

Annual financial statements for 2023

Stadtwerke Leipzig GmbH

Management report for the 2023 business year

Stadtwerke Leipzig GmbH, Leipzig

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1 Company principles

1.1 Business model

Stadtwerke Leipzig GmbH, Leipzig (Stadtwerke) is a municipal energy supply company that provides electricity, natural gas and district heating as well as energy services as a wholly owned subsidiary of LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig (LVV). In view of the different demands of the markets being worked on and the resulting customer needs, Stadtwerke has focused on the business areas of the end-customer market, regulated markets and the system market. In these three markets, the municipal utilities (Stadtwerke) are active with seven business fields.

The business fields have different characteristics and complement each other in terms of the opportunities and risks. In the end-customer market, Stadtwerke's products for the media of electricity and gas as well as a range of energy services are marketed in the private, commercial and key account segments. In addition to the sale of heating products the end-customer market also includes the business field of Leipzig district heating generation plants and the district heating network.

In the system market, proprietary trading of Stadtwerke takes place in the commodities of electricity, gas, CO₂ and hydrogen. This market requires real-time risk monitoring, access to various trading platforms and trading partners, the handling of regulatory requirements and a very wide range of daily business processes and extensive IT support. In addition, renewable energies are marketed, structured and distributed in the system market for wholesale customers and self-generators, and market access is provided.

The regulated markets include the regulated electricity, gas and telecommunications networks (broadband cable), the regulated generation as well as the GPEC with the network business for district heating and the plants for generating heat to customers in Gdańsk and Sopot.

Stadtwerke is also supported in the business fields above all by the Leipzig subsidiaries Netz Leipzig GmbH, Leipzig (Netz Leipzig), LAS GmbH, Leipzig (LAS) and the Polish subsidiary Gdańskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o., Gdańsk (GPEC), in which Stadtwerke holds 82.86% of the shares.

Netz Leipzig ensures the readiness of the network infrastructure for the supply of electricity, gas and district heating in the City of Leipzig as well as the expansion and operation of the broadband network in Leipzig.

LAS provides customer services for Stadtwerke as well as its sales activities in the private and commercial customer sectors as well as billing for key accounts, the real estate industry and network customers.

GPEC is involved in the fields of planning, construction and operation of networks and plants for the generation, distribution and supply of district heating to end-customers. Furthermore, the GPEC Group generates and distributes electricity from renewable energy sources, mainly from hydropower plants, and in the future also from photovoltaics, offers services in the field of energy and facility management and selectively uses its capabilities in the implementation of construction projects in the residential and commercial real estate sector.

1.2 Objectives and strategies

As part of the LVV Group, Stadtwerke makes a significant contribution to the quality of life of the people in Leipzig and the region in its energy business field. Stadtwerke is structuring a sustainable form of energy supply in Leipzig at the cornerstones of the energy policy target triangle (security of supply, economic efficiency and sustainability). Based on this, Stadtwerke have developed a strategic corporate concept, which in turn serves as the basis for the annual business plan. The goals of the strategic measures are essentially to achieve climate neutrality of energy sources and the intelligent conversion of energy systems in Leipzig.

Core of the strategy and expansion

The core of the strategy remains the securing of the main pillars of the business, growth fields in the markets and strategic prospects. As a municipal company, Leipziger Stadtwerke bears special responsibility for long-term investments and sustainable earnings – in order to make its contribution towards climate-neutral supply for its city. Under the new framework conditions, the strategic core was supplemented by the "3-D- Strategie":

- Decarbonisation towards making Leipzig a carbon-neutral city.
- Diversification of our business model
- Digitisation of our internal processes and customer interfaces

We have shaped our strategy at several levels against the background of the "3-D-Strategie". At the main level, it helps to strengthen the core business and realise growth. One level below that, it derives, for instance, measures that help us to retain customers and develop attractive products. These two already existing elements are complemented by the overarching requirement of decarbonisation. The goal is to develop the business in such a way that the City of Leipzig becomes climate-neutral. Another point is its further development in becoming a digital municipal utility, which is oriented towards added value for our customers and the City of Leipzig. Strategic management is performed via business fields that operate in different markets. In this way, Stadtwerke are adapting to technological developments, customer expectations and developments in the various markets. The next strategy process is scheduled to commence in 2024.

Securing of the main pillars of business

The main pillars of business help to finance growth through the stable operating results. Therefore, it is important to strategically develop the main pillars of business here. Here the focus is on the following measures:

- implement the transformation of district heating
- gain and efficiently manage network concessions
- hold and develop GPEC

Growth fields in the markets

A secure operating result in the main pillars of business will enable Stadtwerke to implement the growth strategy, focusing on the following measures:

- expand the cultivation of the market for both private and commercial customers as well as for key accounts,
- develop, construct and market wind and photovoltaic projects, and
- build the Smart Grid + X.

Strategic prospects

In addition to the strategy of the core business, part of the further development of Stadtwerke also includes the examination of strategic perspectives and further development of them for expansion into new business areas. Here the focus is on the following measures:

- sector coupling technologies,
- digital and innovative products as well as
- the development of a hydrogen-compatible infrastructure.

This strategy will set the focus for the company's further development in the coming years.

Decarbonisation and sustainability

On its own initiative, in the interest of our customers, but also in compliance with the climate protection targets adopted by the city council, Stadtwerke is committed to climate protection and sustainable corporate development. Co-responsibility for the environment is firmly anchored in our corporate mission statement. The City of Leipzig has been committed to the Global Sustainability Goals since 2017 and Leipziger Stadtwerke wants to promote the implementation of these goals. We view one of our greatest levers for implementing Germany's greenhouse gas neutrality by 2045 to be especially in the transformation sector of energy efficiency and climate protection. In the spring of 2022, the first sustainability report of the Leipziger Group was published. For the first time, the Sustainability Atlas also reports on selected current and future sustainable measures of Leipziger Stadtwerke. The key measures comprise:

- climate-neutral provision of public services
- needs-based solutions and products
- future-oriented technology and infrastructure
- reliable partnerships
- competent staff
- commitment to the region

2 Economic report

2.1 Macroeconomic and industry-specific framework conditions

According to preliminary data from the Federal Statistical Office, the German economy registered a price-adjusted downturn in gross domestic product (GDP) of 0.3% in 2023. The GDP trend was determined here by the impact of the energy price crisis in conjunction with the pronounced weakness of the global economy and the effects of the more restrictive monetary policy. In addition, there were exceptionally high levels of sick leave, which dampened the overall volume of labour in Germany. These factors burdened the German economy for longer than anticipated and delayed the hoped-for recovery. For 2024, the Federal Government is only forecasting an increase in price-adjusted GDP of 0.2%, whereby the starting position is less favourable than assumed in the autumn projection. Current mood indicators do not indicate any noticeable upturn at the start of the year.¹

Implementation of price brakes and revenue absorption - Following the passing of the laws on energy price brakes and excess revenue absorption at the beginning of 2023, considerable resources were required to implement the complex regulations. Following widespread criticism of the revenue absorption requirements in accordance with the Electricity Price Control Act (StromPBG) the absorption period was reduced to a period of 6 months. The price control acts (EWPGB / StromPBG) were subject to statutory corrections within a very short period of time, which increased the amount of work involved in their implementation.

Improved framework conditions in relation to the Federal Government's wind and photovoltaic energy strategy - Quite a few framework conditions have been improved to help implement an accelerated increase in the levels of energy generation based on renewable energies. This applied both to a moderate adjustment of the maximum tender values for wind and photovoltaic contracts and also to simplifications where the mobilisation of expansion areas is concerned. Further adjustments related to procedural simplifications where the balancing of legal interests and species protection are concerned.

Amendments to the Energy Industry Act (EnWG) - The amendments to the EnWG in 2023 significantly increased the Federal Network Agency's regulatory decision-making scope. The specific impacts of the political implementation will only be assessed over the course of 2024, especially with regard to the expansion of the Federal Network Agency's (BNetzA) determination competences. In addition, the draft for the development of a hydrogen core network was also adopted as part of the amendments. The aim of the legal regulation is to derive and authorise a hydrogen core network. This core network will connect key hydrogen production sites and import points with the relevant hydrogen consumption points and hydrogen storage facilities. Capacities are also planned for energy industry applications in combined heat and power generation plants. The design of the conditions – particularly in the area of costs and revenues – is subject to an extensive coordination process with the transmission system operators and this will extend into the current year.

Amendment to the Building Energy Act (GEG) - Following some controversies, a key foundation for the future structure of the supply of energy to buildings was laid later in 2023 by means of the revision of the Building Energy Act. The constitutive link to the forthcoming Heat Planning Act (WPG) was the key thing here. Accordingly, the provisions of the GEG are fundamentally based on a municipal heat planning concept. The controversial fulfilment obligation for existing buildings to use at least 65% renewable energy will gradually come into effect upon the submission of a municipal heating plan. The implementation of the subsidy policy is subject to a separate guideline.

¹ Source: Federal Ministry of Economics and Energy (BMWi) - Annual Economic Report 2024

Resolution to introduce a Heat Planning Act (WPG) - By means of the parliamentary resolution to introduce a heat planning law at the end of 2023, an essential basis upon which to act in the coming years was adopted. In the case of municipal areas with more than 100,000 inhabitants, heating plans must be drawn up by mid-2026 that contain binding specifications for the gradual decarbonisation of heating networks. By 2030, 30% of existing heating networks must be powered by renewable energies or unavoidable waste heat or a combination of both elements. The share must be at least 80% by 2040. In addition to the designation of area types with a preferable supply variant, sub-areas whose supply variants are initially not clearly assigned can also be identified following analyses of the inventories and potential.

2.2 Business development

The financial key performance indicators for the business development are as follows:

Ratios	in €m			
	2023	2022	Change absolute	Forecast 2023
Sales revenues	3,872.1	3,712.0	160.1	4,721.7
Operating result (EBIT)	118.4	90.8	27.6	94.0
Result before profit transfer	104.5	83.1	21.4	82.1
Investments	166.8	141.1	25.7	187.0

For the 2023 business year, Stadtwerke achieved a result that was well above the forecast of €82.1m made within the scope of the economic plan by €22.4m. The positive operating results in the system market and in the key accounts end-customer market made a significant contribution towards this. In accordance with the profit/loss transfer agreement, the result before profit transfer will be transferred in full to LVV.

The results before profit transfer of €104.5m increased by 20.5% compared to the **same period of the previous year**. A significantly improved result before interest, taxes, depreciation and amortisation (EBITDA), which exceeds the reduced result from participations and higher levels of depreciation and amortisation, had a positive effect. The increase in sales revenues compared to the previous year is mainly due to price-related developments in the end-customer market.

Investments of €166.8m in the 2023 business year include investments of €162.4m in tangible fixed assets. The key thing here is the acquisition of electricity and gas concessions in Leipzig's incorporated districts with effect from 1 January 2023. Investments were also made in the thermal power station Leipzig South (HKW Leipzig Süd), in replacement and expansion investments for the electricity, gas and district heating network as well as in decentralised generation plants. The deviation from the forecast is mainly due to postponements in the construction process as well as completion and payment deadlines to the subsequent year.

