Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	821 186 242
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	MIDGARD VIND HOLDING AS
Forretningsadresse:	Klæbuveien 118 7031 TRONDHEIM

Regnskapsår

Årsregnskapets periode:	01.01.2022 - 31.12.2022

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	-

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Hege Johnsen
Dato for fastsettelse av årsregnskapet:	08.06.2023

Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert

År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 17.07.2024

Resultatregnskap

Beløp i: EUR	Note	2022	2021
RESULTATREGNSKAP			
Inntekter			
Change in value PPA		29 968 000	
Other income		97 000	50 000
Sum inntekter		**30 065 000**	**50 000**
Kostnader			
Delivery settlement		100 952 000	25 460 000
Change in value PPA			29 968 000
Personell cost	3	623 000	590 000
Depreciation	5	1 000	1 000
Other operating expenses	4	475 000	535 000
Sum kostnader		**102 051 000**	**56 554 000**
Driftsresultat		**-71 986 000**	**-56 504 000**
Finansinntekter og finanskostnader			
Net finance			2 988 000
Sum finansinntekter			**2 988 000**
Net finance	11	2 655 000	
Sum finanskostnader		**2 655 000**	
Netto finans		**-2 655 000**	**2 988 000**
Ordinært resultat før skattekostnad		**-74 641 000**	**-53 516 000**
Income tax expense	1	-15 506 000	-12 113 000
Ordinært resultat etter skattekostnad		**-59 135 000**	**-41 403 000**
Årsresultat		**-59 135 000**	**-41 403 000**
Overføringer og disponeringer			
Overføring til/fra fond		59 135 000	41 403 000
Sum overføringer og disponeringer		**59 135 000**	**41 403 000**

Balanse

Beløp i: EUR	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	1	28 219 000	12 713 000
Sum immaterielle eiendeler		**28 219 000**	**12 713 000**
Varige driftsmidler			
Fixtures, equipment, tools	5		1 000
Sum varige driftsmidler			**1 000**
Finansielle anleggsmidler			
Investering i datterselskap	2	157 440 000	157 440 000
Sum finansielle anleggsmidler		**157 440 000**	**157 440 000**
Sum anleggsmidler		**185 659 000**	**170 154 000**
Omløpsmidler			
Varer			
Fordringer			
Other receiveables		63 000	185 000
Konsernfordringer		234 174 000	247 453 000
Sum fordringer		**234 237 000**	**247 638 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	10	87 216 000	38 765 000
Sum bankinnskudd, kontanter og lignende		**87 216 000**	**38 765 000**
Sum omløpsmidler		**321 453 000**	**286 403 000**
SUM EIENDELER		**507 112 000**	**456 557 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			

Balanse

Beløp i: EUR	Note	2022	2021
Innskutt egenkapital			
Share capital	6	305 000	303 000
Overkurs	7	144 178 000	96 179 000
Annen innskutt egenkapital	7	204 478 000	121 956 000
Sum innskutt egenkapital		**348 961 000**	**218 438 000**
Opptjent egenkapital			
Other equity	7	-100 887 000	-41 752 000
Sum opptjent egenkapital		**-100 887 000**	**-41 752 000**
Sum egenkapital		**248 074 000**	**176 686 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	8	203 426 000	214 654 000
Power Purchase Agreement	9		29 968 000
Other Long Term Debt	9		279 000
Sum annen langsiktig gjeld		**203 426 000**	**244 901 000**
Sum langsiktig gjeld		**203 426 000**	**244 901 000**
Kortsiktig gjeld			
Short term interest bearing debt	8	11 402 000	12 672 000
Leverandørgjeld		22 024 000	8 507 000
Skyldige offentlige avgifter		48 000	40 000
Kortsiktig konserngjeld		21 972 000	13 567 000
Other short term debt		166 000	184 000
Sum kortsiktig gjeld		**55 612 000**	**34 970 000**
Sum gjeld		**259 038 000**	**279 871 000**
SUM EGENKAPITAL OG GJELD		**507 112 000**	**456 557 000**

Skatteetaten

Vår dato	Din dato	Saksbehandler
07.10.2019	09.09.2019	Bente Halvorsen
800 80 000	Din referanse	Postadresse
Skatteetaten.no	AR335220265	Postboks 9200 Grønland
		0134 OSLO
	Vår referanse	
	2019/6423613	

MIDGARD VIND HOLDING AS
Klæbuveien 118
7031 TRONDHEIM

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk

Vi viser til deres brev av 9. september 2019 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk for følgende selskaper:

Midgard Vind Holding AS	**org.nr. 821 186 242**
Midgard Vind AS	**org.nr. 921 894 066**
Stokkfjellet AS	**org.nr. 921 894 295**
Sørmarksfjellet AS	**org.nr. 921 886 241**
Frøya Vind AS	**org.nr. 921 886 098**
Ytre Vikna 1 AS	**org.nr. 921 886 292**
Hundhammerfjellet AS	**org.nr. 921 891 628**

Skattekontoret gir på bakgrunn av en konkret helhetsvurdering de overnevnte selskaper dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge opplysningene som danner grunnlaget for vedtaket ikke endres vesentlig.

Kopi av dette brevet må sendes til Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det pålegger den regnskapspliktige å dokumentere ved dette brev at tillatelse er gitt.

Bakgrunn
Midgard Vind Holding AS eier de øvrige seks selskapene. Midgard Vind Holding eies 30 % av et norsk selskap og 70 % av et utenlandsk selskap. Konsernet driver med kraftproduksjon og eneste kunde vil være kraftbørsen Nord Pool. Långiver er utenlandsk og konsernets største enkeltleverandør av turbiner er også utenlandsk. Majoriteten av kommunikasjonen internt i konsernet og eksternt fra Midgard Vind holding skjer på engelsk fordi daglig leder er utenlandsk.

Skattekontorets vurdering
Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen [...] være på norsk. Departementet kan ved [...] enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap mv., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

> "Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "informative regnskaper for ulike grupper av regnskapsbrukere". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattekontorets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har skattekontoret lagt særlig vekt på majoritetseier er et utenlandsk selskap og at konsernet har begrenset eierkrets. Videre er det vektlagt at alle sentrale aktører og samarbeidspartnere behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Bente Halvorsen
spesialrevisor
Brukerdialog, juridisk stab, gruppe 1
Skatteetaten

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.

Admincontrol

List of Signatures

Financial Statements and Annual Report 2022 MVH AS.pdf

Name	Method	Signed at
Welde, Håkon	BANKID_MOBILE	2023-03-22 10:24 GMT+01
Felix Corradini	One-Time-Password	2023-03-21 19:37 GMT+01
Færestrand, Roger Beite	BANKID	2023-03-21 12:33 GMT+01
Vogt, Christian	BANKID	2023-03-17 12:56 GMT+01

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MIDGARD

Midgard Vind Holding AS

Financial statement 2022

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Profit & loss

in EUR 1000

	Note	2022	2021
Delivery settlement			
Change in value PPA		29 968	
Other income		97	50
Revenue		**30 064**	**50**
Delivery settlement		-100 952	-25 460
Change in value PPA		0	-29 968
Depreciation	5	-1	-1
Personnel cost	3	-623	-591
Other operating expenses	4	-475	-535
Total operating expenses		**-102 050**	**-56 555**
OPERATING PROFIT/ (LOSS)		**-71 985**	**-56 504**
Net finance	11	**-2 655**	**2 988**
PROFIT/ (LOSS) BEFORE INCOME TAX		**-74 641**	**-53 516**
Income tax expense	1	15 506	12 113
NET PROFIT/ (LOSS)		**-59 135**	**-41 403**
Attributable to:			
Other equity		-59 135	-41 403
Total		-59 135	-41 403

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Balance

in EUR 1000

Assets	Note	2022	2021
Intangible assets			
Deferred tax asset	1	28 219	12 713
Total intangible assets		**28 219**	**12 713**
Tangible assets			
Fixtures, equipment, tools, office machines etc.	5	0	1
Total tangible assets		**0**	**1**
Financial assets			
Investments in subsidiaries	2	157 440	157 440
Total financial assets		**157 440**	**157 440**
Total non-current assets		**185 659**	**170 154**
Current assets			
Other receivables		63	185
Group contribution		4 819	257
Group cashpool		229 355	247 196
Bank deposits	10	87 216	38 766
Total current assets		**321 452**	**286 403**
Total assets		**507 112**	**456 557**

in EUR 1000

Equity and liabilities		2022	2021
Equity			
Share capital	6	305	303
Share premium reserve	7	144 178	96 179
Other paid-in capital	7	204 478	121 956
Total paid-in equity		**348 961**	**218 438**
Other equity	7	-100 887	-41 752
Total equity		**248 074**	**176 686**
Non-current liabilites			
Other long term interest bearing debt	8	203 426	214 654
Power purchase agreement	9	0	29 968
Other long term debt	9	0	279
Total non-current liabilities		**203 426**	**244 901**
Current liabilities			
Short term interest bearing debt	8	11 402	12 672
Group cashpool		21 972	13 567
Accounts payable		22 024	8 507
Public duties payable		48	40
Other short debt	9	167	186
Total current liabilities		**55 612**	**34 971**
Total equity and liabilities		**507 112**	**456 557**

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Trondheim 16.03.2023

Christian Vogt
Chairman

Felix Corradini
Board member

Håkon Welde
Board member

Roger Beite Færestrand
Board member

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Cash flow statement

in EUR 1000

	2022	2021
Cash flow from operating activities		
Profit/ (loss) before income taxes	-74 641	-53 516
Depreciations	1	1
Change in value power purchase agreement (PPA)	-29 968	29 968
Interest expense/ Interest income (-)	7 002	6 570
Changes in accounts receivables	-4 440	375
Changes in accounts payable	13 517	8 469
Changes in other accruals	-115	-1 039
Net cash flow from operating activities	**-88 643**	**-9 172**
Cash flow from investing activities		
Cash outflows for investments in property, plant and equipment	0	0
Net cash flow from investing activities	**0**	**0**
Cash flow from financing activities		
Cash inflows from issuance of loans	0	87 955
Cash outflows for redemption of loans	-12 672	-3 525
Cash inflows from additions to shareholders' equity	130 523	31 000
Interest expense/ Interest income (-)	-7 002	-6 570
Net cash flow from financing activities	**110 848**	**108 860**
Net change in cash and cash equivalents	22 205	99 688
Net change group cashpool	26 245	-83 231
Cash and cash equivalents at 01.01	38 766	22 309
Cash and cash equivalents at 31.12	**87 216**	**38 766**

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Parent company and goup accounts

Midgard Vind Holding AS is a subsidary of SWM Erneuerbare Energien Norwegen GmbH and the company's business office are in München.
Midgard Vind Holding AS and its subsidaries is consolidated into Stadtwerke München and the Annual report can be dowmloaded at www.SWM.de.

Accounting Principles

The Financial Statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

Foreign currency
Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into EURO using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into EURO using the exchange rate applicable on the transaction date. Changes to exchange rates are recognised in the income statement as they occur during the accounting period.

Sales revenue
Sales revenues are recognized upon delivery. Revenue from services is recognized when the service is rendered.

Taxes
The income tax expense is comprised of both tax payable for the period, and changes in deferred tax. Deferred tax is determined on the basis of existing temporary differences between accounting net income and tax net income, including year-end loss carry-forwards, calculated at 22%. Temporary differences, both positive and negative, which will or are likely to reverse in the same period, are recorded as a net amount.

Balance sheet classification
Current assets and short term liabilities consist of receivables and payables due within one year. Other balance sheet items are classified as non-current assets and long term liabilities.

Current assets are valued at the lower of cost and fair value. Short term liabilities are recognized at nominal value.

Fixed assets are valued at cost, less depreciation and impairment losses. Long term liabilities are recognized at nominal value.

Interest rate instruments are recognized at fair value if the value is negative.

Fixed assets and depreciation
Property, plant and equipment is capitalized and depreciated linearly over the estimated useful life. Significant fixed assets which consist of substantial components with dissimilar economic life have been unbundled; depreciation of each component is based on the economic life of the component.

Costs for maintenance are expensed as incurred, whereas costs for improving and upgrading property plant and equipment are added to the acquisition cost and depreciated with the related asset.

The carrying amount of fixed assets are written down to recoverable amount when decreases in recoverable amount are expected to be permanent. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Impairments losses recognised are reversed when the basis for the impairment loss is no longer evident.

Account receivables and other receivables
Accounts receivables and other receivables are recorded in the balance sheet at nominal value less a provision for doubtful accounts. Provision for doubtful accounts is determined on the basis of an assessment of individual receivables.

Financial instruments
Interest rate instruments are recognized at fair value if the value is negative.
Hedge accounting is applicable on one interest rate swaps that is regarded as cash flow hedging and value change on the interest rate swap is not recognized in the balance sheet.

Power purchase agreements with financial settlement are valued at the lowest of cost or fair value.

Investments in subsidiaries
Investments in subsidiaries are reported in the annual accounts at cost. The shares in subsidiaries are written down to fair value, if the impairment is not temporary.

Pension costs and pension liabilities
The defined contribution scheme is expensed on an ongoing basis and the company's obligation to the employee is to provide continuous contributions of a specified size to the employees' pension savings.

Cash flow statement
The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash and bank deposits.

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Notes

1 Tax
2 Investments in subsidaries
3 Personnell cost
4 Auditor compensation
5 Fixed assets
6 Share capital and shareholder information
7 Equity
8 Pledge and debt
9 Financial instruments
10 Cash and restricted funds
11 Interest and financial expenses

1 Tax

In EUR 1 000

This years income tax expense consists of	2022	2021
Tax payable		
Correction of tax payable from prior period		
Changes in deferred tax	-15 506	-12 113
Effect of changes in tax rate		
Total tax expense	**-15 506**	**-12 113**

In EUR 1 000

Specification of temporary differences related to deferred tax	2022 Assets	2022 Liability	2021 Assets	2021 Liability
Tangible assets	0		1	
Financial instruments	22		30 511	
Profit and loss account	128 246		27 274	
Total	**128 268**	**0**	**57 785**	**0**
Deferred income tax liability	28 219		12 713	

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2 Investments in subsidaries

In EUR 1 000

Company	Acquisition date	Share ownership	Voting rights	Acquisition cost	Book value 31.12.2022	Net P&L 2022	Book equity 31.12.2022
Ytre Vikna 1 AS	20.12.2018	100 %	100 %	26 226	26 226	1 155	19 275
Midgard Vind AS	20.12.2018	100 %	100 %	47 591	47 591	2 720	29 726
Stokkfjellet AS	20.12.2018	100 %	100 %	12 269	12 269	4 143	12 990
Sørmarksfjellet AS	20.12.2018	100 %	100 %	23 893	23 893	3 642	16 574
Frøya Vind AS	20.12.2018	100 %	100 %	23 814	23 814	3 512	8 912
Hundhammerfjellet A:	20.12.2018	100 %	100 %	23 647	23 647	4 105	10 872
Total				**157 440**	**157 440**	**19 278**	**98 348**

All subsidaries are located in Trondheim

3 Personnell cost

In EUR 1 000

Personnell cost	2022	2021
Salaries	512	448
Payroll tax	77	71
Pension costs	28	25
Other personnell costs	6	9
Total	**623**	**553**

The company has employed 3 man-labour years in 2022.

Pension costs

The company has defined contribution plan in accordance with Norwegian legislation (Lov om obligatorisk tjenestepensjonsordning). The defined contribution plans cover full-time emplyees and at December 2022, 3 members were covered by the plans.
Costs related to the contribution plan are expensed as incurred.

General managers compensation

	2022
Wages	264
Provision for bonuspayment	76
Other compensation	10
Sum	**350**

The general manager is part of the company's ordinary pension scheme.
The general manager has a bonus arrangement for up to 30% of his yearly salary.
If the company terminates the employment contract, the general manager is entitled to 6 months severance pay after the 6-month notice period.

There is no compensation to board members.

4 Auditor compensation

In 2022 the company expensed EUR 34 379 for statutory audit and EUR 6 784 for other services

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5 Fixed assets *In EUR 1 000*

	Equipment
Acquisition cost as at 01.01.2022	4
Additions	
Disposals	
Acquisition cost as at 31.12.2022	4
Accumulated depreciation 31.12.2022	4
Accumulated write-downs 31.12.2022	
Net value 31.12.2022	**0**
Depreciation for the year	1
Useful economic life	3 years
Amortisation plan	linear

6 Share capital and shareholder information

in NOK

Share capital in Midgard Vind Holding AS 31.12.2022	**Number of shares**	**Face value**	**Book value**
Shares	300 000	10,10	3 030 000

Shareholders at 31.12.2022	**Ownership interest**	**Voting rights**
SWM Erneuerbare Energien Norwegen GmbH	70 %	70 %
TrønderEnergi Kraft AS	30 %	30 %
Total	100 %	100 %

7 Equity

In EUR 1 000

	Issued capital	**Share premium**	**Other pain-in capital**	**Other eqity**	**Total**
Equity 01.01.2022	303	96 179	121 956	-41 752	176 686
New equity	1	47 999			48 000
New equity not registred			82 522		82 522
Net profit				-59 135	-59 135
Equity 31.12.2022	**305**	**144 178**	**204 478**	**-100 887**	**248 074**

8 Pledge and debt

In favor of the lender SEB / EKF, collateral has been provided in 100% of the company's bank accounts, operating accessories, inventories, accounts receivable and any intra-group loans in addition to all shares in all subsidiaries. The book value of pledged assets is 479 mEUR.

Final maturity date is 31.12.2039. As of 31.12.2022, 158mEUR has a maturity > 5 years

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9 Financial instruments

In EUR 1 000

	Off balance Asset	Asset	Non-current Liability	Current Liability
Instruments pr 31.12.2022				
Interest rate swap	1 081	0	0	0

Hedge accounting

The construction loan is swapped from floating to fixed interest. The interest rate swap is regarded as cash flow hedging and value change on the interest rate swap is not recognized in the balance sheet. Unrecognized value of the interest rate swap is 31,3 mEUR as of 31.12.2022. The valuation is done by an external bank. Final maturity of the Interst rate swap and loan is 31.12.2039

10 Cash and restricted funds

Of the bank deposit of 38.766 tEUR, 30,4 tEUR is restricted funds on employee tax account
Midgard Vind Holding is the owner of the group cash pool.

11 Interest and financial expenses

In EUR 1 000

Income	**2022**	**2021**
Interest income	204	11
Interest income group	5 918	3 385
Currency gain	-6 256	7 298
Unrealized gains on Interest rate swaps	279	413
Group contribution	4 819	257
Total financial income	**4 965**	**11 364**

Expenses	**2022**	**2021**
Interest expenses	-6 798	-6 570
Interest expenses group	-142	0
Interest expenses shareholder loan	-522	0
Currency loss	-41	-1 147
Other financial expenses	-116	-659
Total financial expenses	**-7 620**	**-8 375**

Net finance	**-2 655**	**2 988**

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The Board of Directors' Annual Report 2022
for
Midgard Vind Holding AS

Nature of Business and Operations

Midgard Vind Holding AS owns operating wind farms and builds and finances wind power projects through its subsidiaries. The revenues come from sales of power, el-certificates and Guarantees of Origin.

The Group includes, in addition to Midgard Vind Holding AS, the following subsidiaries:
Midgard Vind AS
Ytre Vikna 1 AS
Frøya Vind AS
Hundhammerfjellet AS
Sørmarkfjellet AS
Stokkfjellet AS

All wind farms and projects are located in the region of Trøndelag, Norway. Midgard's head office is located in the city of Trondheim.
The wind farms in production during 2022 delivered 1285 GWh (858 GWh in 2021) of renewable energy.

Comments related to the Financial Statements

The Company's revenues increased from mEUR 0 in 2021 to mEUR 30 in 2022. The change is due to reversion of previous losses on the hedge.

Net income in 2022 has been mEUR -74,6 against mEUR -53,5 in 2021. The reduced net income is mainly due to a mEUR 101 realized loss on the Company's financial power purchase agreement.

The Company's interest-bearing debt as of 31.12.2022 was mEUR 214,8 compared to mEUR 227,3 as of 31.12.2021. The Company's liquidity reserve as of 31.12.2022 is mEUR 87,2, an increase from mEUR 38,8 in 2021. Total assets at year-end amounted to mEUR 507, compared to mEUR 457 last year. The equity ratio was 49 % as of 31.12.2022, compared to 39 % the previous year.

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Financial Risk and Future Challenges

Overall view on objectives and strategy
The Company is exposed to financial risk, especially regarding exchange rate risk and fluctuating power prices. The goal is to reduce the financial risk as much as possible. The Company's current strategy includes the use of financial instruments to reduce the risk on volatile interest, power price and currency exchange rates.

In 2022 all new wind farms have been in production and the focus has been on the operation of these.

Credit risk
The risk for losses on receivables is low. The Group has not yet experienced significant losses on receivables.

Liquidity risk
The Group's liquidity is good. The Company has a 10 MEUR Debt service reserve facility, that in addition to now high production and solid owners, ensures low liquidity risk for the Group.

Going Concern
In accordance with the Accounting Act § 3-3a, it is hereby confirmed that the financial statements have been prepared under the assumption of Going Concern. This assumption is based on profit forecasts for the year 2023-2050 and the Group's long-term strategic forecasts. The Company's and Group's economic and financial position is sound and conditions for continued operations are thereby met.

Directors and Officers Liability Insurance
The Directors and the CEO of the Company are covered as representatives of their respective Shareholder by the Shareholders' insurances of Outside Directorship Liability Coverage and Outside Capacity Coverage.

Allocation of Net Income
The Board of Directors has proposed the net income of Midgard Vind Holding AS to be attributed to:

Other equity	-59,135 tEUR
Net income allocated	-59,135 tEUR

Ethics, Social Responsibility and Anti-Corruption
Midgard Vind Holding has implemented strict ethical guidelines through rules on business ethics and social responsibility that the employees are required to follow, and the same standard is expected and demanded by the Company of its business partners and customers.

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The Company has a high focus on having a good and safe working environment for their employees. There were in 2022 no accidents or work-related injuries for the Company's own employees.
The same focus on a safe working environment is also held in relation to the subcontractors of the Company. The Board of Directors is kept informed about HSE status both for subcontractors in the projects and for subcontractor in operations on a regularly and ongoing basis.

The Company is obligated to make and publish a due diligence assessment report (Norwegian "Redegjørelse for aktsomhetsvurdering") under the Transparency Act, section 5. As the Company has no webpage or other media account, the due diligence assessment report for 2022 will be available within 30.06.23 upon request directly to the Company either electronically or by inquiry at the Company's official visiting address.

Environment

The Company's main activity is based on wind power, a clean, climate friendly and renewable source of energy.

The construction of wind power plants could affect the environment in the surrounding area. In addition to strictly fulfilling the environmental requirements from the regulatory authority, the Company has taken efforts to build the new wind farms in a way that harms the environment as little as possible, E.g., by minimizing the length of road constructed, make use of existing infrastructure, and perform bird studies to prevent interventions in bird habitats.

(This document is signed electronically)

Christian Vogt
CEO & Chairman

Felix Corradini
Board Member

Håkon Welde
Board Member

Roger Beite Færestrand
Board Member

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PKF ReVisjon AS

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To the annual shareholders meeting of **Midgard Vind Holding AS**

INDEPENDENT AUDITOR'S REPORT FOR 2022

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Midgard Vind Holding AS, showing a loss of TEUR 59 135. The financial statements which comprise the balance sheet as at December 31, 2022, and the statement of income and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements present fairly in all material respects the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company as required by laws and regulations and International Ethics Standards Board for Accountants' Code of International Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors and the CEO (management) is responsible for the information in the Board of Directors' Annual Report. Our opinion on the financial statements does not cover the information in the Board of Directors' Annual Report.

In connection with our audit of the financial statements, our responsibility is to read the information in the Board of Directors' report. The purpose is to consider if there is materially inconsistency between the information in the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or the information in the Board of Directors' Annual Report otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material

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Medlem av Den norske Revisorforening

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misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, in our opinion the Board of Directors' Annual Report

- Is consistent with the financial statements and
- contains the information required by applicable legal requirements

Responsibilities of the Board of Directors and the CEO for the Financial Statement

The Board of Directors and the CEO (management) are responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

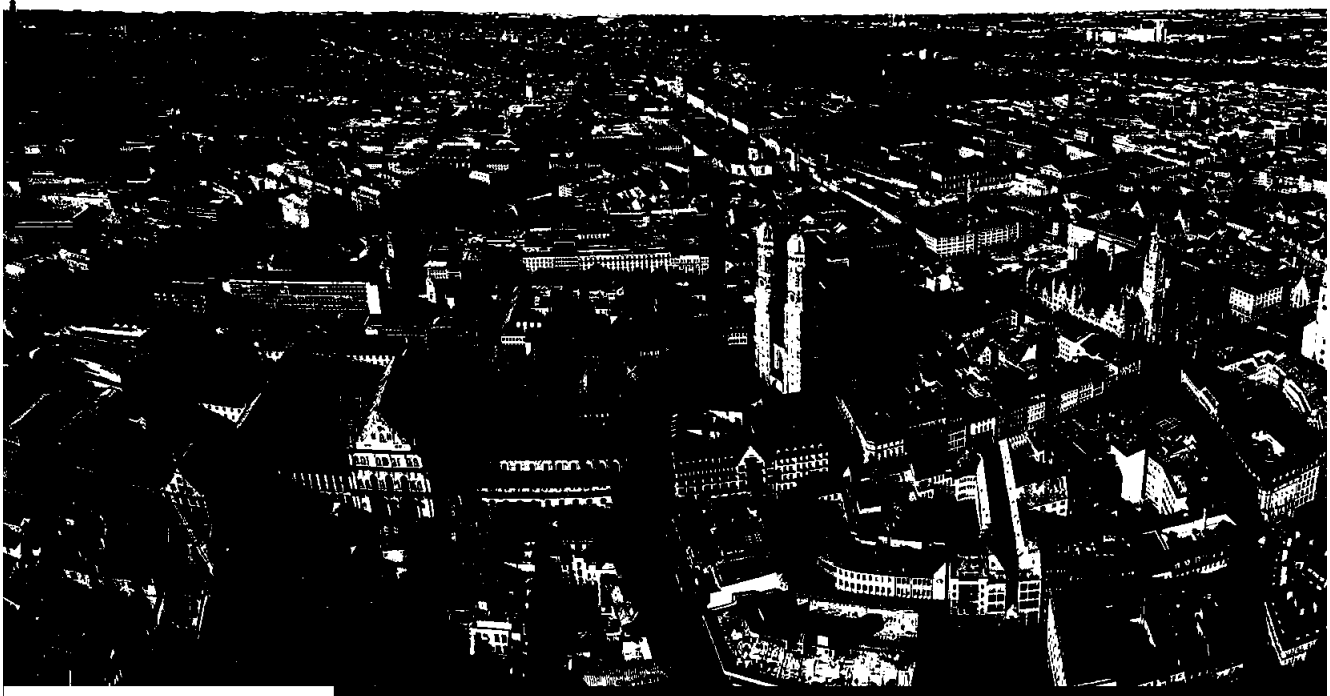
We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

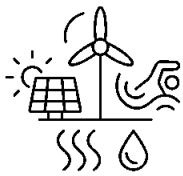
Oslo, 21 April 2023
PKF REVISJON AS
Rolf Arentz-Hansen
State Authorised Public Accountant

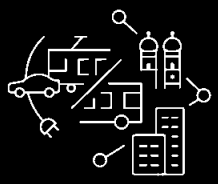
SW//M

Stadtwerke München

Annual Report 2022







The pulse of Munich

Group in figures

in EUR million		2018	2019	2020	2021	2022
Key operating figures						
Revenues	1)	8,334.7	10,711.2	7,483.4	8,296.5	10,629.4
Electricity		2,483.0	2,811.7	2,859.1	2,940.2	3,885.7
Gas		4,223.5	6,225.1	3,021.6	3,724.5	4,787.4
District Heating		367.3	396.5	351.2	391.1	653.5
Water		169.6	169.5	172.4	174.7	171.0
Public Transport		547.2	563.2	438.8	381.1	429.9
Public Pools		19.8	20.1	9.3	7.0	14.7
Telecommunications		254.5	259.4	271.4	273.2	266.9
Other		269.8	265.8	359.6	404.7	420.2
Consolidated net income for the year		224.8	116.1	–152.0	99.4	281.7
EBIT		522.7	458.6	414.4	260.3	455.4
EBITDA		952.4	928.0	905.2	789.1	1,054.9
Structure of assets and capital						
Fixed assets		8,735.8	8,801.7	8,599.7	9,438.6	9,130.7
Current assets	2)	2,507.0	2,379.2	2,163.4	2,828.0	4,229.4
Shareholders' equity	3)	5,682.6	5,865.1	5,714.2	5,932.4	6,190.4
Debt and liabilities	3)	5,560.2	5,315.8	5,048.8	6,334.2	7,169.7
Non-operating financial assets	4)	2,277.1	1,893.6	1,813.9	1,970.6	1,726.6
Bank borrowings		2,138.9	2,112.8	2,041.8	1,750.4	1,741.1
Total assets		11,242.8	11,180.9	10,763.0	12,266.6	13,360.1
Cash flow/capital expenditure/ depreciation and amortisation						
Cash flow from operating activities		742.7	360.3	949.9	1,167.1	216.5
Quick ratio	5)	242 %	221 %	196 %	120 %	178 %
Capital expenditure on property, plant, and equipment (PPE)		539.3	751.4	1,086.8	879.3	739.8
Equity investments	6)	191.5	86.1	71.6	71.4	13.3
Employees						
Employees	7)	9,040	9,444	10,004	10,418	10,647
Key ratios						
ROS	8)	4.8 %	2.9 %	–0.6 %	2.8 %	5.0 %
Equity ratio	3)	51 %	52 %	53 %	48 %	46 %
Reinvestment rate (tangible and intangible fixed assets)	9)	129 %	150 %	228 %	168 %	124 %

1) Revenues, excl. electricity and energy tax
2) Including deferred tax assets, prepayments and accrued income, and excess of plan assets over pension liabilities
3) Including pro-rata investment grants, pro-rata income grants, and pro-rata construction cost grants
4) Securities held as fixed and current assets, incl. cash and cash equivalents
5) (Current assets (see 3) less inventories) / current liabilities
6) Investments in affiliated companies and equity participations, excluding loans to companies in which participating interests are held and in affiliated companies
7) Average number of employees in the fully consolidated companies (excluding trainees, temporary employees, and seasonal workers)
8) Result from ordinary operations / revenues
9) Ratio of capital expenditure on PPE and investments in intangible assets to scheduled depreciation and amortisation

Note: Rounding differences may occur in percentages and figures.

