ENERGIE STEIERMARK

BUSINESS REPORT 2019

REPORT

CONSOLIDATED MANAGEMENT REPORT

FOR THE FINANCIAL YEAR 2019

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1 GENERAL ECONOMIC DEVELOPMENT

The global economy is expanding at only a moderate pace, and industry in particular is in a slump. Sentiment indicators continue to show a downward trend and the uncertainties surrounding global economic policy remain high. The global economy is expected to grow by 2,9 percent in 2019 (after 3,6 percent in the previous year). A global economic growth rate of 3,0 percent is expected for 2020.

Real GDP growth in the euro zone will amount to 1,2 percent in 2019. Due to the unfavourable international environment, Austria's economic growth is also slowing down. After 2,4 percent in the previous year, the Austrian economy is expected to grow by only 1,6 percent in 2019.

Fiscal and in particular monetary policy, which is already somewhat more expansionary, could help to ensure that the global economy does not lose further momentum. A significant upturn, however, is currently not in sight.

HICP (harmonised index of consumer prices) inflation in the euro area is expected to be 1,2 percent in 2019. In contrast, the forecast for HICP inflation in Austria in 2019 is 1,5 percent.

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.
The primary energy markets saw very different developments in 2019: While the oil market started the year below $55/bbl and temporarily tested the level of $75/bbl (at the end of April), coal and gas prices recorded strong price declines from January onwards. In an economically sluggish environment exacerbated by a number of political uncertainties, including the US trade conflict with China, Brexit, etc., the oil market was supported by several OPEC+ production cuts. The coal and gas market, on the other hand, suffered from a supply overhang (including high stock/storage levels and LNG import volumes) and a weaker demand side (economic situation, record feed-in from renewables). In early December, the API-2 front year fell to a new 2,5-year low just above the $60/t mark. The NCG Cal 20 contract recently recorded an all-time low near €15,50/MWh.

Power
After remaining range-bound for almost 15 months (between €45/MWh and €52,50/MWh), the German base contract (Cal 20) permanently dropped below the support at €45/MWh at the beginning of December. The ongoing discussion about Germany's final phase-out of coal (one third by 2023, the remainder by 2038) supported the back contracts (from Cal 22 onwards). Record feed-in from renewables, very firm CO_2 prices and favourable gas prices resulted in a substantial shift in power production during the year. By the end of November, the share of coal in net power generation had dropped below the 30 percent mark for the first time ever.
The sharp decline was compensated for by renewables (45,6 percent) and gas-fired power plants (10,6 percent). This development is also reflected in the spot prices. In 2019, the German spot price for base load was below €40/MWh (€37,67/MWh). So far, the Austrian equivalent has cost about €2,39/MWh more.

Gas
The steady strong increase in global LNG capacities since October 2018, coupled with weaker demand in Asia and a favourable freight rate trend for Europe, led to a continuing series of new LNG import records. As a result, storage facilities in Europe reaching their maximum intake limits exceptionally early. Amplified by the overall mild winter of 2018/19, this additional LNG supply has reduced storage withdrawals to such an extent that a steadily growing storage overhang has built up. The result is considerable pressure on prices.
Accordingly, the NCG_Cal20 Future has lost almost 30 percent of its initial value of € 20,14/MWh since the beginning of the year. Similar to NCG_Cal21 and NCG_Cal22, it is now in an intact long-term downward trend.

Heat
The European Union's energy market has been transformed by several "packages" over the past few decades. The "Winter Package" (presented in winter 2016), also known as the "Clean Energy Package", presented a draft for the EU's energy policy from 2020 to 2030. The Renewable Energy Directive (RED II) and the Energy Efficiency Directive (EED), which were amended here, set out a range of new obligations for the district heating industry.

The two directives must be transposed into Austrian law by October 2020 and June 2021, respectively. However, in view of the political situation since May 2019, when the government collapsed, Austrian lawmakers have not yet presented a draft law. In addition to these two required laws, work to develop the “Renewable Energies Expansion Act” planned by the former government has also stalled. At the end of December, the transitional government completed the task of submitting a final version of the National Energy and Climate Plan to the European Commission by the end of 2019, but a new government is expected to make further amendments here.

Grids

With the 2019 SNE-VO 2012 amendment (Ordinance on Use of System Charges) and the 2019 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 Biomass Promotion Act (fundamental and implementation act) has ensured the continued existence of electricity generation plants fuelled using solid biomass or waste with a high biogenic content; the financial contributions are made by all end customers.

The implementing regulation (NISV) was issued on the basis of the Grid and Information System Security Act (NISG), which defines measures to achieve a high level of security in the grid and information systems of operators of essential services, including in the energy sector. Energienetze Steiermark GmbH was identified as an operator of essential services by means of a notice by the Federal Chancellery.

In connection with EU Directive 2018/2001 of 21 December 2018 on the promotion of the use of energy from renewable sources, an amendment to the Electricity Duty Act (Elektrizitätsabgabegesetz) extended the scope of the tax exemption to, among other things, electrical energy generated by photovoltaic systems for own consumption. The aforementioned EU Directive and EU Directive 2019/944 of 5 June 2019 are intended to enable what are referred to as renewable energy communities and citizen energy communities.

The further transposition of these EU directives into national law, the enactment of the Renewable Energies Expansion Act or an amendment to the ElWOG, among others, were postponed to 2020 due to the political situation.

3 ECONOMIC DEVELOPMENT OF THE GROUP

Selected P&L, balance sheet and cash flow positions develop as follows in the 2019 financial year:

in EUR millions	Full year		Deviation	
	2019	2018	absolute	%
Sales revenues	1,373.0	1,267.1	105.9	8%
Cost of materials	-938.2	-868.6	-69.6	-8%
Operating result (EBIT)	123.0	98.4	24.5	25%
Result before income taxes	138.4	105.6	32.8	31%
Result after income taxes	99.4	74.9	24.6	33%
Equity	1,508.6	1,487.7	20.9	1%
Balance sheet total	3,058.4	2,963.1	95.3	3%
Net cash flow from ongoing operating activities	104.0	114.9	-10.9	-9%
Net cash flow resulting from investment activities	-123.4	-107.9	-15.5	-14%
Net cash flow resulting from financing activities	3.7	-91.2	94.9	> 100%
Investments in property, plant and equipment	169.5	155.9	13.6	9%

In the 2019 financial year, the operating result (EBIT) was € 123.0 million, which is an increase of € 24.5 million in comparison with the previous year.

Revenues mainly include energy revenues and grid revenues. Both revenues and the cost of materials for energy sales increased as a result of the higher price level on the wholesale market for electricity compared with the previous year. The gross profit margin widened due to the unwinding of deferred revenue from previous years in the electricity grid and due to a higher gas contribution margin in energy sales.

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 € 31.9 million in 2019 and was above the level of the previous year. Other operating income amounted to € 14.4 million and increased due to the level of subsidies from third parties compared to the previous year.

Personnel expenses in 2019 were € 6.7 million higher than in the previous year, mainly due to a higher number of employees and the wage rises under collective agreements.

Higher capital expenditure in the grid segment and the rights-of-use assets under leases, which were capitalised for the first time in accordance with IFRS 16, resulted in higher depreciation and amortisation.

The fact that more services were procured from third parties led to higher other operating expenses, which came to € 92.8 million in 2019.

In 2019, 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 2019 amounted to € 99.4 million. Majority shareholders account for a result of € 98.2 million (previous year: € 73.8 million).

In 2019, investments in property, plant and equipment amounted to € 169.5 million. Key investments here included ones in the energy grids, together with investments in smart metering and in renewable energies, such as the Mur power plant (Murkraftwerk) in Graz.

The following key figures were calculated for the 2019 financial year:

	Full year	
	2019	2018
EBITDA (EBIT + depreciation and amortisation) in € million	226.4	195.8
EBIT margin (EBIT/sales revenues)	9.0%	7.8%
Return on equity (taxed results/ø equity)	6.6%	5.5%
Capitalisation ratio (property, plant and equipment/balance sheet total)	48.7%	47.4%
Equity ratio (equity/total capital)	49.3%	50.2%

4 NON-FINANCIAL PERFORMANCE INDICATORS

Energy report

in GWh	Full year		Deviation	
	2019	2018	absolute	%
Sales				
Electrical energy				
Electricity sales on the customer market	5,915	6,143	-228	-4%
Portfolio and compensation energy sales	8,387	8,592	-205	-2%
Trading	2,569	9,966	-7,397	-74%
Total sales	16,871	24,701	-7,830	-32%
Gas energy				
Gas sales on the customer market	3,983	3,935	48	1%
Portfolio and compensation energy sales	4,404	5,165	-761	-15%
Trading	4,208	4,388	-180	-4%
Total sales	12,596	13,488	-892	-7%
Grids				
Electricity grid	8,278	8,248	30	0%
Gas grid	13,511	13,658	-147	-1%
Heat				
Domestic heat sales	1,404	1,415	-11	-1%
Foreign heat sales	564	565	-1	0%
Total sales	1,968	1,980	-12	-1%
Generation				
Electricity generation (including abroad)	265	228	37	17%

Electricity sales on the customer market declined slightly compared to the previous year as a result of lower demand in the redistribution segment and losses in the business customer segment. In contrast, the gas sector was able to maintain the same level as in 2018, primarily due to increased sales in the residential and small business segment.

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

There was no significant 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 slightly lower level of heat sales results from different weather conditions compared to 2018.

The electricity is generated from hydropower (from the Murkraftwerk Graz) and from wind power, 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 market has changed very little compared to the previous year. Market prices have continued to rise and numerous cross-regional providers, as well as companies from outside the industry, are constantly trying to entice away household customers and small businesses with high discounts for new customers. Electricity suppliers continue to use E-Control's tariff calculator to lure customers willing to switch away with bonuses that reduce the price of energy consumption by up to 80 percent. However, a number of successful campaigns to win back customers have on the whole ensured that Energie Steiermark has been able to maintain a consistently positive customer balance since May. As of this year, all customers who have been away from Energie Steiermark for more than a year (or left more than a year ago) are being contacted and an attractive offer is being made to bring them back. The decision to become active on well-known exchange platforms such as Durchblicker has also proven to be successful, with around 1,000 new customers being acquired in this way.

- Grids

Energienetze Steiermark GmbH is a 100% and independent electricity grid and gas grid operator as defined by section 42 para. 3 of the Electricity Industry and Organisation Act 2010 (ElWOG) as amended and section 106 para. 1 of the Gas Industry Act 2011 (GWG) as amended. 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 29,000 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 -1.8 percent for Energienetze Steiermark GmbH as of 1 January 2019, with average grid usage fees decreasing by -3.2 percent and average grid loss fees increasing by +40.8 percent. The revision of the gas grid fees resulted in a reduction of -10.1 percent for Energienetze Steiermark GmbH as of 1 January 2019, with an average reduction of -12.1 percent in grid level 2 and an average reduction of -9.0 percent in grid level 3.
An agreement in principle was reached between the Association of Gas and District Heating Supply Companies (FGW) as well as the Austrian Federal Economic Chamber (WKO) and the Federal Chamber of Labour (BAK) to settle the pending appeal proceedings for the 3rd Gas Regulation Period (RP) (2018...2022). The negotiated compromise provides on the one hand for the efficiency-linked return to be symmetrical by adjusting the WACC ceiling from the previous 5.30 percent to 5.05 percent and, on the other hand, for an increase in Xgen from the previous 0.67 percent to 0.83 percent.

In the electricity grid segment, grid sales volumes supplied from the electricity transmission grid amounted to 8,304 GWh in 2019, which is 33 GWh higher than the value of the previous year. This corresponds to an increase of approximately 0.4 percent. The maximum grid load for 2019 was registered at 1,536 MW on 12 December 2019 and was thus -0.3 percent below the peak of 2018 at 1,540 MW. In the gas segment, the distributed natural gas volume for downstream grid operators and end customers amounted to 14,013 GWh in the year under review. This was a decrease of approximately 157 GWh or approx. -1.1 percent over the previous year.
In January 2019, the disruption was mainly caused by the extreme levels of snowfall in the north of Styria. In addition to numerous disruptions in the medium and low-voltage grid, there were also failures in the 110 kV grid, and in some cases the entire Enns and Paltental valleys could no longer be securely supplied (n-1). The onset of winter in November also caused numerous disruptions, especially in the upper Mur and Enns valleys, which could only be repaired under extremely difficult circumstances due to the fact that many roads were closed. Despite the weather events outlined above, the number of disruptions in 2019 was on a par with the average of recent years.

- Heating (including abroad)

In 2019, 1,404 GWh was generated without disruption, with around 70 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 supplies about 13,000 heating customers in the 25 heating grids in Styria. Sales 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 2 percent through new contracts. Abroad, 564 GWh were sold through the subsidiaries in Slovakia and the Czech Republic.

- 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.

Foreign

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 for Energie Steiermark AG, growth for 2019 is anticipated to be slightly weaker than in 2018. In Slovakia and in the Czech Republic, growth of around 2.7 percent and 2.5 percent, respectively, has been forecast. Expected growth in Slovenia is 2.6 percent. Growth in Germany is expected to come to 0.4 percent.

Sustainability

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.

Energie Steiermark materiality matrix			
Very high	Stakeholder dialogue	Regional responsibility as an investor, employer and customer Air emissions Protecting nature and biodiversity Combating energy poverty	Security of supply Positioning as a modern energy service provider Customer orientation Climate protection and sustainable energy generation Energy efficiency
Importance for target groups	Responsibility along the supply chain Conserving resources (water, soil, etc.)	Information and data security Equal opportunities Occupational health and safety	Research, innovation Intelligent networks (digitalisation) Environmentally friendly mobility Decentralised energy generation
High	Waste management Compliance and corruption prevention	Governance / E-Volution Sponsorships and social commitment	Raising corporate value Qualification and further education

	High	Importance for Energie Steiermark	Very high
Company and management Customers Environment and climate protection Employees Dialogue and social commitment			

Fig.: Materiality Matrix of Energy Steiermark AG

Employees

"Fit-4-Future" Project

At the beginning of 2019, the Group-wide "Fit-4-Future" project was launched with the support of consulting firm Roland Berger GmbH. The objective was to thoroughly address the issues of growth opportunities that can still be exploited, as well as the potential for efficiency enhancements and an improvement of both the organisation and its processes. On the basis of a comprehensive analysis, working groups from the areas of Sales/Customer Service, Networks/Technology, Generation/Heat and Shared Services developed new structures, thereby laying the foundations for the companies to continue to meet the future challenges of the market, as well as new regulations and technologies. The full implementation of the defined measures is expected to be completed over a period of 3 - 4 years.

Human Resources Management

Digital change is shaping the entire energy industry, requiring a rethink in all areas of work and continually posing new challenges for HR management. One of the primary objectives when it comes to HR is to prepare existing and future employees for the latest digital developments and skills, to design change processes efficiently and to implement them together with the acceptance of employees. A decisive factor when it comes to implementing change processes successfully is the corporate culture. A strategic realignment can only be successful if the employees in the company have an open and positive attitude towards the change processes and can identify with them.

In the age of digitalisation, innovation and constant change are inseparably linked. As regards HR policy today, it is essential 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. High 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.

Employees form the strong basis for the implementation of our mission on the path to a successful energy future. In addition to a high degree of responsibility and a wide range of services, Energie Steiermark offers interesting duties and career opportunities in a wide variety of areas. All employees are called upon to play an active role, to help shape change and to tread new paths together with the company. A Group-wide idea management system established for this purpose makes a significant contribution to continuous further development.

Individual Framework Conditions

Energie Steiermark provides its employees with numerous instruments and opportunities to keep professional and private interests in balance. The range on offer goes well beyond the minimum amount required by law. 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.

Furthermore, a company childcare facility is available in close proximity to the company's building. For children aged 0 to 6, high-quality care and education is guaranteed by kindergarten teachers and assistants with individual areas of emphasis, e.g. sport, languages, technology, etc. Not only does this ensure a better work-life balance, but also helps people to return to work after parental leave.

