



# **GASAG-GROUP ANNUAL REPORT 2019**

**NEU DENKEN.  
MIT VOLLER ENERGIE.**

**GASAG**

# KPIs

# OF THE GASAG GROUP

## In Accordance with IFRSs for the fiscal years 2017 – 2019

	UNIT	2019	2018	2017
<b>Revenue</b>	<b>EUR m</b>	<b>1,252</b>	<b>1,197</b>	<b>1,105</b>
thereof gas	EUR m	772	781	731
thereof electricity	EUR m	248	187	147
<b>Gas sales</b>	<b>GWh</b>	<b>25,206</b>	<b>25,469</b>	<b>22,685</b>
<b>Electricity sales</b>	<b>kWh m</b>	<b>1,643</b>	<b>1,304</b>	<b>1,036</b>
<b>Cost of materials</b>	<b>EUR m</b>	<b>908</b>	<b>833</b>	<b>723</b>
<b>Technical figures for gas</b>				
Length of pipe system <sup>1</sup>	km	14,152	14,040	13,995
House connection pipes	units	350,128	344,545	340,262
Installed gas meters	units	778,517	782,239	784,997
<b>Personnel</b>				
Employees as of Dec. 31	no.	1,708	1,820	1,632
<b>EBIT</b>	<b>EUR m</b>	<b>64</b>	<b>73</b>	<b>155</b>
<b>Adjusted EBIT<sup>2</sup></b>	<b>EUR m</b>	<b>112</b>	<b>105</b>	<b>102</b>
<b>EBITDA</b>	<b>EUR m</b>	<b>156</b>	<b>152</b>	<b>236</b>
<b>Adjusted EBITDA<sup>2</sup></b>	<b>EUR m</b>	<b>204</b>	<b>184</b>	<b>177</b>
<b>ROCE<sup>2,3</sup></b>	<b>%</b>	<b>7.9</b>	<b>7.7</b>	<b>7.4</b>
<b>Profit or loss for the period</b>	<b>EUR m</b>	<b>32</b>	<b>38</b>	<b>35</b>
<b>Net financial position<sup>4</sup></b>	<b>EUR m</b>	<b>-617</b>	<b>-437</b>	<b>-455</b>
<b>Balance sheet total</b>	<b>EUR m</b>	<b>2,112</b>	<b>2,012</b>	<b>2,010</b>
Non-current assets	EUR m	1,882	1,775	1,761
Equity	EUR m	674	841	792
Equity ratio	%	32	42	39
<b>Earnings per share</b>	<b>EUR</b>	<b>3.69</b>	<b>3.72</b>	<b>3.27</b>
<b>Assets</b>				
Investments	EUR m	125	116	105
Amortization and depreciation	EUR m	92	79	81
<b>Funds From Operations<sup>5</sup></b>	<b>EUR m</b>	<b>108</b>	<b>116</b>	<b>130</b>

<sup>1</sup> the supply network comprises medium and low-pressure lines

<sup>2</sup> internal performance indicator. Adjusted one-off effects and without discontinued operations

<sup>3</sup> ROCE (Return on capital employed) acc. to retroactive uniform definition

<sup>4</sup> without derivatives

<sup>5</sup> FFO = Profit for the period +/- corrective of non-cash expenses / income

# CONTENT

<b>GROUP MANAGEMENT REPORT OF GASAG AG</b>	<b>4</b>
1 Background of the Group	6
2 Economic Report	8
3 Assets, Liabilities, Financial Position And Financial Performance	12
4 Opportunities And Risks	18
5 Forecast	21
<b>FINANCIAL STATEMENTS OF THE GASAG GROUP</b>	<b>24</b>
Balance Sheet of the GASAG Group	26
Statement of Comprehensive Income for the GASAG Group	28
Statement of the Changes in Equity of the GASAG Group	30
Statement of Cash Flows for the GASAG Group	32
<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF GASAG</b>	<b>34</b>
1 Presentation of the Consolidated Financial Statements of GASAG	34
2 Application of International Financial Reporting Standards (IFRSs)	34
3 Consolidated Group	37
4 Basis of Consolidation	39
5 Accounting Policies	40
6 Notes to the statement of Comprehensive Income	52
7 Notes to the Balance Sheet	58
8 Other Notes	82
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>98</b>
<b>IMPRINT</b>	<b>102</b>

# GROUP MANAGEMENT REPORT OF GASAG AG

<b>1</b>	<b>BACKGROUND OF THE GROUP</b>	<b>6</b>
1.1	Business Model	6
1.2	Strategies, Targets and Measures	6
<b>2</b>	<b>ECONOMIC REPORT</b>	<b>8</b>
2.1	Macroeconomic and Industry-Specific Conditions	8
2.2	Business Development	9
2.3	Ownership Structure	10
2.4	Legal Issues	11
2.5	Corporate Governance Statement	11

<b>3</b>	<b>ASSETS, LIABILITIES, FINANCIAL POSITION AND FINANCIAL PERFORMANCE</b>	<b>12</b>
3.1	Financial Performance	12
3.2	Financial Position	13
3.3	Assets and Liabilities	15
3.4	Financial Performance Indicators	16
3.5	Non-Financial Performance Indicators	17
<b>4</b>	<b>OPPORTUNITIES AND RISKS</b>	<b>18</b>
<b>5</b>	<b>FORECAST</b>	<b>21</b>
5.1	Measures to Implement the Strategy	21
5.2	Personnel	21
5.3	Investments	21
5.4	Business Development	22
5.5	Restructuring expenses	22
5.6	Development of Revenue and Earnings	22

# GROUP MANAGEMENT REPORT

of GASAG AG, Berlin  
for Fiscal Year 2019

## 1 BACKGROUND OF THE GROUP

### 1.1 BUSINESS MODEL

GASAG AG, Berlin (GASAG) steers the GASAG Group.

The business activities of the GASAG Group involve the transportation, storage, distribution and sale of natural gas, heat, electricity and water, the production of biogas and electricity from renewable sources, the operation of facilities for distributed energy supply and the provision of energy services. Other areas of activity are meter-reading services and consumption-billing, meter management, and the set-up, repair and overhaul of energy installations.

Our customers include private households, trade and industry, companies in the housing sector, hospitals and municipal entities, redistributors and users of gas transport services. Our business activities focus on the Berlin-Brandenburg metropolitan region.

Our actions in general and our business activities in particular are significantly affected by external factors, which have an effect on our results of operations. These factors primarily consist of the success in sales and regulatory requirements, the framework for awarding concessions and their usage, as well as the legal requirements in connection with the new energy policy. Weather conditions are also another key factor affecting the financial position and results of operations.

### 1.2 STRATEGIES, TARGETS AND MEASURES

#### **Structural changes in the course of the transformation program**

Increasing customer requirements, more intense competition and growing regulatory requirements call for a proactive design and further development of the GASAG Group's strategy.

The transformation program "GASAG 2025", in which work has and is being done on the structures, processes, control and management model, and the corporate and management culture, has successfully been continued in the year 2019 and within the scope of this program many initiatives have been implemented in all areas of the company.

On August 1, 2019 the GASAG Group and especially the following subsidiary companies have introduced a new control and management model in order to achieve a uniform management and control of the business units and business functions of the group:

- NBB Netzgesellschaft Berlin-Brandenburg mbH & Co. KG, Berlin (NBB),
- EMB Energie Mark Brandenburg GmbH, Potsdam (EMB),
- BAS Kundenservice GmbH & Co. KG, Berlin (BAS),
- GASAG Solution Plus GmbH, Berlin (GASAG Solution Plus) and
- SpreeGas Gesellschaft für Gasversorgung und Energiedienstleistung mbH, Cottbus (SpreeGas).

The previous business segments distribution, networks, energy services and energy production have been transformed into the following new business units:

- Networks,
- Distribution customer and major customers (PuG),
- Distribution corporate clients / energy services (GK / EDL),
- Renewable energies (EE), and
- Several functional areas.

The business unit networks encompasses the activities of the companies NBB, Netzgesellschaft Forst (Lausitz) mbH & Co. KG, Forst (Lausitz), KKI-Kompetenzzentrum Kritische Infrastrukturen GmbH, Berlin, and infrest-infrastruktur eStrasse GmbH, Berlin. The functional control model is not implemented in the companies Stadtwerke Forst GmbH, Forst (Lausitz), and Berliner Erdgas-speicher GmbH, Berlin.

Central goal of the realignment is to strengthen the competitiveness, and thus, the profitability of the group. The new realignment also should lead to a change in work organisation and establish the culture of a medium-sized company. This is particularly shown by the move to the new locations "GASAG-Energiequartier" and "NBB-Netzquartier" on the EUREF campus in Berlin-Schoeneberg at the end of 2020 or mid 2021, respectively.

## 2 ECONOMIC REPORT

### 2.1 MACROECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

The German economy remained on a growth course in 2019 for the tenth year in a row. The German government expects the price-adjusted gross domestic product to grow by 0.5 % in 2019 and by 1.0 % in 2020. Also, the labour market and wages continue to develop positively.

In 2019, energy consumption in Germany was lower than in the previous year. According to the Working Group on Energy Balance Sheets [Arbeitsgemeinschaft Energiebilanzen e.V. (AGEB), Berlin], energy consumption in Germany has fallen by just under 2 %. The decline in consumption is mainly due to further improvements in energy efficiency, substitutions in the energy mix, and a cyclical decline in energy consumption by industry.

Natural gas consumption in Germany rose by 3.6 % year-on-year. The main reason for the increase was, in addition to higher heating requirements in the cool spring, the increased use of natural gas in power plants.

According to BDEW estimates of December 2019, electricity consumption in 2019 amounted to 540 billion kWh, a drop of 1.8 % compared to the previous year. The main reason for this development was the economic slowdown in the first half of 2019.

#### European Green Deal

At the end of 2019, the European Commission presented its first proposals for the so-called European Green Deal, which aims to make the EU climate-neutral by 2050. To achieve this goal, a climate protection law and the derivation of measures in all sectors of the economy are planned. In this context, the extension of the European emissions trading system to the transport and building sectors is also considered likely, which could lead to a new dynamic in the German energy system transformation.

#### Climate Protection Program 2030 [“Klimaschutzprogramm 2030“]

In October 2019, the German parliament adopted the Climate Protection Program 2030 [“Klimaschutzprogramm 2030“] and the draft Climate Protection Act [“Klimaschutzgesetz“]. The goal is to reduce CO<sub>2</sub> emissions in Germany by 55 % by 2030 compared to 1990. In order to achieve this goal, targets for sector-specific emissions were defined. In addition, a CO<sub>2</sub> price will be introduced for the first time from 2021 in the heating and transport sectors.

Particularly important for the gas industry is the announcement to develop a hydrogen strategy, also formulated in the Climate Protection Program 2030. By this, the German government intends to develop an expansion plan for this energy source, which is becoming increasingly important in the context of climate protection, including information on investments in research and development and a market incentive program.

#### Climate Protection Agreement [“Klimaschutzvereinbarung“] with the State of Berlin

In 2019, the use of natural gas, renewable energy sources, and efficiency technologies contributed to climate protection and air pollution control in Berlin and Brandenburg. As part of GASAG's 4th climate protection agreement, which supports the energy and climate policy of the Berlin Senate, CO<sub>2</sub> savings were achieved once again, putting GASAG on a good path towards achieving its target of reducing CO<sub>2</sub> emissions by two million tons by 2020.



## EU General Data Protection Regulation (GDPR) [EU-Datenschutz-Grundverordnung (DSGVO)]

The new GDPR came into force in May 2018, which regulates the use and processing of personal data. The protection of this data is very important to us. The requirements of the General Data Protection Regulation were taken up and implemented in a Group-wide project based on the existing data protection organisation.

## Federal Court ["BGH"] ruling on network yields

On July 9, 2019, the German Federal Court ["BGH"] confirmed the reduction in the equity interest rates for operators of electricity and gas networks implemented by the Federal Network Agency ["Bundesnetzagentur"]. For the third regulation period (from 2018 to 2022 for gas and from 2019 to 2023 for electricity) the Federal Network Agency had set the interest rate at 6.91 % for new installations and 5.12 % for old installations. Numerous network operators had lodged an appeal against this and were initially ruled right by the Duesseldorf Higher Regional Court. However, the German Federal Court overturned this decision with its ruling.

## 2.2 BUSINESS DEVELOPMENT

At 25,205.8 million kWh, the Group's **gas sales** to end customers and redistributors were 1.0 % lower than in the previous year and are mainly attributable to the 1.5 % decrease in the volume of business with redistributors. Gas sales to end customers also decreased, falling by 0.8 % due to higher temperatures and thus lower calorific values. At 11.8°C, the annual mean temperature for Berlin in 2018 was 0.7°C higher than in the previous year (11.1°C). As a result, the heating degree values decreased by 0.9 % year-on-year and by 7.0 % compared with the standard year. As in the previous year, the annual mean temperature and heating degree values for Brandenburg were at a comparable level as for Berlin.

In fiscal year 2019, **electricity sales** increased considerably from 1,303.7 million kWh in the prior year to 1.642,7 million kWh. The increase is mainly due to end customer acquisitions wins.

The transport volumes in the **gas network** remained at nearly the same level as previous year's 43,242.1 million kWh in 2019 (in 2018: 43,173.3 million kWh, +0.2 %). The 506.0 million kWh year-on-year increase in transport volumes for two natural gas-fired, thermal power stations in Berlin was offset by temperature-related decreases in SLP volumes (-302.0 million kWh).

The transport volumes in Forst's **electricity network** decreased by 3.6 % year-on-year to 53.9 million kWh.

The GASAG Group's **heating sales** slightly rose in 2019 by 4.8 million kWh to 436.9 million kWh.

The volumes of **electricity produced** in the Group from **contracting facilities** were slightly above the level of the prior year at 60.7 million kWh (prior year: 57.8 million kWh).

The feed-in volume of **biomethane** was below the prior-year level at 122.7 million kWh (prior year: 119.7 million kWh). In addition, the bio natural gas companies produced 16.9 million kWh (prior year: 17.0 million kWh) of electricity.

Total output of the three **wind turbines** is 7.5mW. Annual electricity production amounted to 19.7 million kWh (prior year: 14.0 million kWh). The increase is primarily due to plant shutdowns by the distribution network operator in the previous year as part of network management.

The **photovoltaic plants** in Berlin and Brandenburg operated by the GASAG group with an installed capacity of 41.7mWp (prior year: 28.5mWp) produced 41.2 million kWh (prior year: 30.9 million kWh) of electricity.

#### **Closure of the gas storage facilities in Berlin**

The final operating plan of Berliner Erdgasspeicher GmbH and the resulting expected decommissioning permit from the responsible mining authority is anticipated in the second quarter of the 2020 financial year. The aftercare and decommissioning activities are proceeding according to plan. As part of the final operating plan procedure, activities relating to the subsequent use of the storage facility are being pursued in addition to the decommissioning. Berliner Erdgasspeicher GmbH is currently investigating two directions, consisting on the one hand of a CO<sub>2</sub>-neutral intelligent neighbourhood concept with geothermal heat supply and storage and on the other hand of underground methanisation in the aquifer storage facility. For both projects, project outlines were developed in 2019 in a project network with external research units and subsidies were granted within the framework of the 7th Energy Research Program.

### **2.3 OWNERSHIP STRUCTURE**

#### **Retroactive merger of BEGA.tec with NBB**

In 2018, BEGA.tec GmbH (hereinafter BEGA.tec) and its subsidiaries were acquired. In 2019 the retroactive merger of BEGA.tec Verwaltungs GmbH, Berlin, and of SOKO Solartechnik & Korrosionsschutz GmbH, Berlin, with BEGA.tec. was made as of January 1, 2019. The assets of Condotta Vermögensverwaltungsgesellschaft mbH & Co. KG, Berlin, were transferred to BEGA.tec in the course of an accretion. As a final step, the retroactive merger of BEGA.tec with NBB was completed.

#### **Acquisition of EMB shares from minority shareholders**

As of October 1, 2019, GASAG has acquired a 25.1 percent stake in EMB Energie Mark Brandenburg GmbH, Potsdam, that was previously held by VNG-Erdgascommerz GmbH, Leipzig. Thus, GASAG holds 98.40987 % of the shares in EMB. GASAG and EMB have thereupon concluded a control and profit-and-loss transfer agreement at the end of 2019, which was entered in the commercial register before year end and thus became effective in the 2019 financial year.

#### **Transfer of operations**

For the above-mentioned reasons of harmonisation the operations of the GASAG Solution Plus metrology department were transferred to NBB and, as of Oktober 1, 2019, the operations of BAS's network business unit were transferred to NBB.

#### **Transfer direct sales DSE**

As part of the harmonisation of corporate structures, as of August 1, 2019, direct and household connection sales of DSE Direkt-Service Energie GmbH (DSE) were transferred to GASAG and integrated into the consumer and commercial customers (PuG) business unit. Under company law, DSE still exists.

## 2.4 LEGAL ISSUES

### Concession Award Process in Berlin

In the lawsuit concerning the award of a new gas network concession, the Regional Court of Berlin delivered its judgement on April 4, 2019. The Court of Appeal confirmed the first-instance ruling of the Berlin Regional Court of December 9, 2014, that the State of Berlin was not permitted to enter into a gas concession agreement with the State's own company Berlin Energie or a company resulting from the conversion of the State's own company Berlin Energie. Also, the Court of Appeal dismissed the application by GASAG / NBB to award the concession by accepting one of the two offers by GASAG / NBB. After the Court of Appeal did not allow the appeal, GASAG / NBB filed a complaint of non-admission with the Federal Court of Justice, on which no decision has been made so far. In December 2019, the interim agreement was extended until December 31, 2020, and the binding period of the concession offers was also extended.

According to letters dated January 22, 2020, the Senate Department of Finance informed GASAG and NBB that the concessions award procedure would be returned to the status prior to the dispatch of the second procedural letter against the background of the judgment of the Court of Appeal of April 4, 2019. Furthermore, GASAG and NBB were informed, that a second modified procedural letter including a list of criteria will be sent.

### Settlement with the State of Berlin

By order of the Court of Appeal in Berlin of March 20, 2019, and the resulting settlement, the legal dispute between the State of Berlin and GASAG was settled. As of beginning of the 2020 fiscal year, GASAG has to pay the maximum permissible concession fee.

## 2.5 CORPORATE GOVERNANCE STATEMENT

Within the scope of the Act on the Equal Participation of Women and Men in Management Positions in the Private and Public Sector, the supervisory board of GASAG set targets for both the supervisory board and the management board in June 2015. The management board of GASAG also defined targets for the two management levels below the management board (divisional management and departmental management).

TARGETS IN %	30.06.2017	30.06.2022
Supervisory board	> 14	> 30
Management board	> 30	> 30
First level of management below the management board	> 10	> 30
Second level of management below the management board	> 20	> 30

As of 31 December 2019, the proportion of women on the Supervisory Board remains at 9.5 %.

Since 2018, the Executive Board has had three male members. Thus, the quota has not been reached.

At the first management level of GASAG, the goal has been reached with a 33 % share of women. At the second management level, the share of women is at 23 %. Hence, the set quota has been reached here as well.

## 3 ASSETS, LIABILITIES, FINANCIAL POSITION AND FINANCIAL PERFORMANCE

### 3.1 FINANCIAL PERFORMANCE

The earnings situation presented in section 3.1.1 relates exclusively to continuing operations. Discontinued operations relate to the facilities of the natural gas storage facility that are in post-closure and decommissioning operations.

Restructuring expenses in connection with the transformation program "GASAG 2025" mainly comprise expenses for personnel instruments, expenses for consulting and IT costs and are described in the following chapter under personnel expenses and other operating expenses.

#### 3.1.1 RESULTS FROM CONTINUING OPERATIONS

**Revenue** rose by € 54.5m year on year to € 1,251.6m (prior year: € 1,197.1m). Of this, € 1,061.8m or 84.8 % (prior year: € 1,005.3m or 84.0 %) relates to natural gas, electricity and heat supply. The increase in revenue from natural gas supplies to end customers is largely attributable to higher gas sales volumes. The increase in revenue from electricity supplies reflects the increase in business scope.

**Other operating income** including the **change in inventories** of € 63.0m (prior year: € 44.4m) grew by € 18.6m (up 41.9 %). This is mainly due to reversals of provisions and write-offs for deferred liabilities.

**Cost of materials** rose by € 75.3m to € 908.0m compared with the prior year (up 9.0 %). The increase in expenses from gas procurement is largely due to the higher expenses from electricity procurement and from electricity network access charges owing to the increased scope of business. The cost of materials as a percentage of revenue (margin) rose to 72.5 % (prior year: 69.6 %). The increase in this ratio is essentially due to the higher specific procurement cost in the growing electricity business compared to the gas business.

**Personnel expenses** decreased by –€ 9.2m to € 124.6m compared with the prior year (down 6.9 %). The decrease is mainly attributable to the restructuring expenses for partial retirement programs within the transformation program "GASAG 2025" in the amount of € 16.2 million included in the previous year. The average number of employees (excluding employees in the release phase of phased retirement) therefore dropped to 1,726 compared with 1,787 in the prior year.

**Amortization and depreciation** increased by € 12.7m from € 79.2m to € 91.9m (up 16.0 %). The increase is mainly due to depreciation of the new balance sheet item rights of use as part of the first-time application of IFRS 16.

**Other operating expenses** rose by € 3.2m year on year to € 126.1m (prior year: € 122.9m). This represents an increase of 2.6 % which is mainly attributable to consulting services in connection with the transformation program "GASAG 2025" amounting to € 6.8m (prior year: € 1.5m).

**Profit from operations (EBIT)** amounts to € 64.0m (prior year: € 72.8m). The change is mainly due to temperature-related influences of € 25.3m (prior year: € 13.9m), effects from the valuation of

derivative financial instruments of € 3.7m (prior year: € 0.9m), and lower provisions for litigation of € 2.5m (prior year: € 6.5m). The one-off effects included in EBIT in connection with restructuring expenses from the transformation program "GASAG 2025" amount to € 19.3m (prior year: € 22.8m) and relate to personnel measures, consulting expenses, and IT adjustments.

**Finance costs** decreased by –€ 0.7m to € 19.0m (prior year: € 19.7m).

The **other financial result** fell by –€ 1.3m (prior year: € 2.6m) to € 1.3m.

The **investment result** fell to –€ 1.9m in the financial year (prior year: € 2.5m).

**Income taxes** decreased by –€ 3.5m year-on-year to € 16.2m (prior year: € 19.7m).

The profit from **continuing operations** amounted to € 31.9m in fiscal year 2019, compared with € 38.5m in the prior year.

Including the result from discontinued operations, net income for 2019 thus amounts to € 32.3m (prior year: € 38.1m)

### 3.1.2 EARNINGS FROM DISCONTINUED OPERATIONS

Based on the application of IFRS 5, the result from **discontinued operations** as of December 31, 2019, amounted to € 0.4m (previous year: –€ 0.3m). Please refer to section 6, note "(10) Profit or Loss From Discontinued Operations " in the notes to the consolidated financial statements.