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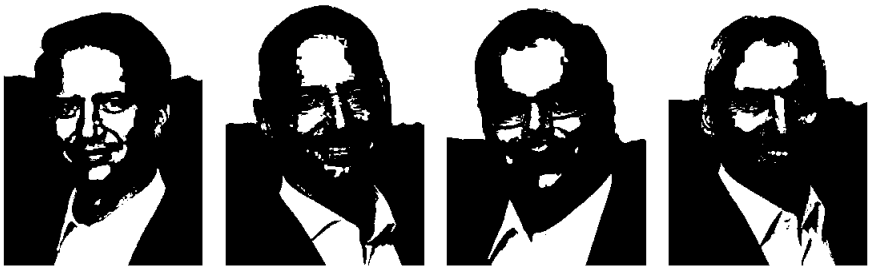
Munich, April 2023

Dear SWM customers, employees, and business partners,

2022 was a challenging year. In Germany, energy was no longer an element of basic services that could be taken for granted but became a commodity that was and continues to be scarce, suddenly giving rise to considerations about its availability. To avoid a gas deficit situation, we diversified our energy production, cut back our own energy consumption, and procured the input materials we need to reduce our dependence on natural gas. And our efforts were successful: supply reliability was ensured at all times. However, such reliability was and continues to be expensive, which, in turn, has led to significantly higher gas and electricity bills. We have therefore already made great efforts and even accepted a temporary loss in Sales to make possible a renewed reduction in electricity prices as of 1 April 2023. We plan to bring down energy prices further for our customers before the 2023 financial year has run its course. In addition, we are providing additional assistance to low-income Munich citizens via a heating fund that has been set up specifically for this purpose.

There is a positive aspect: even in these challenging times, we have continued our expansion of the use of renewable energies as planned. The volume of green electricity that we generate in our own plants already corresponds arithmetically to approximately 90 % of Munich's consumption. We have opted in favour of a strong regional focus, and in conjunction with our customers, to whom we offer solutions that are suitable for practical applications, we are driving forward the expansion of photovoltaics in Munich and the surrounding region. After all, we will only succeed in bringing about the energy transition if our customers also participate. Concurrently, we are also supporting the expansion of renewable energies in less visible areas. Among other things, we are expanding our district heating grid and continue to align it with the requirements of geothermal energy use.

Elsewhere, our eyes are also focused on the future. We have continued to work on our digital offers with a view to making access to our services easier. Our mobility offerings are a case in point: people in Munich can use our MVGO app to avail themselves of underground trains, buses, and trams, and also to rent e-scooters or MVG Rad bikes. And since a powerful network is a prerequisite for the processing of large data volumes, we continue to expand our fibre-optic network. Concurrently, we are investing in our fleets of vehicles and in our network and station infrastructure. After all, local public transport is the backbone of sustainable and eco-friendly mobility. In 2022, we reached a further milestone on our journey towards the mobility transition: with the opening of our electric bus depot in the Hybrid.M compound in Munich's Moosach neighbourhood, we have laid the foundation for the electrification of our bus fleet. At the same time, this compound shows how our services fit together like the pieces of a puzzle: green electricity, heating, communications, and mobility. With a holistic strategy for urban services, we are setting standards for Munich's transformation into a smart city and for densely populated regions in Europe.



From left to right:
Dr Florian Bieberbach, Werner Albrecht, Ingo Wortmann, Helge-Uve Braun

We are making these sizeable investments under exceptional circumstances and in the face of massive cost increases. In the 2022 financial year, we generated revenues of EUR 10.6 billion. This was mainly due to the fact that wholesale prices for electricity and gas surged dramatically in some instances. Local public transport and the public pools recovered after the turbulent years of the Covid-19 pandemic and succeeded in increasing their revenues.

In the year under review, we once again proved that we were able to handle difficult new situations while continuing to shape the future. In the year ahead, we will again combine these two capabilities. After all, the basic problem, i.e. a shortage of gas, especially during protracted cold spells, is not going away. This will impact our revenues and our profit. In these times, we want to remain a constant in the lives of the people in Munich, with fair prices, reliable service, offers that satisfy contemporary demands, and sustainable and innovative solutions – and last but not least, as a reliable employer. This is our contribution to Munich as a smart city with a high quality of life. We thank you for your constructive support of our efforts.

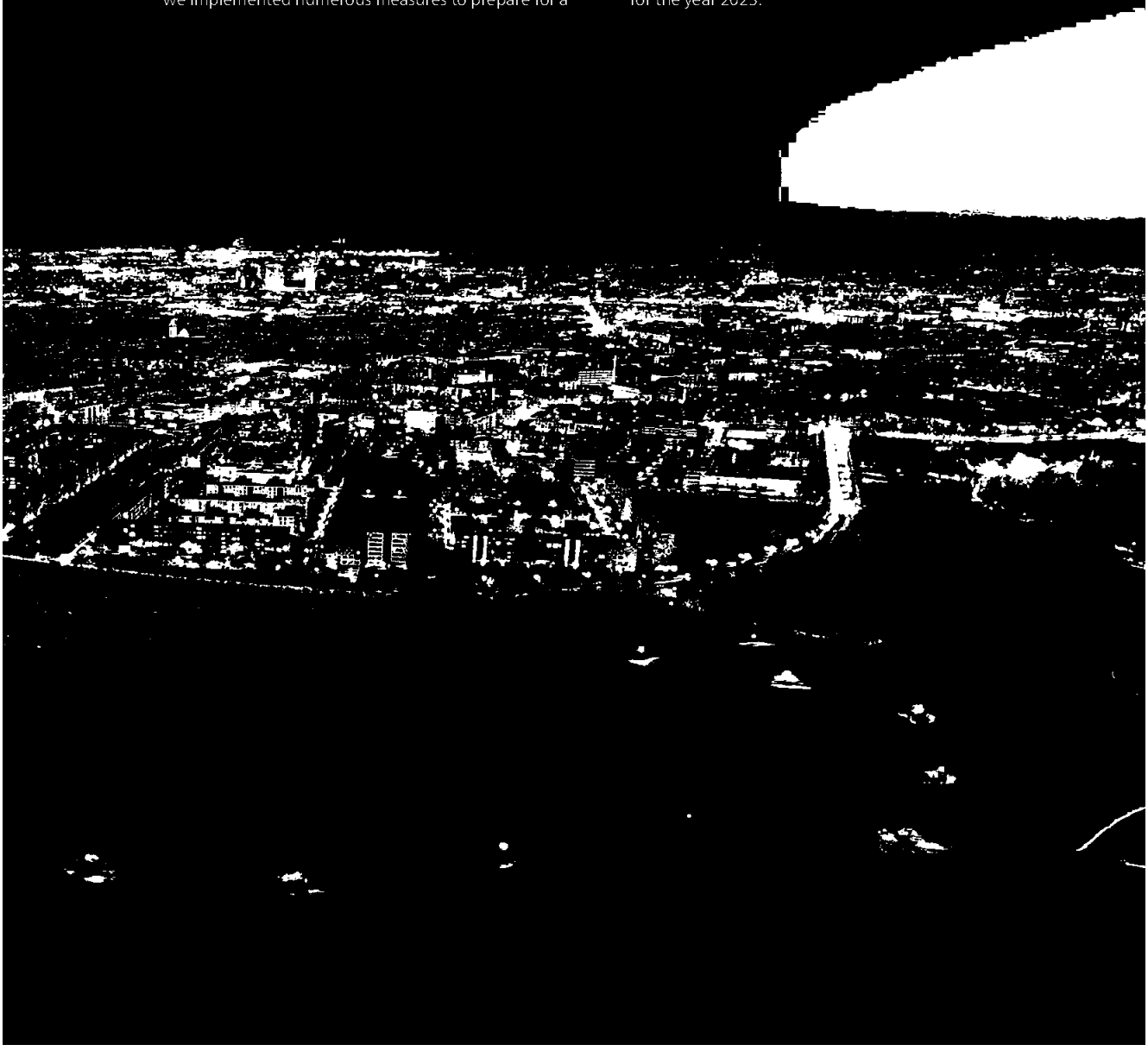
Sincerely yours

Dr Florian Bieberbach	**Werner Albrecht**	**Ingo Wortmann**	**Helge-Uve Braun**
Chief Executive Officer	Director, Real Estate and Public Pools	Director, Mobility	Director, Technology

Change paired with security

In early 2022, the pandemic was followed by the shock that a war had broken out in Europe – with massive repercussions on the energy sector in Europe, and even worldwide. Even in this new circumstance, SWM delivered a reliable energy supply for Munich. Concurrently, we were able to further expand the use of renewable energies. And we offered our customers the comprehensive service they need. **As operator of several critical infrastructures under a single roof, we are a constant in these times.**

The environment for our business remained challenging in 2022: after the Mobility division had to weather a demand slump of up to 80 % during the pandemic, further external shocks followed in the year under review. Russia's attack on Ukraine shook up the markets. We were confronted with extreme price jumps and falling gas deliveries and discussed both the prioritisation of supply and possible alternative energy sources. Early on, we implemented numerous measures to prepare for a looming gas shortage with a view to ensuring supply reliability. In August/September of the year under review, the price impact reached a peak due to dramatic cost increases on the energy exchanges. The demand for mobility rebounded in the year under review as the pandemic-induced restrictions were eased. The funding commitment given by the Munich City Council even allowed us to improve our local public transport services for the year 2023.



Future-ready supply

As part of the basic public services offered by the City of Munich, Stadtwerke München has provided indispensable services to the metropolitan region for more than a century. With its diverse service portfolio, a network of strong partners, and clear strategies, SWM ensures an excellent quality of life in Munich and is making the city fit for the future.

Expansion of renewable energy supply

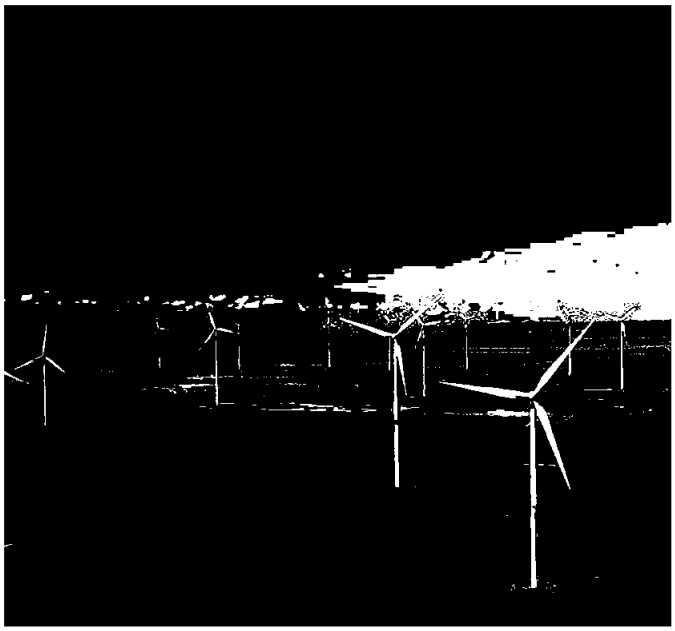
As far back as in 2009, we and the City of Munich jointly defined an ambitious goal: we want to generate sufficient green electricity in our own plants to cover all of Munich's requirements from 2025 onwards. This applies to households (residential customers), businesses, industry, the public sector as well as underground, tram, and electric bus operation. At the time, Munich's consumption was estimated at approximately 7 billion kilowatt-hours. Since then, our renewable energies expansion campaign has increased our green electricity generation from roughly 350 million kilowatt-hours to the current 6.3 billion kilowatt-hours per annum. This means that we reached 90 % of this ambitious goal as early as 2022. We are now operating more than 60 green electricity plants in and around Munich, including hydroelectric, photovoltaic, wind energy, and geothermal power plants, and one biomass combined heat-and-power plant. Our mix is rounded off by onshore and offshore wind parks, solar parks, one solar thermal power plant, and several energy storage facilities in Germany and Europe.

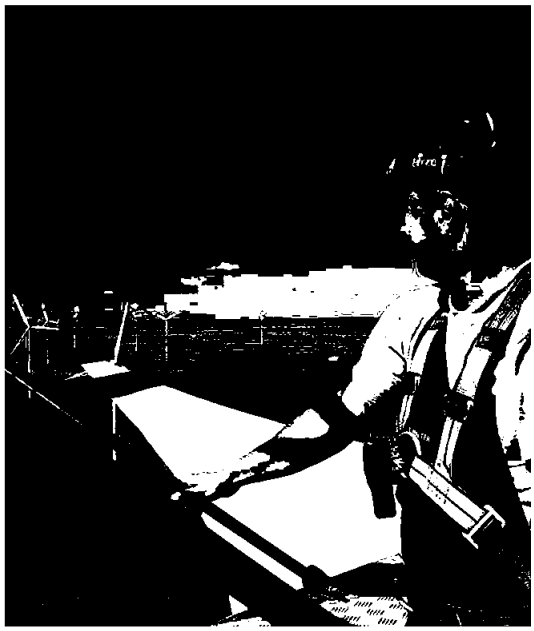
Onshore wind parks in Europe make a major contribution to our generation portfolio. The largest generators are the Norwegian wind parks operated by Midgard Vind Holding AS (SWM stake: 70 %) with more than 1 billion kilowatt-hours. In 2022, we expanded our activities to the servicing of wind turbines: a dedicated in-house service team is responsible for the maintenance of the 81 turbines run by SWM Windpark Havelland in the German State of Brandenburg.

Through our Hanse Windkraft subsidiary, we moreover engage in the late-life-asset business with a view to keeping existing renewable energy generation capacities in the market. We acquire older wind parks in Germany for which subsidisation under the German Renewable Energy Act (EEG) is about to expire. The company revamps these wind parks as needed and continues to operate them economically.

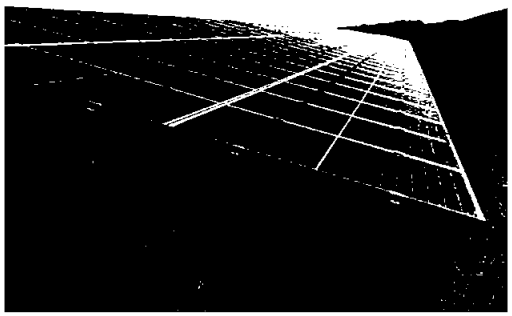
SOUTHERN GERMAN SOLAR ENERGY COOPERATION ON THE ISLAND OF RÜGEN

Photovoltaics is an important component of our energy mix – both in the Munich region and at the supra-regional level. On the German island of Rügen in the Baltic Sea, SWM, Stadtwerke Augsburg, and Hessing Foundation plan to generate sustainable green electricity. In spring 2022, they signed a cooperation agreement for a photovoltaic plant to be built on an area of approximately 100 hectares. Construction is slated to start in 2024, and the plant is to generate green electricity for some 40,000 households from spring/summer 2025 onwards.





Our green electricity generation arithmetically already corresponds to approximately 90 % of Munich's consumption today.



We locally generate green electricity in solar parks in the metropolitan region and rooftop photovoltaic plants in the city.

A strong regional focus

In our regional projects, we mainly use solar power, hydroelectric power, and biomass as energy sources for green electricity generation. We are putting particular emphasis on driving the expansion of photovoltaics forward. To achieve this, we are engaging in a wide variety of projects. For example, we commissioned two additional large, ground-mounted photovoltaic plants in Bavaria in 2022: the plant in Niederhummel (on the Isar river between the village of Marzling and the town of Moosburg) generates 4.1 million kilowatt-hours of green electricity per annum, while the plant in Ballersdorf (near the town of Neuburg on the Danube) contributes nearly 6 million kilowatt-hours – together, these two plants can thus cover the demand of approximately 4,000 Munich households. In the Giesing-Harlaching public pool, a photovoltaic plant has been generating one fifth of the energy needed for the pool since April 2022. In addition, we are also looking into the installation of agri-photovoltaic plants on land owned or leased by us and into the construction of floating photovoltaic plants.

Even though we are making large-scale and diverse commitments, we will only succeed in bringing about the energy transition if our customers also participate. In a large city, this is not always easy. Our goal is to build photovoltaic plants in Munich with an output of at least 33 megawatts peak (MWp) by 2025 – this corresponds to the electricity demand of approximately 13,200 Munich households. Our M-Solar Plus model offers the people in Munich and the surrounding region the possibility to

generate their own solar power. Our offers comprise both photovoltaic plants for homeowners and solutions for commercial and public buildings. The PV plant can be supplemented with a power storage device and a wall-mounted home charging station for electric vehicles. We supply the plants and also handle the installation. Since the market launch of our M-Solar product, we have installed more than 1,000 photovoltaic plants in Munich and the surrounding region.

M-Solar Sonnenbausteine is a product we offer to people who do not have a suitable roof for the installation of a solar plant. This product allows them to support local photovoltaic projects in Munich: interested individuals can buy "solar building blocks" in the form of what is known as a qualified subordinate loan, thereby ensuring that more PV plants are installed on Munich's roofs. They receive annual interest payments for their investment.

In addition, SWM introduced the tenant-geared M-Mieterstrom product. In this model, SWM leases roof space from building owners, on which it then installs solar plants. Tenants can thus benefit from reasonably priced and locally generated electricity. Several projects are already being realised in cooperation with partners, including projects with the municipal housing company GWG München. Further cooperations are in the planning stage.

Our goal: by 2025 we want to build PV plants in Munich with an output of at least 33 megawatts peak (MWp) – this corresponds to the electricity demand of around 13,200 Munich households.

Power storage systems are another important building block for the success of the energy transition: they can offset the fluctuating feed-in from green electricity plants and enhance supply reliability. Since 2022, a large-volume battery storage system has supplemented the Uppenborn 1 energy location near Wang (in the vicinity of the town of Moosburg), which comprises a hydroelectric power plant and ground-mounted photovoltaic plant. The battery storage system can serve as a buffer by storing the green electricity generated on site and feeding it into the grid when demand is higher. With a size corresponding to ten shipping containers, the system has a storage capacity of 25 megawatt-hours. Overall, SWM has three such storage systems with a total capacity of approximately 35 megawatt-hours.

To further accelerate our activities for the energy transition in Munich, the metropolitan region, and Bavaria, as well as strengthen the local expansion campaign, we moreover plan to once again appoint a managing director for SWM's fifth division in the course of 2023, focusing it on the regional energy transition.

Maintaining supply reliability

For us, commitment to the energy transition means that we are planning our exit from coal and nuclear power. However, Russia's war of aggression against Ukraine has slowed down the exit that had been scheduled for 2022. To ensure a reliable supply and diversify energy procurement, the operating life of the Isar 2 nuclear power plant (SWM stake: 25 %) was extended 15 April 2023. Similarly, the Munich City Council resolved to postpone the conversion of the coal-fired Block 2 in our "Nord" cogeneration plant to natural gas that had been scheduled for 2022. Additional hard coal reserves were ordered instead. Furthermore, oil reserves have also been increased, and two oil burners that had actually already been decommissioned were reactivated in heating plants. These measures will reduce Munich's natural gas consumption and expand its energy mix.

An environmentally benign electricity supply for Munich remains a major task. Given the rising number of inhabitants, the trend towards more electromobility, and the increasing use of heat pumps, Munich's electricity demand will continue to grow – to approximately 8.4 billion kilowatt-hours by 2035 according to our estimates. We want to be able to also cover this additional demand with green electricity and will therefore continue to drive forward our renewable energies expansion campaign.

Trailblazer in deep geothermal energy

SWM's heating transition is setting standards on an international scale. To provide an additional boost to the expansion of district heating in Munich, we will promote district-heating connections with an additional budget of EUR 10 million in the coming years. With these grants, we will make it even easier for property owners to opt in favour of a heating supply that will become climate-neutral over a medium-term horizon.

With the help of deep geothermal energy, we are tapping the hot-water reserves underneath the city's surface that are a virtually inexhaustible emission-free energy source. Our projects also extend to the surrounding region. We are already operating as many as six geothermal plants in Munich and the region, including Germany's largest geothermal plant in Munich's Sendling neighbourhood. From 2024 onwards, we will build a further geothermal plant on the grounds housing the Michaelibad public pool in the south-east of the city, which is expected to supply heating to 75,000 Munich citizens.

To achieve our ambitious goals, additional projects in the city and the metropolitan region will be required, also in cooperation with partners. Better interconnection of the district heating grids and new and existing plants is to facilitate a mutual exchange and compensation of district heating. This will help us bring the heating transition forward.

The increasing use of deep geothermal energy also has an impact on our district heating grid that is approximately 900 kilometres long – specifically on the section that we are still running as a steam-operated grid. The reason: the water supplied by geothermal energy, which has temperatures of up to 120°C, cannot be fed into the existing steam-operated grid for technical reasons. This means that some 90 kilometres of piping and associated technical plants will gradually have to be converted to hot-water operation. We started the conversion process in 2022 and will presumably complete it in 2033.

For many years, we have also used the functional principle underlying district heating successfully for an environmentally benign and energy-efficient alternative to conventional air conditioning systems: M-Fernkälte district cooling. We use insulated closed cooling grids to transport centrally cooled water to our customers' properties where it absorbs the heat from the buildings' air conditioning systems. District cooling makes rooftop cooling units unnecessary. This saves a lot of energy and avoids a

further warming of the urban climate. To be able to cover the rising demand, we are continuously expanding our downtown district cooling grid. Germany's largest district cooling centre is being built at the "Süd" energy location. From 2023 onwards, cooling generated, inter alia, with geothermal energy is to be transported from there to the Munich downtown area via the Isarvorstadt and Ludwigsvorstadt neighbourhoods.

We are already operating six geothermal plants in Munich and the region, including **Germany's largest geothermal plant.**

We use geothermal energy for climate-friendly heating and cooling.

Natural gas as an interim technology

On our way towards a climate-neutral Munich, we intend to gradually replace fossil natural gas with decarbonised gases such as hydrogen. For a transitional period, however, we will not be able to do without natural gas, which is the fossil energy source producing the lowest emissions. The reason: natural gas is currently the only energy source that can be used to generate both electricity and heat across a wide range of volumes and without long lead times. Fluctuating feed-in volumes from renewable energy sources cannot yet guarantee the supply of the necessary base load at all times. We use the natural gas as efficiently as possible: the new gas-and-steam turbine 2 (GuD2) at the "Süd" energy location with its two powerful gas turbo sets features both higher efficiency levels and improvements in exhaust emission values compared to its predecessors. In the coming years, we also plan to refurbish the adjacent plant, the gas-and-steam turbine 1. In the future, it will be suitable for proportional use of regenerative fuels such as biomethane or hydrogen.

With an adjusted strategy, we have also aligned the Spirit Energy natural gas production company, in which SWM holds a stake of 31 %, with the requirements of the energy transition. In 2022, the sale of the company's Norwegian gas and oil fields and one British field was completed. In the future, the focus will be on safe and economically viable production of the existing gas reserves. At the same time, natural gas production will be reduced significantly and presumably gradually peter out within the next five to ten years. In addition, the existing infrastructure is to be used – to the extent possible – for sustainable and climate-friendly activities such as hydrogen production with subsequent CO_2 storage (blue hydrogen) or hydrogen storage in depleted gas deposits (green hydrogen). Spirit energy is waiting for the approval of its first licence to feed CO_2 into a depleted natural gas field.

