the counterparty risk.

The maximum loss risk is reflected by amortised values of the financial assets disclosed in the Balance Sheet, as no general offset agreements exist. As regards derivatives in the electricity business which are traded at a stock exchange and have a positive fair value on the balance sheet date, the contracting partners provided financial security, which practically eliminates the default risk. At the same time, financial securities are provided by the contract partners if certain limits are exceeded for derivatives with a positive fair value in gas trading, to abate the default risk. Securities included in the non-current and current financial instruments as well as invested funds are subject to the general market risk. Individual credit risk is minimised by investing in partners with excellent credit rating. The maximum default risk for guarantee commitments provided to third parties corresponds to the amount disclosed under “Contingent Liabilities”.

The maximum default risk for financial assets on the balance sheet date is presented below:

Maximum default risk		**K€**
	Carrying amount at 31/12/2020	**Carrying amount at 31/12/2019**
Loans granted by the company	27,801	29,412
Securities at fair value through profit or loss	41,803	41,802
Derivative financial instruments with hedging relationships	78,235	28,597
Financial assets valued at fair value through profit or loss	9,905	20,039
Trade accounts receivable	200,304	162,541
Other receivables and assets	23,220	30,323
Cash and cash equivalents	109,426	110,358
Total default risk pursuant to balance sheet	**490,695**	**423,073**
Guarantees	8,996	8,606
Other contractual liability obligations	29	29
Total default risk	**499,719**	**431,708**

Liquidity Risk

Liquidity risk refers to the potential inability to produce the financial means to meet contracted liability requirements in a timely manner. The corporate financing policy is tailored to long-term financial planning and is controlled and monitored centrally. Liquidity development is controlled and documented by continuous liquidity representations in the form of a rolling liquidity planning, including comparisons between target and actual situation.

Energie Steiermark AG's rating enables a diversification of the financing sources, which ensures sufficient liquidity. Moreover, the liquidity risk is limited by a defined reserve policy, defined limit values and the opportunity of using credit lines.

The liquidity analysis to be prepared according to IFRS 7.39, including contractually agreed (undiscounted) interest rate payments and repayments of financial liabilities, is shown in the table below. These amounts might differ from the discounted values disclosed in the Balance Sheet. If expected maturities differ from the contractually agreed dates, these are disclosed separately.

Variable interest payments are taken into account based on the conditions prevailing as of the balance sheet date. Financial liabilities that can be repaid at any time are allocated to the earliest period. Liabilities arising from derivative financial instruments are recognised at fair value as of the balance sheet date, unless changes of the derivatives' fair value were compensated by additional payment obligations or unless certain payments were contractually agreed. Cash flows from guarantees and other contractual contingencies constitute fictitious outflow of funds which might occur if all obligations arising therefrom are claimed. These are allocated to the earliest period in which the obligation can be claimed.

Items disclosed under financial liabilities which will not result in an outflow of funds are not included in the liquidity analysis. These are building cost contributions received, government grants, advance payments received, third party down payments as well as derivative financial instruments whose change in value has already been settled by additional payment obligations.

Liquidity analysis K€

2020	Carrying	Cash flows		
	31/12/2020	2021	2022 - 2025	from 2026
Liabilities due to banks	468,910	32,478	123,462	368,600
Other financial liabilities	13,464	2,543	5,966	4,954
Derivative financial instruments with hedging relationships	23,457	11,250	12,207	0
Financial assets valued at fair value through profit or loss	8,367	7,579	788	0
Trade accounts payable	156,985	154,805	2,160	20
Tax and social security liabilities	81,847	81,809	39	0
Other liabilities	40,773	39,626	230	917
Guarantees	8,996	8,996	0	0
Other contractual liability obligations	29	29	0	0
Financial liabilities arising from purchase commitments	1,670,359	1,271,298	399,061	0
Financial obligations from other contracts	6,269	264	923	5,082

2019	Carrying	Cash flows		
	31/12/2019	2020	2021 - 2024	from 2025
Liabilities due to banks	412,902	78,534	93,612	299,238
Other financial liabilities	12,984	2,071	6,204	4,709
Derivative financial instruments with hedging relationships	79,601	68,159	11,443	0
Financial assets valued at fair value through profit or loss	9,169	8,857	312	0
Trade accounts payable	143,428	142,988	394	45
Tax and social security liabilities	62,383	62,348	35	0
Other liabilities	35,959	34,941	91	926
Guarantees	8,606	8,606	0	0
Other contractual liability obligations	29	29	0	0
Financial liabilities arising from purchase commitments	1,825,586	1,387,619	432,802	0
Financial obligations from other contracts	6,371	361	942	5,068

Currency Exchange Risk

The risk arising from value fluctuations of financial instruments, other Balance Sheet items (e.g. receivables and liabilities) and/or cash flows due to currency exchange variations is called the currency exchange risk. This risk is predominant where a currency different from the corporation’s local currency (in the following referred to as “foreign currency”) is involved in business transactions or may be involved during business operations.

There is almost no currency exchange risk on the asset and liability side, as deliveries and investments as well as liabilities and loans are performed primarily in the local currency of the respective Group company.

Interest Rate Risk

Interest rate risk means the possibility that the value of financial instruments, other Balance Sheet items and/or interest-related cash flows might change due to movements in the market interest rates. Interest rate risk includes the present value risk for fixed-rate Balance Sheet items and the cash flow risk for Balance Sheet items with variable interest rates. The interest rate risk relevant for Energie Steiermark is primarily the Euro zone risk.

For financial instruments with a fixed interest rate, a stipulated market interest rate is agreed upon for the entire term. The risk results from the fact that the quoted value of the financial instruments changes in case of fluctuations of the interest rate. The interest rate-related risk results in loss or gain when the fixed-rate financial instrument is disposed of prior to maturity. For variable-rate financial instruments, the interest rate is continually adapted, usually in line with the prevailing market interest rate. Here, the risk exists in market interest rate fluctuations resulting in varied interest payments.

On the asset side, an interest rate risk basically exists only for fixed-rate securities in non-current financial instruments. On the liabilities side, essential interest rate risks might exist in financial liabilities with a maturity of more than one year. The residual term for 93.7 percent of financial liabilities is more than one year, 5.5 percent of which has a variable interest rate.

Interest rate hedges were concluded for part of the non-current financial liabilities to hedge the interest rate risk. Moreover, no interest rate hedging by means of derivative financial instruments existed due to the current market estimates and a long-term secured financing structure.

IFRS 7 requires sensitivity analyses showing the effects of hypothetical changes of relevant risk variables in order to represent interest rate risks. Such an analysis shows the effects of changes in market interest rates on interest paid, income from interest and interest expenses as well as on valuation results of interest rate-induced market value changes. Effects are determined by relating the hypothetical changes in the risk variables to the inventory of financial instruments as of the balance sheet date. It is assumed that such an inventory is representative for the entire financial year.

Interest rate sensitivity analyses are based on the following assumptions: Market interest rate changes in primary fixed-rate financial instruments will only have an impact on the result if such are recognised at fair value in the Balance Sheet. Market interest rate changes have an impact on the interest result of variable-rate primary financial instruments and are, thus, included in the calculation of result-related sensitivities. Market interest rate changes in interest derivatives which are not subject to an effective hedging relationship as defined in IFRS 9 have an effect on the financial result, if their fair value changes, and are, thus, taken into account in the calculation of result-related sensitivities.

If the market interest rate level had been higher (lower) by 100 base points on 31 December 2020, the result from interest payments would have been higher (lower) by K€ 885 (previous year: K€ 422).

If the market interest rate level had been higher (lower) by 100 base points on 31 December 2020, the result from the change in the market values of financial assets recognised at fair value through profit or loss would have been lower (higher) by K€ 1,623 (previous year: K€ 1,792).

Use of Derivative Financial Instruments to Minimise Commodity Price Risks

In electricity and gas trading, derivative financial instruments are used as hedging instruments against undesirable price developments on the relevant wholesale markets for electricity and gas. In the event of hedging transactions, fluctuations of future cash flows based on expected purchases and sales are hedged by derivatives (cash flow hedges).

If the criteria are met, these hedges are subject to hedge accounting and the hedging relationship's effectiveness is assessed by means of an analysis.

As a matter of principle, derivative financial instruments are not used as instruments of speculation, but serve to protect against risks in connection with operating activities. In addition, derivatives are used in proprietary trading within the narrow limits provided for this purpose. These limits are defined and monitored by independent organisational units.

If derivatives are included in a cash flow hedge relationship, price changes in the commodity prices underlying these transactions have effects on the security reserves in equity and on the fair value of the hedging transactions. It needs to be noted here that the market value changes in derivative financial instruments used for hedging are paired with underlying transactions with compensating effect.

Ineffectivities of K€ 62 (previous year: K€ 13) resulting from the qualifying cash flow hedges as of the balance sheet date were recognised in profit or loss for the period.

Furthermore, derivatives (exchange-traded and/or OTC futures and forwards) carry default risks if the counterparty fails to meet payment obligations under the derivative contract.

In order to limit this credit risk arising from derivative financial instruments, transactions are concluded exclusively with such counterparties who meet the current corporate credit requirements. All counterparties are categorised in credit-rating categories by external rating and scoring methods. The credit rating category determines the allowable transaction scopes to prevent risk concentrations.

Master agreements are concluded with all counterparties in order to further reduce the default risk. A significant component of these master agreements are offsetting arrangements so that the respective risk towards a business partner is considerably lower than the actual open receivables due from this business partner.

Suitable bank or parent company guarantees may help to improve the credit rating of smaller business partners.

Transactions with commodity exchanges are considered counterparty risk-free due to their high credit standing and the mandatory security system.

