Consolidated financial statements for 2023

LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH

Leipziger

Group management report for the 2023 business year

LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig

Table of Contents

1 Group principles

1.1 Business model

Under the umbrella of the LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig (LVV) the supply of energy and heating 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 and further developed with a view to the future. As a service provider and business partner of the City of Leipzig, security of supply and corporate success are of key importance for the Leipzig Group. 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 the supply of drinking water 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

LVV has revised its strategic corporate concept based on the ownership targets adopted by the city council. This was discussed in advance by the Supervisory Board at its meeting on 1 December 2023 and the adoption of its resolution was recommended to the shareholder, the City of Leipzig. The shareholder resolution was adopted on 29 February 2024.

The updated Group strategy – Sicher, nachhaltig und digital für Leipzig – Zuhause in der Transformation (Secure, sustainable and digital for Leipzig – At home with the transformation) – builds on the individual strategies of the subsidiaries and is complemented by a jointly developed Group perspective based on the owner's objectives. The common fields of action constitute the market, customer, citizen, management and processes, infrastructure, employees, environment and resources. The fields of action serve to clearly focus on measures that are implemented in the respective priority areas in order to achieve the targets. For this purpose, 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. 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 in relation to the energy and heating transition as well as the water technology infrastructure and thus feeds back into the subsidiaries' strategy development. It makes the common good and digitisation the focus of all its activities.

The mobility strategy as well as the local transport plan in Leipzig adopted by the city council, the preparation of a municipal heating plan for a climate-neutral form of heating supply in Leipzig and the population forecasts as of 2019 are also taken into account.

The Leipzig Group has set itself the goal of making services of general interest resilient and net greenhouse gas neutral by 2040. To this end, investments are being made in the infrastructure of the growing city and three key transformations are being driven forward: the energy and heating transition by decarbonising the energy system, the water transition by adapting the supply of drinking water and wastewater disposal to the process of climate change and the mobility transition by expanding local public transport in line with demand and in an economically viable manner. Citizens are also provided with comprehensive and transparent information in this process. Customers are accompanied on the transformation path towards greater sustainability, in which the Leipzig Group provides guidance with its expertise and offers customised solutions at market-oriented prices.

The investment offensive will be a challenge in terms of its financing and realisation, but is nevertheless a declared goal that the Leipzig Group wants to achieve. Ambitious urban redevelopment is a task for the entire state, for which the Leipzig Group offers itself as a powerful entrepreneurial partner, but in which the regulatory and financial framework must also be set and observed in order to be able to fulfil the tasks of the future. The increased and, above all, simultaneous demands in all company divisions were considered in the long-term financial plans, with the result that the Leipzig Group will be able to raise more than 98% of the planned investment offensive from its own resources if all planning assumptions are met. However, the otherwise self-sustaining investments in the water and energy sector require start-up financing from the shareholder in LVV's equity, since the returns from the investments are realised with a corresponding time lag. Nevertheless, additional and permanent funding from the City of Leipzig, the Free State of Saxony and the Federal Government is necessary to offset the rising operating costs of public transport.

Digitisation plays a decisive role in overcoming these challenges. It facilitates an increase in efficiency, for example through chat-bot-based customer communication, AI-optimised route planning through to autonomous driving, and also opens up new business models and products. The Leipzig Group also views demographic change as an opportunity and promotes digital skills for employees in particular. The Leipzig Group is aware of the need to position itself as an attractive employer in order to attract and retain skilled labour. Co-determination is seen as a success factor here and is linked to a sense of responsibility for the company.

The Leipzig Group focuses on attractive products at competitive prices in order to achieve a high level of customer satisfaction and loyalty and to remain competitive. The aim here is to secure and increase levels of market share by focussing on digital options in particular. In those places where, as in the case of the Deutschlandticket (subscription ticket with access to all forms of public transport across Germany), politically desired prices are set, sufficient levels of co-financing become a condition. By means of its economic strength, the Leipzig Group has a significant positive impact on the local economy and society, which contributes towards the region’s development.

Energy: The core of the strategy of Stadtwerke Leipzig GmbH, Leipzig (Stadtwerke), remains the securing of the main pillars of the business, growth fields in the markets and strategic prospects. As a municipal company, Stadtwerke bears special responsibility for long-term investments and sustainable earnings – in order to make its contribution to a net-greenhouse-neutral supply. Under the new framework conditions, the strategic core is supplemented by the fields of decarbonisation towards a climate-neutral supply of the city with energy, diversification of the business model and digitisation of internal processes and the customer interfaces ("3-D Strategie"). Against this backdrop, Stadtwerke has shaped its strategy on several levels. At the main level, it helps 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 massive expansion and the transformation of district-heating, the acquisition and efficient management of network concessions as well as the development and the holding of the GPEC. Specific market cultivation, the development, the expansion of wind and photovoltaic projects or the development of smart networks 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.

Stadtwerke is also committed to the goals of climate protection and sustainable corporate development. Co-responsibility for the environment is firmly anchored in the corporate mission statement. The transformation sector of energy efficiency and climate protection in particular is seen as being a major lever in the implementation of greenhouse gas neutrality in Germany by 2045. For the first time, the Sustainability Atlas reports on Stadtwerke’s selected current and future sustainable measures, in particular the climate-neutral provision of public services, needs-based solutions and products, future-oriented technology and infrastructure as well as a commitment towards the region.

Mobility: With its MobiLE strategy, Leipziger Verkehrsbetriebe (LVB) GmbH, Leipzig (Verkehrsbetriebe) is enabling the implementation of the urban sustainability goals and council resolutions on mobility in Leipzig. The objectives and strategy are laid out in more specific detail in the annual economic and medium-term plan. MobiLE’s objective is to increase the future viability and crisis resilience of the company, to reflect social developments and its contribution to the transport transition and to address technical and demand-related developments.

One field of action deals with the implementation of the local transport plan and the collaboration with the City of Leipzig, the Leipzig Group and the region. A key milestone has already been reached with the award of the Public Service Contract (öffentlicher Dienstleistungsauftrag, öDA). In addition, the transport contracts with the districts are to be further developed and transport funding from the Federal Government, the state and the Zweckverband für den Nahverkehrsraum Leipzig (Special-purpose association for the local transport area of Leipzig) (ZVNL) is to be increased. Furthermore, the aim is to consolidate partnerships with the major tram companies in Saxony.

In addition, Verkehrsbetriebe are focussing on customer acquisition and retention and on meeting the mobility needs of the growing city and its surrounding areas. The Liniennetz der Zukunft ("Route network of the future") service concept is an expression of the objectives of the local transport plan and the sustainability scenario. Based on comprehensive potential analyses and participation processes, it will be introduced in the short term to significantly improve the public transport services in the City of Leipzig.

Furthermore, modern and efficient infrastructures are being created using suitable technologies. The strategic focus is on the multimodal platform and app Leipzig Move, which is being supplemented by the on-demand module Flexa, as well as the switch to zero-emission vehicles in the bus sector, which is thus making a huge contribution towards achieving the Group's sustainability goals. This goes hand in hand with the further modernisation of the Group’s properties. The procurement project XXL Plus for the new light rail vehicles represents a further challenge. This project is extremely challenging in the current market environment. The first vehicles are expected to be delivered in 2025. The package of measures "Basismodul Modernisierung Hauptachsen ("Basic module modernisation of main axes"), which is already being implemented and forms part of the "Rahmenplan zur Umsetzung der Mobilitätsstrategie 2030 für Leipzig ("Framework plan for the implementation of the Mobility Strategy 2030 for Leipzig"), is also of fundamental importance. In this programme, the existing network infrastructure is being modernised and further upgraded for the use of high-capacity 2.40 metre wide vehicles. At the same time, this package will result in the tram network being completely barrier-free. The modernisation of the main axes is also a key element in speeding up and improving the quality of public transport and preparing for future network expansions.

Employer marketing and recruitment are elementary components of the growth strategy, as are the further development of attractive employment conditions and future-oriented personnel development programmes. Vocational training is an important basis for the future of Verkehrsbetriebe in the context of demographic change and is being further developed with a view to the future and against the backdrop of digital transformation.

Water: By means of the future programme “Wasser 2030 – Nachhaltig. Zuverlässig. Vernetzt.” ("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, economic efficiency, resource conservation and climate protection, processes/digitisation and employees. The priority measures and projects for achieving the goals are also presented.

Priority projects for the implementation of the water concept for 2030 are in particular the new construction of the waterworks in Naunhof, the so-called ring closure and the feeder system for drinking water to Naunhof.

A high level of supply quality and security of supply is, and remains, the central strategic goal and core task of Wasserwerke. The implementation is reflected in compliance with the quality standards for drinking water supplied and wastewater treated in an environmentally friendly manner, as well as in the very low failure rates of networks and systems. Service processes focus on customer needs with the aim of ensuring a high level of customer satisfaction, but also implementing permanent efficiency improvements. The focus of activities will be on the now approved expansion of the sewage treatment plant in Rosental to the required population equivalents by extending the biological and mechanical treatment stages.

Resource conservation in the form of the sustainable and active protection of drinking water resources, the environment and bodies of water form the core task of Wasserwerke. In the course of a socio-ecological transformation, compliance with regulatory requirements and self-imposed sustainability targets are implemented in a targeted manner. The fact that a subsidiary of Wasserwerke has its own organic farming operations in the drinking water catchment areas is a highly regarded special feature in the sector.

Wasserwerke have finalised the general drainage planning for Leipzig and developed a new wastewater concept that properly reflects the increasingly stringent discharge requirements.

At the same time Wasserwerke also view themselves as the driving force behind forward-looking development for the supply and disposal area and, in consultation with the relevant authorities, examine and plan the forward-looking expansion of additional supply sources and waterworks to facilitate industrial growth. Wasserwerke explicitly views itself as a facilitator and supplier of a regional hydrogen economy.

In the area of climate issues, the focus was clearly upon the commencement of work in the steering network for water-sensitive urban development in 2023. Guidelines and implementation concepts for sustainable and climate-adapted urban development are to be established in collaboration with the administration of the City of Leipzig and the Zweckverband für Wasserversorgung und Abwasserbeseitigung Leipzig-Land (Leipzig-Land special-purpose association for water supply and wastewater disposal) (Leipzig) (ZV WALL). This also concerns the construction of so-called green-blue infrastructures that adequately take into account the increasingly important resilience and absorption and drainage of rainwater, and which all developers and property owners must be aware of.

As part of a scientific project, the effects of climate change on the development of water supply and water consumption in the catchment area of Wasserwerke are being analysed. Adaptation measures for the expansion and operation of infrastructures are derived from this.

In 2023, a joint initiative as part of the municipal heat planning in the Leipzig Group for a coordinated energy and water-sensitive neighbourhood conversion, which also takes into account conversion measures by Verkehrsbetriebe, has also been newly launched. This represents a further development of the "joint planning and building" that has already been consistently organised and creates synergies, innovation and a citizen-oriented and orchestrated approach in the urban space.