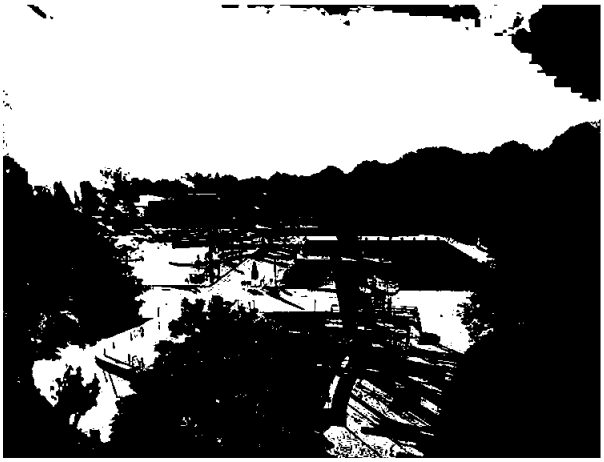
A refreshing drink provided by nature

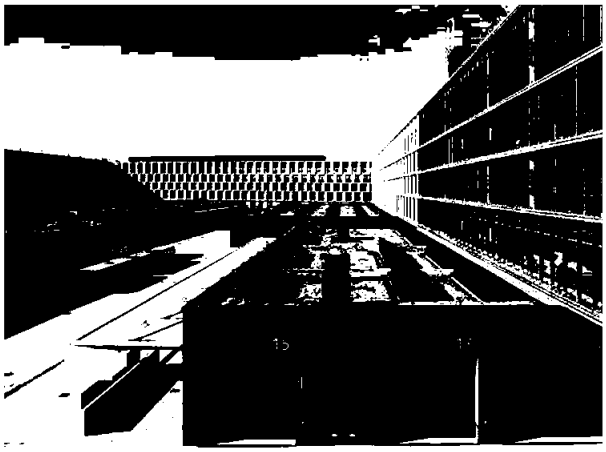
Every day, SWM supplies Munich's citizens with one of Europe's best drinking waters: M-Wasser. From the catchment areas, the Mangfall valley and the Loisach valley, the water flows into the city through a natural gradient. The majority of our drinking water extraction and transport facilities do not require electrical energy either. We make great efforts to preserve the excellent quality of our water. They include organic farming, soil protection, and sustainable forestry in the sourcing areas, and regular quality controls. All analytical results of Munich's drinking water are significantly below the limits laid down in the German Drinking Water Ordinance (TrinkwV).

AWARD FOR DRINKING WATER PROTECTION

In 2022, the "Unser Land" network and SWM received an award for an innovative beacon project for "drinking water protection through organic farming". Sources in the Mangfall valley cover 75 % of Munich's water demand. The land in this valley is mostly used for grazing and dairy farming. We cooperate there with local farmers, who covert their farms to organic methods and thus ensure sustainable drinking water protection. Based on an organic farming agreement, SWM provides funding for these measures, thereby offsetting revenue losses that might result from the switch to organic agriculture. This made it possible to stop the nitrate increase in groundwater. More than 180 farms have joined the programme to date. With nearly 4,300 hectares, their combined cultivation areas form one of the largest contiguous organically farmed regions in Germany.

We have taken a wide variety of measures to preserve the quality of Munich's drinking water.





The Hybrid.M compound combines our new electric bus depot with office space.

Modern and ecologically exemplary public pools

Sustainability and alignment with customer requirements are also hallmarks of the strategy pursued by the M-Bäder public pools. This was confirmed by the new scores in our Public Wellbeing Report, which recorded an improvement from 391 to 426 points for M-Bäder in 2022. Our long-term goals are to further increase customer satisfaction and the associated visitor numbers and to switch all M-Bäder public pools to CO_2-neutral operation by 2040.

We offer 18 modern indoor and outdoor pools, ten sauna facilities, the Prinzregenten ice stadium, and two fitness centres. In 2022, some 955,000 visitors used our outdoor pools – 250,000 more than in the previous year. The introduction of digital ticketing for visitors of outdoor pools was successful; we plan to also roll out this service for the indoor pools as soon as possible. At the Südbad public pool, we launched a pilot project in which a system incorporating artificial intelligence supports our staff in pool monitoring. We will carry out refurbishing work at three pools. The Georgenschwaige outdoor pool will be transformed into a CO_2-free natural pool, with project completion envisaged for 2024. In addition, the Forstenrieder Park pool is being refurbished, and the same goes for the Sauna at the Prinzregentenbad pool, which was damaged by a fire in the year under review.

In 2022, **around 955,000 visitors** used our outdoor pools.

Room for modern living and working

In booming metropolitan regions such as Munich, affordable real-estate properties are in short supply. We actively contribute to counteracting the land shortage. When we develop and build properties for our own operational purposes, we make additional space available to the real-estate market wherever possible. A showcase for SWM's and MVG's holistic approach is the multi-functional Hybrid.M compound in Munich's Moosach neighbourhood: it combines our new bus depot, which is set up for electric bus operation, with functional office space and interconnected use of M-Fernwärme district heating and M-Fernkälte district cooling. Directly adjacent to this compound, company flats with contemporary facilities are being constructed, including flats for drivers. In addition, we are also creating new space for living and working by identifying real-estate properties that are no longer necessary for operations and offering them to be used for other purposes. On the site of our bus and former tram depot in Laim, for instance, a new urban neighbourhood with office space, flats, and social infrastructure for up to 1,000 families is being constructed. With our more than 1,300 company flats, we ease the pressure on Munich's strained rental market (see also page 21) – and can offer attractive housing to many of our current and future employees.

Weathering times of expensive and scarce energy together.

SAVING ENERGY

1

SWM has significantly expanded its energy saving counselling. The counsellors show our customers how they can save energy and thus lower their electricity and heating costs. For low-income households, this counselling is free. In addition, the monthly energy consultation hour on the premises of the Munich Senior Citizens Advisory Council has been reinstalled after its pandemic-induced hiatus.

2

In autumn 2022, we launched an energy saving campaign. Residential customers can earn bonuses if they use electricity and natural gas particularly economically.

3

As a contribution to weathering the energy crisis, we lowered the temperatures in our swimming pools in 2022 and temporarily closed our saunas from August onwards. When the summer outdoor swimming season ended, our Dantebad pool did not switch to winter operation with a heated outdoor pool. In October, we were able to reopen the saunas at four locations, and in February 2023, we resumed operation of the remaining saunas and brought swimming pool temperatures back to their normal levels – with the exception of Michaelibad, which uses natural gas for pool heating.

SUPPORT FOR MUNICH CITIZENS IN THE FACE OF HIGH ENERGY COSTS

4

A heating fund financed by SWM supports low-income citizens in coping better with the increased energy costs. We have made EUR 20 million from our wind park revenues available, as the increased energy prices had led to high revenues in this segment. In the implementation and payout of the fund, we cooperate with the city and independent welfare organisations.

5

Furthermore, SWM will pay an amount trunning into the triple-digit million euro range to the German Federal Government for the financing of the energy price caps. These funds will also be taken from the revenues generated by our wind parks. Irrespective thereof, we will use any existing scope to reduce electricity and district heating prices for our customers from April onwards.

Forward-looking networks

SWM is a driving force in Munich's transformation into a smart city. Our vision is to merge stand-alone systems for electricity, heating, communication, and mobility that have been operated separately for decades into an integrated and intelligent infrastructure. With this approach, we are not only creating added value for Munich's citizens but are also making SWM fit for the future – thanks to new revenue sources and enhanced efficiency.

Strong networks for smart data

As a stable link to employers or as a guarantee of judder-free home entertainment, the powerful fibre-optic connections of our M-net subsidiary are essential for many Munich citizens. Currently, approximately 630,000 private households and businesses have access to one of Europe's fastest and most modern fibre-optic networks. The next roll-out phase, to ultimately slightly under 650,000 households, will be completed in 2023. In the year under review, we realised a large-scale digital project of the City of Munich – we connected 439 educational facilities and administrative offices to the state-of-the-art fibre-optic network.

Since 2017, M-net's powerful fibre-optic network has been available to other telecommunications providers to service to their customers via open-access partnerships. Alongside 1&1, Deutsche Telekom will avail itself of this upstream service in the future: it has already used bit-stream input in rural areas since mid-2022, and from 2023 onwards, M-net will also provide active input services in urban areas to Deutsche Telekom.

DIGITALISATION PROJECT FOR MUNICH'S SCHOOLS COMPLETED

Munich's schools are now much better equipped for digitally enhanced classes. Since the second half of 2022, they have all been connected to the fibre-optic network. What is more, some 240 schools in Munich now have WLAN (WiFi), which required 70 to 100 access points to be installed in each school to ensure that all rooms are covered. Schools continue to use the 2,000 LTE routers that were delivered as an interim solution in 2021. Since 2022, all secondary schools (Realschulen) have been equipped with a dedicated product that can now be used for online enrolment. New school organisation software has been installed at more than 150 middle, elementary, and special-education schools, and ten projects focusing on initial IT setup at schools were successfully completed. To ensure that the new technology is up and running, the educational facilities can resort to a customised on-site support infrastructure, for which more than 70 service engineers have been deployed.

In a further open-access partnership with Deutsche Glasfaser, M-net is making additional efforts to drive the hook-up to the fibre-optic network forward. Private households and businesses are to be equipped with fibre to the home (FTTH) or to the office. Approximately 23,000 households in Bavarian Swabia and the region around Munich will benefit from this expansion. In Augsburg, M-net and the city's Stadtwerke Augsburg utility plan to cooperate in a project that will equip approximately 37,000 private households and businesses with fibre-optic connections by 2027.

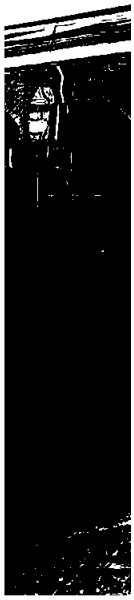
Currently, approximately **630,000 private households and businesses** in Munich have access to one of Europe's fastest and most modern fibre-optic networks.

In 2021, M-net was the first telecommunications service provider in Germany to reach climate neutrality based on its fibre-optic networks. In 2022, the company succeeded in achieving the same distinction. In the future, M-net will seek to provide even more transparency regarding its climate footprint, as emissions from upstream and downstream parts of the value chain will also be included.

These efforts are paying off: in 2022, the Connect trade magazine assigned its top rating of "very good" to M-net – for the seventh time in a row.

A further digital backbone of Munich as a smart city is our long-range radio network ("LoRaWAN"), which is as powerful as it is energy-saving and creates the prerequisites for the connection of sensorics in the "Internet of Things". For example, power transformer stations automatically transmit technical parameters to the SWM headquarters through what are known as "LoRaWAN nodes". If abnormalities are detected in the data, we are able to react immediately and thus avoid station downtime.

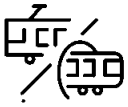
In its third year of operation, the M-Login single sign-on saw its number of users increase to more than 1.3 million. More than 760,000 users have stored their means of payment in their M-Login account, allowing them to make quick payments at all service partners. SWM developed a further offer that can be used via M-Login in 2022: muenchen app, which was launched in January 2023. At present, users can buy tickets for Tierpark Hellabrunn (Munich's zoo), the Lenbachhaus municipal art museum, and many other events. The offers in the app are continuously expanded.



MVG: great challenges ahead

Munich is proactively tackling the mobility transition: as early as 2030, nearly one out of three trips in Munich are to be made by local public transport. And traffic is to be climate-neutral by 2035. Our Münchner Verkehrsgesellschaft (MVG) subsidiary will thus have to make massive investments. Numerous projects aimed at extending, modernising, and digitalising Munich's local public transport system are in the planning stage, with step-by-step implementation being envisaged depending on the funding available.

One focal point of these investments is the renewal and expansion of our underground train and tram fleets. Among other things, 22 Type C2 underground trains are to be delivered to MVG in the period until 2024, of which five were already in use at the end of the year under review. Some of them have replaced older underground trains of the A and B model series, while others enlarge the fleet to permit service improvements. In the tram fleet, the first of a total of 73 new Avenio trams are being delivered. They will progressively expand tram service capacities, facilitating both increases in service frequency in the existing network and coverage of planned new routes.

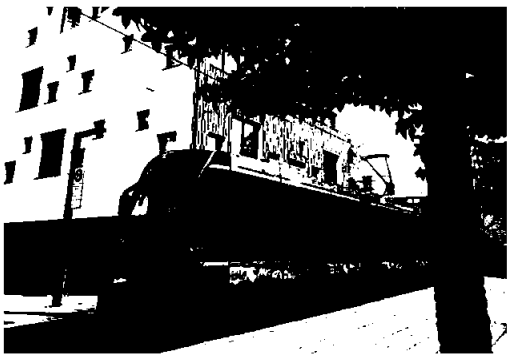


22 new Type C2 underground trains and **73 new Avenio trams** will join our fleet.

We continued to drive the electrification of the MVG bus fleet forward – fully in line with our target to completely convert it to electric buses by 2035. In the summer of the year under review, we ordered 21 new electric buses that will be equipped with environmentally friendly CO_2 air conditioning systems and heat pumps. An additional 35 electric articulated buses are expected to arrive in the course of 2023, including vehicles made of light-weight composite materials. Their low vehicle weight makes it possible to use only a single tire on each side of the axle. A flat and barrier-free design can thus be used for the inside floor of the bus.

In November 2022, we inaugurated a new electric bus depot in the Hybrid.M compound in Munich's Moosach neighbourhood. The new depot creates the prerequisites for further electrification of the Munich bus fleet. It offers room for nearly 200 buses. The basement houses the spare part storage and the engineering rooms. In the first expansion stage, 56 electric buses can be charged. Future charging capacities will be geared to 170 buses. The bus depot comprises a three-part hangar, a hall with tank and wash facilities where buses are readied for operation, two repair shops, a body shop, and a paint shop. In addition, the driving school for MVG bus drivers will be located on the premises.

A series of technical innovations will make mobility in Munich even more convenient in the future. In 2022, we further developed the MVGO app, turning it into Munich's mobility platform. It pools multimodal mobility offers for individual travel in the city. Sharing offers such as electric scooters and the MVG Rad public bike rental service, and the complete local public transport system including the HandyTicket mobile phone ticket: all these services are available in the app with a single sign-on via M-Login. The "HandyParken München" app can likewise be used with M-Login. With more than 10 million tickets sold, Germany's best rated car parking app has been exceeding our expectations. To make use of public transport beyond Munich more convenient, MVG has become one of the leaders of the nation-wide Mobility inside pilot project. The aim is to enable customers to find connections throughout Germany, buy tickets, and access information on all German transport associations via a single app in the future – from door to door and in a multimodal manner including car, bike, and scooter sharing.



Local public transport is the backbone of the mobility transition – traffic in Munich is to be climate-neutral by 2035.

LARGEST REPLACEMENT BUS SERVICE IN MVG'S HISTORY

On the highly frequented track section between the Implerstraße and Poccistraße underground stops, we replaced eight almost 50-year-old switches and two crossings as well as tracks, sleepers, and gravel in the first half of 2022. In addition, we put in new power rails for vehicle energy supply. This work could only be done by completely closing off this track section.

For this project, we organised the largest replacement bus service in our history: up to 42 buses replaced the underground trains of the U3 and U6 lines between the Brudermühlstraße and Implerstraße stops at one end and the Munich Main Station and Goetheplatz stops at the other. Munich's citizens were informed early on with a broad-based communications campaign. This allowed passengers to easily find their way despite the massive restrictions. The structural challenges were also met as planned. The switch renewal project was completed on time.

We are driving electromobility in Munich forward in both local public transport and private cars.

Parcel stations at MVG stops are also intended to make local public transport more attractive. One such station is located at the Scheidplatz stop, where passengers have had the opportunity to drop off or collect parcels on their way to their tram, bus, or underground train since November 2022.

The conversion of the Sendlinger Tor underground hub into a barrier-free station with expanded capacities continued in 2022 and is to be completed in 2023. In the period until autumn 2026, we will moreover replace an additional 125 escalators throughout the system. Furthermore, numerous refurbishment measures in the underground system, which is now more than 50 years old, are on our agenda, the goal being to maintain and enhance the system's performance capabilities.

We reached an initial milestone for the further expansion of the tram system in the year under review: the opening of our interim workshops at Ständlerstraße was an important step in the modernisation of the tram infrastructure. This site will be expanded into a full-fledged tram depot in the coming years in order to expand the capacities necessary for the mobility transition. Major expansion projects include the construction of new tram routes: the western tangential tram route, the Munich North tram route, and the northern tangential tram route (including a tram connection to Johanneskirchen).

Leading location for electromobility

Electromobility in practice is not only found in Munich's local public transport system, but the Bavarian capital also holds a top position in the development of charging infrastructure for electrically powered vehicles. We make more than 1,200 public charging points, distributed throughout the entire city area, available to users of electric cars. In the private and commercial segments, we likewise operate an increasing number of charging points – currently more than 1,700. All charging points are powered with 100 % CO_2-free M-Ökostrom green electricity. A total of 14,500 megawatt-hours were charged in 2022. Compared with the equivalent petrol consumption of conventional combustion engines, approximately 11,400 tonnes of CO_2 emissions were avoided.

We make **more than 1,200 public charging points**, distributed throughout the entire city area, available to users of electric cars.

Commitment to appreciation and solidarity

Stadtwerke München contributes greatly to the economic strength and quality of life in Munich and the metropolitan region. We also show a commitment to the urban society that goes beyond our services. Benefits for all Munich citizens are the basis of our actions.

An attractive work environment in times of change

In a changing work environment, SWM offers attractive tasks and a modern corporate culture based on appreciation, reliability, and sustainability. With these values, we position ourselves in Munich's demanding labour market and address the challenge posed by the scarcity of skilled specialists that is affecting us just like all other German companies. We pursue a clear goal: SWM is to become one of the five most attractive employers in Munich and its metropolitan region by 2025. People and their expectations are at the centre of our efforts. We attach great importance to social inclusion and diversity and show our commitment to the topic of diversity beyond the boundaries of our own organisation. Among other things, we are taking targeted steps to promote the advancement of women and are trying to progressively increase our share of female employees. We participated in the Women Career Index (Frauen-Karriere-Index — FKi) for the second time and succeeded in improving our ranking from 7th to 5th place. In addition, we offer work arrangements geared to our times such as part-time models, remote working from home, and sabbaticals, as well as flexible shift models in the Mobility business segment.

In an attractive city like Munich, in particular, affordable housing is becoming an increasingly compelling argument for winning new employees. We now offer more than 1,300 company flats, which help ease the pressure on Munich's strained housing market. By 2030, we intend to increase SWM's housing portfolio to approximately 3,000 flats. In the year under review, keys were handed over for 118 company flats, thereof 108 for SWM employees.

In 2023, we will begin to offer traineeships for pipe builders.

In 2022, keys were handed over for **118 company flats.**

The remaining ten flats were part of a pilot project for a communal rental strategy, in which we cooperate with the City of Munich and its subsidiaries. These flats were assigned to tenants from two municipal institutions: Münchenstift, which provides care and age-friendly accommodation for the elderly, and the Munich Municipal Hospital Group. A further cooperation project was initiated: SWM and Munich's municipal housing company have joined forces to draw up plans for two further buildings with a total of 230 flats and one day-care centre as well as a joint mobility scheme for the neighbourhood between Hanauer Straße, Emmy-Nether-Straße, and Georg-Brauchle-Ring.

In-house training programmes at SWM have always had an excellent reputation – far beyond our industries and the Munich city limits. As one of Munich's largest work-place training organisations, we have prepared more than 5,000 young people for their future careers through traineeships since our training centre in the Thalkirchen neighbourhood has been up and running. At any given time, some 400 young people are undergoing training for commercial and trade/technical vocational professions in our organisation or attending dual study programmes combining academic studies with vocational training in a company setting. We also offer traineeships in new vocational professions where there is a lack of suitable candidates in the labour market. In 2023, for instance, we will begin to offer traineeships in the new profession of pipe builder. To ensure the best possible learning environment for our young talent in the future, too, we are currently building a new training centre on the campus of the SWM headquarters in Moosach. It is scheduled to be ready for trainees to move in by autumn 2024.

In addition, our "Stadtwerkeprojekt" makes it possible for disadvantaged young people under 27 to go through their training with assistance by qualified social education workers, mainly as industrial mechanics, but also in other vocational professions in which SWM offers training. The offers of "Stadtwerkeprojekt" are regularly adjusted to the needs of young people with vocational handicaps and expanded – to include, for instance, a training programme for young mothers and a network for single parents, as well as assisted living groups supported by various degrees of care or the ViViDante integrated housing project.

Active protection of habitats and resources

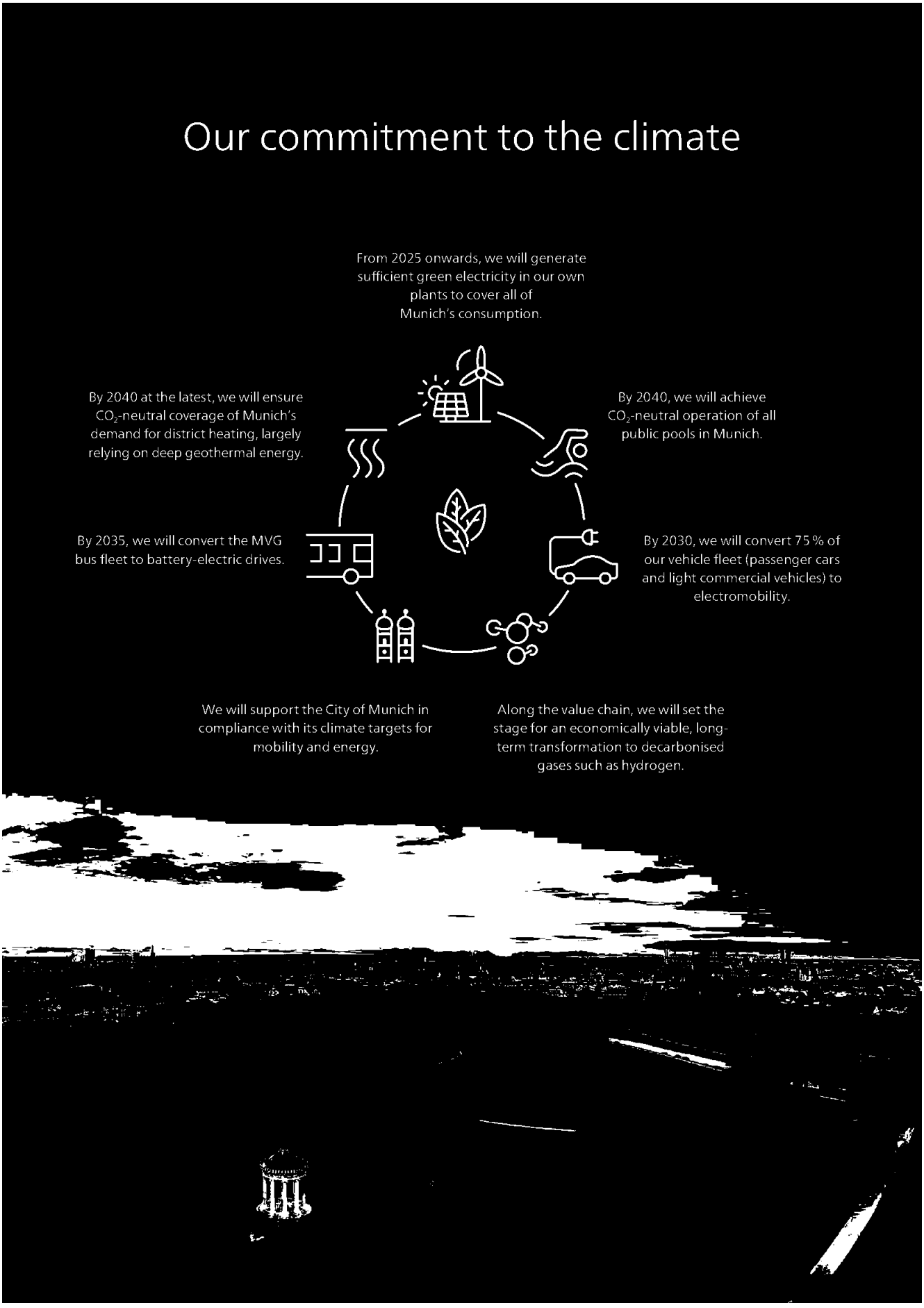
Protection of soil, water, and air as vital natural resources and conservation of energy and water are key elements of our environmental policy. We systematically also consider ecological factors in all major investment decisions. This applies to the conception and construction of our plants for energy generation and distribution, water extraction, operation of our public pools, and the development of Munich's transport infrastructure. In our day-to-day operations, we practice environmental protection by aligning our processes and value chains with ecological and high-quality standards and by continuously improving them.

Our corporate strategy seeks to make a key contribution to Munich's climate neutrality. The strategic initiatives shown on the next page will play a key role in achieving this goal.

It is also becoming increasingly important for companies to minimise their own carbon footprint. Our M-Kompensation Plus offer supports companies in their efforts to compensate for emissions that cannot yet be avoided at the current juncture. Compensation is achieved through international climate protection projects that are certified under the "Gold Standard". In addition, our corporate customers pay a voluntary additional contribution to support the maintenance and expansion of renewable energy plants in Germany.

Alongside climate protection, the preservation of water as a vital natural resource is a key pillar of our environmental policy. The catchment areas for our drinking water in the Mangfall valley, the Loisach valley, and an area of moraine deposits east of Munich known as the "Schotterebene" are operated in a manner that is in harmony with nature, is environmentally friendly, and conserves water. All extraction plants are located in specifically zoned water protection areas. We have a long history of encouraging organic farming in the catchment area for water extraction in the Mangfall valley, where we launched our "eco farmer" initiative as far back as in 1992 (see page 13).

Our environmental policy: protection of soil, water, and air as vital natural resources and conservation of energy and water.


Our commitment to the climate
From 2025 onwards, we will generate sufficient green electricity in our own plants to cover all of Munich's consumption.
By 2040, we will achieve CO_2-neutral operation of all public pools in Munich.
By 2030, we will convert 75 % of our vehicle fleet (passenger cars and light commercial vehicles) to electromobility.
Along the value chain, we will set the stage for an economically viable, long-term transformation to decarbonised gases such as hydrogen.
We will support the City of Munich in compliance with its climate targets for mobility and energy.
By 2035, we will convert the MVG bus fleet to battery-electric drives.
By 2040 at the latest, we will ensure CO_2-neutral coverage of Munich's demand for district heating, largely relying on deep geothermal energy.

Fostering knowledge and awareness

The SWM Education Foundation is the cornerstone of our commitment to society. Under the motto of "Create Opportunities – Experience Success", it supports the education of disadvantaged children and adolescents. Projects to which the foundation provides funding range from early childhood education to support in obtaining university degrees. With basic foundation assets totalling EUR 20 million, the SWM Education Foundation ranks among the largest organisations of its kind in Germany. Since its establishment in 2007, it has funded 130 projects with more than EUR 9 million. In 2022, the foundation paid out a total of approximately EUR 423,000 – to recipients that include a welcoming class for Ukrainians that is part of a project initiated by Munich's Ludwig Maximilian University, Condrobs e. V. for a project that accompanies adolescents with a refugee background during their traineeships, and HORIZONT e. V. for its "Education Is the Key" project that supports disadvantaged school children. In the year under review, approximately 2,000 children and adolescents benefited from funding provided by the SWM Education Foundation.

An open approach to the topic of mental health is more important than ever, especially following the Covid-19 pandemic, which exposed many people to additional psychological burdens. For people seeing no way out of their mental distress, "Krisendienst Psychiatrie Oberbayern" is a reliable and competent contact. We actively contribute to making the service this psychiatric crisis hotline offers to the public more effective through marketing cooperations, poster campaigns, and other awareness-raining measures.

Our energy counselling for low-income households provides tangible support (see page 15). On average, our counselling service helps households to reduce their electricity consumption by around 10 %.

Our multi-facetted commitments to Munich's cultural landscape and sports add critical value for the urban society.

In 2022, the SWM Education Foundation paid out a total of approximately **EUR 423,000.**

For more information on our corporate responsibility and our commitment to the environment and society, please see our SWM Sustainability Report, which is published annually.

