Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.01.2021 - 31.12.2021

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:	17.06.2022

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert
År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

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, 27.07.2023

Resultatregnskap

Beløp i: EUR	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Delivery Settlement			10 248 000
Change in value PPA			219 000
Annen driftsinntekt		50 000	17 000
Sum inntekter		**50 000**	**10 484 000**
Kostnader			
Delivery Settlement		25 460 000	
Change in value PPA		29 968 000	
Lønnskostnad	3	591 000	553 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	5	1 000	1 000
Annen driftskostnad	4	534 000	643 000
Sum kostnader		**56 554 000**	**1 197 000**
Driftsresultat		**-56 504 000**	**9 287 000**
Finansinntekter og finanskostnader			
Net Finance	11	2 988 000	
Sum finansinntekter		**2 988 000**	
Net Finance	11		7 695 000
Sum finanskostnader			**7 695 000**
Netto finans		**2 988 000**	**-7 695 000**
Ordinært resultat før skattekostnad		**-53 516 000**	**1 592 000**
Skattekostnad på ordinært resultat	1	-12 113 000	-21 000
Ordinært resultat etter skattekostnad		**-41 403 000**	**1 613 000**
Årsresultat		**-41 403 000**	**1 613 000**
Overføringer og disponeringer			
Overføring til/fra fond		-41 403 000	-1 613 000
Sum overføringer og disponeringer		**-41 403 000**	**-1 613 000**

Balanse

Beløp i: EUR	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	1	12 713 000	600 000
Sum immaterielle eiendeler		**12 713 000**	**600 000**
Varige driftsmidler			
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	5	1 000	2 000
Sum varige driftsmidler		**1 000**	**2 000**
Finansielle anleggsmidler			
Investering i datterselskap	2	157 440 000	157 440 000
Sum finansielle anleggsmidler		**157 440 000**	**157 440 000**
Sum anleggsmidler		**170 154 000**	**158 042 000**
Omløpsmidler			
Varer			
Fordringer			
Andre fordringer		185 000	817 000
Konsernfordringer		247 453 000	158 192 000
Sum fordringer		**247 638 000**	**159 009 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	10	38 765 000	22 309 000
Sum bankinnskudd, kontanter og lignende		**38 765 000**	**22 309 000**
Sum omløpsmidler		**286 403 000**	**181 318 000**
SUM EIENDELER		**456 557 000**	**339 360 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			

Balanse

Beløp i: EUR	Note	2021	2020
Innskutt egenkapital			
Selskapskapital	6	303 000	302 000
Overkurs	7	96 179 000	65 180 000
Annen innskutt egenkapital	7	121 956 000	121 956 000
Sum innskutt egenkapital		**218 438 000**	**187 438 000**
Opptjent egenkapital			
Fond	7	-41 752 000	-350 000
Sum opptjent egenkapital		**-41 752 000**	**-350 000**
Sum egenkapital		**176 686 000**	**187 088 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	8	214 654 000	139 158 000
Power Purchase Agreement	9	29 968 000	
Other Long Term Debt	9	279 000	692 000
Sum annen langsiktig gjeld		**244 901 000**	**139 850 000**
Sum langsiktig gjeld		**244 901 000**	**139 850 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	8	12 672 000	3 525 000
Leverandørgjeld		8 507 000	37 000
Skyldige offentlige avgifter		40 000	35 000
Kortsiktig konserngjeld		13 567 000	7 794 000
Annen kortsiktig gjeld	9	184 000	1 031 000
Sum kortsiktig gjeld		**34 970 000**	**12 422 000**
Sum gjeld		**279 871 000**	**152 272 000**
SUM EGENKAPITAL OG GJELD		**456 557 000**	**339 360 000**

Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Journalnummer:	2022 629701

Enheten

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Organisasjonsform:	Aksjeselskap
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Brønnøysundregistrene, 18.07.2022

Brønnøysundregistrene
Postadresse: Postboks 900, 8910 Brønnøysund
Telefon: 75 00 75 00
E-post: firmapost@brreg.no Internett: www.brreg.no
Organisasjonsnummer: 974 760 673

Organisasjonsnr: 821 186 242
MIDGARD VIND HOLDING AS

RESULTATREGNSKAP

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Organisasjonsnr: 821 186 242
MIDGARD VIND HOLDING AS

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Organisasjonsnr: 821 186 242
MIDGARD VIND HOLDING AS

NOTEOPPLYSNINGER - SELSKAP

- alle poster oppgitt i hele tall

Note

Regnskapsprinsipper
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 employee

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

Note
3

Antall årsverk i regnskapsåret
3.00

Note
3

Spesifisering av resultatregnskapet

Lønnkostnader

Lønn	Årets	Fjorårets
	487000.00	448000.00

Folketrygdavgift	Årets	Fjorårets
	74000.00	71000.00

Pensjonskostnader	Årets	Fjorårets
	25000.00	25000.00

Andre ytelser	Årets	Fjorårets
	5000.00	5000.00

Sum lønnskostnader	Årets	Fjorårets
	591000.00	553000.00

Note

Ekstraordinære inntekter og kostnader

Sum	Beløp

Note

Varige driftsmidler og immaterielle eiendeler

Anskaffelseskost 01.01.	Varige driftsmidler	Immaterielle eiend.
	4000.00	

Samlede av-/nedskrivn.	Varige driftsmidler	Immaterielle eiend.
	3000.00	

Balanseført verdi 31.12.	Varige driftsmidler	Immaterielle eiend.
	1000.00	

Anskaffelseskost - balanseførte lånekostnader, egentilvirkede anleggsmidler

Goodwill spesifisert for hvert enkelt virksomhetskjøp

Avskrivningsplan for goodwill som er lenger enn fem år - begrunnelse

Mer om varige driftsmidler/immaterielle eiendeler

Note
2

Konsern, tilknyttet selskap m.v.

Investering som regnskapsføres etter egenkapitalmetoden

Konsernregnskap
Virksomheten inngår i konsolideringen til morselskapets konsernregnsk.: Ja

Morselskapet sitt navn
SWM Erneuerbare Energien Norwegen GmbH

Forretningskontor for morselskapet
Munchen

Datterselskap er utelatt fra konsolideringen: Ja

Begrunnelse for at datterselskap er utelatt fra konsolideringen
Konsernspiss utarbeider konsernregnskap

Samlet beløp - tilknyttet selskap	Årets	Fjorårets

Samlet beløp - foretak i samme konsern	Årets	Fjorårets

Kortsiktig gjeld

Samlet beløp - foretak i samme konsern	Årets	Fjorårets

Samlet beløp - felles kontrollert virksomhet	Årets	Fjorårets

Pantstillelse	Beløp

Note

Fordringer

Fordringer som forfaller senere enn ett år etter regnskapsårets slutt

Mer om fordringer

Note

Virkelig verdi og resultatført verdiendr. i perioden, finansielle instrumenter

Mer om finansielle instrumenter

Beskrivelse av finansielle derivater

Beholdning av egne aksjer	Antall	Pålydende	Andel av aksjek.

Note
8

Gjeld

Gjeld som forfaller til betaling mer enn fem år etter regnskapsårets slutt
169000000.00

Gjeld sikret ved pant eller lignende sikkerhet i eiendeler
227326000.00

Balanseført verdi av de pantsatte eiendeler
444000000.00

Summen av garantiforpliktelser som ikke er regnskapsført

Garantiforpliktelser som er sikret ved pant

Mer om gjeld

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.

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

Havnegata 9, 7010 Trondheim
Postboks 1299 Pirsenteret, 7462 Trondheim

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Midgard Vind Holding AS

Opinion

We have audited the financial statements of Midgard Vind Holding AS (the Company), which comprise the balance sheet as at 31 December 2021, the income statement and statement of cash flows 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 legal requirements and give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance and 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 in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of 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

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the general manager are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements 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

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going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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.
- 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.

Trondheim, 28 March 2022
ERNST & YOUNG AS

The auditor's report is signed electronically

Amund P. Amundsen
State Authorised Public Accountant (Norway)

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"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Amund Petter Amundsen
State Authorized Public Accountant
På vegne av: Ernst & Young AS
Serienummer: 9578-5992-4-3001996
IP: 145.62.xxx.xxx
2022-03-28 14:29:47 UTC

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2021 Annual Report and Financial Statements MVH AS.pdf

Name	Method	Signed at
Moe, Kari Skeidsvoll	BANKID_MOBILE	2022-03-21 14:15 GMT+01
Welde, Håkon	BANKID_MOBILE	2022-03-18 14:00 GMT+01
Axelsson, Lars Magnus	BANKID	2022-03-15 19:18 GMT+01
Vogt, Christian	BANKID_MOBILE	2022-03-15 10:59 GMT+01

The Board of Directors' Annual Report 2021
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 2021 delivered 858 GWh (458 GWh in 2020) of renewable energy.

Comments related to the Financial Statements

The Company's revenues decreased from mEUR 10,5 in 2020 to mEUR 0 in 2021. The change is due to that the losses on the hedging is classified as an opex in 2021, where the gains (mEUR 10,5) in 2020 was a revenue.

Net income in 2021 has been mEUR -53,5 against mEUR 1,6 in 2020. The reduced net income is mainly due to a mEUR 25,5 realized loss and mEUR 30 unrealized loss on the company's financial power purchase agreement.

The Company's interest-bearing debt as of 31.12.2021 was mEUR 227,3 compared to mEUR 142,7 as of 31.12.2020. This increase is attributable to the construction of four wind parks that is partly financed through a construction loan. The Company's liquidity reserve as of 31.12.2021 is mEUR 38,8, an increase from mEUR 22,3 in 2020. Total assets at year-end amounted to mEUR 457, compared to mEUR 339 last year. The equity ratio was 39 % as of 31.12.2021, compared to 55 % the year before.

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.

During 2021 all new wind farms are in production and the focus going onwards will be 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 200 mNOK VAT credit facility and 10 MEUR Debt service reserve. This 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 2022-2050 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	-41.403 tEUR
Net income allocated	-41.403 tEUR

The Company has a high focus on having a good and safe working environment for their employees. There were in 2021 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.

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.

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

Kari Skeidsvoll Moe
Board Member

Håkon Welde
Board Member

Lars Magnus Axelsson
Board Member

MIDGARD

Midgard Vind Holding AS

Financial statement 2021

Profit & loss

in EUR 1000

	Note	2021	2020
Delivery settlement			10 248
Change in value PPA			219
Other income		50	17
Revenue		**50**	**10 484**
Delivery settlement		-25 460	
Change in value PPA		-29 968	
Depreciation	5	-1	-1
Personnel cost	3	-591	-553
Other operating expenses	4	-535	-642
Total operating expenses		**-56 555**	**-1 197**
OPERATING PROFIT/ (LOSS)		**-56 504**	**9 287**
Net finance	11	**2 988**	**-7 695**
PROFIT/ (LOSS) BEFORE INCOME TAX		**-53 516**	**1 593**
Income tax expense	1	12 113	21
NET PROFIT/ (LOSS)		**-41 403**	**1 613**
Attributable to:			
Other equity		-41 403	1 613
Total		-41 403	1 613

Balance

in EUR 1000

Assets	Note	2021	2020
Intangible assets			
Deferred tax asset	1	12 713	600
Total intangible assets		**12 713**	**600**
Tangible assets			
Fixtures, equipment, tools, office machines etc.	5	1	2
Total tangible assets		**1**	**2**
Financial assets			
Investments in subsidiaries	2	157 440	157 440
Total financial assets		**157 440**	**157 440**
Total non-current assets		**170 154**	**158 042**
Current assets			
Other receivables		185	817
Group contribution		257	0
Group cashpool		247 196	158 192
Bank deposits	10	38 766	22 309
Total current assets		**286 403**	**181 318**
Total assets		**456 557**	**339 360**

in EUR 1000

Equity and liabilities		2021	2020
Equity			
Share capital	6	303	302
Share premium reserve	7	96 179	65 180
Other paid-in capital	7	121 956	121 956
Total paid-in equity		**218 438**	**187 438**
Other equity	7	-41 752	-350
Total equity		**176 686**	**187 088**
Non-current liabilites			
Other long term interest bearing debt	8	214 654	139 158
Power purchase agreement	9	29 968	0
Other long term debt	9	279	691
Total non-current liabilities		**244 901**	**139 850**
Current liabilities			
Short term interest bearing debt	8	12 672	3 525
Group cashpool		13 567	7 794
Accounts payable		8 507	37
Public duties payable		40	35
Other short debt	9	186	1 030
Total current liabilities		**34 971**	**12 422**
Total equity and liabilities		**456 557**	**339 360**

Trondheim 14.03.2022

Christian Vogt
Chairman / general manager

Lars Magnus Axelsson
Board member

Håkon Welde
Board member

Kari Skeidsvoll Moe
Board member

Cash flow statement

in EUR 1000

	2021	2020
Cash flow from operating activities		
Profit/ (loss) before income taxes	-53 516	1 593
Depreciations	1	1
Change in value power purchase agreement (PPA)	29 968	219
Interest expense/ Interest income (-)	6 570	3 413
Changes in accounts receivables	375	-227
Changes in accounts payable	8 469	-14
Changes in other accruals	-1 039	2 412
Net cash flow from operating activities	**-9 172**	**7 397**
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	87 955	106 500
Cash outflows for redemption of loans	-3 525	-3 706
Cash inflows from additions to shareholders' equity	31 000	25 000
Interest expense/ Interest income (-)	-6 570	-3 413
Net cash flow from financing activities	**108 860**	**124 381**
Net change in cash and cash equivalents	99 688	131 778
Net change group cashpool	-83 231	-123 834
Cash and cash equivalents at 01.01	22 309	14 365
Cash and cash equivalents at 31.12	**38 766**	**22 309**

Parent company and group accounts

Midgard Vind Holding AS is a subsidiary of SWM Erneuerbare Energien Norwegen GmbH and the company's business office are in München.
Midgard Vind Holding AS and its subsidiaries is consolidated into Stadtwerke München and the Annual report can be downloaded 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.

Notes

1 Tax

In EUR 1 000

This years income tax expense consists of	2021	2020
Tax payable		
Correction of tax payable from prior period		
Changes in deferred tax	-12 113	-21
Effect of changes in tax rate		
Total tax expense	**-12 113**	**-21**

In EUR 1 000

Specification of temporary differences related to deferred tax	2021	2020
Assets	1	
Financial instruments	30 511	1 863
Profit and loss account	27 274	862
Total	**57 785**	**2 725**
Deferred tax liability (asset)	12 713	600

2 Investments in subsidaries

In EUR 1 000

Company	Acquisition date	Share ownership	Voting rights	Acquisition cost	Book value 31.12.2021	Net P&L 2021	Book equity 31.12.2021
Ytre Vikna 1 AS	20.12.2018	100 %	100 %	26 226	26 226	766	18 120
Midgard Vind AS	20.12.2018	100 %	100 %	47 591	47 591	1 030	30 765
Stokkfjellet AS	20.12.2018	100 %	100 %	12 269	12 269	-534	8 847
Sørmarksfjellet AS	20.12.2018	100 %	100 %	23 893	23 893	414	12 932
Frøya Vind AS	20.12.2018	100 %	100 %	23 814	23 814	-1 024	5 400
Hundhammerfjellet A	20.12.2018	100 %	100 %	23 647	23 647	-88	6 766
Total				**157 440**	**157 440**	**564**	**82 829**

All subsidaries are located in Trondheim

3 Personnell cost

In EUR 1 000

Personnell cost	2021	2020
Salaries	487	448
Payroll tax	74	71
Pension costs	25	25
Other personnell costs	5	9
Total	**591**	**553**

The company has employed 3 man-labour years in 2021.

Pension costs

The company has defined contribution plan in accordance with Norwegian legislation (Lov om obligatorisk tjenestepensjonsordning). The defined contribution plans cover full-time employees and at December 2021, 3 members were covered by the plans.
Costs related to the contribution plan are expensed as incurred.

General managers compensation

	2021
Wages	268
Provision for bonuspayment	77
Other compensation	9
Sum	**354**

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 2021 the company expensed EUR 13 405 for statutory audit and EUR 4 457 for other services

5 Fixed assets *In EUR 1 000*

	Equipment
Acquisition cost as at 01.01.2021	4
Additions	
Disposals	
Acquisition cost as at 31.12.2021	4
Accumulated depreciation 31.12.2021	4
Accumulated write-downs 31.12.2021	
Net value 31.12.2021	**1**
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 31.12.2021	**Number of shares**	**Face value**	**Book value**
Shares	300 000	10,07	3 021 000

Shareholders at 31.12.2021	**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 01.01.2021	302	65 180	121 956	-350	187 088
New equity	1	30 999			31 000
Net profit				-41 403	-41 403
Equity 31.12.2021	**303**	**96 179**	**121 956**	**-41 752**	**176 686**

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 444mEUR.

