Combined management report as at December 31, 2023

This management report is a combined report on STEAG GmbH and the STEAG Group (STEAG GmbH and its subsidiaries). Business development at STEAG GmbH is reported in a separate chapter. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU, while the individual annual financial statements of STEAG GmbH have been drawn up in accordance with the provisions of the German Commercial Code (HGB) and the German legislation on limited liability companies (GmbH-Gesetz).

(1) Basic information on the STEAG Group

(1.1) Business model

Business activities

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

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

Ownership structure

Until December 31, 2023, STEAG GmbH was wholly owned by KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG (KSBG KG), Essen (Germany), a consortium of six German municipal utilities in the Rhine-Ruhr region. All shares in STEAG GmbH were sold to STEAG Group GmbH (formerly. Benki BidCo GmbH), an indirect subsidiary of Asterion Industrial Partners SGEIC SA, Madrid (Spain), as part of a ‘midnight deal’ with economic effect from the the end of December 31, 2023 / start of January 1, 2024.

Organizational structure of the STEAG Group

STEAG GmbH, which is headquartered in Essen (Germany), is the lead company of the STEAG Group. It holds the shares in the Group's subsidiaries, either directly or indirectly. STEAG GmbH is responsible for strategic and operational management of the STEAG Group’s two divisions, **“Iqony”** and **“STEAG Power”.** Following the separation in fiscal 2022, STEAG GmbH no longer has any operating business; since this date it has been a holding company.

The growth business is allocated to the Iqony division, which comprises the “**Photovoltaics**”, “**Wind**”, “**Iqony Energies**”, “**Iqony Solutions**”, “**Iqony Technical Services**” and ”**Asset Management**” strategic business units and the “**Sales**”, “**Business Development**”, “**Operational Excellence**”, “**Trading**” and “**Digital**” functions. The strategic business units are supplemented by management and support functions (internal processes and administrative functions).

The coal activities, comprising the **German coal activities** and “**International Coal**” are bundled in the STEAG Power division.

Products and services

Technology-independent energy generation

As a consequence of the entry into force of the German Substitute Power Plant Availability Act (“EKBG”), as at December 31, 2023 the STEAG Group operated large power plants at six locations in Germany. Under the German Coal-Fired Power Generation Termination Act (KVBG), STEAG had already registered four power plant blocks for decommissioning through the auction process, but these could temporarily be returned to the market, provided that had not yet been dismantled. Following expiry of the EKBG, STEAG will resume the plan to successively remove further power plants in Germany from the grid, followed by final decommissioning when the period of systemic relevance ends. In addition, Iqony operates a state-of-the-art combined gas and steam power plant at its site in Herne (Germany). This plant came into service commercially in September 2022.

Internationally, the STEAG Group operates its own large power plant in Turkey and holds a non-controlling interest in a large power plant in the Philippines. In both international projects, the STEAG Group has worked closely with partners for many years. An agreement to sell 35.4 percent of the Philippine company was signed with one of the joint venture partners in this company in summer 2022. The transaction was closed in June 2023.

In Germany, the STEAG Group has 173 facilities to generate energy from renewable resources, distributed facilities serving industry and local authorities, and heating plants.

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

A competent trading partner

Based on many years of experience in the power, coal and CO_2 business, the STEAG Group has a broad portfolio of products and services, and extensive expertise in trading. This includes the procurement and marketing of electricity, fuel and CO_2 emission allowances, along with marketing of capacity and of heat and steam energy. In addition, the STEAG Group imports hard coal into Germany.

A professional service provider

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

The STEAG Group's competencies include engineering and operating solutions for every type of power generation. The experts at its subsidiary Iqony Solutions GmbH operate internationally and it has its own companies in Brazil and Switzerland. They are engaged in projects involving technologies from the areas of renewable energies, conventional energy, nuclear power and energy storage systems.

Organizational changes

The Sunrise project pursued the legal and operational division of the STEAG Group into two separate subgroups. The STEAG Group's coal activities have been bundled at **STEAG Power GmbH** since December 1, 2022 (with economic effect from July 1, 2022). The division of the STEAG Group into two subgroups was completed on January 1, 2023 following the transfer of the growth businesses to **Iqony GmbH**. This company operates independently in the areas of photovoltaics and wind energy, hydrogen, energy solutions for the decarbonization of industry and municipalities, climate-friendly district heating, energy storage for electricity and heat, and digitalization. This gives Iqony scope for more targeted marketing of common services, which should further boost the positive development of these areas of business in the coming years. Separating the growth businesses from the coal activities supports management of the different business models and the refinancability of the growth businesses from an ESG (environmental, social and governance) perspective.

On September 15, 2022, STEAG GmbH and Aboitiz Power Corporation signed an agreement on the sale of STEAG's 35.4 percent interest in the Philippine power plant company STEAG State Power Inc. (SPI). This transaction was closed on June 2, 2023.

On December 23, 2022, Iqony GmbH and Remondis Energy & Services sp. z o.o., a subsidiary of Remondis SE & Co. KG, signed an agreement on the sale of the Polish district heating company SFW Energia sp. z o.o. and its subsidiaries. This transaction was closed on April 20, 2023.

In 2022, STEAG's indirect owners decided to initiate a process to prepare for the sale of STEAG. The intention to sell the Group was officially announced in a public notice in the Financial Times on December 28, 2022. The sale process was successfully executed when the agreement was signed on August 24, 2023. 100% of the shares were sold by KSBG KG to STEAG Group GmbH in a “midnight deal” with effect from midnight December 31, 2023 / January 1, 2024.

(1.2) Strategy

In the Sunrise project, STEAG critically reviewed its strategy and adjusted it to the different requirements of the growth business and the coal activities.

Thanks to STEAG's business model, which is backed up by more than eight decades of experience in solving complex problems in the energy sector, the Board of Management is convinced that the Group's **growth business** (Iqony GmbH) will continue to create significant value for its customers in the future and gain access to promising growth areas. The focus is on three aspects of the energy sector: services, digitalization and decarbonization.

The **Photovoltaics** business unit is continuing the expansion of its EPC (engineering, procurement and construction) projects, IPP (independent power producer) projects and development of its own projects in the field of photovoltaics as well as flexibly serving international markets. Its services are complemented by the marketing of PV facilities by **Trading** via green PPAs (long-term "green" power purchase agreements).

The **Wind** business unit concentrates on the development of wind projects in France and the management of established facilities in Germany and Poland. Here too, the Trading function provides marketing support.

The **Iqony Solutions** business unit offers engineering and IT services, nuclear and air filter solutions and market-oriented plant management services in the areas of renewable and conventional energy. Energy-related expertise plays a key role in the initiation, development and realization of projects, so this is undertaken in collaboration with the **Trading, Business Development, Sales** and **Digital** functions. By utilizing its full expertise and experience to date, STEAG is continuing to position itself as a planning specialist in the growing market for energy projects of all types. The future focus will also include hydrogen and energy storage projects.

Iqony Energies plans, builds and operates distributed generating facilities for municipal heating and for industrial customers. In addition, it generates electricity and heat from mine gas from disused coal mines. Last but not least, Iqony's district heating operations in the Saar region of Germany are allocated to this business unit.

Iqony Technical Services provides maintenance services for customers in industry and the energy sector. This business unit focuses on electrical systems and mechanical services and offers an extensive range of plant operation and maintenance services.

Asset Management ensures a holistic approach to the combined gas and and steam power plant in Herne (Germany), the district heating operations in the Ruhr Region of Germany, the waste-to-energy business, the battery business and partnerships and is responsible for administration, valuation and optimization as well as for the procurement of asset services. This business unit pools the technical and business competencies required for STEAG's own investments and major plants and is developing a new understanding of asset management. In addition, Iqony's district heating operations in the Ruhr region are allocated to this business unit.

The **Operational Excellence** function bundles the expertise in optimization of internal processes and ensures process excellence.

The **Trading** function is realigning the trading activities with a high degree of standardization and automation. The focus is on developing new marketing solutions for distributed facilities, flexibility and green PPAs (green power purchase agreements), also for third parties.

Among other things, the **Digital** function is supporting the development of a digital service platform that bundles services and tools, primarily for performance monitoring, to ensure transparency on the status and economic feasibility of energy facilities, and optimized management of energy systems. This platform is offered to a broad international customer base, both independently and through partnerships. In addition, STEAG is driving forward further initiatives for the digitalization of business models.

The **Business Development** function concentrates on identifying and developing new business opportunities until their transition to the individual growth units. At present, it is focuses in particular on the future use of the present power plant sites and the realization of hydrogen and battery storage projects.

The **Sales** function is an overarching function that supports the exchange of sale-based know-how between the business units, develops a shared understanding, standardizes the sales organization and processes and coordinates and integrates cross-business sales activities.

The strategic focus of **STEAG Power GmbH** in the area of the **German coal activities** is on safeguarding the reliability of supply by the coal-fired power plants in Germany and marketing the output of its power plants. Following expiry of the EKBG on March 31, 2024, this company will continue to implement the scheduled exit from coal-fired generation in Germany. The intention is to further reduce the activities of the **International Coal** unit.

(1.3) Research and development

In 2023, as in previous years, the STEAG Group continued to focus on application-related research and development rather than basic research. The special significance of digitalization was driven forward by building up new digital business models. This applies to both central research and development at STEAG GmbH and research and development at its subsidiaries.

In 2019, the Federal Ministry for Economic Affairs and Energy invited entries for a competition called "Real labs for the energy turnaround". In July 2019, the Federal Ministry for Economic Affairs and Energy announced that the HydroHub Fenne project outline for the erection of an electrolyzer at the Völklingen-Fenne site in the Saarland region of Germany was one of 20 winners of this ideas-based competition. This project has been continued with Siemens Energy since 2021 with the aim of building up a cross-border hydrogen economy in the Saarland region, France and Luxembourg. Together with the components contributed by its project partners Creos and Stahl-Holding-Saar, HydroHub was chosen in a national pre-selection process as an Important Project of Common European Interest (IPCEI). In 2023, it was still in the pre-notification phase of the European Commission's funding approval process. Having responded to several questions from the European Commission, the pre-notification phase was completed in January 2024 and the notification process commenced. Notification was completed in mid-February 2024 and the subsequent funding process at national level can now be completed.

Digital business models will be key elements of the portfolio of tomorrow's companies. In close collaboration with a service provider (Hitachi Solutions), in 2023 Iqony therefore continued to implement the concept for the realization of a digital platform developed in previous years. A cloud-based platform known as Sensaia has been created. This offers a scalable solution using AI to provide efficient support for operational management and maintenance processes, focusing on distributed energy generation from renewables (e.g., photovoltaics, wind). Extensive testing of Sensaia on PV installations operated by Iqony was carried out successfully in 2023. Product development is therefore almost complete. At present, market launch and the transition to operational business are under way.