The current issue is available at **www.swm.de/nachhaltigkeit.**

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Group Management Report

1. Business model

Stadtwerke München (SWM) is a major contributor to the economy and quality of life of the people in Munich and the surrounding region. From energy and water supplies to mobility to telecommunications and Munich's public swimming pools, SWM offers important infrastructure services at fair terms and conditions. SWM gears its offerings to both the needs of its customers and the benefit of the Munich metropolitan region. To achieve these goals, SWM also plays an active role in the national and international energy markets.

SWM manages its business across all segments of the value chain: Energy – subdivided into Sales, Trade, Generation, and Networks –, Water, Mobility, Telecommunications, and Public Pools.

Energy

Sales
SWM is a high-performing and future-oriented partner for energy supply services that are both reliable and climate-friendly. In 2022, SWM again sought to achieve a high level of customer satisfaction and loyalty. In the year under review, these efforts were not consistently successful, mainly due to the enormous price fluctuations recorded. We are determined to once again improve SWM's trust scores, customer satisfaction, and loyalty levels. Ultimately, SWM has maintained its position as market leader in Munich.

Trade
Trade is a key driver of the energy management and business model aimed at optimising SWM's energy business and hedging against risks. Its most important responsibilities are market-driven procurement and marketing of energy and the associated input materials, the management of the Group's aggregated market price risks (mainly for electricity, natural gas, coal, and energy-specific certificates), the expansion and operation of the virtual power station, and deployment planning for power stations. In addition, Trade gives Energy Generation, Sales, and individual SWM majority shareholdings access to the energy markets.

Generation
In the Munich metropolitan region, the Generation segment of the value chain comprises the operation and maintenance of all plants for the generation of electricity, district heating, and district cooling. The supra-regional activities within this value chain segment focus on the areas of renewable energies and gas extraction.

SWM's district heating vision aims to achieve CO_2-neutral coverage of Munich's district heating requirements by 2040 at the latest. This is the reason why SWM will increasingly generate district heating from renewable energies, primarily geothermal energy. SWM is committed to expanding the use of geothermal energy in the heating supply.

With its renewable energies expansion campaign, SWM plans to generate enough green electricity from its own plants to cover all of Munich's consumption from 2025 onwards. To achieve this goal, SWM is continuously expanding the share of electricity generation from renewable sources. Unfortunately, it is not possible to generate enough green electricity entirely in Munich and the surrounding region for a city with a population of more than one million inhabitants. This is why SWM is also active in the expansion of renewable energies throughout Germany and Europe.

SWM also engages in gas production in north-western Europe via its shareholding in Spirit Energy Limited (Spirit Energy). However, the implementation of SWM's decarbonisation strategy led to a noticeable reduction in its participation in gas and oil production in 2022, with Spirit Energy selling its Norwegian business segment and its shareholdings in the British section of the Statfjord field. The remaining UK and Dutch business, which focuses on natural gas, is to be aligned with the requirements of the energy transition. In addition, the existing infrastructure is to be used – to the extent possible – for sustainable and climate-friendly activities such as hydrogen production with subsequent CO_2 storage (blue hydrogen) or hydrogen storage in depleted gas deposits (green hydrogen).

Networks
Expansion and operation of distribution networks for electricity, gas, district heating and district cooling, and water are key elements of the basic public services SWM provides to the people in Munich. The main task of Networks is to continue to ensure above-average supply quality and reliability of the SWM networks and grids despite the cost pressure that has increased further due to incentive regulations for electricity and gas grids.

Water
Every day, Munich's drinking water (M-Wasser) is delivered fresh from the source directly from the foothills of the Bavarian Alps to Bavaria's capital.

Mobility
The Mobility business segment involves Münchner Verkehrsgesellschaft mbH (MVG) and the Mobility division of Stadtwerke München GmbH. MVG is the passengers' contracting partner. Stadtwerke München GmbH is responsible for providing underground and tramway transport services on behalf of MVG. The bus services are provided by MVG, Stadtwerke München GmbH, as well as private cooperation partners. Stadtwerke München GmbH holds an equity interest under company law in one of these cooperation partners – Münchner Linien GmbH & Co. KG.

Telecommunications
The product portfolio of Telecommunications is comprised of Internet, voice, and transmission services for residential and business customers based on fixed-network and mobile communications. As a regional provider, SWM offers services to large sections of Bavaria, the greater Ulm area, and the Main-Kinzig district in Hesse. The product portfolio is continuously developed further in order to maintain SWM's competitiveness. The services are performed jointly by M-net Telecommunications GmbH (M-net), SWM Services GmbH (SWM Services), and Stadtwerke München GmbH.

Public Pools
Through the operation of 18 modern indoor and outdoor pools, ten attractive sauna facilities, the Prinzregenten ice stadium, and two fitness centres, M-Bäder public pools offers citizens a wide range of opportunities to keep themselves fit and healthy, spend leisure time, and relax. Munich's modern public pools are available at a total of 15 locations throughout the city. They are sports and leisure facilities for the people in Munich.

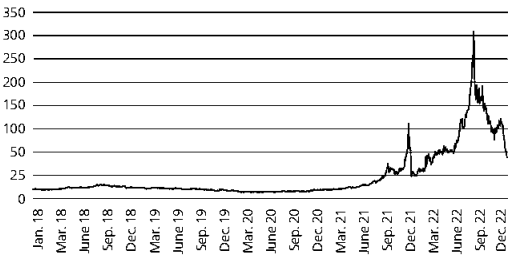
2. Business report

Economic environment

Energy markets
In 2022, Russia's war of aggression against Ukraine, which is concurrently being waged as an energy war against Europe, had a major impact on trends in the European energy markets and led to a massive reduction in natural gas deliveries from Russia. These shortages not only had unprecedented effects on natural gas prices in Europe, but also on the prices of hard coal and electricity and, by extension, the trend in clean dark spreads and clean spark spreads.

Developments in the energy markets are key influencing factors for SWM. In particular, the prices of electricity, coal, natural gas, and emission allowances and the contribution margins of power plants have a major impact on SWM's result of operations, financial position, and net assets.

Gas, rolling front year, Trading Hub Europe (THE), EUR/MWh

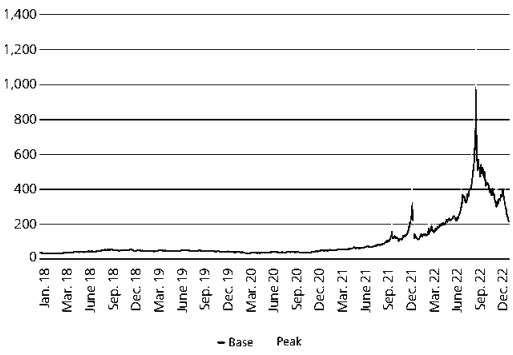


Source: European Energy Exchange; data supplied by Refinitiv

Gas delivery volumes from Russia, which had already been declining in 2021, plummeted dramatically in several pronounced steps in the course of 2022. A major juncture in the slump of Russian gas deliveries was the loss of use of the pipeline routes through Poland and the Nord Stream 1 pipeline. Even outside of these events, a continuous downward trend in delivery volumes could be observed. Since the autumn of 2022, pipeline-transported Russian gas deliveries to north-western Europe have equated to only about 10 % of the otherwise customary volumes.

This shortage of supply and the need to replenish the gas storage facilities over the summer prior to the beginning of the gas usage season drove the trend in supply and demand in the natural gas market in opposite directions. This, in turn, led to an extreme price surge of spot and forward contracts, with the forward contract for the THE front year recording peaks in excess of EUR 300/MWh. In the second half of December, gas prices once again fell more or less to their pre-war levels, the reasons being high storage filling levels, continuously high gas deliveries from Norway, sizeable LNG deliveries, and a significant decrease in consumption thanks to mild temperatures and changes in consumers' behaviour.

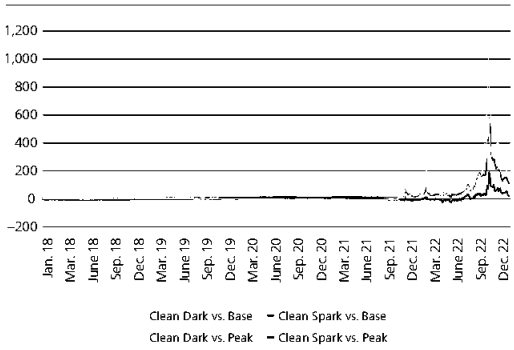
Electricity, DE rolling front year, EEX, EUR/MWh



Source: European Energy Exchange; data supplied by Refinitiv

One consequence of the massive surge in natural gas prices was an equally sharp uptrend in electricity contract prices. The high gas prices resulted in a situation in which a gas-fired power plant with correspondingly higher generation costs had to be used for price-setting assumptions over many hours, which drove up prices of electricity forward contracts. Similarly, uncertainties about whether sufficient gas would even be available to cover electricity demand sent electricity prices soaring. The base price for the front year reached peaks of almost EUR 1,000/MWh – levels that had never, even remotely, been seen before. In the wake of the price decrease of gas contracts towards the end of the year, electricity prices also embarked on a renewed downward trend.

Clean Dark Spreads and Clean Spark Spreads, rolling front year, EUR/MWh



Data supplied by Refinitiv

Because a gas-fired power plant with high marginal costs frequently had to be used for price-setting assumptions, clean dark spreads also climbed to new record highs. This was a direct consequence of the equally massive surge in electricity prices, which even surpassed the increase in natural gas prices because they also included a risk mark-up. Since September 2022, a downward movement in both clean dark spreads and clean spark spreads has been observed – but they are still at very high levels.

Conditions in the sales market

SWM's 2022 sales year was also under the sway of Russia's war of aggression. The resultant sharp rise in market prices for electricity and especially natural gas created a situation in which many competitors scaled back their product offerings considerably or exited energy sales altogether.

Strongly rising wholesale prices for electricity and natural gas in conjunction with the simultaneously observed very high volatility made it necessary to temporarily suspend new contract offers for business customers or accept only contracts with very short durations. One exception were structured exchange-aligned products. The fourth quarter, in particular, brought a noticeable increase in demand, because some competitors failed to make deliveries.

Conditions in energy policy

In 2022, Russia's war of aggression and its consequences dominated the energy-policy agenda. In an initial response, the European Commission adopted the REPowerEU package, which raises the EU climate targets further with a view to ensuring greater independence from individual fossil-fuel imports. Similarly, an amendment to the EU Gas Storage Regulation was adopted in a fast-track legislative procedure, which stipulates binding filling rates for 2022 and subsequent years. In the further course of the year, the European Commission moreover presented several additional emergency regulations, which required member states' consent and promised immediate assistance. Agreements were reached on a binding reduction in electricity and gas demand, EU-wide solidarity rules in the event of a gas deficit situation, and the possibility of EU-wide joint gas procurement for the next gas storage filling season. In Germany, mandatory profit absorption at operators of what are known as "inframarginal power plants" (including those relying on renewable energies, nuclear energy, and lignite) was adopted to finance the state assistance measures for private households and industrial companies. This will have a major impact on SWM's consolidated net income not only in 2022, but also in subsequent years.

A measure that led to particular controversy at the political level was the introduction of a general natural gas price cap at the EU level to cushion the impact of the energy crisis. The cap agreed might, for one thing, lead to a resurgence in gas consumption, as well as jeopardise supply reliability in Europe, because it would make it more likely that external deliveries are sold to third countries outside the EU.

Beyond crisis management, the EU climate package that is currently under discussion has made headway in the legislative process. Most of the legislative proposals submitted in 2021 are currently in what is known as the "trilogue", i.e. the final negotiations between the European Parliament, the member states, and the European Commission, and should be finalised in the course of 2023. The next step will then be transposition into national law.

To avert the supply crisis, the German federal government put together an extensive bundle of measures at the national level: the short-term focus was on safeguarding the energy supply, also with the help of fossil energy sources, and reducing dependence on fossil energy imports, especially from Russia. This was implemented through various amendments to the German Energy Security Act (Energiesicherungsgesetz; EnSiG) and established the basis for empowering the German Federal Network Agency (Bundesnetzagentur; BNetzA), in its capacity of "federal load balancer", to take action in the event of a gas deficit situation. Furthermore, requirements were defined for the filling of gas storage facilities and fast construction of various LNG terminals. To ease the financial burdens for customers that resulted from the high energy prices, a EUR 200 billion stabilisation fund was set up at the federal level. Together with the revenues collected by absorbing profits of inframarginal electricity generators, this fund will be used for financing the German energy price caps.

From a long-term perspective, the German federal government continues to work on full decarbonisation of the energy supply through conversion to clean energy generated from water, wind, sun, biomass, and geothermal sources.

For this purpose, the lower and the upper house of the German Federal Parliament (Bundestag and Bundesrat) adopted a package for immediate energy action (the so-called "Easter Package") within the framework of the programme for immediate climate protection action. This was the most far-reaching legislative transformation of energy policy in decades. The legislative package includes the following amendments:

- Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz; EEG) of 2023 with amendment to the German Combined Heat and Power Act (Kraft-Wärme-Kopplungsgesetz; KWKG): the expansion targets were raised to a renewable energy share (RE share) of 80 % of gross electricity consumption by 2030. The principle that the expansion of renewable energy is in the overriding public interest and serves public security was enshrined in law. A standard to equip installations for the use of hydrogen (H_2 readiness) was incorporated in the KWKG.
- Offshore Wind Energy Act (Windenergie-auf-See-Gesetz; WindSeeG): the expansion targets were raised to at least 30 gigawatts (GW) by 2030, at least 40 GW by 2035, and at least 70 GW by 2045. Planning and approval procedures will be accelerated, and tenders will be extended to also cover sites that have not been subject to a preliminary central investigation.

- Energy Industry Act (Energiewirtschaftsgesetz; EnWG) with amendments to the Federal Requirements Plan Act (Bundesbedarfsplangesetz; BBPlG) and the Grid Expansion Acceleration Act (Netzausbaubeschleunigungsgesetz Übertragungsnetz; NABEG): the goal of greenhouse gas neutrality was specifically included in the EnWG and grid planning was also oriented to climate neutrality in 2045. The Federal Requirements Plan was updated on the basis of the 2021 grid development plan. Grid planning, approval, realisation, and operation will be made easier.
- Introduction of the Act on the Determination of Area Requirements for Onshore Wind Energy Plants (Windenergieflächenbedarfsgesetz; WindBG) and accompanying amendments to the Federal Building Code (Baugesetzbuch; BauGB), the Nature Conservation and Landscape Management Act (Gesetz über Naturschutz und Landschaftspflege; BNatSchG) and the Town and Country Planning Act (Raumordnungsgesetz, ROG): an area target of 2% for onshore wind energy including specific area targets for the individual German federal states was enshrined in law. The state liberalisation rule for minimum distancing rules was abolished. Furthermore, measures aimed at acceleration of the planning process, e.g. for wind energy expansion in harmony with nature, will be implemented.

In its next step, the German federal government intends to provide clearly targeted impetuses to the energy transition in the heating sector. To this end, federal grants for the promotion of energy-efficient heating grids were implemented in 2022. In addition, the Buildings Energy Act (Gebäudeenergiegesetz; GEG) is being amended: the share of heating from renewable energy sources has been raised (65% RE share in new heating systems from 1 January 2024 onwards), federal grants for energy-efficient buildings will be updated accordingly, and new legislation for the introduction of mandatory municipal heating planning is being prepared.

Conditions in the mobility sector

In the mobility sector, the coalition agreement reflects the climate targets with its commitment to a strong railway industry and efficient and economically sound local public transport. The agreement thus addresses the major challenges of the future. A key objective is to increase passenger numbers in local public transport, as this would make a major contribution to the realisation of the climate targets. In this context, the German federal government wants to discuss an expansion and modernisation pact with the federal states and municipalities as well as increase the regionalisation funds, which are an important source of financing. In November 2022, the conference of transport ministers decided that the regionalisation funds would indeed be increased, but presumably, the money will mostly go to regional rail passenger transport. The negotiations on the extension and modernisation pact were postponed until 2024. This means that any results will, at the earliest, make themselves felt from 2025 onwards. Consequently, it remains unclear how the service expansion in local public transport as a contribution to the realisation of the climate targets will be funded. The requests made by the transport industry in this respect have thus not been taken up either.

The key drivers of conditions in the public transport sector continue to be the German Passenger Transportation Act (Personenbeförderungsgesetz; PBefG), European state aid regulations (Regulation (EC) 1370/2007), and contract award legislation. It is still necessary to put municipal mobility service providers in a position that allows them to provide transport services under competitive terms. This results not only from legal rulings, but also from the financial state of local public transport systems.

Competition for public funding of transport infrastructure expansion and maintenance continues under the prevailing financial framework. Federal financial assistance under the Municipal Transport Financing Act (Gemeindeverkehrsfinanzierungsgesetz; GVFG) will continue beyond 2022 and will also be increased. In addition to the funding of new construction projects, cost-intensive refurbishing projects for the existing infrastructure will also qualify for subsidies in the future, as the industry has demanded for many years – although such subsidisation will be subordinate to new construction projects and limited until 2030. This decision is of major significance for SWM given the increasing need for renewal of Munich's underground infrastructure in particular. However, the previously available unbundling funds continue to be part of states' budgets without being earmarked for any specific purpose under federal law. Pertinent case-by-case regulations must thus be enacted into state law. At the same time, it is becoming more and more difficult to convince the competent political bodies to approve the fare increases required for SWM's ability to provide services out of its own resources.

In the city of Munich, local public passenger transport continues to face fundamental quantitative, qualitative, and economic challenges due to a medium and long-term renewed increase in demand associated with population and commuter growth, especially at peak hours. At the same time, the recruitment of qualified staff, notably operators and construction engineers, is becoming ever more challenging, which makes completely novel personnel hiring approaches necessary. Furthermore, digitalisation is creating completely new framework conditions and tasks for the entire industry.

The consequences of the Covid-19 pandemic continue to create an additional challenge. In order to make sustained safe use of local public transport systems possible, operators have continued to offer what is virtually their full range of services – despite massive declines in demand and revenues. This has allowed them to give passengers as much space as possible with a view to ensuring sufficient distancing between individuals. However, the continuation of nearly regular service was solely possible due to the rescue packages adopted by the German federal government and states and the emergency entrustment by the City of Munich. Without this extraordinary funding, massive restrictions in transport services would have been inevitable in 2022.

Telecommunications market
According to the forecast of the German Association of Telecommunications and Value-Added Service Providers (VATM) and Dialog Consult, telecommunications services generated revenues of approximately EUR 60.3 billion in Germany in 2022. Compared to calculations presented by the German Federal Network Agency (Bundesnetzagentur; BNetzA) in its 2021 Annual Report, revenues in the market as a whole thus increased by EUR 2.2 billion versus the previous year (+3.8 %).

The opening of the already installed fibre-optic networks (fibre-to-the-building/home [FTTB/H] and fibre-to-the-customer [FTTC]) to other competitors ("open access") within the framework of what is known as "wholesale marketing" continued in 2022. We expect this trend to intensify further as the telecommunications providers actively involved in the expansion of fibre-optic networks seek not only high utilisation rates for their networks, but also fast amortisation of the investments made. Many fibre-optics providers, including M-net, have already concluded cooperation agreements and opened their networks to competitors. In 2022, additional players entered the market; they roll out FTTH networks, market them themselves, and/or make them available to other telecommunications providers via upstream wholesale services.

Business development

Sales
In energy and water supply as well as in its other business segments, SWM offers customer-oriented services at fair prices. In the fairness study conducted by FOCUS-MONEY magazine, SWM again received a "very good" ranking for outstanding fairness as an electricity and gas provider. Because of Russia's war of aggression and the ensuing period of dramatically rising prices, however, SWM was also forced to increase its prices. Nevertheless, SWM was able to maintain its strong market position in the residential and business customer segments and again increase the number of electricity and gas service agreements through attraction of new customers and professional retention of existing customers.

In the business customer segment, electricity sales did not return to pre-pandemic levels in 2022 either. Gas sales to business customers reflected the latter's efforts to save gas. The sell-off of the volumes procured in the wholesale market had a positive effect on sales results in both customer segments. Among other things, this was due to the fact that Business Customer Energy Sales focused on flexible, structured, and exchange-aligned products with adequate risk sharing.

The situation in the energy markets created by Russia's war of aggression also impacted the energy sales of the SWM shareholding Energie Südbayern GmbH (ESB). Here, slight volume declines were recorded in the corporate and business customer segments. On the other hand, ESB succeeded in significantly increasing its number of customers in the retail segment in both the electricity and gas business thanks to structured procurement in conjunction with a differentiated price and product strategy.

Overall, electricity, gas, and district heating sales volumes decreased slightly in 2022. For one thing, this was due to temperatures that were higher than average in a multi-year comparison; for another, the energy savings prompted by Russia's war of aggression in Europe played a role. Water sales volumes remained at the previous year's level.

Trade
In 2022, the energy markets were subject to massive price increases and hitherto unimaginable volatilities induced by the continuing reduction in gas deliveries from Russia along with considerable limitations in the availability of French nuclear power plants. Thanks to SWM's hedging strategy for the market-price-dependent portfolio, however, the pronounced price volatility had only a minor effect on the operating result of the energy exposures managed in the portfolio. For the years that follow, however, provisions for contingent losses again had to be established for the hedges carried out for shareholdings at the group level. The power plant position saw a positive overall trend thanks to the successful commissioning of the gas-and-steam turbine 2 (GuD2) and improved availability of generation plants versus 2021. By contrast, direct marketing was confronted with sharply rising prices for balancing energy and delays in the implementation of the "Redispatch 2.0" project.

The business performance of SWM's Bayerngas shareholding was affected by developments in the gas market. The bayernets GmbH subsidiary continued its preparatory work for the transformation to hydrogen transport. Framework conditions in the gas storage market changed completely in 2022. Storage customers were obligated to comply with mandatory storage requirements including predefined minimum filling levels at certain dates.

In the Plattform Energie GmbH purchasing pool, headquartered in Bad Aibling, Energie Südbayern GmbH (ESB) is responsible for energy procurement and the management of an electricity and natural gas portfolio with a total volume of approximately 4.4 terawatt-hours for 45 current municipal partners. The plans provide for the inclusion of additional municipal partners.

Generation
In the cogeneration of electricity and district heating in SWM's own combined heat-and-power (CHP) plants, technical availability, performance, efficiency, and flexibility are continually optimised. The goal is to ensure high availability levels, especially during periods of high demand for heating and electricity.

The German Combined Heat and Power Act (Kraft-Wärme-Kopplungsgesetz; KWKG) creates opportunities for the refurbishing or modernisation of CHP plants that SWM has seized: the commissioning of the new and more efficient gas-and-steam-turbine plant 2 took place in late 2021, and the performance test runs and final trials were completed in 2022. The gas-and-steam turbine 1 at the "Süd" combined heat-and-power plant is also being modernised, and this project will presumably be completed in 2025. The power generation portfolio will gradually be supplemented by stationary large-volume batteries, the goal being to offset the fluctuating feed-in from green electricity plants. SWM's first lithium-ion battery was commissioned at the Freiham site in 2019, and the battery at the Freimann site followed in 2020. In addition, stationary large-volume batteries are planned at the Uppenborn 1 site (commissioned in early 2023) and at the Menzing site (commissioning presumably from 2025/26). Further sites suited for this purpose, business models, and technological concepts in conjunction with the innovation tenders based on the German Renewable Energy Sources Act (EEG) are being reviewed (especially solutions that combine photovoltaics and storage devices).

The Freiham geothermal heating plant was expanded to supply the low-temperature district heating grid with a view to hooking up new residential neighbourhoods. The Kirchstockach site was converted from a plant used solely for electricity generation into a combined heat-and-power plant. Alongside green electricity, the plant now also produces green heating. On the site of the "Süd" energy location, measures aimed at integrating geothermal energy, district cooling, and heat storage systems are progressing. For the extraction of geothermal energy, six wells were successfully drilled and sunk there. The geothermal plant commenced trial operation at the start of the 2021/22 heating season. To cover the steadily growing demand for district cooling, a district cooling centre is being built at the "Süd" energy location. It is slated to become operational in 2024. Construction of a heat storage system with a volume of 50,000 cubic metres is scheduled to commence in spring 2023, with commissioning presumably following in 2026. The current plans provide for the next geothermal plant on city grounds to be erected at the location that houses the Michaelibad public pool. To better satisfy the digitalisation and optimisation requirements (including forward-looking operation and maintenance) across the entire generation plant portfolio in the future, suitable recruitment measures were taken to enlarge the teams.

In the implementation of the renewable energies expansion campaign, SWM mainly focuses on wind energy in electricity generation. Wind energy can generate large quantities of green electricity all year round – independent of other resources. In addition, it does not compete with food production.

In the Norwegian Midgard Vind Holding AS onshore portfolio (SWM stake: 70 %), the last four wind parks were formally approved in 2022. This means that all eight wind parks (with a total capacity of approximately 450 megawatts) are up and running.

After a number of wind parks commenced operation, the capacity of the wind parks held by wpd europe GmbH (SWM stake: 33 %) in its own portfolio increased in 2022, to 795 megawatts.

In the SWM 50 MW, Havelland, SWM Wind Onshore France, Sidensjö, Austri Raskiftet, Austri Kjølberget, Jasna, and Roan onshore wind parks, and the Andasol 3 solar thermal power plant in Spain, operations proceeded as expected. Overall plant output was in line with expectations.

The Gwynt y Môr, DanTysk, Sandbank, and Global Tech I offshore wind parks are in regular operation. Output fell slightly short of expectations in 2022, which was due to a lower wind yield at Global Tech I and a high share of feed-in management measures in the German parks.

Most wind parks were able to obtain extraordinarily high prices for the electricity they generated. However, hedging transactions at the level of Stadtwerke München GmbH resulted in a situation in which these high prices had only a limited effect. The projects for green electricity generation that have already been implemented, together with those that have been initiated, give SWM access to generation capacities in its own plants that arithmetically corresponds to more than 90 % of Munich's current electricity consumption. Generation capacities will be increased further through additional investments. SWM's goal is to generate sufficient green electricity from renewable sources to cover all of Munich's requirements from 2025 onwards – this will be approximately 7 billion kilowatt-hours. To cover the additional electricity demand that is expected to arise from heat pumps and, above all, from electromobility, the goal has already been increased accordingly: up to 8.4 billion kilowatt-hours of electricity are to be generated from renewable energies by 2035.

The output of Spirit Energy was slightly above plan in 2022. Both operating profit and free cash flow significantly exceeded expectations, which was mainly due to the high gas prices. Activities in the area of potential new, climate-friendly business segments were driven forward, but are still in the planning stage. In sum, it can be noted that the projects that have been realised and are being implemented ensure SWM's future-ready positioning in the Generation segment. The expansion of geothermal energy use is proceeding as planned and highlights SWM's active role in shaping the heating transition. In 2022, the renewable energies expansion campaign continued to make further headway, especially thanks to the stabilisation of operations in already up-and-running power plants.

Energy Networks – Electricity
Based on the German Energy Industry Act (Energiewirtschaftsgesetz; EnWG) and the German Ordinance on Electricity Grid Access Charges (Stromnetzentgeltverordnung; StromNEV), SWM Infrastruktur GmbH & Co. KG (SWM Infrastruktur) annually calculates the preliminary grid access charges for the following year and publishes them in October of the current year. These preliminary grid access charges are the basis of calculation for the Sales units. In 2022, access charges in the grid territory of SWM Infrastruktur increased by approximately 6 %. The single largest item and the main reason for the increase is the share of upstream transmission grid costs.

