Consolidated financial statements for 2021

LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH

Leipziger

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Group management report for the 2021 business year

LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig

1 Group principles

1.1 Business model

Under the umbrella of the LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig (LVV) the supply of electricity, gas and heat in a prospering city, the provision of drinking water and the safeguarding of wastewater disposal as well as the organisation of environmentally-friendly and attractive local public transport is ensured. The services of general interest in the individual business units are each provided by one or more subsidiaries of the LVV Group. In this context, LVV Group is active in regulated markets such as water supply and wastewater disposal, and the operation of electricity, gas and heat distribution networks, as well as in competitive markets such as the provision of energy and mobility services. As part of the activities in Poland, Gdańskie Przedsiebiorstwo Energetyki Cieplnej Sp. z o.o., Gdańsk, Poland (GPEC), supplies, together with its subsidiaries, the regions around the northern Polish cities of Gdańsk and Sopot with heat.

1.2 Objectives and strategies

The Group strategy sets financial, market, process and employee-related objectives, lays down framework conditions for the business areas, and aligns the interest rate of the deployed capital with the risk-return profile of the business activity in question.

Based on the ownership targets adopted by the City Council, the Group strategy "Leipziger 2020" was passed by the LVV Supervisory Board in 2016. This was substantiated in 2019 in the form of the "2030 – Home for our Future" strategy. The regular revision of the Group strategy every five years was commenced in the second half of 2021.

Based on the city council's resolutions on the city's climate emergency, a target has been set to achieve complete climate neutrality by 2040 if possible. By means of the amendment of the Climate Protection Act on 31 August 2021, the Federal Government tightened the climate protection targets and anchored the goal of greenhouse gas neutrality by 2045. As early as 2030, emissions are to be reduced by 65% compared to 1990.

In a joint process, Group development has begun updating the Group strategy with the subsidiaries. The timetable provides for a supervisory board meeting at the beginning of 2022, and a resolution by the shareholders' meeting is planned for the middle of 2022.

Here the existing Group strategy is based on the individual strategies of the subsidiaries and is complemented by a jointly developed Group perspective based on the ownership targets. The common fields of action are the market, digitisation, investments, working environments, control, the environment and resources in addition to the city and region. The fields of action serve to clearly focus on measures that are implemented in the respective priority areas in order to achieve the targets. On the basis of this revision, the ownership targets of the City of Leipzig in the markets of general interest should also be achieved in the future. The strategy reflects the increasing demands on the water technology infrastructure as well as the effects of the energy and mobility transition, and places climate protection and digitisation at the centre of its actions. The sustainability scenario for local transport in Leipzig adopted by the City Council and the adjusted population expectations are also taken into account.

Energy: Stadtwerke Leipzig GmbH, Leipzig (Stadtwerke) is structuring a sustainable form of energy supply in Leipzig at the cornerstones of the energy policy target triangle of security of supply, economic efficiency and ecology. The goal is, on the one hand, to achieve climate neutrality of energy sources and, on the other hand, the intelligent conversion of energy systems in Leipzig. In terms of the implementation, the strategy consists of three core elements: securing the profit contributions of the main pillars of business, value-driven growth and expansion of new business models and systematic development of new strategic perspectives.

The heating business is a key strategic element here and at the same time a supporting pillar of the LVV Group. Securing the future viability of the Leipzig district heating system is therefore a task that currently needs to be implemented. Stadtwerke continues to ambitiously implement the future concept for Leipzig's sustainable supply of heating. This will be achieved by building the gas-fired combined heat and power plant (CHP) South by the end of 2022 in conjunction with a heat storage facility, an innovative combined heat and power (CHP) plant and several solar thermal systems. In order to secure the district heating supply in the long term, significant investments are planned for the expansion of the district heating network in Leipzig, including the connection of industrial waste heat. The option of being able to realise a complete (100%) firing of the gas turbines of the CHP South with hydrogen in a further development stage means that the Stadtwerke are prepared for the future. The point at which hydrogen can be used for this power plant depends on the completion of the necessary infrastructure, the basic availability and the costs of green hydrogen. To ensure a reliable supply of green hydrogen, initial plans have been drawn up for the connection of the City of Leipzig to the future European hydrogen pipeline network (European Hydrogen Backbone).

Mobility: Leipziger Verkehrsbetriebe (LVB) GmbH, Leipzig (Verkehrsbetriebe), has adopted its new strategy MobiLE, which stands for Mobility for Leipzig. The entrepreneurial aspiration is linked to this: By means of the MobiLE strategy, we are shaping our own future and thus making our contribution to a climate-friendly transport transition. This goes hand in hand with the aspiration of taking up and anticipating political and public sector expectations at an early stage and to introduce options for the technical and entrepreneurial implementation into the discussion.

The strategy is implemented by speeding up and improving access to public transport. The main focus is to be found in the area of classic public transport on acceleration measures in the existing network, modernisation of the vehicle fleet and capacity expansions through larger vehicles, as well as the further development of the route network. In addition, there are digitisation projects in the context of automated transport and, above all, on-demand and multimodal services. The LeipzigMOVE platform forms the integration basis here for strengthening so-called MaaS products (mobility as a service) to develop new customer groups. Thus, taking into account the current population forecast, the aim is to achieve a passenger volume of 206 million journeys by 2040. Although this means almost a doubling of passenger numbers in relation to the pandemic year 2020. However, the transport operators assume that the lockdown-related 32% drop in trips can be recovered in the next few years and that the overall target for local transport use from the mobility strategy is therefore achievable. This means that the target of a 23% share of local transport in the modal split can be met. Achieving climate neutrality by 2040 is also part of the strategy. Where transport revenue is concerned, which remains the most important pillar of transport financing, the target for 2040 is €212m.

Water: In the programme "Water 2030 – Sustainable. Reliable. Connected." the Kommunale Wasserwerke Leipzig GmbH (Wasserwerke), Leipzig has defined the six fields of action comprising infrastructure, service, processes, resource protection, digitisation and employees as the basis for the strategic goals. These form the basis for a future-proof further development of the business area against the backdrop of ever-changing challenges. Here, special emphasis is placed on the efficient use of available resources. The main challenges, in addition to the renovation of the existing supply and disposal infrastructure Rosental sewage treatment plant, are demographic trends, impending climate change, the challenges of future sewage sludge disposal, and discussions about smart infrastructure development in the area of interplay of IT and information security in water management.

1.3 Control system

The LVV Group uses a target-oriented management system for control and management. The main active management tools are the strategic business guidelines for each business area defined in the Group strategy, the business plan based on these guidelines and the associated target agreements for managers as well as the risk management system organised throughout the Group.

As part of the annual strategy and planning process, fundamental considerations about investments in plants, markets and supporting activities are determined and assessed on the basis of strategic guidelines with regard to their impact on the development of corporate value.

The key performance indicators used to monitor the LVV Group are consolidated net income, equity ratio, total net debt, adjusted EBITDA and dynamic debt-equity ratio.

2 Economic report

2.1 Macroeconomic and sector-specific conditions

According to the calculations of the Federal Statistical Office (source: www.destatis.de) the gross domestic product (GDP) in 2021 was 2.9% higher than in 2020. The economic development in 2021 was also strongly dependent on the level of Corona infections and the associated protective measures. Nevertheless, the German economy was able to recover after the slump in the previous year, although economic output has not yet returned to pre-crisis levels. Nevertheless, companies are continuously confronted with new challenges that can generate further risks. Among other things, supply bottlenecks, sharply rising raw material, fuel and energy prices as well as the shortage of skilled labour are increasingly slowing down the economic upturn. In particular, persistent supply chain disruptions and material bottlenecks in raw materials and intermediate products are proving and increasing burden on the economic recovery.

Consumer prices in Germany markedly increased in 2021. The rate of inflation – measured as the year-on-year change in the consumer price index (CPI) – averaged 3.1% in 2021.

Leipzig's labour market was able to recover following the strains of the Corona pandemic in 2020. The unemployment rate decreased from 7.7% in December 2020 to 6.1% in December 2021. This is almost at the same level as it was prior to the Corona pandemic in December 2019 (5.9%). As regards the year 2022, the pre-crisis level is expected to be reached again.

In December 2021, a total of 609,869 people were registered with their main residence in Leipzig, which was 4,462 more people than in 2020. This is even slightly above the previous year's levels of growth. Even though the Corona pandemic has affected people's willingness to relocate, more people are still moving to Leipzig than moving away. We still assume that Leipzig, as a prospering city, will be able to register further population growth in the coming years.

The **energy policy framework conditions** of 2021 were essentially determined by the requirements for the realisation of the European Green Deal (EGD). In order to implement the European Commission's goal of binding climate neutrality by the year 2050, numerous individual legislative projects for a European climate law included concrete intermediate steps on the European energy policy agenda. Within the aforementioned framework, the European Commission has specified a number of framework-related individual measures. The "Fit for 55" package, which follows the agreement in the European Council on an interim target for a CO_2 reduction of at least 55%, started the revision of the EU Emissions Trading Scheme, the Renewable Energy Directives (RED II to RED III) and the Energy Performance of Buildings Directive (EPBD).

The authoritative framework for promoting the transformation of public heating grids was developed and published by means of the cabinet version on the federal promotion of efficient heating grids (BEW). The final budgetary anchoring of the annual funding amounts for the instrument was still pending in the 2021 business year. In addition, the draft programme requires the approval of the European Competition Authority under state aid law. Participation in the conception and planned implementation of the programme content took place against the background of the gradual transformation of Leipzig's district heating supply. The formal conclusion of the procedure, including the approval requirements under state aid law, is now expected for 2022.

Upon the conclusion of the 2021 Bundestag elections, the currently valid coalition agreement documented key energy policy realignments for the legislative period that has just commenced. The significant increase in the expansion targets for renewable energies at all deployment levels, the rapid implementation of the decarbonisation of the supply of heating and the revision of planning and approval law for plant and grid infrastructures were highlighted as key energy policy issues. In addition, the evaluation of the timetable for the coal phase-out law and the legal flanking measures for the development of a comprehensive hydrogen economy will be announced for the current legislative period.

The pandemic events of 2021 also reflect the situation and development of the **public transport companies.** While the widespread restrictions on public life at the beginning of 2021 ensured that services were only used at a fraction of the usual demand, a steady increase in the vaccination rate as well as accompanying relaxations ensured that the situation improved by recording a successive increase in passenger numbers thereafter. Nevertheless, expenses that could only be reduced to a limited extent were out of sync with the achievable income, with the pandemic-related passenger development in particular necessitating further income to compensate for losses.

The resulting loss of revenue poses major challenges for companies in the sector, which can only be overcome with support from the federal and state governments. If demand and revenues continue to be significantly below pre-crisis levels and original expectations, there will be a lack of essential financial resources to meet the rising costs and growing investment needs of an efficient and sustainable public transport system and to successfully shape the transport and climate revolution.

However, planning reliability is ensured with regard to the commissioning of transport services. Leipzig City Council passed a landmark resolution on 9 February 2022: The transport companies are and will remain THE mobility service provider for the City of Leipzig until 2044. This lays the foundation for sustainable investments, secure and attractive jobs, but also for the future provision of services. The so-called public service contract (PSC), which is to take effect in 2022, also contains regulations for future financing in order to implement the city's goals in line with the mobility strategy. Accordingly, the Leipzig Group as a whole will give priority to financing. The City of Leipzig also anticipates marketable costs, but secures the financing in case it is not possible within the Group.

A local peculiarity still to be mentioned in a German comparison is the low specific water consumption in the **Wasserwerke** supply region. The per capita daily consumption in the supply area was thus still 115 litres in 1993. It fell below the 90-litre mark for the first time in 2004 and reached its lowest level to date of 85.9 litres in 2011. By comparison with the average value of 129 litres per day and inhabitant in Germany established for 2020 by the Bundesverband der Energie- und Wasserwirtschaft e.V. (BDEW – Federal Association of Energy and Water Management), the use of 99.8 litres per day and inhabitant in the Wasserwerke supply area in 2021 corresponds to a 23% lower than average consumption. However, after a slight increase in use in recent years, a positive trend in sales can consequently be seen.

In the period of the past four years, the sharp increase in drought has also clearly demonstrated how strongly weather-dependent water distribution actually is. This fact and increasing sales volumes also affect the capacity utilisation of the technical equipment of Wasserwerke.

Compared to the general economic trends, the energy and water industry has experienced few or hardly any negative influences due to the Corona pandemic. Here, corona-related impacts on supply chains, bad debts from energy and water deliveries, staff absences and a delay in construction measures and larger projects are possible.

2.2 Business development

The 2021 business year was marked by a largely positive economic development despite the effects of the Corona pandemic. The key performance indicators are as follows in a comparison of projected and prior-year figures:

Ratios

		Plan 2021	Actual 2021	Actual 2020
Consolidated profit/loss	€m	26.5	40.8	18.0
Adjusted EBITDA[1]	€m	218.6	224.7	219.6
Equity ratio[2]	%	39.6	38.9	40.2
Total net debt[3]	€m	968.1	910.7	748.1
Dynamic debt-equity ratio[4]		4.4	4.1	3.4

[1] Adjusted EBITDA equals earnings before interest, taxes, depreciations and amortisations, write-downs and impairments taking into account the new provisions of the Accounting Standards Implementation Act (BilRUG)
[2] Equity ratio equals balance equity plus subordinated shareholder loans plus half of special items divided by total assets adjusted for receivables from shareholders
[3] Total net debt equals liabilities to banks plus other interest-bearing liabilities less cash and cash equivalents
[4] Dynamic debt-equity ratio equals total net debt divided by adjusted EBITDA

The LVV Group closed the 2021 business year with a consolidated net income of €40.8m. The consolidated results are €14.3m higher than the budgeted figure. The change compared to the economic planning and the previous year is significantly influenced by special effects.

The adjusted EBITDA for the 2021 business year amounts to €224.7m. It improved by €5.1m compared to the previous year, and at €6.1m it is above the planned value. This is due in particular to an improved EBITDA contribution from the Stadtwerke and Wasserwerke.

The Group's equity ratio decreased by 1.3 percentage points compared with the previous year. The change is due to the increased balance sheet total despite the positive annual result.

The Group's total net debt increased compared to the previous year due to the further loans taken out to finance the Group's investments in its infrastructure. However, it remains below the value forecast in the economic planning, as planned borrowings were lower or were put back to the following year.

Compared to the previous year, the dynamic debt-equity ratio increased to 4.1. Despite higher levels of total net debt, the dynamic debt-equity ratio remains below the value in the budget for 2021 as a result of the significant improvement in the adjusted EBITDA.

The following framework conditions will play a key role in the development of the result of the Group's individual business areas in the 2021 business year.

Sales in the **Energy** business area were mainly characterised by the proprietary trading activities of Stadtwerke in the commodities of electricity, gas and CO_2 (system market). In addition, intensive market development through the sale of electricity, gas and heating products in Leipzig and market leadership for supply of heating in the Gdańsk region (end-customer market) are contributing in particular to the positive business trend. The business area's end-customer market is supported by the provision, securing and expansion of the network infrastructure for electricity, gas and district heating supply (network business).

The result of the Stadtwerke is above both the forecast made within the framework of the economic planning and the actual value of the previous year. The cause of this is a significantly improved result from ordinary activities before interest, taxes, depreciation and amortisation (EBITDA), which exceeds the lower investment result and higher depreciation and amortisation. Significantly higher other operating income contributed to this, among other things due to the release of provisions due to the successful participation in a tender in accordance with the Renewable Energy Sources Act (EEG).

Following the termination of the leasing contract, Stadtwerke repurchased the Bischofferode biomass cogeneration plant (BMHKW) on 2 July 2021 and assumed a remaining useful life until the end of the EEG subsidy. In this context, a write-up of the assets previously written off as fixed assets was carried out and the provision for impending losses previously resulting from the leasing relationship was reversed in full.