The counterparty risk (current exposure = potential financial loss upon the default on the part of a business partner on the balance sheet date) from energy trade is as follows on the balance sheet date:

Counterparty risk

€	Current exposure			Current exposure previous year		
Rating category*	Max.	Min.	Σ	Max. previous year	Min. previous year	Σ Previous year
iAAA	0	0	0	0	0	0
iAA	-332,152	-748,094	0	98,972	-91,493	98,972
iA	7,779,822	-2,756,772	21,019,461	4,727,324	-18,270,926	9,716,720
iBBB	3,700,887	-3,257,630	13,758,201	2,105,210	-13,058,815	5,450,772
iBB	1,210,794	-2,008,611	2,601,421	613,562	-2,439,432	928,727
iB	-875	-1,575	0	45,310	-64,606	45,310
iC	0	0	0	0	0	0
iD	0	0	0	0	0	0
Total			37,379,084			16,240,501

* internal rating category by creditworthiness - depending on their creditworthiness, business partners are assigned to an internal rating category from iAAA (best credit rating) to iCCC, by analogy to the rating scales used by recognised, external rating agencies

The potential financial loss upon the default of a business partner results from outstanding net receivables (receivables less liabilities due to existing offsetting agreements) as well as market value differences of the underlying derivative contracts not yet completely fulfilled:

€	Current exposure[1]			Counterparty risk from outstanding net receivables[2]			Counterparty risk from market value differences[1,3]		
Internal rating category	Maximum	Minimum	Σ	Maximum	Minimum	Σ	Maximum	Minimum	Σ
iAAA	0	0	0	0	0	0	0	0	0
iAA	-332,152	-748,094	-1,080,246	324,238	-656,390	-423,856	0	-656,390	-656,390
iA	7,779,822	-2,756,772	11,537,363	612,190	-1,973,511	-14,400,004	13,087,762	-1,973,511	25,937,366
iBBB	3,700,887	-3,257,630	3,516,093	710,969	-2,452,342	-24,856,857	8,836,771	-2,452,342	28,372,951
iBB	1,210,794	-2,008,611	-111,500	748,092	-180,875	-2,815,980	1,309,063	-180,875	2,704,480
iB	-875	-1,575	-2,450	0	-1,575	0	-875	-1,575	-2,450
iC	0	0	0	0	0	0	0	0	0
iD	0	0	0	0	0	0	0	0	0
Total			13,859,260			-42,496,698			56,355,958

1 Risk taking into account contractual offsetting agreements

2 Negative values correspond to net liabilities on the balance sheet date

3 Negative values correspond to net market value losses; in the event of default of a business partner and net market value losses, the business partner receives financial compensation

from Energie Steiermark so that there is no credit risk for net market value losses

The counterparty risk from market value differences is as follows in the balance sheet:

€	Counterparty risk from market value differences recognised in the balance sheet, residual term < 1 year			Counterparty risk from market value differences recognised in the balance sheet, residual term > 1 year			Counterparty risk from market value differences recognised in the balance sheet, total		
Internal rating category	Market value gains	Market value losses	Σ	Market value gains	Market value losses	Σ	Market value gains	Market value losses	Σ
iAAA	0	0	0	0	0	0	0	0	0
iAA	188,278	-201,209	-12,931	286,991	-930,450	-643,459	475,269	-1,131,659	-656,390
iA	91,900,813	-64,261,006	27,639,807	14,732,509	-16,395,200	-1,662,690	106,633,323	-80,656,206	25,977,116
iBBB	98,724,112	-74,979,081	23,745,030	20,832,336	-16,244,165	4,588,170	119,556,447	-91,223,247	28,333,201
iBB	7,196,061	-5,679,694	1,516,367	2,952,387	-1,764,274	1,188,113	10,148,448	-7,443,968	2,704,480
iB	0	0	0	0	-2,450	-2,450	0	-2,450	-2,450
iC	0	0	0	0	0	0	0	0	0
iD	0	0	0	0	0	0	0	0	0
Total	198,009,264	-145,120,990	52,888,273	38,804,223	-35,336,539	3,467,684	236,813,487	-180,457,529	56,355,958

To represent market risks, IFRS 7 requires sensitivity analyses showing the effects of hypothetical changes of relevant risk variables on result and equity. Effects are determined by relating the hypothetical changes in the risk variables to the inventory of financial instruments as of the balance sheet date. It is assumed that such an inventory is representative for the entire financial year.

In the electricity and gas segment, derivative financial instruments are used to protect against price change risks. If these derivatives are included in a cash flow hedge relationship, hypothetical price changes in the commodity prices underlying these transactions have effects on the security reserves in equity and on the fair value of the hedging transactions. It needs to be noted here that the market value changes of derivative financial instruments used for hedging are paired with underlying transactions with compensating effect.

In the event of a 10 percent product price increase (product price decrease) in the electricity segment as at 31 December 2020, the hedging reserve in equity and the fair value of the hedging transactions would have been higher (lower) by K€ 50,691 (previous year: K€ 32,945).

In the event of a 10 percent product price increase (product price decrease) in the gas segment as at 31 December 2020, the hedging reserve in equity and the fair value of the hedging transactions would have been higher (lower) by K€ 15,714 (previous year: K€ 7,320).

Fair value changes in derivative financial instruments used for trading in the electricity and gas segment are recognised under sales revenue affecting income. Value-at-risk models are used to control the resulting financial risks. For this purpose, the value-at-risk is determined using a variance/covariance analysis with a confidence level of 99 percent and a holding period of one trading day.

No open positions were held in the electricity and gas trading business as of 31 December 2020.

On the balance sheet date, unsettled derivative financial instruments consist of the following:

Derivative financial instruments K€

2020	Nominal volumes	Market value 31.12.2020	Residual term < 1 year	Residual term > 1 year
Futures	5,187,450 MWh	12,423	-5,050	17,473
Forwards	10,399,937 MWh	55,527	52,123	3,403
CO2 certificates	337,000 t	2,995	1,328	1,667
Total		**70,945**	**48,401**	**22,544**

2019	Nominal volumes	Market value 31.12.2019	Residual term < 1 year	Residual term > 1 year
Futures	2,095,268 MWh	-2,071	3,877	-5,948
Forwards	9,112,555 MWh	-50,386	-47,985	-2,400
CO2 certificates	54,000 t	-663	-543	-120
Total		**-53,120**	**-44,652**	**-8,469**

*) positive market value (+) / negative market value (-)

The composition of the hedging reserve in equity is shown below:

Cash flow hedges K€

2020	Residual term > 1 year	Residual term < 1 year	Cash flow hedges total	OCI total	Deferred taxes	OCI after taxes
Futures	17,473	-5,050	12,423	4,441	-1,110	3,331
Forwards	3,403	52,123	55,527	55,527	-13,882	41,645
CO2 certificates	1,667	1,328	2,995	2,995	-749	2,246
As at 31.12.2020	**22,544**	**48,401**	**70,945**	**62,963**	**-15,741**	**47,223**
of which derivatives with a positive market value	35,396	72,879	108,275			
of which derivatives with a negative market value	-12,853	-24,478	-37,330			

2019	Residual term > 1 year	Residual term < 1 year	Cash flow hedges total	OCI total	Deferred taxes	OCI after taxes
Futures	-5,948	3,877	-2,071	24,176	-6,044	18,132
Forwards	-2,400	-47,985	-50,386	-50,386	12,596	-37,789
CO2 certificates	-120	-543	-663	-718	179	-538
As at 31.12.2019	**-8,469**	**-44,652**	**-53,120**	**-26,928**	**6,732**	**-20,196**
of which derivatives with a positive market value	9,151	31,389	40,541			
of which derivatives with a negative market value	-17,620	-76,041	-93,661			

Market value

The market value is derived from market information available on the balance sheet date and the following methods and assumptions:

Determination of market value of financial liabilities and borrowings is based on current market data. Open cash flows are discounted at the market interest rate corresponding to the remaining term on the valuation date. The current market interest rate is calculated with the appropriate EURIBOR or the EUR swap rate plus a credit spread. For financial liabilities in non-euro currencies, future cash flows are discounted in the respective currency at the interest rate of that same currency. The resulting market value in foreign currency is then converted into euro using the exchange rate prevailing on the reporting date. The market values determined in this way correspond to Level 2 of the fair value hierarchy in accordance with IFRS 13.

The market value of current financial assets and current liabilities corresponds approximately to the carrying amounts based on their daily or short-term maturities.

Capital Management

The corporate aim of capital management is the continuation of the company's business as a going concern and the continuous increase in the company's value to meet the shareholders' interests and to generate value for other stakeholders. Control and adjustment, if required, of the capital structure are based on changes in the economic environment as well as changes in the risk characteristics of assets and liabilities. Capital management is performed based on the quotient of equity and total capital. In addition, the level of indebtedness, which is calculated as the quotient of financial liabilities plus non-current provisions and equity, is used as a control factor. Equity comprises share capital, capital reserves, non-controlling interests, accumulated results and changes not affecting earnings recognised in equity.

Control and adjustment, if required, of the capital structure are made in consideration of changes in the economic environment as well as changes in the risk characteristics of assets and liabilities. Capital management is based on defined parameters and limit values.

The defined limit values are measures serving for early identification of developments. If these values are (expected to be) reached or exceeded, there is the possibility of presenting and/or initiating countermeasures.

The indicators comprise parameters for securing liquidity, fixed interest rate periods, commitment of capital and for controlling the currency and counterparty risks, and are presented in the following table:

Capital Management

Key indicator	Supplementary note	Limit values
Liquidity	· Max. 33% of uncommitted credit lines · Net debts max. 40% of interest-bearing total capital	max. utilisation of 33% of uncommitted credit lines
Commitment of capital	· Long-term capital binding in an amount that at least ensures that a net working capital is achieved.	capital commitment > 1 year to achieve positive net working capital
Fixed interest rate period	· Interest sensitivity: Interest balance limit max. – 10% of earnings before taxes	max. 10% of earnings before taxes
	· Minimum interest cover ratio for financial liabilities of 5	interest cover ratio > 5
Currency risk from financial items	· Fluctuation potential less annual interest benefit from foreign currencies <= 10% of earnings before taxes, max. € 5 million	max. 10% of earnings before taxes (max. € 5 million)
Allocation of business Assets	· Investment per partner max. 10% of equity capital of Energie Steiermark · Max. 33% per partner	33% of investment volume per partner
Liabilities		with net debts > 40% 33% per ext. partner
Counterparty limit (assets)	· Max. individually defined amount per partner (creditworthiness analysis)	limit per counterparty; de-minimis threshold 1% of the respective single limit

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Such material events that must be recognised or disclosed in the Consolidated Financial Statements in accordance with IAS 10 (Contingencies and Events Occurring after the Balance Sheet Date) have been reported as far as they were of significance to valuations on the balance sheet date.