To ensure supply reliability in the operation of the electricity grids, the integration of electricity generated from renewable energies must be accompanied by offsetting interventions in the power system. Such offsetting measures to ensure grid stability must be performed more frequently as the share of renewable energies in electricity generation continues to increase. Grid operators' goal is to keep the costs of these measures as low as possible. In their industry-wide "Redispatch 2.0" project, distribution grid operators are setting up uniform processes to achieve this outcome. Pursuant to the German Energy Industry Act (EnWG) and the German Ordinance on Incentive Regulation for Energy Supply Grids (Anreizregulierungsverordnung;ARegV), the costs grid operators incur in what are known as "base years" are analysed and checked by the regulators. The results of this cost review are the basis of the grid utilisation fees in the next regulation period. After the 2021 base year, the relevant applications were prepared in time by 30 June 2022 and submitted to the German Federal Network Agency (Bundesnetzagentur; BNetzA).

Energy Networks – Gas
Based on the German Energy Industry Act (EnWG) and the German Ordinance on Gas Grid Access Charges (Gasnetzentgeltverordnung; GasNEV), SWM Infrastruktur annually calculates the preliminary grid access charges for the following year and publishes them in October of the current year. These preliminary grid access charges are the basis of calculation for the Sales units. In 2022, access charges in the grid territory of SWM Infrastruktur increased by approximately 7 %. In addition, the year was dominated by the looming gas deficit situation triggered by Russia's war of aggression. Internally, this led to the analysis of shutdown possibilities, which were then aligned with grid customers and converted into new software solutions in order to ensure the ability to act in the event of a gas shortage.

Energy Networks – District Heating
In its responsibility area of district heating grids, SWM Infrastruktur is contributing to the realisation of the vision of a CO_2-neutral heating supply for Munich. This includes the development of strategies for future district heating supply areas and transport pipes for geothermal energy.

Conversion of large parts of the existing steam-operated grid to hot-water operation is an indispensable prerequisite for a CO_2-neutral heating supply. Among other things, this will involve modification of grid components down to the customer station and their integration into the new grid environment in large supply areas east and west of the Isar river in the period until 2035.

Energy Networks – District Cooling
The supply of environmentally benign cooling is gaining increasing importance for SWM Infrastruktur. In the Munich downtown area, in particular, a well-developed district cooling grid has already been installed.

The downtown district cooling distribution grid was expanded further in 2022. The basis of the expansion is the new pipe connecting the downtown area to the planned cooling centre at Schäftlarnstraße.

Water
To ensure the high quality of Munich's drinking water, extensive measures are required that aim at maintaining and expanding extraction plants and the supply infrastructure as well as at continuous further development of groundwater monitoring systems. In rarely occurring cases of microbiological contamination through extreme events such as torrential rainfall or flooding, water can be disinfected with ultraviolet light in two UV plants in a perfectly sanitary physical process without the addition of chlorine. To preserve the drinking water for the future and sustainably secure its high quality, SWM encourages organic farming and takes care that agricultural methods that protect soil and water are practiced in the areas close to the extraction plants.

Mobility
Despite the massive adverse effects resulting from the Covid-19 pandemic in 2022, MVG met its objective of breaking even. This was made possible by an emergency entrustment that the City of Munich adopted for this purpose. Various measures have secured the financing of the existing level of service for the time being, with the rescue package for local public transport companies playing a key role, however. Due to the pandemic, passenger numbers decreased significantly in the 2022 financial year compared to the pre-Covid-19 period, but they recorded a slight initial year-on-year recovery from spring 2021 onwards and have reached approximately 80 % to 90 % of their pre-pandemic levels since mid-2022, with the trend continuing to point up. In total, the Mobility division had 4,533 employees as of 31 December 2022, of which 1,679 were at MVG.

Evaluations of internal surveys for 2021 and the first half of 2022 again resulted in customer satisfaction scores significantly above the national average. The reduced passenger numbers even permitted more stable operating performance, which notably resulted in a slight improvement of MVG's already high customer satisfaction in 2020 und 2021. With passenger numbers rising in 2022, indications are emerging that customer satisfaction will return to its pre-pandemic levels. Nevertheless, a continuous rise in demand is still expected. For this reason, planning for the future expansion of services continues (MVG services campaign).

The plans still provide for the expansion of two-minute interval frequencies on particularly highly utilised underground sections and the creation of attractive tangential routes served by trams and express buses. From a structural perspective, there is still an urgent need for the construction of a new "U9" underground route running from the Implerstrasse to the Munich Main Station and Münchner Freiheit stops and the new northern and western tangential and "Munich North" tram routes. With its November 2022 decision in favour of the preparatory structure of the U9 station at Munich's Main Station, the Munich City Council clearly showed its commitment to continued pursuit of the project.

In 2022, the services campaign involved expenditures totalling around EUR 304 million for underground, bus, and tram projects. Investments mainly focused on the procurement of state-of-the-art vehicles and the refurbishment and modernisation of the underground infrastructure. The MVG Rad bicycle-rental service continues to be a useful supplement of the "traditional" local public transport system. In the 2022 financial year, MVG Rad recorded more than 269,000 registered customers and some 700,000 rental transactions.

At the current juncture, it is not yet foreseeable when there will be a sustainable resurgence in demand for local public transport services under the current framework conditions. However, there are clear indications that Munich's local policy-makers remain committed to the mobility transition. Substantial investments will thus be necessary for a long time to meet the rising demand. The need to refurbish underground facilities and replace rail vehicles remains high; in addition, the approval and commissioning procedures at the technical supervisory authority are still complex. As existing depot capacities for all areas of operation are fully utilised, capacities at new or extended sites – and if necessary, also at decentralised locations – will gain increasing significance for all areas of operation. Concrete planning processes are being driven forward for a second underground train depot in the Neuperlach Süd neighbourhood and an additional tram depot in the immediate vicinity of the current main workshop on Ständlerstraße. The most important task for the next few years will be to reliably safeguard operating performance and improve it in line with requirements. At the same time, the necessary construction and maintenance work must be handled in a manner ensuring customers' continued mobility.

Telecommunications
Demand for higher bandwidth continued to increase in 2022, which is why SWM has continued to drive forward the expansion of a fibre-optic infrastructure. Over a multi-year period, SWM has already invested several hundred million EUR in the provision of fibre-optic broadband networks, inter alia in Munich, Augsburg, and Erlangen – in some cases jointly with infrastructure partners. These networks permit Internet access with transmission rates of up to 1,000 Mbit/s. In Munich, fibre-to-the-building (FTTB) has gradually been rolled out in 24 city neighbourhoods, hooking up approximately 32,000 buildings outside the Mittlerer Ring beltway. Further investments were made in the linking of additional locations to a public WLAN (WiFi) network.

In 2022, the installation of fibre-to-the-home (FTTH) fibre-optic infrastructure started in four additional Munich neighbourhoods. In the coming years, the expansion of network level 4 (fibre optics from the basement to the flat) will be intensified in those Munich areas already hooked to the existing fibre-optic network.

One additional element of the telecommunications strategy is SWM's digital trunk radio network, which is distinguished by high security standards.

In sum, the key task in 2022 was to expand a powerful data infrastructure even further with a view to enabling residential and business customers to benefit from the use of digital applications and technological evolution.

Public Pools
In 2022, operating performance of the M-Bäder public pools was seriously impacted by the energy crisis. This led to the decision to shut the doors of all saunas from 1 August 2022 onwards and also close the Dantebad public pool at the end of the outdoor bathing season. Only four saunas reopened on 17 October 2022: at Müller'sche Volksbad, at Südbad, at Nordbad, and at the Olympic swimming pool. In addition, water temperatures in all indoor pools were lowered to 26–28 degrees Celsius. Skating at the Prinzregenten ice stadium also started later than in previous years.

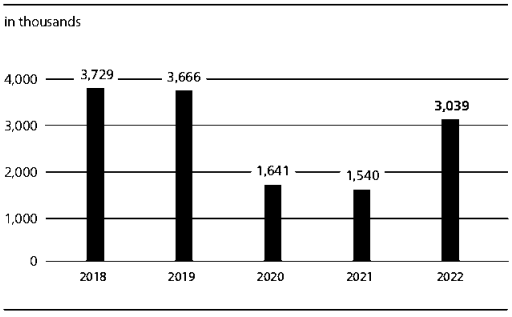
Visitor numbers and revenues are still at much lower levels than planned. The reduction in operating costs offset only a small part of the decline in revenues. Material scarcity and the dramatic surge in material prices also played a role in this matter.

In the indoor pools, the newly introduced ticket offer for swimmers who want to stay for shorter periods was very well received. Entry to outdoor pools was again free for children under the age of twelve. In addition, a new e-ticketing system was offered, which proved to be very popular, especially during periods in which visitor frequency tends to be high.

On 20 August 2022, a fire broke out at Prinzregentenbad, making it necessary to close this public pool.

When regular operation is possible, M-Bäder public pools offer bathers fun, sports, and relaxation all year round and are thus leisure spots for guests with a wide range of needs – from recreation to competitive sports. Investments in the infrastructure and the continuous further development of the pools' facilities and services will ensure that this will be the case in the future, too.

M-Bäder visitor trend



Business situation

Results of operations

Revenues
SWM's revenues increased from EUR 8,297 million to EUR 10,629 million.

Revenues and volume sales

	Volume sales 2022	Revenues 2022 in kEUR	Volume sales 2021	Revenues 2021 in kEUR
Electricity (GWh)	31,004	3,885,736	34,365	2,940,264
Natural Gas (GWh)	94,385	4,787,408	146,584	3,724,476
District Heating (GWh)	4,401	653,488	4,744	391,062
Water (million m^3)	97	170,992	96	174,673
Public Transport		429,900		381,137
Public Pools (thousand visitors)	3,039	14,735	1,540	6,964
Telecommunications		266,945		273,178
Other		420,197		404,788
		10,629,401		**8,296,542**

Despite a decline in volume sales, electricity revenues increased by 32.2 % to EUR 3,886 million. This increase was mainly attributable to higher prices.

Natural gas revenues went up by EUR 1,063 million to EUR 4,787 million. This uptrend in revenues was mainly price-related.

District heating revenues increased by EUR 262 million to EUR 653 million, with volume sales decreasing by 7.2 % year-on-year in the 2022 financial year.

At EUR 171 million, water revenues remained virtually flat versus the previous year's revenues of EUR 175 million.

An increase in revenues from EUR 381 million to EUR 430 million was recorded in the underground, tram, and bus services of the local public transport system.

At EUR 15 million, public pool revenues were significantly higher than the previous year's revenues of EUR 7 million. The previous year was affected by massive restrictions resulting from the Covid-19 pandemic.

In the highly competitive telecommunications market, SWM maintained its successful performance with revenues of EUR 267 million, which was nearly on par with the previous year's level of EUR 273.

Development of further significant items in the income statement
Other operating income increased by EUR 294 million year-on-year, to EUR 837 million. Settlement payments of EUR 263 million received from banks were the main driver of this uptrend. In addition, income from the reversal of provisions and exchange rate gains from foreign currency translation saw year-on-year increases of EUR 47 million and EUR 20 million, respectively. Movements in the opposite direction were recorded for income from write-ups on financial assets, which decreased by EUR 37 million, and asset disposal gains, which went down by EUR 17 million.

Cost of materials increased from EUR 6,788 million to EUR 8,727 million. Higher procurement prices were the main factor burdening cost of materials.

Personnel expenses increased from EUR 841 million to EUR 924 million. On a group-wide basis, the number of employees (excluding trainees, temporary, and seasonal workers) increased from an average of 10,418 to 10,647 in the fully consolidated companies. Furthermore, salary adjustments resulting from collective bargaining agreements contributed to driving up expenses.

Amortisation and depreciation on intangible assets and property, plant, and equipment amounted to EUR 641 million. Scheduled write-downs rose by EUR 71 million to EUR 600 million. Contrary to the previous year, unscheduled goodwill write-downs of EUR 41 million had to be posted in the 2022 financial year.

Other operating expenses went up from EUR 572 million to EUR 765 million. This increase was mainly due to higher expenses for variation margins and additions to provisions.

Tax expenses
Taxes increased from EUR 128 million to EUR 245 million. The income tax burden contained therein went up from EUR 108 million to EUR 224 million, mainly due to improvements in the earnings generated by the companies.

Profit
Profit before taxes amounted to EUR 528 million (previous year: EUR 229 million). Consolidated net income after tax and before profit and loss transfer came to EUR 282 million.

Operating result after adjustment for one-off effects amounted to EUR 455 million in the financial year under review, which corresponds to a year-on-year increase of EUR 195 million. EBITDA went up from EUR 789 million to EUR 1,055 million.

SWM's financial result stood at EUR 35 million in 2022, compared to EUR 42 million in the previous year. The EUR 7 million decrease in the company's financial result was, among other things, due to a EUR 91 million decrease in income from securities and loans held as financial assets compared to the previous year. Offsetting effects came from interest expenses, which declined from EUR 118 million to EUR 66 million, and income from associated companies, which improved by EUR 29 million to EUR 54 million.

Net assets
SWM's total assets increased by 8.9 % year-on-year, to EUR 13,360 million, in the year under review.

Assets
Property, plant, and equipment went up from EUR 7,051 million to EUR 7,163 million. This was mainly attributable to investments in the construction of buildings to be used in operations and company flats.

Financial investments went down from EUR 2,249 million to EUR 1,840 million. This was mainly due to a EUR 122 million reduction in securities held as financial assets and a decrease of EUR 170 million in shareholdings in associated companies.

Overall, fixed assets decreased by EUR 308 million to EUR 9,131 million.

Due to the contrasting increase in total assets, SWM's fixed asset intensity decreased from 76.9 % in the previous year to 68.3 %. The shareholders' equity in the balance sheet provides 64.7 % cover for the long-term assets tied up in the Group, up from 60.0 % in the previous year.

Overall, investments in property, plant, and equipment and intangible assets decreased from EUR 889 million to EUR 744 million.

Investments in property, plant, and equipment and intangible assets

in kEUR	2022	2021
Energy and Water	351,708	484,733
Mobility	226,923	214,725
Public Pools	2,736	1,935
Telecommunications	50,746	57,923
City of Munich Services	28,394	45,445
Central Services	83,116	84,687
	743,623	**889,448**

In Energy Networks, notable focal points of investment were the expansion of distribution installations and networks for energy and water supply, the refurbishment of transformer stations and building connections, as well as customer connections and meter procurement.

Investments in the Mobility segment focused on the acquisition of vehicles, especially new underground trains. Further investments concern the construction of the second tram depot including the accident repair shop and the modernisation of the Sendlinger Tor underground stop. In addition, investments were made in the procurement of new motor vehicles and in escalator replacement.

In Public Pools, investments mainly focused on the Olympic indoor swimming pool.

The bulk of investments in Telecommunications went into the continued expansion of fibre-optic networks.

Current assets increased from EUR 2,770 million to EUR 4,161 million. This upward trend was mainly due to an increase in other assets from EUR 724 million EUR 2,286 million. The increase in other assets mainly resulted from higher margin payments than

in the previous year. Offsetting effects came from a reporting-date-related decrease in trade accounts receivable from EUR 1,039 million to EUR 1,004 million and a EUR 185 million reduction in securities that was essentially due to redemptions.

Liabilities
As of 31 December 2022, shareholders' equity amounted to EUR 5,907 million. Including the equity shares contained in the special items for investment and income grants as well as in subsidies for construction costs, SWM's economic equity ratio decreased year-on-year to 46.3 %.

Provisions increased from EUR 2,580 million to EUR 2,981 million. Among other things, this increase was attributable to the fact that provisions for contingent losses went up by EUR 47 million and provisions for outstanding purchase invoices were EUR 85 million higher.

Liabilities increased from to EUR 3,561 million in the previous year to EUR 3,947 million, the key driver being a EUR 373 million increase in other liabilities, which mainly resulted from higher liabilities arising from variation margins.

Financial position

Cash flow
Cash flow from operating activities amounted to EUR 216 million. Starting from consolidated net income of EUR 282 million, the key driver of the positive cash flow was the non-cash balance of write-downs and write-ups on fixed assets of EUR 601 million.

Other major effects in the area of operating activities were attributable to an increase in inventories, trade accounts receivable, and other assets (EUR –1,507 million) on the one hand and an increase in trade accounts payable and other liabilities (EUR +422 million) on the other.

The significant year-on-year reduction in cash flow from operating activities was mainly due to cash-relevant changes in the area of trade accounts receivable.

Cash flow from investing activities amounted to EUR –262 million. Outflows for property, plant, and equipment (EUR 740 million) and intangible assets (EUR 4 million) primarily related to Generation, Energy Sales, Mobility, and Telecommunications. Investments in financial assets (EUR 23 million) mostly comprised shareholdings and loans. Capital repayments from shareholdings in associated companies and outflows of securities held as fixed assets had a positive effect on cash flow from investing activities.

Cash flow from financing activities amounted to EUR –87 million. Cash received from financial loans with a net amount of EUR 58 million and inflows into additional paid-in capital of EUR 49 million were mainly offset by the profit transfer of EUR 100 million for the previous year, the redemption of borrowings of EUR 75 million, and interest payments of EUR 44 million.

In addition, reference is made to the detailed consolidated cash flow statement.

Liquidity
The negative cash flow of EUR –132 million in conjunction with a EUR 10 million increase in cash and cash equivalents due to changes in the consolidation group resulted in a decrease in funds available at short notice from EUR 686 million to EUR 564 million.

SWM's ordinary operations result in price-change, interest-rate, and foreign-currency risks, which the Treasury Unit partially hedges with derivative financial instruments. To the extent possible, derivatives are shown as valuation units. In the financial year under review, SWM was able to meet its financial obligations at all times.

On the reporting date, SWM had credit lines totalling EUR 970 million, with Stadtwerke München GmbH accounting for EUR 756 million of this total. EUR 56 million thereof can be drawn as both cash loans or sureties and EUR 92 million as sureties only. On the reporting date, EUR 19 million of this total were drawn as sureties only and EUR 2 million as credit lines that can be used as both cash loans and sureties. Credit lines of EUR 10 million revolve annually, while credit lines with total volumes of EUR 90 million and EUR 500 million have maturities until 31 December 2024 and April 2026, respectively.

Target/actual comparison

Financial performance indicators
To ensure correct presentation of the operating business, SWM uses operating earnings (EBIT) adjusted for one-off effects for steering purposes. This approach involves adjustments for expenses and income that are non-recurrent (e.g. unscheduled impairments), attributable to other periods, and outside of SWM's control to ensure presentation of the result of operations in a manner that can be compared over time. Adjusted EBIT amounted to EUR 455 million in the financial year under review.

Revenues exceeded expectations in 2022, both in total and in all energy segments, which was mostly attributable to higher electricity and gas prices. Thanks to these significant revenue increases, EBIT likewise exceeded expectations. Due to the higher operating profit (EBIT) and a much-improved neutral income, which was, among other things, caused by settlement payments from banks, net profit after tax was above budget.

Non-financial performance indicators
SWM's performance is not only reflected in economic indicators, but also influenced by other factors. Indicators such as the trend in electricity generation from renewable energies and the number of employees play an important role for the company's future development.

On average, the Group employed 11,468 staff members in the fully consolidated companies during the 2022 financial year (previous year: 11,193). This figure can be subdivided into 10,647 employees (previous year: 10,418), 462 trainees (previous year: 454), 317 temporary staff (previous year: 290), and 42 seasonal workers (previous year: 31). The increase was in line with expectations.

At the proportionately consolidated companies, 474 staff members were employed (previous year: 466). This figure can be subdivided into 435 employees (previous year: 425), 22 trainees (previous year: 20), and 17 temporary staff and seasonal workers (previous year: 21). Such a development had been expected.

The electricity generation capacity of Stadtwerke München GmbH from plants using renewable energies increased to 5,613 gigawatt-hours (previous year: 4,918 gigawatt-hours). The main reasons behind this increase were higher wind yields of the offshore shareholdings, the completion of the last two construction projects in the Midgard wind park portfolio in late 2021, as well as full-year energy generation at the Roan wind park that had been acquired during the previous year.

Overall statement
After consideration of the one-off effects recorded in 2022, especially developments in the electricity and gas markets, operating profit (EBIT) after adjustment for one-offs, net income, electricity generation from renewable energies, and the number of employees exceeded expectations. The electricity volume generated in plants using renewable energies was successfully increased further, and net income was clearly positive.

3. Forecast, Risk, and Opportunity Report

Forecast report

In its 2022 autumn report, the Joint Economic Forecast Project Group assumes that soaring gas prices and the associated increase in consumer prices will lead to a reduction in the purchasing power of private households, which might have a negative impact on economic performance. Accordingly, very high inflation rates are expected to persist during 2023, with a return to normal being anticipated only in 2024. Against this background, the Project Group forecasts a 0.4 % contraction of Germany's gross domestic product (GDP) in 2023.

As of the reporting date, SWM took the energy price assumptions for all plan years and the new statutory regulations or their drafts into account in the assumptions on which its plans for 2023 are based. After their increase, energy prices will remain at an elevated level in the year that follows. Overall, SWM anticipates price-induced revenue gains, which will essentially be attributable to rising revenues in the energy segments. Revenue gains in the double-digit percentage range are expected in the electricity, gas, and district heating segments. Assuming normal weather conditions in conjunction with unchanged customer behaviour, sales volumes in the end customer business are expected to remain stable.

On this basis and from its current vantage point, SWM envisages the 2023 EBIT adjusted for one-off effects to exceed the mark of EUR 200 million. Net profit after tax is expected to be clearly in positive territory. Despite the rising operating costs required for maintaining its performance capabilities and the continuous expansion of its services in the Mobility segment, SWM expects EBIT to remain stable in subsequent periods.

For 2023, SWM's plans provide for an average number of employees in fully consolidated companies that exceeds the previous year's level. Electricity generation from renewable energies will presumably be higher than in the previous year.

Given Russia's war of aggression, the forecast for the 2023 financial year is subject to higher uncertainties as the future impact cannot yet be foreseen at the current juncture.

Risk report

Risk management system
The objective of risk management at SWM is to ensure the company's long-term success by continuously monitoring and controlling significant risks.

Risk Controlling submits reports twice a year to the Risk Committee and Management Board within the framework of systematic risk inventories. For key energy and financial market risks, the limits, positions, profits, and losses are monitored daily in the respective IT systems. In addition, there are specific channels for submitting detailed reports to Specialist Risk Committees.

Treasury and Energy Trading use only products that have been approved by the Risk Committees. Details of the transactions carried out and hedged in the financial markets and energy trading in 2022 as well as the derivatives and valuation units used are explained in the Notes.

Relevant credit risks are assumed only after a credit quality analysis and are managed based on limits and framework agreements.

Risk position
SWM's management has analysed the consequences of Russia's war of aggression, the associated volatile and rising energy prices, and the impact of these factors on the company's risk exposures. Economic uncertainties particularly affect credit risks and the energy and financial markets. SWM is continuously monitoring the developments and announcements of the national authorities and takes the measures required where necessary.

Economic risks
Economic risks in 2023 are mainly associated with higher energy prices and the associated repercussions on industry and private consumption. If energy prices remain very high, negative impacts on economic performance cannot be ruled out, despite the introduction of electricity and gas price caps. The pandemic has primarily affected service providers and private consumption, but also international trade. Should a further comprehensive lockdown become necessary in major economies, a renewed downturn of international economic activity and the risk of a steep increase in insolvency numbers would have to be expected. In addition, the economy might be affected in the event of restrictions of physical energy deliveries.

Energy market risks
Developments in the energy markets have a strong impact on the results of operations at SWM. This may be reflected in both operating results from current business and the valuation of future transactions, e. g. in the assessment of asset values and the calculation of provisions for contingent losses. In its trading activities, SWM therefore pursues the objective of identifying and evaluating market price and weather risks resulting from the production, generation, and sale of electricity, gas, district heating, and public transport and proactively hedging these risks in the energy markets at the group level in accordance with a predefined strategy. Market price risks resulting from SWM's stakes in oil and gas fields are hedged at the subsidiary level.

Depending on the future development of the pandemic, Russia's war of aggression, and trends in the energy markets, elevated energy market risks exist; in particular, such risks may arise from the resultant market price developments and the associated valuation of assets and debts. Furthermore, there is the risk that positions in the market cannot be closed at all or only with comparably high mark-ups or mark-downs. Transactions may be possible only on exchanges, so price fluctuations might lead to high margin payments and, by extension, high liquidity requirements. Given the significant rise in energy prices, supplier defaults would lead to high replacement costs. The dismantling of the "Isar 2" joint power station involves cost risks for which the plant's owners, PreussenElektra GmbH and SWM, are liable. The dismantling costs expected at the current juncture are fully covered by the associated provisions.

Financial risks
Volatile equity prices, interest rates, and exchange rates, e. g. due to political uncertainties, can negatively impact SWM's results. In addition, they are reflected in the valuation of assets and liabilities. SWM's Treasury Unit aims at centrally pooling the financing, investment, and foreign currency risks. The investment policy is based on diversified and, hence, risk-reducing asset allocation. The use of derivatives serves the purpose of mitigating risks associated with the underlying transactions and stabilising cash flows. As long as the uncertainties resulting from Russia's war of aggression against Ukraine and the consequences of the Covid-19 pandemic persist, elevated financial risks continue to exist due to significantly more volatile markets and the associated valuation of assets.

Thanks to its good liquidity and the credit lines available, SWM has been able to completely cover its financial requirements at all times and continues to classify liquidity risks as very small.

Political and regulatory risks
Political guidelines at the European, national, and municipal levels are relevant for SWM in all areas. They may lead to cost increases in Networks and Generation due to more stringent requirements. In addition, there is the risk of further interventions in the energy markets aimed at financing the impact of higher energy prices and the government's ensuing relief measures. Changes in the tax framework may also have a negative impact on SWM.

Changes in the framework conditions, e. g. in the area of state investment subsidisation for the increasingly significant refurbishment of transport facilities, may lead to unforeseeable difficulties in the financing of public sector transport. The impact of digitalisation and the discussions about changes in pertinent legal framework conditions, especially the German Passenger Transportation Act (Personenbeförderungsgesetz; PBefG), must be influenced proactively to the extent possible. According to the current assessment, there is not least a considerable risk that the service range expansion required for the mobility transition may prove impossible to implement for economic reasons.

SWM counters these risks through transparency and a proactive information policy in the relevant associations and vis-à-vis decision-makers.

Legal and compliance risks
SWM's operating activities involve legal risks arising from contractual relations with customers and other business partners. In addition, authorities and courts may intervene in pricing. The requirements of the German Energy Industry Act (Energiewirtschaftsgesetz; EnWG) and the associated ordinances along with regulatory authorities' activities may have a negative financial impact. Authorisation procedures for technical installations may give rise to legal risks that have a negative economic effect on operations.

In addition, there are compliance risks, e. g. in the areas of corruption, antitrust law, and data protection. These risks are addressed with prevention measures such as training workshops and internal policies that are coordinated on a group-wide basis.

Operational and technical risks
SWM constructs plants for generating and distributing energy and water. The technological complexity of these plants involves technological and time-related risks as well as cost and authorisation risks. Due to the persistent repercussions of the Covid-19 pandemic, there is an elevated risk of resource bottlenecks and time delays, e.g. due to lack or illness of skilled employees, which may lead to higher costs. Furthermore, there are technical risks in the areas of the transport infrastructure and transport supplies. The risks of existing plants are minimised through regular maintenance, high safety standards, emergency plans, and many other quality assurance measures and independent audits.

