# Consolidated financial statements for 2022

LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH

Leipziger

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# Group management report for the 2022 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 areas 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 – Zuhause für unsere Zukunft" strategy.

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, the preparation of a municipal heating plan for a climate-neutral heating supply in Leipzig and the population forecasts as of 2019 are also taken into account.

The regular revision of the Group strategy every five years was commenced in the second half of 2021. In 2022 the revision of the strategic business concept was overshadowed by the Russian war of aggression against Ukraine and the current impact of the energy crisis. The Management and the Supervisory Board have therefore jointly agreed to only continue the discussion of the strategic corporate concept in the Supervisory Board in 2023 and to adopt a corresponding resolution.

**Energy:** The core strategy of Stadtwerke Leipzig GmbH, Leipzig (Stadtwerke) remains the same: Securing the main pillars of business , growth fields in the markets and strategic perspectives. As a municipal company, Stadtwerke bears special responsibility for long-term investments and sustainable earnings – in order to make its contribution towards climate-neutral supply. Under the new framework conditions, the strategic core is supplemented by the fields of decarbonisation to a climate-neutral city, diversification of the business model and digitisation of internal processes ("3-D-Strategie 2022").

Against this backdrop, Stadtwerke has shaped its strategy on several levels. At the main level it aims to strengthen the core business and realise growth. Measures have been identified to achieve these goals. In the case of the core business, for instance, the transformation of district-heating, the acquisition and management of network concessions, and the securing and development of GPEC's profit contributions. Specific market cultivation, the expansion of wind and solar power or the development of smart grids are intended to ensure the planned growth. In addition to the strategy of the core business, part of the further development of Stadtwerke also includes the examination of strategic perspectives and further development of them for expansion into new business areas. Here the focus is on the following measures: sector coupling technologies, digital and innovative products and the development of a hydrogen-capable infrastructure.

**Mobility:** As early as 2021, Leipziger Verkehrsbetriebe (LVB) GmbH, Leipzig (Verkehrsbetriebe), adapted its MobiLE corporate strategy, which is geared towards future viability and increasing the company's crisis resilience, to the prevailing framework conditions. With the MobiLE strategy, Verkehrsbetriebe are making a decisive contribution towards a climate-friendly transport transition. This also 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 high-frequency tram and bus network of Verkehrsbetriebe is to be further strengthened as the backbone of urban mobility in order to achieve the strategic goals. In this context, the main axes of the tram infrastructure are assigned a decisive importance. Moreover, the intelligent linking of classic and new forms of mobility shall be further advanced. The goal is to achieve quality improvements in ensuring the availability of public transport. This applies in particular to areas on the outskirts of the city that were previously less well served and to districts that were incorporated in the 1990s.

While taking into account the 2019 population forecast, the aim is to achieve a passenger volume of 206 million journeys by 2040. This represents an increase of 60% compared to the current business year and almost double the number of passengers compared to the pandemic year 2020. Where transport revenue is concerned, which remains the most important pillar of transport financing, the target for 2040 is €212m.

**Water:** By means of the future programme "Water 2030 – Sustainable. Reliable. Connected." Kommunale Wasserwerke Leipzig GmbH, Leipzig (Wasserwerke), has set out a clear strategic basis for its actions. The programme contains the strategic goals for the coming years until 2030 for the most important six fields of action – infrastructure, service, processes, resource protection, digitisation and employees. The priority measures and projects for achieving the goals are also presented.

A high level of supply quality and security of supply is, and remains, the central strategic goal and core task of Wasserwerke. A high level of resilience to disasters and other threat scenarios must be ensured for networks, facilities and operations. Wasserwerke offer an ideal service using suitable digital options and are a qualified contact for the resource management of drinking water and wastewater in our region to its customers and partners. Wasserwerke live and breathe resource protection for the climate and the environment, especially with a focus upon the sustainable and preventive protection of drinking water resources and protection of water bodies within the framework of the management of wastewater infrastructures. Through the targeted further development of IT, control and data management systems, Wasserwerke create the conditions for optimised plant operation, improved management of the infrastructure and more extensive services. By networking with other players in the municipal environment, Wasserwerke contribute towards the development of a smart city and region. Important subcomponents are an automation strategy, integrated digital data platforms, a high level of operating convenience and, at the same time, the securing of a high level of information security, which is imperative for the critical infrastructure. The goals set can only be achieved with well-trained and motivated employees. Wasserwerke are aware that they can only be successful as a modern and attractive employer with a high level of employee loyalty in an environment where there is a further increasing shortage of skilled workers.

### 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 first calculations of the Federal Statistical Office (Destatis) the price-adjusted gross domestic product (GDP) was 1.9% higher in 2022 than in in the previous year. In 2022 the overall economic situation in Germany was characterised by the consequences of the Russian war of aggression against Ukraine and the extreme increases in energy prices. This was compounded by exacerbated material and supply bottlenecks, greatly increasing prices, as well as the shortage of skilled workers and the ongoing Corona pandemic, although it eased over the course of the year.

In 2022 consumer prices in Germany were significantly higher than in previous years. The inflation rate, measured as the year-on-year change in the consumer price index (CPI), averaged 7.9% in 2022, more than two and a half times higher than in 2021. The historically high annual inflation rate was mainly driven by the extreme price increases for energy products and food since the beginning of the war in Ukraine.

Leipzig's labour market remained robust in 2022, but the impacts of the tense economic situation were noticeable. In Leipzig, the unemployment rate rose to 6.5% in December 2022. In terms of the annual average, however, the value improved from 7.3% to 6.4%.

Notwithstanding the various crises, the City of Leipzig in particular is experiencing above-average levels of population growth. Leipzig had 624,689 inhabitants as of 31 December 2022. The migration balance revealed an increase of 16,399 persons. Thus, 2022 was the year with the largest migration surplus since recent records began. The city's population increased by around 100,000 within a decade. The Office for Statistics and Elections of the City of Leipzig forecasts further growth. Thus Leipzig, as a flourishing East German metropolis, continues to be a centre of attraction for many people.

The economic framework conditions of the Leipzig Group are not detached from fundamental global political and economic developments. For example, since the Russian war of aggression against Ukraine in February 2022, the economic situation here has been changing rapidly, among other things in the form of sharply rising energy and raw material prices, supply bottlenecks and new threat situations for the critical infrastructure.

Following the Russian invasion of Ukraine, the **energy policy framework conditions** of the 2022 business year were significantly shaped by the changed assessments of supply security. Therefore, the legislator reacted to the transformed situation with a series of short term adjustments involving considerable amounts of direct intervention.

First and foremost, the adjustments concerned ensuring the immediate security of supply in the gas supply field. Against the backdrop of existing expectations for the development of the gas supply situation, the second stage of the gas emergency plan was already activated at the end of June. In addition to extensive obligations to provide information for gas network operators, further obligations for power plant operators came into force by means of this stage. This was achieved through the introduction of the Substitute Power Plant Provision Act, which influenced conventional power and heat generation in all areas affected by the anticipated gas shortages.

In addition, various variants for the financing of replacement services of gas importers within the framework of the Energy Security Act were hotly debated and partly rejected. The remaining possibilities resulted in legislative measures which, in the form of the Electricity Price Brake Act and the Gas and Heating Price Brake Acts, both result in considerable amounts of work for their implementation and created considerable uncertainty among market participants in the area of surplus revenue absorption.

In addition, the reduction of VAT on gas and district heating as well as the December emergency aid, which were introduced by the Federal Government in the context of the third relief package, were implemented. The operational implementation led to challenges with the accounting systems and tied up capacities. The draft for a fundamental promotion of the decarbonisation of heating networks was approved by the European Competition Commission after a long review and the national implementation could commence on 15 September 2022. The programme includes funding items in the area of $CO_2$-free provision of heating based on renewable energies and unavoidable waste heat, as well as infrastructure measures for heat distribution and optimisation of the network operation.

The **public transport sector** also did not emerge from the challenging framework conditions that prevailed in 2022 unscathed. While the restrictions were increasingly reduced in the course of the year when the Corona pandemic "petered out", the aftermath of the pandemic and the war in Ukraine are still having economic consequences for public transport companies today. Overall, price increases in resource markets, strained supply chains (regarding inputs and infrastructure) and staff shortages affected public transport performance.

In this business year that is characterised by risk, a decision was made on the initiative of the Federal Government that stimulated the climate-friendly use of public transport, but initially put a financial burden on the transport companies due to its low remuneration: the introduction of the "9-Euro-Ticket", valid nationwide in local and regional transport, for the summer months of June, July and August. On the demand side, the ticket was an enormous success, as evidenced by the 52 million tickets sold nationwide. From an economic point of view, the low product price for transport companies initially represented a forced "rebate", which in total (all federal states, cumulated over three months) led to a compensation requirement vis-à-vis the Federal Government of €2,500m in 2022.

Set against this, planning reliability is however ensured with regard to the commissioning of transport services. Verkehrsbetriebe were newly commissioned with the contract on the basis of Regulation (EC) No. 1370/2007 and as part of the new application for line licences in 2022 by way of an early direct award of the contract. At its meeting on 9 February 2022, Leipzig City Council unanimously passed a resolution to commission LVB to provide and ensure public transport services in the City of Leipzig, including outgoing lines, for the next 22.5 years by means of a public service contract (PSC). The new commissioning was implemented with a shareholder instruction dated 27 July 2022 following the receipt of a binding commitment from the tax authorities. The Transport Service Financing Agreement (VLFV) was adjusted accordingly. Consequently, the Leipzig Group as a whole will give priority to financing. The maximum funding amount shown in the 8th supplementary stipulation to the previous VLFV remained valid for the year 2022.

In the supply area of **Wasserwerke,** the low specific water consumption compared to the rest of Germany is still a noticeable local characteristic. The per capita daily consumption in the supply area was 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 94 litres per day and inhabitant in the Wasserwerke supply area in 2022 corresponds to a 27% lower than average consumption. Thus, the positive trend of slight increases in use in recent years from a sales point of view could not be continued.

In the period of the past five 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.

Climate change and the associated increase in hot spells and heavy rainfall events are leading to an even stronger focus on adapting water management infrastructures in line with this development. The topic of "sponge city" as a reaction to the changed conditions will continue to gain in importance.

From a legislative point of view, a tightening of the requirements with regard to the quality of purification, limit values and discharge conditions is still to be expected. Overall, this, in combination with rising construction and service prices, leads to a high degree of tension for Wasserwerke. This also applies in particular in combination with the requirements for the sister companies in the Leipzig Group, where the challenges of the energy and mobility turnaround have to be mastered simultaneously.

## 2.2 Business development

The business development of the LVV Group in the 2022 business year has been characterised by the following key figures in comparison with the budget and the previous year:

**Ratios**

| | | Plan 2022 | Actual 2022 | Actual 2021 |
|---|---|---|---|---|
| Consolidated profit/loss | €m | 33.0 | 12.4 | 40.8 |
| Adjusted EBITDA[1] | €m | 237.8 | 252.2 | 224.7 |
| Equity ratio[2] | % | 37.4 | 34.1 | 38.4 |
| Total net debt[3] | €m | 1,071.8 | 891.5 | 910.7 |
| Dynamic debt-equity ratio[4] | | 4.5 | 3.5 | 4.1 |

[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 closes the 2022 business year with a consolidated net income of €12.4m. Thus, the consolidated results are €20.6m below the value expected in the budget and €28.4m below the previous year's result. The change compared to the budget and the previous year is influenced by various opposing effects.

The adjusted EBITDA for the 2022 business year amounts to €252.2m. It improved by €27.5m compared to the previous year, and at €14.4m it is above the planned value. This is due in particular to the improvement in the gross margin, which more than compensated for the increase in other operating expenses.

The Group's equity ratio decreased by 4.3 percentage points compared with the previous year. The change is due to the increased balance sheet total despite the deposits of the City of Leipzig and the positive annual result.

The Group's total net debt amounted to €891.5m on the balance-sheet date due to the increase in liquidity – among other things, from the utilisation of the shareholder credit line of the City of Leipzig. Thus, it is below the value expected in the budget and below the previous year's value. As a result, and due to the significant improvement in EBITDA, the dynamic debt-equity ratio falls to a value of 3.5. The temporary expansion of the liquidity portfolio occurred due to the high volatility of the energy markets and the associated increased margin requirements on the energy exchanges.