Final maturity date is 31.12.2039. As of 31.12.2021, 169 mEUR has a maturity > 5 years

9 Financial instruments

In EUR 1 000

	Off balance Asset	Asset	Non-current Liability	Current Liability
Instruments pr 31.12.2021				
Financial PPA	0	0	29 968	0
Interest rate swap	0	0	279	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 -19 mEUR as of 31.12.2021. 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

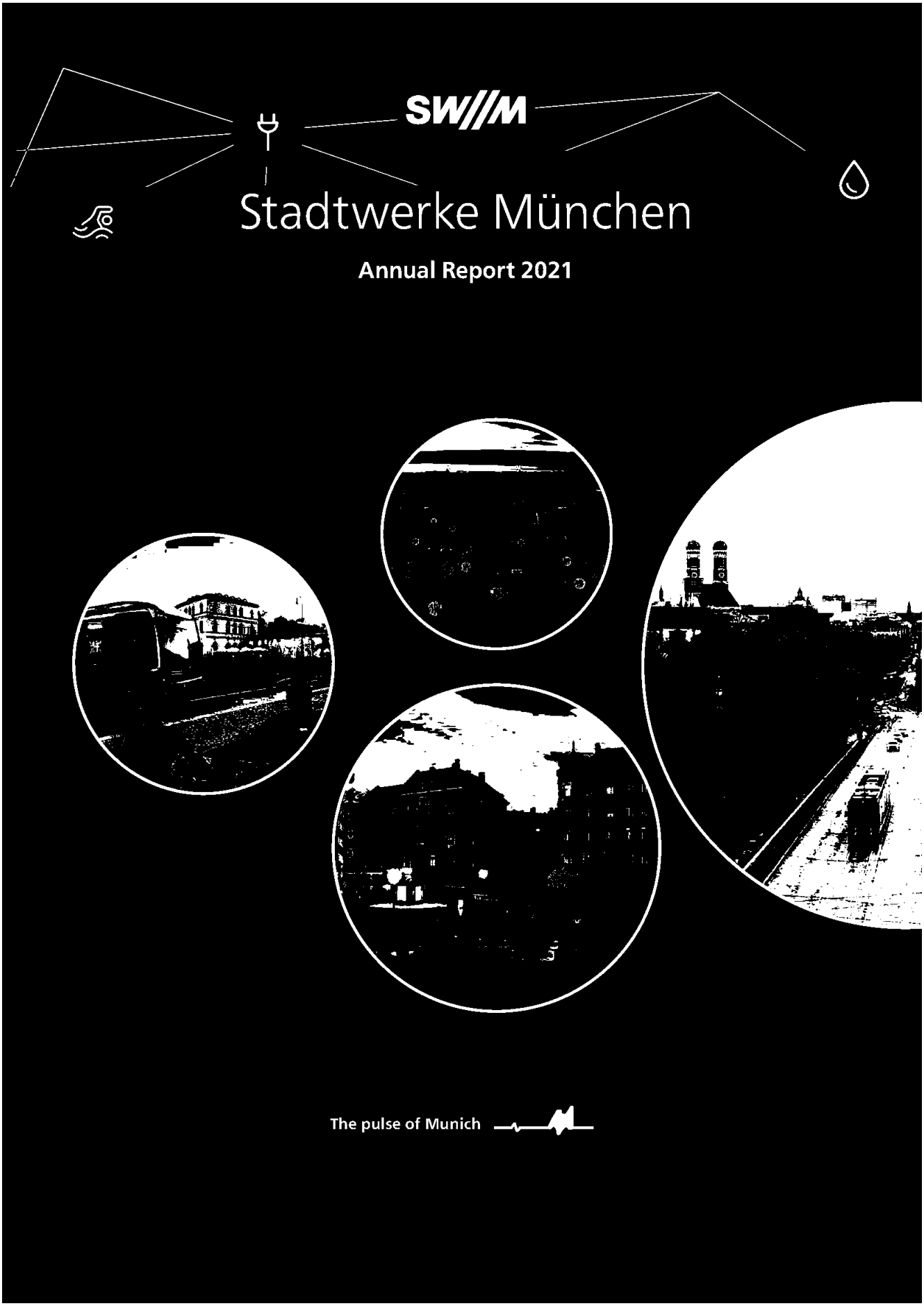
Of the bank deposit of 38.766 tEUR, 24,4 tEUR is restricted funds on employee tax account
Midgard Vind Holding is the owner of the group cash pool.

11 Interest and financial expenses

In EUR 1 000

Income	**2021**	**2020**
Interest income	11	22
Interest income group	3 385	1 581
Currency gain	7 298	82
Unrealized gains on Interest rate swaps	413	0
Group contribution	257	0
Total financial income	**11 364**	**1 686**

Expenses	**2021**	**2020**
Interest expenses	-6 570	-3 413
Interest expenses group	0	0
Currency loss	-1 147	-4 434
Other financial expenses	-659	-1 533
Total financial expenses	**-8 375**	**-9 380**
Net finance	**2 988**	**-7 695**


SWM
Stadtwerke München
Annual Report 2021
The pulse of Munich

Group in figures

in EUR million		2017	2018	2019	2020	2021
Key operating figures						
Revenues	1)	7,223.9	8,334.7	10,711.2	7,483.4	8,296.5
Electricity		2,021.6	2,483.0	2,811.7	2,859.1	2,940.2
Gas	1a)	3,506.1	4,223.5	6,225.1	3,021.6	3,724.5
District Heating		351.3	367.3	396.5	351.2	391.1
Water		168.6	169.6	169.5	172.4	174.7
Public Transport		530.1	547.2	563.2	438.8	381.1
Public Pools		18.8	19.8	20.1	9.3	7.0
Telecommunications		242.5	254.5	259.4	271.4	273.2
Other		384.8	269.8	265.8	359.6	404.7
Consolidated net income for the year		875.3	224.8	116.1	–152.0	99.4
EBIT		614.6	522.7	458.6	414.4	260.3
EBITDA		1,134.5	952.4	928.0	905.2	789.1
Structure of assets and capital						
Fixed assets		8,515.6	8,735.8	8,801.7	8,599.7	9,438.6
Current assets	2)	2,193.0	2,507.0	2,379.2	2,163.4	2,828.0
Shareholders' equity	3)	5,521.5	5,682.6	5,865.1	5,714.2	5,932.4
Debt and liabilities	3)	5,187.1	5,560.2	5,315.8	5,048.8	6,334.2
Non-operating financial assets	4)	2,135.8	2,277.1	1,893.6	1,813.9	1,970.6
Bank borrowings		1,959.4	2,138.9	2,112.8	2,041.8	1,750.4
Total assets		10,708.6	11,242.8	11,180.9	10,763.0	12,266.6
Cash flow/capital expenditure/ depreciation and amortisation						
Cash flow from operating activities		845.3	742.7	360.3	949.9	1,167.1
Quick ratio	5)	313 %	242 %	221 %	196 %	120 %
Capital expenditure on property, plant, and equipment (PPE)		653.4	539.3	751.4	1,086.8	879.3
Equity investments	6)	1,248.0	191.5	86.1	71.6	71.4
Employees						
Employees	7)	9,067	9,040	9,444	10,004	10,418
Key ratios						
ROS	8)	17.4 %	4.8 %	2.9 %	–0.6 %	2.8 %
Equity ratio	3)	52 %	51 %	52 %	53 %	48 %
Reinvestment rate (tangible and intangible fixed assets)	9)	117 %	129 %	150 %	228 %	168 %

1) Revenues, excl. electricity and energy tax
1a) Incl. oil until 2017 inclusive
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.

Contents

Munich, April 2022

Dear SWM customers, employees, and business partners,

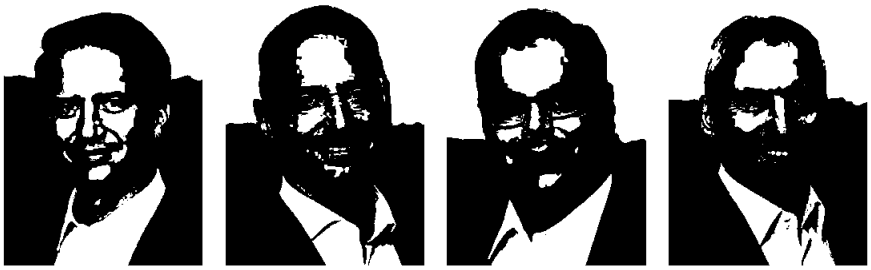
Nobody wishes to write an introduction to the Annual Report under the cloud of a war in Europe. Finding appropriate words is difficult. We condemn Russia's war of aggression against Ukraine in the strongest terms. Our thoughts are with all those affected by this dreadful war. SWM's various business segments and their subsidiaries are making manifold contributions to supporting the people in Ukraine and their relatives in Germany. The solidarity and willingness to help that we are seeing among our employees has impressed us and filled us with deep gratitude.

The war and its repercussions are also impacting SWM as a company. As a utility responsible for infrastructure, we have the duty to provide our customers with secure and reliable access to services. And this is what we are doing: supply reliability is currently ensured. That said, we are now also facing uncertainties arising from unclear prospects and sharply rising energy prices. Energy procurement for the next winter is a particular cause of concern for us.

Originally, we wanted to present our exit from coal and nuclear power by the end of 2022 as a strategic highlight in this letter, along with the fact that we will continue to bank on renewable energies and still use natural gas, with its more climate-friendly properties, for a transition period. In this critical situation, we want to avoid a significant increase in our gas demand. After careful consideration of the aspects of supply reliability, environmental impact, and economic efficiency, we therefore proposed to the Munich City Council to defer the envisaged conversion from coal to gas at the "Nord" combined heat-and-power plant to a later date. The City Council approved coal-fired operation of the "Nord" CHP plant during the 2022/23 heating period.

In principle, we of course remain committed to our goal of securing a climate-friendly energy supply. Today, we are already able to cover 90 % of Munich's electricity demand with renewable energies from our own plants. From 2025 onwards, we want to generate sufficient green electricity ourselves to cover all of Munich's consumption. Positive progress has also been made in our efforts to achieve CO_2-neutral coverage of Munich's demand for district heating by 2040 at the latest, which has attracted attention internationally. Munich's bus system will also become largely emission-free within the next ten years. With significant investments into vehicle fleets, the route and stop infrastructure, and digitalisation, we are preparing the local public transport system for the requirements of a steadily growing and touristically attractive Munich metropolitan region. We will also continue to drive the expansion and upgrading of one of Europe's fastest and most modern fibre-optic networks forward.

We must master the high funding needs associated with all these important projects for the future in a situation in which, alongside the Covid-19 pandemic, a second crisis situation is giving rise to planning uncertainty and economic headwinds on both the revenue and cost side.



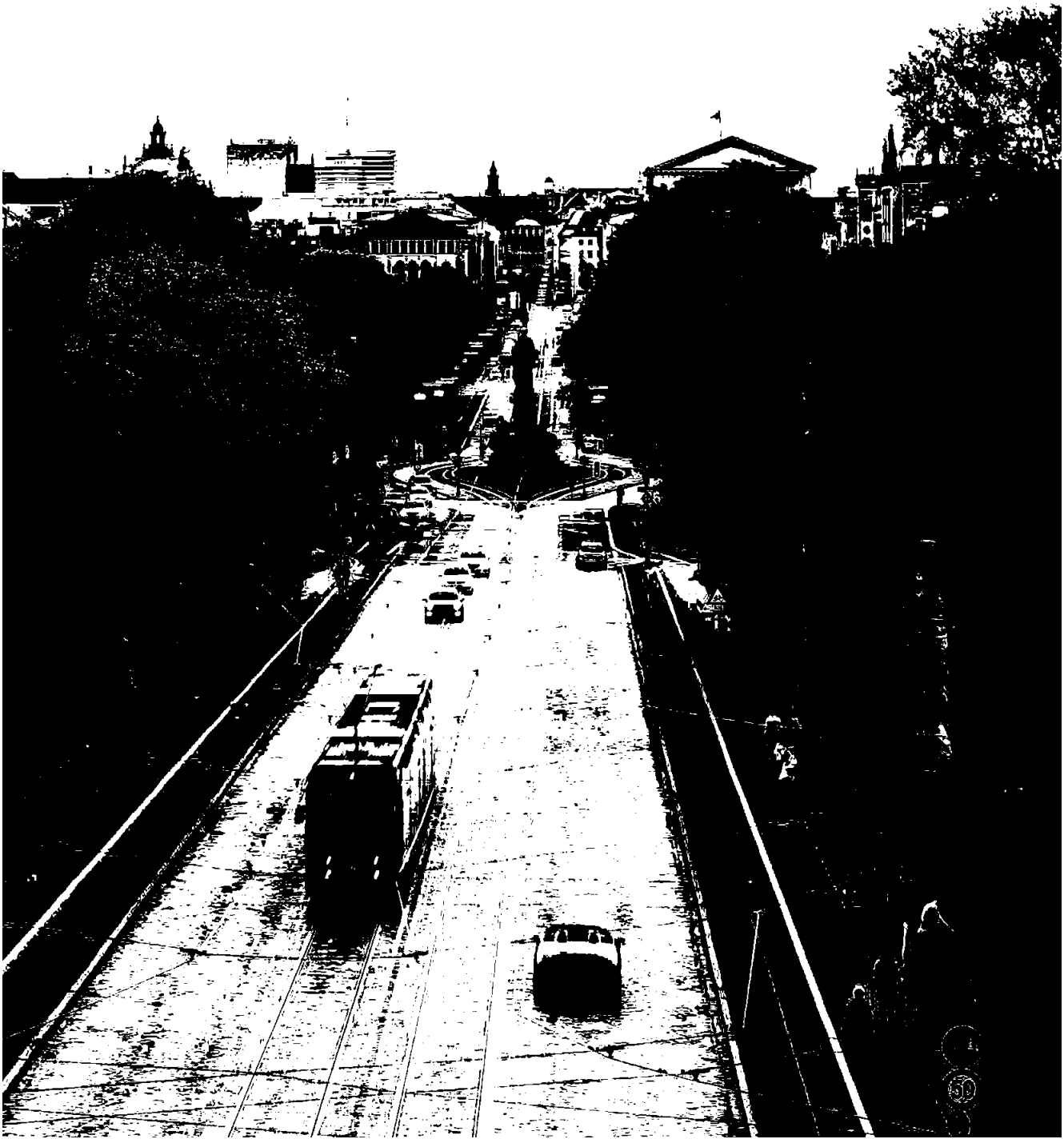
From left to right:
Dr Florian Bieberbach, Werner Albrecht, Ingo Wortmann, Helge-Uve Braun

Admittedly, we did record higher total revenues in the 2021 financial year, but this was mainly due to rising market prices for electricity and gas, which surged dramatically in some instances. Other business segments such as local public transport and the public pools were again hit by substantial pandemic-related revenue shortfalls in 2021. Our EBIT after adjustment for one-off effects decreased by EUR 154 million to EUR 260 million. The decline in earnings affected both the core group and our shareholdings. Profit before taxes amounted to EUR 229 million, after a loss of EUR –45 million in the previous year, which was characterised by high impairments at Spirit Energy. After deduction of taxes, consolidated net income before profit transfer came to EUR 99 million. Against this background, we were able to significantly increase our profit transfer to the City of Munich to more than EUR 111 million.

From the current vantage point, it is virtually impossible to foresee what the 2022 financial year will bring. But there is one thing we can promise: supply reliability is a top priority for SWM and its employees. We are passionate in our efforts to keep Munich running. We all hope that all nations will live together peacefully and work with dedication towards this goal. In the heart of Europe, Munich is to be a shining example of a networked city with a high quality of life. We thank you for sharing this vision and supporting us in coming one step closer to it every day.

Sincerely yours

Dr Florian Bieberbach	**Werner Albrecht**	**Ingo Wortmann**	**Helge-Uve Braun**
Chief Executive Officer	Director, Personnel and Social Affairs	Director, Mobility	Director, Technology



Embracing change while preserving what works

In the second year of the Covid-19 pandemic, SWM, as operator of numerous critical infrastructures, again proved what has been true for decades: Munich keeps running. **This is something Munich's citizens can rely on.**

The old adage "Never change a running system" does not apply to SWM, however. We want to develop many elements further to ensure that Munich continues to run well in the future, too. After all, we are facing enormous challenges such as the decarbonisation of energy generation and urban mobility or the population growth expected for the metropolitan region. And we have ambitious goals such as transforming Munich into a smart city that does not need to shy away from international comparisons. For all these challenges, we pursue a clear plan and have done so for decades in some areas. Change will be noticeable for all of us, and it will sometimes also be exhausting – but it will preserve what we love about Munich: its high quality of life. This is also something Munich's citizens can rely on.

Future-ready supply

Energy supply soon without coal and nuclear power

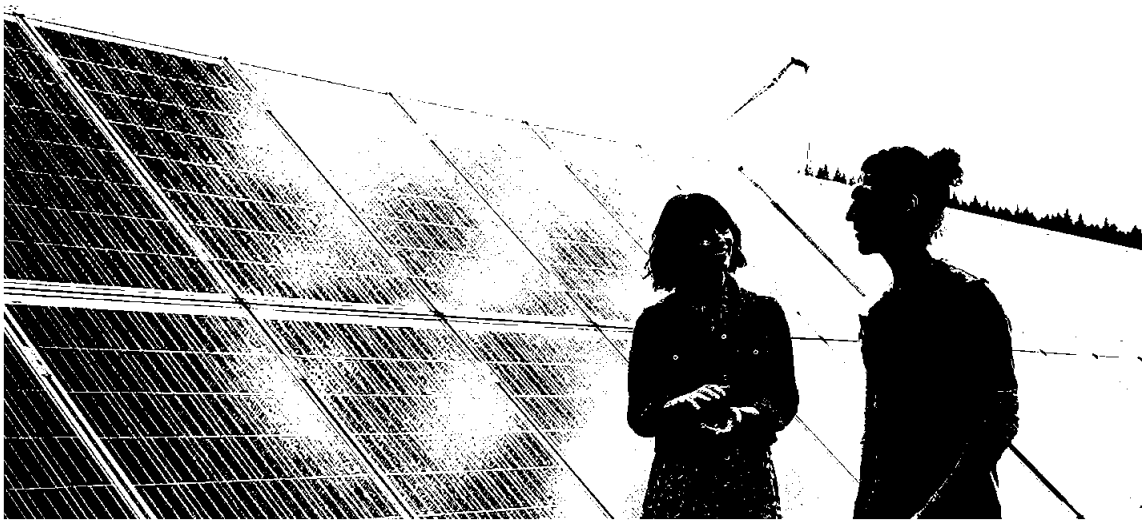
As far back as in 2009, we and the City of Munich jointly decided on an ambitious transformation of Stadtwerke München's electricity generation – and we defined an aspiring goal: to generate sufficient green electricity in our own plants to cover all of Munich's requirements from 2025 onwards. Since then, our renewable energies expansion campaign has increased our green electricity generation from approximately 350 million kilowatt-hours to currently 6.3 billion kilowatt-hours per annum. From 2022 onwards, this will cover some 90 % of total electricity consumption in the city, i.e. the consumption of households, businesses, industry, the public sector as well as underground, tram, and electric bus operation. 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 and one solar thermal power plant in Germany and Europe.

The onshore wind parks of Midgard Vind Holding AS (SWM stake: 70 %) in Norway make a major contribution to our generation portfolio. In 2021, the last four of a total of eight wind parks commenced operations, so the generation capacity will exceed the mark of 1 billion kilowatt-hours (SWM share) in the future. In addition, the Austri Kjølberget wind park in Norway (SWM stake: 60 %; 120 million kilowatt-hours) and the Jasna wind park in Poland (400 million kilowatt-hours) were commissioned – together, they are producing sufficient green electricity for more than 200,000 Munich households.

Through our Hanse Windkraft subsidiary, we moreover ensure that existing renewable energy generation capacities are kept in the market. The company acquires legacy wind parks in Germany for which subsidisation under the German Renewable Energy Act (EEG) is about to expire, revamps them as needed, and continues to operate them economically.

In our regional projects, we mainly use solar power, hydroelectric power, and biomass as energy sources for green electricity generation. For example, we installed a large ground-mounted photovoltaic plant on the grounds around our Uppenborn hydroelectric power plant near the town of Moosburg and connected it to the grid. This allows us to generate green electricity at this site from two renewable sources simultaneously – water and sun. The solar plant covers the electricity demand of more than 1,600 households. In cooperation with a partner, we are moreover planning a second photovoltaic plant only a few kilometres south of this site, which is to cover the electricity demand of approximately 1,500 households. 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.