In the **mobility** sector, passenger development and thus the revenue situation in 2021 continued to be influenced by the restrictions on public life as a result of the Corona pandemic. A total of 102.8 million passengers were carried, thus almost reaching the level of the previous year. However, this is only about two-thirds of the demand level that existed before the pandemic began. To compensate for the economic damage caused by the pandemic, the Verkehrsbetriebe received reimbursements of €20.2m through the public transport rescue fund. In accordance with the system for determining the damage underlying the public transport rescue fund, which essentially refers to the benchmark year of 2019, it is additionally not possible to compensate for the entire damage. This results from the originally expected revenue increases, which were to compensate for increases in expenses. As a result, even after its own efforts to compensate for a lack of income as well as funds from the federal and state governments, a loss of around €5.6m was recorded, which was compensated via the existing profit and loss transfer agreement with LVV.

In addition, on the basis of the Transport Service Financing Agreement (VLFV), internal Group funds totalling €60.9m were made available to the transport companies to finance transport services.

The **Water** business area supplies drinking water to about 708,700 people in the supply area and ensures the environmentally sound treatment of wastewater for about 676,500 inhabitants in the disposal area.

In the 2021 business year, Wasserwerke achieved a result that is significantly above that of the previous year as well as the budgeted amount. The improvement in the result is due, among other things, to the elimination of planned shortfalls, the reversal of provisions and unplanned income from compensation payments.

Wasserwerke entered into settlement agreements with potential debtors of compensation claims on 23 December 2021. Wasserwerke assumed that they were each entitled to claims for damages against the potential debtors in connection with advice on the conclusion of complex synthetic financial transactions (collateralised debt obligations (CDO) and credit default swaps (CDS)). In the respective settlement agreements, the potential debtors have each undertaken to make a payment to Wasserwerke in the single-digit million euro range. A settlement is already fulfilled by means of the payment. Payments under the other settlement can be extended into 2023.

2.3 Income situation

The change in the Group's income and expenses in the 2021 business year is shown in the following summarised income situation. The items of the underlying consolidated profit and loss account are adjusted for neutral effects.

Income situation

in €m

	2021	2020	Change absolute
Sales revenues	2,396.6	2,276.8	119.8
Cost of materials	1,897.4	1,763.4	134.0
Gross margin	**499.2**	**513.4**	**–14.2**
Other operational revenue	96.2	86.2	10.0
Personnel expenses	267.6	259.1	8.5
Depreciation and amortisations	156.4	146.8	9.6
Other operational expenses	149.3	155.6	–6.3
Operating profit/loss	**22.1**	**38.1**	**–16.0**
Income from investments	7.2	6.2	1.0
Interest result	–17.4	–29.9	12.5
Non-operating profit/loss	36.7	10.4	26.3
Profit before taxes on income	**48.6**	**24.8**	**23.8**
Taxes on income	–7.8	–6.8	–1.0
Consolidated profit/loss for the year	**40.8**	**18.0**	**22.8**

The LVV Group achieved positive annual results of €40.8m in the 2021 business year. With a decline in the operating result from operating activities, the development of the income situation compared to the previous year is, however, characterised by a considerable improvement in the interest result as well as the non-operating result.

The Group's sales revenue developed as follows compared to the previous year:

Group sales revenues

in €m

	2021	2020	Change absolute
Energy business area	2,095.9	1,977.0	118.9
of which: system market	1,417.1	1,342.5	74.6
of which: end-customer market	549.0	511.5	37.5
Mobility business area	123.2	126.1	–2.9
of which: transport revenue	102.8	107.1	–4.3
Water business area	177.5	173.7	3.8
of which: drinking water supply	83.5	81.3	2.2
of which: wastewater disposal	91.6	90.3	1.3
	2,396.6	**2,276.8**	**119.8**

The LVV Group's sales revenue was also dominated by the Energy business area in the 2021 business year, which accounted for 87.5% of the Group's total turnover.

The sales revenues in the **Energy** business area mainly relate to the Stadtwerke system market for trading in electricity and gas commodities. The increase in sales revenue in the system market is due in particular to the price- and volume-related increase in revenue from gas trading, while revenue from electricity trading decreased compared to the previous year due to price factors.

Sales revenues in the end-customer market from electricity and gas sales to private and commercial customers increased compared to the previous year due to higher sales volumes. This is counteracted by the pandemic-related low sales volumes and revenues in the end-customer market for key accounts. In district heating, on the other hand weather-related increases in sales volumes and thus higher sales revenues were also recorded. However, this is offset by significantly lower sales revenues from the marketing of electricity generated at the Leipzig North cogeneration plant due to modernisation-related downtimes. The sales revenues of the Polish subsidiaries also increased compared to the previous year and thus made a stable contribution to the Group's income situation.

The traffic revenue included in the sales revenues of the **Mobility** business field fell once more due to the pandemic, by €4.3m to €102.8m. At €84.9m, line revenue as a major part of traffic revenue in the business year was €5.0m below the level of the same period in the previous year and €18.3m below that of the previous business year before the outbreak of the Corona pandemic. The development is thus even lower than the pandemic scenario assumed in the budget. While the high number of contract customers in the course of 2020 dampened the decline in line revenue despite a slump in passenger numbers, the interim recovery in passenger numbers observed in 2021 due to an increase in the use of public transport by contract customers did not lead to a corresponding increase in revenue.

Sales revenues in the **Water** business area increased by €3.8m or 2.2% compared to the previous year. The change in sales revenue compared to the previous year, with constant prices in the tariff customer segment, is influenced by various, partly opposing developments in the consumption behaviour of the individual customer groups. The absolute increase in sales revenue is mainly due to the change in the provision for sales risks. The volume of drinking water provided in the 2021 business year is 36.9 million m^3, which is below the previous year's value (2020: 37.9 million m^3). Drinking water sales declined by 0.6 million m^3 to 32.5 million m^3. While drinking water consumption by households increased compared to the previous year, it decreased for the customer group industry, commerce and agriculture as well as other consumers. Wastewater sales follow the trend of drinking water sales to some extent, insofar as the supply and disposal areas coincide. Sales reductions of €5.8m were recognised from the net addition to the special item for income subsidies received for replacement values.

The Group's cost of materials is largely determined by energy trading. The total procurement costs increased significantly more than the sales revenues, so that the gross margin in the Group decreased by €14.2m. In addition, the cost of materials is influenced by the cost of purchased services for supply facility and network maintenance.

The Group's personnel expenses rose year-on-year by €8.5m. In addition to a higher number of employees, this development resulted in particular from wage and salary adjustments due to collective bargaining agreements.

The rise in depreciation and amortisation is attributable to further investments in fixed assets. New investments in the fixed assets of the Group companies significantly exceeded depreciation and amortisation in the 2021 business year.

Taking into account lower other operating expenses, the operating result from the Group's operating activities amounted to €22.1m which represents a decline of €16.0m compared to the previous year. Despite an improvement in other operating income and expenses, the decline in the operating result is caused by a lower gross margin as well as an increase in personnel expenses and depreciation.

The development of the result from participations reflects the results of the affiliated companies and participations not included in the consolidated financial statements. The improvement over the previous year is due to the first-time distribution of the dividend of KBL Kabelbau Leipzig GmbH, Leipzig.

The interest result (adjusted for neutral effects) improves significantly compared to the previous year. This improvement is largely influenced by the absence of interest expenses for a shareholder loan formerly provided to LVV by the City of Leipzig, which was converted into equity at the end of the previous year.

The consolidated results in the 2021 business year were also significantly affected by special effects, as well as by factors related to operations. On the earnings side, the neutral result is primarily influenced by income from the release of provisions (€42.8m), write-ups to fixed assets (€5.2m) and income from the release of value adjustments and the receipt of derecognised receivables (€3.5m). On the expense side, this mainly reflects expenses from value adjustments (€8.0m), expenses for energy purchases unrelated to the accounting period (€3.3m), additions to provisions for anticipated losses (€2.6m) and expenses for claims (€2.3m). In addition, non-scheduled depreciation and amortisation of €1.0m was realised.

While taking into account of the aforementioned earnings developments and the tax expense, which includes the advance tax payments made and additions to the tax provisions for the 2021 business year as well as the increased charges from external tax audits for previous years, a consolidated net income net income of €40.8m for the 2021 business year results following €18.0m in the previous year.

After offsetting the results attributable to the other shareholders, the high consolidated loss carried forward from previous years and the transfers to revenue reserves, the consolidated balance sheet loss amounts to €113.1m.

2.4 Financial position

The change in cash and cash equivalents and the movement of cash and cash equivalents that caused this change are shown in the following summarised cash flow statement. A further breakdown of cash flow is shown in the attached consolidated cash flow statement.

Financial position

in €m

	2021	2020	Change absolute
Cash flow from operating activities	**113.1**	**128.3**	**–15.2**
Cash flow from investing activities	**–314.5**	**–281.8**	**–32.7**
Cash flow from financing activities	**126.6**	**182.9**	**–56.3**
Changes in the financial resources	–74.8	29.4	–104.2
Financial resources at beginning of period	121.1	91.3	29.8
Changes in financial resources caused by the consolidated group or valuation	**–0.7**	**0.4**	**–1.1**
Financial resources at end of period	**45.6**	**121.1**	**–75.5**

In the 2021 business year, the Group generated a cash flow from ongoing business activities of €113.1m. As a result of the utilisation of provisions as well as the increase in non-cash transactions and changes due to changes in the consolidated companies, this is below the level of the previous year at €15.2m.

Cash flow from investing activities shows a total cash outflow of €314.5m for the 2021 business year and thus €32.7m more than in the previous year. This was due in particular to the sharp rise in payments for the Group's investments in fixed assets.

The cash flow from financing activities is characterised by the increased investments by the Group by means of a cash inflow of €126.6m in total. The cash inflow from loans taken out and registered debentures (€154.6m) were offset by cash outflow from the repayment (€80.6m), interest payments (€15.1m) and from distributions to shareholders outside the Group (€6.2m). In addition, the grants received (€73.9m) strengthen the Group's financing power.

The Group's cash outflow from investing activities, from the repayment of loans, from interest payments and from dividends paid could thus only be covered proportionately from the cash flow from business activities, from borrowing and from the payment of grants. The additional funds required reduced the Group's cash and cash equivalents carried over from the previous year by €75.5m as of the balance sheet date.

The Group's liquidity was secured at all times. In order to permanently secure the Group's creditworthiness, and therefore its financing capability, a factor of 4.5 has been agreed upon with lenders as an upper limit for the dynamic debt-equity ratio, plus a minimum ratio of 25.0% of adjusted balance sheet total for the Group's own resources. Both key performance indicators were maintained in the 2021 business year.

2.5 Net worth position

Net worth position

	31.12.2021		31.12.2020		Change
	€m	%	€m	%	absolute
Assets					
Long-term assets					
Fixed assets	2,668.6	86.6	2,482.0	87.2	186.6
Receivables and other assets	0.9	0.0	0.8	0.0	0.1
	2,669.5	**86.6**	**2,482.8**	**87.2**	**186.7**
Short-term assets					
Inventories	39.0	1.3	29.8	1.0	9.2
Receivables and other assets	318.0	10.3	186.1	6.6	131.9
Liquid funds	45.6	1.5	146.1	5.1	–100.5
	402.6	**13.1**	**362.0**	**12.7**	**40.6**
Deferred income	**9.2**	**0.3**	**2.5**	**0.1**	**6.7**
Special loss account from the formation of provisions pursuant to Section 17(4) DMBilG	**0.1**	**0.0**	**0.2**	**0.0**	**–0.1**
	3,081.4	**100.0**	**2,847.5**	**100.0**	**233.9**
Liabilities					
Equity	**804.8**	**26.1**	**769.3**	**27.0**	**35.5**
Special items	**786.5**	**25.5**	**752.6**	**26.4**	**33.9**
Medium to long-term provisions and liabilities					
Provisions	104.8	3.4	132.1	4.6	–27.3
Liabilities	916.6	29.7	810.6	28.5	106.0
	1,021.4	**33.1**	**942.7**	**33.1**	**78.7**
Short-term provisions and liabilities					
Provisions	150.1	4.9	132.5	4.7	17.6
Liabilities	309.4	10.1	238.3	8.4	71.1
	459.5	**15.0**	**370.8**	**13.1**	**88.7**
Deferred income	**9.1**	**0.3**	**11.7**	**0.4**	**–2.6**
Deferred tax liabilities	**0.1**	**0.0**	**0.4**	**0.0**	**–0.3**
	3,081.4	**100.0**	**2,847.5**	**100.0**	**233.9**

Compared to the previous year, the Group's asset and capital structure is characterised by an increase in the balance sheet total of €233.9m. On the assets side, this development is mainly reflected by a marked increase in the fixed assets as well as the receivables and other assets which is offset by a decline in the liquid assets.

The LVV Group has a very high investment intensity. Thus 86.6% (2020: 87.2%) of the balance sheet total of €3,081.4m relates to fixed assets, 97.9% (2020: 99.3%) of which are financed in the medium and long term in particular by equity, investment grants and loans.

In the 2021 business year, the focus of investment activity was again on the further expansion of utilities and transport systems.

In addition to the increase in accounts receivables from energy trading, the increase in current accounts receivables and other assets is due in particular to higher receivables from consumption accrual to end customers with rolling consumption metering. The increase in consumption accruals for electricity, gas and district heating deliveries due to the balance sheet date is not matched by the same increase in payments on account. In addition, there was an increase in other assets compared to the previous year, in particular due to market price-related higher claims from variation and initial margin payments.

On the other hand, cash and cash equivalents were down by €100.5m, due to the use of available liquidity for investments by the company group and the repayment of credit lines and loans. In order to optimise liquidity costs, especially to avoid custody fees, the liquidity balance was deliberately reduced to an economically justifiable level.

On the liabilities side, the development of the balance sheet structure is characterised in particular by an increase in equity, special items and liabilities which is offset by a drop in the provisions.

Equity rose by a total of €35.5m compared with the previous year. The positive consolidated annual result for the 2021 business year (€40.8m) contributed to the improvement in particular. The ratio of equity to the higher balance sheet total declined by 0.9 percentage points to 26.1% compared with the previous year.

The investment grants and subsidies reported in the special item represent a major component of the Group's ability to finance its investments. The ratio of subsidies used remains at a very high level. The increase in special items is primarily attributable to the fact that additions during the business year exceeded the scheduled releases to income.

The reduction in long-term provisions compared to the previous year is due in particular to the reversal or utilisation of provisions for anticipated losses of the biomass power plants, tax provisions and provisions for legal disputes. This is not matched to the same extent by an increase in short-term provisions, which were created or further endowed for uncertain liabilities and outstanding invoices, among other things, as well as for obligations to return emission certificates.

The Group's liabilities increased by a total of €177.1m compared with the previous year. In addition to an increase in liabilities from deliveries and services due on the balance sheet date, this development is influenced by an increase in liabilities to banks due to further loans taken out for the Group's investments. The Group's total net debt – including the registered debentures included under other liabilities/promissory note loans from institutional investors – increases to €910.7m (2020: €748.1m).

In addition, trade payables from energy purchases and investments in trams as well as other liabilities from the market price-related increase in obligations from variation margins have increased.

2.6 Investments

The LVV Group invested a total of €330.9m in the business year (2020: €292.4m) in fixed assets and thus 13.2% more than in the previous year. However, the investment volume envisaged in the economic planning for 2021 could not be fully implemented, due in particular to delays in the implementation or settlement of investments, postponements of investment measures to the following year and the effects of the Corona pandemic.