1.3 Control system

The Group uses a target-oriented management system for control and management. The main active management tools are the strategic business guidelines 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. Deviations from the planning are reported by the subsidiaries on a quarterly basis and discussed within LVV's management in order to coordinate countermeasures. In addition, ad hoc disclosures on risks are issued if this is appropriate due to the significance of the imminent realisation of a risk.

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 0.3% lower in 2023 than in the previous year. Overall economic development in Germany came to a standstill in 2023 in an environment that was still gripped by crisis. The high prices at all levels of the economy, that remained unchanged despite the recent declines, dampened the economy. This was compounded by unfavourable financing conditions due to rising interest rates and lower demand from Germany and abroad. The recovery of the German economy from the deep slump in the coronavirus year 2020 therefore came to a halt.

In 2023, consumer prices in Germany increased by an annual average of 5.9% compared to the previous year. The inflation rate, measured as the change in the consumer price index (CPI) compared to the previous year, was therefore lower in 2023 than in the previous year. In 2022, inflation still increased by 6.9%. For 2024, the Federal Government is only forecasting an increase in price-adjusted GDP of 0.2%, whereby the starting position is less favourable than assumed in the autumn projection. Current mood indicators do not indicate any noticeable upturn at the start of the year.

Leipzig's labour market recorded a new record level in employment subject to social insurance contributions in 2023 of 291,018 employees. Nevertheless, the unemployment rate rose from 6.5% to 7.0%.

At the end of 2023, 628,718 people were registered as having their main residence in Leipzig – marking an increase of 4,029 people (0.6%) compared to the previous year. In the ten-year period since the end of 2013, the number of inhabitants in Leipzig has increased by 89,370. 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 threatening situations for the critical infrastructure.

In the 2023 business year, the **energy policy framework conditions** were significantly shaped by the revision or amendment of a number of legal provisions.

Following numerous controversies, a key foundation for the future structure of the supply of energy to buildings was laid in the course of 2023 by means of the revision of the Building Energy Act (GEG). The constitutive link to the forthcoming Heat Planning Act (WPG) was the key thing here. Accordingly, the provisions of the GEG are fundamentally based on a municipal heat planning concept. The controversial fulfilment obligation for existing buildings to use at least 65.0% renewable energy will gradually come into effect upon the submission of a municipal heating plan. The implementation of the subsidy policy is subject to a separate guideline.

By means of the parliamentary resolution to introduce a Heat Planning Act at the end of 2023, an essential basis upon which to act in the coming years was adopted. In the case of municipal areas with more than 100,000 inhabitants, heating plans must be drawn up by mid-2026 that contain binding specifications for the gradual decarbonisation of heating networks. By 2030, 30% of existing heating networks must be powered by renewable energies or unavoidable waste heat or a combination of both elements. The share must be at least 80% by 2040.

The amendments to the German Energy Industry Act (EnWG) in 2023 significantly increased the Federal Network Agency's regulatory decision-making scope. The specific impacts of the political implementation will only be ready for assessment over the course of 2024, especially with regard to the expansion of the Federal Network Agency's (BNetzA) determination competences. In addition, the draft for the development of a hydrogen core network was also adopted as part of the amendments.

A number of framework conditions have been improved in order to accelerate the expansion of energy generation based on renewable energies. This applied both to a moderate adjustment of the maximum tender values for wind and photovoltaic contracts and also to simplifications where the mobilisation of expansion areas is concerned. Further adjustments related to procedural simplifications where the balancing of legal interests and species protection are concerned.

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

With a view to the implementation of the **Transport Transition** as a national task, the framework conditions for municipal public transport companies are characterised by decisions made at different levels. The objectives of the EU, federal and state governments and the requirements set there (e.g. Clean Vehicles Directive etc.) mean that the aforementioned levels are responsible for the financing.

In the form of the "Ninth Act to Amend the Regionalisation Act (RegG)" passed in March 2023, the Federal Government stipulates the introduction and use of the Deutschlandticket from 1 May 2023. At a state level, the Saxon Deutschlandticket Financing Ordinance 2023 makes it possible for the Federal and State governments to offset the shortfall in revenue arising in 2023 due to the application and recognition of the Deutschlandticket on a parity basis. Initially, public transport companies were able to keep the revenue from the tickets they sold in 2023. Verkehrsbetriebe were able to secure a high revenue base by virtue of the sales campaign geared towards this.

In addition, the Federal Government also paid increased regional funds (RegMittel) to compensate for crisis-related developments. In Saxony the RegMittel were indeed provided via the five special-purpose associations, but this gives rise to the risk for the purely municipal local road passenger transport companies (ÖSPV) that local rail passenger transport (SPNV) will be favoured and local public transport will not receive an adequate share of the increase in funds.

In the supply area of **Wasserwerke**, the low specific water consumption in the supply area 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. 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 91.5 litres per day and inhabitant in the Wasserwerke supply area in 2023 corresponds to a 29% 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. One reason for this was probably the increased price-conscious conduct of the citizens due to the sharp rise in energy prices. At the very least, the trend of declining sales of drinking water could be observed on the part of many suppliers throughout Germany.

The number of inhabitants supplied has increased by about 0.7% compared to the previous year. With regard to the supply and disposal capacities, this trend is being closely monitored by Wasserwerke and will be taken into account in the revision of the long-term supply and disposal concepts.

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.

The European Urban Waste Water Directive is casting its shadow, and the requirements from the implementation of the national Drinking Water Ordinance are leading to increased expenditure in the testing and laboratory operations of Wasserwerke. However, the quality of the drinking water is excellent compared to the rest of Germany.

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, for whom 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 2023 business year has been characterised by the following key figures in comparison with the budget and the previous year:

Ratios

		Plan 2023	Actual 2023	Actual 2022
Consolidated profit/loss	€m	37.4	54.1	12.4
Adjusted EBITDA[1]	€m	275.5	344.3	252.2
Equity ratio[2]	%	37.0	34.2	34.1
Total net debt[3]	€m	1,175.1	1,057.9	891.5
Dynamic debt-equity ratio[4]		4.3	3.1	3.5

[1] Adjusted EBITDA equals earnings before interest, taxes, depreciations and amortisations, write-downs and impairments taking into account the new provisions of 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 2023 business year with a consolidated net income of €54.1m. Thus, the consolidated results are €16.7m above the value expected in the budget and €41.7m above the previous year's result. Despite an increase in all types of expenses, this trend is mainly due to an improvement in the operating result.

The adjusted EBITDA for the 2023 business year amounts to €344.3m. It improved by €92.1m compared to the previous year, and at €68.8m 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.

At 34.2%, the Group's equity ratio is almost at the previous year's level (34.1%). With an increase in total assets, this trend has been influenced by the positive consolidated result for the year and the improvement in special items for grants and subsidies.

The Group's total net debt totalled €1,057.9m as at the balance sheet date. Although this is below the figure expected in the budget, it has increased by €166.4m compared to the previous year as a result of taking out further loans. However, due to the significant improvement in EBITDA, the dynamic debt-equity ratio falls to a value of 3.1.

The shareholder credit line of the City of Leipzig, which was utilised at short notice in the previous year to secure liquidity in connection with Stadtwerke's margin payments, was repaid in full to the City of Leipzig at the beginning of the 2023 business year. The shareholder credit line was available for a limited period until 30 September 2023. The interest expenses incurred from the utilisation of the shareholder credit lines are paid into the capital reserve to the same amount.

The following framework conditions play a key role in the development of the result of the Group's individual business areas in the 2023 business year:

In the 2023 business year the business field of **Energy** was characterised by the challenges of the energy transition and overcoming the effects of the energy price crisis in a stagnating economic environment. In particular, the implementation of the complex regulations of the price control laws took up considerable resources.

For the 2023 business year, Stadtwerke achieved a result that exceeds the forecast of €82.1m made within the scope of the budget by €22.4m. The positive operating results in the system market and in the key accounts end-customer market made a significant contribution towards this. The result increased by 25.8% compared to the same period in the previous year. A significantly improved EBITDA, which exceeds the reduced result from participations and higher levels of depreciation, had a positive effect. The increase in sales revenues compared to the previous year is mainly due to price-related developments in the end-customer market.

In the 2023 business year the trend was a very positive one in the **Mobility** sector. Verkehrsbetriebe was able to transport a total of 153.3 million passengers over the course of the year. This equalled or even exceeded the pre-coronavirus levels of 2019. The Deutschlandticket launched in May 2023 provided a positive boost. The number of regular customers developed in a very pleasing manner, reaching a figure of 198,056 as at 31 December 2023, an increase of 13.3% compared to 2022. The number of customers with a season ticket even increased by 39.3% compared to the previous year to a figure of 172,360. In view of these developments Verkehrsbetriebe assume there will be a return to the path of growth.

This was mainly offset by the sharp rise in personnel costs and price increases through inflation for energy and materials, which led to a high cost burden for the Verkehrsbetriebe. The collective bargaining agreement reached in June 2023 in the area of TV-N Sachsen (Sectoral collective agreement for local transport in Saxony) leads to significant salary increases for employees of the Verkehrsbetriebe and their subsidiaries in the long term. The sharp rise in expenses in 2023 was mainly offset by grants from third parties, for instance, grants from the City of Leipzig (€24.0m), regionalisation funds (€10.7m) and compensation as part of the energy price brake (€13.1m). In addition, a total of €71.7m was paid to

Verkehrsbetriebe from the LVV Group's own funds within the framework of the öDA/Transport Service Financing Contract (VLFV) in the 2023 business year.

The **Water** business area supplies drinking water to about 729,900 people in the supply area and ensures the environmentally sound treatment of wastewater for about 709,800 inhabitants in the disposal area.

In the 2023 business year, Wasserwerke generated an annual result of €25.9m (2022: €36.3m). However, the figure assumed in the budget was undershot by €7.3m. This is due to a higher price shortfall than planned, which could only be partially offset by the remaining provision for sales risks. The shortfall is mainly due to higher construction prices, which caused the indices for imputed depreciation on replacement values to increase.

2.3 Income situation

The change in the Group's income and expenses in the 2023 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

	2023	2022	Change absolute
Sales revenues	4,445.9	4,150.7	295.2
Cost of materials	3,748.0	3,603.2	144.8
Gross margin	**697.9**	**547.5**	**150.4**
Other operational revenue	124.0	100.0	24.0
Personnel expenses	313.3	276.8	36.5
Depreciation and amortisation	210.5	164.9	45.6
Other operational expenses	178.8	163.1	15.7
Operating profit/loss	**119.3**	**42.7**	**76.6**
Income from investments	6.2	5.2	1.0
Interest result	-29.1	-23.0	-6.1
Non-operating profit/loss	-19.5	-6.8	-12.7
Profit before taxes on income	**76.9**	**18.1**	**58.8**
Taxes on income	-22.8	-5.7	-17.1
Consolidated profit/loss for the year	**54.1**	**12.4**	**41.7**

The LVV Group achieved positive annual results of €54.1m in the 2023 business year. An improvement in the gross margin and other operating income compensated for the increase in all other expense types.