Sustainability and renewable energy sources are playing an increasing role in our energy supply, but the

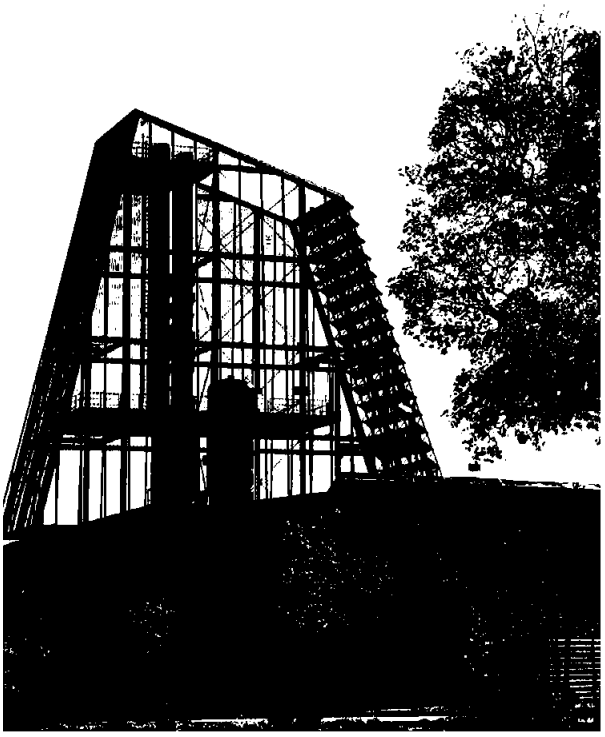


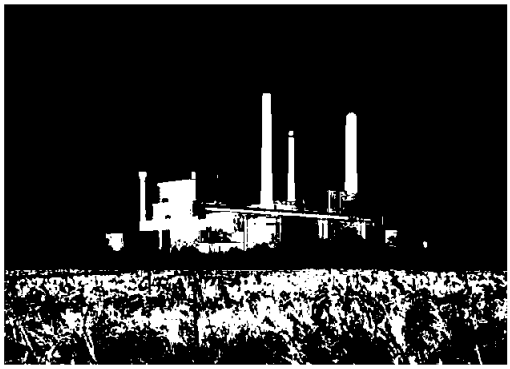
energy transition will only succeed if the "demand side", i. e. our customers, also makes a contribution. Our M-Solar model offers the people in Munich and the surrounding region the possibility to generate their own solar power. Our offer comprises both photovoltaic plants for homeowners and solutions for commercial and public buildings. The PV plant can be supplemented with a power storage device and a wall-mounted EV home charging station that uses self-generated solar power.

Private individuals who do not have their own roof where they can install a solar plant can support the realisation of local photovoltaic projects through "M-Solar Sonnenbausteine" by making EUR 500 to EUR 5,000 investments in "solar building blocks". This investment takes the form of a qualified subordinate loan and yields annual interest payments. Optionally, the M-Solar Sonnenbausteine customers can also obtain solar power from the plants. We continued the success story of our M-Solar Sonnenbausteine in 2021 by launching what was already the fourth such participation model. Financed by climate-aware Munich citizens, the largest "solar building block" plant to date, with a capacity of 739.5 kWp (kilowatt-peak), is being installed on the roof of our BioEnergie Taufkirchen subsidiary. In the financial year under review, M-Solar Sonnenbausteine moreover received the German Award for Sustainability Projects in the "Product – Construction/ Architecture" category.

REGIONAL GREEN ELECTRICITY FOR BMW

The cooperation between SWM and the BMW Group will make not only the drive but also the electric vehicle itself greener: a long-term direct delivery agreement for green electricity from SWM's Uppenborn hydroelectric power plant will help BMW produce its iX and i4 electric models at its Dingolfing and Munich plants with regional green electricity. Based on a power purchase agreement (PPA), the BWM Group will receive green electricity at a fixed price for several years. Such PPAs allow green electricity plants that no longer qualify for subsidisation under the German Renewable Energy Act (EEG) to continue to make a meaningful and resource-saving contribution to the energy transition.





For companies, too, it is becoming increasingly important to minimise their own CO_2 footprint. The top priority is always CO_2 avoidance and reduction. In many cases, unavoidable emissions remain even after great decarbonisation efforts. With our new M-Kompensation Plus scheme, we support companies in offsetting these CO_2 emissions by investing in certified "Gold Standard" international climate protection projects. Compensation is achieved by decommissioning emission allowances from selected international climate protection projects. M-Kompensation Plus also includes a regional component. We use the amount allocated to this component for maintaining and expanding renewable energy plants in Germany – making a contribution to CO_2 reduction right here in this country.

Power storage systems are another important building block for the success of the energy transition as they can offset the fluctuating feed-in from green electricity plants. At the Freimann power station, we commissioned our second large-volume battery storage system in 2021. It offsets short-term deviations between power supply and demand, thereby making a far-reaching contribution to stable electricity grid operation. With a size corresponding to four shipping containers, the system has a storage capacity of more than 10 megawatt-hours and produces 8.4 megawatts of primary balancing power. The volumes stored in the system could supply 1,000 Munich households with electricity for one year.

Our strong commitment to the energy transition includes our plan to soon bid farewell to two protagonists of the hitherto known energy universe: we want to convert the coal-fired Block 2 in our "Nord" cogeneration plant, which has been classified as system-relevant, to natural gas as soon as possible. The conversion would reduce CO_2 emissions at the site. In addition, Germany's exit from nuclear energy will be completed with the decommissioning of the Isar 2 nuclear power plant (SWM stake: 25 %) on 31 December 2022. The dismantling of the plant is scheduled to commence in 2023 and will presumably be finished in 2039. To our great regret, the statements on the timing of the energy transition, in particular, depend on how the war in Ukraine will evolve and what consequences it will bring.

We cannot rest on what we have achieved, however. Given the rising number of inhabitants, increasing electromobility and intensified use of heat pumps, Munich's demand for electricity will continue to grow – to approximately 8.4 billion kilowatt-hours by 2035 according to our estimates. We intend to cover this additional electricity demand, too, with green electricity and will thus continue to drive our expansion campaign forward.

Heating transition as an international role model

SWM's heating transition is setting standards on an international scale. Even the European Commission, in its revised Renewable Energy Directive, makes reference to our goal of climate-neutral coverage of Munich's demand for district heating by 2040 at the latest, mainly through heat from geothermal plants. What is more, our commitment to geothermal energy was one of 36 projects selected to showcase Germany at the Expo 2020 World Exhibition, which is being hosted by Dubai one year later than originally envisaged.

With the help of deep geothermal energy, we are progressively tapping vast hot-water reserves that offer us a virtually inexhaustible emission-free energy source located several thousand metres underneath the city's surface. When we defined our district heating vision, we still assumed the geothermal potential for Munich to be in the order of 200 MWth (thermal megawatts). Since then, we have developed our strategy further to also include plants in the surrounding region, so that we are now striving for up to 400 MWth. Currently, we are operating six geothermal plants (within the city limits: Riem, Freiham, and Sendling; in the surrounding region: Sauerlach, Dürrnhaar, and Kirchstockach), including Germany's largest geothermal plant to date in Munich's Sendling neighbourhood. In 2021, we reached a further milestone in the heating transition with successful heat extraction in Kirchstockach: in addition to green electricity, the plant is now also generating environmentally friendly heat. Concrete plans are being drawn up for the expansion of the Kirchstockach site and one further plant each in Munich (on the SWM grounds housing the Michaelibad public pool), in Pullach (in cooperation with IEP GmbH), and in Grünwald (together with EWG GmbH). To achieve our ambitious goals, additional projects in the city and the metropolitan region will be required, also together with partners.

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 part 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 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 resumed the systematic conversion in 2021 after a pause.

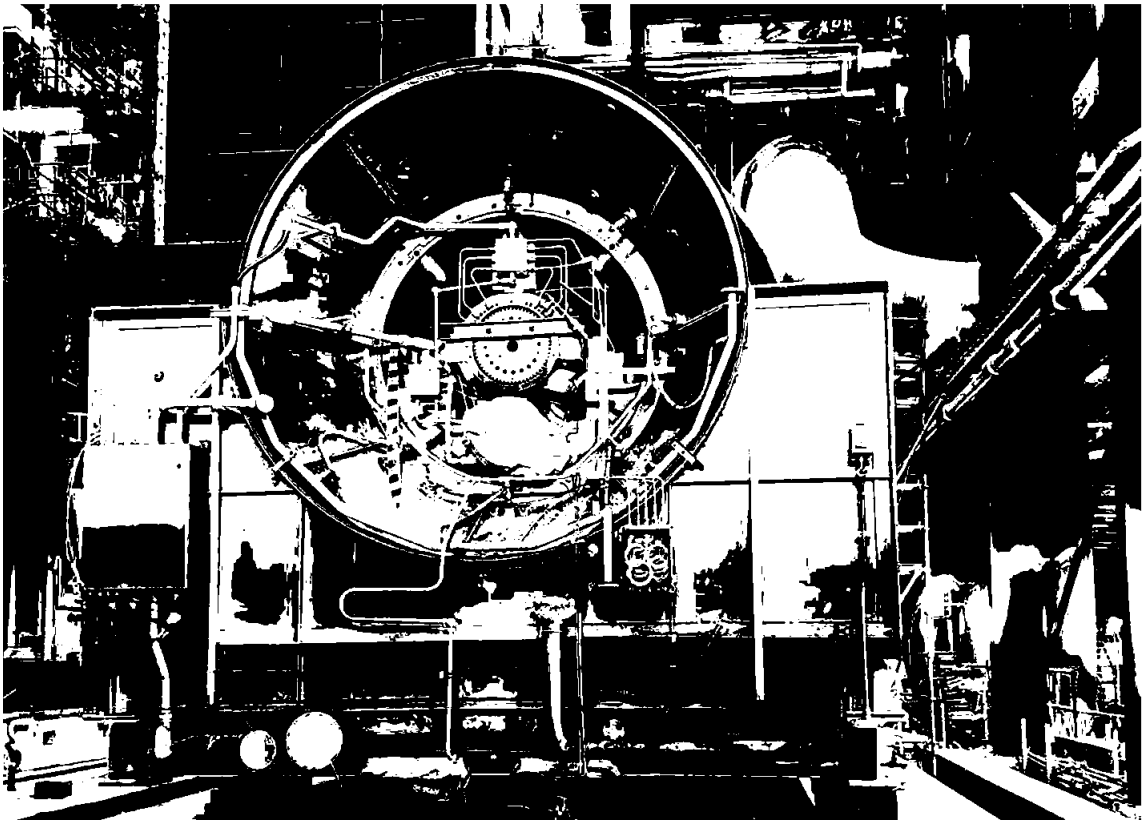
For many years, we have also used the functional principle underlying district heating successfully for an alternative to conventional air conditioning systems that is both environmentally benign and energy-efficient: M-Fernkälte district cooling. We use insulated closed cooling grids to transport centrally cooled water to our customers' properties where it absorbs the heat from the buildings' air conditioning systems. To be able to cover the rising demand, we have continuously been expanding our downtown district cooling grid. In the future, cooling generated, inter alia, with geothermal energy at the "Süd" energy location in Sendling will be transported to the Munich downtown area via the Isarvorstadt and Ludwigsvorstadt neighbourhoods.

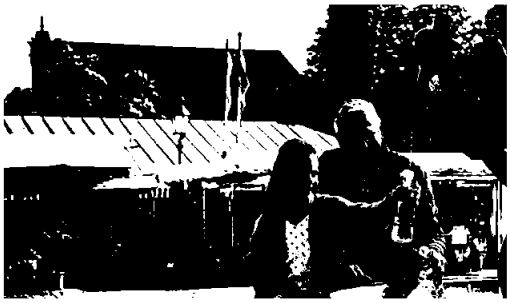
Gas – interim and future-ready technology

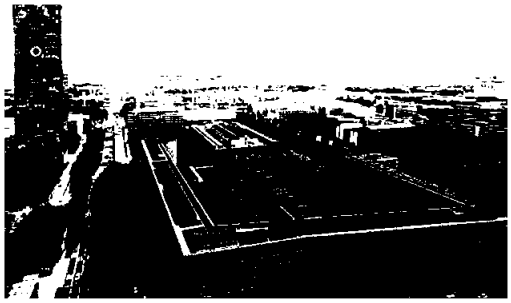
On our way towards a climate-neutral Munich, we intend to gradually replace fossil natural gas by decarbonised gases such as hydrogen. For a transitional period, however, we will not be able to do without gas, which is the fossil energy source producing the lowest emissions. The reason: natural gas is the only energy source that can be used to generate both electricity and heat across a variety of volumes and without long lead times. These characteristics make gas indispensable as long as fluctuating feed-in volumes from renewable energy sources cannot yet guarantee the supply of the necessary base load at all times. In late 2021, we commissioned the gas-and-steam turbine 2 (GuD2) with its two state-of-the-art gas turbo sets at the "Süd" energy location. The turbo sets feature both higher efficiency levels and improvements in exhaust emission values compared to their predecessors and can be used in electricity and heat generation. In the coming years, we also plan to refurbish the adjacent plant, the gas-and-steam turbine 1. Through the use of state-of-the-art technology, it will be revamped to also make it suitable for proportional use of regenerative fuels such as biomethane or hydrogen.

With an adjusted strategy, the Spirit Energy natural gas production company, in which SWM and Bayerngas jointly hold a stake of 31 %, will also be aligned with the requirements of the energy transition. In 2021, initial steps were taken towards a sale of the company's Norwegian gas and oil fields and one British field – this transaction will be completed in 2022. In the future, the focus will be on secure and economically viable production of the existing gas reserves. Natural gas production will thus be immediately 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).

One of the two new gas turbo sets of the gas-and-steam turbine 2 during on-site installation.







Architectural rendering of the Hybrid.M compound.

Water and public pools: two for health and relaxation

Every day, SWM supplies Munich's citizens with one of Europe's best drinking waters: M-Wasser. From the two main catchment areas, the Mangfall valley and the Loisach valley, the water flows into the city in 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).

Sustainability and alignment with customer requirements are also hallmarks of the strategy pursued by the M-Bäder public pools. Unfortunately, use of the offerings of the 18 modern indoor and outdoor pools, ten attractive sauna facilities, the Prinzregenten ice stadium, and two fitness centres was again restricted for Munich's citizens in 2021 due to the Covid-19 pandemic. Not before the beginning of the outdoor pool season in mid-May were we able to gradually open our M-Bäder public pools. Irrespective of the future framework conditions for public pool operation, the introduction of digital ticketing is on our agenda for 2022. Similarly, Covid-19 has no impact on our long-term goals of further improving customer satisfaction, increasing the ensuing visitor numbers, and switching all M-Bäder public pools to CO_2-free operation by 2040.

Room for modern living and working

In booming metropolitan regions such as Munich, affordable real-estate properties – be it for housing or for work – are in notoriously short supply. This makes SWM's contribution to counteracting the land shortage all the more valuable. Wherever possible, we create additional space for the market in properties that we mainly develop and build for our own operational purposes. One recent example is the multi-functional Hybrid.M compound in Moosach. It houses our new bus depot, which is set up for electric bus operation and offers room for slightly under 200 MVG buses. The surrounding buildings offer approximately 18,400 square metres of state-of-the-art office space – enough for 900 workplaces with modern and flexible office equipment. In addition, we are also creating new space for living and working by developing real-estate properties from our portfolio that are not necessary for operations into other uses. On the site of our bus and former tram depot in Laim, for instance, a new urban neighbourhood with office space, flats for up to 1,000 families, and social infrastructure is to be constructed over the next few years, including almost 600 SWM company flats. With our company-flat expansion campaign, we are thus easing the pressure on Munich's still strained rental market (see also page 18) – and can offer attractive housing to many of our current and future employees.

Forward-looking networks

SWM is a driving force in Munich's transformation into a smart city. Our vision is to merge stand-alone networks, grids, and 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.

Smart data needs strong networks

As a stable link to the employer or guarantee of judder-free home entertainment, the powerful fibre-optic connections of our M-net subsidiary have been essential for many Munich citizens, and not only since the outbreak of the Covid-19 pandemic. At the end of 2021, as many as slightly over 630,000 private households and businesses already had access to one of Europe's fastest and most modern fibre-optic networks. Concrete steps for the next roll-out stage, to ultimately approximately 650,000 households, have already been planned and will be completed in 2023.

In the future, Deutsche Telekom will also be granted access to M-net's powerful fibre-optic network for providing service to its customers. Based on bitstream input, M-net will enable its competitor to offer its own products via M-net's fibre-optic network. The two companies signed a corresponding memorandum of understanding in June 2021. With this move, SWM and M-net affirm their commitment to open access, which means that they also open their network to other telecommunication service providers via wholesale agreements.

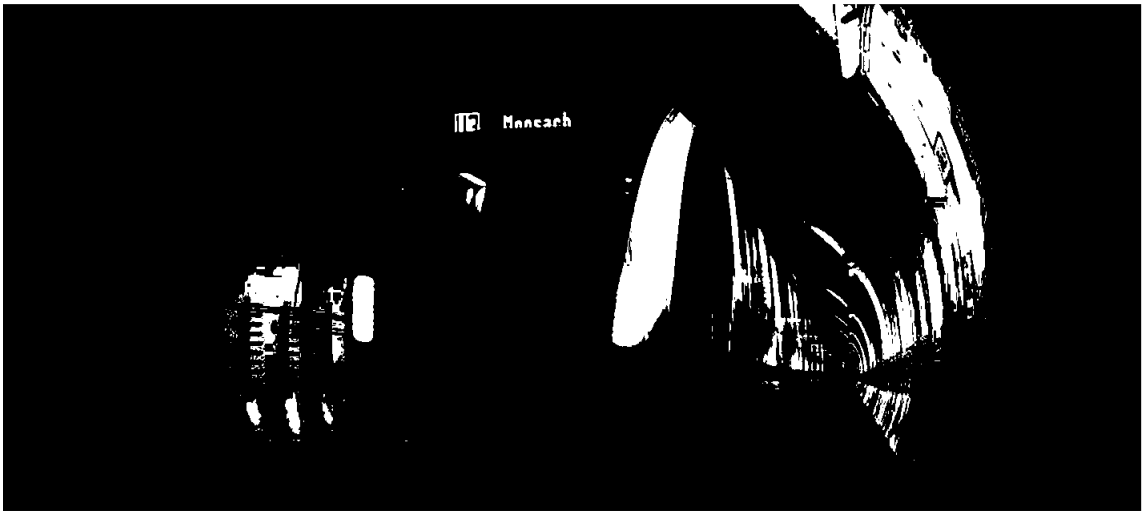
M-net also agreed on a further open-access partnership with Deutsche Glasfaser in the year under review. The focus is on equipping private households and businesses with fibre to the home (FTTH) or to the office. The plans provide for the initial roll-out to cover approximately 22,000 households in Bavarian Swabia and the region around Munich, and the first customers have already gone live. 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.

In 2021, incidentally right on time for its 25th company anniversary, M-net also became Germany's first climate-neutral telecommunications service provider. Its extraordinarily energy-efficient fibre-optic network has made a major contribution to this achievement, too.

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". We also use the advantages of this technology in our own organization. For example, power transformer stations automatically transmit technical parameters to the SWM headquarters through what are known as "LoRa nodes". If abnormalities are detected in the data, we are able to react immediately and thus avoid station downtimes.