The City of Leipzig initially granted LVV a shareholder credit line of €150.00m, limited until 14 September 2022, under an agreement dated 30 August 2022, in order to secure liquidity in connection with margin payments by Stadtwerke. The credit line was drawn down in full on 30 August 2022 and repaid on schedule on 14 September 2022. By way of follow-up financing, the City of Leipzig provided LVV with a further shareholder credit line of €400.0m, limited until 30 September 2023, under an agreement dated 16 September 2022. The credit line was drawn down to an amount of €105.0m on 30 December 2022 and repaid in full to the City of Leipzig in the first quarter of 2023. Subordination of rank and capitalisation have been agreed upon for each of the credit lines. The interest expenses incurred from the utilisation of the shareholder credit lines are paid into the capital reserve to the same amount.

The investments in LVV's financial assets were subjected to an impairment test as part of the preparation of the annual and consolidated financial statements as at 31 December 2022. On the basis of the available information on the earnings of the companies that are expected to accrue to LVV in the future, the current interest rate environment (ECB) and the current capital market data (stock market data), a permanent impairment for the investments in VNG AG, Leipzig (VNG), envia Mitteldeutsche Energie AG, Chemnitz (enviaM), and KBE Kommunale Beteiligungsgesellschaft mbH an der envia, Chemnitz (KBE), is anticipated, for which value adjustments totalling €35.0m were recognized.

The following framework conditions will play a key role in the development of the result of the Group's individual business areas in the 2022 business year.

In 2022, the **Energy** business area was particularly affected by the challenges resulting from the Russian invasion against Ukraine and the associated energy market crisis. In addition to the effects of rising market prices and bottlenecks in the supply chains, it was particularly important – running in parallel with the legislative adjustments in connection with the energy revolution – to implement the large number of government measures to overcome the crisis. This concerns, for instance, the reduction of the VAT rate for natural gas and heat supplies, the Natural Gas Heat Emergency Assistance Act and also the regulations on the gas, heat and electricity price brake.

For the 2022 business year, Stadtwerke achieve a result that exceeded the forecast of €75.0m made within the scope of the economic plan by €8.1m. A significant contribution towards this was achieved through the improved gross margin as well as higher other operating income, among other things due to the reversal of provisions for anticipated losses. The higher sales revenues than in the previous year helped to significantly improve the gross margin. The additional revenue mainly results from the price trends on the energy markets. Higher levels of depreciation offset this. The results before profit transfer of €83.1m increased by 16.7% compared to the same period of the previous year.

By exercising its purchase option under the lease agreement, Stadtwerke repurchased the Piesteritz biomass heating power station (BHPS) on 30 June 2022 and assumed a remaining useful life until the subsidy under the Renewable Energy Sources Act (EEG) runs out in 2032. In this context, the provision for anticipated losses previously resulting from the lease was reversed in full. Due to a number of negative factors, including the very strong and forecast sustained increase in market prices for wood due to demand and the constant EEG remuneration, the company has made an unscheduled amortisation on the Piesteritz BHPS and the Bischofferode BHPS.

In the **Mobility** sector, a significant increase in passenger numbers from 102.8 million in the previous year to 135.0 million was recorded, mainly due to the temporary introduction of the nationwide "9-Euro-Ticket", but also due to the steady decrease in Corona restrictions in the course of the year. Despite this increase, the discounting of the "9-Euro-Ticket" again reduced line revenues from €84.9m to €81.9m compared to the previous year. The lower fare income was largely compensated for by the income received from the public transport rescue fund (€22.7m, 2021: €20.2m).

In addition, a total of €66.3m was paid to the transport companies from the LVV Group's own funds within the framework of the VLFV in the 2022 business year. An additional compensation requirement of €3.9m for Verkehrsbetriebe is also covered within the Group through the existing profit and loss transfer agreement.

The **Water** business area supplies drinking water to about 725,100 people in the supply area and ensures the environmentally sound treatment of wastewater for about 692,800 inhabitants in the disposal area.

In the 2022 business year, Wasserwerke achieved a result that is significantly above the budgeted amount. The planned result of €34.7m was exceeded, among other things, due to imputed facts including the formation of provisions for turnover risks, the reversal of US leasing transactions and the reversal of provisions for litigation costs, which were offset by higher value adjustments on receivables.

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. The first instalment of €250.0k was not received on time, which is why Wasserwerke are now pursuing enforcement against the debtor.

## 2.3 Income situation

The change in the Group's income and expenses in the 2022 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

| | 2022 | 2021 | Change absolute |
|---|---|---|---|
| Sales revenues | 4,150.7 | 2,396.6 | 1,754.1 |
| Cost of materials | 3,603.2 | 1,897.4 | 1,705.8 |
| **Gross margin** | **547.5** | **499.2** | **48.3** |
| Other operational revenue | 100.0 | 96.2 | 3.8 |
| Personnel expenses | 276.8 | 267.6 | 9.2 |
| Depreciation and amortisations | 164.9 | 156.4 | 8.5 |
| Other operational expenses | 163.1 | 149.3 | 13.8 |
| **Operating profit/loss** | **42.7** | **22.1** | **20.6** |
| Income from investments | 5.2 | 7.2 | –2.0 |
| Interest result | –23.0 | –17.4 | –5.6 |
| Non-operating profit/loss | –6.8 | 36.7 | –43.5 |
| **Profit before taxes on income** | **18.1** | **48.6** | **–30.5** |
| Taxes on income | –5.7 | –7.8 | 2.1 |
| **Consolidated profit/loss for the year** | **12.4** | **40.8** | **–28.4** |

Despite increases in all types of expenses, the Group's income situation is characterised by an improvement in the operating result as a result of a significant improvement in the gross margin. The fact that the consolidated annual result is €28.4m lower than in the previous year can mainly be put down to the change in the non-operating result and the interest result. This is due in particular to the consideration of depreciation on investments and the increase in interest expenses.

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

**Group sales revenues**

in €m

| | 2022 | 2021 | Change absolute |
|---|---|---|---|
| Energy business area | 3,843.3 | 2,095.9 | 1,747.4 |
| of which: system market | 3,114.8 | 1,417.1 | 1,697.7 |
| of which: end-customer market | 599.2 | 549.0 | 50.2 |
| Mobility business area | 126.0 | 123.2 | 2.8 |
| of which: transport revenue | 105.0 | 102.8 | 2.2 |
| Water business area | 181.4 | 177.5 | 3.9 |
| of which: drinking water supply | 85.2 | 83.5 | 1.7 |
| of which: wastewater disposal | 98.4 | 91.6 | 6.8 |
| | **4,150.7** | **2,396.6** | **1,754.1** |

The LVV Group's sales revenues were once again dominated by the Energy business area in the 2022 business year, which accounted for 92.6% of the Group's total turnover (2021: 87.5%).

The sales revenues in the **Energy** business area mainly relate to the Stadtwerke system market for trading in electricity and gas commodities. In the face of lower sales volumes, turnover in the system market increased compared to the previous year, mainly due to price factors.

In the end-customer market of private and commercial customers, sales revenues in the gas segment rose due to price factors and in the electricity segment due to volume factors, while in the end-customer market of key accounts, sales revenues rose due to price and volume factors. Set against this, sales revenues in district heating decreased, as the price increase could not compensate for the weather-related decline in volume.

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.

Sales revenues of €126.0m (2021: €123.2m) were made in the **Mobility** business area in 2022. However, the line revenue included in the traffic revenue was €81.9m in the 2022 business year, €3.0m below the level of the same period in the previous year.

This is mainly due to the effects of the "9-Euro-Ticket", which was introduced nationwide and could be used temporarily. Despite the increase in the number of tickets sold, the significantly cheaper ticket compared to the other products led to lower sales revenues overall. Within the sales revenues, the revenues from the subscription business make the largest contribution to sales. Set against this, the Corona pandemic only had an impact on line revenues in the first months of 2022.

Sales revenues in the **Water** business area increased by €3.9m or 2.2% compared to the previous year. The development in sales revenue compared to the previous year, is mainly due to the prices in the tariff customer segment, whereby opposing trends in the consumption behaviour of the individual customer groups can be registered in some cases. The change in the provision for turnover risks has a negative effect on sales revenues. Sales reductions of €8.6m were additionally recognised from the net addition to the obligations from income subsidies received for replacement values.

In the 2022 business year, Wasserwerke provided a total of 36.6 million $m^3$ (2021: 36.9 million $m^3$) of drinking water. At 32.6 million $m^3$, drinking water sales roughly equate to the previous year's level. While drinking water consumption by the industry, commerce and agriculture customer group increased compared to the previous year, it decreased for the household customer group. Wastewater sales follow the trend of drinking water sales to some extent, insofar as the supply and disposal areas coincide.

The Group's cost of materials is largely determined by energy trading. Compared to the sales revenues, the procurement costs included in the cost of materials increased less than in the previous year meaning the gross margin improved considerably. In addition, the cost of materials is influenced by the cost of purchased services for supply facility and network maintenance.

The improvement in other operating income by €3.8m compared to the previous year is mainly due to higher payments within the framework of the public transport rescue fund, through which revenue losses and increased expenses due to the Corona pandemic and from the use of the "9-Euro-Ticket" were compensated, to additional income from subsidies for non-investment projects, and to income from the redemption of the US leasing business of Wasserwerke.

The Group's personnel expenses rose year-on-year by €9.2m. 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 2022 business year.

In the business year of 2022 an operating result from the Group's operating activities amounted to €42.7m which represents an improvement of €20.6m compared to the previous year. In addition to the improvement in other operating income, the significant increase in the gross margin, which more than compensated for the increase in personnel expenses, depreciation and amortisation as well as other operating expenses, had a particular impact here.

The development of the result from participations reflects the results of the affiliated companies and participations not included in the consolidated financial statements. The decrease compared to the previous year is due in particular to the omission of the VNG dividend. Contrary to the plans made, VNG did not distribute a dividend for the 2021 business year due to the Russian war of aggression against Ukraine and the associated distortions of the gas market.

The interest result deteriorated compared to the previous year, which is due to the increase in total debt as well as the higher interest rate level.

The consolidated results in the 2022 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 mainly influenced by income from the release of provisions (€40.6m), income from the release of value adjustments, the receipt of derecognised receivables (€12.0m) and sales revenues unrelated to the accounting period (€9.2m). On the expense side, this mainly reflects expenses from value adjustments (€10.3m), expenses for energy purchases unrelated to the accounting period (€9.9m), additions to provisions for anticipated losses (€7.5m) and losses from the disposal of the fixed assets (€4.9m). In addition, the non-operating result is characterised by depreciation on investments of €35.0m.

While taking into account the aforementioned earnings developments and the tax expense, which includes the advance tax payments made and additions to the tax provisions for the 2022 business year minus tax reimbursements received resulting from external tax audits for previous years, a consolidated net income of €12.4m for the 2022 business year results, compared to €40.8m 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 €139.7m.

## 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

| | 2022 | 2021 | Change absolute |
|---|---|---|---|
| **Cash flow from operating activities** | **128.9** | **117.1** | **11.8** |
| **Cash flow from investing activities** | **–338.0** | **–314.5** | **–23.5** |
| **Cash flow from financing activities** | **345.5** | **126.6** | **218.9** |
| Changes in the financial resources | 136.4 | –70.8 | 207.2 |
| Financial resources at beginning of period | 45.9 | 117.4 | –71.5 |
| Changes in financial resources caused by the consolidated group or valuation | 0.0 | –0.7 | 0.7 |
| **Financial resources at end of period** | **182.3** | **45.9** | **136.4** |

**Financial resources** in €m

| | 2022 | 2021 | Change absolute |
|---|---|---|---|
| Liquid funds | 284.1 | 45.6 | 238.5 |
| Utilisation of short-term credit lines | –105.0 | 0.0 | –105.0 |
| Receivables/liabilities from the cash pool | 3.2 | 0.3 | 2.9 |
| **Financial resources at end of period** | **182.3** | **45.9** | **136.4** |

In the 2022 business year, the Group generates a cash flow from ongoing business activities of €128.9m, which exceeds the previous year's figure by €11.8m. The development of the cash flow is based on contrary developments within the Group. The improvement is due in particular to higher allocations to provisions for turnover risks and the waste water levy as well as from tax refunds as a result of tax audits for previous years. This is offset by higher cash outflows for collateral from margin payments in the energy sector.

Cash flow from investing activities shows a total cash outflow of €338.0m for the 2022 business year, thus €23.5m higher 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 a cash inflow of €345.5m in total in line with the Group's increased investment requirements. The cash inflow from loans (€267.1m) were offset by cash outflow from the re-payment (€50.3m), interest payments (€21.0m) and from distributions to shareholders outside the Group (€7.1m). In addition, grants received (€131.4m) and contributions of €25.4m from the shareholder the City of Leipzig 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 to shareholders outside the Group could be fully covered from the cash flow from business activities, from borrowing and from the payment of deposits and grants.