In January 2021, Energie Steiermark AG acquired 100 percent of the shares in Electricité de Provence, 83000 Toulon, France.

CONTINGENCIES, FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES

Contingencies comprise the following obligations:

Contingencies		K€
	31/12/2020	31/12/2019
Guarantees	8,996	8,606
Other contractual liability obligations	29	29
Total	**9,024**	**8,635**

Furthermore, the following financial obligations exist:

Financial obligations		K€
	31/12/2020	31/12/2019
From purchase commitment	1,670,359	1,825,586
From other contracts	6,269	6,371
Total	**1,676,627**	**1,831,956**

Concluded electricity trading contracts account for the highest part of the obligations from purchase commitment of K€ 1,670,359 (previous year: K€ 1,825,586). In the following year, an amount of K€ 1,271,298 (previous year: K€ 1,392,776) will be due.

Apart from the contingencies and other obligations, the company has other obligations arising from long-term agreements, which were concluded to safeguard the procurement of electricity, natural gas and primary energy and which include arrangements for fixed quantities and prices. In addition, there are long-term natural gas transportation and storage contracts.

RELATED PARTY TRANSACTIONS

Related parties of Energie Steiermark AG are any and all companies included in the scope of consolidation, the main shareholders, i.e. the federal province of Styria, Graz (control) and S.E.U. Holdings S.à r.l., Luxembourg, a subsidiary of Macquarie European Infrastructure Fund 4 LP (MEIF4), owned by the Australian financial services provider Macquarie, as well as the members of the Management Board and Supervisory Board of Energie Steiermark AG and their close relatives.

A list of consolidated companies is shown in Note (8).

The transactions with related parties of the federal state of Styria are of subordinate significance.

Apart from the remuneration for bodies of the company as mentioned below, no material transactions occurred with related natural persons during the financial year. Transactions approved according to Section 95 (5) no. 12 AktG are of subordinate importance and in line with the arm's length principle.

Balances with subsidiary companies, associated companies and other significant shareholdings are reported under the relating items in the Financial Statements and are summarised separately in the following tables:

Business relationships with associated companies K€

	2020	2019
Sales revenues	60,614	57,503
Other income	294	211
Expenses for purchased services	-7,490	-8,946
Other expenses	-1,339	-959
Interest income	1,879	2,070

	31/12/2020	31/12/2019
Receivables	12,976	10,349
Borrowings	22,787	25,319
Liabilities	-35,509	-30,070

Business relationships with non-consolidated affiliated companies K€

	2020	2019
Sales revenues	361	386
Other income	1	1
Expenses for purchased services	-83	-48
Other expenses	-729	-1,263
Interest income	43	36

	31/12/2020	31/12/2019
Receivables	1	36
Borrowings	5,004	4,062
Liabilities	-691	-749

Significant transactions with other shareholdings K€

	2020	2019
Sales revenues	6,238	19,379
Expenses for purchased services	-11,616	-14,354
Other expenses	-3,602	-1,859

	31/12/2020	31/12/2019
Receivables	785	458
Liabilities	-4	0

The following business relationships existed with related companies under market compliant conditions:

- Heat procurement agreement
- Natural gas supply agreement
- Electricity supply agreement

A natural gas supply master agreement was signed with Energie Graz GmbH & Co KG and a power supply agreement was signed on the part of Energie Steiermark Business GmbH. Moreover, a heat supply agreement for the supply to the city of Graz exists between Energie Graz GmbH & Co KG and Energie Steiermark Wärme GmbH.

The business relationships are not different from the delivery and service relationships with companies that are not related to the Group of Energie Steiermark AG.

INFORMATION ON EXPENSES FOR THE GROUP'S AUDITOR

Expenses for services performed by the auditor of the Consolidated Financial Statements consist of the following:

Expenses for services performed by the Group's auditor		**K€**
	2020	2019
Audit of the Consolidated Financial Statements	28	28
Other assurance work	169	161
Total	**197**	**189**

EMPLOYEES

The average number of employees during the year was:

Number of employees (average)		
	2020	2019
Salaried employees	1,697	1,668
Workers	185	187
Total	**1,882**	**1,854**

DISCLOSURES ON THE SUPERVISORY BOARD AND MANAGEMENT BOARD

Disclosures on the Supervisory Board and Management Board		**K€**
	2020	2019
Supervisory Board remuneration (Energie Steiermark and consolidated companies)	90	93
Remuneration paid to the Management Board members of Energie Steiermark (active time)	481	473
Payments to former Energie Steiermark Management Board members and their surviving relatives	389	383
Total	**961**	**949**

Management Board remuneration		**K€**
	DI (FH) Mag. (FH) Martin Graf, MBA (since 01.04.2016)	DI Christian Purrer (since 01.04.2012)
Payments due in the short term		
Fixed remuneration	218	218
Variable remuneration	23	23

The variable remuneration of the Management Board relates to the 2019 financial year.

Contracts with members of the Management Board are concluded in compliance with the provisions of the *Steiermärkisches Stellenbesetzungsgesetz* (Law Governing the Filling of Positions of Styria), *LGBl.* (Federal State Gazette) no. 120/2008 and the Steiermärkische Vertragsschablonenverordnung (Contract Scheme Decree of Styria), LGBl. no. 18/2009. In particular, the Group ensures compliance with the following principles:

The variable portions of remuneration are to be defined with orientation on performance and success, to be limited at a percentage of the fixed portion of remuneration and are primarily focused on the company's economic development. For this purpose, the objectives agreed by the Steering Committee with the Management Board for a financial year are compared retroactively with the measures initiated and resolutions passed by the Supervisory Board as well as the regular reports to the Supervisory Board in order to identify the degree of fulfilment of these performance and success criteria.

The total annual remuneration of each individual member of the Management Board must not exceed the maximum total annual remuneration specified in the *Steiermärkisches Landesbezügegesetz* (Federal Remuneration Law of Styria), LGBl. no. 72/1997.

The contractual relationships are principally subject to the provisions of the Betriebliche Mitarbeiter- und Selbständigenvorsorgegesetz BMSVG (Corporate Employee and Self-Employed Pension Act), BGBI I 2004/161 as amended. (Abfertigung NEU).

No loans or advance payments have been granted to the Management Board. No liabilities have been assumed.

The Management Board members are included in the group-wide D&O insurance policy for members of corporate bodies and executive employees.

Pension fund contributions in the amount of K€ 44 (previous year: K€ 43) were paid in the 2020 financial year for members of the Energie Steiermark AG's Management Board. These contributions paid for members of the Management Board to the company pension scheme are in line with the Steiermärkische Vertragsschablonenverordnung LGBl. 18/2009 in conjunction with section 13 Stmk. LBezG. (Remuneration Act of Styria) LGBl. 72/1997.

The corporate body members are individually listed in Note (11).

8 GROUP COMPANIES

The shareholdings of Energie Steiermark AG are disclosed below. The list contains values from the last available financial statements prepared in line with IFRS or according to the national commercial law as of the balance sheet dates of the individual companies. For financial statements prepared in foreign currencies, equity amounts were translated using the average exchange rate on the relevant balance sheet date, net profit/loss of the year was translated using the annual average exchange rates.

Investments of Energie Steiermark AG ≥ 20% as per 31.12.2020 **K€**

	Parent company	Shareholdin	Headquarters	Type of consolidatio	Financial year	Equity	Annual profit/ loss
Energie Steiermark AG			Graz	FC	2020	1,517,690	62,623
AQUA.NET Wasser- und Freizeitanlagen Steiermark GmbH	Energie Steiermark	100.00%	Graz	FC	2020	2,464	557
E1 Energiemanagement GmbH	KD	100.00%	Nuremberg	FC	2020	955	146
easy green energy GmbH	UWK KG	51.00%	Vienna	FC	2020	65	6
easy green energy GmbH & Co KG	UWK KG	51.00%	Vienna	FC	2020	-811	27
Elektrizitätswerke Bad Radkersburg GmbH	Energie Steiermark	74.90%	Bad Radkersburg	FC	2020	1,628	147
Energie Steiermark Business GmbH (BT)	KD	100.00%	Graz	FC	2020	126,354	681
Energie Steiermark Finanz-Service GmbH (EFG)	Energie Steiermark	100.00%	Graz	FC	2020	7,656	1,697
Energie Steiermark Green Power GmbH (GP)	Energie Steiermark, EFG	100.00%	Graz	FC	2020	78,203	2,693
Energie Steiermark Kunden GmbH (KD)	Energie Steiermark	100.00%	Graz	FC	2020	41,661	6,236
Energie Steiermark Natur GmbH (NA)	KD	100.00%	Graz	FC	2020	9,956	-128
Energie Steiermark Service GmbH (ES)	Energie Steiermark	100.00%	Graz	FC	2020	3,888	979

	Parent company	Shareholding	Headquarters	Type of consolidation	Financial year	Equity	Annual profit/ loss
Energie Steiermark Technik GmbH (TK)	Energie Steiermark, EFG	100.00%	Graz	FC	2020	77,069	8,160
Energie Steiermark Wärme GmbH (FW)	Energie Steiermark, GP	100.00%	Graz	FC	2020	63,135	10,165
Energienetze Steiermark GmbH (EN)	Energie Steiermark	100.00%	Graz	FC	2020	421,562	22,263
ENWA GesmbH	GP	60.00%	Graz	FC	2020	3,407	-83
IBIOLA Mobility Solutions GmbH	KD	75.10%	Vienna	FC	2020	562	-194
Jihlavske Kotelny s.r.o.	Energie Steiermark	50.84%	Jihlava	FC	2020	6,307	701
Murkraftwerk Graz Errichtungs- und BetriebsgmbH	GP EGG KG	62.40% 12.50%	Graz	FC	2020	8,501	65
Next Vertriebs- und Handels GmbH (NX)	Energie Steiermark	100.00%	Graz	FC	2020	1,407	-157
STEFE Banska Bystrica, a.s.	STEFE SK	66.00%	Banská Bystrica	FC	2020	11,825	1,140
STEFE ECB, s.r.o.	STEFE SK	100.00%	Banská Bystrica	FC	2020	4,625	767
STEFE Martin, a.s.	STEFE SK	65.93%	Martin	FC	2020	3,611	402
STEFE Rimavska Sobota, s.r.o.	STEFE SK	58.66%	Rimavská Sobota	FC	2020	4,141	290
STEFE Roznava, s.r.o.	STEFE SK	100.00%	Roznava	FC	2020	493	149
STEFE SK a.s.	Energie Steiermark	100.00%	Banská Bystrica	FC	2020	33,295	2,924
STEFE THS, s.r.o.	STEFE SK	100.00%	Revúca	FC	2020	5,443	505
STEFE Zvolen, s.r.o.	STEFE SK	66.00%	Zvolen	FC	2020	4,483	429
Unsere Wasserkraft GmbH	KD	100.00%	Graz	FC	2020	47	3