The performance of Stadtwerke is not only reflected in key economic figures. In accordance with their relevance for the management of the operating business, sales and production volumes serve as important non-financial performance indicators. The number of employees also plays an important part here.

Non-financial performance indicators

	Unit	2023	2022	Change absolute	Forecast 2023
Sales volume electricity	GWh	1,119	1,124	-5	1,070
Sales volume gas	GWh	1,120	1,225	-105	1,215
Sales volume district heating	GWh	1,304	1,368	-64	1,437
Electricity generation	GWh	921	597	324	1,225
District heating generation	GWh	1,019	559	460	1,065
Staff	FTE*	700	674	26	713

* Full-time employees (without trainees)

In the year under review of 2023, electricity sales amounted to 1,119 gigawatt hours (GWh) and are thus 4.4% above the forecast of 1,070 GWh made in the context of the business plan. By comparison with the previous year, sales decreased by 0.4%.

The degree-day number (DD) in the current business year is 2,887 and this represents a decrease of 145 DD compared to the previous year's figure as well as a decrease of 333 DD set against the forecast. This leads to a weather-related decrease in sales volumes for gas (1,120 GWh) and district heating (1,304 GWh).

Electricity generation of the Stadtwerke's plants increased to 921 GWh compared to the previous year. The negative deviation compared to the forecast is mainly due to the market price-related optimisation of the use of generation plants in the cross-utility network in line with the heating demand in the municipal utilities' area of supply.

District heating generation in 2023 was 460 GWh more than in the comparable period of the previous year. This is due to the higher availability of the thermal power stations North and South (HKW Nord and HKW Süd) compared to the lower availability in the previous year as a result of modernisation work performed.

In the year under review, staffing levels averaged 700 FTEs, and thus mark an increase of 26 FTEs over the previous year. The Stadtwerke respond to the additional staff requirements by successfully recruiting staff in the commercial and technical areas. In order to ensure better comparability over time, the number of employees is converted into full-time equivalents (FTEs). Part-time employees are taken into account according to their share of the regular annual working hours.

2.3 Income situation

Income situation		in €m	
	2023	2022	Change absolute
Sales revenues	3,872.1	3,712.0	160.1
Inventory changes	0.0	0.0	0.0
Internally produced and capitalised assets	1.3	2.0	-0.7
Operating cost of materials	-3,464.4	-3,452.5	-11.9
Other operating income	20.2	37.2	-17.0
Personnel expenses	-60.6	-51.5	-9.1
Other operating expenses	-131.3	-108.0	-23.3
Depreciations	-111.3	-59.4	-51.9
Financial result	-21.1	3.7	-24.8
Result after taxes	104.9	83.5	21.4
Other taxes	-0.4	-0.4	0.0
Expenses from a profit transfer agreement	-104.5	-83.1	-21.4
Net income	0.0	0.0	0.0

In the 2023 business year, Stadtwerke achieved a result before profit transfer of €104.5m and thus an increase of €21.4m compared to the previous year's level. Both sales revenues and the costs of materials increased compared to the same period of the previous year. Due to the fact sales revenues increased at a disproportionately high rate, this development led to an improvement in the gross margin.

The system market considerably influences the level of sales revenues and the cost of materials. In the system market, a trade-related reduction in sales revenues (€419.3m) was offset by lower expenses for energy procurement from electricity and gas (€485.8m). Due to the fact the expenses from the purchase of electricity and gas decreased disproportionately compared to the sales revenues, this leads to an improvement of the result in the system market by €13.2m.

In the end-customer market for private and commercial gas customers the costs of materials increased by €30.4m. In line with this market price movement, sales revenues increased by €33.0m. The sales volumes declined slightly due to the climatic conditions meaning the operating result increased by €2.8m compared to the previous year.

In the end-customer market for private and commercial electricity customers both the sales revenues (€61.2m), due to the passing on of the increased procurement costs, as well as the costs of materials (€63.0m) increased compared to the same period of the previous year. Due to the fact that the costs of materials are increasing at a disproportionately high rate compared to the sales revenues, this development has led to a deterioration in the gross margin of €1.8m. The sales volumes in the end-customer market for electricity stayed constant at the levels of the previous year.

In the end-customer market of key accounts, the increase in sales revenues by €208.5m compared to the increase by €190.8m in the costs of materials led to a marked improvement in the operating result compared to the previous year.

In the business area of district heating the sales volumes declined slightly primarily due to the prevailing weather conditions. The sales revenues nevertheless increased by €276.6m compared to the previous year. This was offset by a €185.2m increase in the costs of materials and a €24.9m increase in depreciation and amortisation. The positive sales revenues trend is due in particular to the marketing of electricity from the municipal utility's district heating generation plants. In overall terms, this development led to an improvement in earnings in the district heating business area of €46.8m.

In the regulated market of networks (Regulierter Markt Netze), sales revenues increased by €39.3m, which was offset by a €11.8m decrease in the financial result and an €11.8m increase in depreciation and amortisation. The increase in sales revenues compared to the previous year is due in particular to the allocation of income from the commercial service agreement with Netz Leipzig to the regulated market of networks and the increase in sales revenues from leases and rent.

In the regulated market of generation (Regulierter Markt Erzeugung), the use of plants generated sales revenues that were reduced by €15.5m, which were offset by a €25.3m reduction in the costs of materials. In addition, a €14.5m increase in depreciation and amortisation and a €7.9m decrease in other operating income had a negative impact, meaning that the operating result for the regulated market of generation fell by €12.9m compared to the previous year.

The increase in personnel expenses by €9.1m is due to remuneration adjustments in the energy tariff group of the Arbeitgeberverband energie- und versorgungswirtschaftlicher Unternehmen e.V. (Employers' Association of Energy and Utility Companies) (AVEU) and the increased number of employees.

The **financial result** declined by €24.8m compared to the same period of the previous year. The reductions concern both the result from participations and also the interest result. The result from participations, which decreased by €18.7m, was mainly affected by the profit/loss transfer agreements concluded with the subsidiaries. Netz Leipzig ended the 2023 business year with a negative result before profit transfer of €8.8m (2022: income before profit transfer of €1.8m), which impacts the regulated market of networks (Regulierter Markt Netze). LAS posts a negative result before loss transfer of €1.1m (2022: income before profit transfer of €0.6m) and thus influences the results of the end-customer and the regulated market (Regulierter Markt). This was offset by earnings of €2.5m from profit/loss transfer agreements in the end-customer market, which mainly resulted from the profit/loss transfer agreement concluded with Brillant Energie GmbH (2022: expenditure before the loss transfer of €0.9m). In addition, Stadtwerke received income from participations of €1.6m (2022: €8.9m), which was mainly generated by Thüringenwind GmbH & Co. Tüngeda KG as well as MEE-Projektgesellschaft 1 GmbH & Co. KG in the regulated market of generation (Regulierter Markt Erzeugung). By comparison with the previous year (€8.6m), no profit was transferred from GPEC in the year under review due to a retention of earnings.

The decrease in the interest result by €6.2m compared to the same period of the previous year is mainly due to increased interest expenses for loans (€8.0m).

2.4 Financial position

As part of the cash flow statement prepared in accordance with DRS 21, Stadtwerke reports financial resources of €16.3m as at 31 December 2023, based on cash balances, bank balances and receivables and liabilities from the cash pool. Compared to the beginning of the business year, this has decreased by €98.3m.

Financial position		in €m	
	2023	2022	Change absolute
Net cash from company activities	268.7	139.2	129.5
Change in the working capital	-60.9	-101.4	40.5
Cash flow from operating activities	207.8	37.8	170.0
Cash flow from investing activities	-153.4	-118.8	-34.6
Cash flow from financing activities	-152.7	194.1	-346.8
Cash change in financial resources	-98.3	113.1	-211.4
Financial resources at beginning of period	114.6	1.5	113.1
Financial resources at end of period	16.3	114.6	-98.3

The cash flow from operating activities is €207.8m above the level of the previous year. This is mainly due to the increase in the result before profit transfer, the rise in depreciation and amortisation and the increase in long-term provisions.

The cash flow from investing activities mainly includes investments in fixed assets, in particular the acquisition of electricity and gas concessions, investments in the thermal power station Leipzig South as well as replacement and expansion investments in the sector of regulated networks (Regulierte Netze) and received interest and dividends. The reduction by €34.6m is primarily the result of increased investment measures compared to the same period of the previous year.

The cash flow from financing activities mainly includes the transfer of profits to the shareholder of €61.6m during the year, repayments of loans of €61.0m and interest paid. In addition, shareholder loans of €123.9m were taken out in the current business year as well as the repayment of the shareholder credit line for margin payments of €105.0m utilised in December 2022.

Liquidity was secured throughout the business year. Financing is provided through operating activities, integration within the shareholder's cash pool and through loans. Unused credit lines of €40.0m are available as of the balance sheet date.

2.5 Net worth position

The balance sheet total of €1,328.6m changed by €14.1m compared with 31 December 2022. The asset structure is dominated by long-term assets, primarily fixed and financial assets.

Asset situation		in €m	
	31.12.2023	31.12.2022	Change absolute
Assets			
Fixed assets	884.6	838.1	46.5
Other long-term assets	0	0.0	0.0
Long-term assets	884.6	838.1	46.5
Inventories	27.1	14.6	12.5
Receivables from deliveries and services	241.0	69.2	171.8
Receivables from affiliated companies	68.0	155.6	-87.6
of which: Cash Pool	23.0	129.0	-106.0
Receivables from companies in which a participating interest is held	0.0	0.0	0.0
Other short-term assets	70.0	237.1	-167.1
Cash and cash equivalents	35.0	20.0	15.0
Short-term assets	441.1	496.5	-55.4
Prepaid expenses	2.9	8.1	-5.2
	1,328.6	1,342.7	-14.1
Liabilities			
Equity	260.6	260.6	0.0
Special items	68.1	57.3	10.8
Long-term provisions	79.0	54.5	24.5
Long-term liabilities to banks	0.0	1.3	-1.3
Long-term liabilities due to affiliated companies	496.9	439.3	57.6
Long-term provisions and liabilities	575.9	495.1	80.8
Short-term provisions	94.7	105.7	-11.0
Short-term liabilities to banks	1.3	1.3	0.0
Payments received on account of orders	4.2	1.8	2.4
Accounts payable	124.8	134.0	-9.2
Short-term liabilities due to affiliated companies	155.3	229.9	-74.6
of which: Cash Pool	41.7	34.4	7.3
Short-term liabilities due to companies in which a participating interest is held	0.1	0.1	0.0
Other short-term liabilities	43.5	56.7	-13.2
Short-term provisions and liabilities	423.9	529.5	-105.6
Deferred income	0.1	0.2	-0.1
	1,328.6	1,342.7	-14.1

The long-term assets recorded on the assets side show high fixed assets common in the industry which mainly reflects the electricity, gas and district heating networks as well as the generation plants.

The investments in tangible fixed assets that were made in the 2023 business year of €162.4m (2022: €134.4m) exceeded the depreciation. Intangible fixed assets are carried at €6.1m as at 31 December 2023 (2022: €4.9m). In addition, financial assets decreased by €0.8m, mainly due to a capital withdrawal from affiliated companies. This is offset by the addition of shares in companies from the renewable energies sector.