Employees can also use a decentralised workplace near their place of residence, which in turn saves travel time. To underline the idea of a "Green Company", employees are also granted allowances for annual tickets of the public transport system with the "Jobticket". With these measures, the company promotes environmentally friendly mobility and helps to reduce harmful emissions.

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. A targeted transfer and exchange of knowledge combines many years of valuable know-how with the young spirit and drive of our junior staff.

The latest information on current developments and changes in the Group is communicated through regular Group-wide events held by the Management Board, the Group-wide intranet and ongoing reporting from Group communications.

Personnel Development

The world is experiencing an era of digital change. Technological achievements that conquer the market in ever shorter periods of time are fundamentally changing working and professional lives, as well as our society as a whole. 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. New models of cooperation are also needed when it comes to bridging gaps between generations and changes in values. A fundamental key to a successful digital transformation is LEARNING.

First-class qualified and motivated employees form the basis for the entire entrepreneurial performance. 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 holistic education and training offer for executives and employees ranges from subject-specific training courses and workshops on working methodology to initiatives for workplace health promotion and targeted seminars to strengthen personal and social skills.
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 so as to safeguard positions critical to success.

A key aspect of comprehensive talent management is the provision of targeted initiatives for women within the Group. Their strengths and potential should be recognised and used more intensively through specific offers. Providing structure support when developing hard and soft skills is a good way to prepare for key functions to be occupied by women.

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 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.

Digitalisation can be seen in personnel development with the implementation of an integrated performance and talent management software solution. On the one hand, the LEARNING module established an efficient and future-oriented group learning environment for the workforce and, on the other hand, the introduction of the RECRUITING module strengthens Energie Steiermark's position as an innovative employer and ensures compliance with modern standards and data protection regulations for applicants.

An important milestone in the pursuit of sustainable education management is the new training and further education centre "E-Campus" for apprenticeships and lifelong education. New seminar rooms and creativity zones equipped in line with the latest standards are available for employees to develop professionally and personally by means of the "E-Cademy", offering a range of targeted further education and training options.

Focus on Young People

In December 2019, a total of 85 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 an increasing number of 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 2019 by the above-average exam results and several external awards.

In autumn 2019, Energie Steiermark opened a joint training and competence centre for apprentices and adults 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.

The integration and promotion of young employees are concerns of Energie Steiermark which go far beyond the training of the apprentices. For example, 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. Corporate health promotion helps prevent illnesses in the workplace, to strengthen the health and to improve or maintain for a long period of time the well-being of employees at their workplace.

A diversified corporate health provision supported by company physicians, work psychologists and safety officers takes into account this aim. The company actively supports these efforts by providing a wide range of offers of health seminars and preventive activities as well as exercise programmes.

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.

"E-Volution" Cultural Project

Effective personnel development and support are always a direct function of the corporate culture. The mission statement of Energie Steiermark was developed with the core values and a competence model within the framework of the "E-Volution" cultural development process, and greater focus was placed on management and employee development. Numerous personnel development measures concentrating on practical applicability have already been integrated into everyday work. In 2019, the focus was on developing a holistic strategy of inclusion as part of Energie Steiermark diversity strategy. Throughout the Group, cultural ambassadors have been established as contact persons to support the long-term development of corporate culture, to hone it in ongoing processes and adapt it to future challenges.
The employee survey launched at the end of 2018 has produced very good results for Energie Steiermark in all areas concerned, in turn representing a steady improvement over several years.

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.

Gratkorn and Stübing Hydroelectric Power Plants

The Gratkorn project is a cooperation project between Energie Steiermark and VERBUND Hydro Power. 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. All necessary permits have been obtained for the Gratkorn power plant. With a clear commitment to generate all electricity in Austria from renewable sources by 2030 (Mission 2030 targets), corresponding framework conditions have been created at the federal level, the effects of which on the Gratkorn power plant project are currently being reviewed. No further planning steps are currently being taken for the Stübing power plant.

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 project in Graz ensures the generation of electricity directly at the centre of consumption and in compliance with the strictest ecological principles.
Work on building the power plant began on 2 January 2017 and it was commissioned as scheduled in the summer of the year under review. In 2019, around 20,000 MWh has been generated from renewable energy since the power plant entered service.
At the same time, the central storage canal (ZSK) is being constructed in the Murkraftwerk Graz section. Once the work on its construction has been completed, the remaining renaturation and design measures for the Mur power plant can be carried out. Hence the project is scheduled for completion in summer 2020.

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.

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 20 wind turbines (each with an output of 3.2 MW) on Stubalpe in western Styria. The approval was granted by a lower-court decision of 20 April 2018, and the proceedings are currently pending before the Federal Administrative Court in Vienna.

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.

Small PV systems have been erected on the roofs of the operational locations of Energie Steiermark, for instance in Leoben or at the technical location in Graz as well as at external customers. The focus for the coming years will also be on further expanding photovoltaic systems.

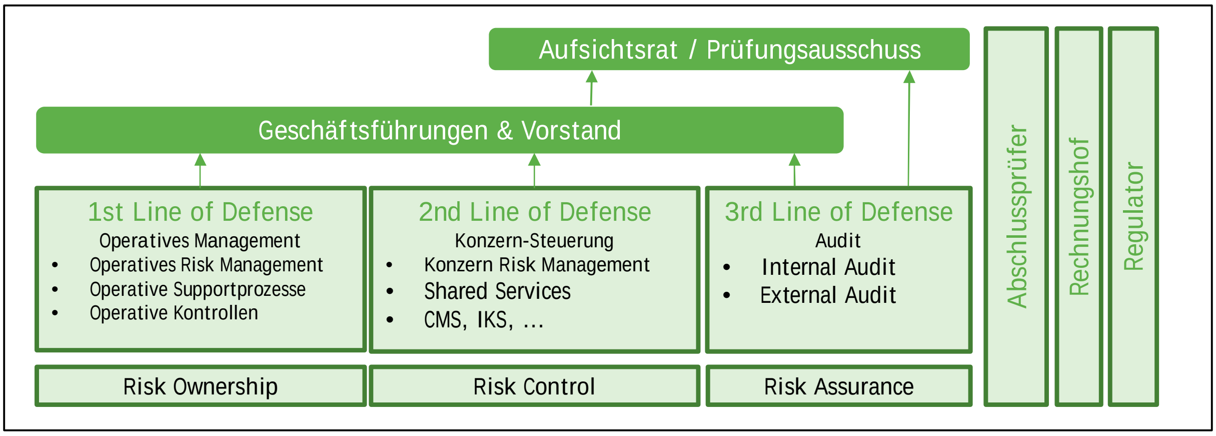
Branches

Energie Steiermark AG does not have any registered branches.

5 RISK MANAGEMENT

Risk management system and risk management process

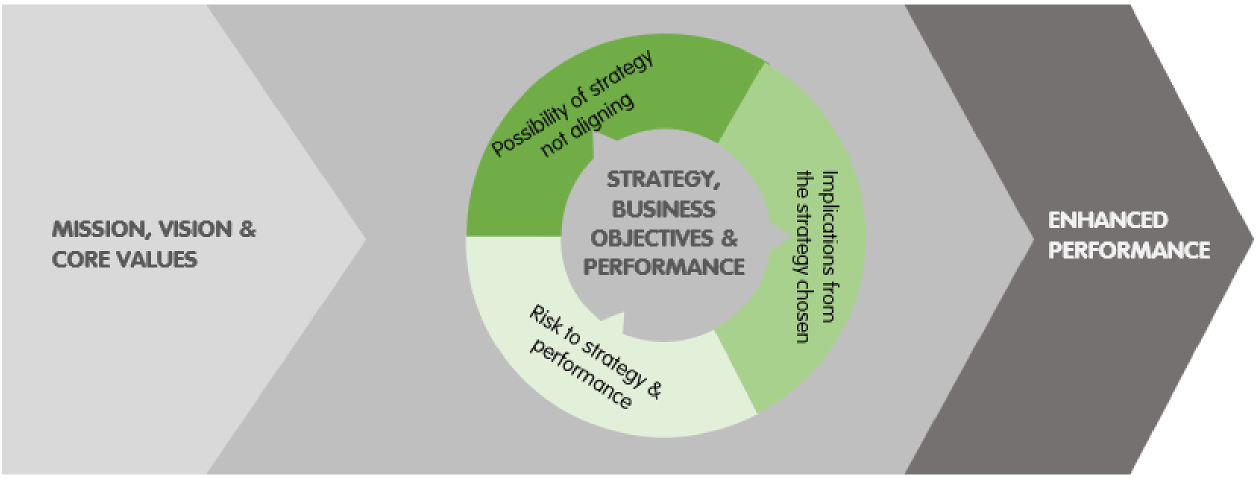
In line with its mission and its corporate strategy, Energie Steiermark pursues the objective of a sustainable company value increase. This long-term value creation through the systematic exploitation of opportunities at a tenable risk is inseparably linked to the corporate activity of Energie Steiermark 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.



	Supervisory board / Audit committee		External Auditor	Court of Audit	Regulator
General Management and Management Board					
1st line of defence Operational management - Operating risk management - Operating support processes - Operating controls	2nd line of defence Group management - Group risk management - Share services - OMS, ICS, …	3rd line of defence Audit - Internal audit - External audit			
Risk Ownership	Risk Control	Risk Assurance			

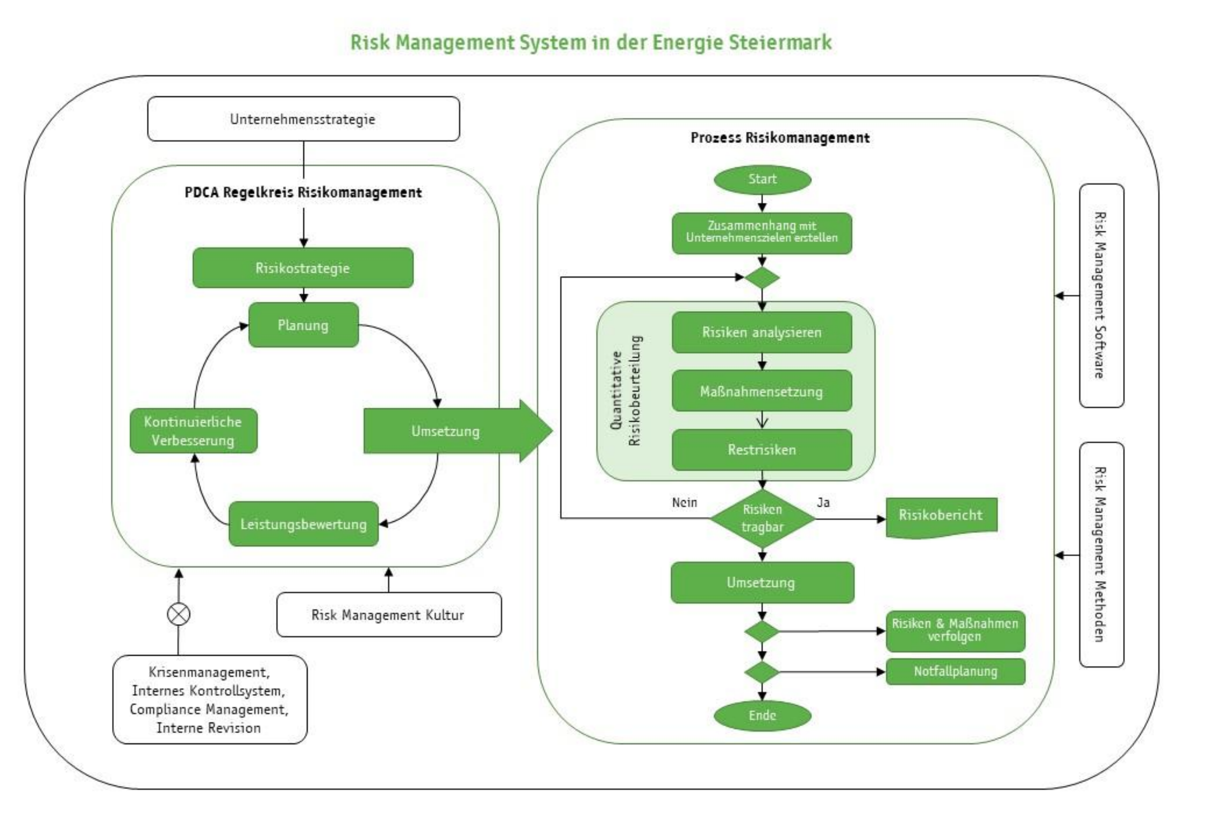
Risk management integration: the three lines of defence

The company-wide risk management system was updated in accordance with COSO ERM 2017 in order to pair 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: Risk management is aligned with strategy 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 implemented according to the provisions of ONR 49000, risk management for organisations and systems. All statutory requirements and Corporate Governance regulations are met in full.



Risk management system at Energie Steiermark		
Corporate strategy PDCA control system risk management Risk strategy Planning, Implementation, Performance evaluation, Continuous improvement Risk management culture Crisis management, internal control system, compliance management, internal audit	Process risk management Start Establish a link to corporate targets Quantitative risk assessment: Analyse risks Set measures Residual risks No <- Risks acceptable -> yes -> Risk report Implementation Track risks and measures Emergency planning End	Risk management software Risk management methods

Risk management system and risk management process of Energie Steiermark in accordance with ISO 31000 and ONR 49000

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.

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

Risk portfolio 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.

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.

Market Risks

On the customer market, increased competition in the energy market from additional market participants remains 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 performance, quality, service and sustainability as well as the trend towards digitalisation, individualisation and independence on the part of customers continue to fuel competition. With regard to energy sales, the increase in decentralised production and feed-in power represents a significant risk, which is exacerbated by the obligations of energy supply companies under the Energy Efficiency Act.

As a countermeasure, Energie Steiermark has competitively positioned sales as a modern energy service provider 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 market-oriented, economic and competitive manner in the future.
In the energy business, volume and price risks of the customer portfolio are fundamentally controlled by proven long-term reinsurance strategies to reduce risk in accordance with the different requirements of the various customer segments. Where necessary, derivative financial instruments are used to hedge the customer portfolio against price change risks. In this regard, market price and liquidity risks are constantly monitored, or managed within specified limits and reported in a timely manner. Counterparty risks across all segments are reduced to the minimum required by operations through a stringent, rating-based limit system and standardised energy trading master agreements, including credit guarantees. Financial energy contracts with tight and daily verified and reported profit and loss as well as value-at-risk limits are 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.

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 cost coverage for network.

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. Information technology plays a key role in all essential business segments. Therefore, there must be a focus both on providing IT infrastructure without any significant faults and on supporting the execution of processes as a business enabler in an optimum manner. The provision and integration of software and hardware solutions as well as the perception of all IT cybersecurity management agendas in accordance with ISO 27001 are ensured from a central position.

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 core 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. To ensure the optimum management of unavoidable event risks from damage limitation to the return to regular operation, a Group-wide crisis management system has been introduced and is being regularly tested and continuously developed.

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.

Overall Risk Position and Assessment

The relevant risk environment of Energie Steiermark continues to be characterised by at times significant uncertainties, unknown factors and change trends that are difficult to assess. 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. While this framework with a long-term outlook is largely known and foreseeable, the legal, regulatory and technological framework for this remains largely undefined. Cross-border regulatory interventions, such as the unexpected separation of the price zone Germany-Austria (2 HY 2018) and the future design of existing subsidy regimes, especially for renewable energies, will remain difficult to forecast or predict 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. Particular 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. In the course of the 2019 financial year, the quantitative total risk position of Energie Steiermark certainly improved. 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 the current financial year or in subsequent 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 2019, a total of 23 projects with a focus on research and development and innovation were being actively handled in the company. Of these, 17 projects were carried out with research and development funding.