## 3.2 FINANCIAL POSITION

### 3.2.1 CAPITAL STRUCTURE

The financial requirements of the GASAG Group are covered by cash flows from operating activities, and by short and long-term bank loans as well as borrower's note loans and lease agreements. The nature and scope of financing are based on the Group's planned investments and operations.

The credit and guarantee lines of our Group are provided by a total of ten banks, some of which have no fixed terms. Written credit and guarantee lines were available in the amount of € 189.6m as of the balance sheet date. At the end of the fiscal year, utilisation was mainly through guarantees and amounted to € 46.8m.

The Group's financing included in current and non-current financial liabilities is diversified among 49 banks and other financial partners.

It was also agreed in the network financing to convert the financing into a long-term final loan if the concession is awarded to GASAG or a GASAG subsidiary. The long-term financing of the Berlin gas network is thus secured.

In the fiscal year, long-term financing was raised for the acquisition of shares in EMB and for network investments.

### 3.2.2 LIQUIDITY

The entities of the GASAG Group use rolling 12-month liquidity plans to determine their liquidity requirements. A uniform group-wide system is used for liquidity planning that supports the liquidity management system and ensures the development of liquidity in the Group is monitored. The entities of the GASAG Group were in a position to meet their financial obligations at all times during the fiscal year.

### 3.2.3 STATEMENT OF CASH FLOWS

IN € M	2019	2018
Profit before income taxes from continuing operations	48,1	58,2
Profit or loss before income taxes from discontinued operations	0,6	-0,5
Income taxes paid	-6,8	-28,2
Change in working capital	-30,6	36,1
<b>Change in other items</b>	<b>65,8</b>	<b>86,5</b>
Cash flows from operating activities	77,1	152,1
Cash flows from investing activities	-213,9	-108,9
Cash flows from financing activities	124,7	-81,7
<b>Cash and cash equivalents at the end of the period</b>	<b>7,0</b>	<b>19,0</b>

At € 77.1m, the GASAG Group's **cash flows from operating activities** are below the prior-year level (prior year: € 152.1m).

The change in working capital of -€ 30.6m (previous year: € 36.1m) results primarily from the increase in receivables amounting to -€ 23.8m (previous year: increase in liabilities of € 37.9m).

**Cash flows from investing activities** of -€ 213.9m (prior year: -€ 108.9m) chiefly comprise cash paid for replacement and expansion investments in gas distribution facilities and financial investments.

**Cash flows from financing activities** of € 124.7m (prior year: -€ 81.7m) mainly include cash outflows of -€ 35.4m (prior year: outflow of -€ 19.1m) for dividend payments, outflows of -€ 65.3m (prior year: -€ 63.5m) for loan repayments, and proceeds from borrowings in the amount of € 235.3m (previous year: € 1.9m).

The **cash and cash equivalents** comprise bank balances, cash on hand and short-term deposits.

### 3.2.4 NET FINANCIAL POSITION

The net financial position comprises cash and cash equivalents less financial liabilities.

IN € M	2019	2018
Cash and cash equivalents	7,0	19,0
Liabilities to banks	-595,6	-423,7
<i>thereof due in up to 1 year</i>	-208,7	-70,8
<i>thereof due after 1 year</i>	-386,9	-352,9
Other financial liabilities	-28,8	-32,1
<i>thereof due in up to 1 year</i>	-1,2	-2,1
<i>thereof due after 1 year</i>	-27,6	-30,0
Derivatives	-76,2	-12,0
<b>Net financial position</b>	<b>-693,6</b>	<b>-448,8</b>

The change in the net financial position is mainly due to borrowings, scheduled loan repayments and an increase in the negative market values of derivatives.

### 3.3 ASSETS AND LIABILITIES

The **non-current assets** (excluding deferred taxes) increased by € 89.8m to € 1,832.1m (prior year: € 1,742.3m).

**Intangible assets** decreased by -€ 1.1m to € 191.5m against the prior year (prior year: € 192.6m). The included goodwill remains unchanged at € 154.0m (prior year: € 154.0m).

Investments in **property, plant and equipment** at the GASAG Group increased by € 2.2m to € 120.2m. Thereof € 96.0m relates to investments in gas distribution facilities.

Due to the first-time application of IFRS 16, the new balance sheet item **rights of use** includes leasing rights of use and former finance leases.

**Inventories** rose by € 4.1m to € 29.7m.

**Trade receivables and other receivables** mainly due to increased deliveries of heat and electricity rose by € 12.2m to € 153.2m. At € 64.7m, receivables from gas supplies decreased by -€ 11.4m compared to the previous year.

**Equity** fell by -€ 166.6m from € 840.6m to € 674.0m. With higher total assets (up € 100.3m), the equity ratio of the GASAG Group dropped to 31.9 % (prior year: 41.8 %). The decrease in equity is mainly due to the acquisition of the minority interests of 25.1 % in EMB and effects from the valuation of derivatives. Please refer to section 6, note "(11) Other Comprehensive Income" in the notes to the consolidated financial statements.

39.3 % of **intangible assets and property, plant and equipment** is covered by equity (prior year: 50.2 %).

The increase in **non-current liabilities** (excluding deferred taxes) by € 81.7m to € 844.6m is mainly due to the rise in financial liabilities and obligations from the first-time application of the new leasing standard IFRS 16.

At € 541.7m, **current liabilities** were € 183.9m above the prior year (prior year: € 357.8m), due primarily to the increase in financial liabilities, trade liabilities, and other liabilities.

### 3.3.1 OVERALL PICTURE OF THE BUSINESS DEVELOPMENT AND THE ECONOMIC SITUATION

Temperatures in the sales regions of Berlin and Brandenburg in fiscal year 2018 were above the level of a normal year.

Overall, revenues are in line with our expectations. The excessively warm weather and the associated overcapacities in the gas industry led to considerably higher sales in gas trading than assumed in the forecast. Temperature-related lower revenues were more than offset by higher trading revenues. EBIT and, consequently, earnings from continuing operations did not meet our forecast. The aforementioned increase in distribution sales was nearly offset by the procurement costs. The temperature-related decline in gas sales and network business had a negative impact on earnings. In addition, higher restructuring expenses in connection with the transformation program "GASAG 2025", expenses from legal disputes and effects from the measurement of derivative financial instruments led to a decline in earnings compared with budget. Adjusted for the temperature development and one-time special effects, earnings are at the expected level. Earnings from discontinued operations are in line with our forecast.

The financial obligations due in the 2019 financial year were covered at all times by the available liquidity, financial assets and existing credit lines.

## 3.4 FINANCIAL PERFORMANCE INDICATORS

### Financial Performance Indicators

The main financial performance indicator for the GASAG Group is profit from operations (EBIT). In addition to EBIT, return on capital employed (ROCE) is an important financial performance indicator for the GASAG Group. ROCE reflects profit from operations as a percentage of average capital employed. The operating result comprises EBIT plus investment income, adjusted for restructuring expenses and litigation expenses. In fiscal year 2019, ROCE from continuing operations stood at 6.1 % (prior year: 7.5 %). Our expectation of ROCE from continuing operations was greater than 7 % and fell short of it due to the negative temperature trend and other one-off special effects. Adjusted for the temperature trend and other one-off effects, ROCE amounted to 8.1 % and was thus in line with our expectations.

Regular year-end forecasts are made for the individual entities and developments in the key performance indicators are monitored from the perspective of the individual entities, the business units and the GASAG Group as a whole. This enables management to identify when indicators are deviating from targets during the year, to assess the impact on the Group's assets, liabilities, financial position and financial performance (previously net assets, financial position and results of operations), and to take and track appropriate countermeasures in good time. Opportunities and risks are factored into this assessment.



## 3.5 NON-FINANCIAL PERFORMANCE INDICATORS

### Employees

As part of the transformation program "GASAG 2025", the group-wide partial retirement and volunteer program for socially responsible staff reductions was further implemented in the fiscal year.

We also continued our activities as an attractive employer: This corresponds to the strategic thrust of the further development of our management and corporate culture towards customer orientation, the ability to change, speed and strength of implementation within the framework of the transformation program "GASAG 2025". Due to our commitment as attractive employer, the GASAG group has received several awards. Recently, the group has been awarded by Focus as Best Employer 2019 ["Bester Arbeitgeber 2019"] and Leading Employer Germany 2020 ["Leading Employer Deutschland 2020"].

### Customer Service Management

The issue of **service quality** is a key priority for GASAG. After all, outstanding customer service is the most important component in creating successful customer relationships and thereby increasing customer satisfaction.

Therefore, we check on a regular basis whether the expectations of our customers for a modern service are met. Continuous follow-up contact surveys give us a precise picture of our customers' experiences with our service offerings and enable us to identify and eliminate potential dissatisfaction factors in a targeted manner. This is done within the framework of a continuous improvement process with which concrete individual measures can be derived, prioritised and implemented. And with the customer trip instrument ["Kundenreise"], we systematically examine central processes of customer service and compare them with the respective customer needs. In this way, important customer touch points can be optimised in a targeted manner.

For the twelfth time in a row, GASAG obtained the seal of approval for service quality awarded by TÜV Süd. It certifies that we have an organizational structure that is optimally geared to customer needs, service-oriented processes and professional **complaint management**.

The complaints of our customers are important sources of information for the continuous improvement of our products and services. By that, optimization potential was systematically analyzed last year, weaknesses identified and concrete measures derived to minimize process errors and better meet customer requirements. The customer-oriented handling of complaints was also a focal point of the activities of the GASAG complaint management. Among other things, employee trainings were held in the form of writing workshops. The trainings aimed at achieving a better customer service with more understandable and customer-oriented responses to customer concerns and complaints.

## 4 OPPORTUNITIES AND RISKS

The ongoing identification, assessment, monitoring and documentation of opportunities and risks is one of the duties of our executives and employees, besides operational management with the help of suitable measures. Responsibility for processes lies with central risk management, which reports directly to the management board.

Our assessment is mainly based on a business value approach, in which we, in addition to classifying opportunities and risks as earnings, equity or liquidity opportunities or risks, also use parameters to classify all opportunities and risks according to probability of occurrence and effect on image. Probability of occurrence is separated into the following categories: very low, low, medium, high and very high.

Potential opportunities in relation to the GASAG Group's assets, liabilities, financial position and financial performance are classified as follows:

CLASSIFICATION OF POTENTIAL OPPORTUNITIES AND RISKS	DESCRIPTION OF THRESHOLDS
Low	Minor improvement / deterioration
Appreciable	Moderate improvement / deterioration
Medium	Material positive / negative effect
High	High and potentially permanent improvement / deterioration
Very high	Material and probably permanent improvement / deterioration

We continue to differentiate our opportunities and risks into a short and long-term impact horizon, whereby the short-term view concerns the next fiscal year. The long-term view may extend beyond the planning period.

The GASAG Group is mainly exposed to the following opportunities and risks:

### **Business units consumers and major customers (PuG) and corporate clients / energy services (GK / EDL)**

The gas and electricity markets continue to be characterized by intense competition, which may lead to further price pressure or customer losses and reduce our trading margins. In this market environment, we see opportunities for the GASAG Group through our targeted focus on customer interests and the continuous expansion of our product portfolio combined with an attractive pricing system in the gas-to-gas competition and in competition with other energy sources. We successfully expanded our position in the electricity market. Overall, there is a tangible short-term potential for opportunities and risks.

Our business performance is naturally also subject to weather-related sales fluctuations. Hence, there is a volume risk in the gas segment, which is one of the business risks that the GASAG Group bears itself. The possibilities for hedging the risk by using energy and weather derivatives are regularly reviewed. Negative weather conditions from the GASAG Group's perspective can result in a noticeable risk in the short-term with a medium probability of occurrence with regard to the damage potential. On the other hand, positive weather conditions for the GASAG Group result in a medium opportunity potential with a low probability of occurrence.

Decreases in sales due to economic and location factors as well as more frugal consumption habits of customers also impact on both the distribution operations and the transportation business. Another factor will be the pricing of CO<sub>2</sub> in the heating market, which has already been passed.

However, we believe that our core region, Berlin and Brandenburg, has location-specific advantages which we will exploit as an end-to-end energy service provider. Berlin, with its buildings and power plants as well as the positive impetus from new construction activity, offers significant market potential and an ideal basis for positioning our products and services in the areas of power generation and supply as well as renovation to improve energy efficiency. We will continue to develop energy concepts for districts, commercial properties and conversion areas, offer affordable renovation of public and private buildings to improve their energy performance and present ourselves as an energy partner for all customer groups, from private households and manufacturing and commercial operations through to major housing construction companies and public authorities. We are very aware of our customers' growing interest in environmentally-friendly, decentralized energy solutions and the use of renewable energies. Advances in efficiency, storage and production technologies will ensure that end-to-end energy solutions – which connect distributed and independent producers and consumers – are marketable. We see specific opportunities in the introduction of an energy management system and in smart building automation to improve efficiency in energy consumption. Closely linked to this is the demand for efficient supply concepts for which the use of combined heat and power to produce a distributed supply of heat and electricity plays an important role. In the medium term, this will be a significant potential opportunity with a high probability of occurrence for the GASAG Group.

### **Network Business**

The network business is particularly affected by external factors. Key influencing factors are temperature, business cycle, and regulatory changes. Accordingly, supply volumes are subject above all to strong weather-related fluctuations. This results in high short-term opportunities for the network business or noticeable risks with a low probability of occurrence.

### **Concession Award Process**

For a general description of the Berlin concession award process, please refer to section 2.4, Legal Issues.

If the GASAG Group were to lose the concession for Berlin, the materially important network business in Berlin would be lost. Based on our own assessment, this would not take place before December 2023. GASAG would have to sell the Berlin gas network after agreeing on a purchase price. This would provide GASAG with liquidity inflows covering in full repayment of all network financing. The loss of the Berlin network business would lead to considerable efficiency losses in areas in which resources are currently being used primarily for the Berlin network. Resources that remain tied up and that had previously been used exclusively in the operation of the Berlin network would not generate any corresponding revenue. With regard to the potential damage, the loss of the Berlin concession constitutes a dangerous risk in the long term. We assume that it is more likely than not that we will retain the concession.

We also compete for concession agreements with regard to both existing and new contracts outside of the Berlin network area. In the long term, this constitutes a low potential opportunity from new contracts and a low potential risk from the loss of existing concession agreements.

### **Decommissioning of the Storage Facility**

The decommissioning of the Berlin natural gas storage facility presents both opportunities and risks, in particular the costs of dismantling and aftercare. Taking into account the provisions that have been set aside, tangible risks and opportunities arise in the course of the decommissioning process with a medium probability of occurrence.

### **Market Price Development**

The market price development in the energy and financial sectors results in a low potential for opportunities and losses in the short term. The effect of possible fluctuations on earnings has fallen compared with the previous year. We limit these risks by means of a specially tailored risk management process, which largely eliminates cash-related market price risks by means of hedging transactions. Key elements of this process are a uniform group-wide trading, settlement and monitoring process and uniform risk reporting. To this end, we use supplementary risk management systems and systematically employ hedging instruments to limit these risks. In 2019 we reviewed our energy industry processes and identified and implemented potential for improvement.

We use derivative financial instruments to minimize the risks of the underlying transactions or planned underlying transactions. The analysis of price change risks for derivative financial instruments is performed by determining the fair values of concluded financial instruments on a mark-to-market basis. The analysis of price change risks for unhedged interest rate positions is performed on the basis of statistical simulation models.

### **Counterparty Credit Risks**

Counterparty credit risks arise from the supplying of customers, receivables from the transportation business, the procurement of commodities and financial transactions and can generally remain effective in the period after potential insolvency proceedings. We have established a receivables management system based on credit standing for our customers and a uniform group-wide limit system for banks and energy trading partners to manage counterparty credit risks. We use credit insurance where appropriate. There is a low short-term risk with a low probability of occurrence from counterparty credit risks. The probability of occurrence for a comparable damage potential is lower than in the previous year.

### **Governance und Compliance**

The GASAG Group has concretised and standardised its compliance manuals. The training concept has been systematically developed and rolled out to the GASAG Group. The focus of our operational compliance activities is on training for the Group's employees to avoid corruption and discrimination and the relevant one-on-one consultation. Overall, these measures have led to higher risk awareness throughout the Group.

### **Overall Risk Position**

The described risks, especially those arising from the concession award process, could potentially lead to a significant deterioration in the GASAG Group's net assets, financial position and results of operations. However, we believe we can prevent their occurrence through targeted measures.

Based on the overall risk situation, taking into account probability of occurrence and the measures taken, we do not currently see any risks that endanger the ability of the GASAG Group to continue as a going concern.

## 5 FORECAST

The operational measures planned to further develop and achieve the targets in our forecast are presented in the following sections Measures to Implement the Strategy, Personnel and Investments for the business units GK/EDL and networks as well as the development of revenue and earnings for the GASAG Group.

The forecast period is one year. The assumptions underlying the forecast are explained on the basis of a qualified comparative projection.

### 5.1 MEASURES TO IMPLEMENT THE STRATEGY

The political and economic environment in the energy sector is expected to remain challenging in 2020. By using the "GASAG 2025" transformation program, the GASAG Group will continue to optimise itself.

The focus in network business continues to be on maintaining concessions and expanding networks in order to firmly establish gas networks as sustainable components of the regional energy turnaround. The continuous upgrading of the networks towards H<sub>2</sub> capability is being pursued as well.

In the business unit consumer and major customers (PuG), the increase in customer and sales figures is to be achieved by continuing and continuously optimising sales activities. In addition, the focus is on new product developments, more efficient and automated processes and a continuous increase in service quality.

In order to achieve the targeted growth in the business unit corporate clients / energy services (GK / EDL), we will continue to focus on consistent market development, innovative energy concepts that aim to achieve CO<sub>2</sub> neutrality and the high-quality implementation of these concepts in 2020.

The GASAG Group will continue to invest in selected digitalization activities in 2020, focusing especially on the development of smart and energy efficient districts with distributed energy supply, energy efficient mobility, smart networks and meters.

### 5.2 PERSONNEL

By the implementation of the transformation program, the active workforce (excluding employment relationships in the passive phase of partial retirement) will continue to be reduced in 2020 as planned. Taking into account the activities in the context of „GASAG 2025“, personnel and restructuring expenses will decline more strongly overall than in the financial year.

### 5.3 INVESTMENTS

Our investments for maintaining and expanding our gas networks in Berlin and Brandenburg are dependent on the terms set out in the concession agreement and the conditions of easement agreements. In 2020, we expect the level of capital expenditure to increase compared with 2019 due to planned major expansion and maintenance measures.

Planned investments in the business unit GK / EDL for contracting solutions and in the business unit Renewable Energies for photovoltaic systems lead to a strong increase in investments compared to 2019. Within the framework of a long-term financing strategy, future investments are covered.

## 5.4 BUSINESS DEVELOPMENT

In our forecast for the fiscal year 2020, we are assuming long-term average temperature trends. We thus expect **gas sales** to end customers to increase slightly. By contrast, we forecast a moderate decline in gas sales to resellers. Overall, we expect gas sales volumes in 2020 to be at the same level as in 2019.

In the electricity commodity business, we anticipate a moderate increase in **electricity sales** in 2020 compared to 2019, a development that is expected against the backdrop of further intensified market activities in line with our sales strategy.

Assuming long-term average temperature trends, we expect a moderate increase in **gas transport volumes** in fiscal year 2020 compared with 2019.

The activities in the business unit GK/EDL will require higher investments in 2020. In 2020, we expect **heating sales** to be slightly above the level of 2019.

## 5.5 RESTRUCTURING EXPENSES

The restructuring expenses for personnel instruments, consulting expenses and IT costs resulting from the "GASAG 2025" measures are expected to be considerably lower in 2020.

## 5.6 DEVELOPMENT OF REVENUE AND EARNINGS

Assuming a normal, average temperature trend and continued high competition, we expect constant revenues in 2020.

We anticipate a significant year-on-year increase in profit from operations (EBIT) for 2020. A normal, average temperature trend is assumed in 2020. Savings and efficiency gains from the "GASAG 2025" program will contribute to improving earnings. The financial result and the result from discontinued operations is assumed to be at the 2019 level. As the net profit for the period will be affected by the development of the result from operating activities (EBIT), we also expect a strong increase here. As operating assets are forecasted to remain almost stable, we expect ROCE to exceed 8 % based on the assumption of the predicted EBIT before restructuring expenses.