Realization of this digital platform is being supported by strengthening expertise in the use of artificial intelligence, especially in the context of renewables. The "Digital Service Center" research project by a leading industrial innovation cluster in the federal state of NRW, which started in 2020, received further public funding in 2023 and was completed on schedule. This project in collaboration with Mitsubishi Hitachi Power Systems and the Fraunhofer Institute for Intelligent Analysis and Information Systems aimed to make AI processes usable for monitoring of relatively small distributed facilities in the future energy landscape. The results obtained are used in Iqony's software products.

The "FlexKWK" project also received funding as part of the leading industrial cluster in 2023. FlexKWK is a collaboration between Iqony, the start-up Kraftblock, Steinmüller Engineering GmbH and Duisburg-Essen university. In this feasibility study, the partners are examining integrating high-temperature storage into existing co-generation plants for district heating and evaluating the cost-efficiency of such concepts. The aim is to use surplus power from renewables to charge storage facilities in order to reduce consumption of thermal energy sources in heat generation and make the installations more flexible. The cost-efficiency of such approaches is being evaluated. The study was completed at the beginning of 2024.

Iqony GmbH remained an associated partner in the ADWENTURE project of the Fraunhofer Institute for Energy Economics and Energy System Technology in 2023 (continued from 2021), which aims to develop an early warning system for malfunctions at wind energy installations. This project is scheduled to continue until mid-2024.

(2) Economic report

(2.1) Economic background

General economic development[1]

The German economy was held back by a business environment that was still dominated by crises and high prices at all levels, less favorable financing conditions as a result of rising interest rates and lower domestic and export demand. Imports fell faster than exports, resulting in a positive balance of trade, which supported GDP. However, consumer spending declined due to continued high consumer prices. While inflation dropped year-on-year (2022: 6.9 percent), it was still around 5.9 percent in 2023, the second highest level since the reunification of Germany. Moreover, the government reduced consumption for the first time in nearly 20 years. This mainly reflected the withdrawal of state-financed Covid measures such as vaccinations and compensation payment for maintaining free capacity for in-patients in hospitals. Investment in construction also declined considerably in the past year, with both high construction prices and the noticeable rise in interest rates having an impact. Although the labor market remained robust, the rise in employment lost momentum. In all, GDP contracted by 0.3 percent in 2023, having grown by 1.8 percent in the previous year.

Energy consumption and energy generation[2]

In 2023, primary energy consumption in Germany was 7.9 percent lower than in 2022. This reducing in economic output was a major factor in this. Another, albeit relatively small, factor influencing the reduction in consumption was milder weather than in the previous year. Demand for mineral oil fell 5.5 percent year-on-year, driven by the sharp drop in demand from the chemical industry for petroleum. Consumption of hard coal and lignite also dropped significantly, by 16.9 percent and 21.9 percent respectively. The 4.3 percent reduction in consumption of natural gas was observed across the board. Use of nuclear power also decreased significantly, by 80 percent. This was attributable to the final decommissioning of the last three nuclear power plants as at April 15, 2023. The only increased contribution to primary energy consumption came from renewables (+2.3 percent). In 2023, renewables accounted for 19.6 percent of energy consumption in Germany (2022: 17.7 percent).

Power consumption

In 2023, overall consumption of electricity was 517.3 TWh, which was 22.9 TWh lower than in 2022. Gross power generated fell by 10.7 percent (2023: 508.1 TWh vs. 2022: 569.2 TWh). The import surplus was 9.2 TWh (2022: export surplus of 29.0 TWh).

1 The comments in this section are based mainly on the economic reports published by the Kiel Institute for the World Economy (IFW) Kiel, no. 110 (2023/Q4) on the German economy, (4) 2022, economic report no. 74 (2023) vol. 4 of the Leibniz Institute for Economic Research (RWI), Essen (Germany), the joint economic forecast of fall 2023 of the Joint Economic Forecast Group, Federal Statistical Office, press release of January 2024 – 019/ 2024.

2 All data on energy generation and consumption and power consumption are provisional data from AG Energiebilanzen e.V. (as at December 2023).

Development of energy prices

The significant increase in prices on the international commodity markets observed in previous years in the wake of the war in Ukraine did not continue in 2023. On the contrary, by the end of 2023 various commodity prices were back around the pre-crisis level.

The average price of natural gas in the Trading Hub Europe market area dropped by around 67 percent year-on-year to an annual average of € 41.2 per MWh in 2023 (2022: € 124.0 per MWh). The sharp drop in the price of natural gas in 2023 was due to high storage levels following the winter of 2022/2023. Moreover, the gas storage facilities were filled relatively quickly in the summer, partly thanks to high capacity utilization in European gas production and the stable supply of LNG on the world market. The comparatively weak demand in Asia resulted in increased imports of LNG into Europe.

Compared with the previous year, the API#2, the price index for hard coal that is relevant for Europe, fell by around 56 percent as a result of the significant drop in gas prices and the related decrease in demand for coal. The average price of hard coal was still USD 289.7 per tonne in 2022. In 2023, it fell to USD 127.0 per tonne.

While European emissions trading was dominated by the start of the fourth trading period and the UK's exit from the European trading system in 2021, in 2022 it was dominated by the war in Ukraine. In 2023, the upward trend in the price of emission allowances seen in the previous years weakened. Price volatility remained significant, driven by reports of possible energy bottlenecks at the start of 2023 and economic risks in the course of the year. As a result, prices ranged between € 97.3 per tonne in February and € 66.4 per tonne in mid-December. All in all, the average price in 2023 was € 83.9 per tonne, which was around the same level as the previous year (€ 81.0 per tonne).

Having risen in the previous years, electricity prices declined significantly in 2023 and were back around the 2021 level. The average spot price on the European electricity exchange EPEX fell by around 60 percent year-on-year to € 95.2 per MWh (2022: € 235.3 per MWh). The peak contract also fell considerably, by around 60 percent to an average of € 95.0 per MWh (2022: € 239.3 per MWh). The price declines were mainly due to the sharp drop in generating costs because both gas and coal prices normalized to around the level before the war in Ukraine.

(2.2) Business performance

Compared with the previous year, business performance in 2023 was dominated by considerably lower electricity prices, especially in Germany, accompanied by a reduction in electricity generation and capacity utilization at German power plants. This resulted, above all, in a negative deviation from the budget, especially as regards marketing of the output of domestic coal-fired power plants. The Trading unit at STEAG Power undertook long-term marketing in 2022 in order to offset a possible drop in electricity prices. The economic effects of these hedging transactions are reflected in other operating income. In the Photovoltaics unit, delays in the realization of projects reduced total output.

Marketing of power plant output in Germany resulted in extraordinary expense of € 675.4 million as at December 31, 2023 due to the valuation of unrealized derivatives and financial instruments (prior year: extraordinary income of € 1,122.2 million).

(2.3) Business situation

(a) Earnings position

Performance in 2023

EBITDA and EBIT are used for internal management purposes and as indicators of the sustained earning power of the Group. EBITDA (earnings before interest, taxes, depreciation and amortization) and EBIT (earnings before interest and taxes) are both earnings parameters after adjustment for exceptional items (extraordinary result).

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

In the 2023 fiscal year, the STEAG Group's sales, EBITDA and EBIT developed as follows:

STEAG Group: EBITDA* and EBIT*

in € million	**2023**	2022	Change in %
Sales	3,923.8	5,714.0	-31.3
EBITDA	1,572.9	1,195.5	31.6
EBIT	1,356.1	1,044.8	29.8
EBITDA margin in %	**40.1%**	**20.9%**	
EBIT margin in %	**34.6%**	**18.3%**	

* Using the STEAG definition, adjusted for extraordinary effects

Sales dropped by 31.3 percent to € 3.9 billion and were therefore below the previous year's expectation of € 5.4 billion.

EBIT was € 1,356.1 million, which was above the budgeted level of € 1,294.6 million and the figure of € 1,044.8 million reported for the 2022 fiscal year. The EBIT margin (EBIT/sales) declined from 18.3 percent to 34.6 percent.

EBITDA was € 1,572.9 million, which was above the budget of € 1,496.6 million and the 2022 figure of € 1,195.5 million. The EBITDA margin (EBITDA/sales) was 40.1 percent, which was well above the prior-year margin of 20.9 percent.

The following reconciliation from earnings before the financial result and income taxes to EBIT and EBITDA adjusted for extraordinary effects shows that in 2023 exceptional items again had a high impact on these earnings parameters.

Reconciliation of EBIT* and EBITDA* for the STEAG Group

in € million	2023	2022
Income before the financial result and income taxes	**564.5**	**2,174.6**
Extraordinary effects from the valuation of derivatives	675.4	-1,122.2
Extraordinary effects from the Sunrise and FUTURE transformation programs	53.5	60.6
Extraordinary restructuring KVBG and FUTURE	26.8	-11.9
Extraordinary effects from portfolio adjustments	12.7	41.6
Other extraordinary impairment losses/reversals of impairment losses	10.3	-
Extraordinary effects from termination of the agreements with EnBW / EVN	-	-100.0
Other effects	12.9	2.1
EBIT	**1,356.1**	**1,044.8**
Depreciation/amortization and impairment losses as in the income statement	229.4	200.9
Reversals of impairment losses as in the income statement	-14.5	-4.2
Impairment losses on investments recognized at equity	1.9	-
Plus extraordinary impairment losses/reversals of impairment losses	-	-46.0
EBITDA	**1,572.9**	**1,195.5**

* Using the STEAG definition, adjusted for extraordinary effects

As at December 31, 2023, there were unrealized losses from derivatives of € 675.4 million, which resulted from the valuation of forward transactions as at the reporting date. These mainly comprised the reversal of the positive effects from 2022 when the forward transactions were realized in 2023, leading to negative earnings contributions.

The extraordinary effects from termination of the agreements with EnBW / EVN in the previous year comprised income from the compensation payments for termination of energy supply agreements.