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

Group sales revenues			in €m
	2023	**2022**	**Change absolut**
Energy business area	4,113.5	3,843.3	270.2
of which: system market	2,826.7	3,114.8	-288.1
of which: end-customer market	1,031.8	599.2	432.6
Mobility business area	151.2	126.0	25.2
of which: transport revenue	132.6	105.0	27.6
Water business area	181.2	181.4	-0.2
of which: drinking water supply	83.1	84.4	-1.3
of which: wastewater disposal	97.3	96.4	0.9
	4,445.9	**4,150.7**	**295.2**

The LVV Group’s sales revenues were once again clearly dominated by the **Energy** business area in the 2023 business year, which accounted for 92.5% of the Group’s total turnover (2022: 92.6%).

Stadtwerke's energy trading (system market), which relates to trading in the commodities of electricity and gas, has a significant impact on the Group's sales revenues and cost of materials. In the system market, sales revenues fell compared to the previous year due to price and volume factors.

In the end-customer market for gas for private and commercial customers, sales revenues increased in line with market price movements, while sales volumes declined due to the prevailing weather conditions. In the end-customer market for electricity for private and commercial customers, sales revenues increased with stable sales volumes due to the passing on of higher procurement costs. The disproportionately high increase in sales revenue in the key accounts end-customer market in particular led to an improvement in the proportionate contribution to earnings.

In the business area of district-heating the sales volumes declined slightly due to the prevailing weather conditions. The sales revenues nevertheless increased compared to the previous year. This was offset by higher material expenses as well as depreciation and amortisation. The positive trend here is primarily due to the marketing of electricity from the combined heat and power (CHP) plants.

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.

In 2023, sales revenues of €151.2m (2022: €126.0m) were made in the **Mobility** business area. At €108.7m in the 2023 business year, the line revenue included in transport revenue has improved significantly compared to the previous year (2022: €81.9m excluding rescue package funds).

In addition to the increase in passenger numbers, the introduction of the Deutschlandticket from 1 May 2023 and the associated higher season-ticket revenue with a simultaneous increase in the number of season-ticket holders also contributed towards this improvement. In accordance with the requirements of the federal and state governments, the transport companies obliged to use the Deutschlandticket were also permitted to collect the revenue in the 2023 business year without having to share the revenue.

With prices remaining largely constant and sales volumes changing only marginally, sales revenues in the **Water** business area are mainly characterised by the change in provisions for sales risks and the change in liabilities from income subsidies.

The high indices on replacement values and lower average consumption by household customers led to a cost shortfall in the 2023 business year. However, the provisions from sales risks released for this purpose were not sufficient to compensate for the shortfall. The increased costs can only be taken into account in the following year through adjusted prices.

In the 2023 business year, Wasserwerke provided a total of 36.2 million m^3 (2022: 36.6 million m^3) of drinking water. At 32.3 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 also 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 facilities and network maintenance.

The €24.0m year-on-year improvement in other operating income is mainly due to higher grants and equalisation payments from third parties, primarily intended for public transport funding. These include in particular, compensation payments from the City of Leipzig to offset additional expenses incurred by the Verkehrsbetriebe as a result of their duties, regionalisation funds and payments as part of the energy price controls.

The Group's personnel expenses rose year-on-year by €36.5m. In addition to a higher number of employees, this development resulted in particular from wage and salary adjustments due to collective bargaining agreements as well as the payment of an inflation compensation premium.

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 2023 business year.

In the 2023 business year an operating result from the Group's operating activities amounted to €119.3m which represents an improvement of €76.6m 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 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 2023 business year were also significantly affected by special effects, as well as by factors related to operations. On the earnings side, the neutral result is primarily influenced by income from the release of provisions (€33.5m), sales relating to other periods (€23.0m), income from compensation payments (€5.4m) and income from the release of value adjustments and the receipt of derecognised receivables (€4.3m). On the expense side this primarily reflects expenses for energy purchases not relating to the accounting period (€35.9m), non-scheduled depreciation and amortisation (€22.5m), expenses value adjustments (€11.8m) and additions to provisions for anticipated losses (€11.7m).

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 2023 business year in addition to tax back payments resulting from external tax audits for previous years, a consolidated net income of €54.1m for the 2023 business year results, compared to €12.4m in the previous year.

After offsetting the results attributable to the other shareholders, the high consolidated loss carried forward from previous years and the transfer of the previous year's result to revenue reserves, the consolidated balance sheet loss amounts to €91.4m.

2.4 Financial position

The change in the financial resources and the resulting cash movements are presented in the following summarised cash flow statement in accordance with German Accounting Standard (DRS) 21. Due to the amendment to DRS 21, payments from expense and income subsidies are allocated to cash flow from operating activities (previously investing activities). Furthermore, investment grants are recognised for the first time in cash flow from investing activities (previously financing activities). To facilitate comparability, the previous year has been adjusted accordingly.

A further breakdown of cash flow is shown in the attached consolidated cash flow statement.

Financial position in €m

	2023	2022	Change absolute
Cash flow from operating activities	**282.8**	**181.8**	**101.0**
Cash flow from investing activities	**-303.6**	**-259.5**	**-44.1**
Cash flow from financing activities	**101.7**	**214.1**	**-112.4**
Changes in the financial resources	80.9	136.4	-55.5
Financial resources at beginning of period	182.3	45.9	136.4
Changes in financial resources caused by the consolidated group or valuation	**0.5**	**0.0**	**0.5**
Financial resources at end of period	**263.7**	**182.3**	**81.4**

Financial resources in €m

	2023	2022	Change absolute
Liquid funds	268.2	284.1	-15.9
Utilisation of short-term credit lines	0.0	-105.0	105.0
Receivables/liabilities from the cash pool	-4.5	3.2	-7.7
Financial resources at end of period	**263.7**	**182.3**	**81.4**

In the 2023 business year, the Group generates a cash flow from ongoing business activities of €282.8m, which exceeds the previous year's figure by €101.0m. The improvement is mainly due to the higher company result, cash inflows from additional compensation payments from the City of Leipzig to compensate for additional expenses incurred by the Verkehrsbetriebe as a result of their duties, regionalisation funds and payments as part of the energy price controls. The previous year was especially characterised by higher cash outflows for security deposits from margin payments in the energy sector.

Cash flow from investing activities shows a total cash outflow of €303.6m for the 2023 business year, thus €44.1m 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. This will be offset by lower proceeds from investment grants in the 2023 business year.

The cash flow from financing activities is characterised by a cash inflow of a total of €101.7m in line with the Group's increased investment requirements. The cash inflow from loans (€203.1m) were offset by cash outflow from the repayment (€59.2m), interest payments (€38.0m) and from distributions to shareholders outside the Group (€4.8m). In addition, a contribution of €0.6m was made by the shareholder, the City of Leipzig.

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 €81.4m 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 2023 business year.

2.5 Net worth position

Net worth position

	31.12.2023		31.12.2022		Change
	€m	%	€m	%	absolute
Assets					
Long-term assets					
Fixed assets	2,947.1	77.5	2,803.5	77.6	143.6
Receivables and other assets	0.2	0.0	0.3	0.0	-0.1
	2,947.3	**77.5**	**2,803.8**	**77.6**	**143.5**
Short-term assets					
Inventories	61.2	1.6	43.5	1.2	17.7
Receivables and other assets	519.1	13.6	469.5	13.0	49.6
Liquid funds	268.2	7.0	284.1	7.9	-15.9
	848.5	**22.3**	**797.1**	**22.1**	**51.4**
Other assets	**9.3**	**0.2**	**12.9**	**0.4**	**-3.6**
	3,805.1	**100.0**	**3,613.8**	**100.0**	**191.3**
Liabilities					
Equity	**892.7**	**23.5**	**836.1**	**23.1**	**56.6**
Special items	**817.3**	**21.5**	**796.9**	**22.1**	**20.4**
Medium to long-term provisions and liabilities					
Provisions	111.9	2.9	90.5	2.5	21.4
Liabilities	1,297.0	34.1	1,157.0	32.0	140.0
	1,408.9	**37.0**	**1,247.5**	**34.5**	**161.4**
Short-term provisions and liabilities					
Provisions	221.3	5.8	220.9	6.1	0.4
Liabilities	451.5	12.0	504.0	14.0	-52.5
	672.8	**17.8**	**724.9**	**20.2**	**-52.1**
Other liabilities	**13.4**	**0.4**	**8.4**	**0.2**	**5.0**
	3,805.1	**100.0**	**3,613.8**	**100.0**	**191.3**

Compared to the previous year, the Group's asset and capital structure is characterised by an increase in the balance sheet total of €191.3m. On the assets side, this development is mainly reflected by an increase in the fixed assets, of the receivables and the inventories.

The LVV Group has a very high investment intensity. Thus, 77.5% (2022: 77.6%) of the balance sheet total of €3,805.1m relates to fixed assets, which is entirely financed in the medium and long term, in particular by equity, investment grants and loans.

In the 2023 business year, the focus of investing activity was again on the further expansion of utilities and transport systems.

In addition to the increase in accounts receivables from energy trading, the increase in current accounts receivables is due in particular to higher receivables from consumption billing and accrual to end-customers. The increase in consumption accruals due to the balance sheet date is not matched by the same increase in payments on account. By contrast, other assets decreased, which is mainly due to the market price-related reduction in claims from variation and initial margin payments.

As of the reporting balance-sheet date, the LVV Group had liquidity of €268.2m. Bearing in mind the challenging economic conditions and the continuing high volatility of the energy markets, LVV has continued to make liquidity provisions.

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 €56.6m compared with the previous year. The positive consolidated annual result in particular contributed towards the improvement. The ratio of equity to the higher balance sheet total improved slightly to 23.5%.

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 increase in medium to long-term provisions is due in particular to the allocation of further provisions for anticipated losses. Set against this, current provisions are almost at the previous year's level. In particular, provisions for uncertain liabilities and outstanding invoices as well as for the wastewater levy and sales risks were recognised here.

The Group's liabilities increased by a total of €87.5m compared with the previous year. This development is significantly influenced by the increase in debts as a result of further borrowing for the Group's investments. The Group's total net debt liabilities to banks as well as the registered debentures included under other liabilities/promissory note loans from institutional investors have increased by €1,326.1m. Total net debt increased to €1,057.9m (2022: €891.5m).

Current liabilities decreased in particular due to the repayment of the shareholder credit line utilised in the previous year and the lower obligations from variation margins. Set against this the liabilities from income subsidies received for replacement values increased.

2.6 Investments

In the 2023 business year, the LVV Group invested a total of €367.7m (2022: €352.9m) in fixed assets and thus 4.2% more than in the previous year. However, the investment volume envisaged in the budget for 2023 could not be fully implemented, due in particular to delays in the implementation or settlement of investments and due to postponements of investment measures to the following year.

Of the investments made in 2023, €222.6m (2022: €170.4m) are attributable to the **Energy** business area. The acquisition of electricity and gas concessions in Leipzig's incorporated districts with effect from 1 January 2023 is essential here. Investments were also made in the thermal power station (TPS) Leipzig Süd, in replacement and expansion investments for the electricity, gas and district heating network as well as in decentralised generation plants.