Berlin, February 25, 2020

GASAG AG  
The Management Board



Dr. Gerhard Holtmeier



Michael Kamsteeg



Matthias Trunk



# CONSOLIDATED FINANCIAL STATEMENTS AND NOTES OF THE GASAG GROUP

<b>FINANCIAL STATEMENTS OF THE GASAG GROUP</b>	<b>24</b>
Balance Sheet of the GASAG Group	26
Statement of Comprehensive Income for the GASAG Group	28
Statement of the Changes in Equity of the GASAG Group	32
Statement of Cash Flows for the GASAG Group	32
<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF GASAG</b>	<b>34</b>
1 Presentation of the Consolidated Financial Statements of GASAG	34
2 Application of International Financial Reporting Standards (IFRSs)	34
3 Consolidated Group	37
4 Basis of Consolidation	39
5 Accounting Policies	40
6 Notes to the statement of Comprehensive Income	52
(1) Revenue	52
(2) Other operating income	53
(3) Cost of Materials	53
(4) Personnel expenses	54
(5) Amortization, Depreciation and Impairment Losses	54
(6) Other Operating Expenses	55
(7) Investment Result	56
(8) Finance Costs	56
(9) Income taxes	57
(10) Profit or Loss From Discontinued Operations	58
(11) Other Comprehensive Income	59
(12) Earnings Per Share	59



<b>7</b>	<b>Notes to the Balance Sheet</b>	<b>60</b>
	(13) Intangible Assets	60
	(14) Property, Plant and Equipment	62
	(15) Rights of use IFRS 16	63
	(16) Investments in Associates	64
	(17) Financial Assets	65
	(18) Contract assets	66
	(19) Deferred Taxes (Assets and Liabilities)	67
	(20) Inventories	69
	(21) Income Tax Receivables	69
	(22) Trade Receivables and Other Receivables	69
	(23) Cash and Cash Equivalents	72
	(24) Equity	72
	(25) Deferred Income	74
	(26) Provisions	75
	(27) Financial Liabilities	80
	(28) Trade Payables and Other Liabilities	81
	(29) Income Tax Liabilities	82
<b>8</b>	<b>Other Notes</b>	<b>82</b>
	(30) Reporting on Financial Instruments	82
	(31) Energy and Financial Risk Management	86
	(32) Contingent Liabilities and Other Financial Obligations	90
	(33) Notes to the Statement of Cash Flows	91
	(34) Related Parties	93
	(35) Disclosure of concessions	96
	(36) Other Disclosures	97

# FINANCIAL STATEMENTS

of the GASAG Group, Berlin, for the fiscal year 2019

## BALANCE SHEET OF THE GASAG GROUP

### IN ACCORDANCE WITH IFRSs AS OF DECEMBER 31, 2019

#### ASSETS

IN € K	NOTES NO.	DEC. 31, 2019	Dec. 31, 2018
<b>A. Non-current assets</b>			
1. Intangible assets	(13)	191,546	192,624
2. Property, plant and equipment	(14)	1,522,392	1,482,364
3. Rights of use	(15)	54,540	0
4. Investments in associates	(16)	12,062	12,099
5. Financial assets	(17)	25,029	31,153
6. Non-current contract assets	(18)	26,496	24,108
7. Deferred tax assets	(19)	50,044	32,453
		<b>1,882,109</b>	<b>1,774,801</b>
<b>B. Current assets</b>			
1. Inventories	(20)	29,748	25,615
2. Financial assets	(17)	2,921	17,336
3. Income tax receivables	(21)	22,580	21,191
4. Trade receivables and other receivables	(22)	153,186	141,023
5. Current contract assets	(18)	14,722	13,010
6. Cash and cash equivalents	(23)	6,976	19,008
		<b>230,133</b>	<b>237,183</b>
		<b>2,112,242</b>	<b>2,011,984</b>

## EQUITY AND LIABILITIES

IN € K	NOTES NO.	DEC. 31, 2019	Dec. 31, 2018
<b>A. Equity</b>			
	(24)		
1. Subscribed capital		413,100	413,100
2. Share premium		42,461	42,461
3. Reserve for unrealized gains or losses		-72,002	-15,478
4. Retained earnings		266,618	330,281
5. Non-controlling interests		23,783	70,218
		<b>673,960</b>	<b>840,582</b>
<b>B. Non-current liabilities</b>			
1. Deferred income	(25)	242,276	240,376
2. Provisions	(26)	119,278	121,064
3. Financial liabilities	(27)	436,771	401,316
4. Other liabilities	(28)	46,247	102
5. Deferred tax liabilities	(19)	52,034	50,588
		<b>896,606</b>	<b>813,446</b>
<b>C. Current liabilities</b>			
1. Deferred income	(25)	10,273	9,841
2. Provisions	(26)	43,190	56,331
3. Financial liabilities	(27)	267,126	89,731
4. Income tax liabilities	(29)	5,421	3,636
5. Trade payables and other liabilities	(28)	215,666	198,417
		<b>541,676</b>	<b>357,956</b>
		<b>2,112,242</b>	<b>2,011,984</b>

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE GASAG GROUP IN ACCORDANCE WITH IFRSs  
FOR THE PERIOD FROM JANUARY 1 TO DEC. 31, 2019**

**INCOME STATEMENT**

IN € K	NOTES NO.	JAN. 1 TO DEC. 31, 2019	Jan. 1 to Dec. 31, 2018
1. Revenue	(1)	1,251,639	1,197,104
2. Changes in inventories		-1,333	1,698
3. Other operating income	(2)	64,291	42,692
4. Cost of materials	(3)	907,963	832,696
5. Personnel expenses	(4)	124,572	133,825
6. Depreciation	(5)	91,938	79,216
7. Other operating expenses	(6)	126,102	122,922
<b>8. Profit from operations</b>		<b>64,022</b>	<b>72,835</b>
9. Share in profit or loss of associates	(7)	500	709
10. Profit from other equity investments	(7)	1,350	1,782
11. Finance costs	(8)	19,053	19,779
12. Other financial result	(8)	1,289	2,647
<b>13. Profit before taxes</b>		<b>48,108</b>	<b>58,194</b>
14. Income taxes	(9)	16,198	19,738
<b>15. Profit from continuing operations</b>		<b>31,910</b>	<b>38,456</b>
16. Profit or loss from discontinued operations	(10)	395	-326
<b>17. Profit for the period</b>		<b>32,305</b>	<b>38,130</b>
18. Profit for the period attributable to non-controlling interests		2,429	7,981
<b>19. Profit for the period excluding non-controlling interests</b>		<b>29,876</b>	<b>30,149</b>
<b>20. Earnings per share (in €)</b>	<b>(12)</b>	<b>3.69</b>	<b>3.72</b>

## STATEMENT OF COMPREHENSIVE INCOME

IN € K	NOTES NO.	JAN. 1 TO DEC. 31, 2019	Jan. 1 to Dec. 31, 2018
<b>1. Profit for the period</b>		<b>32,305</b>	<b>38,130</b>
2. Cash flow hedges		-73,399	7,497
3. Income tax effects		22,227	-2,269
		<b>-51,172</b>	<b>5,228</b>
<b>4. Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>		<b>-51,172</b>	<b>5,228</b>
5. Actuarial profit or loss		-8,465	99
6. Income tax effects		2,558	-30
		<b>-5,907</b>	<b>69</b>
<b>7. Net other comprehensive income not to be reclassified as profit or loss in subsequent periods</b>		<b>-5,907</b>	<b>69</b>
<b>8. Other comprehensive income</b>	(11)	<b>-57,079</b>	<b>5,297</b>
<b>9. Total comprehensive income</b>		<b>-24,774</b>	<b>43,427</b>
10. Total comprehensive income attributable to non-controlling interests		2,264	8,082
<b>11. Total comprehensive income excluding non-controlling interests</b>		<b>-27,038</b>	<b>35,345</b>

## STATEMENT OF THE CHANGES IN EQUITY OF THE GASAG GROUP IN ACCORDANCE WITH IFRSs AS OF DEC. 31, 2019

### NOTES (24)

IN € K	SUBSCRIBED CAPITAL	SHARE PREMIUM	RESERVE FOR UNREALIZED GAINS AND LOSSES
<b>As of: Jan. 1, 2018</b>	<b>413,100</b>	<b>42,461</b>	<b>-20,674</b>
Total comprehensive income	0	0	5,196
<i>thereof profit of the period</i>	0	0	0
<i>thereof other comprehensive income pursuant to IAS 39 / IFRS 9</i>	0	0	5,146
<i>thereof other comprehensive income pursuant to IAS 19</i>	0	0	50
Dividend distribution to owners	0	0	0
Acquisition of subsidiaries	0	0	0
Acquisition / sale of non-controlling interests	0	0	0
<b>Stand: 31.12.2018</b>	<b>413,100</b>	<b>42,461</b>	<b>-15,478</b>
<b>Adjustments pursuant to IFRS 9 / IFRS 15</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>As of: Jan. 1, 2019</b>	<b>413,100</b>	<b>42,461</b>	<b>-15,478</b>
Total comprehensive income	0	0	-56,914
<i>thereof profit of the period</i>	0	0	0
<i>thereof other comprehensive income pursuant to IAS 39 / IFRS 9</i>	0	0	-51,001
<i>thereof other comprehensive income pursuant to IAS 19</i>	0	0	-5,913
Dividend distribution to owners	0	0	0
Acquisition of subsidiaries	0	0	0
Acquisition / sale of non-controlling interests	0	0	390
<b>As of: Dec. 31, 2019</b>	<b>413,100</b>	<b>42,461</b>	<b>-72,002</b>

	TOTAL RETAINED EARNINGS	SUBTOTAL FOR THE GROUP	NON-CONTROLLING INTERESTS	TOTAL
	<b>312,891</b>	<b>747,778</b>	<b>66,893</b>	<b>814,671</b>
	30,149	35,345	8,082	43,427
	30,149	30,149	7,981	38,130
	0	5,146	82	5,228
	0	50	19	69
	-12,879	-12,879	-6,179	-19,058
	0	0	80	80
	120	120	1,342	1,462
	<b>330,281</b>	<b>770,364</b>	<b>70,218</b>	<b>840,582</b>
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>330,281</b>	<b>770,364</b>	<b>70,218</b>	<b>840,582</b>
	29,876	-27,038	2,264	-24,774
	29,876	29,876	2,429	32,305
	0	-51,001	-171	-51,172
	0	-5,913	6	-5,907
	-28,755	-28,755	-6,602	-35,357
	0	0	0	0
	-64,784	-64,394	-42,097	-106,491
	<b>266,618</b>	<b>650,177</b>	<b>23,783</b>	<b>673,960</b>

**STATEMENT OF CASH FLOWS FOR THE GASAG GROUP  
IN ACCORDANCE WITH IFRSs AS OF DEC. 31, 2019**

IN € K	2019	2018
Profit before income taxes from continuing operations	48,108	58,194
Profit or loss before income taxes from discontinued operations	566	-468
- Income taxes paid	-6,804	-28,237
+ / - Write-downs / write-ups of non-current assets	91,922	76,411
<i>thereof from discontinued operations</i>	69	29
+ / - Increase / decrease in provisions	-10,877	11,370
<i>thereof from discontinued operations</i>	-5,280	-6,552
+ / - Other non-cash expenses / income	-14,772	-4,162
+ Dividends received from associates	0	1,942
- / + Gain / loss on the disposal of non-current assets	-453	937
- / + Increase / decrease in inventories	-4,133	-6,511
- / + Increase / decrease in receivables	-23,772	4,682
+ / - Increase / decrease in liabilities	-2,672	37,947
<b>= Cash flows from operating activities</b>	<b>77,113</b>	<b>152,105</b>
+ Cash received from the disposal of intangible assets	0	23
- Cash paid for investments in intangible assets	-5,494	-5,821
+ Cash received from the disposal of property, plant and equipment	3,606	205
- Cash paid for investments in property, plant and equipment	-121,679	-112,171
+ Cash received from the disposal of non-current financial assets	638	2,330
- Cash paid for investments in non-current assets	-4,775	-1,060
- Cash received in connection with the sale of consolidated entities and other business units	-98,863	-2,116
+ Cash received from investment subsidiaries from third parties	12,704	9,677
<b>= Cash flows from investing activities</b>	<b>-213,863</b>	<b>-108,933</b>



IN € K	2019	2018
- Cash paid to owners	-28,755	-12,879
- Cash paid to non-controlling interests	-6,602	-6,179
+ Cash received from the raising of loans	235,295	1,968
- Cash repayments of loans	-65,298	-63,454
- Payment of finance lease liabilities	-9,868	-1,061
- Cash repayments of loans from non-controlling interests	-54	-54
<b>= Cash flows from financing activities</b>	<b>124,718</b>	<b>-81,659</b>
= Change in cash and cash equivalents	-12,032	-38,487
- Changes in the scope of consolidation	0	-36
+ Cash and cash equivalents at the beginning of the period	19,008	57,531
<b>= Cash and cash equivalents at the end of the period</b>	<b>6,976</b>	<b>19,008</b>

# NOTES

## to the Consolidated Financial Statements of GASAG as of December 31, 2019 (IFRSs)

### 1 PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF GASAG

The Group's parent is GASAG AG, Berlin (GASAG), which is headquartered at Henriette-Herz-Platz 4, 10178 Berlin, Germany, and entered in the Berlin-Charlottenburg commercial register under HRB No. 44343 B.

The management board prepared the consolidated financial statements as of December 31, 2019 and the management report for the GASAG Group for the fiscal year from January 1 to December 31, 2019 and authorized them for issue to the supervisory board on February 25, 2020.

GASAG's customers include private households, trade and industry, companies in the housing sector, hospitals and municipal entities, redistributors and users of gas transport services. Our business activities focus on the Berlin-Brandenburg metropolitan region.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) on the basis of Sec. 315e (3) HGB ["Handelsgesetzbuch": German Commercial Code]. All additional disclosures required under the German Commercial Code have been made.

The consolidated financial statements have been prepared using the cost method, except for derivative financial instruments and available-for-sale financial assets, which are measured at fair value.

The consolidated financial statements are presented in euros. Unless stated otherwise, all amounts are in thousands of euros (€ k).

For the sake of clarity, items have been combined in the statement of comprehensive income and balance sheet and disclosed separately and explained in the notes to the consolidated financial statements.

The income statement has been prepared using the nature of expense method.

### 2 APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

The International Financial Reporting Standards / International Accounting Standards (IFRSs / IASs) effective as of the balance sheet date were applied in preparing GASAG's consolidated financial statements. The applicable interpretations of the International Financial Reporting Standards Interpretations Committee / Standing Interpretations Committee (IFRICs / SICs) were also observed.

GASAG's consolidated financial statements comply in all respects with IFRSs / IASs and the IFRICs / SICs.

## CHANGES IN ACCOUNTING POLICIES

The accounting policies applied are generally consistent with those of the prior fiscal year. The procedure for valuing the working gas stock in the natural gas storage facilities was changed to the weighted average method from the 2019 financial year.

In fiscal year 2019, the Group also applied the new and amended IFRSs / IASs and IFRS interpretations which have already been endorsed by the European Union and which are effective for fiscal years beginning on January 1, 2019:

### IFRS 16 Leases

GASAG will apply IFRS 16 "Leases" for the first time as of January 1, 2019. The standard is applied retrospectively using the modified retrospective method without adjusting the comparative period. There were no effects from the first-time application of IFRS 16 in equity.

The new standard replaces the previous IAS 17 and associated interpretations. In accordance with IFRS 16, all existing leases are generally shown in the lessee's balance sheet, whereby a right of use and a corresponding lease liability are recognised for a lease. The previous separation into operating and finance leases in accordance with IAS 17 is no longer applicable.

The following table shows the reconciliation of leases previously classified as operating leases under IAS 17 with the lease liabilities recognised under IFRS 16:

	in € K
<b>Obligations from operating leases as of Dec. 31, 2018</b>	<b>153,087</b>
Short-term leases, which are recognized as expenses on a straight-line basis	-826
Leases of low-value assets that are recognized as expenses on a straight-line basis	-695
Effect of discounting as of Jan. 1, 2019	-7,013
Contracts that were reassessed as service agreements	-7,035
Leasing contracts concluded beginning after Jan. 1, 2019	-78,823
Adjustments due to different estimates of extension options	-423
Adjustment of the estimate of other financial obligations	1,220
Miscellaneous	1,258
<b>Additional liabilities recognized due to the first-time application of IFRS 16 as of Jan. 1, 2019</b>	<b>60,750</b>
Liabilities from finance leases recognized as of Dec. 31, 2018	1,814
<b>Lease liabilities as of Jan. 1, 2019</b>	<b>62,564</b>
<i>thereof with a remaining term of up to 1 year</i>	<i>9,970</i>
<i>thereof with a remaining term of more than 1 year</i>	<i>52,594</i>

The leases recognised in the balance sheet essentially comprise network lease agreements as well as rental / lease agreements for office space and space for energy facilities.

Corresponding to the leasing liabilities, rights of use amounting to € 62,413k were recognised at the time of initial application. The difference of € 151k between lease liabilities and rights of use is attributable to the offsetting of provisions and deferred income recognized as of December 31, 2018 against the rights of use recognized as of January 1, 2019, as well as to differences between the values of assets capitalized as of December 31, 2018 and the liabilities from existing finance leases recognized as liabilities in accordance with IAS 17. In the fiscal year 2019, Group EBITDA will increase by € 10,437k due to the recognition of amortization of rights of use and effects from the compounding of interest on lease liabilities - instead of the lease expenses recognized as expenses under IAS 17.

The following options and exemptions were exercised at the transition date:

- waiver of a reassessment of whether agreements already in existence prior to the date of first-time application, which according to IAS 17 "Leases" and IFRIC 4 "Determining whether an arrangement contains a lease", contain a lease in accordance with IFRS 16,
- Measurement of the right of use in the same amount as the lease liability, adjusted for accruals and prepayments,
- Leases that expire within twelve months of the date of initial application are treated as short-term leases,
- Initial direct costs are not included in the measurement of the right of use at the date of initial application,
- Use of a coherent interest rate for similar contracts with similar maturities,
- No impairment test at the time of transition, but reduction of the right of use by the provision amount in the immediately preceding balance sheet.

Until December 31, 2018, leases were accounted for in accordance with IAS 17. Provided that the economic ownership was attributable to GASAG as a lessee, the lease was accounted for as a finance lease. The leased asset was capitalized at the lower of its fair value or the present value of the minimum lease payments and depreciated. Lease payments were divided into pro rata repayments of the lease liabilities and finance expenses. Given the lease was classified as an operating lease, lease payments were reported under "other operating expenses".

The capitalized assets and liabilities from existing finance leases under IAS 17 will continue to be recognized in the balance sheet. At the time of the initial application, the assets already capitalized are transferred to the new balance sheet item "rights of use" (prior year: "property, plant and equipment") and the existing lease liabilities are transferred to the balance sheet item "other liabilities" (prior year: "financial liabilities").

Further IFRS standards and interpretations were not adopted or published in the fiscal year 2019.

### 3 CONSOLIDATED GROUP

In addition to GASAG, 29 German subsidiaries were fully consolidated, 9 associates and 4 joint operations were accounted for in accordance with the equity method in the consolidated financial statements.

#### CHANGES TO THE CONSOLIDATED GROUP

##### Merger of BEGA.tec into NBB

By agreement dated August 6, 2019, GASAG sold its shares in BEGA.tec GmbH, Berlin, (hereinafter BEGA.tec), to NBB Netzgesellschaft Berlin-Brandenburg mbH & Co. KG, Berlin (hereinafter NBB) with immediate effect. At that time, GASAG was the sole shareholder of BEGA.tec with 250,000 shares with a nominal value of € 1.

After the sale of the shares became effective, NBB became the sole shareholder of BEGA.tec. On the basis of a merger agreement dated August 6, 2019, BEGA.tec was merged with NBB with retroactive effect as of January 1, 2019 by transferring its assets in their entirety. The merger was entered in the commercial register on August 30, 2019.

Previously BEGA.tec Verwaltungs-GmbH, Berlin, (hereinafter BEGA.tec Verwaltung) and SoKo Solartechnik & Korrosionsschutz GmbH, Berlin, (hereinafter SoKo) had been merged into their sole shareholder BEGA.tec by way of a merger agreement dated August 6, 2019. Both companies transferred their assets in their entirety at book values to their sole shareholder BEGA.tec (merger by absorption) without consideration. The mergers took place retroactively as of January 1, 2019.

BEGA.tec was merged with NBB by way of an upward merger for absorption with dissolution of the transferring legal entities without liquidation.

BEGA.tec Verwaltung was general partner of Condotta Vermögensverwaltungsgesellschaft mbH & Co. KG, Berlin, (hereinafter Condotta). As the general partner withdrew from Condotta due to its merger with BEGA.tec, the latter's sole general partner also withdrew. As a result, Condotta ceased to exist and the sole limited partner, BEGA.tec, became the sole general partner at the time of entry in the Commercial Register of the retroactive merger of the BEGA.tec administration with BEGA.tec on August 30, 2019.

##### Acquisition of EMB shares

Effective October 1, 2019, GASAG acquired the shares held by VNG-Erdgascommerz GmbH, Leipzig in EMB Energie Mark Brandenburg GmbH, Potsdam (hereinafter EMB) in the amount of 25.1 % with economic effect from January 1, 2019. GASAG now holds 98.40987 % of the shares in EMB.

<b>LIST OF EQUITY INVESTMENTS</b>	<b>Direct shareholdings</b>
<b>Fully consolidated entities</b>	
BAS Kundenservice Beteiligungs-GmbH, Berlin	100 %
BAS Kundenservice GmbH & Co. KG, Berlin	100 %
Berliner Erdgasspeicher GmbH, Berlin	100 %
Bioenergie Rhinow GmbH, Rhinow <sup>2)</sup>	100 %
Bio-Erdgas Neudorf GmbH, Groß Pankow <sup>2)</sup>	74.9 %
DSE Direkt-Service Energie GmbH, Berlin	100 %
EMB-Beteiligungsgesellschaft mbH, Potsdam <sup>2)</sup>	100 %
EMB Energie Mark Brandenburg GmbH, Potsdam	98.40987 %
GASAG Beteiligungs-GmbH, Berlin	100 %
GASAG Bio-Erdgas Schwedt GmbH, Schwedt	100 %
GASAG Solution Plus GmbH, Berlin	100 %
GASAG Windpark Verwaltungs-GmbH, Berlin	100 %
Geo-En Energy Technologies GmbH, Berlin <sup>8)</sup>	96 %
infrest - Infrastruktur eStrasse GmbH, Berlin <sup>6)</sup>	67.36 %
KKI-Kompetenzzentrum Kritische Infrastrukturen GmbH, Berlin <sup>6)</sup>	74.9 %
NBB Netz-Beteiligungs-GmbH, Berlin	100 %
NBB Netzgesellschaft Berlin-Brandenburg mbH & Co. KG, Berlin <sup>3)</sup>	100 %
Netzgesellschaft Forst (Lausitz) mbH & Co. KG, Forst (Lausitz) <sup>4)</sup>	100 %
Solar Project 19 GmbH & Co. KG, Cottbus <sup>5)</sup>	90 %
SP V GmbH & Co. KG, Cottbus <sup>5)</sup>	80 %
SP VI GmbH & Co. KG, Cottbus <sup>5)</sup>	80 %
SP VII GmbH & Co. KG, Cottbus <sup>5)</sup>	80 %
SP VIII GmbH & Co. KG, Cottbus <sup>5)</sup>	80 %
SP IX GmbH & Co. KG, Cottbus <sup>5)</sup>	80 %
SP XI GmbH & Co. KG, Cottbus <sup>5)</sup>	80 %
SpreeGas Gesellschaft für Gasversorgung und Energiedienstleistung mbH, Cottbus	66.338 %
SpreeGas Verwaltungs-GmbH, Cottbus <sup>5)</sup>	100 %
Stadtwerke Forst GmbH, Forst (Lausitz)	74.9 %
Windpark Dahme - Wahlsdorf 2 GmbH & Co. KG, Berlin	100 %
<b>Entities accounted for using the equity method</b>	
ARGE Wärmelieferung, Cottbus <sup>5), 9)</sup>	50 %
Berliner Energieagentur GmbH, Berlin	25 %
CG Netz-Werk GmbH, Berlin <sup>8), 9)</sup>	25.1 %
G2Plus GmbH, Berlin <sup>8), 9)</sup>	51 %
Gasversorgung Zehdenick GmbH, Zehdenick <sup>2)</sup>	25.1 %
Gas-Versorgungsbetriebe Cottbus GmbH, Cottbus <sup>5)</sup>	37 %
GreenGas Produktionsanlage Rathenow GmbH & Co. KG, Rathenow <sup>2)</sup>	49 %
GreenGas Rathenow Verwaltungs GmbH, Rathenow <sup>2)</sup>	49 %
Netzgesellschaft Hennigsdorf Gas mbH, Hennigsdorf <sup>2), 9)</sup>	50 %
Netzgesellschaft Hohen Neuendorf Gas GmbH & Co. KG, Hohen Neuendorf <sup>2)</sup>	49 %
NGK Netzgesellschaft Kyritz GmbH, Kyritz <sup>2)</sup>	49 %
Rathenower Netz GmbH, Rathenow <sup>2)</sup>	35 %
WGI GmbH, Dortmund <sup>6)</sup>	49 %

LIST OF EQUITY INVESTMENTS	Direct shareholdings
<b>Other shareholdings</b>	
local energy GmbH, Greifswald <sup>1), 2)</sup>	19.77309 %
Partner für Berlin Holding Gesellschaft für Hauptstadt-Marketing mbH, Berlin <sup>1)</sup>	< 1 %
Stadtwerke Brandenburg an der Havel GmbH & Co. KG, Brandenburg an der Havel <sup>1), 7)</sup>	12.25 %
Stadtwerke Brandenburg Verwaltungs GmbH, Brandenburg an der Havel <sup>1), 7)</sup>	12.25 %
Stadtwerke Premnitz GmbH, Premnitz <sup>1), 2)</sup>	10 %

- |                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1) not included as GASAG AG, Berlin, has neither a controlling nor a significant influence</p> <p>2) indirect equity investment through EMB Energie Mark Brandenburg GmbH, Potsdam</p> <p>3) thereof 80,5 % directly and 16,5 % indirectly through EMB Energie Mark Brandenburg GmbH and 3 % indirectly through SpreeGas GmbH</p> <p>4) indirect equity investment through Forst GmbH, Forst (Lausitz)</p> | <p>5) indirect equity investment through SpreeGas Gesellschaft für Gasversorgung und Energiedienstleistung mbH, Cotbus</p> <p>6) indirect equity investment through NBB Netzgesellschaft Berlin-Brandenburg mbH &amp; Co. KG, Berlin</p> <p>7) indirect equity investment through EMB-Beteiligungsgesellschaft mbH, Potsdam</p> <p>8) indirect equity investment through GASAG Solution Plus GmbH, Berlin</p> <p>9) joint control</p> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## 4 BASIS OF CONSOLIDATION

The consolidated financial statements include GASAG and the subsidiaries that it controls. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control. The acquisition of non-controlling interests is accounted for in accordance with the entity method. Consolidation ends as soon as the parent ceases to have control. The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. All intragroup balances, transactions, unrealized gains and losses and dividends resulting from intragroup transactions are eliminated in full.