"Local Energy Communities"

With the aim of advancing the concept of decentralised energy generation reduced grid tariffs for what are referred to as local energy communities can be expected from 1 January 2021.
The aim here 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. The legal framework of "Renewable Energy Communities" and "Citizens' Energy Communities" is currently being discussed, with various working groups from Österreichs Energie (grid, market roles, ElWOG), for example, working on the proposed wording for resolutions to be enacted by the incoming federal government. In partnership with Energie Steiermark Technik GmbH and Energienetze Steiermark – which had already been confronted with the technical challenges of such a local energy community in combination with a large storage facility as part of the LEAFS project – Energie Steiermark Kunden GmbH decided to participate in the CLUE international research project initiated by the Austrian Institute of Technology (AIT). By mid-2022, five applied experiments will be carried out in Austria, Germany, Scotland and Sweden.
Together with Energie Steiermark Technik GmbH and Energienetze Steiermark GmbH, Energie Steiermark Kunden GmbH participates in a project in the KEM Region Almenland that focuses on optimal energy management for several households, taking into account a collective storage facility.

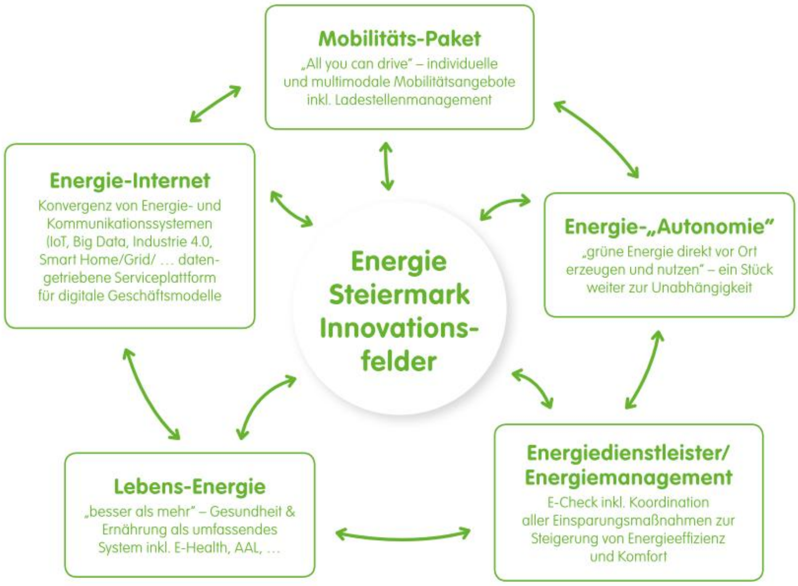
"Mobility"

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 1,610 e-cars – also known as battery electric vehicles (BEVs) (as of December 2018) – in the Graz metropolitan area. The first milestone of the catalogue of measures is to achieve the targets for 2020. Based on a forecast prepared by the Graz Energy Agency, the number of BEVs in the city of Graz in 2020 will total some 2,600. For this number of BEVs, 121 publicly accessible charging points are needed in the city of Graz itself. Over the next six months, other potential locations for publicly accessible charging points will be identified, the aim being to find locations for the missing 66 charging points needed for 2020 and to facilitate implementation with a catalogue of measures.

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).



<table>
<tr><td></td><td>Mobility package

"All you can drive" – individual and multimodal mobility offers including charging station management</td><td></td></tr>
<tr><td>Energy internet

Convergence of energy and communication systems (IoT, Big Data, Industry 4.0, Smart Home/Grid/, etc., data-driven service platform for digital business models</td><td>Energie Steiermark fields of innovation</td><td>Energy autonomy

"Produce and use green energy locally" – another step towards independence</td></tr>
<tr><td colspan="2">Life energy

"Better than more" – Health and nutrition as a comprehensive system, including e-Health, AAI, etc.</td><td>Energy service provider / energy management

E-check including coordination of all energy-saving measures to increase both energy efficiency and comfort</td></tr>
</table>

Fig: Strategic innovation fields of action

7 PROJECTIONS AND FUTURE OUTLOOK

In 2020, the euro zone is expected to grow by 1,1 percent. Austria will be slightly below this growth level at 1.0 percent.

The challenges in the energy industry are growing. Following an economic slowdown in 2019 as in 2018, the forecasts for 2020 indicate an even lower increase in the pace of growth. The EU continues to maintain its energy management targets for 2020 and is pursuing 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.

In addition, more competition in the sales business can be expected as a result of new providers, increased media coverage of the energy topic and higher environmental awareness. At the same time, they allow for developing new products, services and business opportunities, jointly with cooperation partners, if appropriate.

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, and its influence on energy transfer to industry, trade, redistributors and private households. The regulatory system (including benchmarking) in both the electricity and gas business segments was negotiated. The official decisions issued by ECA on the basis of the annual investigation procedure substantially shape the future 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 will increase by an average of +0.1 percent. The grid usage fees in the Styria electricity grid sector will change by an average of +1.3 percent in 2020. The network loss charges will increase by an average of +27.0 percent, a fact attributable in particular to the increase in the network loss cost rate over 2019. The gas segment will see an average tariff increase of 0.69 percent in grid level 2 and, in grid level 3, an average tariff decrease of -1.08 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.

As regards heat generation, Energie Graz GmbH & Co KG had been faced with declines since 2018 due to various own production activities by Energie Graz GmbH & Co KG. However, due to a renewed increase in the demand of Energie Graz GmbH & Co KG and a number of new connections to the company's grids, significant growth can be expected in the following years. 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 in the construction of a new existing biomass heating plant, and work to improve and increase the efficiency of two other ones. A new "BioSolar" concept is to be developed to replace the completed "BIG SOLAR GRAZ" project in 2020. Not only is the project to be technically revamped in view of a new set of framework conditions, outstanding subsidy commitments and the necessary demand and use of natural gas for "reheating", Energie Steiermark Wärme GmbH will also assume a formal leading role in terms of organisation.

In 2020, the main focus in the generation sector will be on completing the Murkraftwerk Graz, where the remaining renaturation and design measures can be carried out once the canal construction work has been finished, meaning that the project should be completed in summer 2020. All necessary permits have been obtained for the Gratkorn hydropower plant. Work is currently under way to optimise costs in order to facilitate implementation. At the Stubalpe wind farm, the proceedings at the Federal Administrative Court in Vienna must be awaited following the submission of complaints.

In order to continue achieving the corporate goals in sales and trading in the future, measures such as expanding and promoting a multi-utility strategy have been defined, as well as emphasising a regional orientation and expanding the product range, boosting sales activities in Austrian and southern German metropolitan areas, and implementing cross-sector collaborations and partnerships in order to win and retain customers.

Also, the path to becoming a service provider will take an increasingly important role in the customer service segment. The entire market is strongly shifting due to dedicated media campaigns and actions. It can therefore be observed that the requirements of customers to contact channels, such as online platforms or chats, are becoming more and more important. This requires not only a further development of the processes but also of the systems to a great extent. It requires new concepts and an opening up to future trends as this customer-oriented approach presupposes a new way of thinking that has not been practised in the industry to date
It is still important that the classical service processes are running smoothly. The introduction of smart metering is of great importance for the future processes and systems of Energie Steiermark. Although the introduction for the metering process has been delayed and is now behind the original schedule, it remains of great importance for future workflow processes. 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.

The outlook to the development of the foreign markets gives cause for optimism. An analysis of the economic environment reveals that key indicators have developed very positively in the past year: The economy continues to grow on the markets relevant for Energie Steiermark AG, unemployment rates are falling, some major investments or privatisations are planned.

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 2020

The Management Board

Dipl.-Ing. Christian Purrer

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

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 DEZEMBER 2019
ACCORDING TO IFRS

CONTENTS

CONSOLIDATED PROFIT AND LOSS STATEMENT

	Notes	2019 K€	2018 K€
Sales revenues	(1)	1,373,017	1,267,096
Changes in inventories and own work capitalised	(2)	31,413	28,898
Other operating income	(3)	14,372	12,022
Cost of material and other purchased manufacturing services	(4)	-938,219	-868,605
Personnel costs	(5)	-161,385	-154,696
Amortisation and expenses from impairments of intangible assets and depreciation of tangible assets	(6)	-103,440	-97,326
Other operating expenses	(7)	-92,763	-88,942
Operating result		122,995	98,447
Other results from shareholdings	(8)	13,706	13,927
Financial income	(9)	3,072	3,969
Financial expenses	(9)	-13,372	-12,958
Financial result		3,406	4,938
Result from shares held in associated companies	(10)	12,044	2,235
Earnings before taxes		138,444	105,621
Income taxes	(11)	-39,054	-30,692
Consolidated net income		99,390	74,929
Of which to:			
shareholders of the parent company		98,224	73,764
non-controlling interests		1,166	1,164
		99,390	74,929

CONSOLIDATED OTHER COMPREHENSIVE INCOME

	2019 K€	2018 K€
Consolidated net income	99,390	74,929
Items that will not be reclassified ("recycled") subsequently to the Profit and Loss Statement		
Revaluation of net debt from defined benefit obligations	-35,559	-528
Deferred taxes on actuarial gains and losses from defined benefit obligations, recognised directly in equity	8,890	132
Net change in the fair value of investments measured at fair value through equity	207,509	185,398
Deferred taxes on value changes, offset directly against equity, resulting from the market evaluation investments measured at fair value through equity	-51,877	-46,350
Other results from investments accounted for using the equity method (revaluation of net debt from defined benefit obligations)	-7,517	-3,475
Sum of items that will not be subsequently reclassified (recycled) to the Profit and Loss Statement	121,446	135,177
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	-144,295	102,651
Realisation affecting income	-40,418	17,373
Deferred taxes on value changes of hedging instruments offset directly against equity	46,178	-30,006
Exchange rate differences resulting from the conversion of foreign businesses		
Change not affecting the result	79	-51
Realisation affecting income	0	0
Total result from the shareholdings evaluated at equity		
Change not affecting the result	0	0
Realisation affecting income	0	0
Sum of items that will be reclassified (“recycled”) subsequently to the Profit and Loss Statement	-138,455	89,967
Total consolidated net income	82,381	300,073
Of which to:		
shareholders of the parent company	81,176	298,934
non-controlling interests	1,205	1,139
	82,381	300,073

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 1.1.2018	100,000	613,198	389,116	127,475	1,229,789	13,867	1,243,657
Total of transactions with owners, recognised directly in equity	0	-20	-54,980	0	-55,000	-1,030	-56,030
Dividends paid out	0	0	-55,000	0	-55,000	-1,030	-56,030
Other changes not affecting earnings	0	-20	20	0	0	0	0
Total result	0	0	73,764	225,169	298,934	1,139	300,073
Net income for the year	0	0	73,764	0	73,764	1,164	74,929
Other result	0	0	0	225,169	225,169	-25	225,144
Currency conversion	0	0	0	-26	-26	-25	-51
Actuarial gains/losses	0	0	0	-528	-528	0	-528
Change in hedging instruments	0	0	0	120,024	120,024	0	120,024
Change in investments measured at fair value	0	0	0	185,398	185,398	0	185,398
Change in financial assets recognised at equity	0	0	0	-3,475	-3,475	0	-3,475
Taxes offset directly against equity	0	0	0	-76,223	-76,223	0	-76,223
Status as at 31.12.2018	100,000	613,178	407,901	352,644	1,473,723	13,977	1,487,700
Status as at 31.12.2018 as originally stated	100,000	613,178	407,901	352,644	1,473,723	13,977	1,487,700
Change in accounting methods	0	0	0	0	0	0	0
Status as at 1.1.2019 retroactively adjusted	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

CONSOLIDATED BALANCE SHEET

	Notes	31/12/2019 K€	31/12/2018 K€
ASSETS			
Non-current assets			
Intangible assets	(12)	111,440	107,711
Tangible Assets	(13)	1,489,868	1,405,235
Financial investments recognised at equity	(14)	115,141	110,037
Financial assets	(15)(33)	891,773	759,330
Receivables and other assets	(17)(33)	3,147	4,886
Deferred tax assets	(11)	48,885	34,730
		2,660,254	2,421,928
Current assets			
Inventories	(18)	22,964	25,418
Contract assets	(1)	2,651	3,721
Financial assets	(16)(33)	58,004	117,521
Receivables and other assets	(17)(33)	204,180	268,564
Cash and cash equivalents	(19)(33)	110,358	125,981
		398,157	541,205
Total assets		3,058,411	2,963,133

	Notes	31/12/2019 K€	31/12/2018 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)	444,323	407,901
Accumulated changes not affecting earnings	(23)	335,596	352,644
		1,493,097	1,473,723
Non-controlling interests	(24)	15,547	13,977
Total equity		1,508,644	1,487,700
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	(25)(33)	350,710	324,004
Non-current provisions and accruals	(26)	295,590	275,318
Deferred tax liabilities	(11)	157,169	143,324
Construction subsidies	(28)	189,090	177,211
Other non-current liabilities	(31)(33)	55,856	60,315
		1,048,415	980,172
Current liabilities			
Current financial liabilities	(25)(33)	75,176	24,810
Current provisions and accruals	(27)	53,802	51,795
Trade accounts payable	(29)(33)	142,988	166,374
Income tax liabilities	(30)	21,636	2,917
Contract liabilities	(1)	1,830	2,049
Other current liabilities and accruals/deferrals	(32)(33)	205,919	247,317
		501,351	495,262
Total liabilities		1,549,767	1,475,433
Total equity and liabilities		3,058,411	2,963,133

CONSOLIDATED CASH FLOW STATEMENT

		2019 K€	2018 K€
	Net cash flow from ongoing operating activities		
	Earnings before taxes	138,444	105,621
+	Depreciation (- appreciation) of intangible assets and Tangible Assets	103,359	97,325
-	Unrealised gains (+ losses) from financial assets and liabilities	-965	-59
-	Reversal of building cost and investment subsidies	-15,579	-14,531
-	Gains (+ losses) from the disposal of non-current assets	-559	-494
±	Pro rata results exceeding distribution recognised at equity (incl. impairment losses)	-10,606	-775
-	Change in non-current provisions and accruals	-15,428	-12,171
±	Interest result recognised in profit or loss	6,142	5,528
-	Income from financial investments recognised in profit or loss	-14,603	-14,936
±	Other non-cash expenses/income	10	12
	Net cash flow from the result	190,215	165,519
-	Increase (+ decrease) from inventories incl. payments made on account	2,685	-5,255
+	Increase (- decrease) from payments received on account	-2,411	759
-	Increase (+ decrease) from receivables and other assets	80,326	19,964
+	Increase (- decrease) from current provisions and accrued liabilities	1,793	-10,461
+	Increase (- decrease) from trade accounts payable and other liabilities	-145,952	-10,285
	Cash flow from ongoing operating activities	126,656	160,242
-	Interest paid	-8,671	-9,178
-	Income taxes paid	-13,947	-36,143
	Net cash flow from ongoing operating activities	104,038	114,921

		2019 K€	2018 K€
	Net cash flow resulting from investment activities		
+	Payments received from the disposal of intangible assets and tangible assets	2,290	2,514
+	Payments received from the disposal of financial assets	3,209	3,796
+	Payments from building cost and investment subsidies	39,273	39,248
-	Payments made for investments in intangible assets and Tangible Assets	-176,899	-163,015
-	Payments made for investments in financial assets	-5,316	-4,217
-	Payments made for the acquisition of business units less liquid assets acquired	-3,122	-4,025
+	Interest received	2,600	2,911
+	Dividends received	14,603	14,936
	Net cash flow resulting from investing activities	-123,360	-107,853
	Net cash flow resulting from financing activities		
+	Payments received from shareholder grants	900	0
-	Distribution to shareholders (profit distribution)	-61,667	-55,000
-	Distribution to non-controlling interests	-1,141	-1,030
+	Raising of bonds, loans and credits	138,831	6,810
-	Repayment of bonds, loans and credits	-71,383	-41,525
-	Repayment of lease liabilities	-1,854	-465
	Net cash flow resulting from financing activities	3,686	-91,209
	Cash flow		
±	Net cash flow from ongoing operating activities	104,038	114,921
±	Net cash flow resulting from investment activities	-123,360	-107,853
±	Net cash flow resulting from financing activities	3,686	-91,209
	Cash-effective net change in cash and cash equivalents	-15,637	-84,142
±	Exchange rate related and other value changes to cash and cash equivalents	14	-6
+	Cash and cash equivalents at the start of the period	125,981	210,128
	Cash and cash equivalents at the end of the period	110,358	125,981

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 province 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.

