Annual financial statements for 2016

Stadtwerke Leipzig GmbH

Leipziger
Stadtwerke

Ratios at a glance

Stadtwerke Leipzig GmbH

		2016	2015[1]	2014	2013	2012
Employees and trainees (balance-sheet date)[2]		**598**	**629**	**686**	**695**	**953**
Profit and loss statement						
Sales revenues	€k	1,928,709	1,974,110	2,228,275	3,226,333	4,019,404
of which: Wholesale energy trading	€k	1,397,592	1,547,418	1,808,209	2,679,585	3,454,266
of which: Energy marketing	€k	366,499	371,065	383,931	488,719	471,411
of which: additional sales revenues	€k	164,618	55,627	36,135	58,029	93,727
EBITDA	€k	118,086	61,979	58,118	78,685	92,478
EBITA	€k	71,102	39,455	36,654	57,446	69,977
EBIT	€k	74,773	65,130	65,464	80,820	88,678
EBIT adjusted	€k	73,795	63,167	64,329	79,649	87,510
EBT	€k	64,069	54,373	54,703	67,190	75,851
Result before profit transfer	€k	64,069	54,373	54,703	67,190	74,548
EBITDA margin	%	6.1	3.1	2.6	2.4	2.3
EBIT margin	%	3.9	3.3	2.9	2.5	2.2
Balance sheet						
Fixed assets	€k	550,574	536,269	520,503	531,634	536,380
Current assets[3]	€k	172,715	124,631	150,485	240,586	285,343
Balance sheet total	€k	723,289	660,900	670,988	772,220	821,723
Net working capital	€k	–51,726	–71,289	–8,213	37,242	51,445
Operational assets	€k	498,848	464,980	512,290	568,876	587,825
Equity	€k	250,066	250,066	250,066	250,060	250,060
Equity ratio	%	34.6	37.8	37.3	32.4	30.4
ROCE	%	14.8	13.6	12.6	14.0	14.9
Profitability on equity	%	25.6	21.8	21.9	26.9	29.8
Cash flow statement[4]						
Cash flows from operating activities	€k	119,111	75,947	67,128	109,300	67,822
Cash flows from investing activities	€k	–20,236	–7,667	20,239	–14,271	53,319
Cash flows from financing activities	€k	–66,296	–67,065	–124,726	–91,112	–107,631
Financing						
Financial debt	€k	146,406	144,799	153,268	199,483	220,033
Net financial debt	€k	143,877	135,344	143,092	189,191	209,609

[1] Reclassification of the extraordinary result pursuant to the Accounting Directive Implementation Act (BilRUG)
[2] from 2015 without employees in parental leave and passive semi-retirement
[3] including prepaid expenses
[4] beginning 2014, calculated according to GAS 21, up to 2013 according to GAS 2

Definition of ratios

EBITDA	Sales revenues + inventory changes + internally produced and capitalised assets + other operating income – cost of materials – personnel expenses – other operating expenses
EBITA	EBITDA – depreciation of tangible and intangible assets
EBIT	EBITA + result from participations
EBIT adjusted	EBIT – income from the release of special items with an equity portion
EBT (Result after taxes)	EBIT + interest income – interest expenses
Result before profit transfer	EBT + extraordinary result (until 2014)
EBITDA margin	EBITDA / sales revenues x 100
EBIT margin	EBIT / sales revenues x 100
Net working capital	Tied-up operational assets (inventories + receivables and other assets + prepaid expenses) – financing through non-interest bearing borrowed capital (short-term provisions + short-term liabilities without banks + deferred income)
Operational assets	Fixed assets + net working capital
Equity ratio	Equity / balance sheet total x 100
ROCE	EBIT adjusted / operational assets
Profitability on equity	EBT / equity x 100
Financial debt	Liabilities to banks + liabilities from shareholder loans
Net financial debt	Financial debt – cash and cash equivalents (securities and cash)

Table of contents

Report of the supervisory board

of Stadtwerke Leipzig GmbH

The Supervisory Board kept itself informed in the 2016 business year by means of regular and comprehensive reporting by the Management Board on the situation and the business development of Stadtwerke Leipzig GmbH (hereinafter referred to as Stadtwerke) and its subsidiaries. In addition, the chairman of the Supervisory Board also received reports on individual items outside of meetings of the management.

The Supervisory Board has fully complied with its monitoring and advisory duties to the management board in accordance with the statutory provisions and the social contract. In this context, it has requested reports from the management on essential business transactions and made the relevant decisions.

The following changes took place among the Board members in 2016: on the shareholder side, Dr Maximilian Rinck was appointed to the Supervisory Board in the second quarter. In addition, Ms Anett Ludwig resigned from the Supervisory Board in the third quarter. Dr Gesine Märtens was appointed in her place.

In the 2016 business year, four ordinary meetings and two extraordinary meetings of the Supervisory Board took place. In addition, a Supervisory Board workshop took place on 17 march 2016.

Furthermore, a decision was made in a circulation procedure.

Main topics were:

1. Annual financial statements and consolidated financial statements for 31 December 2015
2. Economic planning for 2017 and the medium term economic planning for 2018 on.
3. Investment management and risk management
4. Management matters of Stadtwerke and its subsidiaries
5. Restructuring of the Stadtwerke group (fit organisation)
6. Investments in decentralised combined heat and power plants in the Leipzig city area as well as in a wind park in Thuringia
7. Merger of RETIS Leipzig GmbH with Stadtwerke
8. Verification of reintegration of the LAS GmbH

In addition there is a personnel committee of the Supervisory Board, which held four meetings in the 2016 business year.

The city of Leipzig has developed principles and standards of company management and corporate management for municipal enterprises in accordance with the German Corporate Governance Code for listed companies and Public Corporate Governance Code for participation companies of the federal government, as well as the recommendations of the executive committee of the German Association of Cities and Towns. In the Council Decision RBV-1843/13 of 11 December 2013, the city of Leipzig decided on the "Leipzig Corporate Governance Code" (LCGK).
Obligations resulting from a shareholders' resolution on the implementation of the LCGK of 17 February 2014 to implement individual regulations were fully met in the annual financial statements.

The annual financial statements and consolidated financial statements of 31 December 2016 as well as the management report and the consolidated management report for the 2016 business year have been examined by the auditing company KPMG AG, Leipzig (hereinafter referred to as KPMG), which was appointed as auditor. The end-of-year audit also extended to the verification of the regularity of the management in accordance with Section 53 HGrG.

Subsequent to the audits, an unqualified audit certificate was issued. The Supervisory Board has examined the annual financial statements, the consolidated financial statements, the management report and the consolidated management report submitted by the management. According to the final results of its examination, there were no objections. The auditor participated in the accounts review meeting of the Supervisory Board and reported on the essential results of its audit to the Supervisory Board.

The Supervisory Board takes note of the KPMG report on the audit of the annual financial statements and the consolidated financial statements for 31 December 2016, as well as the management report and consolidated management report for the 2016 business year. The Supervisory Board recommends that the shareholders meeting establish the annual financial statements for 31 December 2016 and approve the management report for the 2016 business year. Furthermore, the supervisory board recommends that the shareholders meeting approve the consolidated financial statements for 31 December 2016 and endorse the consolidated management report for the 2016 business year.

The Supervisory Board would like to thank all employees and the management for their trusting cooperation and would like to express its explicit appreciation for the successful activities.

Leipzig, 4 May 2017

Dr Norbert Menke

Chairman of the Supervisory Board

Management report for the 2016 business year

Stadtwerke Leipzig GmbH, Leipzig

1 Company principles

1.1 Business model

Stadtwerke Leipzig GmbH, Leipzig (hereinafter referred to as Stadtwerke) is the market leader in the growing city of Leipzig due to its efficient and environmentally-friendly power and heat generation. In the provision of services, Stadtwerke is supported mainly by its subsidiaries Netz Leipzig GmbH, Leipzig (hereinafter referred to as Netz Leipzig) and LAS GmbH, Leipzig (hereinafter referred to as LAS). As part of the company's operations in Poland, the subsidiary Gdańskie Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o., Gdańsk, Poland (hereinafter referred to as GPEC), is the market leader in the supply of heating in the regions around the northern Polish cities of Gdańsk and Sopot. Stadtwerke is a 100% subsidiary of LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig (hereinafter referred to as Stadtholding).

The business focus is on the energy economic value-added stages of generation, wholesale energy trading, retail market and networks. Power stations using both conventional and renewable energy sources are operated to generate electricity and heat. In addition to this, in the wholesale energy trading area, the procurement and the portfolio management of electricity, gas, wood and CO_2 certificates are carried out. The range of services on offer in the retail market includes the distribution of electricity, gas and heat products, a customer-oriented range of energy-related services, billing solutions and portfolio management. In addition to private and business customers, Stadtwerke Leipzig focuses especially on small and medium-sized enterprises (SMEs) and the real-estate economy. The company is founded on a strong presence in Leipzig; this is complemented by selected regional activities.

Netz Leipzig provides and assures the network infrastructure for supplying electricity, gas and district heating for the city of Leipzig. The network ownership is regulated by leasing models. Stadtwerke is the owner of the medium and low voltage electricity network; the owner of the high-voltage network is Netz Leipzig. Subsequent to the merger of RETIS Leipzig GmbH, Leipzig (hereinafter referred to as RETIS) on 1 January 2016 with Stadtwerke, the gas and district heating network became the property of Stadtwerke. Netz Leipzig acts as a network operator in the electricity and gas sectors and as the operation manager for the district heating network. In the network area, 250,100 (2015: 250,454) consumption points for electricity, 22,561 (2015: 22,752) for gas and 5,635 (2015: 5,557) for district heating were connected.

As a service provider, LAS supports the sales activities of Stadtwerke and the billing of the network customers.