Losses incurred by subsidiaries are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the parent loses control over a subsidiary, it derecognizes the assets and liabilities of its former subsidiary from the consolidated balance sheet. Any equity investment retained is recognized at fair value and the gain or loss associated with the loss of control attributable to the former controlling interest is also recognized.

## 5 ACCOUNTING POLICIES

### ASSUMPTIONS AND ESTIMATES

In preparing GASAG's consolidated financial statements, assumptions and estimates have been made which have had an effect on the recognition and reported amounts of assets and liabilities, income and expenses and contingent liabilities. The actual values may in some cases differ from the assumptions and estimates. The key assumptions about the future and other major sources of estimation uncertainty at the balance sheet date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed in the relevant items in the notes.

Assumptions and estimates are made, among other things, when valuing the Berlin natural gas storage facility in connection with its imminent decommissioning, assessing financial instruments, recognizing provisions (especially personnel-related provisions relating to the Pension Institution of the Federal Republic of Germany and the Federal States ["Versorgungsanstalt des Bundes und der Länder": VBL], based in Karlsruhe), and performing impairment tests.

The effects of assumptions and estimates on the balance sheet are presented in the notes to the relevant balance sheet items.

### INCOME AND EXPENSE RECOGNITION

**Revenue** is recognized when goods are delivered to the customer or the service is rendered. Services are deemed rendered and merchandise or goods delivered when the risks associated with ownership have been transferred to the buyer. Revenue from the sale of natural gas, heat, electricity and water to end users and redistributors as well as from network access charges is recognized when these resources are used by the customer under a contractual agreement. The revenue corresponds to the value of the volume supplied and billed, including the estimated values of volumes supplied between the last bill and the balance sheet date.

In case of contracts with several performance obligations, revenue is recognised for remaining performance obligations in accordance with the performance rendered (IFRS 15.B16). The breakdown of the transaction price results from the individual prices stated in the specific contractual context (IFRS 15.126c).

**Interest income** is recognized in the period to which it relates using the effective interest method.

**Profit distributions** are recognized at the time when the legal claim for payment arises.

**Operating expenses** are recognized when a service is used or when the costs are incurred.

**Interest expenses** are recognized as finance costs in the period to which they relate.

**Borrowing costs** attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

**Regulatory deferral accounts** (assets and liabilities) differ from the definition of assets and liabilities laid down in IFRSs and are thus not recognized.



## INTANGIBLE ASSETS

**Goodwill** is tested for impairment on an annual basis and when there is any indication that it may be impaired. This requires an estimate of the value in use of the cash-generating units to which goodwill is allocated and the application of an appropriate discount rate to determine the present value of the related cash flows.

The medium-term forecasts for a period of three years form the basis for determining the value in use for the cash-generating entities.

Discount rates are calculated according to the weighted average cost of capital (WACC) model. Cost of equity is determined using the capital asset pricing model (CAPM) and is currently 5.10 % (prior year: 5.64 %) based on a beta factor of 0.65 (prior year: 0.70). Cost of debt is derived from the long-term borrowing rate for new loans and other arm's length borrowing rates and amounts to 1.71 % (prior year: 1.76 %) after taxes. The discount rate also depends on the ratio of equity and debt employed. The resulting WACC stands at 3.55 % (prior year: 4.04 %) after taxes for the calculation of the fair value less costs to sell or at 5.46 % (prior year: 6.22 %) before taxes for the calculation of value in use. The discount rate should be used consistently across the Group and in all measurement periods to determine the value in use of assets. It may be adjusted if a value in use is sensitive to different risks in different periods, the term structure of interest rates or the capital structure. By an increase in the discount rate after taxes to 3.8 % for the CGU Spreegas Gesellschaft für Gasversorgung und Energiedienstleistung mbH, Cottbus (hereinafter Spreegas), the net realizable value corresponds to the net carrying amount. The growth rate subsequent to the forecasting period was 0.50 % (prior year: 0.50 %) as of December 31, 2019.

**Intangible assets acquired** separately are recognized at cost.

The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date. After initial recognition, the cost model is applied.

**Internally generated intangible assets** are recognized pursuant to IAS 38 if, and only if, an entity can demonstrate all of the following:

- The technical feasibility and intention to complete
- Its ability to use or sell the intangible asset
- How the intangible asset will generate future economic benefits based on the existence of a market or the usefulness of the asset for internal use
- The availability of adequate technical, financial and other resources to complete the development of the intangible asset
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development

After initial recognition, internally generated intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses in accordance with the cost model.

Cost comprises all directly attributable costs necessary to create, produce and prepare the asset. Research expenditure is recognized as an expense when it is incurred.

In the case of modification of existing software, the associated costs are recognized as an expense for the period if the previous system status is merely preserved.

With the exception of the goodwill disclosed, all other acquired and internally generated intangible assets have a limited useful life and are amortized on a straight-line basis. At each balance sheet date, it is assessed whether there is any indication of impairment of intangible assets. If there are such indications, an impairment test is performed.

Intangible assets with indefinite useful lives are tested for impairment at least once a year either individually or at cash-generating unit level. These intangible assets are not amortized.

Uniform group-wide useful lives are applied as follows:

<b>INTANGIBLE ASSETS</b>	<b>Useful life</b>
Goodwill	Indefinite
Acquired intangible assets	5 to 20 years
Internally generated intangible assets	5 to 8 years

The useful lives are reviewed at the end of each fiscal year or in the case of a particular event; any adjustments required are made on a prospective basis.

## PROPERTY, PLANT AND EQUIPMENT

**Property, plant and equipment** are recognized at cost less accumulated depreciation and accumulated impairment losses. In addition to the direct costs, the cost of internally generated assets includes an appropriate proportion of the necessary overheads. Received building cost contributions and investment subsidies and grants are disclosed as deferred income and not directly deducted from cost.

The cost of an item of property, plant and equipment acquired in a business combination is its fair value at the acquisition date. After initial recognition, the cost model is applied.

**Restoration obligations** are recognized as part of cost at the present value when the obligation is incurred, and are amortized pro rata over the useful life of the related asset. Maintenance and repair costs are expensed. Renewal and maintenance expenses which extend the useful life of an asset are capitalized.

With the exception of land and easements (including easements pursuant to Sec. 9 GBBerG [“Grundbuchbereinigungsgesetz”: German Act to Rectify the Land Register]) with an indefinite useful life, all items of property, plant and equipment are depreciated on a straight-line basis.

The following useful lives are used throughout the Group for the depreciation of property, plant and equipment with limited useful lives:

<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>Useful life</b>
Procurement and production facilities	10 to 20 years
Distribution facilities (without measuring equipment)	20 to 50 years
Measuring equipment	5 to 16 years
Buildings	30 to 50 years
Other property, plant and equipment	2 to 13 years

The carrying amounts of items of property, plant and equipment are reviewed for impairment as of each balance sheet date. If indications of possible impairment are found, an impairment test is performed. If the reasons for impairment subsequently cease to exist, the impairment losses are reversed, but by no more than up to the amount of cost less any accumulated depreciation.

An item of property, plant and equipment is derecognized upon its disposal or when no future economic benefits can be expected from the continued use of the asset. Gains or losses on the disposal of an asset (calculated as the difference between the net sales proceeds and the carrying amount) are recognized in profit or loss in the fiscal year in which the relevant asset is derecognized.

The useful lives are reviewed at the end of each fiscal year or in the case of a particular event; any adjustments required are made on a prospective basis.

## **LEASING**

A lease exists if the fulfilment of the contract depends on the use of an identifiable asset and the control over said asset is transferred.

### **GASAG as lessee**

At the beginning of the term ("provision date") a right of use asset and a corresponding lease liability are recognized. The rights of use are presented separately from other assets in the balance sheet. Rights of use are measured in the amount of the lease liabilities, adjusted where necessary by advance payments made, taking into account any leasing incentives received. They are generally amortized over the term of the lease.

Lease liabilities are recognised in the amount of the discounted future lease payments. They are reported under the balance sheet item "other liabilities". Discounting is generally carried out using the marginal borrowing rate. Market interest rates plus margins depending on the term of the lease are used, taking into account the repayment structure. Lease liabilities are reduced by the repayment portion contained in the lease payments; the interest incurred represents financing expenses.

Furthermore, GASAG makes use of the exceptions not to recognize current or low-value leases as rights of use in the balance sheet. Lease payments in connection with these leases are recognized as expenses over the term of the lease.

### **GASAG as lessor**

At the lessor's end, a check is made on the provision date to determine whether a finance lease or an operating lease exists. If the material opportunities and risks associated with the leased item are transferred, the lease is classified as a finance lease.

In case of finance leases, a receivable in the amount of the net investment value from the lease is recognised and carried forward using the effective interest method. Lease instalments received are divided into the repayment portion of the lease receivable and financial income recognised in the income statement.

### **INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**

Joint ventures within the meaning of IFRS 11 are based on joint arrangements whereby the parties that have joint control have rights to the net assets of the arrangement. In accordance with IFRS 11.24, the carrying amount of the investments in joint ventures is recognized using the equity method pursuant to IAS 28.

The investments in associates and joint ventures, which are measured using the equity method in accordance with IAS 28, are recognized at cost. The carrying amount of the investments is increased or decreased in line with the pro rata profit or loss of the investee. Goodwill relating to an associate or a joint venture is included in the carrying amount of the investment.

### **IMPAIRMENT OF ASSETS**

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indication of impairment exists or where an annual impairment test of an asset is required, an estimate is made of the recoverable amount. The recoverable amount of an asset is the higher of the fair value of the asset or cash-generating unit less costs to sell and the value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

On each balance sheet date, it is reviewed whether there is any indication that an impairment loss charged in a prior reporting period no longer exists or may have decreased. If there is such an indication, the recoverable amount is estimated. A previous impairment loss is then reversed if the estimates used to determine the recoverable amount have changed since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. Reversals of impairment losses recognized for goodwill are not permitted.

### **FINANCIAL ASSETS**

IFRS 9 provides four measurement categories for the classification of financial assets:

- Financial assets measured at amortized cost,
- financial assets at fair value through profit or loss,
- financial assets measured at fair value through equity whose changes must be reclassified to profit or loss in the future,
- financial assets measured at fair value through equity whose changes whose changes in value must be not reclassified to profit or loss in the future.

At initial recognition, financial assets are measured at fair value. Financial assets are subsequently measured at fair value or amortized cost using the effective interest method, depending on their categorization.

Impairment losses on financial assets are recognised under the future-oriented model of “expected credit losses” in accordance with IFRS 9. GASAG takes into account expected loan defaults on financial assets carried at amortized cost and fair value with no effect on income, as well as receivables from finance leases.

For trade receivables and receivables from finance leases, the expected loan defaults are recognized using a simplified method over their remaining term. In the case of other financial assets, GASAG first determines the credit default expected within the first twelve months. In deviation from this, in the event of a significant increase in the default risk, the expected credit loss over the remaining term of the respective instrument will be recognised.

### **TRADE RECEIVABLES AND OTHER RECEIVABLES**

Trade receivables and other receivables are recognized at the original invoice amount less any impairment losses. It contains no financing components, as there are generally no significant differences between payment and service of provision.

The accounting cut-off for unbilled natural gas, heat, electricity and water consumption of tariff customers and special contract customers and of standard load profile (SLP) and registered power metering (RLM) customers as of the balance sheet date is performed using an individual computerized prediction. Consumptions of SLP customers which have not yet been billed, advance payments are levied in the corresponding amount and offset against accrued receivables.

As part of impairment, receivables are grouped according to similar default risk characteristics and jointly tested for impairment and written down if necessary. For trade receivables, GASAG applies the simplified approach of IFRS 9 to measure expected credit losses. Accordingly, the expected credit losses over the term are used for all trade receivables. In determining the expected future cash flows of the portfolios and the corresponding default rates, historical default experience is taken into account in addition to the contractually agreed cash flows. The value adjustments take sufficient account of the expected default risks; concrete defaults lead to the derecognition of the relevant receivables.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checks, cash, bank balances and short-term deposits with original maturities of no more than three months.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of the cash and cash equivalents defined above.

## DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING RELATIONSHIPS

Derivative financial instruments are classified as held for trading, unless they are designated hedging instruments and are effective as such. The instruments are recognized for the first time as of the trade date. Derivatives with positive fair values are disclosed under assets in the balance sheet and those with negative fair values under equity and liabilities. Derivatives that are classified as held for trading are subsequently measured at fair value through profit or loss.

For derivatives in a hedge, the accounting for changes in fair value is based on the type of hedge. The GASAG Group used only cash flow hedges in fiscal years 2019 and 2018.

Cash flow hedges hedge the exposure to variability in future cash flows of financial assets and liabilities and forecast transactions. The hedges are recognized at fair value. Any gains or losses arising from changes in the fair value of the ineffective portion are recognized in profit or loss. In contrast, changes in the effectively hedged portion are recognized directly in other comprehensive income. Amounts recognized as other comprehensive income are only reclassified to profit or loss when the gains or losses of the effectively hedged portion affect profit or loss.

If the hedge relationship ends, the gain or loss recognized in equity until that point in time will remain in equity and will not be transferred to profit or loss until the forecast transaction is also recognized in the income statement. If the forecast transaction is no longer expected to occur, the entire gain or loss previously recognized in equity is transferred to profit or loss.

The contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements (own use) are not recognized as derivatives under IAS 9, but as pending contracts in accordance with IAS 37. The volume flexibilities included in the contracts fall under the "own use" exemption and are not recognized separately.

## INVENTORIES

Inventories are measured at the lower of cost or net realizable value. The cost of inventories comprises costs incurred in bringing the product to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The cost of raw materials, consumables and supplies as well as natural gas inventories is calculated on the basis of the weighted average prices.

The costs of conversion of work in process include the cost of direct materials and labor and an appropriate proportion of manufacturing overheads based on normal capacity; they exclude borrowing costs.

## ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets or disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This is the case when the sale is highly probable, the asset or the disposal group is available for immediate sale in its present condition and the sale will be completed within one year from the date of classification.

As the carrying amount of depletable assets is recovered by the sale and not by use, amortization or depreciation ends at the date of reclassification. Any related liabilities or deferred income are reported as "Liabilities associated with assets held for sale."

Under IFRS 5, operations are accounted for as discontinued if they are earmarked for sale or decommissioning or already sold or decommissioned. An operation is a component of an entity that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan for disposal or decommissioning or is a subsidiary acquired exclusively with a view to resale. Immediately before the initial classification of the asset as held for sale or decommissioning, the carrying amounts of the asset must be measured in accordance with the applicable IFRSs. On reclassification, the discontinued operation is recognized at the lower of the carrying amount and fair value less costs to sell. Discontinued operations are presented separately in the income statement, balance sheet and statement of cash flows and discussed in the notes to the financial statements. Prior-year figures are disclosed accordingly for the purpose of comparison.

## TAXES

### Current Tax Assets and Liabilities

Current tax assets and liabilities for the current and prior periods should be measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted by the balance sheet date.

### Deferred Taxes

Deferred taxes are recognized using the balance sheet liability method for all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the balance sheet.

Deferred tax liabilities are recognized for all taxable temporary differences unless the deferred tax liability arises from:

- The initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- Taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures may not be recognized where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax loss carryforwards, interest carryforwards and tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax loss carryforwards and tax credits can be utilized, unless the deferred tax asset arises from:

- The initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.
- Taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures where deferred tax assets may only be recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reviewed at each balance sheet date and recognized to the extent to which it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Income taxes relating to items recognized directly in equity are recognized in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset against each other when the Group has an enforceable right to set off current tax assets against current tax liabilities and these assets and liabilities relate to income taxes levied by the same taxation authority for the same taxable entity.

#### **Deferred tax assets and uncertain income tax positions**

The calculation of deferred tax assets requires assumptions regarding future taxable income and the timing of the realization of deferred tax assets. The measurement of deferred tax assets for tax loss carryforwards is generally based on future taxable income as part of corporate planning.

Income tax provisions were recognised for possible future tax arrears. The entities in the GASAG Group are subject to ongoing audits by local tax authorities. Changes in tax laws, case law and their interpretation by the tax authorities may result in tax payments that differ from the estimates made in the financial statements.

The valuation of uncertain tax positions is based on the most likely value of the realization of this risk.

In particular, the chronological distribution of the expenses to be taken into account for tax purposes is regularly subject to estimates and assumptions.



Developments that deviate from the assumptions made in the estimate may result in differences from the originally expected estimated values.

## VAT

Revenue, expenses and assets are recognized net of the amount of VAT (sales taxes) except:

- Where the VAT incurred on a purchase of goods or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Where receivables and liabilities are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

## DEFERRED INCOME

The GASAG Group presents grants for assets as deferred income. In addition to government investment grants, this item also includes building cost contributions and investment subsidies from third parties resulting from the Ordinance on the General Terms and Conditions for the Network Connection and Use for Low Pressure Gas Provision [“Niederdruckanschlussverordnung”: NDAV] and the concession agreements. Government grants are recognized in accordance with the provisions of IAS 20 and grants from third parties pursuant to IFRIC 18.

Deferred income is released to other operating income in accordance with the following useful lives derived from the related assets:

TYPE OF GRANT	Useful life / period of release of grant
<b>Government grants</b>	
Investment grants	depending on asset
<b>Grants from third parties</b>	
Building cost contributions / investment subsidies (pursuant to NDAV and concession agreements)	45 years
Other investment subsidies	depending on asset

The building cost contributions and investment subsidies received for the pipe network and home connections are released over a period of 45 years as they largely relate to the medium and low-pressure area.

## PROVISIONS

Provisions are recognized for a present obligation of the entity (legal or constructive) as a result of a past event or if it is probable that an outflow of resources embodying economic benefits will be required to settle the present obligation and a reliable estimate can be made of the amount of the obligation. If it is virtually certain that some or all of the provision will be reimbursed, for example under an insurance contract, then the reimbursement is treated as a separate asset.

The net obligation under **defined benefit plans** is calculated separately for each plan under provisions for **post-employment benefits**.

The obligation under the defined benefit plan is determined using the projected unit credit method.

Remeasurements of the net defined benefit liability are immediately recognized in the balance sheet and transferred to retained earnings via other comprehensive income in the period in which they occur. These remeasurements may not be reclassified to profit or loss in subsequent years. They comprise actuarial gains and losses, the return on plan assets and the effect of the asset ceiling unless these are already included in net interest, which is calculated by applying the discount rate to the net defined benefit liability. The calculation is based on the discount rate used at the beginning of the annual reporting period. Net interest on the defined benefit obligation is recognized in profit or loss under finance costs.

Any change or curtailment of the benefits granted under a plan and any resulting gain or loss are recognized in profit or loss under personnel expenses.

The employees' company pension scheme with the VBL is measured as a defined benefit multi-employer plan according to IAS 19 due to its nature as a secondary obligation. Due to a lack of information for accounting for the VBL company pension scheme as a defined benefit plan, it was treated as a **defined contribution plan**. The contributions to the VBL are reported annually as expenses in the amount of the allocations. A long-term provision was recognized according to IAS 19.37 for the top-up contributions payable to the VBL.

Provisions for **other long-term employee benefits** mainly include obligations from phased retirement arrangements ["Altersteilzeit": ATZ]. These relate to benefits to encourage voluntary early retirement. The provisions are set up on the basis of the works agreements for all employees who have concluded a phased retirement agreement. Deferred performance, top-up amounts, compensation payments for reduced pension benefits and hardship funds are included when accounting for the provisions. These expenses are accrued pro rata. The amounts expected to be paid are calculated in accordance with actuarial principles and recognized at present value. The remeasurements are recognized immediately in profit or loss pursuant to IAS 19.154. The portion of the provision for phased retirement arrangements attributable to deferred performance is disclosed net with the plan assets. If the plan assets exceed the corresponding obligation, the excess is reported as a financial asset.

**Other provisions** take into account all legal or constructive obligations to other parties arising from past events identifiable as of the balance sheet date, which are uncertain with regard to amount and / or timing. The provisions are carried at their settlement amount and measured at their expected value or at the value that is most probable.

Non-current provisions are recognized at their discounted settlement amount on the balance sheet date. The discount rates reflect current market assessments of the time value of money and, where appropriate, the risks specific to the provision. The unwinding of the discount is included in the financial result.

The following pre-tax rates were used to determine the present value:

FISCAL YEAR / TERM IN %	2019	2018
up to 5 years	0.00	0.00
5 to 10 years	0.00	0.25
over 10 years	0.00	0.70

This does not include provisions for post-employment benefits and for other long-term employee benefits, which are subject to the specific provisions of IAS 19.83. For more information, please see note (26) Provisions.

Pursuant to IFRIC 1, "Changes in Existing Decommissioning, Restoration and Similar Liabilities", changes in estimates which are attributable to an adjustment in respect of the timing of cash flows, the amount of cash outflow or the amount of the interest rate to be used for determining present value should be recognized in the provisions themselves and in the same amount in the relevant asset recognized under property, plant and equipment. If the adjustment results in a reduction in the carrying amount and if the adjustment exceeds the residual carrying amount of the asset, then the excess is recognized directly as an expense.