Investments of €78.7m (2022: €105.1m) were made in the **Mobility** business area in the 2023 business year. Investment activities focussed on the expansion of track systems and track equipment – among other things in Waldstraße – advance payments made for the procurement of trams and the commissioning of additional electric buses. The funding ratio at 55% was below the previous year's level due to project and reporting date factors (2022: 62%).

The investment volume including the free transfer of technical installations in the **Water** business area amounted to a total of €66.4m in the 2023 business year (2022: €77.4m); it is around 14.2% below the previous year's investment volume. Of this amount €25.0m (2022: €31.1m) is attributable to the drinking water division, €38.5m (2022: €42.0m) to the wastewater division and €2.9m (2022: €4.3m) to other investments. €47.7m was invested in the drinking water and wastewater networks (2022: €55.7m) as well as €12.2m (2022: €14.2m) in waterworks and €6.5m (2022: €7.5m) in the other areas.

2.7 Employees and employment policy

The Leipzig Group’s employees give their best every day to make the City of Leipzig 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.

In the 2023 business year the LVV Group employed a total of 5,146 staff (2022: 5,051) on average. The increase in the number of employees extends across all divisions of the Leipzig Group.

The Leipzig Group continues to be viewed as an attractive and crisis-proof employer in the region. This is an important basis for continuously mastering the increasing challenges of recruiting skilled workers – especially in highly specialised occupational groups.

The Leipzig Group is aware that in an applicant market and where there is increasing competition for skilled labour, it is important to be able to convince both those who already work for the Leipzig Group and those who want to be reached. We therefore need to continue to be creative and develop opportunities in order to secure highly sought-after skills for ourselves on the market and inspire them as employers.

In order to ensure that these labour market requirements can continue to be met in a positive manner, the employer brand of the Leipzig Group has been further professionalised. 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. We also invest in training and in employee and management development. The goals set can only be achieved with well-trained and motivated employees.

The changes taking place in the world of work and the generational shift are being actively shaped. The imminent upheaval in the workforce due to upcoming retirements is being proactively implemented by means of a long-term personnel and succession concept as part of integrated personnel planning. The Leipzig Group is working to gear up its companies for the future. The aim of the existing collective agreement for the future is to support all employees of the Leipzig 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. 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. One example of this is the preparation and introduction of a Group-wide education platform.

The Leipzig Group has additionally set itself the goal of maintaining the health and performance of its employees during their working lives to the 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 continue to be a success factor. 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.

At its meeting on 1 November 2022, the Supervisory Board of LVV appointed Mrs Kerstin Schultheiß as the new Managing Director of LVV. On 1 May 2023, she succeeded Mr Michael M. Theis, who retired after five years at the helm of LVV. In March 2023, the Supervisory Board also approved two new positions within LVV’s management team as of 1 May 2023. Mr Karsten Rogall then became the new spokesman for the four-member committee and Ms Kerstin Schultheiß was appointed Labour Director within LVV’s management team.

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 the 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 2023, LVV had unused available credit lines of €97.5m for the cash pool as well as unused back-up credit lines of €70.0m. As of the balance-sheet date, the Group had liquid funds of €268.2m.

The credit lines extended in the previous year due to the volatile energy markets totalling €167.5m (2022: €177.5m) are still available as a precaution for possible liquidity outflows.

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 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.

In view of the current market developments − especially against the backdrop of the multiple international crises and its difficult overall economic situation − we also anticipate dampening effects in the case of the LVV Group's financing partners in 2024. 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 2023 business year the capital market environment was characterised by rising financing costs. The rise in base rates was particularly noticeable in the interest rates for borrowing. This is due to the persistently challenging inflation environment and the general increase in risk provisions on the part of the financing partners due to expected defaults in conjunction with recessionary trends.

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.

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

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 Złoty. If the value and timing of the distribution are known, the forward exchange rate is hedged.

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 the ongoing risk management.

3.1.3 Tax-related risks

In LVV's consolidated financial statements as at 31 December 2023, the expected tax burden was taken into account by offsetting advance payments already made for the 2023 business year. All findings and the resulting risks known at the time the consolidated financial statements were prepared, were taken into account in the extrapolation as of 31 December 2023. 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.

The company audits for the years 2014 to 2016 at LVV and its domestic subsidiaries were completed as of the balance sheet date, so that the corresponding tax bases of the years until 2016 according to the provisional company audit report were considered.

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.

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.

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, which need to be continually monitored.

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.

Against the backdrop of the challenging economic conditions and the ongoing Russian war of aggression in Ukraine, it is still possible that prices and availability of energy, raw materials and services, supply chains, bad debt losses from energy and water deliveries, inflation-related wage and salary increases and delays in construction work and major projects will affect all business areas of the LVV 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 relevant 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 system market, the increasing volatility of the market prices for electricity, gas and emission rights lead to general market price risks from trading transactions. The fluctuating market prices lead in the event of price increases to a significant increase in volatility from the collateral to be deposited on the stock exchange for purchase and sale transactions concluded and a resulting short-term liquidity flow. This is where the influence of renewable energies in price formation has a constantly growing impact. Furthermore, the systemically high demands on balancing-group management and the provision of collateral at the various trading venues must be taken into account.

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

In addition, there are risks of being crowded out of the market due to actions by the competitors. The increased presence of online products on comparison portals for private customers and the constant development of customer interfaces (customer portal) counteract this.

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

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

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

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 insecurity and the possible economic effects in connection with the launch of the Deutschlandticket as of 1 May 2023, risks are seen in the **Mobility** business area 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 in the procurement of materials and services as well as the impossibility of enforcing the pricing strategy at the political level or at the Mitteldeutscher Verkehrsverbund (MDV).

Other notable risks that could jeopardise the performance and profitability of Verkehrsbetriebe result in particular from the current collective wage negotiations and the ongoing tense recruitment environment coupled with a high sickness rate.

Due to the current economic conditions, there are also risks where the procurement of tram vehicles is concerned.

In the **Water** business area, risks arise from operating activities, which affect the technical area in particular. The main risks here are the delay in the start of construction work on the expansion of the Rosental sewage treatment plant. Changes had to be made to the rough schedule due to capacity bottlenecks, the time required to prepare the expert reports to assess the environmental impact and long official review times.

In addition, a fire in a control cabinet at the Rosental sewage treatment plant in the 2023 business year meant that a complete shutdown of the wastewater treatment facilities had to be avoided. The financial risk of an increased wastewater levy due to improper plant operation was hedged by recognising a provision in the annual financial statements of Wasserwerke.

From the perspective of Wasserwerke, there are further risks in that unplanned increases in expenses for energy sources, goods and services can occur time and again. Although a consolidation of energy sources can currently be registered, it is not possible to derive a stable medium-term forecast from this.

In addition to the risks arising from subsidiaries, LVV is also exposed to investment risks, primarily relating to its investment in VNG AG Leipzig Nord (VNG). VNG has positioned itself broadly with its natural gas business areas and is also tapping into new potential beyond the natural gas business area as part of its strategy, including through acquisitions. This positioning serves to diversify risks. Based on this, the risk/reward profile will remain risk-orientated in the coming years. The main opportunities and risks are driven by market prices. This primarily relates to ongoing price fluctuations on the commodity markets in the trading sector and future spread trends in the storage sector. Other significant opportunities and risks arise from the regulatory environment. Following the devaluation of the investment in the previous year, there is currently no need for further devaluation.

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 Leipzig Group is pushing ahead with several projects that have high strategic potential in terms of the funding environment and the increasing importance of non-fossil energy sources. This relates in particular to the connection of the region to a superordinated hydrogen network and the utilisation of hydrogen at the TPS Leipzig Süd.

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. The relevance for the impact of the aforementioned opportunities on earnings depends on the extent of the external influences.

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

Against the backdrop of the current price trends in the energy markets 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.

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

Market and asset 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 emission-free 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 power stations, opportunities arise from falling fuel prices. When electricity prices on the wholesale markets are high, there are also opportunities from unsubsidised direct marketing. Opportunities arise for the wind power 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.

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

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

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

In the **Mobility** business area opportunities are seen in particular in the transport transition and the development of the growing City of Leipzig.

The development of transport to date and the demand for mobility services suggest there will be a return to growth following the pandemic years. The "Liniennetz der Zukunft" ("route network of the future") is an expression of the objectives of the local transport plan and the sustainability scenario; it is expected to contribute towards a significant improvement in public transport services in the City of Leipzig. Their implementation is expected to result in a further increase in passenger numbers and transport revenue in the medium term.

From the perspective of Verkehrsbetriebe, there are also opportunities in the fact that the public transport authority and the Leipzig Group are committed to the sustainability and mobility goals and continue to support them financially. In view of the current situation involving the increased disbursement of regionalisation funds, there is a chance that the methodology used in recent years can be surpassed in the future due to the strong efforts at a sector level.

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

Overall, the consequences of climate change and the resulting more frequent dry periods are increasing the importance and social appreciation of water as "food number one". In addition to energy and transport, the future use of water, including issues relating to the water-sensitive urban development, is playing an increasingly important role in the face of changing urban development.

The funding landscape is increasingly offering programmes that are geared towards the consequences of climate change and the associated transformation processes in urban redevelopment for the water and energy sectors. Applications for funding were examined more closely.

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 wastewater 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 Leipzig 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 Leipzig 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.

The key figures of the Group budget compared to the previous business year are presented below and reflect the management's expectations for the year ahead:

Ratios

		Actual 2023	Plan 2024	Change absolute
Consolidated profit/loss	€m	54.1	36.2	-17.9
Adjusted EBITDA	€m	344.3	299.3	-45.0
Investments	€m	367.7	460.5	92.8
Equity ratio	%	34.2	35.7	1.5
Total net debt	€m	1,057.9	1,241.7	183.8
Dynamic debt-equity ratio		3.1	4.1	1.0

The Group’s budget reveals a positive annual result for 2024 of €36.2m.

The Group's budget provides orientation for the development of the companies in the Leipzig Group over the next five years. In addition to the short-term view of the year 2024 medium-term perspective up to 2028 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 Leipzig Group.

For the 2024 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. Furthermore, however, additional and permanent funding from the City of Leipzig, the Free State of Saxony and the Federal Government is necessary to offset the operating costs of public transport.

Adjusted EBITDA is expected to be €299.3m in 2024, in line with the Group's budget. An EBITDA of €423.2m 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 €460.5m for the 2024 business year. Slightly 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, the utilisation of industrial waste heat, local heating solutions, media-independent energy services and submetering.

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 transition, 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. A significant proportion of the funds earmarked for the coming planning years will flow into the expansion of the Rosental sewage treatment plant. The expansion of the sewage treatment plant will create the necessary conditions for the safe disposal of increasing volumes of wastewater as a result of the growth of the City of Leipzig.