The foreign activities of Stadtwerke are bundled in the GPEC group. In addition to the supplying of heat to local markets, the GPEC group produces and sells electricity from renewable energies, especially hydroelectric power plants, and provides energy-related services and products. In the year 2016, customers from the neighbouring city of Sopot were connected to the GPEC district heating network. Stadtwerke's shareholding is 82.86%.

1.2 Objectives and strategies

The transformation of the energy economy remains decisive for the industry. The energy revolution makes high demands on the energy industry to create a secure, environmentally friendly and economically successful future for Germany. At the same time, there are always new competitors, customer requirements, technologies, and business fields on the energy market. Essential components of the energy revolution are, among other things, the trends to renewable energies, with the aim of replacing the age of fossil energy sources, decentralised electricity generation and a comprehensive digitisation of the energy industry.

Stadwerke is confronting this change for the long term. In the cross-company project fit, Stadtwerke is reorienting itself strategically, rearranging the organisation and initiating cultural change. At the same time, the objectives of the company are being reformulated.

As a result of the strategic development, Stadtwerke is focusing even more strongly on its customers than before.

Stadtwerke is convinced that with the realignment resulting from the industry upheaval, triggered by the energy revolution and digitisation, it can positively influence the energy industry. Stadtwerke is aware of the enormous challenges that lie ahead, and this awareness is also reflected in its strategic alignment.

Important milestones in the implementation of the program fit were the introduction of a new organisational structure for 1 October 2016 and the development of a new control system, which will be used from 2017.

2 Economic report

2.1 General economic climate and industry-specific conditions

According to calculations by the Federal Statistical Office, on average the price-adjusted gross domestic product for 2016 is 1.9% higher than in the previous year. The economic situation in Germany was thus also characterised by solid and sustained economic growth in 2016.

With a view to the energy-policy balance for 2016, it is clear that, in the context of the 18th electoral period, the energy-policy initiatives of the government coalition, which were already established at the beginning of the parliamentary term [Amendment to the Renewable Energy Sources Act (hereinafter referred to as EEG), the Green and White Paper for the Electricity Market, the Evaluation Incentive Regulation Ordinance (hereinafter referred to as ARegV)] and the amendment to the cogeneration law have provided significant incentives. This applies both for the introduction of an EEG tender design and for the objective of a flexibility market and the reorganisation of the promotion of cogeneration. The measures consequently designed or implemented in the course of 2016, and in particular the law on the further development of the electricity market (hereinafter referred to as the Electricity Market Law) and the law on the digitisation of the energy revolution (hereinafter referred to as Digitisation Law), as well as the revision of the ARegV, increase the degree of regulation clearly, without any apparent energy economic advantages for integrated energy supply companies (Stadtwerke).

The late approval of the cogeneration law by the European Commission, the handling of the avoided network charges and the unilateral partisanship in favour of the transmission network operators vis-a-vis the distribution network operators in the legislative procedure for the digitisation of the energy revolution, as also in the case of the ARegV, show that there is a trend that the energy policy formulated by the Federal Ministry for Economic Affairs and Energy (hereinafter referred to as the BMWi) for the implementation of the energy revolution is causing increased problems for municipal companies in large agglomerations.

2016 was characterised by substantial price movements on the wholesale markets for electricity, fuels and CO_2 certificates. After the electricity prices continued the persistent downward trend that has been ongoing for years, they they again increased in the course of the year, due to significantly higher coal prices.

Due to the regulation on the wholesale markets, liquidity levels in trading business are falling, especially in the longer-term futures market. The relocation of the trading volumes in the short-term area, mainly due to the continuous increase in regenerative supply, continues unabated. As a result, short-term trade is becoming more and more important. Furthermore, there has been a decline in price fluctuations, particularly in futures. Regulatory requirements, mostly involving reporting obligations, are leading to higher legal costs.

The stipulations of the revamped ARegV, the electricity market and the digitisation of law are having special effects on the sector networks. A balance should be created between a stable, investment-friendly regulatory framework and adequate network charges, by means of the ARegV. With the electricity market law, the Federal Government is pursuing the aim of supply certainty in the electicity supply and the synchronisation of supply and consumption in the transition phase of the electricity market, away from nuclear energy towards more renewable energies. The core of the digitisation law is the new measuring points operating law with the obligation of the competent operator of measuring points to roll out intelligent measuring systems (smart meters).

On 4 November 2016, the BMWi presented a draft for the modernisation of the network charge structure. The gradual dismantling of the avoided network usage charges and the nation-wide standardisation of the charges of the transmission network operators are provided for in the design.

The gas prices increased in 2016, but to a lesser extent than the coal prices. These price developments mean an improvement in terms of economy for natural gas-powered electricity generating plants such as the gas and steam turbine power plant in Leipzig (hereinafter referred to as CHP plant Leipzig). However, because of the low prices for CO_2 certificates, which declined further in 2016, gas power plants are still less economical than coal power plants. All measures to revitalise the European emissions trading market launched in recent years (back loading, market stability reserve) have so far had hardly any effect.

2.2 Business development

The result after taxes obtained in the 2016 business year has increased, relative to the forecast of €46.2m for 2016 in the economic plan, by €17.9m. This is mainly the result of a special effect.

Ratios in €m

	2016	2015	Change absolute	Forecast 2016
Sales revenues	1,928.7	1,974.1	–45.4	2,047.9
Operating result (EBIT)	74.8	65.1	9.7	60.2
Result after taxes	64.1	54.4	9.7	46.2
Investments	32.7[1]	69.6	–36.9	82.0

[1] without merger RETIS

The profit and loss statement was adjusted in 2016, taking into account the redefinition of revenues in the context of the implementation of the Accounting Directive Implementation Act (hereinafter referred to as BilRUG). For 2015, only the reclassification of the extraordinary result took place, resulting in limited comparability with the previous year. Furthermore, the 2016 business year was characterised by the merger of RETIS with Stadtwerke. The gas and district heating network was hereby transferred to Stadtwerke. This resulted in modified representations in the profit and loss statement as well as in the balance sheet.

The reduction of net sales compared with the previous year and with the forecast mainly resulted from lower sales revenues in wholesale energy trading. This is offset by the reclassification of items of other operating income in the sales revenue due to BilRUG.

In the 2016 business year, Stadtwerke generated an operating result of €74.8m, €9.7m above the previous year.

The cooler weather in Leipzig had a positive influence on the development of the operating result compared to the previous year. In a year-on-year comparison, the number of degree days was 3.7% above the value for 2015. Due to the temperature development, the weather-reactive media gas and district heating generated more sales, which had a positive impact on the development of sales revenues in gas. The introduction of the new district heating product *Leipziger wärme.komfort* led to a decrease in revenue, despite increased sales. In the less weather-dependent medium of electricity, there was an increase in sales and revenue. Although the key accounts segment is marked by strong competition, it improved above the levels of the previous year.

In addition, challenging market conditions for trading businesses continued to have a negative impact on Stadtwerke's result. The decline in wholesale energy trading was due mainly to the decline in prices on the wholesale market and to the increased tendency to short-term trading.

The result of CHP plant Leipzig was also characterised in 2016 by the development in the gas market. With ongoing low electricity prices, the system benefited from low gas prices and was able to optimise operating times and improve the result, in comparison with the previous year. Due to the stabilisation of the plant operation with low fuel prices, the biomass plants show a positive development compared with the previous year. The earnings of the wind-energy power plants were lower than in the previous year due to the lack of wind.

Total investment in the 2016 business year amounted to €32.7m, with investment in tangible fixed assets of €28.5m accounting for a substantial proportion of this. With regard to the merger of RETIS and the resulting transfer of the gas and district heating network to Stadtwerke, higher accruals are shown in the table for the development of fixed assets. There were also investments of €4.2m in financial assets. The investment sum for the concession gas purchase, which was designated in the forecast for 2016, was deferred to 2017.

2.3 Income situation

In the 2016 business year, Stadtwerke achieved a net result after taxes of €64.1m. As a result of the merger with RETIS and the application of the BilRUG, the values are only comparable to a limited extent with the same period of the previous year.

Income situation in €m

	2016	2015	Change absolute
Operating sales revenues	1,928.6	1,974.3	–45.7
Inventory changes	–0.1	–1.0	0.9
Internally produced and capitalised assets	0.1	0.3	–0.2
Operating cost of materials	–1,696.9	–1,839.0	142.1
Operating income	0.8	78.3	–77.5
Operating personnel expenses	–40.9	–41.7	0.8
Operating expenses	–79.0	–111.9	32.9
Scheduled depreciation	–39.1	–22.1	–17.0
Operating result	**73.5**	**37.3**	**36.2**
Financial result	–7.0	15.0	–22.0
Non-operating result	–2.4	2.1	–4.5
Result after taxes	**64.1**	**54.4**	**9.7**
Expenses from a profit transfer agreement	–64.1	–54.4	–9.7
Net income	**0**	**0**	**0**

The operating sales revenues of €1,928.6m generated in the 2016 business year were greatly influenced by the market-oriented business fields of retail market and wholesale energy trading. In addition, the operating cost of materials, which essentially include the cost of energy procurement, declined disproportionately to the operational sales revenues. In the operating expenses, the individual assessment of hedging instruments has an effect after the dissolution of an evaluation unit. Furthermore, the operating expenses and income are greatly influenced by the implementation of the BilRUG. The increase in scheduled depreciation resulted from the merger of RETIS.

The financial result is influenced in particular by the profit and loss transfer agreements concluded with the subsidiaries. The reduction is mainly based on the merger of RETIS and the subsequent proceeds not obtained from the profit and loss transfer agreement (2015: €12.4m) and the proceeds of income from loans from financial assets (2015: €6,2m). LAS achieved a result before profit transfer of €1.9m (2015: €1.3m). Netz Leipzig closed the 2016 business year with an expenses from loss assumption of €8.3m (2015: €3.9m). In addition, Stadtwerke collected income from participations of €9.5m (2015: €9.2m).