M-LOGIN CELEBRATES 1 MILLION USERS

The M-Login single sign-on is a key component of Munich as a smart city. Since July 2019, the people in Munich have been able to use M-Login as secure access point to digital services revolving around leisure activities, culture, mobility, and utility services. M-Login allows users to rely on the same login data for fast and convenient access to a variety of web and app offerings provided by M-Login partners and centrally manage their personal data in their M-Login account. Since January 2021, users have also been able to store their means of payment in their M-Login account and use it for paying participating services – more than 500,000 users have already activated this function. Shortly after its two-year anniversary, M-Login reached the mark of 1 million users in October 2021. The most popular services are the "MVG Fahrinfo München" local public transport app including the HandyTicket mobile phone ticket (more than 500,000 active users) and the "HandyParken München" car parking app (nearly 380,000 active users). M-Login will continue to add further exciting service partners in the future.



New C2 underground trains are modernising Munich's underground system, which celebrated its 50th anniversary in 2021.

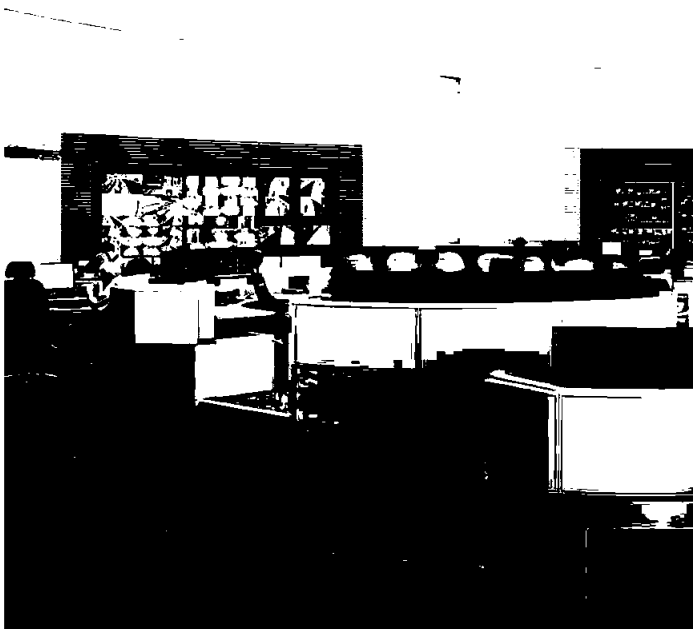
MVG: great challenges ahead

In June 2021, the Munich City Council launched the "Mobility Strategy 2035". By 2025, emission-free vehicles, local public transport, as well as walking and cycling are to account for at least 80 % of the mobility in Munich's urban area. 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.

One focal point of these investments is the renewal and expansion of our underground train and tram fleets. Among other things, 67 Type C2 underground trains are to be delivered to MVG in the period until 2024. At the end of the year under review, as many as 40 of them were already in use. Some of them have replaced older underground trains of what are known as the A and B model series, while others enlarge the fleet to permit service improvements. In the tram fleet, the delivery of 73 new Avenio trams began in late 2021 and will progressively expand tram service capacities, facilitating both increases in service frequency in the existing network and coverage of planned new routes.

We continued the electrification of the MVG bus fleet – fully in line with our target to completely convert it to electric buses by 2035. At the end of the year under review, we received the first two electric buses made of composite materials from a Dutch manufacturer. Given their particularly light-weight properties, we expect these buses to have a greater range than the hitherto deployed electric buses. What is more, the 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. One of the two new vehicles has been deployed on the 100 and 144 lines, which have already been switched to fully electric operation. The second vehicle has been earmarked for "platooning" within the framework of the TEMPUS pilot project. Platooning means that several virtually linked vehicles drive in a row at short distances from each other. Only the lead vehicle must be steered by a driver, while all other vehicles in the platoon are operated automatically.

Coordination of Munich's buses, trams, and underground trains from a single operations centre started in autumn 2021.



Since September 2021, the new MVG operations centre on the campus of the SWM headquarters has continuously kept track of the operation status of our underground, tram, and bus lines. It has replaced the previous underground and tram/bus control centres that used to be run from different locations and already offers suitable capacities for the expected growth of local public transport in Munich. Alongside system operation and passenger information systems, the tasks handled by the centre also include the management of the service staff and the teams responsible for guarding underground stations.

A series of technical innovations will make Munich's local public transport system even easier to use and more convenient in the future. One case in point is the new MVGO app, which has pooled multimodal mobility offers for individual travel in the city since April 2021 – ranging from local public transport to bike sharing with the MVG Rad public bike rental service to electric scooters and mopeds provided by various mobility partners. Alongside mere information, MVGO also offers options for direct bookings with sharing providers and payment of all services with a single means of payment stored centrally in M-Login. Our "HandyParken München" car parking app, which does away with paper parking tickets, is likewise becoming ever more popular. In 2021, this app won first place in the "Mobility" category of the Top Digitaliser Awards of the Digitalisation Initiative of the German Economy.

In addition, the passenger TV system already known from underground trains and trams also started broadcasting in MVG's approximately 650 buses in November. And in December, the QR code on the stop timetables was upgraded: since then, passengers have been able to retrieve not only real-time data on current departure times at the respective stops, but also a lot more information on the respective locations.

MVG OPENS ITS MOBILITY LAB

With the Mobility Lab (MOBI) at Munich Urban Colab in the city's creative quarter on Dachauer Strasse, MVG is laying an important foundation for the future of mobility in Munich. The City of Munich and UnternehmerTUM have set up Munich Urban Colab as a new central hub for Munich's innovation and start-up scene. Under one roof, start-ups, established companies, scientists, and the City of Munich are collaborating across industry to jointly address the challenges of tomorrow. At the Mobility Lab, MVG will work on innovations and projects driving the smart city forward and thus make an important contribution to the mobility transition in the city.

We reached two further milestone in the conversion of the Sendlinger Tor underground hub into a barrier-free station for the future with expanded capacities. In July, we were able to open part of the new centrepiece of the station, the central area connecting the two platform levels. In December, the opening of the refurbished staircase leading to Sendlinger Straße followed. This staircase is one of the most frequented exits of the stop. The modernisation of the Sendlinger Tor underground hub is scheduled to be completed in 2023. In September, we launched a further major modernisation initiative: in the period until autumn 2026, we will replace 125 escalators throughout the system.

Tailwinds for the expansion of our tram system came from the Munich City Council: its approval of the 2021 local public transport construction programme gives us planning and funding security for the most important expansion projects in the coming years. Major projects include the new tram depot on Ständlerstrasse and 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). In addition, further feasibility studies for new tram routes have been approved.

The first step in the expansion of our underground service was the increase in service frequency of the "U4" underground route in 2021, which had previously been postponed due to the Covid-19 pandemic. Further service improvements are envisaged, and the expansion of the underground system is being prepared, too. The plans for the underground routes to Martinsried and Pasing have already reached an advanced state. The "U9" underground route running from the Implerstrasse stop to the Schwabing neighbourhood is in the preliminary planning stage.

Leading location for electromobility

Electromobility in practice cannot only be found in Munich's local public transport network. The Bavarian capital also holds a top position in the development of charging infrastructure for electrically powered vehicles. Users of electric cars can now avail themselves of more than 1,200 public charging points, distributed throughout the entire city area. In the private and commercial segments, SWM likewise operates an increasing number of charging points – currently around 950. All charging points are powered with 100 % CO_2-free M-Ökostrom green electricity. A total of 9,500 megawatt-hours were charged in 2021. Compared with the equivalent petrol consumption of conventional combustion engines, approximately 7,500 tonnes of CO_2 emissions were avoided.

It is only logical that a rising number of electric vehicles and charging stations is leading to higher charging demand, which must be handled as efficiently as possible in the electricity grid. This is exactly where the SWM virtual power plant comes into play, where we have linked a large number of decentralised generation units and electricity consumers for many years in order to manage them in the electricity grid depending on the prevailing demand. The following rule applies: the higher the number of generation units and consumers linked to the virtual power plant, the more flexible – and thus more powerful – the overall system becomes.

UNIT-E²: INTELLIGENT INTEGRATION OF ELECTROMOBILITY

In four field trials throughout Germany, the "unIT-e2 – Real Lab for Networked E-mobility" research project is analysing the best possible way of integrating electromobility into the electricity grid. To address this complex topic from all sides, 29 partners from the automotive and energy industries, the IT and charging infrastructure sectors, and the scientific field have joined forces in this project – and SWM is one of them. We are mainly working on the challenges of the "smart grid" as an intelligent way to supply electricity. From a technical perspective, the project relies on the evolution of the smart-meter infrastructure. The focus is on communicative connection of buildings to the grid control centre and the transmission of setpoint defaults at the grid connection point. In the Munich field trial, buildings are being equipped with an energy management system. Tests are focusing on the way in which flexible units (above all electrically powered cars) can be used for the market (e.g. through the virtual power plant) and can generate balancing power for grid operators. We also want to use the project to expand our charging solution range, e.g. through offers for grid-beneficial charging of fleet vehicles or flexible billing functionalities.

Commitment to appreciation and solidarity

A secure work environment in unsettling times

Especially in periods of uncertainty and change like the one the work environment is going through during the Covid-19 pandemic, SWM's key values – sustainability, reliability, and social inclusion – offer employees a high potential to identify with the company. We want to use this to attract the attention of qualified applicants in Munich's demanding labour market and position ourselves as an attractive employer. We have a clear goal: we want to become one of the five most attractive employers in Munich and its metropolitan region by 2025 – characterised by tasks that are as meaningful as they are challenging, flexible working conditions, and an appreciative corporate culture.

An increasingly compelling argument in favour of SWM as an employer is our portfolio of currently more than 1,200 company flats. By offering our employees affordable flats, we moreover help ease some of the pressure on Munich's strained housing market. Our company-flat expansion campaign has led to a steady increase in our housing portfolio over the last five years. In the year under review, we completed 134 company flats and an integrated day-care centre at two locations. The next construction projects are slated for completion in 2022 and 2023, with more than 200 flats to be handed over to our employees. By 2030, we intend to increase SWM's housing portfolio to approximately 3,000 flats. In addition, we have recently begun to explore possibilities of cooperating with municipal enterprises in company-flat construction.

In-house training programmes have always been a very successful approach in our efforts to retain skilled young talent for SWM. In the period during which our training centre in the Thalkirchen neighbourhood has been up and running, SWM, as one of Munich's largest workplace training organisations, has made more than 5,000 young people fit for their future career through traineeships. At any

A further 118 company flats will be completed next to the Hybrid.M buildings in 2022.

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. 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 or a network for single parents but also 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 or water extraction as well as to 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 continuously improving them.

Our corporate strategy envisages an 80 % reduction in the CO_2 emissions from our services by 2040 compared to the 2008 baseline year. The strategic initiatives shown on the next page will make a major contribution to achieving this ambitious goal.

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. With our "eco farmer" initiative, we encourage organic farming in the catchment area for water extraction in the Mangfall valley. More than 180 farmers already operate their farms with agricultural methods that protect soil and water and practice species-appropriate animal husbandry. With nearly 4,300 hectares, their combined cultivation areas form one of the largest contiguous organically farmed regions in Germany.

Drinking water protection: in 2021, we received a certificate of merit for 20 years of ecologically responsible forest management from the "Naturland" organic farming association.


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

SWM Education Foundation launched its "CAMPUS Lernen PLUS" project to support disadvantaged young people from the Munich metropolitan region.

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 122 projects with more than EUR 8 million. In 2021, the foundation paid out a total of approximately EUR 483,000 – to recipients such as the holiday school of Munich's Ludwig Maximilian University, the "CAMPUS Lernen PLUS" project aimed at fostering children and adolescents with refugee or migration backgrounds or other educational risks, and FabLab Munich, an organisation familiarising elementary and middle school students with the technologies of the future. In the year under review, approximately 4,500 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 during the Covid-19 pandemic, which has 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. With a poster campaign displayed in the local public transport system over large parts of 2021, we contributed to raising awareness of the new toll-free number of this psychiatric crisis hotline for Upper Bavaria. We not only funded the campaign, but also made company-owned advertising space available. Reports in the various in-house media of SWM and MVG rounded off the picture.

Our energy counselling for low-income households creates a completely different kind of awareness. Depending on the prevailing infection situation, we offer free counselling by phone or in person. In a combined effort, energy-intensive appliances and devices and individual weaknesses in the households are identified, consumption behaviour for electricity, heating, and water is analysed, and solutions are developed. The counselling also includes a check whether the customers have chosen the most favourable tariff. On average, our counselling service helps households to reduce their electricity consumption by a good 10 %.

In addition, our multi-facetted commitments to Munich's cultural landscape and sports in the city have a long tradition.

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/company.

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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 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 the second year of the Covid-19 crisis, SWM again succeeded in keeping customer satisfaction and loyalty high – with fair prices, very high performance and service quality levels, and transparent communication. Despite keen competition in all market segments, SWM has maintained its position as the clear 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. This is the reason why SWM will increasingly generate district heating from renewable energies, primarily geothermal energy. SWM is strongly 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. 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 throughout Germany and Europe.

SWM also engages in gas production in Northwestern Europe via its shareholdings in Bayerngas GmbH (Bayerngas) and Spirit Energy Limited (Spirit Energy). Through the implementation of its decarbonisation strategy, SWM will noticeably reduce its exposures in gas and oil production: contracts for the sale of the Norwegian gas and oil fields and one British field held by Spirit Energy have been signed. 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 cooling, as well as 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 segment of the value chain 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.

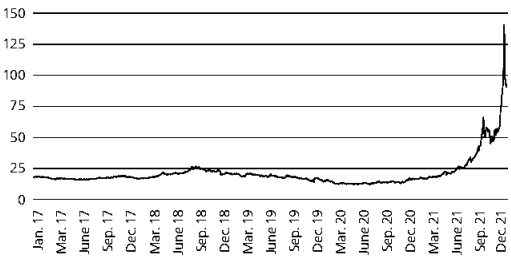
2. Business Report

Economic environment

Energy markets
The economic recovery after the crisis caused by Covid-19 in 2020 continued in 2021. However, Germany's economic situation remained under the sway of the coronavirus pandemic. After new infection waves delayed the economic rebound at the beginning of the year, gross domestic product increased strongly as the spread of infections began to ease in spring, leading to an annual growth rate of 2.7 %. Germany's economic performance has thus almost returned to its pre-Covid-19 level.

Developments in the energy markets are key influencing factors for SWM. In particular, the prices of 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.

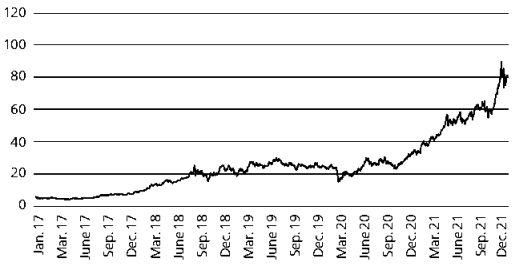
Gas front year, Trading Hub Europe (THE), EUR/MWh



Source: European Energy Exchange; data supplied by Reuters

At the beginning of the year, the combination of the usual winter weather conditions and below-average accumulation of gas reserves resulted in an increase in German gas prices. From the second quarter onwards, below-average temperatures, slow gas inflows from Russia, and persistently low gas reserves led to continuous further price increases, which gathered speed during the course of the year. An additional slump in Russian gas deliveries and unusually low reserves at the beginning of the gas usage season drove the price of the front year product up to record peaks of slightly above EUR 140/MWh in December.

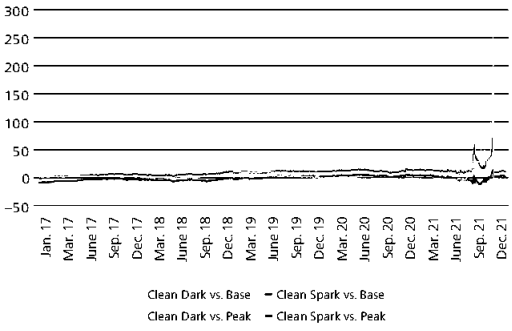
CO_2 certificates, rolling front year, EUR/t CO_2



Data supplied by Reuters

The price increase of CO_2 certificates that had begun in late 2020 continued in 2021 with minor interruptions. The drivers of this development were elevated demand for certificates due to below-average feed-in of renewable energies, speculative purchases, and lower auction volumes. Additionally, prices were supported by the EU's ambitious climate targets, which are also reflected in the European Commission's "Fit for 55" package. Furthermore, the new German government's coalition agreement, which was presented on 24 November 2021 and provides for a price floor of EUR 60/t of CO_2, had a favourable impact on certificate prices.

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



Data supplied by Reuters

The strong increase in gas and CO_2 prices in conjunction with an initially concurrent uptrend in electricity prices until September 2021 resulted in a sideways movement of the contribution margins of coal-fired power plants and falling contribution margins of gas-fired power plants. The significant electricity price increase recorded in autumn 2021 pushed clean dark spreads to noticeably higher levels, prompting them to climb to record levels towards the end of the year. Despite a decline in the second half of December, these spreads remained at very high levels. The clean spark spread (base) for base-load coal-fired power plants, which had plunged into negative territory during the summer due to the rise in gas prices, initially remained at negative levels in autumn, only to recover towards the end of the year amid the continued upward trend in electricity prices, and closed 2021 in positive territory.

Conditions in the sales market

As was already the case in previous years, the first half of 2021 was characterised by high competitive pressure in the residential and business customer segments. Due to the Covid-19 pandemic and the associated restrictions imposed on certain distribution channels (e.g. direct distribution), the intensive use of Internet price comparison portals continued. Similarly, offers with very high bonus levels submitted by discount competitors were still available. In the second half of the year, by contrast, sharply rising market prices of electricity and especially natural gas created a situation in which bonuses were offered only to a much lesser extent or not at all. Some competitors scaled back their product offerings considerably or exited energy sales altogether.

In the business customer segment, rising wholesale prices for electricity and natural gas resulted in significant customer restraint in new contract conclusion in the first three quarters of 2021. One exception were structured exchange-aligned products. The fourth quarter, however, brought a noticeable increase in demand, making it possible to conclude contracts with longer durations with many customers.

Conditions in energy policy

The first half of the year saw the adoption of the first climate protection law at the European level. This legislation makes a reduction in greenhouse gas emissions by 55 % and climate neutrality by 2050 legally binding. In July 2021, the European Commission presented the first part of the associated package of measures. Called "Fit for 55", this is the largest bundle of legislative acts of its kind for the energy sector since the establishment of the European Community. It comprises a total of twelve new or amended directives and regulations, including revised versions of the Renewable Energy and Energy Efficiency Directives. One especially complimentary aspect for SWM was the fact that it was mentioned as a "role model" for long-term planning of the heating transformation. In this respect, SWM's goal is to discontinue the use of hard coal and ensure climate-neutral coverage of Munich's demand for district heating by 2040 at the latest, mostly relying on deep geothermal energy. Generally speaking, SWM takes a positive view of the European Commission's ambitious package, even though some details will have to be refined during the subsequent legislative procedure of the Council of the EU and the European Parliament. The second part of the measures for the implementation of the ambitious climate targets followed in December 2021, including legislation on methane emissions reduction and

amendments to the legislative acts regulating the gas market, with a clear focus on hydrogen.