2 BASIS OF PREPARATION

The Consolidated Financial Statements of Energie Steiermark for the year ending 31 December 2019 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 2019.

Apart from the new standards and 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 2018 financial year.

The following new IFRS/IFRIC were applied obligatorily in the 2019 financial year, in addition to the standards and interpretations which needed to be applied as of 31 December 2018:

New standards and interpretations applied obligatorily for the first time in the 2019 financial year

New standards/interpretations		applicable from [1]
IFRS 16	"Leases"	1. January 2019
IFRIC 23	"Uncertainty over Income Tax Treatments"	1. January 2019

[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.

IFRS 16 "Leases", with its fundamental updates, relates in particular to recognition of leases by the lessee. All leases are now generally to be recognised within the framework of the so-called right of use approach (RoU approach). The distinction between finance and operation leases which had been required under IAS 17 will, in future, be eliminated for the lessee. In principle, the scope of application of IFRS 16 is the transfer of use of all (mainly non-financial) assets (buildings, motor vehicles, machinery and others) as well as rental and leasing agreements, but also subletting, and sale and leaseback transactions.

The lessee will now, for all leases, recognise a lease liability in its balance sheet for the obligation to make lease payments in the future. Simultaneously, the lessee recognises a right-of-use asset to the underlying asset which fundamentally corresponds to the present value of the future lease payments plus any directly attributable costs. The lease payments include fixed payments, variable payments, if such are based on an index, expected payments based on residual value guarantees and the exercise price of purchase options and penalties for a premature termination of leases, if any. The lease liability is amortised actuarially over the term of the lease, similar to the regulations according to IAS 17 for Finance Leases, while the right-of-use is subject to scheduled amortisation which will generally result in higher expenses at the beginning of a lease term. The lessee is given options for simplifying the recognition of leases with a short lease term and leases where the underlying asset has a low value.

For lessors, however, the regulations of the new standards are similar to the former provisions set out in IAS 17. Leases are still classified as either finance or operating leases. 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. The criteria of IAS 17 are adopted for making the classification under IFRS 16.

In addition, IFRS 16 contains a list of other regulations for disclosure and information to be given in the Notes as well as to option rights and relief for the transition phase.

The pronouncement replaces the current provisions of IAS 17 "Leases" and the related interpretations IFRIC 4 "Determining Whether an Arrangement Contains Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRIC 23 "Uncertainty regarding income tax treatment" supplements the rules in IAS 12 and clarifies how tax risks for which it is probable that the tax authorities will come to a different assessment as the reporting entity in its tax calculation. Complete information must be submitted to the tax authorities. Any risk of discovery is therefore not relevant to the approach and the measurement. For the measurement, either the most probable value or the expected value is to be used. The interpretation does not provide for additional disclosures, however, the IFRS Interpretations Committee explicitly refers to the existing rules in IAS 1.122 and IAS 12.

The quantitative effects brought on by the changes to IFRS 16 "Leases" are set out below. The first-time application of IFRIC 23 has no effect on the Consolidated Financial Statements of Energie Steiermark AG.

EFFECTS FROM THE FIRST-TIME ADOPTION OF IFRS 16

IFRS 16 "Leases" was applied in the Group using the modified retrospective method from 1 January 2019. The cumulate effect from the first-time adoption of IFRS 16 was recognised through equity as an adjustment to the opening balance sheet values of retained earnings as of 1 January 2019. The comparative figures for the 2018 financial year have not been adjusted.

In particular, the Group recognised new assets and liabilities for operating leases for office and business premises, as well as calorific plants where the Group is the lessee. There are no material effects on the Group's finance leases. There are currently no leases in the Group in which the Group is the lessor.

The option to waive the recognition of intangible assets has been exercised pursuant to IFRS 16.5. IFRS 16 is not applied to short-term leases with a term of no more than 12 months and low-value lease assets.

The option under IFRS 16.5 was also exercised, with lease and non-lease components being accounted for in a standardised way under IFRS 16 for contracts that are not recognised separately. The Group also applied the practical expedient of IFRS 16.C3(b), i.e. contracts that were not previously identified as containing a lease were not reviewed under the definition of a lease in IFRS 16. Leases coming to an end, which were not previously treated as financial leases under IAS 17 were also disregarded for reasons of materiality.

When applying IFRS 16 to operating leases for the first time, the right-of-use asset was measured at the amount equal to the lease liability. In doing so, contracts without an underlying interest rate were discounted using a country-specific incremental borrowing rate that fairly reflects the term thereof at the date of first-time application as per IFRS 16.C8 (b) (i). The weighted average incremental borrowing rate was approximately 2.34 percent on 1 January 2019.

The minimum lease payments were reconciled to the recognised lease liability as of 1 January 2019 as follows:

Reconciliation

K€	1. January 2019
Liabilities under operating leases as of 31.12.2018	13,552
Other liabilities that do not constitute a lease under IFRS 16	-4,287
Minimum lease payments (nominal value) for financial lease liabilities as of 31.12.2018	2,862
Gross lease liabilities as of 1.1.2019	12,126
Discounting effect	-2,603
Lease liabilities (discounted) as of 1.1.2019	9,524
Present value of financial lease liabilities as of 31.12.2018	-2,862
Additional lease liabilities from the first-time application of IFRS 16 as of 1.1.2019	6,662

Property, plant and equipment increased by around K€ 6,662 as a result of the first-time application of IFRS 16 as of 1 January 2019. This had no effect on retained earnings.

The nature of the expenses associated with these leases has changed in the Profit and Loss Statement as the Group now recognises depreciation for right-of-use assets and interest expense on lease liabilities. Previously, the Group recognised expenses from operating leases on a straight-line basis over the lease term, and recognised assets and liabilities only to the extent that there was a time difference between the actual lease payments and the recognised expenses.

In addition to the new standards and interpretations, the following amended IFRS/IFRIC were applied obligatorily in the 2019 financial year:

Amended standards and interpretations applied obligatorily for the first time in the 2019 financial year

Amended standards/interpretations		applicable from [1]
IFRS 9	Changes to IFRS 9 “Financial Instruments” – Prepayment Features with Negative Compensation	1. January 2019
IAS 19	Changes to IAS 19 “Employee Benefits” – Plan Amendment, Curtailment or Settlement	1. January 2019
IAS 28	Amendments to IAS 28 “Investments in Associates and Joint Ventures” – Long-term Interests	1. January 2019
Improvements to IFRSs	Amendments within the framework of “Annual Improvements” – improvements of the International Financial Reporting Standards (2015-2017)	1. January 2019

[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 IFRS 9 “Financial Instruments” relate to a limited adjustment to the measurement criteria relevant for the classification of financial assets. Financial assets with a prepayment feature with negative compensation may under certain circumstances be carried at amortised cost or at fair value through other comprehensive income at fair value through profit or loss.

The amendment to IAS 19 “Employee Benefits” clarifies that plan amendments, curtailments and settlements based on updated assumptions must reflect service cost and net interest for the remainder of the period based on updated assumptions.

The amendments of IAS 28 “Investments in Associates and Joint Ventures” clarify that IFRS 9 applies to long-term investments in associates or joint ventures that are not accounted for using the equity method.

As part of the annual improvements to IFRSs (2015-2017), changes were made to three standards. The amendments refer specifically to:

- IFRS 3 “Business Combinations” and IFRS 11 “Joint Arrangements”
- IAS 12 “Income Taxes”
- IAS 23 “Borrowing Costs”

The changes must be applied from 1 January 2019 onwards.

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 2019 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 18 domestic (previous year: 17) and 11 foreign subsidiaries (previous year: 10) as fully consolidated companies. Ten (previous year: eleven) 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 31.12.2018	27	11
Acquisition of companies/first-time consolidation	2	1
Increase in shareholding	1	-1
Merger/contribution	-1	-1
As at 31.12.2019	29	10
Of which foreign companies	11	3

Acquisition of companies/first-time consolidation

In order to further develop the “homee” smart home solution, Energie Steiermark Kunden GmbH (KD) registered a 50 percent stake in the newly founded homee GmbH in Germany by way of an entry in the German commercial register on 24 January 2019, having increased the share capital and paying into the capital reserves a total of K€ 2,600. The company was included for the first time using the equity method in March 2019. The acquisition of this share results in a goodwill of K€ 1,269 which is included in the carrying amount of the companies accounted for using the equity method.

Energie Steiermark AG acquired 34 percent of the shares in ARGONET GmbH (ARG) by way of an entry in the business register on 26 February 2019, having increased the share capital and paying into the reserves a total of K€ 5,000. The purpose of ARG is to purchase, hold and sell wave bands and radio licences, as well as to build and operate communications facilities. The company has, to date, not been included in the scope of the consolidated financial statements of Energie Steiermark AG using the equity method in view of the fact that it is currently of minor importance to the Group’s net assets, financial position and results of operation. During the current start-up phase, the shares are reported under other shareholdings.

With effect from 18 April 2019, STEFE SK, a.s. acquired 100 percent of the shares in V.I.Trade s.r.o. (VIT) for K€ 470. The purpose of VIT is to sell and install measuring equipment for heating and water as well as to build and restore energy facilities. Inclusion in the Consolidated Financial Statements of Energie Steiermark AG took place on 30 September 2019, retroactively as at 1 January 2019. The difference totalling K€ 110 was immediately released to income in accordance with IFRS 3.34.

On 24 May 2019, Energie Steiermark AG acquired 74.9 percent of the shares in Elektrizitätswerke Bad Radkersburg GmbH (EBR) for a price of K€ 2,172, once all conditions precedent outlined in the purchase and participation agreement of 19 October 2018 were met. The purpose of EBR is to generate, transmit and distribute electricity. Inclusion in the Consolidated Financial Statements of Energie Steiermark AG took place on 30 June 2019, retroactively as at 1 January 2019. Goodwill amounting to K€ 954 arose from the equity acquisition.

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	3,890	3,249
Current assets	1,810	2,026
Non-current liabilities	851	715
Current liabilities	1,359	1,234

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

Increase in shareholding

By means of a purchase and assignment agreement dated 10 December 2018, Energie Steiermark Green Power GmbH sold and assigned all shares held as a limited partner in ENWA GesmbH & Co KG (ENWA KG) to ENWA GmbH and acquired a further 30 percent in ENWA GmbH for a total of K€ 984. The increase in shares held in ENWA GmbH from 30 percent to 60 percent became legally effective as of 10 January 2019. Incorporating the KG's shares into ENWA GmbH and acquiring the other shares in ENWA GmbH, which up to now has been consolidated using the equity method, translates into total goodwill of K€ 276.

STEFE SK, a.s. also acquired a further 8.7 percent of the shares in STEFE Martin, a.s. for K€ 450 in January. This is a matter of equity interest acquisition of an already fully consolidated company. The transaction primarily affects the amount of shares held by other shareholders. The resulting difference of K€ 135 is set off in equity with no effect on income.

Merger/contribution

The incorporation of ENWA KG into ENWA GmbH was completed with retrospective effect from 30 September 2018 following the passing of the qualifying date of 31 December 2018 as required under civil law.

The merger of Fernwärme Murau und St. Egidi Versorgungsgesellschaft m.b.H. (FWM) with Energie Steiermark Wärme GmbH (FW) was agreed with effect from 1 January 2019 by means of a merger agreement dated 1 April 2019. The merger has not resulted in changes in the Group's asset situation, since all the companies in question were already fully consolidated and included in the Consolidated Financial Statements.

4 NOTES ON THE CONSOLIDATED PROFIT AND LOSS STATEMENT

(1) Sales revenues

Sales revenues		K€
	2019	2018
Energy revenue	979,318	904,361
thereof electricity	663,368	573,396
thereof gas	171,782	194,132
thereof heat	129,591	122,759
thereof other	14,577	14,076
Network revenue	323,485	292,408
thereof electricity grid	277,425	242,677
thereof gas grid	46,059	49,731
Other sales revenues	70,214	70,326
Total	1,373,017	1,267,096

Sales revenues include K€ 1,372,736 (previous year: K€ 1,264,859) for sales revenues from customer contracts.

Sales revenues are K€ 105,921 above the value of the previous year. This change is mainly attributable to higher energy revenues caused by the higher price level on the wholesale market for electricity compared with the previous year and the release of accrued revenue in grid operations from previous years.

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 of K€ 108,784 (previous year: K€ 318,565) is offset by expenses from the procurement of electricity amounting to K€ 106,789 (previous year: K€ 318,534).

Gas trading activities (“Trading”) are presented in analogy to the electricity trading activities. Revenue amounting to K€ 63,795 (previous year: K€ 95,344) is offset by expenses from the procurement of gas in the amount of K€ 62,601 (previous year: K€ 94,588).

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€
	2019	2018
Realised gains/losses from futures	-1,752	783
Realised gains/losses from forwards	-53	-738
Unrealised gains/losses from the market evaluation of futures	-5	-43
Unrealised gains/losses from the market evaluation of forwards	280	81
Total	-1,530	84

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

Gross sales quantities		
	2019	2018
Electricity sales in GWh *)	16,871	24,701
Sales of electricity in the grid segment in GWh	8,278	8,248
Gas sales in GWh **)	12,596	13,487
Sales of gas in the grid segment in GWh	13,511	13,658
Heating sales in GWh		
Austria	1,404	1,415
Foreign	564	565

*) The item "Sales of electricity in GWh" includes electricity trading activities ("trading") in the amount of GWh 2,569 net (previous year: GWh 9,966) 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 4,208 (previous year: GWh 4,388) which are disclosed as net figures in sales revenue.

Other sales revenue is as follows:

Other sales revenue		K€
	2019	2018
Management fees and revenue for other services	20,608	30,313
Sales revenue from the reversal of building cost contributions	13,452	13,202
Sales revenue from deliveries and services other than energy deliveries	11,876	8,516
Sales revenue from the implementation of energy measures in buildings and technical plants	5,521	2,511
Sales revenue from the installation of house connections	4,968	4,850
Sales revenue from the provision of telecommunication infrastructure	3,072	2,720
Rental and leasing revenue	2,032	2,069
Sales revenue from the valuation of CO2 futures	321	852
Other	8,363	5,293
Total	70,214	70,326

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

Contract balances		K€
	2019	2018
Trade accounts receivable	162,541	193,583
Contract assets	2,651	3,721
Contract liabilities	-1,830	-2,049
Total	163,363	195,255

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€ 4,272 (previous year: K€ 1,528).

Contract liabilities include deferred revenues for the Customer Club. The amount of K€ 2,049 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€ 523 (previous year: increases in inventories amounting to K€ 297) and own work capitalised amounting to K€ 31,936 (previous year: K€ 28,601).

(3) Other operating income

Other operating income		K€
	2019	2018
Income from the appreciation of receivables	3,147	5,488
Subsidies from third parties	2,605	375
Income from damage compensation	2,377	1,740
Income from the reversal of investment subsidies	2,128	1,328
Income from the disposal of fixed assets	1,343	1,059
Income from emission certificates	713	474
Other income from ancillary services	552	425
Income from payments on account and penalties	79	319
Other	1,428	815
Total	14,372	12,022

(4) Cost of material and other purchased manufacturing services

Cost of material and other purchased manufacturing services		K€
	2019	2018
Energy procurement from third parties	858,175	795,266
Grid utilisation by third parties	70,103	66,432
Other expenses for materials	9,941	6,906
Total	938,219	868,605

The expenses for materials and other purchased production services are K€ 69,614 above the expenses of the previous year. This increase resulted from higher prices on the wholesale market for electricity.

(5) Personnel costs

Personnel costs		K€
	2019	2018
Wages and salaries	122,647	118,388
Expenses for severance payments	1,996	1,803
Expenses for the pension scheme	3,955	3,586
Expenses for legally defined social security contributions as well as contributions and obligatory contributions dependent on remuneration	30,729	29,172
Other social expenses	2,057	1,749
Total	161,385	154,696

With regard to expenses from interest on personnel provisions in the amount of K€ 3,451 (previous year: K€ 3,529), 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€ 4,826 (previous year: K€ 4,948).