The Group's equity ratio is expected to amount to 35.7% due to the expected consolidated result in 2024 and rising special items for income subsidies and will increase slightly in the medium term due to planned contributions from the shareholder, the City of Leipzig.

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 4.1 in the 2024 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 2024

Management

Karsten Rogall Ulf Middelberg Volkmar Müller Kerstin Schultheiß

Consolidated balance sheet at 31 December 2023

LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig

Assets			in €k
		31.12.2023	31.12.2022
A.	**Fixed assets**		
I.	**Intangible assets**		
1.	Internally generated industrial property rights and similar rights and assets	1,419	1,702
2.	Purchased concessions, licenses, rights of use, IT programs and easements	14,519	11,926
3.	Payments on account	13,100	8,686
		29,038	**22,314**
II.	**Tangible assets**		
1.	Land, leasehold rights and buildings including buildings on leased land	421,326	368,842
2.	Technical equipment and machines	2,107,238	1,986,750
3.	Other equipment, factory and office equipment	28,453	28,026
4.	Payments on account and assets under construction	224,698	267,129
		2,781,715	**2,650,747**
III.	**Financial assets**		
1.	Shares in affiliated companies	28,479	24,587
2.	Loans to affiliated companies that are not consolidated	10,887	8,012
3.	Participations	90,807	91,477
4.	Loans to companies in which a participating interest is held	5,319	5,359
5.	Other loans	814	990
		136,306	**130,425**
		2,947,059	**2,803,486**
B.	**Current assets**		
I.	**Inventories**		
1.	Raw materials and supplies	44,416	35,611
2.	Unfinished services	7,758	4,308
3.	Payments on account	9,012	3,573
		61,186	**43,492**
II.	**Receivables and other assets**		
1.	Receivables from deliveries and services	690,453	523,029
	Payments received	-306,889	-339,813
		383,564	183,216
2.	Receivables from affiliated companies that are not consolidated	11,971	15,282
3.	Receivables from companies in which a participating interest is held	14	2
4.	Other assets	123,848	271,341
		519,397	**469,841**
III.	**Cash in hand, bank balances and cheques**	**268,182**	**284,072**
		848,765	**797,405**
C.	**Prepaid expenses**	**9,261**	**12,828**
D.	**Special loss account from the formation of provisions pursuant to Section 17 (4) of the DMBilG**	**0**	**134**
		3,805,085	**3,613,853**

Liabilities			in €k
		31.12.2023	31.12.2022
A.	**Equity**		
I.	**Subscribed capital**	**512**	**512**
II.	**Capital reserve**	**651,942**	**651,320**
III.	**Revenue reserve**	**239,397**	**238,388**
IV.	**Equity difference resulting from currency translation**	**-6,573**	**-13,163**
V.	**Consolidated net loss**	**-91,396**	**-139,691**
VI.	**Non-controlling interests**	**98,807**	**98,724**
		892,689	**836,090**
B.	**Special item for subsidies, development funds and the gratuitous takeover of tangible fixed assets**		
		683,537	**672,865**
C.	**Special items for building-cost subsidies**	**133,757**	**124,037**
D.	**Provisions**		
	1. Provisions for pensions and similar obligations	22,787	25,008
	2. Provisions for taxation	18,075	3,071
	3. Other provisions	292,319	283,352
		333,181	**311,431**
E.	**Liabilities**		
	1. Liabilities to banks	1,236,110	1,110,614
	2. Payments received on account of orders	11,429	11,394
	3. Liabilities from deliveries and services	243,218	208,459
	4. Liabilities to affiliated companies that are not consolidated	25,338	20,951
	5. Liabilities to companies in which a participating interest is held		
		1,519	3,203
	6. Other liabilities	230,908	306,348
	of which tax liabilities: €10,570k (2022: €9,791k)		
	of which social security liabilities: €376k (2022: €151k)		
		1,748,522	**1,660,969**
F.	**Deferred income**	**13,285**	**8,338**
G.	**Deferred tax liabilities**	**114**	**123**
		3,805,085	**3,613,853**

Consolidated profit and loss statement for the business year from 1 January until 31 December 2023

LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig

in €k

			2023	2022
1.	Sales revenues		4,468,861	4,159,905
2.	Increase or decrease in unfinished services		3,596	-1,363
3.	Other internally produced and capitalised assets		21,588	23,506
4.	Other operating income		148,876	137,885
			4,642,921	4,319,933
5.	Cost of materials			
	a)	Costs of raw materials and supplies and purchased goods	3,691,226	3,535,162
	b)	Costs of purchased services	92,685	78,003
			3,783,911	3,613,165
6.	Personnel expenditure			
	a)	Wages and salaries	257,638	225,487
	b)	Social security contributions and expenses for pension schemes and support of which for pension schemes: €6,254k (2022: €6,104k)	55,686	51,377
			313,324	276,864
7.	Depreciation and amortisation			
	a)	of intangible and tangible fixed assets	231,978	170,959
	b)	of special loss account from the formation of provisions pursuant to Section 17 (4) of the DMBilG	134	1
			232,112	170,960
8.	Other operating expenses		207,164	182,892
			106,410	76,052
9.	Income from participations of which from affiliated companies: €4,124k (2022: €3,855k)		6,700	5,896
10.	Income from profit transfer agreements		308	12
11.	Income from other securities and from loans from financial assets		471	469
12.	Other interests earned and similar income of which from affiliated companies: €144k (2022: €66k)		7,188	3,028
13.	Amortisation of financial assets		872	35,041
14.	Expenses from loss assumption		801	747
15.	Interest and related expenses of which to affiliated companies: €0k (2022: €0k)		36,515	25,992
			-23,521	-52,375
16.	**Profit/loss before tax**		**82,889**	**23,677**
17.	Taxes on corporate income and business profits of which change in deferred taxes: €9k (2022: €10k)		22,770	5,679
18.	**Result after taxes**		**60,119**	**17,998**
19.	Other taxes		5,970	5,576
20.	**Consolidated net income**		**54,149**	**12,422**
21.	Non-controlling interests		-4,845	-6,657
22.	Group loss carried forward from previous years		-139,691	-113,060
23.	Withdrawal/transfer to revenue reserves		-1,009	-32,396
24.	**Consolidated net loss**		**-91,396**	**-139,691**

Notes to the consolidated financial statements for the 2023 business year

LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig

Table of Contents

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 2023 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.

Due to the amendment to DRS 21, payments from expense and income subsidies are allocated to cash flow from operating activities (previously investment activities). Furthermore, investment grants are recognised for the first time in cash flow from investment activities (previously financing activities). To facilitate comparability, the previous year has been adjusted accordingly.

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 2023. The annual financial statements of the included companies have been prepared on the same balance-sheet date as the parent company.

On 31 December 2023, 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	Wasserwerke	100.00	1,467	2,696[1]
Brillant Energie GmbH, Leipzig	Brillant	Stadtwerke	100.00	213	2,242[1]
		Stadtwerke	90.00		
ELG Leipzig GmbH, Leipzig	ELG	LVB	10.00	58	5
Gdańskie Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o., Gdańsk, Polen[2]	GPEC	Stadtwerke	82.86	100,450	13,010
GPEC EKSPERT SP. Z O.O., Gdańsk, Polen[2]	GPEC EKSPERT	GPEC	100.00	15,296	1,680
		LVB	50.00		
IFTEC GmbH Co. KG, Leipzig[3]	IFTEC	LIBV	0.00	8,381	983
Kommunale Wasserwerke Leipzig GmbH, Leipzig	Wasserwerke	LVV	74.65	285,466	25,946[4]
LAB Leipziger Aus- und Weiterbildungsbetriebe GmbH, Leipzig	LAB	LVB	100.00	200	166[1]
LAS GmbH, Leipzig	LAS	Stadtwerke	100.00	499	-1,125[1]
Leipziger Kommunale Energieeffizienz GmbH, Leipzig	LKE	Stadtwerke	100.00	25	233[1]
Leipziger Servicebetriebe (LSB) GmbH, Leipzig	LSB	LVB	100.00	271	27[1]
Leipziger Stadtverkehrsbetriebe (LSVB) GmbH, Leipzig	LSVB	LVB	100.00	354	347[1]
Leipziger Verkehrsbetriebe (LVB) GmbH, Leipzig	LVB	LVV	100.00	136,141	0[1]
LeoBus GmbH, Leipzig	LeoBus	LVB	100.00	1,966	108[1]
LSI GmbH, Leipzig	LSI	Bau und Service	100.00	2,302	387
LTB Leipziger Transport und Logistik Betriebe GmbH, Leipzig	LTB	LVB	100.00	828	98[1]
Netz Leipzig GmbH, Leipzig	Netz Leipzig	Stadtwerke	100.00	51,009	-8,835[1]
Stadtwerke Leipzig GmbH, Leipzig	Stadtwerke	LVV	100.00	260,601	104,456[1]
		LWM	0.00		
Thüringenwind GmbH & Co. Tüngeda KG, Hörselberg-Hainich	Tüngeda	Stadtwerke	70.00	2,333	287

Affiliated companies that are not consolidated

	Abbreviation	Shareholder	Share of subscribed capital	Equity	Result
			%	€k	€k
FWNL Fernwärmenetz Leipzig GmbH & Co. KG, i. L., Leipzig[5, 6]	FWNL	Stadtwerke	0.15	n/a	n/a
GPEC ENERGIA SP. Z O.O., Gdańsk, Polen[2, 5]	GPEC ENERGIA	GPEC	100.00	5,045	3,934
GPEC PELPLIN SP. Z O.O., Pelplin, Polen[2, 5]	GPEC PELPLIN	GPEC	100.00	703	158
GPEC PRO SP. Z O.O., Gdańsk, Polen[2, 5]	GPEC PRO	GPEC	100.00	152	284
GPEC SERWIS SP. Z O.O., Gdańsk, Polen[2, 5]	GPEC SERWIS	GPEC	100.00	4,794	2,209
GPEC SYSTEM SP. Z O.O., Gdańsk, Polen[2, 5]	GPEC SYSTEM	GPEC	100.00	7,249	625
KBL Kabelbau Leipzig GmbH, Leipzig[5, 7]	KBL	Stadtwerke	100.00	3,980	1,143
Leipziger Windpark Management GmbH, Leipzig[5]	LWM	Stadtwerke	100.00	46	-8
Mitteldeutsche Erneuerbare Energien GmbH & Co. KG,		MEE GmbH	0.00		
Leipzig[5]	MEE KG	Stadtwerke	100.00	427	-73
Mitteldeutsche Erneuerbare Energien Verwaltungs GmbH,					
Leipzig[5]	MEE GmbH	MEE KG	100.00	21	2
Orchis Energia Sopot Sp. z o.o., Sopot, Polen[2, 5]	Orchis	GPEC	100.00	2,189	-240
Quartiersenergie GmbH, Leipzig[7, 8]	QE	Stadtwerke	67.00	546	27
Seyda Erneuerbare Energien GmbH, Jessen[9]	SEE GmbH	Stadtwerke	100.00	636	-40
Seyda Erneuerbare Energien Wind GmbH, Jessen[9]	SEE Wind	Stadtwerke	100.00	392	-8
Sportbäder Leipzig GmbH, Leipzig[5]	Sportbäder	Wasserwerke	100.00	1,409	0
Wassergut Canitz GmbH, Leipzig[5]	Wassergut	Wasserwerke	100.00	2,264	308[1]