The non-operating result of –2.4m includes income from credits for the previous year's expenditure of €25.4m (2015: €2.5m), income from the release of provisions of €9.0m (2015: €10.8m) and other income relating to other periods of €2.0m (2015: €5.1m). This was partially offset by non-operating expenses for the transfer of provisions of €16.9m (2015: €7.4m), remuneration for electricity and gas for other periods of €9.2m (2015: €2.2 m), valuation adjustment and derecognition of uncollectible receivables of €3.7m (2015:€7.1m) as well as other expenses relating to other periods of €2.1m (2015: €1.1m). In addition, expenses from extraordinary depreciations of €7.9m (2015: €0.5m) as well as income from the release of special items of €1.0m (2015:€2.0m) are also included.

2.4 Financial position

Financial resources of €72.2m were posted in the cash flow statement for 2016. In comparison to the beginning of the business year, this has increased by €27.2m.

Financial position in €m

	2016	2015	Change absolute
Net cash from company activities	124.4	27.9	96.5
Change in the working capital	–5.3	48.0	–53.3
Cash flows from operating activities	**119.1**	**75.9**	**43.2**
Cash flows from investing activities	**–20.2**	**–7.7**	**–12.5**
Cash flows from financing activities	**–66.3**	**–67.0**	**0.7**
Cash change in financial resources	**32.6**	**1.2**	**31.4**
Financial resources at beginning of period	45.0	43.8	1.2
Non-cash changes in financial resources as a result of the merger	–5.4	0	–5.4
Financial resources at end of period	**72.2**	**45.0**	**27.2**

The cash flow statement shows a cash flow from operating activities of €119.1m, which has risen by €43.2m compared to the previous year. The development of cash flow from operating activities results primarily from the merger with RETIS. The cash flow from investing activities includes the investments in fixed assets, interest received and profits transferred from the subsidiaries. In the cash flow from financing activities, the distribution to the shareholder, interest paid and liquidity-affecting loss compensations for subsidiaries are particularly taken into account.

Liquidity was assured throughout the business year. The financing took place via the operating business activity, shareholder loans and the integration into the cash pool of the shareholder.

2.5 Net worth position

The balance sheet total of €723.3m changed by €62.4m compared to the previous year. The asset structure is characterized mainly by the long-term assets, in particular the fixed and financial assets as well as the equity.

Net worth position in €m

	31.12.2016	31.12.2015	Change absolute
Assets			
Fixed assets		536.3	14.3
Other long-term assets		2.2	–2.2
Long-term assets		**538.5**	**12.1**
Inventories		10.5	–0.3
Receivables from deliveries and services		40.6	16.3
Receivables from affiliated companies	92.9	53.1	39.8
of which: cash pool	75.2	42.5	32.7
Receivables from companies in which a participating interest is held	0.6	0.6	0
Other short-term assets	7.7	5.8	1.9
Cash and cash equivalents	2.5	9.4	–6.9
Short-term assets	**170.8**	**120.0**	**50.8**
Prepaid expenses	1.9	2.4	–0.5
	723.3	**660.9**	**62.4**
Liabilities			
Equity	**250.1**	**250.1**	**0**
Special items	**45.5**	**34.9**	**10.6**
Long-term provisions	66.3	54.8	11.5
Long-term liabilities to banks	19.4	10.6	8.8
Long-term liabilities to affiliated companies	116.4	122.7	–6.3
Long-term provisions and liabilities	**202.1**	**188.1**	**14.0**
Short-term provisions	108.4	92.9	15.5
Short-term liabilities to banks	3.6	1.3	2.3
Payments received on account of orders	1.2	0.3	0.9
Liabilities from deliveries and services	52.8	46.6	6.2
Short-term liabilities to affiliated companies	49.7	35.0	14.7
of which: cash pool	5.6	7.0	–1.4
Other short-term liabilities	9.6	11.4	–1.8
Short-term provisions and liabilities	**225.3**	**187.5**	**37.8**
Deferred income	**0.3**	**0.3**	**0**
	723.3	**660.9**	**62.4**

In a year-on-year comparison, the share of fixed assets in the balance sheet total reduced by 5.0% to 76.1%. Affected in particular by the merger with RETIS, €234.9m higher in tangible fixed assets was contrasted by €216.6m lower financial assets. The intangible assets were accounted for at 1.4m on 31 December 2016 (2015: €5.4m).

The long-term assets in the assets, which were determined by the fixed assets, increased above the previous year by 2.2%. The short-term assets, mainly relating to current assets, increased in accordance with the development of the cash pool by 42.3%. The receivables from deliveries services increased due to lower district heat discounts.

Due to the higher result after tax of the previous year, as well as the development of the equity, the profitability of the equity[1] is at 25.6% (2015: 21.8%). In addition, the equity ratio decreased as a result of the increase in the balance sheet total to 34.6% (2015: 37.8%).

Both the long-term liabilities to banks and those to affiliated companies are characterised by scheduled repayments. The loan commitments to banks from RETIS were assumed in the course of the merger. The early resolution of interest rate hedges has a particular effect on the short-term provisions.

2.6 Employees and employment policy

Stadtwerke had 561 employees as at 31 December 2016 (2015: 581), as well as 37 apprentices, young skilled workers and trainees (2015: 48). The decline in the number of employees in comparison to the previous year is based, among other things, on people leaving the company, for example due to the expiry of semi-retirement contracts. Furthermore, 13 employees transferred to Netz Leipzig for initial training there.

In 2016 the average employee had been working for the company for 20 years. After adjustment to take into account staff leaving the company to retire or because their fixed-term contract had expired, the labour turnover rate was 1.5%.

The participatory involvement of the staff in the reorganisation of the entire company is an important aspect of the cultural development program of the Stadtwerke group. Long-term human-resources development is made possible in the Stadtwerke company group by identifying and recording the technical and more general skills required up to 2020. Qualified junior members of staff are trained and developed in commercial and industrial-technical occupations, as well as in dual degree programmes by the Netz Leipzig. In anticipation of the strategic alignment, the development of specific digital skills is increasingly becoming the focus of attention.

The consistent adherence to the statutory and occupational requirements for the ergonomic design of workstations and equipment is being monitored with the instrument of risk assessment. For the conservation and development of the security level achieved, in the process of continuous improvement the emphasis is on a targeted further education as well as the active transfer of knowledge.

2.7 Activity statements

With its activity statements for the year ended 31 December 2016, Stadtwerke is meeting the reporting requirement pursuant to section 6b of the Energy Industry Act (hereinafter referred to as EnWG). The business fields cover the activities of electricity and gas distribution, and other activities inside and outside the electricity and gas sector.

Additional activity-related account allocations, which are added to all entries, form the basis for allocating all business transactions to the different activities. Due to the implementation of the BilRUG and the merger with RETIS (gas distribution activity), the previous year's values are only comparable to a limited extent. Due to the acquisition of the fixed assets of the gas and district heating network from RETIS, the assignment of equity in relation to the residual book values of tangible fixed assets has been redone.

Compared to the company's total turnover of €1,928,709k, the activity fields of electricity distribution (€46,867k) and gas distribution (€15,930k) generated relatively low sales in the business year under review.

[1] Earnings after taxes in relation to equity at 31 December 2016

The result from Stadtwerke's electricity-distribution activities was determined by the sales revenues from the lease of the electricity network to Netz Leipzig. These revenues and the other operating income from the on-charging of concession fees was offset by other operating expenses (mainly the concession fee) and depreciation on tangible assets. Electricity distribution generated a result after tax of €10,333k for the business year under review (2015: €12,678k). The balance sheet total of the electricity-distribution activity field amounted to €118,384k (2015: €117,456k). This corresponds to 16.4% (2015: 17.8%) of Stadtwerke's balance sheet total. Fixed assets increased in comparison to the balance-sheet date of the previous year by €1,766k to €118,117k. The level of receivables and other assets decreased by €778k to €205k. Within the liabilities, the equity increased from €55,327k to €55,652k, the liabilities from €32,871k to €34,534k and provisions from €475k to €1,187k. This is offset by the reduction of the special items for building-cost subsidies from €24,450k to €23,519k, as well as that of the special items with an equity portion from €4,274k to €3,438k.

Sales revenues from the leasing of the gas network to Netz Leipzig as well as the revenues from the lease of land required for the operation of the gas network are included in the result of the gas distribution activities. Furthermore, other operating income is generated by the on-charging of a concession fee to Netz Leipzig. These items are essentially offset by depreciation on tangible assets, expenses incurred in connection with concession fees and contributions to the connection costs in the other operating expenses. In the reporting year, the field of activity of gas distribution realised a result after tax of €6,002k (2015: €1,396k). The balance sheet total of the gas distribution activity, at €132,268k (2015: €563k) contributes a share of 18.3% (2015: 0.1%) to the balance sheet total of Stadtwerke. Tangible fixed assets increased in comparison to the balance sheet date of the previous year by €129,774k to €130,287k. Within the liabilities, the equity increased from €–1,612 to €84,202k and the liabilities from €379k to €38,884k.

3 Risk report, opportunity report, forecast report

3.1 Risk-management system

Strategic decisions in the company are made on the basis of economically substantiated information. This requires the continuous identification, analysis and evaluation of company-wide risks and the management of these risks. For this reason, risk management at Stadtwerke is integrated into the operational processes and implemented consistently all the way up to executive management. This ensures risk control, risk monitoring and risk limitation, the provision of risk-measurement methods, and the operational risk controlling of trading and portfolio-management activities.