Income statement for the STEAG Group

in € million	2023	2022
Sales	3,923.8	5,714.0
Change in inventories of finished goods	1.9	18.3
Other own work capitalized	10.9	0.2
Other operating income	1,372.3	1,646.2
Cost of materials	-3,236.7	-4,091.2
Personnel expenses	-372.6	-342.8
Depreciation/amortization and impairment losses	-229.4	-200.9
Other operating expenses	-905.7	-569.2
Income before the financial result and income taxes	**564.5**	**2,174.6**
Interest income	44.2	39.1
Interest expense	-119.6	-113.5
Result from investments recognized at equity	5.2	17.7
Other financial income	-	0.1
Financial result	**-70.2**	**-56.6**
Income before income taxes	**494.3**	**2,118.0**
Income taxes	44.8	-209.1
Income after taxes	**539.1**	**1,908.9**
Thereof attributable to		
Non-controlling interests	80.9	107.5
Shareholders of STEAG GmbH (net income)	458.2	1,801.4

External sales by division

in € million	2023	2022*	Change in %
Iqony	1,286.1	1,008.0	27.6
STEAG Power	2,637.7	4,706.0	-44.0
STEAG Group	**3,923.8**	**5,714.0**	**-31.3**

* Due to the altered structure of the divisions in 2023, the figures for 2022 are derived from the carve-out financial information.

Sales decreased by 31.3 percent to € 3,923.8 million (prior year: € 5,714.0 million). The 34.5 percent drop in revenues from the sale of goods was due to lower electricity production in Germany and lower market prices. Revenues from services were 13.3 percent lower, but revenues from construction contracts increased by 30.4 percent.

Total volume sales of energy from the Group's own facilities and those operated on behalf of its customers by the STEAG Power division decreased by 26.3 percent year-on-year to 13,673 GWh_e[3] (prior year: 18,548 GWh_e). The decline in the volume of energy sold was mainly due to the reduction in power plant output marketed outside Germany to 4,575 GWh_e (prior year: 9,483 GWh_e). The power plant output marketed outside Germany was constant at 9,098 GWh_e (prior year: 9,065 GWh_e).

Volume sales of heat by the Iqony division decreased by 4.6 percent to 2,839 GWh_{th} (prior year: 2,975 GWh_{th}), while the volume of power sold by this division was relatively constant at 2,732 GWh_{el} (prior year: 2,719 GWh_{el}).

The change in inventories of finished goods was € 1.9 million (prior year: € 18.3 million), which was € 16.4 million lower than the prior-year change; other own work capitalized was considerably higher than in the prior year at € 10.9 million (prior year: € 0.2 million).

The other operating income decreased by € 273.9 million, from € 1,646.2 million in the prior year to € 1,372.3 million in the reporting period. The year-on-year decline was mainly due to a € 117.6 million reduction in income from the valuation of derivatives (excluding interest rate derivatives) to € 1,184.7 million (prior year: € 1,302.3 million). This was mainly due to forward sales concluded on higher terms and lower electricity prices at year-end. The income from the reversal of provisions was € 34.3 million, a year-on-year rise of € 20.7 million (prior year: € 13.6 million). Income from the disposal of assets declined by € 16.2 million year-on-year to € 24.3 million. The miscellaneous income of € 46.9 million comprises a wide range of operating income. In the prior year, this item amounted to € 201.2 million and comprised the income from the termination of the long-term electricity supply agreement with EnBW and a wide range of operating income.

The reduction of € 854.5 million in the cost of materials is connected to the reduction in capacity utilization, especially at the power plants in Germany, and the associated drop in expenses for CO_2 emission allowances.

Personnel expenses increased by € 29.8 million to € 372.6 million (prior year: € 342.8 million). This was mainly due to changes in standard rates and bonus payments in connection with the sale of shares. The average number of employees in the STEAG Group decreased from 5,529 to 5,411.

Depreciation, amortization and impairment losses totaled € 229.4 million (prior year: € 200.9 million) and included depreciation and amortization of property, plant and equipment, intangible assets and

3 Energy sales in GWh_e comprise both electric and thermal energy; thermal energy has been converted into the equivalent amount of electric power.

investment property amounting to € 185.4 million (prior year: € 136.3 million). The impairment losses of € 44.0 million are exclusively impairment losses on continuing operations (prior year: € 17.1 million). There were no impairment losses on assets held for sale in the reporting period (prior year: € 47.5 million).

The other operating expenses increased by € 336.5 million from € 569.2 million in the prior year to € 905.7 million in the reporting period. The year-on-year increase was mainly due to higher expenses for the valuation of derivatives (excluding interest rate derivatives), which amounted to € 413.0 million (prior year: € 200.2 million) and additions to other provisions in the amount of € 114.7 million (prior year: € 31.8 million). By contrast, consulting expenses, mainly for the Sunrise project, decreased by € 19.7 million to € 45.0 million, and expenses for currency translation of monetary assets and liabilities decreased by € 9.9 million to € 72.3 million.

Income before the financial result and income taxes declined by € 1,610.1 million year-on-year to € 564.5 million, mainly due the income from the marketing of electricity.

The interest income contained in the financial result increased by € 5.1 million in 2023. Interest expense was € 6.1 million higher in 2023. This was mainly caused by an increase of € 17.4 million in accrued interest on pension provisions, although expenses for financing declined.

The € 12.5 million lower result from investments recognized at equity had a negative impact on the financial result. The reduction in the result from investments recognized at equity was caused, among other things, by an impairment loss of € 3.0 million on the joint venture GuD Herne GmbH.

Due to the above effects, income before income taxes decreased from € 2,118.0 million to € 494.3 million.

There was a change of € 253.9 million in income taxes from an expense of € 209.1 million in the prior year to income of € 44.8 million. This change was mainly due to deferred tax income of € 114.7 million, compared with deferred tax expense of € 124.1 million in the prior year. Current income tax expense fell from € 85.0 million to € 69.9 million.

(b) Financial position

Financial risk management

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

As a result of the division of the STEAG Group in 2022, financial management in the STEAG Group is performed at the level of the two subgroups, Iqony and STEAG Power. It also includes activities for STEAG GmbH.

In 2023, borrowing, guarantees, sureties and guarantee facilities for the STEAG Group companies were managed centrally. The STEAG Group has sufficient means of meeting capital requirements for day-to-day business, investment and the repayment of financial debt.

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

Debt restructuring agreement

The debt restructuring agreement concluded in 2021 for the period to December 31, 2023 ended on December 27, 2023. The restructuring reviewer responsible for STEAG GmbH confirmed that the restructuring had been completed.

The financing covered by the restructuring agreement was completely repaid and the collateral was released. The only exceptions are the guarantee facilities of STEAG GmbH. The cash security provided for guarantee providers remains in place until they are fully released from their liability and will be reduced successively. For this purpose, Iqony GmbH took out a guarantee facility in the fourth quarter of 2023. This was used to exchange guarantee facilities issued via the STEAG facilities.

Acquisition financing

In connection with the sale of STEAG to Asterion, the purchaser concluded an acquisition financing facility. The borrower is STEAG Group GmbH. Alongside partial financing of the purchase of the STEAG GmbH through an acquisition loan of € 150.0 million, this facility serves as growth and corporate financing for the Iqony subgroup.

Iqony GmbH joined this acquisition financing facility as a borrower on December 29, 2023. Under this agreement, Iqony GmbH and its subsidiaries have an investment facility of € 250.0 million, a guarantee facility of € 210.0 million and a working capital facility of € 50.0 million. The guarantee facility previously taken out by Iqony GmbH was transferred to the acquisition financing. STEAG GmbH and the principal subsidiaries of Iqony GmbH joined the acquisition financing in 2024 as guarantors and have provided the collateral required by the agreement. Under the loan agreement, the € 150.0 million acquisition loan is to be transferred to Iqony GmbH by June 30, 2024 at the latest.

Financing policy

In 2023, STEAG GmbH provided funding for the companies in the STEAG Group and managed surplus liquidity on their behalf on market terms. To a certain extent, non-project companies also borrow funds directly from banks and invest surplus liquidity with banks. In these cases, borrowing may be secured by STEAG GmbH or Iqony GmbH. The projects companies' liability is secured through their cash flows and assets, and financing is generally non-recourse. In these cases, no recourse to the parent company STEAG GmbH or to Iqony GmbH is possible.

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

The existing cash pool was modified when Iqony GmbH joined the acquisition financing. The STEAG Power subgroup was removed from the STEAG Group cash pool. Since then, cash pooling has been conducted separately for the Iqony and STEAG Power subgroups. Funds from the Iqony subgroup are temporarily pooled at STEAG GmbH.

Financing structure

The financial assets of the STEAG Group amounted to € 2,067.7 million as at December 31, 2023 (prior year: € 2,364.4 million). € 363.6 million of this amount comprised non-current receivables (prior year: € 282.3 million). The main components of financial assets are loans of € 1,414.2 million (prior year: € 257.0 million), receivables from derivatives of € 282.0 million (prior year: € 1,248.4 million) and receivables from finance leases of € 26.7 million (prior year: € 34.4 million). In addition, there were other financial assets totaling € 329.7 million (prior year: € 824.2 million). These mainly comprised margining for exchange-traded forward agreements and cash security for guarantee facilities. In addition, € 18.8 million (prior year: € 10.3 million) were held in short-term deposits. The loans comprise the receivable from the advanced profit loan to the previous owner KSBG KG in the amount of € 1,107.2 million, which will be offset against the profit transfer liability for 2023 following adoption of the annual financial statements in 2024.

Cash and cash equivalents amounted to € 590.5 million on the reporting date (prior year: € 678.8 million).

Total financial liabilities amounted to € 2,030.1 million as at December 31. 2023 (prior year: € 1,957.2 million) and included non-current financial liabilities of € 843.8 million (prior year: € 549.4 million). A significant component of the financial liabilities comprises liabilities to banks amounting to € 220.1 million (prior year: € 333.4 million), for project companies in Germany and abroad, and above all liabilities from loans from non-banks of € 33.9 million (prior year: € 172.2 million). In connection with the sale of the shares in STEAG GmbH, all liabilities relating to the debt restructuring agreement in force until then were repaid. Liabilities from derivatives amounted to € 37.5 million on the reporting date (prior year: € 358.8 million) and lease liabilities amounted to € 128.4 million (prior year: € 133.1 million). Furthermore, the financial liabilities contain other financial liabilities of € 1,610.2 million (prior year: € 959.7 million), mainly from the liability of € 1,032.4 million for profit transfer to KSBG KG (prior year: € 676.8 million) and the margining liability of € 11.6 million (prior year: € 148.7 million). In addition, this item contains the loan liability totaling € 544.5 million to the previous and future owners.

As at December 31, 2023, the STEAG Group had no material off-balance-sheet financing instruments that could have a material impact on its present or future assets, financial position and results of operations.