Associated Companies[10]

	Abbreviation	Shareholder	Share of subscribed capital %	Equity €k	Result €k
caplog-x GmbH, Leipzig[7, 11]	caplog-x	Stadtwerke	31.33	2,792	857
Erdgasversorgung Industriepark Leipzig Nord GmbH, Leipzig[7, 11]	EVIL	Stadtwerke	50.00	421	13
Heizkraftwerk Eutritzscher Straße GmbH & Co. KG, i. L., Leipzig[6, 11]	EuKG	Stadtwerke	0.05	n/a	n/a
KNL Kommunalnetz Leipzig GmbH, Leipzig[7, 11]		Stadtwerke	50.00	210	-8
Leipziger Erneuerbare Energien GmbH & Co. KG, Leipzig[11]	LEE KG	LEE GmbH Stadtwerke	0.00 50.00	1,091	-21
Leipziger Erneuerbare Energien Verwaltungs GmbH, Leipzig[11]	LEE GmbH	LEE KG	100.00	24	2
LIB Verwaltungs-GmbH, Leipzig[11]	LIBV	LVB	50.00	26	1
Löwitz Energie GmbH, Magdeburg[7, 11]	LÖW	Stadtwerke	49.00	24	-1
MEE Projektgesellschaft 1 GmbH & Co. KG, Leipzig[7, 11]	MEE 1 KG	MEE 1 V GmbH Stadtwerke	0.00 50.00	4,693	1,213
MEE Projektverwaltungsgesellschaft 1 mbH, Leipzig[11]	MEE 1 V GmbH	MEE 1 KG	100.00	28	1
Meter1 GmbH & Co. KG, Halle (Saale)[11]	Meter1 KG	Meter1 GmbH Stadtwerke	0.00 33.33	231	-19
Meter1 Verwaltung GmbH, Halle (Saale)[11]	Meter1 GmbH	Stadtwerke	33.33	39	1
Mittelsächsische Windpark GmbH & Co. KG, Großschirma[11]	MW KG	MWM Stadtwerke	0.00 50.00	1,964	69
MWM Mitteldeutsche Windpark Management GmbH, Großschirma[11]	MWM	Stadtwerke	50.00	45	5
Verbundnetz Gas Verwaltungs- und Beteiligungsgesellschaft m.b.H, Leipzig[11]	VNG VuB	LVV	34.57	332	0
WEO GmbH & Co. KG, Berlin[7, 11]	WEO KG	WEO GmbH Stadtwerke	0.00 33.33	0[12]	411
WEO Verwaltungs GmbH, Berlin[7, 11]	WEO GmbH	WEO KG	100.00	54	3
Westsächsische Erneuerbare Energien GmbH & Co. KG, Leipzig[11]	WEE KG	WEE GmbH Stadtwerke	0.00 50.00	485	-20
Westsächsische Erneuerbare Energien Verwaltungs GmbH, Leipzig[11]	WEE GmbH	WEE KG	100.00	29	2
Windkraft Hessenweg GmbH & Co. KG, Großschirma[11]	WHW KG	MWM Stadtwerke	0.00 50.00	593	-22
Windpark Königshain-Wiederau GmbH & Co. KG, Großschirma[11]	WKW KG	MWM Stadtwerke	0.00 50.00	1,057	-77
Windpark Kyffhäuserland GmbH & Co. KG, Großschirma[11]	WKL KG	MWM Stadtwerke	0.00 50.00	250	-10

Additional holdings

	Abbreviation	Shareholder	Share of subscribed capital %	Equity €k	Result €k
8KU GmbH, Berlin[7]	8KU	Stadtwerke	12.50	312	27
beka GmbH, Köln[7]	beka	LVB	0.47	1,175	33
envia Mitteldeutsche Energie AG, Chemnitz[7]	enviaM	LVV	0.07[13]	1,903,559	139,294
European Energy Exchange AG, Leipzig	EEX	LVV	4.92	727,759	155,739
Fernwasserversorgung Elbaue-Ostharz GmbH, Torgau[7]	FEO	Wasserwerke	0.29	131,786	1,409
Joblinge gemeinnützige AG Leipzig, Leipzig[7]	Joblinge	Stadtwerke	6.25	80	0
KBE Kommunale Beteiligungsgesellschaft mbH an der envia, Chemnitz[14]	KBE	LVV	1.35	513,505	34,053
Mitteldeutscher Verkehrsverbund GmbH (MDV), Halle (Saale)[7]	MDV	LVB	16.96	477	0
		MIV	0.00		
Mobility inside Holding GmbH & Co. KG, Frankfurt am Main[7]	MiH	LVB	2.52	16,336	-1,064
Mobility inside Verwaltungs GmbH, Frankfurt am Main[7]	MiV	LVB	5.00	54	2
SAG Abwicklungs AG, i. L., Zwenkau[15]	SAG	Innvo mbH	11.43	n/a	n/a
		TEEV	0.00		
Trianel Erneuerbare Energien GmbH & Co. KG, Aachen[7]	TEE	Stadtwerke	3.46	141,662	28,847
Trianel Erneuerbare Energien Verwaltungs GmbH, Aachen[7]	TEEV	TEE	100.00	80	55
VNG AG, Leipzig	VNG AG	LVV	5.41[16]	1,398,252	317,913

[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 2022

[8] Non-inclusion of affiliated companies pursuant to Section 296 (1) No. 1 HGB due to non-controlling influence

[9] Non-inclusion of affiliated companies pursuant to Section 296 (1) No. 3 HGB due to intention to resell

[10] The shares in subscribed capital correspond to voting rights

[11] 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

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

[13] Block of shares held in trust via KBE

[14] Information according to the annual financial statements as at 30 June 2023

[15] Company is dissolved – registered ex officio pursuant to Section 65 (1) GmbHG

[16] 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 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 as well as the depreciation necessary for this of the fixed assets.

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 closed at 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.

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

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.

Cash in hand, bank balances and cheques 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. Due to the reversal of the corresponding provisions, the special loss account was written off in full in the business year.

The deferred taxes resulting from consolidation measures were netted with the primary deferred tax assets (total difference approach). Deferred taxes from consolidation measures (secondary deferred taxes) are only recognised in the balance sheet if the comparison with the primary deferred taxes results in a surplus on the liabilities side or if there is a surplus on the assets side of secondary deferred taxes, irrespective of the exercise of the capitalisation option in accordance with Section 274 (1), sentence 2 in conjunction with Sections 298 and 300 (2) HGB. 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 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 corporate and trade tax loss carryforwards where they exist 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 31.68% 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 2023 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 not used within the scope of Group-wide accounting. Existing loss carryforwards were not to be valued due to a lack of usability.

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 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 caused by 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 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 1.82% to 1.83% 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 €166k 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 5.2%, as well as future salary adjustments of 7.5% and fluctuation rates of up to 11.7%.

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 pensions as well as 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) of the Saxon Municipal Tax Act (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 2023 amount to €1,262k.

Deferred income covers receipts representing income after the balance-sheet date.

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.

Taking reclassifications into account, €522k of internally generated intangible assets were capitalised in the business year. Total development costs of €973k were incurred, of which €522k were capitalised.

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 envia Mitteldeutsche Energie AG, Chemnitz, (enviaM), and KBE Kommunale Beteiligungsgesellschaft an der envia, Chemnitz, (KBE), totalling €370k results. The amount of the impairment to be recognised results exclusively from the changed assumptions for the interest rate and capital market data in the impairment test. In addition, the investments in Mobility inside Holding GmbH & Co. KG, Frankfurt am Main (MiH), and Mobility inside Verwaltungs GmbH, Frankfurt am Main (MiV), were amortised in an unscheduled manner by €502k in the 2023 business year.

The inventories contain emission entitlements allocated free of charge on the balance-sheet date with an obligation to return, which have been posted with a memo value (market value on 31 December 2023: €2,769k).

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 €641,485k. Payments received on account worth €306,890k are openly set off. The receivables from deliveries and services include receivables payable by the shareholder, the City of Leipzig, amounting to €23,979k (2022: €18,738k).

Of the **receivables from affiliated companies that are not consolidated** €10,109k relate to receivables from cash management, €1,690k to other assets and €172k to receivables from deliveries and services.

The **receivables from companies in which a participating interest is held** relate to liabilities from deliveries and services amounting to €14k.

The **other assets** made up of receivables from the tax office amounting to €15,261k, some of which do not legally arise until after the balance-sheet date. Other assets also include receivables owed by the shareholder, the City of Leipzig, totalling €3k (2022: €0k).

Of the receivables, €6k (2022: €6k) of the trade receivables and €163k (2022: €337k) 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 €2,383k (2022: €2,466k).

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. €134k of this provision was completely amortised in the 2023 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 €622k in the 2023 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 €98,807k, 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 €4,845k 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 €474k, taking payments already made into account. The acquisition costs of the asset value of the pension-plan reinsurance policies amount to €687k. In the 2023 business year, the interest earnings included in the fair value of the assigned reinsurance policies (€18k) are netted against the expenses of the obligation (€18k) 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 (€63,449k), for the clean-up of ecological damage (€47,831k), for uncertain liabilities (€41,575k), for obligations to return CO_2 certificates (€33,308k), for expenditures on part-time employment schemes for older employees, social compensation plans and personnel expenses (€27,919k), for anticipated losses (€23,426k), for sewer service charges and franchise fees (€17,695k), for turnover risks in accordance with SächsKAG (€9,161k) as well as for litigation risks and legal proceedings (€7,433k).

The **obligations relating to part-time employment schemes for older employees and other provisions for staff for value accounts** (€10,003k) 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 €10,003k. The fair value of the netted assets and the amount needed to settle the netted debts amount to €10,003k respectively. The interest expense resulting from the allocation of reinsured obligations (€108k) was settled with the interest income from the reinsurance policy (€20k).

Other provisions include provisions for expenses in the amount of €8,945k, 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 €17k.

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

Liabilities					in €k
				Remaining term	**Total**
		Up to one year (2022)	**From one to five years (2022)**	**Over five years (2022)**	**31.12.2023 (2022)**
1.	Liabilities to banks	83,984	500,103	652,023	1,236,110
		(66,924)	(443,612)	(600,078)	(1,110,614)
2.	Payments received on account of orders	11,429	0	0	11,429
		(11,394)	(0)	(0)	(11,394)
3.	Liabilities from deliveries and services	243,218	0	0	243,218
		(208,457)	(2)	(0)	(208,459)
4.	Liabilities to affiliated companies that are not consolidated	25,338	0	0	25,338
		(20,951)	(0)	(0)	(20,951)
5.	Liabilities to companies in which a participating interest is held	1,519	0	0	1,519
		(3,203)	(0)	(0)	(3,203)
6.	Other liabilities	86,042	4,718	140,148	230,908
		(200,428)	(3,507)	(102,413)	(306,348)
		451,530	**504,821**	**792,171**	**1,748,522**
		(511,357)	**(447,121)**	**(702,491)**	**(1,660,969)**

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 €8,846k, 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.