Of the investments made in 2021, €164.4m (2020: €129.1m) are attributable to the **Energy** business area, where investments were made primarily in the construction of the new combined heat and power plant HKW Leipzig South, in the purchase of BMHKW Bischofferode for the termination of the leasing contract, in the modernisation of the combined heat and power plant Leipzig North, in replacement and expansion investments for the electricity, gas and district heating network, and in decentralised generation plants. In addition, financial assets in the energy sector increased mainly due to additions to investment companies in the renewable energy sector. The consolidated Polish subsidiaries from the GPEC Group invested in particular in the expansion of the heating network, in the construction of a cogeneration plant and in house connection stations.

Investments of €93.7m (2020: €98.1m) were made in the **Mobility** business area in the 2021 business year. The focus here was on the procurement of additional "XL" tram vehicles and modern electric buses, the construction projects for the Heiterblick sidings and the Lindenau e-bus port, as well as the continuation of the renewal programme for the track infrastructure. The Free State of Saxony is again supporting the investments by providing funding.

The investment volume including the free transfer of technical installations in the **Water** business area amounted to a total of €72.8m in the 2021 business year (2020: €65.2m). €26.1m of this is attributable to the Drinking Water division, €44.2m to the Wastewater division and €2.5m to other investments. €60.1m was invested in the drinking water and wastewater networks including developments, as well as €9.8m in waterworks and €2.9m in the remaining area.

2.7 Staff and employment policy

The LVV Group employed a total of 4,970 staff (2020: 4,950) on average in the 2021 business year. The increase compared to the previous year is due in particular to the scheduled implementation of personnel concepts in the companies of the Leipziger Group. With almost 30 apprenticeships and dual courses of study, we offer a promising start to the world of work, an opportunity that was taken up by 68 new apprentices in 2021.

The company group continues to be viewed as an attractive and crisis-proof employer in the region. This is an important basis for continuously mastering the increasing challenge of recruiting skilled workers well – especially in highly specialised occupational groups. The emphasis is on focused and future-oriented human resources work here. The process and the instruments of strategic human resources planning are constantly being further developed in line with requirements.

The external slogan of "#Team Leipziger" was further enhanced with the basic message: Energy, mobility or water – all the companies in the Leipzig Group are united so that they drive the city and the region forward. Ranging from plant fitters to bus drivers or lifeguards, every bit of support counts. Career starters or career changers find their place in a large family of companies like the Leipziger Group just as much as experienced professionals. What's more, "#TeamLeipziger" offers jobs with a purpose, security and many other benefits.

Dealing with the epidemiological situation will continue to be a central task in 2021. As a company in the critical supply infrastructure and services of general interest that faces particular challenges, the employer responds to the changing framework conditions with targeted measures by means of a structured form of crisis management. A variety of employer offers assisted the employees here in meeting the professional and private demands. These include options for working time arrangements and low-threshold vaccination offers, where a large number of employees could be vaccinated. In addition, the prerequisites for mobile work were further expanded in order to be able to carry out processes and appointments digitally as far as possible.

The Leipzig Group is working to gear up its companies for the future. However, this focus on the future is also reflected in how appreciatively we interact with of our employees and how we continue to develop the Leipzig Group as one of the most attractive employers in the region.

The Leipziger Group's future collective agreement (ZTV) came into force on 1 January 2021. The aim of the agreement is to support all employees of the Leipziger Group by providing them with the appropriate conditions to develop their potential, taking into account their individual abilities, in order to be able to meet the constantly changing challenges accordingly. Existing knowledge and work experience should be preserved and made available through a systematic transfer in order to safeguard business activities. The goal is also for the Leipzig Group to create an atmosphere of lifelong and intergenerational learning and thus promote the development of its employees.

Equal opportunities remain a success factor in 2021, the further development of which was also anchored in the ZTV. In 2021, the entire Leipzig Group joined the Diversity Charter. It is already visible in the public supporting topics such as (#CSD, #TeamLeipziger, Inklusion, #lassdichnichtaufhalten ("don't let them stop you")) and will underpin these with further content.

3 Risk report, opportunity report, forecast report

3.1 Risk report

3.1.1 Risk management system

The Group-wide risk management system operated by LVV is an integral part of business controlling. Material risks of the LVV and its subsidiaries are regularly recorded, assessed and reported to management and the Supervisory Board. It aims to enable executive management to identify risks that could prejudice LVV and the LVV Group's continuity or economic result and to promptly initiate countermeasures in good time wherever possible.

Risk management is integrated into the Group's business processes as a continuous process and consists of a large number of modules that are embedded in the Group's organisational structure and workflows. The direct responsibility for the early detection, analysis, control and communication of LVV risks lies with the management and for subsidiary risks with the respective management of the companies. To ensure that risks are recognised and assessed in good time, and countermeasures are initiated where required, the management teams are supported in their decision-making by comprehensive advice from their own qualified experts.

Within the framework of the existing risk management system, risks that could potentially threaten the continued existence of the company are identified, analysed and evaluated according to their type and scope and catalogued in the form of a risk portfolio. The relevant risks are assigned early warning indicators, probabilities of occurrence, potential loss amounts, threshold values and countermeasures. In the reporting based upon this, changes in individual risks in the risk inventory of LVV and significant risks of the subsidiaries are continuously recorded, evaluated and reported in aggregated form. In addition, there is a Group-wide ad hoc reporting system based on defined thresholds that ensures early recognition of changes in the risk portfolio. The risk portfolio is regularly updated and reviewed. Standardised reports on the summarised risks to the Group as a whole are submitted to the meetings of LVV's Supervisory Board every quarter.

The risk management system implemented meets the requirements of Section 91(2) of the German Companies Act (AktG). It is well-suited for identifying risks in good time that threaten continuity or could affect the company's net worth position, financial position or income situation, in order to control them effectively. The effectiveness of the early-warning system is regularly reviewed by the Internal Audit unit in accordance with statutory requirements.

The company group is directly exposed to a wide range of risks arising from changes in the legal, economic and political framework. In addition to financial risks and tax risks, the – largely operational – risks of the subsidiaries also indirectly influence the results of the Group.

3.1.2 Financing risks

As part of its business activity, the LVV Group is subject to financing risks, which are limited by the use of suitable management and control systems.

Liquidity risks: As the cash pool leader, LVV controls Group liquidity by means of monthly rolling liquidity planning for the next twelve months. All of the German Group companies that are incorporated into the cash-pool method are included in this process. Financing measures are derived from the liquidity planning when necessary in order to counteract the liquidity risks. Should liquidity requirements beyond the available credit lines arise in the future, this is covered by LVV through the capital markets. As of 31 December 2021, LVV had unused available credit lines of €80.0m for the cash pool as well as back-up credit lines of €30.0m.

Long-term financing capability: For financing, LVV has a broad range of products at its disposal to cover its financing requirements on the capital markets. The aim of the Group financing system is to ensure the Group's solvency and to supply its holdings with liquidity. The company attaches importance both to the diversification of instruments and counterparties and to a balanced maturity structure.

Financial market risk: Should the financial markets be restricted in their ability to function, particularly as the result of geopolitical uncertainty, this may give rise to risks relating to placeable volumes, conditions and achievable maturities when taking out new loans.

For 2022, in view of the current developments in the markets – especially the energy markets – as well as the Russian war of aggression on Ukraine, which is against international law, and the further possible effects of the Corona pandemic, we also expect dampening effects on the part of the LVV Group's financing partners. This can be seen, for example, in rising risk costs in terms of the pricing, a reduction in the volumes that can be placed with individual financing partners and the declining willingness to take out contracts for long and very long terms.

Creditworthiness risk of LVV Group: In addition, the creditworthiness of LVV Group also affects its ability to take out planned loans in the future with a credit margin assumed in the planning for investment grade creditworthiness. For this purpose, the Group financing team holds regular meetings with its creditors, but also with external partners, in order to know and understand their credit ratings, thereby enabling it to promptly receive indications of a possible deterioration and to respond accordingly. The financial figures constitute a very important quantitative indicator of the Group's creditworthiness. When concluding unsecured medium- and long-term loan agreements, LVV has agreed to standardised financial covenants containing predefined financial relations such as the debt-equity ratio and the own funds ratio. To ensure future creditworthiness, compliance with the financial covenants is an important target figure for the economic planning and management of the LVV Group. The possible borrowing is based on this target figure.

Interest rate, currency and price risks: Interest rate and currency derivatives are taken out in order to limit interest rate and currency risks, and to optimise credit terms. Their use is regulated in terms of type, scope, business partners and other conditions by the Group financing handbook, and corresponding formalities relating to the board involvement of LVV.

LVV's financing portfolio primarily consists of borrowing, which was agreed on a fixed-interest basis and are therefore not subject to any risk of a change in the interest rates. At the level of the LVV Group, there are reasonable levels of off-balance-sheet liabilities, as well as variable-interest liabilities to banks in the foreign subsidiaries that are not hedged against risks of a change in interest rates. The risk of a change in interest rates is countered by means of continuous monitoring of interest rate developments and active cash management.

Exchange rate risks that implicate the annual dividend payments of GPEC are counteracted by continuously monitoring the exchange rate developments between the Euro and the Zloty. If the value and timing of the distribution are known, the risks are hedged in principle by a forward exchange transaction.

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

Default risks of contractual partners: Default risks exist vis-à-vis counterparts, especially in the case of deposits. The LVV Group hedges against these risks by diversifying and actively monitoring the creditworthiness of counterparts as a part of ongoing risk management.

The LVV Group is exposed to a financial risk/opportunity in connection with security deposits (margin payments) resulting from trading transactions on stock exchanges. The magnitude and direction of margin payments depends on the size of the positions in the trading channels affected by margining as well as on market price developments.

3.1.3 Tax-related risks

In addition to the calculation of the expected tax burdens for the 2021 business year all findings of the external tax audits known at the time the consolidated financial statements were prepared and the resulting risks were taken into account in the extrapolation as of 31 December 2021. Further tax risks in connection with possible effects on the current or deferred tax burden may arise from current or future tax audits, changes in the law and the case law of the tax courts.

Even after the discontinuation of the proceedings on the state aid character of the fiscal transverse Group at the European Court of Justice (ECJ) and the Federal Fiscal Court (BFH), the fiscal transverse Group continues to be the subject of case law, which means that this tax advantage remains fraught with risk. Most recently, the Federal Fiscal Court issued a ruling on 15 July 2020 (Ref. I R 55/17, published on 4 March 2021) and renewed its critical stance. Further proceedings are currently pending.

There were no material tax risks for the foreign subsidiaries in the reporting period that would necessitate an additional provision in excess of the tax provisions already reported.

All currently discernible tax risks are thus reflected in the consolidated financial statements. In order to reduce further risks in the tax area, the development of tax legislation and jurisdiction is monitored continuously and comprehensively.

3.1.4 Operation risks

Changes to EU law and implementing regulations under EU law, national legislation and current case law in the fields of energy, water and wastewater, and transport could pose significant risks to future development at the level of the LVV Group. The LVV Group continues to be affected by industry-specific framework conditions at the subsidiary level.

Particular importance is attached to surveying the LVV Group's legal-political environment, especially in view of the increasing pace of change and the frequent change of direction in law and society.

The dynamic nature of the pandemic and the accompanying temporary restrictions on public life have a significant impact on business development, especially in the mobility sector. Significant declines in passenger numbers and the associated loss of revenue are of particular importance here. In the other business areas of the LVV Group, corona-related impacts on supply chains, bad debts from energy and water deliveries, staff absences and a delay in construction measures and larger projects are possible.

Due to the Russian war of aggression on Ukraine, which is contrary to international law, and the extensive economic sanctions and restrictions associated with it, as well as the corresponding effects on the financial and trade markets, a significant increase in the price of energy sources as well as considerable cost increases and supply bottlenecks for many raw materials, goods and services and a further increase in inflation must be expected for the entire company group.

According to the assessment of the current risk situation, the **Energy** business field is particularly exposed to risks expected from the regulatory, industry-specific and financial environment. Regulatory risks are seen in the provisions of the German Energy Industry Act (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. In the energy policy environment, performance-related risks can arise, in particular, from short-term changes in the legal framework. In addition to the operating risks of the generation and grid facilities as well as the IT systems, there are market-related price and sales risks as well as sales-related receivables risks if customers do not meet their payment obligations or do not meet them on time. These risks are countered, among other things, by regular maintenance, an active sales policy, differentiated products and services, sales-oriented procurement, customer-specific credit checks and stringent receivables management.

In the system market, risks from trading transactions arise from the volatility of market prices. The significantly increased market prices lead to a significant increase in volatility from the collateral to be deposited on the stock exchange for purchase and sale transactions that have been concluded and to a resulting short-term liquidity flow, for the coverage of which resources from the integration of the subsidiaries into the cash pool are also available. In the end-customer market, the company counters the risks from increased procurement costs with sales-oriented procurement and variable sales pricing. The current development of the conflict in Ukraine increases the risk of energy prices continuing to rise. The further price development and also the supply situation in Germany are significantly influenced by the maintenance of gas supplies from Russia.

On the one hand, the Polish Regulatory Authority (URE) provides a framework for the secure supply of heating to Polish customers through its regulatory requirements and, on the other hand, the tariff requirements restrict the pricing by Polish energy companies. GPEC is monitoring these developments closely. Further potential risks on the supply side are countered by close cooperation and ongoing exchange with the heat supplier.

In addition to the possible further effects of the Corona pandemic on revenue development, the **Mobility** business field sees risks in particular from lower funding commitments, the inability to enforce the pricing strategy, from the development of wages and salaries and the available personnel capacities, as well as from securing financing and liquidity resources.

It is foreseeable that the current supply and price policy objectives from the entrustment by the public transport authorities will also lead to financing requirements for rising operating costs. A further increase in operating costs and thus in the financing requirements is threatened in particular by the rise in the price of energy sources. This is already evident from the expected higher diesel fuel and electricity procurement costs for 2022 and 2023 respectively.

In the **Water** business area, risks arise from operating activities, which affect the technical area in particular. Risks from the delay in the start of construction of the expansion of the Rosental sewage treatment plant and from the stricter testing requirements of the Saxony State Directorate for the provision of evidence for the granting of the exemption from the precipitation water levy play a major role here. In addition, construction prices increased by up to 10.0%. Financial risks additionally arise from cost increases for energy purchases as well as for many raw materials, goods and services.

The companies and the City of Leipzig engage in systematic contract management with regard to the CBL transactions concluded by Verkehrsbetriebe and Wasserwerke. In order to assess possible risks at any time, in the 2021 business year external third parties were again made contractually responsible for contract monitoring and legal advice in addition to internal monitoring. Regular reporting is carried out in relation to risk management and minimisation, and compliance with individual contractual clauses is ensured by reviews conducted on a case-by-case basis.

In addition to the risks arising from subsidiaries, LVV is also exposed to investment risks, primarily relating to its investment in VNG AG Leipzig Nord (VNG). In 2021, VNG consistently pursued its "VNG 2030+" strategy and further diversified its earnings base. Along the gas value chain, VNG focuses on trading, sales, transport, storage and biogas. In these established business areas, the strategy foresees a further development of the profitable portfolio business. In the course of the transformation of the energy markets that is now pending, the strategic orientation focuses on the development of the decarbonised business: In addition to the digital infrastructure, this primarily includes further substantial growth in the biogas business area. In addition, hydrogen is anchored in the VNG-strategy in an expanded form as a climate-friendly and promising energy source. The expectation for future dividend payments to shareholders is burdened with market-induced uncertainty. In addition, there are risks in connection with the Russian war of aggression on Ukraine, which could result in possible embargo measures or a delivery stop for supplies of natural gas from Russia. If these supplies were to be discontinued, VNG would be obliged to procure replacements under significantly worse conditions in order to meet its supply obligations. At present, the continuation of supplies of natural gas from Russia is considered the most likely scenario. In order to reduce Germany's dependence on Russian supplies of natural gas in the future, however, the volume of supply imports is expected to decrease.