The short-term assets which mainly comprise the current assets, decreased by 11.2%. The cause for this is the 56.3% decrease in receivables from affiliated companies and the decrease in other current assets, which are mainly characterised by the development of margin payments. This was offset by the increase in receivables from deliveries and services by 248.3%. Cash and cash equivalents relate to bank balances.

The profitability on equity is 40.1% (2022: 31.9%). The increase is due to the €21.4m increase in the result before profit transfer and the unchanged equity levels. In addition, the equity ratio decreased by €14.1m to 19.6% (2022: 19.4%) due to the decrease in the balance sheet total.

The long-term provisions show an increase, which relates in particular to provisions for anticipated losses. The change in the short-term provisions as at the previous year's reporting date is due to their reclassification.

The development of the long-term liabilities to banks and affiliated companies is characterised by the taking out of new loans and scheduled repayments. In the 2023 business year, shareholder loans amounting to €123.9m were raised. In addition, the shareholder credit line of €105.0m that was utilised briefly was repaid.

2.6 Employees and employment policy

On 31 December 2023, Stadtwerke had 755 employees.

The Leipziger Stadtwerke Group continued to back a policy of a focussed and future-oriented human resources (HR) work in 2023. The alignment of the HR strategy with the corporate strategy is an essential prerequisite to this end. The topics of personnel recruitment, retention and development are increasingly becoming the focus of a policy of sustainable HR work.

The company group continues to be perceived as an attractive and crisis-proof employer in the region in 2023. This is an important basis for continuously mastering the increasing challenge of recruiting skilled workers well – especially in highly specialised occupational groups. The employer brand of the Leipziger Stadtwerke Group has been further sharpened and an employer campaign with a pronounced internal and external impact was launched to ensure that the requirements of the labour market can continue to be met positively. The conceptual and operational aspects of the communication developed in this way will be further expanded in the future in order to continue presenting strong employer brand.

Successful projects from the previous years will also be continued with and further developed. This includes among other things the further establishment of new working environments involving desk sharing, teleworking and mobile working, as well as the continuation of development programmes specifically for the target group of managers and employees ("Energizer" talent programme). Important elements in the recruitment of junior staff continue to be in-house training, especially in the industrial-technical area, as well as the use of interns and committed students from a wide range of study programmes. In this connection, routines ensuring systematic succession in the event of retirement are constantly being practised and the processes relating to the necessary transfer of knowledge are being extended.

In the fields of occupational health and safety, the holistic prevention approach forms the basis for action. Compliance with the state and professional association requirements for the design of workplaces and plants is monitored by means of risk assessments. In order to maintain and continuously improve the level of safety achieved, targeted training and the active transfer of knowledge are required. The number of reportable accidents at work per 1,000 employees was 2.6‰ at Stadtwerke Leipzig GmbH in 2023, and thus once again significantly below the average rate of accidents at the statutory accident insurer of 12.1‰ in 2022.

2.7 Activity statements

Stadtwerke fulfils its reporting obligation in accordance with Section 6b of the Energy Industry Act (EnWG) by publishing its activity statements as at 31 December 2023. The business areas cover the activities of electricity and gas distribution and other activities inside and outside the electricity and gas sector.

Additional activity-related account assignments, which are added to all entries, form the basis for assignment of all bookings to the activities.

Measured against the company's total turnover of €3,872,147k the electricity distribution (€51,197k) and gas distribution (€17,760k) business areas reported comparatively low turnover levels in the year under review.

The result of Stadtwerke's electricity distribution activity is determined by the sales revenues from the leasing of the electricity network to Netz Leipzig, the revenues from the leasing of land and buildings required for the operation of the electricity network and revenues from the charging of the concession fees. These items are offset by other operating expenses, mainly the concession fee, contributions to connection costs, and depreciation on tangible assets. Electricity distribution shows a result after taxes of €6,668k (2022: €8,485k). The balance sheet total of the business area of electricity distribution amounts to €163,571k (2022: €134,486k). This corresponds to 12.3% (2022: 10.0%) of the balance sheet total of Stadtwerke. The tangible fixed assets increased by €27,687k compared to the balance-sheet date of the previous year to €161,711k. The inventory of receivables and other assets increased by €1,398k to €1,860k. On the liabilities side, the allocated equity decreased from €61,239k to €49,052k. Liabilities increased from €46,054k to €78,931k.

The result of the gas distribution activity includes sales revenues from the leasing of the gas network to Netz Leipzig, revenues from the leasing of land and buildings required for the operation of the gas network and revenues from the charging of the concession fees to Netz Leipzig. This item is essentially offset by depreciation on tangible assets, expenses incurred in connection with concession fees and contributions to connection costs in other operating expenses. The activity field of gas distribution generated a result after taxes of -€3,266k (2022: €153k) in the year under review. The balance sheet total of the gas distribution activity accounts for €125,581k (2022: €108,038k) and thus a share of 9.5% (2022: 8.0%) of the balance sheet total of Stadtwerke. The tangible fixed assets increased by €17,023k compared to the balance-sheet date of the previous year to €125,106k. The inventory of receivables and other assets increased by €519k to €476k. On the liabilities side, the allocated equity decreased from €52,737k to €50,421k. The liabilities increased from €43,384k to €61,264k.

3 Risk report, opportunities report, forecast report

3.1 Risk report

Stadtwerke Leipzig counteracts company-wide risks by using a risk management system that covers the risks Stadtwerke believes exist in the regulatory, industry-specific and financial field. The relevance for the continued existence or the impact of the aforementioned risks on earnings depends on the extent of the external influences. No risks have been identified which could jeopardise the continued existence of Stadtwerke.

3.1.1 Risk management system

Stadtwerke have a risk management system for the ongoing identification and tracking of company-wide risks, the processes and structures of which cover the entire company and are aimed towards the management as the recipient of condensed information.

The company group's risk portfolio contains all the identified risks and is reviewed and updated during the annual risk inventory. This includes, among other things, the classification of the risks, based on the possible amount of damage taking into account risk-controlling measures and the weighting with the likelihood of occurrence, as well as the extent of the risk limitation, on the basis of uniformly determined investigation steps for deriving risk-specific early warning indicators and measurement methods.

The risks registered in the risk portfolio are tracked in the risk reporting. The subject matter and frequency of the report are based on the analytical requirements of the risk portfolio. Proceeding from the risk specialists, the information is reported to Stadtwerke management and to LVV in aggregated form.

Stadtwerke has appointed risk control committees which meet regularly. The Stadtwerke Group's risk committee of the Corporate Risk Management meets at least once a year. Its task is to pass resolutions and make decisions on the structure of the company group's risk management system and on content and issues that affect the majority of the organisational areas, in particular also the preparation and setting of priorities of the annual risk inventory.

The task of the risk committee as an instrument of the market control business area, is to ensure the implementation of the specified strategy and risk policy in the system market and in the value chain.

3.1.2 Regulatory risks

Regulatory risks are seen in the provisions of the EnWG, the ordinances, in particular the Incentive Regulation Ordinance (ARegV) and the Network Charges Ordinances, in the stipulations and decisions of the regulatory authorities as well as the resulting reduction paths of the revenue caps for network charges. Moreover, further risks can stem from new tasks that were not known about at the time of the base years for the remuneration approvals – and from the costs related to these tasks.

One of Netz Leipzig's strategic priorities is the successful transfer of the gas network to a climate-neutral heating network. The economic success of this transfer will largely depend on the future regulatory and climate policy framework conditions.

3.1.3 Environmental and industry risks

Environmental and industry risks are primarily to be found in the assessment of changes in the economic, political and legal environment, and in the reactions to it.

In the energy policy environment, performance-related risks can arise, in particular, from short-term changes in the legal framework.

These risks are counteracted by systematically observing both the market and competition.

In the system market, the volatility of the market prices for electricity, gas and emission rights in particular lead to general market price risks from trading transactions. The fluctuating market prices lead in the event of price increases to a significant increase in volatility from the collateral to be deposited on the stock exchange for purchase and sale transactions concluded and a resulting short-term liquidity flow. This is where the influence of renewable energies in price formation has a constantly growing impact. Furthermore, the systemically high demands on balancing-group management and the provision of collateral at the various trading venues must be taken into account. Resources from the integration within the shareholder's cash pool are available to cover short-term liquidity requirements.

The continued market-price risk resulting from falling generation margins for conventional generation plants is being counteracted by the continuous optimising of plant deployment and by the use of access to the futures market, in the spot market as well as system services.

The operation of complex energy generation plants includes the risk of operational disturbances, production losses and supply interruptions. These risks are limited through regular servicing, maintenance and insurance for significant consequences of potential damage claims. In the case of the new generation plants to be built, there are risks in construction delays and successful lawsuits against building permits as well as the general market price increase of the construction costs.

In the end-customer market, the still greatly reduced construction and sales activity in the property sector may have a negative impact on the acquisition performance of municipal utilities in this segment on the one hand, while the risk of insolvency among property developers and project developers remains high on the other. In the retail, manufacturing and catering sectors, it is still difficult to push through higher producer prices. There is a risk that customers may not fulfil their contractual payment obligations or not fulfil them on time. The creditworthiness of potential customers is therefore stringently checked during the contract initiation phase. In order to limit the counterparty default risk, especially in the case of key accounts, a credit-rating analysis is carried out in principle before agreement negotiations begin and before submitting a binding offer. Appropriate supply contracts and payment terms also counteract the risk of credit default. In addition, a consistent form of receivables management system has been implemented so that the risk of bad debts and insolvencies can be countered promptly and, if necessary, provisions can be made.

Stadtwerke have responded to the increasing complexity on the market and the customers' desire for support in the development towards CO₂ neutrality by, among other things, pursuing an increasingly consultancy-oriented sales policy and offering customer-oriented products and services.

In addition, there are risks of being crowded out of the market due to actions by the competitors. The increased presence of online products on comparison portals for private customers and the constant development of customer interfaces (customer portal) counteract this. Collaboration with market partners enables Stadtwerke to successfully participate in larger tenders in the commodity field and to realise planned margins even where large volumes are involved. Follow-up orders for projects that have been successfully implemented reduce the competitive pressures to some extent, which is why comprehensive

customer support and dedication is increasingly a decisive criterion for successful market development. Collaboration with potential competitors expands Stadtwerke's expertise on the one hand and makes it possible to enter into existing project structures and drive developments forward more quickly on the other. Planned asset or share deals should increase the depth of added value and counteract shortages of skilled labour.

Risks in the sector of networks may occur in connection with supply interruptions and malfunctions of the technical plants. These risks are countered by regular maintenance work and investments in the networks and plants.

In the case of the biomass as well as wind-energy and photovoltaics power stations, risks may arise from rising fuel prices or from insufficient wind levels or low levels of solar radiation and interruptions due to operational disturbances. In addition, there are marketing risks for new plants due to new legal regulations on subsidy options or falling market prices. The accelerated expansion of renewable energies increases the price pressures on these plants, which leads to economic risks. This is counteracted by the active management of the RE segment.