The additional liquid funds increased the Group's cash and cash equivalents by €136.4m 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 the adjusted balance sheet total for the Group's own resources. Both key performance indicators were maintained in the 2022 business year.

## 2.5 Net worth position

### Net worth position

| | 31.12.2022 | | 31.12.2021 | | Change |
|---|---|---|---|---|---|
| | €m | % | €m | % | absolute |
| **Assets** | | | | | |
| **Long-term assets** | | | | | |
| Fixed assets | 2,803.5 | 77.6 | 2,668.6 | 86.6 | 134.9 |
| Receivables and other assets | 0.3 | 0.0 | 0.9 | 0.0 | –0.6 |
| | **2,803.8** | **77.6** | **2,669.5** | **86.6** | **134.3** |
| **Short-term assets** | | | | | |
| Inventories | 43.5 | 1.2 | 39.0 | 1.3 | 4.5 |
| Receivables and other assets | 469.5 | 13.0 | 318.0 | 10.3 | 151.5 |
| Liquid funds | 284.1 | 7.9 | 45.6 | 1.5 | 238.5 |
| | **797.1** | **22.1** | **402.6** | **13.1** | **394.5** |
| **Deferred income** | **12.8** | **0.4** | **9.2** | **0.3** | **3.6** |
| **Special loss account from the formation of provisions pursuant to Section 17 (4) DMBilG** | **0.1** | **0.0** | **0.1** | **0.0** | **0.0** |
| | **3,613.8** | **100.0** | **3,081.4** | **100.0** | **532.4** |
| **Liabilities** | | | | | |
| **Equity** | **836.1** | **23.1** | **804.8** | **26.1** | **31.3** |
| **Special items** | **796.9** | **22.1** | **755.9** | **24.5** | **41.0** |
| **Medium to long-term provisions and liabilities** | | | | | |
| Provisions | 90.5 | 2.5 | 104.8 | 3.4 | –14.3 |
| Liabilities | 1,157.0 | 32.0 | 947.1 | 30.7 | 209.9 |
| | **1,247.5** | **34.5** | **1,051.9** | **34.1** | **195.6** |
| **Short-term provisions and liabilities** | | | | | |
| Provisions | 220.9 | 6.1 | 150.1 | 4.9 | 70.8 |
| Liabilities | 504.0 | 14.0 | 309.4 | 10.0 | 194.6 |
| | **724.9** | **20.2** | **459.5** | **14.9** | **265.4** |
| **Deferred income** | **8.3** | **0.2** | **9.1** | **0.3** | **–0.8** |
| **Deferred tax liabilities** | **0.1** | **0.0** | **0.1** | **0.0** | **0.0** |
| | **3,613.8** | **100.0** | **3,081.4** | **100.0** | **532.4** |

Compared to the previous year, the Group's asset and capital structure is characterised by an increase in the balance sheet total of €532.4m. On the assets side, this development is mainly reflected by an increase in the fixed assets, of the receivables and the liquid assets.

The LVV Group has a very high investment intensity. Thus, 77.6% (2021: 86.6%) of the balance sheet total of €3,613.8m relates to fixed assets, which is entirely financed in the medium and long term, in particular by equity, investment grants and loans.

In the 2022 business year, the focus of investment activity was again on the further expansion of utilities and transport systems.

The increase in accounts receivables and other assets compared to the previous year is due in particular to market price-related higher claims from variation and initial margin payments. Due to the high volatility of the energy markets and the associated increased margin requirements on the energy exchanges, which can lead to high liquidity outflows, liquidity was also held in addition to the expansion of credit lines so that short-term liquidity peaks can be offset. Accordingly, the Group's cash and cash equivalents increased by €238.5m.

On the liabilities side, the development of the balance sheet structure is mainly characterised by an increase in equity, other provisions and liabilities.

Equity rose by a total of €31.3m compared with the previous year. Shareholder contributions of the City of Leipzig (€25.4m) as well as the positive consolidated annual result of the business year 2022 (€12.4m) in particular contributed towards this improvement. The ratio of equity to the higher balance sheet total declined by 3.0 percentage points to 23.1% 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 BHPS plants and the pension provisions. This is offset by the increase in short-term provisions, which relate in particular to uncertain liabilities and outstanding invoices, obligations to return $CO_2$ certificates, the waste water levy and sales risks.

The Group's liabilities increased by a total of €404.5m compared with the previous year. This development is significantly influenced by the increase in liabilities to banks as a result of further borrowing 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 – decreased however to €891.5m (2021: €910.7m). The main reason for the decline is the high level of liquidity as at the balance-sheet date, that is due in part to the utilisation of the shareholder credit line of the City of Leipzig.

The obligation to repay the shareholder credit line – for which a subordination of priority and capital allowance have been agreed – have significantly increased other liabilities. In addition, subsidies received for which the underlying investment measures have not yet been fully provided or settled, as well as the obligations from income subsidies received for replacement values reclassified from special items, led to an increase in other liabilities.

## 2.6 Investments

The LVV Group invested a total of €352.9m in the business year of 2022 (2021: €330.9m) in fixed assets and thus 6.6% more than in the previous year. However, the investment volume envisaged in the budget for 2022 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 2022, €170.4m (2021: €164.4m) are attributable to the **Energy** business area, where investments were made primarily in the construction of the new thermal power station (TPS) Leipzig Süd, in the purchase of the BHPS in Piesteritz in the context of 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 and modernisation of the heating network and in connections, in the construction of decentralised peak load power plants and a combined heat and power plant (CHP), as well as in ground-mounted photovoltaic systems.

Investments of €105.1m (2021: €93.7m) were made in the **Mobility** business area in the 2022 business year. The main investments were made in the area of networks, primarily for the "Adler" transport hub and the Ratzelstraße tram route, as well as in the area of vehicles in the procurement of trams and electric buses, including the necessary charging infrastructure. At 62%, the funding rate was at a very high level.

The investment volume including the free transfer of technical installations in the **Water** business area amounted to a total of €77.4m in the 2022 business year (2021: €72.8m). Of this amount €31.1m (2021: €26.1m) is attributable to the drinking water division, €42.0m (2021: €44.2m) to the waste water division and €4.3m (2021: €2.5m) to other investments. €55.7m was invested in the drinking water and waste water networks (2021: €60.1m) as well as €14.2m (2021: €9.8m) in waterworks and €7.5m (2021: €2.9m) in the other areas.

## 2.7 Employees and employment policy

The LVV Group employed a total of 5,051 staff (2021: 4,950) on average in the 2022 business year. The increase compared to the previous year – in addition to the first-time consolidation of GPEC EKSPERT – mainly results from the recruitment of operating staff for the Leipzig Süd power plant (implementation of the heating market concept) and from growth in the Energy Solutions business division.

The Group's employees give their best every day to make our city even more pleasant to live in and lovable. Thanks to their working performances all residents of Leipzig are supplied with energy and water around the clock, can rely on safe and reliable local transport and enjoy a high quality of life.

Nevertheless, we are all too well aware: that the working world is changing. Digitisation, social, demographic developments and the associated shortage of skilled workers pose major challenges for all companies. We therefore see it as our responsibility to do everything we can to ensure that our employees enjoy working for us. In addition, we need to recruit new colleagues.

The Leipzig Group continues to be viewed as an attractive and crisis-proof employer in the region. This is supported, among other things, by personal insights into the everyday working life. The basis is focused and sustainable human resources work. The process and the instruments of strategic human resources planning are constantly being further developed in line with requirements.

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 our employees and how we continue to develop the Leipzig Group as one of the most attractive employers in the region.

The future collective agreement (Z-TV) concluded between the companies of the Leipzig Group and the United Services Union ver.di and the IG BCE has been in force for more than a year. 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.

The Leipzig Group has set itself the goal of maintaining the health and performance of its employees during their working lives to best possible degree. To this end, preventive and curative measures are offered and implemented as part of the company's health management programme. Equal opportunities, participation, inclusion and non-violence are as self-evident as they are profitable for the Leipzig Group and will remain a success factor in 2022. Filling the concepts of fundamental rights and equality with life is our obligation, corporate responsibility and human concern.

Furthermore, work packages were put together to underpin the individual topics. The Leipzig Group is committed to values such as respect and appreciation and consciously sets an example in opposing violence, exclusion and abuses of power. This is why, as part of Orange Day, an action week was organised – led by the Leipzig Group – to impart knowledge and raise awareness on these topics.

# 3 Risk report, opportunities 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 to 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. If future liquidity requirements result which cannot be balanced by the available credit lines, this is covered by LVV through the capital markets. As of 31 December 2022, LVV had unused available credit lines of €97.5m for the cash pool as well as back-up credit lines of €80.0m. As of the balance-sheet date, the group had liquid funds of €284.1m.

The combination of sharply rising prices on the energy exchanges in conjunction with high price volatility results in liquidity risks at Stadtwerke through security deposits on the energy exchange in the form of margin payments. This liquidity risk is offset, on the one hand, by a partial swap of trading transactions from the energy exchange on the OTC market and, on the other hand, by the provision of a shareholder credit line by the City of Leipzig amounting to up to €400m. In addition, LVV's credit lines increased from €110.0m in the previous year to €177.5m. In our opinion, there are thus sufficient free lines available to absorb potential liquidity outflows from, among other things, margin payments by Stadtwerke.

**Long-term financing capability:** For its 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:** LVV uses the capital markets to cover its financing needs. A potential restriction of the functioning of the financial markets, especially as a result of crises and geopolitical events, can also result in risks for LVV with regard to placeable volumes, conditions and maturities when taking out new loans.

For 2023, in view of the current developments in the markets – especially the energy markets – as well as the illegal Russian war of aggression against Ukraine, we also expect dampening effects from this 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 the LVV Group:** In addition, the creditworthiness of the 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 budget 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.

In the 2022 business year the capital market environment was characterised by rising financing costs. In addition to rising base rates, a widening of risk premiums was also recorded, which was reflected in significantly rising interest rates for borrowing. This has been caused, on the one hand, by the more critical stance of financing partners with regard to the utility sector (especially energy companies) associated with the energy crisis, and, on the other hand, the increase reflects the inflation environment and the general increase in risk provisioning due to anticipated defaults in connection with a possible recession. In addition to an increase in prices, a decrease in offers for financing requests in terms of both the volume and term was also noticeable for the reasons mentioned, so that the financing environment is significantly more challenging than in previous years.

LVV's financing portfolio primarily consists of liabilities, 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.

### 3.1.3 Tax-related risks

In addition to the calculation of the expected tax burdens for the 2022 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 2022. 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.

Final notices from the Leipzig II tax office are available from 2022 for the completed external tax audit for the period 2011 to 2013. Appeals are pending before the tax office for disputed matters.

The company audits for the years 2014 to 2016 at LVV and its domestic subsidiaries were only partially completed as of the balance-sheet date, so that the corresponding tax bases of the years 2014 until 2016 according to the company audit report or the audit findings that had become known to date were considered accordingly. Wasserwerke are currently in contact with the tax authorities concerning any consequential effects on the annual financial statements from the 2023 business year and effects on the fiscal unity.

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 and political environment, especially in view of the increasing pace of change and the frequent change of direction in law and society.

The challenging framework conditions resulting from the Corona pandemic and the ongoing Russian war of aggression against Ukraine and the related extensive economic sanctions and restrictions, as well as the corresponding impacts on the financial and energy markets, are also affecting the other business areas of the LVV Group through generally rising procurement costs. In addition, impacts on supply chains, bad debts from energy and water deliveries, the loss of employees, inflation-related tariff increases for wages and salaries, and the delay of construction measures and larger projects are possible. Furthermore, inflation stagnating at a high level means an increased risk of a significant increase in all types of expenses at the Leipziger Group.

According to the assessment of the current risk situation, the **Energy** business area 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. Moreover, further risks can stem from new tasks that were not known about at the time of the base years for the remuneration approvals – and from the costs related to these tasks. In the energy policy environment, performance-related risks can arise, in particular, from short-term changes in the legal framework.

In the system market, the increasing volatility of the market prices for electricity, gas and $CO_2$ prices lead to general market price risks from trading transactions. This is where the influence of renewable energies in price formation has a constantly growing impact. Furthermore, the systemically high demands on balancing-group management and the provision of collateral at the various trading venues must be taken into account.