	Parent company	Shareholding	Headquarters	Type of consolidation	Financial year	Equity	Annual profit/ loss
Unsere Wasserkraft GmbH & Co KG	KD	100.00%	Graz	FC	2020	-4,528	-84
V.I.Trade s.r.o.	STEFE SK	100.00%	Nitra	FC	2020	297	-209
ADRIAPLIN, Podjetje za distribucijo zemeljskega plina d.o.o.	Energie Steiermark	38.00%	Ljubljana	EK	2019	41,420	3,513
Brucker Kraftwerks-, Bau-, und Betriebs GmbH [1)]	STB	100.00%	Bruck an der Mur	EK	2019	26	-1
eAHL AbHofLaden GmbH [1)]	KD	25.10%	Vienna	EK	2019	31	-204
Energie Graz GmbH	Energie Steiermark	49.00%	Graz	EK	2019	88	9
Energie Graz GmbH & Co KG (EGG KG)	Energie Steiermark	49.00%	Graz	EK	2020	200,425	21,041
Feistritzwerke-STEWEAG-GmbH [1)]	Energie Steiermark	27.00%	Gleisdorf	EK	2020	48,915	3,067
homee GmbH [1)]	KD	33.33%	Berlin	EK	2019	1,390	-1,273
Stadtwerke Bruck an der Mur GmbH (STB) [1)]	Energie Steiermark	34.00%	Bruck an der Mur	EK	2019	4,201	697
Stadtwerke Hartberg Energieversorgungs GmbH [1)]	Energie Steiermark	25.10%	Hartberg	EK	2019	3,982	496
STEFE Trnava, s.r.o.	STEFE SK	50.00%	Trnava	EK	2020	4,918	607
Stromnetz Graz GmbH	EGG KG	100.00%	Graz	EK	2019	86	8
Stromnetz Graz GmbH & Co KG (SGG KG)	EGG KG	100.00%	Graz	EK	2020	-1,655	-1,951
Stubalm Windpark Penz GmbH [1)]	GP	49.00%	Edelschrott	EK	2019	2,736	-159
AQUASYSTEMS Gospodarjenje z vodami d.o.o. [1)]	AQUA.NET	20.87%	Maribor	NC	2019	7,076	2,940
ARGONET GmbH [1)]	Energie Steiermark	34.00%	Gmunden	NC	2019	5,221	-896

	Parent company	Shareholding	Headquarters	Type of consolidation	Financial year	Equity	Annual profit/ loss
E 1 Wärme und Energie GmbH [1)]	KD	100.00%	Seiersberg	NC	2020	1,460	15
Grazer Energieagentur Ges.m.b.H. [1)]	Energie Steiermark, EGG KG	5.00% 47.50%	Graz	NC	2019	751	55
Solar Graz GmbH [1)]	EGG KG	100.00%	Graz	NC	2019	479	90
WDS Wärmedirektservice der Energie Graz GmbH [1)]	EGG KG	100.00%	Graz	NC	2019	5,765	708

[1] Financial statements prepared based on the national commercial code

FC Full consolidation
EC Equity consolidation
NC Non-consolidated shareholding due to insignificance

All value disclosures are, if available, in accordance with IFRS.

9 SIGNIFICANT ACCOUNTING METHODS

The Group has consistently applied the following accounting methods to all periods presented in these Consolidated Financial Statements.

PRINCIPLES OF CONSOLIDATION

The purchase accounting method is applied to company acquisitions. In accordance with IFRS 3, assets, liabilities and contingent liabilities of the respective subsidiaries are measured at full fair value at the date of acquisition, regardless of the amount of any existing non-controlling interests. The non-controlling interests are measured at their pro rata value in the net assets (excluding any pro rata goodwill). Intangible assets are recognised separately from goodwill if they are separable from the enterprise or arise from a legal, contractual or other right. In the context of purchase price allocation, no new restructuring provisions may be formed. Any remaining differences on the assets side, compensating the seller for unidentifiable market opportunities and development potentials, are capitalised as goodwill in national currency in the associated segment and, pursuant to IAS 36, subjected to a minimum of one annual impairment test. Any negative differences are immediately recognised in profit or loss in the period of acquisition, following a review of the measurement of identifiable assets, liabilities and contingent liabilities of the acquired company and the cost of acquisition. A change of the shareholding held in a still fully consolidated company is recognised as an equity transaction not affecting income.

The results of subsidiaries acquired or sold during the year are included in the Group's Consolidated Profit and Loss Statement as of the effective date of acquisition or until the effective date of disposal.

Expenses and income as well as receivables and liabilities among the fully consolidated entities are eliminated. Intercompany results are separated, unless they are of subordinate significance.

At equity participations in associated companies are included together with their prorated, revalued assets, liabilities and contingent liabilities. If the costs of acquisition arising from the company acquisition for the Group's share exceed the fair values of the identifiable assets, liabilities and contingent liabilities of the associated company at the date of acquisition, the difference is recognised as goodwill. If the costs of acquisition of the company for the share of the Group fall below the fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition (i.e. an acquisition discount), the difference is recognised in profit or loss in the period of acquisition. Goodwill recognised in the Balance Sheet is carried under investments and subjected to one annual impairment test in accordance with IAS 36, whilst impairment losses are offset against the result from shareholdings.

FOREIGN CURRENCY TRANSLATION

The Financial Statements of the subsidiaries not belonging to the European Monetary Union are converted based on the concept of functional currencies. Assets and liabilities of those companies are converted using the average exchange rate on the balance sheet date, income and expenses are converted at the full year average rates. Equity capital is converted at the historical currency exchange rate. Resulting currency translation differences are not disclosed in the Profit and Loss Statement, but as a separate item under equity. When a foreign entity leaves the scope of consolidation, the currency differences are recognised in profit or loss.

Exchange rate gains and losses arising from the fluctuation of exchange rates for foreign currency transactions are disclosed under “Other operating income” or “Other operating expenses”.

The following exchange rates are, among others, used for currency translation:

Exchange rates

	Average		Balance sheet date	
In €	2020	2019	31/12/2020	31/12/2019
100 Czech koruna	3.77	3.90	3.81	3.93

INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT, AND RIGHTS-OF-USE ASSETS

Intangible assets acquired against payment are recognised at cost of acquisition, less scheduled straight-line and unscheduled depreciation for impairment.

For self-produced intangible assets, the production period is divided into a research and a development phase. Expenses incurred during the research phase are immediately recognised in profit or loss. Expenses incurred during the development phase are only capitalised if the criteria of IAS 38 are met. The present Financial Statement does not contain any capitalised development costs.

In accordance with IFRS 3, goodwill is not subject to scheduled depreciation, but annually and when there are indications of impairment subjected to an impairment test.

In accordance with IAS 38.74, CO_2 emission certificates are recognised as intangible assets at amortised cost. Certificates received free of charge are measured at fair value and, according to IAS 20, they are disclosed on the liabilities side under the “Government grants” item. A provision is created as of the balance sheet date for the obligation to use them; the amount of such provision depends on the value of the certificates declared to be used. Any obligation to grant emission rights regarding the existing certificates will be measured at the market value of the certificates to be subsequently procured.

Depreciable tangible assets are recognised at cost of acquisition or production, less scheduled straight-line and unscheduled depreciation for impairment.

Besides costs of material and personnel expenses, production costs of self-produced tangible assets also include pro-rata overhead costs. Third party contributions (building cost contributions) as well as government grants are attributed to the assets concerned, disclosed on the liabilities side and reversed in line with the useful life of the corresponding asset.

Scheduled amortisation and depreciation of intangible assets and depreciable tangible assets is dependent on the estimated useful life, which is as follows:

Useful Life

	Depreciation rate in %	Useful life in years
Intangible assets	1.33 - 100	1 - 75
Residential buildings	2	50
Company buildings and other buildings	2 - 10	10 - 50
Thermal power plants	4 - 20	5 - 25
Hydraulic power plants	1.33 - 10	10 - 75
Wind turbines	5	20
Electrical plants	4 - 20	5 - 25
Lines	2.5 - 5.26	19 - 40
Office and business equipment	6.67 - 50	2 - 15

Maintenance and repairs are reported as expenses, while replacement and expansion investments as well as reinstatement and demolition obligations are reported on the assets side. Profits or losses from asset disposals are recognised under "Other operating income" or "Other operating expenses".

In accordance with the revised version of IAS 23, borrowing costs which can be directly allocated to qualified assets will be capitalised and depreciated according to the useful life of the underlying asset. Borrowing costs which cannot be allocated directly will be recognised as expenses.

The Group has been applying the new IFRS 16 standard “Leases” since 1 January 2019. This states that a lease is a contract or part of a contract that confers the right to use a defined asset in return for paying a fee for a specific period of time.

For all leases to be recognised in accordance with IFRS 16, the lessee recognises a lease liability for the future lease payments and capitalises a right-of-use asset corresponding to the present value of the future lease payments plus directly attributable costs. As far as the lessor is concerned, a distinction continues to be made between finance and operating leases, as was the case in IAS 17. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, otherwise a lease is classified as an operating lease. A number of leases contain termination and prolongation clauses. When determining contract terms, the parties take into account all facts and circumstances that offer an economic incentive to (not) exercise the respective option.

