Consolidated financial statements for 2015

Stadtwerke Leipzig GmbH

Leipziger
Stadtwerke

Group ratios at a glance
Stadtwerke Leipzig GmbH

		2015	2014	2013	2012	2011
Employees and trainees (balance-sheet date)		**1,591**	**1,613**	**1,640**	**1,650**	**2,093**
Consolidated profit and loss statement						
Sales revenues	€k	2,147,179	2,389,938	3,381,979	4,145,386	4,204,659
of which: Wholesale trading	€k	1,547,418	1,808,209	2,679,585	3,454,266	3,525,526
of which: Energy marketing	€k	371,105	384,275	486,794	467,254	439,795
of which: additional sales revenues	€k	228,656	197,454	215,600	223,866	239,338
EBITDA	€k	118,810	113,029	132,589	149,682	136,921
EBITA	€k	74,365	68,131	86,866	99,720	80,423
EBIT	€k	78,525	68,238	89,802	101,209	78,252
EBIT adjusted	€k	78,525	68,238	89,802	101,223	81,076
EBT	€k	65,419	54,497	73,240	85,231	57,889
EBITDA margin	%	5.5	4.7	3.9	3.6	3.3
EBIT margin	%	3.7	2.9	2.7	2.4	1.9
Consolidated balance sheet						
Fixed assets	€k	523,129	517,245	521,720	516,966	555,078
Current assets[1]	€k	162,484	171,647	267,578	300,331	307,116
Balance sheet total	€k	685,613	688,892	789,298	817,297	862,194
Net working capital	€k	–49,778	6,550	28,720	54,070	19,139
Operational assets	€k	473,351	523,795	550,440	571,036	574,174
Equity	€k	179,377	179,851	186,664	186,939	170,443
Equity ratio	%	26.2	26.1	23.6	22.9	19.8
ROCE	%	16.6	13.0	16.3	17.7	14.1
Return on equity	%	36.5	30.3	39.2	45.6	34.0
Consolidated cash flow statement[2]						
Cash flows from operating activities	€k	48,960	58,391	149,610	105,629	133,021
Cash flows from investing activities	€k	–43,594	–38,001	–48,572	20,767	–40,058
Cash flows from financing activities	€k	–254	–67,690	–86,418	–107,398	–70,634
Consolidated financing						
Financial debt	€k	208,844	202,271	252,034	269,370	304,580
Net financial debt	€k	191,400	188,381	231,444	258,042	281,621

[1] Including prepaid expenses and deferred tax assets
[2] 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 + depreciation of goodwill
EBIT	EBITA + profit/loss from participations – depreciation of goodwill
EBIT adjusted	EBIT + depreciation of goodwill
EBT (Profit/loss from ordinary activities)	EBIT + interest income – interest expenses
EBITDA margin	EBITDA / sales revenues x 100
EBIT margin	EBIT / sales revenues x 100
Net working capital	Tied-up operational assets (short-term assets – cash and cash equivalents + prepaid expenses + deferred tax assets) – financing through non-interest bearing debt (short-term provisions and liabilities – short-term liabilities to banks + deferred income + deferred tax liabilities)
Operational assets	Fixed assets excluding goodwill + net working capital
Equity ratio	Equity / balance sheet total x 100
ROCE	EBIT adjusted / operational assets
Return on equity	EBT / equity x 100
Financial debt	Liabilities to banks + loans to LVV
Net financial debt	Financial debt – cash and cash equivalents (securities and cash)

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Report of the supervisory board

of Stadtwerke Leipzig GmbH

In the 2015 business year, the composition of Stadtwerke Leipzig GmbH's Supervisory Board was in line with the provisions of the One-Third Participation Act (Drittelbeteiligungsgesetz). The Supervisory Board is made up of 21 members: in 2015 there were 13 shareholder representatives from the City of Leipzig and LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH and seven employee representatives from Stadtwerke Leipzig GmbH. One place on the shareholder side was vacant in 2015. The Chair of the Supervisory Board is Dr Norbert Menke.

The following changes took place among the Board members in 2015: on the shareholder side, Mr Oliver Beckel, Mr Achim Haas, Mr Tobias Keller, Ms Anett Ludwig and Mr Frank Tornau were appointed to the Supervisory Board in the first quarter. Prof. Dr Thomas Bruckner, Ms Ursula Grimm, Ms Heike König, Mr Volkmar Müller and Prof. Dr Daniela Thrän are no longer members of the Supervisory Board.

Following the election of the employee representatives in the second quarter, Ms Marissa Zorn joined the Supervisory Board on the employee side. As a result of this election, Mr Eckhard Hölzel resigned from the Supervisory Board.

Four ordinary meetings of the Supervisory Board were held during the 2015 financial year. The Supervisory Board also met for three extraordinary meetings.

One resolution was adopted by written consent in 2015.

The Supervisory Board has formed a personnel committee. This committee is composed of an equal number of employee and management representatives and met twice in 2015.

At its meetings, the Supervisory Board was comprehensively informed by the management in oral and written reports about the course of business, the company's position and development, and fundamental business-policy issues, and in this way supervised management. Significant business transactions were the subject of thorough discussions. The focus here was, among other things, on resolutions regarding the submission of a bid to the City of Leipzig as part of a call for tenders for the electricity franchise contract for 19 districts in Leipzig for a term of 20 years and the participation in a company for renewable energy, as well as the 2016 business plan/consolidated business plan for Stadtwerke Leipzig GmbH.

Obligations – resulting from a shareholders' resolution on the implementation of the Leipzig Corporate Governance Code of 17 February 2014 – to implement individual regulations were fully met in the financial statements.

The annual financial statements, the consolidated financial statements, the GmbH management report and the Group management report for the 2015 financial year, all of which had been prepared by the management, were audited and given an unqualified audit certificate by KPMG AG, Wirtschaftsprüfungsgesellschaft, Berlin, which had been appointed as statutory auditor by the Shareholders' Meeting.

The Supervisory Board took note of and approved the result of the audit and inspected the annual financial statements and the management report. No objections were raised. The Supervisory Board approved the annual financial statements and recommended that they be adopted by the Shareholders' Meeting. The Supervisory Board also inspected and approved the consolidated financial statements and the Group management report.

The Supervisory Board would like to thank the employees and the management for their dependable work and to express its recognition of the successful performance of all those involved.

Leipzig, 21 April 2016

Dr Norbert Menke
Chair of the Supervisory Board

Group management report for the 2015 business year

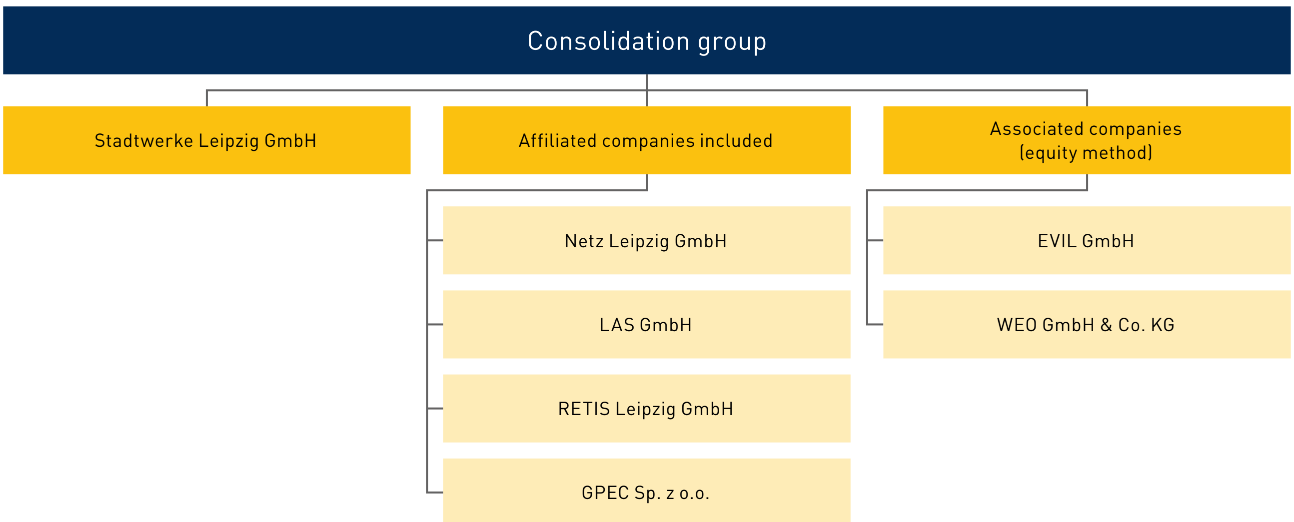
Stadtwerke Leipzig GmbH, Leipzig

1 Group principles

1.1 Business model

The Stadtwerke Leipzig Group (SW Leipzig Group) bundles expertise in the fields of energy supply and energy services. In Leipzig, Stadtwerke Leipzig GmbH, Leipzig (SW Leipzig), is the market leader in a growing city, thanks to efficient and environmentally friendly power generation. Subsidiaries Netz Leipzig GmbH, Leipzig (Netz Leipzig), RETIS Leipzig GmbH, Leipzig (RETIS) and LAS GmbH, Leipzig (LAS), also operate on the market. As part of the company's operations in Poland, the subsidiary Gdańskie Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o., Danzig (GPEC), is the market leader in the supply of heating to the region around the northern Polish city of Danzig. The company's business activities focus on generating power and heat with modern power-generation plants, providing reliable energy and energy services to customers as well as providing the network infrastructure for supplying electricity, gas and district heating to the city of Leipzig. The portfolio of products and services ranges from the marketing of electricity, gas and heat products, a customer-oriented range of energy-related services, along with metering solutions, portfolio management and power-station marketing. In addition to private and business customers, SW Leipzig's focus is on small and medium-sized enterprises (SMEs) and the real-estate sector. The company is founded on a strong presence in Leipzig; this is complemented by selected trans-regional activities. GPEC also operates on Polish markets in the greater Tricity region consisting of Danzig, Gdynia and Sopot and also in Jelenia Góra.