In the end-customer market, the volatile situation on the energy exchanges, means that there are increased price and sales risks in the intense competition with other suppliers. Risks from the increased costs of procurement may arise. These are countered by sales-oriented procurement and effective cost management.

In addition, there are sales-side 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 customer-specific credit checks and stringent receivables management. In the context of the Ukraine war and the associated enormous price increases for Stadtwerke's customers, the receivables risks are rising sharply. This was already offset by the December emergency aid package for natural gas and district heating. In 2023, this risk will also be countered by the Federal Government's electricity and gas/heat price brake.

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 area sees risks in particular from insufficient public transport funding as well as from the threat of federal, state and municipal compensation payments falling short of what is required, lower subsidy allocations as a result of changes in legislation, unplanned or above-average price increases and the unenforceability of the pricing strategy at the political level or at Mitteldeutscher Verkehrsverbund (MDV).

At the beginning of 2022, the mobility sector was again in a critical risk position with regard to the negative economic impact of the ongoing Corona pandemic. The ongoing pandemic and its effects, as well as the limited opportunities to adjust the range of services and reduce costs, continued to have a significant impact on the business development in 2022.

Other notable risks that could affect the performance and profitability of the transport companies result in particular from the development of wages and salaries under collective bargaining agreements. The collective agreement TV-N Saxony, which has been in force since 1 July 2020, stipulates that the future development of remuneration is to be linked to the collective agreement for the public sector (TVöD). The TVöD will be renegotiated in 2023. Above-average increases in remuneration cannot be ruled out which is especially due to current price developments. In the context of the consideration of various scenarios, this results in additional expenses for the LVB Group. Due to the internal efficiency improvements already achieved in recent years and the expected performance of the Leipziger Group, external funds are needed to counter this development.

As a follow-up solution to the "9-Euro-Ticket", the Federal Government and the federal states are planning to introduce the nationwide, personal "Deutschlandticket" with a monthly subscription that can be cancelled, on 1 May 2023. Due to the fact the "Deutschlandticket" is to be offered at a price of €49 per month, extensive compensation for the loss of revenue by the federal and state governments is again required. Nevertheless, the ticket also offers the opportunity to stimulate demand for public transport. However, the transport opportunities are still contrasted by the uncertainty regarding the realisation of the damage compensation. In addition, there are risks in terms of the price pressures on the rest of the ticket range and distortions in revenue distribution and value creation structure.

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.

Further risks may also arise from procurement bottlenecks and supply chain disruptions, as well as cyberattacks on critical infrastructure. The construction prices registered increases of 10% to 30%. In addition risks arise from cost increases for energy purchases as well as for many raw materials, goods and services. For instance, Wasserwerke face the risk of an increase in the waste water levy for the monitoring value of phosphorus, due to supply bottlenecks and the increase in costs for precipitants for phosphorus elimination.

In addition to the risks arising from subsidiaries, LVV is also exposed to investment risks, primarily relating to its investment in VNG. VNG incurred significant losses in the 2022 business year due to the procurement of replacements for cancelled Russian gas supplies. In the meantime, settlement solutions have been found with SEFE Securing Energy for Europe GmbH and the Federal Government regarding the contract with Gazprom Export LLC on the risks from the replacement procurement. In order to stabilise VNG's assets and financial position in the long term, the Extraordinary General Meeting of VNG resolved to increase VNG's equity by a total of €850.0m. The capital increase will strengthen the core business and the power to invest in a green hydrogen economy. After the offset of the 2022 one-off loss the income prospects are expected to remain almost unchanged. The issuance of new shares has resulted in a dividend dilution, which has affected the share value and resulted in a depreciation on the investment in VNG. According to current knowledge, all currently identifiable risk aspects have been taken into account with the devaluation carried out in the 2022 business year.

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 for 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 area there are opportunities in the regulatory, sector-specific as well as the performance and financial fields, and a favourable market development.

If the ambitious climate protection goals are consistently accompanied by legislative action, opportunities fundamentally result from the shaping of energy and climate policy. This applies in particular if the objectives of an increased expansion of renewable energies and a strengthening of combined heat and power generation are flanked and reviewed by the legal regulations at federal level. In order to implement the energy and climate policy objectives within the necessary time frame, stable framework conditions are necessary against the backdrop of long-term investments in the infrastructure and supply sector. The regulatory authorities will also continue to pursue the goal of keeping the network operators' fees constant or further reducing them. The decoupling of permissible revenues from the actual costs is creating both opportunities and risks with regard to the development of efficiency potential. The takeover of the electricity and gas concessions as well as the network operation management in the incorporated districts of Leipzig as of 1 January 2023 will result in particular in earnings opportunities through the exploitation of synergies (e.g. in the areas of network connection, commercial and technical management).

In the system market of Stadtwerke, opportunities arise from digitisation and the degree of automation. In addition, a volatile wholesale market offers opportunities from the exploitation of price differences on the markets. Market and utilisation opportunities can be found in the energy market design as well as in contractual and regulatory market developments. The further flexibilisation of the marketing and control of the plant park and the addition of new district heating plants provides moderate opportunities in an increasing electricity/gas/$CO_2$-spread in electricity generation. Additional opportunities arise from the planned expansion of the portfolio for renewable energies.

For the biomass plants, opportunities arise from falling wood prices. 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 and in the direct marketing. 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 at the customer's premises and the faster realisation of areas of efficiency potential.

Opportunities for the further dynamic business development of the GPEC Group in Poland are seen in the current socio-economic trends in the region as well as in the long-term strategy. The GPEC Group plans to continue benefiting from significant market changes, such as the evolution of customers to prosumers, the trend towards the phasing-out of coal in power generation, customer awareness of energy efficiency or the increasing efficiency of hybrid operation. In conjunction with the strong development of new solutions, such as the smart grids and house connection stations, the construction of CHP plants, photovoltaic parks and business diversification with engineering and construction projects, the GPEC Group has the opportunity to further strengthen its market position. In the business area of **Mobility,** opportunities are seen in particular in local public transport as the key to the climate and transport turnaround at EU, federal and state level, in the growing City of Leipzig and the trend towards a sustainable lifestyle.

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.

For instance, Verkehrsbetriebe applied for funding for the model project on commuter mobility in Leipzig and the surrounding area in the 2022 business year and these applications have since been approved. In the northern region of Leipzig, the project aims in particular to improve services to connect commercial locations and to introduce commuter-related services for peripheral locations and incentive systems encouraging sustainable mobility use. The surrounding area should also benefit from improved connections through new express bus routes and on-demand services.

In the medium term, the **Water** business area also continues to assume a positive population trend in the supply area. Once again the forecast for the next few years assumes a slight increase in per capita consumption. Thus, for Wasserwerke this has the potential to increase drinking water sales.

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.

Furthermore, opportunities continue to be seen above all in the increased implementation of digital applications to facilitate work and increase efficiency around the core business, as well as in cross-media approaches to utilise energy potentials.

In times of very volatile and difficult-to-predict economic developments, a stable business model also comes to the fore once more as a very immediate "opportunity" and "stable anchor". The safe supply of drinking water and safe waste water treatment as an indispensable component of the provision of public services and the basis of Wasserwerke's business must therefore be understood as the most important opportunity and basis for the future.

### 3.3 Forecast report

In order to achieve a positive results trend 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 2023 Group budget, the key figures compared to the previous business year are presented below and reflect management's expectations for the year ahead:

**Ratios**

| | | Actual 2022 | Plan 2023 | Change absolute |
|---|---|---|---|---|
| Consolidated profit/loss | €m | 12.4 | 37.4 | 25.0 |
| Adjusted EBITDA | €m | 252.2 | 275.5 | 23.3 |
| Investments | €m | 352.9 | 431.7 | 78.8 |
| Equity ratio | % | 34.1 | 37.0 | 2.9 |
| Total net debt | €m | 891.5 | 1,175.1 | 283.6 |
| Dynamic debt-equity ratio | | 3.5 | 4.3 | 0.8 |

The Group's budget reveals a positive annual result for 2023 of €37.4m.

The Group's budget provides orientation for the development of the companies in the Leipziger Group over the next five years. In addition to the crisis-ridden, short-term view of the year 2023, the medium-term perspective up to 2027 shows a way to meet the existing challenges in the individual business areas. Due to the still challenging framework conditions as well as the current geopolitical situation, there are still considerable uncertainties in the assumed planning values of LVV as well as the respective companies, which may have an impact on the assets, financial and earnings situation of the Leipziger Group.

For the 2023 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.

Adjusted EBITDA is expected to be €275.5m in 2023, in line with the Group's budget. An EBITDA of €344.7m 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 to ensure 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 €431.7m for the 2023 business year. More than 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 decentralised generation plants for various energy sources (e.g. EEG plants and solar thermal plants) and in additional storage capacities to secure the supply of district heating. Investments are also planned for the expansion and extension of the district heating network, local heating solutions, media-independent energy services and submetering. In addition Stadtwerke will take on new electricity and gas concessions in incorporated districts of Leipzig as of 1 January 2023. This will bring to an end the ongoing legal disputes between Stadtwerke and envia Mitteldeutsche Energie AG/MITGAS Mitteldeutsche Gasversorgung GmbH.

In the case of the Polish participations, a gradual increase in heating consumers is anticipated over the next five years, which will have a positive effect on sales and turnover. Despite the difficult geopolitical situation, which has had a significant impact on the energy sector, the GPEC Group is set to develop strongly in terms of its heating and energy services, and also in engineering and construction projects. Continuous risk analyses as well as a dynamic long-term strategy that adapts to changing market situations can continue to secure positive sales forecasts for Polish companies.

Despite continued high levels of uncertainty with regard to the financial framework conditions for shaping the transport and energy turnaround, the investments anchored in the business plan are being consistently implemented in the Mobility business area. Public transport is an essential component of the solution in achieving the transport and climate policy goals. Accordingly investments until 2027 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 focus of activities is on the programmatic processing of the renovation requirements of the existing fixed assets. The goal is to further improve the condition of the drinking water and wastewater networks and facilities and to respond to increased demands (for instance, the expansion of the Rosental sewage treatment plant). By means of the implementation of the comprehensive sewer rehabilitation programme, a noticeable and sustainable improvement in the condition of the sewer network is anticipated in the medium term. Reducing the share of short- to medium-term rehabilitation requirements, taking into account other target dimensions such as cost efficiency and hydraulic concerns, represents one of the main objectives of the sewer rehabilitation programme.

The Group's equity ratio is expected to increase to 37.0% in 2023 due to the anticipated increase in the Group result 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 4.3 in the 2023 business year. As a result – thanks to intensive efforts within the Group – the upper limits agreed to with the creditors of 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.