The Group takes advantage of the relief provided by IFRS 16 for lessees and therefore does not apply this standard to intangible assets, short-term leases with a term of no more than 12 months and low-value leased assets. There are currently no leases in the Group in which the Group is the lessor.

IMPAIRMENTS OF ASSETS

Regardless of whether fixed assets continue to be used in operations or are held for sale, the value of tangible and intangible assets is verified in accordance with IAS 36 “Impairment of Assets”, if events or changes of the situation indicate that the asset may be impaired.

Assets with indefinite useful lives such as goodwill or assets not yet ready for use are not amortised on a systematic basis, but instead tested for impairment annually. Assets that are subject to scheduled depreciation are tested for impairment whenever there are events or changes in circumstances which suggest that the carrying amount may no longer be recoverable.

Tangible or intangible assets are impaired when the carrying amount is higher than the fair value less costs to sell or the value in use. The fair value less costs to sell results from the realisable sales proceeds less costs directly attributable to the sale. The value in use results from the present value of the estimated future net cash flows arising from the use of the asset and its disposal value at the end of the useful life. Impairments are disclosed under “Amortisation/depreciation” affecting earnings.

Goodwill is subject to impairment tests on an annual basis and whenever indications for impairment exist. To perform an impairment test, goodwill is attributed to cash-generating units. An impairment requirement of the cash-generating unit is determined by comparing the carrying amount to date recognised at amortised cost (including the attributed goodwill) with the recoverable amount.

The recoverable amount is determined by the net present value method based on the free cash flows planned by the Management and approved by the Supervisory Board. A perpetuity (terminal value) is recognised at the end of the observed period of 5 years.

A medium-term company plan is used as a basis for data. In regulated areas, this is based on the regulatory system provided by the respective regulator (e.g. E-Control). For the terminal value, it is assumed that the regulator provides an appropriate return on the cost of capital. Distribution, generation and other areas account for the current and medium-term situation and development in the energy markets both on the purchase and the sales side.

Free cash flows are discounted at weighted average cost of capital (WACC). The capitalisation rate consists generally of a base rate and a risk surcharge. The base rate is equal to the rate of return of an alternative investment that is equivalent to the cash flow of the cash-generating unit (CGU) under valuation in terms of duration, risk and availability. For this purpose, the rates of return of corporate bonds listed in the capital market are used as the basis. The risk surcharge is calculated using the capital asset pricing model (CAPM), which is the product of the market risk premium and the company's beta factor.

A company- and market-specific growth rate of between 0.75 percent and 1.5 percent is assumed for the WACC of the terminal value.

The following table shows the WACC after taxes for the individual countries:

WACC

Country	2020	2019
Austria	4.60%	4.40%
Germany	4.20%	4.11%
Slovakia	5.06%	4.75%
Slovenia	5.79%	5.30%
Czech Republic	6.14%	4.93%

The present value of the free cash flows determined as described above corresponds to the fair value of the CGU from the investors' point of view. The working capital (inventories, trade accounts receivable and trade accounts payable) was taken into account in the cash flow.

The results are plausibilised with other computational models (for example flow to equity) and specific parameters.

If the computed amount as of 31 December 2020 falls below the carrying amount, an unscheduled write-down in the amount of the difference is to be made on goodwill as a matter of priority. Any additional need for impairment is to be distributed over the remaining assets of the cash-generating unit (CGU) in relation to the carrying amount.

A corresponding appreciation in value is recognised when the reasons for unscheduled write-downs no longer exist. According to IFRS 3, goodwill that has already been amortised once due to impairment can no longer be appreciated.

Significant goodwill relates to the companies Energie Steiermark Kunden GmbH (KD) and Energie Steiermark Green Power GmbH (GP). The CGUs to be allocated to these goodwill were those legally separate entities which are understood to be the smallest identifiable groups of assets that generate cash inflows from the continued use of these assets and which are largely independent of the cash inflows of other assets or groups of assets.

The fair values of these CGUs are generally calculated pursuant to the measurement hierarchy of IFRS 13. No market values can be inferred for these CGUs. Correspondingly, the fair values are calculated according to level 3 of the measurement hierarchy.

The fair value of Energie Steiermark Kunden GmbH was determined using the discounted cash flow method on the basis of free cash flows (gross method). A perpetuity (terminal value) is recognised at the end of the detailed planning period of 5 years. In the pension phase, an annual growth of 0.75 percent in financial surpluses was assumed. In the terminal value, an accumulation of part of the financial surplus was taken into account. The fair value of Energie Steiermark Kunden GmbH exceeds its carrying amount by K€ 162,625 (previous year: K€ 181,632).

The fair value of Energie Steiermark Green Power GmbH was determined using the discounted cash flow method on the basis of free cash flows (gross method). At the end of the detailed planning period, the planning calculation was supplemented by a 17-year planning phase until reaching a steady state. After this rough planning phase, a perpetuity (terminal value) was recognised. In the pension phase, an annual growth of 1.5 percent in financial surpluses was assumed. In the terminal value, an accumulation of part of the financial surplus was taken into account. The fair value of Energie Steiermark Green Power GmbH exceeds its carrying amount by K€ 36,622 (previous year: K€ 55,070).

The financial surpluses that can be achieved in the future are basically derived from the internal medium-term planning. Proceeds to be expected in the future are taken into account in the determination of future values, considering past and future market developments as well as operating, maintenance and investment costs.

The table below shows the sensitivities for significant assumptions, which are used to calculate the fair values for the material goodwill:

Sensitivities

	2020		2019	
	GP	KD	GP	KD
WACC +1.0%	-20.73%	-18.96%	-17.72%	-18.96%
WACC -1.0%	32.40%	29.53%	26.19%	30.13%
Growth rate +0.1%	0.07%	0.08%	0.06%	0.09%
Growth rate -0.1%	-0.07%	-0.08%	-0.06%	-0.09%

If the WACC increased (decreased) by 1 percent in the 2020 financial year, the market value of the CGU at GP would have changed by -20.73 percent (change of +32.40 percent) and the market value of the CGU at KD would have changed by -18.96 percent (change of +29.53 percent).

If the growth factor increased (decreased) by 0.1 percent in the 2020 financial year, the market value of the CGU at GP would have changed by +0.07 percent (change of -0.07 percent) and the market value of the CGU and both KD would have changed by +0.08 percent (change of -0.08 percent).

Financial Instruments

A financial instrument is an agreement that simultaneously gives rise to a financial asset at one company and to a financial liability or an equity instrument at another entity.

Primary Financial Instruments

Original financial instruments disclosed in the Balance Sheet include the following items: cash and cash equivalents, securities, financial assets and shareholdings, trade accounts receivable and trade accounts payable as well as obligations from leases and borrowings.

From 1 January 2018, the Group classifies its financial assets into the following measurement categories:

- valued at fair value (at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL))
- valued at amortised cost

The classification depends on the business model for managing the financial assets and on the contractual cash flows.

Equity instruments such as investments in unconsolidated subsidiaries, associated companies not accounted for using the equity method and other unlisted investments held for long-term strategic reasons are classified as “at fair value through other comprehensive income (FVOCI)” in accordance with IFRS 9 and measured at fair value as at the balance sheet date. In the event that the fair value cannot be reliably determined by means of quoted market prices or measurement models, recognition is made at cost of acquisition, or at cost of acquisition less required amortisation for impairment. All changes in fair value are recognised in other comprehensive income (OCI). Dividends are recognised as income in profit or loss unless the dividend is clearly covering part of the cost of the investment. Other net gains or losses are recognised in other comprehensive income and never reclassified to profit or loss.

Financial assets that are held within the framework of a business model with the objective to collect contractual cash flows representing only principal and interest payments are measured at amortised cost. As such, loans granted are recognised at their outstanding nominal value. Non-interest bearing loans or loans with an interest rate below the market interest rate are recognised at the present value. Amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. A gain or loss on derecognition is also recognised in profit or loss.

All financial assets that are not measured at amortised cost or at FVOCI are classified as at fair value through profit or loss (FVTPL). These include investment fund units and listed investments, provided they are not consolidated and are not accounted for using the equity method. Net profits or losses, including any interest or dividend income, are recognised in profit or loss.

Valuations of participations included at equity are increased or decreased on an annual basis by the respective change in equity and according to the capital share held by the Energie Steiermark Group. Losses exceeding the Group’s share in associated companies are not recognised. In accordance with IFRS 3, goodwill is no longer subject to amortisation, but is rather subject to an impairment test when there are indications of impairment.

Cash in hand, sight deposits and fixed-term deposits with initial terms of up to three months are treated as liquid funds.

Derivative financial instruments

Derivative financial instruments are recognised as assets or liabilities. All derivative financial instruments are recognised at fair value, regardless of their purpose.

Upon the signing of the contract, derivative financial instruments are recognised at their fair value, taking account of transaction costs, and are carried at this fair value in subsequent periods. The fair value of derivative financial instruments is determined through their market prices or by using market prices of comparable products. If no market prices exist, the fair values must be calculated using recognised actuarial models. Treatment of unrealised valuation gains or losses depends on the relevant purpose of the transaction.

Certain derivatives are designated as hedging instruments to hedge fluctuations in cash flows associated with highly probable forecast transactions resulting from changes in market prices. At the beginning of the designated hedging relationship, the risk management objectives and strategies pursued with respect to the hedge are documented. Furthermore, the economic relationship between the hedged item and the hedging instrument is documented and whether changes in the cash flows of the hedged item and the hedging instrument are expected to offset each other.

The Group has decided to account for hedging transactions in accordance with the provisions of IFRS 9. The aim of the new regulations is above all to gear hedge accounting more closely towards the company’s economic risk management. As in the past, companies must document the respective risk management strategy including risk management objectives at the start of the hedging relationship, with which, in the future, the relationship between the hedged underlying transaction and the hedging instrument must correspond to the requirements of the risk management strategy. If the effectiveness changes during a hedging relationship while the risk management objective remains the same, the amounts of the underlying transaction incorporated in the hedging relationship and the hedging instrument must be adjusted without allowing the hedging relationship to be discontinued. A hedging relationship must be retained for accounting purposes for as long as the documented risk management objective for this hedging transaction does not change and the other conditions for hedge accounting are met.