The SW Leipzig Group's profile is dominated by the parent company. In addition to SW Leipzig, the consolidated financial statements include four (2014: four) fully consolidated subsidiary companies in which SW Leipzig has a majority of voting rights. Twelve affiliated companies (2014: thirteen) are not included in the consolidated financial statements because they are of minor importance pursuant to section 296, subsection 2 of the HGB (German Commercial Code). Two companies (2014: two) were consolidated according to the equity method. In the interest of providing an accurate picture of the income situation, financial position and net worth, the consolidated balance sheet posts (as a financial asset) one other holding (2014: one) in which SW Leipzig directly holds shares but which are of minor importance from the point of view of the SW Leipzig Group.



The SW Leipzig Group's business activities reflect the different levels of the value chain in the energy sector.

Power stations are run to generate electricity and heat from both conventional and renewable energy sources. In addition to this, the procurement and portfolio management of electricity, gas, wood and CO_2 certificates are carried out by the Wholesale Energy Trading unit. In addition to selling electricity, gas and heat, the Energy Marketing unit, as the interface with the customer, bundles energy services related to decentralised generation, photovoltaics, energy management, energy efficiency and metering. LAS supplements the marketing portfolio, operating in Accounting/Billing and Submetering. The Accounting/Billing business unit primarily performs intra-group services. On the other hand, the Submetering business unit focuses on the target markets of energy and real estate with a comprehensive range of services.

The Networks business unit is organised along the lines of grid ownership and the operation and management of the electricity, gas, and district heating networks. Apart from SW Leipzig, which is the owner of the low and medium-voltage grid, this business unit bundles other wholly owned subsidiaries – RETIS as the owner of the gas and district heating grid and Netz Leipzig as the owner of the high-voltage grid. Netz Leipzig is also the operator of the electricity and gas grids and in charge of plant management of the district-heating grid.

In addition to supplying heat to local markets, the GPEC Group generates and markets electricity from renewable energy sources, primarily from hydroelectric plants, and offers energy-related services and products. In order to strengthen the Group, the corporate identities of the subsidiaries under the umbrella of GPEC were harmonised with that of the parent company in the 2015 business year.

1.2 Goals and strategies

The Group's strategy is rooted in the strategic foundations of fully consolidated companies. In an environment of rapidly changing energy markets and stricter regulatory requirements, SW Leipzig is aims to gain a sustainable position as a modern energy service provider for central Germany. In doing so, SW Leipzig pursues its mission to guarantee reliable supply in the grid areas managed, to undertake entrepreneurial activities in the various business fields and to serve as an attractive employer. In this context, the strategic focus of the Networks business unit is on winning gas and electricity franchises for Leipzig's outer districts. Marketing focuses primarily on securing market leadership in Leipzig, reasonable growth for energy services as well as expanding heating business.

GPEC has continued to pursue the strategic course set by the GPEC Group. This strategy focuses on generation and stable heat supply as well as on the development of new services and products by the companies of the GPEC Group. Heating sales are being boosted by targeted measures to win new customers; strategic initiatives and business process optimisation will support this strategy until 2020 at least.

The Generation business unit focuses on adapting existing generation plants to the changed overall conditions and to the growth potential offered by renewable energy. Energy Trading is the central hub for optimising the company's position in the energy sector and is geared to making use of the opportunities in the field of system services.

In 2015, SW Leipzig's strategy was defined in greater detail. In order to achieve the goals listed above, programmes were introduced to boost customer orientation, to improve competitiveness, especially by adapting cost structures, and to develop the corporate culture further.

Various strategically important milestones were reached in 2015. The awarding of the gas franchises for the city districts incorporated into the city of Leipzig enabled SW Leipzig to take a first step towards assuming responsibility for reliable energy grids throughout the city district of Leipzig. The commissioning of the thermal storage facility and the installation of two hot-water generators to boost its capacity marked the end of the implementation of the latest concept to secure district heating. Furthermore, additional operational improvements were carried out at the gas and steam turbine plant, SW Leipzig's CHP plant, in order to address the growing importance of the flexibility of conventional power-generation capacity. Progress was also made in the further-development of the customer service process. Another priority in 2015 was the development of a new pricing system for district heating. This new system was launched in the fourth quarter and now forms the basis for the successful continuation of district heating business.

The SW Leipzig Group is determined to grow in order to strengthen its position on the market. This includes investment by SW Leipzig in power-generation plants and/or expansion of its own power-generation capacity using renewable energy sources and with a focus on wind projects. In 2015, various models and potentials were identified and defined in detail in this context.

2 Economic report

2.1 General economic climate and industry-specific conditions

According to estimates by leading economic research institutes, gross domestic product rose in 2015 by 1.8% against the previous year. According to Eurostat, the statistical office of the European Union, Poland recorded a 3.6% increase in gross domestic product.

Intense political debate regarding the future of energy supply in Germany and Europe, also with a view to climate protection even globally, is leading to persistently uncertain conditions. Once again in 2015, a host of new regulations came into effect as part of energy legislation which either directly or indirectly impact SW Leipzig's business fields.

The White Paper for the Electricity Market that was adopted in 2015 is of particular importance in this context. This White Paper is designed to end the extensive energy-policy debate regarding the electricity market and supply certainty. Despite extraordinary efforts, the sector was not able to push through a number of demands. The White Paper, for instance, does not foresee any remunerated capacity mechanisms for power stations. Elements beyond this, such as balancing group loyalty, load flexibility, aggregation of loads and further development of grid remuneration schemes, will impact how companies develop across the entire sector. The revision of the Law on the Combination of Heat and Power Generation is extremely important for the sector, because it takes into account the importance of this technology in many areas. That being said, however, not all of the proposals put forward by the sector were accepted. The hoped-for positive effects on the positioning of the Leipzig gas and steam turbine plant did not materialise.

In connection with the regulation of the wholesale markets, banks and other market participants are withdrawing from the wholesale market for electricity and gas. As a result, liquidity levels in trading are falling, especially in the longer-term futures market. The shift in trading volumes to the short-term sphere continues unabated, mostly due to the ongoing increase in renewable energy fed into the grid. Furthermore, there has been a decline in price fluctuations, particularly in futures. Regulatory requirements, mostly involving reporting obligations, are leading to higher legal costs.

In the Networks business field, the focus in the 2015 business year was on the discussion regarding the revision of the Incentive Regulation Ordinance (ARegV). In addition to proposals to adapt this Ordinance, which were included in the Incentive Regulation Evaluation Report by the Federal Network Agency (BNetzA), the Federal Ministry for Economic Affairs and Energy (BMWi) has published a key issues paper. The smart-meter rollout was also a priority for revised regulation. On 4 November 2015, the Federal Cabinet passed a draft law for the digitisation of the energy revolution. An import aspect of this law is the Law on the Operation of Metering Points contained there which determines, among other things, the economic framework and time schedule for the installation of state-of-the-art meters and smart metering systems. This law is due to come into effect in mid-2016 and the first roll-out will already begin early in 2017.

For GPEC, the heating tariff determined by the Polish regulator, Urząd Regulacji Energetyki (URE), for the period from March 2013 to April 2016 remains applicable without any changes. During this period, GPEC can adjust the approved prices and charges to changing conditions every twelve months. No price adjustments were made in 2015.

2.2 Business development

In the 2015 business year, the SW Leipzig Group recorded a profit from ordinary activities of €65.4m, marking an increase of €10.9m against the previous year. In terms of the forecast for 2015, the profit recorded is €1.9m below expectations. The profit recorded by the SW Leipzig Group is largely determined by SW Leipzig's business operations.

Ratios in €m

	2015	2014	Change absolute	Planned value 2015
Sales revenues	2,147.2	2,389.9	–242.7	2,450.8
Gross margin	273.3	256.3	17.0	280.3
EBIT	78.5	68.2	10.3	81.8
Profit/loss from ordinary activities	65.4	54.5	10.9	67.3
Investments	73.0	47.7	25.3	118.3

Cooler temperatures in Leipzig were the main reason for the increase in profit compared to the previous year. The daily temperature figures in 2015 were 7.8% above the figures in 2014. Based on this development, SW Leipzig's Energy Marketing unit generated additional sales, particularly with temperature-responsive media, such as gas and district heating, and this has a positive impact on the development of sale revenues. In contrast to this, a declining trend was recorded with electricity, a medium that is less dependent on temperatures, mostly due to the weaker market position in nationwide business.

In addition, changes in market conditions for commercial transactions had a negative impact on SW Leipzig's profit. The decline recorded here was largely due to lower prices on the wholesale market as well as a rising trend towards short-term (spot) trading.

Earnings of the Leipzig gas and steam turbine plant were once again dominated in 2015 by the development of the wholesale electricity market and the related negative spread development. Furthermore, biomass power plants remained below the previous year's level due to unplanned lack of energy availability. Earnings recorded for wind-energy power plants were higher than in the previous year due to higher wind levels.

Sales revenues generated in the SW Leipzig Group in the 2015 business year are largely due to external sales of SW Leipzig (€1,958.3m), of GPEC (€101.7m) and of Netz Leipzig (€83.4m).

In the 2015 business year, total investments by the SW Leipzig Group amounted to €73.0m which primarily included €68.3m in investments in tangible fixed assets. The 2015 forecast had assumed that there would be acquisitions of franchise areas; these are now expected to take place in the upcoming business years.

2.3 Income situation

Accounting and valuation differences exist between the separate annual financial statements and the consolidated financial statements of SW Leipzig, leading to changes in the profit or loss reported in the SW Leipzig Group. The main item is the absence of releases to SW Leipzig's income of the special item (€2.0m) pursuant to section 4 of the Development Area Act.