In addition, the situation currently prevailing in the energy market gives rise to the risk that procured gas or coal volumes cannot even be delivered physically, making it impossible to guarantee supply reliability for our electricity, gas, and district heating customers.

Participating interests in renewable energies involve risks arising from new technologies and realisation concepts. SWM counters these risks by choosing its locations carefully, carrying out due diligence checks, using leading technologies, commissioning experts, and maintaining a diversified portfolio. In the realisation and operation phase, risks are managed through close monitoring or representation on the management teams of the respective participations.

Gas production bears technical risks that are reduced by collaborating with experienced companies and maintaining a diversified portfolio. Technological and project-specific risks can be controlled, but not eliminated. For risk diversification purposes, SWM therefore cooperates with Centrica plc, Windsor (United Kingdom), in gas production via the Spirit Energy joint venture. In 2021, initial steps were taken towards a reduction in Spirit Energy's portfolio, so Spirit Energy's activities will essentially be limited to the UK and Dutch business that is focused on natural gas and the associated risk in the future.

Sales and procurement risks
In all business units of SWM, there is a risk of external influences triggering a decline in revenues. Specifically, the sale of district heating and natural gas depends on the temperatures prevailing in the winter months. On the other hand, the procurement of materials, services, and supplies may be disrupted by external factors, resulting in cost increases as well as delivery delays and failures. As long as the Covid-19 pandemic has not been overcome and the energy markets remain as volatile as they are now, elevated sales and procurement risks will continue to exist, which may be reflected in decreasing revenues and rising expenses.

Personnel risks
SWM is seeing signs of a tightening labour market for technical and commercial professions as well as specialist functions in spite of the stream of people moving to the Munich area. SWM is proactively addressing these challenges with new forms of recruiting and employer marketing. Target-group-specific candidate attraction and retention along with targeted talent management aim to ensure the staffing of specialist and managerial positions.

IT and information security risks
As an operator of critical infrastructure, SWM faces the risk of becoming the target of deliberate attacks on information security. SWM applies technological, physical, and organisational measures to counter potential threats that might affect confidentiality, integrity, or availability of information. Critical information systems, including the information and communications infrastructure components supporting them, are based on redundant design. In addition, SWM has implemented a systematic disruption and emergency management system based on pertinent industry standards.

The high complexity and interdependence of IT systems give rise to the risk of an inability to comply with envisaged solution times in the event of disruptions. This risk is countered with organisational measures.

Overall assessment
No risks that might pose a potential threat to the continued existence of SWM as an ongoing concern arose in 2022, and none have been identified for 2023. Elevated risks will continue to exist as long as the uncertainties arising from Russia's war of aggression against Ukraine and the not-yet-overcome Covid-19 pandemic persist.

Opportunity report

The goal of the group strategy is to make progress towards SWM's vision of "Munich as a shining example of a networked city with a high quality of life" and to steer SWM's business development in this direction. Its implementation aims at securing long-term economic success.

Its leadership in the city of Munich and the population growth throughout the Munich metropolitan region give SWM an excellent starting position for retaining and expanding its business with residential and business customers. The people moving to Munich continue to provide opportunities for the acquisition of new customers. SWM is also a strong brand in the surrounding metropolitan region, so efforts to attract new customers there will continue to be promising in the future. Further opportunities exist with respect to the retention of existing customers that move from the city of Munich to the region. Furthermore, online channels offer good opportunities to expand the acquisition of further residential and business customers on a nation-wide level. Thanks to Munich's dynamic urban development, SWM can continue to pursue the expansion of its district heating and district cooling offers. The gas crisis triggered by Russia's war of aggression and the requirements of the heating transition are creating market opportunities in the development of eco-friendly utility services for housing developments and neighbourhoods. A further focus area supplementing district heating and district cooling is the supply via heat pumps and local heating networks.

High demand for district cooling will facilitate the construction of new cooling generation plants; the current sites of SWM are suitable locations for such projects. SWM's resource-saving district heating and district cooling products are continuously gaining relevance, especially in newly constructed buildings and refurbishment measures in Munich's densely populated downtown area.

To seize the opportunities arising from the energy transition, SWM will drive forward its renewable energies expansion campaign, both regionally and in Europe, and continue to bank on economically viable projects. The expansion of renewable energies not only contributes to climate protection but can also help achieve greater independence from fossil fuels and their suppliers.

The trend towards decentralisation of the energy supply offers considerable growth potential. This is the reason why SWM is significantly expanding its product and service range in the area of decentralised energy solutions (e.g. photovoltaic plants and storage systems). To supplement its M-Solar Plus photovoltaic offer for homeowners, SWM is expanding its electricity portfolio for tenants by cooperating with various housing companies for this purpose. In addition, SWM is developing M-Wärme Plus, a comprehensive heat pump package that includes on-site energy counselling, grant application services, heat pump installation, and electricity generation. In the growing electromobility market, SWM plans to continue to seize the resulting opportunities by offering differentiated charging solutions to all customer segments and charging facilities in private and semi-public spaces.

Increasing awareness of climate and environmental protection issues is benefiting local public transport as a resource-efficient mobility alternative. As far as economically possible, MVG will continue to noticeably expand its range of services as part of a proactive services campaign to meet the increase in demand that is expected in the long term. With add-on products such as the MVG Rad bicycle-rental service or car-sharing options that aim to interlink environmentally benign means of transport, MGV plays its part as multimodal mobility service provider for Munich.

The use of ecological fuels in local public transport and the electrification of the bus and passenger car fleets as well as the bus depots has already begun and will – to the extent to which this is operationally feasible – be implemented within the framework of the renewable energies expansion campaign.

Digitalisation and growing demand for future-proof telecommunications solutions create opportunities for SWM to maintain its competitive edge through further expansion of the fibre-optic infrastructure along with continuous adjustment of the product portfolio in the prevailing market environment.

Since 2004, Munich's population has increased by over 20 % to significantly more than 1.5 million, and it continued to increase slightly in 2022. Once the Covid-19 pandemic is over, SWM will have the opportunity to grow along with the ever-expanding Munich metropolitan region by offering its utility services and infrastructure solutions.

Munich, 23 March 2023

Stadtwerke München GmbH

Dr Florian Bieberbach
Chief Executive Officer

Werner Albrecht
Director, Real Estate and Public Pools

Ingo Wortmann
Director, Mobility

Helge-Uve Braun
Director, Technology

Consolidated Financial Statements

Consolidated Balance Sheet

in kEUR	Notes	31 Dec. 2022	31 Dec. 2021
Assets			
Non-current assets	1		
Intangible assets		127,284	138,539
Property, plant, and equipment		7,163,475	7,050,807
Financial assets		1,839,972	2,249,291
		9,130,731	**9,438,637**
Current assets			
Inventories	2	269,430	290,860
Receivables and other assets	3	3,327,316	1,793,132
Securities	4	26,137	211,594
Cash in banks	5	538,183	474,680
		4,161,066	**2,770,266**
Prepayments and accrued income	6	**68,218**	**55,656**
Positive difference of plan assets over pension liabilities	7	**99**	**2,025**
		13,360,114	**12,266,584**

Equity and liabilities			
Shareholders' equity	8		
Subscribed capital		485,000	485,000
Additional paid-in capital		5,700,946	5,651,665
Retained earnings		–537,861	–664,681
Non-controlling interests		259,104	190,145
		5,907,189	**5,662,129**
Difference arising from capital consolidation		**9,507**	**0**
Special item for investment grants	9	**91,735**	**82,372**
Income grants received	10	**117,823**	**111,861**
Provisions and accruals	11	**2,981,053**	**2,579,659**
Liabilities	12	**3,947,453**	**3,560,933**
Deferred income	13	**233,817**	**221,167**
Deferred tax liabilities	14	**71,537**	**48,463**
		13,360,114	**12,266,584**

Consolidated Income Statement

in kEUR	Notes	2022	2021
Revenues		10,838,130	8,512,679
Electricity tax		–92,873	–98,540
Energy tax		–115,856	–117,597
Revenues, excluding electricity and energy tax	15	**10,629,401**	**8,296,542**
Increase or reduction in inventories of finished goods or work-in-progress		3,185	–2,343
Other capitalised own work		79,296	79,373
Other operating income	16	837,492	542,716
Cost of materials	17	8,726,757	6,788,137
Personnel expenses	18	924,461	841,077
Depreciation and amortisation	19	640,681	528,753
Other expenses	20	764,711	571,890
Financial result	21	35,359	42,100
Income tax	22	224,380	108,005
Net income		**303,743**	**120,526**
Other taxes	22	21,118	19,981
Equalisation payment to non-controlling interests		956	1,123
Consolidated net income before profit transfer		**281,669**	**99,422**
Profit transferred as a result of a profit transfer agreement	23	74,082	111,714
Consolidated net profit (previous year: loss)		**207,587**	**–12,292**
Profit (previous year: loss) attributable to non-controlling interests		–8,994	27,757
Consolidated profit		**198,593**	**15,465**
Payment into retained earnings		–198,593	–15,465
Consolidated cumulative profit/loss		**0**	**0**

Consolidated Cash Flow Statement

	in kEUR	2022	2021
	Consolidated net income (before profit transfer and including profit/loss attributable to non-controlling interests)	281,669	99,422
+/–	Depreciation netted with write-ups for fixed assets	601,163	471,311
+/–	Increase/decrease in provisions	285,155	368,805
+/–	Other non-cash-effective expenses/income	9,650	72,449
–/+	Increase/decrease in inventories, trade accounts receivable, as well as other assets not classified as investing or financing activities	–1,507,146	–566,891
+/–	Increase/decrease in trade accounts payable and other liabilities not classified as investing or financing activities	422,405	754,601
–/+	Profits/losses from the disposal of fixed assets	25,615	–13,791
+/–	Interest expenses/income	41,813	2,364
–	Other income from equity investments	–32,521	–30,225
+/–	Income tax expenses/credits	224,380	108,005
–/+	Income tax payments	–135,704	–98,914
	Cash flow from operating activities	**216,479**	**1,167,136**
+	Inflows from disposals of property, plant, and equipment	5,840	23,304
–	Outflows for investments in property, plant, and equipment	–739,848	–879,344
+	Inflows from disposals of intangible assets	1,456	240
–	Outflows for investments in intangible assets	–3,775	–10,104
+	Inflows from disposals of financial assets	448,826	100,754
–	Outflows for investments in financial assets	–22,952	–219,168
+	Interest received	16,291	108,254
+	Dividends received	32,521	30,225
	Cash flow from investing activities	**–261,641**	**–845,839**
+	Inflows from additions to shareholders' equity	49,281	59,448
+	Inflows from net borrowings	58,331	96,944
–	Outflows for the redemption of borrowings	–74,648	–388,651
+	Inflows from grants received	30,517	31,540
–	Interest paid	–43,774	–67,677
–	Outflows to shareholders of the parent company	–100,000	–4,955
+/–	Contributions from/payments to other shareholders	–6,588	–1,574
	Cash flow from financing activities	**–86,881**	**–274,925**
Net change in cash and cash equivalents		**–132,043**	**46,372**
Changes in cash and cash equivalents due to consolidation group		10,089	19,117
Cash and cash equivalents at the start of the period		686,274	620,785
Cash and cash equivalents at the end of the period		**564,320**	**686,274**

Breakdown of cash and cash equivalents

in kEUR	2022	2021
Liquid assets	538,183	474,680
Securities held as current assets	26,137	211,594
	564,320	**686,274**

Schedule of Consolidated Shareholders' Equity

	Parent company					
in kEUR	Subscribed capital	Additional paid-in capital	Retained earnings	Share-holders' equity currency translation differences	Cumulative loss/profit	Share-holders' equity
As of 1 Jan. 2021	**485,000**	**5,580,503**	**–664,400**	**–47,586**	**0**	**5,353,517**
Consolidated result before profit transfer					127,179	127,179
Profit transfer					–111,714	–111,714
Consolidated net loss/ net income					15,465	15,465
Payment into addi-tional paid-in capital		71,162				45,591
Transfer of cumulative profit			15,465		–15,465	0
Currency translation differences				31,840		31,840
Changes in the consolidation group						0
Other changes in non-controlling interests						0
As of 31 Dec. 2021	**485,000**	**5,651,665**	**–648,935**	**–15,746**	**0**	**5,471,984**
Consolidated result before profit transfer					272,675	272,675
Profit transfer					–74,082	–74,082
Consolidated net income/net loss					198,593	198,593
Payment into additional paid-in capital		49,281				49,281
Transfer of cumulative profit			198,593		–198,593	0
Currency translation differences				–21,308		–21,308
Other changes			–50,258	–207		–50,465
Changes in the consolidation group						0
Other changes in non-controlling interests						0
As of 31 Dec. 2022	**485,000**	**5,700,946**	**–500,600**	**–37,261**	**0**	**5,648,085**

Non-controlling interests				Consolidated shareholders' equity
Non-controlling interests before shareholders' equity currency translation differences and net income	Shareholders' equity currency translation differences allocable to non-controlling interests	Profit allocable to non-controlling interests	Total	
189,362	**790**	**–42,663**	**147,489**	**5,501,006**
		–27,757	–27,757	99,422
			0	–111,714
		–27,757	–27,757	–12,292
			0	71,162
			0	0
	0		0	31,840
71,987			71,987	71,987
–44,237		42,663	–1,574	–1,574
217,112	**790**	**–27,757**	**190,145**	**5,662,129**
		8,994	8,994	281,669
			0	–74,082
		8,994	8,994	207,587
			0	49,281
			0	0
	0		0	–21,308
50,258	207		50,465	0
16,088			16,088	16,088
–34,345		27,757	–6,588	–6,588
249,113	**997**	**8,994**	**259,104**	**5,907,189**

Notes

General information

Stadtwerke München GmbH (the parent company) is headquartered in Munich and registered in the Commercial Register of the Munich Local Court (HRB 121920).

The consolidated financial statements for the 2022 financial year have been prepared in accordance with the German Commercial Code (Handelsgesetzbuch; HGB) and the supplementary provisions of the German Limited Liability Companies Act (GmbH Gesetz) and in compliance with the German Accounting Standards (Deutsche Rechnungslegungs Standards; DRS) published by the Accounting Standards Committee of Germany (Deutsches Rechnungslegungs Standards Committee e. V.; DRSC). Due consideration has also been given to the requirements of the German Energy Industry Act (Energiewirtschaftsgesetz; EnWG).

The structure of the consolidated financial statements has been extended to include utility and transportation-specific items.

Items in the consolidated balance sheet and the consolidated income statement have been aggregated to provide clarity and better information; these items are shown separately in the notes to the financial statements.

The nature of expense method has been used to prepare the income statement.

Consolidation Group

In its capacity as parent company, Stadtwerke München GmbH prepares its consolidated financial statements in accordance with Sections 290 et seq. HGB. Pursuant to Section 313 (2) HGB, a breakdown of the shareholdings of Stadtwerke München GmbH Group showing the companies included in the consolidated financial statements has been enclosed with the notes to the financial statements.

In addition to Stadtwerke München GmbH, in its capacity as parent company, the consolidated financial statements on the reporting date comprise the financial statements of 35 (previous year: 33) fully consolidated subsidiaries in which Stadtwerke München GmbH directly or indirectly holds a majority of voting rights.

As of 1 January 2022, the SWM Wind Havelland Holding GmbH & Co. KG subgroup (SWM Wind Havelland) with one major subsidiary was fully consolidated for the first time. In accordance with Section 296 (2) HGB, it had not been included in the consolidated financial statements in the previous year.

On the reporting date, four (previous year: four) companies were proportionately consolidated in accordance with Section 310 HGB.

In addition, five (previous year: four) participations in associated companies have been included in the consolidated financial statements at equity in accordance with Sections 311 and 312 HGB, because included companies have a major impact on their business and financial policies.

A total of 18 (previous year: 20) affiliated companies without operations or with only minor business volumes are not included in the consolidated financial statements in accordance with Section 296 (2) HGB. Further equity participations which, from the point of view of the Group, are of minor significance for providing a true and fair view of the net assets, financial position, and results of operations are shown as financial investments in the consolidated balance sheet.

SWM Services GmbH, a subsidiary and simultaneously the parent company of M-net Telekommunikations GmbH (M-net), is included in the consolidated financial statements of Stadtwerke München GmbH (HRB 121920) and is accordingly not required to prepare separate (subgroup) consolidated financial statements in accordance with Section 291 (1) and (2) HGB.

SWM Gasbeteiligungs GmbH, a subsidiary and simultaneously the parent company of SWM Bayerische E&P Beteiligungsgesellschaft mbH and Bayerngas GmbH, is included in the consolidated financial statements of Stadtwerke München GmbH (HRB 121920) and is accordingly not required to prepare separate (subgroup) consolidated financial statements in accordance with Section 291 (1) and (2) HGB.

SWM Erneuerbare Energien Norwegen GmbH, a subsidiary and simultaneously the parent company of Midgard Vind Holding AS, is included in the consolidated financial statements of Stadtwerke München GmbH (HRB 121920) and is accordingly not required to prepare separate (subgroup) consolidated financial statements in accordance with Section 291 (1) and (2) HGB.

SWM Erneuerbare Energien Skandinavien GmbH & Co. KG, a subsidiary and simultaneously the parent company of Austri Raskiftet DA and Austri Kjølberget DA, is included in the consolidated financial statements of Stadtwerke München GmbH (HRB 121920) and is accordingly not required to prepare separate (subgroup) consolidated financial statements in accordance with Section 291 (1) and (2) HGB.

Consolidation principles

The consolidated financial statements and the annual financial statements of the companies included have been prepared as of the reporting date of the annual financial statements of the parent company (31 December 2022).

The annual financial statements of the companies included in the consolidated financial statements have been prepared in accordance with uniform accounting policies, taking account of the specific requirements applicable to the sector. The company also implemented any further adjustments to standard Group accounting and valuation that were required. The same consolidation principles are applicable on a pro-rata basis to those companies included proportionally in the consolidated financial statements.

Participations in associated companies are shown as a separate item in the consolidated balance sheet. As a basic principle, the associated companies use the harmonised accounting and valuation methods throughout the Group. The subgroup financial statements of the associated companies wpd europe GmbH and Spirit Energy Limited and the annual financial statement of Aneo Roan Vind Holding AS apply valuation methods that differ from those applied in the consolidated financial statements.

Capital consolidation
For companies initially included before 1 January 2010, capital has been consolidated by means of the carrying amount method by netting the carrying amounts of first-time investments with the proportionate shareholders' equity of the respective subsidiaries and joint ventures at the time when they were acquired or initially included.

For companies initially included or transferred to full consolidation after 1 January 2010, capital has been consolidated by means of the revaluation method by netting the shareholdings' book values with the proportionate revalued shareholders' equity allocable to the parent company in accordance with Section 301 HGB.

Goodwill and negative difference attributable to initial consolidation
The positive differences arising in capital consolidation in previous years were recognised as goodwill and are, as a basic principle, amortised in scheduled amounts over periods of five to 16 years using the straight-line method.

The negative difference resulting from the first-time consolidation of SWM Wind Havelland will, in line with the remaining life of the wind park, be amortised over a period of four years using the straight-line method.

Non-controlling interests
Minority interests in consolidated net income are allocated to the non-controlling interests within shareholders' equity.

Debt consolidation
Inter-company receivables, liabilities, provisions, and accrued and deferred items are offset or eliminated (Section 303 HGB).

Internal expenses and income
Internal income and expenses between the consolidated companies were netted (Section 305 (1) HGB). Inter-company profit and loss transfers in the financial year under review were also eliminated.

Treatment of inter-company results
Inter-company results attributable to internal supplies, deliveries, and services were eliminated unless they are of minor significance (Section 304 (2) HGB).

Foreign currency translations
The balance-sheet items of subsidiaries' financial statements denominated in foreign currencies were translated into EUR at the average spot exchange rate as of the reporting date or, in the case of the "shareholders' equity" item, at the historical exchange rate. Income statement items are, as a basic principle, translated at average exchange rates. Any differences arising from the translation of the balance sheets due to the translation of the "shareholders' equity" item at historical exchange rates and the "net income" item at average exchange rates are, as a basic principle, recognised in shareholders' equity with no effect on the income statement.

Accounting policies

Non-current assets
Intangible assets acquired for a monetary consideration are shown at cost and amortised using the straight-line method over the economic life of the assets. Impairments are recognised if they are considered to be of a permanent nature.

Goodwill resulting from capital consolidation is, as a basic principle, amortised in scheduled amounts over periods between five and 16 years using the straight-line method. Impairments are recognised if they are considered to be of a permanent nature.

Property, plant, and equipment are recognised at cost of purchase or production, without consideration of borrowing interest, less scheduled depreciation and unscheduled impairments. The capitalised own work contained therein comprises cost of labour, cost of materials, machine output and haulage, and appropriate portions of overheads.

Scheduled depreciation is applied primarily on a straight-line basis using normal useful operating lives. Assets acquired during the course of the year are subject to pro-rata-temporis depreciation. In the case of existing declining balance depreciation, the method used is changed to the straight-line method as soon as such a change results in higher levels of depreciation.

From 2010 through 2020, public capital grants received were deducted from the asset balance if the company in question was both the recipient of the subsidy and the owner of the asset. Prior to 2010 and since 2021, new investment grants were and have been recognised as a special item. Where the recipient of the subsidy is not the owner of the asset at the same time, public capital grants are recognised as deferred income and written off using the straight-line method.

Costs of purchase or production of independently usable depreciable movable non-current assets are immediately expensed in the year of acquisition if their costs of purchase or production, adjusted for input VAT, do not exceed EUR 800.00 (previous limit applicable from 2018 to 2021: EUR 250.00).

Under financial assets, equity investments are recognised at cost and lendings are posted at their nominal value. If the impairment is permanent, they are written down to the lower fair value as of the reporting date. If the reasons leading to lower valuation no longer apply on the reporting date, a write-up to a level not exceeding the carrying amount is posted.

Current assets
Raw materials and supplies including nuclear fuel rods, unfinished products and services, finished products and goods, and advance payments made on inventories are consistently recognised at the lower of market value or cost. Reasonable valuation adjustments are applied to inventory risks resulting from storage duration and diminished marketability. Valuation adjustments applied to nuclear fuel rods are calculated in line with consumption and in line with the useful economic life of the reactor.

Receivables and other assets are shown at nominal value less any impairments reflecting actual default risk.

Receivables due to affiliated companies are netted with liabilities due from affiliated companies if a netting situation pursuant to Section 387 of the German Civil Code (BGB) exists.

In individual Group companies, no current meter data is available for some of the customers at the reporting date due to the rolling annual meter reading approach used. This makes it necessary to calculate annual consumption accruals at the reporting date on the basis of current prices and an assumed consumption behaviour. The relevant receivables were extrapolated as of 31 December 2022 and recognised after netting with advance payments received from customers.

The securities included among current assets are consistently recognised at the lower of cost or market value.

Loans with a term of less than one year that have been extended to affiliated companies and companies in which participating interests are held are reported under accounts due from affiliated companies and accounts due from companies in which participating interests are held. For terms between one and four years, reporting is based on the company's intention to hold the loans in question. Loans with terms of at least four years are reported under financial assets.

Cash at banks is recognised at nominal value.

Prepayments and accrued income
Prepayments and accrued income include expenditures realised before the reporting date to the extent that they comprise expenditure for a particular time after this date.

Positive difference of plan assets over pension liabilities
At various Group companies, reinsurance policies exist for pension liabilities or comparable obligations due over a long-term horizon, which are excluded from all other creditors' recourse and serve exclusively to satisfy these obligations. For semi-retirement obligations, various companies have transferred assets serving exclusively to satisfy these obligations and excluded from all other creditors' recourse (which are both cover assets within the meaning of Section 246 (2) sentence 2 HGB) to a trustee. The relevant assets comprise securities and credit balances in current accounts and are recognised at their fair value, as stipulated in Section 253 (1) sentence 4 HGB. Accordingly, the liabilities are netted with the fair value of the cover assets as stipulated in Section 246 (2) sentence 2 HGB. If the fair value of the cover assets exceeds the liabilities, the overfunding is capitalised in a separate item, "positive difference of plan assets over pension liabilities", pursuant to Section 246 (2) sentence 3 HGB in conjunction with Section 266 (2) HGB.

Shareholders' equity
The subscribed capital is recognised at nominal value.

Special item
Capital grants in relation to fixed assets received before 2010 and newly received capital grants in relation to fixed assets since 2021 are shown as a special item for investment grants.

They are shown at their nominal value less the proportionate reversal recognised in the income statement, with due consideration being given to the useful economic life of the asset. The capital grants received in the period from 2010 through 2020 were deducted from assets.

Income grants received
Construction cost grants received for electricity and gas grids from 2016 and 2017 onwards, respectively, are shown in this item. They are released concurrently to the write-down of the assets for which the grants were paid.

Construction cost grants received up until 2002 are also shown under this item and are released in annual instalments of 5 %, or 2.5 % in the last year.

Provisions
Pursuant to Section 253 (1) sentence 2 HGB, provisions are recognised at the amount required for settlement according to prudent commercial judgement. Provisions with residual terms of more than one year are, as stipulated in Section 253 (2) HGB, discounted using the maturity-matched average market interest rates for the past seven financial years as published by Deutsche Bundesbank in accordance with to the German Regulation on the Discounting of Provisions (Rückstellungsabzinsungsverordnung; RückAbzinsV).

Actuarial expert opinions applying Prof Dr Klaus Heubeck's 2018 G guideline tables have been obtained for all pension provisions as well as provisions for anniversary bonuses and benefit payments.

The calculation of pension provisions is based on the parameters set forth below:

	Civil servants and salaried employees	Employees not covered by collective wage agreements
Actuarial calculation method	**Net present value method**	**Projected unit credit method**
Interest rate in accordance with the RückAbzinsV for the past 10 years in %		
2022	**1.79**	**1.79**
Previous year (2021)	(1.87)	(1.87)
Interest rate in accordance with the RückAbzinsV for the past 7 years in %		
2022	**1.45**	**1.45**
Previous year (2021)	(1.35)	(1.35)
Salary and benefits growth in %		
2023	6.00	–
2024	6.00	–
From 2025	2.00	–
Previous year (2021)	(1.80–2.80)	–
Career trend in %		
2022	**0.50**	–
Previous year (2021)	(0.50)	–
Pension growth in %		
2023	6.00	2.00
2024	6.00	2.00
From 2025	2.00	2.00
Previous year (2021)	(1.80–2.80)	(1.50)
Difference of plan assets over pension liabilities pursuant to Section 253 (6) HGB in kEUR	**29,306**	**109**

Pursuant to the procedure stipulated in the German Regulation on the Discounting of Provisions (RückAbzinsV), the actuarial interest rate under commercial law is derived from an average residual term of 15 years. In accordance with Section 253 (2) HGB, the actuarial interest rate for the valuation of pension liabilities is based on the average market interest rate for the past ten years.

In a letter dated 23 December 2016, the German Federal Ministry of Finance published its statement on the effect of Section 253 HGB (new version) on the recognition of single entities deemed to exist for tax purposes. As a single entity is deemed to exist for tax purposes, the difference pursuant to Section 253 (6) HGB is not barred from transfer to the shareholder.