The financing and liquidity of the STEAG Group were safeguarded at all times in the reporting period.

Capital expenditure

The STEAG Group uses selective investment projects to maintain its good competitive position and expand into business activities and markets where it sees potential for sustained profitable growth and opportunities to generate appropriate returns. Every project undergoes detailed strategic and economic analyses, including sensitivity analyses and scenario analyses to reflect major risks. Projects have to meet business-specific and risk-adjusted minimum return requirements.

Capital expenditure and financial investments

in € million	2023	2022	Change in %
Iqony	212.4	67.0	217.0
STEAG Power	31.2	34.6	-9.8
Holding company	191.8	8.5	2,156.5
STEAG Group	**435.4**	**110.1**	**295.5**

Capital expenditure totaled € 435.4 million (prior year: € 110.1 million) and was therefore above depreciation, which totaled € 185.4 million (prior year: € 136.3 million), and also above the forecast of € 226.0 million, mainly due to financial investments, which had not been budgeted for to this extend in the forecast. In 2023, capital expenditure for property, plant and equipment increased by 29.4 percent to € 130.2 million (prior year: € 100.6 million).

76.0 percent of capital expenditure was for the Iqony division (€ 98.9 million; prior year: € 64.0 million). Of this amount, € 43.6 million was for Iqony Energies, € 22.7 million for Photovoltaics and € 15.6 million for District Heating. 24.0 percent of capital expenditure was for STEAG Power (€ 31.2 million; prior year: €31.0 million). € 21.6 million of this amount was for the Iskenderun power plant in Turkey.

The Group has commitments of € 51.1 million (prior year: € 34.8 million) to purchase property, plant and equipment.

Financial investments amounted to € 305.4 million in the reporting period (prior year: € 9.4 million). € 107.2 million of this amount was for the Photovoltaics unit, mainly loans to project companies, and € 191.8 million was for the holding company, mainly the change in the debtor of the upstream loan from KSBG to STEAG Group GmbH.

Cash flow

Cash flow statement for the STEAG Group (condensed version)

in € million	2023	2022
Cash flow from operating activities	1,720.3	709.8
Cash flow from investing activities	-1,238.0	-110.6
Cash flow from financing activities	-611.1	-236.9
Changes in exchange rates and other changes in the value of cash and cash equivalents	40.5	-24.4
Cash and cash equivalents as at December 31	**590.5**	**678.8**

The cash flow from operating activities was € 1,720.3 million, which was above the prior-year level of € 709.8 million. It mainly comprised the income before the financial result and income taxes of € 564.5 million and the change of € 1,042.2 million in miscellaneous assets and liabilities. Further positive factors were depreciation, amortization, impairment losses and reversals of impairment losses totaling € 197.9

million, which do not affect cash flows, and the € 223.9 million decrease in inventories and the reduction of € 287.9 million in trade accounts receivable. By contrast, the cash flow was reduced by changes of € 368.4 million in other provisions, € 94.3 million in trade accounts payable and advance payments received and € 34.2 million in provisions for pensions and other post-employment benefits. The net outflow of cash and cash equivalents for interest income and payments decreased by € 45.4 million year-on-year to € 33.5 million. Outflows for income taxes were € 68.7 million in 2023, which was around the same level as in the prior year (€ 66.6 million).

The cash outflow for investing activities was € 1,238.0 million, which was greater than the outflow of € 110.6 million in the previous year. Cash outflows for capital expenditure were € 170.1 million and thus € 71.3 million more than in the prior year (€ 98.8 million). At the same time, cash inflows from the divestment of intangible assets, property, plant and equipment and shareholdings in companies due to portfolio adjustments amounted to € 72.5 million, which was substantially above the prior-year level of € 18.7 million. The change in the cash flow from investing activities was mainly attributable to the increase in outflows for securities, deposits and loans to € 1,140.4 million, which was principally due to the disbursement of the advanced profit loan of € 1,107.2 million to KSBG KG. As at the reporting date, cash and cash equivalents held in current fixed-term deposits had increased to € 18.8 million (prior year: € 10.3 million).

The cash outflow for financing activities was € 611.1 million, which was far greater than the outflow of € 236.9 million in the previous year. The cash outflows for dividend payments to non-controlling interests increased from € 48.3 million to € 71.0 million. The net balance of borrowing and repayment of financial debt was € 136.8 million in 2023, compared with net repayments of € 53.7 million in the prior year. The transfer of the prior-year profit resulted in a cash outflow of € 676.9 million, which was offset by the granting of a loan for the comparable amount by the owner.

In all, cash and cash equivalents contracted by € 88.3 million year-on-year. In addition, in the prior year cash and cash equivalents of € 43.4 million were included in assets held for sale.

The carrying amount of cash and cash equivalents pledged as collateral amounted to € 54.4 million (prior year: € 487.5 million).

(c) Asset structure

Structure of the balance sheet

Assets in € million	Dec. 31, 2023	%	Dec. 31, 2022	%	Difference
Non-current assets	1,946.7	35.4%	1,855.4	27.6%	91.3
Current assets	3,557.9	64.6%	4,874.1	72.4%	-1,316.2
Total equity and liabilities	**5,504.6**	**100.0%**	**6,729.5**	**100.0%**	**-1,224.9**

Equity and liabilities in € million	Dec. 31, 2023	%	Dec. 31, 2022	%	Difference
Equity	756.8	13.7%	1,481.0	22.0%	-724.2
Non-current liabilities	2,182.4	39.6%	1,868.1	27.8%	314.3
Current liabilities	2,565.4	46.6%	3,380.4	50.2%	-815.0
Total equity and liabilities	**5,504.6**	**100.0%**	**6,729.5**	**100.0%**	**-1,224.9**

Total assets decreased by € 1,224.9 million from € 6,729.5 million as at December 31, 2022 to € 5,504.6 million as at December 31, 2023.

Non-current assets rose by € 91.3 million to € 1,946.7 million (prior year: € 1,855.4 million). The increase was principally attributable to the increase of € 81.3 million in financial assets and of € 95.7 million in deferred taxes. By contrast, property, plant and equipment decreased by € 81.2 million, mainly as a result of depreciation, and other receivables were € 55.3 million lower.

Capital expenditure was € 435.4 million (prior year: € 110.1 million), while depreciation and amortization of intangible assets, property, plant and equipment and investment property totaled € 185.4 million (prior year: € 136.3 million) and impairment losses were € 11.1 million (prior year: € 51.5 million).

Non-current assets accounted for 35.4 percent of total assets (prior year: 27.6 percent). Coverage of non-current assets by non-current capital was 151.0 percent (prior year: 180.5 percent).

Current assets totaled € 3,557.9 million (prior year: € 4,874.1 million), a drop of € 1,316.2 million compared with year-end 2022. The change mainly resulted from the decline in financial assets to € 1,704.1 million (prior year: € 2,082.1 million) due to the drop of € 975.6 million in receivables from derivatives and the decrease of € 502.8 million in miscellaneous other financial assets as a result of the reduction in margining for exchange-traded forward contracts and cash security for guarantee facilities. The decrease in receivables from derivatives and margining resulted from a significant reduction in the volume of hedging as at the reporting date. By contrast, current loans increased by € 1,089.5 million, principally due to the granting of the advanced profit loan to KSBG KG.

Trade accounts receivable were € 317.6 million lower at € 562.1 million (prior year: € 879.7 million), mainly due to a reduction in the amounts invoiced.

The drop of € 248.0 million in inventories from € 721.0 million to € 473.0 million was mainly attributable to lower inventories of coal and lower coal prices. In addition, finished goods and merchandise decreased by € 51.3 million to € 29.9 million due to lower inventories of merchandise.

Current assets exceeded current liabilities by 38.7 percent (prior year: 44.7 percent).

Equity fell by € 724.2 million to € 756.8 million (prior year: € 1,481.0 million). € 551.8 million of this amount (prior year: € 1,188.1 million) comprised the equity attributable to shareholders of STEAG GmbH and € 205.0 million (prior year: € 292.9 million) comprised equity attributable to non-controlling interests. The change mainly resulted from the consolidated income after taxes of € 539.1 million and the countereffect of the transfer of the commercial profit of € 1,032.4 million to the company's owners. The equity ratio dropped from 22.0 percent to 13.7 percent.

Non-current liabilities increased by € 314.3 million or 16.8 percent to € 2,182.4 million (prior year: € 1,868.1 million). The increase was mainly due to the rise of € 111.7 million in pension provisions as a result of the reduction in the discount rate from 3.7 percent to 3.2 percent. Financial liabilities also increased by € 294.4 million and other provisions were € 18.9 million higher. By contrast, deferred tax liabilities decreased by € 96.8 million, while non-current other liabilities declined by € 17.2 million.

Current liabilities decreased by € 815.0 million to € 2,565.4 million (prior year: € 3,380.4 million). Other provisions were € 392.3 million lower at € 723.1 million (prior year: € 1,115.4 million), mainly due to the € 351.0 million decrease in the provision for obligations to surrender CO_2 emission allowances and the € 45.4 million decrease in provisions for sales and procurement. At the same time, financial liabilities decreased by € 221.5 million to € 1,186.3 million (prior year: € 1,407.8 million). The liability for the profit transfer to the previous shareholder increased by € 355.6 million to € 1,032.4 million while the liabilities from derivatives declined by € 290.2 million million to € 34.5 million and other financial liabilities declined by € 248.9 million to € 23.8 million. Trade accounts payable were € 102.0 million lower than in the prior year at € 275.1 million and contract liabilities decreased by € 11.0 million to € 196.2 million.

(2.4) Performance of STEAG GmbH

STEAG GmbH, which is headquartered in Essen (Germany), is the parent company of the STEAG Group. It holds the shares in the Group's subsidiaries, either directly or indirectly. STEAG GmbH is responsible for strategic and operational management of the Group's business activities. The main subsidiaries in Germany are linked to it through control and profit and loss transfer agreements.

The annual financial statements of STEAG GmbH have been prepared in accordance with the accounting principles set out in the German Commercial Code (HGB), in the version applicable for these financial statements.

The investment in STEAG Technischer Service GmbH was merged into STEAG GmbH with economic effect from January 1, 2023.

In the prior year, the coal activities and growth businesses were separated within the STEAG Group. This comprised bundling the conventional power generation activities at STEAG Power GmbH and energy generation from renewable resources and distributed facilities at Iqony GmbH. Following the separation in fiscal 2022, STEAG GmbH no longer has any operating business; since this date it has been a holding company.

Consequently, the comparability of the balance sheet and income statement items in the annual financial statements as at December 31, 2023 with the prior-year figures is restricted.