Income situation in €m

	2015	2014	Change absolute
Operating sales revenues	2,146.9	2,401.1	–254.2
Inventory changes	–1.0	–0.7	–0.3
Internally produced and capitalised assets	3.9	3.2	0.7
Operating cost of materials	–1,872.3	–2,134.3	262.0
Operating income	15.9	11.1	4.8
Operating personnel expenses	–82.9	–82.4	–0.5
Operating expenses	–93.7	–86.1	–7.6
Regular depreciation	–44.0	–44.7	0.7
Operating profit/loss	**72.8**	**67.2**	**5.6**
Financial profit/loss	–8.9	–13.6	4.7
Non-operating profit/loss	1.5	0.9	0.6
Profit/loss from ordinary activities	**65.4**	**54.5**	**10.9**
Extraordinary expenditure	–6.0	0.0	–6.0
Extraordinary profit/loss	**–6.0**	**0.0**	**–6.0**
Taxes on corporate income and business profits/other taxes	–4.6	–2.2	–2.4
Expenses from profit transfer	–54.4	–54.7	0.3
Group net income/loss	**0.5**	**–2.4**	**2.9**
Profit attributable to other shareholders	–2.1	–1.9	–0.2
Loss carried forward	–122.1	–117.8	–4.3
Consolidated balance sheet loss	**–123.7**	**–122.1**	**–1.6**

The positive development in terms of the operating profit recorded by the SW Leipzig Group is largely due to the weather-related development in gross margin, so that this is up against the previous year from €67.2m to €72.8m. SW Leipzig's decline in sales from Wholesale Energy Trading which resulted from the development of the wholesale price for electricity is the reason for the decline in operating sales revenues which is slight compared to the decline in the operating cost of materials. On the other hand, the other consolidated companies have operationally boosted their sales revenues from third parties.

The development of financial profit/loss is largely marked by net interest income which has improved due to lower interest and similar expenses. The previous year's depreciation of financial assets of €2.7m also impacted the change in financial profit/loss. Furthermore, higher income from participations, which results from non-consolidated subsidiaries of GPEC, affected financial profit/loss.

In terms of the profit/loss from ordinary activities and including the extraordinary profit/loss, the SW Leipzig Group recorded net income of €0.5m, because unlike in the previous year the profit transfer by SW Leipzig does not exceed the profit recorded by the Group. The positive development of profit in the 2015 business year was not sufficient to reduce the consolidated balance sheet loss. As a result of the loss carried forward from the previous year and the profit attributable to the other shareholder, a consolidated balance sheet loss of €123.7m remains.

2.4 Financial position

The cash flow statement for 2015 shows financial resources amounting to €55.1m. Compared to the beginning of the business year, this figure rose by €5.3m.

Financial position in €m

	2015	2014	Change absolute
Net cash from business activities	26.4	43.3	–16.9
Change in the working capital	22.6	15.1	7.5
Cash flows from operating activities	**49.0**	**58.4**	**–9.4**
Cash flows from investing activities	**–43.6**	**–38.0**	**–5.6**
Cash flows from financing activities	**–0.3**	**–67.7**	**67.4**
Net change in financial resources	**5.1**	**–47.3**	**52.4**
Financial resources at beginning of period	49.8	102.1	–52.3
Exchange rates, consolidated group, valuation and non-cash changes in financial resources	0.2	–5.0	5.2
Financial resources at end of period	**55.1**	**49.8**	**5.3**

The cash flow statement shows cash flows from operating activities amounting to €49.0m, which marks a decline of €9.4m against the previous year. Cash flows from investing activities include investments in fixed assets as well as interest received and profits transferred by subsidiaries with an impact on liquidity. Cash flows from investing activities include interest paid and net borrowing.

2.5 Net worth position

On the balance-sheet date, the SW Leipzig Group shows a balance sheet total of €685.6m, so that the assets of the SW Leipzig Group have declined by €3.3m. The asset structure is dominated by long-term assets, especially fixed and financial assets, as well as Group equity that is almost constant.

Net worth position

in €m

	31.12.2015	31.12.2014	Change absolute
Assets			
Fixed assets	523.1	517.2	5.9
Other long-term assets	2.2	1.8	0.4
Long-term assets	**525.3**	**519.0**	**6.3**
Inventories	13.3	14.5	–1.2
Receivables from deliveries and services	63.6	74.0	–10.4
Receivables from affiliated, companies not included	42.9	43.8	–0.9
of which: cash pool	40.7	41.4	–0.7
Receivables from companies in which a participating interest is held	0.6	2.8	–2.2
Other short-term assets	13.3	13.8	–0.5
Cash and cash equivalents	17.4	13.9	3.5
Short-term assets	**151.1**	**162.8**	**–11.7**
Prepaid expenses	**6.6**	**4.6**	**2.0**
Deferred tax assets	**2.6**	**2.5**	**0.1**
	685.6	**688.9**	**–3.3**
Liabilities			
Equity	**179.4**	**179.9**	**–0.5**
Special items	**42.4**	**43.4**	**–1.0**
Long-term provisions	62.4	85.7	–23.3
Long-term liabilities to banks	63.6	57.1	6.5
Long-term liabilities to affiliated, companies not included	123.1	132.9	–9.8
Long-term provisions and liabilities	**249.1**	**275.7**	**–26.6**
Short-term provisions	97.7	77.4	20.3
Short-term liabilities to banks	12.3	5.2	7.1
Payments received on account of orders	1.5	0.2	1.3
Liabilities from deliveries and services	59.0	65.9	–6.9
Short-term liabilities to affiliated, companies not included	26.4	21.7	4.7
of which: cash pool	3.0	5.5	–2.5
Other short-term liabilities	14.3	16.7	–2.4
Short-term provisions and liabilities	**211.2**	**187.1**	**24.1**
Deferred income	**0.7**	**0.4**	**0.3**
Deferred tax liabilities	**2.8**	**2.4**	**0.4**
	685.6	**688.9**	**–3.3**

Compared to the previous year, the share of fixed assets in the balance sheet total has increased by 1.2% to 76.3%. This is largely due to developments within tangible fixed assets. In the 2015 business year, investments in tangible fixed assets were again higher than the resulting depreciation. On 31 December 2015, the SW Leipzig Group recorded €15.5m (2014: €17.9m) in intangible assets, €479.9m (2014: €473.7m) in tangible fixed assets as well as €27.8m (2014: €25.6m) in financial assets.

Due to almost unchanged equity as well as a profit from ordinary activities that is on the same level as the previous year, return on equity rose by 6.2% to 36.5%. Furthermore, the equity ratio remained stable at 26.2% (2014: 26.1%). The analogous development within short-term and long-term liabilities is due to the re-allocation of a previously long-term provision.

Long-term liabilities, both to credit institutions and to affiliated, companies not included, are strongly marked by scheduled repayments and new borrowing on the part of GPEC.

2.6 Employees of the Group

On 31 December 2015, 1,510 (2014: 1,529) members of staff were employed by the SW Leipzig Group.

Employees without trainees	31.12.2015	31.12.2014	Change absolute
SW Leipzig	624	626	–2
LAS	212	219	–7
GPEC	295	293	2
Netz Leipzig	379	391	–12
	1,510	**1,529**	**–19**

3 Supplementary report

No events of special importance took place after the end of the business year.

4 Risk report, opportunity report, forecast report

4.1 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 their management. For this reason, risk management at SW Leipzig is integrated into the operational processes and consistently implemented all the way up to executive management. This ensures risk control, risk monitoring and risk limitation, the implementation of risk-measurement methods, and the operational risk controlling of trading and portfolio-management activities. Opportunities are not incorporated into this risk-oriented approach.

Reporting on all relevant risks that could prejudice the continued existence or the business results of the SW Leipzig Group proceeds from the risk owner in aggregated form to the management of SW Leipzig and to the management of LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig (LVV). 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.

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 their probability of occurrence – and considers the type of risk limitation to be used on the basis of uniformly prescribed analytical steps for deriving risk-specific, early-warning indicators and measurement methods. Furthermore, the Internal Audit unit regularly audits the company's internal control system.

SW Leipzig has installed commitees that meet on a regular basis in order to control risk. The risk situation of the company and/or the respective business areas is regularly presented to these commitees. 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 risk 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.

Due to of the complexity of energy trading and the resultant possible risks, specific methods and instruments of risk-oriented control are used in Wholesale Energy Trading.

4.2 Risk report

External and industry risks: SW Leipzig is once again preparing itself for changes in the economic, political and social environment in 2016. Particular importance is being attached to involvement in national energy policy. Risks in this context consist mainly in the assessment of future political, technological and market-related developments and in the company's response to these changes. These risks are counteracted by intensively observing both the market and competitors and by holding regular closed-door internal meetings on strategy.

The regulatory risks are seen in the requirements of the Energy Industry Act (EnWG), the ordinances – especially those on incentive regulation ordinance and network charges – and in the regulatory authorities' (administrative) decisions and the resultant future schedules for the lowering paths of the revenues caps for network charges. Furthermore, other risks can arise 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 as well as from unforeseeable changes in the legal framework. These risks have a considerable influence on Netz Leipzig's profit situation. For this reason, it is absolutely essential to continuously monitor the framework laid down by energy legislation and to actively participate in energy-industry associations.

Network operators are called on to purse an investment strategy designed to create powerful energy grids as part of implementing the energy policy goals adopted by the German government. The current regulatory framework that is geared to short-term effects is in contradiction with the economically efficient operation of a long-life grid infrastructure and is not designed to master the challenges of Germany's energy revolution. In particular, the delayed capital return in the case of investments, factors that reduce return, such as partial benchmarks as part of cost re-assessments, the failure to consider added costs in regulatory requirements and unrealistic productivity targets for grid operations pose regulatory risks for grid operators, making the energy revolution all the more difficult to implement.

At GPEC, the defined and monitored main risks include risks relating to the procurement and delivery of heating. These risks relating to the main business are minimised by long-term contracts and investment programmes.

Performance-related risks: The market-price risk caused by falling spreads for conventional generation plants, which is still regarded as high, is counteracted by rolling optimisation of plant deployment, marketing on the futures market and marketing of system services. For biomass and wind-energy power plants, risks result from rising fuel prices and from a lack of wind.