Attacks on the IT infrastructure (cyberattacks), the unavailability of systems and the unauthorised use of data are now among the highest-rated threat scenarios in the context of emergency and crisis management. This is also illustrated by the numerous incidents of this type at companies in Germany and worldwide. LVV's strategy, as well as that of the companies in the Group, in dealing with these risks consists, on the one hand, in the continuous further development of security systems in order to limit the possibilities of such attacks. 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. Another focus is on training and sensitising employees on how to deal with such dangers.

The intragroup financing of transport services can only be guaranteed in the future insofar as, and to the extent that, sufficient own funds are available from LVV's business activity as the parent company, as well as from other measures within the LVV Group, in accordance with the contractual agreements.

According to our assessment of the risk, no risks threatening the continuity of LVV or its main subsidiaries were recorded.

3.2 Opportunities report

The growth of the City of Leipzig and the design of the urban energy and mobility transition will directly and indirectly pose enormous challenges to the company group and, at the same time, offer significant opportunities for its future development. In order to safeguard their ability to take action and to perform in the long term, the individual companies are harmonising their key activities such as investments in the modernisation and demand-driven expansion of infrastructure, the digitisation of services, products and processes and a forward-looking personnel policy.

Through the Group-wide management of financial positions and the tax optimisation of the fiscal transverse group, **LVV** systematically analyses and exploits opportunities which arise for the entire Group.

Thus, opportunities lie in the development of a regional hydrogen economy. The Leipziger Group is pushing ahead with sector coupling and, with a view to the entire value chain, several projects that have high strategic potential in terms of the funding environment and the increasing importance of non-fossil energy sources.

From the perspective of the **Energy** business field there are opportunities in the regulatory, sector-specific as well as the performance and financial fields, and a favourable market development.

In the system market of Stadtwerke, opportunities arise from digitisation and the degree of automation. 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 provides moderate opportunities in an increasing electricity/gas/ CO_2-spread in electricity generation. The intended expansion of the portfolio of combined heat and power (CHP) plants and renewable energies also offers additional opportunities.

For the biomass plants, there are opportunities from falling wood prices as well as a long-term operating opportunity through participation in Renewable Energy Act (EEG) tenders. When electricity prices on the wholesale markets are high, there are also opportunities from unsubsidised direct marketing. Opportunities arise for the wind power plants due to higher wind levels than planned. The weather-dependent heating business can be influenced equally in both directions by temperature fluctuations.

The Stadtwerke end-customer market offers opportunities in the form of increased sales success and in the faster realisation of projects on behalf of the customers and the faster realisation of areas of efficiency potential.

The regulatory authorities will also continue to pursue the goal of further reducing network operators' fees. The decoupling of permissible revenues from the actual costs is creating both opportunities and risks with regard to the development of efficiency potential.

Where the engagement in Poland is concerned, opportunities are seen in the further expansion of the existing infrastructure, especially in terms of the connection of new customers. By means of the development of new products and solutions – for example, the construction of intelligent heating networks and house connection stations, the construction of CHP plants and photovoltaic parks, as well as business field diversification to include engineering, construction and development projects – the GPEC Group has the opportunity to strengthen its market position.

In addition to setting the course for the long-term development of the company and the associated further development of local public transport in Leipzig, the focus in the **Mobility** business field in 2022 and in the following years will be on winning back customers lost to the pandemic and rising costs in private motorised transport. In addition, opportunities are also seen in further passenger acquisition due to the above-average population growth in the City of Leipzig through targeted marketing measures as well as through service extensions and improvements. Opportunities for public transport also arise from the trend towards more sustainable lifestyles as an element in achieving climate and regulatory goals.

With the expansion of on-demand systems, opportunities for better productivity and results arise. This is particularly true when linked to technological solutions for automated driving.

The EU funding programmes of the European Regional Development Fund (ERDF) and the Just Transition Fund (JTF) currently being drawn up by the Saxon State Ministry for Regional Development (SMR) and the Saxon State Ministry for Economic Affairs, Labour and Transport (SMWA) open up funding prospects for the "Saxon Tram of the Future" project in particular.

Ongoing market analyses, active involvement in the transport network as well as industry association and fruitful contact with political decision-makers all help to actively shape mobility in the region and ensure that the opportunities that present themselves can be acted upon.

Based on the current population trend, the **Water** business area has also identified opportunities to realise volume developments and sales in the core business in excess of what was planned for, which would also have a positive effect on the workload of Wasserwerke's technical plants and the stability of the supply and disposal prices.

For the necessary adjustment of individual plant components due to population trends, such as the adjustment of the capacity of the Rosental sewage treatment plant due to increasing wastewater loads, Wasserwerke have developed corresponding concepts and strategies, on the basis of which implementation planning and realisation are being driven forward.

Based on the positive experiences and results of the past years, Wasserwerke as a whole see an opportunity to achieve further positive effects in the medium to long term with regard to the general performance in the core business and the quality of the support processes through increased cooperation in the Leipzig Group beyond the target figures.

3.3 Forecast report

In order to achieve positive development of results in the future, it is absolutely essential to sustainably secure the company group's profitability and to make value-adding investments in existing business areas, while carefully considering all the opportunities and risks. The management will ensure a balanced use of the available funds in order to maintain and expand the business and other assets in the long term. In this context, the actions are attuned to the existing resources, the developments in the industry, and the existing and anticipated overall legal framework conditions.

An important goal for the future of the Leipziger Group is to further improve the very favourable competitive position in the region. The strengths of LVV and its subsidiaries lie in the infrastructure business and associated services. The aim here must be to make use of the economic opportunities arising from the City of Leipzig's growing prosperity. In order to successfully tackle the long-term challenges of continuing to improve benefits to customers and implementing our own objectives within the competitive environment, it is important to maintain the orientation towards the core business of the individual business areas.

The results of the LVV Group depend in particular on the economic development of the subsidiaries included in the consolidated financial statements. The intragroup financing of transport services and measures to improve earnings in the long term will continue to be the focus of activities.

In the 2022 Group economic planning, the key figures compared to the previous business year are presented below and reflect management's expectations for the year ahead:

Ratios

		Actual 2021	Plan 2022	Change absolute
Consolidated profit/loss	€m	40.8	33.0	–7.8
Adjusted EBITDA	€m	224.7	237.8	13.1
Investments	€m	330.9	464.2	133.3
Equity ratio	%	38.9	37.4	–1.5
Total net debt	€m	910.7	1,071.8	161.1
Dynamic debt-equity ratio		4.1	4.5	0.4

The Group economic planning reveals a positive annual result for 2022 that is, however, €7.8m lower than in the previous year. However, in connection with the Russian war of aggression on Ukraine, which is contrary to international law, the forecasts made in all the Group's business fields are subject to increased uncertainty and the quantitative effects are not yet fully foreseeable. However, due to the already contractually secured purchase quantities and diversified procurement, no direct significant effects for the 2022 business year are currently discernible in the energy business field, so that we are adhering to the forecasts in the Group business plan. In the Water business field, significant cost increases and supply shortages for many raw materials, goods and services are expected due to the armed conflicts, and inflation is expected to continue to rise.

In the face of the current pandemic that is still ongoing, there is also a high degree of uncertainty with regard to forecasting the future course of business. According to current estimates, around 16 million fewer passengers are to be expected in the mobility sector than were assumed in the budget. From the current perspective, the expectation regarding line income must also be reduced by €7.0m. The losses to be compensated will thus increase accordingly. In the meantime, both the federal government and the federal states have positioned themselves positively by means of their clear commitment at the Conference of Transport Ministers to compensate for pandemic-related losses in 2022. In addition, we are currently seeing a massive increase in the purchase prices for diesel fuel and electrical energy, mainly as a result of the armed conflict in Ukraine. There is a risk that the planned expenditures for diesel fuel (approx. €3.6m already in 2022) and electrical energy (approx. €12.0m from 2023) will be significantly exceeded.

Adjusted EBITDA is expected to be €237.8m in 2022, in line with the Group's budget. An EBITDA of €306.0m is forecast at the end of the medium-term planning period. The attainment of the EBITDA goal is especially necessary in order to create the required scope for ensuring the financing of the intended investments that would be expected in the market. For this reason, there is a requirement to identify and implement further measures in the coming years across the Group that will contribute towards a sustainable increase in the EBITDA, in addition to the pre-existing activities.

The Group's investment plan envisages a volume of €464.2m for the 2022 business year, €133.3m more than in the 2021 business year. Almost half of this total volume is accounted for by the energy sector. This essentially takes into account the Heating Supply future concept, which includes investments in CHP Leipzig South, decentralised generation plants for various energy sources and a heat accumulator at the Leipzig South location to secure the supply of district heating. Investments are also planned for the expansion and extension of the district heating network, local heating solutions and media-independent energy services.

The Polish companies are expected to continue to have an increasing number of heating customers each year, which will steadily increase district heating sales and revenues in Poland. For the year 2022, GPEC plans to have over 30 MW of connections with new customers.

Irrespective of the ongoing pandemic, the Mobility business field will implement the investments anchored in the business plan. In addition to the lead times of several years, this is due in particular to the requirements described in the local transport plan. Accordingly investments until 2026 should focus on the existing track network, the procurement of new trams, the replacement of buses and the construction of a third depot. The acquisition is to be partly financed through the use of federal and state subsidies.

In the water business area the investment activities will, in addition to the expansion of the Rosental sewage treatment plant, due to the growing City of Leipzig, also be significantly influenced by the need to catch up on the renovation of sewer network in the next few years. In the drinking water sector, investments will also be made in the expansion and renewal of the supply networks and water production plants.

Despite expected positive consolidated annual results, the Group's equity ratio will decrease due to the steady increase in the balance sheet total in 2022 and stabilise at this level in the medium term.

The increase in total net debt is due to the continued borrowing of long-term loans to finance challenging investment projects in all business areas, geared towards successfully meeting the challenges of the growing city in the future as well. The dynamic debt-equity ratio will probably increase to 4.5 in the 2022 business year. As a result – thanks to intensive efforts within the Group – the upper limits agreed to with the creditors – 25.0% for the equity ratio and 4.5 for the dynamic debt-equity ratio – are still adhered to, and the future creditworthiness of the LVV Group has thus been secured.

For the 2022 business year and in the medium term, the Group's budget assumes that the internal financing of public transport will be secured from the Group's own resources. However, based on current findings, the Corona pandemic and the effects of the military conflict between Russia and Ukraine may also have consequences for the achievement of the forecasts and targets for the 2022 business year. Loss of income and the associated loss of earning cannot therefore be ruled out and will have a direct impact on the LVV Group's net worth position, financial position and income situation.

4 Declaration on corporate governance

On the basis of the provisions contained in Sections 36, 52 of the German Limited Liability Companies Act (GmbHG) pursuant to the Act on the equal participation of women and men in executive positions in the private and public service sectors, companies that are subject to statutory co-determination are required to set their own specific targets for the quota of women in executive positions.

The target figure set for the quota of women on the Supervisory Board of **LVV** is 30.0%, while the target figure for the quota of women on the Board of Management of LVV amounts to at least 30%. Furthermore, a target figure of 30.0% was set for the upper management level of LVV. As a purely precautionary measure, a target of 30.0% was set for the middle management level in the event that LVV were to introduce such a level. The objectives should have been reached by 31 December 2024.

The target figure set for the quota of women on the Supervisory Board of **Stadtwerke** is 30.0%; the target figure for the quota of women on the Board of Management of 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.

The target figure set for the quota of women on the Supervisory Board of the **Verkehrsbetriebe** is 25.0%, while the target figure for the quota of women on the Board of Management amounts to at least 30.0%. The set target figures are each to be achieved by 31 December 2024.

The management of the Verkehrsbetriebe passed a resolution whereby a target figure for its upper management level was set at 37.0% and a target of 30.0% was set for the middle management level by 31 December 2021. The proportion of women at the upper management level is 36.4% and at the middle management level 31.0% as at 31 December 2021. The current composition is thus virtually entirely in line with the objectives set. Furthermore, it was decided to maintain the quota of 37.0% at the upper management level as well as 30.0% in the middle management level. The defined target figures should be in place on 31 December 2026.

In the 2017 business year, the responsible bodies of the **Wasserwerke** set target figures. The following goals should have been reached by 31 December 2021:

The target figure for the quota of women on the Supervisory Board of the Wasserwerke is 30.0%. As of 31 December 2021, 38.1% of the mandates on the Supervisory Board are held by women. The target figure for the quota of women within the management of the Wasserwerke remains in place with the current management.

The responsible bodies of the Wasserwerke will set new target figures in the first half of 2022 to be achieved by 31 December 2026. The intention is to define the following target figures:

The target figure for the quota of women on the Supervisory Board of the waterworks should amount to at least 38.0%. The target figure for the quota of women within the management of the Wasserwerke should amount to 0.0%.

In addition, it is intended to maintain the existing women's quota for the upper management level of the waterworks of 30.0% until 31 December 2026. A target figure of 30.0% shall be set for the middle management level as at 31 December 2026. As at 31 December 2021, the quotas were as follows: for senior management 30.0% and for middle management 35.0%.

Leipzig, 25 April 2022

Management

Michael M. Theis   Ulf Middelberg   Volkmar Müller   Karsten Rogall

Consolidated balance sheet at 31 December 2021

LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig

Assets

in €k

			31.12.2021	31.12.2020
A.	**Fixed assets**			
I.	**Intangible assets**			
	1.	Internally generated industrial property rights and similar rights and assets	1,821	1,926
	2.	Purchased concessions, licenses, rights of use, IT programs and easements	12,846	13,208
	3.	Payments on account	3,128	3,616
			17,795	**18,750**
II.	**Tangible assets**			
	1.	Land, leasehold rights and buildings including buildings on leased land	346,502	344,243
	2.	Technical equipment and machines	1,837,495	1,728,464
	3.	Other equipment, factory and office equipment	28,598	28,918
	4.	Payments on account and assets under construction	277,890	202,964
			2,490,485	**2,304,589**
III.	**Financial assets**			
	1.	Shares in affiliated companies	21,774	24,303
	2.	Loans to affiliated companies that are not consolidated	6,690	4,996
	3.	Participations in associated companies	0	13
	4.	Participations	125,958	123,320
	5.	Loans to companies in which a participating interest is held	4,759	4,759
	6.	Other loans	1,164	1,246
			160,345	**158,637**
			2,668,625	**2,481,976**
B.	**Current assets**			
I.	**Inventories**			
	1.	Raw materials and supplies	29,194	22,195
	2.	Unfinished services	5,671	5,147
	3.	Payments on account	4,184	2,441
			39,049	**29,783**
II.	**Receivables and other assets**			
	1.	Receivables from deliveries and services	364,992	315,598
		Payments received	−186,788	−183,707
			178,204	131,891
	2.	Receivables from affiliated companies that are not consolidated	6,944	1,927
	3.	Receivables from companies in which a participating interest is held	218	516
	4.	Other assets	133,497	52,586
			318,863	**186,920**
III.	**Cash in hand, bank balances and cheques**		**45,620**	**146,144**
			403,532	**362,847**
C.	**Deferred income**		**9,161**	**2,543**
D.	**Special loss account from the formation of provisions pursuant to section 17(4) DMBilG**		**135**	**208**
			3,081,453	**2,847,574**