(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€
	2019	2018
Depreciation of tangible assets	97,674	92,867
Impairments of tangible assets	87	73
Amortisation of intangible assets	4,936	4,385
Impairments of intangible assets	743	0
Total	103,440	97,326

The item for depreciation of property, plant and equipment contains depreciation of K€ 1,997 (previous year: K€ 485) for rights-of-use assets recorded pursuant to IFRS 16, formerly capitalised finance leases pursuant to IAS 17.

The effect of the first-time adoption of IFRS 16 is presented in Note 2 “Basis of Preparation”. Comparative information was not adjusted due to the transition method chosen.

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. 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€
	2019	2018
Service and maintenance expense as well as various necessary operating expenses	43,605	37,235
Advertising	7,297	6,596
Expense allowances to employees and for training and further education.	5,343	5,317
Legal, audit and consultancy costs	3,479	2,362
Postage and telephone costs	2,928	3,347
Car expenses	2,601	2,854
Security, cleaning and waste disposal expenses	2,474	2,597
Insurance policies	2,283	2,229
Expenses arising from the derecognition of receivables less value adjustments used	2,015	1,926
Commission payments	1,922	2,904
Taxes which are not dependent on income as well as contributions, fees and dues	1,904	1,644
Expenses arising from the value adjustment of receivables	1,809	2,658
Emission certificates	1,662	1,775
Lease expense (2018: Lease and rental)	626	2,722
Losses from the disposal of assets	784	541
Damage claims	474	1,046
Temporary staff	403	365
Miscellaneous other operating expenses	11,154	10,823
Total	92,763	88,942

Costs incurred in the research phase were K€ 607 (previous year: K€ 227) and were immediately recognised in profit or loss.

Lease expense in the current financial year includes expenses for short-term leases of K€ 261 and for low-value leases of K€ 366.

The effect of the first-time adoption of IFRS 16 is presented in Note 2 “Basis of Preparation”. Comparative information was not adjusted due to the transition method chosen.

(8) Other results from shareholdings

Other results from shareholdings		K€
	2019	2018
Income from shareholdings recognised at fair value through equity	12,881	13,165
Market value changes from shareholdings recognised at fair value through profit or loss	541	452
Income from shareholdings recognised at fair value through profit or loss	284	311
Total other income from shareholdings	13,706	13,928
Market value changes from shareholdings recognised at fair value through profit or loss	0	-1
Total other expenses from shareholdings	0	-1
Balance of other income and expenses arising from shareholdings	13,706	13,927

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€
	2019	2018
Net profits/losses from assets measured at fair value through profit or loss	541	451
Net profits/losses from assets measured at fair value through equity	0	0
Total net profits/losses	541	451

(9) Financial income and expenses

Financial result		K€
	2019	2018
Interest income from:		
- loans and receivables	2,127	2,342
Total interest income from financial assets not measured at fair value through profit or loss	2,127	2,342
Market value changes from securities measured at fair value through profit or loss	520	31
Income from securities measured at fair value through profit or loss	400	468
Other income from financial assets recognised at amortised cost of acquisition	23	117
Income from derivative financial instruments recognised at fair value through profit or loss	1	3
Income from severance pay obligations to non-controlling interests of partnerships	0	1,009
Total financial income	3,072	3,969
Interest expenses from:		
- liabilities measured at amortised cost	-9,054	-8,374
- other interest and similar expenses	-3,847	-4,135
Total interest expenses from financial liabilities not measured at fair value through profit or loss	-12,902	-12,509
Expenses from severance pay obligations to non-controlling interests of partnerships	-374	0
Market value changes from securities measured at fair value through profit or loss	-97	-426
Expenses arising from the disposal of securities measured at fair value through profit or loss	0	-24
Total financial expenses	-13,372	-12,958
Financial income and expenses balance	-10,301	-8,989

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 discounting effect for leases under IFRS 16 amounting to K€ 351 (previous year: K€ 61) is included under the item for interest expenses from liabilities recognised at amortised cost.

The effect of the first-time adoption of IFRS 16 is presented in Note 2 “Basis of Preparation”. Comparative information was not adjusted due to the transition method chosen.

Other interest and similar expenses contain primarily expenses arising from interest on personnel provisions in the amount of K€ 3,451 (previous year: K€ 3,529).

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€**
	2019	2018
Net profits/losses from assets measured at fair value through profit or loss	424	-416
of which are from financial instruments measured at fair value	423	-419
of which are from financial instruments measured measured at fair value	1	3
Net profits/losses from financial liabilities recognised at amortised cost of acquisition	0	0
Total net profits/losses	424	-416

(10) Result from shares held in associated companies

Result from shares held in associated companies		**K€**
	2019	2018
Income from associated companies	14,110	13,995
Expenses from associated companies	-599	-51
Impairments	-1,468	-11,709
Total	12,044	2,235

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.

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

Impairments in the current financial year relate to the unscheduled write-off on the goodwill of Stubalm Windpark Penz GmbH amounting to K€ 1,468 pursuant to IAS 36. Impairments in the previous year include the unscheduled amortisation of the goodwill of Energie Graz GmbH & Co KG amounting to K€ 11,709.

(11) Income taxes

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

Income taxes	K€	
	2019	2018
Current income taxes:		
Expenses for current income taxes	-29,307	-16,665
Income/expense from previous periods	-7,026	-15,410
Total current income taxes	-36,333	-32,075
Deferred taxes:		
Entry and reversal of temporary differences	-2,721	1,383
Total deferred taxes	-2,721	1,383
Income tax expenses	-39,054	-30,692

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€	
	2019	2018
Ongoing operating activities	-39,054	-30,692
Taxes included in other comprehensive income (OCI) of the year	3,191	-76,223
Income taxes - total	-35,864	-106,915

Income tax expenses in the financial year are K€ 4,443 higher (previous year: K€ 4,287 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€
	2019	2018
Calculated income tax expenses/income	-34,611	-26,405
Differences resulting from deviating rates of taxation abroad	224	248
Tax-free dividend income	3,651	3,734
Pro rata at equity results which cannot be recognised for tax purposes	2,951	3,121
Profit and loss shares in partnerships	-2,735	-2,569
Amortisation of shareholdings	3,691	3,300
Goodwill amortisation	-361	-2,862
Balance of the consumption of non-capitalised losses carried forward from previous years and non-capitalised losses carried forward from the ongoing financial year	-133	12
Other tax-free income and non-deductible expenses	-2,030	4,685
Non-period tax expense/income (current and deferred)	-9,747	-14,027
Other	47	71
Reported income tax income/expenses	-39,054	-30,692
Effective corporation tax rate	28.21%	29.06%

The difference between the effective tax rate and the statutory tax rate results, on the one hand, from tax-free shareholding income earned and delayed tax effects and, on the other hand, from depreciation of shareholding amounts recognised in the separate financial statements and 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 different useful lives of gas grids as well as the early depreciation for tax result in temporary differences between the accounting expense and the tax payment date, and therefore postpone 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 the previous year 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 financial year 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 BFG and the VwGH have been included in the calculation of current taxes and deferred taxes since the 2017 and 2018 financial years.

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, 2015 and 2016 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 an 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 current financial year, a value adjustment of K€ 9,100 (previous year: K€ 4,670) was made on the sevenths utilised up to that point. With an overall risk potential of K€ 30,100, the value adjustments currently amount to K€ 15,450.

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 2019 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€
	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	6,592	461	3,837	305
Property, plant and equipment	24	17,990	48	12,744
Financial assets	0	165,372	0	147,974
Inventories	5	0	4	0
Receivables and other assets	5,105	0	7,399	0
Untaxed reserves	0	9,217	0	9,562
Provisions and Accruals	39,080	0	34,010	1
Liabilities and other financial liabilities	24,893	1,814	13,217	7,602
Tax losses carried forward	76	0	2	0
Write-down to going concern value of shareholdings	4,217	0	6,505	0
Total deferred tax assets/liabilities	79,991	194,855	65,021	178,188
Add-on of supplementary tax balance sheets	8,862	2,282	6,596	2,023
Deferred tax assets/liabilities 31.12	88,853	197,137	71,617	180,212
Offsetting of deferred tax assets and liabilities vis-à-vis the same tax authority	-39,968	-39,968	-36,888	-36,888
Offset deferred tax assets/liabilities	48,885	157,169	34,730	143,324

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

Net position from deferred taxes	K€	
	31/12/2019	31/12/2018
Deferred tax assets	48,885	34,730
Deferred tax liabilities	157,169	143,324
Net position	-108,284	-108,594

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

Change in net position from deferred taxes	K€	
	31/12/2019	31/12/2018
Status at the start of the year	-108,594	-33,475
Currency changes	-14	6
Recognised through profit or loss in the financial year	-2,721	1,383
Changes not affecting the result	3,191	-76,223
Addition of deferred tax assets/(liabilities) resulting from the acquisition of subsidiaries	-146	-285
Status at the end of the year	-108,284	-108,594

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€
	2019	2018
DEFERRED TAX ASSETS		
Differences between the depreciation for balance sheet purposes and for tax purposes	2,731	-29
Non-deductible provisions for pensions	1,158	0
Other non-deductible provisions	3,911	-2,988
Gains / losses from the measurement at fair value	9,381	-6,965
Tax losses carried forward and unused tax credits	74	-2
Write-down to going concern value of shareholdings	-2,287	-3,651
Add-on of supplementary tax balance sheets	2,266	-526
Other deductible temporary differences	1	1
Offsetting of deferred tax assets and liabilities vis-à-vis the same tax authority	-3,080	15,515
Change in deferred tax assets	14,155	1,356
DEFERRED TAX LIABILITIES		
Differences between the depreciation for balance sheet purposes and for tax purposes	-5,402	-469
Other non-deductible provisions	1	8
Income from the measurement at fair value	-11,610	-70,887
Other taxable temporary differences	345	10,519
Add-on of supplementary tax balance sheets	-259	-130
Offsetting of deferred tax assets and liabilities vis-à-vis the same tax authority	3,080	-15,515
Change in deferred tax liabilities	-13,845	-76,475
Change in the net position	310	-75,119

No deferred tax assets were recognised for tax losses carried forward amounting to K€ 3,629 (previous year: K€ 2,453), 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€
	31/12/2019	31/12/2018
Energie Steiermark Kunden GmbH	48,756	48,756
Energie Steiermark Green Power GmbH	7,288	7,288
Elektrizitätswerke Bad Radkersburg GmbH	954	0
E1 Energiemanagement GmbH	937	937
Energie Steiermark Wärme GmbH	890	0
STEFE ECB, s.r.o.	137	137
Fernwärme Murau und St. Egidi Versorgungsgesellschaft m.b.H.	0	890
Next Vertriebs- und Handels GmbH	0	467
Total	58,962	58,475

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€ 774 (previous year: K€ 474). Amortised costs of acquisition are K€ 198 as at 31 December 2019 (previous year: K€ 89).

The carrying amount of intangible assets developed as follows:

Changes in intangible assets	Usage rights, electricity, gas and heating purchase rights, supply rights	Advance payments	Goodwill	Other non-amortisable intangible assets	Total K€
Acquisition/manufacturing costs 1.1.2018	101,998	0	70,649	2,467	175,114
Additions from the acquisition of shares	1,157	0	0	0	1,157
Currency changes	-1	0	0	-1	-3
Additions	6,809	8	890	813	8,521
Disposals	-279	0	0	-800	-1,079
Reclassifications	3,017	0	0	0	3,017
Acquisition/manufacturing costs 31.12.2018	112,701	8	71,539	2,479	186,727
Accumulated amortisation/depreciation 1.1.2018	61,481	0	13,064	223	74,769
Additions from the acquisition of shares	14	0	0	0	14
Currency changes	-1	0	0	-1	-2
Scheduled amortisation/depreciation	4,385	0	0	0	4,385
Disposals	-148	0	0	-1	-150
Accumulated amortisation/depreciation 31.12.2018	65,731	0	13,064	221	79,017
Carrying amount 1.1.2018	40,517	0	57,585	2,243	100,345
Carrying amount 31.12.2018	46,970	8	58,475	2,258	107,711
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 01/01/2019	46,970	8	58,475	2,258	107,711
Carrying amount 31.12.2019	49,468	8	58,962	3,002	111,440

(13) Property, plant and equipment

The effect of the first-time adoption of IFRS 16 is presented in Note 2 "Basis of Preparation". Comparative information was not adjusted due to the transition method chosen.

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 1.1.2018	361,885	25,201	2,494,023	64,396	90,147	3,035,653
Additions from the acquisition of shares	707	0	7,665	249	0	8,621
Currency changes	-24	0	-84	-1	-1	-110
Additions	3,203	10	78,389	10,158	65,946	157,706
Disposals	-611	-407	-13,898	-8,900	-95	-23,911
Reclassifications	5,677	68	29,775	305	-38,843	-3,017
Acquisition/manufacturing costs 31.12.2018	370,837	24,873	2,595,870	66,206	117,155	3,174,941
Accumulated amortisation/depreciation 1.1.2018	139,044	475	1,498,497	50,552	4,214	1,692,781
Additions from the acquisition of shares	398	0	5,167	244	0	5,809
Currency changes	-13	0	-46	-1	0	-60
Scheduled amortisation/depreciation	8,129	0	77,278	7,460	1	92,867
Impairments (Note (6))	54	0	20	0	0	73
Appreciation	0	0	-1	0	0	-1
Disposals	-416	0	-13,205	-8,145	0	-21,765
Reclassifications	-31	0	31	0	0	0
Accumulated amortisation/depreciation 31.12.2018	147,165	475	1,567,740	50,111	4,215	1,769,705
Carrying amount 1.1.2018	222,841	24,726	995,527	13,844	85,933	1,342,871
Carrying amount 31.12.2018	223,672	24,398	1,028,130	16,095	112,940	1,405,235

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 01/01/2019	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

Investments in property, plant and equipment amounted to K€ 169,479 in the past financial year (previous year: K€ 155,858), where K€ 113,811 were invested in finished plants and K€ 55,669 in plants under construction. Finished plants mainly concern the expansion and renewal of power transformer and distribution stations, transmission technology, expansion of gas distribution grids and fibre optic cables, the expansion of heat supply grids, power generation facilities 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). Carrying amounts increased by 6 percent in the year under review.

The decreases of the carrying amount of K€ 1,180 (previous year: K€ 2,146) 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 1.1.2018	0	0	1,462
Additions	0	0	1,848
Amortisation	0	0	-485
Carrying amount as at 31.12.2018	0	0	2,826
Recognition of rights-of-use assets from the first-time adoption of IFRS 16	6,298	289	74
Carrying amount as at 1.1.2019	6,298	289	2,900
Currency changes	0	0	0
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

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

The assets reported under office and business equipment in the previous year with a carrying amount of K€ 2,826 are finance leases pursuant to IAS 17.

(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€
	2019	2018
Status as at 1.1.	110,037	110,137
Additions	2,900	2,599
Disposals	-885	0
Other changes not affecting income	-7,517	-3,475
Pro rata results	13,512	13,944
Distributions	-1,438	-1,460
Impairments	-1,468	-11,709
Status as at 31.12	115,141	110,037

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.