### FINANCIAL LIABILITIES

All **financial liabilities** are initially recognized at the fair value of the consideration received less transaction costs that are attributable to the borrowing. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are only recognized in profit or loss when the liabilities are derecognized.

**Trade payables** are generally due in 30 days or less. They are initially measured at fair value and subsequently at amortized cost.

### CONTINGENT LIABILITIES, OTHER FINANCIAL OBLIGATIONS AND CONTINGENT ASSETS

**Contingent liabilities** are possible or present obligations that arise from past events and which are not expected to result in an outflow of resources. If they were not assumed in a business combination, they are disclosed off the face of the balance sheet in the notes to the financial statements. The amounts stated reflect the scope of liability as of the balance sheet date.

Future (guaranteed) third-party claims for payments from group entities are reported under **other financial obligations**. These claims relate to those obligations which cannot be recognized in the balance sheet (at present) and are not contingent liabilities.

**Contingent assets** are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events.

### FOREIGN CURRENCY TRANSLATION

The Group's functional and reporting currency is the euro (EUR). Transactions in foreign currencies are disclosed at the exchange rate on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the exchange rate at the balance sheet date. Differences arising from currency translation are disclosed in the income statement.

## 6 NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

### (1) REVENUE

IN € K	2019	2018
Natural gas supply	771,898	780,641
Network access charges	248,361	186,542
Electricity supply	160,103	163,241
Heating supply	41,461	38,223
Other	29,816	28,457
	<b>1,251,639</b>	<b>1,197,104</b>

Revenue was mainly generated from the supply of natural gas. € 619,155k (prior year: € 592,704k) relates end customers and € 152,743 (prior year: € 187,937) to redistributors. The decrease in revenue from redistributors is primarily attributable to diminished prices. Gas sales to end customers increased as a result of price adjustments. This effect was slightly offset by the decrease in overall sales to end customers due to higher temperatures and thus lower heating values by 0,9 %.

The increase in revenue from electricity supplies reflects the wins in the business with end customers.

Revenue includes remuneration provided under the German Renewable Energies Act [“Erneuerbare-Energien-Gesetz”: EEG] and other similar remuneration of € 1,627k (prior year: € 1,966k) which is offset by material costs in the same amount.

## (2) OTHER OPERATING INCOME

IN € K	2019	2018
Own work capitalized	14,662	13,157
Reversal of provisions	13,914	2,235
Derecognition of accrued liabilities	11,992	6,620
Reversal of deferred income	10,373	9,968
Reimbursement of dunning and court costs	2,642	3,113
Income from the disposal of non-current assets	1,915	17
Reversal of value adjustments	558	1,011
Miscellaneous	8,235	6,571
	<b>64,291</b>	<b>42,692</b>

The increase of reversals of provisions is mainly due to the partial release of provisions for partial retirement (€ 5.6m) and soil decontamination (€ 2.9m).

## (3) COST OF MATERIALS

IN € K	2019	2018
Cost of raw materials, consumables and supplies and of purchased merchandise	667,731	627,576
Cost of purchased services	240,232	205,120
	<b>907,963</b>	<b>832,696</b>

Cost of materials mainly includes expenses for natural gas distributed directly to end users, transferred to redistributors and used by the Group itself. The increase in the cost of raw materials, consumables, and supplies was mainly due to higher electricity procurement costs as a result of the higher business scope.

The cost of materials also includes net expenses and income from commodity derivatives that do not fall under the so called "own use exemption" and are not allocated to a hedging relationship. They are reported on a net basis and amount to € 4,786k (prior year: € 890k).

The increase in the cost of purchased services is essentially due to the higher cost of electricity grid fees as a result of the increased business volume. Additionally the first-time application of IFRS 16 resulted in a € 2,458k decrease due to the lower leasing / leasing expenses for purchased services.

Furthermore, expenses for repairs and maintenance and other construction and purchased services were incurred.

#### (4) PERSONNEL EXPENSES

IN € K	2019	2018
Wages and salaries	101,284	112,631
Social security, pension and other benefit costs	23,288	21,194
	<b>124,572</b>	<b>133,825</b>

Personnel expenses decreased by € 9.2 million compared with the previous year to € 124.6m (-6.9 %). The reduction is primarily due to the prior year's expenses for partial retirement programs as part of the transformation program "GASAG 2025" in the amount of € 16.2m.

The average number of employees (excluding employees in the release phase of phased retirement) was 1,726 compared to 1,787 in the prior year. The decrease was mainly the result of the implementation of the measures completed in 2018 and 2019 as part of GASAG 2025 (mainly volunteer program).

Social security costs include contributions to the statutory pension insurance fund of € 7,494k (prior year € 7.246k).

Pension costs amounted to € 5,653k (prior year: € 4,452k) in the fiscal year.

The annual average number of people employed by the Group was:

NUMBER OF EMPLOYEES <sup>1</sup>	2019	2018
Women	683	711
Men	1,100	1,140
	<b>1,783</b>	<b>1,851</b>
<i>thereof in the release phase of phased retirement</i>	57	64

1) excluding trainees and management board members

#### (5) AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES

Amortization, depreciation and impairment losses for fiscal years 2018 and 2019 breaks down as follows:

IN € K	2019	2018
<b>Intangible assets</b>	<b>6,153</b>	<b>6,384</b>
Amortization	6,153	6,211
Impairment losses	0	173
<b>Property, plant and equipment</b>	<b>75,272</b>	<b>72,832</b>
Depreciation	75,258	72,745
Impairment losses	14	87
<b>Rights of use</b>	<b>10,513</b>	<b>0</b>
Depreciation	10,513	0
Impairment losses	0	0
	<b>91,938</b>	<b>79,216</b>

Of the scheduled amortization of **intangible assets**, € 4,083k (prior year: € 4,106k) relate to software licenses and € 1,936k (prior year: € 1,983k) to customer bases in the current fiscal year. Conversion grants and subsidies granted accounted for € 82k (prior year: € 89k).

The impairment loss of € 173k recognized for **intangible assets** in the previous financial year results from the impairment of customer bases.

The impairment losses of € 14k (prior year: € 87k) recognized for **property, plant and equipment** in the fiscal year relate primarily to procurement, production and distribution facilities.

As of January 1, 2019, leases are capitalized as rights of use in accordance with IFRS 16 and reported in a separate balance sheet item. In the 2019 financial year, the capitalised rights of use will be subject to scheduled depreciation of € 10,513k.

## (6) OTHER OPERATING EXPENSES

IN € K	2019	2018
Concession levies	27,071	26,854
Advertising and promotional activities	18,424	19,744
IT services	17,508	16,602
Settlements and Reconciliation of Interests "GASAG 2025"	16,796	5,530
Other services and purchased services	14,707	7,438
Legal and other consulting fees, including audit fees	7,875	10,736
Derecognition of and bad debt allowances on receivables	4,304	5,778
Leasing expenses	3,307	11,085
Insurance	2,725	2,706
Postage and freight costs	2,176	2,457
Losses on the disposal of non-current assets	1,462	1,079
Entertainment and travel expenses	1,313	646
Other taxes	954	1,062
Miscellaneous	7,480	11,205
	<b>126,102</b>	<b>122,922</b>

The increase in other services and purchased services mainly results from expenses for consulting services in connection with the transformation program "GASAG 2025" in the amount of € 6.4m. In addition, expenses for severance payments and reconciliations of interests as part of the transformation program increased by € 11.3m.

The write-offs and value adjustments on receivables comprise € 3.6m of write-offs and € 0.7m of value adjustments.

The decrease in leasing expenses is mainly due to the first-time application of IFRS 16. Leasing expenses in the year under review include expenses for short-term leases amounting to € 826k and leases for low-value assets amounting to € 695k.

## (7) INVESTMENT RESULT

IN € K	2019	2018
Investment result		
<i>thereof from entities accounted for using the equity method</i>	500	709
<i>thereof from other investments</i>	1,350	1,782
	<b>1,850</b>	<b>2,491</b>

The investment result includes profit contributions from operating investments. The operating activities of these investees are closely related to those of the Group.

The investment result includes all income and expenses related to these unquoted equity instruments. All shares held in entities accounted for using the equity method and other shareholdings as of December 31, 2019 are disclosed in the list of equity investments in section 3 "Consolidated Group."

## (8) FINANCE COSTS

IN € K	2019	2018
Finance costs	<b>-19,053</b>	<b>-19,779</b>
Interest on overdrafts and loans from banks	-15,321	-17,541
Interest from other financial liabilities	-1,471	-1,433
Unwinding of the discount for provisions	-998	-721
Interest on finance leases	-1,263	-84
Other financial result	<b>1,289</b>	<b>2,647</b>
Interest income and similar income	1,763	4,978
Remeasurement of derivatives	-57	-2,109
Revaluation / ineffectiveness of derivatives	-417	-222
	<b>-17,764</b>	<b>-17,132</b>

The increase in interest from leases results from the first-time application of IFRS 16.

The previous year's higher interest-like income is due to the write-up from the fair value measurement of an investment.



## (9) INCOME TAXES

IN € K	2019	2018
Corporate income tax	5,131	8,284
<i>thereof relating to other periods</i>	295	108
Trade tax	2,272	7,853
<i>thereof relating to other periods</i>	-951	-939
<b>Current income taxes</b>	<b>7,403</b>	<b>16,137</b>
Deferred taxes on temporary differences	3,632	-1,953
<i>thereof relating to other periods</i>	249	-715
Deferred taxes on tax loss carryforwards	5,163	5,554
<i>thereof relating to other periods</i>	-601	403
<b>Deferred taxes</b>	<b>8,795</b>	<b>3,601</b>
<b>Income taxes</b>	<b>16,198</b>	<b>19,738</b>

Deferred taxes were calculated using company-specific tax rates. In addition to corporate income tax of 15.00 %, the solidarity surcharge of 5.50 % on corporate income tax and the trade tax rate within a range of 9–16 % (prior year: 9–16 %) were taken into account.

The reconciliation from the theoretical income tax expense to the effectively reported tax expense is presented below:

IN € K	2019	2018
Profit before income taxes	48.108	58.194
Group tax rate	30.18 %	30.18 %
<b>Theoretical income tax expense / income</b>	<b>14.519</b>	<b>17.563</b>
Tax effects from		
Differences and changes in tax rates	-620	153
Tax-free income	-150	-224
Non-deductible business expenses	1.556	1.516
Effect of taxes from prior years recognized in the fiscal year	-1.141	-1.141
Utilization of loss carryforwards not used in the prior year	313	0
Unrecognized deferred taxes on tax loss carryforwards	412	785
Additions to / reductions in trade tax	1.476	857
Other	-167	229
<b>Effective income tax expense / income</b>	<b>16.198</b>	<b>19.738</b>
Effective tax rate	33.7 %	33.9 %

The development in the item “differences and changes in tax rate” can be explained by the changed average trade tax rate due to the profit and loss transfer agreement concluded between EMB and GASAG in 2019 as well as the difference between the Group tax rate and the tax rates of the group companies.

Non-deductible business expenses consist of corrections in accordance with § 8b KStG, which include non-tax deductible profit reductions and non-deductible expenses.

Taxes from previous years mainly include effects from the 2011 to 2013 tax audit as well as trade tax refunds from old claims that have now been asserted.

Deferred tax assets are not recognized for loss carryforwards whose realization is not sufficiently certain. Corporation tax loss carryforwards amount to € 11,506k (prior year: € 10,053k) and trade tax loss carryforwards to € 13,969k (prior year: € 11,654k).

The increase in the item "Additions to / reductions in trade tax" mainly results from a one-off payment to be added to the trade tax.

In 2019, shareholders' equity changed by deferred taxes of € 24,785k (prior year: € 2,299,227k) attributable to components not recognized in income.

#### (10) PROFIT OR LOSS FROM DISCONTINUED OPERATIONS

IN € K	2019	2018
Revenue	19	13
Other operating income	815	714
Expenses	269	1.195
<b>Profit or Loss before taxes</b>	<b>565</b>	<b>-468</b>
Income taxes	171	-142
<b>Profit or loss from discontinued operations</b>	<b>395</b>	<b>-326</b>

In December 2016, the supervisory board of GASAG resolved to decommission the Berlin natural gas storage facility. The commercialization of storage capacities ended on April 1, 2017. The closure plan was submitted to the Brandenburg State Office for Mining, Geology and Raw Materials (Landesamt für Bergbau, Geologie und Rohstoffe Brandenburg: LBGR) in May 2018. The decommissioning approval is expected in the first half-year 2020.

## (11) OTHER COMPREHENSIVE INCOME

### Disclosure of Components of Other Comprehensive Income

IN € K	2019	2018
Cash flow hedges:		
Profit or loss for the period	-79,974	-6,008
Plus reclassification adjustments to profit or loss	6,575	13,505
	<b>-73,399</b>	<b>7,497</b>
Remeasurement of assets		
Actuarial profit or loss	-8,465	99
<b>Other comprehensive income before taxes</b>	<b>-81,864</b>	<b>7,596</b>
Income taxes relating to components of other comprehensive income	24,785	-2,299
<b>Other comprehensive income</b>	<b>-57,079</b>	<b>5,297</b>
Other comprehensive income attributable to non-controlling interests	165	-101
<b>Other comprehensive income excluding non-controlling interests</b>	<b>-56,914</b>	<b>5,196</b>

## (12) EARNINGS PER SHARE

Earnings per share in the income statement are calculated by dividing the profit for the period excluding non-controlling interests by the average number of shares. GASAG has only issued ordinary shares.

This figure could be diluted by potential shares (above all, stock options and convertible bonds). The Group has neither issued nor has any plans to issue potential shares in the form of stock options or convertible bonds.

		2019	2018
Profit or loss for the period excluding non-controlling interests	€ k	29,876	30,149
Number of shares outstanding (weighted average)	Thousands of units	8,100	8,100
Earnings per share (GASAG Group)	€	3.69	3.72
Dividends to owners	€ k	50,625 <sup>1</sup>	28,755 <sup>2</sup>
Dividend per share of GASAG	€	6.25 <sup>1</sup>	3.55 <sup>2</sup>

1) Proposed

2) Paid in 2019

## 7 NOTES TO THE BALANCE SHEET

### (13) INTANGIBLE ASSETS

Intangible assets developed as follows in fiscal years 2018 and 2019:

IN € K	Goodwill	Acquired intangible assets	Internally generated intangible assets	TOTAL
<b>Cost</b>				
As of Jan. 1, 2018	159,923	111,799	7,835	279,557
Changes to the consolidated group	1,789	0	0	1,789
Additions	0	5,821	0	5,821
Disposals	0	1,735	0	1,735
Reclassification				
As of Dec. 31, 2018	161,712	115,885	7,835	285,432
<b>Amortization and impairment</b>				
As of Jan. 1, 2018	7,755	72,692	7,719	88,166
Änderung Konsolidierungskreis	0	-10	0	-10
Additions	0	6,366	19	6,385
Disposals	0	1,733	0	1,733
As of Dec. 31, 2018	7,755	77,315	7,738	92,808
<b>Residual carrying amounts as of Dec. 31, 2018</b>	<b>153,957</b>	<b>38,570</b>	<b>97</b>	<b>192,624</b>
<b>Cost</b>				
As of Jan. 1, 2019	161,712	115,885	7,835	285,432
Additions	0	5,213	0	5,213
Disposals	0	402	0	402
Reclassifications	0	-5	0	-5
As of Dec. 31, 2019	161,712	120,691	7,835	290,238
<b>Amortization and impairment</b>				
As of Jan. 1, 2019	7,755	77,315	7,738	92,808
Additions	0	6,134	20	6,154
Disposals	0	270	0	270
As of Dec. 31, 2019	7,755	83,179	7,758	98,692
<b>Residual carrying amounts as of Dec. 31, 2019</b>	<b>153,957</b>	<b>37,512</b>	<b>77</b>	<b>191,546</b>

Goodwill was allocated to cash-generating units for the purpose of the impairment test as follows:

IN € K	DEC. 31, 2019	Dec. 31, 2018
EMB Energie Mark Brandenburg	120,180	120,180
SpreeGas	22,554	22,554
GASAG Solution Plus	4,901	4,901
NBB	3,491	3,491
Geo-En Energy	1,956	1,956
Other	875	875
	<b>153,957</b>	<b>153,957</b>

The impairment test identified no impairment requirement on the goodwill.

Acquired intangible assets mainly include customer bases of € 21,101k (prior year: € 23,036k). Of this amount, € 15,677k (prior year: € 17,040k) is attributable to the SpreeGas customer base with a remaining amortization period of 12 years and € 5,424k (prior year: € 5,895k) to the EMB customer base with a remaining amortization period of 11.5 years. A further component of this item is the conversion grants and subsidies of € 179k (prior year: € 238k) and software of € 15,510k (prior year: € 14,570k) granted to special-rate customers.

The additions mainly relate to software and granted conversion allowances / incentive subsidies. The latter were derecognized at the end of the period they were granted for.

Apart from conversion allowances and incentive subsidies, disposals are predominantly composed of software systems which are no longer used and have already been amortized in full.

Software of € 2,788k (prior year: € 3,639k) is not ready for operation.

Restrictions on title or disposal in the form of land charges or collateral assignments only exist to a very limited extent.

## (14) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment developed as follows in 2018 and 2019:

IN € K	Procurement, production and distribution facilities	Land and buildings	Other property, plant and equipment	TOTAL
<b>Cost</b>				
As of Jan. 1, 2018	3,082,699	61,534	26,872	3,171,105
Changes to the consolidated group	739	5,354	1,892	7,985
Additions	105,713	1,008	3,167	109,888
Disposals	10,618	3,400	1,630	15,648
Reclassifications	-4	4	0	0
As of Dec. 31, 2018	3,178,529	64,500	30,301	3,273,330
<b>Depreciation and impairment</b>				
As of Jan. 1, 2018	1,687,316	26,182	18,445	1,731,943
Changes to the consolidated group	0	0	-49	-49
Additions	67,738	1,937	3,185	72,860
Disposals	8,863	3,325	1,600	13,788
As of Dec. 31, 2018	1,746,191	24,794	19,981	1,790,966
<b>Residual carrying amounts as of Dec. 31, 2018</b>	<b>1,432,338</b>	<b>39,706</b>	<b>10,320</b>	<b>1,482,364</b>
<b>Cost</b>				
As of Jan. 1, 2019	3,178,529	64,500	30,301	3,273,330
Additions	116,891	1,432	1,911	120,234
Disposals	17,165	1,073	1,029	19,267
Reclassifications	-4,002	1,032	-5,806	-8,776 <sup>1</sup>
As of Dec. 31, 2019	3,274,253	65,891	25,377	3,365,521
<b>Depreciation and impairment</b>				
As of Jan. 1, 2019	1,746,191	24,794	19,981	1,790,966
Additions	70,970	1,905	2,413	75,288
Disposals	15,055	128	620	15,803
Reclassifications	-2,127	0	-5,195	-7,322 <sup>1</sup>
As of Dec. 31, 2019	1,799,979	26,571	16,579	1,843,129
<b>Residual carrying amounts as of Dec. 31, 2019</b>	<b>1,474,274</b>	<b>39,320</b>	<b>8,798</b>	<b>1,522,392</b>

1) thereof reclassification to rights of use according to IFRS 16 amounting to € -9,208k (costs) and -€ -7,322k (Depreciation and impairment) thereof reclassification from current assets amounting to € 427k (costs)

**Procurement, production and distribution facilities** include easements (including easements pursuant to Sec. 9 GBBerG), an intangible component which is allocated to the relevant distribution facilities. The carrying amount of the easements is € 14,857k (prior year: € 14,584k).

The largest share of additions is attributable to the expansion of the network distribution facilities, which includes replacement and new investments.

Assets with a carrying amount of € 33,593k (prior year: € 26,336k) are subject to restraints on disposal through assignment as security to lenders.

The disposals relate primarily to pipe system and home connection facilities as well as heat production facilities. The € 2,111k decrease in the carrying amount is primarily attributable to the sale of several heat production facilities due to early contractual termination and the restoration of a number of distribution plants due to replacement investments.

With regard to **land and buildings**, € 11,696k (prior year: € 12,623k) relates to land which is mainly recognized at historical carrying amounts.

The reduction in the carrying amount is mainly connected with the reversal of provisions for contaminated land at former gas production sites in accordance with IFRIC1 amounting to € 725k.

**Other property, plant and equipment** principally includes operating and office equipment.

Overall, property, plant and equipment includes assets under construction of € 50,121k (prior year: € 39,119k). These primarily comprise investments in gas distribution facilities as well as ground-mounted photovoltaic plants and heat production facilities which are under construction.

Rental or lease agreements with a total carrying amount of € 1,885k were reclassified from property, plant and equipment to a separate balance sheet item for rights of use in accordance with IFRS 16.

## (15) RIGHTS OF USE IFRS 16

The development of rights of use in the fiscal year 2019 is presented below:

IN € K	Distribution facilities	Properties	Other	TOTAL
As of Jan. 1, 2019	29,506	29,098	3,810	62,414
Additions	693	1,732	647	3,072
Disposals	-380	0	0	-380
Depreciation	-2,073	-7,099	-1,394	-10,566
As of Dec. 31, 2019	27,746	23,731	3,063	54,540

The properties essentially include the rental of office space and space for energy plants. The networks are mainly network lease agreements for parts of the gas network in various municipalities in Brandenburg.

The assets from finance leases recognised as of 31 December 2018 in the amount of € 1,885k were reclassified to the new balance sheet item "Rights of use". Please refer to section 2 "Application of International Financial Reporting Standards (IFRSs)" for the effects of the first-time application of IFRS 16.

## (16) INVESTMENTS IN ASSOCIATES

**Goodwill** attributable to associates was not disclosed under intangible assets but rather as a component of the carrying amount of investments in associates (€ 784k; prior year: € 784k) pursuant to IAS 28.42.