Income statement for STEAG GmbH

in € million	**2023**	2022
Sales	135.5	2,196.5
Change in inventories, own work capitalized	-	68.7
Other operating income	53.2	402.8
Cost of materials	-134.6	-2,014.3
Personnel expenses	-2.1	-101.3
Depreciation/amortization and impairment losses	-0.2	-34.2
Other operating expenses	-137.0	-464.4
Financial result	1,139.5	631.7
Income taxes	-10.3	-5.1
Income after taxes	**1,044.0**	**680.4**
Other taxes	-11.6	-3.5
Profit and loss transfer	-1,032.4	-676.9
Net income	**-**	**-**

The coal activities, which were transferred to STEAG Power GmbH with economic effect from July 1, 2022, were included in the income statement of STEAG GmbH until June 30, 2022, while the growth business, which was transferred to Iqony GmbH with effect from 24:00 on December 31, 2022, was included in the income statement of STEAG GmbH in full in the 2022 fiscal year.

In the prior-year, sales (€ 2,196.5 million) therefore mainly comprised revenues from the supply of energy and other media, coal deliveries, revenues from gas transactions, and operation and management fees. The standardized linear commodity derivatives, which were concluded with clearing banks, remained with STEAG GmbH following the separation and were either closed out at the start of fiscal 2023 or transferred to STEAG Power GmbH and Iqony GmbH. The effects of this are reflected, in particular, in sales (€ 135.5 million) and the cost of materials (€ 134.6 million) in the reporting period.

The change in inventories in the prior year mainly resulted from project progress relating to a long-term customer order, which was allocated to the growth business as at December 31, 2022 and transferred to Iqony GmbH.

The other operating income decreased by € 349.4 million year-on-year to € 53.2 million (prior year: € 402.8 million). Alongside revenues from the realized fair values of derivatives in the amount of € 5.1 million (prior year: € 185.4 million), this mainly comprised reversals of provisions in the amount of € 14.7 million (prior year: € 75.6 million), principally due to the reversal of provisions to cover losses on the forward marketing of electricity (€ 8.1 million; prior year: € 64.9 million). Furthermore, in the reporting period this item included income of € 17.2 million from disposals of non-current assets (prior year: € 39.7 million).

The cost of materials developed in line with sales.

The decline in personnel expenses to € 2.1 million (prior year: € 101.3 million) mainly resulted from the transfer of the coal business to STEAG Power GmbH effective July 1, 2022 and the transfer of the growth business to Iqony GmbH effective December 31, 2022 (24:00), as a result of which the employees of these business units were transferred to these companies through a transfer of undertaking. As at the reporting data, STEAG GmbH had no employees.

The depreciation/amortization and impairment losses in the prior year mainly comprised impairment losses on current loans to affiliated companies in the context of a divestment.

The other operating expenses decreased by € 327.4 million year-on-year to € 137.0 million (prior year: € 464.4 million). In addition to legal and consulting expenses of € 27.3 million (prior year: € 55.7 million), fees for advisory services by audit firms totaling € 16.3 million (prior year: € 6.0 million) and expenses for additions to provisions for pending transactions of € 45.1 million (prior year: € 11.2 million), other operating expenses include other administrative expenses, currency losses on foreign currency transactions, rental and lease payments, and insurance premiums.

The company's financial result was positive at € 1,139.5 million in the reporting period (prior year: € 631.7 million). This was mainly due to profit transferred under profit and loss transfer agreements amounting to € 1,195.4 million (prior year: € 682.1 million), especially the profit transfer of € 1,143.0 million (prior year: € 302.2 million) from STEAG Power GmbH. The interest result, including income from loans recognized as financial assets declined by € 0.8 million year-on-year. Here, interest income was € 51.6 million (prior year: € 24.6 million), while interest expense was € 107.5 million (prior year: € 79.8 million).

The income tax result of minus € 10.3 million (prior year: minus € 5.1 million) mainly resulted from non-deductible taxes and foreign withholding taxes.

Income after income taxes and other taxes of € 1,032.4 million for the reporting period will be transferred to KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG (KSBG KG) under the profit and loss transfer agreement in effect until December 31, 2023.

Balance sheet for STEAG GmbH

Assets

in € million	**Dec. 31, 2023**	Dec. 31, 2022
Intangible assets	-	-
Property, plant and equipment	0.0	0.1
Financial assets	1,042.1	1,067.1
Non-current assets	**1,042.1**	**1,067.2**
Inventories	-	-
Receivables and other assets	2,893.3	1,721.2
Cash and cash equivalents	331.9	403.3
Current assets	**3,225.2**	**2,124.5**
Deferred items	**-**	**0.4**
Total assets	**4,267.3**	**3,192.1**

Equity and liabilities

in € million	**Dec. 31, 2023**	Dec. 31, 2022
Issued capital	128.0	128.0
Capital reserve	84.5	84.5
Profit reserves	272.8	272.8
Equity	**485.3**	**485.3**
Special items	-	-
Provisions	**218.5**	**266.7**
Liabilities	**3,563.5**	**2,440.1**
Deferred items	**-**	**-**
Total equity and liabilities	**4,267.3**	**3,192.1**

KSBG KG sold all shares in STEAG GmbH to STEAG Group GmbH, a subsidiary of Asterion Industrial Partners SGEIC S.A. With effect from 24.00 on December 31, 2023 (“midnight deal”). The shares were recognized by STEAG Group GmbH as at January 1, 2024. In the prior year, receivables from and liabilities to KSBG KG were recognized in the balance sheet items relating to affiliated companies; as at December 31, 2023, they were recognized in the items relating to other companies. As of December 31, 2023, receivables from and liabilities to the new owner, STEAG Group GmbH, are recognized in the balance sheet items relating to the future owner.

Total assets of STEAG GmbH increased by € 1,075.2 million to € 4,267.3 million. Non-current assets declined by a total of € 25.1 million to € 1,042.1 million. In the reporting period, no impairment losses were recognized on intangible assets or property, plant and equipment (prior year: impairment losses of € 2.9 million). The change in the value of financial assets resulted from the pro rata sale of shares in STEAG State Power Inc. In connection with the change ownership at STEAG GmbH, the previous loan to KSBG KG was assumed by the new owner, STEAG Group GmbH.

Current assets rose by a total of € 1,110.7 million to € 3,225.2 million (prior year: € 2,124.5 million). Receivables and other assets were € 1,172.1 million higher than in the previous year. Further, trade accounts receivable decreased by € 78.8 million to € 0.1 million (prior year: € 78.9 million). Receivables from affiliated companies increased by € 421.9 million to € 1,625.3 million (prior year: € 1,203.4 million) and contain receivables from financial relationships and profit and loss transfer agreements. Other assets increased by € 829.0 million year-on-year to € 1,267.9 million (prior year: € 438.9 million). They mainly contain a non-current loan of € 1,107.2 million (prior year: -) to KSBG KG, cash security for guarantees of € 153.3 million (prior year: € 181.1 million) and collateral of € 6.0 million (prior year: € 208.3 million) pledged in connection with forward transactions.

Cash and cash equivalents declined by € 71.4 million year-on-year to € 331.9 million.

There was no change in equity compared with the prior year. The equity ratio was 11.4 percent (prior year: 15.2 percent). Equity coverage of non-current assets was 46.6 percent (prior year: 45.5 percent).

Provisions dropped by € 48.4 million to € 218.5 million (prior year: € 266.7 million). As at December 31, 2023, pension provisions of € 3.5 million (prior year: € 3.2 million), tax provisions of € 5.5 million (prior year: € 6.0 million) and other provisions of € 209.5 million (prior year: € 257.5 million) were recognized. Through an assumption of joint liability, the company has indemnified STEAG Power GmbH against certain provisions. These provisions include decommissioning obligations at power plant sites, defined redundancy benefits and risks from pending contracts. The provisions of STEAG GmbH in respect of the assumption of joint liability amount to € 205.6 million (prior year: € 176.0 million).

Liabilities increased by a total of € 1,123.4 million to € 3,563.5 million (prior year: € 2,440.1 million). The change was mainly due to the increase in other liabilities, which rose by € 1,224.9 million to € 1,372.7 million (prior year: € 147.8 million). These included, in particular, the liability for profit transfer of €1,032.4 million (prior year: € 676.9 million) and the loan liability of € 320.0 million to the former owner KSBG KG as at the reporting date (prior year: € 781.6 million). In the past, the profit transfers for 2021 and 2022 were converted into loans. €224.5 million of the shareholder loan of € 544.5 million from KSBG KG was sold by KSBG KG to STEAG Group GmbH as at December 29, 2023. The transfer of the remaining € 320.0 million to STEAG Group GmbH took place in January 2024. In the prior year, the corresponding liability to KSBG KG was recognized in liabilities to affiliated companies. In addition, in the reporting period, a loan to non-banks and tax obligations were recognized in other liabilities.

The liabilities to affiliated companies declined by a net amount of € 278.8 million to € 1,887.0 million (prior year: € 2,165.8 million), mainly for the reasons outlined above in connection with KSBG KG. Alongside trade accounts payable, they mainly contain financial and cash pool liabilities of € 1,876.4 million (prior year: € 1,028.5 million).

The liabilities to banks (prior year: € 83.9 million) and advance payments received under a marketing agreement (prior year: € 29.5 million) were fully repaid in 2023.

(2.5) Non-financial performance indicators

Employees

Headcount

At the end of December 2023, the STEAG Group had 5,489 employees. Worldwide, the proportion of female employees was 12 percent and the average age of the workforce was 43. 44 percent of the workforce was employed outside Germany.

The number of employees in the Group was 588 lower than in the previous year, Most of the reduction was at STEAG Power (minus 785 employees), principally as a result of the divestment of the companies in Poland (KWK Group: minus 456 employees), on the Philippines (STEAG State Power Inc.: minus 193 employees) and in Colombia (Compania Electrica de Sochagota S.A.: minus 121 employees).

By contrast, Iqony reported an increase in headcount, especially at Photovoltaics and Technical Services, both outside Germany (Iqony SENS Iberica: plus 16 employees; Iqony SENS Italia: plus 28 employees) and in Germany (Iqony SENS: plus 38 employees; Iqony Technical Services: plus 22 employees).