Leipzig, 12 April 2023

Management

Michael M. Theis | Ulf Middelberg | Volkmar Müller | Karsten Rogall

# Consolidated balance sheet at 31 December 2022

LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig

## Assets

in €k

| | | | 31.12.2022 | 31.12.2021 |
|---|---|---|---|---|
| **A.** | **Fixed assets** | | | |
| **I.** | **Intangible assets** | | | |
| | 1. | Internally generated industrial property rights and similar rights and assets | 1,702 | 1,821 |
| | 2. | Purchased concessions, licenses, rights of use, IT programs and easements | 11,926 | 12,846 |
| | 3. | Payments on account | 8,686 | 3,128 |
| | | | **22,314** | **17,795** |
| **II.** | **Tangible assets** | | | |
| | 1. | Land, leasehold rights and buildings including buildings on leased land | 368,842 | 346,502 |
| | 2. | Technical equipment and machines | 1,986,750 | 1,837,495 |
| | 3. | Other equipment, factory and office equipment | 28,026 | 28,598 |
| | 4. | Payments on account and assets under construction | 267,129 | 277,890 |
| | | | **2,650,747** | **2,490,485** |
| **III.** | **Financial assets** | | | |
| | 1. | Shares in affiliated companies | 24,587 | 21,774 |
| | 2. | Loans to affiliated companies that are not consolidated | 8,012 | 6,690 |
| | 3. | Participations | 91,477 | 125,958 |
| | 4. | Loans to companies in which a participating interest is held | 5,359 | 4,759 |
| | 5. | Other loans | 990 | 1,164 |
| | | | **130,425** | **160,345** |
| | | | **2,803,486** | **2,668,625** |
| **B.** | **Current assets** | | | |
| **I.** | **Inventories** | | | |
| | 1. | Raw materials and supplies | 35,611 | 29,194 |
| | 2. | Unfinished services | 4,308 | 5,671 |
| | 3. | Payments on account | 3,573 | 4,184 |
| | | | **43,492** | **39,049** |
| **II.** | **Receivables and other assets** | | | |
| | 1. | Receivables from deliveries and services | 523,029 | 364,992 |
| | | Payments received | –339,813 | –186,788 |
| | | | 183,216 | 178,204 |
| | 2. | Receivables from affiliated companies that are not consolidated | 15,282 | 6,944 |
| | 3. | Receivables from companies in which a participating interest is held | 2 | 218 |
| | 4. | Other assets | 271,341 | 133,497 |
| | | | **469,841** | **318,863** |
| **III.** | **Cash in hand, bank balances and cheques** | | **284,072** | **45,620** |
| | | | **797,405** | **403,532** |
| **C.** | **Deferred income** | | **12,828** | **9,161** |
| **D.** | **Special loss account from the formation of provisions pursuant to Section 17 (4) of the DMBilG** | | **134** | **135** |
| | | | **3,613,853** | **3,081,453** |

## Liabilities

in €k

| | | 31.12.2022 | 31.12.2021 |
|---|---|---|---|
| **A.** | **Equity** | | |
| **I.** | **Subscribed capital** | **512** | **512** |
| **II.** | **Capital reserve** | **651,320** | **625,910** |
| **III.** | **Revenue reserve** | **238,388** | **205,992** |
| **IV.** | **Equity difference resulting from currency translation** | **–13,163** | **–11,872** |
| **V.** | **Consolidated net loss** | **–139,691** | **–113,060** |
| **VI.** | **Non-controlling interests** | **98,724** | **97,375** |
| | | **836,090** | **804,857** |
| **B.** | **Special item for subsidies, development funds and the gratuitous takeover of tangible fixed assets** | **672,865** | **637,282** |
| **C.** | **Special items for building-cost subsidies** | **124,037** | **118,611** |
| **D.** | **Provisions** | | |
| | 1. Provisions for pensions and similar obligations | 25,008 | 31,933 |
| | 2. Provisions for taxation | 3,071 | 2,602 |
| | 3. Other provisions | 283,352 | 220,381 |
| | | **311,431** | **254,916** |
| **E.** | **Liabilities** | | |
| | 1. Liabilities to banks | 1,110,614 | 891,349 |
| | 2. Payments received on account of orders | 11,394 | 4,427 |
| | 3. Liabilities from deliveries and services | 208,459 | 127,197 |
| | 4. Liabilities to affiliated companies that are not consolidated | 20,951 | 11,869 |
| | 5. Liabilities to companies in which a participating interest is held | 3,203 | 2,539 |
| | 6. Other liabilities<br>of which tax liabilities: €9,791k (2021: €13,050k)<br>of which social security liabilities: €151k (2021: €276k) | 306,348 | 219,140 |
| | | **1,660,969** | **1,256,521** |
| **F.** | **Deferred income** | **8,338** | **9,133** |
| **G.** | **Deferred tax liabilities** | **123** | **133** |
| | | **3,613,853** | **3,081,453** |

# Consolidated profit and loss statement for the business year from 1 January until 31 December 2022

LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig

in €k

| | | 2022 | 2021 |
|---|---|---|---|
| 1. | Sales revenues | 4,159,905 | 2,397,855 |
| 2. | Increase or decrease in unfinished services | –1,363 | 524 |
| 3. | Other internally produced and capitalised assets | 23,506 | 21,845 |
| 4. | Other operating income | 137,885 | 130,621 |
| | | 4,319,933 | 2,550,845 |
| 5. | Cost of materials | | |
| | a) Costs of raw materials and supplies and purchased goods | 3,535,162 | 1,829,921 |
| | b) Costs of purchased services | 78,003 | 71,068 |
| | | 3,613,165 | 1,900,989 |
| 6. | Personnel expenditure | | |
| | a) Wages and salaries | 225,487 | 218,374 |
| | b) Social security contributions and expenses for pension schemes and support<br>of which for pension schemes: €6,104k (2021: €5,115k) | 51,377 | 49,271 |
| | | 276,864 | 267,645 |
| 7. | Depreciation and amortisation | | |
| | a) of intangible and tangible fixed assets | 170,959 | 157,387 |
| | b) of special loss account from the formation of provisions pursuant to Section 17 (4) of the DMBilG | 1 | 73 |
| | | 170,960 | 157,460 |
| 8. | Other operating expenses | 182,892 | 159,941 |
| | | 76,052 | 64,810 |
| 9. | Income from participations<br>of which from affiliated companies: €3,855k (2021: €4,866k) | 5,896 | 7,749 |
| 10. | Income from profit transfer agreements | 12 | 161 |
| 11. | Income from other securities and from loans from financial assets | 469 | 488 |
| 12. | Other interests earned and similar income<br>of which from affiliated companies: €66k (2021: €31k) | 3,028 | 981 |
| 13. | Depreciation and amortisation of financial assets | 35,041 | 0 |
| 14. | Expenses from loss assumption | 747 | 709 |
| 15. | Interest and related expenses<br>of which to affiliated companies: €0k (2021: €0k) | 25,992 | 19,346 |
| | | –52,375 | –10,676 |
| **16.** | **Profit/loss before tax** | **23,677** | **54,134** |
| 17. | Taxes on corporate income and business profits<br>of which change in deferred taxes: €10k (2021: €–419k) | 5,679 | 7,754 |
| **18.** | **Result after taxes** | **17,998** | **46,380** |
| 19. | Other taxes | 5,576 | 5,549 |
| **20.** | **Consolidated net income** | **12,422** | **40,831** |
| 21. | Non-controlling interests | –6,657 | –7,650 |
| 22. | Group loss carried forward from previous years | –113,060 | –134,802 |
| 23. | Withdrawal/transfer to revenue reserves | –32,396 | –11,439 |
| **24.** | **Consolidated net loss** | **–139,691** | **–113,060** |

# Notes to the consolidated financial statements for the 2022 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 2022 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.

The amounts reported in the item "Income subsidies received for replacement values" have been reclassified to the item "Other liabilities" in the 2022 business year to ensure a more transparent presentation of the obligation resulting from Section 13 (4) of the Saxon Municipal Charges Act (SächsKAG) to take into account the additional income resulting from the recognition of replacement values in the calculation of charges in a manner that reduces charges. The previous year's value was adjusted accordingly (€39,135k; 2021: €30,525k).

Furthermore, in the presentation of the cash flow statement, the receivables and liabilities from cash management to non-consolidated affiliated companies were allocated to cash and cash equivalents. The previous year's financial statement was executed and adjusted analogously.

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 2022. 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 2022, GPEC EKSPERT SP. Z O.O., Gdańsk, Poland (GPEC EKSPERT) was consolidated for the first time, which was not previously included in the consolidated financial statements due to its minor significance for the Group's net assets, financial position and results of operations in accordance with Section 296 (2) HGB, and was merged as the acquiring legal entity with the previously already fully consolidated subsidiaries GPEC STAROGARD SP.Z O.O., Starogard Gdanski, Poland and GPEC TCZEW SP. Z O.O., Tczew, Poland with effect from 1 January 2022.

On 31 December 2022, 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 | 2,423[1] |
| Brillant Energie GmbH, Leipzig | Brillant | Stadtwerke | 100.00 | 192 | –942[1] |
| ELG Leipzig GmbH, Leipzig | ELG | Stadtwerke<br>LVB | 90.00<br>10.00 | 53 | 3 |
| Gdańskie Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o., Gdańsk, Polen[2] | GPEC | Stadtwerke | 82.86 | 80,566 | 11,361 |
| GPEC EKSPERT SP. Z O.O., Gdańsk, Polen[2] | GPEC EKSPERT | GPEC | 100.00 | 8,277 | –2,373 |
| IFTEC GmbH Co. KG, Leipzig[3] | IFTEC | LVB<br>LIBV | 50.00<br>0.00 | 8,671 | 1,273 |
| Kommunale Wasserwerke Leipzig GmbH, Leipzig | Wasserwerke | LVV | 74.65 | 285,466 | 36,341[4] |
| LAB Leipziger Aus- und Weiterbildungsbetriebe GmbH, Leipzig | LAB | LVB | 100.00 | 200 | 66[1] |
| LAS GmbH, Leipzig | LAS | Stadtwerke | 100.00 | 499 | 552[1] |
| Leipziger Kommunale Energieeffizienz GmbH, Leipzig | LKE | Stadtwerke | 100.00 | 25 | 169[1] |
| Leipziger Servicebetriebe (LSB) GmbH, Leipzig | LSB | LVB | 100.00 | 271 | 39[1] |
| Leipziger Stadtverkehrsbetriebe (LSVB) GmbH, Leipzig | LSVB | LVB | 100.00 | 354 | 337[1] |
| Leipziger Verkehrsbetriebe (LVB) GmbH, Leipzig | LVB | LVV | 100.00 | 136,141 | –3,944[1] |
| LeoBus GmbH, Leipzig | LeoBus | LVB | 100.00 | 1,966 | 83[1] |
| LSI GmbH, Leipzig | LSI | Bau und Service | 100.00 | 1,915 | 168 |
| LTB Leipziger Transport und Logistik Betriebe GmbH, Leipzig | LTB | LVB | 100.00 | 828 | 77[1] |
| Netz Leipzig GmbH, Leipzig | Netz Leipzig | Stadtwerke | 100.00 | 51,009 | 1,814[1] |
| Stadtwerke Leipzig GmbH, Leipzig | Stadtwerke | LVV | 100.00 | 260,601 | 83,144[1] |
| Thüringenwind GmbH & Co. Tüngeda KG, Hörselberg-Hainich | Tüngeda | LWM<br>Stadtwerke | 0.00<br>70.00 | 1,900 | 1,121 |

## Affiliated companies that are not consolidated

| | Abbreviation | Shareholder | Share of subscribed capital % | Equity €k | Result €k |
|---|---|---|---|---|---|
| FWNL Fernwärmenetz Leipzig GmbH & Co. KG, i. L., Leipzig[5, 6] | FWNL | Stadtwerke | 0.15 | n/a | n/a |
| GPEC ENERGIA SP. Z O.O., Gdańsk, Polen[2, 5] | GPEC ENERGIA | GPEC | 100.00 | 4,063 | 2,778 |
| GPEC PELPLIN SP. Z O.O., Pelplin, Polen[2, 5] | GPEC PELPLIN | GPEC | 100.00 | 499 | –183 |
| GPEC PRO SP. Z O.O., Gdańsk, Polen[2, 5] | GPEC PRO | GPEC | 100.00 | 74 | 51 |
| GPEC SERWIS SP. Z O.O., Gdańsk, Polen[2, 5] | GPEC SERWIS | GPEC | 100.00 | 5,168 | 2,864 |
| GPEC SYSTEM SP. Z O.O., Gdańsk, Polen[2, 5] | GPEC SYSTEM | GPEC | 100.00 | 7,041 | 926 |
| KBL Kabelbau Leipzig GmbH, Leipzig[5, 7] | KBL | Stadtwerke | 100.00 | 2,837 | 1,043 |
| Leipziger Windpark Management GmbH, Leipzig[5] | LWM | Stadtwerke | 100.00 | 55 | –8 |
| Mitteldeutsche Erneuerbare Energien GmbH & Co. KG, Leipzig[5, 7] | MEE KG | MEE GmbH<br>Stadtwerke | 0.00<br>100.00 | 91 | –72 |
| Mitteldeutsche Erneuerbare Energien Verwaltungs GmbH, Leipzig[5, 7] | MEE GmbH | MEE KG | 100.00 | 17 | 3 |
| Orchis Energia Sopot Sp. z o.o., Sopot, Polen[2, 5] | Orchis | GPEC | 100.00 | 1,321 | –1,445 |
| Quartiersenergie GmbH, Leipzig[7, 8] | QE | Stadtwerke | 67.00 | 519 | –33 |
| Seyda Erneuerbare Energien GmbH, Jessen[9, 10] | SEE GmbH | Stadtwerke | 100.00 | n/a | n/a |
| Sportbäder Leipzig GmbH, Leipzig[5] | Sportbäder | Wasser-werke | 100.00 | 1,409 | 0 |
| Wassergut Canitz GmbH, Leipzig[5] | Wassergut | Wasser-werke | 100.00 | 2,264 | 12[1] |