Operating complex generation plants leads to risks of equipment failure, loss of output and supply interruptions. These risks are limited by regular maintenance and by insurance policies covering the main effects of potential damage or loss; these risks are therefore considered to be low.

The impact of the energy revolution on energy trading is reflected, for instance, in the higher requirements for balancing-group management and in the extent to which renewable energy is influencing pricing. In light of this, the accuracy of 15-minute forecasts is becoming increasingly important in order to avoid additional costs. Risks exist due to the stricter regulations for balancing group management planned by the Federal Network Agency and the Federal Ministry for Economic Affairs and Energy. This move could lead to higher process costs as well as additional costs due to the penalties planned.

The economic success of Energy Marketing depends heavily on the market position and effectiveness of sales activities. Active and permanent competition pressure combined with price and advertising activities that are at times well-publicised by competitors have a lasting impact on distribution business.

Financial risks: Financing risks essentially consist of the financing-cost risk, the risk of a reduction in placeable volumes caused by a worsening of the company's credit standing, and the loan-prolongation risk. SW Leipzig's financing capability depends on LVV's creditworthiness and financing capability.

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

The risks of changes in interest rates that result from the shareholder loan with variable interest taken out with LVV in 2014 are limited by existing interest-rate swaps just like for a large part of the overall portfolio.

SW Leipzig meets the exchange-rate risks, which result from the annual dividend payments to GPEC, by continuously monitoring exchange-rate developments between euro and złoty. Once the dividend amount and time of payment are known, this is generally hedged by a forward exchange transaction.

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

At GPEC, the credit risk of all customers who want credit in excess of a certain amount is continuously monitored based on an assessment of creditworthiness.

Other risks: SW Leipzig protects itself from the failure of IT systems by concluding agreements on availability with the operators of the IT systems. Personal data require appropriate technical and organisational protection measures that are regularly reviewed. The security measures have also been extended to mobile devices. Ongoing security analyses and emergency drills help maintain and enhance the high level of IT security. For example, security-penetration tests for different IT systems at SW Leipzig were repeatedly carried out in order to check the vulnerability of the IT systems from outside.

In the event of a major incident, SW Leipzig has implemented a crisis management system that is reviewed annually to check whether it is still up to date or needs to be adjusted.

4.3 Opportunities report

Market and utilisation opportunities are to be found in the design of the energy market and in contractual and regulatory market developments. As a result of the modernisation and optimisation of operations carried out in 2015 at the Leipzig gas and steam turbine power plant, there are medium opportunities in the marketing of balancing energy and a rising electricity/gas/CO_2 spread in power generation.

With a view to the power-plant gas contract, there is a chance of prices developing so that the contractual gas price may fall below the planned price, depending on the decisions by the court of arbitration. The opposite case would result in a risk.

For biomass and wind power plants, the opportunities resulting from lower wood prices and better wind availability are moderate compared to the forecast. The weather-dependent heating business can be influenced equally in both directions by temperature fluctuations.

SW Leipzig's adjustment of its strategic orientation means that Wholesale Energy Trading now focuses on providing system services for customers and making use of the opportunities available in a changing market. The requirements from the White Paper that address the electricity market for the energy revolution will create the opportunity for an expansion of the market for balancing energy. The required transparency of electricity market data allows energy trading to respond better and faster to price fluctuations.

Further opportunities lie in the expansion of the CHP and renewable-energy portfolio. Efforts are to be made to use collaborations to build up service business and achieve economies of scale.

The future development of Netz Leipzig will essentially be determined by incentive regulation and administrative decisions by the Federal Network Agency. Now that the Incentive Regulation Ordinance has come into force, relatively stable conditions on the revenue side have been created for the time being. Grid operators are therefore aware of the future development of revenue reduction and can plan countermeasures in the medium and long term. In the second efficiency comparison for the medium of electricity, Netz Leipzig achieved values that were above the national average, so that relatively constant revenues can be generated during the second regulatory period.

Within the GPEC Group, opportunities could arise from the improvement of internal and cross-group processes, the expansion and improvement of the service and electricity business, and from the acquisition of, or participation in, power-plant projects in the Pomerania region.

4.4 Forecast report

On the basis of economic planning, the SW Leipzig Group predicts a profit from ordinary activities of €56.0m for the 2016 business year. An EBIT of €72.6m is expected. In light of political, regulatory and competitive conditions, a downward trend for operating sales revenues is expected in the coming year (€2,142.8m).

The key factors are the significant rise in the volatility of generation and greater possibilities to control consumption. The basic elements of this are the focus in energy policy on successive decarbonisation, digitisation and the increasing decentralisation of generation. Particularly with a view to the debate on the Law for the Digitisation of the Energy Revolution, completely new aspects are now centre stage, such as data sovereignty and role definition.

In conjunction with the introduction of the new *Leipziger wärme.komfort* district-heating product, SW Leipzig is lowering its prices in this segment by an average of 6.3%. In the field of electricity and gas, prices for basic supply will remain stable. Based on price developments, Energy Marketing will focus on pushing ahead with promising sales activities.

Despite falling gas prices, persistently low electricity prices on the wholesale market will also lead to a negative difference between the electricity price charged and the costs paid for fuel (spark spread) at the Leipzig gas and steam turbine plant. Rising profit contributions are expected in the medium term from wind turbines due to the implementation of the project-based expansion strategy. Furthermore, SW Leipzig is increasingly gaining access to balancing energy markets in order to provide system services.

With a view to the investment in kind by the city of Danzig, which was decided on in 2015 but has not yet been fully contributed, SW Leipzig's shareholding in GPEC will be strengthened at 82.69%.

On-balance-sheet investments in fixed assets totalling €101.2m are planned for 2016, including €80.2m in investments in tangible fixed assets. Investments in financial assets amounting to €15.6m primarily include the acquisition and development of wind turbines.

Leipzig, 22 March 2016

Management

Dr Johannes Kleinsorg　　　　Karsten Rogall

Consolidated balance sheet at 31 December 2015

Stadtwerke Leipzig GmbH, Leipzig

Assets

in €k

	2015	2014
A. Fixed assets		
I. Intangible assets		
1. Concessions, industrial property rights acquired for a consideration and similar rights and values as well as licences to such rights and values	14,635	16,953
2. Payments on account	841	950
	15,476	**17,903**
II. Tangible assets		
1. Lands, leasehold rights and buildings including buildings on leased land	124,244	118,622
2. Technical equipment and machines	331,833	332,592
3. Other equipment, factory and office equipment	7,004	7,264
4. Payments on account and assets under construction	16,819	15,226
	479,900	**473,704**
III. Financial assets		
1. Shares in affiliated, companies not included	18,295	18,250
2. Loans to affiliated companies not included	1,703	1,923
3. Participations in associated companies	214	223
4. Participations	1,400	622
5. Loans to companies in which a participating interest is held	4,469	4,469
6. Other loans	1,672	151
	27,753	**25,638**
	523,129	**517,245**
B. Current assets		
I. Inventories		
1. Raw materials and supplies	12,923	13,164
2. Unfinished services	344	1,295
3. Payments on account	5	0
	13,272	**14,459**
II. Receivables and other assets		
1. Receivables from deliveries and services	63,632	74,007
2. Receivables from affiliated, companies not included	42,830	43,747
3. Receivables from companies in which a participating interest is held	567	2,846
4. Other assets	15,505	15,615
	122,534	**136,215**
III. Securities	**5,863**	**0**
IV. Cash in hand, bank balances and cheques	**11,581**	**13,890**
	153,250	**164,564**
C. Prepaid expenses	**6,628**	**4,624**
D. Deferred tax assets	**2,606**	**2,459**
	685,613	**688,892**

Liabilities

in €k

	2015	2014
A. Equity		
I. Subscribed capital	**22,000**	**22,000**
II. Capital reserve	**184,167**	**184,411**
III. Profit reserves	**84,903**	**84,903**
IV. Equity difference resulting from currency translation	**–1,614**	**–1,898**
V. Consolidated balance sheet loss	**–123,742**	**–122,120**
VI. Balancing item for shares of other shareholders	**13,663**	**12,555**
	179,377	**179,851**
B. Special items		
1. Special item for investment subsidies for fixed assets	5,338	5,396
2. Special item for building-cost subsidies	37,059	37,986
	42,397	**43,382**
C. Provisions		
1. Provisions for pensions and similar obligations	16,222	16,405
2. Provisions for taxation	123	345
3. Other provisions	143,797	146,368
	160,142	**163,118**
D. Liabilities		
1. Liabilities to banks	75,986	62,271
2. Payments received on account of orders	1,461	239
3. Liabilities from deliveries and services	59,014	65,919
4. Liabilities to affiliated, companies not included	149,420	154,570
5. Other liabilities of which from taxes: €8,234k (Vj.: €10.631k) of which relating to social security: €34k (Vj.: €148k)	14,282	16,738
	300,163	**299,737**
E. Deferred income	**707**	**423**
F. Deferred tax liabilities	**2,827**	**2,381**
	685,613	**688,892**

Consolidated profit and loss statement for the financial year from 1 January until 31 December 2015