Companies must prove, without being tied to quantitative threshold values, that an economic relationship exists between the underlying transaction and the hedging instrument, which leads to contrasting changes in value due to a (shared) reference value or a hedged risk. Such proof may also be of a purely qualitative nature. However, the changes in value of the economic relationship may not be primarily attributable to the influence of credit risk.

If a derivative is designated as a cash flow hedge, the effective portion of the change in fair value is recognised in other comprehensive income. These amounts are reversed as profit or loss in the settlement period of the underlying hedged transaction and can be seen under the Statement of Changes in Consolidated Equity. Possibly ineffective shares are immediately credited to income in the net income for the period.

Derivative financial instruments not included in a hedging relationship according to IFRS 9 are to be categorised as “measured at fair value through profit or loss” and are therefore to be recognised at fair value through profit or loss. If they are negative, they are to be disclosed under “Financial liabilities”.

Derivatives which, from an economic point of view, serve for hedging the interest rate change risk are not qualified as hedge for the purposes of the Balance Sheet and are categorised under “measured at fair value through profit or loss”.

Derivative financial instruments in connection with energy trading activities are also recognised at fair value at the balance sheet date. Any changes in valuation are recognised in the Profit and Loss Statement as affecting income. Results from derivative energy trading activities are disclosed in net terms under sales revenues.

In accordance with IFRS 9, all commodity future contracts that are classified as derivatives (these include forwards and futures) are to be recognised in profit or loss as a rule. Transactions that are concluded by the company to meet expected purchase, sale or usage requirements and that are to be settled through delivery are exempt from the scope of IFRS 9 (so called own use exemption). These transactions are not derivative financial instruments as defined by IFRS 9, but they represent pending purchase and sale contracts, which are assessed for anticipated losses from pending transactions in accordance with the requirements of IAS 37. If the prerequisites for the own use exemption are not fulfilled, for example, in the case of transactions for short-term optimisation, the transactions are recognised as derivatives in accordance with IFRS 9.

Transactions that are not settled through physical performance, but through cash settlement and, thus, not covered by the own use exemption fall under the scope of IFRS 9, regardless of their economic purpose.

Financial Instruments – Recognition and Measurement

Loans and receivables are recognised in the balance sheet from the date on which they accrue. All other financial assets and liabilities are recognised initially on the trading day.

Financial assets are derecognised when the contractual rights to the cash flows from an asset expire, or the rights to receive the cash flows from that asset are transferred in a transaction in which all major risks and rewards associated with ownership of the financial asset are also transferred.

Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or have expired.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet if there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously.

In determining the fair value of an asset or a liability, the Group uses observable market data as far as possible. On the basis of the inputs used in the valuation techniques, the fair values are categorised into different levels of the fair value hierarchy in accordance with IFRS 13:

- Level 1: Quoted prices in active markets for identical assets and liabilities.
- Level 2: Valuation parameters other than quoted prices included within Level 1 that are observable for the asset or the liability either directly (i.e. as a price) or indirectly (i.e. derived from prices).
- Level 3: Valuation parameters for assets or liabilities, which are not based on observable market data.

If the input factors used to measure the fair value of an asset or a liability can be categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the level of the lowest level input factor that is significant to the entire measurement.

Any transfers between different levels of the fair value hierarchy are recognised at the end of the reporting period in which the change has occurred.

The fair values of futures and forward contracts used in connection with energy trading activities can be determined reliably on each balance sheet date, since quoted prices are available for futures contracts and/or since the valuation of forward contracts is performed using a forward price curve derived from quoted prices, taking account of the credit risk inherent in the counterparties. Consequently, the measurements of electricity, gas and CO_2 futures contracts are Level 1 measurements pursuant to IFRS 13. As a rule, the measurements of electricity, gas and CO_2 forward contracts are Level 2 measurements.

IMPAIRMENTS OF FINANCIAL ASSETS

For financial assets measured at amortised cost and for contract assets, IFRS 9 requires that an expected credit loss (ECL) be recognised when the financial asset is recognised.

IFRS 9 provides for a general impairment model (three-level model) and a simplified method for determining the expected loss:

<u>General impairment model (three-level model)</u>

Level 1: Financial assets without a deterioration in credit rating
All financial instruments are always assigned to Level 1 in the first-time recognition (provided that there is no impairment of credit rating at the time of acquisition). The expected loss corresponds to the value that can arise from possible default events within the next 12 months after the balance sheet date.

Level 2: Financial assets with significant deterioration in credit rating
If there has been a significant increase in the default risk since first-time recognition, the financial instrument is transferred from Level 1 to Level 2. The impairment corresponds to the value that can arise from possible default events during the remaining term of the instrument.

Level 3: Impaired financial assets
If there is objective evidence that a financial asset is impaired, it must be transferred to Level 3.

Simplified method

IFRS 9 provides for simplifications for trade receivables. These receivables are generally of a short-term nature, i.e. due in less than 12 months, meaning that the expected loss for the next 12 months corresponds to the expected loss for the remaining term of the receivable and a transfer from Level 1 to Level 2 is therefore not relevant. Trade receivables are therefore covered by the lifelong expected credit loss.

The option of simplifying the measurement of trade receivables also applies to contract assets in accordance with IFRS 15 (if they do not contain any material financing components) and to lease receivables.

To simplify the calculation of impairment, IFRS 9 permits the use of a value adjustment matrix for trade receivables. On the balance sheet date, the expected loss over the remaining term is determined as a fixed-sum percentage depending on the dunning level or the duration of the overdue payment.

INVENTORIES

Inventories of primary energy and operating supplies are recognised at cost of acquisition or the lower fair value. Gas inventories designated for sale to end consumers are depreciated if the cost of acquisition is not covered by the estimated sales prices obtainable within ordinary business activities, less estimated completion and selling costs. Other inventories are depreciated for insufficient turnover rate.

To determine the cost of sale, the weighted average cost method is used or the sequence of consumption method, if such is more suitable with regard to the actual circumstances.

CONTRACT ASSETS AND LIABILITIES

A contract asset is an entity's right to consideration when it has rendered its service to a customer and settlement of the consideration is not dependent on its due date alone. A contract liability is an obligation of an entity to a customer to deliver goods or render services for which the entity has already received payments.

As of 1 January 2018, services which are not yet billable are reported in the Group as contract assets in accordance with IFRS 15. These represent claims against customers, which, due the lack of a payment claim, do not yet meet the definition of a financial instrument. These are either tangible assets that are produced on behalf of a third party and are still in progress on the balance sheet date or service orders that have not yet been completed on the balance sheet date.

Customer orders not invoiced are recognised at cost of production. Cost of production includes direct material and production costs as well as material and production overheads allocated on a systematic basis. The contract costs are recognised in proportion to the stage of completion on the balance sheet date.

If the result from a production contract can be measured reliably and if it is probable that the contract will be profitable, the contract revenue is recognised based on the stage of completion over the term of the contract. When it is probable that the total contract costs will exceed the total contract revenue, the expected loss is recognised as an expense immediately.

If the outcome of a production contract cannot be determined reliably, contract revenue is only recognised to the extent that it is probable that incurred contract costs can be recovered.

RECEIVABLES AND OTHER ASSETS

Receivables are recognised at cost less value adjustments for expected uncollectible amounts. Value adjustments are determined in accordance with the impairment model prescribed by IFRS 9. Actual losses result in the derecognition of the respective receivables. In the framework of individual value adjustments, financial assets characterised by a potential need for impairment are categorised according to similar loss risk characteristics and tested for impairment losses together, as well as value adjusted, if necessary.

An excess of negotiable, off-settable energy efficiency measures within the meaning of the Federal Law on the Increase of Energy Efficiency in Companies and the Federal Government (Federal Energy Efficiency Act - EEffG) which are not dedicated to meeting their own obligations, will be disclosed under receivables and other assets.

Other assets are valued at cost of acquisition less unscheduled depreciation. Non-interest bearing, long-term receivables are recognised at their present value.

LIABILITIES

Financial liabilities are stated at cost of acquisition. Financing costs and discounts are recognised as part of the cost of acquisition of the financial instrument by applying the effective interest method. Interest expenses and foreign currency translation differences are recognised in profit or loss. Gains or losses on derecognition are also recognised in profit or loss.

With the exception of derivative financial instruments, the Group has not designated any financial liabilities at fair value through profit or loss.

Building cost contributions are disclosed under non-current liabilities and reversed to income under “Other sales revenue”, distributed over the useful life of the relevant asset. If the term in the contract with the customer is shorter than the useful life of the asset, the building cost contribution is reversed over the contract term. Amounts to be reversed in the next financial year are reported under “Current liabilities”. Building cost contributions are customer contributions for investing in primary grids (electricity, gas and heat generation and distribution or production systems). These connection and supply charges are like liabilities due to the obligation to supply or deliver.

The reversal of building cost contributions is based on the useful life of the assets concerned or on the contract term and is as follows:

Useful life of building cost contributions

	Depreciation rate in %	Useful life in years
Contribution to building costs: GAS lines	3.33 / 2.5	30 / 40
Contribution to building costs: electricity/heating	5	20
Contribution to building costs: local heat supply	6.67	15
Energy Complete	6.67	15

Investment subsidies are government and third-party grants for the acquisition or production of certain assets and are reversed fundamentally over the useful life of the subsidised assets.

CO2 emission certificates assigned free of charge are recognised on the liabilities side as government grants at market value at the time of assignment. Valuation of this liability corresponds to the emission certificates provided free of charge for which government grants have been recognised in the Balance Sheet. Both upon the valuation of emission certificates and upon consumption or sale of emission certificates, income and expenses from emission certificates assigned free of charge are compensated for by the reversal or determination of the liability item.