Employees by division	**Dec. 31, 2023**	Dec. 31, 2022*
Iqony	2,660	2,458
STEAG Power	2,829	3,614
Holding company	-	5
STEAG Group	**5,489**	**6,077**
thereof in Germany	3,066	2,908
thereof in other countries	2,423	3,169

* The prior-year figures have been aligned to the new reporting structure to enhance comparability

Occupational health and safety and environmental protection

Preventing accidents at work and avoiding environmental and health risks are corporate goals. Safety in the STEAG Group improved further thanks to our systematic policy of occupational health and safety and the related targets and measures. A certified workplace health and safety management system supports the health and safety goals. There were no fatal accidents. The lost time injury frequency (LTIF) indicator was 2.1 accidents per 1 million working hours in December 2023, which was below the level recorded in 2019, before the Covid pandemic. The accident trend/accident frequency was therefore favorable compared with the previous years and continued to stabilize at the low average level of 2.5 LTIF between 2018 and 2022.

The end of the Covid pandemic meant there were no further operational constraints, so the crisis team set up for this purpose was disbanded in 2023.

Declaration on corporate governance with regard to gender quotas

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

The target for the percentage of women on the Supervisory Board of STEAG GmbH was set at a minimum of 10 percent by spring 2022 at the latest. This target was met in 2022 with the new elections to the Supervisory Board of STEAG GmbH. In 2022, a target of at least 15 percent female members was set for the term of office until spring 2027, with separate targets for the shareholder representatives and employee representatives (separate target fulfillment).

The target for the percentage of women on the Board of Management of STEAG GmbH was set at 0 percent as at December 31, 2023. The present situation at STEAG is dominated by the strategically important process of dividing it into the Iqony and STEAG Power divisions, the upcoming sale process and the prospective dissolution of STEAG GmbH. In view of this, changing the Board of Management is not considered to be expedient. It should also be noted that the resolution adopted on April 20, 2021 was only valid until the end of 2023 and that the altered situation would be taken into account after this date. Furthermore, the duration of the contracts with the members of the Board of Management has to be taken into consideration.

In the context of the separation of Iqony GmbH and STEAG Power GmbH, the employees of STEAG GmbH were allocated to these to companies. The targets 22.7% female managers in the first management level below the Board of Management of STEAG AG by April 6, 2027 at the latest and 12.5% female managers at the second management level will have to be adjusted to the new structure. In June 2023, supervisory boards were elected for these two companies and STEAG Power GmbH set the targets for the number of female members as at December 31, 2027 at 33.33 percent for the Board of Management of STEAG Power GmbH (1 woman, based on a three-member Board of Management) and 16.67 percent for the Supervisory Board of STEAG Power GmbH (1 woman based on a six-member Supervisory Board). The percentage of women on the Board of Management of Iqony GmbH was 25% in 2023 (= 1 woman on a four-member board). The percentage of women on the Supervisory Board of Iqony GmbH was 0 as at December 31, 2023. In the context of the realignment of the STEAG Group as a result of the sale to Asterion and the related new appointments in 2024, a significant increase in the percentage of female managers has already been achieved and this is to be increased further. The relevant resolutions will be adopted shortly.

(3) Events after the reporting period

Following the sale of STEAG to Asterion, the size of the Supervisory Board was reduced. In the future, the Supervisory Board will have six members: six representatives of the shareholder Asterion and six representatives of the workforce. At the constituent meeting on January 19, 2024, the newly formed STEAG Supervisory Board, elected Philip Wack, Managing Director of the investment company Moonlake Capital Ltd. and a member of the Industrial Advisory Board of Asterion, as Chairman. Michael Vassiliadis, Chairman of the German Mining, Chemical and Energy Industrial Union (IG BCE) and a long-term member of the STEAG Supervisory Board, was elected as his deputy.

Further, at the constituent meeting on January 19, 2024, the Supervisory Board appointed Nicole Hildebrand, partner in shareholder Asterion, and Dieter Dehlke to the Board of Management of STEAG GmbH.

In an agreement dated January 22, 2024, STEAG GmbH granted STEAG Group GmbH an upstream loan of € 320.0 million with a term of 18 months.

With retroactive effect from January 1, 2024, STEAG GmbH concluded a profit and loss transfer agreement with STEAG Group GmbH for a period of at least five years.

On February 21, 2024, STEAG and Aboitiz Power Corp. concluded a agreement on the sale of the remaining minority stage of 15.6 percent in the Philippine power plant company STEAG State Power Inc. The transaction is expected to be closed in the second quarter of 2024.

In approval notices of February 28, 2024, the Federal Network Agency approved the application by grid operator Amprion to extend the systemic relevance of the Völkilngen-Fenne and Bexbach power plants to March 31, 2031 and of the Bergkamen power plant until March 31, 2026.

At the end of March 2024, STEAG submitted a decommissioning notification for the Herne 4 hard coal-fired unit to the transmission system operator Amprion, under which this combined heat and power plant is to be taken off the grid by the end of March 2025.

On March 28, 2024, Iqony concluded and interest rate swap in the amount of € 150.0 million with two banking partners in order to fully hedge the interest rate risk on the aforementioned acquisition loan of the same amount, which will be transferred to Iqony GmbH by June 30, 2024 at the latest. This transaction fixed the interest rate for the € 150.0 million loan at 2.959 percent p.a. until the end of the loan term.

(4) Opportunity and risk report and forecast

(4.1) Risk report

Risk strategy

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

Due to its fields of activity, the STEAG Group is exposed to constantly changing political, social, demographic, legal and economic operating conditions. The resultant risks are addressed by monitoring and analyzing the entire operating environment and anticipating market developments. The findings are used to systematically develop STEAG's portfolio in accordance with the strategy for the Group.

Structure and organization of risk management

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

The structure of the risk management is decentralized. The organizational units bear prime responsibility for the early identification of risks, estimating their implications, introducing suitable preventive and control measures and for the related internal communication of opportunities and risks. Risk officers in the organizational units are responsible for coordinating the relevant risk management activities. The Corporate Controlling department coordinates and oversees the processes and systems in the STEAG Group. It is the contact for all risk officers and is responsible for information, documentation and coordination at Group level. Further responsibilities include ongoing development of the methodology used by the risk management system. Alongside organizational measures and an internal control system, risk management is supported by the Audit department as a process-unrelated controlling body.

Risk management is a central element in controlling processes at all levels of the STEAG Group. That includes strategic and operational planning, preparations for investment decisions, monthly reporting and projections, and, from a certain level, immediate reporting of risks. The organizational units conduct an extensive annual inventory of opportunities and risks. The items are analyzed for a short-term period of one year and a mid-term period of at least five years. All relevant factors are systematically identified and documented and the probability of the risks occurring and the potential damage are evaluated. All organizational units are required to provide early warning indicators for the opportunities and risks identified in the risk inventory and these are monitored. A monthly opportunity and risk report is derived from the inventory. This documents changes in the items identified and any new items in the current year.

Overall risk assessment

Based on all identified risks (divided into strategic, operational, financial and other risks), as of the present date no risks to the position of either the STEAG Group or STEAG GmbH as a going concern could be identified – either on a stand-alone basis or taking into account interdependencies between risks and measures that are planned or have already been initiated.

Strategic risks

Changes in the present regulatory framework could have a significant impact on planned investments and the earnings position of the STEAG Group. Moreover, the STEAG Group's business activities are exposed to strong and dynamic competition which causes volume and price risks. The distortion of the European energy market from the start of the Russian invasion in February 2022 weakened in 2023. As a result of the significant rise in interest rates and the escalation of the Middle East conflict since October 2023, however, the investment climate has deteriorated. As a result, there has been a significant reduction in the earnings that can be achieved in the project development business.

The withdrawal of coal-fired power plants from the market is not driven solely by the development of fuel prices (gas, coal and CO_2 allowances) and the demand-unrelated subsidization and prioritization of renewables; above all, it is due to the regulatory intervention of the German Coal-Fired Generation Termination Act (KVBG), which came into effect on August 14, 2020.

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

The STEAG Group has participated in auctions under the KVBG. In the first auction, STEAG's bid for the decommissioning of the Walsum 9 power plant was accepted and the plant was taken out of service at the end of 2020. The review of the systemic relevance of this power plant by the Federal Network Agency was negative, so the ban on coal-fired generation at the Walsum 9 power plant took effect at the start of July 2021. In the third auction, STEAG received approval to shut down the Bergkamen power plant, the Völklingen-Fenne model power plant and the Völklingen-Fenne heating plant. With effect from the end of October 2022, there was therefore a ban on the use of coal at these plants under the KVBG. The grid operator Amprion has now classified these power plants as being of systemic relevance. Capacity at the power plant in Bergkamen therefore has to be maintained ready for use until the end of March 2026 while the Bexbach and Weiher plants in the Saarland region and the model power plant and district heating plant in Völklingen have to kept ready for service until the end of March 2031.

Since the start of Russia's war in Ukraine, there has been a risk of gas shortages. The German government therefore took steps to squeeze gas-fired power plants out of the electricity market. Under the German Substitute Power Plant Availability Act (EKBG), which came into effect on July 12, 2022, and a corresponding decree, coal-fired power plants that had been mothballed and those classified as reserve capacity could temporarily participate in the electricity market. This ruling was limited to the period until March 31, 2024.

Despite the extension of the operating lifetime of the German power plants under the EKBG, a fundamental reversal of the exit from coal-fired power generation in Germany cannot be assumed. The closure of the German power plants has had an extensive impact on the STEAG Group and is expected to have further far-reaching effects. These have already been taken into account to some extent in provisions. Positive effects come from the revenues from the auctions, the reduction in operating costs for these plants and scope for alternative use or sale of the power plant sites. The main countereffects are costs for the mandatory dismantling of certain power plants and for personnel reductions, which are mitigated by government-funded adjustment benefits.

As well as extending the operating lifetime of power plants and returning power plants that had been mothballed or classified as systemically relevant to the market, there has been further state intervention as a result of the gas shortage, which could affect the future development of the STEAG Group. The caps on the price of electricity, gas and heat and the skimming off of windfall revenues, especially in the Distributed Facilities, District Heating, Waste-to-Energy, and Wind Energy businesses did not impact the earnings situation to the forecast extent in 2023. This was mainly due to the considerable reduction in electricity prices during 2023. As a result, the skimming off of windfall revenues was lower than had been anticipated in the law. This measure expired at the end of 2023 and the skimming off of revenues was terminated ahead of schedule in mid-2023. Nevertheless, such regulatory intervention and the development of fuel prices have to be considered, especially when making investment decisions.