In accounting, pension liabilities due to employees not covered by collective wage agreements that are determined solely by the fair value of a reinsurance policy must be treated like pension commitments that are linked to securities. This means that pension commitments covered by benefits-congruent reinsurance policies are also valued in accordance with Section 253 (1) sentence 3 HGB, even though the claims arising from a reinsurance policy formally do not constitute securities held as fixed assets within the meaning of Section 266 (2) A. III. 5 HGB. A reinsurance policy can be classified as benefits-congruent when both the amounts and the timing of payments made under such policy are identical to the payments made to the beneficiaries entitled to pension payments (cf. the IDW RS HFA 30 standard promulgated by the Institute of Public Auditors in Germany, new version, marginal No. 74). As of 31 December 2022, the regulations of the IDW RH FAB 1.021 standard were also taken into account for the first time. This has not resulted in any revaluations.

Reinsurance policies exist for pension liabilities due to employees not covered by collective wage agreements in the core companies. These policies are recognised at fair value pursuant to Section 253 (1) sentence 4 HGB, with some of them being pledged to the retired employees. The fair value corresponds to the amortised cost. Accordingly, these liabilities are netted with the asset value of the reinsurance cover, as stipulated in Section 246 (2) sentence 2 HGB. On balance, this results in both pension provisions and asset values in the financial year under review, with the latter being capitalised under other assets.

The calculation of provisions for semi-retirement, anniversary bonuses, and benefit payments is based on the parameters set forth below:

	Semi-retirement	Anniversary bonuses	Benefit payments
Actuarial calculation method	Net present value method	Net present value method	Net present value method without minimum age
Interest rate in accordance with the RückAbzinsV for the past 7 years in %			
2022	**0.42**	**1.45**	**1.45**
Previous year (2021)	(0.30)	(1.35)	(1.35)
Salary and benefits growth in %			
2023	4.00	–	–
2024	4.00	–	–
From 2025	2.00	–	–
Previous year (2021)	(1.40–2.00)	–	–
Trend in contribution ceiling in %			
2023	–	4.00	–
2024	–	4.00	–
From 2025	–	2.00	–
Previous year (2021)	–	(2.00)	–
Remuneration growth in %			
2023	–	4.00	–

2024	–	4.00	–
From 2025	–	2.00	–
Previous year (2021)	–	(1.40–3.00)	–
Trend in contribution cost in %			
2023	–	–	5.00
2024	–	–	5.00
From 2025	–	–	2.00
Previous year (2021)	–	–	(2.00)
Trend in net present value premiums in %			
2023	–	–	5.00
2024	–	–	5.00
From 2025	–	–	2.00
Previous year (2021)	–	–	(2.00)

The calculation of provisions for semi-retirement is based on an average time to maturity of one year. Payment arrears, top-up amounts, and lump-sum settlements were taken into account in the calculation.

In accordance with Section 246 (2) sentence 2 HGB, semi-retirement obligations are netted with the asset value of the reinsurance cover. In the year under review, this led to a provision.

The calculation of provisions for anniversary bonuses and benefit payments is based on an average time to maturity of 15 years.

Provisions for disposal for nuclear power operations are stated at their settlement amount, as set forth in German commercial law (HGB) accounting principles. The amount of provisions recognised complies with the commercial prudence principle. The provisions for disposing of fuel rods are accumulated in relation to combustion (based on kilowatt-hours) or in relation to time (based on demand). Decommissioning provisions are accumulated on a straight-line basis. Cost calculations are based on external expert reports assuming complete installation disposal. The interest rates applied range between 0.43 % (previous year: 0.30 %) and 1.54 % (previous year: 1.49 %). Price increases of 2.00 % (previous year: 2.00 %) were taken into account. In deviation thereof, price increase rates of 6.70 % and 3.00 % were applied for 2023 and 2024, respectively.

Provision calculations are based on due consideration of all identifiable risks.

The effects of changes in discount rates are recognised in the "financial result" item.

Liabilities
Liabilities are recognised at their settlement amount.

Deferred income
Deferred income is formed for income received prior to the reporting date and assigned to income statements for subsequent periods. Such items are released in accordance with contractual agreements.

To the extent to which they are not recognised separately as income grants received from 2016 or 2017 onwards, income grants received for distribution installations and household connections are posted as deferred income and released in an instalment of 2.5 % in the year of their addition and instalments of 5.0 % in each of the following years.

The investment grants received for assets passed on by Group companies to Stadtwerke München GmbH in its capacity of owner of such assets are shown under deferred income.

Foreign currency translation
Assets and liabilities denominated in foreign currencies are translated into euro using the bid or offer rate prevailing at the time at which they originated.

Assets and liabilities denominated in foreign currencies with a residual term of less than one year are translated at the average spot exchange rate applicable on the reporting date, as set forth in Section 256a HGB. For assets and liabilities with a residual term in excess of one year, translation is performed at the average spot exchange rate applying the lower of cost or net realisable value principle, as set forth in Section 256a HGB (Section 252 (1) No. 4 second half-sentence HGB).

Deferred taxes
Deferred taxes are set aside to account for temporary differences between the carrying amounts in the financial statements and the tax accounts to the extent to which such differences will presumably be dissolved in future financial years.

As a basic principle, overall tax liabilities that arise are recognised under deferred tax liabilities in the balance sheet. If an overall tax relief is recorded, no use is made of the option to capitalise the net surplus of deferred tax assets on the reporting date that is granted by Section 274 (1) sentence 2 HGB.

In accordance with the option granted by Section 274 (1) sentence 3 HGB, deferred taxes are recognised on a netted basis.

No deferred taxes are set aside for temporary differences between the carrying amounts in the financial statements and the tax accounts within the framework of the "Betrieb gewerblicher Art (BgA) U-Bahnbau und -verpachtung" (Commercial Operations for Building and Leasing of Municipal Underground Railway Systems) single entity deemed to exist at the shareholder for tax purposes.

One exception applies to deferred taxes of foreign permanent establishments as the latter are not included in the group that is deemed to exist for income tax purposes. In the tax assessment year under review, an overhang of deferred tax liabilities thus had to be posted for two Norwegian permanent establishments due to temporary differences in fixed assets. Section 274 (1) sentence 1 HGB stipulates that recognition of such differences is mandatory, and they cannot be offset against the deferred taxes posted by the income tax group either. The calculation of the deferred taxes of the Norwegian permanent establishments is based on a tax rate of 22 %.

Valuation units
Stadtwerke München GmbH and individual subsidiaries use derivative financial instruments to reduce market price risks arising from the purchase and sale of electricity, gas, and coal, as well as emission rights, oil and diesel products, district heating, and water. In addition, hedging relationships are also created in relation to interest rate and currency hedges.

To the extent possible, derivatives are shown in the balance sheet as valuation units with the respective underlying transaction, differentiating by commodity and annual tranche. To hedge against currency fluctuations in the coal and oil portfolios, the relevant currency hedging transactions in US dollar are also included.

Balance-sheet recognition of valuation units is based on the net hedge presentation method.

If the net balance of all fair values of the underlying and hedging transactions in the relevant valuation unit is negative, a corresponding provision arising from valuation units is formed for the resultant contingent loss, in accordance with the principle of prudence. Any positive net balance of all fair values of the underlying and hedging transactions in the relevant valuation unit is not recognised.

The fair value of derivative financial instruments corresponds to the market value as of the reporting date. To the extent possible, a price quoted in an active market (e. g. exchange price) is used as the basis of market value calculation. If derivatives' market values cannot be determined reliably via an active market, their present value is calculated using generally recognised valuation models and methods (e.g. the discounted-cash-flow method). Market yield curves and forward commodity prices are the most important components of such models.

Extended netting units (pursuant to the IDW RS ÖFA 3 standard promulgated by the Institute of Public Auditors in Germany) have been formed for both electricity generation portfolios and the standard customer segment.

Notes to the consolidated balance sheet

1. Non-current assets

The breakdown of the non-current asset items aggregated in the consolidated balance sheet and the development of these assets in the 2022 financial year are shown in a separate overview (movements in non-current assets) in the notes to the financial statements.

2. Inventories

in kEUR	As of 31 Dec. 2022	As of 31 Dec. 2021
Raw materials and supplies (previous year: including nuclear fuel rods)	239,044	204,629
Unfinished products, unfinished services	14,863	11,002
Finished products and goods	15,255	74,503
Advance payments	268	726
	269,430	**290,860**

Of raw materials and supplies, kEUR 11,713 related to nuclear fuel rods in the previous year.

3. Receivables and other assets

in kEUR	As of 31 Dec. 2022	Thereof remaining term > 1 year	As of 31 Dec. 2021	Thereof remaining term > 1 year
Trade accounts receivable	1,004,405	2,513	1,038,664	631
Accounts due from affiliated companies	10,694	0	7,146	0
Accounts due from other companies in which participating interests are held	26,371	0	22,971	0
Receivables due from the shareholder	2,285,846	17,073	724,351	3,555
	3,327,316	**19,586**	**1,793,132**	**4,186**

Accounts due from affiliated companies mainly include accounts due from profit transfer agreements and profit withdrawals. Accounts due from other companies in which participating interests are held mainly consist of trade accounts receivable.

As offsetting is permissible, receivables due from the shareholder were offset against liabilities of kEUR 136,598 due to the shareholder.

Other assets include margin payments of kEUR 2,147,336 (previous year: kEUR 604,976).

4. Securities
This item shows security and fund investments.

5. Cash at banks
Cash at banks essentially comprises short-term investments in the form of fixed-term deposits and credit balances in current accounts.

6. Prepaid expenses and accrued income
This item mostly comprises prepaid line rental charges in the telecommunications segment, IT maintenance contracts, and construction cost grants, as well as emoluments paid in advance for January 2023. A discount on issued debt of kEUR 558 (previous year: kEUR 814) is also shown under prepaid expenses and accrued income.

7. Positive difference of plan assets over pension liabilities
Pursuant to Section 246 (2) sentence 2 HGB, the reinsurance cover assets for pension provisions and semi-retirement obligations, which are excluded from all other creditors' recourse and serve exclusively to satisfy pension liabilities, are offset with these liabilities.

In the 2022 financial year, a positive difference of kEUR 99 by which plan assets exceeded pension liabilities was calculated overall. The amortised cost of the assets amounted to kEUR 799, the fair value of the cover assets eligible for offsetting stood at kEUR 788, and the settlement amount for the offset liabilities came to kEUR 689.

Interest expenses from the valuation of pension liabilities amounted to kEUR 11. Income from assets eligible for offsetting came to kEUR 1.

8. Shareholders' equity

in kEUR	As of 31 Dec. 2022	As of 31 Dec. 2021
Subscribed capital	485,000	485,000
Additional paid-in capital	5,700,946	5,651,665
Retained earnings	–500,600	–648,935
Difference in shareholders' equity from currency translation	–37,261	–15,746
Minority interests	259,104	190,145
	5,907,189	**5,662,129**

The increase in additional paid-in capital was due to contributions of kEUR 49,281 paid into this item by the City of Munich.

Retained earnings mainly comprise the retained earnings of Stadtwerke München GmbH and the earnings generated by consolidated companies during their group affiliation. The consolidation measures recognised in the income statement and the consolidated profit of kEUR 198,593 for the financial year under review were allocated to retained earnings.

9. Special item for investment grants
Capital grants received before 2010 and since 2021 are shown in the special item for investment grants. The capital grants from the period between 2010 through 2020 were deducted from assets.

10. Income grants received
This item in particular comprises the construction cost grants received for electricity and gas grids from 2016 and 2017 onwards, respectively.

11. Pensions and accruals

in kEUR	As of 31 Dec. 2022	As of 31 Dec. 2021
Pension provisions	754,594	751,682
Tax provisions	195,340	158,821
Provisions for disposal for nuclear power operations	407,912	375,365
thereof post-shutdown and residual operation	181,474	156,846
thereof phasing-out	101,550	98,113
thereof residue and waste management	124,888	120,406
Other accruals and provisions	1,623,207	1,293,791
	2,981,053	**2,579,659**

Pursuant to Section 246 (2) sentence 2 HGB, the cover assets for pension provisions and semi-retirement obligations, which are excluded from all other creditors' recourse and serve exclusively to satisfy pension liabilities, are offset with these liabilities.

In the 2022 financial year, the provisions resulting from offsetting cover assets with pension liabilities totalled kEUR 24,344. The amortised costs of the assets amounted to kEUR 30,114, the fair value of the cover assets eligible for offsetting stood at kEUR 29,226, and the settlement amount for the offset liabilities came to kEUR 53,570.

Interest expenses from the valuation of pension liabilities amounted to kEUR 851. Income from assets eligible for offsetting came to kEUR 197.

Tax provisions mainly comprised corporation tax, including solidarity surcharge, and trade tax for the financial year under review as well as previous years. They were charged on to Stadtwerke München GmbH by the shareholder within the framework of the "Betrieb gewerblicher Art U-Bahnbau und -verpachtung" (Commercial Operations for Building and Leasing of Municipal Underground Railway Systems) single entity deemed to exist at the shareholder for tax purposes.

Other accruals and provisions were mainly created for outstanding invoices (kEUR 521,365), contingent losses (kEUR 389,954), and personnel obligations (kEUR 150,945).

12. Liabilities

in kEUR	As of 31 Dec. 2022	Thereof remaining term up to 1 year	Thereof remaining term 1–5 years	Thereof remaining term > 5 years	As of 31 Dec. 2021	Thereof remaining term up to 1 year	Thereof remaining term 1–5 years	Thereof remaining term > 5 years
Bank borrowings	1,741,094	351,980	739,998	649,116	1,750,371	462,767	913,087	374,517
Advance payments received	16,898	16,898	0	0	17,539	17,539	0	0
Trade accounts payable	444,992	444,707	285	0	469,220	468,080	1,140	0
Accounts due to affiliated companies	5,876	5,876	0	0	2,732	2,732	0	0
Accounts due to other companies in which participating interests are held	651	651	0	0	435	435	0	0
Liabilities due to the shareholder	160,638	125,903	34,735	0	116,777	116,777	0	0
Other liabilities	1,577,304	1,281,070	255,733	40,501	1,203,859	1,048,428	135,635	19,796
thereof: for taxes	46,859	46,593	266	0	70,480	68,032	0	2,448
thereof: for social security	75	75	0	0	75	75	0	0
	3,947,453	**2,227,085**	**1,030,751**	**689,617**	**3,560,933**	**2,116,758**	**1,049,862**	**394,313**

All liabilities are unsecured. Accounts due to affiliated companies essentially comprise other liabilities from cash pooling. Accounts due to other companies in which participating interests are held mostly related to trade accounts payable.

Liabilities due to the shareholder essentially include other liabilities from the profit transfer agreement concluded by Stadtwerke München GmbH, from early purchase price payment for the shares of LHM Services GmbH, as well as trade accounts payable.

As offsetting is permissible, receivables due from the shareholder were offset against liabilities of kEUR 136,598 due to the shareholder.

Other liabilities include margin payments of kEUR 1,080,399 (previous year: kEUR 962,629).

On the reporting date, credit lines totalling kEUR 970,398 existed. kEUR 55,900 thereof can be used as both cash loans or sureties and kEUR 92,498 as sureties only. Out of the total amount, kEUR 18,837 were drawn on the reporting date as sureties only and kEUR 2,290 were drawn as credit lines that can be used as both cash loans and sureties. Credit lines of kEUR 10,000 revolve annually, while credit lines with total volumes of kEUR 90,000 and kEUR 500,000 have maturities until 31 December 2024 and April 2026, respectively.

13. Deferred income

This item mainly comprised income grants received for distribution installations and household connections.

14. Deferred taxes
Deferred tax liabilities essentially resulted from differences in depreciation and amortisation on non-current assets at individual foreign subsidiaries and consolidation measures recognised in the income statement. The tax rates on which calculations are based are the same as in the previous year, i.e. they range between 22 % and 30 %.

Notes to the income statement

15. Revenues
Revenues can be broken down as follows:

in kEUR	2022	2021
Electricity	3,978,609	3,038,804
Electricity tax	–92,873	–98,540
Electricity, excluding electricity tax	**3,885,736**	**2,940,264**
Natural gas	4,903,264	3,842,073
Energy tax	–115,856	–117,597
Natural gas, excluding energy tax	**4,787,408**	**3,724,476**
District Heating	653,488	391,062
Water	170,992	174,673
Public Transport	429,900	381,137
Public Pools	14,735	6,964
Telecommunications	266,945	273,178
Other revenues	420,197	404,788
	10,629,401	**8,296,542**

16. Other income
Other operating income included income attributable to other periods from the reversal of provisions of kEUR 125,462 and income from asset disposals of kEUR 2,282.

Other operating income included extraordinary income from settlements with banks of kEUR 263,267 and payments from the rescue package for local public transport companies of kEUR 214,175.

Foreign currency translation gains amounted to kEUR 27,778 (previous year: kEUR 7,326).

17. Cost of materials

in kEUR	2022	2021
Cost of raw materials and supplies and for purchased products	7,940,597	5,955,970
Costs of purchased services	786,160	832,167
	8,726,757	**6,788,137**

This item mainly comprised the sourcing of energy for power stations and energy sales, fuel utilisation as well as external deliveries and supplies for facility operation and maintenance.

18. Personnel expenses

in kEUR	2022	2021
Wages and salaries	706,140	667,898
Social security, pension, and other benefit costs	218,321	173,179
thereof: for pensions	76,749	41,248
	924,461	**841,077**

On average, 11,468 persons were employed in the Group at the fully consolidated companies during the 2022 financial year (previous year: 11,193). This figure can be subdivided into 10,647 employees (previous year: 10,418), 462 trainees (previous year: 454), 317 temporary staff (previous year: 290), and 42 seasonal workers (previous year: 31).

At the proportionately consolidated companies, 474 staff members were employed (previous year: 466). This figure can be subdivided into 435 employees (previous year: 425), 22 trainees (previous year: 20), and 17 temporary staff and seasonal workers (previous year: 21).

19. Depreciation and amortisation

in kEUR	2022	2021
Depreciation and amortisation	652,221	539,318
less the depreciation allowance adjustment of investment grants	11,540	10,565
	640,681	**528,753**

Depreciation and amortisation refer to non-current intangible assets and property, plant, and equipment.

The depreciation and amortisation in the financial year under review includes unscheduled goodwill impairments of kEUR 41,192.

20. Other expenses

Other operating expenses included expenses attributable to other periods from asset disposals of kEUR 27,897.

Currency translation losses amounted to kEUR 30,515 (previous year: kEUR 9,928).

21. Financial result

in kEUR	2022	2021
Income from other investments	21,729	22,941
Income from profit transfer agreements	11,202	7,291
Income from other long-term securities and loans held as financial assets	14,878	106,340
Other interest and similar income	9,485	8,998
thereof: from discounting	385	51
Income from associated companies	53,963	25,452
Write-downs on financial assets and marketable securities held as current assets	–9,313	–11,213
Expenses arising from loss absorption	–410	–7
Interest and similar expenses	–66,175	–117,702
thereof: from compounding	–22,880	–57,642
thereof: from interest on external loans	–29,699	–39,430
	35,359	**42,100**

22. Taxes

in kEUR	2022	2021
Income taxes	199,235	102,490
Deferred taxes	25,145	5,515
	224,380	**108,005**
Other taxes	21,118	19,981
	245,498	**127,986**

Income taxes mainly comprised corporation tax, including solidarity surcharge, trade tax, as well as the corporation tax, including solidarity surcharge, and trade tax to be absorbed within the framework of the "Betrieb gewerblicher Art (BgA) U-Bahnbau und -verpachtung" (Commercial Operations for Building and Leasing Municipal Underground Railway Systems) single entity deemed to exist at the City of Munich for tax purposes.

23. Profit transfer expenses

In accordance with the profit transfer agreement, the parent company's net profit of kEUR 74,082 was transferred to the "Betrieb gewerblicher Art (BgA) U-Bahnbau und -verpachtung" (Commercial Operations for Building and Leasing of Municipal Underground Railway Systems) entity of the City of Munich.

Other information

Cash flow statement

Of the figure shown for cash and cash equivalents, kEUR 55,187 was attributable to proportionately consolidated companies (previous year: kEUR 25,280).

Information concerning proportionately consolidated companies (pro-rata figures)

in kEUR	Long-term	Short-term
Assets	675,255	189,677
Liabilities	141,741	221,380

in kEUR	Operating	Other
Costs	986,707	38,556
Income	1,155,407	7,716

Valuation units and financial instruments

Stadtwerke München GmbH and individual subsidiaries use derivative financial instruments to hedge price change, interest rate, and currency risks. These instruments primarily comprise futures and forwards, options, and swaps.

Two extended netting units (pursuant to the IDW RS ÖFA 3 standard promulgated by the Institute of Public Auditors in Germany) have been formed for electricity generation portfolios. They relate to electricity generation in the Group's own power plants. The hedging instruments deployed to hedge the clean dark spread and the clean spark spread comprise commodity price hedging derivatives in conjunction with the sale of electricity and the highly likely sale of district heating. To hedge against currency fluctuations in the coal and oil commodity portfolios, the relevant currency hedging transactions (forward exchange transactions) in US dollars are also included. Open currency positions from commodity transactions are closed directly on the market. Expenses and income from the extended netting units are aggregated. The extended netting units generated a positive contribution margin, so no provisions for contingent losses had to be set aside as of the 31 December 2022 reporting date.

An extended netting unit (pursuant to the IDW RS ÖFA 3 standard promulgated by the Institute of Public Auditors in Germany) has been formed in each of the standard customer segments (residential, small business, and standard business customers), subdivided into electricity and gas. The hedges formed include forward commodities transactions and highly likely sales transactions (based on assumptions and empirical values). Expenses and income from the extended netting units are aggregated. These extended netting units did not result in any provisions for contingent losses as of the 31 December 2022 reporting date.

The expected highly likely transactions included in the extended netting units comprise monthly budgeted sales volumes to electricity and gas customers, and monthly procurement volumes generated from third-party and the company's own power plants. The budgeted volumes are based on annual planning approved by the management, which is derived from last year's volumes and expected business trends. Historical sales figures indicate a high probability of occurrence for the budgeted figures.

Micro valuation units have been formed for business customers where it is possible to clearly allocate sales and purchasing agreements (back-to-back agreements). These hedges are categorised according to time bands (annual tranches until 2025) in which countervailing value changes and cash flows have offset each other and will prospectively offset each other in the future.

Portfolio hedges have been formed for all trading transactions in each of the following areas: electricity, gas, CO_2, and diesel. These hedges are categorised according to time bands (annual tranches until 2026) in which countervailing value changes and cash flows have offset each other and will prospectively offset each other in the future.

At one shareholding, highly likely sales transactions are included in the electricity and gas portfolio hedges for residential customers. They are monthly budgeted sales volumes. The budgeted volumes are derived from the previous year's plans and expected future business trends. Historical sales figures indicate a high probability of occurrence for the budgeted figures.

The trading transactions are included in the portfolio hedges with the following amounts:

Portfolio hedge

	Nominal volume	Hedged risk kEUR
Electricity [TWh]	14.0	1,115,471
Gas [TWh]	99.2	4,747,226
CO_2 [Mt]	0.2	9,288
Diesel [kt]	16.9	364

In the individual hedging instruments, the relevant price index is selected in a way conforming to the underlying transaction as much as possible, subjecting the hedging instruments to the same commodity price risk as the underlying transactions. The value changes to the underlying transactions are hedged over a four-year period.

Hedging relationships have also been created in relation to interest rate hedges. The interest rate risk arising from liabilities is hedged. Interest rate swaps are used as hedging instruments. The hedging horizon extends up to the year 2025. These are micro and portfolio valuation units.

As of the reporting date, the portfolio of the derivative financial instruments serving as hedging instruments within valuation units consisted of the following components:

in kEUR	Nominal value	Derivatives with positive fair value	Derivatives with negative fair value
Interest-related transactions	191,581	12,935	–2,574
Index-related transactions	9,307	492	0
Total	**200,888**	**13,427**	**–2,574**

The hedging relationships prospectively entail a high degree of effectiveness, since the countervailing value changes to the underlying transactions and hedging instruments will presumably fully offset each other in the future. The underlying transactions aggregated within the portfolio valuation units exhibit homogeneous risks.

The dollar offset method is applied cumulatively to quantify the ineffective amount to date. It entails a comparison of the cumulative market changes to the underlying transactions with the cumulative market changes to the hedging instruments in absolute monetary amounts from the designation date. The dollar offset test is performed on each reporting date. In valuation units involving a 1 : 1 ratio between purchase and sales agreements (micro valuation units), the company refrains from quantifying ineffectiveness if all other significant contractual parameters (supply volumes, delivery dates, prices, etc.) of the underlying and hedging transactions match.

In commodity hedging, ineffectiveness is reported if a net loss arises from the cumulative value changes to the underlying transactions and the cumulative value changes to the hedging instruments. In interest-rate hedging, ineffectiveness is reported as soon as the cumulative value changes of the underlying and hedging transactions do not fully offset each other.

As of 31 December 2022, a provision for valuation units totalling kEUR 11,596 was formed to reflect ineffectiveness.

As of the reporting date, the volume of derivative financial instruments not included in valuation units consisted of the following components:

in kEUR	Nominal value	Derivatives with positive fair value	Derivatives with negative fair value
Interest-related transactions	217,246	32,367	0
Currency-related transactions	114,629	1,173	–582
Other transactions	281,150	74,564	–179,552
Total	**613,025**	**108,104**	**–180,134**

The derivative financial instruments comprised the following types:

in kEUR	Nominal value	Derivatives with positive fair value	Derivatives with negative fair value
Swaps	269,298	32,367	–582
Foreign exchange forward contracts	62,577	1,173	0
Forward/future	281,150	74,564	–179,552
Total	**613,025**	**108,104**	**–180,134**

Calculation is carried out on the basis of mark-to-market valuations using present value and option price models, inter alia.

A contingent loss provision of kEUR 198,074 for pending transactions was created for derivative financial instruments not included in valuation units. This provision also includes the negative market values on the designation date.

Units and shares in German investment undertakings within the meaning of Section 1 of the German Capital Investment Code (KAGB)

Note regarding investments within the meaning of Section 285 No. 26 HGB:

The majority of securities held as fixed assets are shares of German investment undertakings within the meaning of Section 1 of the German Capital Investment Code (KAGB), in which Stadtwerke München GmbH holds an interest of more than 10%.

The investment objective of all investment funds is to achieve continuous value growth through broad distribution of investments across various asset classes (Markowitz portfolio theory). In addition to compliance with the provisions of the KAGB, risk is monitored on an ongoing basis at both the manager and investor levels. The option for daily redemption of fund shares is unrestricted.

The following figures were reported as of 31 December 2022:

in kEUR

Security	Carrying amount	Value pursuant to Section 36 German Capital Investment Code (KAGB)	Market value less carrying amount	Dividend payout in FY 2022
Masterfonds	1,111,726	1,132,736	21,010	116,300

Other financial obligations

- Stadtwerke München GmbH has undertaken to meet its obligations arising from its nuclear liabilities for its stake in KKI 2 at all times.
- Existing long-term agreements for the procurement and disposal of nuclear fuels involve corresponding obligations, and their volume and price components are variable.
- To the extent to which employees of Stadtwerke München GmbH and some of its subsidiaries are not entitled to retirement benefits under the principles of civil servant or independent benefit law, for which the company has set aside adequate pension provisions, they are members of Bayerische Versorgungskammer, the complementary pension fund of the Bavarian municipalities. The standard levy for the complementary pension fund is 7.75% (since 1 January 2013). These employer contributions are included in the gross total. In 2022, the salary total that is relevant for levy purposes was kEUR 429,677.
- The order commitments in the Group amount to a total of kEUR 757,597. Of this amount, kEUR 6,248 is attributable to companies included on a proportional basis.
- Other financial obligations in the amount of kEUR 2,127,252 exist at fully consolidated affiliated companies. They primarily comprise financial obligations attributable to long-term supply agreements, franchise and lease agreements, current leasing and rental agreements, purchase or consortium agreements, licence rights, property charges, and loans.
- Other financial obligations in the amount of kEUR 1,862,820 exist at joint-venture companies. They comprise financial obligations attributable to long-term supply agreements, licence or franchise agreements, and current leasing and rental agreements. Full figures rather than proportional figures are reported in this respect.