PROVISIONS AND ACCRUALS

Provisions are made in the Balance Sheet when present obligations due to third parties arose from past events, the payment is likely to be made and the amount can be reliably estimated. Provisions are recognised at the value determined by the best estimate at the time of the preparation of the Financial Statements. If no reasonable estimate of the amount is feasible, no provision is formed. Long-term provisions are recognised in the Balance Sheet at their settlement value discounted at the balance sheet date, if the interest effect resulting from discounting is material.

The provisions for pensions and similar obligations are calculated according to the projected unit credit method. In accordance with IAS 19 (2011), revaluations are recognised in Other comprehensive income, not affecting the result. These comprise actuarial gains and losses, return on plan assets, if any, as well as changes in the effect of the asset ceiling, if any, in each case excluding any amounts that are included in net interest on net liabilities/assets.

Provision amounts are determined annually by an external expert's actuarial calculations.

The calculations as at 31 December 2020 and 2019 are based on the following assumptions:

Actuarial assumptions
Provisions for pensions and similar obligations as well as severance payment provisions

	2020	2019
Interest rate	0.35% p.a.	0.50% p.a.
Pension increases	2.30% p.a.	2.50% p.a.
Salary increases	2.30% p.a.	2.50% p.a.
Career trend	0.20% p.a.	0.20% p.a.
Expected investment result of the fund assets	0.35% p.a.	0.50% p.a.

By derogation from the long-term salary trends disclosed in the above table, a one-time increase of 1.8% as of the end of 2020 (previous year: 2.6% to the end of 2019) and a one-time increase of 2.1% to the end of 2021 (previous year: 2.6% to the end of 2020) was recognised for pensions and salaries. Future salary increases by contractually determined two or three-year periods will be taken into account individually.

Valuation is based on the imputed pension age of 60 years for women and 65 years for men in compliance with the transitional regulations according to the Amendment of the ASVG (General Social Security Act) pursuant to Sec. 73, Budgetbegleitgesetz 2003 (BGBL. (Federal Gazette) I no. 71/2003 of 20 August 2003) and/or in line with the individual contract. Moreover, the pension age for women was determined using the "BVG Altersgrenzen" (Age Limits) (BGBl. 1992/832).

Calculations for salaried employees were based on "AVÖ 2018-P – Rechnungsgrundlagen für die Pensionsversicherung" (Actuarial Assumptions for Pension Insurance for Salaried Employees), published in August 2018. Education-specific mortality and specific probability of marriage were also taken into account individually.

Due to corporate agreements and contracts, the company is obligated to pay old age pension benefits to employees upon retiring under certain conditions. These performance-based payment obligations are partly backed by appropriated pension insurance funds with "APK-Pensionskasse Aktiengesellschaft" (Pension Insurance Company). As to obligations that are to be met by APK-Pensionskasse Aktiengesellschaft, the employer has to provide extra funds. The amount of the defined benefit pensions is based normally on the length of service with the company and benefit-related remuneration.

The outsourced defined pension claims are managed by an umbrella pension fund. The pension fund is a legally independent enterprise in the form of a stock corporation, which collects the contributions, invests the funds received and makes pension payments to the beneficiaries.

Pension fund assets are invested by the pension insurance carrier primarily in various investment funds, in accordance with the provisions of the Pensionskassengesetz (Pension Plans Act). The expected return results from the investment structure, the macro-economic conditions and the influences on the capital markets connected therewith.

Severance pay is a statutory one-time payment to be made in the event of termination of employment or at the commencement of old-age retirement. The amount depends on the number of years of employment and the salary paid at the time of separation. The calculation period ends after twenty-five years of employment with the achievement of an annual salary. Severance pay provisions are determined using actuarial calculations. The same calculation factors as for pension provisions and similar obligations are used for their measurement. In accordance with IAS 19 (2011), revaluations are recognised in Other comprehensive income, not affecting the result.

Based on legal amendments which took effect on 1 January 2003, no severance pay provisions are created for newly hired employees in the Austrian group companies. 1.53 percent of the salary sum are paid to an employee provisions scheme for these employees. The company does not have any further obligations.

Anniversary benefit obligations based on collective agreements have been made on the basis of the following assumptions. In accordance with IAS 19 (2011), actuarial gains and losses from anniversary benefit obligations are recognised in profit or loss.

Actuarial assumptions
Other pension provisions

	2020	2019
Interest rate	0.20% p.a.	0.50% p.a.
Salary increases	2.30% p.a.	2.50% p.a.
Career trend	0.20% p.a.	0.20% p.a.

By derogation from the long-term salary trends disclosed in the above table, a one-time increase of 1.8% as of the end of 2020 (previous year: 2.6% to the end of 2019) and a one-time increase of 2.1% to the end of 2021 (previous year: 2.6% to the end of 2020) was recognised for salaries. Future salary increases by contractually determined two or three-year periods will be taken into account individually.

DEFERRED TAXES

Deferred taxes are recognised under the deferred liability method for all temporary differences between the tax value of assets and liabilities and the carrying amounts stated in the Consolidated Financial Statements. Significant temporary differences result from the recognition and the valuation of provisions, valuation differences of non-current and current assets and from tax loss carry-forwards. Deferred tax assets are disclosed only to the extent that it is probable that future taxable gains will be available for offsetting with the temporary differences.

For the determination of deferred income taxes, tax rates of the countries of the parent company and the respective subsidiaries bindingly released or in effect at the reference date are used.

In the 2020 and 2019 financial years, the following income tax rates were applied to the calculation of deferred taxes:

Income tax rates

Company headquarters	2020	2019
Austria	25.0%	25.0%
Germany	30.0%	30.0%
Slovakia	21.0%	21.0%
Czech Republic	19.0%	19.0%

USE OF ESTIMATES

In accordance with the generally accepted accounting and valuation policies in accordance with IFRS, some items in the Consolidated Financial Statements require the use of estimates and assumptions that will have an impact on the amount and presentation of assets, liabilities and contingencies recognised on the balance sheet date, and income and expenses recognised during the reporting period. The estimates are naturally subject to uncertainties. Thus, actual amounts may differ from the estimated amounts.

For impairment testing, estimates are to be made, in particular in relation to the expected net cash inflows. Future changes in the general economic environment and the situation of the sector or the company may result in a reduction in net cash inflows and, hence, to impairment losses.

For the valuation of existing provisions for pension and similar obligations as well as severance payments, the company uses assumptions regarding discount rate, retirement age, life expectancy as well as future pension and salary increases, which may lead to changed valuations in future periods.

Given the rolling reading of meters at customers who have no load profile meter, no read data and consumption data are regularly available for the customer collective at the annual reporting date. Therefore, estimates need to be made on a regular basis to present and defer the annual consumption.

In addition, assumptions and estimates were used in determining the useful life of intangible assets and tangible assets, for the formation of provisions for legal disputes, for uncertainties over income tax treatments and for the valuation of receivables and inventories. These estimates are based on historical experience and other assumptions that are considered reasonable under given circumstances.

REVENUE RECOGNITION

Sales revenues result from payments received or receivables recognised in the Balance Sheet arising from the sale of products, goods and the rendering of services, less discounts, value added tax and the elimination of intra-group sales.

According to IFRS 15, sales revenues are realised when the customer acquires the power to dispose of the agreed goods and services and derive benefits therefrom. Sales revenues are measured with the amount of the consideration the company expects to receive. Any receivables from electricity, gas and heating supplies not yet billed on the balance sheet date are accrued and are shown in the item “Trade accounts receivable”.

The revenue recognition model applied by the Group since 1 January 2018 in accordance with IFRS 15 provides for a five-level scheme according to which the customer contract and the separate performance obligations contained therein must first be identified. The transaction price of the customer contract is then to be determined and broken down for each of the individual performance obligations. Finally, revenue is to be realised for each performance obligation in the amount of the allocated pro rata transaction price as soon as the agreed service has been performed or the customer acquires control thereof. A distinction is to be made here between performance obligations for a point in time or a period of time on the basis of defined criteria. When it comes to supplying electricity, gas and heat, control is transferred over the period during which the service is provided. Sales revenue is recognised at the amount at which the Group has fulfilled its obligations and a right to issue an invoice has arisen. There are no significant financing components as a result of segment-specific payment terms.

Revenue is mainly recognised in the Group in accordance with the provisions of IFRS 15. Only free services were identified as separate performance obligations and discounts granted when new contracts were concluded as transactions relevant for IFRS 15 and which show special features as regards the realisation of income. Taking into account the materiality criteria, sales revenues are not currently subjected to any special treatment. However, both the identified transactions and future new products are subject to a review as of the respective balance sheet date and, as a result, a new materiality assessment.

Interest income is recognised pro rata temporis subject to the effective interest rate. Dividend income is recorded when the shareholders' right to receive payment is established.

REGULATION SYSTEM FOR ELECTRICITY AND GAS GRIDS ACCORDING TO SECTION 50 ELWOG AND SECTION 71 GWG

In Austria, the amendment to the 2010 Electricity Act (ElWOG 2010), which took effect on 3 March 2011, introduced a new ex-post regulation procedure for the grid operator revenue in the form of the regulatory account in Section 50 ElWOG. This system was also integrated into Section 71 of the Natural Gas Act 2011 (GWG). The purpose of the newly introduced regulatory account is to provide every grid operator with compensation for differences between actual revenue earned and the officially established revenue by means of a "virtual" account maintained for each grid operator. In accordance with Section 50 ElWOG and Section 71 GWG, these differences are to be taken into account in determining the cost base for the next payment periods.

The differences pursuant to Section 50 ElWOG and/or Section 71 GWG between actual revenue earned and the revenue assumption in the ordinance as well as the differences between the actual costs incurred and the cost assumption in the ordinance are recorded, on balance, under receivables and other assets or under other liabilities in the separate financial statements of Energienetze Steiermark GmbH prepared in line with corporate laws.

In January 2021, the IASB published an Exposure Draft ED/2021/1 “Regulatory Assets and Regulatory Liabilities” aimed at replacing IFRS 14 “Regulatory Deferral Accounts”, which has not been adopted into EU law, and making it possible to recognise subsequent amounts in the future.