Liabilities

in €k

		31.12.2021	31.12.2020
A.	**Equity**		
I.	**Subscribed capital**	**512**	**512**
II.	**Capital reserve**	**625,910**	**625,910**
III.	**Revenue reserves**	**205,992**	**194,553**
IV.	**Equity difference resulting from currency translation**	**–11,872**	**–11,171**
V.	**Consolidated net loss**	**–113,060**	**–134,802**
VI.	**Non-controlling interests**	**97,375**	**94,320**
		804,857	**769,322**
B.	**Special item for subsidies, development funds and the gratuitous takeover of tangible fixed assets**	**637,282**	**609,426**
C.	**Special items for building-cost subsidies**	**149,136**	**143,176**
D.	**Provisions**		
	1. Provisions for pensions and similar obligations	31,933	31,938
	2. Provisions for taxation	2,602	8,286
	3. Other provisions	220,381	224,390
		254,916	**264,614**
E.	**Liabilities**		
	1. Liabilities to banks	891,349	829,266
	2. Payments received on account of orders	4,427	1,774
	3. Liabilities from deliveries and services	127,197	88,691
	4. Liabilities to affiliated companies that are not consolidated	11,869	10,799
	5. Liabilities to companies in which a participating interest is held	2,539	1,887
	6. Other liabilities of which tax liabilities: €13,050k (2020: €12,569k) of which social security liabilities: €276k (2020: €201k)	188,615	116,510
		1,225,996	**1,048,927**
F.	**Deferred income**	**9,133**	**11,699**
G.	**Deferred tax liabilities**	**133**	**410**
		3,081,453	**2,847,574**

Consolidated profit and loss statement for the business year from 1 January until 31 December 2021

LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig

in €k

		2021	2020
1.	Sales revenues	2,397,855	2,276,416
2.	Increase or decrease in unfinished services	524	722
3.	Other internally produced and capitalised assets	21,845	21,661
4.	Other operating income	130,621	95,703
		2,550,845	2,394,502
5.	Cost of materials		
	a) Costs of raw materials and supplies and purchased goods	1,829,921	1,699,097
	b) Costs of purchased services	71,068	68,259
		1,900,989	1,767,356
6.	Personnel expenditure		
	a) Wages and salaries	218,374	212,380
	b) Social security contributions and expenses for pension schemes and support of which for pension schemes: €5,115k (2020: €4,999k)	49,271	46,839
		267,645	259,219
7.	Depreciation and amortisation		
	a) of intangible and tangible fixed assets	157,387	149,018
	b) of special loss account from the formation of provisions pursuant to Section 17(4) DMBilG	73	70
		157,460	149,088
8.	Other operating expenses	159,941	161,884
		64,810	56,955
9.	Income from participations of which from affiliated companies: €4,866k (2020: €3,491k)	7,749	6,682
10.	Result from participations in associated companies	0	1
11.	Income from profit transfer agreements	161	141
12.	Income from other securities and from loans from financial assets	488	497
13.	Other interest earned and similar income of which from affiliated companies: €31k (2020: €37k)	981	1,055
14.	Expenses from loss assumption	709	601
15.	Interest and related expenses of which to affiliated companies: €0k (2020: €1k)	19,346	34,324
		–10,676	–26,549
16.	**Profit/loss before tax**	**54,134**	**30,406**
17.	Taxes on corporate income and business profits of which change in deferred taxes: €–419k (2020: €–91k)	7,754	6,822
18.	**Result after taxes**	**46,380**	**23,584**
19.	Other taxes	5,549	5,549
20.	**Consolidated net income**	**40,831**	**18,035**
21.	Non-controlling interests	–7,650	–6,227
22.	Group loss carried forward from previous years	–134,802	–131,208
23.	Withdrawal/transfer to revenue reserves	–11,439	–15,402
24.	**Consolidated net loss**	**–113,060**	**–134,802**

Notes to the consolidated financial statements for the 2021 business year

LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig

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

1.1 General remarks

LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig (LVV) has its registered office in Leipzig and it is listed in the commercial register of Leipzig District Court under number HRB 13860.

The consolidated financial statements of LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig (LVV Group) for the year ending 31 December 2021 have been prepared in accordance with the provisions of Sections 290 et seq. of the German Commercial Code (HGB), the supplementary provisions of the Limited Liability Companies Act (GmbHG) and the stipulations of the Deutsche Mark Balance Sheet Act (DMBilG). The regulations of the German Accounting Standards (DRS) were generally observed here.

The 'nature of expense' method has been chosen as the method of organising the profit and loss statement. Additional information on the individual items on the consolidated balance sheet and the consolidated profit and loss statement is provided, in principle, in the notes to the consolidated financial statements.

The item 'profit/loss before tax' has been added to the structure of the consolidated profit and loss statement.

For computational reasons, the following figures and tables may be subject to rounding differences of +/– one unit (€k, %, etc.).

1.2 Consolidated balance-sheet date and consolidated group

The consolidated financial statements have been prepared as of the balance-sheet date of 31 December 2021. The annual financial statements of the included companies have been prepared on the same balance-sheet date as the parent company.

Effective as of 1 January 2021, Thüringenwind GmbH & Co. Tüngeda KG, Hörselberg-Hainich (Tüngeda) which had previously not been included due to its minor significance for the Group's net worth, financial position and income situation in accordance with Section 296 (2) HGB, was consolidated for the first time.

The equity method was not applied to WEO GmbH & Co. KG, Berlin, and LIB Verwaltungs-GmbH, Leipzig, were not accounted for using the equity method as at 31 December 2021 due to their minor significance for the Group's net worth, financial position and income situation. The transition to the cost method did not affect profit or loss.

On 31 December 2021, LVV was indirectly or directly affiliated with – or had an indirect or direct participation in – the following companies:

Affiliated companies that are consolidated

	Abbreviation	Shareholder	Share of subscribed capital %	Equity €k	Result €k
Bau und Service Leipzig GmbH, Leipzig	Bau und Service	Wasser-werke	100.00	1,467	2,542[1]
Brillant Energie GmbH, Leipzig	Brillant	Stadtwerke	100.00	192	–3,378[1]
ELG Leipzig GmbH, Leipzig	ELG	Stadtwerke LVB	90.00 10.00	50	0
Gdańskie Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o., Gdańsk, Polen[2]	GPEC	Stadtwerke	82.86	81,037	13,666
GPEC STAROGARD SP. Z O.O., Starogard Gdański, Polen[2]	GPEC STAROGARD	GPEC	100.00	5,304	389
GPEC TCZEW SP. Z O.O., Tczew, Polen[2]	GPEC TCZEW	GPEC	100.00	4,519	38
IFTEC GmbH Co. KG, Leipzig[3]	IFTEC	LVB LIBV	50.00 0.00	9,116	1,717
Kommunale Wasserwerke Leipzig GmbH, Leipzig	Wasserwerke	LVV	74.65	285,466	41,313[4]
LAB Leipziger Aus- und Weiterbildungsbetriebe GmbH, Leipzig	LAB	LVB	100.00	200	226[1]
LAS GmbH, Leipzig	LAS	Stadtwerke	100.00	499	195[1]
Leipziger Kommunale Energieeffizienz GmbH, Leipzig	LKE	Stadtwerke	100.00	25	61[1]
Leipziger Servicebetriebe (LSB) GmbH, Leipzig	LSB	LVB	100.00	271	–183[1]
Leipziger Stadtverkehrsbetriebe (LSVB) GmbH, Leipzig	LSVB	LVB	100.00	354	139[1]
Leipziger Verkehrsbetriebe (LVB) GmbH, Leipzig	LVB	LVV	100.00	136,141	–5,592[1]
LeoBus GmbH, Leipzig	LeoBus	LVB	100.00	1,966	202[1]
LSI GmbH	LSI	Bau und Service	100.00	1,747	276
LTB Leipziger Transport und Logistik Betriebe GmbH, Leipzig	LTB	LVB	100.00	828	160[1]
Netz Leipzig GmbH, Leipzig	Netz Leipzig	Stadtwerke	100.00	58,009	2,125[1]
Stadtwerke Leipzig GmbH, Leipzig	Stadtwerke	LVV	100.00	260,601	71,176[1]
Thüringenwind GmbH & Co. Tüngeda KG, Hörselberg-Hainich	Tüngeda	LWM Stadtwerke	0.00 70.00	1,900	273

Affiliated companies that are not consolidated

	Abbreviation	Shareholder	Share of subscribed capital	Equity	Result
			%	€k	€k
FWNL Fernwärmenetz Leipzig GmbH & Co. KG, i. L., Leipzig[5, 6]	FWNL	Stadtwerke	0.15	k. A.	k. A.
GPEC EKSPERT SP. Z O.O., Gdańsk, Polen[2, 5]	GPEC EKSPERT	GPEC	100.00	921	345
GPEC ENERGIA SP. Z O.O., Gdańsk, Polen[2, 5]	GPEC ENERGIA	GPEC	100.00	1,957	657
GPEC PELPLIN SP. Z O.O., Pelplin, Polen[2, 5]	GPEC PELPLIN	GPEC	100.00	561	63
GPEC PRO SP. Z O.O., Gdańsk, Polen[2, 5]	GPEC PRO	GPEC	100.00	57	33
GPEC SERWIS SP. Z O.O., Gdańsk, Polen[2, 5]	GPEC SERWIS	GPEC	100.00	4,333	2,003
GPEC SYSTEM SP. Z O.O., Gdańsk, Polen[2, 5]	GPEC SYSTEM	GPEC	100.00	7,159	940
KBL Kabelbau Leipzig GmbH, Leipzig[5, 7]	KBL	Stadtwerke	100.00	3,065	1,271
Leipziger Windpark Management GmbH[5]	LWM	Stadtwerke	100.00	62	–7
Orchis Energia Sopot Sp. z o.o., Sopot, Polen[2, 5]	Orchis	GPEC	100.00	1,121	262
Sportbäder Leipzig GmbH, Leipzig[5]	Sportbäder	Wasserwerke	100.00	1,409	0
Wassergut Canitz GmbH, Leipzig[5]	Wassergut	Wasserwerke	100.00	1,614	161[1]

Associated Companies[8]

	Abbreviation	Shareholder	Share of subscribed capital	Equity	Result
			%	€k	€k
caplog-x GmbH, Leipzig[7, 9]	caplog-x	Stadtwerke	31.33	2,432	1,307
Erdgasversorgung Industriepark Leipzig Nord GmbH, Leipzig[7, 9]	EVIL	Stadtwerke	50.00	202	11
Heizkraftwerk Eutritzscher Straße GmbH & Co. KG, i. L., Leipzig[6, 9]	EuKG	Stadtwerke	25.75	k. A.	k. A.
KNL Kommunalnetz Leipzig GmbH, Leipzig[9, 10]		Stadtwerke	50.00	k. A.	k. A.
Leipziger Erneuerbare Energien GmbH & Co. KG, Leipzig[7, 9]	LEE KG	LEE GmbH Stadtwerke	0.00 50.00	91	–22
Leipziger Erneuerbare Energien Verwaltungs GmbH, Leipzig[7, 9]	LEE GmbH	LEE KG	100.00	18	–7
LIB Verwaltungs-GmbH, Leipzig[9]	LIBV	LVB	50.00	26	1
MEE Projektgesellschaft 1 GmbH & Co. KG, Leipzig[9, 11]	MEE 1 KG	MEE 1 V GmbH Stadtwerke	0.00 50.00	1,184	–15
MEE Projektverwaltungsgesellschaft 1 mbH, Leipzig[9]	MEE 1 V GmbH	MEE 1 KG	100.00	25	3
Meter1 GmbH & Co. KG, Halle (Saale)[7, 9]	Meter1 KG	Meter1 GmbH Stadtwerke	0.00 33.33	258	–13
Meter1 Verwaltung GmbH, Halle (Saale)[7, 9]	Meter1 GmbH	Stadtwerke	33.33	36	1

Associated Companies[8]

	Abbreviation	Shareholder	Share of subscribed capital %	Equity €k	Result €k
Mitteldeutsche Erneuerbare Energien GmbH & Co. KG, Leipzig[9]	MEE KG	MEE GmbH Stadtwerke	0.00 50.00	91	–72
Mitteldeutsche Erneuerbare Energien Verwaltungs GmbH, Leipzig[9]	MEE GmbH	MEE KG	100.00	17	3
Mittelsächsische Windpark GmbH & Co. KG, Großschirma[7, 9]	MW KG	MWM Stadtwerke	0.00 50.00	614	–19
MWM Mitteldeutsche Windpark Management GmbH, Großschirma[9, 12]	MWM	Stadtwerke	50.00	30	–1
Verbundnetz Gas Verwaltungs- und Beteiligungsgesellschaft m.b.H, Leipzig[9]	VNG VuB	LVV	34.57	331	1
WEO GmbH & Co. KG, Berlin[7, 9]	WEO KG	WEO GmbH Stadtwerke	0.00 33.33	0[13]	–580
WEO Verwaltungs GmbH, Berlin[7, 9]	WEO GmbH	WEO KG	100.00	49	3
Westsächsische Erneuerbare Energien GmbH & Co. KG, Leipzig[9, 14]	WEE KG	WEE GmbH Stadtwerke	0.00 50.00	24	–1
Westsächsische Erneuerbare Energien Verwaltungs GmbH, Leipzig[9, 15]	WEE GmbH	WEE KG	100.00	22	–3
Windpark Hessenweg GmbH & Co. KG, Großschirma[7, 9]	WHW KG	MWM Stadtwerke	0.00 50.00	221	–14
Windpark Königshain-Wiederau GmbH & Co. KG, Großschirma[7, 9]	WKW KG	MWM Stadtwerke	0.00 50.00	299	–22
Windpark Kyffhäuserland GmbH & Co. KG, Großschirma[7, 9]	WKL KG	MWM Stadtwerke	0.00 50.00	177	–29

Additional holdings

	Abbreviation	Shareholder	Share of subscribed capital %	Equity €k	Result €k
8KU GmbH, Berlin[7]	8KU	Stadtwerke	12.50	273	2
beka GmbH, Köln[7]	beka	LVB	0.47	1,086	–186
Ennovatis GmbH, i. L., Großpösna[6]	ennovatis	Innvo GmbH	6.27	k. A.	k. A.
envia Mitteldeutsche Energie AG, Chemnitz[7]	enviaM	LVV	0.07[16]	1,977,080	342,694
European Energy Exchange AG, Leipzig	EEX	LVV	4.92	484,453	84,625
Fernwasserversorgung Elbaue-Ostharz GmbH, Torgau[7]	FEO	Wasser-werke	0.29	127,791	2,997
Joblinge gemeinnützige AG Leipzig, Leipzig[7]	Joblinge	Stadtwerke	6.25	80	0
KBE Kommunale Beteiligungsgesellschaft mbH an der envia, Chemnitz[17]	KBE	LVV	1.35	476,172	46,589
Mitteldeutscher Verkehrsverbund GmbH (MDV), Halle (Saale)[7]	MDV	LVB	16.96	477	0
Mobility inside Holding GmbH & Co. KG, Frankfurt am Main[18]	MiH	MIV LVB	0.00 3.72	1,939	–1,673

Additional holdings

	Abbreviation	Shareholder	Share of subscribed capital	Equity	Result
			%	€k	€k
Mobility inside Verwaltungs GmbH, Frankfurt am Main[19]	MiV	LVB	5.00	50	0
SAG Abwicklungs AG, i. L., Zwenkau[6]	SAG	Innvo mbH	11.43	k. A.	k. A.
Trianel Erneuerbare Energien GmbH & Co. KG, Aachen[7]	TEE	TEEV Stadtwerke	0.00 3.46	106,828	3,176
Trianel Erneuerbare Energien Verwaltungs GmbH, Aachen[7]	TEEV	TEE	100.00	76	51
VNG AG, Leipzig	VNG AG	LVV	7.46[20]	1,009,732	154,184

1 Annual result before profit transfer
2 The conversion rate on the reporting date was used for the balance sheet; the average conversion rate was used for the profit and loss statement
3 IFTEC GmbH Co. KG, Leipzig, is exempt, in accordance with Section 264b of the German Commercial Code, from the duty to disclose annual financial statements under commercial law and a management report in accordance with the regulations applicable to joint-stock companies
4 Annual result before profit transfer and compensatory payment to minority shareholders
5 Affiliated companies that are not consolidated pursuant to Section 296(2) of the HGB because they are of minor importance due to insignificance in relation to the balance sheet total, turnover and result of the Group
6 In liquidation
7 Data according to financial statements for year ended 31 December 2020
8 The shares in subscribed capital correspond to voting rights
9 Associated companies that are not consolidated pursuant to Section 311(2) HGB because they are of minor importance due to immateriality of the contributions to earnings and distributions
10 The foundation took place in 2021 - annual financial statements still pending
11 Abbreviated financial year from 15 July 2020 until 31 December 2020
12 Abbreviated financial year from 2 April 2020 until 31 December 2020
13 Share of losses of the limited partners not covered by asset contributions of €7,983k
14 Abbreviated financial year from 10 July 2020 until 31 December 2020
15 Abbreviated financial year from 2 December 2020 until 31 December 2020
16 Block of shares held in trust via KBE
17 Information according to the annual financial statements as at 30 June 2021
18 Abbreviated financial year from 21 February 2020 until 31 December 2020
19 Abbreviated financial year from 5 February 2020 until 31 December 2020
20 LVV shares held via VNG VuB

1.3 Consolidation principles

The consolidated financial statements of the LVV Group are prepared on the basis of the LVV's Guidelines for preparing the consolidated financial statements and the commercial balance sheets II of the companies included in the consolidated financial statements.