Contingencies
The following contingencies existed as of the reporting date:

in kEUR	
Guarantee liabilities	387,830

One subsidiary had issued five letters of comfort, with a volume of around kEUR 8,683 as of the reporting date, to counterparties of the sales and trading subsidiary Bayerngas Energy GmbH.

SWM Gasbeteiligungs GmbH still has a subordinate contingency for potential dismantling costs at Spirit Energy Limited. Given the orderly financial situation of Spirit Energy Limited, no claims are currently expected to arise from this contingency.

As of the reporting date, we were not aware of any risks suggesting that the reported contingencies might be utilised. We do not anticipate the guarantees and other obligations to be utilised due to the counterparties' solid financial position.

Relations with affiliated companies and equity participations
Affiliated companies and major equity participations in accordance with Section 313 (2) HGB are shown in Appendix 2 to the notes to the financial statements.

Application of disclosure exemptions
It is intended to utilise the disclosure exemptions pursuant to Section 264 (3) HGB for the following subsidiary:

- Münchner Verkehrsgesellschaft mbH (MVG)

Remuneration for active and former Management Board members, their surviving dependants and the Supervisory Board
The total remuneration paid to the current members of the Management Board in the 2022 financial year amounted to kEUR 1,689 (previous year: kEUR 1,696). The amount paid to former Management Board members (retirement benefits and benefits for surviving dependants) was kEUR 978 (previous year: kEUR 967). Provisions of kEUR 16,775 (previous year: kEUR 16,416) had been set aside for pension obligations due to former Management Board members.

The emoluments paid to the Supervisory Board amounted to kEUR 76 (previous year: kEUR 63) in the 2022 financial year.

Auditor's fee
Of the total fee of kEUR 669 charged by the auditor of the consolidated financial statements for the financial year under review, kEUR 556 related to work performed in the auditing of the financial statements, kEUR 98 to other attestation services, kEUR 5 to tax consulting services, and kEUR 10 to other services.

Consolidated financial statements
In its capacity as parent company, Stadtwerke München GmbH prepares consolidated financial statements for the largest and smallest consolidation group. These statements are submitted for publication to the operator of the German electronic Company Register.

Subsequent events after the reporting period
No events of particular significance with major financial repercussions have been observed after the reporting date.

The executive bodies of Stadtwerke München GmbH

Supervisory Board

Chairman:

Dieter Reiter, Mayor of Munich

Deputy Chairman:

Benno Angermaier, Works Council Chairman

Nadine Ackermann, project manager, graduated geographer (until 28 April 2022)

Gerhard Bernhard, QSA quality assurance / tram trainer (since 5 May 2022)

Christoph Bieniek, executive

Heinrich Birner, trade union director, ver.di Munich district (until 28 April 2022)

Simone Burger, sociologist, Honorary City Councillor

Christoph Frey, Professional City Councillor

Mona Fuchs, Honorary City Councillor

Klaus Gegenfurtner, subway operations centre shift supervisor (until 28 April 2022)

Alfred Köhler, Works Council member (since 5 May 2022)

Dominik Krause, physicist, Honorary City Councillor

Christine Kugler, Professional City Councillor

Cornelius Müller, Works Council Chairman

Manuel Pretzl, Director of the Hunting and Fishing Museum, Honorary City Councillor

Franz Schütz, trade union secretary

Prof Dr Hans Theiss, medical doctor, Honorary City Councillor

Claudia Weber, trade union secretary (since 5 May 2022)

Gertraud Wegertseder, Works Council member

Management Board

Chief Executive Officer
Dr Florian Bieberbach

Director, Real Estate and Public Pools
Werner Albrecht

Director, Mobility
Ingo Wortmann

Director, Technology
Helge-Uve Braun

Munich, 23 March 2023

Stadtwerke München GmbH

Dr Florian Bieberbach
Chief Executive Officer

Werner Albrecht
Director, Real Estate and Public Pools

Ingo Wortmann
Director, Mobility

Helge-Uve Braun
Director, Technology

Movements in non-current assets 2022

	Cost of acquisition/production						
in kEUR	As of 1 Jan. 2022	Currency translation differences	Changes in the consolidation group	Additions	Disposals	Transfers (+/–)	As of 31 Dec.2022
I. Intangible assets							
1. Purchased trademarks, patents, licences, and similar rights	299,363	0	0	3,298	5,065	20,715	318,311
2. Goodwill	207,753	0	52,382	0	0	0	260,135
3. Advance payments	1,551	0	0	477	0	–1,500	528
	508,667	**0**	**52,382**	**3,775**	**5,065**	**19,215**	**578,974**
II. Property, plant, and equipment							
1. Land, leasehold rights, and buildings including buildings on non-owned land	2,536,348	0	83	27,111	7,344	219,480	2,775,678
2. Generation, production, and sourcing installations	5,172,381	–36,599	172,186	11,673	4,617	43,505	5,358,529
3. Distribution installations	5,513,676	0	0	70,525	1,846	96,285	5,678,640
4. Track, line equipment, and safety equipment	595,740	0	0	183	0	16,750	612,673
5. Rolling stock for passenger services	1,015,907	0	0	7,000	6,791	57,256	1,073,372
6. Other technical equipment, plant, and machinery	818,171	1	0	39,897	6,506	22,763	874,326
7. Operational and office equipment	464,426	0	4	40,013	20,952	8,383	491,874
8. Advance payments and construction in progress	1,757,406	0	0	543,446	21,974	–483,637	1,795,241
	17,874,055	**–36,598**	**172,273**	**739,848**	**70,030**	**–19,215**	**18,660,333**
III. Financial assets							
1. Shares in affiliated companies	168,767	0	–46,767	8,218	4,869	0	125,349
2. Loans due from affiliated companies	11,182	0	0	0	2,755	0	8,427
3. Equity investments in associated companies	1,315,503	0	63,386	0	314,078	0	1,064,811
4. Other investments	155,612	–362	–63,373	5,046	0	0	96,923
5. Loans due from companies in which participating interests are held	242,106	0	0	6,451	27,637	0	220,920
6. Securities held as fixed assets	1,294,097	0	0	3,237	119,826	0	1,177,508
7. Other loans	4,006	0	0	0	109	0	3,897
	3,191,273	**–362**	**–46,754**	**22,952**	**469,274**	**0**	**2,697,835**
Total	**21,573,995**	**–36,960**	**177,901**	**766,575**	**544,369**	**0**	**21,937,142**

Cumulative depreciation/amortisation								Carrying amounts	
As of 1 Jan. 2022	Currency translation differences	Changes in the consolidation group	Additions	Disposals	Write-ups	Transfers (+/–)	As of 31 Dec. 2022	As of 31 Dec. 2022	As of 31 Dec. 2021
248,100	0	0	23,664	3,609	0	0	268,155	50,156	51,263
122,028	0	0	61,507	0	0	0	183,535	76,600	85,725
0	0	0	0	0	0	0	0	528	1,551
370,128	**0**	**0**	**85,171**	**3,609**	**0**	**0**	**451,690**	**127,284**	**138,539**
1,566,267	0	0	58,367	7,264	0	–797	1,616,573	1,159,105	970,081
3,046,872	–12,960	158,145	231,032	1,771	0	0	3,421,318	1,937,211	2,125,509
4,195,106	0	0	117,024	1,128	0	0	4,311,002	1,367,638	1,318,570
492,105	0	0	13,942	0	0	0	506,047	106,626	103,635
636,059	0	0	45,131	6,780	0	0	674,410	398,962	379,848
569,080	0	0	49,223	5,227	0	0	613,076	261,250	249,091
317,759	0	3	52,181	16,308	0	797	354,432	137,442	146,667
0	0	0	97	97	0	0	0	1,795,241	1,757,406
10,823,248	**–12,960**	**158,148**	**566,997**	**38,575**	**0**	**0**	**11,496,858**	**7,163,475**	**7,050,807**
42,066	0	–12,666	2,252	0	0	0	31,652	93,697	126,701
0	0	0	0	0	0	0	0	8,427	11,182
746,386	0	0	25,874	20,448	85,960	0	665,852	398,959	569,117
129	0	0	1,300	0	0	0	1,429	95,494	155,483
143,686	0	0	0	0	0	0	143,686	77,234	98,420
9,715	0	0	5,719	0	190	0	15,244	1,162,264	1,284,382
0	0	0	0	0	0	0	0	3,897	4,006
941,982	**0**	**–12,666**	**35,145**	**20,448**	**86,150**	**0**	**857,863**	**1,839,972**	**2,249,291**
12,135,358	**–12,960**	**145,482**	**687,313**	**62,632**	**86,150**	**0**	**12,806,411**	**9,130,731**	**9,438,637**

Affiliated companies and major equity participations

(in accordance with Section 313 (2) HGB)

Company and registered office		Share capital 31 Dec. 2022		Share-holders' equity	Last annual net income
	%	in kEUR	Year	in kEUR	in kEUR
Affiliated companies (fully consolidated)					
LHM Services GmbH, Munich	100	25	2022	78,385	1,360
Münchner Verkehrsgesellschaft mbH (MVG), Munich	100	50,000	2022	50,110	0 [1]
SWM Gasbeteiligungs GmbH, Munich	100	25	2021	475,381	–68,697
SWM Bayerische E&P Beteiligungsgesellschaft mbH, Munich	*100*	*1,000*	*2021*	*205,972*	*–64,122*
SWM Infrastruktur GmbH & Co. KG, Munich	100	10,300	2022	649,603	0 [1]
SWM Infrastruktur Verwaltungs GmbH, Munich	100	25	2022	25	0 [1]
SWM Kundenservice GmbH, Munich	100	100	2022	104	–9 [1]
SWM Services GmbH, Munich	100	10,000	2022	10,170	0 [1]
M-net Telekommunikations GmbH, Munich	*63.84*	*1,594*	*2021*	*69,495*	*5,966*
SWM Versorgungs GmbH, Munich	100	10,000	2022	10,015	0 [1]
SWM Erneuerbare Energien Norwegen GmbH, Munich	100	25	2021	155,613	–19
SWM Erneuerbare Energien Skandinavien GmbH & Co. KG, Munich	100	5	2021	94,396	–22
Austri Kjølberget DA, Søre Osen (Norway)	*60*	*21,805* [5]	*2021*	*71,564*	*7,965*
Austri Raskiftet DA, Søre Osen (Norway)	*60*	*47,012* [5]	*2021*	*139,505*	*12,983*
SWM UK Wind One Limited, Tunbridge Wells (UK)	100	297,323 [3]	2021	367,662 [3]	24,720 [3]
GyM Offshore One Limited, Tunbridge Wells (UK)	*100*	*142,821* [3]	*2021*	*183,431* [3]	*10,089* [3]
GyM Offshore Two Limited, Tunbridge Wells (UK)	*100*	*94,993* [3]	*2021*	*121,993* [3]	*6,756* [3]
GyM Offshore Three Limited, Tunbridge Wells (UK)	*100*	*47,515* [3]	*2021*	*60,983* [3]	*3,363* [3]
Sidensjö Vindkraft AB, Gothenborg (Sweden)	100	11	2021	30,929	1,439
Sidensjö Vindkraft Elnät AB, Gothenborg (Sweden)	*100*	*5*	*2021*	*12,887*	*0* [1]
Windfarm Polska III sp. z o.o., Koszalin (Poland)	100	50 [4]	2021	919,398 [4]	4,141 [4]
SWM Wind Havelland Holding GmbH & Co. KG, Munich	75	8	2021	64,350	2,328
SWM Windpark Havelland GmbH & Co. KG, Bremen	*100*	*1*	*2021*	*7,800*	*7,353*
Midgard Vind Holding AS, Trondheim (Norway)	*70*	*212*	*2021*	*176,686*	*–41,403*
Frøya Vind AS, Trondheim (Norway)	*100*	*30*	*2021*	*5,400*	*–1,024*
Hundhammerfjellet AS, Trondheim (Norway)	*100*	*30*	*2021*	*6,766*	*–88*
Midgard Vind AS, Trondheim (Norway)	*100*	*3*	*2021*	*30,765*	*1,030*
Stokkfjellet AS, Trondheim (Norway)	*100*	*30*	*2021*	*8,847*	*–534*
Sørmarkfjellet AS, Trondheim (Norway)	*100*	*30*	*2021*	*12,932*	*414*
Ytre Vikna 1 AS, Trondheim (Norway)	*100*	*3*	*2021*	*18,120*	*766*
Marquesado Solar, S.L., Aldeire-La Calahorra (Spain)	61.91	40	2021	116,477	29,322
Bayerngas GmbH, Munich	*56.30*	*51,062*	*2021*	*90,894*	*–61,081*
bayernets GmbH, Munich	*91.49*	*1,548*	*2021*	*150,211*	*0* [1]
Bayerngas Energy GmbH, Munich	*100*	*22,200*	*2021*	*25,900*	*0* [1]
bayernugs GmbH, Munich	*100*	*100*	*2021*	*100*	*0* [1]

Company and registered office		Share capital 31 Dec. 2022		Share-holders' equity	Last annual net income
	%	in kEUR	Year	in kEUR	in kEUR
Affiliated companies (unconsolidated)					
Bioenergie Taufkirchen GmbH & Co. KG, Taufkirchen	100	100	2021	14,426	–322
eta Energieberatung GmbH, Pfaffenhofen an der Ilm	100	25	2021	4,125	0 [1]
Hanse Windkraft GmbH, Hamburg	100	25	2021	23,366	0 [1]
Praterkraftwerk GmbH, Munich	100	50	2021	3,050	90
QuartiersNetz Bayern GmbH, Munich	100	25	2021	575	0 [1]
SWM 50 MW Windpark Portfolio GmbH & Co. KG, Bremen	100	3,950	2021	9,057	854
Lockstedt-Siestedt II Netzanschluss GbR, Bremen	*81.82*	*71*	*2021*	*71*	*2*
SWM Erneuerbare Energien Region Verwaltungs GmbH, Munich	100	25	2021	31	5
SWM Erneuerbare Energien Verwaltungsgesellschaft mbH, Munich	100	25	2021	234	209
SWM Wind Havelland Umspannwerk Holdinggesellschaft Wustermark GmbH & Co. KG, Bremen	*100*	*5*	*2021*	*963*	*2*
SWM Wind Havelland Umspannwerk GmbH, Bremen	*100*	*26*	*2021*	*–111*	*229*
SWM Wind Onshore Frankreich SAS, Nîmes (France)	100	18,100	2021	18,522	160
Portal München Betriebs-GmbH & Co. KG, Munich	97	3,200	2021	596	–1,418
Gasversorgung Germering GmbH, Germering	90	45	2021	4,428	1,371
KommEnergie Gasnetz GmbH & Co. KG, Eichenau	74.90	15	2021	19,675	508
KommEnergie Gasnetz Verwaltungs GmbH, Eichenau	74.90	19	2021	28	2
Münchner U-Bahn-Bewachungsgesellschaft mbH, Munich	51	13	2021	25	3
Portal München Verwaltungsgesellschaft mbH, Munich	51	15	2021	53	1
Joint ventures (consolidated pro rata)					
Energie Südbayern GmbH, Munich	50	15,400	2021	130,218	32,691
Energienetze Bayern GmbH & Co. KG, Munich	*50*	*17*	*2021*	*166,721*	*22,334*
Energienetze Bayern Management GmbH, Munich	*50*	*13*	*2021*	*23*	*–31*
DanTysk Sandbank Offshore Wind GmbH & Co. KG, Hamburg	49	13	2021	1,115,763	96,445
Participations in associated companies (consolidated at equity)					
bayernServices GmbH, Munich	*50*	*100*	*2021*	*170*	*84*
Aneo Roan Vind Holding AS (vormals TrønderEnergi Roan Holding AS), Trondheim (Norway)	49	14,700 [2]	2021	1,285,283 [2]	202,176 [2]
wpd europe GmbH, Bremen	33	62,700	2021	378,720	28,531
Spirit Energy Limited, Staines-upon-Thames (UK)	*31*	*4,320* [3]	*2021*	*1,650,000* [3]	*253,000* [3]
Global Tech I Offshore Wind GmbH, Hamburg	24.90	249	2021	–272,125	–36,473

Company and registered office		Share capital 31 Dec. 2022		Share-holders' equity	Last annual net income
	%	in kEUR	Year	in kEUR	in kEUR
Major other participations					
GVH Gasversorgung Haar GmbH, Haar	50	153	2021	2,953	409
RegioNetzMünchen GmbH & Co. KG, Garching	50	5	2021	11,511	1,714
RegioNetzMünchen Verwaltungs GmbH, Garching	50	13	2021	29	1
UWB Umspannwerk Betriebsgesellschaft Etzin mbH, Halstenbek	*50*	*13*	*2021*	*–118*	*–8*
Aneo Vind AS (vormals TrønderEnergi Vind AS), Trondheim (Norway)	*49*	*206* [2]	*2021*	*41,943* [2]	*4,603* [2]
DanTysk Sandbank Offshore Wind Verwaltungs GmbH, Hamburg	49	13	2021	32	1
Gasversorgung Unterschleißheim GmbH & Co. KG, Unterschleißheim	49	10	2021	1,113	556
Gasversorgung Unterschleißheim Verwaltungs GmbH, Unterschleißheim	49	12	2021	28	0
Gehrlicher GmbH & Co. Solarpark Helmeringen KG, Sulzemoos	49	1,470	2021	4,793	1,303
GVI – Gasversorgung Ismaning GmbH, Ismaning	49	25	2021	2,766	581
Münchner Linien GmbH & Co. KG, Munich	49	76	2021	155	702
Stadtwerke Olching Gasnetz GmbH & Co. KG, Olching	49	10	2021	953	335
Stadtwerke Olching Gasnetz Verwaltungs GmbH, Olching	49	12	2021	30	1
unlimited energy GmbH, Schönefeld	49	13	2021	–957	–305
VVG Verkehrsverwaltungs GmbH, Munich	49	12	2021	70	6
Gehrlicher GmbH & Co. Solarpark Rothenburg KG, Sulzemoos	40	6,000	2021	13,864	2,241
Windparks Gimbweiler & Mosberg Infrastruktur GbR, Bremen	*33.33*	*16*	*2021*	*51*	*1*
Awel y Môr Offshore Windfarm Limited, Swindon (UK)	*30*	*7,955* [3]	*2021*	*18,497* [3]	*–22* [3]
Gwynt y Môr Offshore Windfarm Limited, Swindon (UK)	*30*	*0* [3]	*2021*	*–3,092* [3]	*0* [3]
Gemeinschaftskernkraftwerk Isar 2 GmbH, Essenbach	25	13	2021	54	3
Mobility inside Holding GmbH & Co. KG, Frankfurt am Main	20.78	0	2021	6,661	–858
Mobility inside Verwaltungs GmbH, Frankfurt am Main	20.02	10	2021	52	2

All companies shown in italics are held indirectly.
bayernets GmbH is held directly and indirectly.

[1] Profit and loss transfer agreements exist.
[2] Exception: in kNOK
Exchange rate at 31 Dec. 2022: EUR 1 = NOK 10.49940/2022 annual average exchange rate: EUR 1 = NOK 10.10523
Exchange rate at 31 Dec. 2021: EUR 1 = NOK 10.02440/2021 annual average exchange rate: EUR 1 = NOK 10.16581
[3] Exception: in kGBP
Exchange rate at 31 Dec. 2022: EUR 1 = GBP 0.88534/2022 annual average exchange rate: EUR 1 = GBP 0.85269
Exchange rate at 31 Dec. 2021: EUR 1 = GBP 0.84133/2021 annual average exchange rate: EUR 1 = GBP 0.85975
[4] Exception: in kPLN
Exchange rate at 31 Dec. 2022: EUR 1 = PLN 4.68520/2022 annual average exchange rate: EUR 1 = PLN 4.68474
Exchange rate at 31 Dec. 2021: EUR 1 = PLN 4.58690/2021 annual average exchange rate: EUR 1 = PLN 4.56513
[5] A Norwegian DA does not have any fixed capital shares, so the paid-in capital is shown here.

Independent Auditor's Report

To Stadtwerke München GmbH, München

Opinions
We have audited the consolidated financial statements of Stadtwerke München GmbH and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2022, and the consolidated income statement for the fiscal year from 1 January to 31 December 2022, notes to the consolidated financial statements, including the recognition and measurement policies presented therein, and the consolidated cash statement and consolidated statement of changes in equity for the fiscal year from 1 January to 31 December 2022. In addition, we have audited the group management report of Stadtwerke München GmbH for the fiscal year from 1 January to 31 December 2022.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022 and of its financial performance for the fiscal year from 1 January to 31 December 2022 in compliance with German Legally Required Accounting Principles, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB ["Handelsgesetzbuch": German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

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

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report
The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law and that the consolidated financial statements, in compliance with German Legally Required Accounting Principles, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express [audit] opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate [audit] opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Nürnberg, 23 March 2023

PKF Fasselt
Partnerschaft mbB
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft
Rechtsanwälte

Hünger
German Public Auditor

Sommer
German Public Auditor

Report of the Supervisory Board

During the 2022 financial year, the Supervisory Board was regularly and comprehensively informed at its meetings and by means of written reports about the economic position and development of the company and about any material transactions, notably also about the impact of Russia's war of agression and the associated developments in the energy markets and their repercussions on Stadtwerke München GmbH. On the basis of the documents and information submitted, the Supervisory Board monitored the activities of the Management Board and carried out the tasks for which it is responsible as specified by law and the articles of association.

Six meetings of the Supervisory Board were held during 2022. Its Preparatory Committee, responsible for preparing Supervisory Board meetings, convened in three meetings, the Personnel Committee met three times in 2022.

PKF Fasselt Partnerschaft mbB Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft Rechtsanwälte, the independent auditors appointed by decision of the Supervisory Board on 28 April 2022, audited the single-entity financial statements and management report of Stadtwerke München GmbH together with the consolidated financial statements and the group management report prepared by the Management Board for the 2022 financial year, and in each case granted an unqualified audit certificate. The audit reports prepared by the independent auditors were submitted to the members of the Supervisory Board. The independent auditors were present at the discussion of the annual financial statements by the Supervisory Board in April 2023. Following its own review, the Supervisory Board raised no objections to the annual financial statements
and management report of Stadtwerke München GmbH and proposed to the shareholder that the 2022 annual financial statements be formally adopted and the management report approved.

Following a review, the Supervisory Board noted the consolidated financial statements and the group management report for 2022 with approval and raised no objections. The Supervisory Board proposed to the shareholder that the consolidated financial statements be formally adopted and the group management report approved.

The Supervisory Board would like to take this opportunity to express its gratitude to the Management Board and all employees for their valuable contributions to the success of the Group in 2022.

Munich, 28 April 2023

The Supervisory Board

Dieter Reiter
Chairman

Contact and imprint

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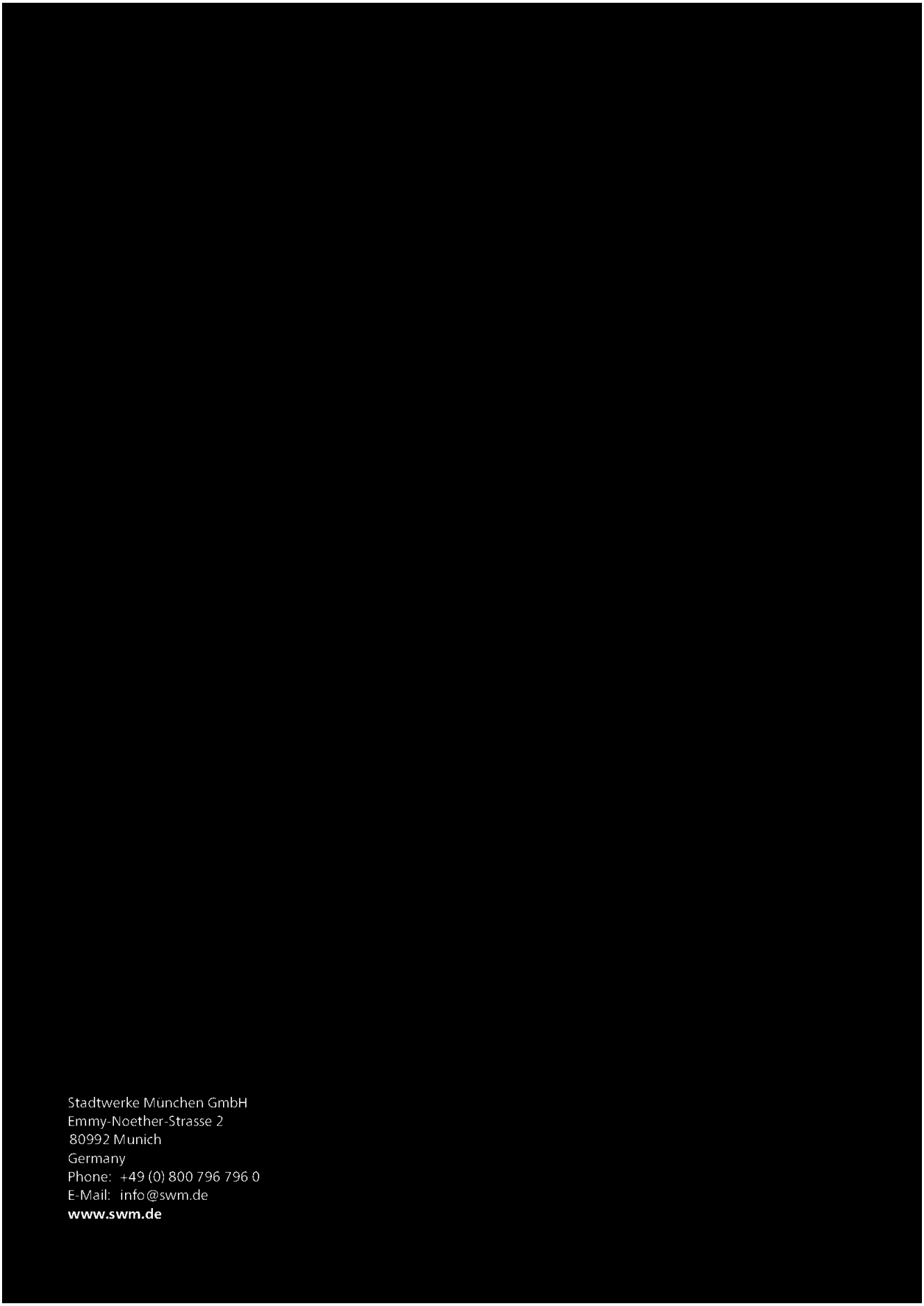
p. 22	Top picture: Superblock ZT GmbH, Vienna, with YEWO Landscapes, Vienna
p. 23	iStock.com/Petmal
p. 24	allessuper_1979/stock.adobe.com
p. 25	Top picture: Gorodenkoff/stock.adobe.com
	Bottom picture: SWM/Markus Schlaf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