There may be risks in terms of the feasibility where the project development in the field of renewable energies is concerned. These can result from delays regarding the conclusion of utilisation contracts for the locations of technical facilities, cable routes and access roads as well as from building permits that become available later or the search for partners for these projects. Further possible risks may relate to profitability. These are influenced by the success of achieving an appropriate EEG surcharge or other electricity marketing measures in the corresponding tenders and the general cost increases in the construction industry and the plant engineering sector.

3.1.4 Financial risks

Financial risks exist primarily with regard to the financing-cost risk. Stadtwerke's financing portfolio primarily consists of shareholder loans from LVV, which are agreed on a fixed-interest basis and are therefore not subject to any risk of a change in the interest rates. The risk of limited availability of credit funds is countered by budget at LVV Group level, which is geared to the debt ratio and takes into account possible debt financing.

GPEC's financing portfolio is characterised by bank loans and bonds that have been agreed on a variable interest rate basis (3 M WIBOR) and are therefore subject to a risk of a change in interest rates. From 2024, GPEC will also diversify its financing portfolio with fixed-interest shareholder loans from LVV in order to reduce the interest rate risk. GPEC counters the interest rate risk that additionally exists by means of the continuous monitoring of interest rate developments and active cash management.

In order to limit the counterparty default risk, a credit-rating analysis is carried out in principle on all trading partners before agreement negotiations begin and before submitting a binding offer. The trader default risk is countered by the allocation and monitoring of limits and a diversified procurement portfolio. Risk management uses external and internal ratings analyses in this context.

Exchange rate risks, which implicate GPEC's annual dividend payments, are met by continuous observation of the exchange rate between the euro and the zloty. If the amount and timing of the distribution are known, the forward exchange rate is hedged.

In the case of financial derivatives with positive market values, default risks of a corresponding amount may arise in the case of counterparties with a low credit standing. For this reason, Stadtwerke only concludes financial derivatives with selected European financial institutions on whose behalf the Group financing department has issued a recommendation. Here, the selection is based on uniform diversification and credit rating criteria throughout the Group.

3.1.5 Other risks

The other risks mainly relate to risks that may result from the failure of IT systems. These include the non-availability of systems, the unauthorised use of data and the vulnerability of systems from outside. As a result, negative effects on results and liquidity are possible, such as a delay in the presentation of accounts or non-closable trading positions. In order to maintain and extend the high standard of IT security, security analyses and emergency exercises, as well as penetration tests, which check the vulnerability of the IT systems from outside, are continuously carried out. As a result of this, the safety systems are being expanded and adapted.

With regard to the critical infrastructures, the transfer of knowledge throughout the Stadtwerke and Leipzig Group is ensured by a dedicated information security management role (ISMS coordinator) in cooperation with the affiliated companies and the affected KRITIS divisions of the Stadtwerke Group. This supports the joint or further development of Group-wide ISMS issues. This also ensures the effectiveness and consistency of the technical measures in organisational terms. Special mention should be made of the early commissioning and introduction of a uniform service/system for attack detection in accordance with Section 11 (1d) EnWG and Section 8a (1a) of the Act on the Federal Office for Information Security (BSIG) for the networks and generation.

The subsidiary Netz Leipzig has implemented and correspondingly certified the requirements set out in the IT security catalogue in accordance with Section 11 (1a) EnWG for the systems and processes necessary for secure network operation in the electricity and gas sectors. The Generation and Energy Trading divisions plan to implement the relevant requirements on time and introduce an ISMS for the respective areas of application. Harmonisation of processes and instructions within the Stadtwerke Group is of crucial importance here in order to be able to respond effectively and efficiently to a dynamic risk situation.

In the case of large loss events, Stadtwerke depends on the implemented crisis management system, which is checked annually in terms of how up to date it is as well as additional requirements and adjusted accordingly.

3.2 Opportunities report

From the perspective of Stadtwerke, there are opportunities in the regulatory, sector-specific as well as the performance and financial fields, and a favourable market development. The relevance for the impact of the aforementioned opportunities on earnings depends on the extent of the external influences.

3.2.1 Regulatory opportunities

The future development of the Netz Leipzig subsidiary is essentially determined by the incentive regulation and the stipulations of the regulatory authorities. Adjustments to the regulatory framework to enable the heating transition are anticipated for the future. The ARegV has created relatively stable framework conditions on the revenue side.

Through dedicated association work and regulatory management, Netz Leipzig seeks to minimise in advance the entrepreneurial risks, which may arise in particular in relation to the interpretative practice of the regulations by the regulatory authority, and actively seize opportunities.

The regulatory authorities will also continue to pursue the goal of keeping the network operators' fees at a low level or reducing them further against the background of the current price development on the energy markets. The decoupling of permissible revenues from the actual costs is creating both opportunities and risks with regard to the development of efficiency potential.

3.2.2 Environmental and industry opportunities

If the ambitious climate protection goals are consistently accompanied by legislative action, opportunities fundamentally result from the shaping of energy and climate policy. This applies in particular if the objectives of an increased expansion of renewable energies, the prospective use of green hydrogen and a strengthening of combined heat and power generation are flanked and reviewed by the legal regulations at federal level. In order to implement the energy and climate policy objectives within the necessary time frame, stable framework conditions are necessary against the backdrop of long-term investments in the infrastructure and supply sector.

The GPEC Group meets the challenges of heat supply security in relation to fuels in the Pomerania region by means of an early and multi-supplier purchasing strategy for the input materials for its generation sources. There is also a close exchange and coordination with the heat supplier in Gdańsk.

In the system market, opportunities arise from digitisation, new trading venues on the wholesale markets, the leveraging of automation potential and new revenue opportunities in the context of renewable energies. In addition, a volatile wholesale market offers opportunities from the exploitation of price differences on the markets.

Market and utilisation opportunities can be found in the energy market design as well as in contractual and regulatory market developments. The further flexibilisation of the marketing and control of the plant park and the addition of new district heating plants that do not generate any emissions provides opportunities in an increasing electricity/gas/ CO₂-spread in the generation of electricity and heat.

For the biomass power stations, opportunities arise from falling fuel prices. When electricity prices on the wholesale markets are high, there are also opportunities from unsubsidised direct marketing. Opportunities arise for the wind power stations due to higher wind levels than planned and in the direct marketing. The weather-dependent heating business can be influenced equally in both directions by temperature fluctuations.

Additional opportunities arise from the planned expansion of the renewable energy portfolio.

In the end-customer market, opportunities are to be found in the faster realisation of the transfer of the heat supply away from fossil fuels to renewable technologies. Municipal heat planning is a catalyst for the energy transition process and opens up new market opportunities in the region in the form of implementation projects that develop from dedicated energy concepts.

3.2.3 Financial opportunities

Due to the increasing interest rates, it is less possible to take out shareholder loans from LVV at conditions below the planned interest rate. However, opportunities to reduce planned interest expenses arise from the taking out of loans that are consistently aligned with actual financing requirements in terms of their amount and the time at which they are taken out.

3.2.4 Other opportunities

Digitisation is regarded as an important strategic basis for continuous growth within the company. For this reason, new conditions are constantly being created that continue to drive ideas and innovative technologies in the company. The integrated ideas and innovation management offers the opportunity to implement creative solutions, suggestions and improvements in a targeted way and ensure success. In addition, access to optimal resources and methods is enabled and decision-making processes are supported.

3.3 Forecast report

Based on the budget prepared in 2023 and confirmed by the Supervisory Board, Stadtwerke forecasts results before profit transfer of €93.7m for the 2024 business year. Compared to the 2023 business year, it is anticipated that a reduced gross margin will be accompanied by rising personnel expenses, a reduced interest result and lower depreciation and amortisation. For the following year a similar result is expected.

Investments in fixed assets affecting the balance sheet worth a total of €180.1m are planned for 2024. Of this amount, 88.2% equating to €158.9m relates to investments in tangible fixed assets. This takes particular account of the Heating Supply future concept, which includes investments in decentralised generation plants for various energy sources (e.g. EEG plants and solar thermal plants) and additional storage capacities to secure the supply of district heating. Investments are also planned for the expansion and extension of the district heating network, local heating solutions, media-independent energy services as well as for the submetering product segment.

A constant level is expected for the sales volumes in the areas of electricity and district heating in the following year. In the gas sector, a slight increase in sales volumes to 1,911 GWh is forecast for 2024.

Despite the planned expansion of generation capacities a reduction in the generation volumes for electricity (1,133 GWh) and district heating (876 GWh) is forecast for the following year due to the development of the generation margins. In addition, the successive phase-out of heating procurement from Lippendorf and the implementation of the heating market concept as well as alternative technologies will increase the self-generation of electricity and heating in the medium term.

For the year 2024, an increase in the number of employees to 761 FTEs is assumed, in particular due to the implementation of the municipal planning of heating as well as the business-related growth in the renewable energies and e-mobility sectors.

Taking into account the political-regulatory and competitive framework conditions, which have significant influence on the market-related business areas of the system market and end-customer market, sales revenues in the coming year will be at the levels achieved in the 2023 business year.

The growing volatility and diversification of generation continues to be viewed as a significant factor. Fundamental elements are the focus of energy policy on successive decarbonisation, the further increasing decentralisation of generation and digitisation.

Electricity and gas prices on the wholesale market have fallen in 2023 compared to the previous year and a price stabilisation phase is anticipated in the future. The negative difference between the electricity price earned and the fuel and emission costs used (Clean Spark Spread) in conventional district heating generation plants is expected to decrease in the long term.

The main basis for the development of the regulated networks (Regulierte Netze) is the current ordinance on the incentive regulation of energy supply networks and, for electricity, the provisionally agreed starting level for the fourth regulatory period (as of June 2023) and, for gas, the starting level provisionally agreed with the state regulatory authority of Saxony for the fourth regulatory period (as of April 2022).

In the end-customer market, the extension of the acquisition of private and business customers is to be further increased through a targeted presence on comparison portals. In the key account segment, the expansion of both the energy-related services business and volume growth in the electricity and gas business, in addition to the linking of the product range, will continue to form the focus in subsequent years. The focus will continue to be on the expansion of district heating and the strategic decisions on the future generation structure in the context of the heating transformation.

In order to arrive at an appropriate structuring of the electricity prices in the basic service rates, Stadtwerke regularly reviews the composition of the price components. As a result, the energy prices for electricity and gas as well as the basic price for gas in the basic supply tariffs fell as of 1 January 2024. The basic price of electricity has risen slightly.

Due to the current geopolitical situation, the forecasts made are subject to increased uncertainty and the quantitative effects are not yet fully foreseeable. At present, however, no immediate significant effects are discernible, meaning the economic plan is being adhered to.

4 Declaration on corporate governance

The target figure for the quota of women on the Supervisory Board of the Stadtwerke is 30.0%. The target figure for the quota of women within the management of the Stadtwerke is 50.0%. Furthermore, a target figure of 30.0% was set for the upper management level of Stadtwerke, while a target figure of 35.0% was set for the middle management level. The targets are each to be achieved by 31 December 2024.