The regulations on capital consolidation (Section 301 HGB), debt consolidation (Section 303 HGB) and the consolidation of expenses and revenues (Section 305 HGB) have been observed in the preparation of the consolidated financial statements.

Capital consolidation is based on the valuation of the shares of the companies included in the consolidated financial statements at the time of their acquisition, formation or first inclusion in the consolidated financial statements. In permissible deviation from German Accounting Standard (DRS) No. 23, capital consolidation for all consolidated companies already included prior to 1 January 2010 is carried out using the book value method.

The first-time consolidation of Tüngeda resulted in a negative difference of €630k after the revaluation as of 1 January 2021, which was mainly due to the creation of hidden reserves between the time of the share acquisition and the time of the first-time consolidation and was dissolved in full due to the insignificant amount.

The option of not including subsidiaries in the consolidated financial statements in accordance with Section 296 HGB was exercised.

Receivables and liabilities between the companies included in the consolidated financial statements are netted out, and income is offset against the relevant expenses.

Interim results from the effected sale of fixed assets between the companies included in the consolidated financial statements were not eliminated pursuant to Section 304(2) HGB.

The currency translation of foreign subsidiaries' balance-sheet items was based on the exchange rate on the balance-sheet date (mean spot rate); the historical exchange rate (translation of foreign currencies) was used for equity. The items on the profit and loss statement were translated into Euros using the average conversion rates.

The participations in the associated companies are posted at book value in the consolidated balance sheet pursuant to Section 312(1) HGB. The associated companies' shares of the annual profit, as well as other changes in their pro rata equity that have an effect on net income, are shown as a change in the book value of the participations and entered under the result from participations in associated companies. A negative participation book value that results after taking into account the pro rata annual net income as part of results carried forward is recorded in an additional calculation; it is not included in the balance sheet until a positive book value is generated from the carry-forward as a result of pro rata annual surpluses.

Insofar as participations in the associated companies are of minor importance, the application of Section 311(1) and Section 312 HGB is waived with reference to Section 311(2) HGB either upon acquisition of the participation or in the event of changed circumstances at a later date.

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

2.1 Accounting and valuation methods

In accordance with the statutory provisions, the annual financial statements of the companies included in the consolidated financial statements are compiled according to standardised accounting and valuation methods. In principle, the companies valued at equity in the consolidated financial statements also prepare their annual financial statements according to the Group's standardised accounting and valuation methods.

The **intangible assets** and **tangible assets** are valued at acquisition and production cost minus scheduled and non-scheduled depreciation and amortisation. The production costs of fixed assets and other assets constructed by the company take into account not only direct costs, but also proportionate parts of the overhead costs for materials and production.

In exercising the option pursuant to Section 248(2) HGB, self-created intangible assets are capitalised for significant items since 2019. This applies in particular to the in-house development of software solutions, which are amortised using the straight-line method over a useful life of three or five years.

Fixed assets acquired free of charge are reported at their fair market value on the date of transfer. Real-estate additions within the meaning of the Assets Allocation Act are shown on the balance sheet at a flat-rate land value.

The intangible assets include easements in accordance with the Land Register Revision Act (GBBerG).

Scheduled depreciation and amortisation is always carried out using the straight-line method over the fixed asset's estimated useful life. Depreciation and amortisation is generally based on a useful life ranging from two to 55 years. In addition, in the event of permanent reductions in value, non-scheduled depreciation and amortisation is taken into account.

If economically significant components of an asset have different useful lives and these components are physically separable, scheduled depreciation and amortisation is applied on a component basis.

Low-value items under €800.00 are put on the asset side in the year that they were purchased and then immediately written off. If the value of an asset does not exceed €250.00, the acquisition costs are recognised immediately as an expense.

Where subsidies or financial support are received for fixed assets of the companies incorporated into the Group, these funds are posted under 'special item for subsidies, development funds and the gratuitous provision of tangible fixed assets', to make the picture of the company's net worth and financial position on the liabilities side more transparent. They are released according to the useful life of the subsidised assets.

Advance payments on intangible and tangible fixed assets are carried at their acquisition cost at nominal value (excluding value added tax).

Shares in affiliated companies, which are shown under **financial assets,** and associated undertakings are stated at acquisition costs plus incidental acquisition costs. Shares in foreign companies are converted at the exchange rate that applies at the time of the transaction. Where necessary, if reductions in value are expected to be permanent, items are written down to the lower fair value on the balance-sheet date. Loans are valued at nominal value.

In principle, all **raw materials and supplies** are reported at average acquisition cost, applying the rule of cost or market value, whichever is lower.

Emission certificates allocated free of charge are posted under inventories at their memo value. Purchased emission certificates are shown on the balance sheet under 'inventories' at acquisition cost. Where necessary, items are written down to the lower fair value on the balance-sheet date.

Work in progress is valued loss-free at production cost. The manufacturing costs include not only material and production costs but also proportionate parts of overhead costs for materials and production.

Advance payments on inventories are carried at their acquisition cost at nominal value (excluding value added tax).

Receivables and other assets are shown at their nominal value, taking into account identifiable non-payment risks. Under Receivables from deliveries and services, received payments on account, which are recognised at nominal value, are openly deducted from the accrued consumption for electricity, gas, water and waste water that has not yet been metered.

Receivables in foreign currency whose remaining term does not exceed one year are valued at the mean spot exchange rate on the balance-sheet date. All other foreign currency receivables are valued using the exchange rate on the invoice date or in compliance with the realisation principle for long-term positions (Section 256a HGB) the mean spot exchange rate on the balance-sheet date, whichever is lower.

In wholesale energy trading, receivables and liabilities are netted out in cases where netting contracts have been agreed upon with partners.

Cheques and cash at bank and in hand are shown on the balance sheet at their nominal value. Amounts in foreign exchange with a term of less than one year are valued at the mean spot exchange rate on the balance-sheet date pursuant to Section 256a HGB.

Prepaid expenses include expenditures representing expenses after the balance-sheet date.

The **special loss account from the formation of provisions pursuant to Section 17(4) DMBilG** corresponds to the formation of provisions in the Deutschmark opening balance minus dissolutions and consumption of the provisions in question in the meantime.

The determination of **deferred tax** assets and liabilities is based on the balance sheet-oriented temporary concept (Section 274(1) HGB). Deferred taxes on quasi-permanent differences arising from the different valuation of participations in the commercial and tax balance sheets are also taken into account here. In addition, deferred tax assets are recognised on the existing corporate and trade tax loss carryforwards to the extent that a loss offset is expected within the next five years. This assessment is based on corresponding planning calculations. They are calculated for the German companies using a company-specific, combined income tax rate (corporation tax and solidarity surcharge, municipal trade tax) amounting to approximately 31.8% or, in the case of temporal accounting differences relating to participations in the legal form of a partnership, on the basis of a combined income tax rate of 15.8%, which only includes corporation tax and the solidarity surcharge. A tax rate of 19.0% is applied for the Polish companies. Over the business year, net posting (pursuant to Section 274(1), sentence 3 HGB) results in a deferred tax asset overall. The option of posting the deferred tax asset surplus due to resulting tax benefit savings arising in accordance with Section 274(1), sentence 2 HGB is fundamentally not used within the scope of Group-wide accounting.

As well as losses carried forward, the deferred taxes are based on differences in approaches reported by LVV and its consolidated Group subsidiaries. In this case, deferred tax assets result in particular from differences in valuation under commercial and tax law for tangible assets and financial assets, for inventories, other assets, special items, pension provisions, other provisions, liabilities and for deferred income. Deferred tax liabilities result essentially from tangible assets, financial assets, receivables, special items, provisions and liabilities. A permissible deviation from DRS No. 18 'Deferred taxes', an illustration of the relationship between expected and stated tax expenditure in the form of a reconciliation statement is not included.

By contrast with the previous year, the deferred taxes resulting from consolidation measures were netted with the primary deferred tax assets (total difference approach). Deferred taxes from consolidation measures (secondary deferred taxes) are only recognised in the balance sheet if the comparison with the primary deferred taxes results in a surplus on the liabilities side or if there is a surplus on the assets side of secondary deferred taxes, irrespective of the exercise of the capitalisation option in accordance with Section 274(1), sentence 2 in conjunction with Sections 298 and 300(2) HGB.

The **subscribed capital** is reported at its nominal value.

The item **equity difference resulting from currency translation** is a result of the discrepancy between the valuation of the balance sheet at the exchange rate on the reporting date and the profit and loss statement at the average conversion rate on the one hand, and the valuation of equity at the historical exchange rate used by the consolidated foreign companies on the other.

In addition to tangible fixed assets transferred free of charge, the **special item for subsidies, development funds and the gratuitous provision of tangible fixed assets** shown under 'liabilities' includes mainly capital investment grants and the sewer-service charge, which can be netted against investments in environmental improvements; these investments are released to income over the useful life of the subsidised fixed assets. The rights shown under the 'special item for emission entitlements issued free of charge' were posted on the balance sheet at their memo value.

Received contributions towards house-connection costs and similar subsidies are shown under the **special item for building-cost subsidies.** The annual release to income amounts to 5.0% for building-cost subsidies received up to 31 December 2002. Building-cost subsidies received after 1 January 2003 are released to income over the useful life of the assets concerned.

From the 2016/2017 price period, the Kommunale Wasserwerke Leipzig GmbH, Leipzig (Wasserwerke) posted imputed depreciation and amortisation on the basis of current replacement values in the price calculation, in accordance with Section 13(1) of the Municipal Charges Act of Saxony (SächsKAG). Current replacement values are understood to mean the value of the fixed asset to be used at the time of determination that the company would have to pay to replace an asset with an item of the same type and quality. In accordance with Section 13(4) SächsKAG, if depreciation and amortisation is based on current replacement values, surpluses resulting from this vis-à-vis a calculation with acquisition and manufacturing costs must be allocated to a special item and treated as an income subsidy. The special items were formed in relation to asset classes under special items for building-cost subsidies for the first time in 2016. From the time at which replacement and expansion investments are made in subsequent periods, the special item is to undergo scheduled release to income, while taking into account the average useful life of the investments. In 2017, investments made were allocated amounts from the accumulated special items for the first time. The resulting reversal amounts for 2021 amount to €779k.

Provisions are formed for pensions and similar commitments as well as for selected provisions for staff, on the basis of actuarial expert opinions based on the 2018 G guideline tables compiled by Prof. Dr. Klaus Heubeck in accordance with the Projected Unit Credit Method.

Provisions for pensions and other pension obligations are based on assumed actuarial interest rates of 1.87% to 1.90% for a term of 15 years and future salary and pension adjustments or increases in expenses of up to 5.0%.

As a result of the discounting of pension provisions using the average market interest rate over the past ten years, we see a difference of €1,618k compared with the discounting using the average market interest rate of the past seven years.

In the case of the Polish companies, provisions for old-age allowances are formed on the basis of mathematical expert opinions in accordance with IAS 19 using the Projected Unit Credit Method at an interest rate of 3.6%, future salary adjustments of 5.5% and fluctuation rates of up to 18.9%.

Where pension obligations are covered by pension-plan reinsurance contracts that have been assigned to retirees and staff entitled to pensions, the obligations are netted against the asset value of the pension-plan reinsurance policies pursuant to Section 246(2) HGB.

A part of the pension obligations is valued at the fair value of the pension-plan reinsurance pursuant to Section 253(1), sentence 3 HGB, since these are congruently reinsured employer's pension commitments. The valuation is based on actuarial reports.

In the case of selected other provisions for personnel (for anniversaries, semi-retirement and value account models), the valuation in the actuarial reports is based on interest rates in accordance with the average market interest rates of the past seven years published by the Deutsche Bundesbank with an assumed remaining term of 15 years. Future annual wage and salary increases are taken into account.

Assets whose sole purpose is to meet long-term obligations relating to semi-retirement and value accounts, and to which all other creditors have no access, are posted after being netted against the corresponding obligations pursuant to Section 246(2), sentence 2 HGB. The valuation is based on available actuarial reports.

The **other provisions** appropriately and sufficiently cover all identifiable risks and contingent liabilities. They are valued at the amounts deemed necessary to settle obligations according to sound business judgement.

Also included in 'other provisions' are emission certificates allocated free of charge, which are posted at their memo value to meet the obligation to return them and emission certificates acquired for a consideration at their book value.

An appropriate rate of cost increases is taken into account when valuing each amount needed to settle obligations relating to certain long-term provisions. 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.

In accordance with Section 67(1), sentence 2 of the Introductory Act to the German Commercial Code (EGHGB), long-term provisions that would have to be released due to a change in valuation are retained if the amount to be released will have had to be returned by 31 December 2024 at the latest.

The company has used the option of **retaining provisions for operating expenses pursuant to Section 249(2) HGB (old version)** in accordance with Section 67(3), sentence 1 EGHGB, at the time of conversion to the new regulations of the Act on modernisation of accounting law (BilMoG).

Liabilities are posted at their settlement amount and advance payments received at nominal value on the liability side. Liabilities in foreign currency whose remaining term does not exceed one year are valued at the mean spot exchange rate on the balance-sheet date. All other foreign currency liabilities are valued using the exchange rate on the invoice date or the mean spot exchange rate on the balance-sheet date, whichever is higher.

Deferred income covers receipts representing income after the balance-sheet date. Present net-value benefits from cross-border leasing transactions were posted under liabilities. They will be released to income over the term of the respective contract.

Derivative financial instruments are valued individually at their fair value on the balance-sheet date. Where the conditions for the formation of valuation units are met, the hedges and underlying transactions are combined into a single valuation unit.

2.2 Notes to the consolidated balance sheet

The composition and development of the individual items of **fixed assets** are shown in the statement of fixed assets; the classification is based on Section 266(2), in conjunction with Section 265(6) HGB.

In the business year total development costs of €811k were incurred, of which €525k were capitalised as internally generated intangible assets.

Financial assets include the shares of the affiliated companies not included in the consolidated group, loans to affiliated companies not included, participations, loans to companies in which a participating interest is held, and other loans.

The **inventories** contain emission entitlements allocated free of charge on the balance-sheet date with an obligation to return, which have been posted with a memo value (market value on 31 December 2021: €2,199k).