## Associated Companies[11]

| | Abbreviation | Shareholder | Share of subscribed capital % | Equity €k | Result €k |
|---|---|---|---|---|---|
| caplog-x GmbH, Leipzig[7, 12] | caplog-x | Stadtwerke | 31.33 | 2,642 | 706 |
| Erdgasversorgung Industriepark Leipzig Nord GmbH, Leipzig[12] | EVIL | Stadtwerke | 50.00 | 421 | 13 |
| Heizkraftwerk Eutritzscher Straße GmbH & Co. KG, i. L., Leipzig[6, 12] | EuKG | Stadtwerke | 0.05 | n/a | n/a |
| KNL Kommunalnetz Leipzig GmbH, Leipzig[12, 13] | | Stadtwerke | 50.00 | 218 | –7 |
| Leipziger Erneuerbare Energien GmbH & Co. KG, Leipzig[7, 12] | LEE KG | LEE GmbH<br>Stadtwerke | 0.00<br>50.00 | 462 | –20 |
| Leipziger Erneuerbare Energien Verwaltungs GmbH, Leipzig[7, 12] | LEE GmbH | LEE KG | 100.00 | 20 | 2 |
| LIB Verwaltungs-GmbH, Leipzig[12] | LIBV | LVB | 50.00 | 26 | 1 |
| MEE Projektgesellschaft 1 GmbH & Co. KG, Leipzig[7, 12] | MEE 1 KG | MEE 1 V GmbH<br>Stadtwerke | 0.00<br>50.00 | 3,480 | –147 |
| MEE Projektverwaltungsgesellschaft 1 mbH, Leipzig[7, 12] | MEE 1 V GmbH | MEE 1 KG | 100.00 | 25 | 3 |

## Associated Companies[11]

| | Abbreviation | Shareholder | Share of subscribed capital % | Equity €k | Result €k |
|---|---|---|---|---|---|
| Meter1 GmbH & Co. KG, Halle (Saale)[7, 12] | Meter1 KG | Meter1 GmbH<br>Stadtwerke | 0.00<br>33.33 | 241 | –16 |
| Meter1 Verwaltung GmbH, Halle (Saale)[7, 12] | Meter1 GmbH | Stadtwerke | 33.33 | 37 | 1 |
| Mittelsächsische Windpark GmbH & Co. KG, Großschirma[7, 12] | MW KG | MWM<br>Stadtwerke | 0.00<br>50.00 | 693 | –81 |
| MWM Mitteldeutsche Windpark Management GmbH, Großschirma[7, 12] | MWM | Stadtwerke | 50.00 | 35 | 6 |
| Verbundnetz Gas Verwaltungs- und Beteiligungsgesellschaft m.b.H, Leipzig[12] | VNG VuB | LVV | 34.57 | 331 | 1 |
| WEO GmbH & Co. KG, Berlin[7, 12] | WEO KG | WEO GmbH<br>Stadtwerke | 0.00<br>33.33 | 0[14] | –579 |
| WEO Verwaltungs GmbH, Berlin[7, 12] | WEO GmbH | WEO KG | 100.00 | 51 | 3 |
| Westsächsische Erneuerbare Energien GmbH & Co. KG, Leipzig[7, 12] | WEE KG | WEE GmbH<br>Stadtwerke | 0.00<br>50.00 | 455 | –19 |
| Westsächsische Erneuerbare Energien Verwaltungs GmbH, Leipzig[7, 12] | WEE GmbH | WEE KG | 100.00 | 25 | 3 |
| Windkraft Hessenweg GmbH & Co. KG, Großschirma[7, 12] | WHW KG | MWM<br>Stadtwerke | 0.00<br>50.00 | 585 | –16 |
| Windpark Königshain-Wiederau GmbH & Co. KG, Großschirma[7, 12] | WKW KG | MWM<br>Stadtwerke | 0.00<br>50.00 | 471 | –28 |
| Windpark Kyffhäuserland GmbH & Co. KG, Großschirma[7, 12] | WKL KG | MWM<br>Stadtwerke | 0.00<br>50.00 | 240 | –17 |

## Additional holdings

| | Abbreviation | Shareholder | Share of subscribed capital % | Equity €k | Result €k |
|---|---|---|---|---|---|
| 8KU GmbH, Berlin[7] | 8KU | Stadtwerke | 12.50 | 285 | 12 |
| beka GmbH, Köln[7] | beka | LVB | 0.47 | 1,143 | 57 |
| envia Mitteldeutsche Energie AG, Chemnitz[7] | enviaM | LVV | 0.07[15] | 1,955,318 | 139,516 |
| European Energy Exchange AG, Leipzig | EEX | LVV | 4.92 | 594,248 | 132,022 |
| Fernwasserversorgung Elbaue-Ostharz GmbH, Torgau[7] | FEO | Wasser-werke | 0.29 | 130,377 | 2,586 |
| Joblinge gemeinnützige AG Leipzig, Leipzig[7] | Joblinge | Stadtwerke | 6.25 | 80 | 0 |
| KBE Kommunale Beteiligungsgesellschaft mbH an der envia, Chemnitz[16] | KBE | LVV | 1.35 | 480,452 | 40,280 |
| Mitteldeutscher Verkehrsverbund GmbH (MDV), Halle (Saale)[7] | MDV | LVB | 16.96 | 477 | 0 |
| Mobility inside Holding GmbH & Co. KG, Frankfurt am Main[7] | MiH | MIV<br>LVB | 0.00<br>2.52 | 6,661 | –858 |
| Mobility inside Verwaltungs GmbH, Frankfurt am Main[7] | MiV | LVB | 5.00 | 52 | 2 |

## Additional holdings

| | Abbreviation | Shareholder | Share of subscribed capital % | Equity €k | Result €k |
|---|---|---|---|---|---|
| SAG Abwicklungs AG, i. L., Zwenkau[17] | SAG | Innvo mbH | 11.43 | n/a | n/a |
| Trianel Erneuerbare Energien GmbH & Co. KG, Aachen[7] | TEE | TEEV<br>Stadtwerke | 0.00<br>3.46 | 118,700 | 4,432 |
| Trianel Erneuerbare Energien Verwaltungs GmbH, Aachen[7] | TEEV | TEE | 100.00 | 74 | 49 |
| VNG AG, Leipzig | VNG AG | LVV | 5.41[18] | 1,080,338 | –595,996 |

[1] Annual result before profit transfer
[2] The exchange rate on the reporting date was used for the balance sheet; the average exchange 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) 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] Information according to the annual financial statements as at 31 December 2021
[8] Non-inclusion of affiliated companies pursuant to Section 296 (1) No. 1 HGB due to non-controlling influence
[9] The foundation took place in 2022 – annual financial statements still pending
[10] Non-inclusion of affiliated companies pursuant to Section 296 (1) No. 3 HGB due to intention to resell
[11] The shares in subscribed capital correspond to voting rights
[12] 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
[13] Abbreviated financial year from 3 August 2021 until 31 December 2021
[14] Share of losses of the limited partners not covered by asset contributions of €8,562k
[15] Block of shares held in trust via KBE
[16] Information according to the annual financial statements as at 30 June 2022
[17] Company is dissolved – registered ex officio pursuant to Section 65 (1) GmbHG
[18] 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. Currency translation differences from debt consolidation are recognised in profit or loss for reasons of simplification and materiality.

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 GPEC EKSPERT resulted in a negative difference of €137k, which was released in full to the income statement due to its minor significance.

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 exchange 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 unweighted average exchange rates.

The participations in the associated companies are posted at book value in the consolidated balance sheet pursuant to Section 312 (1) HGB.

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.

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 necessary, reversals of impairment losses on assets depreciated in a non-scheduled manner in previous years are taken into account through write-up.

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. Furthermore, a performance-based depreciation is applied according to the operating hours for a gas turbine and a declining-balance depreciation is applied at the TPS Leipzig Süd.

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 or the lower fair value. The acquisition costs of the 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 wastewater 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 31.7% 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. As 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.

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. Irrespective of the application of the total difference approach at group level, deferred taxes from consolidation measures are recognised insofar as they are attributable to non-controlling interests (minorities). The initial consolidation of Thüringenwind GmbH & Co. Tüngeda KG, Hörselberg-Hainich (Tüngeda), in the 2021 business year resulted in deferred tax liabilities for non-controlling interests, which were carried forward using an income tax rate of 13%; they are recognised in accordance with Section 306 HGB (separate item on the liabilities side of the consolidated balance sheet).

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 exchange 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.

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 1.78% to 1.79% 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 €1,024k 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 6.85%, as well as future salary adjustments of 10.0% and fluctuation rates of up to 11.7%.

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 pension-plan reinsurance pursuant to Section 253 (1) sentence 3 HGB (amortised cost from the interest-bearing accumulation of the savings portion of the insurance premiums paid plus any existing credit balances from surplus participation), 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.

Other liabilities include the obligations in accordance with Section 13 (4) SächsKAG, according to which the additional income resulting from the difference between the depreciation on the basis of replacement values (WBZW) recognised in the calculation of charges and the depreciation under commercial law must be recognised in future calculation periods as a reduction in charges. 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) 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. The obligation was determined on an asset class basis for the first time in 2016. From the time at which replacement and expansion investments are made in subsequent periods, the liabilities must undergo a scheduled release to income in favour of sales revenues, while taking into account the average useful life of the investments. The resulting reversal amounts for 2022 amount to €929k.

**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, while applying account reclassifications, €610k of internally generated intangible assets were capitalised. Total development costs of €470k were incurred.

**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 participations in LVV's financial assets were subjected to an impairment test. On the basis of the available information on the earnings of the companies that are expected to accrue to LVV in the future, the current interest rate environment (ECB) and the current capital market data (stock market data), a permanent impairment for the investments in VNG AG, Leipzig (VNG), envia Mitteldeutsche Energie AG, Chemnitz (enviaM), and KBE Kommunale Beteiligungsgesellschaft an der envia, Chemnitz (KBE), is anticipated, for which value adjustments totalling €35.0m were made.

**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 €444,546k. Payments received on account worth €339,813k are openly set off. The receivables from deliveries and services include receivables payable by the shareholder, the City of Leipzig, amounting to €18,738k.

Of the **receivables from affiliated companies not included** €14,018k relate to receivables from cash management, €1,181k to other assets and €83k to receivables from deliveries and services.

The receivables from associated **companies in which a participating interest is held** relate to liabilities from deliveries and services amounting to €2k.

The **other assets** made up of receivables from the tax office amounting to €12,390k, some of which do not legally arise until after the balance-sheet date.

Of the receivables, €6k (2021: €5k) of the trade receivables, €0k (2021: €190k) of the receivables from companies in which a participating interest is held, and €337k (2021: €685k) 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 €2,466k (2021: €1,634k).

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. €1k of this provision was amortised in the 2022 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 **capital reserve** increased by €25,410k in the 2022 business year, as a result of capital contributions by the City of Leipzig.

The **revenue reserves** constitute other revenue reserves.

The shares included in the item non-controlling interests, amounting to €98,724k, in the balance sheet are those of the Zweckverband für Wasserversorgung und Abwasserbeseitigung Leipzig-Land (ZV WALL) in Wasserwerke, of the City of Gdańsk in Gdańskie Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o., Gdańsk, Poland (GPEC), of Boreas Energie GmbH in Tüngeda and of Siemens AG in IFTEC GmbH Co. KG, Leipzig (IFTEC). The profit of €6,657k 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 €490k, taking payments already made into account. The acquisition costs of the asset value of the pension-plan reinsurance policies amount to €685k. In the 2022 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 (€87,024k), for the clean-up of ecological damage (€40,760k), for uncertain liabilities (€30,082k), for obligations to return $CO_2$ certificates (€29,763k), for expenditures on part-time employment schemes for older employees, social compensation plans and personnel expenses (€26,311k), for turnover risks in accordance with SächsKAG (€17,705k), for litigation risks and legal proceedings (€11,946k), for sewer service charges and franchise fees (€11,085k), and for anticipated losses (€9,915k).

The **obligations relating to part-time employment schemes for older employees and other provisions for staff for value accounts** (€8,267k) 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 €8,267k. The fair value of the netted assets and the amount needed to settle the netted debts amount to €8,267k respectively. The interest expense resulting from the allocation of reinsured obligations (€47k) was settled with the interest income from the reinsurance policy (€17k).

Other provisions include provisions for expenses in the amount of €9,333k, 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 €13k.