Leipzig, 21 March 2024

Management

Karsten Rogall

Dr. Maik Piehler

Balance sheet at 31 December 2023

Stadtwerke Leipzig GmbH, Leipzig

Assets	in €	
	31.12.2023	31.12.2022
A. Fixed assets		
I. Intangible assets		
1. Purchased concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	1,489,406.00	1,803,876.00
2. Payments on account	4,656,025.85	3,059,951.28
	6,145,431.85	4,863,827.28
II. Tangible assets		
1. Land, land rights and buildings, including on third-party land	85,029,502.79	52,495,865.33
2. Technical systems and machines	593,111,690.00	516,554,215.53
3. Other equipment, factory and office equipment	8,524,784.00	7,812,893.00
4. Payments on account and assets under construction	44,127,181.90	107,809,516.26
	730,793,158.69	684,672,490.12
III. Financial assets		
1. Shares in affiliated companies	131,011,780.54	131,771,780.54
2. Participations	10,628,874.35	10,426,049.35
3. Loans to companies in which a participating interest is held	5,319,202.50	5,359,202.50
4. Other loans	767,919.69	963,670.64
	147,727,777.08	148,520,703.03
	884,666,367.62	838,057,020.43
B. Current assets		
I. Inventories		
1. Raw materials and supplies	26,178,565.30	14,502,966.91
2. Unfinished services	67,061.02	59,868.35
3. Payments on account	838,827.00	0.00
	27,084,453.32	14,562,835.26
II. Receivables and other assets		
1. Receivables from deliveries and services	240,954,567.38	69,199,927.07
2. Receivables from affiliated companies	68,035,013.04	155,610,460.22
3. Other assets	69,961,504.08	237,138,175.20
	378,951,084.50	461,948,562.49
III. Cash in hand, bank balances and cheques	35,010,704.94	20,006,545.08
	441,046,242.76	496,517,942.83
C. Prepaid expenses	2,872,506.41	8,132,061.90
	1,328,585,116.79	1,342,707,025.16

Balance sheet

Liabilities		in €	
	31.12.2023	31.12.2022	
A. Equity			
I. Subscribed capital	22,000,000.00	22,000,000.00	
II. Capital reserve	184,410,675.21	184,410,675.21	
III. Profit reserves			
Other profit reserves	54,190,323.88	54,190,323.88	
	260,600,999.09	260,600,999.09	
B. Special items			
1. Special item for emission rights issued free of charge	3.00	0.00	
2. Special item with an equity portion	1,322,345.00	1,470,061.00	
3. Special item for investment subsidies for fixed assets	12,596,387.34	11,417,252.34	
4. Special item for building-cost subsidies	54,168,294.00	44,385,149.00	
	68,087,029.34	57,272,462.34	
C. Provisions			
1. Provisions for pensions and similar obligations	12,596,386.61	14,788,601.15	
2. Provisions for taxation	65,633.04	33,614.78	
3. Other accrued liabilities	161,011,975.07	146,334,863.60	
	173,673,994.72	161,157,079.53	
D. Liabilities			
1. Liabilities to banks	1,326,680.00	2,653,450.00	
2. Payments received	4,227,441.44	1,776,819.70	
3. Accounts payable	124,770,206.80	134,005,250.69	
4. Liabilities due to affiliated companies	652,214,106.37	668,153,576.49	
5. Liabilities due to companies in which a participating interest is held	127,762.99	141,946.99	
6. Other liabilities	43,471,049.65	56,712,184.18	
of which from taxes: €2,294,314.96 (2022: €2,471,476.39)			
	826,137,247.25	863,443,228.05	
E. Deferred income	85,846.39	233,256.15	
	1,328,585,116.79	1,342,707,025.16	

Profit and loss statement

for the business year from 1 January until 31 December 2023

Stadtwerke Leipzig GmbH, Leipzig

in €

	2023	2022
1. Sales revenues		
a) Sales revenue incl. electricity and energy tax	3,896,552,481.51	3,738,150,715.13
b) Electricity and energy tax	-24,404,677.98	-26,200,348.95
	3,872,147,803.53	3,711,950,366.18
2. Increase or decrease in inventory of unfinished services	7,192.67	29,122.70
3. Other internally produced and capitalised assets	1,292,004.03	1,970,287.55
4. Other operating income	20,238,642.23	37,208,554.46
of which from currency translation: €131.20 (2022: €1,510.86)		
5. Cost of materials		
a) Costs of raw materials, consumables and supplies and of purchased materials	3,420,141,948.64	3,409,385,357.91
b) Expenditures for services purchased	44,284,660.93	43,067,799.08
	3,464,426,609.57	3,452,453,156.99
6. Personnel expenditure		
a) Wages and salaries	51,199,448.17	43,136,042.82
b) Social contributions and expenses for pension schemes and support	9,431,381.96	8,349,200.53
of which for pensions: €734,271.51 (2022: €606,131.25)		
	60,630,830.13	51,485,243.35
7. Depreciations of intangible and tangible fixed assets	111,274,679.86	59,383,289.81
8. Other operating costs	131,301,420.49	108,002,723.74
of which from currency translation: €706.61 (2022: €0.00)		
9. Income from participations	1,613,008.19	8,936,389.27
of which from affiliated companies: €724,500.00 (2022: €8,603,445.68)		
10. Income from profit transfer agreements	2,474,195.57	2,534,499.78
of which from affiliated companies: €2,495,901.60 (2022: €2,534,499.78)		
11. Income from loans from financial assets	470,942.77	469,287.74
12. Other interest earned and similar income	1,902,170.23	579,134.21
of which from affiliated companies: €378,446.55 (2022: €11,870.74)		
13. Depreciations on financial assets and marketable securities	2,260,000.00	0.00
14. Interest and related expenses	15,391,311.05	7,827,049.42
of which to affiliated companies: €14,980,230.74 (2022: €6,943,219.72)		
15. Expenses from loss assumption	9,959,492.91	941,509.67
of which to affiliated companies: €9,959,492.91 (2022: €941,509.67)		
16. Result after taxes	104,901,615.21	83,584,668.91
17. Other taxes	445,182.90	440,318.56
18. Expenses from a profit transfer agreement	-104,456,432.31	-83,144,350.35
19. Net income/loss	0.00	0.00

Notes to the financial statements for the 2023 business year

Stadtwerke Leipzig GmbH, Leipzig

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1 Information on the form and presentation of the balance sheet and the profit and loss account

Stadtwerke Leipzig GmbH, Leipzig (Stadtwerke) has its head office in Leipzig. It is registered in the commercial register of the Leipzig District Court under the commercial registration number HRB 3058.

The present annual financial statements of Stadtwerke were based on the regulations of the German Commercial Code (HGB), the Introductory Act to the German Commercial Code (EGHGB), the Deutsche Mark Balance Sheet Act (DMBilG), as well as the relevant regulations of the German Limited Liability Companies Act (GmbHG) as well as the Electricity and Gas Supply Act (EnWG).

The layout of the balance sheet is in accordance with the regulations in Section 266 and following HGB. The regulations of the Energy Industry Act were also taken into account. The profit and loss account was prepared in accordance with the total cost accounting method according to Section 275 paragraph 2 HGB.

Stadtwerke and its subsidiaries are included in the exempting consolidated financial statements of LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig (LVV) (smallest and largest consolidated companies). These annual financial statements are published in the electronic Federal Gazette.

2 Information on the items of the balance sheet and the profit and loss account in terms of posting, accounting and valuation

2.1 Accounting and valuation methods

In accordance with the going concern assumption, the following accounting and valuation methods have been applied in preparing the annual financial statements.

2.1.1 Fixed Assets

Purchased intangible assets and tangible fixed assets are valued at acquisition or production cost minus scheduled, if depreciable, and non-scheduled depreciation and amortisation, in the event of an impairment that is likely to be permanent. If necessary, reversals of impairment losses on assets depreciated in previous years are taken into account through appreciation. The production costs of tangible fixed assets constructed by the company for its own use take into account not only direct costs, but also appropriate parts of the material and production overhead costs.

Land additions as defined by the Assets Allocation Act (Vermögenszuordnungsgesetz) are shown on the balance sheet at a flat-rate land value. Fixed assets taken over free of charge are reported at their fair market value on the date of transfer.

As a rule, depreciation is calculated using the straight-line method based on the following useful lives:

	Years
Intangible assets	2 – 30
Land and buildings	2 – 50
Technical plants	2 – 55
Factory and office equipment	2 – 25

Furthermore, a performance-based depreciation is applied according to the operating hours for a gas turbine and a declining-balance depreciation is applied at the thermal power station Leipzig South (HKW Leipzig Süd).

Scheduled depreciation by components is used if physically separable and economically significant components of a uniform asset can be identified. If the option of determining the scheduled depreciation on a component basis is used, the replacement of a component is not an extension or significant improvement, but falls within the scope of production or acquisition as a replacement of a significant physical substance.

Low-value assets with acquisition and production costs of up to €250,00 are always written off with effect on expenses in the year of acquisition. For low-value assets with acquisition costs of between €250,00 and €800,00, the option of immediate write-off in the year of acquisition is performed.

Payments on account and assets under construction are recognised at the nominal amount.

Financial assets are stated at acquisition cost. Loans were based on the nominal value. Where necessary, if reductions in value are expected to be permanent, items were depreciated at the lower fair value on the balance-sheet date.

2.1.2 Current assets

In principle, all raw materials and supplies are reported at average cost prices, while applying the lowest value principle.

Emission certificates allocated free of charge are posted under inventories at their memo value. Purchased emission certificates are also shown on the balance sheet at acquisition cost under inventories. Where necessary, devaluation was stated at the lower fair value on the balance-sheet date.

Unfinished services are valued loss-free at production cost. The production costs include not only direct material and manufacturing costs but also proportionate parts of overhead costs for materials and manufacturing.

Receivables and other assets are valued at their nominal value, while recognisable risks have been taken into account by making appropriate value adjustments. General individual value adjustments were made according to the age structure of the receivables to cover general default risks, and a general value adjustment of 2.0% was made to cover general credit risks (2022: 2.0%). Receivables from deliveries and services include electricity, gas and district heating deliveries to end-customers. Unbilled services have been accrued on a customer-specific basis as at the balance-sheet date. The accrual is determined while applying the current tariffs and also, in the case of gas and district heating deliveries, temperature influences. The progress payments received are deducted from these receivables.

Receivables and liabilities have been netted out where netting contracts have been agreed with wholesale trading partners.

In cases where the other assets are special-purpose assets to hedge partial retirement obligations, they are netted against the provisions for semi-retirement obligations in accordance with Section 246, subsection 2, sentence 2 HGB.

Cash resources (cash in hand, cash at banks and cheques) are shown at their nominal value.

2.1.3 Prepaid expenses

Prepaid expenses are posted as disbursements on the asset side of the balance sheet prior to the balance-sheet date, insofar as they represent expenses for a particular time after the balance sheet date.

2.1.4 Equity

The subscribed capital is valued at its nominal amount.

2.1.5 Special items

The rights shown under the special item for emission rights issued free of charge are set at a memo value in accordance with the emission rights issued free of charge.

The retention and continuation option in accordance with Article 67, subsection 3, sentence 1 EGHGB is used for the special item with an equity portion.

The special item with an equity portion, formed for special depreciations under Section 4 of the Development Area Act, is released to income according to plan. The special item is always released to income at the end of each preferential period on a straight-line basis, either for the remaining useful life of the fixed asset or on disposal of the subsidised tangible assets in favour of other operating income.

Investment grants are shown on the liabilities side as a special item for fixed assets, and fully liquidated in favour of other operating income over the useful life of the fixed asset.