Stadtwerke Leipzig GmbH, Leipzig

in €k

	2015	2014
1. Sales revenues	2,147,179	2,389,938
2. Increase or decrease in inventory of unfinished services	–951	–659
3. Other internally produced and capitalised assets	3,891	3,180
4. Other operating income	35,765	38,250
5. Cost of materials		
a) Cost of raw materials and supplies and purchased goods	–1,848,374	–2,110,856
b) Cost of purchased services	–25,480	–22,753
	–1,873,854	–2,133,609
6. Personnel expenses		
a) Wages and salaries	–69,304	–68,447
b) Social security contributions and expenses for pensions and other employee support of which for pensions: €1,500k (2014: €1,805k)	–14,106	–14,024
	–83,410	–82,471
7. Depreciation and amortisation	–44,445	–44,898
8. Other operating expenses	–109,810	–101,600
9. Income from participations of which from affiliated, companies not included: €3,649k (2014: €2,407k)	3,649	2,407
10. Income from associated companies	–2	6
11. Income from profit/loss transfer agreements of which from affiliated, companies not included: €9k (2014: €9k)	5	9
12. Income from loans from financial assets of which from affiliated, companies not included: €0k (2014: €0k)	508	388
13. Other interest earned and similar income of which from affiliated, companies not included: €49k (2014: €138k)	697	1,128
14. Depreciation of financial assets and of securities held as current assets	0	–2,703
15. Interest and similar expenses of which to affiliated, companies not included: €2,661k (2014: €1,216k)	–13,803	–14,869
16. Profit/loss from ordinary activities	**65,419**	**54,497**
17. Extraordinary expenditure	–5,981	0
18. Extraordinary profit/loss	**–5,981**	**0**
19. Taxes on corporate income and business profits	–2,188	–2,152
20. Other taxes	–2,367	–61
21. Expenses from profit transfer	–54,372	–54,703
22. Group net income/loss	**511**	**–2,419**
23. Profit/loss attributable to other shareholders	–2,133	–1,871
24. Group loss carried forward	–122,120	–117,830
25. Consolidated balance sheet loss	**–123,742**	**–122,120**

Notes to the consolidated financial statements for the 2015 business year

Stadtwerke Leipzig GmbH, Leipzig

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

1.1 General information

The consolidated financial statements of Stadtwerke Leipzig GmbH, Leipzig (SW Leipzig), for the year ended 31 December 2015 were prepared according to the regulations of the German Commercial Code (HGB) and the relevant regulations of the German Limited Liability Companies Act (GmbHG) and the Deutsche Mark Balance Sheet Act (DMBilG).

SW Leipzig is incorporated with discharging effect into the consolidated financial statements of LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig (LVV), which are published in the Electronic Federal Gazette. To this extent, these are voluntary consolidated financial statements.

Certain items in the consolidated balance sheet and the consolidated profit and loss statement are summarised to improve the clarity of presentation. These are explained in the notes to the consolidated financial statements.

The 'total cost' type of short-term results accounting was chosen as the format for the profit and loss statement.

1.2 Consolidated financial statements key date and the cosolidated group

The consolidated financial statements were compiled on the basis of the audited, separate financial statements of the companies included. 31 December 2015 was chosen as the consolidation date. The financial statements of the companies included are prepared on the same reporting date as those of the parent company.

On 31 December 2015, SW Leipzig was directly or indirectly affiliated with – or had a direct or indirect holding in – the following companies with a stake of at least 20.0%:

Affiliated companies included

	Abbreviation	Shareholder	Share in the subscribed capital	Equity	Profit/loss
			%	€k	€ k
Netz Leipzig GmbH, Leipzig[1]	Netz Leipzig	SW Leipzig	100.00	30,009	–3,909
LAS GmbH, Leipzig[1]	LAS	SW Leipzig	100.00	499	1,316
RETIS Leipzig GmbH, Leipzig[1]	RETIS	SW Leipzig	100.00	55	12,425
Gdańskie Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o., Danzig, Poland[6]	GPEC	SW Leipzig	82.86	79,852	13,504

As a result of an investment in kind by the city of Danzig, SW Leipzig's shareholding decreased to 82.86% (previously: 83.66%).

Affiliated companies not included

	Abbreviation	Share-holder	Share in the subscribed capital	Equity	Profit/loss
			%	€k	€ k
GPEC Serwis Sp. z o.o., Danzig, Poland[3, 6]	GPEC Serwis	GPEC	100.00	5,140	2,664
GPEC Energia Sp. z o.o., Jelenia Góra, Poland[3, 6] (formerly ENDICO Sp. z o.o.)	GPEC Energia	GPEC	100.00	1,072	–888
GPEC Ekspert Sp. z o.o., Danzig, Poland[3, 6]	Ekspert	GPEC	100.00	19	–1
GPEC Matarnia Sp. z o.o., Danzig, Poland[3, 6] (formerly Przedsiebiorstwo Uslug Energetycznych I Kommunalnych UNIKOM Sp. z o.o.)	GPEC Matarnia	GPEC	100.00	727	122
SWL Beteiligungs GmbH, Leipzig[3]	SWL-B	SW Leipzig	100.00	38	3
Innvo Innovationsgesellschaft-Management mbH, Leipzig[3, 4, 8]	Innvo mbH	SW Leipzig	100.00	195	0
Natur21 GmbH, Leipzig[1, 3]	Natur21	SW Leipzig	100.00	25	5
GPEC Tczew Sp. z o.o., Tczew, Poland[3, 6] (formerly Zaklad Energetyki Cieplnej Sp. z o.o.)	GPEC Tczew	GPEC	100.00	4,930	761
GPEC Starogard Sp. z o.o., Starogard Gdanksi, Poland[3, 6] (formerly Zaklad Energetyki Cieplnej „STAR-PEC" Sp. z o.o.)	GPEC Starogard	GPEC	100.00	6,309	727
ELG Leipzig GmbH, Leipzig[3]	ELG	SW Leipzig	90.00	38	6
Orchis Energia Sopot Sp. z o.o., Poland[3, 6]	Orchis	GPEC	65.12	1,530	29
PROMETHEUS - Gesellschaft für Erdgasanwendungsanlagen mbH, Leipzig[3, 5]	PROME-THEUS	SW Leipzig	51.00	64	6

Associated companies[9]

	Abbreviation	Share-holder	Share in the subscribed capital	Equity	Profit/loss
			%	€k	€ k
Erdgasversorgung Industriepark Leipzig Nord GmbH, Leipzig	EVIL	SW Leipzig	50.00	430	–5
WEO GmbH & Co. KG, Nuremberg[5]	WEO	SW Leipzig	33.33	0[7]	–1,732

Additional participations

	Abbreviation	Share-holder	Share in the subscribed capital	Equity	Profit/loss
			%	€k	€ k
Meter1 GmbH & Co. KG, Halle[2, 5]	Meter1	SW Leipzig	33.33	0	–582

[1] Net income/loss before profit transfer in 2015
[2] Non-inclusion of associated companies pursuant to section 311 subsection 2 of the HGB because of their minor importance
[3] Non-inclusion of affiliated companies pursuant to section 296 subsection 2 of the HGB because of their minor importance
[4] Annual financial statements for 2015 (provisional)
[5] Annual financial statements for 2014
[6] 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
[7] Limited partners' share of loss not covered by capital contributions: €4.328k
[8] On 31 December 2015 Innvo Innovationsgesellschaft mbH & Co. KG was merged with Innvo Innovationsgesellschaft-Management mbH.
[9] The shares in the subscribed capital corresponding to the voting rights.

1.3 Consolidation principles

The consolidated financial statements are compiled according to uniform accounting and valuation methods, which are documented in the Group rules for the preparation of balance sheets.

All affiliated companies included are fully consolidated.

When translating items on the annual financial statements of foreign subsidiaries, the exchange rates on the reporting dates (mean spot exchange rate) are used for the balance-sheet items, the historical exchange rates for the equity capital, and the average rates for the items in the profit and loss statement.

In the case of subsidiary companies consolidated before 1 January 2010, capital consolidation is carried out according to the book-value method by offsetting the acquisition costs against the respective subsidiary's pro-rata equity capital. This also applies to changes in the sizes of participations in these companies.

Receivables and liabilities, as well as revenues and expenses, between those companies included in the consolidated financial statements are netted out.

Interim results from the sale of fixed assets between those companies included in the consolidated financial statements were not eliminated pursuant to section 304 subsection 2 of the HGB.

Deferred taxes are formed for timing differences (which are likely to be reversed in the future) between commercial and tax-related balance-sheet-item valuations pursuant to section 274 of the HGB.

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

2.1 Accounting and valuation methods

The separate financial statements of those companies included in the consolidated financial statements are compiled according to uniform accounting and evaluation methods. In individual cases of minor importance in the presentation of the Group's net worth, financial position and income situation, uniform valuation pursuant to section 308 of the HGB was not applied to the foreign subsidiaries.

2.1.1 Fixed assets

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

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

Most regular depreciation is carried out on a straight-line basis over the asset's useful life and taking into account highest rates permissible under tax law.

In the 2015 business year, SW Leipzig took the option of fully writing off low-value assets with an acquisition cost of between €150 and €410 in the year of acquisition and describing them as retired pursuant to section 6, subsection 2 of the German Income Tax Act (EStG).

Shares in affiliated companies not included and participations are stated at acquisition cost. Shares in foreign companies are translated at the current exchange rate that applied on the date of the transaction. Where necessary, items were depreciated at the lower fair value on the balance-sheet date.

2.1.2 Current assets

All raw materials and supplies are reported at average cost prices, applying the principle of the lower of cost or market. In the case of GPEC, they are reported according to the FIFO method. No revaluation was carried out, because of the minor importance of the matter.

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

Unfinished services is valued loss-free at production cost.

Receivables and other assets are valued at their nominal value. Recognisable risks are taken into account by making appropriate writedowns. General bad-debt provisions are made according to the age structure of the receivables to cover general non-payment risks. Furthermore, a general bad-debt provision is made to cover general credit risks. Under receivables from electricity, gas and district heating supplies, received payments on account are set off against the customers' deferred consumption that has not yet been metered.

In cases where netting contracts have been agreed with wholesale trading partners, any existing receivables and liabilities are netted out respectively.

In cases where the other assets are special-purpose funds to secure obligations relating to agreements on part-time employment schemes for older employees (semi-retirement), 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 recognized at its nominal value.

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

2.1.4 Special items

Investment grants are shown under liabilities as a special item for fixed assets. Investment grants are released to income over the useful life of the fixed assets.