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

**Liabilities**

in €k

| | Remaining term | | | Total |
|---|---|---|---|---|
| | Up to one year (2021) | From one to five years (2021) | Over five years (2021) | 31.12.2022 (2021) |
| 1. Liabilities to banks | 66,924<br>(47,410) | 443,612<br>(311,681) | 600,078<br>(532,258) | 1,110,614<br>(891,349) |
| 2. Payments received on account of orders | 11,394<br>(4,427) | 0<br>(0) | 0<br>(0) | 11,394<br>(4,427) |
| 3. Liabilities from deliveries and services | 208,457<br>(127,194) | 2<br>(3) | 0<br>(0) | 208,459<br>(127,197) |
| 4. Liabilities to affiliated companies that are not consolidated | 20,951<br>(11,869) | 0<br>(0) | 0<br>(0) | 20,951<br>(11,869) |
| 5. Liabilities to companies in which a participating interest is held | 3,203<br>(2,539) | 0<br>(0) | 0<br>(0) | 3,203<br>(2,539) |
| 6. Other liabilities | 200,428<br>(123,281) | 3,507<br>(334) | 102,413<br>(95,525) | 306,348<br>(219,140) |
| | **511,357**<br>**(316,720)** | **447,121**<br>**(312,018)** | **702,491**<br>**(627,783)** | **1,660,969**<br>**(1,256,521)** |

For the majority of the **liabilities to banks and the liabilities from registered debentures/promissory note loans from institutional investors,** 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 €9,881k, 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.

€7,393k of the **liabilities from deliveries and services** relate to liabilities in respect of the shareholder City of Leipzig.

€10,783k of the **liabilities to affiliated companies which are not consolidated** concern liabilities from cash management, €8,607k concern other liabilities, €1,494k concern liabilities from loans, €66k 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/promissory note loans from institutional investors of €65,000k.

Furthermore, the other liabilities include obligations pursuant to Section 13 (4) SächsKAG (€39,135k), 2021: €30,525).

In addition, liabilities to the shareholder City of Leipzig are included in the amount of €105,000k. An agreement was concluded between LVV and the City of Leipzig on 16 September 2022 on the granting of a credit line of €400,000k for the (re-)financing of margin payments made or to be made by Stadtwerke. This credit line replaced the credit line previously granted by the City of Leipzig on 30 August 2022 in connection with margin payments by Stadtwerke of €150,000k, which was limited until 14 September 2022. The credit line was drawn down to the amount of €105,000k on 30 December 2022. The City of Leipzig subordinates its current and future claims arising from or in connection with the shareholder credit line to all current and future claims, including conditional, limited or statutory claims, of all other creditors. Furthermore, the City of Leipzig undertakes to leave the shareholder credit line to LVV untouched throughout the term of this agreement. The interest expenses incurred from the utilisation of the shareholder credit lines of the City of Leipzig were paid into the capital reserve to the same amount respectively.

The item **deferred income** is essentially made up of fare income relating to the following year of €5,392k and income from the cross-border leasing business of Leipziger Verkehrsbetriebe (LVB) GmbH, Leipzig (Verkehrsbetriebe), of €271k, which will be released to income over the contract terms.

**Deferred tax liabilities** amount to €123k (2021: €133K) as at the reporting date and are attributable to other shareholders. The change in deferred tax liabilities compared to the previous year results from the scheduled reversal of €10k.

### 2.3 Notes to the consolidated profit and loss statement

Of the Group's **sales revenue,** €3,802,858k relates to wholesale energy trading and energy supplies, €183,944k to water supply/sewage treatment, €104,995k to income from transport services including compensatory payments, and €68,108k to ancillary business including income from the release of the special item for building-cost subsidies.

Of the sales revenue, €3,996,209k was generated in the Federal Republic of Germany and €163,696k in the Republic of Poland.

The sales revenue includes sales revenues unrelated to the accounting period amounting to €9,224k.

**Other operating income** includes income of €55,515k related to other periods. This mainly consists of income from the dissolution of provisions (€40,621k), income from the dissolution of value adjustments on receivables and the receipt of receivables written off (€11,987k), income from write-ups on fixed assets (€390k) and income from liabilities written off (€845k). Income from the public transport bailout fund of €22,737k is also included in this amount.

Income from foreign-currency gains was €5k, €0k of this amount was not realised.

The **cost of materials** includes expenses unrelated to the accounting period of €9,969k.

**Depreciation and amortisation** include non-scheduled depreciation of tangible fixed assets of €6,041k 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 €1k.

**Other operating expenses** include expenses relating to other accounting periods of €10,347k for value adjustments and write-offs of receivables. Expenses for foreign currency losses were not incurred.

**Other interest and similar income** includes €705k from the discounting of provisions, while the item **interest and similar expenses** includes €903k from the interest added back into provisions. The interest income includes interest income not related to the accounting period of €1,005k, essentially resulting from tax rebates for previous years. The interest expenses include interest expenses not related to the accounting period of €500k, essentially resulting from back tax payments for previous years.

**Taxes on corporate income and business profits** include tax revenue for previous years of €694k.

## 3 Information on the annual result

The LVV Group closes the 2022 business year with a consolidated net profit of €12,422k.

Taking into account the results attributable to other shareholders (non-controlling interests) of €6,657k, the Group loss carried forward of €113,060k and the transfer of LVV's result in the previous year to the revenue reserve of €32,396k, a consolidated balance sheet loss of €139,691k remains.

It has been proposed to transfer the parent company's net income for the 2022 business year of €1,009k to the revenue reserves of LVV.

# 4 Other information

## 4.1 Contingencies

The Group has contingencies of €66,507k. €50,572k 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) with 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, Stockholm, 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 €15,842k (2021: €17,487k). The repayments were made in the year under review in accordance with the contract. 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 €87,729k.

From energy procurement, there are obligations from OTC (over the counter) trading for electricity with a nominal value of €1,156.1m, for gas with a nominal value of €748.2m and for emission certificates with a nominal value of €1.4m.

Furthermore, there are other financial commitments of €4,538k 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 €1,100k is to non-consolidated affiliated companies.

The purchase commitment amounts to €213,638k.

In the 2022 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% (2.4% 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

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

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

**Commodity derivatives**

in €k

| | | | | 31.12.2022 |
|---|---|---|---|---|
| | Nominal volume | Fair value | Book value | |
| | | | Assets | Liabilities |
| Electricty[1] | 4,967,672 | –318,302 | 0 | 0[2] |
| Gas[1] | 2,690,211 | 250,402 | 0 | 0[2] |
| $CO_2$-Emission Certificates[1] | 329,385 | –1,426 | 0 | 0[2] |

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

Financial instruments (derivatives, emission certificates) purchased via regulated markets (stock markets) or financial institutions are stated in the Notes to the financial statements as commodity derivatives in accordance with Section 1 (11) of the German Banking Act (KWG). The nominal volume corresponds to the additive value of all agreed purchase (€4,143.9m) and selling (€3,843.4m) agreements for future delivery periods up to and including 2026.

The purchase and sale contracts concluded for trading purposes were pooled into separate portfolios according to delivery periods and commodities, and valued in accordance with Section 254 HGB. The fair values were determined at market prices on the balance-sheet date based on externally recognised sources, e.g. the official closing prices on the European Energy Exchange AG, Leipzig (EEX). 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 anticipated losses is created for the valuation unit. In the case of a positive balance of the fair values, these are not taken into account in the balance sheet.

In the end-customer market area, contract portfolios were formed in accordance with IDW RS ÖFA 3 for electricity and gas. The portfolios currently comprise the completed or expected sale and procurement transactions for each of the years 2023, 2024 and 2025. 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 €264k were added for the 2022 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 board** 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 2022 business year:

in €k

| | Fixed annual base salary (2021) | Other salary (2021) | Performance-based remuneration (2021) | Total remuneration (2021) | Performed payments in the event of termination of activity (Severance payments) (2021) | Type of pension scheme[1] (2021) | Pension scheme (contribution) expense (2021) |
|---|---|---|---|---|---|---|---|
| Michael M. Theis | 240[2] (240) | 6[3] (5) | 53[4] (40) | 299 (286) | 0 (0) | A (A) | 30 (30) |
| Ulf Middelberg | 220 (220) | 2[3] (4) | 51[4] (33) | 273 (257) | 0 (0) | A (A) | 30 (30) |
| Volkmar Müller | 220[5] (220) | 8[3] (6) | 53[4] (40) | 281 (266) | 0 (0) | A (A) | 30 (30) |
| Karsten Rogall | 220 (220) | 6[3] (6) | 53[4] (40) | 279 (266) | 0 (0) | A (A) | 30 (30) |
| | **900 (900)** | **22 (21)** | **210 (153)** | **1,132 (1,075)** | **0 (0)** | | **120 (120)** |

[1] A – Contribution-oriented performance bonus
[2] Including spokesperson bonus
[3] Without energy flat rate
[4] Payment of performance-based premium for 2021 and the bonus portion deferred from the Group target for 2020 in 2022
[5] Including health insurance payments

In addition, annual pension benefits of €35k have been paid to former members of the Executive Board. Provisions of €408k (2021: €426k) 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<br>Chairman of the Supervisory Board | Mayor of the<br>City of Leipzig |
| Torsten Bonew | First Mayor and Chief Financial Officer,<br>City of Leipzig |
| Martin Biederstedt | Assistant tax consultant,<br>Attorney-at-law Ulrich Klapper, Markkleeberg |
| Siegbert Droese | Office Manager/Assistant,<br>Alternative für Deutschland – Federal spokesperson Tino Chrupalla |
| Katharina Krefft | Physician,<br>Parkkrankenhaus Leipzig |
| Sven Morlok | Minister of State,<br>retired |
| Heiko Oßwald | Head of the Income Tax Department,<br>Tax Office Leipzig II |
| Franziska Riekewald | Constituency Officer,<br>o.trend GmbH |
| Claus-Uwe Rothkegel | Managing Director,<br>Rothkegel BauFachhandel GmbH und Rothkegel GmbH |
| Steffen Wehmann | Employee Finances/Banks,<br>Konsum Leipzig eG<br>Group assistant<br>Parliamentary Group DIE LINKE in the City Council of Leipzig |

| **Employees' representatives** | |
|---|---|
| Ines Kuche<br>Deputy Chair of the Board | Deputy Regional Manager,<br>ver.di Regional District Sachsen, Sachsen-Anhalt, Thüringen |
| Norman Friske | District Manager Leipzig,<br>IG BCE Industriegewerkschaft Bergbau, Chemie, Energie |
| Susann Frölich | Chair of the Works Council,<br>Stadtwerke Leipzig GmbH |
| Jens Herrmann-Kambach | Works Council,<br>Leipziger Verkehrsbetriebe (LVB) GmbH |
| Susann Hildebrand<br>(from 6 July 2022) | Head of vehicle cleaning division,<br>Leipziger Servicebetriebe (LSB) GmbH |
| Armin Krück | Chair of the Works Council,<br>Kommunale Wasserwerke Leipzig GmbH |
| Peter Kubiak | Office Clerk Coordination Communication,<br>Netz Leipzig GmbH |
| Enrico Lange<br>(from 6 July 2022) | Division Manager Finances and Controlling,<br>Leipziger Verkehrsbetriebe (LVB) GmbH |
| Nico Langhammer | Office Clerk Technology/Automation Technology,<br>Bau und Service Leipzig GmbH |
| Paul Schmidt | National District Head of Public and Private Services,<br>Social Security and Transport,<br>ver.di Regional District Sachsen, Sachsen-Anhalt, Thüringen |
| Katja Hübner<br>(until 6 July 2022) | Chair of the Works Council,<br>LAS GmbH |
| Peter Lintzel<br>(until 6 July 2022) | Division Manager Production,<br>Stadtwerke Leipzig GmbH |

The members of the Supervisory Board received the following remuneration and attendance allowances for their work during the 2022 business year:

in €

| Shareholder representatives | Total remuneration | Total attendance allowances |
|---|---|---|
| Burkhard Jung<br>Chairman of the Supervisory Board | 1,000.00 | 3,500.00 |
| Torsten Bonew | 1,000.00 | 1,500.00 |
| Martin Biederstedt | 1,000.00 | 2,250.00 |
| Siegbert Droese | 1,000.00 | 2,500.00 |
| Katharina Krefft | 1,000.00 | 2,750.00 |
| Sven Morlok | 1,000.00 | 2,750.00 |
| Heiko Oßwald | 1,000.00 | 2,500.00 |
| Franziska Riekewald | 1,000.00 | 2,750.00 |
| Claus-Uwe Rothkegel | 1,000.00 | 2,500.00 |
| Steffen Wehmann | 1,000.00 | 3,500.00 |
| | **10,000.00** | **26,500.00** |

in €

| Employees' representatives | Total remuneration | Total attendance allowances |
|---|---|---|
| Ines Kuche<br>Deputy Chair of the Board | 1,000.00 | 3,500.00 |
| Norman Friske | 1,000.00 | 2,250.00 |
| Susann Frölich | 1,000.00 | 2,000.00 |
| Jens Herrmann-Kambach | 1,000.00 | 2,750.00 |
| Susann Hildebrand (from 6 July 2022) | 500.00 | 1,250.00 |
| Armin Krück | 1,000.00 | 2,750.00 |
| Peter Kubiak | 1,000.00 | 3,125.00 |
| Enrico Lange (from 6 July 2022) | 500.00 | 1,500.00 |
| Nico Langhammer | 1,000.00 | 2,500.00 |
| Paul Schmidt | 1,000.00 | 2,750.00 |
| Katja Hübner (until 6 July 2022) | 583.33 | 1,250.00 |
| Peter Lintzel (until 6 July 2022) | 583.33 | 1,250.00 |
| | **10,166.67** | **26,875.00** |

### 4.5 Auditor’s fee

The total fee charged by the auditor of the LVV Group for the 2022 business year was €427k. Auditor services accounted for €353k of this total and other confirmation services for €74k. The total fee includes payments of €43k for previous years.