Reporting on all relevant risks that could prejudice the continued existence or the business results of the Stadtwerke company group proceeds from the risk owner in aggregated form to the management of Stadtwerke and Stadtholding. The subjects and frequency of reports are determined by the analysis-related rules laid down in the risk portfolio, which is regularly updated in risk inventories.

In 2016, the risk reporting to the management of Stadtwerke was fundamentally revised and this has been implemented since the second quarter of 2016. In the first place, the modification of the risk-bearing capacity analysis was improved. An analysis of the risk-bearing capacity takes place quarterly and its findings are reported to the management in the risk report.

A manual explains the fundamental rules on handling risks; it is a component of risk management and a guide on risk control. The annual risk inventory comprises, among other things, the classification of the defined risks on the basis of the potential level of damage – taking risk-control measures into account and weighting them with the probability of occurrence – and considers the type of risk limitation to be used on the basis of uniformly prescribed investigatory steps for deriving risk-specific early-warning indicators and measurement methods.

Stadtwerke has installed bodies that meet continuously in order to implement risk control. The risk situation of the company and/or the respective business areas is regularly presented to these bodies. The Risk Committee is a management instrument; its task is to ensure the consistent implementation of the prescribed strategy and risk policy. This includes, among other things, making decisions on the strategies of the business units and any changes in strategy, approving a general organisational framework (limitation and risk control), discussing strategic issues and initiating the company's entry into new markets.

Because of the complexity and the resultant possible risks, suitable methods and instruments of risk-oriented control are used in the business field of wholesale energy trading.

3.2 Risk report

Regulatory risks: Regulatory risks are seen in the requirements of the EnWG, the ordinances, especially the ARegV and network charges ordinances, and in the regulatory authorities' (administrative) decisions as well the resultant future schedules for the lowering of the revenue caps for network fees. In addition, further risks can stem from new tasks that were not known about at the time of the base years for the approval of prices and from the costs related to these tasks.

Environment and industry risks: Stadtwerke is again preparing itself for changes in the economic, political and legal environment in 2017. Particular importance is being attached to involvement in national energy policy. The risks in this context consist mainly in the assessment of future political and market-related developments and in the company's reactions to these changes. These risks are counteracted by intensively observing both the market and the competition.

Economic performance risks: The impact of the energy revolution on wholesale energy trading is reflected for example in the increased demands on the balancing-group management as well as in the stronger influence of renewable energies on price formation. For this reason, a high quarter-hour forecast accuracy gains more importance in avoiding increased costs. Risks exist because of the planned tightening of regulations by the Federal Network Agency and the BMWi to maintain balancing groups, which may lead to higher process costs, as well as additional costs due to planned penalisations.

The ongoing market-price risk caused by falling spreads for conventional generation plants is counteracted by the rolling optimisation of plants deployment, marketing on the futures market, and the marketing of system services. For the biomass and wind-energy power plants there are risks from rising fuel prices and from a lack of wind.

Operating complex generation plants leads to risks of operational disturbances, production losses and supply interruptions. These risks are limited by regular maintenance and insurance policies covering the main effects of potential damage or loss; they are therefore considered to be low.

The economic success of the retail market depends in particular on the market positioning and the effectiveness of the distribution activities. An active and ongoing competitive pressure, which goes hand-in-hand with greatly discernible price and advertising activities by competitors, affects the distribution business in the long term.

Financial risks: For the most part, financing risks consist of the financing-cost risk, the risk of a reduction in placeable volumes with regard to a worsening of the company's credit standing, and the loan-prolongation risk. Stadtwerke's financing capability depends to a large extent on Stadtholding's creditworthiness and financing capability.

In order to limit the counterparty risk, a credit-rating analysis is carried out on principle on all trading partners and key accounts prior to contract negotiations beginning and before a binding offer is submitted. In this context, risk management uses external and internal rating analyses.

Exchange rate risks that involve the annual dividend payments of the GPEC are handled by Stadtwerke with continuous observation of the development of the exchange rate between the euro and the zloty. If the amount and the time of payout is known, the protection is generally carried out by means of a forward exchange transaction.

Financial derivatives with positive market values involve corresponding risks of non-payment by the contracting party. Stadtwerke hedges against these risks by concluding derivative transactions with various selected European financial institutions.

Other risks: Stadtwerke safeguards itself against IT system failure through availability agreements with the operators of the IT systems. The personal data are regularly reviewed for an appropriate technical and organisational protection. The mobile terminals are also included in the safety measures.

For the preservation and development of high standards of IT security, safety analyses and emergency exercises are carried out as well as penetration tests that externally check the vulnerability of the IT systems.

Furthermore, an Information Security Management System (ISMS) according to DIN ISO/IEC 27001 was implemented with Netz Leipzig, in particular to ensure the availability of the protected systems and data, to safeguard the integrity of the information and systems processed and to guarantee the confidentiality of the information processed.

In the case of large loss events, Stadtwerke relies on the implemented crisis management system, which is tested annually to make sure it is up to date and to see if it needs any additions, and is adjusted accordingly.

3.3 Opportunities report

For the year 2017, the elections for the German Bundestag and its preliminary developments can be expected to have significant influences on the updating of energy-policy conditions. Regarding the longer-term choices, the topics of sector coupling and transformation of the heat energy market offer positive aspects in large urban areas.

With the adjustment of Stadtwerke's strategic orientation, wholesale energy trading is focusing on the provision of system services for customers and is exploiting the associated opportunities in a changing market. The required improvement in the transparency of electricity market data allows wholesale energy trading to respond better and faster to price fluctuations.

Market and utilisation opportunities lie in energy market design and in contractual and regulatory market developments. Increasing the flexibility of the CHP plant Leipzig gives rise to medium opportunities with a rising electricity/gas/CO_2 spread in the generation of electricity.

For the biomass plants, compared to the forecast, there are average opportunities from falling wood prices. In the sector of wind-energy power plants there are lower opportunities for a higher wind level than planned. The weather-dependent heating business can be influenced equally in both directions by temperature fluctuations.

Further opportunities lie in the planned expansion of the renewable-energy and cogeneration portfolio.

3.4 Forecast report

Based on its economic planning for the business year, Stadtwerke predicts a result before profit transfer of €40.7m in 2017. EBIT is expected to be €45.4m. The reasons for the decline in the development of the result in particular are a lower gross margin and a lower result from participations. In the following years, including through the implementation of the project fit, an increase of the annual results is expected.

On the basis of political and regulatory and competitive framework conditions, which especially strongly influence the market-oriented wholesale energy trading and retail market business fields, operating revenues (€1,666.9m) show a downward trend in the coming year.

The development of the result is likely to be influenced by the revision of the pricing system in the medium of district heating and the energy-policy framework conditions. Important factors are a significantly increasing volatility of generation on the one hand and greater possibilities for consumption control on the other. The basic elements are the focus of energy policy of successive decarbonisation, digitisation and the increasing decentralisation of generation. Due to the adoption of the digitisation law, focal topics in 2017 include data ownership and role definition.

Even if electricity prices on the wholesale market have increased slightly compared to the previous year and gas prices continue to fall, the negative difference between the price of electricity and the applied fuel costs (spark spread) continue to exist in CHP plant Leipzig. The operating results of the biomass plants are showing positive development due to expected stabilisation of plants operation as well as declining wood prices. Particularly in the case of wind energy plants, rising result contributions are expected in connection with the implementation of the project-related expansion strategy. In addition, Stadtwerke is increasingly opening up control energy markets for the provision of system services.

The upcoming electricity cost check in 2017 and a possible decision on the costs of the gas base year form the basis of the revenue development in Netz Leipzig in the third regulatory period (gas from 2018, electricity from 2019). The results in the network sector also issue from the temporal and substantive outcome of the disputes on the concessions for electricity and gas obtained in the invitations to tender in the incorporated areas of the city of Leipzig.

In 2017 Stadtwerke reduced the prices by an average of 8.6% for the district-heating product *Leipziger wärme.komfort,* newly introduced last year. With the price adjustment, the district heat customers are benefiting from the decline in gas and oil prices on the wholesale market. Gas prices are also falling. On the other hand, there has been an increase in prices in the sector of electricity, despite the reduction in procurement costs. This is due to the development of network charges, taxes, and levies.

On-balance-sheet investments in fixed assets totalling €83.1m are planned for 2017. Of this, €75.5m is marked for all investments in tangible fixed assets, mainly due to the planned acquisition of the gas network in the incorporated areas of Leipzig. This also includes replacement and expansion investments in the existing facilities as well as investments in the decentralised cogeneration plants and contracting. The investments in financial assets focus on the acquisition and development of wind energy plants.

4 Declaration on corporate governance

On 1 May 2015, the law for the equal participation of women and men in leadership positions in the private sector and in the public service came into force. Companies that are subject to the Third-Party Participation Act must set certain objectives (including a date for objective review) for the proportion of women on the Supervisory Board and among the managing directors, supported by the shareholders meeting.

The general meeting of the shareholders of Stadtwerke, on the recommendation of the Supervisory Board subsequently pursuant to Section 52 para. 2 sentence 1 German Limited Liability Companies Act (hereinafter referred to as GmbHG) for the composition of the Supervisory Board, decided on a target of 28.6% by 31 December 2016. The percentage of women in the Supervisory Board was 28.6% as at 31 December 2016. The current allocation is in line with the targets set. The new target size for the quota for women on the supervisory board is 30.0% and is to be reached by 31 December 2019.

Dr Johannes Kleinsorg and Mr Karsten Rogall are the Managing Directors of Stadtwerke. The general meeting of the shareholders of Stadtwerke, on the recommendation of the Supervisory Board and pursuant to Section 52 para. 2 sentence 1 GmbHG, decided to maintain the existing quota of women among top management. The current allocation is in line with the targets set. The new target size of the quota for women within the management of Stadtwerke is at least 30.0% and is to be reached by 31 December 2019.