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

2.1.5 Provisions

Selected provisions for personnel as well as provisions for pensions and similar obligations of domestic companies are formed on the basis of actuarial expert opinions according to the 2005 G guideline tables compiled by Prof. Dr Klaus Heubeck, which take into account a generation dependent life expectancy, using the projected unit credit method. As per 31 December 2015, the assumed rate of interest for discounting these provisions is 3.89% pursuant to section 253, subsection 2, sentence 2 of the HGB.

At GPEC, provisions for old-age allowances are formed on the basis of mathematical expert opinions in accordance with IAS 19 using the projected unit credit method and an interest rate of 3.0%.

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

Assets whose sole purpose is to meet semi-retirement obligations – to which all other creditors have no access – are posted after being netted against the corresponding obligations pursuant to section 246, subsection 2, sentence 2 of the HGB.

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

Recognisable risks and uncertain obligations are taken into account in the determination of other provisions. They are valued at the amount needed to settle the obligation.

2.1.6 Liabilities

Liabilities are reported at the amount needed to settle the obligation.

2.2 Notes to the balance sheet

2.2.1 Fixed assets

Changes in individual fixed-asset items and depreciation in the business year are shown in the schedule 'development in the consolidated fixed assets in the 2015 business year'.

The 'financial assets' item includes the shares in and loans to affiliated companies and participations that are not included in the consolidated group, as well as other loans to non-company third parties and employees.

The book value of the EVIL participation was updated taking the profit/loss for 2015 and dividend payouts into account.

WEO's negative equity value (€1,639k) results from the fact that the annual losses exceeded the value of the participation which had already been updated to zero in the previous years; it is carried forward in an auxiliary account.

Negative goodwill amounting to €20k is related to associated companies; it is carried forward in an auxiliary account.

2.2.2 Inventories

The inventories on the balance-sheet date include returnable emission entitlements for the emission of the CO_2; they are posted at a memo value of €1 per plant (market value on 31 December 2015: €4,483k).

2.2.3 Receivables and other assets

Receivables from affiliated, companies not included essentially relate to receivables amounting to €37,171k from shareholder LVV (2014: €40,665k).

Other assets include receivables relating to not-yet-deductible tax prepayments amounting to €2,773k (2014: €3,506k) as well as long-term receivables relating to claims that have been assigned to third parties amounting to €2,216k (2014: €1,773k). All the other receivables and other assets are payable in the short term.

2.2.4 Provisions

Claims from pension-plan reinsurance are netted against partial-retirement obligations pursuant to section 246, subsection 2, sentence 2 of the HGB. The fair value of the netted asset, which corresponds to the amortised cost, is €2,472k. Netted debts (calculated as the amount needed to settle the obligation) are valued at €3,626k. Interest expense as a result of the partial retirement obligations (€115k) was netted against interest income from the pension-plan reinsurance (€32k).

Other provisions include, in particular, provisions for anticipated losses (€36,696k), personnel-related provisions (€29,368k), and provisions for obligations relating to legal proceedings and costs of litigation (€21,934k).

Other provisions include provisions for expenses amounting to €9,638k for which the retention and continuation option pursuant to Article 67, paragraph 3, sentence 1 of the EGHGB was taken.

The amount of surplus coverage pursuant to Article 67, paragraph 1, sentence 4 of the EGHGB amounts to €37k for provisions retained pursuant to Article 67, paragraph 1, sentence 2 of the EGHGB.

2.2.5 Liabilities

The following table shows the remaining terms of the liabilities:

Liabilities

in €k

	Remaining term				Total
	up to one year	up to one year (31.12.2014)	from one to five years	over five years	31.12.2015
1. Liabilities to banks	12,349	(5,180)	49,903	13,734	75,986
2. Payments received on account of orders	1,461	(239)	0	0	1,461
3. Liabilities from deliveries and services	59,014	(65,919)	0	0	59,014
4. Liabilities to affiliated, companies not included	16,562	(21,712)	118,568	14,290	149,420
5. Other liabilities	14,282	(16,738)	0	0	14,282
	103,668	**(109,788)**	**168,471**	**28,024**	**300,163**

Liabilities to banks are secured to an amount of €13,172k by negative declarations and the assignment of claims.

Liabilities to affiliated, companies not included are made up of €664k (2014: €321k) in liabilities from deliveries and services and €148,756 (2014: €154,249) in other liabilities with the latter primarily consisting of loans (€132,858, 2014: €140,000k). A negative declaration was issued for the shareholder loans.

2.3 Notes to the profit and loss statement

2.3.1 Sales revenues

Sales revenues were made up as follows:

Sales revenues in €k

	2015	2014
Electricity marketing (gross)	213,042	228,419
Electricity tax	–19,292	–19,302
Electricity marketing (net)	193,750	209,117
Gas marketing (gross)	50,688	52,968
Natural-gas tax	–5,103	–4,761
Gas marketing (net)	45,585	48,207
District-heating marketing	131,770	126,951
Energy marketing	**371,105**	**384,275**
Wholesale electricity trading (gross)	1,484,835	1,779,760
Electricity tax	–450	0
Wholesale electricity trading (net)	1,484,385	1,779,760
Wholesale gas trading (gross)	63,106	28,525
Natural-gas tax	–73	–76
Wholesale gas trading (net)	63,033	28,449
Wholesale trading	**1,547,418**	**1,808,209**
Other sales revenues	**228,656**	**197,454**
	2,147,179	**2,389,938**

€2,045,485k (2014: €2,294,268k) of sales revenues was generated in Germany, €101,694k (2014: €95,670k) in Poland.

Additional sales revenues include revenues relating to other periods amounting to €311k (2014: –€11,105k). This is largely related to the previous year's adjustments in the sales revenues estimated on the basis of rolling consumption billing.

2.3.2 Other operating income

Other operating income includes income relating to other periods totalling €19,837 (2014: €26,936k). This is primarily related to income from the release of provisions as well as income from the release of allowances for doubtful debt.

2.3.3 Cost of materials

Cost of materials includes energy purchases relating to other periods of €1,551k (2014: –€696k).

2.3.4 Depreciation and amortisation

In the 2015 business year, unscheduled depreciation of fixed assets amounted to €456k (2014: €171k).

2.3.5 Other operating expenses

Other operating expenses include expenses relating to other periods of €4,873k (2014: €3,894k). This primarily includes other operating expenses of GPEC and losses from disposals of fixed assets.

2.3.6 Net interest income

Net interest income shows income of €330k (2014: €44k) and expenditure of €1,250k (2014: €1,075k) as a result of the compounding and discounting of provisions pursuant to section 277, subsection 5 of the HGB.

2.3.7 Extraordinary profit/loss

Extraordinary profit/loss includes provisions of €5,981k for restructuring measures.

2.3.8 Taxes on corporate income and business profits

These taxes are made up of current expenditure on taxes on corporate income and business profits in the 2015 business year, and expenditure caused by the change in deferred taxes amounting to €305k (2014: €227k).

Deferred taxes relate to €2,606k in deferred tax assets and €2,827k in deferred tax liabilities of GPEC. A tax rate of 19.0% was applied.

In this context, deferred tax assets are largely the result of valuations of fixed assets, receivables, pension provisions and other provisions which deviate from commercial and tax law. Deferred tax liabilities essentially result from fixed assets.

No losses were carried forward that were relevant for tax purposes on 31 December 2015 within the group of companies.

3 Information on the profit/loss for the year

Consolidated profit totals €511k (2014: –€2,419k).

4 Other information

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

On 31 December 2015 operational leasing commitments amounted to €116,901k. Three signed leasing agreements involve commitments 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 operational leasing commitments for any of the three agreements. Operational leasing serves to finance the existing biomass power stations and the gas and steam turbine plant.

Other financial obligations of €47,200k result from rental and lease agreements and investments.

Other financial liabilities result from the granting of loans and/or guarantees, from uncalled capital contributions as well as uncalled capital contributions relating to GmbH shares and from possible obligations under existing profit/loss transfer agreements amounting to €17,036k, of which €8,678k is vis-à-vis affiliated, companies not included.

With a view to obligations relating to energy procurement, please refer to No. 4.2.

4.2 Derivative financial instruments

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

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

Financial and commodity derivatives in €k

	Nominal volume		Fair value		Book value	
					Assets	Liabilities
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2015
Interest-rate derivatives (interest rate swaps)	130,000	162,500	–17,521	–23,585	0	0
Commodity derivatives[1]	1,962,455	2,008,710	–3,027	–1,347	0	233[2]
Gas options	3,690	0	–400	0	0	400[2]

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

Interest-rate derivatives: As hedging instruments, payer swaps are part of a valuation unit (portfolio hedge) that has been formed to hedge against interest-rate risks with a hedging horizon up to 31 December 2018. The underlying transactions are variable-interest leasing agreements and loans.

Retrospective effectiveness is measured cumulatively on the basis of the change in the market value of the hypothetical derivatives on the balance-sheet date compared to the designation date, according to the cumulative dollar-offset method.

The market-data shift method was used to measure prospective effectiveness. This is a quantitative sensitivity analysis in which the sensitivity of underlying transactions and hedging instruments is determined for the event of a hypothetical change in the basis variables.

The change in the value of the existing hedging transactions is compared with the change in value of hypothetical derivatives with the same specifications, which are meant to represent the change in value of the underlying transactions resulting exclusively from the change in the interest-rate-curve risk factor.

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 aggregate value of all agreed purchase (€979.4m) and selling (€983.1m) agreements for future delivery periods in the commodities electricity, gas and CO_2 emission certificates up to and including 2018. 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).

A provision consisting of €233k in valuation units was formed for the own-account electricity-trading portfolio in 2015.

In the field of wholesale energy trading, a gas option was signed for the delivery of 215 GWh of gas for the 2015 to 2016 period. A provision for anticipated losses amounting to €400k was formed for this business.