The total fee for other auditors working at subsidiaries of the LVV Group amounted to €537k. Auditor services accounted for €342k of this total, other tax advisory services for €21k as well as €174k 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)**

| | 2022 | 2021 |
|---|---|---|
| Employees | 1,981 | 1,940 |
| Blue-collar workers | 3,070 | 3,030 |
| | **5,051** | **4,970** |

## 5 Supplementary report

There were no events of special importance to report after the close of the business year that were not already mentioned in the consolidated financial statements for the year ending 31 December 2022 or the Management Report for the 2022 business year.

Leipzig, 12 April 2023

Management

Michael M. Theis    Ulf Middelberg    Volkmar Müller    Karsten Rogall

# Development in the consolidated fixed assets in the 2022 business year

LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig

| | Acquisition and production cost | | | | | | |
|---|---|---|---|---|---|---|---|
| | 01.01.2022 | Currency difference | Additions | Transfers | Additions to the group | Disposals | 31.12.2022 |
| **I. Intangible assets** | | | | | | | |
| 1. Internally generated industrial property rights and similar rights and assets | 2,833 | 0 | 470 | 140 | 0 | 0 | 3,443 |
| 2. Purchased concessions, licences, rights of use, IT programs and easements | 153,846 | –70 | 4,293 | 1,916 | 1,273 | 10,140 | 151,118 |
| 3. Payments on account | 3,128 | 0 | 6,309 | –751 | 0 | 0 | 8,686 |
| | **159,807** | **–70** | **11,072** | **1,305** | **1,273** | **10,140** | **163,247** |
| **II. Tangible assets** | | | | | | | |
| 1. Land, leasehold rights and buildings, including buildings on leased land | 667,806 | –4,068 | 7,277 | 30,206 | 1,192 | 152 | 702,261 |
| 2. Technical equipment and machines | 4,501,289 | –1,088 | 117,970 | 172,441 | 0 | 18,743 | 4,771,869 |
| 3. Other equipment, factory and office equipment | 111,290 | –151 | 7,347 | 3,311 | 0 | 3,545 | 118,252 |
| 4. Payments on account and assets under construction | 278,262 | –72 | 197,599 | –207,263 | 3,575 | 4,577 | 267,524 |
| | **5,558,647** | **–5,379** | **330,193** | **–1,305** | **4,767** | **27,017** | **5,859,906** |
| **III. Financial assets** | | | | | | | |
| 1. Shares in affiliated companies | 22,087 | –240 | 3,509 | 0 | 0 | 769 | 24,587 |
| 2. Loans to affiliated companies that are not consolidated | 6,690 | –95 | 6,638 | 0 | 0 | 5,221 | 8,012 |
| 3. Participations in associated companies | 3,568 | 0 | 0 | 0 | 0 | 0 | 3,568 |
| 4. Participations | 198,499 | –2 | 955 | 0 | 0 | 396 | 199,056 |
| 5. Loans to companies in which a participating interest is held | 6,620 | 0 | 600 | 0 | 0 | 0 | 7,220 |
| 6. Other loans | 1,164 | 0 | 4 | 0 | 0 | 178 | 990 |
| | **238,628** | **–337** | **11,706** | **0** | **0** | **6,564** | **243,433** |
| | **5,957,082** | **–5,786** | **352,971** | **0** | **6,040** | **43,721** | **6,266,586** |

in €k

| | | | | | | | | Cumulative depreciation | | Book values |
|---|---|---|---|---|---|---|---|---|---|---|
| | 01.01.2022 | Currency difference | Additions | Transfers | Appreciations | Additions to the group | Disposals | 31.12.2022 | 31.12.2022 | 31.12.2021 |
| | | | | | | | | | | |
| | 1,012 | 0 | 729 | 0 | 0 | 0 | 0 | 1,741 | 1,702 | 1,821 |
| | 141,000 | –19 | 4,690 | 0 | 0 | 0 | 6,479 | 139,192 | 11,926 | 12,846 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8,686 | 3,128 |
| | **142,012** | **–19** | **5,419** | **0** | **0** | **0** | **6,479** | **140,933** | **22,314** | **17,795** |
| | | | | | | | | | | |
| | 321,304 | –1,637 | 13,173 | 4 | –88 | 787 | 124 | 333,419 | 368,842 | 346,502 |
| | 2,663,794 | –810 | 140,858 | –3 | 0 | 0 | 18,720 | 2,785,119 | 1,986,750 | 1,837,495 |
| | 82,692 | –120 | 11,464 | –1 | –302 | 0 | 3,507 | 90,226 | 28,026 | 28,598 |
| | 372 | –6 | 45 | 0 | 0 | 0 | 16 | 395 | 267,129 | 277,890 |
| | **3,068,162** | **–2,573** | **165,540** | **0** | **–390** | **787** | **22,367** | **3,209,159** | **2,650,747** | **2,490,485** |
| | | | | | | | | | | |
| | 313 | 0 | 0 | 0 | 0 | 0 | 313 | 0 | 24,587 | 21,774 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8,012 | 6,690 |
| | 3,568 | 0 | 0 | 0 | 0 | 0 | 0 | 3,568 | 0 | 0 |
| | 72,541 | –3 | 35,041 | 0 | 0 | 0 | 0 | 107,579 | 91,477 | 125,958 |
| | 1,861 | 0 | 0 | 0 | 0 | 0 | 0 | 1,861 | 5,359 | 4,759 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 990 | 1,164 |
| | **78,283** | **–3** | **35,041** | **0** | **0** | **0** | **313** | **113,008** | **130,425** | **160,345** |
| | **3,288,457** | **–2,595** | **206,000** | **0** | **–390** | **787** | **29,159** | **3,463,100** | **2,803,486** | **2,668,625** |

# Consolidated cash flow statement for the business year from 1 January until 31 December 2022

LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig

in €k

| | 2022 | 2021 |
|---|---|---|
| **Consolidated net income** | **12,422** | **40,831** |
| Amortisation of intangible and tangible fixed assets | 170,959 | 157,387 |
| Amortisation of financial assets | 35,041 | 0 |
| Amortisation of the special loss account from formation of provisions pursuant to Section 17 (4) of the DM Balance Sheet Act (DMBilG) | 1 | 73 |
| Write-ups to fixed assets | –390 | –5,207 |
| Release of revenue subsidies received | –29,275 | –28,465 |
| Release of the special item for capital investment grants | –39,951 | –38,759 |
| Income from the release of present-value benefits from cross-border leasing transactions | –1,246 | –419 |
| Profit(–)/Loss(+) from disposal of fixed assets and consolidated companies | 4,838 | 181 |
| Consolidated group related changes and other non-cash transactions | –1,396 | –5,069 |
| Increase (–)/decrease (+) in inventory | –4,443 | –9,265 |
| Increase (–)/decrease (+) in receivables and other assets | –165,775 | –117,773 |
| Increase (+)/decrease (–) in provisions | 47,170 | –5,676 |
| Increase (+)/decrease (–) in payables and other liabilities | 71,153 | 132,460 |
| Interest expenses (+)/interest income (–) | 22,964 | 18,365 |
| Income from participations (–) | –5,908 | –7,910 |
| Income tax expense (+)/income (–) | 5,679 | 7,754 |
| Income tax payments (–) | 7,029 | –21,414 |
| **Cash flow from operating activities** | **128,872** | **117,094** |
| Receipts from disposals of fixed assets | 4,107 | 3,755 |
| Payments for investments in intangible assets | –11,072 | –4,673 |
| Payments for investments in tangible fixed assets | –325,487 | –314,805 |
| Payments for investments in financial assets | –11,706 | –5,355 |
| (+) Interest received | 2,567 | 204 |
| (+) Income from participations received | 4,188 | 6,477 |
| (+) Receipts from the disposal of cover assets | 754 | 857 |
| (–) Payments for the acquisition of cover assets | –1,307 | –938 |
| **Cash flow from investing activities** | **–337,956** | **–314,478** |
| Shareholder's capital contributions | 25,410 | 0 |
| Receipts from the taking up of loans | 267,070 | 154,645 |
| Payments for repayment of loans | –50,273 | –80,628 |
| Profit distribution payments | –7,092 | –6,168 |
| (+) Payments received from grants | 131,440 | 73,947 |
| (–) Interest paid | –21,037 | –15,159 |
| **Cash flow from financing activities** | **345,518** | **126,637** |
| **Change in financial resources** | **136,434** | **–70,747** |
| **Cash and cash equivalents at beginning of period** | **45,870** | **117,370** |
| **Changes in cash and cash equivalents due to changes in the consolidated companies and valuation** | **3** | **–753** |
| **Cash and cash equivalents at end of period** | **182,307** | **45,870** |
| of which: Utilisation of a short-term credit line | –105,000 | 0 |
| of which: Receivables/liabilities from the cash pool | 3,235 | 250 |
| of which: Cash, credits with banks | 284,072 | 45,620 |
| **Financial resources at the end of the period** | **182,307** | **45,870** |
| **Significant non-cash investment and financing transactions** | | |
| Transfer of tangible fixed assets free of charge | 4,706 | 6,027 |

# Consolidated statement of changes in equity at 31 December 2022

LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig

| | Equity of the parent company | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Reserves | | | | | |
| | Subscribed Capital | Capital reserve | Revenue reserve | Equity difference caused by currency conversion | Revenue carried forward/ loss carried forward | Group annual income/ loss attributable to the parent company | Total |
| | | pursuant to Section 272 (2) No. 4 HGB | other revenue reserves | | | | |
| **As of 31 December 2020** | **512** | **625,910** | **194,553** | **–11,171** | **–131,208** | **–3,594** | **675,002** |
| 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 the 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** |
| Transfer to/withdrawal from reserves | 0 | 25,410 | 32,396 | 0 | –32,396 | 0 | 25,410 |
| Distribution | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Currency translation | 0 | 0 | 0 | –1,291 | 0 | 0 | –1,291 |
| Other changes | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Consolidated net income/loss | 0 | 0 | 0 | 0 | 54,138 | –48,373 | 5,765 |
| **As of 31 December 2022** | **512** | **651,320** | **238,388** | **–13,163** | **–113,060** | **–26,631** | **737,366** |

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 non-applicable profits/losses | Total | Total |
| **88,472** | **–321** | **6,169** | **94,320** | **769,322** |
| 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** |
| 0 | 0 | 0 | 0 | 25,410 |
| –7,092 | 0 | 0 | –7,092 | –7,092 |
| 0 | 0 | 0 | 0 | –1,291 |
| 1,784 | 0 | 0 | 1,784 | 1,784 |
| 7,633 | –2 | –974 | 6,657 | 12,422 |
| **92,371** | **–306** | **6,659** | **98,724** | **836,090** |

**INDEPENDENT AUDITOR'S REPORT**

To Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig

*Audit Opinions*

We have audited the consolidated financial statements of Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2022, 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 2022, 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 Leipziger Versorgungs- und Verkehrsgesellschaft mbH for the financial year from 1 January to 31 December 2022.

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 2022 and of its financial performance for the financial year from 1 January to 31 December 2022 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.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], 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.

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*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 (i.e., fraudulent financial reporting and misappropriation of assets) 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.

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

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

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

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- 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.

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## Imprint

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