€9,157k of the **liabilities from deliveries and services** relate to liabilities (2022: €7,393k) in respect of the shareholder City of Leipzig.

€14,609k of the **liabilities to affiliated companies that are not consolidated** concern liabilities from cash management, €9,153k concern other liabilities, €1,281k concern liabilities from loans, €293k concern liabilities from deliveries and services and €2k 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 €90,000k.

Furthermore, the other liabilities include obligations pursuant to Section 13 (4) SächsKAG (€56,110k, 2022: 39,135).

The **liabilities owed to the shareholder** of €105,000k reported in the previous year related to a credit line utilised by the City of Leipzig. The shareholder credit line was time limited until 30 September 2023 and was already repaid in full in the first quarter of 2023. 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 (€622k).

The **deferred income** mainly includes fare income relating to the subsequent year of €4,166k from Leipziger Verkehrsbetriebe (LVB) GmbH, Leipzig, (Verkehrsbetriebe), as well as income of €6,509k from GPEC for connection fees received.

Deferred tax liabilities amount to €114k (2022: €123k) 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 €9k.

2.3 Notes to the consolidated profit and loss statement

Of the Group's **sales revenue** €4,023,135k relates to wholesale energy trading and energy supplies, €188,083k to water supply/sewage treatment, €132,617k to income from transport services including compensatory payments, and €125,026k to ancillary business including income from the release of the special item for building-cost subsidies.

Of the sales revenue, €4,213,902k was generated in the Federal Republic of Germany and €254,959k in the Republic of Poland.

The sales revenue includes sales revenues unrelated to the accounting period amounting to €22,999k.

Other operating income includes income of €40,830k related to other periods. This mainly consists of income from the dissolution of provisions (€33,527k), income from the dissolution of value adjustments on receivables and the receipt of receivables written off (€4,348k), income from the disposal of fixed assets (€2,071k) and income from the write-up of fixed assets (€742k).

Income from foreign-currency gains was €6k, €6k of this amount was not realised.

The **cost of materials** includes expenses unrelated to the accounting period of €35,888k.

Depreciation and amortisation include non-scheduled depreciation and amortisation on fixed assets and intangible assets of €21,585k, mainly relating to the Piesteritz and Bischofferode biomass power stations. In addition, the depreciation and amortisation include amortisation on the special loss account from formation of provisions relating to other accounting periods in accordance with Section 17 (4) DMBilG of €134k.

Other operating expenses include expenses relating to other accounting periods of €17,463k, which include expenses relating to other accounting periods of €11,796k for value adjustments and write-downs of receivables.

Expenses of €1k were incurred for foreign-currency losses.

Other interest earned and similar income include €1,276k from the discounting of provisions, while the item **interest and related expenses** include €857k from the interest added back into provisions. The interest income include interest income not related to another accounting period of €675k, essentially resulting from tax rebates for previous years. The interest expenses include interest expenses not related to the accounting period of €458k, essentially resulting from payments of tax arrears for previous years.

The **taxes on corporate income and business profits** include payments of tax arrears for previous years of €2,555k.

3 Information on the annual result

The LVV Group closes the 2023 business year with a consolidated net profit of €54,149k.

Taking into account the results attributable to other shareholders (non-controlling interests) of €4,845k, the Group loss carried forward of €139,691k and the transfer of LVV's result in the previous year to the revenue reserve of €1,009k, a consolidated balance sheet loss of €91,396k remains.

It has been proposed to transfer the parent company's net income for the 2023 business year of €33,948k to the revenue reserves of LVV.

4 Other information

4.1 Contingencies

The Group has contingencies of €50,879k. €50,760k 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.

The contingent liability of Verkehrsbetriebe from a cross-border leasing transaction (CBL) with Skandinaviska Enskilda Banken AB Public Sweden, Stockholm, Sweden, (SEB), with a transaction volume of €22,906k, which was reported in the previous year in accordance with Section 251 HGB, was terminated in the 2023 business year through the exercising of the first purchase option. As at the balance-sheet date, there were no outstanding lease liabilities from the transaction (2022: €15,842k) and therefore also no more contingent liabilities. The lien established in favour of Verkehrsbetriebe has expired. Guarantees from warranty bonds issued by LSI GmbH, Leipzig (LSI), still exist totalling €118k.

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 €44,141k.

From energy procurement, there are obligations from OTC (over the counter) trading for electricity with a nominal value of €450.8m, for gas with a nominal value of €393.9m and for emission certificates with a nominal value of €18m.

Furthermore, there are other financial commitments of €1,923k resulting from capital contributions that have not yet been called in, the provision of loans and the payment of variable additional purchase prices.

The purchase commitment amounts to €156,990k.

In the 2023 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 4.86% (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

				31.12.2023
	Nominal volume	Fair value		Book value
			Assets	Liabilities
Electricty[1]	1,928,465	33,924	0	0[2]
Gas[1]	1,680,678	-11,778	0	0[2]
CO_2-Emission Certificates[1]	78,873	898	0	0[2]

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

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

The purchase and sale contracts concluded for trading purposes were pooled into separate portfolios according to delivery periods and commodities, and valued in accordance with Section 254 HGB. The fair values were determined at market prices on the balance-sheet date based on externally recognised sources, e.g. the official closing prices on the European Energy Exchange AG, Leipzig (EEX). 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.

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

In the end-customer market area, contract portfolios were formed in accordance with IDW RS ÖFA 3 for electricity and gas. The portfolios currently comprise the completed or expected sale and procurement transactions for each of the years 2024, 2025 and 2026. The sales transactions include binding sales contracts with customers and customer sales which are very likely. These are countered by procurement transactions, which include contracted stock market or OTC procurement transactions. In addition, the directly attributable costs on the basis of the contribution margin V are taken into account in the portfolio analysis. (Discounted) provisions for anticipated losses of €4,108k were added for the 2023 business year.

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

4.4 Information on the Minimum Tax Act

The LVV Group falls within the scope of the global minimum taxation rules ("Pillar 2"). The regulations on global minimum taxation came into force in Germany with effect from 28 December 2023 in the form of the Minimum Tax Act ("MinStG"). The MinStG applies for the first time for business years beginning after 30 December 2023. In accordance with MinStG, a supplementary tax is payable for each jurisdiction that has an effective tax rate of less than 15%. Determining the effective tax rate according to MinStG is very complex and involves a large number of specific adjustments. Due to the fact MinStG does not yet apply to the company for the 2023 business year, there will be no tax burden from MinStG for the 2023 business year.

As the group parent of the minimum tax group as defined by Section 3 MinStG, the company may in future bear any additional tax burden arising for all business units located in Germany plus the tax burden resulting from foreign minimum tax laws for jurisdictions in which no national supplementary tax is levied. Due to the complexity of applying the Pillar 2 legislation and the calculation of the potential tax effects, the quantitative and qualitative effects for future business years cannot yet be reliably estimated.

4.5 Information on the executive bodies

The **members of management board** are:

- Mr Karsten Rogall,

  Managing Director Energy, Management Board Spokesman (from 1 August 2023), Communications and Press, IT Strategy,

- Mr Michael M. Theis (until 30 April 2023),

  Managing Director Water, Management Board Spokesman, Employment Director, Communications and Press, Human Resources,

- Mr Ulf Middelberg,

  Managing Director Mobility, Corporate Development, Brand Development, Digitisation,

- Mr Volkmar Müller,

  Managing Director Group Audits, Legal Affairs, Board Management, Finance and Risk Management, Accounting, Taxes and Investment Controlling, and

- Mrs Kerstin Schultheiß (from 1 May 2023),

  Managing Director Water, Employment Director, Human Resources and Coordination of HR Strategy, Data Protection, Occupational Safety, Occupational Health Service.

The following payments were made to the members of management in the 2023 business year:

in €k

	Fixed annual base salary (2022)	Other salary (2022)	Perfor-mance-based renum-eration (2022)	Total renumera-tion (2022)	Performed payments in the event of termination of activity (Severance payments) (2022)	Type of pension scheme[1] (2022)	Pension scheme (con-tribution) expense (2022)
Michael M. Theis	80 [2]	2	67 [3]	149	0	A	10
	(240)	(6)	(53)	(299)	(0)	(A)	(30)
Karsten Rogall	277 [2]	6	50 [4]	333	0	A	40
	(220)	(6)	(53)	(279)	(0)	(A)	(30)
Ulf Middelberg	260	4	50 [4]	314	0	A	40
	(220)	(2)	(51)	(273)	(0)	(A)	(30)
Volkmar Müller	260	8	50 [4]	318	0	A	40
	(220)	(8)	(53)	(281)	(0)	(A)	(30)
Kerstin Schultheiß	153	5	0	158	0	A	30
	(0)	(0)	(0)	(0)	(0)		(0)
	1030	**25**	**217**	**1,272**	**0**		**160**
	(900)	**(22)**	**(210)**	**(1,132)**	**(0)**		**(120)**

[1] A – Contribution-oriented performance bonus

[2] Including spokesperson bonus

[3] Payment of performance bonus for 2022 and pro rata for 2023 in 2023

[4] Payment of performance bonus for 2022 in 2023

In addition, annual pension benefits of €40k have been paid to former members of the Executive Board. Provisions of €391k (2022: €408k) have been made to cover ongoing pensions for former Managing Directors.