Sales portfolios are formed for the commodities electricity and gas in the field of energy marketing. The portfolios currently comprise the completed or expected selling and procurement transactions for each of the years 2016, 2017 and 2018. Sales transactions include binding sales contracts with customers, highly probable customer sales as well as contracted exchange or OTC (over-the-counter) sales transactions. Procurement transactions include contracted exchange or OTC procurement transactions with a value of €191.4m as per 31 December 2015. No provisions for anticipated losses were necessary as per 31 December 2015, because no losses were to be expected in the portfolios in the year of performance.

The net hedge presentation method was used for reporting the valuation units.

4.3 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 2015 business year:

in €k

	Fixed annual basic salary	Other benefits	Performance-related remuneration	Total remuneration	Payments at the end of employment (severance payments)	Type of pension scheme[1]	Pension scheme Contribution	Amounts paid in the 2015 business year: Total remuneration	Amounts paid in the 2015 business year: of which performance-related remuneration
Dr Johannes Kleinsorg[2]	220 (73)	14 (2)	22 (17)	256 (92)	0 (0)	B (B)	20 (7)	234 (0)	17 (0)
Karsten Rogall[2]	200 (67)	16 (4)	13 (10)	229 (81)	0 (0)	B (B)	30 (10)	216 (0)	10 (0)
	420	**30**	**35**	**485**	**0**		**50**	**450**	**27**

[1] A – Pension commitment, B – Support fund
[2] Previous year's figure (in parentheses) for the period 1 September 2014 to 31 December 2014

The remuneration of former members of management amounted to €507k (2014: €742k). Provisions of €5,396k (2014: €5,539k) 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	LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH	Management spokesman
Reiner Engelmann 2nd Vice-Chair	City of Leipzig, 'DIE LINKE' parliamentary group	Teacher
Karsten Albrecht	City of Leipzig, 'CDU' parliamentary group	Independent production engineer
Uwe Albrecht	City of Leipzig, Dept. of Economics and Labour	Mayor
Heiko Bär	City of Leipzig, 'SPD' parliamentary group	Freelance teacher
Oliver Beckel (since 23 March 2015)	Hanwah Q Cells GmbH	Business graduate
Ingrid Glöckner	City of Leipzig, 'SPD' parliamentary group	Certified engineer
Achim Haas (since 23 March 2015)	City of Leipzig, 'CDU' parliamentary group	Managing director
Tobias Keller (since 23 March 2015)	City of Leipzig, 'AfD' parliamentary group	Managing director
Anett Ludwig (since 23 March 2015)	City of Leipzig, 'Bündnis 90/Die Grünen' parliamentary group	Research associate

Shareholder representatives		
Ingo Sasama	City of Leipzig, 'Bündnis 90/Die Grünen' parliamentary group	Managing director of parliamentary group
Frank Tornau (since 23 March 2015)	City of Leipzig, 'CDU' parliamentary group	Managing director
Steffen Wehmann	City of Leipzig, 'DIE LINKE' parliamentary group	Bank employee
Prof. Dr Thomas Bruckner (until 23 March 2015)	University of Leipzig, Institute for Infrastructure and Resource Management	Professor of Energy Management and Sustainability
Ursula Grimm (until 23 March 2015)		Pensioner
Heike König (until 23 March 2015)	City of Leipzig, 'Bündnis 90/Die Grünen' parliamentary group	Project manager
Volkmar Müller (until 23 March 2015)	LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH	Managing director
Prof. Dr Daniela Thrän (until 23 March 2015)	German Biomass Research Centre	Division manager

Employee representatives		
Steffen Schmidt 1st Vice-Chair	Stadtwerke Leipzig GmbH	Works council member
Susann Frölich	Stadtwerke Leipzig GmbH	Works council member
Jana Fromm	Netz Leipzig GmbH	Office clerk
Ines Kuche	United Services Union (ver.di), Region Leipzig North Saxonia	District manager
Peter Kubiak	Netz Leipzig GmbH	Office clerk
Thomas Washeim	Stadtwerke Leipzig GmbH	Shift supervisor
Marissa Zorn (since 5 May 2015)	Stadtwerke Leipzig GmbH	Works council member
Eckhard Hölzel (until 4 May 2015)	Stadtwerke Leipzig GmbH	Office clerk

The members of the Supervisory Board received the following remuneration for their work in the 2015 business year:

in €k

Shareholder representatives	Remuneration[1]	Expense allowance
Dr Norbert Menke Chair of the Supervisory Board	2.2	0.6
Reiner Engelmann 2nd Vice-Chair	1.6	0.6
Karsten Albrecht	1.3	0.6
Uwe Albrecht	1.4	0.6
Heiko Bär	1.4	0.6
Oliver Beckel	0.9	0.4
Ingrid Glöckner	1.6	0.6
Achim Haas	0.9	0.4
Tobias Keller	0.9	0.4
Anett Ludwig	0.9	0.4
Ingo Sasama	1.2	0.6
Frank Tornau	0.8	0.4
Steffen Wehmann	1.4	0.6
Prof. Dr Thomas Bruckner	0.4	0.1
Ursula Grimm	0.4	0.1
Heike König	0.4	0.1
Volkmar Müller	0.4	0.1
Prof. Dr Daniela Thrän	0.3	0.1

in €k

Employee representatives	Remuneration[1]	Expense allowance
Steffen Schmidt 1st Vice-Chair	1.8	0.6
Susann Frölich	1.4	0.6
Jana Fromm	1.4	0.6
Ines Kuche	1.6	0.6
Peter Kubiak	0.9	0.6
Thomas Washeim	1.6	0.6
Marissa Zorn	0.9	0.4
Eckhard Hölzel	0.6	0.2

[1] Including attendance money

4.4 Auditor's fee

The fee charged by the auditor of the consolidated financial statements for the financial year totals €287k. Of this total, auditor services cost €188, other assurance services €12k, tax-advisory services €38k, and other services €50k. The total fee includes €30k for services rendered in previous years.

4.5 Annual average number of employees

**Annual average number of employees
(section 314, subsection 1 number 4 of the Commercial Code; HGB)**

	2015	2014
White-collar workers	1,139	1,159
Blue-collar workers	380	373
	1,519	**1,532**

Leipzig, 22 March 2016

Management

Dr Johannes Kleinsorg   Karsten Rogall

Development in the consolidated fixed assets in the 2015 business year

Stadtwerke Leipzig GmbH, Leipzig

	Acquisition and production cost					
	01.01.2015	Additions	Disposals	Transfers	Exchange-rate differences	31.12.2015
I. Intangible assets						
1. Concessions, industrial property rights acquired for a consideration and similar rights and values as well as licences to such rights and values	80,886	1,137	2,189	546	57	80,437
2. Goodwill (active differential amount)	95,731	0	0	0	0	95,731
3. Payments on account	980	553	424	–268	0	841
	177,597	**1,690**	**2,613**	**278**	**57**	**177,009**
II. Tangible assets						
1. Lands, leasehold rights and buildings including buildings on leased land	268,478	4,608	4,517	11,090	155	279,814
2. Technical equipment and machines	854,779	36,895	49,693	10,996	73	853,050
3. Other equipment, factory and office equipment	30,892	1,415	3,029	1,416	8	30,702
4. Payments on account and assets under construction	15,857	25,398	15	–23,780	–52	17,408
	1,170,006	**68,316**	**57,254**	**–278**	**184**	**1,180,974**
III. Financial assets						
1. Shares in affiliated, companies not included	25,751	0	7,500	0	44	18,295
2. Loans to affiliated, companies not included	1,923	14	243	0	9	1,703
3. Participations in associated companies	223	0	9	0	0	214
4. Participations	1,693	1,375	597	0	0	2,471
5. Loans to companies in which a participating interest is held	6,330	0	0	0	0	6,330
6. Other loans	408	1,635	114	0	0	1,929
	36,328	**3,024**	**8,463**	**0**	**53**	**30,942**
	1,383,931	**73,030**	**68,330**	**0**	**294**	**1,388,925**

in €k

						Cumulative depreciation		Book values
01.01.2015	**Additions**	**Disposals**	**Attributions**	**Transfers**	**Exchange-rate differences**	**31.12.2015**	**31.12.2015**	**31.12.2014**
63,933	3,921	2,114	0	–30	32	65,802	14,635	16,953
95,731	0	0	0	0	0	95,731	0	0
30	0	0	0	30	0	0	841	950
159,694	**3,921**	**2,114**	**0**	**0**	**32**	**161,533**	**15,476**	**17,903**
149,856	6,420	809	–3	0	106	155,570	124,244	118,622
522,187	31,102	31,916	–261	–43	62	521,217	331,833	332,592
23,628	3,003	2,926	0	0	–7	23,698	7,004	7,264
631	0	0	0	43	1	589	16,819	15,226
696,302	**40,525**	**35,651**	**–264**	**0**	**162**	**701,074**	**479,900**	**473,704**
7,501	0	7,501	0	0	0	0	18,295	18,250
0	0	0	0	0	0	0	1,703	1,923
0	0	0	0	0	0	0	214	223
1,071	0	0	0	0	0	1,071	1,400	622
1,861	0	0	0	0	0	1,861	4,469	4,469
257	0	0	0	0	0	257	1,672	151
10,690	**0**	**7,501**	**0**	**0**	**0**	**3,189**	**27,753**	**25,638**
866,686	**44,446**	**45,266**	**–264**	**0**	**194**	**865,796**	**523,129**	**517,245**