Another important topic is the EU taxonomy – a classification system established to clarify sustainable economic activities. The European Commission unveiled its initial proposals for such a taxonomy in April 2021; others are to follow, including on the highly controversial future handling of nuclear power and natural gas. The taxonomy is to steer capital flows into sustainable projects to a greater extent in the future, as the ambitious decarbonisation path will require not only public subsidisation, but will largely have to be funded by private capital. Over a medium-term horizon, the plans provide for the application of the taxonomy to other areas beyond the environmental sector.

Within Germany, the year 2021 was mainly dominated by the federal parliamentary elections for the 20th legislative period of the German Bundestag. Cutting across all sectors, the coalition agreement addresses the necessary roadmaps for accelerated implementation of the energy transition and commits to the target of achieving climate neutrality as early as in 2045. The heating transition will be one of the biggest challenges in this context. Starting from a status quo of 14 %, the envisaged 50 % share of renewable energies in the heating supply is a very ambitious target. Fortunately, the coalition agreement addresses the potential of geothermal energy, taking up an important request made by SWM and validating SWM's strategy for its district heating vision. The necessary framework conditions – such as amendments to the German Heating Supply Ordinance (Wärmelieferverordnung; WärmeLV) – still have to be put in place.

Although the important role gas has to play in establishing a reliable supply in the upcoming transformation process has basically been acknowledged, regulations that create a secure investment climate for the addition of hydrogen-enabled gas-fired power plants still have to be drawn up if supply reliability during the conversion of the heating sector is to be ensured in practice, too. More than half of Germany's energy consumption goes to the heating of homes, offices and shops, and the provision of heating to trade and industry. This makes the heating transition – the energy transition for the heating sector – a crucial prerequisite for the success of the energy transition in its entirety.

Conditions in the public transport sector
In the mobility sector, the coalition agreement reflects the German federal government's 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 and increase the regionalisation funds – which are an important source of financing – from 2022 onwards. The coalition has thus taken up fundamental requests of the transport industry. Near-term decisions on funding budgets and administrative procedures are imperative as we have only slightly more than eight years to reach the climate protection targets in the transport sector.

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 2021 and will also be increased. Alongside the funding of new construction projects, cost-intensive refurbishing projects for the existing infrastructure will 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 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 requirements and challenges for the entire industry.

The Covid-19 pandemic continues 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 provide 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 EUR 215 million rescue package 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 over large parts of 2021.

Telecommunications market
Total revenues generated by telecommunications services in Germany amounted to approximately EUR 59.1 billion in 2021. Revenues in the market as a whole thus increased by approximately EUR 0.6 billion (+1.0%) versus the previous year. In particular, the relatively strong expansion of the broadband segment continues. Forecasts estimate the total number of broadband connections at 37.4 million by the end of 2021 (previous year: 36.2 million). Specifically, the number of both available and active fibre-to-the building (FTTB) and fibre-to-the-home (FTTH) fibre-optic connections is increasing. By the end of 2021, the number of active FTTB/H fibre-optic connections is expected to reach 2.5 million (previous year: 1.9 million).

The opening of the already installed fibre-optic networks to other competitors ("open access") within the framework of what is known as "wholesale marketing" and the trend towards cooperations likewise continued in 2021. In addition, new competitors, some of which intend to set up their own FTTH fibre-optic networks, are entering the market.

From a regulatory perspective, the amendments to the German Telecommunications Modernisation Act (Telekommunikationsmodernisierungsgesetz; TKMoG) were a particularly noteworthy intervention in the telecommunications market in 2021. The TKMoG creates an adjusted legal framework that reflects ongoing technological developments and provides stimuli for a further expansion of digital infrastructures, while simultaneously broadening customer and consumer protection.

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 received a "very good" classification for fairness as an electricity and gas provider – for the tenth time in a row. During the Covid-19 pandemic – a period characterised by sharply rising prices – SWM placed special emphasis on moderate pricing with a view to supporting its customers in weathering the crisis well. Whereas many competitors raised their prices – in some instances dramatically – to offset significantly higher procurement costs for energy or even decided to actively terminate contracts, SWM decided to keep the prices for residential customers stable in the year under review, despite the difficult market situation. Through professional retention of existing and successful attraction of new customers, 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.

As of January 2022, however, SWM was also forced to increase its electricity and gas prices for residential customers after having managed to keep them stable for about three years. That said, its prices will remain fair, and there are indications that the number of residential customers using SWM's services is even going up in the wake of the price movements in the energy markets.

In the business customer segment, electricity sales did not return to regular levels in 2021 either. Thanks to rising prices, the sell-off of the volumes procured in the wholesale market produced a positive result.

Energy Sales continues to focus on flexible, structured, and exchange-aligned products with adequate risk sharing. This approach made it possible to safeguard volume sales generating positive contribution margins, especially in the key account and individual customer segments. The trend towards green products is proving to be increasingly advantageous .

Alongside persistently keen competition, the Covid-19 pandemic also impacted the energy sales of the SWM shareholding Energie Südbayern GmbH (ESB). Despite this difficult environment, ESB recorded an upward trend in sales in its corporate and key account business.

In 2021, SWM overall increased its electricity, gas, and district heating sales volumes. For one thing, it succeeded in winning new customers; for another, volume demand went up in the heating segments in the wake of rather cold weather conditions during the year under review. Water sales volumes remained at the previous year's level.

Trade
In 2021, the energy markets were again subject to high price volatility induced by the Covid-19 pandemic and low reserve levels at gas storage facilities. Thanks to SWM's hedging strategy for the market-price-dependent portfolio, however, the pronounced price volatility had only a relatively minor effect on the operating result of the energy exposures managed in the portfolio in the 2021 calendar year. For the years that follow, however, provisions for contingent losses had to be set aside for the hedges carried out for shareholdings at the group level. In addition, the power plant position saw a clearly negative trend in 2021. This was mainly due to unscheduled unavailabilities and postponements of conversion and refurbishing projects, which led to a situation in which already hedged positions had to be exited in rising markets. One focus of operating activities in 2021 was the optimisation of direct marketing portfolios. A second focal point continued to be the implementation of process improvements and automation (e.g. within the framework of the expansion and further optimisation of short-term and intraday trading) in order to enhance cost efficiency.

SWM's Bayerngas shareholding was hit by rising prices in the gas wholesale market.

In the Plattform Energie GmbH purchasing pool, headquartered in Bad Aibling, SWM's ESB shareholding is responsible for energy procurement and the management of an electricity and natural gas portfolio with a total volume of approximately 4.3 terawatt-hours for 39 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 electricity and heating.

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: in 2020, SWM installed new gas turbines at its "Freimann" cogeneration station and the plant commenced operations. It ran in trial mode in 2021. Due to the Covid-19 pandemic, the gas turbine replacement and/or conversion at the gas-and-steam-turbine plant 2 within the "Süd" combined heat-and-power station was postponed from 2020 to 2021. The commissioning of the new and more efficient gas-and-steam-turbine plant 2 took place in late 2021. Performance test runs and the final trials are scheduled for 2022.

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. Further planning processes are being pursued for the Uppenborn 1 site (implementation planned before the year 2022 has run its course) and the Menzing site (presumably in 2023/24). Sites suited for this purpose, business models, and technological concepts in conjunction with the innovation tenders based on the German Renewable Energy 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 late 2022. To better satisfy the digitalisation and optimisation requirements (including forward-looking operating 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 2021, major progress was made in the SWM wind parks under construction. The Austri Kjølberget wind park in Norway (SWM stake: 60 %) was formally approved in early October after gradual commissioning of the last turbines over the summer. In Poland, the Jasna wind park was formally approved in autumn 2021. However, it already generated electricity throughout the entire year and was characterised by stable operation.

In the Norwegian Midgard Vind Holding AS onshore portfolio (SWM stake: 70 %), all eight wind parks (with a total capacity of approximately 450 megawatts) are up and running. Four of these wind parks (330 megawatts) are still awaiting formal approval, which is scheduled for the first quarter of 2022.

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 2021, to 660 megawatts.

In the SWM 50 MW, Havelland, SWM Wind Onshore France, Sidensjö, and Austri Raskiftet onshore wind parks, and the Andasol 3 solar thermal power plant in Spain, operations proceeded as expected. While overall plant output was considerably below the plan, electricity prices in Scandinavia were very high in some instances.

The Gwynt y Môr, DanTysk, Sandbank, and Global Tech I offshore wind parks are in regular operation. For wind-related and technical reasons, their output was below expectations in 2021. At DanTysk Sandbank, damaged cables again resulted in revenue reductions and repair costs in 2021.

SWM's Hanse Windkraft GmbH subsidiary, which was established in 2018, makes a contribution to the renewable energies expansion campaign. Hanse Windkraft mainly acquires legacy wind parks that benefit from subsidisation under the German Renewable Energy Act (EEG) or for which such subsidisation is about to expire and continues to operate them economically. This facilitates longer and more efficient use of existing resources in Germany, especially in times in which the further expansion of wind energy is faltering. In 2021, 14 wind parks with a total generation capacity of 37 megawatts were economically transferred to Hanse Windkraft GmbH.

The projects that have already been implemented, together with those that have been initiated, will give SWM access to generation capacities totalling approximately 6.3 billion kilowatt-hours of green electricity per annum in its own plants. This corresponds to slightly under 90 % of Munich's current electricity consumption.

Through additional investments, the generation capacity that has been achieved so far will be increased further in order to reach the goal of the renewable energies expansion campaign, namely 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 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 below plan in 2021. On the one hand, this is due to the fact that the reservoir properties of a number of fields fell short of expectations; on the other hand, protracted down-times caused by technical issues were recorded in some instances. Given the high gas and oil prices, however, both income and free cash flow significantly exceeded expectations. Within the framework of SWM's decarbonisation strategy, agreements for the sale of the Norwegian gas and oil fields and one British field held by Spirit Energy were signed towards the end of the year under review.

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 2021, the renewable energies expansion campaign continued to make further headway, both in the projects under construction and 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 2021, access charges in the grid territory of SWM Infrastruktur decreased by approximately 8 %. The single largest item is the share of upstream grid costs of the transmission grid.

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 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 associated costs as low as possible. In their industry-wide "Redispatch 2.0" project, distribution grid operators are setting up uniform processes to achieve this outcome. The project involves a great deal of communication among the parties involved and considerable efforts in the adjustment of existing IT systems.

Electromobility and the associated expansion of the charging infrastructure continue to move forward. This also results in an increase in the energy volume that must be provided via the electricity grid. To ensure effective expansion, SWM Infrastruktur is cooperating with universities in the development of models forecasting future electromobility needs. Once this project has been completed, SWM Infrastruktur will have a model for its grid area that can help realise the necessary grid expansion in a manner aligned with projected demand.

Again and again, electricity grid operation is negatively impacted by external factors. In the year under review, a higher frequency of extreme weather conditions was recorded, which affected supply reliability, especially in the area of overhead power lines. Suitable measures were taken to improve supply reliability. In addition, regular grid operation was hampered by third parties' interference in 2021, which had a seriously negative impact on the supply situation in the area of the Grafinger Straße transformer station over several days.

Energy Networks – Gas
Based on the German Energy Industry Act (Energiewirtschaftsgesetz; 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 2021, access charges in the grid territory of SWM Infrastruktur increased by approximately 5 %. Pursuant to the EnWG and the German Incentive Regulation Ordinance (Anreizregulierungsverordnung; ARegV), grid operators' costs are subject to regular reviews by the regulatory authority. Costs incurred 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 2020 base year, the relevant applications were prepared in time by 30 June 2021 and submitted to the German Federal Network Agency (Bundesnetzagentur; BNetzA).

From a technical perspective, the future of the gas grids is being heavily influenced by the socio-political discussion about the use of hydrogen in gas grids. CO_2 emissions are to be reduced by using hydrogen to replace methane in full or in part in the future. To be able to assess the suitability of its gas grid for hydrogen transport, SWM Infrastruktur is developing the necessary theoretical foundation within the framework of research projects with associations.

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. In the course of this project, large supply areas east and west of the Isar river will switch to hot-water operation by 2035. Among other things, this will involve modification of grid components down to the customer station and their integration into the new grid environment.

Energy Networks – District Cooling
The supply of environmentally benign cooling is gaining increasing importance for SWM. In the Munich downtown area, in particular, a well-developed district cooling grid has already been installed. A new pipe connecting the downtown area to the planned cooling centre at Schäftlarnstraße was completed in 2021. In the future, this pipe can be used to transport a cooling capacity of approximately 36 megawatts.

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 2021, MVG almost 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 2021 financial year compared to the pre-Covid-19 period, but recorded a slight year-on-year recovery. In total, the Mobility division had 4,531 employees as of 31 December 2021, of which 1,686 were at MVG.

Evaluations of internal surveys for 2020 and the first half of 2021 again resulted in customer satisfaction scores above the national average. In particular, no decline in customer satisfaction has been recorded since the start of the Covid-19 pandemic. The reduced passenger numbers even permitted more stable operating performance. Nevertheless, a continuous rise in demand is still expected in the post-Covid-19 period. For this reason, planning for the future expansion of services continues and is being intensified (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.

In 2021, the services campaign involved expenditures totalling around EUR 286 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 proved to be a useful supplement of the "traditional" local public transport system, especially during the Covid-19 crisis. In the 2021 financial year, MVG Rad recorded approximately 309,000 registered customers and some 590,000 rental transactions.

At the current juncture, it is not yet foreseeable whether and 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 has continued to increase, which is why SWM has continued to drive forward the expansion of a fibre-optic infrastructure. Over a multi-year period, SWM will invest several hundred million EUR in the provision of fibre-optic broadband networks in Munich, Augsburg, and Erlangen – in some cases jointly with infrastructure partners. These networks will 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. In 2021, the expansion of the FTTB network was successfully completed in the last five remaining neighbourhoods. Further investments were made in the linking of additional locations to a public WLAN (WiFi) network.

In 2022, the roll-out of the network to four additional neighbourhoods will start with the installation of the fibre-to-the home (FTTH) fibre-optic infrastructure.

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

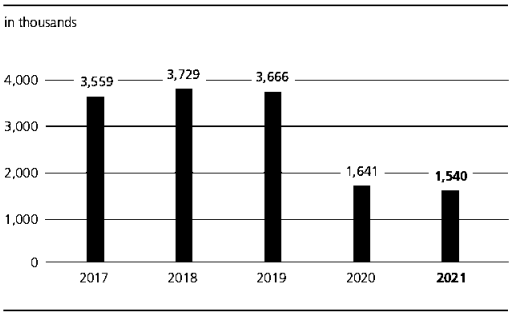
In sum, the key task in 2021 was to expand a powerful data infrastructure even further with a view to enabling residential and business customers to benefit from the use of digital applications and technological evolution.

Public Pools
In 2021, operating performance of the M-Bäder public pools was seriously impacted by the Covid-19 pandemic. As the pools were closed for almost six months, visitors numbers – and, by extension, revenues – remained at a low level. The reduction in operating costs during the lockdown offset only a small part of the decline in revenues. It was still necessary to modify hygiene concepts to fit the respective current regulations. Employees were temporarily assigned to short-time work schemes. Already paid course fees were reimbursed.

In addition, a fire broke out at the Georgenschwaige outdoor pool in March 2021, the consequence being that this facility could not be used during the 2021 summer season. Entry to the other outdoor pools was free for children under the age of twelve in the summer of 2021.

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. In the next few years, the following projects are on the agenda: refurbishing and modernisation of the pool and sauna facilities of the Forstenrieder Park indoor pool, refurbishment and transformation of the Georgenschwaige outdoor pool into a CO_2-free natural pool, modernisation of the Ungererbad summer pool entrance building including ticket booth and the changing, toilet, and staff areas, and fire protection and structural improvements at the Volksbad indoor pool.

M-Bäder visitor trend



Business situation

The 2021 financial year was inter alia impacted by higher prices in the gas and oil markets, which had numerous repercussions for SWM. The Mobility and Public Pool segments continued to face negative effects resulting from the Covid-19 pandemic.

Results of operations

Revenues
SWM's revenues increased from EUR 7,483 million to EUR 8,297 million.

Revenues and volume sales

	Volume sales 2021	Revenues 2021 (in kEUR)	Volume sales 2020	Revenues 2020 (in kEUR)
Electricity (GWh)	34,365	2,940,264	38,003	2,859,143
Natural Gas (GWh)	146,584	3,724,476	163,951	3,021,555
District Heating (GWh)	4,744	391,062	4,288	351,199
Water (million m³)	96	174,673	99	172,354
Public Transport		381,137		438,799
Public Pools (thousand visitors)	1,540	6,964	1,641	9,303
Telecommunications		273,178		271,446
Other		404,788		359,611
		8,296,542		**7,483,410**

Despite a decline in volume sales, electricity revenues increased by 2.8 % to EUR 2,940 million. This increase was mainly attributable to higher prices.

Natural gas revenues went up by EUR 703 million to EUR 3,724 million. This uptrend in revenues was mainly price-related.

District heating revenues increased by EUR 40 million to EUR 391 million, with volume sales growing by 10.6 % year-on-year in the financial year under review.

At EUR 175 million, water revenues remained virtually flat versus the previous year's revenues of EUR 172 million.

Due to the Covid-19 pandemic, a further decrease in revenues from EUR 439 million to EUR 381 million was recorded in the underground, tram, and bus services of the local public transport system.

At EUR 7 million, public pool revenues remained relatively stable compared to the previous year's revenues of EUR 9 million. Both years were affected by massive restrictions resulting from the Covid-19 pandemic.

In the highly competitive telecommunications market, SWM maintained its successful performance by slightly increasing its revenues from the previous year's level of EUR 271 million to EUR 273 million.

Development of further significant items in the income statement
Other operating income increased by EUR 200 million year-on-year, to EUR 543 million. The main reason for this uptrend were a EUR 99 million increase in income from variation margins and a EUR 76 million increase in income from the rescue package for local public transport companies. In addition, income from the reversal of provisions and income from write-ups on financial assets went up by EUR 50 million and EUR 37 million, respectively, compared to the previous year. Movements in the oppositive direction were recorded for exchange rate gains from foreign currency translation, which decreased by EUR 14 million, and other income, which went down by EUR 43 million after having included additional purchase price payments of EUR 37 million in the previous year.

Cost of materials went up from EUR 5,701 million to EUR 6,788 million. Higher procurement prices were the main factor burdening cost of materials.

Personnel expenses increased from EUR 792 million to EUR 841 million. On a group-wide basis, the number of employees (excluding trainees, temporary, and seasonal workers) increased from an average of 10,004 to 10,418 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 529 million. Scheduled write-downs rose by EUR 38 million to EUR 529 million.