In the countries were STEAG Power operates a foreign power plant – in Iskenderun (Turkey) – or holds a minority stake in a large power plant – in Mindanao (Philippines) – political risks are secured through investment guarantees from the Federal Republic of Germany. For the Iskenderun power plant in Turkey, there is a guarantee issued by the Federal Republic of Germany, which runs to 2025. This means that loss of STEAG GmbH's capital investment is essentially excluded. On February 21, 2024, a contractual agreement was signed on the sale of the 15.6 percent minority shareholding in the Mindanao power plant in the Philippines still held after the sale of 34.5 percent of this power plant. The transaction should be closed in the second quarter of 2024.

Operational risks

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

During the operation of central and distributed power and heating plants, the main risks to successful operation come from constantly changing market conditions. On the one hand, facilities are dependent on the development of prices on the electricity and commodity markets, which are also influenced by the global market. On the other hand, there are constantly rising statutory and technical requirements and costs relating to CO_2 emissions. The yields at the wind power installations in Germany, France and Poland are determined to a large extent by how windy it is. At the large central power plants in Germany, in particular, there is an economic risk arising from low utilization due to the shift to increasing use of renewables and gas-fired power plants. Furthermore, the German Coal-Fired Power Generation Termination Act (KVBG), which came into effect in August 2020, and regulatory changes relating to environmental and safety requirements have a significant influence on the success and ongoing operation of power and heating plants. The STEAG Group constantly monitors market changes and new and amended regulations to enable it to respond quickly and mitigate any risks. Other risks in the operation of energy generating facilities, apart from the risk of technical outages and fuel supply risks, are, in particular, societal risks such as the risk of IT hacker attacks, the risk of demonstrators gaining illegal access to technical facilities and the risk of vandalism.

Electricity, gas and cola prices, which rose sharply in 2022 following Russia’s invasion of Ukraine, dropped back significantly in 2023. In 2022, the German government passed the Substitute Power Plant Availability Act (EKBG) to enable coal-fired power plants that had been taken out of service or were being held in reserve as systemically relevant to be returned to the electricity market. STEAG is participating in market operation within the framework of the EKBG at the power plants in Bexbach, Weiher and Bergkamen until March 2024. In view of the long-standing staff shortages at the Fenne location, the district heating/model power plant units in en-Fenne were taken out of commercial service in mid-February 2024. The electricity and gas price cap adopted by the German parliament ended on December 31, 2023.

With the exception of the German legislation on phasing out coal-fired power generation, the same risks apply to the operation of the foreign power plants. In most cases, however, economic policy developments are a further risk. The main focus here is on Turkey in view of its political situation and because it is the STEAG Group's most important foreign investment. The STEAG Group continuously monitors economic policy developments in Turkey. The continued depreciation of the Turkish lira has not had any direct impact on the STEAG Group's business activities because the power plant’s functional currency is the US dollar and the US dollar is also used for trading on the commodity markets. Only the time lag between the depreciation of the lira and adjustment of the electricity price in US dollars could have an effect. In view of the sharp rise in energy prices, at the beginning of March 2022, the Turkish Energy Ministry announced a range of measures to stabilize energy prices for end-consumers. Effective April 1, 2022, the Turkish energy market regulator EMRA implemented a new regulation for the electricity market. This guaranteed essentially stable margins for the power plant in Iskenderun until the regulation expired at the end of October 2023, but also capped earnings potential. There have no longer been any specific restrictions since November 2023.

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

In connection with forward marketing, the trading units in the STEAG Group conclude trading agreements. In 2023, none of the agreements made with counterparties were contingent on the fulfillment of a tangible net worth covenant. Consequently, there was no collateral risk for STEAG. The only exceptions were partners with credit sleeve agreements because in these cases exposure is offset by a daily variation margin. The continued high electricity prices in 2023 offered STEAG high earnings potential because the rise in electricity prices brought a significant rise in the clean dark spread. At the same time, the high volatility of power prices on the EEX exchange greatly increased the margining to be provided by STEAG, which had a massive impact on the liquidity situation of the STEAG Group. In order to be able to provide the margining, in 2022 STEAG obtained a special purpose credit line of € 800 million from KfW; however, it was possible to terminate this in 2023.

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

In addition to its own investments, EPC (engineering, procurement and construction) projects undertaken for customers are exposed to business-related opportunities and risks. In particular, liquidity and earnings-related risks arise from delays, technical execution, cost patterns and mutual claims by subcontractors and customers.

The STEAG Group's business processes are supported by data processing systems. Security is ensured by high standards and regular software and hardware updates. As well as active vulnerability management and active monitoring of possible cyberattacks, this includes regular update management for software and hardware. There has been an increase in the number of attempted cyberattacks on STEAG as an operator of critical infrastructure, especially since Russia invaded Ukraine. So far, STEAG has successfully repelled such attacks. In principle, cyberattacks could adversely affect the STEAG Group's business processes.

Financial risks

To remain solvent and safeguard its financial flexibility at all times, the STEAG Group draws up a multi-year financial plan, rolling monthly liquidity plans for a period of 24 months and a rolling 13-week liquidity plan. These form the basis for long-term credit facilities and other financing measures. In 2023, following the separation of the entities, cash pooling was also divided between STEAG Power GmbH and Iqony GmbH. External financing is concentrated primarily at Iqony GmbH and special project companies. The cash pools channel funds internally to companies in the Group as needed. When Iqony GmbH joined the acquisition financing, the STEAG Power subgroup was taken out of the STEAG Group cash pool. Since then, cash pooling has been conducted separately for the Iqony and STEAG Power subgroups.

The STEAG Group has defined the minimum level of liquidity required for operational purposes to enable it to meet margining requirements. Margins are returned to the STEAG Group when the underlying hedge is realized. Margining requirements arise from hedging of trading based on forward prices and therefore determine future earnings and liquidity flows. As a result of the rise in commodity and electricity prices, which has been exacerbated by the war in Ukraine, prices were very volatile, especially in 2022. Price volatility is to be expected in the future as well, albeit to a weaker extent. The STEAG Group has therefore adjusted its marketing portfolio; wherever possible, it now gives priority to bilateral hedges with no margining requirements.

For existing and unavoidable hedges with margining requirements, STEAG GmbH was able to obtain additional liquidity through KfW by securing a credit line in April 2022, which could be used for margining. This facility expired in June 2023.

In connection with the EKBG, since November 2022 STEAG has been making a contribution to safeguarding energy supply by continuing to operate five power plants that had been designated as reserve capacity. Continued operation of these power plants led to higher financing requirements, especially to fund fuels. In parallel with the margining facility outlined above, and additional two-step financing facility was concluded with KfW for the periods to end-March 2023 and end-June 2023.

In light of the good business performance by the STEAG Group in 2023, based on the current 24-month liquidity planning, the STEAG Group expects to have adequate liquidity exceeding the defined minimum level.

The STEAG Group had various financial liabilities for financing purposes. In particular, the debt restructuring agreement concluded in 2021, which was revised in 2022, required the Group to meet specific covenants. These were met. These liabilities were extinguished at the end of the restructuring phase and completion of the sale of the STEAG Group by KSBG to Asterion Industrial Partners at year-end 2023. In the context of this acquisition, Asterion Industrial Partners concluded a financing arrangement to make additional funds available to Iqony GmbH for its operating business and investments. In return, Iqony is required to meet certain covenants in the future. Failure to comply with the newly agreed covenants is not expected during the liquidity planning period.

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

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

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

Foreign currency risks mainly relate to the procurement and pricing of fuel requirements. They are hedged using suitable financial instruments. For details of risk reporting on the use of financial instruments, please refer to the relevant section in the notes to the consolidated financial statements.

Planned dividend payments by the Group's foreign companies outside the euro zone are hedged in a structured manner against fluctuations in exchange rates.

Other risks

The STEAG Group is exposed to normal business risks arising from contractual relationships with customers and business partners, and technical risks relating to the operation of plants, especially large-scale plants. Adequate provisions are recognized for these risks where the relevant conditions are satisfied.

Risks relating to STEAG GmbH

As the parent company of the STEAG Group, STEAG GmbH, which is based in Essen (Germany), has control and profit and loss transfer agreements with most subsidiaries in Germany. It therefore manages the Group's principal risks in Germany. The risk situation for the STEAG Group outlined above therefore essentially applies to STEAG GmbH as well.

(4.2) Opportunity report

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

In 2019, the FUTURE project initiated the entire transformation process to realize this strategic objective. As part of this project, new business models have been developed and existing structures realigned.

To meet further changes in requirements, especially on the capital market, following successful implementation of the FUTURE project, the STEAG Group was divided into two separate companies through the Sunrise project. This was the precondition for the sale by KSBG KG of the STEAG Group to the Spanish infrastructure investor Asterion Industrial Partners at year-end 2023.

The coal activities and the growth business were separated from each other under the umbrella of STEAG GmbH in order to better meet the differing requirements of these two different businesses. In the coal business, the focus is still on ensuring the reliability of supply, including through commercial operation of power plants within the framework of the German Substitute Power Plant Availability Act (EKBG), and the success of the energy transition by organizing the necessary phasing out of the hard-coal power plants in Germany. The aim of the growth business is to strengthen its market position and make a contribution to decarbonization by offering smart end-to-end solutions for heat and power for industry and the public supply network. On December 1, 2022,the coal business was transferred to STEAG Power GmbH with economic and tax effect from the end of June 30, 2022. The growth business was transferred to Iqony GmbH as at the end of December 31, 2022.

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

Alongside the operation of facilities for third parties, the STEAG Group continues to operate its own power plants and other energy facilities. Through STEAG Power GmbH and its subsidiaries it is therefore possible to uphold and extend the technical and commercial expertise in the operation of commercial generating facilities and to participate in the continued opportunities for power generation on foreign markets. Moreover, through Iqony GmbH the STEAG Group is extending its portfolio of photovoltaic and wind power installations and offering services for the erection and operation of photovoltaic installations. In addition, a digital service platform is being developed to bundle services and tools, especially for performance monitoring, to ensure transparency with regard to the status and economic viability of energy facilities and the optimization of energy systems. This platform targets a broad international customer base. Market launch took place in 2023.

In this way, the STEAG Group strives to utilize market opportunities and global trends in all areas of business, both in Germany and in an international context. In addition, the aim of structuring the management and support functions more efficiently is to increase flexibility and speed up the response to market trends.

STEAG hopes that the separation of the coal business and the growth business will make the new strategic alignment more resilient. At the same time, it should make the growth business more attractive to the capital market. This was confirmed in the course of the sale of the STEAG Group.

Opportunities for STEAG GmbH

As the parent company of the STEAG Group, STEAG GmbH, which is based in Essen (Germany), has control and profit and loss transfer agreements with most subsidiaries in Germany. Therefore, STEAG GmbH has a significant role in identifying, evaluating and realizing material potential opportunities for the Group. The above presentation of the opportunities in the STEAG Group therefore also covers the main opportunities for STEAG GmbH.