The Management Board also resolved, in accordance with Section 36 GmbHG, to attain a proportion of women in the top management level of Stadtwerke of 37.5% and of 34.8% in the middle management level by 31 December 2016. The percentage of women in the upper management level at 31 December 2016 was 33.3%. The target was not achieved because changes to the company's organisational structure created further areas in the top management that could not be occupied by women. The percentage of women at the middle management level at 31 December 2016 was 38.1%. The current occupation is in line with the targets. The new target quotas for women are 30.0% for the upper management level and 34.8% for the middle management level. These should each be reached by 31 December 2019.

Leipzig, 24 March 2017

Management

Dr Johannes Kleinsorg | Karsten Rogall

Balance sheet at 31 December 2016

Stadtwerke Leipzig GmbH, Leipzig

Assets

in €k

	31.12.2016	31.12.2015
A. Fixed assets		
I. Intangible assets		
1. Purchased concessions, industrial property rights and similar rights and values as well as licenses to such rights and values	1,264	5,173
2. Payments on account	133	209
	1,397	**5,382**
II. Tangible assets		
1. Lands, leasehold rights and buildings including buildings on leased land	49,328	51,099
2. Technical equipment and machines	379,653	141,728
3. Other equipment, factory and office equipment	2,462	2,729
4. Payments on account and assets under construction	5,099	6,118
	436,542	**201,674**
III. Financial assets		
1. Shares in affiliated companies	103,903	198,991
2. Loans to affiliated companies	0	122,547
3. Participations	2,632	1,534
4. Loans to companies in which a participating interest is held	4,469	4,469
5. Other loans	1,631	1,672
	112,635	**329,213**
	550,574	**536,269**
B. Current assets		
I. Inventories		
1. Raw materials and supplies	9,892	10,370
2. Unfinished services	75	116
3. Payments on account on inventories	208	5
	10,175	**10,491**
II. Receivables and other assets		
1. Receivables from deliveries and services	56,908	40,562
2. Receivables from affiliated companies	92,941	53,102
3. Receivables from companies in which a participating interest is held	563	568
4. Other assets	7,654	8,025
	158,066	**102,257**
III. Cash in hand, bank balances and cheques	2,529	9,455
	170,770	**122,203**
C. Prepaid expenses	**1,945**	**2,428**
	723,289	**660,900**

Liabilities

in €k

	31.12.2016	31.12.2015
A. Equity		
I. Subscribed capital	**22,000**	**22,000**
II. Capital reserve	**184,411**	**184,411**
III. Profit reserves	**43,655**	**43,655**
Other profit reserves	43,655	43,655
	250,066	**250,066**
B. Special items		
1. Special item with an equity portion	4,691	5,669
2. Special item for investment subsidies for fixed assets	4,184	1,250
3. Special items for building-cost subsidies	36,663	27,974
	45,538	**34,893**
C. Provisions		
1. Provisions for pensions and similar obligations	19,645	15,558
2. Provisions for taxation	119	110
3. Other provisions	154,936	131,984
	174,700	**147,652**
D. Liabilities		
1. Liabilities to banks	22,994	11,941
2. Payments received	1,159	363
3. Liabilities from deliveries and services	52,772	46,632
4. Liabilities to affiliated companies	166,115	157,622
5. Other liabilities of which from taxes: €7,193k (2015: €7,231k)	9,649	11,438
	252,689	**227,996**
E. Deferred income	**296**	**293**
	723,289	**660,900**

Profit and loss statement
for the financial year from 1 January until 31 December 2016

Stadtwerke Leipzig GmbH, Leipzig

in €k

	2016	2015
1. Sales revenues	1,928,709	1,974,110
2. Increase or decrease in inventory of unfinished services	–41	–1,005
3. Other internally produced and capitalised assets	150	332
4. Other operating income	38,017	98,916
5. Cost of materials		
a) Cost of raw materials and supplies and purchased goods	–1,664,457	–1,811,725
b) Cost of purchased services	–41,682	–29,406
	–1,706,139	–1,841,131
6. Personnel expenses		
a) Wages and salaries	–34,633	–35,282
b) Social contributions and expenses for pension schemes and support of which for pensions: €792k (2015: €948k)	–6,716	–6,859
	–41,349	–42,141
7. Depreciation and amortisation	–46,984	–22,524
8. Other operating expenses	–101,261	–127,102
9. Income from participations of which from affiliated companies: €9,548k (2015: €9,161k)	9,549	9,167
10. Income from profit transfer agreements of which from affiliated companies: €1,859k (2015: €13,746k)	1,859	13,746
11. Income from loans from financial assets of which from affiliated companies: €0k (2015: €6,163k)	535	6,671
12. Other interest and similar income of which from affiliated companies: €70k (2015: €82k)	135	214
13. Depreciation of financial assets and of securities held as current assets	0	0
14. Interest and similar expenses of which to affiliated companies: €2,754k (2015: €2,669k)	–10,839	–10,971
15. Expenses from loss assumption	–8,272	–3,909
16. Result after taxes	**64,069**	**54,373**
17. Expenses from a profit transfer agreement	–64,069	–54,373
18. Net income	**0**	**0**

Notes to the financial statement for the 2016 business year

Stadtwerke Leipzig GmbH, Leipzig

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

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

The present annual financial statements of Stadtwerke applied the provisions of the German Commercial Code (HGB), the Deutsche Mark Balance Sheet Act (DMBilG), as well as the relevant provisions of the German Limited Liability Companies Act (GmbHG).

The layout of the balance sheet accorded with the provisions in Section 266 and the following of the HGB. The profit and loss statement was drawn up in accordance with the total cost accounting method as per Section 275, paragraph 2 of the HGB.

Due to the adjustment of the structure of the commercial profit and loss statement as well as the definition of sales revenues in the framework of the Accounting Directive Implementation Act (BilRUG), individual items in the profit and loss statement are only comparable to a limited degree with the previous year. The figures from the previous year arising from the application of Section 277, paragraph 1 of the HGB in the version of the BilRuG Base dates are explained in more detail in section 2.3. For the previous year, there was a reclassification of the extraordinary item into the other operating expenses. This leads to a change in the previous year's figures in the profit and loss statement.

With effect from 1 January 2016, RETIS Leipzig GmbH, Leipzig, (hereinafter referred to as RETIS) has been merged with Stadtwerke. In the course of the merger, the assets of RETIS, essentially consisting of the city's gas and district heating network, were transferred as a whole to Stadtwerke. For this reason, individual items in the balance sheet are only comparable to a limited degree with the previous year. The acquisition costs of the transferred assets and liabilities have been based on the book value of the lost shares in RETIS. The main accounting effects as well as assessment bases are explained in sections 2.1.1 and 2.2.1.

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

2.1 Accounting and valuation methods

The following accounting and valuation methods were authoritative in the preparation of the annual financial statements.

2.1.1 Fixed assets

Purchased intangible assets and tangible fixed assets are valued at acquisition or production cost minus scheduled and non-scheduled depreciation. The production costs of tangible assets constructed by the company for its own use take into account not only direct costs, but also appropriate parts of the overhead costs.

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

The acquisition costs of the assets and liabilities transferred in the merger have been based on the book value of the lost shares in RETIS. The total acquisition costs of the fixed assets were allocated to the individual assets in the gas network up to the amount of the time values determined on the basis of the GasNEV, and in the case of district heating networks up to the amount of the income values. The allocation of the acquisition costs was carried out according to the ratio of the time values calculated on this basis. According to the historical activation data, the accruals of a year for the gas and district heating network were each grouped together to annual collection items, for which accrual as at 30 June was assumed. After the transfer of the gas network, the useful lives were converted in accordance with GasNEV. For the assets of the district heating network, the terms of the useful lives were maintained.

Scheduled depreciation is carried out on a straight-line basis over the asset's useful life.

Low-value assets with acquisition and production costs of up to €150 are always written off with effect on expenses in the year of acquisition. Stadtwerke Leipzig took the option of immediately writing off low-value assets with acquisition costs of between €150 and €410 in the year of acquisition.

Financial assets are stated at acquisition cost. Loans were based on the nominal value.

Where necessary, items were depreciated at the lower fair value on the balance-sheet date pursuant to Section 253, subsection 3, sentence 5 of the HGB where a permanent impairment of value was expected.

2.1.2 Current assets

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

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

Unfinished services are valued loss-free at production cost.

Receivables and other assets are valued at their nominal value. Recognizable risks have been taken into account by making appropriate value adjustments. Itemised general individual value adjustments were made according to the age structure of the receivables to cover general non-payment risks; a general value adjustment of 1% was made to cover general credit risks. Under receivables from electricity, gas and district heating supplies, received payments on account are set off against Stadtwerke customers' deferred consumption that has not yet been metered.

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

In cases where the other assets are special-purpose assets funds held for semi-retirement obligations, they are netted against the provisions for semi-retirement obligations pursuant to Section 246, subsection 2, sentence 2 of the HGB.

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

2.1.3 Equity

The subscribed capital is valued at its nominal amount.

2.1.4 Special items

The retention and continuation option pursuant to Article 67, paragraph 3, sentence 1 of the Introductory Act to the German Commercial Code (EGHGB) was taken for the special item with an equity portion.

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

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

The annual release of the special item for building-cost subsidies amounts to 5% for building-cost subsidies received up to 31 December 2002. After 1 January 2003, the item is released dissolution to income over the useful life of the subsidised assets. The rights shown under the special item for emission rights issued free of charge were posted on the balance sheet at their memo value.

2.1.5 Provisions

Wherever possible, the retention and continuation options pursuant to Article 67, paragraphs 1 and 3 of the EGHGB were used for provisions existing since 1 January 2010.