Other operating income went up from EUR 425 million to EUR 572 million. This increase was mainly due to higher additions to provisions for contingent losses.

Tax expenses
Taxes increased from EUR 106 million to EUR 128 million. The income tax burden contained therein went up from EUR 95 million to EUR 108 million, mainly due to improvements in the earnings generated by the companies.

Profit
Profit before taxes amounted to EUR 229 million (previous year: loss of EUR –45 million). Consolidated net income after tax and before profit and loss transfer came to EUR 99 million.

Operating result after adjustment for one-off effects amounted to EUR 260 million in the financial year under review, which corresponds to a decrease of EUR 154 million year-on-year. EBITDA declined from EUR 905 million to EUR 789 million.

SWM's financial result stood at EUR 42 million in 2021, compared to EUR –522 million in the previous year. The EUR 564 million increase in SWM's financial result was mainly due to a significant year-on-year improvement in income from associated companies of EUR 482 million. In addition, distributions led to a EUR 73 million increase in income from securities and loans held as financial assets to EUR 106 million.

Net assets
SWM's total assets increased by 14.0 % year-on-year, to EUR 12,267 million, in the year under review.

Assets
Property, plant, and equipment went up from EUR 6,357 million to EUR 7,051 million. This increase was mainly attributable to investments in generation, extraction, and procurement plants.

Financial investments went up slightly from EUR 2,146 million to EUR 2,249 million. This was mainly due to additions to securities held as financial assets. In addition, other companies in which SWM holds a stake increased by EUR 67 million.

Overall, fixed assets increased by EUR 839 million to EUR 9,439 million.

Due to the disproportionate increase in total assets, SWM's fixed asset intensity decreased from 79.9 % in the previous year to 76.9 %. The shareholders' equity in the balance sheet provides 60.0 % cover for the long-term assets tied up in the Group, compared with 64.0 % in the previous year.

Overall, investments in property, plant, and equipment and intangible assets decreased from EUR 1,107 million to EUR 889 million.

Investments in property, plant, and equipment and intangible assets

in kEUR	2021	2020
Energy and Water	484,733	514,345
Mobility	214,725	371,844
Public Pools	1,935	3,666
Telecommunications	57,923	75,989
City of Munich Services	45,445	32,658
Central Services	84,687	108,733
	889,448	**1,107,235**

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 and vehicles for the bus and tram fleet. Further investments concern the construction of a new bus depot in Moosach and the modernisation of the Sendlinger Tor underground stop. In addition, investments were made in the procurement of new motor vehicles.

In Public Pools, investments mainly focused on refurbishing work at 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 2,096 million to EUR 2,770 million. Factors contributing to this upward trend included a reporting-date-related EUR 354 million increase in trade accounts receivables, an increase in other assets from EUR 267 million to EUR 724 million, and a EUR 289 million increase in cash and cash equivalents. The increase in other assets mainly resulted from higher receivables from variation margins. Offsetting effects came from a reporting-date-related decrease in accounts due from affiliated companies from EUR 226 million to EUR 7 million and a EUR 223 million reduction in securities that was essentially due to redemptions.

Liabilities
As of 31 December 2021, shareholders' equity amounted to EUR 5,662 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 48.5 %.

Provisions increased from EUR 2,143 million to EUR 2,580 million. This increase was mainly attributable to the fact that provisions for contingent losses went up by EUR 237 million and provisions for outstanding purchase invoices were EUR 197 million higher.

Liabilities increased from to EUR 2,740 million in the previous year to EUR 3,561 million, the key driver being a EUR 907 million increase in other liabilities, which mainly resulted from higher liabilities from variation margins. By contrast, liabilities due to banks decreased from EUR 2,042 million to EUR 1,750 million.

Financial position

Cash flow
Cash flow from operating activities amounted to EUR 1,167 million. Starting from consolidated net income of EUR 99 million, the key drivers of the positive cash flow were the non-cash balance of write-downs and write-ups on fixed assets of EUR 471 million and the non-cash increase in provisions of EUR 369 million.

Other major effects in the areas of operating activities came from an increase in inventories and trade accounts receivable, and other assets on the one hand (EUR –567 million) and an increase in trade accounts payable and other liabilities (EUR +755 million) on the other.

The cash flow from investing activities amounted to EUR –846 million. Outflows for property, plant, and equipment (EUR 879 million) and intangible assets (EUR 10 million) primarily related to Generation, Energy Sales, Mobility, and Telecommunications. Investments in financial assets (EUR 219 million) mainly comprised securities and shareholdings. The Group received income of EUR 108 million from investments in financial assets.

The cash flow from financing activities amounted to EUR –275 million. Cash received from financial loans with a net amount of EUR 97 million and inflows into additional paid-in capital of EUR 59 million were mainly offset by outflows for the redemption of borrowings of EUR 389 million and interest payments of EUR 68 million.

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

Liquidity
The positive cash flow of EUR 46 million in conjunction with a EUR 19 million increase in cash and cash equivalents due to changes in the consolidation group resulted in an increase in funds available at short notice from EUR 621 million to EUR 686 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.

With respect to a number of derivative instruments that seem unsuitable, SWM has filed a lawsuit against one bank on grounds of incorrect advice.

On the reporting date, SWM had credit lines totalling EUR 874 million, with Stadtwerke München GmbH accounting for EUR 611 million of this total. EUR 63 million thereof can be drawn as both cash loans or sureties and EUR 85 million as sureties only. On the reporting date, EUR 36 million of this total were drawn as sureties only, EUR 62 million were drawn as cash loans only, and EUR 15 million as credit lines that can be used as both cash loans and sureties. This means that credit lines with a volume of EUR 759 million were still available on the reporting date. Credit lines with a total volume of EUR 500 million had a maximum maturity until April 2026.

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. In the financial year under review, EBIT was adjusted by EUR 74 million, mainly driven by expenses for the creation of provisions for contingent losses, income from the reversal of provisions, income from asset disposals, and other out-of-period effects. Adjusted EBIT thus amounted to EUR 260 million in the financial year under review.

Revenues exceeded expectations in 2021 – notably due to higher electricity and gas prices. Despite this increase in revenues, operating profit (EBIT) after adjustment for one-off effects fell short of expectations, as the lower gross profit was not offset by other operating income and cost savings. Due to the lower operating profit (EBIT) and the less favourable neutral income, which was, among other things, caused by the creation of provisions for contingent losses, net profit after tax was significantly lower than budgeted.

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 11,193 staff members in the fully consolidated companies during the 2021 financial year (previous year: 10,777). This figure can be subdivided into 10,418 employees (previous year: 10,004), 454 trainees (previous year: 455), 290 temporary staff (previous year: 282), and 31 seasonal workers (previous year: 36). The increase was in line with expectations.

At the proportionately consolidated companies, 466 staff members were employed (previous year: 502). This figure can be subdivided into 425 employees (previous year: 462), 20 trainees (previous year: 17), and 21 temporary staff and seasonal workers (previous year: 23). Such a development had been expected.

At Stadtwerke München GmbH, electricity generation capacity from plants using renewable energies increased to 4,918 gigawatt-hours (previous year: 4,451 gigawatt-hours) and was thus in line with expectations. The main reason behind this increase was the expansion of the wind onshore segment following the commissioning of further parks in the Midgard wind park portfolio and the Austri Kjølberget wind park, as well as the acquisition of the Roan wind park. On the other hand, generation capacities in existing projects were below expectations.

Overall statement
After consideration of the one-off effects recorded in 2021, especially the Covid-19 pandemic and 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 were in line with expectations. Despite difficult circumstances, the electricity volume generated in plants using renewable energies was increased further, and net income was clearly positive.

3. Forecast, Risk, and Opportunity Report

Forecast report

In its 2021 autumn report, the Joint Economic Forecast Project Group assumes that the Covid-19 pandemic will continue to impact economic performance, with the adverse effects gradually easing over time. Accordingly, the year 2022 is expected to be characterised by a continued economic catch-up process. Against this background, the Project Group forecasts economic growth of 4.1%.

Once the spread of the pandemic has been curbed, the Project Group expects private consumption to return to normal, making a key contribution to the economic recovery. As supply bottlenecks decrease, production in the manufacturing sector should also increase, which, in turn, should lead to elevated capital expenditure and higher utilisation rates in the coming year. This progress should also be reflected in decreasing jobless rates and higher employment figures.

As in the 2021 financial year, both the demand for local public transport and for public pool offerings in the Munich metropolitan region will again mainly be determined by political decisions related to the Covid-19 pandemic in 2022.

As of the reporting date, SWM took the repercussions of the Covid-19 pandemic on the Mobility segment into account in the assumptions on which its plans for 2022 are based. The comparatively high energy prices that were observed recently have continued to climb in the wake of the Russia-Ukraine conflict. This is being reflected in rising revenues in all energy segments, especially in 2022. Sales volumes in the end customer business are expected to remain stable.

The sale of Spirit Energy's Norwegian activities and the exhaustion of existing UK fields will, in all likelihood, lead to a considerable reduction in oil and gas production beginning in 2022 – and the trend will continue to point down in subsequent years.

Given the delay in the commissioning of the gas-and-steam-turbine plant 2 at the "Süd" combined heat-and-power station, the first CHP grants for modernisation work in the power station portfolio are expected to be paid out in 2022.

On this basis, SWM envisages EBIT adjusted for one-off effects to come to roughly EUR 370 million on the 2022 reporting date. Net profit after tax is expected to

be clearly in positive territory. Due to rising operating costs required for maintaining its performance capabilities and the continuous expansion of its services in the Mobility segment, SWM expects EBIT to decline from 2023 onwards.

For 2022, SWM's plans provide for an average number of employees in fully consolidated companies that exceeds the previous year's level. Due to the acquisition of a wind park and the commissioning of a number of construction projects, electricity generation from renewable energies is to be significantly higher than in the previous year.

In light of the subsequent events that occurred after the reporting date, the management has once again validated its forecast. For the 2021 annual financial statements, it adheres to its projections. Given the Russia-Ukraine crisis, the forecast for the 2022 financial year is, however, 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 2021 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 repercussions of the Covid-19 pandemic, the consequences of the war that has broken out between Russia and Ukraine, and the volatile and rising energy prices, as well as 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 2022 are mainly associated with the risks arising from the pandemic, which 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. If energy prices remain at very high levels, negative impacts on economic performance cannot be ruled out. In addition, the Russia-Ukraine conflict might affect the economy, e.g. in the event of restrictions of physical energy deliveries from Russia.

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, the Russia-Ukraine conflict, 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. Given the high gas and coal imports from Russia, there is, moreover, the risk that physical deliveries of procured gas and coal volumes may no longer be possible, which, in turn, might lead to a situation in which a reliable supply to our electricity, gas, and district heating customers can no longer be guaranteed. In the event of a gas embargo, suppliers might become insolvent. Given the significant rise in energy prices, any supplier default would lead to high replacement costs.

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. The Covid-19 pandemic triggered a pronounced price slump in the financial markets in the first quarter of 2020, followed by a rebound that continued in 2021. As long as the Covid-19 pandemic has not been overcome, elevated financial risks continue to exist due to significantly more volatile markets and the associated valuation of assets. In addition, the price increases and high volatility in the energy markets are leading to higher credit risks that might have a negative impact on the company.

Thanks to 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. Changes in the tax framework may also have a negative impact on SWM.

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.

Technology and participation risks
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 and oil exploration bear the risk of finding the commodity as well as 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 and oil exploration via the Spirit Energy joint venture. In 2021, initial steps were taken towards a reduction in Spirit Energy's portfolio. Once the relevant sales agreements have been finalised, Spirit Energy's activities will essentially be limited to the UK and Dutch business that is focused on natural gas and the associated risk. Gas and oil production involves the strategic risk of an inability to respond adequately to changes in the market environment (e.g. regulatory developments due to increasing climate awareness).

The dismantling of the "Isar 2" joint power station involves cost risk for which the plant's owners, PreussenElektra, Hanover, and SWM, are liable. The dismantling costs expected at the current juncture are fully covered by the associated provisions.

Operational and project 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 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.

The risks of existing plants are minimised through regular maintenance, high safety standards, emergency plans, and many other quality assurance measures and independent audits.

Transport sector risks
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. Recruitment of qualified operating staff and engineers continues to be a challenge. This may lead to a situation in which approved service expansion measures and the realisation of construction work become delayed. 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. Furthermore, there are technical risks in the areas of the transport infrastructure and transport supplies. 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. This is due to unresolved issues regarding the funding of parts of the infrastructure and the additional operating costs that must be expected. This is one of the reasons why we are seeking direct contract awards by the City of Munich from 2025 onwards. Such an approach will secure the state-aid level, but will not provide a solution to the challenges arising from the existing financial shortfalls or funding issues.

Should the Covid-19 pandemic and any ensuing measures continue to make themselves felt throughout the year 2022, the Mobility segment would be subject to a high risk of declining earnings due to lower passenger numbers and the resultant decrease in revenues compared to regular operation.

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. 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 were in the 2021 financial year and early 2022, elevated sales and procurement risks will continue to exist, which may be reflected in decreasing revenues and rising expenses. In addition, the Russia-Ukraine crisis gives rise to the risk that contractually procured volumes may not be delivered physically, preventing the orderly supply of gas, electricity, and district heating to customers.

Personnel risks
In the years ahead, many professional and managerial staff members will reach the statutory retirement age. At the same time, SWM is seeing signs of emerging bottlenecks in the 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
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.

As an operator of critical infrastructure, SWM faces the risk of becoming the target of deliberate cyber attacks. Cyber security and the continuous safeguarding of IT systems are ensured through numerous organisational measures in all business segments.

Overall assessment
No risks that might pose a potential threat to the continued existence of SWM as an ongoing concern arose in 2021, and none have been identified for 2022. Against the background of major upheavals in the energy sector, unstable political framework conditions, continuous fluctuations in the energy and financial markets, decreasing margins, and economic and technical risks associated with investments in renewable energies and in gas extraction continue to pose considerable challenges. Elevated risk factors will continue to exist as long as the Covid-19 pandemic has not been overcome.

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 continue to 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 are promising. An additional focus is 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. In addition, SWM can seize the growing market opportunities in the development of eco-friendly utility services for areas and quarters.

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 cooling products play an increasingly important role, 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 continuing and politically supported trend towards decentralisation of the energy supply offers considerable growth potential in the area of decentralised energy solutions (e. g. photovoltaic and storage systems), which SWM also seeks to tap in the future by expanding its product and service range and boosting volume growth. Similarly, the legal framework conditions and, by extension, the prospects of success are improving for more complex offers such as tenant electricity models.

The electromobility market has gained considerable momentum. 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 therefore 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 pursues a comprehensive and targeted approach in its role of 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 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 grow in 2021. 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, 28 March 2022

Stadtwerke München GmbH

Dr Florian Bieberbach
Chief Executive Officer

Werner Albrecht
Director, Personnel and Social Affairs

Ingo Wortmann
Director, Mobility

Helge-Uve Braun
Director, Technology

Consolidated Financial Statements

Consolidated Balance Sheet

in kEUR	Notes	31 Dec. 2021	31 Dec. 2020
Assets			
Non-current assets	1		
Intangible assets		138,539	96,207
Property, plant, and equipment		7,050,807	6,357,229
Financial assets		2,249,291	2,146,233
		9,438,637	**8,599,669**
Current assets			
Inventories	2	290,860	249,426
Receivables and other assets	3	1,793,132	1,226,052
Securities	4	211,594	434,921
Cash in banks	5	474,680	185,864
		2,770,266	**2,096,263**
Prepayments and accrued income	6	**55,656**	**51,801**
Positive difference of plan assets over pension liabilities	7	**2,025**	**15,299**
		12,266,584	**10,763,032**

Equity and liabilities			
Shareholders' equity	8		
Subscribed capital		485,000	485,000
Additional paid-in capital		5,651,665	5,580,503
Retained earnings		–664,681	–711,986
Non-controlling interests		190,145	147,489
		5,662,129	**5,501,006**
Special item for investment grants	9	**82,372**	**28,299**
Income grants received	10	**111,861**	**94,395**
Provisions and accruals	11	**2,579,659**	**2,143,383**
Liabilities	12	**3,560,933**	**2,740,333**
Deferred income	13	**221,167**	**214,604**
Deferred tax liabilities	14	**48,463**	**41,012**
		12,266,584	**10,763,032**

Consolidated Income Statement

in kEUR	Notes	2021	2020
Revenues		8,512,679	7,683,711
Electricity tax		–98,540	–98,312
Energy tax		–117,597	–101,989
Revenues, excluding electricity and energy tax	15	**8,296,542**	**7,483,410**
Increase or reduction in inventories of finished goods or work-in-progress		–2,343	–2,469
Other capitalised own work		79,373	61,724
Other operating income	16	542,716	343,433
Cost of materials	17	6,788,137	5,701,318
Personnel expenses	18	841,077	791,620
Depreciation and amortisation	19	528,753	490,805
Other expenses	20	571,890	425,116
Financial result	21	42,100	–521,951
Income tax	22	108,005	94,606
Net income		**120,526**	**–139,318**
Other taxes	22	19,981	11,604
Equalisation payment to non-controlling interests		1,123	1,123
Consolidated net income before profit transfer		**99,422**	**–152,045**
Profit transferred as a result of a profit transfer agreement	23	111,714	4,955
Consolidated net loss		**–12,292**	**–157,000**
Loss attributable to non-controlling interests		27,757	42,663
Consolidated profit (previous year: consolidated loss)		**15,465**	**–114,337**
Payment into retained earnings (previous year: withdrawal from retained earnings)		–15,465	114,337
Consolidated cumulative profit/loss		**0**	**0**

Consolidated Cash Flow Statement

	in kEUR	2021	2020
	Consolidated net income (before profit transfer and including profit/loss attributable to non-controlling interests)	99,422	–152,045
+/–	Depreciation netted with write-ups for fixed assets	471,311	1,004,629
+/–	Increase/decrease in provisions	368,805	–144,119
+/–	Other non-cash-effective expenses/income	72,449	–36,580
–/+	Increase/decrease in inventories, trade accounts receivable, as well as other assets not classified as investing or financing activities	–566,891	239,925
+/–	Increase/decrease in trade accounts payable and other liabilities not classified as investing or financing activities	754,601	70,034
–/+	Profits/losses from the disposal of fixed assets	–13,791	–9,708
+/–	Interest expenses/income	2,364	70,132
–	Other income from equity investments	–30,225	–16,820
+/–	Income tax expenses/credits	108,005	94,606
–/+	Income tax payments	–98,914	–170,201
	Cash flow from operating activities	**1,167,136**	**949,853**
+	Inflows from disposals of property, plant, and equipment	23,304	40,568
–	Outflows for investments in property, plant, and equipment	–879,344	–1,086,828
+	Inflows from disposals of intangible assets	240	0
–	Outflows for investments in intangible assets	–10,104	–20,407
+	Inflows from disposals of financial assets	100,754	347,313
–	Outflows for investments in financial assets	–219,168	–125,485
+	Interest received	108,254	32,328
+	Dividends received	30,225	16,820
	Cash flow from investing activities	**–845,839**	**–795,691**
+	Inflows from additions to shareholders' equity	59,448	45,591
+	Inflows from net borrowings	96,944	112,494
–	Outflows for the redemption of borrowings	–388,651	–173,311
+	Inflows from grants received	31,540	12,346
–	Interest paid	–67,677	–57,657
–	Outflows to shareholders of the parent company	–4,955	–100,000
+/–	Contributions from/payments to other shareholders	–1,574	4,263
	Cash flow from financing activities	**–274,925**	**–156,274**
Net change in cash and cash equivalents		**46,372**	**–2,112**
Changes in cash and cash equivalents due to consolidation group		19,117	0
Cash and cash equivalents at the start of the period		620,785	622,897
Cash and cash equivalents at the end of the period		**686,274**	**620,785**

Breakdown of cash and cash equivalents

in kEUR	2021	2020
Liquid assets	474,680	185,864
Securities held as current assets	211,594	434,921
	686,274	**620,785**

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. 2020	**485,000**	**5,534,912**	**–550,063**	**20,691**	**0**	**5,490,540**
Consolidated result before profit transfer					–109,382	–109,382
Profit transfer					–4,955	–4,955
Consolidated net loss/ net income					–114,337	–114,337
Payment into addi-tional paid-in capital		45,591				45,591
Net loss compensation			–114,337		114,337	0
Currency translation differences				–68,277		–68,277
Other changes in non-controlling interests						0
As of 31 Dec. 2020	**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 income/net loss					15,465	15,465
Payment into additional paid-in capital		71,162				71,162
Transfer of cumulative profit			15,465		–15,465	0
Currency translation differences				31,840		31,840
Changes in the consolidation group		0				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**

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	
193,111	**2,532**	**–8,012**	**187,631**	**5,678,171**
		–42,663	–42,663	–152,045
			0	–4,955
		–42,663	–42,663	–157,000
			0	45,591
			0	0
	–1,742		–1,742	–70,019
–3,749		8,012	4,263	4,263
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**

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 2021 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 Section 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 33 (previous year: 30) fully consolidated subsidiaries in which Stadtwerke München GmbH directly or indirectly holds a majority of voting rights.