(4.3) Outlook

General economic development[4]

The Russian war of aggression against Ukraine and the Middle East conflict are clouding the outlook for the global economy and creating great political uncertainty. According to the German Bundesbank's current monthly report, economic growth in the European Union will rebound. For Germany, the prediction is for slight growth in economic output in 2024 following a downward trend in 2023.

Throughout 2023, the German economy was dominated by economic stagnation, accompanied by high, albeit declining, inflation rates. The main reasons for this development, which was weaker than had been anticipated at the start of the year, were the impact of the massive loss of purchasing power in the wake of the energy price crisis, which weakened consumer spending. This was exacerbated by considerably lower growth momentum in the global economy and the downside effect of geopolitical tensions.

The Bundesbank expects German GDP to grow by 0.4 percent in 2024, followed by growth of 1.2 percent in 2025 and 1.3 percent in 2026. For the euro area, the ECB projects growth of 1.0 percent in 2024 and 1.5 percent in 2025. Its forecast for inflation rates in Germany are 2.7 percent in 2024 and 2.2 percent in 2025, while for the euro zone it is forecasting inflation rates of 2.7 percent in 2024 and 2.1 percent in 2025.

Development of the energy sector

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

4 Cf. the December 2023 monthly report of the German Bundesbank ("Falling inflation, but not yet time to sound the all-clear – outlook for the German economy up to 2026") and the European Central Bank's macroeconomic projection dated 2023.

The transformation of the energy industry resulting from the socially and politically driven energy transition in Germany is continuing under the coalition government of the SPD, BÜNDNIS 90/DIE GRÜNEN and the FDP. The coalition agreement contains a clear acceptance of the 1.5 °C target and an exit from fossil fuels. “Ideally”,[5] coal-fired power generation should be halted by 2030. At the same time, the government remains committed to phasing out nuclear power[6] and promises to speed up the expansion of renewables and the necessary networks. Solar power is given great significance. For example, solar power is mandatory for new buildings in several federal states. Expansion of wind energy is also to be accelerated.

There are indications that electricity demand will outstrip supply in the coming years. The plan is to expand renewables and the network infrastructure to plug this gap. Moreover, the Power Station Strategy presented by the Federal Ministry for Economic Affairs and Climate Action on February 5, 2024 is intended to address this. To this end, support is to be provided in the short term for hydrogen power plants and combined gas and hydrogen power plants. Moreover, a so-called heat transition will drive forward the shift from the present fossil fuel-based supply of heat to buildings and industry to climate-neutral heat supply. Moreover, the KVBG legislation, which came into force in 2020, will continue to have a strong impact on the development of the energy sector in the coming years.

Following the Russian invasion of Ukraine in February 2022, Germany introduced state measures to reduce dependence on the supply of energy from Russia. These include the adoption of the EKBG, which allowed coal-fired power plants which had been taken out of service or defined as systemically relevant reserve capacity to be returned to commercial operation temporarily in the period from November 2022 to March 2024, as well as the continued operation of the remaining German nuclear power plants for a limited period in the first quarter of 2023. At the same time, there has been a massive acceleration in the creation of infrastructure for the sourcing of liquid gas, and the expansion of renewables is also being driven forward. Therefore, it cannot be assumed that the present developments will result in a reversal of the decision to end coal-fired power generation and to exit nuclear power generation in Germany.

Internationally, the impact of the Paris Climate Agreement on the expansion and restructuring of the global energy system needs to be monitored. This will depend on the extent to which the agreement is translated into national energy policy, especially in the G20 states, and on the extent to which the promises made about financing and technology transfer – especially for the energy-hungry developing countries and emerging markets – are kept. At the UN Climate Conference in Glasgow in 2021 the participating countries gave a far greater commitment to the goal of limiting global warming to a maximum of 1.5 °C compared with the pre-industrial era. The Glasgow Climate Pact calls on them to revise their climate targets by 2030. For the first time, the 197 parties at the climate conference signed a document setting out specific action to protect the climate. The community of nations aims to achieve a considerable reduction in the use of coal. These targets were confirmed at the World Climate Change Conference in Sharm el-Sheikh (Egypt) in November 2022. The subsequent World Climate Change Conference in Dubai in 2023 appealed for a shift away from fossil fuels. No further agreements, for example, on a binding phase-out of fossil fuels, were made.

On April 29, 2021, the Federal Constitutional Court ruled that parts of the German government’s Climate Protection Act were unconstitutional, making it necessary to revise this legislation, which was adopted in 2019 as the measures to reduce emissions from 2031 were declared inadequate. With the

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[5] See the coalition agreement between the SPD, Bündnis 90/ DIE GRÜNEN and FDP: “Mehr Fortschritt wagen, Bündnis für Freiheit, Gerechtigkeit und Nachhaltigkeit” (*Dare more progress - an alliance for freedom, justice and sustainability*), p. 58.
[6] Ibid. p. 55.

amendment of the legislation, the German government has tightened its climate protection requirements and set out the goal of achieving greenhouse gas neutrality by 2045. By 2030, emissions should be cut by 65 percent compared with 1990. The amended law came into effect on August 31, 2021. On November 15, 2023, the Federal Constitutional Court ruled that using funds that had been earmarked to combat the Covid crisis for climate protection projects was against the constitution. In view of this, state funding of the energy transition has not been finally clarified.

Strategic and operational challenges

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

In view of the massive and continuing changes in market conditions, at the end of 2019 the STEAG Group introduced a far-reaching transformation process through the FUTURE project and, in 2022, it initiated the Sunrise project to divide the STEAG Group into two separate companies. This organizational and strategic realignment was a precondition for the successful sale of the STEAG Group by KSBG to the Spanish infrastructure investor Asterion, which was closed at year-end 2023.

Alongside the phasing-out of coal in Germany, the Sunrise project implemented a new corporate structure to speed up the transformation of the STEAG Group and secure its competitiveness. While Iqony GmbH is a “green business” that is being transformed into an integrated service provider for end-to-end energy solutions, including the planning and operation of energy facilities and the marketing of energy products, with a focus on industrial customers, renewables and distributed energy solutions, STEAG Power, which is considered a “black business”, concentrates on the coal-based activities in Germany and abroad. To provide optimal support for the new business processes, the administrative and support functions were also aligned to the new requirements. At the same time, the Group organized the continued operation of its hard-coal power plants under the EKBG legislation in order to make a significant contribution to securing supply in Germany until 2024.

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

Operating performance

In the past fiscal year, sales amounted to € 3.9 billion. That was below the budgeted level (€ 5.4 billion). In 2023, wholesale electricity prices were well below the record level of 2022, which dampened sales. In 2022, the Trading units had concluded hedges against falling electricity prices. The results of these hedging transactions are reflected in other operating income and expense and therefore did not affect sales. The hedging transactions and the reduction in the price of commodities as well as electricity in 2023 cushioned earnings from the impact of lower electricity prices. The STEAG Group’s EBIT was € 1,356.1 million, which was above the budged level of € 1.3 billion.

Sales of € 3,039.4 billion are forecast for fiscal 2024. However, realization of this sales budget depends on the future development of electricity prices. EBIT of € 290.3 million and EBITDA of € 485.5 million are budgeted.

Capital expenditure of up to € 185.5 million is planned for 2024. Growth investments are focused on district heating, distributed facilities and photovoltaics. Heat storage facilities are to be built for district heating in the Ruhr region to increase flexibility. In addition, selective investment in maintenance will be undertaken at various sites, taking into account the Coal-Fired Power Generation Termination Act (KVBG) and the Substitute Power Plant Availability Act (EKBG), in order to safeguard and increase the already high availability and efficiency of plants at all (power plant) sites.

General information on expected developments

As a result of Russia's war of aggression in Ukraine and the escalation of the Middle East conflict, STEAG GmbH is affected by market-induced factors, especially in respect of the supply of raw materials, the investment climate and market volatility. Based on the present assessment, for the STEAG Group the risk is still not the supply of coal but rather the development of the price of coal on the world market. Moreover, there could be bottlenecks in domestic logistics, in other words, the transportation of coal from ocean ports to power plants. This risk to the STEAG Group has been greatly reduced by concluding long-term master agreements and by the legally enshrined prioritization of trains with coal freight on the network of German rail operator Deutsche Bahn AG until the end of operation of plants under the EKBG at the end of March 2024. For 2024, most of the gas required for the combined gas and steam power plant in Herne has been secured via the futures market. STEAG's business activities could be affected by the fallout from further sanctions or restrictions on the commodity markets, but this cannot be quantified at present. The developments on the commodity markets are being monitored so that further countermeasures can be taken in good time. In addition, the availability of other supplies such as hydrochloric acid could affect the availability of individual plants. In this context, the STEAG Group’s Procurement function maintains constant contact with suppliers to ensure timely mitigation of supply bottlenecks.

To limit future earnings and liquidity volatility, for some power plant output alternative hedging transactions have been concluded with trading partners that do not impose any margining requirements on the STEAG Group.

The STEAG Group assumes that the opportunities arising from its new strategic focus and, in particular, the planned investment in growth areas and the new market image of the growth areas as Iqony GmbH will help position the STEAG Group successfully in the altered energy market in the future. In addition, the sale of the STEAG Group by KSBG to the Spanish infrastructure investor Asterion Industrial Partners, which was completed at year-end 2023, could have implications for the development of the STEAG Group. Asterion Industrial Partners has made clear its position on the growth initiatives in the areas of renewables and distributed solutions. At the same time, it stresses the importance of reliability of supply, where STEAG can make a contribution with its conventional plants. In parallel with this, the risks associated with the Group’s business environment and activities are systematically identified, managed and monitored through its risk strategy.

Expected development of STEAG GmbH

Given the developments on the energy and commodity markets, in particular, as well as the hedging transactions concluded by Trading back in 2022, STEAG GmbH posted clearly positive earnings after tax in the reporting period.

Following the transfer of the business operations to Iqony GmbH and STEAG Power GmbH, STEAG GmbH no longer has any operating business. Future earnings will therefore come principally from profit transfers and dividends from subsidiaries. Considerably lower positive earnings are expected in 2024. In view of the profit and loss transfer agreement, the earnings will be transferred to the sole shareholder, STEAG Group GmbH.

Essen, March 28, 2024
STEAG GmbH
Board of Management

Dr. Reichel	Dehlke	Hildebrand	Dr. Schiele

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