Selected provisions for personnel as well as provisions for pensions and similar obligations are formed on the basis of actuarial expert opinions according to the 2005 G guideline tables compiled by Prof. Dr Klaus Heubeck using the projected unit credit method. The underlying actuarial interest for the discounting of provisions for pension obligations amounts to 4.01% and in the case of other provisions to 3.23% as per Section 253, paragraph 2, sentence 1 and 2 of the HGB of 31 December 2016. From the discounting of provisions for pension obligations with the average market interest rate over the last ten years in comparison to the discount with the average market interest rate over the last seven years, there is a differential amount resulting of €1,000k.

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

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

The provisions for pensions and similar obligations were based on assumed increases in salaries and pensions (or increases in expenditure) of up to 5%.

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

In other provisions, emission certificates allocated free of charge are recognised at the fair value and purchased emissions certificates at the market value in order to meet the return obligation.

A rate of cost increase of between 2.0% and 3.0% was taken into account when valuing other 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 German Bundesbank. The interest rates for discounting the provisions are between 1.59% to 3.35% for 2016, depending on the remaining term.

Recognisable risks and uncertain liabilities are taken into account in the determination of the other provisions. The evaluation is to be carried out on the settlement amount.

2.1.6 Liabilities

The liabilities passivated with their settlement amount.

2.2 Notes to the balance sheet

2.2.1 Fixed assets

The development of the fixed assets is shown in the overview 'Development of fixed assets ' schedule of Stadtwerke. As a result of the merger with RETIS, the additions to tangible assets for the assets of the gas and district heating network (€251,295k) and the disposals of participation book value (€98,059k) and of the loans (€122,547k) of financial assets are shown in the assets analysis of Stadtwerke.

2.2.2 Inventories

The inventories on the balance-sheet date include returnable emission rights issued free of charge for the emission of CO_2; they were posted at a memo value of €1.00 per plant (market value on 31 December 2016: €2,359k).

2.2.3 Receivables and other assets

The receivables from affiliated companies include receivables from deliveries and services in the amount of €13,746k (2015: €7,401k) as well as other receivables of €79,195k (2015: €45,700k).

The receivables from affiliated companies include receivables from the stockholder LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH Leipzig (Stadtholding) of €77,643k (2015: €37,171k).

Receivables from companies in which a participating interest is held relate only to receivables from deliveries and services.

Other assets include receivables relating to tax prepayments not yet deducted amounting to €2,060k (deferred items).

All receivables and other assets in the current business year are due in the short term.

In the previous year, the other assets included long-term receivables relating to claims that have been assigned to third parties of €2,216k.

2.2.4 Equity

Revenue reserves include the special-purpose reserve pursuant to section 27, subsection 2 of the DMBilG and other profit reserves.

2.2.5 Special items

The special item for capital investment grants was dissolved on an unscheduled basis on 31 December 2016 in the amount of €47k.

From the merger, accruals of €2,112k are included in capital investment grant accruals and accruals of €8,985k are included in special item for building-cost subsidies.

2.2.6 Provisions

Claims from the reinsurance policy are netted against semi-retirement obligations pursuant to Section 246, subsection 2, sentence 2 of the HGB. The fair value of the netted asset, which corresponds to the acquisition cost, is €1,233k. The settlement amount of the debts is €1,749k. The interest expense as a result of the semi-retirement obligation (€80k) has been netted with the interest income from the reinsurance policy (€22k).

The other provisions include especially provisions for anticipated losses (€48,367k), personnel-related provisions (€26.107k) and provisions for outstanding invoices (€25,375k).

In the other provisions, provisions for expenses of €9,622k are shown for which the right of retention under Article 67, paragraph 3, sentence 1 EGHGB was used.

The amount of surplus coverage pursuant to Article 67, paragraph 1, sentence 4 of the EGHGB amounts to €29k for provisions retained pursuant to Article 67, paragraph 1, sentence 2 of the EGHGB.

2.2.7 Liabilities

The following table shows the remaining terms of the liabilities:

Liabilities

in €k

	Remaining term			Total
	up to one year (2015)	from one to five years (2015)	over five years (2015)	31.12.2016 (2015)
1. Liabilities to banks	3,561 (1,327)	15,453 (5,307)	3,980 (5,307)	22,994 (11,941)
2. Payments received on account of orders	1,159 (363)	0 (0)	0 (0)	1,159 (363)
3. Liabilities from deliveries and services	52,772 (46,632)	0 (0)	0 (0)	52,772 (46,632)
4. Liabilities to affiliated companies	49,698 (34,500)	98,754 (109,984)	17,663 (13,138)	166,115 (157,622)
of which: to the shareholder	40,747 (20,436)	98,754 (109,984)	17,663 (13,138)	157,164 (143,558)
5. Other liabilities	9,649 (11,438)	0 (0)	0 (0)	9,649 (11,438)
	116,839 **(94,260)**	**114,207** **(115,291)**	**21,643** **(18,445)**	**252,689** **(227,996)**

In the 2016 business year, due to the merger, the RETIS loans were included in the liabilities to bank of €14,502k.

For liabilities to banks of €10,614k (2015: €11,941k), negative declarations were issued.

The liabilities to affiliated companies represent deliveries and services at €1,699k (2015: €4,375k) as well as other liabilities, at €164,416k (2015: €153,247k).

The €123,412k shareholder loans contained in the liabilities to affiliated companies had negative declarations attached.

2.3 Notes to the profit and loss statement

2.3.1 Sales revenues

The sales revenues of €1,928,709k were made up as follows:

Sales revenues in €k

	2016	2015
Electricity marketing (gross)	214,784	213,040
Electricity tax	–19,539	–19,292
Electricity marketing (net)	195,245	193,748
Gas marketing (gross)	52,099	50,655
Natural-gas tax	–5,667	–5,103
Gas marketing (net)	46,432	45,552
District-heating marketing	124,822	131,765
Energy marketing	**366,499**	**371,065**
Wholesale electricity trading (gross)	1,310,876	1,484,835
Electricity tax	–434	–450
Wholesale electricity trading (net)	1,310,442	1,484,385
Wholesale gas trading (gross)	87,186	63,106
Natural-gas tax	–36	–73
Wholesale gas trading (net)	87,150	63,033
Wholesale energy trading	**1,397,592**	**1,547,418**
Additional sales revenues	**164,618**	**55,627**
	1,928,709	**1,974,110**

The sales revenues are not comparable with the previous year, as they were extended by means of redefining in accordance with Section 277, paragraph 1 of the HGB. The application of Section 277, paragraph 1 of the HGB in the version of the BilRUG would have already given rise to the previous year's amount of €2,049,109k to be reported as sales revenues in 2015.

The additional sales revenues include sales revenues relating to other periods of €51k (2015: €–211k). These relate in particular to the correction of the previous year due to the rolling consumption billing of estimated sales and leasing income.

2.3.2 Other operating income

Other operating income includes income from the release of special items with an equity portion (€978k) as well as income relating to other periods of €35,695k (2015: €18,329k). The income relating to other periods relates essentially to extraordinary income from the conclusion of disputed transactions (€20,503k) as well as income from the release of provisions (€8,961k).

2.3.3 Cost of materials

The cost of raw materials and supplies and purchased goods includes cost of materials that relates to other periods totalling €9,193k (2015: €2,170k).

2.3.4 Depreciation and amortisation

In the 2016 business year, non-scheduled depreciation to the exceptional amount of €7,867k (2015: €456k) was made to the fixed assets. These essentially included technical equipment and machines.

In the current business year, depreciation in the amount of €18,484k was omitted from the tangible fixed assets acquired in the context of the merger.

2.3.5 Other operating expenses

The other operating expenses contain expenses relating to other periods, amounting to €2,054k (2015: €1,157k), in particular for losses from disposals of fixed assets and concession fees in other periods. Furthermore, extraordinary expenses from the formation of a provision for anticipated losses as a consequence of the dissolution of an evaluation unit for the finance portfolio are included in the amount of €12,247k.

The other operating expenses in the previous year included lease expenses for the district heating network in the amount of €18,181k, which are omitted as a result of the merger in the current business year.

The application of Section 277, paragraph 1 of the HGB in the version of the BilRUG would have already given rise to the previous year's amount to be reported as other operating expenses in the amount of €96,058k.

2.3.6 Interest result

In the interest result, as under Section 277, paragraph 5 of the HGB, income (€41k, 2015: €109k) and expenses (€921k, 2015: €946k) as a result of the compounding and discounting of provisions.

3 Information on the annual result

A profit/loss transfer agreement has existed since 1 January 2001 between Stadtwerke and the Stadtholding, which was concluded for five years. It is extended by a further year respectively unless terminated six months prior to expiry.

4 Other information

The annual financial statements of Stadtwerke are included in the exempting consolidated financial statements of Stadtholding. (smallest and largest consolidated companies). This conclusion is published in the electronic Federal Gazette.

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

On 31 December 2016, there were obligations from operating leases worth €107,154k. Three signed leasing agreements involve obligations up until 2021, 2022 and 2024 respectively. In the case of two leasing agreements, future payments include a variable interest component which is calculated on the basis of the three-month EURIBOR. Interest components are not shown in the posted obligations from operating leases for the three agreements. The operating leasing relates to the two biomass (heating) power stations and the gas and steam turbine power plant in Leipzig. The benefits of these transactions are essentially in the financing by the lessor, the risks resulting from high long-term expenses and the lack of ownership position.

In addition, other financial obligations amounting to €58,440k result from rental and lease agreements as well as from investments.

Furthermore, there are other financial obligations arising from the granting of loans or guarantees, from as yet not required capital contributions as well as not required capital contributions relating to GmbH shares and from possible obligations of existing profit and loss transfer agreements in the amount of €13,907k, of which from affiliated companies in the amount of €6,646k.