Regulatory Account [1] **K€**

	Status as at 1.1.	Addition/ Reversal	Status as at 31.12. *)
2013	2,981	10,912	**13,893**
2014	13,893	16,341	**30,234**
2015	30,234	2,640	**32,874**
2016	32,874	-18,613	**14,261**
2017	14,261	-21,812	**-7,551**
2018	-7,551	-4,135	**-11,686**
2019	-11,686	2,778	**-8,907**
2020	-8,907	6,925	**-1,983**

[1] pursuant to company law

*) receivable (+) / liability (-)

In view of the current developments regarding accounting for regulatory deferral account balances, the company refrained from recognising regulatory assets and regulatory liabilities pursuant to IFRS (see Note 2 "Basis of Preparation").

If the regulatory account had been recognised, the Group's operating result would have been as follows:

Adjusted operating income

K€	2020	2019
Operating result	**73,463**	**122,995**
Regulatory account	6,925	2,778
Adjusted operating income	**80,388**	**125,773**

10 NEW STANDARDS WHICH HAVE NOT YET BEEN APPLIED

At the time the Consolidated Financial Statements were prepared, the IASB had decided to adopt further standards and interpretations which were not yet obligatorily applicable to the 2020 financial year:

New standards and interpretations which are not yet applicable

New standards/interpretations		applicable from [1]
IFRS 14	"Regulatory Deferral Account Balances"	1. January 2016 [3]
IFRS 17	"Insurance Contracts" [2]	1. January 2021

[1] The standards which have not yet been adopted by the EU are, in accordance with IASB, applicable for each financial year beginning on or after the date the standard comes into force. This date might change for the European Union by application in the EU.

[2] Standard not yet adopted by the EU as of 31 December 2019.

[3] The European Commission had decided not to start the adoption process of this interim standard to recognise price-regulation transactions into EU law.

The objective of **IFRS 14 "Regulatory Deferral Accounts"** is to specify the financial reporting requirements for "regulatory deferral account balances" that arise when an entity provides goods or services at a price or rate that is subject to price regulation. IFRS 14 is designed as a limited scope standard to provide an interim, short-term solution for rate-regulated entities that have not yet adopted International Financial Reporting Standards (IFRS).

IFRS 17 "Insurance Contracts" sets out the principles relating to the identification, recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 aims to provide up-to-date, transparent and comparable accounting information for insurance contracts in order to make their impact on a company's assets, financial and earnings position as well as cash flows comprehensible.

In addition to the new standards and interpretations, the IASB has issued comprehensive amendments to existing standards which had not yet to be applied obligatorily for the 2020 financial year:

Amended standards and interpretations which are not yet applicable

Amended standards/interpretations		applicable from [1]
IAS 1	Amendment to IAS 1 "Presentation of Financial Statements" – Classification of liabilities as current or non-current [2]	1. January 2023 *)
IAS 16	Amendments to IAS 16 "Property, Plant and Equipment" – Recognition of income and costs for test runs of property, plant and equipment [2]	1. January 2022
IAS 37	Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – Onerous contract - cost of fulfilling a contract [2]	1. January 2022

[1] The standards which have not yet been adopted by the EU are, in accordance with IASB, applicable for each financial year beginning on or after the date the standard comes into force. This date might change for the European Union by application in the EU.

[2] Standard not yet adopted by the EU as of 31 December 2019.

**) the date of first-time adoption was originally 1 January 2022. The date of first-time adoption has been moved by the IASB by one year to 1 January 2023.*

Amended standards and interpretations which are not yet applicable

Amended standards/interpretations		**applicable from** [1]
IFRS 3	Amendments to IFRS 3 "Business Combinations" – Adjustment of a reference to the IFRS conceptual framework [2]	1. January 2022
IFRS 4	Amendments to IFRS 4 "Insurance Contracts" – Postponement of IFRS 9	1. January 2021
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 und IFRS 16 - IBOR Reform Phase 2	1. January 2021
IFRS 10 and IAS 28	Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]	- *)
Framework concept	Amendments to references to the framework concept for accounting	1. January 2020

[1] *The standards which have not yet been adopted by the EU are, in accordance with IASB, applicable for each financial year beginning on or after the date the standard comes into force. This date might change for the European Union by application in the EU.*

[1] *Standard not yet adopted by the EU as of 31 December 2019.*

**) the date of first-time adoption was originally 1 January 2016. But, the IASB postponed the date of first-time adoption for an indefinite period. The option of a premature application will, however remain. The European Financial Reporting Advisory Group (EFRAG) proposed on 8 September 2015 to postpone the process of adopting it into EU law, until the IASB has completed the postponement process of the first-time adoption.*

The purpose of the **amendments to IAS 1 "Presentation of Financial Statements**" is to clarify that the classification of liabilities as current or non-current is to be based on existing rights of the undertaking as of the balance sheet date. Accordingly, a liability is classified as non-current if, at the balance sheet date, the undertaking has the right to defer settlement of the liability for at least 12 months after the balance sheet date. The mere existence of a right is sufficient; the undertaking does not need to have any intention of exercising it. In the case of rights that are dependent on the existence of certain conditions, the key factor here is whether the conditions are met on the balance sheet date. If a liability is subject to conditions under which it can be settled by issuing equity instruments based on an option being exercised by the counterparty, this does not affect the classification of the liability as current or non-current if the option is presented separately as an equity component of a compound financial instrument under IAS 32.

The amendments to **IAS 16 "Property, Plant and Equipment"** clarify that revenue received by an entity from the sale of items produced while preparing the asset for its intended use (for example, product samples) and the related costs are to be recognised in profit or loss. It is not permitted to include such amounts when calculating the costs of acquisition.

The amendments to **IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** (Onerous Contract - Cost of Fulfilling a Contract) include the definition of which costs an entity includes when assessing whether a contract will be loss-making. With this amendment, the IASB is responding to the clarification proposed by the IFRS Interpretations Committee on the definition of cost of fulfilment. Accordingly, performance costs are any and all costs that directly relate to the contract. This means that both costs that would not be incurred without the contract (incremental costs) and other costs directly attributable to the contract must be taken into account.

The amendment to **IFRS 3 "Business Combinations"** clarifies that a business operation is a group of activities and assets that includes at least one input and a substantial process that together contribute significantly to the entity's ability to produce output. Furthermore, with regard to output, the focus is now on the provision of goods and services to customers; the reference to cost reductions no longer applies.

By postponing the effective date of IFRS 17 by two years to financial years beginning on or after 1 January 2023, the amendments to **IFRS 4 "Insurance Contracts"** postponed the expiry of the temporary exemption from the application of IFRS 9 Financial Instruments set out in IFRS 4 to 1 January 2023.

The **amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 from Phase 2 of the IBOR Reform** (Interest Rate Benchmark Reform) address issues relating to the implementation of the reform, including the replacement of a benchmark interest rate with another benchmark interest rate.

The **amendments of IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** eliminate an inconsistency which has existed between these two standards. IFRS 10 required so far the recognition of the full profit or loss arising from the loss of control over a subsidiary which is contributed to a joint venture or associate. IAS 28, however, provides only for a profit and loss realisation in the amount of the shares held by the other investors for non-financial assets contributed to associates or joint ventures. In future, the investor must always make a full profit or loss realisation whenever the transaction (i.e. the contribution of a subsidiary in a joint venture or associate with loss of control over the subsidiary) relates to a business as defined in IFRS 3 "Business Combinations". If that is not the case, but if the transaction relates to assets which do not represent a business, only the pro-rated profit (in the amount of the share of the investors) is to be recognised.

Minor amendments were made to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and the explanatory examples to IFRS 16 "Leases" as part of the **annual improvements to IFRSs (2018-2020)**.

OTHER STANDARDS

No significant effects on the asset, financial and earnings position of the Energie Steiermark Group are expected as a result of the adoption of the following new and amended standards and interpretations. No voluntary early application has been planned yet.

- Amendment to IAS 1 "Presentation of Financial Statements" – Classification of liabilities as current or non-current
- Amendments to IAS 16 "Property, Plant and Equipment" – Recognition of income and costs for test runs of property, plant and equipment
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – Onerous contract - cost of fulfilling a contract
- Amendments to IFRS 3 "Business Combinations" – Adjustment of a reference to the IFRS conceptual framework
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 und IFRS 16 - IBOR Reform Phase 2
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

11 CORPORATE BODIES

MANAGEMENT BOARD

- Dipl.-Ing. Christian **PURRER** (Spokesman of the Management Board since 1.4.2012)
- Dipl.-Ing. (FH) Mag. (FH) Martin **GRAF**, MBA (since 1.4.2016)

SUPERVISORY BOARD

Shareholder Representatives:

- Dipl.-Ing. Josef **MÜLNER**
  (Chairman since 1.12.2011, member since 1.12.2011)
- Univ.-Prof. Dipl.-Ing. Karl **ROSE**
  (Vice Chairman since 6.2.2014, member since 17.1.2011)

- Dr. Kurt **KLEIN** (member since 15.12.2005)
- Univ.-Prof. Mag. Dr. Thomas **KRAUTZER** (member since 6.2.2014)
- Dipl.WI (FH) Claudia **von der LINDEN**, MBA (IMD) (member since 25.09.2018)
- HR Mag. Brigitte **SCHERZ-SCHAAR** (member from 25.9.2018 to 3.6.2020)
- Dipl.-Ing. Hilko **SCHOMERUS** (member since 11.1.2016)
- Dipl.-Kfm. Ewald **WOSTE** (member since 11.1.2016)
- Dipl.-Ing. Christa **ZENGERER** (member since 3.6.2020)

Employee Representatives:

- Johann **HUBMANN** (member since 2.7.1998)
- Walter **PUTZ** (member since 17.1.2011)
- Peter **SCHEER** (member since 14.2.2017)
- Dipl.WI (FH) Manfred **STEINBAUER** (member since 1.1.2017)

The Consolidated Financial Statements were approved by the Management Board with the date of the signature and will be presented to the Supervisory Board. The Supervisory Board is responsible for checking the Consolidated Financial Statements and declaring whether it approves them.

Graz, 18 February 2021

The Management Board

Dipl.-Ing. Christian Purrer | Dipl.-Ing. (FH) Mag. (FH) Martin Graf, MBA