The **receivables from deliveries and services** on the consolidated balance sheet are mainly comprised of receivables from invoiced deliveries of energy and water, from wastewater treatment, and consumption between the date of the last metre reading and the balance-sheet date, which is charged to subsequent periods, totalling €319,152k. Payments received on account worth €186,788k are openly set off. The receivables from deliveries and services include receivables payable by the shareholder, the City of Leipzig, amounting to €33,356k.

Of the **receivables from affiliated companies not included,** €246k relate to receivables from deliveries and services and €6,699k to other assets.

The receivables from associated **companies in which a participating interest is held** relate to liabilities from deliveries and services amounting to €28k.

The **other assets** are mainly made up of receivables from the tax office amounting to €27,060k, some of which do not legally arise until after the balance-sheet date.

Of the receivables, €5k (2020: €8k) of the trade receivables, €190k (2020: €493k) of the receivables from companies in which a participating interest is held, and €685k (2020: €589k) of the other assets have a **remaining term of more than one year.**

The differential amount (discount) included in prepaid expenses in accordance with Section 250(3) HGB amounts to €1,634k (2020: €387k).

The **special loss account from the formation of provisions pursuant to Section 17(4) DMBilG** relates to the provision to cover any future restoration of contaminated sites. €73k of this provision was amortised in the 2021 business year.

The **subscribed capital** corresponds to the parent company LVV's share capital. The original capital contribution is held in full by the City of Leipzig.

The shares included in the item **non-controlling interests,** amounting to €97,375k, are mainly those of the Zweckverband für Wasserversorgung und Abwasserbeseitigung Leipzig-Land (ZV WALL) in Wasserwerke, the City of Gdańsk in GPEC and Siemens AG in IFTEC. The minority interests in Tüngeda due to the first-time consolidation as of 1 January 2021 have been newly added. The profit of €7,650k attributable to these shareholders is allocated in this balance sheet item and stated separately in the consolidated profit and loss statement under 'non-controlling interests'.

In permissible deviation from DRS No. 22 "Group Equity", the disclosures on the statutory distribution or transfer blocks are omitted.

The **pension obligations** relating to German companies are netted against the corresponding asset value of concluded pension-plan reinsurance policies in accordance with Section 246(2) HGB. Both the fair value of the netted assets and the netted debts (calculated as the amount needed to settle the obligation) each amount to €506k, taking payments already made into account. The acquisition costs of the asset value of the pension-plan reinsurance policies amount to €683k. In the 2021 business year, the interest earnings included in the fair value of the assigned reinsurance policies (€17k) are netted against the expenses of the obligation (€17k) in the profit and loss statement.

In addition to tax provisions for the present business year, the **provisions for taxation** take into account provisions for possible tax back payments for previous years resulting from ongoing government tax audits.

The **other provisions** mainly include provisions for outstanding invoices (€41,944k), for the clean-up of ecological damage (€33,402k), for expenditure on part-time employment schemes for older employees, social compensation plans and personnel expenses (€27,260k), for anticipated losses (€18,308k), for turnover risks in accordance with SächsKAG (€15,335k), for litigation risks and legal proceedings (€14,602k), and for sewer service charges and franchise fees (€9,823k).

The **obligations relating to part-time employment schemes for older employees and other provisions for staff for value accounts** (€7,222k) are netted against assets to which no other creditors have access and whose sole purpose is to meet semi-retirement obligations or similar obligations due and payable in the long term, in accordance with Section 246(2), sentence 2 HGB. The purchase costs of the netted assets are €7,223k. The fair value of the netted assets and the amount needed to settle the netted debts amount to €7,223k respectively. The interest expense resulting from the allocation of reinsured obligations (€47k) was settled with the interest income from the reinsurance policy (€20k).

Other provisions include provisions for expenses in the amount of €9,438k, for which the right of retention in accordance with Article 67, subsection 3, sentence 1 EGHGB was used.

The amount to cover long-term provisions retained in accordance with Article 67(1), sentence 2 EGHGB is €10k.

The **liabilities** shown in the consolidated balance sheet have the following remaining terms:

Liabilities

in €k

	Remaining term			Total
	Up to one year (2020)	From one to five years (2020)	Over five years (2020)	31.12.2021 (2020)
1. Liabilities to banks	47,410 (106,078)	311,681 (157,875)	532,258 (565,313)	891,349 (829,266)
2. Payments received on account of orders	4,427 (1,774)	0 (0)	0 (0)	4,427 (1,774)
3. Liabilities from deliveries and services	127,194 (88,690)	3 (1)	0 (0)	127,197 (88,691)
4. Liabilities to affiliated companies that are not consolidated	11,869 (10,799)	0 (0)	0 (0)	11,869 (10,799)
5. Liabilities to companies in which a participating interest is held	2,539 (1,887)	0 (0)	0 (0)	2,539 (1,887)
6. Other liabilities	123,281 (50,842)	334 (668)	65,000 (65,000)	188,615 (116,510)
	316,720 (260,070)	**312,018 (158,544)**	**597,258 (630,313)**	**1,225,996 (1,048,927)**

For the majority of the **liabilities to banks and the liabilities from registered debentures,** standardised financial covenants containing predefined financial relations such as the debt-equity ratio and the own funds ratio were agreed when concluding unsecured medium- and long-term loan agreements. For liabilities owed to credit institutions of €10,917k, a transfer of ownership by way of security of the financed fixed assets and an open assignment of the receivables associated with the project were made.

€7,342k of the **liabilities from deliveries and services** relate to liabilities in respect of the shareholder City of Leipzig.

€6,124k of the **liabilities to affiliated companies which are not consolidated** relate to other liabilities, €5,493k concern liabilities from cash management, €250k concern liabilities from deliveries and services and €1k concern tax liabilities.

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

Other liabilities include liabilities from registered debentures of €65,000k.

The item **deferred income** is essentially made up of income from cross-border leasing transactions of Wasserwerke and Leipziger Verkehrsbetriebe (LVB) GmbH amounting to €1,523k, which will be released to income over the contract terms. Furthermore, it includes, among other things, fare income relating to the following year amounting to €5,194k.

Deferred tax liabilities amount to €133k as at the reporting date and are attributable to other shareholders. In the previous year, deferred tax liabilities amounted to €410k and resulted from debt consolidation. The change in deferred tax liabilities results from the change in deferred taxes from debt consolidation (€410k), the formation of deferred tax liabilities within the scope of the initial consolidation of Tüngeda (€475k) and their release (€10k) as well as from the capitalisation of primary deferred taxes within the scope of the overall difference consideration (€332k).

2.3 Notes to the consolidated profit and loss statement

Of the Group's **sales revenue,** €2,046,215k relates to wholesale energy trading and energy supplies, €175,330k to water supply/sewage treatment, €102,776k to income from transport services including compensatory payments, and €73,534k to ancillary business including income from the release of the special item for building-cost subsidies.

Of the sales revenue, €2,249,893k of turnover was generated in the Federal Republic of Germany and €147,962k in the Republic of Poland.

The sales revenue includes sales revenues unrelated to the accounting period amounting to €1,227k.

Other operating income includes income of €54,895k related to other periods. This mainly consists of income from the dissolution of provisions (€42,839k), income from write-ups on fixed assets (€5,207k), income from the dissolution of value adjustments on receivables and the receipt of receivables written off (€3,504k) and income from liabilities written off (€857k).

Income from foreign-currency gains was €15k, €0k of this amount was not realised.

The **cost of materials** includes expenses unrelated to the accounting period of €3,553k.

Depreciation and amortisation include non-scheduled depreciation of tangible fixed assets of €993k and depreciation and amortisation relating to other periods on the special loss account from the formation of provisions pursuant to Section 17 (4) DMBilG of €73k.

Other operating expenses include expenses relating to other accounting periods of €7,961k for value adjustments and write-offs of receivables. Expenses of –€1k were incurred for foreign-currency losses.

Other interest and similar income includes €252k from the discounting of provisions, while the item **interest and similar expenses** includes €1,647k from the interest added back into provisions. The interest income includes interest income not related to the accounting period of €130k, essentially resulting from tax rebates for previous years. The interest expenses includes interest expenses not related to the accounting period of €560k, essentially resulting from back tax payments for previous years.

Taxes on corporate income and business profits include tax revenue unrelated to the accounting period of €829k.

3 Information on the annual result

The LVV Group closed the 2021 business year with a consolidated net profit of €40,831k.

Taking into account the results attributable to other shareholders (non-controlling interests) of €7,650k, the Group loss carried forward of €134,802k and the transfer of LVV's result in the previous year to the revenue reserve of €11,439k, a consolidated balance sheet loss of €113,060k remains.

It has been proposed to transfer the parent company's net income for the 2021 business year of €32,396k to the revenue reserves of LVV.

4 Other information

4.1 Contingencies

The Group has contingencies of €67,695k. €50,101k is accounted for by membership obligations of IFTEC in a bidder consortium. Since the bidding consortium has so far performed its services in accordance with the contract and, according to current knowledge, will probably continue to do so in the future, it can be assumed that its utilisation is not to be expected.

Contingencies also continue to exist pursuant to Section 251 HGB based on cross-border leasing transactions (CBL).

4.1.1 Treatment plant transaction (Wasserwerke)

Payment obligation from borrowed funds:

Payment instruments of a financial institution with an investment-grade rating by Standard & Poor's and Moody's exist for the borrowed fund shares of the leasing payments payable by Wasserwerke. The payment profile of the payment instrument is coordinated to the borrowed fund shares of leasing payments payable by Wasserwerke. The balance of borrowed fund payment instruments at the end of 2021 was approximately $160.0m.

Payment obligation from own funds:

For the own fund shares of leasing payments payable by Wasserwerke, a payment instrument of a special-purpose company exists, which has secured its payment obligations in respect of Wasserwerke by means of a term- and amount-compliant portfolio of US government bonds. The portfolio of US government bonds has also been pledged in favour of the investor. There are no contractually stipulated rating requirements for the US government bond portfolio.

Should the contract be dissolved prematurely by Wasserwerke, this may give rise to a contingency risk from the difference between the contractually agreed (own funds) value upon cancellation and the market value of the own fund payment instrument, which corresponds to the market value of the US government bond portfolio. At the end of 2021, this difference was slightly less than $20.0m. For the purpose of covering this difference, additional securities for the benefit of the investor were ordered from a German state bank in the form of bank guarantees, which are subject to contractually agreed minimum ratings. As the bank guarantees were issued prior to July 2001, they are subject to the continuous guarantor's liability of the original guarantors.

4.1.2 Tram transaction 2005 (Verkehrsbetriebe)

Verkehrsbetriebe is liable for the future payment obligations relating to a cross-border leasing transaction with a transaction volume of €22,906k concluded in 2005 with Skandinaviska Enskilda Banken AB Public Sweden (SEB). The payment obligations are covered by the purchase price, which has been deposited with the lessor. The outstanding leasing liabilities on the balance-sheet date were €17,487k. A right of lien was created on the assets of the leasing transaction in favour of Verkehrsbetriebe. It is not expected to be used based upon the structure of the transaction and the information available.

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

There are other financial commitments relating to rental, tenancy, leasing and service agreements as well as investments in the Group amounting to €117,308k.

Of these, there were obligations from operating leases for generation plants worth €18,129k with a term until 2024. The leasing contract includes future payments with a variable interest component which is calculated on the basis of the three-month EURIBOR. Interest components are not shown in the posted operational leasing obligations for any of the aforementioned agreements. The operational lease relates to the biomass (heating) power station in Piesteritz. The benefits of this transaction are essentially in the financing by the lessor, though disadvantages exist as a result of the long-term expenses and the absence of an ownership position.

From energy procurement, there are obligations from OTC (over the counter) trading for electricity with a nominal value of €1,050.6m, for gas with a nominal value of €310.6m and for emission certificates with a nominal value of €11.9m.

Furthermore, there are other financial commitments of €4,028k resulting from capital contributions that have not yet been called in, outstanding limited partnership contributions, the provision of loans and the payment of an additional purchase price, of which €1,500k is to non-consolidated affiliated companies.

The purchase commitment amounts to €199,252k.

In the 2021 business year, some of the LVV Group companies paid contributions to the supplementary pension fund of the Kommunaler Versorgungsverband Sachsen (Saxony Municipal Pension Association), Dresden, amounting to 1.6%, and additional contributions amounting to 4.4% (2.0% of which was the employees' contribution, in part) of all employees' wages and salaries subject to supplementary pension contributions. The contributions and additional contributions are used for the medium-term funding of the supplementary pension fund that has existed since the transition to a contribution-based funded insurance system. The contribution system will be discontinued once the appropriate level of funding has been reached.

4.3 Derivative financial instruments

Interest-rate and currency derivatives transactions are made to limit interest-rate and currency risks. We hedge against energy price risks with commodity derivatives.

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

Commodity derivatives

in €k

	31.12.2021			
	Nominal volume	Fair value	Book value	
			Assets	Liabilities
Electricity[1]	2,633,847	26,613	0	0[2]
Gas[1]	462,415	–9,597	0	0[2]
CO_2 Emmission Certificates[1]	27,020	6,967	0	0[2]

[1] Underlying and hedging instruments in valuation units
[2] Ineffective part of the hedging relationship

We hedge against energy price risks with **commodity derivatives** in the form of options, forwards and futures.

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(11) of the German Banking Act (KWG). The nominal volume corresponds to the additive value of all agreed purchase (€1,561.3m) and sales (€1,562m) agreements for future delivery periods up to and including 2025.

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). In order to determine the prospective effectiveness of the hedging relationship, reference is made to the Company's documented, appropriate and functional risk management, which continuously monitors compliance with the risk limits. The changes in value are hedged over a period of two 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 impending 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.

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 2022, 2023 and 2024. The sales transactions include binding sales contracts with customers and customer sales which are very likely. These are countered by procurement transactions, which include contracted stock market or OTC procurement transactions. The examination of portfolios also took into account the directly attributable overhead costs based on the contribution margin IV. (Discounted) provisions for anticipated losses of €4.9m were added for the 2021 business year.

In addition, portfolios of district heating purchasing, sales and oil hedging contracts were formed in the district heating sector in accordance with IDW RS ÖFA 3. The portfolios also included the relevant power plant capacities for the generation of district heating. The sales transactions mostly involve binding sales contracts with customers, which are partly dependent on the price of oil. These price risks are hedged by financial transactions.

In the accounting of the valuation units, the freezing method was applied in each case.

4.4 Information on the executive bodies

The **members of management** are:

- Mr Michael M. Theis,
  Managing Director Water, Communications and Press, Human Resources, Management Board Spokesperson, Employment Director,
- Mr Ulf Middelberg,
  Managing Director Mobility, Corporate Development, Brand, Digitisation,
- Mr Volkmar Müller,
  Managing Director Audit, Legal Affairs, Board Management, Finance and Risk Management, Accounting and Taxes,
- Mr Karsten Rogall,
  Managing Director Energy, Information Technology, Investment Controlling

The following payments were made to the members of management in the 2021 business year:

in €k

	Fixed annual base salary 2020	Other salary 2020	Performance-based remuneration 2020	Total remuneration 2020	Performed payments in the event of termination of activity (Severance payments) 2020	Type of pension scheme[1] 2020	Pension scheme (contribution) expense 2020
Michael M. Theis	240[2] (240)	5 (12)	40[3] (48)	286 (300)	0 (0)	A (A)	30 (30)
Ulf Middelberg	220 (220)	4 (6)	33[3] (48)	257 (274)	0 (0)	A (A)	30 (30)
Volkmar Müller	220 (220)	6 (11)	40[3] (48)	266 (279)	0 (0)	A (A)	30 (30)
Karsten Rogall	220 (220)	6 (11)	40[3] (48)	266 (279)	0 (0)	A (A)	30 (30)
	900 **(900)**	**21** **(40)**	**153** **(192)**	**1,075** **(1,132)**	**0** **(0)**		**120** **(120)**

[1] A – Contribution-oriented performance bonus
[2] Including spokesperson bonus
[3] Payment of performance-based premium for 2020 in 2021

In addition, annual pension benefits of €35k have been paid to former members of the Executive Board. Provisions of €426k (2020: €445k) have been made to cover ongoing pensions for former Managing Directors.