As of 1 January 2021, the following companies were fully consolidated for the first time:

- Austri Kjølberget DA (Kjølberget)
- Windfarm Polska III sp. z o.o. (Polska III)

In accordance with Section 296 (2) HGB, Kjølberget and Polska III had not been included in the consolidated financial statements in the previous year.

Proportional consolidation of Marquesado Solar, S.L. (Marquesado) commenced during the financial year under review in accordance with Section 310 HGB. Following the acquisition of additional shares by Stadtwerke München GmbH, the company had become a subsidiary by the reporting date and was fully consolidated as of 31 December 2021.

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

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

A total of 20 (previous year: 21) 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.

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 2021).

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 financial statements of the associated companies wpd europe GmbH and Spirit Energy Limited 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 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.

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.

Since 2018, costs of purchase or production of independently usable depreciable movable non-current assets have been immediately expensed in the year of acquisition if their costs of purchase or production, adjusted for input VAT, do not exceed EUR 250.00 (previous limit: EUR 150.00).

Since 2018, independently usable depreciable movable non-current assets whose costs of purchase or production exceed EUR 250.00 but not EUR 800.00 have been written off immediately (previous limit: EUR 150.00 to EUR 410.00).

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 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 tariffs and an assumed consumption behaviour. The relevant receivables were extrapolated as of 31 December 2021 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 2021	Net present value method 2020	Projected unit credit method 2021	Projected unit credit method 2020
Interest rate in accordance with the RückAbzinsV for the past 10 years in %	1.87	2.30	1.87	2.30
Interest rate in accordance with the RückAbzinsV for the past 7 years in %	1.35	1.60	1.35	1.60
Salary and benefits growth in %	1.80–2.80	1.68–2.00	–	–
Career trend in %	0.50	0.50	–	–
Pension growth in %	1.80–2.80	1.68–2.00	1.50	1.50
Difference of plan assets over pension liabilities pursuant to Section 253 (6) HGB in kEUR	45,971		124	

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).

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 2021	Net present value method 2020	Net present value method 2021	Net present value method 2020	Net present value method without minimum age 2021	Net present value method without minimum age 2020
Interest rate in accordance with the RückAbzinsV for the past 7 years in %	0.30	0.44	1.35	1.60	1.35	1.60
Salary and benefits growth in %	1.40–2.00	1.40–2.00	–	–	–	–
Trend in contribution ceiling in %	–	–	2.00	2.00	–	–
Remuneration growth in %	–	–	1.40–3.00	1.40–3.00	–	–
Trend in contribution cost in %	–	–	–	–	2.00	2.00
Trend in net present value premiums in %	–	–	–	–	2.00	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.

Reinsurance policies exist for semi-retirement obligations. These policies are recognised at fair value pursuant to Section 253 (1) sentence 4 HGB and have been pledged. In accordance with Section 246 (2) sentence 2 HGB, semi-retirement obligations are netted with the asset value of the reinsurance cover.

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 0.30 % (previous year: 0.44 %) and 1.49 % (previous year: 1,77 %). Price increases of 2.00 % (previous year: 3.02 %) were taken into account.

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 EUR 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 (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 2021 financial year are shown in a separate overview (movements in non-current assets) in the notes to the financial statements.

Financial assets include individual items which are shown with a carrying amount of kEUR 14,579, but for which the fair value as of the reporting date amounted to kEUR 8,860. No impairment has been recognised because these are essentially securities that were to generate continuous income under typical market conditions and will return to their original value over the long term.

2. Inventories

in kEUR	As of 31 Dec. 2021	As of 31 Dec. 2020
Raw materials and supplies (including nuclear fuel rods)	204,629	202,732
Unfinished products, unfinished services	11,002	12,689
Finished products and goods	74,503	34,004
Advance payments	726	1
	290,860	**249,426**

Of raw materials and supplies, kEUR 11,713 related to nuclear fuel rods (previous year: kEUR 13,735).

3. Receivables and other assets

in kEUR	As of 31 Dec. 2021	Thereof remaining term > 1 year	As of 31 Dec. 2020	Thereof remaining term > 1 year
Trade accounts receivable	1,038,664	631	684,695	709
Accounts due from affiliated companies	7,146	0	226,215	0
Accounts due from other companies in which participating interests are held	22,971	0	23,314	0
Receivables due from the shareholder	0	0	24,815	0
Other assets	724,351	3,555	267,013	11,144
	1,793,132	**4,186**	**1,226,052**	**11,853**

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 69,655 due to the shareholder.

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 essentially comprised emoluments paid in advance for January 2022 as well as construction cost grants. A discount on issued debt of kEUR 814 (previous year: kEUR 1,117) was 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, were offset with these liabilities.

In the 2021 financial year, a positive difference of kEUR 2,025 by which plan assets exceeded pension liabilities was calculated overall. The amortised cost of the assets amounted to kEUR 13,727, the fair value of the cover assets eligible for offsetting stood at kEUR 15,326, and the settlement amount for the offset liabilities came to kEUR 13,301.

Interest expenses from the valuation of pension liabilities amounted to kEUR 20. Income from assets eligible for offsetting came to kEUR 42.

8. Shareholders' equity

in kEUR	As of 31 Dec. 2021	As of 31 Dec. 2020
Subscribed capital	485,000	485,000
Additional paid-in capital	5,651,665	5,580,503
Retained earnings	–648,935	–664,400
Difference in shareholders' equity from currency translation	–15,746	–47,586
Minority interests	190,145	147,489
	5,662,129	**5,501,006**

The increase in additional paid-in capital was mainly due to contributions of kEUR 59,448 and the in-period addition of kEUR 11,714 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 15,465 for the financial year under review were allocated to retained earnings.

9. Special item for investment grants
The special item comprises the capital grants received before 2010 and since 2021. 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. 2021	As of 31 Dec. 2020
Pension provisions	751,682	758,356
Tax provisions	158,821	193,568
Provisions for disposal for nuclear power operations	375,365	407,821
thereof post-shutdown and residual operation	156,846	172,329
thereof phasing-out	98,113	108,921
thereof residue and waste management	120,406	126,571
Other accruals and provisions	1,293,791	783,638
	2,579,659	**2,143,383**

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 2021 financial year, the provisions resulting from offsetting cover assets with pension liability totalled kEUR 22,553. The amortised costs of the assets amounted to kEUR 15,574, the fair value of the cover assets eligible for offsetting stood at kEUR 15,067, and the settlement amount for the offset liabilities came to kEUR 37,620.

Interest expenses from the valuation of pension liabilities amounted to kEUR 342. Income from assets eligible for offsetting came to kEUR 116.

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 436,467), contingent losses (kEUR 342,856), and personnel obligations (kEUR 136,473).

12. Liabilities

in kEUR	As of 31 Dec. 2021	Thereof remaining term up to 1 year	Thereof remaining term 1–5 years	Thereof remaining term > 5 years	As of 31 Dec. 2020	Thereof remaining term up to 1 year	Thereof remaining term 1–5 years	Thereof remaining term > 5 years
Bank borrowings	1,750,371	462,767	913,087	374,517	2,041,768	279,462	1,371,569	390,737
Advance payments received	17,539	17,539	0	0	24,554	24,554	0	0
Trade accounts payable	469,220	468,080	1,140	0	374,583	372,302	2,281	0
Accounts due to affiliated companies	2,732	2,732	0	0	2,863	2,863	0	0
Accounts due to other companies in which participating interests are held	435	435	0	0	5	5	0	0
Liabilities due to the shareholder	116,777	116,777	0	0	0	0	0	0
Other liabilities	1,203,859	1,048,428	135,635	19,796	296,560	257,767	19,907	18,886
thereof: for taxes	70,480	68,032	0	2,448	32,615	31,349	1,266	0
thereof: for social security	75	75	0	0	87	87	0	0
	3,560,933	**2,116,758**	**1,049,862**	**394,313**	**2,740,333**	**936,953**	**1,393,757**	**409,623**

All liabilities are unsecured. Accounts due to affiliated companies and to other companies in which participating interests are held related to trade accounts payable. Liabilities due to the shareholder essentially include other liabilities from the profit transfer agreement concluded by Stadtwerke München GmbH (kEUR 100,000) as well as trade accounts payable.

As offsetting is permissible, receivables due from the shareholder were offset against liabilities of kEUR 69,655 due to the shareholder.

On the reporting date, credit lines totalling kEUR 874,466 existed. kEUR 63,400 thereof can be used as both cash loans or sureties and kEUR 84,615 as sureties only. Out of the total amount, kEUR 36,364 were drawn on the reporting date as sureties only and kEUR 14,905 were drawn as credit lines that can be used as both cash loans and sureties. Credit lines with a total volume of kEUR 500,000 had a maximum maturity until April 2026.

13. Deferred income

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

14. Deferred taxes

Deferred tax liabilities mainly resulted from consolidation measures recognised in the income statement. Calculations were based on the same tax rate as in the previous year, i.e. 30.0 %.

Notes to the income statement

15. Revenue

Revenues can be broken down as follows:

in kEUR	2021	2020
Electricity	3,038,804	2,957,455
Electricity tax	–98,540	–98,312
Electricity, excluding electricity tax	**2,940,264**	**2,859,143**
Natural gas	3,842,073	3,123,544
Energy tax	–117,597	–101,989
Natural gas, excluding energy tax	**3,724,476**	**3,021,555**
District Heating	391,062	351,199
Water	174,673	172,354
Public Transport	381,137	438,799
Public Pools	6,964	9,303
Telecommunications	273,178	271,446
Other revenues	404,788	359,611
	8,296,542	**7,483,410**

16. Other income

Other operating income included income attributable to other periods from the reversal of provisions of kEUR 78,361, income from asset disposals of kEUR 19,733, and income of kEUR 36,700 from write-ups on loans to companies in which SWM holds participating interests.

Other operating income included payments of kEUR 215,330 from the rescue package for local public transport companies. This includes an amount of kEUR 14,207 that was granted for 2020.

Foreign currency translation gains amounted to kEUR 7,326 (previous year: kEUR 20,838).

17. Cost of materials

in kEUR	2021	2020
Cost of raw materials and supplies and for purchased products	5,955,970	4,911,699
Costs of purchased services	832,167	789,619
	6,788,137	**5,701,318**

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	2021	2020
Wages and salaries	667,898	634,837
Social security, pension, and other benefit costs	173,179	156,783
thereof: for pensions	41,248	32,614
	841,077	**791,620**

On average, 11,193 persons were employed in the Group at the fully consolidated companies during the 2021 financial year (previous year: 10,777). This figure can be subdivided into 10,418 employees (previous year: 10,004), 454 trainees (previous year: 455), 290 temporary staff (previous year: 282), and 31 seasonal workers (previous year: 36).

At the proportionately consolidated companies, 466 staff members were employed (previous year: 502). This figure can be subdivided into 425 employees (previous year: 462), 20 trainees (previous year: 17), and 21 temporary staff and seasonal workers (previous year: 23).

19. Depreciation and amortisation

in kEUR	2021	2020
Depreciation and amortisation	539,318	497,056
less the depreciation allowance adjustment of investment grants	10,565	6,251
	528,753	**490,805**

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

As in the previous year, no unscheduled impairments were posted under depreciation and amortisation in the financial year under review.

20. Other expenses

Other operating expenses included expenses attributable to other periods from asset disposals of kEUR 5,942.

Currency translation losses amounted to kEUR 9,928 (previous year: kEUR 18,542).

21. Financial result

in kEUR	2021	2020
Income from other investments	22,941	11,074
Income from profit transfer agreements	7,291	5,746
Income from other long-term securities and loans held as financial assets	106,340	33,530
Other interest and similar income	8,998	17,559
thereof: from discounting	51	10
Income from associated companies	25,452	–456,713
Write-downs on financial assets and marketable securities held as current assets	–11,213	–11,926
Expenses arising from loss absorption	–7	0
Interest and similar expenses	–117,702	–121,221
thereof: from compounding	–57,642	–62,734
thereof: from interest on external loans	–39,430	–46,514
	42,100	**–521,951**

22. Taxes

in kEUR	2021	2020
Income taxes	102,490	101,093
Deferred taxes	5,515	–6,487
	108,005	**94,606**
Other taxes	19,981	11,604
	127,986	**106,210**

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 111,714 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 25,280 was attributable to proportionately consolidated companies (previous year: kEUR 13,488).

Information concerning proportionately consolidated companies (pro-rata figures)

in kEUR	Long-term	Short-term
Assets	761,311	140,558
Liabilities	125,376	124,665

in kEUR	Operating	Other
Costs	822,635	22,427
Income	901,434	7,216

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.

An extended netting unit (pursuant to the IDW RS ÖFA 3 standard promulgated by the Institute of Public Auditors in Germany) has been formed for electricity generation portfolios. It relates 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 unit are aggregated. This extended netting unit generated a positive contribution margin, so no provisions for contingent losses had to be set aside at the 31 December 2021 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 the standard customer segment (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 unit are aggregated. This extended netting unit did not result in any provisions for contingent losses at the 31 December 2021 reporting date.

The expected highly likely transactions included in the extended netting unit 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) 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, oil, CO_2, and diesel. These hedges are categorised according to time bands (annual tranches) 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]	20.3	1,021,966
Gas [TWh]	177.3	7,767,839
Oil [kt]	0.3	9,875
Diesel [kt]	9.3	0

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 five-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 2026. 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	330,449	0	–13,012
Index-related transactions	5,044	0	–925
Other transactions	32,229	1,115	–131,882
Total	**367,722**	**1,115**	**–145,819**

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 2021, a provision for valuation units totalling kEUR 44,541 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	327,862	498	–34,395
Currency-related transactions	191,748	15	–4,596
Other transactions	211,889	18,630	–204,286
Total	**731,499**	**19,143**	**–243,277**

The derivative financial instruments comprised the following types:

in kEUR	Nominal value	Derivatives with positive fair value	Derivatives with negative fair value
Options	90,000	0	–14,779
Swaps	358,205	498	–23,227
Foreign exchange forward contracts	71,405	15	–985
Forward/future	211,889	18,630	–204,286
Total	**731,499**	**19,143**	**–243,277**

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 250,198 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 2021:

in kEUR Security	Carrying amount	Value pursuant to Section 36 German Capital Investment Code (KAGB)	Market value less carrying amount	Dividend payout in FY 2021
Master funds	1,224,426	1,371,696	147,270	87,061

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 2021, the salary total that is relevant for levy purposes was kEUR 402,013.
- The order commitments in the Group amount to a total of kEUR 618,227. Of this amount, kEUR 4,656 is attributable to companies included on a proportional basis.
- Other financial obligations in the amount of kEUR 2,222,630 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 1,484,646 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	435,068

One subsidiary had issued five letters of comfort, with a volume of around kEUR 29,195 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 2021 financial year amounted to kEUR 1,696 (previous year: kEUR 1,698). The amount paid to former Management Board members (retirement benefits and benefits for surviving dependants) was kEUR 967 (previous year: kEUR 1,036). Provisions of kEUR 16,416 (previous year: kEUR 15,876) had been set aside for pension obligations due to former Management Board members.

The emoluments paid to the Supervisory Board amounted to kEUR 63 (previous year: kEUR 68) in the 2021 financial year.

Auditor's fee
Of the total fee of kEUR 1,046 charged by the auditor of the consolidated financial statements for the financial year under review, kEUR 419 related to work performed in the auditing of the financial statements, kEUR 9 to other attestation services, kEUR 437 to tax consulting services, and kEUR 181 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 Federal Gazette.

Subsequent events after the reporting period
In February, tensions between Russia and Ukraine continued to increase. In response to Russia's attack on Ukraine on 24 February 2022, the European Union, the United States, and other countries have imposed sanctions against Russia and certain individuals. These measures will be adjusted to ongoing developments over time. The continued escalation in Ukraine is giving rise to numerous risks that might impact the company.

To identify potential risks for SWM early on and facilitate the initiation of suitable measures, a crisis task force linked to the Group's Management Board has already performed regular deep dives into developments in the energy markets since October 2021. In early 2022, the list of topics addressed by this task force was expanded to include the issues of supply reliability and cyber security.

Risks are notably seen in the continuous rise and volatility of energy prices, which might lead to significantly higher contingent losses and impact earnings in subsequent years. In addition, rising prices and high volatility result in an increase in credit risks, which might have a negative effect on SWM. Import restrictions or a cutback in supply volumes by Russia might prevent the physical delivery of procured gas and coal volumes, which could impair supply reliability for our electricity, gas, and district heating customers. To mitigate the risk of insufficient physical deliveries, SWM has decided to postpone the envisaged conversion from coal to gas at the "Nord" cogeneration plant. In addition, the management sees the risk of deliberate cyber attacks against SWM as an operator of critical infrastructure.