Additions in the current financial year comprise the acquisition of 50 percent of the shares in homee GmbH and shareholder contributions to Stubalm Windpark Penz GmbH (SWP). Additions in the previous year comprise the acquisition of 49 percent of the shares in SWP 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€
	31/12/2019	31/12/2018
Energie Graz GmbH & Co KG	79,667	79,667
Feistritzwerke-STEWEAG GmbH	2,650	2,650
STEFE Trnava, s.r.o.	2,558	2,558
homee GmbH	1,269	0
Stadtwerke Hartberg Energieversorgungs GmbH	992	992
Stubalm Windpark Penz GmbH	0	1,315
Total	87,136	87,182

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€

	31/12/2019				31/12/2018			
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	500,014	27,427	84,145	57,582	479,342	26,961	76,631	34,130
Current assets	23,799	15,876	2,760	12,727	26,695	13,303	3,337	8,169
Non-current liabilities	-255,786	-34,349	-30,427	-23,420	-253,730	-32,349	-24,284	-8,181
Current liabilities	-90,953	-8,756	-8,130	-7,967	-84,915	-5,901	-7,793	-5,794
Reconciliation to the carrying amount of the interest in the associated company								
Net assets	177,074	197	48,348	38,921	167,393	2,014	47,891	28,325
Share in the net assets in %	49%	49%	27%	38%	49%	49%	27%	38%
Share in the net assets	86,766	97	13,054	14,790	82,022	987	12,931	10,763
+/- Revaluations	-87,043	-2,105	-268	-2,817	-87,043	-2,105	-298	72
Carrying amount of the interest in the associated company (excl. goodwill)	-276	-2,008	12,786	11,973	-5,020	-1,118	12,633	10,836

[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 2018 financial year and, in the previous year, to the 2017 financial year.

Financial information about material associated companies	K€

	2019				2018			
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	190,016	40,225	22,473	42,798	189,108	38,850	24,325	35,071
Result after income taxes	24,168	-957	2,957	3,663	25,255	-1,694	3,149	3,015
Other result	-14,487	-860	0	8	-6,596	-496	0	-13
Total result	9,681	-1,817	2,957	3,672	18,659	-2,190	3,149	3,002
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 2018 financial year and, in the previous year, to the 2017 financial year.

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

Summarised financial information of other associated companies	K€

	2019	2018
Result after income taxes	974	814
Other result	0	0
Total result	974	814
Carrying amount of the interest in the associated companies (excl. goodwill)	5,531	5,525

(15) Non-current financial assets

Non-current financial assets consist of the following:

Non-current financial assets		K€
	2019	2018
Loans granted by the company	22,530	25,031
Assets at fair value through equity	810,865	598,548
of which investments measured at fair value through equity (level 2)	810,865	598,548
Assets at fair value through profit and loss	58,378	135,751
of which investments measured at fair value through profit or loss (level 1)	41,802	41,361
of which investments measured at fair value through profit or loss (level 1)	7,117	6,576
of which derivative financial instruments (level 1)	229	39,278
of which derivative financial instruments (level 2)	9,229	48,536
Total	891,773	759,330

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 held at fair value through equity primarily comprise the shares held in VERBUND Hydro Power GmbH (VHP) amounting to K€ 751,699 (previous year: K€ 540,431).

of which are shareholdings valued at fair value through equity (Level 2)		K€
	Fair value as at 31/12/2019	Recognised dividend income in 2019
VERBUND Hydro Power GmbH	751,699	7,965
RAG-Beteiligungs- Aktiengesellschaft	47,685	4,000
ARGONET GmbH	5,016	0
E 1 Wärme und Energie GmbH	1,990	111
AQUASYSTEMS Gospodarjenje z vodami d.o.o.	1,465	609
AGGM Austrian Gas Grid Management AG	1,778	88
IBIOLA Mobility Solutions GmbH	765	0
APCS Power Clearing and Settlement AG	135	18
AGCS Gas Clearing and Settlement AG	114	11
CISMO Clearing Integrated Services and Market Operations GmbH	102	76
EXAA Abwicklungsstelle für Energieprodukte AG	78	3
Other shareholdings	40	0
Total	810,865	12,881

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

Long-term loans granted by the company		K€
	2019	2018
Energie Graz GmbH & Co KG	22,500	25,000
Other	30	31
Total	22,530	25,031

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€ 31,250 (previous year: K€ 33,445). 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€ 41,802 (previous year: K€ 41,361) consist of fund shares and equities and are recognised at market value on the balance sheet date.

Fund shares to the amount of K€ 41,785 (previous year: K€ 41,343) had an average stock market price of € 99.18 on the balance sheet date (previous year: € 98.78).

Shareholdings recognised at fair value through profit and loss in the amount of K€ 7,117 (previous year: K€ 6,576) contain mainly shares in Burgenland Holding Aktiengesellschaft, whose fair value is K€ 7,110 as at 31 December 2019 (previous year: K€ 6,570).

Derivative financial instruments recognised at fair value through profit or loss in the amount of K€ 9,151 (previous year: K€ 69,402) of 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€ 307 (previous year: K€ 18,412) 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 01/01/2018	27,532	413,137	36,099	53,857
Additions	0	13	43,221	16,506
Disposals	-2,501	0	-25,516	-4,493
Unrealised profits/losses	0	185,398	15,599	479
As at 31.12.2018	25,031	598,548	69,402	66,349
Change in scope of consolidation	0	0	0	18
Additions	0	5,016	2,353	109
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

(16) Current financial assets

Current financial assets consist of the following:

Current financial assets		K€
	2019	2018
Loans granted by the company	6,882	6,228
Assets at fair value through profit and loss	51,122	111,293
of which derivative financial instruments (level 1)	22,482	15,127
of which derivative financial instruments (level 2)	28,640	96,167
Total	58,004	117,521

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€
	2019	2018
Energie Graz GmbH & Co KG	2,819	2,851
E 1 Wärme und Energie GmbH	4,062	3,376
Other	1	1
Total	6,882	6,228

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€ 31,250 (previous year: K€ 33,445). 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€ 31,389 (previous year: K€ 90,485) of 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€ 19,733 (previous year: K€ 20,808) 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 31.12.2019			Residual term at 31.12.2018		
	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Trade accounts receivable	162,432	110	162,541	193,534	49	193,583
Receivables from companies with which a shareholding relationship exists	270	0	270	360	0	360
Other receivables and assets	41,478	3,038	44,516	74,669	4,838	79,507
Total	204,180	3,147	207,327	268,564	4,886	273,450

Current trade accounts receivable include receivables due from associated companies amounting to K€ 10,079 (previous year: K€ 11,750).

In the 2019 financial year, current trade accounts receivable were netted with trade accounts payable arising from electricity trading activities (“Portfolio”) in the amount of K€ 75,301 (previous year: K€ 70,300) 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€
	31/12/2019		
Class	Gross amount before offsetting	Gross amount offset	Net amount disclosed in the balance sheet
Trade accounts receivable	237,843	-75,301	162,541

	31/12/2018		
Class	Gross amount before offsetting	Gross amount offset	Net amount disclosed in the balance sheet
Trade accounts receivable	263,883	-70,300	193,583

Other receivables and assets consist of the following:

Other receivables and assets						K€
	Residual term at 31.12.2019			Residual term at 31.12.2018		
	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Tax refund claims	23,579	0	23,579	27,098	0	27,098
Receivables from the hedging of derivative financial instruments	11,712	0	11,712	28,446	0	28,446
Advance payments for expenses affecting the subsequent periods	1,353	1,398	2,750	1,122	3,304	4,426
Energy efficiency measures	710	0	710	1,163	0	1,163
Receivables from allowances granted for broadband expansion not yet received	108	0	108	7,663	0	7,663
Receivables from payroll	13	1,493	1,505	39	1,450	1,489
Other receivables and assets	4,003	147	4,151	9,140	84	9,223
Total	41,478	3,038	44,516	74,669	4,838	79,507

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€
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

2018	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	193,583	5,873	4,473	551	211	637
Other receivables and assets *)	79,867	2,669	2,574	7	0	87

*) 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 0.4 percent (previous year: 0.5 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
Status as at 1.1.2018 in accordance with IAS 39	5,863	897	5,017	11,777
Adjustment from the first-time application of IFRS 9	0	0	0	0
Status as at 1.1.2018 in accordance with IFRS 9	5,863	897	5,017	11,777
Expenses for value adjustments	844	650	1,645	3,139
Use of value adjustments	0	-41	-591	-633
Reversal of value adjustments	-4,526	-151	-811	-5,487
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

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€
Status as at 1.1.2018 in accordance with IAS 39	7	1	248	256
Adjustment from the first-time application of IFRS 9	0	0	0	0
Status as at 1.1.2018 in accordance with IFRS 9	7	1	248	256
Expenses for value adjustments	0	19	137	156
Use of value adjustments	0	-1	-4	-5
Reversal of value adjustments	0	0	-1	-1
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 derecognition amount to K€ 1,844 (previous year: K€ 1,892) for trade accounts receivable and to K€ 171 (previous year: K€ 34) for other receivables and assets.

(18) Inventories

Inventories consist of the following items:

Inventories K€	31/12/2019	31/12/2018
Primary energy inventories and supplies	7,227	6,892
Trade goods	15,580	17,846
Finished and unfinished goods	157	680
Total	22,964	25,418

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€ 175 (previous year: K€ 81) 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€
	31/12/2019	31/12/2018
Cash in hand	139	96
Bank balances	110,219	125,884
Total	110,358	125,981

Cash in hand and bank balances include short-term liquid funds in foreign currency in the amount of K€ 637 (previous year: K€ 1,086).

The average interest rate for bank balances available as at 31 December 2019 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€ 19 (previous year: K€ 41) 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. 6).

(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 2019, which are prepared according to the accounting principles applicable in Austria.

The dividend per share amounts to € 0.62 (previous year: € 0.55).

(23) Accumulated changes not affecting earnings

Other reserves developed as follows:

Other reserves						K€
	Profits and losses from					Total
	currency conversion	Revaluations in accordance with IAS 19	Cash flow hedges	Fair value changes	Shareholdings recognised at equity	
As at 01/01/2018	5,485	-59,641	28,321	161,405	-8,095	127,475
Change not affecting the result	-26	-528	102,651	185,398	-3,475	284,020
Realisation affecting income	0	0	17,373	0	0	17,373
Taxes offset directly against equity	0	132	-30,006	-46,350	0	-76,223
As at 31.12.2018	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

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

%	31/12/2019	31/12/2018
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%	-
STEFE Martin, a.s. (Slovakia)	34.07%	42.77%
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%	-
Murkraftwerk Graz Errichtungs- und BetriebsgmbH (Austria)	25.00%	25.00%

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

	31/12/2019			31/12/2018		
Subsidiaries (combined per country)	Slovakia	Czech Republic	Austria	Slovakia	Czech Republic	Austria
Profit and loss statement						
Sales revenues	33,007	5,596	42,903	38,270	5,164	39,111
Result after income taxes	2,233	726	138	2,217	697	46
Result after income taxes attributable to the non-controlling interests	780	357	29	809	342	13
Balance sheet						
Non-current assets	45,613	10,547	85,828	43,888	9,787	56,471
Current assets	11,885	1,464	22,607	11,084	1,544	24,812
Non-current liabilities	-20,974	-3,822	-75,250	-19,822	-3,178	-50,772
Current liabilities	-12,695	-1,674	-19,579	-11,569	-1,739	-21,783
Net assets attributable to the non-controlling interests	8,404	3,203	3,940	8,628	3,153	2,196
Cash flow statement						
Cash flow resulting from ongoing operating activities	6,496	1,272	1	6,247	1,258	-541
Cash flow resulting from investment activities	-4,448	-1,245	0	-2,844	-844	-33
Cash flow resulting from financing activities	-1,347	-493	0	-3,490	-412	574
Dividends paid to non-controlling interests during the year [1]	690	346	105	710	320	0

[1] Included in cash flows from financing activities

NON-CURRENT AND CURRENT LIABILITIES

(25) Non-current and current financial liabilities

The effect of the first-time adoption of IFRS 16 is presented in Note 2 “Basis of Preparation”. Comparative information was not adjusted due to the transition method chosen.

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 31.12.2019			Residual term at 31.12.2018		
	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Liabilities due to banks	73,104	339,797	412,902	24,025	321,437	345,462
Lease liabilities	2,043	10,398	12,441	758	2,104	2,862
Liabilities to others	28	515	543	27	462	490
Total	75,176	350,710	425,886	24,810	324,004	348,814

Non-current financial liabilities contain liabilities with a residual term of more than five years in the amount of K€ 345,498 (previous year: K€ 266,303).

The maturity analysis of lease liabilities is presented as follows:

Maturity analysis of lease liabilities — K€

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

2018	up to 1 year	1 to 5 years	over five years
Land and buildings	0	0	0
Technical plants and machinery	0	0	0
Office and business equipment	758	385	1,719
Total	758	385	1,719

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

The lease liabilities reported under office and business equipment in the previous year with a carrying amount of K€ 2,826 are finance lease liabilities pursuant to IAS 17.

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

Average interest	2019	2018
in EUR	1.81%	2.34%
in CZK	1.94%	2.14%

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					73,104	339,797
In foreign currencies					471	1,888
Fixed interest rate	2009-2029	132,200	59,975	2,359	471	1,888
Interest accrued					0	
In euro currencies					72,634	337,909
Fixed interest rate	2009-2041	420,900	0	328,340	14,469	313,871
Variable interest rate	2005-2030	109,468	0	79,609	55,571	24,038
Interest accrued					2,593	
Lease liabilities					2,043	10,398
In foreign currencies					16	135
Fixed interest rate	2019-2035	3,830	3,830	151	16	135
Interest accrued					0	
In euro currencies					2,027	10,263
Fixed interest rate	2017-2100	12,291	0	12,291	2,027	10,263
Interest accrued					0	
Financial liabilities to others					28	515
In euro currencies					28	515
Fixed interest rate	2018-2040	51	0	51	0	51
Variable interest rate	2016-2042	492	0	492	28	464
Interest accrued					0	
Total financial liabilities					75,176	350,710

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€
	2019		2018	
	Market value	Exposure	Market value	Exposure
Liabilities to banks in foreign currencies	2,295	2,359	2,044	2,095
Liabilities to banks in euro	429,942	407,950	360,290	340,773

(26) Non-current provisions and accruals

Non-current provisions and accruals are as follows:

Non-current provisions and accruals		K€
	31/12/2019	31/12/2018
Provisions for pensions and similar obligations	172,101	154,269
Provisions for severance payments	87,246	76,602
Provisions for service anniversary bonuses	19,678	17,475
Provisions for part-time retirement	1,693	1,199
Accrued liabilities for severance pay	11,860	18,179
Accruals for other personnel expenses	556	483
Total personnel-related provisions and accruals	293,134	268,206
Provisions for damages and process risks	1,562	1,707
Provisions for imminent losses from pending transactions	10	4,520
Other accrued liabilities	884	884
Total other provisions and accruals	2,456	7,112
Total	295,590	275,318

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€
	2019	2018	2017	2016	2015
Present value (DBO) of obligations covered by fund assets	18,803	19,406	18,722	18,984	16,926
Fair value of plan assets	-11,066	-10,631	-11,304	-11,239	-11,014
Provision recognised for obligations covered by fund assets	7,736	8,775	7,418	7,745	5,912
Provision recognised for obligations not covered by fund assets	164,364	145,494	157,338	159,112	162,967
Experience adjustments of plan liabilities	3.4%	-2.5%	-0.6%	-6.6%	-1.4%
Provision recognised as at 31.12.	172,101	154,269	164,755	166,857	168,879

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€ 2,921. The adjustment-related expense for defined benefit pension commitments in the previous year included actuarial gains and losses from the change in financial assumptions of K€ 268 and actuarial gains and losses from the change in demographic assumptions of K€ 217.

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

Composition of plan assets		
	2019	2018
Shares in euro	11.1%	9.9%
Shares in foreign currencies	26.0%	22.4%
Government bonds	21.8%	27.9%
Corporate bonds	27.4%	22.5%
Other bonds	5.5%	6.2%
Bank/finance market	3.5%	4.4%
Real estate	4.6%	6.7%

Plan assets changed as follows:

Change in plan assets			K€
		2019	2018
	Fair value of the plan assets on 1.1.	10,631	11,304
+	Expected income from the plan assets	143	153
+	Actuarial gain/loss	1,038	-85
-	Benefits paid	-747	-741
	Fair value of the plan assets on 31.12.	11,066	10,631

Value fluctuations occurring from plan assets were K€ +1,182 (previous year: K€ +68).