The following table shows summarized financial information about associates and joint ventures (calculated as 100 % shareholdings):

### ASSOCIATES

IN € K	DEC. 31, 2019	Dec. 31, 2018
Non-current assets	16,148	16,242
Current assets	3,185	3,113
Non-current liabilities	3,816	3,856
Current liabilities	9,113	9,320
Balance sheet total	19,333	19,355
Revenue	6,707	6,477
Profit for the period	418	301

### JOINT VENTURES

IN € K	DEC. 31, 2019	Dec. 31, 2018
Non-current assets	2,516	2,435
Current assets	773	515
Non-current liabilities	405	271
Current liabilities	1,429	1,336
Balance sheet total	3,289	2,950
Revenue	947	598
Profit for the period	134	97

The equity investments are composed as follows:

IN € K	DEC. 31, 2019	Dec. 31, 2018
<b>Associates</b>	<b>10,265</b>	<b>10,288</b>
Gas-Versorgung Cottbus GmbH, Cottbus	3,369	3,392
Netzgesellschaft Hohen Neuendorf GmbH & Co. KG, Hohen Neuendorf	2,289	2,289
Berliner Energieagentur GmbH, Berlin	1,266	1,266
WGI GmbH, Dortmund	1,254	1,254
Rathenower Netz GmbH, Rathenow	1,216	1,216
NGK Netzgesellschaft Kyritz mbH, Kyritz	545	545
Gasversorgung Zehdenick GmbH, Zehdenick	259	259
GreenGas Rathenow Verwaltungs GmbH, Rathenow	67	67
GreenGas Produktionsanlage Rathenow GmbH & Co. KG, Rathenow	0	0
<b>Joint ventures</b>	<b>1,796</b>	<b>1,811</b>
ARGE Wärmelieferung, Cottbus	301	301
Netzgesellschaft Hennigsdorf Gas mbH, Hennigsdorf	1,476	1,491
G2Plus GmbH, Berlin	13	13
CG Netz-Werk GmbH, Berlin	6	6
<b>Carrying amounts of shareholdings valued using the equity method</b>	<b>12,062</b>	<b>12,099</b>



## (17) FINANCIAL ASSETS

### Non-Current Financial Assets

IN € K	DEC. 31, 2019	Dec. 31, 2018
Other loans	2,982	3,165
Investments in unquoted equity instruments	16,207	16,207
Receivables from finance leases	4,881	4,986
Derivatives <sup>1</sup>	959	6,795
	<b>25,029</b>	<b>31,153</b>

1) thereof classified as held for trading 0 208

**Investments in unquoted equity instruments** relate to entities included in the list of equity investments under other shareholdings. See (30) "Reporting on Financial Instruments" for details on valuation. The Group also concluded option contracts to buy equity investments. These options had no significant market values as of the balance sheet date.

Non-current financial assets also include the non-current portion of **lease receivables** from leases classified as finance leases. GASAG Solution Plus GmbH (Hereinafter GASAG Solution) is the lessor in the contracting projects. If substantially all the risks and rewards from the contracts concluded are transferred to the lessee, the leased asset is derecognized and a receivable in the amount of the net investment is reported.

The following table shows the minimum lease payments as well as the reconciliation to the gross investment in the leases:

DEC. 31, 2019 IN € K	Present value of minimum lease payments	Unearned finance income	Gross investment
Due in less than 1 year	665	666	1,331
Due in 1 to 5 years	2,527	1,860	4,387
Due after 5 years	2,354	668	3,022
	<b>5,546</b>	<b>3,194</b>	<b>8,740</b>

For comparison, the prior-year figures:

DEC. 31, 2018 IN € K	Present value of minimum lease payments	Unearned finance income	Gross investment
Due in less than 1 year	801	719	1,520
Due in 1 to 5 years	3,038	2,266	5,304
Due after 5 years	1,947	1,178	2,445
	<b>5,786</b>	<b>3,483</b>	<b>9,269</b>

Information on derivatives is provided separately under note (30) "Reporting on Financial Instruments".

### Current Financial Assets

IN € K	DEC. 31, 2019	Dec. 31, 2018
Receivables from finance leases	582	741
Derivatives <sup>1</sup>	2,339	16,594
	<b>2,921</b>	<b>17,336</b>
<b>1) thereof classified as held for trading</b>	<b>396</b>	<b>2,957</b>

### (18) CONTRACT ASSETS

Assets in connection with customer contracts mainly relate to capitalized contract costs of € 33,961k (thereof current € 8,968k). These are exclusively contract acquisition costs. The expenses invoiced by third parties for the period (e.g. commission payments to sales partners) are capitalized. The resulting asset is consumed as scheduled over the average customer retention period. Consumption in the financial year amounted to € 7,927k.

Also included are contractual assets in the amount of € 7,115k (thereof current € 5,729k), which mainly result from the granting of bonus payments to customers and are consumed over the term of the contract.

The reduction in sales revenue due to the allocation of previously recognized contractual assets to the appropriate periods amounted to € 7,494k in the past financial year.

## (19) DEFERRED TAXES (ASSETS AND LIABILITIES)

Deferred tax assets and liabilities result from temporary valuation differences in the IFRS balance sheet and the tax base, as well as from tax loss carryforwards.

IN € K		DEC. 31, 2019	DEC. 31, 2018	Dec. 31, 2018	Dec. 31, 2018
		DEFERRED TAX ASSETS TAXES	DEFERRED TAX LIABILITIES TAXES	Deferred tax assets Taxes	Deferred tax liabilities Taxes
Intangible assets	(1)	3,306	6,515	2,937	7,147
Property, plant and equipment	(2)	3,919	79,805	3,371	75,900
Rights of use	(3)	0	15,562	0	0
Investments in associates		41	0	53	0
Financial assets	(4)	184	4,618	171	13,229
Inventories	(5)	492	3,179	1,422	1,238
Trade receivables and other Receivables		1,459	189	2,201	77
Contract assets	(6)	0	12,483	0	11,238
Deferred Income	(7)	6,301	1,331	5,530	1,571
Provisions	(8)	16,167	1,896	16,734	5,283
Financial liabilities	(9)	29,029	2,050	13,098	440
Trade payables and other liabilities	(10)	20,502	44	3,058	32
		<b>81,400</b>	<b>127,672</b>	<b>48,575</b>	<b>116,155</b>
Tax loss carryforwards	(11)	44,282		49,445	
<b>Gross amount</b>		<b>125,682</b>	<b>127,672</b>	<b>98,020</b>	<b>116,155</b>
Netting		75,638	75,638	65,567	65,567
<b>Net amount</b>		<b>50,044</b>	<b>52,034</b>	<b>32,453</b>	<b>50,588</b>
<i>thereof current</i>		35,719	5,463	19,779	1,787
<i>thereof non-current</i>		89,963	122,209	78,241	114,368

The differences between the tax base and the IFRS balance sheet are listed below:

- (1) The reduction in deferred tax liabilities is attributable to the write-down of customer bases which were not recognized in the tax base.

The rise in deferred tax assets is the result of the recognition of a goodwill in NBB's tax accounts resulting from the transfer of the network billing business from BAS to NBB.

- (2) The valuation differences result from the useful lives applied, which generally cover a longer period under IFRSs. In addition, under IFRSs, real property rights pursuant to Sec. 9 GBBerG are carried at present value in accordance with IAS 37 in line with the provision set up in 1993 for compensation obligations. In 2019, the sale of network assets from GASAG to NBB and the associated revaluation in the tax base will result in additional valuation differences.

- (3) The deferred tax liabilities result from the first-time consideration of the requirements of IFRS 16.6.

- (4) Under IFRSs, derivatives are recognized at fair value in accordance with IAS 9.

- (5) The working gas in GASAG's natural gas storage facilities is measured using the weighted average cost method; by contrast, in the tax base, the LIFO method is used.

- (6) The increase in deferred tax liabilities is attributable to the application of IFRS 15.

- (7) Deferred tax assets related to deferred income stem from the differences between IFRSs and tax accounting regarding the reversal of the special item for investment subsidies. The deferred tax liabilities are attributable to the special item with an equity portion recognized by SpreeGas GmbH for tax purposes.

- (8) Differences in provisions result from the different treatment of the pension provisions, the provisions for phased retirement arrangements and top-up contributions to the VBL. Indirect pension obligations (largely under the agreements on pensions for salaried employees and wage earners in the State of Berlin and top-up contributions to the VBL) are recognized in accordance with IFRSs. Furthermore, different actuarial inputs are used. The other non-current provisions (term of over 12 months) are discounted under IFRSs, in contrast to the treatment for tax purposes.

The change in deferred tax liabilities mainly stems from the reduction in provisions for regulatory matters in the tax balance sheet, which are not recognized under IFRS.

- (9) The decrease in deferred taxes from financial liabilities is chiefly due to the reduction in negative fair values of derivatives.

- (10) The increase in deferred tax assets is attributable to the first time application of IFRS 16.

- (11) Pursuant to IAS 12, deferred taxes are recognized for tax loss carryforwards.

The reduction in deferred taxes on losses carried forward results from an increase in the tax result.

In the fiscal year, deferred taxes of –€ 31,643k (prior year: –€ 6,857k) were charged directly to equity.

The total amount of deferred tax assets includes tax reduction claims arising from the expected utilization of the following existing loss carryforwards in subsequent periods:

IN € K	DEC. 31, 2019	Dec. 31, 2018
Corporate income tax (incl. solidarity surcharge)	103,303	111,931
Trade tax	193,533	221,231

Deferred taxes from unused tax loss carryforwards have been recognized to the extent that it is sufficiently probable that they will be realized.

Deferred tax assets and liabilities are netted if these income tax assets and liabilities can be offset for submission against each other to the same tax authority on the same taxable entity.

## (20) INVENTORIES

IN € K	DEC. 31, 2019	Dec. 31, 2019
Raw materials, consumables and supplies	2,517	3,042
Merchandise	25,239	18,986
Work in process	1,944	3,614
Prepayments made	49	–27
	<b>29,748</b>	<b>25,615</b>

Of the merchandise disclosed under inventories, € 25,239k relates to the working gas in the storage facilities (prior year: € 18,986k). The change in inventories is attributable to the increased natural gas volume in the natural gas storage facilities.

There is no restriction on the disposal of inventories, nor are there any other charges.

## (21) INCOME TAX RECEIVABLES

Refund claims for income taxes such as corporate income tax, trade tax and tax on investment income including the solidarity surcharge are disclosed under tax receivables.

## (22) TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade and other receivables are non-interest-bearing receivables.

IN € K	DEC. 31, 2019	Dec. 31, 2019
<b>Trade receivables:</b>	<b>124,809</b>	<b>124,475</b>
from gas supplies	64,749	76,059
from network access charges	17,885	19,424
from heat and electricity supplies	37,520	24,020
from other trade	4,655	4,972
<b>Other receivables</b>	<b>28,377</b>	<b>16,548</b>
	<b>153,186</b>	<b>141,023</b>

In addition to goods and services billed to customers, trade receivables include unbilled receivables from gas, heat and electricity supplies and network access charges of € 602,421k (prior year: € 550,190), which were offset against the unbilled advance payments of € 521,986k (prior year: € 466,928k).

€ 5,234k (prior year: € 1,193k) of other receivables relates to VAT refund claims, € 1,185k (prior year: € 3,179k) to deferred items and € 2,055k (prior year: € 2,404k) to other taxes.

Overdue, unimpaired trade receivables break down as follows:

IN € K	Carrying amount	Not due	Overdue by between 1 and 30 days	Overdue by between 30 and 60 days	Overdue by between 60 and 120 days	Overdue by between 120 and 360 days	Overdue by more than 360 days
Trade receivables before bad debt allowances as of Dec. 31, 2019	129,690	100,637	8,125	3,144	1,048	5,694	11,042
<b>Bad debt allowances</b>	<b>4,881</b>	<b>1,059</b>	<b>297</b>	<b>88</b>	<b>50</b>	<b>851</b>	<b>2,536</b>
<b>Trade receivables as of Dec. 31, 2019</b>	<b>124,809</b>	<b>99,578</b>	<b>7,828</b>	<b>3,056</b>	<b>998</b>	<b>4,843</b>	<b>8,506</b>
Trade receivables before bad debt allowances as of Dec. 31, 2018	129,764	102,962	7,540	2,532	1,045	6,076	9,609
<b>Bad debt allowances</b>	<b>5,289</b>	<b>1,262</b>	<b>185</b>	<b>108</b>	<b>49</b>	<b>1,180</b>	<b>2,505</b>
<b>Trade receivables as of Dec. 31, 2018</b>	<b>124,475</b>	<b>101,700</b>	<b>7,355</b>	<b>2,424</b>	<b>996</b>	<b>4,896</b>	<b>7,104</b>

Billed trade receivables generally fall due within 16 days.

With respect to the overdue trade receivables that are not impaired, there were no indications as of the balance sheet date that the debtors will be unable to meet their payment obligations.

Bad debt allowances on trade receivables developed as follows:

IN € K	2019	2018
<b>Bad debt allowances</b>		
As of Jan. 1	5,289	10,590
Allocations (expenses for bad debt allowances)	571	1,352
Utilization	431	5,673
Reversal	548	980
<b>As of Dec. 31</b>	<b>4,881</b>	<b>5,289</b>

The total amount of the allocations of € 571k (prior year: € 1,352k) comprises allocations due to specific bad debt allowances of € 89k (prior year: € 1,028k) and flat-rate specific bad debt allowances of € 482k (prior year: € 324k). Reversals include reversals of specific bad debt allowances of € 47k (prior year: € 154k) and of flat-rate specific bad debt allowances of € 501k (prior year: € 826k).

All expenses and income relating to bad debt allowances and the derecognition of trade receivables are disclosed under other operating expenses and other operating income.

The following table shows expenses for the complete derecognition of receivables and income from the receipt of payments on receivables derecognized in the prior year:

IN € K	2019	2018
Expenses for the complete derecognition of receivables	3,927	4,389
Income from the receipt of payments on receivables derecognized in prior years	1,950	1,479

The ratio of expenses for the derecognition of trade receivables to bad debt allowances on trade receivables results from the special posting system used by the GASAG Group for flat-rate specific bad debt allowances, in which allowances made during the year are not charged against the flat-rate specific bad allowance but recognized directly as an expense. Receipts of payments on impaired receivables are disclosed in other operating income. The bad debt allowance on trade receivables is determined as of the reporting date as the balance of the allowance already recognized and the write-down requirement identified, with the corresponding amount being allocated or released. This posting system does not have any effect on earnings.

In fiscal year 2019, interest income of € 495k (prior year: € 404k) on derecognized or impaired receivables was recognized.

## (23) CASH AND CASH EQUIVALENTS

IN € K	DEC. 31, 2019	Dec. 31, 2018
Cash on hand / checks	82	418
Bank balances	6,894	16,290
Short-term deposits	0	2,300
	<b>6,976</b>	<b>19,008</b>

## (24) EQUITY

The statement of changes in equity shows the breakdown and development of equity and non-controlling interests.

### Subscribed Capital

Subscribed capital is divided into 8,100,000 no-par value bearer shares with a notional value of € 51.00. All shares have been issued and fully paid in. Subscribed capital has not changed since December 31, 2018 and amounts to € 413,100k.

### Share Premium

The share premium relates exclusively to premiums pursuant to Sec. 272 (2) No. 1 HGB. Pursuant to Sec. 150 (2) AktG [“Aktengesetz”: German Stock Corporation Act], 10 % of GASAG’s capital stock may not be distributed from the legal reserve (restricted use). The remaining amount of € 1,151k may only be used for the purposes specified in Sec. 150 (4) AktG.

### Reserve for Unrealized Gains or Losses

These reserves include unrealized gains and losses from the measurement of hedges at fair value as well as remeasurements of defined benefit pension obligations.

IN € K	2019	Thereof IAS 39 / IFRS 9	Thereof IAS 19	2018	Thereof IAS 39 / IFRS 9	Thereof IAS 19
As of Jan. 1	-15,478	-4,312	-11,166	-19,203	-7,987	-11,216
Adjustment IFRS 9 to Jan. 1, 2019	0	0	0	-1,471	-1,471	0
Changes in other comprehensive income	-56,524	- 50,672	-5,852	5,196	5,146	50
<b>As of Dec. 31</b>	<b>-72,002</b>	<b>-54,984</b>	<b>-17,018</b>	<b>-15,478</b>	<b>-4,312</b>	<b>-11,166</b>

### Retained Earnings

Retained earnings include the profit for the period remaining after transfer to other retained earnings, other retained earnings and the reserve arising from the first-time application of IFRSs and undistributed profits from prior years. The reserves arising from the first-time application of IFRSs come to € 90,843k.

### Non-Controlling Interests

Non-controlling interests represent third-party shareholdings in group entities. As of December 31, 2019, these amounted to € 23,783k (€ 70,218k) and relate to shares of other shareholders in fully consolidated entities presented in the list of equity investments in section 3 “Consolidated Group”.



The following table shows financial information on subsidiaries with significant non-controlling shareholders (presented before the elimination of intragroup transactions):

	EMB Energie Mark Brandenburg GmbH, Potsdam		SpreeGas Gesellschaft für Gasversorgung und Energiedienstleistung mbH, Cottbus	
	2019	2018	2019	2018
Non-controlling interests in %	1.59013	26.69013	33.662	33.662
<b>IN € K</b>				
<b>Attributable to non-controlling interests:</b>				
Share in equity	2,225	42,266	19,978	20,599
Share in profit for the period	52	6,131	1,438	1,641
<b>Key financial items of the subsidiaries:</b>				
Dividend paid in the fiscal year	17,711	15,563	5,399	5,800
Assets	403,988	393,992	133,645	142,695
Liabilities	264,059	235,635	74,295	81,501
Revenue	236,061	225,707	62,756	60,265
Profit for the period	3,259	22,971	4,272	4,874
Other comprehensive income	-3,694	518	-717	-97
<b>Total comprehensive income</b>	<b>-435</b>	<b>23,489</b>	<b>3,555</b>	<b>4,777</b>

## (25) DEFERRED INCOME

Deferred income developed as follows in fiscal years 2018 and 2019:

IN € K	Jan. 1, 2018	Allocations	Reversals	Repay-ments	Dec. 31, 2018
<b>Government grants</b>	<b>2,173</b>	<b>0</b>	<b>105</b>	<b>0</b>	<b>2,068</b>
Investment grants	2,173	0	105	0	2,068
<i>thereof short-term (&lt; 1 year)</i>					105
<b>Grants from third parties</b>	<b>248,336</b>	<b>9,692</b>	<b>9,863</b>	<b>16</b>	<b>248,149</b>
Building cost contributions / investment subsidies (pursuant to NDAV and concession agreements)	242,320	7,297	8,958	4	240,655
<i>thereof short-term (&lt; 1 year)</i>					8,927
Other investment subsidies	6,016	2,395	905	12	7,494
<i>thereof short-term (&lt; 1 year)</i>					809
<b>Total</b>	<b>250,509</b>	<b>9,692</b>	<b>9,968</b>	<b>16</b>	<b>250,217</b>
<i>thereof short-term (&lt; 1 year)</i>					9,841
<i>thereof long-term (&gt; 1 year)</i>					240,376

IN € K	Jan. 1, 2019	Alloca-tions	Reversals	Repay-ments	DEC. 31, 2019
<b>Government grants</b>	<b>2,068</b>	<b>0</b>	<b>106</b>	<b>0</b>	<b>1,962</b>
Investment grants	2,068	0	106	0	1,962
<i>thereof short-term (&lt; 1 year)</i>					106
<b>Grants from third parties</b>	<b>248,149</b>	<b>12,707</b>	<b>10,268</b>	<b>1</b>	<b>250,587</b>
Building cost contributions / investment subsidies (pursuant to NDAV and concession agreements)	240,655	9,851	9,175	0	241,331
<i>thereof short-term (&lt; 1 year)</i>					9,141
Other investment subsidies	7,494	2,856	1,093	1	9,256
<i>thereof short-term (&lt; 1 year)</i>					1,026
<b>Total</b>	<b>250,217</b>	<b>12,707</b>	<b>10,374</b>	<b>1</b>	<b>252,549</b>
<i>thereof short-term (&lt; 1 year)</i>					10,273
<i>thereof long-term (&gt; 1 year)</i>					242,276

In the fiscal year and in the prior year, due to current legislation, the GASAG Group was not able to apply for any investment grants under the German Investment Grant Act ["Investitionszulagen-gesetz": InvZulG]. The investment grants available are from prior years.

The building cost contributions and investment subsidies are principally paid to finance investments in the distribution facilities.

## (26) PROVISIONS

IN € K	DEC. 31, 2019	Dec. 31, 2018
<b>Non-current provisions</b>		
Provisions for defined benefit plans	48,085	36,343
Other provisions	71,193	84,721
	<b>119,278</b>	<b>121,064</b>
<b>Current provisions</b>		
Provisions for defined benefit plans	1,282	5,572
Other provisions	41,908	50,758
	<b>43,190</b>	<b>56,331</b>
	<b>162,468</b>	<b>177,395</b>

### Provisions for Defined Benefit and Defined Contribution Plans

The GASAG Group has both defined benefit and defined contribution retirement benefit obligations. The obligations are primarily measured on the basis of the length of service and the remuneration of the employees.

For **defined contribution plans**, the Company does not enter into any obligations other than paying contributions to the benefit plan. The expenses are disclosed under personnel expenses. Contributions of € 11,874k (prior year: € 10,999k) were made in the fiscal year and allocated to the reporting period.

According to IAS 19, the company pension scheme under the VBL should be treated as a defined benefit multi-employer plan, since the employees are legally entitled to statutory payments, regardless of the contributions actually made. The employees' claims are directed towards the VBL and not the Company. However, the Company has secondary liability. A provision for this liability is recognized when the assets of the VBL are insufficient to cover the obligations. The fund assets attributable to the beneficiaries belonging to the Company have to be used for measurement. No information could be obtained from the VBL in this regard. As there is not enough information available to account for the VBL as a defined benefit plan, these benefits are treated as a defined contribution plan. A provision was recognized for the top-up contributions payable to the VBL (see Other Personnel Provisions).

Provisions are recognized for **defined benefit plans** in accordance with the existing retirement benefit obligations for claims to future and current benefits for current and former employees and their surviving dependents. Both direct (from direct commitments) and indirect retirement benefit obligations (through external pension funds) exist. These obligations are mainly provision-financed, such that the obligations from current retirement benefits and claims to future pensions are covered by the provisions recognized in the balance sheet. The future obligations are measured using actuarial principles and by cautiously estimating the relevant input parameters. The actuarial calculations of the benefit obligations and the result for the period were based on the following average inputs:

IN %	2019	2018
Interest rate	0.78	1.72
Average future salary increase	2.00	2.00
Average future pension increase	1.00	1.00

The assumptions on mortality and the resulting life expectancy are based on the newly published 2018G mortality tables by Klaus Heubeck.

The following table shows a summary of defined benefit plans with and without plan assets.

IN € K	DEC. 31, 2019	Dec. 31, 2018
Defined benefit plans without plan assets	47,313	38,684
Defined benefit plans with plan assets	2,054	3,231
Total defined benefit plans (netted)	49,367	41,915
Fair value of plan assets	16,706	16,252

The plan assets are insurance policies used to cover benefits. In 2019, the actual return on plan assets was € 293k (prior year: € 311k). 60 % of the plan assets (excluding German endowment insurance policies) comprise fund assets from external welfare funds (prior year: 58 %) and 40 % employer's pension liability insurance (prior year: 42 %). € 340k is expected to be paid into the plan assets in 2019 (prior year: € 700k).

The following table shows the development of the defined benefit obligation and the fair value of plan assets.

There are no reimbursements for items for which provisions were formed.