Consolidated statement of changes in equity at 31 December 2015

Stadtwerke Leipzig GmbH, Leipzig

	Parent company					
	Subscribed capital	Capital reserve	Consolidated equity generated	Cumulative remaining consolidated profit		Equity
				Equity difference resulting from currency translation	Other neutral transactions	
1 January 2014	**22,000**	**184,411**	**–32,958**	**51**	**25**	**173,529**
Change in the consolidation group respectively the participation rate and capital increase	0	0	0	0	0	0
Changes in currency translation	0	0	0	0	0	0
Distribution to minority shareholders	0	0	0	0	0	0
Remaining changes	0	0	0	0	6	6
Group net income/loss	0	0	–4,290	0	0	–4,290
Remaining consolidated profit	0	0	0	–1,949	0	–1,949
Consolidated profit	0	0	–4,290	–1,949	0	–6,239
31 December 2014	**22,000**	**184,411**	**–37,248**	**–1,898**	**31**	**167,296**
Change in the consolidation group respectively the participation rate and capital increase	0	–244	0	0	0	–244
Changes in currency translation	0	0	0	0	0	0
Distribution to minority shareholders	0	0	0	0	0	0
Remaining changes	0	0	0	0	0	0
Group net income/loss	0	0	–1,623	0	0	–1,623
Remaining consolidated profit	0	0	0	285	0	285
Consolidated profit	0	0	–1,623	285	0	–1,338
31 December 2015	**22,000**	**184,167**	**–38,871**	**–1,613**	**31**	**165,714**

in €k

			Minority shareholders	
Minority capital		Cumulative remaining consolidated profit	Equity	Consolidated equity
	Equity difference resulting from currency translation	Other neutral transactions		
13,945	**–810**	**0**	**13,135**	**186,664**
0	0	0	0	0
–10	–29	0	–39	–39
–2,109	0	0	–2,109	–2,109
0	0	0	0	6
1,871	0	0	1,871	–2,419
0	–303	0	–303	–2,252
1,871	–303	0	1,568	–4,671
13,697	**–1,142**	**0**	**12,555**	**179,851**
628	0	0	628	384
0	39	0	39	39
–1,753	0	0	–1,753	–1,753
0	0	0	0	0
2,173	–39	0	2,134	511
0	60	0	60	345
2,173	21	0	2,194	856
14,745	**–1,082**	**0**	**13,663**	**179,377**

Consolidated cash flow statement for the financial year from 1 January until 31 December 2015

Stadtwerke Leipzig GmbH, Leipzig

in €k

	2015	2014
Group net income/loss	**511**	**−2,419**
Depreciation (+)/reinstated depreciation (−) of tangible and intangible assets	44,181	44,898
Depreciation (+)/reinstated depreciation (−) of financial assets	0	2,703
Increase (+)/decrease (−) in pension provisions	−182	172
Increase (+)/decrease (−) in other long-term provisions	−29,726	−5,192
Increase (+)/decrease (−) in special items	−4,055	−3,468
Increase (−)/decrease (+) at equity valuation	9	0
Other non-cash expenses (+)/income (−)	727	−924
Profit (−)/loss (+) from the disposal of fixed assets	867	−1,881
Income tax expense (+)/-benefit (−)	1,883	1,925
Income taxes paid	−1,883	−2,363
Expenses (−)/income (+) from extraordinary items	5,981	0
Interest expenses (+)/interest income (−)	12,598	13,353
Interest from operating activities	−904	−1,092
Income from participations (−)	−3,649	−2,407
Net cash from business activities	**26,358**	**43,305**
Increase (−)/decrease (+) in inventories including depreciation on current assets	1,188	−847
Increase (−)/decrease (+) in receivables from deliveries and services	10,757	55,865
Increase (−)/decrease (+) in receivables from affiliated companies	2,760	3,156
Increase (−)/decrease (+) in receivables from companies in which a participating interest is held	2,279	−1,176
Increase (−)/decrease (+) in other assets	110	−6,022
Increase (−)/decrease (+) in prepaid expenses	−2,151	−1,073
Increase (+)/decrease (−) in provisions for taxation	−222	300
Increase (+)/decrease (−) in other short-term provisions	20,527	−18,446
Increase (+)/decrease (−) in liabilities from deliveries and services	−6,994	−8,259
Increase (+)/decrease (−) in payments received	1,223	−1,801
Increase (+)/decrease (−) in liabilities to affiliated companies	−5,149	−6,811
Increase (+)/decrease (−) in other liabilities	−2,456	9
Increase (+)/decrease (−) in deferred income	730	191
Change in the working capital	**22,602**	**15,086**
Cash flows from operating activities	**48,960**	**58,391**
Receipts from disposals of tangible fixed assets	20,737	3,133
Payments for investments in tangible fixed assets	−65,247	−40,627
Receipts from disposals of intangible fixed assets	499	6
Payments for investments in intangible fixed assets	−1,933	−1,882
Receipts from disposal of financial assets	954	203
Payments for investments in financial assets	−3,024	−2,121
Interest received	124	9
Dividends received	3,649	2,407
Receipts from disposal of cover assets	1,020	2,283
Payments from disposal of cover assets	−373	−1,412
Cash flows from investing activities	**−43,594**	**−38,001**
Receipts from equity-capital contributions	0	6
Distribution to the majority shareholder	0	0
Distribution to the minority shareholder/capital withdrawal	−1,753	−1,629
Payments to the company owners and the minority shareholder	**−1,753**	**−1,623**
Borrowing from banks	18,732	14,041
Shareholder loans	0	120,000
Receipts from borrowings and other financing activities	**18,732**	**134,041**
Repayments to banks	−5,118	−182,855
Interest paid	−12,115	−17,253
Payments for loan repayment and other financing activities	**−17,233**	**−200,108**
Cash flows from financing activities	**−254**	**−67,690**
Net change in financial resources	**5,112**	**−47,300**
Financial resources at beginning of period	49,741	102,066
Exchange rate, consolidated group and valuation as well as standard-related changes in financial resources	285	−5,025
Financial resources at end of period	**55,138**	**49,741**
Securities	5,863	0
Cash in hand	11,581	13,890
Cash pool resources	37,694	35,851
Financial resources at end of period	**55,138**	**49,741**

Independent auditors' report

We have audited the consolidated financial statements prepared by the Stadtwerke Leipzig GmbH, Leipzig, – comprising the balance sheet, the income statement, the notes to the consolidated financial statement, the cash flow statement and the statement of changes in equity – and the group management report for the business year from January 1 to December 31, 2015. The preparation of the consolidated financial statement and the group management report in accordance with German commercial law are the responsibility of the parent Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB („German Commercial Code") and German generally accepted standards for the audit of consolidated 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 consolidated financial statements in accordance with German principles of proper accounting and in the group management report are detected with reasonable assurance. 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 consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing to the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made my management, as well as evaluating the overall presentation of the consolidated financial statements and the group 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 consolidated financial statements of the 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 group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Leipzig, March 22, 2016

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 (Anreizreguli-erungsverordnung)
BMWi	Federal Ministry for Economic Affairs and Energy (Bundesministerium für Wirtschaft und Energie)
BNetzA	Federal Network Agency (Bundesnetzagentur)
CHP plant, Leipzig	Gas and steam turbine plant, Leipzig
DMBilG	Deutsche Mark Balance Sheet Act (Gesetz über die Eröffnungsbilanz in Deutscher Mark und die Kapitalneufestsetzung)
e.g.	for example
EEX	European Energy Exchange AG, Leipzig
EGHGB	Introductory Act to the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch)
ELG	ELG Leipzig GmbH, Leipzig
EStG	Income Tax Act (Einkommensteuergesetz)
EURIBOR	European Interbank Offered Rate
EVIL	Erdgasversorgung Industriepark Leipzig Nord GmbH, Leipzig
€k	Thousands of euros
€m	Millions of euros
FiFo	First in First out (first purchased or manufactured goods are first used or sold)
GAS	German Accounting Standard (Deutscher Rech-nungslegungs Standard – DRS)
GPEC	Gdańskie Przedsiębiorstwo Energetyki Cieplnej sp. z o.o., Danzig, Poland
GPEC group	GPEC, i.e. including all Polish subsidiaries
GPEC SERWIS	GPEC SERWIS SP. Z O.O., Danzig, Poland
GPEC ENERGIA	GPEC ENERGIA SP. Z O.O., Jelenia Góra, Poland (formerly ENDICO Sp. z o.o.)
GPEC EKSPERT	GPEC EKSPERT SP. Z O.O., Danzig, Poland
GPEC MATARNIA	GPEC MATARNIA SP. Z O.O., Danzig, Poland (for-merly Przedsiebiorstwo Uslug Energetycznych I Kommunalnych UNIKOM Sp. z o.o.)
GPEC STAROGARD	GPEC STAROGARD SP. Z O.O., Starogard Gdank-si, Poland (formerly Zaklad Energetyki Cieplnej „STAR-PEC" Sp. z o.o.)
GPEC TCZEW	GPEC TCZEW SP. Z O.O., Tczew, Poland (formerly Zaklad Energetyki Cieplnej Sp. z o.o.)
GmbH	Limited liability company according to German law (Gesellschaft mit beschränkter Haftung)
GmbHG	German Limited Liability Companies Act (Gesetz betreffend die Gesellschaften mit beschränkter Haftung)
GWh	Gigawatt hour
HGB	German Commercial Code (Handelsgesetzbuch)
IAS 19	International Accounting Standard (Employee Benefits)
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Innvo mbH	Innvo Innovationsgesellschaft-Management mbH, Leipzig
IT	Information technology
KWK	Combined heat and power generation, CHP
LAS	LAS GmbH, Leipzig
LVV	LVV Leipziger Versorgungs- und Verkehrs-gesellschaft mbH, Leipzig
Meter1	Meter1 GmbH & Co. KG, Halle
Natur21	Natur21 GmbH, Leipzig
Netz Leipzig	Netz Leipzig GmbH, Leipzig
ORCHIS	ORCHIS ENERGIA SOPOT SP. Z O.O., Poland
OTC	Over The Counter (OTC trading)
PROME-THEUS	PROMETHEUS – Gesellschaft für Erdgasanwend-ungsanlagen mbH, Leipzig
RETIS	RETIS Leipzig GmbH, Leipzig
ROCE	Return on Capital Employed
SW Leipzig	Stadtwerke Leipzig GmbH, Leipzig
SW Leipzig Konzern	Stadtwerke Leipzig Group
SWL-B	SWL Beteiligungs GmbH, Leipzig
URE	Urząd Regulacji Energetyki (Polish regulator)
WEO	WEO GmbH & Co. KG, Nuremberg

Credits

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