The annual release of the special item for building cost subsidies in favour of sales revenues will take place over the useful life of the subsidised assets.

2.1.6 Provisions

Wherever possible, the retention and continuation options in accordance with Article 67, subsections 1 and 3 EGHGB are used for provisions existing since 1 January 2010.

Selected provisions for personnel and provisions for pensions and similar obligations are calculated on the basis of actuarial expert opinions based on the 2018 G guideline tables compiled by Prof. Dr. Klaus Heubeck using the projected unit credit method. The underlying actuarial interest for the discounting of provisions for pension obligations, assuming a remaining term of 15 years, amounts to 1.83% in accordance with Section 253, subsection 2, sentences 1 and 2 HGB as at 31 December 2023 and in the case of other provisions to 1.75%. From the discounting of provisions for pension obligations using the average market interest rate of the last ten years, a difference of €90k results compared to the discounting of the average market interest rate of the last seven years.

The annual financial statements have been prepared in application of the wording of the law without taking into account the transfer lock of the differential amount.

The provision for retired and other former employees corresponds to the present value of the obligation.

The provisions for pensions and similar obligations were based on assumed increases in salaries and pensions (or increases in expenditure) of up to 5.0%.

Obligations from semi-retirement obligations are secured by a reinsurance policy with Allianz AG. The receivables from this time-accounts reinsurance policy are netted against the obligations in accordance with Section 246, subsection 2, sentence 2 HGB.

In other provisions, emission certificates allocated free of charge are recognised at the memo value, purchased emission certificates allocated in the portfolio at their book value and emission certificates still to be acquired against payment at their market value in order to meet the return obligation.

The valuation of other provisions took account of a cost increase of up to 6.0%. Other provisions with a term of more than one year are discounted at interest rates that are in line with the respective time span and have been announced by the Deutsche Bundesbank. The interest rates for discounting the provisions are between 0.99% to 1.62% for 2023, depending on the remaining term.

Recognisable risks and uncertain liabilities are taken into account in the determination of the other provisions. Other provisions and tax provisions are valued at the settlement amount.

2.1.7 Liabilities

Liabilities are posted at their settlement amount and advance payments received at nominal value on the liability side.

2.1.8 Deferred income

Deferred income is posted as deposits on the liability side of the balance sheet prior to the balance-sheet date, insofar as it represents income for a particular time after this date.

2.1.9 Deferred taxes

The shareholder of the Stadtwerke as the controlling company is the sole tax debtor. Actual and deferred taxes of the controlled companies are to be shown in full in the annual financial statements of the controlling company, as they alone are subject to the taxation consequences. Accordingly, deferred taxes are not recognised in the Company's financial statements.

2.1.10 Minimum taxation

The parent LVV Group falls within the scope of the global minimum taxation rules ("Pillar 2"). The regulations on global minimum taxation came into force in Germany with effect from 28 December 2023 in the form of the Minimum Tax Act ("MinStG"). The MinStG applies for the first time for business years beginning after 30 December 2023. In accordance with MinStG, a supplementary tax is payable for each jurisdiction that has an effective tax rate of less than 15%. Determining the effective tax rate according to MinStG is very complex and involves a large number of specific adjustments. In principle, Stadtwerke will not incur any additional tax burden from the national supplementary tax in the future, as it is neither the ultimate parent company nor the group parent of the minimum tax group as defined by Section 3 MinStG. However, it is obliged to compensate the group parent LVV for any national supplementary tax amounts caused by Stadtwerke, which will be caused by Stadtwerke for all business units located in Germany in the future.

Due to the fact MinStG does not yet apply to Stadtwerke for the 2023 business year, there will be no tax burden from MinStG for the 2023 business year – which must be offset against the Group parent. Due to the complexity of applying the Pillar 2 legislation and the calculation of the potential tax effects, the quantitative and qualitative effects for future business years cannot yet be reliably estimated.

2.1.11 Foreign currency conversion

Transactions in foreign currencies are recognised at the exchange rate at the time of the initial booking. Short-term foreign currency receivables and liabilities (remaining term of one year or less) and cash and cash equivalents in foreign currencies are translated at the mean spot exchange rate on the balance-sheet date. Profits and losses arising are recognised in profit or loss.

2.2 Notes to the balance sheet

2.2.1 Fixed Assets

The development of fixed assets is presented in the overview of 'Development of fixed assets' of Stadtwerke, which is included in the appendix to these notes, alongside amortisations in the business year.

2.2.2 Inventories

The inventories on the balance-sheet date include returnable emission rights issued free of charge for the emission of CO₂; they were posted at a memo value of €1.00 per plant (market value on 31 December 2023: €1,912k).

2.2.3 Receivables and other assets

The receivables from deliveries and services mainly concern claims from consumption accrual from electricity, gas and district heating supplies with rolling consumption billing of €361,234k (2022: €296,951k), which were netted with the advance payments received thereon of €219,662k (2022: €276,918k). The overpayments of €11k resulting from the advance payments in the gas segment were reclassified to other liabilities.

The receivables from deliveries and services contain receivables from deliveries and services of €38,203k (2022: €21,081k) as well as other receivables of €29,832k (2022: €134,529k). The receivables included claims from the consumption accrual for electricity, gas and district heating supplies with rolling consumption billing of €29,318k (2022: €15,795k), which were netted with the advance payments received thereon of €1,615k (2022: €1,976k). Receivables from affiliated companies include receivables from the shareholder LVV of €26,232k (2022: €130,971k).

Other assets include receivables relating to tax prepayments not yet deducted amounting to €8,221k (deferred items).

All receivables in the current business year are due in up to one year. The other assets include receivables of €104k which are due in more than one year.

2.2.4 Equity

Revenue reserves include the special-purpose reserve of €43.7m in accordance with Section 27, subsection 2 DMBilG.

The net profit for the year before profit transfer amounts to €104,456k. In accordance with the profit/ loss transfer agreement, the result will be transferred in full to LVV. In the business year, an advance profit transfer of the 2023 result totalling €61,582k was exercised. The difference of €42,874k is reported as liabilities from profit transfer as at 31 December 2023.

2.2.5 Provisions

Claims from the reinsurance policy are netted against semi-retirement obligations in accordance with Section 246, subsection 2, sentence 2 HGB. The fair value of the netted assets, which corresponds to the acquisition costs, is €3,119k. The settlement amount of the offset debts is €6,344k. Interest income from semi-retirement agreements by a reinsurance policy with Allianz AG amounts to €0k (2022: €0k). These are netted with interest expenses from provisions for semi-retirement agreements of €88k (2022: €30k).

Other provisions include, in particular, provisions for outstanding invoices (€41,400k), provisions for obligations to return CO₂ certificates (€31,270k), provisions for dismantling obligations (€26,884k), provisions for anticipated losses (€22,156k), and for personnel-related provisions (€11,755k).

Other provisions include provisions for expenses in the amount of €8,945k (2022: €8,928k): for which the right of retention in accordance with Article 67, subsection 3, sentence 1 EGHGB was used.

The amount of surplus coverage in accordance with Article 67, subsection 1, sentence 4 EGHGB amounts to €17k for provisions retained in accordance with Article 67, subsection 1, sentence 2 EGHGB.

2.2.6 Liabilities

The following table shows the remaining terms of liabilities:

Liabilities				in €k
	Remaining term			Total
	Up to one year	From one up to five years	Over five years	31.12.2023
	(2022)	(2022)	(2022)	(2022)
1. Liabilities to banks	1,327	0	0	1,327
	(1,327)	(1,327)	(0)	(2,654)
2. Payments received on account of orders	4,227	0	0	4,227
	(1,777)	(0)	(0)	(1,777)
3. Accounts payable	124,770	0	0	124,770
	(134,005)	(0)	(0)	(134,005)
4. Liabilities due to affiliated companies	155,284	195,765	301,165	652,214
	(228,868)	(192,881)	(246,404)	(668,153)
of which: to the shareholder	105,255	195,765	301,165	602,185
	(187,648)	(192,881)	(246,404)	(626,933)
5. Receivables from companies in which a participating interest is held	128	0	0	128
	(142)	(0)	(0)	(142)
6. Other liabilities	43,469	2	0	43,471
	(56,691)	(21)	(0)	(56,712)
	329,205	195,767	301,165	826,137
	(422,810)	(194,229)	(246,404)	(863,443)

Liabilities to banks are generally unhedged and had negative declarations attached (€1,327k; 2022: €2,654k).

Of the liabilities to affiliated companies €4,393k (2022: €4,582k) are liabilities from deliveries and services and €647,821k (2022: €663,571k) are other liabilities.

The shareholder loans of €558,342k contained in the liabilities to affiliated companies are generally unhedged and had negative declarations attached.

The liabilities to companies in which a participating interest is held relate to liabilities from deliveries and services.

2.3 Notes to the profit and loss statement

2.3.1 Sales revenues

The sales revenues of €3,872,147k that were generated exclusively within Germany are composed as follows:

Sales revenues	in €k	
	2023	2022
End-customer market electricity	426,510	250,147
Electricity tax	-18,440	-19,477
End-customer market electricity (minus electricity tax)	408,070	230,670
End-customer market gas	167,302	76,704
Energy tax	-5,965	-6,508
End-customer market gas (minus energy tax)	161,337	70,196
End-customer market district heating	218,988	140,230
End-customer market	788,395	441,096
System market electricity	1,859,103	1,857,540
Electricity tax	0	0
System market electricity (minus electricity tax)	1,859,103	1,857,540
System market gas	967,639	1,257,337
Energy tax	-8	-29
System market gas (minus energy tax)	967,631	1,257,308
System market	2,826,734	3,114,848
Additional sales revenue	257,018	156,006
	3,872,147	3,711,950

The additional sales revenues include sales revenues relating to other periods amounting to €18,697k (2022: €7,037k). Among other things, these relate to the correction of sales and leasing income, which was estimated in the previous year due to rolling consumption billing.

2.3.2 Other operating income

Other operating income includes income from the release of special items with an equity portion (€148k, 2022: €168k) as well as income relating to other periods totalling €17,829k (2022: €36,224k). The income relating to other periods relates among other things to income from the release of provisions (€12,627k). Income from the reversal of value adjustments and income from the receipt of already value-adjusted receivables of €3,517k as well as income from the write-up of fixed assets of €742k continue to have an effect.

2.3.3 Cost of materials

Expenses for raw materials and supplies and for purchased goods include costs of materials that relate to other periods of €19,626k (2022: €7,438k). This mainly relates to electricity and gas surpluses/shortfalls of €15,926k (2022: €6,247k).

2.3.4 Depreciation and amortisation

In the 2023 business year non-scheduled depreciation and amortisation of €20,047k (2022: €5,820k) was made on the tangible fixed assets. This essentially concerned the Piesteritz and Bischofferode biomass heating power stations.

2.3.5 Other operating expenses

The other operating expenses include expenses for value adjustments and the write-off of receivables of €9,088k (2022: €7,649k) as well as expenses relating to other periods of €689k (2022: €4,548k) for losses from asset disposals and for concession fees relating to other periods.

2.3.6 Income from investments

In the 2023 business year non-scheduled depreciation and amortisation of €2,260k (2022: €0k) were recognised on the financial assets.