IN € K	Present value of the defined benefit obligation	Fair value of plan assets	Defined benefit liability
Jan. 1, 2018	59,576	15,677	43,899
Pension costs recognized in profit or loss			
Current service cost	748	0	748
Interest expense / income	822	226	596
<b>Subtotal recognized in profit or loss for the period</b>	<b>1,570</b>	<b>226</b>	<b>1,344</b>
Benefits paid	-2,964	-410	-2,554
Remeasurement gains / losses recognized in other comprehensive income			
Actuarial gains and losses due to changes in demographic assumptions	545	0	545
Actuarial gains and losses due to changes in financial assumptions	-1,313	0	-1,313
Other changes in value	753	85	668
<b>Subtotal recognized in other comprehensive income</b>	<b>-15</b>	<b>85</b>	<b>-100</b>
Employer's contributions	0	674	-674
<b>Dec. 31, 2018</b>	<b>58,167</b>	<b>16,252</b>	<b>41,915</b>

IN € K	PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION	FAIR VALUE OF PLAN ASSETS	DEFINED BENEFIT LIABILITY
Jan. 1, 2019	58,167	16,252	41,915
Pension costs recognized in profit or loss			
Current service cost	1,062	0	1,062
Interest expense / income	967	281	686
<b>Subtotal recognized in profit or loss for the period</b>	<b>2,029</b>	<b>281</b>	<b>1,748</b>
Benefits paid	-2,991	-376	-2,615
Subtotal recognized in other comprehensive income			
Actuarial gains and losses due to changes in demographic assumptions	-71	0	-71
Actuarial gains and losses due to changes in financial assumptions	9,289	0	9,289
Other changes in value	-350	10	-360
<b>Subtotal recognized in other comprehensive income</b>	<b>8,868</b>	<b>10</b>	<b>8,858</b>
Employer's contributions	0	539	-539
<b>Dec. 31, 2019</b>	<b>66,073</b>	<b>16,706</b>	<b>49,367</b>

The following table shows a quantitative sensitivity analysis of the key assumptions as of December 31, 2019:

ASSUMPTIONS	Change in %	Changes in defined benefit obligations			
		DEC. 31, 2019 IF THE ASSUMP- TIONS INCREASE	DEC. 31, 2019 IF THE ASSUMP- TIONS DECREASE	Dec. 31, 2018 if the assumptions increase in	Dec. 31, 2018 if the assumptions decrease
		IN € K	IN € K	In € K	In € K
Interest rate	1,0	-9,000	11,731	-7,216	9,208
Future salary increases	1,0	249	-235	312	-288
Future pension increases	1,0	8,529	-7,108	6,953	-5,837

The above sensitivity analysis uses a procedure whereby the effect of realistic changes in the key assumptions as of the end of the reporting period is extrapolated to the defined benefit obligation.

As of the end of the reporting period, the average term of the defined benefit obligation was 15 years (prior year: 14 years).

Payments of € 2,640k are expected to be made under defined benefit obligations within the next 12 months (prior year: € 2,370k).

## Other Provisions

### Provisions – Terms

IN € K	DEC. 31, 2019	Thereof residual term of		Dec. 31, 2018	Thereof residual term of	
	TOTAL	≤ 1 YEAR	> 1 YEAR	Gesamt	≤ 1 Jahr	> 1 Jahr
Other personnel provisions	13,337	5,310	8,027	24,060	3,345	20,715
Provisions for soil cleaning	180	180	0	3,654	3,654	0
Provision for restoration and follow-up maintenance	69,178	10,231	58,947	76,110	17,373	58,737
Provisions for litigation	238	238	0	28,632	23,363	5,269
Miscellaneous provisions	30,168	25,949	4,219	3,023	3,023	0
	<b>113,101</b>	<b>41,908</b>	<b>71,193</b>	<b>135,479</b>	<b>50,758</b>	<b>84,721</b>

### Statement of Provisions

IN € K	Jan. 1, 2019	Withdrawal	Reversal	Allocation	Unwinding of the discount for changes in interest rate <sup>1</sup>	Changes in the scope of consolidation	DEC. 31, 2019
Other personnel provisions	24,060	-5,755	-6,736	1,532	236	0	13,337
Provisions for soil cleaning	3,654	0	-3,575	101	0	0	180
Provision for restoration and follow-up maintenance	76,110	-6,583	-616	46	221	0	69,178
Provisions for litigations	3,023	-2,016	-850	82	0	0	239
Miscellaneous provisions	28,632	-11,113	-3,596	16,230	14	0	30,168
	<b>135,479</b>	<b>-25,467</b>	<b>-15,373</b>	<b>17,991</b>	<b>471</b>	<b>0</b>	<b>113,101</b>

1) Unwinding of the discount for provisions; interest effects due to the changes in interest rates and terms including the effects recognized without an effect on profit or loss in accordance with IFRIC 1

### Other Personnel Provisions

Provisions for personnel amounting to € 13,337k (prior year: € 24,060k) mainly relate to restructuring expenses for ATZ measures as part of "GASAG 2025". For the evaluation of the partial retirement obligations, an acceptance rate of 80 % was assumed for the affected group of persons for the signing of the ATZ contract.

In addition, obligations to pay top-up contributions for the VBL are reported. These top-up contributions cover the additional cash requirement, beyond the proceeds from the general contribution rate and finance claims arising prior to January 1, 2002 for additional old-age and survivors' pensions. The calculation used to determine the top-up contribution places considerable emphasis on the ratio between the participant's (employer) expenses for the supplementary pension scheme and its pension obligations. When measuring the provisions, recognition as a hardship case based on the implementation regulations in Art. 65 (5a) of the VBL's articles of incorporation was assumed. The VBL approved the use of hardship rules in prior years.

The obligation to pay top-up contributions to the VBL is recognized at present value. The provisions were measured assuming an interest rate of 0.66 % (prior year: 1.43 %) and a term of 13 years (prior year: 13 years). However, the expense may be over or underestimated due to insufficient or inaccurate information, which may lead to significant adjustments to the personnel provisions.

Furthermore, there are obligations under phased retirement arrangements, which are measured on the basis of actuarial reports. The inputs used for measuring these obligations are as follows:

IN %	2019	2018
Interest rate	0.0	0.0
Average future salary increase	2.0	2.0
Average future pension increase	1.0	1.0

The expenses for phased retirement obligations are disclosed under the operating result and interest expenses relating to the unwinding of the discount for provisions under finance costs. The provisions for phased retirement arrangements generally have terms of up to five years.

In order to protect claims arising from phased retirement arrangements pursuant to Sec. 8a AltTZG [“Altersteilzeitgesetz“: German Phased Retirement Act] against insolvency, GASAG Treuhand e.V. was established in fiscal year 2007. The funds of € 8,420k (prior year: € 4,120k) transferred to the trustee must be managed by the trustee with a view to the maintenance of capital, and may only and irrevocably be used in the future to meet the relevant obligations.

The trust assets that relate to the deferred performance part of the phased retirement obligations constitute the plan assets. The fair value of the plan assets of € 8,510k (prior year: € 4,210k) was netted with the obligations.

### Provisions for Soil Cleaning

The provisions for cleaning contaminated land of € 180k (prior year: € 3,654k) are due to statutory environmental protection obligations. Due to the low probability of the risk of utilisation and cash outflow, the provision was largely reversed.

### Provision for Restoration and Follow-Up Maintenance

The provision for the restoration and follow-up maintenance of facilities (storage facilities) of € 69,178k (prior year: € 76,110k) is mainly recognized due to public obligations.

In May 2018 a closure plan was submitted to the Brandenburg State Office for Mining, Geology and Raw Materials as the competent authority by the Berliner Erdgasspeicher GmbH. Due to long processing times, decommissioning approval is now expected in the 2020 financial year. Dismantling and decommissioning is expected to continue until at least 2025.

The net changes in the interest rates and terms of the obligations led to an adjustment of the present value of the provisions for restoration and follow-up maintenance of –€ 208k (prior year: –€ 821k).

With reference to the amount of the obligation and the term of the provisions for the restoration of facilities, there are uncertainties which could result in the need for adjustments to provisions.

### Provision for litigations

This item includes various items mainly in connection with energy taxes and class action lawsuits from previous years.

### Other Provisions

Other provisions relate to other legal or factual obligations existing as of the balance sheet date as well as obligations from onerous contracts. In particular, they include provisions for compensation for easements pursuant to Sec. 9 GBBerG. All other provisions have the character of legal obligations, there are no factual obligations. The main items relate to project costs not yet settled in the amount of € 8,131k (prior year: € 9,038k), bonuses and other discounts equivalent to € 9,082k (prior year: € 4,920k) and provisions for real property rights amounting to € 2,132k (prior year: € 2,442k).

## (27) FINANCIAL LIABILITIES

IN € K	DEC. 31, 2019	Dec. 31, 2018
<b>Liabilities to banks and borrower's note loans</b>	<b>595,622</b>	<b>423,673</b>
<i>thereof due within 1 year</i>	208,690	70,803
<i>thereof due after 1 year</i>	386,932	352,870
<b>Other financial liabilities<sup>1</sup></b>	<b>28,827</b>	<b>32,031</b>
<i>thereof due within 1 year</i>	1,196	2,079
<i>thereof due in 1 to 5 years</i>	27,631	29,952
<b>Derivatives</b>	<b>79,449</b>	<b>35,343</b>
<i>thereof due within 1 year</i>	57,240	16,849
<i>thereof due in 1 to 5 years</i>	22,209	18,494
	<b>703,898</b>	<b>491,047</b>

1) Leasing liabilities in accordance with IFRS 16 are recorded in the balance sheet item "other liabilities". In the previous year, other financial liabilities included € 1,814k in finance lease liabilities pursuant to IAS 17.

Financial liabilities largely comprise liabilities to banks and liabilities from capital market transactions.

The interest rates of fixed-interest financial liabilities range between 0.8 % and 5.1 % (prior year: 1.34 % and 5.1 %).

51.5 % (prior year: 84.9 %) of liabilities to banks and, as in the prior year, 1.0 % of other financial liabilities accrue variable interest. The variable rate loans are largely secured by derivatives.



The following table shows the contractually agreed (undiscounted) cash flows relating to the primary financial liabilities and derivatives. All instruments held as of December 31, 2019 for which payments had been contractually agreed were taken into account. Variable interest payments arising from financial instruments were determined on the basis of the last interest rates fixed before December 31, 2019.

IN € K	CARRYING AMOUNT DEC. 31, 2019	Cash flows Total	Thereof in the periods		
			2020	2021–2024	2025 and thereafter
Financial liabilities to banks and borrower's note loans	-595,622	-618,302	-198,947	-284,619	-134,736
Other financial liabilities	-28,827	-37,613	-2,811	-18,636	-16,166
Derivative financial liabilities	-79,449	-382,675	-224,666	-157,986	-23
Derivative financial assets	3,298	18,402	13,503	4,899	0

For comparison, the prior-year figures:

IN € K	Carrying amount Dec. 31, 2018	Cash flows Total	Thereof in the periods		
			2019	2020–2023	2024 and thereafter
Financial liabilities to banks and borrower's note loans	-423,673	-442,139	-76,595	-332,104	-33,440
Other financial liabilities	-32,031	-40,868	-2,510	-20,698	-17,660
Derivative financial liabilities	-35,343	-169,446	-117,596	-51,834	-16
Derivative financial assets	23,389	-116,781	-80,118	-36,663	0

Information on derivatives is provided separately under note (30) "Reporting on Financial Instruments".

## (28) TRADE PAYABLES AND OTHER LIABILITIES

IN € K	DEC. 31, 2019	Thereof due in		Dec. 31, 2018	Thereof due in	
		≤ 1 YEAR	> 1 YEAR		≤ 1 year	> 1 year
Trade payables	125,646	125,646	0	134,150	134,150	0
Liabilities arising from the procurement of natural gas	70,367	70,367	0	77,198	77,198	0
Miscellaneous liabilities	55,279	55,279	0	56,952	56,952	0
Other liabilities	136,267	90,020	46,247	64,369	64,267	102
<i>thereof lease liabilities</i>	55,515	9,544	45,971	0	0	0
	<b>261,913</b>	<b>215,666</b>	<b>46,247</b>	<b>198,519</b>	<b>198,417</b>	<b>102</b>

The increase in other liabilities mainly results from the first-time application of IFRS 16.

Other liabilities chiefly comprise lease liabilities equivalent to € 55,515k, obligations of € 24,708k (prior year: € 13,501k) arising from payments to personnel due in 2019 and tax liabilities of € 22,997k (prior year: € 22,375k), prepayments received of € 1,364k (prior year: € 1,175k), transitory deferred income of € 1,961k (prior year: € 817k) and debtors with credit balances of € 15,691k (prior year: € 10,601k).

Other current liabilities include, among other things, the payment obligation due to GASAG's option writer position from a put option of the minority shareholders of EMB. In accordance with the provisions of IAS 32, contracts that require the Company to purchase its own equity instruments give rise to a liability in the amount of the present value of the purchase price.

The minimum lease payments and present values from leasing agreements are as follows:

IN € K	MINIMUM	Minimum lease payment 2018	PRESENT	Present values as of Dec. 31, 2018
	LEASE PAYMENT 2019		VALUES AS OF DEC. 31, 2019	
Due in less than 1 year	10,891	562	9,818	559
Due in 1 to 5 years	21,770	1,337	18,629	1,290
Due after 5 years	30,384	59	27,476	44
	<b>63,045</b>	<b>1,958</b>	<b>55,923</b>	<b>1,893</b>

## (29) INCOME TAX LIABILITIES

Income tax liabilities include obligations arising from income taxes, such as corporate income tax, including the solidarity surcharge, and trade tax.

## 8 OTHER NOTES

### (30) REPORTING ON FINANCIAL INSTRUMENTS

Financial instruments include primary and derivative financial instruments.

On the assets side, primary financial instruments mainly comprise receivables and cash and cash equivalents. On the equity and liabilities side, primary financial instruments mainly include loans to banks, borrower's note loans and trade payables.

The majority of trade receivables and other assets, cash and cash equivalents and trade payables and other liabilities have short residual terms. Thus the carrying amounts of these assets approximated their fair values as of the balance sheet date.

The fair values of the financial liabilities to banks and borrower's note loans and other financial liabilities are determined by applying discounting over the residual term of the instruments using market interest rates.

The following table shows carrying amounts, fair values and the measurement category pursuant to IFRS 9 as well as the allocation to the hierarchy levels pursuant to IFRS 13 of all financial instruments disclosed in the consolidated financial statements.

IN € K	Measure- ment category pursuant to IFRS 13	Measure- ment category pursuant to IFRS 9	CARRYING AMOUNT DEC. 31, 2019	FAIR VALUE DEC. 31, 2019	Carrying amount Dec. 31, 2018	Fair Value Dec. 31, 2018
<b>Assets</b>						
<b>Investments</b>						
Investments in unquoted equity instruments	3	FVOCI	627	627	627	627
Other investments	3	FVPL	15,579	15,579	15,579	15,579
<b>Financial receivables and other financial assets</b>						
Other loans	2	AmC	2,983	2,983	3,165	3,216
Receivables from finance leases	2	-	5,463	8,419	5,727	8,794
Other financial assets	-	AmC	16,332	16,332	7,407	7,407
<b>Derivatives</b>						
Derivatives not designated as hedging instruments	2	FVPL	396	396	3,165	3,165
Derivatives designated as hedging instruments	2	-	2,902	2,902	20,225	20,225
Trade receivables and other receivables	-	AmC	124,809	124,809	124,475	124,475
Cash and cash equivalents	-	AmC	6,976	6,976	19,008	19,008
<b>Equity and Liabilities</b>						
<b>Financial liabilities</b>						
Financial liabilities to banks and borrower's note loans	2	ofl	595,622	597,253	423,673	425,710
Other financial liabilities	2	ofl	28,827	34,739	32,031	36,254
<b>Derivatives</b>						
Derivatives not designated as hedging instruments <sup>1</sup>	2	FVPL	301	301	307	307
Derivatives designated as hedging instruments	2	-	79,148	79,148	35,036	35,036
Trade payables	-	ofl	125,646	125,646	134,150	134,150
Other liabilities	-	ofl	53,261	53,261	38,553	38,553

1) Leasing liabilities in accordance with IFRS 16 are recorded in the balance sheet item "other liabilities". In the previous year, other financial liabilities included € 1,814k in finance lease liabilities pursuant to IAS 17.

Measurement categories according to IFRS 9:

- AmC – amortised cost
- FVOCI – fair value through OCI
- FVPL – fair value through profit or loss
- ofl – other financial liabilities

In accordance with IFRS 13, the following hierarchy is used to determine and disclose the fair value of financial instruments:

Level 1: Fair values based on quoted prices in active markets,

Level 2: Fair values that are determined on the basis of valuation techniques which use inputs that have a significant effect on the recorded fair value and are based on observable market data,

Level 3: Fair values that are determined on the basis of valuation techniques which use inputs that have a significant effect on the recorded fair value and are not based on observable market data.

In fiscal year 2019, there were no reclassifications between fair value measurement at Level 1 and Level 2 and no reclassifications into or out of Level 3.

No fair values are readily available for the other equity investments disclosed as investments in unquoted equity instruments due to the lack of an active market. Their fair values are therefore determined using a valuation technique (capitalization of earnings method). The following table shows the significant unobservable inputs used in the capitalization of earnings method and their effects on the valuation of investments in unquoted equity instruments:

SIGNIFICANT OBSERVABLE INPUTS	Range %	Effect of changes in the inputs on fair value (sensitivity analysis)
Terminal growth rate	0.5 %	A decrease in the growth rate of 0.5 percentage points would lead to a decrease of around € 1.0m in fair value. An increase in the growth factor is deemed unrealistic.
Return on sales (in relation to profit for the period)	10.0 %	An increase (decrease) in profit for the period of 10 percentage points would lead to an increase of around € 3.0m (decrease of around € 3.0m) in fair value.
Capitalization rate	5.10 %	An increase (decrease) in the capitalization rate of 1 percentage point would lead to a decrease of around € 3.0m (increase of around € 2.5m) in fair value.

The following table shows the changes in the other equity investments recognized as investments in unquoted equity instruments:

IN € K	2019	2018
Jan. 1	16,207	13,589
Additions	0	2,665
Disposals	0	47
<b>Dec. 31</b>	<b>16,207</b>	<b>16,207</b>

## Net Result by Measurement Categories

IN € K	AmC		FVPL		FVOCI		ofl	
	2019	2018	2019	2018	2019	2018	2019	2018
Financial costs	0	0	0	0	0	0	-9,575	-8,297
Financial income	502	620	0	2,665	0	0	0	0
Cost of materials	0	0	-4,786	-890	0	0	0	0

## Derivative Financial Instruments and Hedging Relationships

As of the balance sheet date, there were the following derivative transactions:

IN € K	Nominal volume by maturity					
	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE	NOMINAL VOLUME	BIS < 1 YEAR	1 TO 5 YEARS	> 5 YEARS
	Interest rate swaps in hedging relationships	0	-17,049	306,904	129,427	177,477
Commodity derivatives in hedging relationships	6,714	-72,188	397,753	246,453	151,300	0
	<b>6,714</b>	<b>-89,237</b>	<b>704,657</b>	<b>375,880</b>	<b>328,777</b>	<b>0</b>

For comparison, the prior-year figures:

IN € K	Nominal volume by maturity					
	Positive fair value	Negative fair value	Nominal volume	< 1 year	1 to 5 years	> 5 years
Interest rate swaps in hedging relationships	0	-24,473	359,559	52,655	306,904	0
Commodity derivatives in hedging relationships	30,214	-16,405	313,061	224,656	88,405	0
	<b>30,214</b>	<b>-40,878</b>	<b>672,620</b>	<b>277,311</b>	<b>395,309</b>	<b>0</b>

The interest rate swaps in hedging relationships shown were used for hedging cash flows of the existing variable rate hedged items. These are effective cash flow hedges with a hedged interest rate level between 1.43 % and 3.97 %. They are measured at fair value which involves discounting future cash flows. The instruments are discounted over their remaining term using market interest rates.

Physical forwards are used to hedge price risks in connection with commodities. If the requirements for hedge accounting pursuant to IFRS 9 are met, these contracts are recognized outside of profit or loss as cash flow hedges.

The following table shows the development of the reserve for cash flow hedges and ineffectiveness:

DEC. 31, 2019 IN € K	As of Jan. 1, 2019	Gains or losses recognized in equity from CFH	Due to the profit and loss effective realization of the underlying transaction	AS OF DEC. 31, 2019	Ineffectiveness recognized in profit or loss 2019
Hedging of interest rate risks	19,767	11,435	-17,274	13,928	-417
Hedging of commodity risks	-13,587	67,822	10,699	64,934	0

Commodity derivatives not in hedging relationships include contracts for which no own use exemption and no hedge accounting is applied. Changes in value attributable to commodity derivatives which are not designated as part of a hedging relationship are recognized in profit or loss.

Commodity derivatives are measured individually at their forward rate or at the price on the reporting date. The forward rates or prices are based, to the extent possible, on market prices and adjusted where necessary on the basis of extrapolation. The future cash flows calculated are discounted over their remaining term using market interest rates. The prices for gas hedged with commodity derivatives differ widely from 14 to 27 EUR / Mwh and from 31 to 65 EUR / Mwh for electricity.

Counterparty credit risk is also taken into account when determining the fair value of derivative financial instruments. This risk is recorded for financial assets using a credit value adjustment, while the Group's own credit risk relating to financial liabilities is recognized using a debit value adjustment.

The nominal volume of the derivative financial instruments is not disclosed netted with the total of all underlying purchase and sales values.

Derivative financial instruments are subject to market netting agreements. They are traded on the basis of the framework agreement for financial futures and the EFET agreements (European Federation of Energy Traders). The table below shows the financial assets and financial liabilities which are offset pursuant to IAS 32 or netted under enforceable global netting agreements:

DEC. 31, 2019 IN € K	GROSS AMOUNT	OFFSETTING	COLLATERAL	CARRYING AMOUNT	AMOUNT NOT OFFSET	NET AMOUNT
Derivatives (assets)	7,110	-3,362	-450	3,298	2,945	353
Derivatives (liabilities)	-89,538	3,362	6,727	-79,449	-74,600	-4,849

For comparison, the prior-year figures:

DEC. 31, 2018 IN € K	Gross amount	Offsetting	Collateral	Carrying amount	Amount not offset	Net amount
Derivate (aktiv)	35,187	-5,761	-6,037	23,389	17,693	5,696
Derivate (passiv)	-41,217	5,761	113	-35,343	-33,683	-1,660

## (31) ENERGY AND FINANCIAL RISK MANAGEMENT

### Objectives and Policies

In the course of its business activities, GASAG is exposed to a number of risks arising from energy and financial transactions. GASAG minimizes these risks by applying systematic risk management and controlling processes, which are integral components of the energy procurement and finance business processes.

The internal guidelines govern the uniform group-wide trading, settlement and monitoring processes as well as uniform risk reporting. These risk management processes are designed to

enable GASAG to identify risks at an early stage, to analyze them as a whole and to determine the resulting risk management measures to be incorporated into business policies.

### **Energy Price and Quantity Risk Management**

The GASAG Group distinguishes between quantity and price risks. Quantity risks involve the potential loss that arises when purchase or delivery obligations cannot be met. The market price risk is defined as the risk of potential losses from open positions due to changes in the market prices for energy trade transactions. Quantity and market price risks can also arise in combination.