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 2019 and 2018 financial years:

Change in provision for pensions and similar obligations			K€
		2019	2018
	Present value of defined benefit obligations (DBO) on 1.1.	154,269	164,755
+	Current service cost	229	434
+	Interest cost	2,175	2,314
-	Actual benefit payments	-10,035	-9,908
-	Actuarial gain/loss	25,463	-3,326
	Present value of defined benefit obligations (DBO) on 31.12.	172,101	154,269

Expected pension payments in 2020 are K€ 10,488 (previous year: K€ 10,402).

Change in parameters

The change in interest rate and salary trend in the financial year resulted in an allocation to provisions in the amount of K€ 18,760. The change in interest rate and salary trend in the previous year resulted in an allocation to provisions in the amount of K€ 1,304. The parameter changes are contained in the “Actuarial gain/loss” item.

As at 31 December 2019, the weighted average residual term of pension and similar obligations is 13.2 years.

Sensitivity analysis of the provision for pensions and similar obligations			K€
		31/12/2019	
Calculation bases/assumptions	Change in the assumption	Decrease in parameter/change in DBO	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%

		31/12/2018	
Calculation bases/assumptions	Change in the assumption	Decrease in parameter/change in DBO	Increase in parameter/change in DBO
Interest rate	0.50%	5.9%	-5.4%
Salary increase	0.25%	-0.2%	0.2%
Pension increase	0.25%	-2.7%	2.8%
Remaining life expectancy	1 year	-6.9%	6.6%

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 2019 and 2018 financial years:

Change in severance pay provisions			K€
		2019	2018
	Present value of defined benefit obligations (DBO) on 1.1.	76,602	74,003
+	Change in scope of consolidation	105	0
+	Current service cost	854	956
+	Interest cost	1,072	1,037
-	Actual benefit payments	-1,482	-3,249
-	Actuarial gain/loss	10,097	3,854
	Present value of defined benefit obligations (DBO) on 31.12.	87,246	76,602

Expected severance payments in 2020 are K€ 2,703 (previous year: K€ 1,572).

As at 31 December 2019, the weighted average residual term of severance pay obligations is 12.0 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€**

	2019	2018	2017	2016	2015
Balance sheet provision for defined benefit obligations	87,246	76,602	74,003	75,855	73,679
Experience adjustments of plan liabilities	0.9%	3.0%	1.3%	-3.0%	-3.1%
Provision recognised as at 31.12.	87,246	76,602	74,003	75,855	73,679

Change in parameters

The change in interest rate and salary trend in the financial year resulted in an allocation to provisions in the amount of K€ 9,634. The change in interest rate and salary trend in the previous year resulted in an allocation to provisions in the amount of K€ 2,379. The parameter changes are contained in the "Actuarial gain/loss" item.

Sensitivity analysis of the severance pay provision **K€**

		31/12/2019	
Calculation bases/assumptions	Change in the assumption	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%

		31/12/2018	
Calculation bases/assumptions	Change in the assumption	Decrease in parameter/change in DBO	Increase in parameter/change in DBO
Interest rate	0.50%	6.4%	-5.9%
Salary increase	0.25%	-3.0%	3.1%

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 interest rate and salary trend in the financial year resulted in an allocation to provisions in the amount of K€ 1,781. The change in interest rate and salary trend in the previous year resulted in an allocation to provisions in the amount of K€ 1,801.

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 01/01/2018	5,574	477	6,051
Allocation	10	1,231	1,241
Transfer	-1,059	0	-1,059
Utilisation	-5	0	-5
As at 31.12.2018	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

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

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€
	31/12/2019	31/12/2018
Provisions for part-time retirement	484	585
Accrued liabilities for severance pay	5,758	6,217
Deferred holiday which has not yet been taken	15,008	13,218
Accruals for other personnel expenses	11,097	11,187
Total personnel-related provisions and accruals	32,347	31,207
Provisions for imminent losses from pending transactions	15,125	14,381
Provisions for damages and process risks	674	271
Other accrued liabilities	5,657	5,935
Total other provisions and accruals	21,456	20,588
Total	53,802	51,795

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 arising from supply agreements for electricity and natural gas.

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 01/01/2018	16,612	453	17,065
Allocation	2,470	99	2,569
Transfer	1,059	0	1,059
Utilisation	-5,537	-275	-5,813
Reversal	-222	-5	-227
As at 31.12.2018	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

(28) Construction subsidies

Building cost contributions received from customers or project partners in the amount of K€ 204,108 (previous year: K€ 190,523) are one-off contributions to be made for the output-specific granting of grid access or 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€ 15,018 (previous year: K€ 13,312) 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€
	31/12/2019		
Class	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

	31/12/2018		
Class	Gross amount before offsetting	Gross amount offset	Net amount disclosed in the balance sheet
Trade accounts payable *)	236,962	-70,300	166,662

*) including non-current trade accounts payable amounting to K€ 288

(30) Income tax liabilities

Income tax liabilities are comprised as follows:

Income tax liabilities		K€
	31/12/2019	31/12/2018
Corporation tax	21,636	2,917
Other taxes	0	0
Total	21,636	2,917

(31) Other non-current liabilities

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

Other non-current liabilities		K€
	31/12/2019	31/12/2018
Investment grants	35,374	25,840
Payments received for income affecting the subsequent periods	1,059	1,920
Citizen participation in renewable energy projects	877	913
Trade accounts payable	439	288
Taxes and social security	35	34
Other financial liabilities	140	111
Liabilities recognised at amortised cost of acquisition	37,924	29,106
Derivative financial instruments recognised at fair value through profit or loss	17,932	31,208
of which derivative financial instruments (level 1)	6,177	1,587
of which derivative financial instruments (level 2)	11,754	29,621
Derivative financial instruments	17,932	31,208
Total	55,856	60,315

Investment grants are mainly grants provided for 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€ 17,620 (previous year: K€ 23,387) 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€ 312 (previous year: K€ 7,821), 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€
	31/12/2019	31/12/2018
Taxes and social security	62,348	65,703
Liabilities due to companies in which a participating interest is held	29,694	27,139
Construction subsidies	15,018	13,312
Advance payments received on account of orders	4,473	6,773
Payments received for income affecting the subsequent periods	2,206	1,235
Investment grants	2,035	1,088
Employee liabilities	742	329
Provision for possible revenue corrections	0	34,893
Liabilities from the hedging of derivative financial instruments	0	27,090
Other financial liabilities	4,506	5,717
Liabilities recognised at amortised cost of acquisition	121,021	183,278
Derivative financial instruments recognised at fair value through profit or loss	84,899	64,039
of which derivative financial instruments (level 1)	8,131	16,614
of which derivative financial instruments (level 2)	76,768	47,425
Derivative financial instruments	84,899	64,039
Total	205,919	247,317

The provision for possible revenue corrections results from a refinement and netting of accrual of revenue for tariff customers.

Derivative financial instruments at fair value through profit or loss include K€ 76,041 (previous year: K€ 43,239) 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€ 8,857 (previous year: K€ 20,799), 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€
			31/12/2019		31/12/2018	
Classes	Valuation category in accordance with IFRS 9	Level	Carrying amount	Fair value	Carrying amount	Fair value
Shareholdings measured at fair value	@FVOCI *)	2	810,865	810,865	598,548	598,548
Shareholdings measured at fair value	@FVTPL	1	7,117	7,117	6,576	6,576
Securities measured at fair value	@FVTPL	1	41,802	41,802	41,361	41,361
Loans granted by the company	FAAC	2	22,530	24,184	25,031	27,018
Derivative financial instruments	@FVTPL	1	229	229	39,278	39,278
Derivative financial instruments	@FVTPL	2	9,229	9,229	48,536	48,536
Non-current financial assets			891,773	-	759,330	-
Trade accounts receivable	FAAC	2	110	110	49	49
Other receivables	FAAC	2	1,741	1,741	1,646	1,646
Non-financial assets	-		1,297	-	3,192	-
Non-current receivables and other assets			3,147	-	4,886	-
Loans granted by the company	FAAC	2	6,882	7,065	6,228	6,426
Derivative financial instruments	@FVTPL	1	22,482	22,482	15,127	15,127
Derivative financial instruments	@FVTPL	2	28,640	28,640	96,167	96,167
Current financial assets			58,004	-	117,521	-
Contract assets	FAAC	2	2,651	2,651	3,721	3,721
Trade accounts receivable	FAAC	2	152,317	152,317	181,695	181,695
Receivables from companies with which a shareholding relationship exists	FAAC	2	10,384	10,384	12,200	12,200
Other receivables	FAAC	2	38,517	38,517	72,315	72,315
Non-financial assets	-	0	2,961	-	2,354	-
Current receivables and other assets			204,180	-	268,564	-
Cash and cash equivalents			110,358	110,358	125,981	125,981

*) 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	810,865	810,865	598,548	598,548
Financial assets valued at fair value through profit or loss	@FVTPL	109,500	109,500	247,044	247,044
Financial assets at cost	FAAC	345,491	347,328	428,865	431,051

Liabilities - balance sheet items

Classes	Valuation category in accordance with IFRS 9	Level	31/12/2019 Carrying amount	31/12/2019 Fair value	31/12/2018 Carrying amount	31/12/2018 Fair value
Liabilities due to banks	FLAC	2	339,797	355,709	321,437	337,135
Liabilities to others	FLAC		10,913	-	2,567	-
Non-current financial liabilities	FLAC		350,710	355,709	324,004	337,135
Liabilities recognised at amortised cost of acquisition	FLAC		1,491	1,491	1,346	1,346
Non-financial liabilities	-		36,433	-	27,761	-
Derivative financial instruments	@FVTPL	1	6,177	6,177	1,587	1,587
Derivative financial instruments	@FVTPL	2	11,754	11,754	29,621	29,621
Other non-current liabilities			55,856	-	60,315	-
Liabilities due to banks	FLAC	2	73,104	76,528	24,025	25,198
Liabilities to others	FLAC		2,071	-	785	-
Current financial liabilities			75,176	76,528	24,810	25,198
Trade accounts payable	FLAC		142,988	142,988	166,374	166,374
Contract liabilities	FAAC		1,830	1,830	2,049	2,049
Liabilities recognised at amortised cost of acquisition	FLAC		101,762	101,762	132,750	132,750
Non-financial liabilities	-		19,258	-	50,528	-
Derivative financial instruments	@FVTPL	1	8,131	8,131	16,614	16,614
Derivative financial instruments	@FVTPL	2	76,768	76,768	47,425	47,425
Other current liabilities			205,919	-	247,317	-
Summarised by measurement categories						
Financial liabilities at amortised cost of acquisition	FLAC		673,958	680,309	651,333	664,853
Financial liabilities valued at fair value through profit or loss	@FVTPL		102,830	102,830	95,247	95,247

@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€
	31/12/2019	31/12/2018
Cash in hand, cheques, cash in banks (required retention period of less than three months)	110,358	125,981
Other current borrowing (required retention period of less than three months)	0	0
Cash and cash equivalents at the end of the period	110,358	125,981

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”.

The item “Payments for the acquisition of parts of companies” in the year under review includes the purchase price to acquire the shares in Elektrizitätswerke Bad Radkersburg GmbH (EBR), the 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). In the previous year, this item included the acquisition of the shares in Fernwärme Murau und St. Egidi Versorgungsgesellschaft m.b.H. (FWM) and the shares in Stubalm Windpark Penz GmbH (SWP).

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€

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

2018	FWM	SWP *)	Total
Share acquisition in %	100.00%	49.00%	-
Cash and cash equivalents	28	0	28
Non-current assets	3,954	2,196	6,150
Current assets	1,097	75	1,172
Non-current liabilities	-1,986	-642	-2,628
Current liabilities	-1,125	-1,606	-2,731
Equity	-1,128	-22	-1,150
Share in equity capital acquired	1,128	1,008	2,136
Goodwill			1,917
Purchase price liability			0
Total purchase price paid in cash			4,053
Cash and cash equivalents			-28
			4,025

*) 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€

	Notes	Liabilities			Equity				Total
		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	
Balance sheet as at 01/01/2018		379,717	420	1,480	713,198	389,116	127,475	13,867	1,625,273
Changes in net cash flow from financing activities									
Distribution to shareholders (profit distribution)	(22)	0	0	0	0	-55,000	0	0	-55,000
Distribution to non-controlling interests	(24)	0	0	0	0	0	0	-1,030	-1,030
Raising of bonds, loans and credits	(25)	6,740	70	0	0	0	0	0	6,810
Repayment of bonds, loans and credits	(25)	-41,525	0	0	0	0	0	0	-41,525
Repayment of lease liabilities	(25)	0	0	-465	0	0	0	0	-465
Total change in net cash flow from financing activities		-34,785	70	-465	0	-55,000	0	-1,030	-91,209
Change in scope of consolidation		1,317	0	0	0	0	0	0	1,317
Currency changes		-10	0	0	0	0	0	0	-10
Other changes in respect of liabilities									
New finance leases		0	0	1,847	0	0	0	0	1,847
Interest expenses		8,294	46	61	0	0	0	0	8,401
Interest paid		-9,071	-46	-61	0	0	0	0	-9,178
Total other changes in respect of liabilities		-777	0	1,847	0	0	0	0	1,070
Total other changes in respect of equity		0	0	0	-20	73,784	225,169	1,139	300,073
Balance sheet as at 31/12/2018		345,462	490	2,862	713,178	407,901	352,644	13,977	1,836,514

Reconciliation of movements in liabilities to cash flows from financing activities

K€

	Notes	Liabilities			Equity				Total
		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	
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	0	6,662	0	0	0	0	6,662
Balance sheet as at 01/01/2019	0	345,462	490	9,524	713,178	407,901	352,644	13,977	1,843,176
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		0	0	4,838	0	0	0	0	4,838
Termination of leases		0	0	-66	0	0	0	0	-66
Interest expenses		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

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 31/12/2019	Carrying amount at 31/12/2018
Loans granted by the company	29,412	31,259
Securities at fair value through profit or loss	41,802	41,361
Derivative financial instruments with hedging relationships	28,597	116,215
Financial assets valued at fair value through profit or loss	20,039	39,220
Trade accounts receivable	162,541	193,583
Other receivables and assets	30,323	49,596
Cash and cash equivalents	110,358	125,981
Total default risk pursuant to balance sheet	423,073	597,215
Guarantees	8,606	4,680
Other contractual liability obligations	29	3,343
Total default risk	431,708	605,237

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€
2019	Carrying amount at 31/12/2019	Cash flows 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

2018	Carrying amount at 31/12/2018	Cash flows 2019	2020 - 2023	from 2024
Liabilities due to banks	345,462	32,376	152,637	256,101
Other financial liabilities	3,352	785	2,523	43
Derivative financial instruments with hedging relationships	48,677	26,876	21,800	0
Financial assets valued at fair value through profit or loss	28,620	20,799	7,821	0
Trade accounts payable	166,662	166,374	288	0
Tax and social security liabilities	65,737	65,703	34	0
Other liabilities	34,209	33,184	62	962
Guarantees	4,680	4,680	0	0
Other contractual liability obligations	3,343	3,343	0	0
Financial liabilities arising from purchase commitments	3,418,385	913,259	2,505,126	0
Financial obligations arising from rental, lease and hire agreements	13,552	1,309	3,853	8,390

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 82.3 percent of financial liabilities is more than one year, 7.0 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 2019, the result from interest payments would have been higher (lower) by K€ 422 (previous year: K€ 514).

If the market interest rate level had been higher (lower) by 100 base points on 31 December 2019, 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€ 1,792 (previous year: K€ 1,774).