The **Supervisory Board** is made up of the following members:

Shareholder representatives	
Burkhard Jung Chairman of the Supervisory Board	Mayor of the City of Leipzig
Torsten Bonew	First Mayor and Chief Financial Officer, City of Leipzig
Martin Biederstedt	Office Manager/Assistant, gross :: rechtsanwaelte
Siegbert Droese	Member of the German Bundestag
Katharina Krefft	Physician, Sächsisches Krankenhaus Altscherbitz
Sven Morlok	Minister of State, retired
Heiko Oßwald	Head of the Income Tax Department, Tax Office Leipzig II
Franziska Riekewald	Constituency Officer, o.trend GmbH
Claus-Uwe Rothkegel	Managing Director, Rothkegel BauFachhandel GmbH and Rothkegel GmbH
Steffen Wehmann	Employee Finances/Banks, Konsum Leipzig eG Group assistant Parliamentary Group DIE LINKE in the City Council of Leipzig

Employees' representatives	
Ines Kuche Deputy Chair	Deputy Regional Manager, ver.di – Vereinte Dienstleistungsgewerkschaft Sachsen, Sachsen-Anhalt, Thüringen (union)
Norman Friske	District Manager Leipzig, IG BCE Industriegewerkschaft Bergbau, Chemie, Energie
Susann Frölich	Chair of the Works Council, Stadtwerke Leipzig GmbH
Jens Herrmann-Kambach	Works Council, Leipziger Verkehrsbetriebe (LVB) GmbH
Katja Hübner	Chair of the Works Council, LAS GmbH
Armin Krück	Chair of the Works Council, Kommunale Wasserwerke Leipzig GmbH
Peter Kubiak	Office Clerk Coordination Telecommunication, Netz Leipzig GmbH
Nico Langhammer	Office Clerk Technology/ Automation Technology, Bau und Service Leipzig GmbH
Peter Lintzel	Division Manager Production, Stadtwerke Leipzig GmbH
Paul Schmidt (from 1 August 2021)	National District Head of Public and Private Services, Social Security and Transport ver.di – Vereinte Dienstleistungsgewerkschaft Sachsen, Sachsen-Anhalt, Thüringen (union)
Paul Pjanow (until 31 July 2021)	Children's and youth workers for the "Licht auf dem Berg" project, Mastering Your Life e. V.

The members of the Supervisory Board received the following remuneration and attendance allowances for their work during the 2021 business year:

in €

Shareholder representatives	Total remuneration	Total attendance allowances
Burkhard Jung Chairman of the Supervisory Board	1,000.00	1,875.00
Torsten Bonew	1,000.00	1,250.00
Martin Biederstedt	1,000.00	1,500.00
Siegbert Droese	1,000.00	1,500.00
Katharina Krefft	1,000.00	1,250.00
Sven Morlok	1,000.00	1,500.00
Heiko Oßwald	1,000.00	1,500.00
Franziska Riekewald	1,000.00	1,500.00
Claus-Uwe Rothkegel	1,000.00	1,500.00
Steffen Wehmann	1,000.00	1,875.00
	10,000.00	**15,250.00**

in €

Employees' representatives	Total remuneration	Total attendance allowances
Ines Kuche Deputy Chair of the Board	1,000.00	1,875.00
Norman Friske	1,000.00	1,500.00
Susann Frölich	1,000.00	1,250.00
Jens Herrmann-Kambach	1,000.00	1,000.00
Katja Hübner	1,000.00	1,250.00
Armin Krück	1,000.00	1,500.00
Peter Kubiak	1,000.00	1,750.00
Nico Langhammer	1,000.00	1,250.00
Peter Lintzel	1,000.00	1,500.00
Paul Schmidt (from 1 August 2021)	416.67	750.00
Paul Pjanow (until 31 July 2021)	583.33	750.00
	10,000.00	**14,375.00**

4.5 Auditor’s fee

The total fee charged by the auditor of the LVV Group for the 2021 business year was €363k. Auditor services accounted for €311k of this total and other confirmation services for €51k. The total fee includes payments of €24k for previous years.

The total fee for other auditors working at subsidiaries of the LVV Group amounted to €333k. Auditor services accounted for €264k of this total, other tax advisory services for €57k as well as €12k for other services. The total fee includes €0k for previous years.

4.6 Annual average number of employees

Annual average number of employees (Section 314(1) No. 4 HGB)

	2021	2020
Employees	1,940	1,938
Blue-collar workers	3,030	3,012
	4,970	**4,950**

5 Supplementary report

The invasion of the sovereign state of Ukraine by Russian forces on 24 February 2022 represents an event that will leave its mark on the global economy and thus also on corporate accounting, in some cases significantly. Significant sanctions were imposed on Russia in connection with the military conflict. These sanctions and possible economic countermeasures by Russia will have a negative impact on world trade and especially on economic development in Europe. The continued supply of gas by Russia in Europe will play a decisive role in terms of the price trends on the energy market and the security of supply in Germany. Inflation is expected to rise overall, which may have an impact on all sectors of the economy. However, the immediate effects on the LVV Group are not yet fully foreseeable. Therefore, the associated loss of earnings cannot be completely ruled out. Due to this development, possible impacts on the net worth, financial position and income situation are continuously analysed. A complete evaluation is not possible at the current time. However, it is assumed that the company will be able to continue as a going concern at all times. For further information, please refer to the risk and forecast reporting in the Group management report.

There were no further 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 2021 or the Management Report for the 2021 business year.

Leipzig, 25 April 2022

Management

Michael M. Theis   Ulf Middelberg   Volkmar Müller   Karsten Rogall

Development in the consolidated fixed assets in the 2021 business year

LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig

	Acquisition and production cost						
	01.01.2021	Currency difference	Additions	Transfers	Additions to the group	Disposals	31.12.2021
I. Intangible assets							
1. Internally generated industrial property rights and similar rights and assets	2,289	0	525	19	0	0	2,833
2. Purchased concessions, licences, rights of use, IT programs and easements	150,906	−30	2,567	4,177	0	3,774	153,846
3. Payments on account	3,616	0	1,581	−2,069	0	0	3,128
	156,811	**−30**	**4,673**	**2,127**	**0**	**3,774**	**159,807**
II. Tangible assets							
1. Land, leasehold rights and buildings, including buildings on leased land	659,382	−1,851	2,231	10,572	4	2,532	667,806
2. Technical equipment and machines	4,287,561	−494	132,017	88,004	20,935	26,734	4,501,289
3. Other equipment, factory and office equipment	106,320	−69	7,413	3,330	0	5,704	111,290
4. Payments on account and assets under construction	203,180	−32	179,171	−104,033	0	24	278,262
	5,256,443	**−2,446**	**320,832**	**−2,127**	**20,939**	**34,994**	**5,558,647**
III. Financial assets							
1. Shares in affiliated companies	24,616	−110	625	0	0	3,044	22,087
2. Loans to affiliated companies that are not consolidated	4,996	−40	2,038	0	0	304	6,690
3. Participations in associated companies	3,581	0	0	−22	9	0	3,568
4. Participations	195,862	−1	2,616	22	0	0	198,499
5. Loans to companies in which a participating interest is held	6,620	0	0	0	0	0	6,620
6. Other loans	1,246	0	76	0	0	158	1,164
	236,921	**−151**	**5,355**	**0**	**9**	**3,506**	**238,628**
	5,650,175	**−2,627**	**330,860**	**0**	**20,948**	**42,274**	**5,957,082**

in €k

							Cumulative depreciation	Book values	
01.01.2021	**Currency difference**	**Additions**	**Transfers**	**Apprecia-tions**	**Additions to the group**	**Disposals**	**31.12.2021**	**31.12.2021**	**31.12.2020**
363	0	649	0	0	0	0	1,012	1,821	1,926
137,698	−8	4,950	−15	0	0	1,625	141,000	12,846	13,208
0	0	0	0	0	0	0	0	3,128	3,616
138,061	**−8**	**5,599**	**−15**	**0**	**0**	**1,625**	**142,012**	**17,795**	**18,750**
315,139	−742	13,250	42	−4,370	1	2,016	321,304	346,502	344,243
2,559,097	−368	127,018	65	−494	4,549	26,073	2,663,794	1,837,495	1,728,464
77,402	−54	11,340	−92	−343	0	5,561	82,692	28,598	28,918
216	−3	178	0	0	0	19	372	277,890	202,964
2,951,854	**−1,167**	**151,786**	**15**	**−5,207**	**4,550**	**33,669**	**3,068,162**	**2,490,485**	**2,304,589**
313	0	0	0	0	0	0	313	21,774	24,303
0	0	0	0	0	0	0	0	6,690	4,996
3,568	0	0	0	0	0	0	3,568	0	13
72,542	−1	0	0	0	0	0	72,541	125,958	123,320
1,861	0	0	0	0	0	0	1,861	4,759	4,759
0	0	0	0	0	0	0	0	1,164	1,246
78,284	**−1**	**0**	**0**	**0**	**0**	**0**	**78,283**	**160,345**	**158,637**
3,168,199	**−1,176**	**157,385**	**0**	**−5,207**	**4,550**	**35,294**	**3,288,457**	**2,668,625**	**2,481,976**

Consolidated statement of changes in equity at 31 December 2021

LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig

	Equity of the parent company						
		Reserves					
	Subscribed capital	Capital reserve pursuant to Section 272(2) No. 4 HGB	Revenue reserve other revenue reserves	Equity difference caused by currency conversion	Revenue carried forward/ loss carried forward	Group annual income/ loss attributable to the parent company	Total
As of 31 December 2019	**512**	**364,243**	**179,150**	**–5,237**	**–124,594**	**–6,614**	**407,460**
Equity increase/reduction	0	0	0	0	0	0	0
Transfer to/withdrawal from reserves	0	261,667	15,403	0	–15,403	0	261,667
Distribution	0	0	0	0	0	0	0
Currency translation	0	0	0	–5,934	0	0	–5,934
Other changes	0	0	0	0	0	1	1
Changes in the consolidated group	0	0	0	0	0	0	0
Consolidated net income/loss	0	0	0	0	8,789	3,019	11,808
As of 31 December 2020	**512**	**625,910**	**194,553**	**–11,171**	**–131,208**	**–3,594**	**675,002**
Equity increase/reduction	0	0	0	0	0	0	0
Transfer to/withdrawal from reserves	0	0	11,439	0	–11,439	0	0
Distribution	0	0	0	0	0	0	0
Currency translation	0	0	0	–701	0	0	–701
Other changes	0	0	0	0	0	0	0
Changes in consolidated group	0	0	0	0	0	0	0
Consolidated net income/loss	0	0	0	0	7,845	25,336	33,181
As of 31 December 2021	**512**	**625,910**	**205,992**	**–11,872**	**–134,802**	**21,742**	**707,482**

in €k

			Non-controlling interests	Consolidated equity
Non-controlling shares before equity difference resulting from currency conversion and annual results	To non-controlling shares of non-applicable equity difference from currency conversion	To non-controlling shares of non-applicable profits/losses	Total	Total
88,172	**–379**	**4,949**	**92,742**	**500,202**
0	0	0	0	0
0	0	0	0	261,667
–4,648	0	0	–4,648	–4,648
0	0	0	0	–5,934
–1	0	0	–1	0
0	0	0	0	0
4,949	58	1,220	6,227	18,035
88,472	**–321**	**6,169**	**94,320**	**769,322**
0	0	0	0	0
0	0	0	0	0
–6,168	0	0	–6,168	–6,168
0	0	0	0	–701
–2	0	0	–2	–2
1,575	0	0	1,575	1,575
6,169	17	1,464	7,650	40,831
90,046	**–304**	**7,633**	**97,375**	**804,857**

Consolidated cash flow statement for the business year from 1 January until 31 December 2021

LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig

in €k

	2021	2020
Consolidated net income	**40,831**	**18,035**
Amortisation of intangible and tangible fixed assets	157,387	149,018
Amortisation of the special loss account from formation of provisions pursuant to Section 17(4) DMBilG	73	70
Write-ups to fixed assets	–5,207	–23
Release of revenue subsidies received	–28,465	–21,614
Release of the special item for capital investment grants	–38,759	–36,797
Income from the release of present-value benefits from cross-border leasing transactions	–419	–419
Profit(–)/Loss(+) from disposal of fixed assets and consolidated companies	181	–199
Consolidated group related changes and other non-cash transactions	–5,069	–1,160
Increase (–)/decrease (+) in inventory	–9,265	–1,658
Increase (–)/decrease (+) in receivables and other assets	–122,068	2,070
Increase (+)/decrease (–) in provisions	–5,676	–3,257
Increase (+)/decrease (–) in payables and other liabilities	132,721	–411
Interest expenses (+)/interest income (–)	18,365	33,269
Income from participations (–)	–7,910	–6,824
Income tax expense (+)/income (–)	7,754	6,822
Income tax payments (–)	–21,414	–8,582
Cash flow from operating activities	**113,060**	**128,340**
Receipts from disposals of fixed assets	3,755	4,156
Payments for investments in intangible assets	–4,673	–5,491
Payments for investments in tangible fixed assets	–314,805	–278,743
Payments for investments in financial assets	–5,355	–8,159
(+) Interest received	204	234
(+) Income from participations received	6,477	6,547
(+) Receipts from the disposal of cover assets	857	759
(–) Payments for the acquisition of cover assets	–938	–1,136
Cash flow from investing activities	**–314,478**	**–281,833**
Shareholder's capital contributions	0	33,820
Receipts from the taking up of loans	154,645	193,642
Payments for repayment of loans	–80,628	–100,178
Profit distribution payments	–6,168	–4,648
(+) Payments received from grants	73,947	92,277
(–) Interest paid	–15,159	–31,932
Cash flow from financing activities	**126,637**	**182,981**
Change in financial resources	**–74,781**	**29,488**
Cash and cash equivalents at beginning of period	**121,154**	**91,284**
Changes in cash and cash equivalents due to changes in the consolidated companies and valuation	**–753**	**382**
Cash and cash equivalents at end of period	**45,620**	**121,154**
of which: Utilisation of a short-term credit line	0	–24,990
of which: Cash, credits with banks	45,620	146,144
Financial resources at the end of the period	**45,620**	**121,154**
Significant non-cash investment and financing transactions		
Conversion of shareholder loan into equity	0	227,847
Transfer of fixed assets free of charge	6,027	2,730

INDEPENDENT AUDITOR'S REPORT

To LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig

Audit Opinions

We have audited the consolidated financial statements of LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the financial year from 1 January to 31 December 2021, and notes to the consolidated financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the group management report of LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH for the financial year from 1 January to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant § [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 consolidated 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 Group as at 31 December 2021 and of its financial performance for the financial year from 1 January to 31 December 2021 in compliance with German Legally Required Accounting Principles, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group 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 consolidated financial statements and of the group management report.

Basis for the Audit Opinions

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

Other Information

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

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

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

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

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

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law, and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

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

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

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

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

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

DEE00023896.1.2

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Leipzig, 28 April 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Carl Erik Daum Wirtschaftsprüfer (German Public Auditor)	Werner Horn Wirtschaftsprüfer (German Public Auditor)

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Volkmar Müller (Managing Director),
Karsten Rogall (Managing Director)

Concept and design

Centralgestalt GmbH
www.centralgestalt.de

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