Risks due to price changes in sales and procurement transactions are reduced and innovative price offers are hedged using physical forward contracts. In line with the risk strategy in place, risk positions between fixed and variable cash flows from sales and procurement transactions are generally hedged once they reach a certain maximum volume. Hence, GASAG has only a very small volume of positions which are not part of a hedging relationship. With respect to gas, risks arising due to changes in the value of unhedged positions from sales and procurement transactions are measured performing a scenario analysis based on a historical simulation, with a holding period of 14 days and a residual risk of 2.5 %. The risks attaching to an unhedged position of gas amounted to € 176k (prior year: € 165k) as of the balance sheet date. The risks existing with respect to electricity are measured according to the value-at-risk method, with a confidence interval of 95 % and a holding period of 25 days. On the basis of historical fluctuations in value, the value at risk for electricity positions amounted to € 50k (prior year: € 46k) as of the balance sheet date.

Market price risk in connection with physical commodity derivatives that are part of a hedging relationship relates to the risk that the value of the derivatives recognized directly in equity will fluctuate because of changes in market prices. On the basis of historical market price fluctuations for benchmark market prices, the commodity derivatives were revalued at the changed market prices. The market prices used were changed by parallel shifts ranging from 21 % for natural gas to 50 % for electricity. The potential risk from a reduction in equity was determined at € 67,332k (prior year: € 46,030k).

Physical forward contracts which do not fall under the own use exemption may be subject to an earnings risk arising from changes in market prices. The potential risk from a decrease in earnings was determined at € 161k (prior year: € 1,054k).

Trading activities linked to oil prices were subject to the risk of a divergence in oil and gas prices. Embedded derivatives are revalued on the basis of the standard deviations of historical market price fluctuations for benchmark market prices. The most unfavorable scenario for GASAG would have been a combination of rising oil prices and falling gas prices. For this scenario, a shift in the respective future market rates of 21 % to 38 % resulting in an earnings risk of € 179k in the prior year. Currently there are no more oil based trading activities in the portfolio.

### **Management of Financial Risks**

Financial risks for GASAG involve interest, currency and other risks from market price changes. These result from existing and planned financial transactions that are exposed to changes in market prices. Liquidity risks are also part of financial risk management.

GASAG and its affiliates use the same method for measuring risks for the purpose of comparing different risk positions. Derivative financial instruments are used to reduce exposure to market price risk.

### **Interest Rate Risk**

There are interest rate risks for liabilities to banks, issued borrower's note loans, other financial liabilities, interest rate swaps and receivables from banks.

In the case of interest-bearing financial instruments, changes in the relevant market interest rates can lead to fluctuations in the fair value or future cash flows of a financial instrument.

GASAG eliminates the risk of fluctuations in the future cash flows of interest-bearing liabilities by using derivative financial instruments. There were no significant liabilities accruing variable interest that were not part of a hedging relationship as of December 31, 2019.

Changes in the market interest rates for primary financial instruments with fixed interest only affect the result if such instruments are recognized at fair value. In this way, no financial instruments with fixed interest recognized at amortized cost in accordance with IAS 9 are subject to interest rate risk within the meaning of IFRS 7.

Changes in the value of hedging derivatives to which hedge accounting is applied are recognized directly in equity. On the basis of historical fluctuations in benchmark interest rates, the interest rate derivatives were revalued at the changed interest rates. The interest rates used were changed by a parallel shift of 25 basis points. Taking the future nominal volume of the interest rate derivatives into account, the potential risk from a reduction in equity amounts to € 928k (prior year: € 1,188k).

### **Currency Risk**

Almost all financial transactions are carried out in the currency of the respective group entities so there is no significant currency risk. As of the balance sheet date, there were no forward exchange contracts to hedge future transactions.

### **Liquidity Risk**

The aim of liquidity management is to secure liquidity in the Group and at the individual entities of the GASAG Group at all times. GASAG is responsible for identifying, measuring and controlling liquidity positions in cooperation with the subsidiaries, with the aim of ensuring financial flexibility. Rolling 12-month liquidity plans are used for this purpose.

### **Counterparty Credit Risk**

Counterparty credit risk relates to potential financial losses which may arise in connection with the non-fulfillment of contractual obligations by a counterparty.

The maximum theoretical credit risk of derivative transactions results from the sum of the positive fair values of all instruments which give rise to claims against counterparties. This risk is reduced for counterparties with which there are offsetting arrangements in place.



Credit risk in relation to energy and finance counterparties is managed using a uniform group-wide limit system. The limit of a counterparty is mainly calculated using external credit ratings, along with selected metrics. Changes in these parameters are continuously monitored as part of standardized risk management processes. In addition, potential credit risks are calculated using a Monte Carlo simulation, taking into account the probability of default of counterparties and corresponding risk positions. With a probability of 99 %, the potential damage will not exceed € 5m.

### Capital Structure Management

The objective of capital structure management within the GASAG Group is to maintain its capital market capability and thus ensure the group entities' ability to take financial action at all times.

In the GASAG Group, financial ratios relating to capital structure, financial strength and profitability are determined on the basis of the financial statements, long-term corporate planning and forecasts. The objective of strategic capital structure management is to optimize these financial ratios, while tactical capital structure management aims to ensure adherence to these financial ratios. The Group manages its capital structure and makes adjustments in response to changes in economic conditions. In order to optimize the capital structure, the Group can, among other things, alter its dividend payments to shareholders.

No changes were made to the objectives, policies and methods for capital structure management as of December 31, 2019 or December 31, 2018.

The Group's net financial position is presented below. It comprises cash and cash equivalents less financial liabilities.

IN € M	2019	2018
Cash and cash equivalents	7,0	19,0
Liabilities to banks	-595,6	-423,7
Other financial liabilities	-28,8	-32,1
Derivatives <sup>1</sup>	-76,2	-12,0
<b>Net financial position</b>	<b>-693,6</b>	<b>-448,8</b>

1) Balance of negative and positive market values of derivatives

### (32) CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Contingent liabilities and other financial obligations are as follows as of the balance sheet date:

IN € K	DEC. 31, 2019	Dec. 31, 2018
Litigation and other risks	9,686	37,747
Issue from guarantees	574	555
<b>Contingent liabilities</b>	<b>10,260</b>	<b>38,302</b>
Biomethane or natural gas purchase commitments	474,225	552,527
Upstream network costs	68,999	82,176
Raw biomethane and substrate supply agreements	46,844	53,962
Purchase commitments	80,063	60,733
Rental and lease obligations	74,367	123,900
Electricity purchase commitments	95,012	78,469
Network lease	0	29,187
Other	89,459	21,366
<b>Other financial obligations</b>	<b>928,969</b>	<b>1,002,320</b>

There are purchase commitments from long-term biomethane or natural gas supply agreements with take-or-pay clauses with various suppliers. The contracting parties can submit price adjustment requests at regular intervals (generally every three years). Taking the individual terms into account, this means that the nominal amount of financial obligations in the period to 2023 is € 479m. The purchase commitments as of December 31, 2019 presented in the above table are stated at the discounted amount.

Future lease payments due to non-cancellable leases are broken down as follows:

SHARE IN € K	DEC. 31, 2019	Dec. 31, 2018
< 1 year	1,788	14,456
1–5 years	19,740	38,355
> 5 years	52,839	71,089
	<b>74,367</b>	<b>123,900</b>

The future rental and leasing obligations include obligations from short-term leases amounting to € 403k, leases for low-value assets in the amount of € 1,279k and from contracts concluded with a term beginning after the balance sheet date equivalent to € 72,685k. These are mainly related to rental agreements for office buildings in connection with the relocation to the EUREF campus in Berlin in 2020 and 2021.

Potential future cash outflows of € 29,397k result from existing extension options. The extension options relate in particular to rental agreements for office space at the entities of the GASAG Group. They may only be exercised by entities of the GASAG Group and not by the lessor. The extension options were not taken into account when measuring the lease liabilities as it is not sufficiently certain that they can be exercised at present. If a significant event or a significant change in circumstances occurs, a new assessment is made as to whether it is sufficiently certain that extension options can be exercised.

The obligations under supply agreements for raw biomethane and substrates relate to the biomethane production facilities of GASAG Bio-Erdgas Schwedt GmbH, Schwedt, and Bio-Erdgas Neudorf, Gross Pankow.

The € 68,999k (prior year: € 82,176k) for upstream network costs resulted from short-term agreements in connection with the ordering of network capacities in upstream networks.

The following table shows a breakdown of the purchase commitments:

SHARE IN %	DEC. 31, 2019	Dec. 31, 2018
Purchase commitments for property, plant and equipment	62.7	63.2
Purchase commitments for operational expenditure	35.6	33.2
Purchase commitments for long-term service agreements	1.5	2.6
Renewable resources	0.2	0.9
	<b>100</b>	<b>100</b>

### (33) NOTES TO THE STATEMENT OF CASH FLOWS

#### Intangible Assets

The Group's intangible assets include additions of € 5,213k (prior year: € 9,345k). Cash paid for intangible assets amounted to –€ 5,494k (prior year: –€ 5,821k).

#### Property, Plant and Equipment

The Group acquired property, plant and equipment worth € 121,784k (prior year: € 112,276k). Cash payments of –€ 121,679k (prior year: –€ 112,171k) were made to purchase property, plant and equipment.

#### Financial Assets

Financial assets specified in the statement of cash flows relate to investments in associates and non-current financial assets.

#### Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents break down as follows:

IN € K	DEC. 31, 2019	Dec. 31, 2018
Cash and cash equivalents	6,976	19,008
<b>Cash and cash equivalents at the end of the period</b>	<b>6,976</b>	<b>19,008</b>

#### Interest and Dividends Paid and Received

The cash flows from operating activities include interest received of € 1,753k (prior year: € 2,300k), interest paid of € 18,141k (prior year: € 19,270k) and dividends received of € 1,850k (prior year: € 1,942k).

The cash flows from financing activities include paid dividends of € 35,357k (prior year: € 19,058k).

### Financing Activities

In the fiscal year, liabilities from financing activities changed as follows:

IN € K	2018	With an effect on cash	Change in fair value	Change in the scope of consolidation	Other	2019
Liabilities to banks	423,673	171,949	0	0	0	595,622
Other financial liabilities	32,031	-1,390	0	0	-1,814	28,827
Derivatives	35,343	0	44,106	0	0	79,449
<b>Total financial liabilities</b>	<b>491,047</b>	<b>170,559</b>	<b>44,106</b>	<b>0</b>	<b>-1,814</b>	<b>703,898</b>

### (34) RELATED PARTIES

As of December 31, 2019, Vattenfall GmbH, Berlin (Vattenfall), and ENGIE Beteiligungs GmbH, Berlin (ENGIE), each held a 31.575 % interest in GASAG's capital stock. In addition, E.ON Beteiligungen GmbH, Essen, had a 36.85 % interest in GASAG. The parent of Vattenfall is Vattenfall AB, Stockholm, Sweden; the parent of E.ON Beteiligungen GmbH is E.ON SE, Essen, and that of ENGIE is ENGIE Deutschland AG, Berlin.

On June 24, 2015, Vattenfall and ENGIE (formerly GDF SUEZ) concluded a syndicate agreement, which was approved by the EU Commission on December 8, 2015. According to notifications submitted by the two syndicate members, they jointly hold a controlling interest in GASAG.

Related parties of the GASAG Group with which the Group concluded transactions in fiscal year 2019 include the shareholders of GASAG and the affiliates of Vattenfall AB, Stockholm, Sweden, ENGIE S.A., Paris, France, and E.ON SE, Essen.

The shareholders have a significant influence over the GASAG Group due to their shareholdings.

Transaction entered into with related parties led to the following disclosures in the financial statements:

IN € K	Revenue		Expenses		Assets		Liabilities	
	2019	2018	2019	2018	DEC. 31, 2019	Dec. 31, 2018	DEC. 31, 2019	Dec. 31, 2018
<b>Entities with significant influence</b>	<b>88,024</b>	<b>77,249</b>	<b>121,010</b>	<b>69,889</b>	<b>16,917</b>	<b>16,621</b>	<b>21,004</b>	<b>14,313</b>
E.ON-Gruppe	10,063	7,842	26,365	24,695	1,177	1,048	1,914	4,273
Vattenfall-Gruppe	76,308	61,187	53,397	21,945	14,894	13,647	9,410	2,953
ENGIE-Gruppe	1,653	8,220	41,248	23,249	846	1,926	9,680	7,087
<b>Investments accounted for using the equity method</b>	<b>5,972</b>	<b>7,568</b>	<b>7,591</b>	<b>12,531</b>	<b>712</b>	<b>884</b>	<b>836</b>	<b>2,026</b>
Associates	5,444	7,204	7,140	12,102	688	750	788	1,982
Joint ventures	528	364	451	429	24	134	48	44

The relationships between the entities of GASAG Group and the Vattenfall Group mainly relate to gas supplies. Revenue largely comprises income generated from natural gas supply agreements. The expenses primarily include the cost of materials from gas procurement agreements and hardware and software services.

Transactions with the entities of the ENGIE Group mainly relate to natural gas supplies received. Expenses principally comprise the cost of materials from gas procurement agreements.

Assets and liabilities relate to the outstanding balances in relation to the specified business relationships between the GASAG Group and related parties. € 16,917k (prior year: € 16,621k) of the assets relates to trade receivables from entities with significant influence and € 712k (prior year: € 884k) to trade receivables from associates. € 21,004k (prior year: € 14,313k) of the liabilities relates to trade payables to entities with significant influence and € 836k (prior year: € 2,026k) to trade payables to associates.

The associates are presented in the list of equity investments ((3) "Consolidated Group"). Revenue from associates mainly results from gas supplies. Expenses are primarily attributable to services relating to market and sales development in connection with the product natural gas. Receivables and liabilities result from trade.

The members of the **supervisory board** in fiscal year 2019 were:

<b>Dr. Lothar Kramm</b> (until April 5, 2019)	(Chairman of the supervisory board) Business consultant, Berlin
<b>Michael Hegel</b> (since April 5, 2019)	(Chairman of the supervisory board) Business consultant, Cologne
<b>Andreas Otte</b>	(Deputy chairman of the supervisory board) Employee (chairman of the works council) at GASAG AG, Berlin
<b>Ingo Breite</b>	Employee at BAS Kundenservice GmbH & Co. KG, Berlin
<b>Marten Bunnemann</b>	Chairman of the board of Avacon AG, Helmstedt
<b>Georg Friedrichs</b>	Senior executive at Vattenfall GmbH, Berlin Member of the executive board of Vattenfall Wärme Hamburg GmbH, Hamburg (until 09 / 2019)
<b>Tuomo Hatakka</b>	Chairman of the management of Vattenfall GmbH, Berlin
<b>Thomas Henn</b>	Commercial manager of the energy division and head of renewable energies ENGIE Deutschland GmbH, Berlin
<b>Peter Kamin</b> (until October 31, 2019)	Employee at NBB Netzgesellschaft Berlin-Brandenburg mbH & Co. KG, Berlin
<b>Stephan Lachmann</b> (since November 1, 2019)	Employee at NBB Netzgesellschaft Berlin-Brandenburg mbH & Co. KG, Berlin
<b>Dr. Karl Kauermann</b>	Chairman of the board of K.M.T. Immobilien AG, Berlin
<b>Thomas Kokegei</b>	Divisional head of GASAG AG, Berlin
<b>Dr. Uwe Kolks</b>	Member of the management of E.ON Energie Deutschland GmbH, Munich
<b>Annette Krafsccheck</b>	Employee at GASAG AG, Berlin
<b>Thorsten Neumann</b>	Employee at NBB Netzgesellschaft Berlin-Brandenburg mbH & Co. KG, Berlin
<b>Manfred Schmitz</b>	Chairman of the management board of ENGIE Deutschland AG, Berlin

<b>Can Sekertekin</b>	Employee at GASAG AG, Berlin
<b>Marcus Sohns</b>	Head of Strategic Alliances at ENGIE Deutschland AG, Berlin
<b>Norbert Speckmann</b>	Head of the energy services division of ENGIE Deutschland GmbH, Essen
<b>Susanne Stumpenhusen</b>	Trade union secretary ver.di, Vereinte Dienstleistungsgewerkschaft, District of Berlin-Brandenburg, Berlin
<b>Andreas Tabor</b>	Employee at BAS Kundenservice GmbH & Co. KG, Berlin
<b>Lutz Wegner</b>	Head of legal distribution, sales & heat Germany at Vattenfall GmbH, Berlin
<b>Ewald Woste</b>	Business consultant Gmund am Tegernsee

### **Management Board**

The members of the management board in fiscal year 2019 were:

#### **Division I (Corporate):**

<b>Dr. Gerhard Holtmeier</b> (chairman)	Networks, communications, personnel, legal affairs, corporate development, staff of the board, compliance, occupational safety
--------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------

#### **Division II (Operations):**

<b>Matthias Trunk</b>	Sales private and commercial customers, sales key accounts / energy-related services, renewable energies, energy procurement, information technology, marketing
-----------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------

#### **Division III (Finance):**

<b>Michael Kamsteeg</b>	Audit, risk, purchasing, real estate management, performance management & reporting, taxes, transactional services, treasury, storage
-------------------------	---------------------------------------------------------------------------------------------------------------------------------------------

Remuneration paid to GASAG's management board members is set by the supervisory board. The current remuneration system provides for fixed basic annual remuneration, due in equal, monthly installments, as well as a variable annual bonus set by the supervisory board at the end of each fiscal year. The bonus constitutes a variable annual component which is related to personal success and that of the Company. There are no long-term incentives or risk components, such as stock option plans.

Overall, the members of the management board received remuneration as follows:

IN € K	2019	2018
Fixed remuneration	981	937
Variable remuneration	480	459
	<b>1,461</b>	<b>1,396</b>

Both the fixed and variable remuneration are short-term benefits.

In fiscal year 2019, no loans or advances were granted to members of the management board or supervisory board, nor were any such repaid. There are no contingent liabilities vis-à-vis members of the management board or the supervisory board.

In fiscal year 2019, former members of the management board and their surviving dependents received € 1,004k (prior year: € 1,061k). This includes € 190k due to the departure of a member of a board. As of the balance sheet date, provisions of € 16,921k (prior year: € 15,806k) were recognized for obligations to former members of the management board and their surviving dependents. Employer's pension liability insurance of € 6,755k (prior year: € 6,747k) was disclosed netted with the obligations to current and former members of the management board or their surviving dependents.

Supervisory board members' expenses of € 194k (prior year: € 194k) were reimbursed. The employee representatives on the supervisory board who are salaried employees also receive a regular salary in accordance with their employee contracts. Their salary is based on the provisions of the German Works Constitution Act ["Betriebsverfassungsgesetz": BetrVG] and reflects appropriate remuneration for the corresponding function or activity within the Company. This applies accordingly to the representatives of the executives on the supervisory board.

The Group did not enter into any significant transactions with related parties.

### (35) DISCLOSURE OF CONCESSIONS

In the legal dispute over the reaward of the gas network concession, the Berlin Court of Appeal delivered its appeal judgment on 4 April 2019. The Berlin Appellate Court upheld the first-instance ruling of the Berlin Regional Court of 9 December 2014, in which the State of Berlin was ordered to refrain from concluding a gas concession agreement with the Berlin Energie regional utility or a company created by the conversion of the Berlin Energie regional utility. At the same time, the Higher Regional Court also dismissed GASAG / NBB's application to award the concession by accepting one of GASAG / NBB's two offers. After the Higher Regional Court did not allow the appeal, GASAG / NBB filed a non-admission appeal with the Federal Supreme Court, which has not yet been decided. In December 2019, the interim agreement was extended until December 31, 2020 and the binding period of the concession offers was also extended. In letters dated January 22, 2020, the Senate Department of Finance informed GASAG and NBB that the concession award procedure was to be returned to the status prior to the dispatch of the second letter of proceedings against the background of the judgment of the Supreme Court of Justice of April 4, 2019. GASAG and NBB also announced that a second modified procedural letter including a list of criteria would be sent.



## (36) OTHER DISCLOSURES

### Auditor's Fees

The auditor's fees reported as expenses break down as follows:

IN € K	2019	2018
Audit	506	476
Other audit-related services	62	22
Tax advisory services	2	9
Other services	77	85
<b>Total</b>	<b>647</b>	<b>592</b>

### Events After the Balance Sheet Date

After the balance sheet date, the amount of dividends (chapter "12 Earnings per Share") were proposed by the board of management. The dividend payment has no further tax effects for the group.

Apart from the proposal of dividends, no events took place between the balance sheet date and the date of preparing the consolidated financial statements which had a significant effect on the Group's assets, liabilities, financial position and financial performance and which would need to be included in this report and would change the statements made in the consolidated financial statements.

In letters dated January 22, 2020, the Senate Department of Finance informed GASAG and NBB that the concession award procedure was being returned to the status prior to the second letter of the procedure in light of the judgment of the Supreme Court of Justice of April 4, 2019. GASAG and NBB also announced that a second modified letter of procedure including a list of criteria would be sent (refer to section (35) "Disclosure of concessions").

### Forward-Looking Statements

This report includes forward-looking statements that relate to the continued course of business, including forecasts of economic and political developments as well as the GASAG Group's business development. These statements are based on prudent assumptions made by the management board of GASAG. However, due to residual risks and uncertainties, the management board is unable to give any assurance that these assumptions will prove to be correct collectively or individually.

Berlin, February 25, 2020

GASAG AG  
The Management Board

Dr. Gerhard Holtmeier

Michael Kamsteeg

Matthias Trunk

# INDEPENDENT AUDITOR'S REPORT

To GASAG AG, Berlin

## AUDIT OPINIONS

We have audited the consolidated financial statements of GASAG AG, Berlin, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of GASAG AG for the financial year from 1 January to 31 December 2019. We have not audited the content of the statement on corporate governance pursuant to § [Article] 289f Abs. [paragraph] 4 HGB [Handelsgesetzbuch: German Commercial Code] (disclosures on the quota for women on executive boards) in accordance with the German legal requirements.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2019, and of its financial performance for the financial year from 1 January to 31 December 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

## BASIS FOR THE AUDIT OPINIONS

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

## **OTHER INFORMATION**

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f Abs. 4 HGB (disclosures on the quota for women on executive boards).

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

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

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

## **RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT**

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT**

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Berlin, February 25, 2020

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Dr. Thomas Schmid      ppa. Jörg Beckert  
(German Public Auditor)    (German Public Auditor)

## IMPRINT

GASAG AG | Henriette-Herz-Platz 4, 10178 Berlin

Rainer Knauber, head of group communication

Telephone: 030 7872-3050 | Telefax: 030 7872-3044 | E-Mail: [rknauber@gasag.de](mailto:rknauber@gasag.de)

Date of publication: April 2020

ISSN 2366-6498 (Online)

Prepress und Produktion: Albert Bauer Companies, Hamburg, [www.albertbauer.com](http://www.albertbauer.com)