At the current juncture, the concrete repercussions of any further escalation of the war and potential consequences for the economy and society are not foreseeable. For this reason, the management is monitoring and evaluating the current developments on a daily basis.

Overall, however, SWM does not consider supply reliability or its liquidity situation to be jeopardised and has not identified any events that might give rise to major uncertainties.

After the reporting date, a settlement was concluded with a bank regarding claims for damages on grounds of incorrect advice.

No other events with major financial implications occurred 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

Christoph Frey, Professional City Councillor

Christine Kugler, Professional City Councillor

Simone Burger, sociologist, Honorary City Councillor

Mona Fuchs, Honorary City Councillor

Dominik Krause, physicist, Honorary City Councillor

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

Prof Dr Hans Theiss, medical doctor, Honorary City Councillor

Nadine Ackermann, project manager, graduated geographer

Christoph Bieniek, senior executive

Heinrich Birner, trade union director, ver.di Munich district

Klaus Gegenfurtner, subway operations centre shift supervisor

Cornelius Müller, Works Council Chairman

Franz Schütz, trade union secretary

Gertraud Wegertseder, Works Council member

Management Board

Chief Executive Officer
Dr Florian Bieberbach

Director, Personnel and Social Affairs
Werner Albrecht

Director, Mobility
Ingo Wortmann

Director, Technology
Helge-Uve Braun

Munich, 28 March 2022

Stadtwerke München GmbH

Dr Florian Bieberbach
Chief Executive Officer

Werner Albrecht
Director, Personnel and Social Affairs

Ingo Wortmann
Director, Mobility

Helge-Uve Braun
Director, Technology

Movements in non-current assets 2021

	Cost of acquisition/production						
in kEUR	As of 1 Jan 2021	Currency translation differences	Changes in the consolidation group	Additions	Disposals	Transfers (+/–)	As of 31 Dec. 2021
I. Intangible assets							
1. Purchased trademarks, patents, licences, and similar rights	274,880	0	308	9,083	7,881	22,973	299,363
2. Goodwill	167,914	0	39,839	0	0	0	207,753
3. Advance payments	4,010	0	22	1,021	0	–3,502	1,551
	446,804	**0**	**40,169**	**10,104**	**7,881**	**19,471**	**508,667**
II. Property, plant, and equipment							
1. Land, leasehold rights, and buildings including buildings on non-owned land	2,446,040	0	1,234	30,528	823	59,369	2,536,348
2. Generation, production, and sourcing installations	4,402,063	40,253	236,285	18,619	63	475,224	5,172,381
3. Distribution installations	5,298,253	0	0	77,282	10,055	148,196	5,513,676
4. Track, line equipment, and safety equipment	596,886	0	0	18	6,474	5,310	595,740
5. Rolling stock for passenger services	924,932	0	0	71,636	7,305	26,644	1,015,907
6. Other technical equipment, plant, and machinery	779,495	0	310	32,861	15,177	20,682	818,171
7. Operational and office equipment	400,825	0	243	62,828	19,639	20,169	464,426
8. Advance payments and construction in progress	1,785,350	1,597	162,906	585,572	2,954	–775,065	1,757,406
	16,633,844	**41,850**	**400,978**	**879,344**	**62,490**	**–19,471**	**17,874,055**
III. Financial assets							
1. Shares in affiliated companies	225,228	0	–48,302	1,836	9,995	0	168,767
2. Loans due from affiliated companies	13,737	0	–21,597	100	2,655	21,597	11,182
3. Equity investments in associated companies	1,315,503	0	0	0	0	0	1,315,503
4. Other investments	88,052	306	121	69,559	2,426	0	155,612
5. Loans due from companies in which participating interests are held	266,532	0	0	7,065	31,491	0	242,106
6. Securities held as fixed assets	1,202,849	0	1,854	140,608	51,214	0	1,294,097
7. Other loans	28,576	0	0	0	2,973	–21,597	4,006
	3,140,477	**306**	**–67,924**	**219,168**	**100,754**	**0**	**3,191,273**
Total	**20,221,125**	**42,156**	**373,223**	**1,108,616**	**171,125**	**0**	**21,573,995**

Cumulative depreciation/amortisation								Carrying amounts	
As of 1 Jan. 2021	Currency translation differences	Changes in the consolidation group	Additions	Disposals	Write-ups	Transfers (+/–)	As of 31 Dec. 2021	As of 31 Dec. 2021	As of 31 Dec. 2020
235,345	0	239	20,157	7,641	0	0	248,100	51,263	39,535
115,252	0	0	6,776	0	0	0	122,028	85,725	52,662
0	0	0	0	0	0	0	0	1,551	4,010
350,597	**0**	**239**	**26,933**	**7,641**	**0**	**0**	**370,128**	**138,539**	**96,207**
1,514,289	0	34	52,367	422	0	–1	1,566,267	970,081	931,751
2,764,721	12,981	89,716	195,084	1	15,629	0	3,046,872	2,125,509	1,637,342
4,092,731	0	0	110,398	8,023	0	0	4,195,106	1,318,570	1,205,522
485,363	0	0	13,216	6,474	0	0	492,105	103,635	111,523
604,274	0	0	39,178	7,306	0	–87	636,059	379,848	320,658
533,525	0	64	48,710	13,306	0	87	569,080	249,091	245,970
281,712	0	114	53,377	17,445	0	1	317,759	146,667	119,113
0	0	0	0	0	0	0	0	1,757,406	1,785,350
10,276,615	**12,981**	**89,928**	**512,330**	**52,977**	**15,629**	**0**	**10,823,248**	**7,050,807**	**6,357,229**
32,246	0	0	9,820	0	0	0	42,066	126,701	192,982
0	0	0	0	0	0	0	0	11,182	13,737
771,838	0	0	62,700	0	88,152	0	746,386	569,117	543,665
58	0	61	10	0	0	0	129	155,483	87,994
180,386	0	0	0	0	36,700	0	143,686	98,420	86,146
9,716	0	0	0	0	1	0	9,715	1,284,382	1,193,133
0	0	0	0	0	0	0	0	4,006	28,576
994,244	**0**	**61**	**72,530**	**0**	**124,853**	**0**	**941,982**	**2,249,291**	**2,146,233**
11,621,456	**12,981**	**90,228**	**611,793**	**60,618**	**140,482**	**0**	**12,135,358**	**9,438,637**	**8,599,669**

Affiliated companies and major equity participations

(in accordance with Section 313 (2) HGB)

Company and registered office		Share capital 31 Dec. 2021		Share-holders' equity	Last annual net income
	%	in kEUR	Year	in kEUR	in kEUR
Affiliated companies (fully consolidated)					
LHM Services GmbH, Munich	100	25	2021	25	0[1]
Münchner Verkehrsgesellschaft mbH (MVG), Munich	100	50,000	2021	50,110	0[1]
SWM Gasbeteiligungs GmbH, Munich	100	25	2020	544,078	–567,730
SWM Bayerische E&P Beteiligungsgesellschaft mbH, Munich	*100*	*1,000*	*2020*	*270,094*	*–518,794*
SWM Infrastruktur GmbH & Co. KG, Munich	100	10,300	2021	649,603	0[1]
SWM Infrastruktur Verwaltungs GmbH, Munich	100	25	2021	25	0[1]
SWM Kundenservice GmbH, Munich	100	100	2021	113	–17[1]
SWM Services GmbH, Munich	100	10,000	2021	10,170	–78[1]
M-net Telekommunikations GmbH, Munich	*63.84*	*1,594*	*2020*	*63,529*	*13,140*
SWM Versorgungs GmbH, Munich	100	10,000	2021	10,015	–4[1]
SWM Erneuerbare Energien Norwegen GmbH, Munich	100	25	2020	133,207	–20
SWM Erneuerbare Energien Skandinavien GmbH & Co. KG, Munich	100	5	2020	104,918	–21
Austri Kjølberget DA, Søre Osen (Norway)	*60*	*38,905*[5]	*2020*	*67,598*	*–963*
Austri Raskiftet DA, Søre Osen (Norway)	*60*	*77,012*[5]	*2020*	*140,022*	*–5,596*
SWM UK Wind One Limited, Tunbridge Wells (UK)	100	361,223[3]	2020	385,242[3]	20,988[3]
GyM Offshore One Limited, Tunbridge Wells (UK)	*100*	*173,321*[3]	*2020*	*195,443*[3]	*9,093*[3]
GyM Offshore Two Limited, Tunbridge Wells (UK)	*100*	*115,193*[3]	*2020*	*130,437*[3]	*6,161*[3]
GyM Offshore Three Limited, Tunbridge Wells (UK)	*100*	*57,615*[3]	*2020*	*65,170*[3]	*3,045*[3]
Sidensjö Vindkraft AB, Gothenborg (Sweden)	100	11	2020	23,991	–6,350
Sidensjö Vindkraft Elnät AB, Gothenborg (Sweden)	*100*	*5*	*2020*	*12,887*	*0*[1]
Windfarm Polska III sp. z o.o., Koszalin (Poland)	100	50[4]	2020	–17,740[4]	–14,970[4]
Midgard Vind Holding AS, Trondheim (Norway)	*70*	*211*	*2020*	*187,088*	*1,613*
Frøya Vind AS, Trondheim (Norway)	*100*	*30*	*2020*	*6,424*	*–729*
Hundhammerfjellet AS, Trondheim (Norway)	*100*	*30*	*2020*	*6,855*	*–415*
Midgard Vind AS, Trondheim (Norway)	*100*	*3*	*2020*	*29,935*	*–1,845*
Stokkfjellet AS, Trondheim (Norway)	*100*	*30*	*2020*	*9,380*	*–338*
Sørmarkfjellet AS, Trondheim (Norway)	*100*	*30*	*2020*	*12,518*	*–408*
Ytre Vikna 1 AS, Trondheim (Norway)	*100*	*3*	*2020*	*17,354*	*–845*
Marquesado Solar, S.L., Aldeire-La Calahorra (Spain)	61.91	40	2020	103,864	6,541
Bayerngas GmbH, Munich	*56.3*	*51,062*	*2020*	*151,975*	*–83,875*
bayernets GmbH, Munich	*91.49*	*1,548*	*2020*	*150,211*	*0*[1]
Bayerngas Energy GmbH, Munich	*100*	*22,200*	*2020*	*25,900*	*0*[1]
bayernugs GmbH, Munich	*100*	*100*	*2020*	*100*	*0*[1]

Company and registered office		Share capital 31 Dec. 2021		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	2020	13,455	3,293
eta Energieberatung GmbH, Pfaffenhofen an der Ilm	100	25	2020	3,357	0[1]
Hanse Windkraft GmbH, Hamburg	100	25	2020	6,001	0[1]
QuartiersNetz Bayern GmbH, Munich	100	25	x	x	x
SWM 50 MW Windpark Portfolio GmbH & Co. KG, Bremen	100	3,950	2020	9,057	1,553
Lockstedt-Siestedt II Netzanschluss GbR, Bremen	*81.82*	*71*	*2020*	*78*	*0*
SWM Erneuerbare Energien Region Verwaltungs GmbH, Munich	100	25	2020	26	6
SWM Erneuerbare Energien Verwaltungsgesellschaft mbH, Munich	100	25	2020	234	209
SWM Wind Onshore Frankreich SAS, Nîmes (France)	100	18,100	2020	18,926	741
Portal München Betriebs-GmbH & Co. KG, Munich	97	3,200	2020	2,014	–536
Gasversorgung Germering GmbH, Germering	90	45	2020	4,063	1,006
SWM Wind Havelland Holding GmbH & Co. KG, Munich	75	8	2020	69,350	2,742
SWM Wind Havelland Umspannwerk GmbH, Bremen	*100*	*26*	*2020*	*–340*	*218*
SWM Wind Havelland Umspannwerk Holdinggesellschaft Wustermark GmbH & Co. KG, Bremen	*100*	*5*	*2020*	*961*	*3*
SWM Windpark Havelland GmbH & Co. KG, Bremen	*100*	*10,300*	*2020*	*10,300*	*5,278*
KommEnergie Gasnetz GmbH & Co. KG, Eichenau	74.9	15	2020	18,478	–11
KommEnergie Gasnetz Verwaltungs GmbH, Eichenau	74.9	19	2020	26	1
Praterkraftwerk GmbH, Munich	70	35	2020	2,960	–139
Münchner U-Bahn-Bewachungsgesellschaft mbH, Munich	51	13	2020	23	1
Portal München Verwaltungsgesellschaft mbH, Munich	51	15	2020	53	0
Joint ventures (consolidated pro rata)					
Energie Südbayern GmbH, Munich	50	15,400	2020	132,128	33,657
Energienetze Bayern GmbH & Co. KG, Munich	*50*	*17*	*2020*	*166,721*	*12,959*
Energienetze Bayern Management GmbH, Munich	*50*	*13*	*2020*	*5*	*–27*
DanTysk Sandbank Offshore Wind GmbH & Co. KG, Hamburg	49	13	2020	1,319,879	179,561
Participations in associated companies (consolidated at equity)					
bayernServices GmbH, Munich	50	100	2020	186	71
wpd europe GmbH, Bremen	33	62,700	2020	380,188	67,093
Spirit Energy Limited, Staines-upon-Thames (UK)	*31*	*5,921*[3]	*2020*	*1,397,000*[3]	*–710,000*[3]
Global Tech I Offshore Wind GmbH, Hamburg	24.9	249	2020	–235,652	–26,043

Company and registered office		Share capital 31 Dec. 2021		Share-holders' equity	Last annual net income
	%	in kEUR	Year	in kEUR	in kEUR
Major other participations					
GVH Gasversorgung Haar GmbH, Haar	50	153	2020	3,244	311
RegioNetzMünchen GmbH & Co. KG, Garching	50	5	2020	11,218	1,421
RegioNetzMünchen Verwaltungs GmbH, Garching	50	13	2020	28	1
UWB Umspannwerk Betriebsgesellschaft Etzin mbH, Halstenbek	*50*	*13*	*2020*	*–110*	*–4*
DanTysk Sandbank Offshore Wind Verwaltungs GmbH, Hamburg	49	13	2020	31	1
Gasversorgung Unterschleißheim GmbH & Co. KG, Unterschleißheim	49	10	2020	1,137	579
Gasversorgung Unterschleißheim Verwaltungs GmbH, Unterschleißheim	49	12	2020	28	2
Gehrlicher GmbH & Co. Solarpark Helmeringen KG, Sulzemoos	49	1,470	2020	4,190	1,558
GVI – Gasversorgung Ismaning GmbH, Ismaning	49	25	2020	2,626	461
Münchner Linien GmbH & Co. KG, Munich	49	76	2020	155	516
Stadtwerke Olching Gasnetz GmbH & Co. KG, Olching	49	10	2020	959	341
Stadtwerke Olching Gasnetz Verwaltungs GmbH, Olching	49	12	2020	29	1
TrønderEnergi Roan Holding AS, Trondheim (Norway)	49	14,700[2]	x	x	x
TrønderEnergi Vind AS, Trondheim (Norway)	*49*	*206*[2]	*2020*	*7,341*[2]	*–24,339*[2]
unlimited energy GmbH, Schönefeld	49	13	2020	–652	–1,219
VVG Verkehrsverwaltungs GmbH, Munich	49	12	2020	64	6
Gehrlicher GmbH & Co. Solarpark Rothenburg KG, Sulzemoos	40	6,000	2020	13,623	2,614
Windparks Gimbweiler & Mosberg Infrastruktur GbR, Bremen	*33.33*	*18*	*2020*	*55*	*2*
Awel y Môr Offshore Windfarm Ltd., Swindon (UK)	*30*	*5,677*[3]	*2020*	*12,496*[3]	*–406*[3]
Gwynt y Môr Offshore Windfarm Limited, Swindon (UK)	*30*	*0*[3]	*2020*	*–3,092*[3]	*–393*[3]
Gemeinschaftskernkraftwerk Isar 2 GmbH, Essenbach	25	13	2020	54	3
Mobility inside Holding GmbH & Co. KG, Frankfurt on the Main	21.82	0	2020	1,939	–1,673
Mobility inside Verwaltung GmbH, Frankfurt on the Main	20.02	10	2020	50	0

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. 2021: EUR 1 = NOK 10.02440/2021 annual average exchange rate: EUR 1 = NOK 10.16581
Exchange rate at 31 Dec. 2020: EUR 1 = NOK 10.49690/2020 annual average exchange rate: EUR 1 = NOK 10.72954
[3] Exception: in kGBP
Exchange rate at 31 Dec. 2021: EUR 1 = GBP 0.84133/2021 annual average exchange rate: EUR 1 = GBP 0.85975
Exchange rate at 31 Dec. 2020: EUR 1 = GBP 0.89555/2020 annual average exchange rate: EUR 1 = GBP 0.88939
[4] Exception: in kPLN
Exchange rate at 31 Dec. 2021: EUR 1 = PLN 4.58690/2021 annual average exchange rate: EUR 1 = PLN 4.56513
Exchange rate at 31 Dec. 2020: EUR 1 = PLN 4.56780/2020 annual average exchange rate: EUR 1 = PLN 4.44398
[5] A Norwegian DA does not have any fixed capital shares, so the paid-in capital of Austri Raskiftet DA is shown here.
x: Newly established in 2021

Independent Auditor's Report

To Stadtwerke München GmbH

Opinions
We have audited the consolidated financial statements of Stadtwerke München GmbH, Munich, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021, and the consolidated income statement for the fiscal year from 1 January to 31 December 2021, 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 2021. In addition, we have audited the group management report of Stadtwerke München GmbH, Munich, for the fiscal year from 1 January to 31 December 2021.

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 2021 and of its financial performance for the fiscal year from 1 January to 31 December 2021 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 Sec. 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.

Other information
The supervisory board is responsible for the report of the supervisory board. The executive directors are responsible for the other information. The other information comprises the following parts to be included in the annual report, of which we obtained a version prior to issuing this auditor's report, in particular:

- SWM Group in figures
- Letter from the Management Board
- Our strategy
- Report of the Supervisory Board

but not the consolidated financial statements, not the group management report disclosures whose content is audited and not our auditor's report thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the group management report
The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law, and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud 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 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 Sec. 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 control.
- 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 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 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.

Stuttgart, 31 March 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Kuhn	**Hofmann**
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Report of the Supervisory Board

During the 2021 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 the Covid-19 pandemic and the developments in the energy markets. 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.

Five meetings of the Supervisory Board were held during 2021. Its Preparatory Committee, responsible for preparing Supervisory Board meetings, convened in four meetings, the Personnel Committee met twice in 2021.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, the independent auditors appointed by decision of the Supervisory Board on 30 April 2021, 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 2021 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 on 28 April 2022. 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 2021 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 2021 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 2021.

Munich, 28 April 2022

The Supervisory Board

Dieter Reiter
Chairman

Contact and imprint

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Editing
SWM, Kirchhoff Consult AG

Basic layout
Kirchhoff Consult AG

Design
SWM

Print
MP Druck GmbH

Picture credits

Cover

	SWM
	GettyImages/Westend61

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