With respect to the obligations relating to energy procurement, reference is made to point 4.2.

4.2 Derivative financial instruments

Interest-rate and currency derivatives transactions shall be conducted to limit interest-rate and currency risks. Hedging against energy-price risks shall be conducted through commodity derivatives.

On the balance-sheet date the nominal volumes, fair values and book values of the posted financial derivatives are as follows:

Financial and commodity derivatives

in €k

				31.12.2016
	Nominal volume	Fair value	Book value	
			Assets	Liabilities
Interest-rate derivatives (interest rate swaps)	130,000	–12,247	0	12,247
Commodity derivatives[1]	2,611,960	–371	0	366[2]

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

Interest-rate derivatives: As hedging instruments, the payer swaps were part of a valuation unit (portfolio hedge) that was formed to hedge against interest-rate risks with a hedging horizon up to 31 December 2018. The valuation unit was dissolved due to the lack of effectiveness of hedging in the 2016 business year. This eliminates the current measuring of the effectiveness of the valuation unit.

As of the valuation date, the market values of the interest-rate derivatives were determined on the basis of the interest structure curve and by means of a multi-curve approach. The utilised market curves were provided by Vereinigten Wirtschaftsdienste AG (VWD). The valuation of all the interest-rate derivatives included in the portfolio gives rise to a provision for anticipated losses of €12,247k.

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

In line with section 285, sentence 1, number 19 of the HGB, all financial derivatives purchased for trading purposes and for in-house requirements are reported under commodity derivatives in the Notes to the Financial Statements. The nominal volume corresponds to the additive value of all agreed purchase (€1,303.1m) and selling (€1,303.4m) agreements for future delivery periods in the commodities electricity and CO_2 emission certificates up to and including 2019. In line with risk-management rules, the purchase and selling contracts concluded for trading purposes were pooled into separate portfolios according to delivery periods and commodities, and valued pursuant to Section 254 of the 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).

As at 31 December 2016, provisions from valuation units of €288k were created for the proprietary trading portfolios of electricity and CO_2.

Distribution portfolios were formed for the commodities electricity and gas in the sector of energy marketing. The portfolios currently comprise the completed or expected selling and procurement transactions for each of the years 2017, 2018 and 2019. The sales transactions include binding sales contracts with customers, still highly probable customer sales, and contracted exchange or OTC (over-the-counter) sales transactions. The procurement transactions involve contracted exchange or OTC procurement transactions whose value at 31 December 2016 amounts to €173.4m. As at 31 December 2016, no provision for anticipated losses was required because no loss was posted on the portfolio basis in the implementation year.

Furthermore, a valuation unit was also formed from district heating sales and oil securing contracts. The sales transactions involve largely binding contracts with customers up to 2018, some of which are dependent on the price of oil. These price risks are hedged by financial transactions. The nominal volume of the gas-oil swap transactions is €5.4m and the market value at 31 December 2016 is €–0.4m. From the evaluation of the hedging relationship, as at 31 December 2016, there was a provision for anticipated losses of €78k.

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

4.3 Information pursuant to section 6b, subsection 2 of the Energy Industry Act (EnWG)

In the business year, the following reportable transactions of a larger scope were conducted with Netz Leipzig GmbH, Leipzig:

- income from the leasing of the electricity and gas network of €54.4m and from commercial services €18.8m,
- expenses amounting to €17.9m for services based on the district-heating service agreement.

4.4 Information on the executive bodies

The members of management are:

- Dr Johannes Kleinsorg, Management Spokesman, and
- Mr Karsten Rogall, Commercial Director.

Payments made to the current members of management in the 2016 business year:

in €k

	Fixed annual basic salary	Other emolu-ments	Perfor-mance-related remu-neration	Total remu-nera-tion	Payments at the end of employment (severance payments)	Type of pension scheme[1]	Pension scheme (contri-bution) expense	Amounts paid in the 2016 business year	
								Total remu-nerati-on	of which perfor-mance-related remune-ration
Dr Johannes Kleinsorg	220[2]	14	105	339	0	B	20	334	100
Karsten Rogall	200	16	63	279	0	B	30	276	60
	420	**30**	**168**	**618**	0		**50**	**610**	**160**

[1] A – Pension commitment, B – contribution-oriented performance bonus
[2] Including spokesman allowance

The remuneration of former members of management amounted to €420k. Provisions of €5,229k have been made to cover ongoing pensions for former managers.

The Supervisory Board is made up of the following members:

Shareholder representatives	
Dr Norbert Menke Chair of the Supervisory Board	Management spokesman, LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH
Reiner Engelmann 2nd Vice-Chair	Teacher, Free State of Saxony
Karsten Albrecht	Independent production engineer
Uwe Albrecht	Mayor, City of Leipzig
Heiko Bär	Freelance teacher
Oliver Beckel	Business graduate, Hanwah Q Cells GmbH
Ingrid Glöckner	Certified engineer, German pension insurance Central Germany
Achim Haas	Managing director, SUB GmbH
Tobias Keller	Managing director, SHK-Master company
Anett Ludwig (until 28.09.2016)	Research associate, Federal Environment Agency
Dr Gesine Märtens (since 28.09.2016)	Social worker, Women for Women e. V.
Dr Maximilian Rinck (since 11.04.2016)	Graduate physicists, European Energy Exchange AG
Ingo Sasama	Managing director of parliamentary group, Bündnis 90/Die Grünen
Frank Tornau	Managing director, Saxonia Network Systems GmbH
Steffen Wehmann	Commercial clerk, Konsumgenossenschaft Leipzig eG

Employee representatives	
Steffen Schmidt 1st Vice-Chair	Works council member, Stadtwerke Leipzig GmbH
Susann Frölich	Works council member, Stadtwerke Leipzig GmbH
Jana Fromm	Office clerk, Netz Leipzig GmbH
Ines Kuche	District manager , United Services Union (ver.di), Region Leipzig North Saxonia
Peter Kubiak	Office clerk, Netz Leipzig GmbH
Thomas Washeim	Shift supervisor, Stadtwerke Leipzig GmbH
Marissa Zorn	Works council member, Stadtwerke Leipzig GmbH

The members of the Supervisory Board received the following remuneration for their work in the 2016 business year:

in €k

Shareholder representatives	Remuneration[1]	Expense allowance
Dr Norbert Menke Chair of the Supervisory Board	2,4	0,6
Reiner Engelmann 2nd Vice-Chair	1,6	0,6
Karsten Albrecht	1,3	0,6
Uwe Albrecht	1,3	0,6
Heiko Bär	1,3	0,6
Oliver Beckel	0,9	0,6
Ingrid Glöckner	1,7	0,6
Achim Haas	1,2	0,6
Tobias Keller	1,3	0,6
Anett Ludwig	0,4	0,4
Dr Gesine Märtens	0,3	0,1
Dr Maximilian Rinck	1,2	0,4
Ingo Sasama	1,2	0,6
Frank Tornau	1,3	0,6
Steffen Wehmann	1,1	0,6

in €k

Employee representatives	Remuneration[1]	Expense allowance
Steffen Schmidt 1st Vice-Chair	1.8	0.6
Susann Frölich	1.2	0.6
Jana Fromm	1.2	0.6
Ines Kuche	1.7	0.6
Peter Kubiak	0.9	0.6
Thomas Washeim	1.8	0.6
Marissa Zorn	1.2	0.6

[1] Including attendance money

4.5 Auditor's fee

Stadtwerke is exempt from the obligation to publish the overall fee charged by the auditor, because this information is incorporated into the consolidated financial statements of the Stadtholding.

4.6 Annual average number of employees

Annual average number of employees (section 267, subsection 5 of the HGB)

	2016	2015
White-collar workers	454	471
Blue-collar workers	111	111
	565	**582**

4.7 Share ownership of Stadtwerke Leipzig GmbH, Leipzig, on 31 December 2016 (section 285, subsection 11 of the HGB)

On the balance-sheet date, Stadtwerke had a share of at least 20 % in the following companies:

Affiliated companies

	Abbreviation	Share in the subscribed capital	Equity	Result
		%	€k	€k
Netz Leipzig GmbH, Leipzig[1]	Netz Leipzig	100.00	30,009	–8,272
LAS GmbH, Leipzig[1]	LAS	100.00	499	1,857
SWL Beteiligungs GmbH, Leipzig	SWL-B	100.00	35	–3
Innvo Innovationsgesellschaft-Management mbH, Leipzig[2]	Innvo mbH	100.00	194	–1
Natur21 GmbH, Leipzig[1]	Natur21	100.00	25	2
Leipziger Windpark Management GmbH	LWM	100.00	25	0
ELG Leipzig GmbH, Leipzig	ELG	90.00	41	3
Gdańskie Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o., Gdańsk, Poland[3]	GPEC	82.86	78,288	12,906
Thüringenwind GmbH & Co. Tüngeda KG, Hörselberg-Hainich[4]	Tüngeda	70.00	963	–490

Participations

	Abbreviation	Share in the subscribed capital	Equity	Result
		%	€k	€k
Erdgasversorgung Industriepark Leipzig Nord GmbH, Leipzig	EVIL	50.00	436	6
Meter1 GmbH & Co. KG, Halle[2]	Meter1	33.33	323	615
WEO GmbH & Co. KG, Nuremberg[2]	WEO	33.33	0[5]	–596

[1] Net income before profit transfer in 2016
[2] Annual financial statements for 2016 (provisional)
[3] The conversion rate on the reporting date was used for the balance sheet; the average conversion rate was used for the profit and loss statement
[4] Annual financial statements for 2015
[5] Limited partners' share of loss not covered by capital contributions: €5,541k

5 Supplementary report

No events of special importance that affected the situation of Stadtwerke took place after the end of the business year.