2.3.7 Interest result

In accordance with Section 277 paragraph 5 HGB the interest result (€746k, 2022: €454k) and expenses (€344k, 2022: €416k) from the compounding and discounting of provisions were posted.

3 Information on the annual result

A profit/loss transfer agreement has existed since 1 January 2001 between Stadtwerke and LVV, which was concluded for five years. It is extended by a further year respectively unless terminated six months prior to expiry. It has not been terminated to date.

4 Other information

4.1 Other financial obligations and transactions not included in the balance sheet

Other financial obligations amounting to €4,906k result from rental and lease agreements as well as from investments.

Furthermore, there were other financial obligations arising from the granting of loans, from capital contributions not yet called in as well as from the payment of variable additional purchase prices of €1,923k.

The transactions concluded via OTC trading are always physically fulfilled. From energy procurement there were obligations from OTC trading for electricity with a nominal value of €450.8m (2022: €1,156.1m), for gas with a nominal value of €393.9m (2022: €748.2m) and for emission certificates with a nominal value of

€18.0m (2022: €1.4m). For information on transactions conducted via the regulated market (stock markets) or financial institutions, reference is made to Section 4.2.

4.2 Derivative financial instruments

Commodity derivatives in the form of futures are used to hedge against energy-price risks.

On the balance-sheet date, the nominal volume, fair value and book value of the commodity derivatives posted were as follows:

Commodity derivatives			in €k	
			31.12.2023	
	Nominal volumes	To be submitted current value	Assets	Liabilities
Electricity ¹	1,928,465	33,924	0	0 ²
Gas ¹	1,680,678	-11,778	0	0 ²
CO ₂ certificates ¹	78,873	898	0	0 ²

¹ Underlying and hedging instruments in valuation units

² Ineffective part of the hedging relationship

Financial instruments (derivatives, emission certificates) purchased via regulated markets (stock markets) or financial institutions are stated in the Notes to the financial statements as commodity derivatives in accordance with Section 1, subsection 11 of the Banking Act (KWG). The nominal volume corresponds to the additive value of all agreed purchase (€1,899.6m) and selling agreements (€1,788.4m) for future delivery periods up to and including 2026.

The purchase and sale contracts concluded for trading purposes were pooled into separate portfolios according to delivery periods and commodities, and valued in accordance with Section 254 HGB. The fair values were determined at market prices on the balance-sheet date based on externally recognised sources, e.g. the official closing prices on the European Energy Exchange AG, Leipzig (EEX). To determine the prospective effectiveness of the hedging relationship, reference is made to the Company's documented, appropriate and functional risk management system, which continuously monitors compliance with the risk limits. The changes in value are secured over a period of 2 years. The effectiveness of the valuation unit is assessed at the end of the year by looking at the balance of the fair values of the transactions included. If this balance is negative, a provision for anticipated losses is created for the valuation unit. In the case of a positive balance of the fair values, these are not taken into account in the balance sheet.

For the trading business with renewable energies (midstream), Stadtwerke have formed product group portfolios in accordance with IDW RS ÖFA 3, which include direct marketing and power purchase agreements and binding sales contracts with customers for the years up to 2031 as well as the sales that can very probably be anticipated. Provisions for anticipated losses totalling €4.9m were recognised for loss-making annual periods as at the reporting date, which reduced the positive earnings contributions for the business year.

In the end-customer market area, contract portfolios were formed in accordance with IDW RS ÖFA 3 (Special features of accounting for energy procurement and energy sales contracts in commercial law contracts of energy supply companies) for electricity and gas. The portfolios currently comprise the completed or expected sale and procurement transactions for each of the years 2024, 2025 and 2026. The sales transactions include binding sales contracts with customers and customer sales which are very likely.

These are set against procurement transactions which include contracted stock market or OTC procurement transactions. In addition, the directly attributable costs on the basis of the contribution margin V are taken into account in the portfolio analysis. In the 2023 business year, (discounted) provisions for anticipated losses increased by €4,108k.

In the accounting of the valuation units, the freezing method was applied respectively.

4.3 Information in accordance with Section 6b, subsection 2 EnWG

In the 2023 business year, the following major transactions requiring disclosure were conducted with Netz Leipzig GmbH, Leipzig:

- income from the leasing of the electricity and gas network of €62.6m and from commercial services of €22.3m,
- expenses amounting to €22.0m for services based on the district heating service agreement.

4.4 Information on the executive bodies

The company is represented by the management, which is jointly responsible for the overall management of the company.

The following persons belong to it:

- Dr. Maik Piehler (Managing Director),
- Mr Karsten Rogall (Managing Director).

Payments made to the current members of management in the 2023 business year:

	Fixed annual base salary	Other salary	Perfor- mance- based remun- eration	Total remunera- tion	Performed payments in the event of termination of activity (Severance payments)	Type of pension compen- sation- plan ¹	Age-related plans (compen- sation) expenses
Dr. Maik Piehler	215,000	5,925	44,360	265,285	0	A	30,000
Karsten Rogall ²	0	0	0	0	0	A	0
	215,000	5,925	44,360	265,285	0		30,000

¹ A - Contribution-oriented performance bonus

² From Mai 2018 additional managing director of LVV – salaries are paid from this period completely by LVV

For the management services rendered, LVV transferred an amount of €253k to Stadtwerke. Payments to former members of the Executive Board or rather their surviving dependants amounted to €260k. Provisions of €4,428k have been made to cover ongoing pensions for former Managing Directors or rather their surviving dependants.

The Supervisory Board consisted of the following members:

Shareholder representatives	
Clemens Schülke	Deputy Mayor
Chairman of the supervisory board from 01.04.2023	for Economy, Labour and Digital Services in the City of Leipzig
Karsten Albrecht	Advising engineer self-employed
Heiko Bär	Freelance teacher
until 10.07.2023	self-employed
Oliver Beckel	Diplom-Kaufmann (Business studies graduate)
	Hanwha Q Cells GmbH
Dr. Adam Bednarsky	Research Assistant
	employed by Sören Pellmann, Member of the German Bundestag
Sylvia Deubel	Retail Specialist
	toom Baumarkt GmbH
Reiner Engelmann	Pensioner
Ute Elisabeth Gabelmann	Publicist, communication coach
	self-employed
Oliver Gebhardt	Teacher
	Free State of Saxony
Tobias Keller	Managing Director
	SHK-Meisterbetrieb
Sophia Kraft	Senior Project Manager
	European Energy Exchange (EEX)
Christina März	Speaker
from 10.07.2023	Saxon Ministry of Social Affairs
Ingo Sasama	Managing director of parliamentary group (part-time retirement phase)
	Bündnis 90/Die Grünen
Frank Tornau	Managing Director
Chairman of the Supervisory Board until 31.03.2023	Saxonia Network Systems GmbH
Roland Ulbrich	Lawyer
	self-employed
Employee representatives	
Susann Frölich	Chair of the Works Council
Deputy Chair	Stadtwerke Leipzig GmbH
Jana Fromm	Works Council Member
	Netz Leipzig GmbH
Peter Kubiak	Office Clerk Coordination Communication
	Netz Leipzig GmbH
Ines Kuche	Deputy Regional Manager
	ver.di - Vereinte Dienstleistungs- gewerkschaft (union), Sachsen, Sachsen-Anhalt, Thüringen
Tina Neudorf	Works Council Member
	Stadtwerke Leipzig GmbH
Peter Treibmann	Team leader of the Heat Control Centre
	Netz Leipzig GmbH
Marissa Zorn	Representative for severely disabled persons
	Leipziger Gruppe

The Supervisory Board received the following compensation for its activities in the 2023 business year:

in €k		
Shareholder representatives	Total remuneration	Total attendance allowances
Clemens Schülke	1,000.00	1,375.00
Chairman of the Supervisory Board		
Karsten Albrecht	1,000.00	1,000.00
Heiko Bär	523.29	500.00
Oliver Beckel	1,000.00	1,000.00
Dr. Adam Bednarsky	1,000.00	1,000.00
Sylvia Deubel	1,000.00	1,000.00
Reiner Engelmann	1,000.00	1,625.00
Ute Elisabeth Gabelmann	1,000.00	750.00
Oliver Gebhardt	1,000.00	1,000.00
Tobias Keller	1,000.00	1,000.00
Sophia Kraft	1,000.00	1,250.00
Christina März	476.71	500.00
Ingo Sasama	1,000.00	750.00
Frank Tornau	1,000.00	1,000.00
Roland Ulbrich	1,000.00	750.00
	14,000.00	14,500.00

in €k		
Employee representatives	Total remuneration	Total attendance allowances
Susann Frölich	1,000.00	1,500.00
Deputy Chair		
Jana Fromm	1,000.00	750.00
Peter Kubiak	1,000.00	1,250.00
Ines Kuche	1,000.00	1,250.00
Tina Neudorf	1,000.00	1,000.00
Peter Treibmann	1,000.00	750.00
Marissa Zorn	1,000.00	1,000.00
	7,000.00	7,500.00

4.5 Auditor's fee

Stadtwerke is exempted from its obligation to publish the overall fee charged by the auditor, as this information is incorporated into the consolidated financial statements of LVV.

4.6 Annual average number of employees

Annual average number of employees (Section 267, subsection 5 of the German Commercial Code; HGB)		
	2023	2022
Employees	613	586
Blue-collar workers	134	133
	747	719

4.7 Share ownership of Stadtwerke Leipzig GmbH on 31 December 2023 (Section 285, subsection 11 HGB)

Stadtwerke holds shares in the following companies on the balance-sheet date:

Affiliated companies				
	Abbreviation	Share of subscribed capital	Equity	Results
		%	€k	€k
Netz Leipzig GmbH, Leipzig ¹	Netz Leipzig	100.00	51,009	-8,835
LAS GmbH, Leipzig ¹	LAS	100.00	499	-1,124
Brillant Energie GmbH, Leipzig ¹	Brillant	100.00	192	2,242
Leipziger Kommunale Energieeffizienz GmbH, Leipzig ¹	LKE	100.00	25	233
Leipziger Windpark Management GmbH, Leipzig ¹	LWM	100.00	55	-8
Kabelbau Leipzig GmbH, Leipzig ²	KBL	100.00	3,980	1,143
Mitteldeutsche Erneuerbare Energien GmbH & Co. KG, Leipzig ²	MEE	100.00	300	-64
Seyda Erneuerbare Energien GmbH, Jessen ³	SEE	100.00	277	-23
Seyda Erneuerbare Energien Wind GmbH, Jessen ⁴	SEE Wind	100.00	n/a	n/a
ELG Leipzig GmbH, Leipzig ¹	ELG	90.00	53	5
Gdańskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o., Gdańsk, Polen ⁵	GPEC	82.86	100,450	13,010
Thüringenwind GmbH & Co. Tüngeda KG, Hörselberg-Hainich ²	Tüngeda	70.00	1,900	1,121
Quartiersenergie GmbH, Leipzig ²	QE	67.00	546	27