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

Shareholder representatives	
Burkhard Jung Chairman of the Supervisory Board	Mayor of the City of Leipzig
Martin Biederstedt	Managing Director, Die Alternative Kommunalpolitik Sachsen (DAKS) e. V.
Torsten Bonew	First Mayor and Chief Financial Officer, City of Leipzig
Siegbert Droese	Office Manager, Alternative für Deutschland – Federal spokesperson Tino Chrupalla
Katharina Krefft	Physician, Parkkrankenhaus Leipzig
Sven Morlok	Minister of State, retired
Heiko Oßwald	Head of the Income Tax Department, Tax Office Leipzig II
Franziska Riekewald	Employee of the Management Board Mobiler Behindertendienst Leipzig e. V.
Claus-Uwe Rothkegel	Managing Director, Rothkegel BauFachhandel GmbH und Rothkegel GmbH
Steffen Wehmann	Employee Finances/Banks, Konsum Leipzig eG, Group assistant, Parliamentary Group DIE LINKE in the City Council of Leipzig

Employees' representatives	
Ines Kuche Deputy Chair of the Board	Deputy Regional Manager, ver.di Regional District Sachsen, Sachsen-Anhalt, Thüringen
Norman Friske	Regional Manager Halle-Magdeburg, IG BCE Halle-Magdeburg district
Susann Frölich	Chair of the Works Council, Stadtwerke Leipzig GmbH
Jens Herrmann-Kambach	Works Council, Leipziger Verkehrsbetriebe (LVB) GmbH
Susann Hildebrand	Head of vehicle cleaning division, Leipziger Servicebetriebe (LSB) GmbH
Armin Krück	Chair of the Works Council, Kommunale Wasserwerke Leipzig GmbH
Peter Kubiak (until 29 February 2024)	Office Clerk Coordination Communication (until 29 February 2024), Partial retirement (from 1 March 2024), Netz Leipzig GmbH
Enrico Lange	Division Manager Finances and Controlling, Leipziger Verkehrsbetriebe (LVB) GmbH
Nico Langhammer	Office Clerk Technology/Automation Technology, Bau und Service Leipzig GmbH
Tina Neudorf (from 01 March 2024)	Works Council, Stadtwerke Leipzig GmbH
Paul Schmidt	Regional Head of Department Division B, ver.di Regional District Sachsen, Sachsen-Anhalt, Thüringen

The members of the Supervisory Board received the following remuneration and attendance allowances for their work during the 2023 business year:

in €

Shareholder representatives	Total remuneration	Total attendance allowances
Burkhard Jung Chairman of the Supervisory Board	1,000.00	1,875.00
Martin Biederstedt	1,000.00	750.00
Torsten Bonew	1,000.00	1,000.00
Siegbert Droese	1,000.00	1,250.00
Katharina Krefft	1,000.00	1,250.00
Sven Morlok	1,000.00	1,250.00
Heiko Oßwald	1,000.00	1,250.00
Franziska Riekewald	1,000.00	1,250.00
Claus-Uwe Rothkegel	1,000.00	1,250.00
Steffen Wehmann	1,000.00	1,875.00
	10,000.00	**13,000.00**

in €

Employees' representatives	Total remuneration	Total attendance allowances
Ines Kuche Deputy Chair of the Board	1,000.00	1,875.00
Norman Friske	1,000.00	1,000.00
Susann Frölich	1,000.00	500.00
Jens Herrmann-Kambach	1,000.00	1,250.00
Susann Hildebrand	1,000.00	1,000.00
Armin Krück	1,000.00	1,250.00
Peter Kubiak	1,000.00	1,875.00
Enrico Lange	1,000.00	1,250.00
Nico Langhammer	1,000.00	1,250.00
Tina Neudorf (from 01 March 2024)	0.00	0.00
Paul Schmidt	1,000.00	1,000.00
	10,000.00	**12,250.00**

4.6 Auditor’s fee

The total fee charged by the auditor of the LVV Group for the 2023 business year was €427k. Auditor services accounted for €359k of this total and other confirmation services for €68k. The total fee includes payments of €28k for previous years.

The total fee for other auditors working at subsidiaries of the LVV Group amounted to €427k. Auditor services accounted for €369k of this total, other tax advisory services for €55k as well as €3k for other services. The total fee includes €0k for previous years.

4.7 Annual average number of employees

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

	2023	2022
Employees	2,037	1,981
Blue-collar workers	3,109	3,070
	5,146	**5,051**

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 2023 or the Management Report for the 2023 business year.

Leipzig, 12 April 2024

Management

Karsten Rogall   Ulf Middelberg   Volkmar Müller   Kerstin Schultheiß

Development in the consolidated fixed assets in the 2023 business year

LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig

		Acquisition and production cost					
		01.01.2023	Currency difference	Additions	Transfers	Disposals	31.12.2023
I.	**Intangible assets**						
1.	Internally generated industrial property rights and similar rights and assets	3,443	0	303	219	0	3,965
2.	Purchased concessions, licences, rights of use, IT programs and easements	151,118	256	2,591	10,788	9,178	155,575
3.	Payments on account	8,686	0	5,892	-1,478	0	13,100
		163,247	**256**	**8,786**	**9,529**	**9,178**	**172,640**
II.	**Tangible assets**						
1.	Land, leasehold rights and buildings, including buildings on leased land	702,261	19,350	10,064	50,466	2,019	780,122
2.	Technical equipment and machines	4,771,869	5,322	170,511	143,680	8,957	5,082,425
3.	Other equipment, factory and office equipment	118,252	670	8,815	2,155	2,775	127,117
4.	Payments on account and assets under construction	267,524	1,395	162,306	-205,830	81	225,314
		5,859,906	**26,737**	**351,696**	**-9,529**	**13,832**	**6,214,978**
III.	**Financial assets**						
1.	Shares in affiliated companies	24,587	1,203	2,689	0	0	28,479
2.	Loans to affiliated companies that are not consolidated	8,012	384	3,693	0	1,202	10,887
3.	Participations in associated companies	3,568	0	0	0	0	3,568
4.	Participations	199,056	9	850	0	647	199,268
5.	Loans to companies in which a participating interest is held	7,220	0	0	0	40	7,180
6.	Other loans	990	0	20	0	196	814
		243,433	**1,596**	**7,252**	**0**	**2,085**	**250,196**
		6,266,586	**28,589**	**367,734**	**0**	**25,095**	**6,637,814**

in €k

Cumulative depreciation							Book values	
01.01.2023	**Currency difference**	**Additions**	**Transfers**	**Apprecia-tions**	**Disposals**	**31.12.2023**	**31.12.2023**	**31.12.2022**
1,741	0	805	0	0	0	2,546	1,419	1,702
139,192	75	5,735	0	0	3,946	141,056	14,519	11,926
0	0	0	0	0	0	0	13,100	8,686
140,933	**75**	**6,540**	**0**	**0**	**3,946**	**143,602**	**29,038**	**22,314**
333,419	7,700	19,236	30	-565	1,024	358,796	421,326	368,842
2,785,119	3,615	195,281	-30	-177	8,621	2,975,187	2,107,238	1,986,750
90,226	507	10,661	0	0	2,730	98,664	28,453	28,026
395	39	260	0	0	78	616	224,698	267,129
3,209,159	**11,861**	**225,438**	**0**	**-742**	**12,453**	**3,433,263**	**2,781,715**	**2,650,747**
0	0	0	0	0	0	0	28,479	24,587
0	0	0	0	0	0	0	10,887	8,012
3,568	0	0	0	0	0	3,568	0	0
107,579	10	872	0	0	0	108,461	90,807	91,477
1,861	0	0	0	0	0	1,861	5,319	5,359
0	0	0	0	0	0	0	814	990
113,008	**10**	**872**	**0**	**0**	**0**	**113,890**	**136,306**	**130,425**
3,463,100	**11,946**	**232,850**	**0**	**-742**	**16,399**	**3,690,755**	**2,947,059**	**2,803,486**

Consolidated cash flow statement for the business year from 1 January until 31 December 2023

LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig

in €k

	2023	2022
Consolidated net income	**54,149**	**12,422**
Amortisation of intangible and depreciation of tangible fixed assets	231,978	170,959
Amortisation of financial assets	872	35,041
Amortisation of the special loss account from formation of provisions pursuant to Section 17 (4) of the DM Balance Sheet Act (DMBilG)	134	1
Write-ups to fixed assets	-742	-390
Release of revenue subsidies received	-7,120	-6,538
Release of the special item for capital investment grants	-42,413	-39,951
Income from the release of present-value benefits from cross-border leasing transactions	0	-1,246
Profit(–)/Loss(+) from disposal of fixed assets and consolidated companies	-1,660	4,838
Consolidated group related changes and other non-cash transactions	2,067	-1,396
Increase (–)/decrease (+) in inventory	-17,694	-4,443
Increase (–)/decrease (+) in receivables and other assets	-54,084	-154,894
Increase (+)/decrease (–) in provisions	10,499	58,051
Increase (+)/decrease (–) in payables and other liabilities	70,981	79,662
Interest expenses (+)/interest income (–)	29,327	22,964
Income from participations (–)	-7,008	-5,908
Income tax expense (+)/income (–)	22,770	5,679
Income tax payments (–)	-9,309	7,029
Cash flow from operating activities	**282,747**	**181,880**
Receipts from disposals of fixed assets	10,356	4,107
Payments for investments in intangible assets	-8,786	-11,072
Payments for investments in tangible fixed assets	-349,101	-325,487
Payments for investments in financial assets	-7,252	-11,706
(+) investment subsidies received	38,711	78,432
(+) Interest received	6,636	2,567
(+) Income from participations received	6,712	4,188
(+) Receipts from the disposal of cover assets	982	754
(–) Payments for the acquisition of cover assets	-1,805	-1,307
Cash flow from investing activities	**-303,547**	**-259,524**
Shareholder's capital contributions	622	25,410
Receipts from the taking up of loans	203,114	267,070
Payments for repayment of loans	-59,226	-50,273
Profit distribution payments	-4,757	-7,092
(–) Interest paid	-38,056	-21,037
Cash flow from financing activities	**101,697**	**214,078**
Change in financial resources	**80,897**	**136,434**
Cash and cash equivalents at beginning of period	**182,307**	**45,870**
Changes in cash and cash equivalents due to changes in the consolidated companies and valuation	**478**	**3**
Cash and cash equivalents at end of period	**263,682**	**182,307**
of which: Utilisation of a short-term credit line	0	-105,000
of which: Receivables/liabilities from the cash pool	-4,500	3,235
of which: Cash, credits with banks	268,182	284,072
Financial resources at the end of the period	**263,682**	**182,307**

Significant non-cash investment and financing transactions		
Transfer of tangible fixed assets free of charge	2,595	4,706

Consolidated statement of changes in equity at 31 December 2023

LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig

	Equity of the parent company						
		Reserves					
	Subscribed Capital	Capital reserve pursuant to Section 272 (2) No. 4 HGB	Revenue reserve other revenue reserves	Equity difference caused by currency conversion	Revenue carried forward/ loss carried forward	Group annual income/ loss attributable to the parent company	Total
As of 31 December 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**
Transfer to/withdrawal from reserves	0	622	1,009	0	-1,009	0	622
Distribution	0	0	0	0	0	0	0
Currency translation	0	0	0	6,590	0	0	6,590
Other changes	0	0	0	0	0	0	0
Consolidated net income/loss	0	0	0	0	-25,622	74,926	49,304
As of 31 December 2023	**512**	**651,942**	**239,397**	**-6,573**	**-139,691**	**48,295**	**793,882**

in €k

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	Non-controlling interests Total	Consolidated equity Total
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**
0	0	0	0	622
-4,757	0	0	-4,757	-4,757
0	0	0	0	6,590
-5	0	0	-5	-5
6,659	-118	-1,696	4,845	54,149
94,268	**-424**	**4,963**	**98,807**	**892,689**

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 2023, 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 2023, 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 2023.

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 2023 and of its financial performance for the financial year from 1 January to 31 December 2023 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.

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.

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.

- 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.

Imprint

Publisher
LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH
Reichsstraße 4
Speck's Hof/Aufgang A
D-04109 Leipzig

Tel.: +49 (0) 341 355300-0
Fax: +49 (0) 341 355300-10
lvv@L.de

www.L.de

Responsible persons
Management of LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH

PDF download
www.L.de/geschaeftsbericht