Leipzig, 24 March 2017

Management

Dr Johannes Kleinsorg

Karsten Rogall

Development of fixed assets in the 2016 business year

Stadtwerke Leipzig GmbH, Leipzig

	Acquisition and production cost				
	01.01.2016	Additions	Disposals	Transfers	31.12.2016
I. Intangible assets					
1. Purchased concessions, industrial property rights and similar rights and values as well as licenses to such rights and values	58,706	414	47	134	59,207
2. Payments on account	209	58	0	–134	133
	58,915	**472**	**47**	**0**	**59,340**
II. Tangible assets					
1. Lands, leasehold rights and buildings including buildings on leased land	132,459	1,152	798	0	132,813
2. Technical equipment and machines	436,064	273,650	8,639	4,651	705,726
3. Other equipment, factory and office equipment	15,526	895	1,858	0	14,563
4. Payments on account and assets under construction	6,118	3,632	0	–4,651	5,099
	590,167	**279,329**	**11,295**	**0**	**858,201**
III. Financial assets					
1. Shares in affiliated companies	199,040	3,004	98,092	0	103,952
2. Loans to affiliated companies	122,547	0	122,547	0	0
3. Participations	5,310	1,097	0	0	6,407
4. Loans to companies in which a participating interest is held	6,330	0	0	0	6,330
5. Other loans	1,930	70	112	0	1,888
	335,157	**4,171**	**220,751**	**0**	**118,577**
	984,239	**283,972**	**232,093**	**0**	**1,036,118**

in €k

					Cumulative depreciation		Book values
01.01.2016	**Additions**	**Disposals**	**Appreciation**	**Transfers**	**31.12.2016**	**31.12.2016**	**31.12.2015**
53,533	4,458	48	0	0	57,943	1,264	5,173
0	0	0	0	0	0	133	209
53,533	**4,458**	**48**	**0**	**0**	**57,943**	**1,397**	**5,382**
81,360	2,551	426	0	0	83,485	49,328	51,099
294,336	39,070	7,109	224	0	326,073	379,653	141,728
12,797	904	1,600	0	0	12,101	2,462	2,729
0	0	0	0	0	0	5,099	6,118
388,493	**42,525**	**9,135**	**224**	**0**	**421,659**	**436,542**	**201,674**
49	0	0	0	0	49	103,903	198,991
0	0	0	0	0	0	0	122,547
3,775	0	0	0	0	3,775	2,632	1,534
1,861	0	0	0	0	1,861	4,469	4,469
257	0	0	0	0	257	1,631	1,672
5,942	**0**	**0**	**0**	**0**	**5,942**	**112,635**	**329,213**
447,968	**46,983**	**9,183**	**224**	**0**	**485,544**	**550,574**	**536,269**

Cash flow statement for the financial year from 1 January until 31 December 2016

Stadtwerke Leipzig GmbH, Leipzig

in €k

	2016	2015
Result after taxes	**64,069**	**54,371**
Depreciation (+)/attributions (-) of tangible and intangible assets	46,760	22,260
Depreciation (+)/attributions (-) of financial assets	0	0
Increase (+)/decrease (-) in pension provisions	3,508	815
Increase (+)/decrease (-) in other long-term provisions	7,199	–27,336
Increase (+)/decrease (-) in special items	–5,751	–7,813
Profit (-)/loss (+) from the disposal of fixed assets	1,650	704
Expenses (-)/income (+) from extraordinary items	0	0
Interest expenses (+)/interest income (-)	10,170	4,086
Interest from operating business activity	–92	–161
Income from participations (-)/loss assumption (+)	–3,136	–19,004
Net cash from company activities	**124,377**	**27,922**
Increase (-)/decrease (+) in inventories including depreciation on current assets	316	1,625
Increase (-)/decrease (+) in receivables from deliveries and services	–15,962	5,555
Increase (-)/decrease (+) in receivables from affiliated companies	–7,607	5,360
Increase (-)/decrease (+) in receivables from companies in which a participating interest is held	5	2,279
Increase (-)/decrease (+) in other assets	–393	2,541
Increase (-)/decrease (+) in prepaid expenses	483	601
Increase (+)/decrease (-) in provisions for taxation	–16	–232
Increase (+)/decrease (-) in other short-term provisions	15,450	36,026
Increase (+)/decrease (-) in liabilities from deliveries and services	7,606	–4,065
Increase (+)/decrease (-) in payments received	696	124
Increase (+)/decrease (-) in liabilities to affiliated companies	–4,058	–929
Increase (+)/decrease (-) in other liabilities	–1,789	–817
Increase (+)/decrease (-) in deferred income	3	–43
Change in the working capital	**–5,266**	**48,025**
Cash flows from operating activities	**119,111**	**75,947**
Receipts from disposals of tangible fixed assets	542	18,433
Payments for investments in tangible fixed assets	–28,035	–24,234
Payments for investments in intangible fixed assets	–473	–1,088
Payments for investments in financial assets (not including loans)	–4,101	–30,375
Payments for investments in financial assets (only loans)	–70	–12,275
Receipts from repayment of loans in financial assets	112	12,407
Interest received	156	6,287
Dividends received	10,868	22,531
Receipts from disposal of cover assets	832	1,020
Payments for the acquisition of cover assets	–67	–373
Cash flows from investing activities	**–20,236**	**–7,667**
Receipts from equity-capital contributions	**0**	**0**
Distribution to the shareholder	**–40,607**	**–48,993**
Taking-up of shareholder loans	21,000	28,000
Other receipts from transfers, special item for building-cost subsidies and building connection costs	5,298	2,302
Receipts from borrowings and other financing activities	**26,298**	**30,302**
Repayments to banks	–3,450	–1,327
Repayments of shareholder loans	–30,446	–35,142
Interest paid	–9,782	–9,805
Dividends paid	–8,309	–2,100
Payments for loan repayment and other financing activities	**–51,987**	**–48,374**
Cash flows from financing activities	**–66,296**	**–67,065**
Cash change in financial resources	**32,579**	**1,215**
Financial resources at beginning of period	44,966	43,751
Non-cash changes in financial resources as a result of the merger	–5,415	0
Cash change in financial resources	32,579	1,215
Financial resources at end of period	**72,130**	**44,966**

Independent auditors' opinion

We have audited the annual financial statements – comprising the balance sheet, the income statement and the notes of the annual financial statements – together with the bookkeeping system, and the management report of Stadtwerke Leipzig GmbH, Leipzig, for the business year from January 1 to December 31, 2016. Pursuant to § 6b paragraph 5 Energy Industry Act (Energiewirtschaftsgesetz – hereinafter referred to as "EnWG") our audit comprised the compliance of the bookkeeping with the obligations stipulated under § 6b paragraph 3 EnWG. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law as well as the compliance of the bookkeeping with the obligation under § 6b paragraph 3 EnWG are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and on the management report as well as on the compliance of the bookkeeping with the obligation under § 6b paragraph 3 EnWG based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB ("German Commercial Code") and German generally accepted standards for the audit of annual financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance and that it can be assessed with reasonable assurance whether the obligation under § 6b paragraph 3 EnWG are fulfilled in all material respects. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related, internal-control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report as well as the compliance with the obligation under § 6b paragraph 3 EnWG are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on findings of our audit, the annual financial statements of Stadtwerke Leipzig GmbH, Leipzig, comply with the legal requirements and give a true and fair view of the net assets, financial positions and results of operations of the group in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Our audit of the compliance of the bookkeeping with the obligation under § 6b paragraph 3 EnWG has not led to any reservations.

Leipzig, 24 March 2017

KPMG AG
Wirtschaftsprüfgesellschaft

Dr Flascha Wirtschaftsprüfer (German Public Auditor)	Lorenz Wirtschaftsprüfer (German Public Auditor)

List of Abbreviations

AG	Public limited company according to German law (Aktiengesellschaft)
ARegV	Incentive Regulation Ordinance (Anreizregulierungsverordnung)
BilRUG	Accounting Directive Implementation Act
BMWi	Federal Ministry of Economics and Energy (Bundesministerium für Wirtschaft und Energie)
CHP plant, Leipzig	Gas and steam turbine plant, Leipzig
Digitization law	Law for the Digitization of the energy transition
DMBilG	Deutsche Mark Balance Sheet Act (Gesetz über die Eröffnungsbilanz in Deutscher Mark und die Kapitalneufestsetzung)
e.g.	for example
EEG	Renewable Energy Act
EEX	European Energy Exchange AG, Leipzig
EGHGB	Introductory Act to the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch)
Electricity market law	Law for the further development of the electricity market
EnWG	Energy Industry Act (Energiewirtschaftsgesetz)
EURIBOR	European Interbank Offered Rate
€k	Thousands of euros
€m	Millions of euros
FöGbG	Development Area Act (Fördergebietsgesetz)
GmbH	Limited liability company according to German law (Gesellschaft mit beschränkter Haftung)
GmbHG	German Limited Liability Company Act (Gesetz betreffend die Gesellschaften mit beschränkter Haftung)
GPEC	Gdańskie Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o., Gdańsk, Poland
GPEC group	GPEC, i.e. including all polish subsidiaries
HGB	German Commercial Code (Handelsgesetzbuch)
ISMS	Information Security Management System
IT	Information technology
KWK	Cogeneration
KWKG	Cogeneration law
LAS	LAS GmbH, Leipzig
Netz Leipzig	Netz Leipzig GmbH, Leipzig
OTC	Over The Counter (OTC trading)
RETIS	RETIS Leipzig GmbH, Leipzig
SHK	Plumbing Heating Climate
Stadtholding	LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig
Stadtwerke	Stadtwerke Leipzig GmbH, Leipzig
SUB GmbH	SUB Gesellschaft für Kommunal- und Firmenberatung mbH
VDW	Vereinigte Wirtschaftsdienste AG

Credits

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