Participations

	Abbreviation	Share of subscribed capital %	Equity €k	Results €k
Erdgasversorgung Industriepark Leipzig Nord GmbH, Leipzig ²	EVIL	50.00	421	13
KNL Kommunalnetz Leipzig GmbH, Leipzig ²	KNL	50.00	210	-8
Leipziger Erneuerbare Energien GmbH & Co. KG, Leipzig ²	LEE	50.00	712	-20
MEE-Projektgesellschaft 1 GmbH & Co. KG, Leipzig ²	MEE 1	50.00	4,693	1,213
Mittelsächsischer Windpark GmbH & Co. KG, Großschirma ²	MW KG	50.00	1,130	-23
MWM Mitteldeutsche Windpark Management GmbH, Großschirma ²	MWM	50.00	41	5
Westfälische Erneuerbare Energien GmbH & Co. KG, Leipzig ²	WEE	50.00	435	-20
Windpark Hessenweg GmbH & Co. KG, Großschirma ²	HW KG	50.00	615	-30
Windpark Königshain-Wiederau GmbH & Co. KG, Großschirma ²	KW KG	50.00	1,134	-107
Windpark Kyffhäuserland GmbH & Co. KG, Großschirma ²	KL KG	50.00	220	-20
Löwitz Energie GmbH, Magdeburg ²		49.00	24	-1
Meter1 GmbH & Co. KG, Halle ²	Meter1	33.33	225	-16
WEO GmbH & Co. KG, Berlin ²	WEO	33.33	0 ⁶	411
caplog-x GmbH, Leipzig ²		31.33	2,792	857
8KU Renewables GmbH, Berlin ²	8KU	12.50	312	27
Trianel Erneuerbare Energien GmbH & Co. KG, Aachen ²	TEE	3.46	141,662	28,847
FWNL Fernwärmenetz Lpz GmbH & Co. KG, Leipzig ⁷	FWNL	0.15	n/a	n/a
HKW Eutritzscher Straße GmbH & Co. KG, Leipzig ⁷	EUKG	0.05	n/a	n/a

¹ Annual result before profit transfer/loss assumptions 2023

² Annual financial statements 2022

³ Business year from 30 Mai to 31 December 2022

⁴ Founded in 2023 - Statement still pending

⁵ The average conversion rate was used for the profit and loss statement on the business-sheet date

⁶ Share of losses of the limited partners not covered by asset contributions of €8,151k

⁷ In liquidation

5 Supplementary report

There were no events of special importance to report after the close of the business year that were not already mentioned in the financial statements for the year ending 31 December 2023 or the Management Report for the 2023 business year.

Leipzig, 21 March 2024

Management

Karsten Rogall

Dr. Maik Piehler

Development of fixed assets for the 2023 business year

Stadtwerke Leipzig GmbH, Leipzig

	Acquisition and production cost				
	01.01.2023	Additions	Disposals	Transfers	31.12.2023
I. Intangible assets					
1. Purchased concessions, property rights and similar rights and assets, as well as licenses to such rights and assets	63,375,332.41	444,985.29	3,392,659.76	81,233.79	60,508,891.73
2. Payments on account	3,059,951.28	1,676,996.80	0.00	-80,922.23	4,656,025.85
	66,435,283.69	2,121,982.09	3,392,659.76	311.56	65,164,917.58
II. Tangible assets					
1. Land, land rights and buildings, including buildings on leased land	145,452,843.26	8,335,592.22	589,085.45	30,943,929.81	184,143,279.84
2. Technical systems and machines	1,057,117,554.81	109,683,552.15	2,783,994.55	66,650,926.48	1,230,668,038.89
3. Other equipment, factory and office equipment	29,350,683.13	3,429,784.67	309,611.27	479,440.43	32,950,296.96
4. Payments on account and assets under construction	107,809,516.26	40,911,879.29	6,519,605.37	-98,074,608.28	44,127,181.90
	1,339,730,597.46	162,360,808.33	10,202,296.64	-311.56	1,491,888,797.59
III. Financial assets					
1. Shares in affiliated companies	131,820,967.60	1,500,000.00	0.00	0.00	133,320,967.60
2. Participations	14,201,426.11	849,750.00	646,925.00	0.00	14,404,251.11
3. Loans to companies in which a participating interest is held	7,219,802.50	0.00	40,000.00	0.00	7,179,802.50
4. Other loans	963,670.64	0.00	195,750.95	0.00	767,919.69
	154,205,866.85	2,349,750.00	882,675.95	0.00	155,672,940.90
	1,560,371,748.00	166,832,540.42	14,477,632.35	0.00	1,712,726,656.07

Development of fixed assets

in €

01.01.2023	Additions	Disposals	Cumulative depreciation		Book value	
			Appreciations	31.12.2023	31.12.2023	31.12.2022
61,571,456.41	840,689.08	3,392,659.76	0.00	59,019,485.73	1,489,406.00	1,803,876.00
0.00	0.00	0.00	0.00	0.00	4,656,025.85	3,059,951.28
61,571,456.41	840,689.08	3,392,659.76	0.00	59,019,485.73	6,145,431.85	4,863,827.28
92,956,977.93	7,310,721.56	589,085.45	564,836.99	99,113,777.05	85,029,502.79	52,495,865.33
540,563,339.28	99,926,509.12	2,756,393.91	177,105.60	637,556,348.89	593,111,690.00	516,554,215.53
21,537,790.13	3,196,760.10	309,037.27	0.00	24,425,512.96	8,524,784.00	7,812,893.00
0.00	0.00	0.00	0.00	0.00	44,127,181.90	107,809,516.26
655,058,107.34	110,433,990.78	3,654,516.63	741,942.59	761,095,638.90	730,793,158.69	684,672,490.12
49,187.06	2,260,000.00	0.00	0.00	2,309,187.06	131,011,780.54	131,771,780.54
3,775,376.76	0.00	0.00	0.00	3,775,376.76	10,628,874.35	10,426,049.35
1,860,600.00	0.00	0.00	0.00	1,860,600.00	5,319,202.50	5,359,202.50
0.00	0.00	0.00	0.00	0.00	767,919.69	963,670.64
5,685,163.82	2,260,000.00	0.00	0.00	7,945,163.82	147,727,777.08	148,520,703.03
722,314,727.57	113,534,679.86	7,047,176.39	741,942.59	828,060,288.45	884,666,367.62	838,057,020.43

INDEPENDENT AUDITOR'S REPORT

To Stadtwerke Leipzig GmbH, Leipzig

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of Stadtwerke Leipzig GmbH, Leipzig, which comprise the balance sheet as at December 31, 2023 and the statement of profit and loss for the financial year from January 1 to December 31, 2023, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Stadtwerke Leipzig GmbH for the financial year from January 1 to December 31, 2023. In accordance with the German legal requirements, 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 our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2023 and of its financial performance for the financial year from January 1 to December 31, 2023 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the statement on corporate governance referred to above.

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 annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the 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 Annual Financial Statements and of

the Management Report" section of our auditor's report. We are independent of the Company 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 annual financial statements and on the 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) as an unaudited part of the management report.

Our audit opinions on the annual financial statements and on the 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 mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company'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, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual 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 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 management report.

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

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual 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 annual financial statements and on the 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 annual financial statements and this 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 annual financial statements and of the 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 controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the 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 of the Company.

- 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 Company'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 annual financial statements and in the 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 Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the 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.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Audit of Compliance with the Accounting Obligations pursuant to § 6b Abs. 3 EnWG

Audit Opinions

We have audited whether the Company has complied with its obligations pursuant to § 6b Abs. 3 Sätze [sentences] 1 to 5 EnWG [Energiewirtschaftsgesetz: German Energy Industry Act] to maintain separate accounts for the financial year from January 1 to December 31, 2023. We have also

audited the activity statements for the activities "electricity distribution" and "gas distribution" pursuant to § 6b Abs. 3 Satz 1 EnWG, each comprising of the balance sheet as at December 31, 2023 and the statement of profit and loss for the financial year from January 1 to December 31, 2023, as well as the attached disclosures relating to the accounting methods for the preparation of the activity statements.

- In our opinion, the obligations pursuant to § 6b Abs. 3 Sätze 1 to 5 EnWG to maintain separate accounts have been complied with in all material respects.
- In our opinion, on the basis of the knowledge obtained in the audit the accompanying activity statements comply, in all material respects, with the German requirements of § 6b Abs. 3 Sätze 5 to 7 EnWG.

Basis for the Audit Opinions

We conducted our audit of the compliance with the obligations to maintain separate accounts and of the activity statements in accordance with § 6b Abs. 5 EnWG in compliance with IDW Auditing Standard: Audit pursuant to § 6b Energiewirtschaftsgesetz [German Energy Industry Act] (IDW PS 610 n.F. (07.2021)). Our responsibilities under those requirements and principles are further described in section "Auditor's Responsibilities for the Audit of the Compliance with the Accounting Obligations pursuant to § 6b Abs. 3 EnWG". We are independent of the Company 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 as an audit firm apply the requirements of the IDW Standard on Quality Control: Requirements to quality control for audit firms (IDW QMS 1 (09.2022)). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the compliance with the accounting obligations pursuant to § 6b Abs. 3 EnWG.

Responsibilities of the Executive Directors and the Supervisory Board for the Compliance with the Accounting Obligations pursuant to § 6b Abs. 3 EnWG

The executive directors are responsible for the compliance with the obligations pursuant to § 6b Abs. 3 Sätze 1 to 5 EnWG to maintain separate accounts. The executive directors are also responsible for the preparation of the activity statements in accordance with the German requirements of § 6b Abs. 3 Sätze 5 to 7 EnWG.

In addition, the executive directors are responsible for such internal control as they have determined necessary to comply with the obligations to maintain separate accounts.

The responsibilities of the executive directors for the activity statements correspond to the responsibilities regarding the annual financial statements described in section "Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the

Management Report" with the exception that the respective activity statements are not intended to give a true and fair view of the assets, liabilities, financial position and financial performance of the activity in compliance with German Legally Required Accounting Principles.

The supervisory board is responsible for overseeing the Company's compliance with the accounting obligations pursuant to § 6b Abs. 3 EnWG.

Auditor's Responsibilities for the Audit of the Compliance with the Accounting Obligations pursuant to § 6b Abs. 3 EnWG

Our objectives are to obtain reasonable assurance about

- whether the executive directors have complied, in all material respects, with their obligations pursuant to § 6b Abs. 3 Sätze 1 to 5 EnWG to maintain separate accounts, and
- whether the activity statements comply, in all material respects, with the German requirements of § 6b Abs. 3 Sätze 5 to 7 EnWG.

In addition, our objective is to include a report in the auditor's report which contains our audit opinions on the compliance with the accounting obligations pursuant to § 6b Abs. 3 EnWG.

The audit of the compliance with the obligations pursuant to § 6b Abs. 3 Sätze 1 to 5 EnWG to maintain separate accounts comprises an assessment of whether the allocation of the accounts to the activities pursuant to § 6b Abs. 3 Sätze 1 to 4 EnWG has been made appropriately and comprehensibly and whether the principle of consistency has been observed.

Our responsibilities for the audit of the activity statements correspond to the responsibilities regarding the annual financial statements described in section "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" with the exception that we can not make an assessment of the fair presentation of the respective activity statements.

Leipzig, March 21, 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Carl Erik Daum)
Wirtschaftsprüfer
(German Public Auditor)

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