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€ 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.	S	Max. previous year	Min. previous year	S Previous year
iAAA	0	0	0	0	0	0
iAA	98,972	-91,493	98,972	-529,758	-529,758	-529,758
iA	4,727,324	-18,270,926	9,716,720	11,454,966	-6,134,303	8,477,417
iBBB	2,105,210	-13,058,815	5,450,772	22,653,111	-7,127,694	36,971,194
iBB	613,562	-2,439,432	928,727	1,948,969	-1,236,321	-1,926,063
iB	45,310	-64,606	45,310	152,709	-113,730	160,578
iC	0	0	0	0	0	0
iD	0	0	0	0	0	0
Total			16,240,501			42,832,212

* 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	S	Maximum	Minimum	S	Maximum	Minimum	S
iAAA	0	0	0	0	0	0	0	0	0
iAA	98,972	-91,493	7,478	44,006	1,414	-48,901	54,965	1,414	56,379
iA	4,727,324	-18,270,926	-19,793,643	935,760	-15,795,365	-6,222,784	5,514,300	-15,795,365	-13,570,859
iBBB	2,105,210	-13,058,815	-65,493,729	1,233,977	-7,631,849	-29,792,155	2,637,033	-7,631,849	-35,701,574
iBB	613,562	-2,439,432	-2,841,349	252,415	-2,340,945	-1,404,101	718,028	-2,340,945	-1,437,247
iB	45,310	-64,606	-19,296	45,310	0	-19,296	0	0	0
iC	0	0	0	0	0	0	0	0	0
iD	0	0	0	0	0	0	0	0	0
Total			-88,140,539			-37,487,237			-50,653,302

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	S	Market value gains	Market value losses	S	Market value gains	Market value losses	S
iAAA	0	0	0	0	0	0	0	0	0
iAA	329,098	-275,698	53,400	20,849	-17,870	2,978	349,947	-293,568	56,379
iA	73,455,744	-90,425,377	-16,969,634	12,714,989	-9,316,214	3,398,775	86,170,733	-99,741,592	-13,570,859
iBBB	105,545,070	-134,845,834	-29,300,765	16,718,099	-23,118,909	-6,400,810	122,263,169	-157,964,743	-35,701,574
iBB	8,279,209	-10,190,036	-1,910,827	1,245,996	-772,416	473,580	9,525,204	-10,962,452	-1,437,247
iB	0	0	0	0	0	0	0	0	0
iC	0	0	0	0	0	0	0	0	0
iD	0	0	0	0	0	0	0	0	0
Total	187,609,120	-235,736,945	-48,127,825	30,699,932	-33,225,409	-2,525,477	218,309,053	-268,962,355	-50,653,302

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 2019, the hedging reserve in equity and the fair value of the hedging transactions would have been higher (lower) by K€ 32,945 (previous year: K€ 51.245).

In the event of a 10 percent product price increase (product price decrease) in the gas segment as at 31 December 2019, the hedging reserve in equity and the fair value of the hedging transactions would have been higher (lower) by K€ 7,320 (previous year: K€ 6,991).

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 2019.

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

Derivative financial instruments				K€
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

2018	Nominal volumes	Market value 31.12.2018	Residual term < 1 year	Residual term > 1 year
Futures	6,049,166 MWh	25,418	-1,655	27,073
Forwards	6,705,259 MWh	66,078	48,053	18,024
CO2 certificates	53,000 t	1,765	848	917
Interest hedges	CZK 3,750,000	-1	-1	0
Total		93,260	47,245	46,015

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

Cash flow hedges						K€
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			

2018	Residual term > 1 year	Residual term < 1 year	Cash flow hedges total	OCI total	Deferred taxes	OCI after taxes
Futures	27,073	-1,655	25,418	89,708	-22,427	67,281
Forwards	18,024	48,053	66,078	66,078	-16,519	49,558
CO2 certificates	917	848	1,765	1,999	-500	1,499
As at 31.12.2018	46,015	47,246	93,261	157,785	-39,446	118,338
of which derivatives with a positive market value	69,402	90,485	159,887			
of which derivatives with a negative market value	-23,387	-43,239	-66,627			

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 February 2020, Energie Steiermark AG acquired 34 percent of the shares in Stadtwerke Bruck an der Mur GmbH.

CONTINGENCIES, FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES

Contingencies comprise the following obligations:

Contingencies		K€
	31/12/2019	31/12/2018
Guarantees	8,606	4,680
Other contractual liability obligations	29	3,343
Total	8,635	8,022

Furthermore, the following financial obligations exist:

Financial obligations		K€
	31/12/2019	31/12/2018
From purchase commitment	1,825,586	3,418,385
From other contracts	6,371	13,552
Total	1,831,956	3,431,937

Concluded electricity trading contracts account for the highest part of the obligations from purchase commitment of K€ 1,825,586 (previous year: K€ 3,418,385). In the following year, an amount of K€ 432,802 (previous year: K€ 2,505,126) will be due.

Financial obligations from other contracts in the previous year included lease liabilities of K€ 9,264 falling under the scope of IFRS 16. Please refer to the explanations in Note 2 “Basis of Preparation”.

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€**
	2019	2018
Sales revenues	57,503	55,157
Other income	211	13
Expenses for purchased services	-8,946	-7,520
Other expenses	-959	-1,293
Interest income	2,070	2,261
	31/12/2019	31/12/2018
Receivables	10,349	12,110
Borrowings	25,319	27,851
Liabilities	-30,070	-27,143

Business relationships with non-consolidated affiliated companies		**K€**
	2019	2018
Sales revenues	386	346
Other income	1	1
Expenses for purchased services	-48	-8
Other expenses	-1,263	-958
Interest income	36	28
	31/12/2019	31/12/2018
Receivables	36	89
Borrowings	4,062	3,376
Liabilities	-749	-535

Significant transactions with other shareholdings		**K€**
	2019	2018
Sales revenues	19,379	19,645
Expenses for purchased services	-14,354	-12,947
Other expenses	-1,859	-1,241
	31/12/2019	31/12/2018
Receivables	458	1,268
Liabilities	0	-450

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€
	2019	2018
Audit of the Consolidated Financial Statements	28	28
Other assurance work	161	151
Total	189	179

EMPLOYEES

The average number of employees during the year was:

Number of employees (average)		
	2019	2018
Salaried employees	1,668	1,615
Workers	187	175
Total	1,854	1,790

DISCLOSURES ON THE SUPERVISORY BOARD AND MANAGEMENT BOARD

Disclosures on the Supervisory Board and Management Board		K€
	2019	2018
Supervisory Board remuneration (Energie Steiermark and consolidated companies)	93	102
Remuneration paid to the Management Board members of Energie Steiermark (active time)	473	464
Payments to former Energie Steiermark Management Board members and their surviving relatives	383	377
Total	949	943

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	214	214
Variable remuneration	23	23

The variable remuneration of the Management Board relates to the 2018 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), BGBl 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€ 43 (previous year: K€ 44) were paid in the 2019 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 ³ 20%
as per 31/12/2019 **K€**

	Parent company	Shareholding	Headquarters	Type of consolidation	Financial year	Equity	Annual profit/ loss
Energie Steiermark AG			Graz	FC	2019	1,616,781	57,847
AQUA.NET Wasser- und Freizeitanlagen Steiermark GmbH	Energie Steiermark	100.00%	Graz	FC	2019	2,445	555
E1 Energiemanagement GmbH	KD	100.00%	Nuremberg	FC	2019	807	46
easy green energy GmbH	UWK KG	51.00%	Vienna	FC	2019	59	2
easy green energy GmbH & Co KG	UWK KG	51.00%	Vienna	FC	2019	-838	1,122
Elektrizitätswerke Bad Radkersburg GmbH	Energie Steiermark	74.90%	Bad Radkersburg	FC	2019	1,558	117
Energie Steiermark Business GmbH (BT)	KD	100.00%	Graz	FC	2019	58,813	882
Energie Steiermark Finanz-Service GmbH (EFG)	Energie Steiermark	100.00%	Graz	FC	2019	7,796	1,838
Energie Steiermark Green Power GmbH (GP)	Energie Steiermark, EFG	100.00%	Graz	FC	2019	75,507	4,001
Energie Steiermark Kunden GmbH (KD)	Energie Steiermark	100.00%	Graz	FC	2019	50,147	19,476
Energie Steiermark Natur GmbH (NA)	KD	100.00%	Graz	FC	2019	10,084	-74
Energie Steiermark Service GmbH (ES)	Energie Steiermark	100.00%	Graz	FC	2019	2,962	834
Energie Steiermark Technik GmbH (TK)	Energie Steiermark, EFG	100.00%	Graz	FC	2019	68,630	14,359

	Parent company	Shareholding	Headquarters	Type of consolidation	Financial year	Equity	Annual profit/loss
Energie Steiermark Wärme GmbH (FW)	Energie Steiermark, GP	100.00%	Graz	FC	2019	55,374	4,261
Energienetze Steiermark GmbH (EN)	Energie Steiermark	100.00%	Graz	FC	2019	432,357	47,767
ENWA GesmbH	GP	60.00%	Graz	FC	2019	3,489	-43
Jihlavske Kotelny s.r.o.	Energie Steiermark	50.84%	Jihlava	FC	2019	3,270	726
Murkraftwerk Graz Errichtungs- und BetriebsgmbH	GP EGG KG	75.00% 12.50%	Graz	FC	2019	8,498	62
Next Vertriebs- und Handels GmbH (NX)	Energie Steiermark	100.00%	Graz	FC	2019	1,789	-984
STEFE Banska Bystrica, a.s.	STEFE SK	66.00%	Banská Bystrica	FC	2019	11,651	1,120
STEFE ECB, s.r.o.	STEFE SK	100.00%	Banská Bystrica	FC	2019	4,540	719
STEFE Martin, a.s.	STEFE SK	65.93%	Martin	FC	2019	3,612	400
STEFE Rimavska Sobota, s.r.o.	STEFE SK	58.66%	Rimavská Sobota	FC	2019	4,084	284
STEFE Roznava, s.r.o.	STEFE SK	100.00%	Roznava	FC	2019	455	-1,131
STEFE SK a.s.	Energie Steiermark	100.00%	Banská Bystrica	FC	2019	32,838	2,457
STEFE THS, s.r.o.	STEFE SK	100.00%	Revúca	FC	2019	5,334	438
STEFE Zvolen, s.r.o.	STEFE SK	66.00%	Zvolen	FC	2019	4,482	429
Unsere Wasserkraft GmbH	KD	100.00%	Graz	FC	2019	43	3
Unsere Wasserkraft GmbH & Co KG	KD	100.00%	Graz	FC	2019	-4,444	-88
V.I.Trade s.r.o.	STEFE SK	100.00%	Nitra	FC	2019	507	-73
ADRIAPLIN, Podjetje za distribucijo zemeljskega plina d.o.o.	Energie Steiermark	38.00%	Ljubljana	Equity	2018	38,921	3,663
Energie Graz GmbH	Energie Steiermark	49.00%	Graz	Equity	2018	79	5

	Parent company	Shareholding	Headquarters	Type of consolidation	Financial year	Equity	Annual profit/ loss
Energie Graz GmbH & Co KG (EGG KG)	Energie Steiermark	49.00%	Graz	Equity	2019	177,074	24,168
Feistritzwerke-STEWEAG-GmbH 1)	Energie Steiermark	27.00%	Gleisdorf	Equity	2019	48,348	2,957
homee GmbH 1)	KD	50.00%	Berlin	Equity	2018	2,662	31
Stadtwerke Hartberg Energieversorgungs GmbH 1)	Energie Steiermark	25.10%	Hartberg	Equity	2018	3,986	363
STEFE Trnava, s.r.o.	STEFE SK	50.00%	Trnava	Equity	2019	4,877	596
Stromnetz Graz GmbH	EGG KG	100.00%	Graz	Equity	2018	79	7
Stromnetz Graz GmbH & Co KG (SGG KG)	EGG KG	100.00%	Graz	Equity	2019	197	-957
Stubalm Windpark Penz GmbH 1)	GP	49.00%	Edelschrott	EK	2018	2,595	-27
AQUASYSTEMS Gospodarjenje z vodami d.o.o. 1)	AQUA.NET	20.87%	Maribor	NC	2018	6,891	2,918
ARGONET GmbH 1)	Energie Steiermark	34.00%	Gmunden	NC	2018	1,117	125
E 1 Wärme und Energie GmbH 1)	KD	100.00%	Seiersberg	NC	2019	1,556	111
Grazer Energieagentur Ges.m.b.H. 1)	Energie Steiermark, EGG KG	5.00% 47.50%	Graz	NC	2018	697	228
IBIOLA Mobility Solutions GmbH 1)	NX	25.10%	Vienna	NC	2018	323	-60
Solar Graz GmbH 1)	EGG KG	100.00%	Graz	NC	2018	388	101
WDS Wärmedirektservice der Energie Graz GmbH 1)	EGG KG	100.00%	Graz	NC	2018	5,057	648

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 €	2019	2018	31/12/2019	31/12/2018
100 Czech koruna	3.90	3.89	3.93	3.88

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.

With regard to the disclosures on the effects of the first-time application of IFRS 16 on the net assets, financial position and results of operations of the Group at the time of first-time application, reference is made to the disclosures in Note 2 "Basis of Preparation".

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	2019	2018
Austria	4.40%	5.17%
Germany	4.11%	4.80%
Slovakia	4.75%	5.59%
Slovenia	5.30%	6.29%
Czech Republic	4.93%	5.48%

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 2019 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€ 181,632 (previous year: K€ 179,223).

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€ 55,070 (previous year: K€ 51,767).

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

	2019		2018	
	GP	KD	GP	KD
WACC +1.0%	-17.72%	-18.96%	-17.21%	-16.03%
WACC -1.0%	26.19%	30.13%	24.57%	24.72%
Growth rate +0.1%	0.06%	0.09%	0.09%	0.08%
Growth rate -0.1%	-0.06%	-0.09%	-0.09%	-0.08%

If the WACC increased (decreased) by 1 percent in the 2019 financial year, the market value of the CGU at GP would have changed by -17.72 percent (change of +26.19 percent) and the market value of the CGU at KD would have changed by -18.96 percent (change of +30.13 percent).

If the growth factor increased (decreased) by 0.1 percent in the 2019 financial year, the market value of the CGU at GP would have changed by +0.06 percent (change of -0.06 percent) and the market value of the CGU and both KD would have changed by +0.09 percent (change of -0.09 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:

General impairment model (three-level model)

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 January 1, 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	2.5	40
Contribution to building costs: liquefied gas rigs	5	20
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 2019 and 2018 are based on the following assumptions:

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

	2019	2018
Interest rate	0.50 % p.a.	1.40 % p.a.
Pension increases	2.50 % p.a.	2.40 % p.a.
Salary increases	2.50 % p.a.	2.40 % p.a.
Career trend	0.20 % p.a.	0.20 % p.a.
Expected investment result of the fund assets	0.50 % p.a.	1.40 % p.a.

By derogation from the long-term salary trends disclosed in the above table, a one-time increase of 2.6% as of the end of 2019 (previous year: 2.8% to the end of 2018) and a one-time increase of 2.6% to the end of 2020 (previous year: 2.6% to the end of 2019) 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 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

	2019	2018
Interest rate	0.50 % p.a.	1.20 % p.a.
Salary increases	2.50 % p.a.	2.40 % 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 2.6% as of the end of 2019 (previous year: 2.8% to the end of 2018) and a one-time increase of 2.6% to the end of 2020 (previous year: 2.6 percent to the end of 2019) 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 2019 and 2018 financial years, the following income tax rates were applied to the calculation of deferred taxes:

Income tax rates

Company headquarters	2019	2018
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.

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

[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€	2019	2018
Operating result	122,995	98,447
Regulatory account	2,778	-4,135
Adjusted operating income	125,773	94,313

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 2019 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 2019 financial year:

Amended standards and interpretations which are not yet applicable

Amended standards/interpretations		applicable from [1]
IAS 1	Amendment to IAS 1 – Classification of liabilities as current or non-current [2]	1. January 2022
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 [2]	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

[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.

Amended standards and interpretations which are not yet applicable

Amended standards/interpretations		applicable from [1]
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.

*) 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 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 IASB is reacting with the amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" in response to existing uncertainties in connection with 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 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.

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.

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.

- Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of “significant”
- Amendments to IFRS 3 “Business Combinations” – Definition of a Business Operation
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform
- 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)
- 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 since 25.09.2018)
- Dipl.-Ing. Hilko SCHOMERUS (member since 11.1.2016)
- Dipl.-Kfm. Ewald WOSTE (member since 11.1.2016)

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 2020

The Management Board

Dipl.-Ing. Christian Purrer

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